

Rural Development through Entrepreneurship

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I. INTRODUCTION

As around three-fourth of the India's population is living in vast rural areas. The rural and urban categorization reveals wide disparities in various respects. The division of economic activities between rural and urban areas is one of them. Rural areas specialize more or less exclusively in agriculture while industries are exclusively located in urban areas. Given the weak rural urban or agriculture industry linkages, such a situation suffers from two serious shortcomings. First as agriculture by itself has a tendency to develop at a slower pace than industry, the division of economic activities leads to uneven development. Second since industry generally leads to higher level of output per worker than agriculture, the gap in income levels between those engaged in the two sectors tends to widen. Further, the relationship between traditional agriculture and modern industry generally has a dependency structure which puts the rural sector at a greater disadvantage in appropriating the gains of development and, in turn, increases the disparities between rural and urban income levels. As such, rural areas are ultimately marked by abject poverty and backwardness. In such situation, industrialization is viewed as an effective means of accelerating the process of rural development. Entrepreneurship precedes industrialization.

II. RURAL ENTREPRENEURSHIP

Like entrepreneurship, rural entrepreneurship also conveys different meanings to different people. Without going into semantics, rural entrepreneurship can simply be defined as entrepreneurship emerging in rural areas is rural entrepreneurship. In other words, establishing industrial units in the rural areas refers to rural entrepreneurship implies rural industrialization.

Rural industries are generally associated with agriculture. According to the Khadi and Village Industries Commission (KVIC), "any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery is classified as a village industry".

All the village industries have been grouped into seven major categories as follows:

- (a) Mineral based industry
- (b) Forest based industry
- (c) Agro based industry
- (d) Polymer based industry
- (e) Textile industry

III. NEED OF RURAL ENTREPRENEURSHIP

The need for rural entrepreneurship for developing industries in the rural areas is in the multiplicity of justification as listed below:

- (a) Rural industries being labour intensive have high potential in employment generation. Thus they serve as a catalyst to the widespread problems of disguised unemployment or under employment stalking the rural territory.
- (b) By providing employment these industries have also high potential for income generation in the rural areas. These thus help in reducing disparities in income between rural and urban areas.
- (c) These industries encourage dispersal of economic activities in the rural areas and thus promote balanced regional development.
- (d) Development of industries in the rural areas also helps to build up village republics.
- (e) It fosters economic development in rural areas, which reduces rural urban migration, lessens growth in slums etc.

IV. GROWTH & ANALYSIS OF RURAL INDUSTRIALIZATION IN INDIA

Prior to independence small scale industries had nominal place in Indian economy. Cottage and handicraft industry were located in this area. Then Govt. started development programs in rural sector. The industrial resolution emphasized the utilization of local resources and the achievement of local self sufficiency in essential consumer goods. This approach was followed in the first five year plan. But this did not help the attainment of goal. Then five year plan emphasized on the development of agriculture, industry, infrastructure and social services. The industrial resolution of 1956 emphasized on the creation of employment, equitable distribution of income and effective mobilization of capital, cottage, and small scale industries.

Finally the ninth five year plan the following steps were adopted:

- (a) Credit facilities to small scale industries were increased. Financial institutions were encouraged to offer SSIs.
- (b) The small scale and the village industries were provided the incentives, support to facilitate their growth and employment.
- (c) The investment ceiling limit was extended to 3.5 crore.

- (d) Technological development in case of SSIs, handicraft, handloom, power-looms etc. was in top priority.
- (e) Special attention was paid to sericulture to improve the quality of raw silk by introducing better silk worm breeding practices.

Table 1
Indication of Growth in Rural Sector

Year	No of Units (in Lakhs)	Production (Rs. In Crores)	Employment (Lakhs)	Exports (Rs. In Crores)
2003-04	37.6	10,35,356	230.3	1,07,488
2004-05	39.2	11,16,592	239	1,25,057
2005-06	41.5	12,12,244	248.56	1,41,604
2006-07	42.7	12,87,480	265.92	1,58,202
2008-09	44.65	13,72,716	275.04	1,74,800

- (f) Small Industries Development Organization 10th Five Year Plan. <http://www.dcmsme.gov.in/>

Fig 1

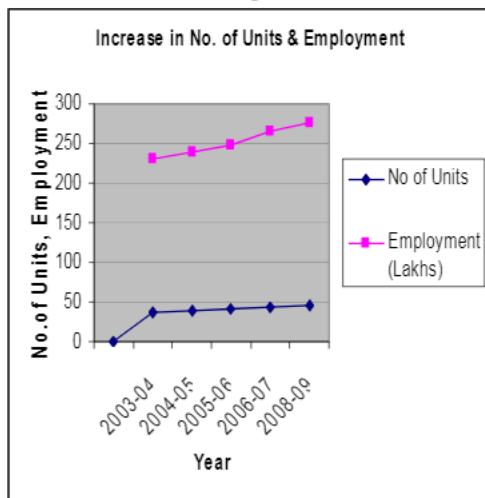
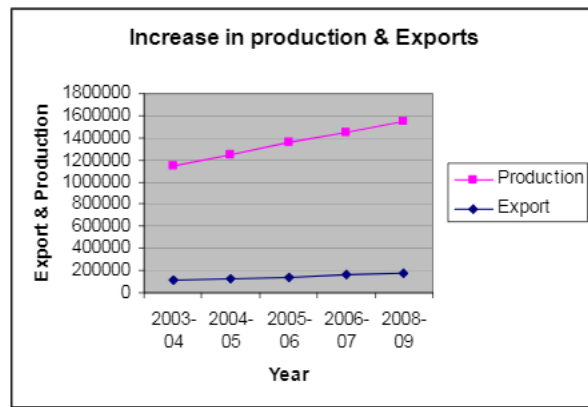


Fig 2



The rural sector has registered phenomenal growth in their number, production, employment and exports over the last five year. It is evident that the number of units engaged in production has increased by 15.78 percent. While production raised by 24.57 percent, employment by 16.26 percent and the exports railed up by 38.50 percent.

Correlation Analysis:

There is high positive correlation i.e. 0.98 in No. of units and employment.

Forecasting of expected number of units in the year 2015:

Time series analysis least square method it is evident that expected number of units engaged in production will grow by 48.8 Lakhs and the employment will increase upto 298.9 Lakhs in the year 2015.

Factors Affecting Entrepreneurial Growth:

Economic factors: From economic viewpoint it can be said that some there are some factors that play a vital role for emergence of entrepreneurship that are as follows:

- (a) **Capital:** Capital is one of the most important prerequisites to establish an enterprise. Availability of capital facilitates the entrepreneur to bring together the land of one, machine of another and raw material of yet another to combine them to produce goods.
- (b) **Labour:** Quality rather quantity of labour is another factor which influences the emergence of entrepreneurship.
- (c) **Raw Material:** The necessity of raw materials hardly needs any emphasis for establishing any industrial activity and therefore its influence in the emergence of entrepreneurship. In the absence of raw materials, neither any enterprise can be established nor can an entrepreneur be emerged.
- (d) **Market:** Potential of market constitutes the major determinant of probable rewards from entrepreneurial function. The size and composition of market both influence the entrepreneurship in their own ways. Monopoly in

a particular product in a market becomes more influential for entrepreneurship than a competitive market.

Challenges in Indian Rural Entrepreneurship:

- (a) Problems of raising equity capital
- (b) Difficulty in borrowing fund.
- (c) Thought-cut completions endangered existence of small companies.
- (d) Problems of availing raw-materials.
- (e) Problems of obsolescence of technology
- (f) Increased pollutions ecological imbalanced.
- (g) Problems of TRIPS and TRIMS.
- (h) Exploitation of small and poor countries, etc.

Opportunities for Entrepreneurs in India:

- (a) Free entry into world trade.
- (b) Improved risk taking ability.
- (c) Governments of nations withdrawn some restrictions
- (d) Technology and inventions spread into the world.
- (e) Encouragement to innovations and inventions.
- (f) Promotion of healthy completions among nations
- (g) Increase in government assistance for international trade.
- (h) Establishment of other national and international institutes to support business
- (i) Benefits of specialization.
- (j) Social and cultural development

IV. CONCLUSION

It is evident from the analysis that there is a positive correlation i.e. between number of units and employment (.98) and units engaged in production will grow by 48.8 Lakhs and the employment will increase up to 298.9 Lakhs in the year 2015. The government by its actions or failure to act also does influence both the economic and non economic factors for entrepreneurship. Any interested government in economic development can help, through its clearly expressed industrial policy. By creating basic facilitates, utilities and services and by providing incentives and concessions, the government can provide the prospective entrepreneurs a facilitative socio economic setting.

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