



Rural Entrepreneurship Challenges and Opportunities: An Indian context

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ABSTRACT

Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. To accelerate economic development in rural areas, it is necessary to increase the supply of entrepreneurs, thus building up the critical mass of first generation entrepreneurs who will take risks and engage in the uncertainties of a new venture creation, create something from practically nothing and create values by pulling together a unique package of resources to exploit an opportunity. This paper studies the changing paradigm of the rural India and also discusses the challenges and opportunities for the entrepreneurs in rural India.

Key word : Economic Development, Changing Paradigm, Technology

Introduction

Entrepreneurship is considered to be a significant determinant of economic development. New entrepreneurial activities play a vital part in the process of creative destruction that fosters innovation, employment, and growth. While India has traditionally been an entrepreneurial country, it fares poorly in numerous global studies exploring the entrepreneurial and business potential of countries but, on the other hand on the most conservative basis, our domestic consumption, in virtually any sector, has the potential to at least double, or treble, from current levels perhaps, just to catch up with a country like China. Entrepreneurship is the capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward. In economics, entrepreneurship is regarded as a factor of production together with land, labor, natural resources, and capital. Entrepreneurial spirit is characterized by innovation and risk-taking, and an essential component of a nation's ability to succeed in an ever changing and more competitive global marketplace.

Early this century, the concept of innovation was added to the definition of entrepreneurship. This innovation could be process innovation, market innovation, product innovation, factor innovation, and even organizational innovation. Later definitions described entrepreneurship as involving the creation of new enterprises and that the entrepreneur is the founder. Many examples of successful rural entrepreneurship can already be found in literature. Diversification into non-agricultural uses of available resources such as catering for tourists, blacksmithing, carpentry, spinning, 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 applications (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.

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely depends on policies promoting rural entrepreneurship. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship, i.e., what it is and where it comes from.

Present Rural Entrepreneurial Scenario

Entrepreneurship is a critical element of a growth economy, and India is poised to unlock a Silicon Valley like entrepreneurial boom through the next 10 years. The beginnings are already in place, steps have been taken in the right direction. India was second among all nations in Total Entrepreneurship Activity as per the Global Entrepreneurship Monitor Report. But after several years of data, India appears to have a TEA level rather close to the world average. India is ninth in the Global Entrepreneurship Monitor (GEM) survey of entrepreneurial countries. It is highest among 28 countries in Necessity based entrepreneurship, while 5th from the lowest in opportunity based rural entrepreneurship.

The liberalization, which was started in 1991, and the Information Technology boom of the mid-late 90's, has been significant factors, leading to a wave of entrepreneurship sweeping through the country. Indians have entrepreneurial capacity. However the society and government are not very encouraging towards entrepreneurship. To a large extent, the Indian society is risk averse. People usually seek secure and long-term employment, such as government jobs. The physical infrastructure needs to be improved. Social Attitudes, lack of capital, inadequate physical infrastructure and lack of government support are major factors of hindrance.

India is the fifth largest economy in the world (ranking above France, Italy, the United Kingdom, and Russia) and has the third largest GDP in the entire continent of Asia. It is also the second largest among emerging nations. The liberalization of the economy in the 1990s has paved the way for a huge number of people to become entrepreneurs. Over the years India and China have followed opposing strategies for development. While China's growth has been fuelled by the heavy dose of foreign direct investment, India has followed a much more organic method and has concentrated more on the development of the institutions that support private enterprise by building a stronger infrastructure to support it. Its corporate and legal systems operate with greater efficiency and transparency than do China's.

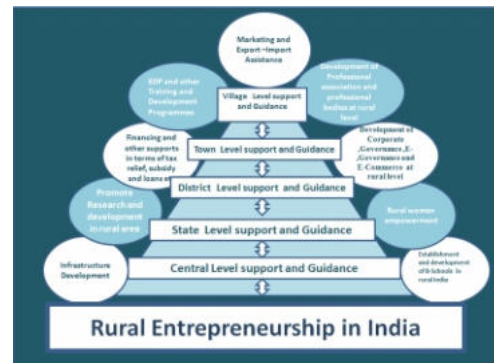
The Government has encouraged rural entrepreneurship by providing training and also the facilities to succeed, particularly in the rural areas. One style of innovation that really works in a country as large and diverse as India, is grassroots innovation: this includes inventions for a milieu that is quintessentially Indian. Moreover, in India, the post-liberalization and globalization era has brought with it a growing middle class - roughly estimated to be 250 million - and rising disposable incomes. This presents a huge potential, which if tapped can be a veritable gold mine. Rural entrepreneurs can make the best of this by catering to various demands of this segment. India, with its abundant supply of talent in IT, management, and R&D, has become the hot bed of outsourcing of services from all parts of the globe where companies can reduce their costs, but not their quality.

The Future Prospective of Rural Entrepreneurship

Both the Central Government and various State Governments are taking increased interest in promoting the growth of rural entrepreneurship. Individuals are being encouraged to form new businesses and are being provided such government support as tax incentives, buildings, roads, and a communication system to facilitate this creation process. The encouragement by the central and state governments should continue in future as more lawmakers are realizing that new enterprises create jobs and increase the economic output of the region. Every state government should develop its own innovative industrial strategies for fostering entrepreneurial activity and timely development of the technology of the area.

Society's support of rural entrepreneurship should also continue. This support is critical in providing both motivation and public support. A major factor in the development of this societal approval is the media. The media should play a powerful and constructive role by reporting on the general entrepreneurial spirit in the country highlighting specific success cases of this spirit in operation. Finally, large companies should show an interest in their special form of entrepreneurship intra-preneurship in the future. These companies will be increasingly interested in capitalizing on their Research & Development in the hyper competitive business environment today.

Figure 1: A framework for the development of rural entrepreneurship in India



Even in many colleges a pre incubator facility has been created to work along with innovative projects of the younger generation. Many want to improve their lifestyle and say that they are not aware of the market information for different products and they are not able to forecast the demand and supplies and the knowledge of marketing management practices are not found among them. So, the marketing management skills are to be improved among the rural entrepreneurs to improve their skills and reduce the unemployment problem.

People are united in the rural areas to attend to various family functions, but on the industrial management side, they lack the managerial skills and hence Management Training is to be imparted to create awareness of innovative spirit among the entrepreneurs. For this purpose, Government is conducting frequent camps in rural areas and select entrepreneurs to train on innovative technologies found elsewhere in the world. Innovations can be learnt and practiced to a larger extent which would give lot of scope for improvement in small scale industry thereby giving more employment opportunities for young people who could not get gainful employment in MNC's. Innovations are created by individual and not by Government. The individual must take initiative in developing new product and services after the scanning the environment and it becomes more important since employment in MNC's are getting saturated.

About 75% of populations who live in villages have to utilize the village resources and they are abundantly available and people are not utilizing it effectively due to mass ill- literacy. For example the Wind- energy can be fully exploited for rural electrification. The risk aversion people can be transformed into risk taking innovative entrepreneur by proper training and can be allowed to modernize the agricultural production. The inputs and innovative methods of cultivation can be adopted; this will dynamite the rural economy and lead to improved quality of life. Hence promoting good farm management techniques, better use of drip-irrigation, use of better manures from the local sources by using latest technology and promoting agro-base industries, cottage, and small scale industries would serve the purpose of rural entrepreneurship development.

Rural Entrepreneurship in the Changing Economy

During the 1980s, however, the economy built around traditional manufacturing began to undergo massive changes. First, new technologies allowed companies to increase productivity while employing fewer workers. Individual plants sometimes remained important contributors to the local tax base, but represented a far smaller employment base. Other plants closed altogether.

By the 1990s, economic globalization was becoming a reality. As predicted, it brought winners and losers. Domestic companies that could identify new markets, create new value-added products and respond rapidly to changing conditions prospered and grew. Many farmers and entrepreneurs benefited from expanding into new markets. Among the losers, however, were people employed in low-skill, low-wage manufacturing that made up a large portion of the rural economy. As federal policies lowered trade barriers, those workers could no longer compete successfully with workers in developing countries, where labor costs a fraction of even the most modest U.S. wages and environmental laws are often less stringent. Jobs in textiles and furniture, once North Carolina mainstays, themselves became exports: to China, Mexico, Indonesia and the Caribbean Basin.

The national recession that began in 2001 compounded the effects of these structural job losses, resulting in another round of plant closings. This time, urban technology workers felt the blow as well. The firm calculated the percentage of income spent on 26 different categories of household consumption, for rural and urban homes, to isolate a few categories in which the rural household spent significantly less than its urban counterpart. These are: rent (0.94 per cent compared with 9.19 per cent for urban households), consumer services excluding conveyance (6.48 per cent compared with 10.57 per cent), conveyance (6.63 per cent compared with 9.96 per cent) and entertainment (1.11 per cent compared with 3.11 per cent) which is shown in Table 1.

Table 1:- Expenditure on different categories (%)

	Rural	Urban
Beverages	2.59	3.09
Cereals/cereal products & substitutes	11.56	5.68
Clothing	4.75	3.56
Consumer services excl. conveyance	6.48	10.57
Consumer taxes and cesses	0.39	1.34
Conveyance	6.63	9.96
Durable goods	3.79	3.68
Edible oil	2.95	1.94
Education	1.92	3.29
Egg, fish and meat	2.16	1.55
Entertainment	1.11	3.11
Footwear	0.51	0.42
Fruit	1.12	1.19
Fuel and light	18.28	15.87
Medical (institutional)	2.23	1.42
Medical (non-institutional)	5.92	4.21
Milk and milk products	5.52	4.51
Paan, tobacco and intoxicants	1.7	0.91
Personal care and effects	0.55	0.53
Pulses and pulses products	2.06	1.28
Rent	0.94	9.19
Salt and spices	1.35	0.8
Sugar	1.49	0.84
Sundry articles and bedding	4.77	3.89
Toilet articles	5.09	4.38
Vegetables	4.14	2.79

Source: Indicus Analytics. Figures in % for 2009

There is another comparison which stands out between rural and urban households. Urban households spend more than 5 per cent of their incomes on each of the following five categories of consumption: fuel and light, consumer services excluding conveyance, conveyance, rent, and cereals/cereal products and substitutes. These account for 51.27 per cent of urban household expenditure. For the same five categories, the rural household spends 43.89 per cent of its total expenditure. It is the potential in this difference that corporate India seeks to exploit.

It was very different 30 years ago, for in the 1970s farm income dominated with its 73 per cent share of rural income. This share has dropped to 50 per cent and is expected to come down further to 37 per cent by 2015. 'Non-farm' does not however mean 'non-agricultural'; economists like Rajesh K Shukla of the National Council for Advanced Economic Research (NCAER) point out that rural income derived from non-farm activities is dependent on the agriculture within the rural area, as well as on rural-urban linkages. It is this connection that policymakers and industry are paying more attention to. "The government's concentrated efforts have empowered rural India significantly by increasing its disposable incomes. It is time the private sector focused on rural market segments to tide over the downturn in both the urban and global markets."

Rural Entrepreneurship Challenges and Opportunities: An Indian context

Risk taking ability, Self-confidence, Decision making ability, Knowledge of cummin growing to harvesting technology, Economic motivation, Market orientation, Risk factors, Soil and firm condition of experiences, Water resources, Water quality and volumes, need to cummin for all technical factors, Ability of co-ordination to cummin related activities, Achievement, Motivation, etc. indicators are behavior of entrepreneurial.

Rural Entrepreneurship has gained greater significance at global level under changing economic scenario. Global economy in general and Indian economy in particular is poised for accelerated growth driven by entrepreneurship. Admits environment of super mall culture we find plenty of scope for entrepreneurship in trading and manufacturing. An entrepreneur is a person who is able to look at the environment, identify opportunities to improve the environmental resources and implement action to maximize those opportunities it is important to bear in mind the entrepreneurial skills that will be needed to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Taking this into consideration, we will find that each of the traditional definitions has its own weakness.

The first definition leaves little room for innovations that are not on the technological or organizational cutting edge, such as, adaptation of older technologies to a developing-country context, or entering into export markets already tapped by other firms. Defining entrepreneurship as risk-taking neglects other major elements of what we usually think of as entrepreneurship, such as a well-developed ability to recognize unexploited market opportunities.

Entrepreneurship as a stabilizing force limits entrepreneurship to reading markets disequilibria, while entrepreneurship defined as owning and operating a business, denies the possibility of entrepreneurial behavior by non-owners, employees and managers who have no equity stake in the business. Therefore, the most appropriate definition of entrepreneurship that would fit into the rural development context, argued here, is the broader one, the one which defines entrepreneurship as: "a force that mobilizes other resources to meet unmet market demand", "the ability to create and build something from practically nothing", "the process of creating value by pulling together a unique package of resources to exploit an opportunity".

Entrepreneurship need not involve anything new from a global or even national perspective, but rather the adoption of new forms of business organizations, new technologies and new enterprises producing goods not previously available at a location.

This is why rural entrepreneurship is considered to be a prime mover in development and why nations, regions and communities that actively promote rural entrepreneurship development, demonstrate much higher growth rates and consequently higher levels of development than nations, regions and communities whose institutions, politics and culture hinder entrepreneurship. An entrepreneurial economy, whether on the national, regional or community level, differs significantly from a non-entrepreneurial economy in many respects, not only by its economic structure and its economic vigorousness, but also by the social vitality and quality of life which it offers with a consequent attractiveness to people.

Economic structure is very dynamic and extremely competitive due to the rapid creation of new firms and the exit of 'old' stagnant and declining firms. Redefining entrepreneurship and innovation succeeding as an entrepreneur and an innovator in today's world is vastly different from what it was earlier. Organizations will face seven trends in the next decade as they fight to survive, grow and remain competitive.

- Speed and uncertainty will prevail.
- Technology will continue to disrupt and enable.
- Demographics will dictate much of what happens in business.
- Loyalty will erode.
- Work will be done anywhere, anytime.
- Employment as we know it will disappear.

Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development

process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. The rural entrepreneurs are risk-bearers, coordinators and organizers, gap fillers, leaders, and innovators or creative imitators. Thus, by encouraging these qualities and abilities, governments can theoretically alter their country's supply of domestic rural entrepreneurship.

Conclusion

Rural Entrepreneur succeeding as an entrepreneur and an innovator in today's world is vastly different from what it was earlier. Besides the existing generation of entrepreneurship also is passing through the transition period. Indian rural economy is also experiencing behavior of entrepreneurial. A farm business necessary requires deliberate decision and proper investment, after assessing risk and available resources to maximize profit. There for entrepreneurship is not simply adoption of new activity but it is transformation of a person from traditional of modern India is known as "Home spices" and is in fact the largest producer, consumer and exporter of spices in the world. However, to the real entrepreneur looking on the dark side of the situation is fatal. Optimism is the heart and soul of the entrepreneur. While strategic planning, feasibility and market studies and analysis are necessary parts of new business start-ups, very few real entrepreneurs, the famous and not so famous, waited for a printout to see whether they should launch their new idea. There are large number of opportunities available for the rural entrepreneurs what is needed at core area of rural development is 'pull together a unique package of resources to exploit an opportunities'.

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