

Rural Entrepreneurship Challenges and Risk Bearing

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Abstract - Entrepreneurship is growing in India and plays an important role in boosting the economy. Indian entrepreneurs help create business strategies and connect with markets to export goods abroad. However, rural entrepreneurs receive little support from the government, especially in terms of money and infrastructure. They often lack training and access to financial resources, which makes it hard for them to improve their lives. These entrepreneurs also struggle without proper business networks and support systems. Most rural entrepreneurs focus on trading but face challenges due to limited ability to handle financial risks. Bank loans are hard to get, and even when available, the amount is often too small. This lack of credit and repayment ability holds back the growth of rural businesses.

Key Words: Entrepreneurs, Risk, Marketing, Business, Finance.

1.INTRODUCTION

Entrepreneurs serve as a driving force for economic development by contributing to increased national and per-capita income, while also reshaping the social outlook of rural communities. They play a pivotal role in fostering sustainable economic growth, controlling inflation rates, and enhancing GDP through the establishment and expansion of business enterprises. In recent times, rural entrepreneurs have faced significant challenges, particularly in accessing capital and mobilizing financial resources. There is a noticeable lack of clear guidelines and supportive frameworks from the Government of India to facilitate entrepreneurial growth. Additionally, rural business owners are exposed to high levels of production and marketing-related risks due to inadequate support infrastructure.

District Employment Centres have made efforts to promote entrepreneurship by offering testing facilities and research and development services, including support for machinery maintenance and equipment,

which benefit rural entrepreneurs. These business owners are actively engaged in producing goods and services that contribute to economic progress, despite fluctuations in inflation and changing market dynamics. However, rural entrepreneurs continue to encounter numerous obstacles, such as difficulties in procuring raw materials, covering labor costs, and managing high operational expenses. These challenges significantly affect their ability to invest in and sustain trading activities. While the Ministry of Small-Scale Industries provides limited support in terms of funding, training programs, and provisional registrations, the reach and impact of these initiatives remain insufficient.

Entrepreneurship, particularly in the small-scale sector, is driven by innovation and the pursuit of profitability. However, rural entrepreneurs must navigate both external and internal risks associated with their economic activities. In the competitive modern business environment, they are at a disadvantage due to a lack of access to advanced technologies, minimal investment in research and development, and the financial constraints faced by government institutions. These factors collectively hinder the overall development and competitiveness of rural entrepreneurship in India.

2.ENTREPRENEURSHIP

Entrepreneurship is the process of starting and running a business or enterprise to create and deliver goods or services. It involves identifying opportunities, taking risks, organizing resources, and innovating to solve problems or meet market needs. Entrepreneurs play a key role in economic growth by generating employment, boosting innovation, and creating value.

2.1ENTREPRENEURS

Entrepreneurs are individuals who start and manage businesses. They take risks to bring new ideas, products, or services to the market. Entrepreneurs organize resources like money, people, and technology to build and grow their businesses. They play a key role in creating jobs, driving innovation, and boosting the economy.

2.2 RURAL ENTREPRENEURS

Rural entrepreneurs are individuals who start and run businesses in villages or rural areas. They use local resources to offer goods or services that meet the needs of their community. Rural entrepreneurs help create jobs, reduce migration to cities, and support the development of the rural economy. They often face challenges like limited access to finance, poor infrastructure, and lack of training.

2.3 RURAL ENTREPRENEURS' BUSINESSES

Rural entrepreneurs' businesses are small-scale enterprises started in villages or rural areas. These businesses often include farming-related activities, handicrafts, dairy, food processing, retail shops, or services like tailoring and repair work. Rural entrepreneurs use local resources and labor to meet the needs of their communities. Their businesses help improve rural incomes, create jobs, and reduce dependence on urban areas. However, they face challenges like limited finance, poor infrastructure, and lack of market access.

3. REVIEW OF LITERATURE

3.1. Financial Constraints and Risk-Bearing Capacity - Singh, S. (2021), A study on problems and challenges of rural entrepreneurs in India - Access to credit is a long-standing issue in rural entrepreneurship. Many entrepreneurs struggle to get bank loans due to lack of collateral or credit history. This limits their ability to take financial risks and scale operations.

3.2. Infrastructural Challenges and Market Access - Patel, K. & Prajapati, H. (2022), Rural entrepreneurship in India: Challenges and problems - Lack of roads, electricity, storage, and digital connectivity in rural areas directly affects the efficiency and competitiveness of rural businesses. Inadequate infrastructure also limits access to regional and national markets.

3.3. Skills Deficit and Human Capital Issues - Verma, R., & Sharma, A. (2022), A study on issues and challenges in rural entrepreneurship in India - Rural entrepreneurs often lack the necessary technical and business management skills. The lack of vocational training and exposure to modern tools reduces the efficiency and scalability of their businesses.

3.4. Socio-Cultural Constraints and Gender Barriers - Kumar, A., & Das, P. (2023), Rural entrepreneurship: Challenges and opportunities in India - Rural societies often view entrepreneurship as risky or inappropriate, especially for women. This mindset, combined with family pressure and lack of support, limits participation and innovation.

3.5. Risk-Taking Ability and Psychological Capital - Singh, P. & Awasthi, V. (2022), Psychological capital and risk-bearing in rural entrepreneurship - Beyond financial capital, psychological traits such as resilience, optimism, and risk tolerance are critical. The Sustainable Livelihoods Framework emphasizes how rural entrepreneurs are often deficient in multiple forms of capital, including psychological.

3.6. Institutional Support and Policy Limitations - National Rural Livelihood Mission (NRLM). (2023), Empowering rural livelihoods - Despite numerous government schemes like MUDRA, Startup India, and NRLM, implementation and awareness are often lacking. Many rural entrepreneurs are unaware of how to access these resources.

3.7. Digital Innovation and Emerging Models - Kazmin, A. (2023, November 10), India's new digital villages are transforming rural business - Initiatives like eSamudaay and digital marketplaces are helping rural entrepreneurs access markets and microcredit using UPI history and other digital footprints. However, digital literacy remains a challenge.

4. OBJECTIVES

- To examine the factors that influence rural entrepreneurs and assess their capacity for risk-bearing.
- To evaluate the impact of various economic activities on rural entrepreneurship.

- To explore the role of government aid and non-financial institutions in providing financial assistance to rural entrepreneurs.

5.METHODOLOGY

The present study is based on both primary and secondary data. Primary data were collected using an interview schedule technique administered to rural entrepreneurs. A total of 28 villages were selected for

the study, with 10 respondents chosen from each village using the simple random sampling technique. Thus, the total sample size comprises 280 rural entrepreneurs. Secondary data were gathered from various published sources, including journals, newspapers, magazines, websites, relevant textbooks, and the MSME Report. The data collected has been analyzed using descriptive methods, which form the basis for framing the findings and discussions presented in this article.

6.DATA ANALYSIS, INTERPRETATION AND FINDINGS

Table 1. Site Selection Factors of The Entrepreneurs

Site Selection Factors	No. of Respondents	Percentage (%)
Distance from raw materials/markets	36	12.86
Availability of land for expansion	28	10.00
Environmental quality	14	5.00
Tax structure (local level)	20	7.14
Availability of water	26	9.28
Soil nature & land stability	44	15.71
Drainage & sewage facilities	24	8.57
Transport connectivity	30	10.71
Banking & insurance availability	40	14.29
Nearby polluting industries	18	6.43
Total	280	100

Sources: Primary Data

When selecting a site for rural enterprises, various factors influence decision-making. The most significant consideration for respondents was the soil nature and land stability (15.71%), followed by the availability of banking and insurance services (14.29%) and the distance from raw material sources and markets (12.86%). Other relevant aspects include

transport connectivity (10.71%), availability of land for expansion (10%), and access to water (9.28%). Less emphasized but still important were drainage and sewage facilities (8.57%), local tax structure (7.14%), presence of polluting industries nearby (6.43%), and environmental quality (5%).

Table 2. Impact on Rural Entrepreneurs

Impact on Rural Entrepreneurs	No. of Respondents	Percentage (%)
Near to market	94	33.57
Repairs & maintenance/service facilities	46	16.43
Availability of electricity	54	19.29
Availability of skilled labour	86	30.71
Total	280	100

Sources: Primary Data

In terms of the impact on rural entrepreneurs, near to markets stood out as the most influential factor (33.57%). Close behind was the availability of skilled labor (30.71%), which is critical for business

operations. Electricity availability (19.29%) and access to repair and maintenance services (16.43%) were also highlighted as key elements that support entrepreneurial activity in rural areas.

Table 3. Problems Identified By The Entrepreneurs

Problems Identified	No. of Respondents	Percentage (%)
Requires less capital investment	62	22.14
Contribution to industrial output	38	13.57
Potential for large employment	48	17.14
Contribution to exports	58	20.71
Link to foreign exchange earnings	74	26.43
Total	280	100

Sources: Primary Data

The study explored common problems and challenges associated with rural enterprises. The most cited issue was the linkage to foreign exchange (26.43%), indicating global market relevance. This was followed by the need for less capital investment (22.14%) and

the contribution to exports (20.71%). Other noted problems included employment potential (17.14%) and the contribution to industrial output (13.57%), reflecting the multifaceted role rural enterprises play in economic development.

Table-4 External Risk Borne By Rural Entrepreneurs

External Risk		
Types of Risk	No. of Respondents	Percentage (%)
High cost or rent of land	70	25.00
High level of congestion	24	08.57
Intense and unhealthy competition	34	12.14
Non availability of land	42	15.00
High pollution levels	38	13.57
Raise in local taxes	46	16.43
Saturation of local demand	26	09.29
Total	280	100

Sources: Primary Data

It is evident that 25% of the rural entrepreneurs face high cost or rent of land as the major external risk. This is followed by 16.43% who are affected by a rise in local taxes and 15% who report

non-availability of land. Other significant risks include high pollution levels 13.57%, intense and unhealthy completion 12.14%, saturation of local demand 9.29% and high levels of congestion 8.57%.

Table-5 Internal Risk Borne By Rural Entrepreneurs

Internal Risk		
Types of Risk	No. of Respondents	Percentage (%)
Lobour economies	20	07.14
Technical economies	28	10.00
Economic in power	42	15.00
Economic in by product	26	09.29
Economic in continuation	44	15.71
Technical forces	22	07.86
Managerial forces	24	08.57
Financial forces	42	15.00
Forces risk and fluctuations	32	11.43
Total	280	100

Sources: Primary Data

It is observed that 15.71% of respondents identified economic continuation as a major internal risk. This is followed by financial forces and economic

power, each reported by 15% of respondents. Other notable risks include risk from market fluctuations risk from market fluctuations 11.43%, technical economies

10%, economy in by-products 9.29%, managerial forces 8.57%, technical forces 7.86% and labour economies 7.14%.

7.SUGGESTIONS

- Key Role: Rural entrepreneurs boost economic growth but lack modern business and marketing knowledge.
- Government Support: Government plans should focus on improving rural production and marketing techniques.
- Business Planning: Many rural entrepreneurs don't use proper planning or analysis, affecting growth and profits.
- Technology & Training: There's a need for training in new technology, production, and marketing. Tamil Nadu's Industrial Centres should offer early-stage business training.
- Infrastructure Issues: Limited land, poor soil quality, and lack of facilities block business expansion in rural areas.
- Market Access: Long distances from raw material sources and markets create challenges. Forming business groups can help.
- MSME Assistance: The Ministry of MSMEs should give marketing advice and financial support.
- Banking & Insurance: Banks must offer loans to ease financial stress. Insurance companies should help with losses and compensation.

8.CONCLUSIONS

Rural entrepreneurs play a vital role in producing goods and supporting local markets, contributing significantly to rural economic development. However, they face major challenges such as limited financial support, inadequate infrastructure including electricity, maintenance, and essential services and insufficient access to capital. Additionally, the lack of tailored government policies and financial budgeting further restricts their growth. High taxes and formalities reduce their profit margins, while limited access to foreign markets and poor international linkages prevent them from expanding globally. Despite these challenges, rural entrepreneurs hold strong potential to generate employment and promote

inclusive socio-economic growth across rural communities. Strengthening policy support and infrastructure can unlock this potential and drive sustainable development in rural India.

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