

Challenges and Problems of Rural Entrepreneurship : An Explorative Study of Government's Role in Entrepreneurship

* *Sukhmeet Kaur*

Abstract

'Come to India' and 'Invest in India' were calls given by India's Prime Minister Mr. Narendra Modi at the World Economic Forum 2018 at Davos to foreign investors. He claimed that India would be reaching \$5 Trillion dollar economy by 2025. The World Economic Forum (WEF) stated that Global Competitive Index of India has moved to 58th position out of 140 economies, which is the highest gain for any G20 country. India holds 23rd rank in degree of entrepreneurship. The Make in India campaign, Digital India, influx of AI, and IoT in organizations to make decisions, taxpayer-friendly laws like Goods and Services Tax (GST) amendment bill, banking sector reforms, bankruptcy code for bad debtors, urea, and ethanol as a source of producing electricity, coal auctions, and Start-up India scheme are some initiatives taken by the Indian government to promote both employability and entrepreneurship. Adjunct platforms like Skill India and Stand-up India, Skill development mission, and financial loans through MUDRA (Micro Units Development and Refinance Agency Limited) Bank are designed to support integral entrepreneurial spirit among young entrepreneurs. Besides all these colossal schemes, few factors should be re-considered for upward mobility of entrepreneurs who wanted to turn their dream into reality in rural areas. Factors like lack of entrepreneurial skills and competencies, dearth of funds, lack of infrastructure like water, electricity, transportation etc. The paper attempted to identify major challenges and problems confronted by entrepreneurs in terms of utilizing their own resources and initiatives or schemes provided by the Indian government in rural areas. The present study also analyzed the contribution made by rural entrepreneurs in economic development. In order to reach the objectives, an explorative study was conducted. The conclusion and the way forward are also discussed.

Keywords : Challenges, entrepreneurs, government, problems, rural entrepreneurship

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Entrepreneurship is defined as the capacity and willingness to develop, organize, and manage a business venture along with any of its risks in order to make a profit (Business Dictionary, n.a.). In the modern world, entrepreneurship is more about transformation, creating jobs, and finding solutions of large problems to make society more advanced. Based on the orientation an entrepreneur has, entrepreneurship can be of many types. An opportunistic entrepreneur is the one who identifies and executes the first hand opportunity, and an incubative entrepreneur is the one who generates innovative ideas like Microsoft. Social entrepreneur is one who introduces changes in social platforms like Selco, a company rendering sustainable energy source to rural regions of the country. In the same manner, rural entrepreneur is the one who creates business in a rural setting. Rural entrepreneurship means the enthusiastic willingness of a villager to organize his or her economic activity (a job, a business or an investment) with the help of appropriate technology and practices for sustainable living (Your Story, 2010). The characteristics of an entrepreneur depends on the combined outcome of his cognizance and effort like professionalism, risk taking, open mindedness, passion, creativity, forward looking approach, positivity, confidence, and so on. In the words of Peter Drucker, "the entrepreneur always searches for change, responds to it, and exploits it as an opportunity." (Brainy Quote, n.a.).

According to Drucker, three conditions have to be necessarily achieved. These are :

* Assistant Professor, MBA, IICMR Pune (Affiliated to SPPU), Flat No. 15121 Tower No. Redwood, Mahagun - Mywoods, Noida - 201 301, Uttar Pradesh. E-mail : sukhmeetkaur9686@gmail.com

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- (1) Innovation –It must be purposefully opportunistic
- (2) Innovation –It must be impactful
- (3) Innovation – It must be market driven

The global competitiveness index (GCI) primarily measures competitiveness of economies of the world every year on 11 pillars indicating micro and macro aspects of business. In the year 2017-2018, India's degree of competitiveness was ranked at 58 out of 140 countries.

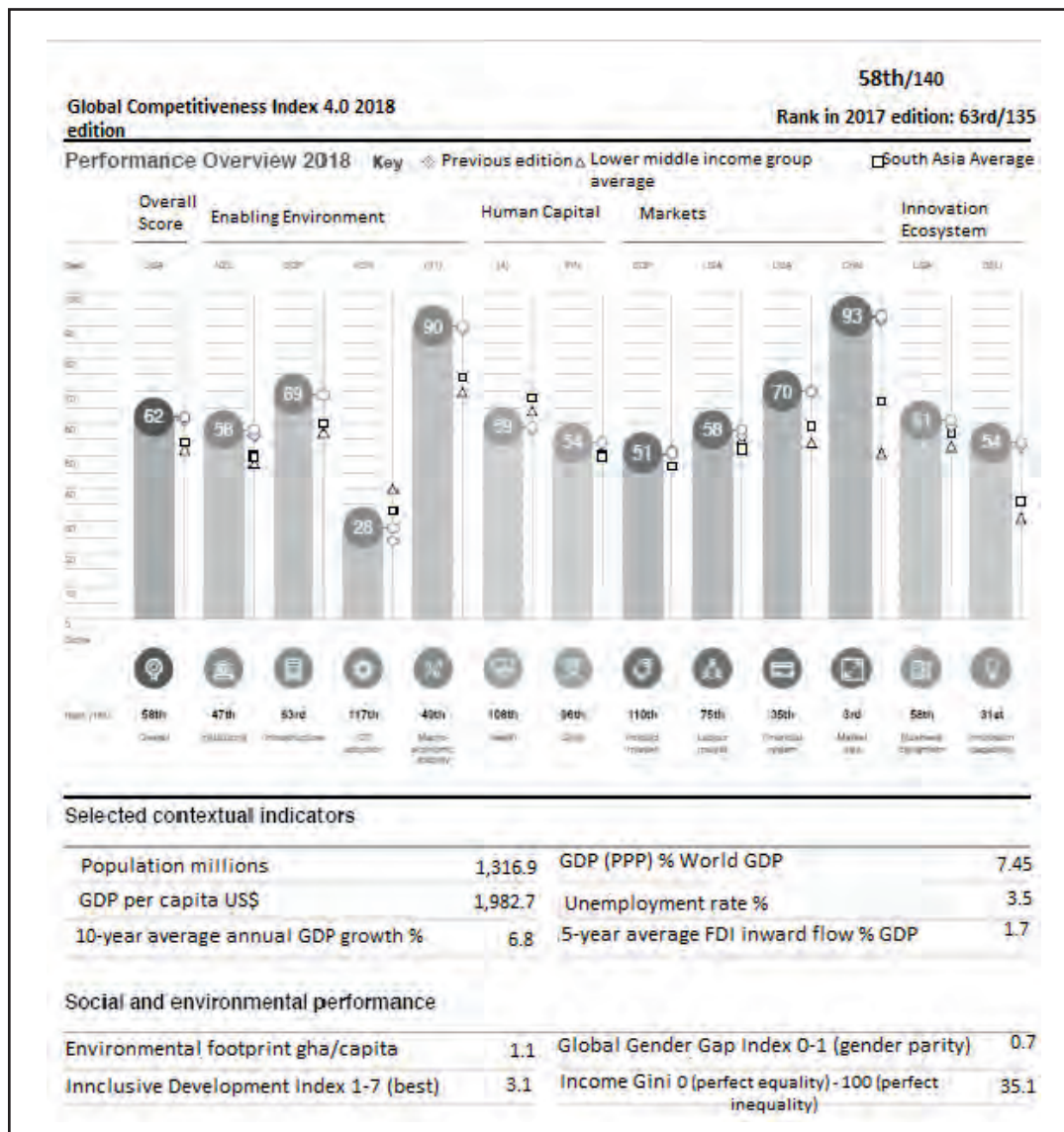


Figure 1. World Economic Forum's Global Competitiveness Index 4.0 2018, p. 279

Source : https://www.incae.edu/sites/default/files/informe_the_global_competitiveness_report_2018.pdf

As per report of GCI Index 4.0 framework, the greatest competitive advantage in India now is innovation capability (31st), research institutes (39th), business dynamism (58th), and market size (3rd). The degree of entrepreneurship is 23rd in India. It is shackled by administrative hurdles. India holds 96th rank on skills, 58th on competitive economy, and 108th on

health. India lags behind in health, skills, and education factors. Despite improvement in innovation pillar and being the most competitive country in South Asia, India considerably failed in infrastructure from [Rank 68th (2016-17) to 66th (2017-18)], training and higher education [Rank 81st (2016-17) to 75th (2017-18)], and technological readiness [Rank 110th (2016-17) to 107th (2017-18)]. The most challenging reasons for Indians for not being able to do business effectively or failing to reach high GCI rankings are corruption, lack of elementary education among labourers, poor public participation in health programs, lack of financing admittances, and poor work ethics leading to irregularity in filing taxes. All these factors together lead India to becoming an unequal and unproductive society.

This paper tried to identify major challenges and problems faced by entrepreneurs in terms of utilizing their own resources and initiatives or schemes provided by the Indian government in rural areas. The present study also analyzed the contribution made by rural entrepreneurs in economic development. In order to reach the objectives, an explorative study was conducted.

Rural Entrepreneurship in India

The most effective tool for economic development of India is development of rural areas because a large section of the Indian rural society, even after over seven decades of independence and globalization is below poverty line and is dependent on agriculture and allied activities as sources of income. Most of them migrate to semi urban or urban areas because of less employment opportunities for them besides doing farming, which is seasonal and much more dependent on natural factors such as rain and weather conditions. This practice of leaving rural areas and arriving in urban areas due to under employment or unemployment causes overcrowding, development of slums near chowks, and railway lines. Despite all the weakness and inadequacies, rural areas are still a pool of opportunities. The use of non-agricultural resources such as carpentry, woodlands, spinning, tourism, retailing and wholesaling, black smithing, as well as off-farm activities like shop keeping, pottery, repairing vehicles, tailoring, and transportation have high potential for income generation in rural areas by applying basic principles of entrepreneurship like :

- (1) The correct utilization of resources available in local environment (weather conditions, type of land, location expert knowledge, demographic factors etc.).
- (2) The right allocation of available manpower for business venture.
- (3) Galvanize business by using every possible resource available like machinery, money, methods, management systems, and material.

A. Government Initiatives

(1) STEP (Support to Training and Employment Programmes for Women)

Proposed by Ministry of Women and Child Development, India is to train and provide sustainable employment to women in rural areas and to urban poor. It was launched in 1986-87 under the centre sector scheme. It covers 11 sectors of wage employment. These sectors are agriculture, sericulture, social forestry, fisheries, animal husbandry, handlooms, handicrafts, khadi and village industries, dairying, waste land management, and any other local supported sector.

Table 1. STEP Initial Framework

Beneficiaries	Scope (5 years)	Employment	Objective
Any assetless rural woman and urban poor	90% cost borne by government; 10% cost borne by agencies	200-10,000 women (age above 16)	To provide self-group employment, training, skills, and competencies .

Source : Compiled by Author

(2) SVEP (Start-Up Village Entrepreneurship Programme)

This program was launched in 2014 under subline of Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM).

Table 2. SVEP Initial Framework

Beneficiaries	Scope (2015-19)	Employment	Objective
Any rural (SC/ST/W), MGNREGA	125 blocks * 24 states = 1 lakh village enterprises	3.78 lakh people	To stimulate economic growth, employment, and reduce poverty.

Source : Compiled by Author

(3) ASPIRE

To promote innovation, entrepreneurship and agro-industry, the ASPIRE scheme was proposed by Ministry of Micro, Small and Medium Enterprises on March 16, 2015 (ASPIRE Scheme for Promoting Rural Area Entrepreneurship, 2015). It addressed the problem of unemployment, hand-holding, cultivation of innovative ideas, and skill up-gradation among rural youth, economic development at district level, and also allocated ₹ 200 crores for the following uses :

Table 3. ASPIRE Initial Framework

Area of Focus	Allocation (₹ 200 crores)	Objectives
SIDBI	Target: ₹ 60 Crores	Innovative means of finance to convert innovative ideas into commercial enterprises
Incubation Centre Assistance	₹ 30 Lakh * 20 centres : ₹ 6 crores ₹ 1 Crore * 10 centres = ₹ 10 crores Target = ₹ 16 crores	Existing incubator centres New incubator centres
Inception of Idea	₹ 3 Lakh /Idea, Target ₹ 3 lakh*450 ideas = ₹13.5 Crores Target = ₹ 13.50 Crores	Proof of Concept (PoC)/prototype Test Validation
Seed Capital	50% of total project cost or ₹ 20 Lakh/start up ₹ 20 Lakh/start up * 150 start-up = ₹ 30 Crores Target : ₹ 30 crores	Commercialization of idea
Accelerator programme for incubates	10 workshops * 20 lakh per : ₹ 2 Crores Target : ₹ 2 Crores	Workshops, mentoring
Livelihood Business Incubation (LBI)	₹ 1 Crore per incubator (public) ₹ 50 lakh per incubator (public-private partnership) Target : ₹ 62.50 crores ₹ 50 lakh per incubator * 80 incubators = 4	Creating jobs at local level by commercialising at large scale

Source : Compiled by Author

(4) Make in India

On September 25, 2014 the Indian government launched the Make in India campaign to facilitate investments for generating employment under the umbrella of manufacturing hub. In rural network, cheaper labor and low cost of land are the most advantageous factors for this campaign, whereas unreliable supply of electricity, essential business activities, and distance from sources of materials be hurdles of rural entrepreneurs.

(5) MUDRA (Micro Units Development and Refinance Agency)

On April 8, 2015 MUDRA bank was launched to cater ₹ 5.77 crores to small businesses via credit guarantee fund to protect the clients' interest, and to nurture them through different phases of development. The phases of development are :

↳ Shishu (infant)

- ↳ Kishor (adolescent)
- ↳ Tarun (youth)

(6) SKILL INDIA – Kaushal Bharat, Kushal Bharat (Skilled India - Successful India)

Mr. Narendra Modi launched the Skill India campaign on July 15, 2015 under which various initiatives were taken to meet the challenges of scaling and creating standards for building new skills, providing vocational, and technical trainings, upgrading skills by creating quality institutes. The following arms support Skill India :

- ↳ Pradhan Mantri Kaushal Vikas Yojana (PMKVY)
- ↳ National Skill Development Corporation (NSDC)
- ↳ National Policy for Skills Development & Entrepreneurship, 2015
- ↳ Skill Loan Scheme
- ↳ Rural India Skill

(7) Start-Up India and Stand-Up India

To boost the network of entrepreneurship in India, Government of India launched the flagship program Start-up India on August 15, 2015 with the vision of enabling people to create jobs rather than seek jobs. The main focus areas of start-up India movement are:

(a) Simplification and handholding

- ↳ Ease of registration at different phases of development .
- ↳ Support for legal issues, patent examination, and exit for start-ups.
- ↳ Launch of e-platform such as Mobile apps and portals for exchanging information and ensuring compliance.

(b) Funding support and incentives

- ↳ Tax exemptions for start-ups.
- ↳ Credit funds through SIDBI with a corpus of ₹ 500 crores per year.

(c) Incubation and industry-academia partnership

- ↳ Launch of research parks and start-up fests.
- ↳ Inauguration of Atal Innovation Mission (AIM) with the mission of self-employment and talent utilization (SETU) program under NITI Aayog.
- ↳ Incubator centres with expertise intelligence.

(8) Start-up India (Rural version) Deen Dayal Upadhyay Swaniyojan Yojana (DDUSY)

On January 16, the rural development ministry launched the DDUSY scheme 2016 to mentor, nurture basic skills, and create self-employment for poor rural entrepreneurs in dairy farming, agriculture, poultry, horticulture, grafting, food processing etc. The programme is backed up by MUDRA bank as well as Bharat net project. The amalgamation of Indian rural youth with an entrepreneurial mindset with government scheme will give rise to Bharatpreneurs.

Thus, we can see that there are ample opportunities for rural entrepreneurs which are summarized as follows :

- ↳ Low cost of setting business
- ↳ Availability of workforce
- ↳ Government policies and subsidies

- ↳ Availability of low cost raw material
- ↳ Generation of employability
- ↳ Goodwill value
- ↳ Low marketing and promotion cost
- ↳ Support from local administration

B. Initiatives for rural entrepreneurs

We have excellent examples of rural entrepreneurs in India who are continuously showing how India was the wealthiest land in ancient times. It was known as ('Golden Bird' or '*Sone ki Chidiya*'). For instance, Mansukhbhai Jagani, a rural entrepreneur developed a multipurpose and customized motorcycle based tractor tool for farming activities like sowing, spraying, inter-culturing, which is fuel and cost effective. He named it *Bullet Santi*. This innovative tool bar has been granted a patent in India. Agricultural entrepreneur Dadaji Khobragade from Nanded village, Maharashtra developed high quality of paddy called HMT, whose yield is 80% more than that of traditional varieties. HMT is listed in Forbes list. Food entrepreneur P. C. Mustafa established a ₹ 100 crores company ID Fresh that makes *Idli/Dosa* batter just by recruiting few people from rural areas and he invested ₹ 25,000 initially. Kishore Biyani, popularly known as Sam Walton of India is in the field of retail. Rural entrepreneur Ketan Patel developed India's pain-killer which is the world's first painless Diclofenac injection that helps in reducing inflammation and acute pain. He has got several patents for it. Another shining example is Dalimi Patgiri, who belongs to the Bodo community from interior parts of Assam. He developed utensils by using Arecanut sheets.

Challenges and Problems of Rural Entrepreneurship in India

Undoubtedly, all initiatives introduced by the Indian government for developing start-ups, entrepreneurship, updating skills, and providing funds has stimulated the spirit of entrepreneurship in India, but rural ecosystem is still fragile and is still facing challenges. Irrespective of the fact whether a start-up is based on new ground breaking idea or an existing idea, the challenges faced by entrepreneurs are as follows:

- (1) Innovation :** Innovative ideas are essential for business growth. Complex thought process is lacking among rural youth. The business idea must be good for both entrepreneurs as well as for the market.
- (2) Mentoring :** Proper mentoring and training of rural entrepreneurs is needed to reduce negativity among young rural entrepreneurs.
- (3) Culture of entrepreneurship :** Entrepreneurs must possess skills and attitude of facing failure. Ability to bear failures is a crucial factor for entrepreneurs to sustain and face the heat of the situation.
- (4) Social and cultural issues :** Inadequate connections and cultural backwardness creates barrier for communication among local youths and rural entrepreneurs. Non-materialistic culture (language, norms, beliefs, values etc.) is the most important challenge for them to overcome because locals are mostly uneducated and this is not conducive for business.
- (5) Lack of technical and conceptual knowledge :** Lack of clear vision for starting a business, use of internet, technical know-how, accounting knowledge, and record of book keeping can create problems of mismanagement. The idea behind starting any rural entrepreneurship is that it should be manageable, feasible, and scalable. Therefore, all possible dimensions should be painstakingly studied before execution.
- (6) Ground-level skill workers :** There is a serious problem of rural youth who lack basic strategies, skills, and talent of doing business. Education, idea of local language, aptitude, and competencies like interpersonal or administrative skills are needed to minimize the problem of low skilled workers.

(7) Political and legal power : Problems with local rural government and legal formalities like license are sometimes ignored and thus, aggravated by local politics because people lack knowledge about laws.

(8) Scope of marketing : In rural area, word of mouth has a large scope but print media has low scope for marketing. Internal linkages are also equally important for setting up a business for procuring raw material, standards, tools, and equipments at required quality, and cost.

(9) Personal hurdles : Lack of experience, family support and involvement, lack of confidence, emotional weakness, introvert behaviour, and social norms are some hurdles for entrepreneurs.

The Role of Rural Entrepreneurship in Economic Development of India

Economic development of India can be accelerated by utilizing inputs of good entrepreneurs. Several factors are responsible for entrepreneurship in rural areas. The benefits of rural entrepreneurship can be summarized as follows :

↳ **Employment generation :** Rural entrepreneurship provides employment to many local residence areas and generates income for their family.

↳ **Promote regional growth :** With the entry of more and more manufacturing units in rural areas, regional growth is promoted along with balanced interaction with urban areas.

↳ **Motivate local creativity :** Rural entrepreneurship is a big platform to protect and re-define the rich heritage of arts and crafts.

↳ **Eye on social ill-practices :** Rural areas are more prone to adopting socially harmful practices like child labour, poverty, dowry, early child marriages. The growth of entrepreneurship can minimize such practices.

↳ **Alternative job options :** Rural entrepreneurship can be considered a useful tool for creating plentiful job options other than basic farming such as horticulture, carpentry, retailing, trucking, car services, logistics etc.

↳ **High standard of living :** Rural women and young entrepreneurs will improve intellectual and educational independence for themselves, and their families.

↳ **Promote national growth :** Advancement of products and services creates new wealth and high earnings for nations.

Suggestions

The growth of entrepreneurs and a country's development are depended on each other. The flow of income, jobs, and wealth produced by rural entrepreneurs directly contribute to a nation's wealth and competitiveness. Influential initiatives like introducing education in rural communities through *Padhega India Tabhi toh Badhega India* campaign, adoption of villages, and establishing ATMs and banks in rural areas are some of the few catalysts for rural entrepreneurship. Such initiatives will motivate young Indians to be creative and to achieve their goals.

Conclusion

Entrepreneurs and entrepreneurial activities are important for economic growth of the country. A good entrepreneur is one who combines his philosophies with market ethics to bring real outcomes. Barmon and Chakraborty (2013) stated that rural entrepreneurial was instrumental in nature. The key desire to go for business rather than agricultural activities among rural populations is because they look for solutions for unemployment, poverty, low use of rural resources, and poor economic conditions. The number and size of businesses in rural area is generally small as compared to urban areas. Beside this, rural entrepreneurs lack basic facilities like electricity and work consistency

because of insufficient infrastructure, and suffer due to inadequate market dynamics. Non-farming activities play a significant role in controlling migration of villagers to urban areas as they provide income as well as employment to many people.

Limitations and Scope for Further Study

The study was exploratory in nature. Empirical studies should be conducted to understand the exact situation on the ground from time to time, that is, the nature of challenges rural entrepreneurs are facing and how effective government schemes have been.

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About the Author

Sukhmeet Kaur is a goal-oriented HR professional with three years of experience in teaching management students. She completed Ph.D. in Management from Dayalbagh Educational Institute (Deemed to be University), Agra in 2015. She also holds M.Phil. in Management. She qualified NET-JRF in Management in June 2011 and was promoted to SRF in 2015. She completed M.B.A. in HR in 2010 with distinction. She has published five research papers in international and three in national journals. She has presented 11 papers in international and national conferences. Her expertise is in human resources management, organizational behavior, research methodology, and HR Analytics. She is an effective communicator with excellent relationship management skills, and strong social team work skills, problem-solving, and organizational capabilities.