

A Study on Role of Entrepreneur in Socio Economic Development in India

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Abstract

Entrepreneurship has been considered the backbone of socio economic development of Country. It has been well established that the level of economic growth of a region to a large extent, depends on the level of entrepreneurial activities in the region. True entrepreneurs are resourceful, passionate and driven to succeed and improve. On the contrary it is also a fact that the majority of rural entrepreneurs are 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. An entrepreneur is a business person who not only conceives and organizes ventures but also frequently takes risks in doing so. This paper focuses and provides an insight into the meaning, history, qualities required for an entrepreneur, opportunities and challenges faced by them in the development of rural areas and at last with a discussion on role and benefits of entrepreneurship in rural development.

Keywords: Entrepreneurship, Rural Development, Challenges, Qualities, Benefits

Introduction

Entrepreneurship can play an important role in rural development. "Entrepreneur means one who creates a product on his own account, whoever undertakes on his own an industrial/trading enterprise in which work men are employed". If entrepreneurship really encouraged in rural area it would, of course, be instrumental in changing the face of rural areas by solving the problems of unemployment, poverty, economic disparity, poor utilization of rural capacity, low level of standard of living. Majority of the population still lives in rural India and the large chunk of population in urban areas still live through the learning of a village life. For the strength of the country there is a necessity to develop the villages. Development of a country is a choice loaded on its people, whether urban or rural. It is individuals who shape up a society and decide its progress and performance.

Urban and rural are two sides of the same coin of economic development. While the urban sector has witnessed phenomenal growth and development, fuelled by the post-independence era of industrialization, the rural sector saw little corporate growth. Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Furthermore, institutions and individuals seem to agree on urgent need to promote rural enterprises

There are several reasons for the increasing interest in entrepreneurship in rural regions and communities. First and foremost, the traditional approaches of recruitment and retention are just not working for most places, and leaders are looking for viable alternatives. Second, there is a growing body of evidence from the Global Entrepreneurship Monitor, prepared annually by Babson College and the London School of Economics, on the critical role that entrepreneurs and small businesses play in driving local and national economies. Third, the structure of rural economies is essentially composed of small enterprises, which are responsible for most of the job

growth and the innovation, and in any event, small businesses represent an appropriate scale of activity for most rural economies.

Four principal components of a successful entrepreneurship development strategy are:

- there has to be a community culture of support for entrepreneurs,
- the strategy has to be entrepreneur-focused,
- a systems orientation has to be central to the strategy,
- Make available funding for innovative financing models.

Review of Past Studies

The available relevant literatures are briefly summarized as follows: Piore and Sable (1984), in their book, "The Second Industrial Divide", provided a policy framework for small business development which states that economic development will be more successful if it takes place within a political context, where local communities actively support small-scale enterprises.

Petrin (1992), in a study observed that to accelerate economic development in rural areas, it is important to build up the critical mass of first generation entrepreneurs.

Keeble *et al.* (1992), in their research work found that SMEs in rural areas in the UK have better performance than that of their urban counterparts in terms of employment growth.

Petrin (1994) in another article concluded that rural development is now being largely linked to entrepreneurship. It acts as a vehicle to improve the quality of life for individuals, families and communities in order to sustain a healthy economy and environment.

Storey (1994) in his study found that policy measures can influence the level of entrepreneurship. Lyson (1995) indicated the prospects of small-enterprise framework as a possible rural development strategy for the economically disadvantaged communities.

Vaessen and Keeble (1995) revealed that the external environment in the more remote rural areas presents challenges

for SMEs, which they need to adapt to if they are to survive and grow.

Smallbone and North (1997) revealed that firms with highest level of innovative behaviour were growing in terms of sales and employment, although the relationship between innovation and growth is an inter-dependent and mutually reinforcing one, rather than a simple cause and effect relationship. Lu Rongsen (1998) in a study in the area of western Sichuan highlighted the important factors that were responsible for rapid development of enterprises. The factors include local natural resources, development of infrastructure, strong and integrated policy support from Government, well planned marketing strategy and linkage with larger companies and organizations for nationwide marketing and abroad. Gavian *et al.* (2002), in their study, have suggested that SMEs are traditionally thought of as well poised to respond to the increased demand by creating jobs. Giannetti and Simonov (2003) found that apart from the role of individual characteristics, access to capital and institutions, social factors may also play in the decision to become an entrepreneur. Social interactions affect the payoffs from a variety of economic decisions. Sherief, (2005) attempted to understand the determinants of rural entrepreneurship and the environment conducive to its development. The study concluded that to accelerate economic development in rural areas, it is necessary to promote entrepreneurship. Ramalingam and Gayatri (2009) stated that innovation could be used as a strategic tool for development of entrepreneurship. The study concluded that small innovation in the rural area would definitely catch up the majority of the population, thereby leading to better quality of life of many people in the country. Ganly, Kate and Mair, Johanna (2009) stated that one way to conceptualize the role of social entrepreneurs in social change processes is to view them as institutional entrepreneurs, i.e., entrepreneurial actors who introduce and push through the alternative conceptions of social, political or cultural order. The study addresses the issues of institutionalized inequality and social exclusion through community development work in eastern India.

Sharma, Swati, Vyas and Divya (2011) indicated that various social, economic, political and ecological problems in rural areas in developing countries like India create challenges in employment, decreasing agricultural production and increasing food shortage. This has resulted a huge impact on the domestic production, employment etc. To a certain extent, these problems can be solved by developing entrepreneurship in rural India. Mehta, (2011), in his study indicated that many Indian companies including MNC started developing business strategies to tap the untapped rural market in India. The study will be helpful for the various agencies to formulate plans and policies in order to boost the rural entrepreneurship in India. This may help to make the Indian rural market as a critical force in the global economy. From the review of literature as mentioned above, we found few studies in the context of rural development in India. Hence, the present study is just another attempt to contribute to the existing literature.

Objective of Study

- To find out the role of rural entrepreneur in overall development.
- To analyze the problems faced in the growth of rural entrepreneurs in India.

- To find out the remedies to solve the problems of rural entrepreneurs.
- To study dynamic perspective of rural entrepreneurship.
- To suggest practical suggestions for development of rural entrepreneurs.

Role of Rural Entrepreneur

The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities.

They by channelizing the resources from less productive to more productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed which results in entrepreneurial activity to a considerable extent. The diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the overall development of a country in the following ways.

Formation of Capital

Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelized for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

Balanced Regional Development

The entrepreneurs always look for opportunities in the environment. They capitalize on the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas. The setting up of still plant at Tata nagar, Reliance Petrochemicals at Jamnagar (Gujarat) have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce the imbalances and disparities in development among regions.

Generate Employment

This is the real charm of being an entrepreneur. They are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed. In the circumstances, the entrepreneurs and their enterprises are the only hope and source of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and indirectly by ancillary and consequential development activities.

Improvement in Standard of Living

Entrepreneurial initiative through employment generation leads to increase in income and purchasing power which is spent on consumption expenditure. Increased demand for goods and services boost up industrial activity. Large scale production

will result in economies of scale and low cost of production. Modern concept of marketing involves creating a demand and then filling it. New innovative and varying quality products at most competitive prices making common man's life smoother, easier and comfortable are the contribution of entrepreneurial initiative.

Increase in per Capita Income

Entrepreneurs convert the latent and idle resources like land, labor and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in national income is the indication of increase in net national product and per capita income of the country.

National Self-reliance

Entrepreneurs are the corner stones of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

Planned Production

Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labor, Capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastages of resources.

Benefits from Rural Entrepreneurship

Rural entrepreneurship is labor intensive and provides a clear solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs. Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way. The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship. The growth of rural entrepreneurship can reduce the social evils like poverty, growth of slums, pollution in cities etc. and awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career. Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self-employment will prosper the community, thus increasing their standard of living. Efficient and effective use of limited resources by the entrepreneurs leads to overall economic development of an area.

Problems in Rural Entrepreneurship

Entrepreneurs are playing very important role in the overall development. 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:

- Limited scale and scope of local market opportunities.
- Compared to the urban context, there are fewer opportunities for firms to subcontract out locally.
- Limited access to financing, both for start-ups and expanding enterprises.
- Difficulties for women entrepreneurs to get access to support and financial services.
- Lack of expertise in the area of domestic and external marketing.
- Political and economic instability.
- Excessive regulations and formalities.
- Problems relating to acquisition of inputs.
- Little specialization and training.
- Lack of organization and integration to undertake associative projects.
- Lack of competitiveness of rural firms.
- Poor infrastructural facility and low skill base of many rural areas.
- Lack of knowledge and self-confidence of the rural people due to limited experience and lack of education.

Remedies to Solve These Problems

Different organization like IFCI, ICICI, SIDBI, NABARD etc. are trying to sort these problems. Marketing problems are related with distribution channels, pricing, product promotion etc. In order to make the rural entrepreneurs to start the business venture, the following measures may be adopted:

Creation of finance cells: The financial institutions and banks which provide finances to entrepreneurs must create special cells for providing easy finance to rural entrepreneurs.

Concessional rates if interest: The rural entrepreneurs should be provided finance at concessional rates of interest and on easy repayment basis. The cumbersome formalities should be avoided in sanctioning the loans to rural entrepreneurs.

Proper supply of raw materials: Rural entrepreneurs should be ensured of proper supply of scarce raw materials on priority basis. A subsidy may also be offered to make the products manufactured by rural entrepreneurs cost competitive and reasonable.

Offering training facilities: Training is essential for the development of entrepreneurs. It enables the rural entrepreneurs to undertake the venture successfully as it imparts required skills to run the enterprise.

Presently the economically weaker entrepreneurs of the society are offered such training facility under Prime Minister's Rozgar Yojna. (PMRY) Programmed FICCI, (NGOs) Lions Clubs, Rotary Clubs and voluntary organizations can also arrange such training programmes for rural entrepreneurs to provide them stimulation counseling and assistance. For rural entrepreneurs, individual based EDI' approach is highly relevant where the motivation and familiarization processes coupled with promise of bank credit and support by way of escort services could persuade rural youth with certain basic skills of- hands on technology to start small enterprises.

Setting up marketing co-operatives

Proper encouragement and assistance should be provided to rural entrepreneurs for setting up marketing co-operatives. These co-operatives shall help in getting the inputs at reasonable rate and they are helpful in selling their products at remuneration prices. Hence, middlemen can be avoided and rural entrepreneurs derive the benefits of enterprise. Common production-cum-marketing centers should be set up with modern infrastructural facilities. Thus, proper education, comprehensive training, setting up of separate financial institutions, development of marketing co-operatives to a large extent help to flourish the rural entrepreneurs in India. Further, both government and non-government agencies should play an important role

Suggestions

- Government should provide separate financial fund of rural entrepreneur.
- We should provide special infrastructure facilities whatever they deed.
- Govt. should arrange special training programmes of rural entrepreneurship
- Govt. should felicitate top ranker rural's entrepreneur.
- Rural entrepreneur should be more competitive and efficient in the local and international market.
- Past experience and other observations should be considered to develop rural entrepreneurship.
- Market information of different products and innovative technology should be publicly announced in order to get its acceptance among the rural entrepreneurs.
- Essential infrastructure facilities like land, power, raw materials and finance should be provided to the rural entrepreneurs at concessional rates.
- Credit history information of the rural entrepreneurs has to be developed so as to enable them to get sufficient amount of loan from the banks at reasonable rate of interest.
- Strength and weakness of small businessman has to be identified and then they should be properly motivated to become entrepreneurs.
- Awards should be given to those entrepreneurs who demonstrate extraordinary success.

Conclusion

In India, about 75% of the households live in villages. This is estimated to grow in the near future, which makes it a big market in the world. In recent times, more and more entrepreneurs are realizing the potential of rural market and have started focusing on it. Therefore, promotion of rural entrepreneurship is extremely important in the context of producing gainful employment and reducing the widening disparities between the rural and urban population. Rural entrepreneurship is necessary to minimize poverty and to overcome low productivity in the farm sector. To conclude, monitoring rural development programmes by supplying right information at the right time, providing timely and adequate credit and continuous motivation of bankers, panchayat union leaders and voluntary service organizations will lead to the development of rural entrepreneurship.

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