

Challenges and Problems of Rural Entrepreneurship in India

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Abstract: *Rural entrepreneurship is now a significant possibility for those who relocate from rural or semi-urban areas to urban settings. On the contrary, it is also true that the majority of rural businesses face numerous challenges due to a lack of essential amenities in rural parts of developing countries such as India. Lack of education, financial constraints, limited technical and conceptual competence, and other factors make it difficult for rural entrepreneurs to create industries in remote areas. This paper makes an attempt to find out the Problems and Challenges for the 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*

Keywords: Rural Entrepreneurship, Problems, Rural, India

I. INTRODUCTION

Concept of Rural Entrepreneurship

Defining entrepreneurship is a difficult task. To some, entrepreneurship essentially involves innovation, while to others it entails risk-taking. Others consider it a market stabilising force, while others believe it involves beginning, owning, and managing a small firm. An entrepreneur is an individual who generates novel combinations of production factors, including innovative production methods, products, markets, sources of supply, and organisational structures. Additionally, an entrepreneur is characterised by a willingness to assume risks and by the ability to capitalise on market opportunities, thereby rectifying imbalances between aggregate supply and demand, or simply as one who owns and manages a business.

What is Rural Entrepreneurship?

The issue fundamentally involves imbalanced development, characterised by the advancement of one region at the expense of another, leading to concomitant challenges of underdevelopment. For example, we have observed unemployment or underemployment in rural areas, which has prompted a significant portion of the rural population to migrate to urban centres. It is essential to establish conditions that reduce migration from rural to urban areas. Migration itself is not inherently negative; rather, it should be minimised in relation to employment. The circumstance should encourage individuals to go from urban to rural areas due to the recognition of superior prospects available there.

One is by forcibly stopping villagers from settling in the slums of towns and cities, making use of all powers to clear the slums so the villagers are forced to go back. But such practices have not achieved the desired results in the past. Apart from causing suffering to the poor people and adding to the expenditure of the Government, social tensions and economic hardships created by the government officials and their staff in every demolition of slums is not desirable from a government.

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.

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.

Rural Entrepreneurship in changing Environment:

The changing global environment raises questions about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. The rapid (though declining) population growth, coupled with even faster urbanization, creates increasing demands. In India, urban populations in general grow about twice as fast as the overall total, and by 2022 they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small-scale businesses to cope with the increasing demands.

Challenges faced by Rural Entrepreneurship in India

- **Family Challenges:** Convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in the business of your choice or as a successor of family business. This is where it becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.
- **Social Challenges:** Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.
- **Technological Challenges:** Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively?
- **Financial Challenges:** (Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go to funding for small to medium business people. Many such non-technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is a loan but bank loan is not at all an option in India for new online entrepreneurs.
- **Policy Challenges:** Now and then there is lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS. Problems of raising equity capital, Problems of availing raw-materials, Problems of obsolescence of indigenous technology Increased pollutions Ecological imbalanced. Exploitation of small and poor countries etc.

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

Challenges for Rural Entrepreneurs

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

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.

Need for Creating Indian Entrepreneurs

A recent McKinsey & Company-Nasscom report estimates that India needs at least 8,000 new businesses to achieve its target of building a US\$87 billion IT sector. In the next 10 years, 110-130 million Indian citizens will be searching for jobs, including 80-100 million looking for their first jobs.

In today's knowledge based economy is fertile ground for entrepreneurs, in India. It is rightly believed that India has an extraordinary talent pool with virtually limitless potential to become entrepreneurs. Therefore, it is important to get committed to creating the right environment to develop successful entrepreneurs. To achieve this, India must focus on the following area.

- Create the Right Environment for Success
- Ensure that Entrepreneurs have access to the Right Skill
- Ensure that Entrepreneurs have access to „Smart Capital“
- Enable Networking and Exchange
- Government Support: Both the Central and State Governments should take more interest in promoting the growth of 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. 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.

Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest are usually very high. The government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like a State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions provide assistance for setting up of new ventures and side by side for modernization and expansion of existing ones but their terms and conditions are very strict to be handled. Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs etc. had started but they are unable to meet the expectation of rural entrepreneur. Raising funds through equity is little bit difficult for rural entrepreneurs because of lack of financial knowledge and also their financial corpus is also low, so loans are the primary source of finance for them which proved to be a great obstacle in developing rural entrepreneurship. Various policies of RBI regarding priority sector lending failed to achieve its objectives. Micro financing movements started in India worked well. Self-help groups from the basic constituent unit of micro finance movement in India. Self-help groups are a group of a few individuals who pool their savings into a fund from which they can borrow as and when necessary.

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 completion 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.

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.

Management Problems

Lake of I.T Knowledge

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas.

Legal formalities

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

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.

Poor Quality of Products

Another important problem in 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.

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. Youths in rural areas have little options "this is what they are given to believe".

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. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to Problems.

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