

## Promoting Rural Entrepreneurship Through Rural Cluster Development and Hand Holding Services of The Facilitation Institute



### Entrepreneurship

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### ABSTRACT

*Rural entrepreneurship is now a days a major opportunity for the people who migrate from rural areas or semi - urban areas to Urban areas. On the contrary it is also a fact that the majority of rural entrepreneurs is facing many problems due to not availability of primary amenities in rural areas of developing country like India. Lack of education, financial problems, insufficient technical and conceptual ability it is too difficult for the rural entrepreneurs to establish industries in the rural areas. This paper makes an attempt to find out the Problems and Challenges for the potentiality of Rural Entrepreneurship. It also focuses on the major problems faced by rural entrepreneurs especially in the fields of Marketing of products, financial amenities and other primary amenities, i.e. availability of electricity, water supply, transport facilities and required energy etc. Providing an effective solution to these problems through rural cluster development with a facilitating institution.*

### INTRODUCTION

#### CONCEPT OF RURAL ENTREPRENEURSHIP

Defining entrepreneurship is not an easy task. To some, entrepreneurship means primarily innovation, to others it means risk-taking? To others a market stabilizing force and to others still it means starting, owning and managing a small business. An entrepreneur is a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms or as a person who is willing to take risks or a person who by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand or as one who owns and operates a business.

#### RURAL ENTREPRENEURSHIP IN INDIA

Who should be capable of making use of the government policies and schemes for the betterment of rural people? Some individuals who happen to be local leaders and NGOs and who are committed to the cause of the rural people have been catalytic agents for development. Though their efforts need to be recognized yet much more needs to be done to reverse the direction of movement of people, i.e. to attract people in the rural areas. It means not only stopping the outflow of rural people but also attracting them back from the towns and cities where they had migrated. This is possible when young people consider rural areas as places of opportunities. Despite all the inadequacies in rural areas one should assess their strengths and build on them to make rural areas places of opportunities. This is much to do with the way one sees the reality of the rural areas. The way a survivor or job seeker would see things would certainly be different from those who would like to do something worthwhile and are ready to go through a difficult path to achieve their goals. It isn't that there is a dearth of people with such a mindset. But with time they change their minds and join the bandwagon of job seekers due to various compilations. Enabling them to think positively, creatively and Entrepreneurship purposefully is most of the development of rural areas. Young people with such perspective and with the help of rightly channelized efforts would usher in an era of rural entrepreneurship.

#### The basic principles of entrepreneur which applied the rural development are:

- Optimum utilization of local resources in an entrepreneurial venture by rural population - Better distributions of the farm produce results in the rural prosperity.
- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide basic '6 m'- manpower, money , material, machinery, management and market to the rural population.

#### A. Opportunities

- Free entry into world trade.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- The establishment of other national and international institutes to support business among the nations of the world.
- Benefits of specialization.
- Social and cultural development

#### B. Challenges for Rural Entrepreneurs

- Growth of Mall Culture
- Poor Assistance
- Power Failure
- Lack of Technical know how
- Capacity Utilization
- Infrastructure Sickness

#### C. Opportunities for Rural Entrepreneurs

- Crashed Scheme for Rural Development
- Food for Work Program
- National Rural Employment Program
- Regional Rural Development Centers
- Entrepreneurship Development Institute of India
- Bank of Technology
- Rural Innovation Funding
- Social Rural Entrepreneurship

#### PROBLEM OF RURAL ENTREPRENEURSHIP

Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under:

#### Financial Problems

##### Paucity of Funds

Most of the rural entrepreneurs fail to get external funds due to absence of tangible 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 born now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, Financial statements are difficult to be maintained by rural

entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost. These all problems create a difficulty in raising money through loans. Landlords in Punjab proved to be a major source of finance for rural entrepreneurs but the rates of land are reduced due to global recession so they also lack hard cash nowadays.

Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Poor people often have insufficient established forms of collateral (such as physical assets) to offer, so they are often excluded from traditional financial market. The government is providing subsidies to rural areas but due to the high cost of finance, and trust. They have less capital resources as they cannot raise equity capital.

### **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.

### **Risk Element**

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

### **Marketing Problems**

#### **• Competition**

Rural entrepreneurs face severe competition of large sized organizations and urban entrepreneurs. They incur the 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. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. New ventures have to come up with new advertisement strategies which the rural people can easily understand. The literacy rate among the Problems Faced by Rural Entrepreneurs and Remedies to Solve It rural consumer is very low. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. People in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. It has been seen in the recent past that in spite of enough food stocks with government warehouses, people are dying of starvation. This indicates a problem with the public distribution system. The producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated.

#### **• Middlemen**

Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor mean of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earthen vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.

### **Management Problems**

#### **• Lack of Knowledge of I.T**

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 sometimes be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and

lines of authority are mostly blurred by local politics in rural areas.

#### **• Legal formalities**

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.

#### **• 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.

#### **• Procurement of Raw Materials**

Procurement of raw materials is really a tough task for rural entrepreneurs. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

#### **• Lack of Technical Knowledge**

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extensive services create a hurdle for the development of rural entrepreneurship.

### **Human Resources Problems**

#### **• 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 the entrepreneur as they are mostly uneducated and they have to be taught in the local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labor but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options "this is what they are given to believe". This is the reason that many of them either work as farm or migrate to urban land.

### **FORMATION OF A FACILITATING INSTITUTION**

After the clear study of problems faced in promoting Rural entrepreneurship we propose an methodology of forming an rural business cluster and providing hand hold support through an facilitating institution. First step in this process is the formation of the facilitation institution. A business opportunity which can be done in a specific area should be done. After identifying the business idea with a feasibility study, a team should be formed to take care of the various functional areas of business. There should be clear goal and action plan to guide the organization in the right direction.

### **Developing rural cluster**

Once the facilitation institution is formed, the next major task is to identify the individuals who can evolve into entrepreneurs. This process is done through scientific methods of analyses of their entrepreneurial traits. The cluster once formed is highly energized through some motivational activities.

### **Training the rural cluster**

The members of the cluster are now in an exited stage and hence the training should be made through experiential learning. They should be trained in such a way that they should be in a position where they can do this business even without the facilitation intuition.

### **STARTING UP THE BUSINESS**

There are three major phases in this business. At the end of the third phase the rural cluster can function effectively even without the facilitating institute.

### **Phase I**

In this phase the facilitating institution will provide the raw material by themselves to the rural cluster ask them to value add

the produce. After the quality checking the facilitation institute will buyback product and sell it.

### Phase II

Once the cluster is improving and the productivity level is good. The facilitation institute will motivate them to start procurement of raw material by them self and buys back the finished products after quality checking.

### Phase III

Later when the cluster's performance is good, the facilitation institution exposes them to the real market scenario. Train them in marketing and motivate and mentor them to run their business by them self.

### CONCLUSION

This proposed idea will be effective in promotion of rural entrepreneurship as it provides sustainable solutions to the problems faced by rural entrepreneurs through the hand holding support of the facilitation institution.

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