



PROBLEMS OF RURAL ENTREPRENEURS IN BATHINDA DISTRICT OF PUNJAB

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ABSTRACT

Rural entrepreneurship is presently a noteworthy opportunity for the people who migrate from rural areas or semi - urban areas to Urban areas. On the contrary it is also a fact that the greater part of rural entrepreneurs is facing numerous 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. This paper makes an attempt to figure out the problems of rural entrepreneurs in Bathinda district of Panjab and it also focuses on the remedies and suggestions for the problems faced by the rural entrepreneurs of the region.

Introduction

India lives in its villages, nearly 70 % of the total population live in rural areas where agriculture and allied activities are the main stay of their lives. The economic development of our country largely depends on the development of rural areas and the standard of living of its rural people. Rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country. Rural entrepreneur uses the scarce resources of rural areas in the most efficient manner thereby increasing profits and decreasing costs.

Rural economy is truly entrepreneurial in character and spirit for centuries. Entrepreneurial process is seen in agriculture, agricultural related activities, small business, village industries, rural artisans and rural arts. Promotion of rural industries has been the central objective of

many strategies adopted to bring about an equitable distribution of income through raising the productive capacity of rural people and increasing their participation in the process of development. Rural industrialization is interlinked with agricultural activities.

What is Rural Industry?

Rural industry embraces different kinds of village and small industries. The cottage industries are an important component of the rural industry. The meaning of rural industry may be an industry appropriate for the rural areas as demarcated by the census records. The rural industry serves the requirements of rural people as well as other markets. The financial needs of rural industry are small. These industries function in the absence of infrastructural facilities and are environmental friendly.

Rural Entrepreneurs

Entrepreneur is an economic man who brings in overall change through innovation, new ideas for the maximum social good in rural areas is a rural entrepreneur. He is a person responsible for effecting change and add value to arts and crafts.

Rural entrepreneurs are broadly classified into:

1. Agricultural Entrepreneurs
2. Micro Entrepreneurs
3. Small Business Entrepreneurs
4. Rural Artisans

1. **Agricultural Entrepreneurs:** These are those entrepreneurs who are involved in any business in the agricultural industry which includes production agriculture, food, animal husbandry, horticulture.
2. **Micro Entrepreneurs:** Micro entrepreneurs are the owners of the small businesses that employing 10 people or less and investment in plant and machinery does not exceed Rs. 25 lakh.
3. **Small Business Entrepreneurs:** Small scale entrepreneurs may be sole proprietors, or who have owned private firms where the investment in plant and machinery is more than Rs. 25 lakh but does not exceed Rs. 5 crore.

4. **Rural Artisans:** Rural artisans are creative workers living in rural areas. He may be a mechanic, operator, driver, or simply a craftsman.

Role of Rural Entrepreneurs in Economic Development

They play a vital role for the economic development of a country in the following ways:

1. **Capital Formation:** Idle savings of rural areas 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.
2. **Providing Employment:** Entrepreneurs are not the job seekers but job creators and job providers. They set up their units in their rural areas and provide employment to the young talent of rural areas.
3. **Balanced Regional Development:** The entrepreneurs always look for opportunities in the environment. They take benefits from the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas and contribute in the development of these backward areas.
4. **Increase in Per Capita Income:** Rural Entrepreneurs convert the latent and idle resources of rural areas like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation.
5. **Planned Production:** Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labour, 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.
6. **Improvement in Standard of Living:** With providing employment to the people of rural areas, these rural entrepreneurs help in improving the standard of living of the rural public.
7. **Check on Migration of Rural Population:** Rural entrepreneurship can fill the big gap and disparities in income rural and urban people. 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.

Thus, the entrepreneurs are key to the creation of new enterprises that energise the economy and rejuvenate the established enterprises that make up the economic structure.

Types of Rural Industries

- 1. Powerlooms:** The unorganised powerloom sector largely meets the requirements of the country's population. This sector contributes approximately 54 percent to the total cloth production (excluding the cloth produced by non-SSI, weaving and knitting units). There are 15,23,336 powerloom units in the country.
- 2. Handicrafts:** Handicrafts embody the traditional skills of artisans who use a variety of materials – wood, metal, clay, ivory, cloth, etc. to produce consumer articles as well decorative or artistic products. Today only artistic and decorative articles are classified as handicrafts.
- 3. Handlooms:** Handlooms form a part of India's heritage and exemplify the richness and artistry of the weavers. The handloom industry is the largest direct and indirect employer (more than 3.0 million weavers and 12.4 million other persons) among traditional industries.
- 4. Sericulture:** India is the second largest producer of silk in the world. Sericulture is an agro-industrial activity based on mulberry and non-mulberry silk production and provides gainful occupation to about 6 million persons in the rural areas.
- 5. Khadi and Village Industries:** Handwoven cloth from hand spun yarn is known as khadi. Khadi comes within the purview of the statutory body known as the Khadi and Village Industries Commission (KVIC). This agency operates under the department of SSIA & RI in the Ministry of Industry. The KVI sector employed a total of 6 million persons.

Rural Entrepreneurship in Changing Environment:

The changing environment of world brings up issues about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. The rapid population growth, coupled with even faster urbanization, creates increasing demands. In India, urban populations in general grow about twice as fast as the overall total, and by 2020 they may surpass the size of rural populations. Such a noteworthy demographic pattern challenges the capacities of some traditional small-scale businesses to cope with the increasing demands.

Literature Review

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.

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.

Objectives of the Study

- To identify the problems faced in growth of rural entrepreneurs in Bathinda district of Punjab.
- To explore the remedies to solve the problems of rural entrepreneurs of Bathinda district.

Research Methodology

This research proposal is based on the **exploratory research design** and primary data has been collected through questionnaires.

Target Population

Target population is rural entrepreneurs of Bathinda district of Punjab.

Sample Size

The sample size for the study is:

- (i) **25** Micro Entrepreneurs from Tehsil Bathinda, District Bathinda.
- (ii) **25** Rural Artisans from Tehsil Bathinda, District Bathinda.

Sampling Technique

Judgemental sampling is used.

Results of the Study

Results of this study suggest that mostly men are involved in working in "Bathinda" district of "Punjab". The type of rural entrepreneurship of the region is primarily "Meat and Dairy Production", "Fishery", "Carpentry". Majority of the rural entrepreneurs are not highly educated and even they are not the member of any cooperatives like "Amul".

Problems of Rural Entrepreneurs in Bathinda District of Punjab

On the basis of the study conducted through questionnaires, rural entrepreneurs of district Bathinda are facing many problems which are as follows:

- 1. Complicated Legal Formalities:** Rural entrepreneurs find it very difficult in complying with various legal formalities in obtaining licenses, obtaining subsidies due to the complicated procedures and also due to illiteracy and ignorance.
- 2. Lack of Support by the Government:** Rural entrepreneurs of the region are also not getting much support of government. There is a huge gap of time between announcing and implementation of the policies.
- 3. Power Failure:** In our nation, power failure is not a new thing for rural masses. The availability of reliable power supply at reasonable cost is important for the growth and development of any industry. So power failure hampers the smooth functioning of rural industries and rural entrepreneurs are incurring huge losses.
- 4. Lack of Trained Labour Force:** Most of the entrepreneurs of rural areas are unable to find workers with high skills and abilities. They have to be provided with on the job training. It also increases the cost and also the wastage of raw material.

5. **High Level of Competition:** Rural entrepreneurs face extreme competition from large sized organizations and urban entrepreneurs. They incur high cost of production due to high input cost.
6. **Expensive Raw Materials:** Rural entrepreneurs are unable to purchase the raw materials in large quantity because of its high cost.
7. **Marketing Problems:** The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor means of transport are other marketing problems of rural entrepreneurs of the region.
8. **Financial Problems:** Lack of finance available to rural entrepreneurs is one of the most concerning problems which rural entrepreneurs are bearing now days. Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs.
9. **Poor Quality of Products:** Another vital problem of rural entrepreneurs of the region is the substandard quality of products produced because of absence of availability of standard tools and equipments and poor quality of raw materials.

Remedies to solve the problems

1. Raw material is a pre-requisite for any industry. High quality raw material at reasonable rates should be provided by government agencies.
2. Finance needs to be made available at soft and easy terms and conditions to the prospective entrepreneurs.
3. Measures like common production-cum-marketing centres are taken to solve the marketing problems faced by rural industries. This will help in promoting exports from rural industries sector.
4. Provide entrepreneurial education at the school, college and university may be one of the effective ways to inculcate the entrepreneurial attitude among the prospective entrepreneurs in rural areas.
5. Disseminating information about various schemes and facilities available for prospective entrepreneurs to set up industries in rural areas.
6. The NGOs should be encouraged to contribute to development of rural entrepreneurship in a big way.
7. 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.

Suggestions

Right efforts on from all areas are required in the development of rural entrepreneurs. Role of rural entrepreneurs in economic development is inevitable. The following efforts can be taken into account for effective development of rural entrepreneurs.

1. Better educational facilities should be provided.
2. Training Programme on management skills should be provided to rural entrepreneurs.
3. Counselling through the aid of committed NGOS, Psychologists, managerial experts & technical personnel should be provided.
4. Making provisions of marketing & sales assistance from Governments and institutions.
5. Making provisions of micro credit system & enterprise credit system to the rural entrepreneurs at local level.
6. A rural entrepreneur's guidance cell set up to handle the various problems of rural entrepreneurs all over the state.
7. Training entrepreneurial attitudes should be given at the High School level through well designed courses.

Conclusion

Rural entrepreneurship is a key figure in economic progress of India. It is the way of converting developing country into developed nation. Rural entrepreneurship is the answer to removal of rural poverty in India. Therefore, there should be more stress on integrated rural development programs.

Rural entrepreneurs are not very much aware and literate as to handle all the legal and other formalities involving in loan taking and establishing an Industrial Unit. The problem is that most of the rural youth do not think of entrepreneurship as the career option and also lack confidence in their ability to run the entrepreneurship. Therefore, the rural youth need to be motivated to take up entrepreneurship as a career, with training and sustaining support systems providing all necessary assistance in functional areas such as finance, literacy skills, marketing, production and managerial skills. The only urgent need is to create a favourable atmosphere to increase self employment for the people of rural areas and for the overall development of the country.

Limitation of the Study

This study is geographically limited. Conducting the same research over a larger area can give even better results.

Direction for Future Research

A complete research can be conducted in future by taking this study as a base.

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RURAL ENTREPRENEURSHIP QUESTIONNAIRE

1. Name:

2. Location of your business: rural remote rural etc.

3. Region:

4. Type of business: meat and dairy production fishery traditional goods
 others

A. CHARACTERISTICS OF ENTREPRENEUR

| A1. Gender | A2. Age (Years) | A3. Place of birth | A4. Place of current residence | A5. Qualification | A6. Work experience (years) |
|---|-----------------|--------------------------|--------------------------------|-------------------|---|
| 1. Male <input style="width: 30px; height: 15px;" type="text"/> 2. Femal <input style="width: 30px; height: 15px;" type="text"/> | | 1. Rural 2. Urban | 1. Rural 2. Urban | | Total: ----- In this sector: ----- |

B. CHARACTERISTICS OF THE BUSINESS

| B1. Year when started | B2. Number of owners | B3. Number of employees | B4. Your employees are (number) | B5. Was the business inherited from parents | B6. Was the business bought from another owner | B7. Annual production or annual sales |
|------------------------------|-----------------------------|--|--|--|---|--|
| | | a) Today: ----- b) when started: --- | a. Full-time: ----- b. Part-time: ----- c. Seasonal: ----- | a. Yes b. No | a. Yes b. No | |

| B8. Assets you use for your business (land, buildings, etc.) are | B9. Do you plan to expand the production | B10. What was the main source of income when you started your business | B11. Distance to closest bank/microcredit branch | B12. Distance to a regional road or highway (in km) |
|---|---|---|---|--|
| a) your | | | | |

| | | | | |
|--|---------------------|--|--|--|
| ownership b) rented c) other: ----- | a. Yes b. No | a. My savings b. Family support c. Friends' loan d. Remittances e. Bank loan f. Savings from abroad | | |
|--|---------------------|--|--|--|

| | | | |
|---------------------------|--|--|--|
| B13. Do you export | B14. Main buyers of your products: | B15. Distance to your largest customer/market | B16. Are you member of coop/association |
| a. Yes b. No | a. Restaurants b. Processing industry c. Retailers d. Public services e. Individuals f. Other, please specify: ----- | | a. Yes b. No |

C. IN RUNNING YOUR BUSINESS, YOU FACE FOLLOWING OBSTACLES:

| Obstacle | Never | Rarely | Sometimes | Frequently | Very Frequently |
|---|--------------|---------------|------------------|-------------------|----------------------------|
| I Administrative | | | | | |
| 1. Complicated procedures for obtaining subsidies | | | | | |
| 2. Lack of support by the government | | | | | |
| 3. High taxes and contributions | | | | | |
| 4. Other, please specify: | | | | | |
| II Infrastructure | | | | | |
| 5. High transportation costs | | | | | |
| 6. No access to power | | | | | |
| 7. No access to phone, | | | | | |

| | | | | | |
|--|--|--|--|--|--|
| internet, etc. | | | | | |
| 8. Other, please specify: | | | | | |
| III Skills | | | | | |
| 9. Lack of trained labour force | | | | | |
| 10. Other, please specify: | | | | | |
| IV Access to market | | | | | |
| 11. Difficulties in selling the products | | | | | |
| 12. Low price of products offered by resellers | | | | | |
| 14. High level of competition | | | | | |
| 15. Expensive raw materials | | | | | |
| 17. Other, please specify: | | | | | |
| V Access to finance | | | | | |

| | | | | | |
|--------------------------------------|--|--|--|--|--|
| | | | | | |
| 18. High interest rates | | | | | |
| 19. Difficulties in obtaining a loan | | | | | |
| 20. Other, please specify: | | | | | |

D. THE FOLLOWING ARE FACTORS RESPONSIBLE FOR THE SUCCESS OF YOUR BUSINESS:

| Factor | Not important at all | Less Important | Important | Very Important | Extremely important |
|---|-----------------------------|-----------------------|------------------|-----------------------|----------------------------|
| 1. Education and training of the owner | | | | | |
| 2. Loans received | | | | | |
| 3. Personal contacts with owners of companies to which we sell our products | | | | | |

| | | | | | |
|---------------------------------------|--|--|--|--|--|
| | | | | | |
| 4.Availability of raw materials | | | | | |
| 5.Support by the government | | | | | |
| 6.Other, please specify: | | | | | |