

ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT IN RURAL INDIA

RAJAT SHARMA¹ & VIPUL SHARMA²

1 Research Scholar, School of Commerce and Management Studies, Central University of Himachal Pradesh, Dharamshala, Himachal Pradesh

2 Research Scholar, School of Commerce and Management Studies, Central University of Himachal Pradesh, Dharamshala, Himachal Pradesh

ABSTRACT

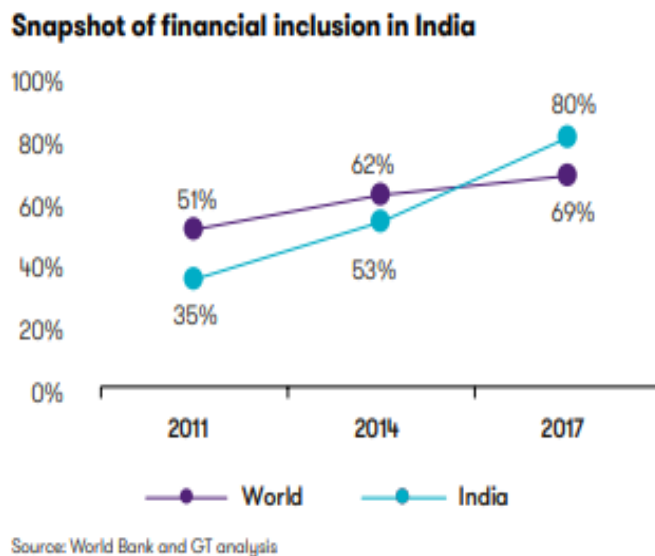
India is the home of 130 crore people and is the second most populated country in the world. There are about six lakh villages in the country in which around 70 percent of the population resides. While the country has lifted 271 million people out of poverty between 2005 to 2015, but still about 28 percent of the world's poor lives in India. To eradicate poverty in India, especially in rural areas, governments have to take care of policies for developing rural entrepreneurship. Rural Entrepreneurship is a process of developing and encouraging businesses in rural areas and enhancing their contribution to the national economy. This is one of the best ways to motivate people residing in rural areas to establish their businesses and get aligned with the mainstream economy. The study elaborated on the role of rural entrepreneurship in eradicating financial exclusion and boosting the economy of rural India. This study is based on secondary data sources. The research put forward some recommendations to eradicate financial exclusion from rural India based on entrepreneurship development.

Keywords: Entrepreneurship, Economy, Rural development, Rural Entrepreneurship, Financial Exclusion, Poverty.

INTRODUCTION

India is a country of six lakhs villages and about 70% of its population resides in these villages (Census, 2011). The network of FMCG (Fast Moving Consumer Goods) in rural and semi-urban India is growing rapidly. The Rural FMCG market accounts for 40% of the FMCG market in India in terms of revenue the government has come up with many measures to boost and stimulate the rural economy but still, the efforts are not enough. The rural market is under stress and grew at a low rate of 2% in the last quarter (Sengupta, 2019). The major reasons for financial exclusion in India are as under: - 1 Absence of technology; 2 Absence of reach and coverage; 3 Absence of viable delivery mechanism; 4 Lack of proper model for rural business (Gupta, 2012). The 2008-2009 slowdowns impacted the Information Technology sector, Real Estate sector, Automobile sector in the urban areas whereas the rural economy remained unaffected (Kapur and Reddy, 2020). India has focused on exploring cost-effective and sustainable delivery mechanisms to reach out to remote locations. To eradicate

financial exclusion from rural India and align poor people with the mainstream economy, entrepreneurship is the best possible way. A hundred new clusters for traditional industries will be created in 2019-2020; this will allow about 50,000 artisans to join the economic value chain (Budget, 2019).



For rural entrepreneurship government has launched various credit schemes and the top five schemes are as 1 ASPIRE (Scheme for Promotion of Innovation, Entrepreneurship, and Agro-Industries); 2 SFRUTI (Scheme for Fund Regeneration of Traditional Industries); 3 PMEGP (Prime Minister Employment Generation Program); 4 CGTMSE (Credit Guarantee Scheme for Micro and Small Enterprise); and 5 PM-KISAN (Kisan Samman Nidhi Yojna) (Mansur, 2019).

Agriculture is the primary source that derives most of the Indian rural economy. Though various factors derive the agriculture in India the leading factors are rainfall level, availability of water reservoirs for irrigation, sowing area, and welfare schemes that government imitates to boost the rural economy. India's per capita GDP in rural regions has grown at a rate of 6.2% since 2000 (Misra & Shettigar, 2020). Several changes in the policies regarding land reforms, agriculture, animal husbandry, supplies and marketing, village industries, rural leadership have done influential work in boosting the rural economy. The three major features of the Indian rural economy are as 1 Commercialization of agriculture; 2 Rural society under the impact of urbanization; and 3 Industrial participation (Mondal, 2020). Consumption is the

bedrock of the economy and the rural sector is the biggest driver of that pillar of growth. About 57% of India's household consumption expenditure comes from rural areas (PRICE Report).

RESEARCH OBJECTIVES

- To study the growth of entrepreneurship in rural India in past.
- To find out the role of rural entrepreneurship in economic development.
- To find out the major challenges and problems of rural entrepreneurship.
- To suggest some remedial measures to solve problems related to rural entrepreneurship.

RESEARCH METHODOLOGY

The present study is a descriptive type of study and is based on secondary data. Secondary data is collected from various sources like books, journals, magazines, reports, etc.

GROWTH OF RURAL ENTREPRENEURSHIP-

According to the World Economic Forum Report 2019- India's critical issues would lie in three primary areas a) skill development and being future employment ready. b) socio-economic inclusion of rural India. c) a healthy and sustainable future. For the development of rural entrepreneurship, the government has launched various schemes and developmental programs. No doubt these schemes and programs benefited lakhs of people residing in rural areas but are still not enough. The level of poverty in India has been dropped from 22% in 2012 to 16% in 2019 even after the essential growth in population. The major government schemes working for rural entrepreneurship development are:

Rural Self Employment Training Institutes (RSETI)- The main purpose of RSETI is to impart skill full training through proper and dedicated infrastructure in every part of the country so that it could lead the youth, especially from rural areas towards entrepreneurship and development. These institutes or organizations are managed under banks and cooperatives with the participation of both central and state govt.

With the help of 31 government banks, RSETI is the scheme for skilling the rural youth to take up gainful self-employment. At present 586 RESTI schemes are active in the 566 districts in the country to provide necessary skill training and skill up-gradation for rural below poverty line youth to mitigate the employment problems.

There are about 40 training courses active related to agriculture, product and process transformation. At least 70% of the trainees should be from the rural BPL category.

Year	Total no. of candidates trained under RSETI	Total no. of candidates settled under RSETI
2014-15	3,92,206	2,52,479
2015-16	4,36,385	2,99,892
2016-17	4,45,106	3,63,111
2017-18	4,23,343	3,49,807
Total	16,97,040	12,65,289

Source: transforming rural India, 2019

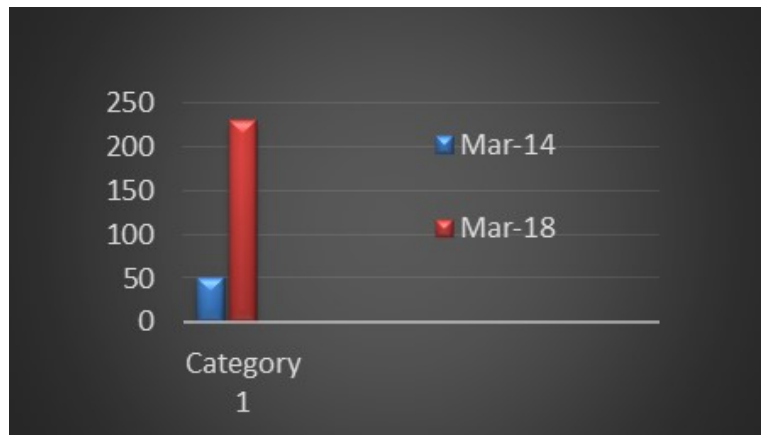
For better monitoring outcomes Adhaar Authenticated Biometric Attendance System was introduced on 1st January 2018. Social and gender inclusion in RSETI in FY 2014-15 to 2017-18 is given below:

Year	2014-15 to 2017-18
Empowerment of Women	10,03,782
Empowerment of SC's/ST's	3,79,143
Caring of Differently Abled	20142

Source: transforming rural India, 2019

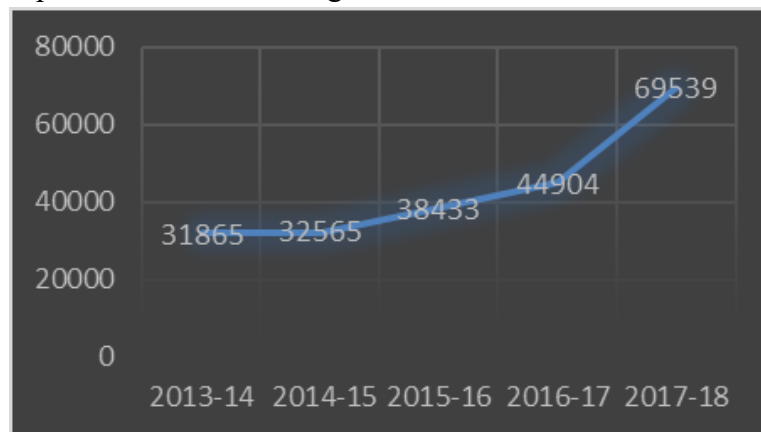
Deendayal Antyodaya Yojana- National Rural Livelihood Mission (DAY-NRLM)- This scheme was launched in 2011 to provide self-employment to millions of villagers and alleviate rural poverty. Exceptional work has already been done under this scheme since 2011 and about 684.5 lakhs number of households mobilized in Self Help Groups and about 62.5 lakhs number of Self-Help Groups were promoted. At present, 649 districts have intensive NRLM blocks in over 2 lakh Gram Panchayats. **During COVID-19** about 3 Crore of masks has been manufactured by Self-Help Groups, 26391 Protective Equipment, 118045 sanitizers, and about 6450 Kitchens are operational by these Self-Help Groups.

Mobilization of HHs in SGHs in the last four years:



Source: transforming rural India, 2019

Self-Help Group bank loan outstanding:



Source: Transforming rural India, 2019

Under this scheme, Start-Up Village Entrepreneurship Program started and about 30,352 enterprises were formed across 20 states as on 30 November 2018. The top 4 states that are contributing in this are:

States	Number of Enterprises
Andhra Pradesh	4,017
Bihar	3,991
Madhya Pradesh	3,100
Maharashtra	2,952
Chhattisgarh	2,792

Deen Dayal Upadhyaya- Grameen Kaushalya Yojana (DDU-GKY): Govt of India has launched the skill and training services as Deen Dyal Upadhyaya Grameen Kaushalya Yojana that imparts proper planning and implementation towards the developments of rural area youth and the training and placement schemes are provided based on their needs. The major and the most important purpose of this yojana is to place at least about 70% of the trainee’s youth in different sectors.

The scheme was launched by the Ministry of Rural Development on 25th September 2014 with dual objectives: a) adding diversity to the incomes of rural poor families and b) catering to the career aspiration of rural youth. This scheme was focused on rural youth between the ages group 15 to 35 from poor rural families. About 69% of the country’s youth population between the ages of 18-34 lives in its rural areas. DDU-GKY funds a variety of skills training programs covering about 250 trades across a range of sectors such as Retail, Hospitality, Health, Construction, Automobile, and others. DDU-KGY is currently being implemented in 28 states and has 726 active training centers with training in 381 job roles and 38 sectors. From FY 2014-15 till FY 2017-18 a total of 5.74 lakhs candidates have been trained and 3.55 lakhs have been placed.

Year	Total no. of candidates trained under DDU-KGY	Total no. of candidates placed under DDU-KGY
2014-15	43,038	21,446
2015-16	2,36,471	1,09,512
2016-17	1,62,586	1,47,883
2017-18	1,31,527	75,787
TOTAL	5,73,622	3,54,628

Source: Transforming rural India,2019

Social and gender inclusion under DDU-KGY in the last four years:

YEAR	2014-15 TO 2017-18
Empowerment of Women	2,33,970
Empowerment of SC’s/STs	1.76 lakh SCs 84,000 ST’s
Caring for Differently Abled	1,574

Source: transforming rural India, 2019

MEDIUM SMALL AND MICRO ENTERPRISES (MSME): MSME Sector i.e., also called the engineering machine or the economy of India plays a crucial role in providing opportunities for employment in rural and backward areas. The motive of this industrial sector remains the balanced distribution of income and wealth. MSME has played a prominent role in the development of rural areas in India in the last few years. It acts as a bridge that connects the rural economy with the nation's national income. It contributes significantly to the socio-economic development of the country. The ministry for this was created in 1997 and in 2001 splits into the ministry of small-scale industries and the ministry for agro and rural industries. According to the sixth economic census of 2013, the total establishments in the country are 58.5 million, out of which 34.8 million are in the rural areas and 23.7 million in the urban areas, sharing 59.48% and 40.52% respectively. the top five states are Uttar Pradesh (11.43%), Maharashtra (10.49%), West Bengal (10.10%), Tamil Nadu (8.46%), and Andhra Pradesh (7.25%).

Estimated Number of Enterprises (in lakh):

Activity Category	Rural	Urban	Total
Manufacturing	114.14	82.50	196.65
Trade	108.71	121.64	230.35
Other Services	102.00	104.85	206.85
All	324.88	309.00	633.88

Source: MSME annual report, 2018.

According to Economic Census 2016, MSME employs about 131.29 million people; out of whom 67.89 million are in rural areas sharing about 51.71%, and 63.4 million are from urban areas that sharing about 38.14%.

Employment (in lakh):

Broad Activity Category	Rural	Urban	Total
Manufacturing	186.56	173.86	360.41
Trade	160.64	226.54	387.18
Other Services	150.53	211.69	362.22
All	497.78	612.10	1109.8

Source: MSME annual report,2018.

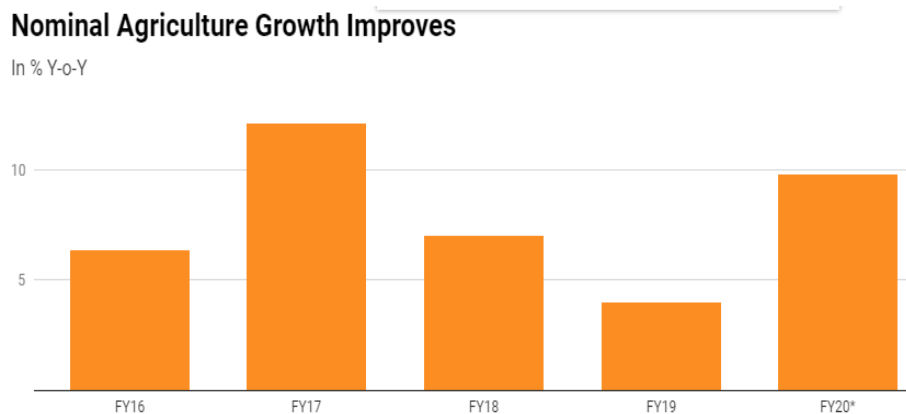
ROLE OF RURAL IN INDIAN ECONOMY

India is a developing economy and its major economic performance is dependent on rural areas, especially on MSME. The MSMEs are widely dispersed across the sector of the economy, producing a diverse range of products and services to meet the demand of local as well as global markets.

Year	Share of MSME in GVA (%)	Share of MSME in GDP (%)
2013-14	32.71	30.20
2014-15	32.21	29.70
2015-16	32.03	29.20
2016-17	31.83	28.90

Source: MSME annual report, 2018.

According to a report by CRISIL, published in December 2019- farm profits are expected to rise 7-8% year-on-year in the crop year 2019-20 showing a rise of 26% as compared to last year.



The various sectors of the economy where rural entrepreneurs can contribute are:

- Employment opportunities
- Mobilization of local resources
- Enhancement in capital markets
- Infrastructure development

- Economic integration
- Societal integration.

PROBLEMS AND CHALLENGES

Rural entrepreneurship is one of the prominent tools in the eradication of poverty, reducing migration, unemployment, and development of backward regions. Rural entrepreneurs have to deal with a lot of problems related to finance, education, skilled workforce, and various others. Although governments are trying their level best to tackle these problems but still a lot has to be done in the sector.

RURAL PROBLEMS	RURAL CHALLENGES
Lack of technical knowledge	Power failure
Unavailability of infrastructure	Low connectivity
Bulky legal formalities	Lesser technological up-gradation
Unavailability of finance	Lack of skilled workforce
Family restrictions	Poor product quality

SUGGESTIONS

The budget 2020-21 for rural development has proposed Rs. 1,20,147 crore which is marginally reduced from the previous budget allocated in 2019-20 which was 1,22,649 crores. MGNREGA funds are down by 13% and there is also a marginal dip in other rural schemes.

Budgetary allocation FY 2020-2021:

DEPTT.	Revised (2019-20)	FY (2020-21)	% CHANGE
Rural Development	1,22,649	1,20,147	-2.0%
Land Resources	1,900	2,251	18.5%
Total	1,24,549	1,22,398	-1.7%

Source: Budget, 2020-2021

Budgetary allocation for government rural schemes FY 2020-2021:

Department	Actuals (2018-19)	Revised (2019-20)	Budgeted (2020-21)	% change (RE to BE)
MGNREGS	61,815	71,002	61,500	-13%
PMAY-G	19,308	18,475	19,500	6%
PMGSY	15,414	14,070	19,500	39%
NSAP	8,418	9,200	9,197	0%
NRLM	5,783	9,024	9,210	2%
Rurban Mission	433	300	600	100%
Others	671	578	640	11%
Total	1,11,842	1,22,649	1,20,147	-2%

To tackle various problems related to rural entrepreneurship government should focus on:

- There should be more financial institutions other than NABARD, SIDBI, RRB that can aid rural entrepreneurs in enhancing and expanding their businesses. These financial institutes must create financial cells for providing easy and immediate finance to rural entrepreneurs.
- There should be a proper supply of raw materials so that manufacturing units can deliver products on time to customers. For this proper road, connectivity should be there and the cost of raw material should be reasonable and quality standards must maintain.
- Skilled human workforce is the most essential element for any organization whether small or large. For this proper training, facilities should be there at regular intervals. Training in the particular field and proper alignment with technology can boost rural entrepreneurship.
- Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing cooperatives. Facilitation centers with modern infrastructure facilities should be set up. Grading and promotional activities should also be there.

CONCLUSION

Rural empowerment is the base of every nation's economy. Not only for poverty reduction but the eradication of many social ills, rural development is necessary. Due

to several barriers, many people migrate from rural areas to urban areas in search of employment and rural youth do not think of entrepreneurship as a career option. Therefore, rural youth need to be motivated to take up entrepreneurship as a career. Proper infrastructure facilities, adequate training programs, technological upgrades, connectivity are some of the issues which have to be removed. Only then rural youth will come forward and choose entrepreneurship as a career choice. Financial liberalization should be there with immediate help and an efficient regulated market will be the most effective for this. Governments are trying their best to remove these barriers by starting various schemes and programs for rural development and rural youths. Government banks are doing well but cooperative societies and self-help groups should also lend their hand in this context.

REFERENCES

- Baghla, A. (2018). *Financial Inclusion In India : Its Need And Future*. 5(3), 449–453.
- Bhuyan, U. (2016). *A Study on the Performance of Micro, Small and Medium Enterprises (MSMEs) in India*. 16(9).
- Garg, S., & Agarwal, P. (2017). *Financial Inclusion in India – a Review of Initiatives and Achievements*. October. <https://doi.org/10.9790/487X-16615261>
- Ghosh, S. (2011). *Entrepreneurship: An Overview of the Issues and Challenges in the Context of Rural Development in India*. 2.
- Hussain, I. (2019). *Impact Assessment of Deendayal Antyodaya Yojana National Rural Livelihood Mission : A Study of the Bajiagaon Community Development Block of Nagaon District of Assam*. 07(01), 186–197.
- Lalitha, V. (2019). *Skill training for rural youth under DDU-gky : a case study of NAC in Telangana*. 02(02), 155–160.
- Patil, P. (2017). *An Overview of Indian FMCG Sector Management Science An Overview of Indian FMCG Sector Assistant Professor, School of Management Sciences, SRTMU Sub-centre Latur*. February 2016, 4–7.
- Phukun, R. (2021). *Implementation of Deen Dayal Upadhyaya Grameen Kaushalya Yojana in Assam* 4(02), 45–53.
- Rao, P. S. (2019). *Rural Development Schemes in India – A Study*. 06(1), 1072–1076.
- Rathi, K. N. (2019). *Training at Rural Self Employment Training Institute (Rseti) and Its Influence on the Financial Literacy and Entrepreneurial Intention of Women*. 7(3), 1–4.
- Sahu, K. C. (2020). *Employment of Rural Youth Through Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY): A Study with Special Reference to Odisha*. 8(6), 4168–4175.
- Vedanthadesikan, G., & Pathmanathan, P. (2016). *Rural Entrepreneurship – An Indian Scenario*. 6959(88), 88–95.