

# Development of Rural Entrepreneurship

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## Abstract

*The rural entrepreneur is one who is staying in village producing goods and services mainly with local resources. He organizes factors of production and takes risk. In India nearly 70 per cent of the population lives in villages depending mainly on agriculture and allied activities. There is widespread unemployment and underemployment with labour abundance and capital shortage. Hence, the development of rural entrepreneurship is very important. The perception of risk is a critical factor in villagers at the time of taking any new activity. Given an individual's attitudes and biases, there is a threshold beyond which the individual will perceive the risk of change as unacceptable. In a new activity, if the unknown elements are greater and reassuring conditions are less, the perceived risk will be greater. In developmental efforts, if the new activity is to be sustained, strategies of interveners should be directed towards providing for a time, reassuring circumstances and developing in the individual himself capabilities of reducing perceived risks to a level within his threshold of acceptability.*

**Keywords:** Rural Entrepreneur, Rural entrepreneurship, risk perception, development strategies.

## Introduction

The concept of rural entrepreneurship has added a new dimension to the debate on who is an entrepreneur and what constitutes entrepreneurship. In a stratified society like India, the indicators which denote entrepreneurship may not be uniform for its different strata. What could be entrepreneurial activity in a particular stratum of population may not be considered so in other strata. When a tribal person, for instance, opens a wayside shop and opts for business, it is an entrepreneurial event in his immediate social circle. The same exercise by a person belonging to a business community would not be treated as entrepreneurial in his social environment (Gaikwad, 1978).

In India, thinking on entrepreneurship "generally veers round efforts which result in establishing and running factories and industrial enterprises alone." (P.9) There is also a tendency to relate it to operations which exceed a particular size. Further, what is ignored is the existence of distinctly varying social environments which confront the large variety of smaller groups and which present both opportunities as well as challenges dissimilar in nature. There is no proper recognition of the fact that the process of transformation from rural and agricultural society to industrial society, would have to cover all sizes, shapes, and types of economic activities (P.9). The use of new techniques and equipment on a universal scale alone holds adequate promise of industrialization. The use of modern techniques and

equipment in small wayside repair shop or tractor in place of bullock-drawn ploughs on farms contribute to the process of industrialization as much as the use of sophisticated, complex techniques and processes in a modern electronic factory (P.10). In India where nearly 70 per cent of the population lives in villages depending mainly on agriculture and allied activities, where there is widespread unemployment and underemployment with labour abundance and capital shortage, the development of rural entrepreneurship is very important. Rural entrepreneurship may not be the panacea but constitutes a major step in solving the problem of unemployment and under employment in rural areas.

### **Rural Entrepreneur and Rural Entrepreneurship- Definition**

The rural entrepreneur is one who is staying in village producing goods and services mainly with local resources. He organizes factors of production and takes risk. But he may also buy his raw-materials, tools or equipment's from urban area, market his wares not only in rural markets but also in urban markets. According to Loganathan (1988, P.184), rural entrepreneurship is "an economic activity within the village and involves planning, promoting and maintaining of an enterprise suited to rural areas."

### **Importance of Rural Entrepreneurship**

Starting from 1948 when industrial policy resolution was brought in, the govt. of India has given an important role for household and small-scale industries in the national economy. They were viewed as vehicles of village or co-operative enterprise suited for utilization of local resources to attain self-sufficiency in certain types of essential goods like food, clothing and agricultural implements.

Governments both at the centre and the states have given increased importance to village industries sector. Government of India has allocated more funds to village industries in each successive Five

year plans. Various institutions such as Khadi and Village Industries Commission (KVIC), All India Handicrafts Board (AIHB), Coir Board, Sericulture Board, etc. have been established at central and state levels to devise and assist in formulation of development programmes; training institutes have been setup to train to improve the skills; research institutes have been established to design and improve technology for village industries.

Traditional industry sector with modern small-scale sector provides maximum employment next only to agriculture. Both of them account for 1/3 of the total exports of the country, and in terms of value added they contribute about 50 per cent of that of manufacturing sector. Further, it is argued that a spatial concentration of industries in large urban centres is not conducive to an equitable pattern of growth and that, therefore, industries should be spatially diversified into smaller towns, backward areas, and villages.

This is possible with the growth in the rural sector having preponderance for self-employment and which will result in wider dispersal of industrial and economic activities and ensures maximum utilization of local resources, both men and material.

### **Categories of Rural Entrepreneurs**

Clarence Danhof (1949, Pp.22-24), an American Anthropologist based on his study of American Agriculture has classified entrepreneurs into four groups.

- Innovating Entrepreneurs who carry out new combinations of means of production and are mainly found in developed countries.
- Imitating Entrepreneurs who adopt technology and products already developed to serve their own interests. They are found largely in developing economies.
- Fabian Entrepreneurs who are risk averse and imitate new changes only when it is clear that their survival is in danger without doing so.

- Drone Entrepreneurs who are very conventional and not in favour of adopting any new change in their enterprise.

This classification is based on the traits possessed by the entrepreneurs. Entrepreneurs with these characteristics may be found irrespective of the country and the sector of the economy. Even rural entrepreneurs may possess these traits and may be classified on the same lines. However, rural entrepreneurs represent a complex heterogeneous social structure with a wide variability. Hence, they are classified as under (Singh 1982, Pp.35-37):

#### a) Agricultural entrepreneurs:

Individuals whose primary occupation is agriculture are agricultural entrepreneurs. In fact, in the later 18th century physiocratic economists called the agricultural cultivators, as entrepreneurs.

#### b) Artisan Entrepreneurs

Artisans are skilled persons working in villages. They are an important part of the village community. The Reserve Bank of India has identified more than 100 crafts pursued by artisans in villages. These entrepreneurs acquire their skills through professional training in association with their kinship group. Important classes among them are carpenters, blacksmiths, weavers, potters, etc.

#### c) Merchant and Trading Groups

The small segment of the rural community is engaged in business activities. They run petty shops, do commission business, buy the farmers products in the village itself and sell in urban area for profit. This group was perceived to be traditionally exploitative class.

#### d) Tribal Entrepreneurs

Tribal entrepreneurs are predominantly found in the tribal villages. They are so called because their source of origin is the tribal community. They could be regarded as an entrepreneurial class by itself. Traditionally they did not pursue any occupation

and depended on forest produce for livelihood. Hence, whatever the occupation pursued by them is considered to be entrepreneurial.

### Entrepreneurship in Agro - Related Business

Since independence the Indian economy has seen numerous changes in the focus of development programmes and policies. From fourth five-year plan, increased concern is shown for rural employment, which has in turn led to expanded interest in agro-business and small-scale rural enterprises. Agro-business and rural enterprises of all types received substantial attention as sources of increased rural employment and income.

These agro related economic activities not only provided direct employment and income, but they gave profound impact on agriculture from which they purchase produce and provide it in turn with inputs and services. Agro business and rural enterprises occupy an important intermediate position between farms and consumers of farm products, and their expansion can be catalytic factor in stimulating rural development at all levels. They provide growth possibilities without sacrificing the equity dimension. Further, they have favourable impact on the income and employment of rural landless and non-farm poor.

Despite several experiments of planned development, around 80 per cent of the labour force continued to be employed in agriculture. The rural workforce is growing at a higher rate as compared to in urban areas. The creation of employment opportunities in rural areas through establishing agro related business units is very important. The growth of agriculture per se may not affect the employment and income levels of workers directly, as most of them are marginal and small farmers and agricultural labourers. Hence, the development of agro related industries in rural areas is a better alternative. The setting up of agro industrial network is also advocated in order to reduce the pressure on land

and increase the productivity by intensive cultivation methods.

### Risks faced by the Rural Entrepreneurs

A rural entrepreneur faces many risks. If these risks are beyond his acceptance level, he will not enter into entrepreneurship; if he encounters them after entering into entrepreneurship, he would not sustain in entrepreneurship. These risks should be brought down to the level of his acceptance for development and sustenance of rural entrepreneurship. Let us understand the risks faced by a rural entrepreneur. The risks faced by rural entrepreneur may be classified as technical risks, economic risks, social risks and environmental risks. Let us discuss these risks in detail.

**i. Technical Risks:** When the individual does not know enough about the technical process, raw-materials used, etc. and also when he does not know how to overcome these problems, he faced technical risk. For example, in Challakere taluk of Chitradurga district (Govindappa, 2004), woolen handloom weavers who produced coarse woolen blanket called 'Kambli' are using traditional pit loom and spinning wheel. Use the yarn spun by them by hand using traditional spinning wheel. Tasks did by them on spinning wheel and the pit loom were time consuming, laborious and less productive. Apex woolen handloom society supplied them with improved loom (Fly shuttle Frame loom used in cotton weaving) and spinning wheel. And training was also given to them as to the use of loom and the spinning wheel. But this loom required cotton blended wool yarn which was not available locally. The equipment, raw-material, and the product were totally new and they had to depend on co-operative society for this blended yarn, which was not available locally. These woolen handloom weavers faced technical risks which were beyond their acceptance level. Hence, they did not use the new loom, though it improved the productivity.

**ii. Economic Risks:** These are risks due to market fluctuations and changes relating to raw materials and finished products. These are also risks of opportunity costs, alternative economic opportunities, product mixes, finances, etc. In the above example of woolen handloom weavers, they had to sell their final product to the co-operative society only if they adopted new technology. The market was not available to the product manufactured with new technology locally. So, raw-material was not available locally and the market was also not available in the local area. Hence, they faced economic risk also. This was another deterrent for them to adopt new technology.

**iii. Social Risks:** Social risks are the risks inherent in the development of new relationships. When an individual starts a new activity, he comes in contact with the people pursuing the same activity. He will also have to deal with suppliers and buyers of his product. He is required to maintain certain form of relationship. Another social risk may lie in the village communities or castes or other castes perception of the new activity. For example, in Nagendra P. Singh's (1982) study many entrepreneurs in Delhi, Gujarat and Maharashtra who accepted gobar gas plant had to face uncertainties of entrepreneurial odds. More than the technical risk, they were confronted with social and environmental resistance. In one particular village near Delhi, the rural entrepreneur was subject of social anger and was ostracized. In Rajasthan, a voluntary institution, initiated entrepreneurial work among rural weavers. The moment the voluntary agency made one person accept the proposed enterprise of weaving on a modern loom, the whole society and environment put up resistance in a different way. Money lenders exercised their power in this regard, and people discouraged the entrepreneur separately.

**iv. Environmental Risks:** These are risks arising from environmental changes. This is the outcome of his new activity. The villager has to deal with marketers with whom he is entirely unfamiliar. He may have to come in contact with banker for a loan which he never did earlier. He might have to carry out his new activity in totally a new environment. He is then subject to the risks inherent in dealing with unfamiliar people, cultures, rates of change, systems, etc.

Understanding of these risks is very essential to develop strategies to bring them down to the acceptable level of the rural entrepreneur.

### **Strategies for Development of Rural Entrepreneurship**

In order to develop agro-related business activities in rural areas, there is need for development of rural entrepreneurship. This requires strategies that are different from those applied in urban areas. The development strategies should be based on an understanding of the dynamics of rural behaviour. A study conducted by Ravi J. Mathai (1978) revealed that the perception of risk is a critical factor in villagers at the time of taking any new activity. He hypothesized that in any set of prevailing circumstances, given an individual's attitudes and biases, there is a threshold beyond which the individual will perceive the risk of change as unacceptable. In a new activity, if the unknown elements are greater and reassuring conditions are less, the perceived risk will be greater. In developmental efforts, if the new activity is to be sustained, strategies of interveners should be directed towards providing for a time, reassuring circumstances and developing in the individual himself capabilities of reducing perceived risks to a level within his threshold of acceptability.

In the course of development of rural entrepreneurship, two aspects could be significant in sustaining the risk taking capability. (i) The individual himself should be developed so that he

has the capabilities to reduce the perceived risk to the acceptable level. (2) Reassuring relationship and circumstances should be created.

The individual is one of the very important factors in entrepreneurship. The individuals with high need for achievement will become entrepreneurs. This need for achievement is inculcated in early childhood, if not, can be developed, later through achievement motivation training. Further, he should be trained in the technical know-how. He needs to learn all the aspects relating to his activity and also needs to understand the importance of marketing consciousness, how to market his product and to know how and where to obtain feedback in order to alter his product mix or product itself. Preparing the individual also means preparing him to manage the new relationships which arise in establishing links with agencies which can help his development. This exercise reduces the risk perception levels of an individual to the acceptable levels. Other aspect of strategy for development of rural entrepreneurship is the creation of reassuring relationship and circumstances which would also bring down risk perception to the acceptable level. The individuals should be prepared to work in a group. The individual should be developed to learn with conviction that as a member of a wider group in which individuals co-operate with each other, he has a better chance of survival. He will have a more viable base from which to manage the economics of his activity and the links of resources and markets. In one instance, all the weavers or the leather workers of an area brought together to discuss their mutual problems. They gradually began to see themselves as a group with common interests. They saw the advantages of raw material purchasing on a group basis, that their marketing becomes more viable when the products of the group are jointly marketed. They learn that a great deal of help can be obtained in overcoming technical problems if they work together as a group.

They begin to divide functions amongst themselves. Some people look after the purchasing of raw-materials and the group informally delegates this function to these particular people. Others are given the role of quality controller and yet others begin to accept the role of group marketing. But the most important thing is the preparation of an individual to work in a group since mutual reinforcement can reduce the risk perception of the individual. Therefore, the development of rural entrepreneurship at a cottage level is viable if the villager can internalize knowledge which results in a greater self-reliance and greater risk reduction capability of the individual and the group. Hence, the development of people in this process is more important than the development of the activity itself.

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