

Research Article

The Effect of Entrepreneurship on Poverty Reduction: A Study in Rural India

M. Naveen Reddy*, Gunda Srinivas*Department of Commerce and Business Management, N.S.V. Degree Collages, Jagtial, Telangana, India*

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ABSTRACT**“India lives in its villages” - Mahatma Gandhi**

The purpose of this study was to determine and analyze the effect of entrepreneurship on poverty reduction in rural India. In rural areas, despite trending policies and law, many people continue to live below the poverty line. A key solution to this situation is establishment of entrepreneurship in rural areas. These entrepreneurial programs provide income opportunities to the people in rural area, giving them a chance to prove their talent, indigenous activities as well prevent rural to urban migration in search of better chances of livelihood. Increase in rural entrepreneurship goes hand in hand with depreciation in poverty. According to researchers point of view increased awareness in developing and encouraging rural entrepreneurship may reduce poverty from rural India as well as bolster the growth of rural areas, increase their standard of living as well implement more creative and innovative thinking, thus laying the frontiers of education in the minds of rural people. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment, and develop rural areas and backward regions.

Address for correspondence:

M. Naveen Reddy,
N.S.V. Degree Collages,
Jagtial - 505 327, Telangana,
India. Phone: 9948494567.
E-mail: mnr_nsv@yahoo.com

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Received: 25th January 2018**Accepted:** 20th February 2018**Published:** 30th May 2018**INTRODUCTION****“India lives in its villages” - Mahatma Gandhi**

The majority of the population in India lives in villages. The economic development of our country largely depends on the progress of rural areas and the standard of living of rural masses. Village or rural industries play an important role in the national economy, particularly in the rural development. Rural entrepreneurship is based on stimulating local entrepreneurial talent and the subsequent growth of indigenous enterprises. It recognizes opportunity in the rural areas and accelerates a unique blend of resources either inside or outside of agriculture. Rural entrepreneurship brings an economic value to the rural sector by creating new methods of production, new markets, and new products and generates employment opportunities, thereby ensuring continuous rural development; rural entrepreneur is one of the most important inputs in the economic development of a country and of regions within the country. Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy. Establishing industrial and business units in the rural areas refer to rural entrepreneurship. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration,

economic disparity, unemployment, and develop rural areas and backward regions.

ENTREPRENEURSHIP IN INDIA

Entrepreneurship is not new to India. In fact, to quote from the Indian Industrial Commission Report (1916–1918) - “At a time, when the West of Europe, the birthplace of modern industrial system was inhabited by uncivilized tribes, India was famous for the wealth of her rulers and for high artistic skill of her craftsmen. Moreover, even at a much later period, when the merchant adventures from the West made their first appearance in India, the industrial development of this country was, at any rate, not inferior to that of the more advanced European nations.”

“Report of the Task Force on Employment Opportunities,” July 2001, also mentions about developing entrepreneurship ability among the newly self-employed. The report even recommends entrepreneurship training for the informal sector. To quote, “A large part of the employment generated by the economy will be self-employment in the informal sector.” These self-employed entrepreneurs need training of the multiskill variety, going beyond production skills to include marketing, finance, and accounting and elementary management. Such skills cannot be developed through structured formal training

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but require the guidance of “mentors” in actual business conditions.

Objectives of the study

The following are the objectives of the present study:

1. To know the various types of rural entrepreneurship.
2. To analyze the performance of rural industries.
3. To know the importance of rural entrepreneurship.
4. To study the problems of rural entrepreneurship.
5. To study the policy reforms for development entrepreneurship.

Methodology

The present study is based only on secondary data. The data were collected from books, journals, website, and annual reports.

Types of rural entrepreneurship

Rural industry or village industry can be broadly classified into the following categories:

Agro-based enterprises

This category includes direct sale or processing of agro products such as jiggery, pickles, sugar industries, oil processing from oilseeds, dairy products, fruit juice, and spices.

Forest-based industries

These industries include wood products, coir industry, beedi making, honey making, and bamboo products.

Mineral-based industry

These include stone crushing, cement industries, and wall coating powders.

Textile industry

These include weaving, coloring, spinning, and bleaching.

Handicrafts

These include making of wooden or bamboo handicrafts that are local to that area, traditional decorative products, toys, and all other forms of handicrafts typical to the region.

Engineering and services

These include agricultural equipments, tractors, and pump sets repairs.

Performance of village or rural industries

The performance of the rural industries in respect of production, sales, and employment.

Table 1 summarizes the performance of village or rural industries in respect of production, sales, and employment in India from 2005–2006 to 2014–2015. The village industry production was worth 3895.21 crore in 2005–2006 which increased to 21,135.06 crore in 2014–2015. It declined to 17,448.31 crore in 2014–2015. The decline in the production of village industry can be attributed to decrease in the funds released as a part of budgetary support. Similar trends are also observed in sales of village industries, as it depends on production, market, and

tastes of the consumers. The total cumulative employment in the village industry increased from 42.49 lakh persons in 2005–2006 to 111.04 lakh persons in 2014–2015.

Importance of rural entrepreneurship in India

The importance of rural entrepreneurship is briefly highlighted as follows:

Provides employment opportunities

Rural entrepreneurship is labor intensive and creates large-scale employment opportunities for the rural people. Rural entrepreneurship provides a clear solution to the growing problem of large-scale unemployment and underemployment of rural India.

Check on migration of rural population

Rural population moves toward urban for various reasons such as income generation, searching good job, and utilize various facilities. Rural entrepreneurship will bring in or develop infrastructural facilities such as roads, power, and bridges. It reduces the gaps and disparities in income between rural and urban areas. Rural entrepreneurship can avoid the migration of people from rural to urban areas in search of jobs.

Balanced regional development

Rural entrepreneurship controls the concentration of industry in urban areas and thereby promotes balanced regional development in the economy.

Promotion of artistic activities

Rural industries also help protect and promote the art and handicrafts, i.e., the age-old rich heritage of the country.

Check on social evils

The growth of rural entrepreneurship reduces the social evils such as poverty, social tensions, atmospheric pollution, the growth of slums, and ignorance of inhabitants.

Awaken the rural youth

Rural entrepreneurship encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the rural sector.

Improves standard of living

Rural entrepreneurship will also increase the literacy rate of rural people. Their education and self-employment will prosper the community, thus improving their standard of living.

Proper utilization of local resources

Rural industries help in the maximum utilization of local resources such as raw materials and labor for productive purposes and thus increase productivity. Efficient and effective use of limited resources by the entrepreneurs leads to overall economic development of an area.

Earnings of foreign exchange

Rural entrepreneurship plays significant role in increasing the foreign exchange earnings of the country through export of their produce.

Table 1: Performance of village or rural industries

Year	Production (Rs. in crores)	Sales (Rs. in crores)	Cumulative employment (in lakh persons)
2005–2006	3895.21	4319.38	42.49
2006–2007	7140.52	8383.49	54.16
2007–2008	9263.98	11000.00	62.57
2008–2009	13527.19	18888.21	80.08
2009–2010	16134.32	20819.09	90.11
2010–2011	16753.62	21948.59	94.41
2011–2012	17508.00	23254.53	98.72
2012–2013	19198.85	24875.73	98.72
2013–2014	21135.06	25829.26	103.65
2014–2015	17448.31	20320.73	111.04

Source: Compiled from various issues of MSME annual reports

Improvement in per capita income

Rural entrepreneurship generates more output, employment, and wealth by exploiting new opportunities, thereby helping to improve the per capita income of rural people.

Produces goods of consumers' choice

Rural industries including cottage and village industries produce goods of individual consumers' taste and preferences, jewellery, sarees, and artistic products are produced to cater to the needs of different consumer according to their taste, preferences, and design.

Problems of rural entrepreneurship

Developing entrepreneurship, especially rural entrepreneurship, is not so easy. It is constrained by several problems. Some of the problems faced by rural entrepreneurs are as follows:

Lack of finance

Finance is the lifeblood of the business. Most of the rural entrepreneurs are mainly struggling to raise the finance for their businesses. Non availability of adequate collateral security often mars the chances of rural youth in obtaining adequate funds in time to set up their own venture. Due to this, the entrepreneurs are forced to take credit from village money lenders who charge exorbitant rates of interest.

Lack of knowledge

There is a distinct lack of adequate knowledge of entrepreneurial opportunities among the rural youth. The educated and trained youths mostly leave for urban destinations in search of jobs.

Lack of technical know-how

On account of the faulty education system, rural youth lack managerial, professional, and technical know-how which is an impediment in developing the spirit of enterprise, consequently, not many people come forward to establish self-employment units.

Absence of enterprising skill

Most of the rural people in India lack risk-bearing ability. Reluctant to involve oneself in business, inclination toward wage employment, and lack of creative thinking are few reasons which have restricted the growth of self-employment in rural area.

Lack of infrastructural facilities

Rural areas are characterized by poor infrastructural facilities, namely roads, water, market, electricity, street lighting, road transport, storage, and communication which hamper the smooth movement of various industrial activities.

Adverse social, cultural and industrial environment

Social evils, caste systems, fatalism, and religious superstitions, particularly in the countryside, do not allow the development of adventurous spirit. Lack of skill and expertise in labors, their tendency to migrate to cities and consumer's habit to buy goods produced by big companies create many problems for new entrepreneurs.

Lack of market information due to poor communication facility

The absence of effective communication and access to the right information makes it difficult for rural entrepreneurs to understand market trends and policies followed by the government on industrialization.

Non-availability of skilled labors

In rural areas, skilled labors cannot be found easily by the entrepreneurs. Highly skilled personnel prefer to work in big cities due to high salary than rural areas.

Low-quality products

Nowadays, the consumers are more sensitive to the quality of the products. However, rural entrepreneurs cannot produce quality products due to poor quality of raw materials and lack of standardized tools and equipments.

Fear to invest in the business

Rural entrepreneurs have low-risk bearing ability due to lack of financial resources and external support. Hence, they restrict to invest in their businesses in rural areas.

Competition

Rural entrepreneurs are facing tough competition from urban entrepreneurs and larger scale organizations. They cannot compete with the urban entrepreneurs due to lack of standardization and branding of the products.

Middlemen

Rural entrepreneurs mainly depend on middlemen for marketing their products. However, they betrayed by offering low prices to their goods.

Recent policy reforms for entrepreneurship development

Ministry of Skill Development and Entrepreneurship (MSDE)

It came into existence as the department of skill development and entrepreneurship on July 31, 2014, and later was created as ministry on November 10, 2014. It is responsible for coordination of all skill development efforts across the country, removal of disconnect between demand and supply of skilled manpower, building the vocational and technical training framework, skill upgradation, building of new skills, and innovative thinking.^[6]

It is aided by following functional arms

- National skill development agency (NSDA):^[7] Is an autonomous body which coordinates and harmonizes the skill development efforts of the government and the private sector to achieve the skilling targets of the 12th Plan and beyond, and attempts to bridge the social, regional, gender, and economic divide. It acts as a nodal agency for State Skill Development Missions. The main functions of NSDA are to evaluate existing skill development schemes, create and maintain a national database related to skill, and ensure that the skilling needs of the disadvantaged and the marginalized groups are taken care of, etc.
- National skill development corporation (NSDC):^[8] Is a one of its kind, Public Private Partnership in India which acts as a catalyst in skill development by providing funding to enterprises, companies, and organizations that provide skill training. NSDC with 160 training partners and 1722 training centers has so far trained around 35 lakh persons across India. NSDC has taken few initiatives such as “Innovations for Skills Marketplace” and “Innovations for Skills Challenge.” “Udaan” a special industry initiative for Jammu and Kashmir implemented by NSDC which aims to provide skills training and enhances the employability of unemployed youth of Jammu and Kashmir.
- National skill development fund (NSDF):^[9] It was set up for raising funds both from government and non-government sectors for skill development in the country. The fund is contributed by various government sources, and other donors/contributors to enhance, stimulate, and develop the skills of Indian youth by various sector-specific programs. Till March 31, 2015, NSDF has released Rs. 2333 crore to NSDC toward skill development programs.
- Sector skill councils (SSCs): SSCs are industry-led bodies which are responsible for defining the skilling needs, concept, processes, certification, and accreditation of their respective industry sectors. The SSCs should

prescribe the National Occupational Standards and Qualification Packs for the job roles relevant to their industry and should work with the NSDA to ensure that these are in accordance with the National Skill Qualification Framework (NSQF).

- National policy on skill development and entrepreneurship 2015:^[11] It aims to provide an umbrella framework to all skilling activities being carried out within the country, to align them to common standards and link the skilling with demand centers. This policy links the skills development to improved employability and productivity.
- National skill development mission:^[12] It was launched on July 15, 2015, on the occasion of World Youth Skills Day. The mission has been developed to create convergence across sectors and states in terms of skill training activities to achieve the vision of “Skilled India.”
- Entrepreneurship development scheme:^[13] It is currently being developed by MSDE. The scheme is being designed around various elements such as entrepreneurship education curriculum, web- and mobile-based networking platform, entrepreneurship hubs (e-hubs) network, international linkages, national entrepreneurship day, promotion of entrepreneurship among women and minority sections, and social entrepreneurship.
- Pradhan Mantri Kaushal Vikas Yojana (PMKVY):^[14,15] It is the flagship outcome-based skill training scheme of the MSDE that aims to offer 24 lakh Indian youth meaningful, industry relevant, and skill-based training. The objective of this skill certification and reward scheme is to enable and mobilize a large number of Indian youth to take up outcome-based skill training and become employable and earn their livelihood. As on March 3, 2016, 1,599,895 people have been enrolled, 956,871 completed trainings, and 290,002 got certified under PMKVY. The skill card will also be given to those certified under PMKVY which will act as authenticate skill certification.

Make in India

It is an initiative of the Government of India launched on September 25, 2014, to encourage multinational, as well as domestic, companies to manufacture their products in India. The major objective behind the initiative is to focus on job creation and skill enhancement in 25 sectors of the economy. The initiative also aims at high-quality standards and minimizing the impact on the environment. The initiative hopes to attract capital and technological investment in India.

“Startup India” Initiative

It aims to encourage entrepreneurship among the youth of India. The “Startup India: Standup India” promotes bank financing for startups and offers incentives to enhance entrepreneurship and job creation. Prime Minister, Narendra Modi said that, “Each of the 1.25 lakh bank branches should encourage at least one Dalit or Adivasi entrepreneur and at least one woman entrepreneur.” This initiative will provide a new dimension to entrepreneurship and helps in setting up of a network of startups in the country.^[16]

MUDRA Bank

Micro Units Development Refinance Agency (MUDRA) Bank has been set up on April 8, 2015, for the development

of microunits to encourage entrepreneurship in India and provides the funding to the non-corporate small business sector. MUDRA Bank provides refinance to Banks, MFIs, NBFCs, etc., for loans to microunits having loan requirement from Rs 50,000 to Rs. 10 lakh. Under MUDRA Yojana, MUDRA Bank has launched three products named Shishu, Kishor, and Tarun to signify the stage of growth, and funding needs of entrepreneurs Rs. 20,000 crore have been allotted to MUDRA Bank for the SME sector which will enhance credit facility to boost the growth of small businesses and manufacturing units.^[17,18]

ATAL innovation mission (AIM)

It also called as AIM Platform was established through 2015 budget within National Institution for Transforming India (NITI) to provide innovation promotion platform involving academicians, and drawing on national and international experiences to foster a culture of innovation, research, and development. The 2015 budget has earmarked Rs.150 crores for the AIM Platform.

Self-employment and talent utilization

It is a Techno-Financial, Incubation and Facilitation Programme to support all aspects of startup businesses, and other self-employment activities, particularly in technology-driven areas. An amount of Rs.1000 crore is being set up initially in NITI Aayog for SETU. It also aims to create around 100,000 jobs through startups.^[19,20]

CONCLUSION

Rural industries play an important role in the national economy, particularly in the rural economy. Rural entrepreneurship is important not only as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people but also its contribution to the development of agriculture and urban industries. Without rural industrialization, it would not be easy to solve the problem of unemployment in rural areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity, unemployment, and develop rural areas and backward regions.

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