



**KAMARAJ IAS ACADEMY**  
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# Rise of rural entrepreneurs

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**Context:** here is immense scope for rural entrepreneurship in areas such as business, industry, agriculture and this can help drive development.

## Background

Establishing businesses is important for a country's progress as it augments economic and employment growth.

State and central governments are continuously launching new and attractive schemes to encourage their citizens to come up with innovative business ideas.

Setting up an enterprise depends on one's capacity, which differs from person to person. If the enterprise must come up in a rural environment, the dynamics are more complex compared to the urban context.

## A Brief about Rural Entrepreneurs

Rural enterprises are business entities, which by the means of effective use of local resources, promote revenue generation and act as agents of social change at the grassroots level.

These entities not only play a pivotal role in the holistic development of the rural economy but also contribute to the economic growth of our nation.

The establishment of a large number of profitable enterprises in a region can bring in government investment, attract private participation, generate local employment, bring partnerships and secure funding apart from channelizing idle savings into business entities.

According to the Government of India, "Any industry located in a rural area, village or town with a population of 20,000 or below and an investment of INR three crores in plant and machinery is classified as a village industry." It is a revised definition of the previous one provided by Khadi & Village Industries Commission.

As of March 31, 2022, India has more than 63 million MSMEs, out of which about 94 per cent are micro-enterprises. According to official data released on April 30, 2022, the country's 6.33 crore MSMEs employ about 12 crore workers.

According to World Bank Data 2019, about 65 per cent of the Indian population, most of them (about 58 per cent, as per 2018-19 PLFS data) earn their livelihood from agriculture and allied sectors.

## Importance of Rural Entrepreneurs

Rural enterprises are the best way to use local resources, which leads to prosperity and economic growth. It, in turn, spurs avenues for employment, which has a direct impact on the levels of migration.

Therefore, to ensure the development of a viable business model to better support aspiring rural entrepreneurs, it is fundamental to ensure that manpower, money, material, machinery and understanding of the market is complete.

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## **Challenges faced by rural entrepreneurs**

While India has marginally improved its ranking in terms of the ease of doing business index, the challenges and concerns faced by rural entrepreneurs in running and scaling their enterprises persist.

The concerns range from the prevalent societal and gender-based biases to a lack of understanding of business, entrepreneurship and access to the requisite skills essential to run such enterprises.

The entrepreneurs who have the courage to work on a business idea often face challenges in understanding the needs of the market, the viability of their product and its suitability for manufacture

Furthermore, those enterprises who manage to establish themselves in the market and generate some early-stage revenue often face difficulties.

These range from inconsistent market linkages, severe competition from urban markets, a lack of infrastructural facilities and logistical challenges, inadequate understanding of the government support mechanisms available for them to unskilled labour for the effective delivery of product/service.

Other challenges include the availability of working capital, the adoption to technology and the inability to diversify their products range.

## **Major schemes in promotion of Rural Entrepreneurs**

Various flagship programmes and schemes like National Rural Livelihoods Mission (NRLM), Make in India, Skill India, Startup India, and Mudra Yojana etc. provide financial support to the skilled rural youth to take up the self-employment, wage employment and entrepreneurial activities.

Under NRLM, Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY) is a placement linked skill development programme which allows skilling in a PPP mode and assured placements.

Also, Rural Self Employment and Training Institutes (RSETI) programme promote entrepreneurship that enables the trainees to take bank credit facility to start micro-enterprises.

Another scheme is the Startup India initiative, which aims to promote entrepreneurship among the youth of India (Department of Industrial Policy and Promotion, 2022).

Additionally, the Deen Dayal Antyodaya Yojana (DDAY), which focuses on sustainable livelihoods for rural communities is also a similar kind of initiative. This scheme provides financial assistance, training, and market linkages to rural entrepreneurs.

Furthermore, the One District One Product (ODOP) identifies products that are unique to a particular district and promote their production and marketing.

## **Outcome of the measures taken**

With the launch of NRLM in 2011, India now has the largest network of women's SHGs globally. As of March 2023, there are 8.2 million SHGs in India with 89 million members, boosting growth of the non-farm sector in rural areas.

However, despite these initiatives, rural entrepreneurship still has a long way to go. It still faces several challenges, such as limited access to finance, inadequate infrastructure, and a lack of training and education.

As Per PLFS 2020-21, the share of self-employed workers in rural areas is 61.3 per cent as compared to 39.5 per cent in urban areas.

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PLFS estimates show that the share of self-employed workers in rural manufacturing rose from 47.02 per cent in 2018-19 to 52.6 per cent in 2020-21.

However, workers are mainly (43.78 per cent) own-account workers who generally operate in small-sized, family-based own-account units with low investment and technical know-how.

Rural entrepreneurship still remains as a source of survival/livelihood rather providing jobs. The majority of self-employed are Own account workers rather than the employers.

PLFS 2020-21 also reveals that only 12 per cent of self-employed sell their entire produce/product. Around 13 per cent self-employed use the entire produce from the activity for their own consumption.

Despite the existence DDUGKY and Rural Self Employment Training Institutes , 69.73 per cent of workers out of total rural manufacturing workers have not received any training, 26.47 per cent of workers have received informal training and only 3.79 per cent of workers received formal training in 2018-19.

### **The Way Ahead**

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.