

Rural Entrepreneurship in Developing Countries: Challenges, Problems and Performance Appraisal

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Abstract

An emerging literature suggests that the distressed regions tend to be characterized by strong structures that may be mobilized as social capital for entrepreneurial activities. Entrepreneurship means the pursuit of opportunity without regard to resources currently controlled means that the entrepreneurship is a particular type of managerial behaviour that is available to virtually all managers in organizations of all kinds and sizes. The present paper examines the challenges observed for entrepreneurial activities in rural regions in developing countries such as that of India. Also the problems faced by the rural entrepreneurs for setting up of an enterprise in rural areas are discussed so as these problems may be carefully identified and rectified so as the resources available there are exploited which will also lower the migration of people from rural regions to urban cities in search of financial assistance by the generation of employment facilities. The steps taken up by the government for performance appraisal of rural entrepreneurship has also been listed.

1. Introduction

Entrepreneurship is an emerging research field that has gained importance in the recent years. However there has been lack of consensus on precisely what constitutes entrepreneurship. In some cases it is related to an entrepreneurial individual or framed as creation and running of one's own firm [1]. The field of entrepreneurship is the

scholarly examination of how, by whom and with what effects opportunities to create future goods and services are discovered, evaluated and exploited [2]. Although the interest in entrepreneurship among economists seems to lessen, a few conceptions can be identified. In this respect, the best known economist was Joseph Schumpeter [3] with an interest in entrepreneurship and defined entrepreneurs as: innovators, who use a process of shattering the status quo of the existing products and services to set up new products, new services. His realization stated that the economic growth is as a result of innovations or new combinations and not of capital accumulation.

The question of revitalizing rural regions of the country through the promotion of entrepreneurship has generated considerable attention [4]. The territorial assets can be mobilized as regional drivers for entrepreneurial purposes by helping the entrepreneurs to overcome the constraints of limited resources. The major objective of the present study is to identify the major problems faced by rural entrepreneurs in India. The study is purely based upon the secondary data collected through the literature available and the problems discussed herein are the opinions of various authors. The experiences and observations regarding women entrepreneurs in India have also been analyzed in the present study.

2. Rural Entrepreneurship

The entrepreneurship has been regarded as an important factor of social and economic change since 1960; however the phenomenon appeared in economics in early 1930s. For more than a decade the studies of entrepreneurship confined to large scale businesses and industry, and to small scale industrial sector. Lately this phenomenon percolated to artisans and farmers, the two major forces of rural transformation. The concept of rural entrepreneurship does not dilute the definition of entrepreneurs in general. An entrepreneur can be defined as a person who fails to conform to the traditional structured role given to him in the society and finds an exit to venture on his own [5]. In the context of his deviant pursuit, the societal frame of reference of a rural entrepreneur assumes operational significance. The entrepreneurship emerging in the rural areas across the country is termed as rural entrepreneurship which symbolizes rural industrialization. It tends to cater the rural needs such as employment generation, income generation, rural development, build up village republics and curbing rural – urban migration [6]. The rural entrepreneurial economy is an ecosystem of risk takers, capital providers, markets, technology and intermediaries that facilitate non – market transactions [7].

3. Impediments to the Formation of Rural Entrepreneurship Ecosystem

The concept of entrepreneurial ecosystem recognizes the fact that entrepreneurial opportunities exist at the confluence of markets, people and technologies. The concept of ecosystem also takes into consideration that the opportunities are not static and that

changing environmental conditions can sometimes create and destroy value chains. These problems are exacerbated in rural regions due to geographic distance, isolation and in the view of above the challenges and problems faced by the rural entrepreneurship in developing countries such as that of India are discussed which have to be overcome for successful implementation of self employment.

(a) Knowledge Gap: The possibility of existence of knowledge gap is higher in rural regions which may slow down the emergence of new ventures although its extremity depends upon the types of ventures and the conditions under which they are developed. For example those ventures founded by the individuals who migrated from outside the region for the exploitation of rural endowments are likely to be challenged by the lack of geographic and cultural knowledge of the region and those founded by indigenous entrepreneurs may suffer from the lack of knowledge of demand markets or how to access those markets efficiently.

(b) Finance: Finance is considered as lifeblood of an enterprise. Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. Besides this, the procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. Subsidies are also being provided by the government in rural areas but due to the high cost of finance, these subsidies are not giving fruitful results. 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 entrepreneurs. 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.

(c) Technology: The challenges of agricultural growth in developing countries mostly include the lack of access to technology and infrastructure. It has been suggested that the barriers for the development of an enterprise is lack of interest, lack of coordination, disadvantage of geographic location for market access which results in high transportation cost etc. it can thus be stated that the geographic and social isolation leads to the lack of scale and scope economies that constraint capital accumulation and innovation.

(d) Human Resource: It is difficult for an entrepreneur to search for workers who are skilled enough and agree to work in rural regions. If the workers are not skilled enough, the entrepreneur has to provide job training which is a serious problem as they are mostly uneducated and they have to be taught in local language which they easily understand. Also the family environment, society and support system is not conducive to encourage rural people to take entrepreneurship as a career which is mostly due to lack of awareness and knowledge of entrepreneurial opportunities.

(e) Management: Due to lower literacy rate of the people residing in rural areas they are not much familiar with the information technology and mostly rely on internal linkages that encourage the flow of goods, services, information and ideas. However the intensity of family and personal relationships can be helpful but they may also present obstacles for the effective business relationships as the local politics of the area

may sometimes create hurdles during making important decisions and thus create hindrance in growth of an enterprise.

(f) Marketing: The rural entrepreneurs experience marketing problems and the major problem is standardization and competition from the large scale units. These large scale units also create difficulty for the survival of new ventures as they have limited financial resources and are bounded for spending limited finance on sales promotion. The new ventures have to come up with new advertisement strategies so as can be easily understood by the rural people. Also the printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication where people in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. Also, the rural entrepreneurs are heavily dependent on middlemen for marketing of their products who demand large pocket for profit. Besides this the indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc because of which the agricultural goods are not standardized and graded.

4. Performance Appraisal

A literature on rural entrepreneurship highlights some significant advancement that scholars examine by entrepreneurial advancements to be adopted. The researches has dominated the entrepreneurship investigations of women entrepreneurship in rural regions of developing countries is unquestionably valuable. Women entrepreneurship is a resultant of many qualities and traits which includes: imagination factors, ready to take risks, ability to mobilize scientific and technological advances besides capital, labour, land, finance etc. When we talk about “Women entrepreneurship” we mean, an act of business ownership that empowers women economically, increases their economic strength as well as position in the society. Women entrepreneurs are regarded as an important engine for economic development as they have been making considerable impact in almost all segments of the economy. In developing countries such as India, women entrepreneurship is very limited especially in the rural sectors. In many of the developed countries of the world, there is phenomenal increase in the number of self employed women after the World War II. In USA women owns 25% of all business, in Canada 1/3rd of the small business is owned by women while in France it is 1/5th. The number of self employed women in United Kingdom has increased to about 3 times as fast as the number of self employed men.

On the run, government of India has taken initiative for rural socio-economic development by creating employment opportunities through various sponsored schemes for appraisal of rural entrepreneurship across the country. Some of these include: Integrated rural development programme (IRDP), Jawahar Rojgar Yojna (JRY), Sampoorna Grameen Rojgar Yojna (SGRY), National Rural Employment Guarantee Programme (NREGA), National Rural Employment Programme (NREP),

Rural Landless Employment Guarantee Programme (NLEGP) and Training of Rural Youth for Self Employment (TRYSEM) etc.

5. Conclusion

Rural entrepreneurship plays an important role for economic development in developing countries such as that of India. Rural entrepreneurship helps in developing the backward regions and thereby removing poverty. Government should go for appraisal of rural entrepreneurship development schemes and programmes in order to uplift rural areas and thereby increasing economic development. It can be stated that the reason why rural entrepreneurship finds it difficult to take off is due to lack of connectedness among the elements crucial to the fostering of capital accumulation, risk taking and innovation. The rural development programs should combine infrastructure development, education and health services, investment in agriculture and the promotion of rural non-farm activities in which women and rural population can engage themselves.

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