

# Rural Entrepreneurship: The Current Scenario in India

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**Abstract:** *Rural entrepreneurship engages the masses in manufacturing output, by providing employment opportunities, assists in industrialization of rural & backward areas, thereby, assures regional balanced development and reduces migration of youth to urban areas. It plays a pivotal role in distribution of income & wealth at grassroots level in the developing countries like India. The present work provides an integrated view of rural entrepreneurship in India based on the analysis of the findings of the NSS 73rd Round of NSSO, related to rural sector. It contemplates the status of rural entrepreneurship, schemes for the development of rural entrepreneurship, government efforts to revive traditional industries after demonetization and problems of rural entrepreneurship.*

**Keywords:** Rural Entrepreneurship, National Sample Survey (NSS) 73rd Round, Schemes for the Development of Rural Entrepreneurship

## 1. Introduction

After over seven decades of independence and industrialization in our country, still a large population lives in rural areas. Rural regions face major issues in comparison to other regions (Brown & Schafft, 2011), which are more serious in the peripheral regions. According to OECD report 2005, rural areas are affected by major challenges like unemployment or underemployment in primary industries, lack of infrastructure, market, financial access, migration of young population to urban areas in search of employment opportunities. The solution of these problems lies in the development of rural areas with entrepreneurial development. Entrepreneurial activities contributes to economic development with increased rural income, exercising multiplier effect by raising the demand for products and services resulting in growth of employment opportunities.

Demonetization has led to closure of many micro and small enterprises, leaving millions of people unemployed. It has severe effects on the poor section of the society especially small scale entrepreneurs & employees, agriculturists, daily wage workers. This caused to migration of people back to rural areas, creating additional burden on already unemployed rural sector. To overcome these problems and support rural entrepreneurship development the government has initiated new schemes besides the old ones. On July 5, 2019, the Finance Minister presented Budget in Parliament focusing on reviving traditional industries such as khadi bamboo etcetera through a cluster-based approach. A hundred new clusters for traditional industries will be created in 2019-20. This will be done under the Scheme of Fund for Regeneration of Traditional Industries (SFURTI), which targets to organize such industries and artisans into clusters, making them competitive, bolster up their long-term sustainability leading to increased employment and marketability of products.

### Definition of Rural Entrepreneurship

In simple words, we can say that rural entrepreneurship is any endeavor to organize any business activity in rural area.

It is defined as entrepreneurship emerging in rural areas,

which has capability to drive various attempts in primary, secondary and tertiary sectors and acts as a potent factor for economic development."

Rural entrepreneurship is that entrepreneurship that initiates in rural areas brings value addition to rural resources engaging largely human resources of that particular area.

Thus, it is concluded that rural entrepreneurship must emerge in rural area, by any person whether from rural or urban area, employing most of the material and people from rural area, providing the benefits and development to that particular area, ultimately leading to economic development of the country.

## 2. Methodology

This study is based on extensive review of different reports, research articles, policy papers and comparative analysis of statistical data from government databases. The data is mainly collected from published and unpublished works on the related topic. The major source for secondary information were the annual reports of MSMEs and KVIC, reports of NSS 73rd Round of NSSO, economic surveys, journals, and websites.

## 3. Literature Review

There are various studies and surveys, which indicate, continuous engagements in the area of rural entrepreneurship. The brief discussion of some of them is as follows:

Mali D.D., (1988) and Kondaiah C., (1990) studied the cultural and psychological factors affecting the entrepreneurship in rural areas. It was found that most people in rural areas were engaged in the traditional occupations, they had developed a possessiveness with land and whatever it can produce. Therefore, gradual steps are required to diversify them to occupations in the non-traditional areas like cottage, household and small-scale industries, etc. Khanka, S.S., (1999) and Sarwade et al., (2000) conducted study on different villages and propounded that in small villages the rural entrepreneurs

started their enterprises as a part time activity while large villages it was started as the main business. The major problem of the rural entrepreneurs was credit sale as the demand for a product was connected directly to agricultural income.

Sherief, (2005) and S. Sannasi, (2008) studied the determinants of rural entrepreneurship and the environment conducive to its development. They opinioned in their study that promotion of entrepreneurship activities is inevitable in order to accelerate economic development in rural areas.

Ghosh, Anjali (2011), concluded that merely the setting up enterprises in rural areas is not enough but employing the people and resources of that area is also essential in order to develop rural entrepreneurship. Basically, the benefits derived from the entrepreneurial activity should reach the different stakeholders of rural areas.

Chakmraborty and Barman (2014) found in their research of Sonitpur district in Assam that rural entrepreneurs were primarily motivated by the need for eagerness to make money and self employment. They also confirmed that training of different stakeholders not only improved the productivity and efficiency of local farmers and artisans, but also have potential social and environmental effects by developing ecofriendly solution to local problems.

### Status of Rural Entrepreneurship

As per the National Sample Survey (NSS) 73rd round, on unincorporated nonagricultural enterprises in manufacturing, trade and other services sectors, there are approximately 324.88 lakhs enterprises in rural sector. The following tables present the current situation of rural entrepreneurs in the country.

**1. Number of Enterprises:** As per table-1, there are 633.88 lakhs MSMEs in the country engaged in different economic activities, out of that 324.88 lakhs units are in rural areas while 309 lakhs lie in urban areas. The Manufacturing units are more in rural areas whereas Trade and Other Services exceed in urban areas.

**Table 1:** Estimated Number of MSMEs (Activity Wise)

Activity Category	Estimated Number of Enterprises (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	114.14	82.50	196.65	31
Trade	108.71	121.64	230.35	36
Other Services	102.00	104.85	206.85	33
Electricity*	0.03	0.01	0.03	0
All	324.88	309.00	633.88	100

\*Non-captive electricity generation and transmission and distribution by units not registered with the Central Electricity Authority (CEA)

**2. Distribution of Enterprises Category Wise:** According to table- 2, the Micro sector with 630.52 lakhs units accounts for more than 99% of total estimated number of MSMEs. The share of Small sector and Medium sector being 3.31 lakhs units with 0.05 lakhs units respectively. The overall share of rural sector is 51% as compared to urban sector i.e. 49%.

**Table 2:** Distribution of Enterprises Category Wise (Numbers in lakhs)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	324.09	0.78	0.01	324.88	51
Urban	306.43	2.53	0.04	309.00	49
All	630.52	3.31	0.05	633.88	100

**3. Type of Ownership of Enterprises:** Concerning type of ownership (table-3) male dominance prevails in both the sectors. Male owned 79.63% of enterprises as compared to 20.37% owned by female. Although the dominance of male owned enterprises was slightly more pronounced in urban sector in comparison of rural sector (81.58% as compared to 77.76%).

**Table 3:** Percentage Distribution of Enterprises in rural and urban areas. (Gender wise)

Sector	Male	Female	All
Rural	77.76	22.24	100
Urban	81.58	18.42	100
All	79.63	20.37	100

**4. Employment Category Wise:** Table-4, shows the estimated employment in MSME sector. The sector has created 1109.89 lakhs jobs (360.41 lakh in Manufacturing, 387.18 lakh in Trade and 362.82 lakh in Other Services) in both the rural and the urban areas. The rural sector has created more jobs in manufacturing activity than urban sector (186.56 as compared to 173.86).

**Table 4:** Estimated Employment in MSME Sector (Broad Activity Category Wise)

Broad Activity Category	Employment (in lakh)			Share (%)
	Rural	Urban	Total	
Manufacturing	186.56	173.86	360.41	32
Trade	160.64	226.54	387.18	35
Other Services	150.53	211.69	362.22	33
Electricity*	0.06	0.02	0.07	0
All	497.78	612.10	1109.89	100

\*Non-captive electricity generation and transmission

**5. Distribution of Employment in MSME:** As per table- 5, Micro sector provides employment to 1076.19 lakh persons, which is around 97% of total employment. The share of Small sector and Medium sector being 31.95 lakhs (2.88%) and 1.75 lakh (0.16%) persons of total employment respectively. The employment level of urban sector is less in all types of enterprises as compared to urban sector.

**Table 5:** Distribution of Employment in MSME Rural and Urban Areas (Number in lakh)

Sector	Micro	Small	Medium	Total	Share (%)
Rural	489.30	7.88	0.60	497.78	45
Urban	586.88	24.06	1.16	612.10	55
All	1076.19	31.95	1.75	1109.89	100

**6. Annual Gross Value Added (GVA) of Enterprises:** Table-6, presents that the aggregate annual gross value added by the enterprises engaged in market production was Rs.1152338 crores. Activity wise, enterprises engaged in Trade had contributed maximum to overall GVA i.e. 39%, followed by Other Services (38 %) and Manufacturing (23%). The GVA of urban sector exceeds in all areas in comparison of rural sector.

**Table 6:** Annual Gross Value Added (GVA) of Enterprises

Broad Activity Category	GVA of enterprises ( in Rs. crore)		
	Rural	Urban	Total
Manufacturing	89829	178233	268062
Trade	116206	332697	448903
Other Services	138463	296838	435301
All	344551	807786	1152338

**7. Enterprises by State/UTs:** Table -7, shows the percentage distribution of enterprises by State for each sector. Uttar Pradesh reported the highest share in the number of enterprises (14.20 %) followed by West Bengal (13.99 %). However, West Bengal topped in the rural sector with 17.44 %, followed by Uttar Pradesh (14.93 %), Bihar (7.39 %), Andhra Pradesh (5.99 %) and Maharashtra (5.94 %) among the top five states in the number of enterprises.

**Table 7:** Percentage distribution of enterprises by State/UTs for each sector

State	Rural	Urban	Total
Uttar Pradesh	14.93	13.43	14.20
West Bengal	17.44	10.36	13.99
Tamil Nadu	4.90	10.86	7.80
Maharashtra	5.94	9.22	7.54
Karnataka	5.42	6.71	6.05
Bihar	7.39	3.38	5.44
Andhra Pradesh	5.99	4.66	5.34
Gujarat	3.05	7.52	5.23
Rajasthan	3.93	4.56	4.24
Madhya Pradesh	4.18	4.25	4.22
Telangana	4.02	4.20	4.11
Kerala	3.29	4.24	3.75
Odisha	4.58	1.61	3.13
Jharkhand	3.72	1.23	2.51
Punjab	1.89	2.75	2.31
Assam	2.61	1.18	1.92
Haryana	1.18	1.90	1.53
Delhi	0.03	3.00	1.48
Chhattisgarh	1.51	1.15	1.34
Jammu & Kashmir	1.06	1.18	1.12
Uttarakhand	0.65	0.66	0.66
Himachal Pradesh	0.97	0.25	0.62
<b>Sub total</b>	<b>98.68</b>	<b>98.30</b>	<b>98.53</b>
<b>All India</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Schemes for reviving traditional industries and rural entrepreneurship

The government runs numerous schemes to support and develop rural industries; targeted at providing credit and financial assistance, skill development training, technological and quality up gradation, infrastructure development and marketing assistance. The brief discussion of some of the major government schemes are as follows.

- **Scheme of Fund for Regeneration of Traditional Industries (SFURTI):** It is as a cluster-based scheme aims to organize traditional industries and artisans into competitive clusters by providing support for their long term sustainability, with improved equipment, training, capacity building and design, common facilities centres, marketing support, etc. The scheme invites applicants from non-government organizations (NGOs), government institutions private sector bodies with expertise to undertake cluster development. Out of the

allotted budget, the government has incurred expenditure of Rs. 86.03 crore during the year 2018-19 for implementation of the scheme.

- **Prime Minister's Employment Generation Programme (PMEGP):** The scheme is a credit-linked subsidy programme, which is directed to generate employment opportunities through establishment of micro-enterprises by assisting traditional artisans and unemployed youth. It leads to increase the wage earning capacity of artisans, reduction in unemployment level and migration of rural youth to urban areas. The Scheme is implemented by Khadi and Village Industries Commission(KVIC), as the nodal agency. For implementation of the scheme, the government has incurred expenditure of Rs. 2118.80 crore during the year 2018-19.
- **A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE):** The objective of scheme is to create new jobs to reduce unemployment, boost grassroots economic development, promote entrepreneurship culture and promote innovation to strengthen the competitiveness of the MSME sector. Under this a network of Technology centres are setup for sharing practices and developing human resource; Scale up Business Accelerator programme; implement incubation and commercialization of Business Ideas Programme through technical/research institutes, including those in the field of agro-based industry. The government has incurred expenditure of Rs. 219.34 crore during the year 2018-19 for implementation of the scheme.
- **Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE):** The Scheme facilitates credit to Micro and Small Enterprises MSME units through collateral-free credit facility (term loan and/or working capital) extended through banks and financial institutions to new and existing MSMEs. It is the only of its kind guarantee scheme which has covered more than 31 lakh beneficiaries in last 18 years cumulatively Under this 3505612 proposals have been approved for guarantee cover of Rs. 182790.06 crore, as on 31st March, 2019,
- **Credit Linked Capital Subsidy Scheme (CLCSS):** It aims at technology up gradation of Micro and Small Enterprises by providing 15 percent capital subsidy (limited to a maximum of Rs 15 lakh). It intends to upgrade the plant and machinery of micro and small enterprises with state-of-the-art technology, with or without expansion, and for new enterprises as well. The scheme has been successful in enabling MSEs in technology upgradation. Since, inception of the scheme 62827 MSEs have availed subsidy of Rs. 3888.12 crore till 31st March 2019.

Besides the schemes discussed above, other schemes are mentioned as under:

- Scheme for Micro & Small Enterprises Cluster Development Programme (MSE-CDP)
- Entrepreneurship and Skill Development Programme (ESDP)
- Scheme for providing financial assistance to Khadi institutions under MPDA
- Financial Support to MSMEs in ZED certification



- Market Promotion & Development Scheme (MPDA)
- Coir Industry Technology Upgradation Scheme (CITUS)
- Domestic Market Promotion Scheme (DMP)
- National Manufacturing Competitiveness Programme (NMCP)
- Technology and Quality Upgradation Support to MSMEs
- Procurement and Marketing Support Scheme (P&MS)
- Scheme of Information, Education and Communication

### Problems of Rural Entrepreneurship

Since independence, the rural entrepreneurs have been facing several problems in spite of taking several steps by the government to eradicate the problems. Even in today's competitive business world, their problems are more or less same. Some of the major problems faced by rural entrepreneurs are as under:

- Low Risks Bearing Capacity
- Scarcity of Finance
- Lack of technical knowledge
- Competition from large and urban entrepreneurs
- Exploitation by Middlemen
- Low skill level of workers
- Poor quality of products
- Lack of Education
- Inadequate Marketing Facilities
- Lack of Information
- Shortage of Raw Material
- Lack of Security

### 4. Suggestions

- Instead of doing everything ineffectively, the government should encourage private organizations and industry associations to play a significant role in the technological enhancement and other related areas of rural entrepreneurship.
- There should be proper coordination among various institutions i.e. MSME-DC, NABARD, SIDBI NSIC, NIESBUD, KVIC etc. for providing the various categories of assistance on time.
- Special cells must be created for providing concessional and easy finance to rural entrepreneurs, to overcome their biggest fear.
- The procedure of providing support should be made simple, transparent and less time consuming, taking into consideration the condition of rural entrepreneurs.
- Rural entrepreneurs should be provided proper encouragement and assistance for setting up marketing co-operatives, which are vital in fetching reasonable rate of their products
- The training programmes should be more structural taking into account the social and economic background of rural entrepreneurs

### 5. Conclusion

Rural entrepreneurship is inevitable in the economic growth and development of the country, especially for a country like India, whose majority of population live in villages. Rural entrepreneurship contributes to the development of backward regions by generating employment opportunities,

halting migration of rural youth, manufacturing output, developing infrastructure, raising standard of living thereby removes poverty. Entrepreneurial activities have enhanced in the rural areas with the passage of time, still it is far less as proportionate to urban areas. Latest survey depicts that 51% Micro, Small and Medium Enterprises are owned by rural entrepreneurs and that too concentrated at micro level enterprises. Since independence, the government has implemented different policies and schemes for the support and development of rural entrepreneurship but could not attain the desired results. There is need to appraise the rural entrepreneurship development schemes and programmes by the government in order to get the desired results in rural areas.

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