



# Challenges And Its Remedies For Rural Entrepreneurship Development In India

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**Citation:** Dr. Partap Singh (2024), Challenges And Its Remedies For Rural Entrepreneurship Development In India, *Educational Administration: Theory And Practice*, 30(4), 1978-1983, Doi: 10.53555/kuey.v30i4.1793

## ARTICLE INFO

## ABSTRACT

Unemployment, especially among rural people, is one of the biggest challenges facing India. As a result, people are migrating from rural areas to urban areas in search of better employment opportunities and quality of life. Agriculture is the most important economic activity, but post-harvest losses such as food weight loss, food quality loss, food value loss, and economic value loss make food less acceptable to consumers, resulting in, resulting in lower national yields or reduced profits. Farmers are linked to rural poverty factors. Rural youth are educated, but unlike urban youth, they are not qualified. The lack of new, challenging and better employment opportunities in the agricultural sector limits employment opportunities for educated rural youth. Therefore, there is a need to create new agricultural entrepreneurship and employment opportunities in agriculture to reduce rural population outmigration and promote rural development. Therefore, entrepreneurship in food processing and food value addition can lead to an employment boom in rural areas. It is a better way to reduce poverty and develop rural areas. The government has launched numerous vocational courses, training programmes, youth skill development programmes, and programs to promote rural entrepreneurship.

**Key Words:** Entrepreneurship, Skill development, Agripreneurship

## 1. Introduction:

Business creation is important for a country's development because it fosters economic and employment growth. State and national governments are constantly introducing new and exciting programs to encourage citizens to come up with innovative business ideas. Starting a business depends on your own abilities, which vary from person to person. If a company has to be established in a rural setting, the dynamics are more complex than in an urban setting. Rural enterprises are economic actors that promote revenue generation through the effective use of local resources and act as agents of social change at the grassroots level. These units not only play a vital role in the overall development of the rural economy but also contribute to the economic growth of our country. In addition to channelling untapped savings into business, we create a large number of profitable enterprises in the region, attracting government investment, attracting private equity, creating local jobs, building partnerships, and raising capital.

According to the Government of India, "Any industry in a rural area, village or town with a population of less than 20,000 people and an investment of Rs 3 million in plant and machinery is classified as a village industry." Previous definition of Khadi & Village Industries Commission.

As of March 31, 2022, India has over 63 million MSMEs, of which around 94% are micro enterprises. According to official data released on April 30, 2022, the country's 6.33 million MSMEs employ around 12 million workers. According to 2019 World Bank data, around 65 per cent of India's population (about 58 per cent according to 2018-19 PLFS data) earns their living from agriculture and allied sectors. Rural business is the best way to utilize local resources, leading to prosperity and economic growth. This fosters employment opportunities and has a direct impact on immigration levels. Therefore, a thorough understanding of labor, capital, materials, machinery and markets is essential to ensure the development of viable business models that better support ambitious rural entrepreneurs.

## 2. Objectives:

The Specific Objectives of the Research Paper are as Follows

- To study conceptual background of Rural Entrepreneurship.
- To know the challenges faced by rural entrepreneurs in India.
- To discern the remedies for rural entrepreneurship development in India.

## 3. Research Methodology:

The study is conducted using both analytical and descriptive types of methodology. The study is based on secondary literature available on Annual Reports, Manuals, Official Records from RBI, Ministry of MSME, Ministry of Commerce, Ministry of Finance, various reputed journals, newspapers, websites and other published sources pertaining to rural entrepreneurship.

## 4. Challenges faced by rural enterprises:

Although India has slightly improved its ranking on the Ease of Doing Business Index, the challenges and concerns faced by rural entrepreneurs in running and expanding their businesses remain. Concerns range from general social and gender bias to a lack of understanding of business, entrepreneurship, and access to the skills essential to running such a business. Entrepreneurs brave enough to take on a business idea often face the challenge of understanding market needs, product feasibility, and suitability for manufacturing. In addition, companies that were able to establish themselves in the market and generate sales at an early stage often face difficulties. These include inconsistent market linkages, intense competition from urban markets, lack of infrastructure facilities and logistical challenges, and insufficient understanding of the support mechanisms available to governments to effectively deliver products and services. This includes a wide range of unskilled labour. Other challenges include availability of working capital, adaptation to technology, and inability to diversify product range. The biggest challenges for local businesses are:

### Lack of Access to Capital

Access to capital remains a persistent challenge for entrepreneurs in India. Limited funding options, especially for early-stage startups, restrict their ability to scale their businesses and explore new opportunities.

### Regulatory Hurdles

Cumbersome and complex regulatory processes pose a significant challenge for entrepreneurs. Navigating through legal procedures, obtaining licenses, and dealing with bureaucratic red tape can be time-consuming and frustrating.

### Inadequate Infrastructure

Entrepreneurs often struggle with inadequate physical and digital infrastructure, such as a lack of reliable power supply, poor internet connectivity, and transportation limitations. These infrastructure gaps impede business operations and hinder growth.

### Talent Crunch

Finding skilled and qualified talent continues to be a significant challenge for entrepreneurs. The demand for specialized professionals often exceeds the available supply, making recruitment and talent retention a daunting task.

### Limited Market Access

While India presents a massive market potential, reaching customers across diverse geographical locations and socioeconomic backgrounds is challenging. Entrepreneurs face hurdles in establishing distribution networks and building effective marketing strategies to tap into the vast consumer base.

### Intense Competition

Entrepreneurial ecosystems in India have become highly competitive. Startups often find themselves competing against established players and other startups in crowded markets. This intensifies the need for differentiation and sustainable business models.

### Complex Tax Structure

India's tax system is complex and dynamic, making it challenging for entrepreneurs to navigate. Understanding and complying with various tax laws, including GST (Goods and Services Tax), can be overwhelming and time-consuming for start-ups.

### **Inefficient Government Support**

While the Indian government has initiated several programs and policies to support entrepreneurship, the implementation and accessibility of these schemes are often ineffective. Entrepreneurs face difficulties in availing benefits and assistance due to bureaucratic inefficiencies.

### **Limited Intellectual Property Protection**

Protecting intellectual property (IP) remains a significant concern for entrepreneurs. India's IP laws and enforcement mechanisms are perceived as inadequate, making startups vulnerable to infringement and theft of their innovative ideas and products.

### **Cultural Mindset**

The prevailing cultural mindset that favours stable jobs and traditional career paths often discourages risk-taking and entrepreneurial ventures. Convincing family and society about the viability of entrepreneurship can be a daunting task for aspiring entrepreneurs.

### **Lack of Mentorship**

Entrepreneurs often lack access to experienced mentors who can guide them through the intricacies of business and provide valuable insights. The absence of a robust mentorship ecosystem hampers the growth and development of startups.

### **Limited Support for Research and Development**

Investments in research and development (R&D) are crucial for innovation-driven startups. However, limited support and funding for R&D activities restrict entrepreneurs from exploring new technologies and developing cutting-edge solutions.

### **Inadequate Exit Opportunities**

Entrepreneurs face challenges when it comes to exiting their ventures. Limited options for mergers, acquisitions, or initial public offerings (IPOs) make it difficult for them to realize returns on their investments and attract investors.

### **Inefficient Supply Chain Management**

Efficient supply chain management is critical for startups to ensure timely delivery of products and services. However, entrepreneurs in India often encounter challenges in streamlining their supply chains, leading to delays and customer dissatisfaction.

### **Mind-set Shift towards Entrepreneurship**

Lastly, a significant challenge lies in fostering a mindset shift among aspiring entrepreneurs. Encouraging an entrepreneurial mindset from an early age, promoting entrepreneurship in educational institutions, and inspiring innovation can help create a more conducive environment for startups.

## **5. Remedies for Overcoming the Challenges of Rural Entrepreneurship**

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 of 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**

Education is critical to the development of entrepreneurship. It provides the skills needed to run a business, so rural entrepreneurs can make their ventures successful. Currently, under Prime Minister Rozgar Yozhina, such training opportunities are being offered to entrepreneurs from economically weaker sections of society. (PMRY) Programmed FICCI, (NGOs), Lions Clubs, Rotary Clubs and voluntary organizations can also organize

such training programs for local entrepreneurs and provide stimulating advice and support. For rural entrepreneurs, an individual EDI approach is of great importance in terms of motivation and implementation process, and combined with the promise of support through bank loans and ancillary services, they are equipped with a certain basic knowledge of the practical application of the technology. And can persuade rural youth to join small and medium-sized enterprises.

### **Setting up marketing co-operatives**

Entrepreneurs in rural areas should be properly encouraged and supported in establishing marketing cooperatives. These cooperatives aim to help obtain raw materials at fair prices and sell products at compensated prices. This allows middlemen to be avoided and local entrepreneurs to benefit from entrepreneurship. A joint production and marketing centre with modern infrastructure facilities should be established. Therefore, proper education, comprehensive training, establishment of independent financial institutions and development of sales cooperatives contribute significantly to the prosperity of rural entrepreneurs in India. Additionally, both governmental and non-governmental institutions will need to play an important role.

### **Research**

Before starting business, it is important to do the research and understand the market, the competition, and the legal and regulatory requirements.

### **Have a Plan**

Having a well-thought-out plan is essential for any business. This includes a clear understanding of your goals, your target market, and your financial projections.

### **Be Resourceful**

Entrepreneurs need to be resourceful and creative. This means finding ways to overcome challenges and solve problems.

### **Be Persistent**

Entrepreneurship is a journey, and there will be ups and downs along the way. It is important to be persistent and keep moving forward, even when things get tough.

### **Get Help**

There are a number of resources available to help entrepreneurs, including government agencies, business incubators, and accelerators.

### **Recovery roadmap**

India has made great strides in creating a new business environment that enables increased stakeholder participation in the workforce through business formation.

However, it is possible to accelerate these numbers through the adoption of some key models, such as marketing cooperatives to promote products produced by rural enterprises, thereby eliminating intermediate. The establishment of common facility centres, especially for manufacturing, can also stimulate rural entrepreneurship. Developing business acumen through capacity building and training is critical to business success. This, coupled with access to financing links at preferential interest rates, flexible repayment options and collateral waivers, will fuel the growth of the sector.

### **Role of the government**

For a nation like India, the role of the government in supporting and scaling rural enterprises is of pivotal importance. The Government of India's Start-up Village Entrepreneurship Programme (SVEP) has been initiated with the purpose of assisting entrepreneurs to establish their business enterprises in rural India. The scheme supports existing enterprises as well as new enterprises with their unit establishment at the village level. Besides helping the rural entrepreneurs to access finance, a cadre of Community Resource Persons- Enterprise Promotion (CRP-EP) is also created to provide business support services to rural enterprises. It not only aids in the setting up of enterprises, but also ensures that sufficient handholding support is offered to these enterprises, thereby ensuring their longevity in the market.

It is fundamental to instil a culture of entrepreneurship to ensure the establishment of rural enterprises. Rural Self Employment Training Institutes (RSETIs) have addressed it by providing skill and entrepreneurship development training programmes to the rural unemployed youth thereby assisting them in commencing their own business units.

The Ministry of Skill Development and Entrepreneurship (MSDE) is also executing the Pradhan Mantri-YUVA initiative for forming entrepreneurial training and education across the country. The MSDE is implementing entrepreneurship expansion in six cities by supporting existing enterprises to scale-up and to capitalise on mentoring prospective entrepreneurs. The AY-NRLM scheme, in conjunction with this, also supports group women entrepreneurship in rural areas (agriculture and allied sector), with market linkages. GOI, in collaboration

with TATA trusts, has established a “Foundation for Development of Rural Value Chain (FDRVC)” to develop and implement value chain projects through the promotion of large-sized producer enterprises.

Rural entrepreneurship can also be promoted fundamentally by increasing access to the community and bridging the gaps in certain areas like providing mentoring by industry experts, establishing incubation centres and conducting ideation workshops, hackathons and other events in Tier 2- Tier 3 cities to spur innovation and entrepreneurial mindsets. While the Government of India plays a crucial role, the engagement and active participation of civil society bodies and NGOs goes a long way in institutionalising support mechanisms.

Rural enterprises are pivotal for our country's growth, but the challenges are many, such as poor infrastructural facilities and the access to capital. Though the Government has taken steps to counter the challenges, sustained and focused efforts are needed. With the right support, access to training and finance, we can help rural entrepreneurs start and grow their businesses, create jobs and drive economic development in their communities.

## 6. SUGGESTIONS

1. MFIs (microfinance institutions) must operate under and be accountable to clear regulations, supervised by a single regulatory agency, the RBI. In a profit-driven ecosystem, microfinance institutions can play an attractive, trustworthy and sustainable role. Therefore, there is a need for comprehensive financial regulations in our country.
2. Financial inclusion should be seen as a business prospect rather than a limitation, so that potential business opportunities can be exploited by tapping into and targeting untapped businesses and no organization yet.
3. RBI and commercial banks should plan a coordinated campaign in collaboration with trainers and experts to create awareness among rural entrepreneurs about the products, services and basic financial services.
4. To create awareness among rural entrepreneurs, training and education programs on e-banking, mobile banking and use of digital currency will be conducted.
5. Inclusive financial liberal policies and procedures should be put in place to facilitate access to the facilities provided.
6. One-stop system should be applied for start-up procedures.

## 7. Conclusion

Despite the promising startup scene in India, entrepreneurs still face many challenges that hinder their progress and success. From lack of access to capital and regulatory barriers to talent shortages and limited market access, these issues require a coordinated effort from government, industry stakeholders and ambitious entrepreneurs themselves. Addressing these challenges and creating an enabling ecosystem will help the Indian startup ecosystem grow and prosper in the years to come.

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