



## THE IMPORTANCE AND CHALLENGES OF RURAL ENTREPRENEUR IN INDIAN STARTUP

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### Abstract

The present study aims at analyzing the various opportunities and challenges of rural entrepreneur in India and also to find remedies from the various findings of the problems. Rural entrepreneurship implies entrepreneurship emerging in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. According to KVIC (Khadi and Village Industry Commission), "village industries or Rural industry means any industry located in rural areas, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees". Growth in the agriculture sector has shown a declining trend during the last one decade. This has made a huge impact on the domestic production, employment, etc. These problems can be tackled, to a certain extent, by developing entrepreneurship in Rural India. And with the initiation of Startups India, there is an urgent need for rural entrepreneur in India. Entrepreneurship could be the best option. If planted and nurtured in the minds of rural women and youth, It could result in revolutionizing the Indian economy. Rural entrepreneur is a key figure in economic progress of India. Rural entrepreneurship is the way of converting developing country into developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs. The problem is that most of the rural youth do not think of entrepreneurship as the career option. Therefore, the rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance.

**Keywords: Rural Entrepreneur, Opportunities, Challenges, Remedies and Agriculture.**

### Introduction

\*Prime Minister Shri Narendra Modi addressing the nation on the 69th Independence Day said, "We are looking at systems for enabling Startups. We must be number one Startups. Startup India; Stand Up India. The initiative, he said, will encourage entrepreneurship among the youth of India. Each of the 1.25 lakh bank branches should encourage at least one Dalit or tribal entrepreneur and at least one woman entrepreneur.

This initiative aims at fostering entrepreneurship and promoting innovation by creating an ecosystem that is conducive for growth of Start-ups. The objective is that India must become a nation of job creators instead of being a nation of job seekers. The Prime Minister of India formally launches the initiative on January 16, 2016 from Vigyan Bhawan, New Delhi. The event was attended by a vast number of young Indian entrepreneurs (over 2000) who have embarked on the journey of entrepreneurship through Start-ups.

As a key component of this "Start-up India" launch, Government of India is organized a global workshop on "Innovation and Start-ups" on January 16, 2016. Shri Narendra Modi, Prime Minister of India as the Chief Guest on the occasion. The workshop aims to provide a platform to bring together all stakeholders, stimulate dialogue on key challenges that the Indian innovation ecosystem currently faces, and provide the potential solutions to address them. Fostering a fruitful culture of innovation in the country is a long and important journey.

India is a country of villages. About three-fourth of India's population are living in rural areas out of which 75% of the labour force is still earning its livelihood from agriculture and its allied activities. Rural entrepreneurship has now becomes a major opportunity for the people who migrate from rural areas or semi - urban areas to Urban areas.

After over six decades of independence and industrialization in our country, still large part of population remains under poverty line. Agriculture continues to be the backbone of rural society.

### Meaning of Startups India and Rural Entrepreneur

A startup company (startup or start-up) is an entrepreneurial venture typically describing newly emerged, fast-growing business. Definition of the startup usually refers to a company, a partnership or an organization designed to rapidly develop scalable business model. Often, startup companies deploy advanced technologies, such as Internet, communication, robotics, etc. These companies are generally involved in the design and implementation of the innovative processes of the development, validation and research for target markets. The term became internationally widespread during the dot-com bubble when a great number of dot-com companies were founded.



A startup is a young company that is just beginning to develop. Startups are usually small and initially financed and operated by a handful of founders or one individual. These companies offer a product or service that is not currently being offered elsewhere in the market, or that the founders believe is being offered in an inferior manner.

Rural entrepreneurship implies entrepreneurship emerging in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. According to KVIC (Khadi and Village Industry Commission), "village industries or Rural industry means any industry located in rural areas, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand rupees".

### **Need for Rural Entrepreneurship**

Agricultural work force has a share 70% of the total work force in India. Cultivators are increasing in numbers over the years but the large increase was among the agricultural labor, which went up to 20-30%. Thus, the policy for rural entrepreneurship development has to tackle the problems by providing other occupation option to the rural youths. "Youths in the rural areas have little options", this is what they are given to believe. This is the reason that many of them either work at farm or migrate to urban land. The need is to plant other option in the minds of rural youth. Entrepreneurship could be the best option. If planted and nurtured in the minds of rural women and youth, It could result is revolutionizing the Indian economy.

### **Literature Review**

There has been a number of literature review on Entrepreneurship, however, the term entrepreneur is used in different sense by different authors or researchers. Some of the literature reviews on entrepreneurship and rural entrepreneur have been discuss as follows:

**Richard T. Ely and Ralph H. Hes (1937)**, This paper highlights the meaning, role and importance of the entrepreneur. Entrepreneur organizes and operates an enterprise for personal gain. He pays current prices for the materials consumed in the business, for the use of the land, for the personal services he employs, and for the capital he requires. He contributes his own initiatives, skill, and ingenuity in planning, organizing, administering the enterprise. He also assumes the chance of loss and gain consequent to unforeseen and uncontrollable circumstances.

**Yu, Li; Artz, Georgeanne (2009)**, This paper investigates entrepreneurship of migrants and their location choice in attempt to draw connections between migration and economic development, especially the role of business formation in rural development. Rural entrepreneurship is firstly attempted to be better understood form perspectives of individual people's migration, human capital, social capital and family background.

**Prashpiscan (2010)**, The rural population constitutes a major segment in India. The livelihood strategies of this vast segment depend primarily on agriculture and allied activities. Growth in this agriculture sector has shown a declining trend during the last one decade. This has made a huge impact on the domestic production, employment, etc. These problems can be tackled, to a certain extent, by developing entrepreneurship in Rural India. This dissertation is concerned with the distinctive challenges and opportunities of developing entrepreneurship in rural locations, and also provides the necessary suggestions that can be used in this context.

**Kalpana P. Nandanwar (2011)**, Rural entrepreneurship should not only set up enterprises in rural areas but should be also using rural produce as raw material and employing rural people in their production processes. Rural entrepreneurship is in essence, that entrepreneurship which ensures value addition to rural resources in rural areas engaging largely rural human resources. In other words, this means that finished products are produced in rural areas out of resources obtained in rural areas by largely rural people.

**Sandeep saxena (2012)**, Rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country. Rural entrepreneur uses the scarce resources in the most efficient manner thereby increasing profits and decreasing costs .Due to lack of education, majority of rural people are unaware of technological development, marketing etc. Shortage of finance and raw materials are main problems face by rural entrepreneurs. Most of the rural entrepreneurs face peculiar problems like illiteracy, fear of risk, lack of training and experience, limited purchasing power and competition from urban entrepreneurs Promotion of rural entrepreneurship is a key to develop rural areas and backward towns.

**Anil Aggarwal. (2013)**, Enterprises in rural environments are operating in an arena of extreme and rapid change. However, despite the recognition that entrepreneurship is one of the primary facets through which rural economic development can be achieved, empirical research on rural entrepreneurship is relatively sparse and this concept remains largely unknown.



Appreciating the need for and relevance of understanding conceptual paradigm of rural entrepreneurship, Rural Entrepreneurs and the role plays by the selected Developmental institutions in the creation of Micro and small village enterprises has been proved very much significant.

### Objectives of the Study

1. To study opportunities and the problems faced in growth of rural entrepreneurs in India.
2. To find out the remedies to solve the problems of rural entrepreneurs.
3. To provide suggestions for development of rural entrepreneurship in India.

### Methodology

The data required for the present study has been collected from various sources and mainly based on secondary data available. The Secondary data are collected from various published sources such i.e. magazines, newspapers, journals, books, and various other publications. Moreover, some important information is also collect from relevant websites. The present study is descriptive in nature.

### Opportunities/Benefits from Rural Entrepreneurship

1. **Provide Employment Opportunities:** Rural entrepreneurship is labour intensive in nature and it provides a solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.
2. **Check on Migration of Rural Population:** Rural entrepreneurship can fill the gap between disparities in income rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs.
3. **Promotion of Artistic Activities:** The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.
4. **Awaken the Rural Youth:** Rural entrepreneurship can awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career.
5. **Improved Standard of Living:** Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self-employment will prosper the community, thus increasing their standard of living.

### Challenges of Rural Entrepreneurship

Entrepreneurs at the rural level face lots of challenges and problem day after day. Some of the important problems are being discussed as follow:

1. **Financial Problems:** Most of the rural entrepreneurs fail to get external funds due to absence of security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is bearing now days especially due to global recession.
2. **Lack of Infrastructural Facilities:** The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.
3. **Risk Element:** Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.
4. **Marketing Problems:** Competition: Rural entrepreneurs face severe competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. Competition from large scale units also creates difficulty for the survival of new ventures.
5. **Middlemen:** Rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor means of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earther vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc.
6. **Lake of Knowledge of Information Technology:** Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometime be helpful but they may also present obstacles to effective business relationships.
7. **Procurement of Raw Materials:** Procurement of raw materials is really a tough task for rural entrepreneur. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.
8. **Lack of Technical Knowledge:** Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extension services crate a hurdle for the development of rural entrepreneurship.



9. **Poor Quality of Products:** Another important problem is growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.
10. **Low Skill Level of Workers:** Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for entrepreneur as they are mostly uneducated and they have to be taught in local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labour but also to bring about an integrated rural development.
11. **Negative Attitude:** The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities. The young and well educated mostly tend to leave. As per circumstances, rural people by force may be more self sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to impart with.

### Remedial to Solve Various Problems Faced

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort these problems. Marketing problems are related with distribution channels, pricing, product promotion etc. In order to make the rural entrepreneurs to start the business venture, the following measures may be adopted:

1. **Creation of Finance Cells:** The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.
2. **Concessional Rates if Interest:** The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs.
3. **Proper Supply of Raw Materials:** Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable.
4. **Offering Training Facilities:** Training is essential for the development of entrepreneurships. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise. Presently the economically weaker entrepreneurs of the society are offered such training facility by Government of India regarding skill development of the existing entrepreneurs so that rural entrepreneurs can generate income and employment opportunities in rural area.
5. **Setting up marketing Co-Operatives:** Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remunerative prices. Thus, proper education, comprehensive training, setting up of separate financial institutions, development of marketing co-operatives to a large extent help to flourish the rural entrepreneurs in India.

### Suggestions

1. Government must provide special and separate financial assistance fund of rural entrepreneur and make the fund readily available.
2. The concerned department should provide special infrastructure facilities whatever the entrepreneur required.
3. Govt. should arrange special training programmes for rural entrepreneurship and also the workforce.
4. Govt. should recognize and felicitate the rural entrepreneur who achieved their targets and develop the economy of the rural people.
5. Rural entrepreneur should be more competitive and efficient in the local & international market.
6. Successful rural entrepreneurs from other states of country and be invited by organizing seminar or workshops..

### Conclusions

Rural entrepreneur is a key figure in economic progress of India. Rural entrepreneurship is the way of converting developing country into developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs. The problem is that most of the rural youth do not think of entrepreneurship as the career option. Therefore, the rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance. There should be efficient regulated market and government should also lend its helping hand in this context. Grading and standardization should be promoted and promotional activities should be enhanced. NGOs should be provided full support by government.

Diversification into non-agricultural uses of available resources such as catering for tourists, blacksmithing, carpentry, spinning, hand crafts and toys etc. As well as diversification into activities other than those solely related to agricultural



usage, for example, the use of resources other than land such as water, woodlands, buildings, available skills and local features, all fit into rural entrepreneurship. The entrepreneurial combinations of these resources are, for example: tourism, sport and recreation facilities, professional and technical training, retailing and wholesaling, industrial application (engineering, crafts), servicing (consultancy), value added (products from meat, milk, wood etc.) and the possibility of off-farm work. Equally entrepreneurial are new uses of land that enable a reduction in the intensity of agricultural production , for example, organic production, dynamic rural entrepreneurs can also be found. They are expanding their activities and markets and they find new markets for their products and services beyond the local boundaries.

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