



## RURAL DEVELOPMENT THROUGH PROMOTING ENTREPRENEURSHIP IN TAMILNADU

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### ABSTRACT:

Rural entrepreneurship implies emerging of entrepreneurship in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. Rural entrepreneurship creates sizeable employment and production of different products. This study has been attempted to check demographic profile of rural entrepreneurs, factors influencing their performance, opportunities to them, and various financing schemes of government. Findings showed that demographic profile plays significant role in the management of finance through its proper selection. The performance of rural entrepreneurship is highly influenced by finance crises, market problems, personnel issues, operational difficulties, external forces and personal problems. Various factors are responsible for creating opportunity to the operation of business. Government is strongly assisting for the development of rural entrepreneurs. It is concluded that financial institutions and government should support rural entrepreneurs in order to attain balanced development in rural areas.

**KEYWORDS:** Rural Development, Entrepreneurship, Performance, Opportunities, Finance Schemes.

### 1. INTRODUCTION

Rural development can be possible through the setting up of entrepreneurial activities in rural areas. In other words establishing industries in rural areas refers to rural entrepreneurship. This means rural entrepreneurship is synonymous with rural industrialization. Rural development is achieved by establishing micro, small and medium enterprises in rural areas. Due to the active support of government towards micro and small business in rural areas develop standard of living of rural inhabitants. The micro, small and medium enterprise sector plays a significant role in rural development. A catalyst for socio-economic revolution of the nation, the sector is significant in meeting the nationwide ideas of employment generation, eliminating poverty, and dispersing rural-urban migration. These enterprises aid to build a thriving entrepreneurial eco-system, in addition to promoting the use of indigenous technologies. The sector has exhibited constant growth over the last few years, but it has done so in a restrained environment often resulting in ineffective resource deployment. Of the many confronts obstructing the growth and development of rural areas, insufficient access to financial resources is one of the key blockages that make these enterprises susceptible, predominantly in periods of economic depression.

Rising competition and uncertainty owing to the global depression have enlarged challenges for rural areas. Therefore, rural area can be developed through micro and small units. It becomes essential for rural business units to innovate, discover new technology and put in place stout strategies to slash costs, grow efficiency and consistency, as well as further development of production, marketing and management functions. Some of the key challenges restraining the growth prospects of the

rural entrepreneurship include all facets of finance. In this junction, marketing related challenges like, middlemen, low price, lack of advertisement, and not able to use new-age marketing tools optimally to achieve their desired objectives also adds fuel. Similarly, dearth of skilled labour, high wage, low working hours, frequent turnover, lower productivity and wastage of human productivity hours are the challenges in human resources management. In addition to that technology oriented problems such as, poor technology, high cost, low production capacity, no knowledge to use new technology and non availability of right technology are main challenges to rural entrepreneurship. External forces and personal weakness of proprietors are also creating challenges to rural entrepreneurship. These problems are largely affects the performance of rural entrepreneurship.

## 2. STATEMENT OF THE PROBLEM

Problems in rural entrepreneurship are not a new phenomenon as is apparent in the developing countries. Indeed, the reasons for sickness are of a varied nature. The more common are administration failure, dearth of raw materials, power cuts, labour turbulence, marketing problems, dearth of technology and so on. Though the sickness widens gradually and not an overnight phenomenon, the financial institutions are taken into confidence at the crucial stages. When the problems and difficulties occur, the diagnosis and action would definitely be much easier; nevertheless, when the sickness attains an advanced phase, it becomes complex and takes longer time to diagnose the causes and makes it more costly and expensive to bring the units back to normal. The main advantage to rural entrepreneurship is its creation of employment. Rural economy is highly heterogeneous, various size of firms, type of products and technology used.

Entrepreneurial concept helps to the industrialization in rural and backward areas. It actively reduces regional imbalances and provides equitable distribution of national income and wealth. Indian entrepreneurs have begun to grow their businesses and reap primary economic returns by tapping new markets in the chain of production that are typically found in areas outside manufacturing, such as design, branding and marketing. This has influenced the choice to outsource manufacturing tasks. Linkages between entrepreneurs from developed and developing areas enables both parties to obtain significant gains with respect to cost-cutting, while focusing on their core areas. Micro, small and medium enterprises are main part in rural development. In order to promote rural entrepreneurship, there are various government bodies, financial institutions and banks to infuse funds in this sector. National small industries corporation of central government, state financial corporation of state government are also assisting to rural entrepreneurship. Seed capital, working capital, and bridge finance, and other schemes are provided by the government through financial institutions.

## 3. REVIEW OF LITERATURE

Chakraborty & Barman (2014) reported that rural entrepreneurs were primarily motivated by the need for self employment, eagerness to make money, need for independence for starting the enterprises. Vedanthadesikan & Pathmanathan (2016) revealed that the changing global environment raises questions about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. Jayadatta (2017) revealed that enabling the public to think positively, creatively and engaging them purposefully in entrepreneurship activities is most important for the development of rural areas. Latif & Abdullah (2014) informs that managerial problem, input, technology, system and finance are the big reason for sickness. Kumar & Sardar (2011) revealed the symptoms of industrial sickness, also gives the ample amount of knowledge about the various credit schemes of government. Singh (2011) incidence of sickness has been growing in such large proportions that in the wake of industrial development. Mahmood (2018) informs that managerial problem, input, technology, system and finance are the big reason for sickness. Mehta (2013) expressed that rural entrepreneurship play a pivotal role in the economic and social development.

## 4. RESEARCH OBJECTIVES

This study has been commenced with the following objectives:

1. To study the demographic profile of rural entrepreneurs.
2. To analyze the various factors influencing the performance of rural entrepreneurship.
3. To examine the challenges and problems faced by the rural entrepreneurs.
4. To investigate the various financial assistance of government to establish entrepreneurship in rural areas.

## 5. RESEARCH METHODOLOGY

This study has been endeavoured to gather data regarding rural development through promoting rural entrepreneurship. This study employed questionnaire as survey instrument to collect the primary data. It also employed secondary data sources concerning financial schemes available for rural entrepreneurs. The questionnaire has been divided into four parts, such as, demographic profile, factors influencing performance of rural entrepreneurship, opportunities to rural entrepreneurs, and financial assistance to them. The first part on demographic profile consist attributes like gender, age, educational qualification, experience and monthly income. The second part checks the various factors influencing on rural entrepreneurs performance has been measured on a 5 point Likert scale ranging from 5 to 1, 5 is for strongly agree and 1 is for strongly disagree. The third part collects information pertaining to opportunities to the rural entrepreneurs. The fourth part collects the financial assistance available to them. Respondents approached for this study are asked to complete the survey instrument on a voluntary basis. This study applies percentage analysis, factor analysis, multiple linear regression analysis, and t-test to analyze the data.

## 6. RESULTS & DISCUSSIONS

### 6.1. Demographic Profile

Demographic profile of rural entrepreneurs concerning gender, age, educational qualification, experience and monthly income are discussed. It reveals the categorization falling under each category. Pearson chi-square is administered to test hypothesis. The null hypothesis ( $H_0$ ) states that there is no significant association between demographic profile of rural entrepreneurs and source of finance used.

**Table -1: Demographic Profile**

S. No	Demographic Profile	Variables	Frequency	Pearson Chi-square Value		
				Df	Table	Calculated
1.	Gender	Male	84%	1	3.841	5.679
		Female	16%			
2.	Age	18 - 25 years	8%	3	7.815	9.178
		26 - 35 years	41%			
		36 - 50 years	37%			
		Above 51 years	14%			
3.	Educational Qualification	Uneducated	19%	3	7.815	11.254
		School education	38%			
		Degree	28%			
		Post graduate	15%			
4.	Experience	Less than 2 years	35%	2	5.991	6.235
		3 - 9 years	42%			
		More than 10 years	23%			
5.	Monthly Income	Less than 20,000	45%	2	5.991	8.512
		20,001 - 50,000	36%			
		50,001 & above	19%			

(Source: Primary data)

Table-1 reveals that gender of the entrepreneurs consists of 84% are male and 16% are female. Age reveals that 8% are between the ages 18-25 years, 41% are between 26- 35 years, 37% are between 36-50 years, and 14% are over 51 years of age. Educational qualification shows that 38% entrepreneurs have completed school education, 28% have completed degree, 14% have finished post graduate or professional degree and 19% have not completed formal education. Experience in entrepreneurship reveals that 35% are less than 2 years of experience, 42% are having 3-9 years of experience and 23% are having more than 10 years of experience. Regarding monthly income, 19% of respondents are earning monthly income in excess of 50,001 rupees, 36% have monthly incomes between 20,001 and 50,000 and 45% are earning less than 20,000. Calculated value of chi-square shows that its values are greater than the table value at 5% level of significance. This analysis supports the alternate hypothesis. Therefore, there is a significant association between demographic profiles of rural entrepreneurs such as, gender, age, educational qualification, experience and monthly income and source of finance used.

## 6.2. Factors Influencing Performance of Rural Entrepreneurship

Rural entrepreneurship performance is mainly influenced by several problems in its routine operations; consequently, factor analysis is executed. Data validity for factor analysis is measured with the use of Kaiser-Mayer-Olkin (KMO) measures of sampling adequacy and Bartlett's test of Sphericity. The KMO measures of sampling adequacy (0.883) and '0' percent level of significance of chi-square promise the conditions of validity of data to perform factor analysis. The factors and its variables are discussed in table-2.

**Table – 2: Factor Analysis**

Factors	Variables	Factor Loadings	Eigen Value	% of Variance
Finance Crises	Lack of infrastructure	0.835	9.76	22.23
	Lack of working capital	0.805		
	High rate of interest	0.792		
	Lack of subsidized interest	0.809		
	Lack of modernization fund	0.727		
	Fund management problems	0.753		
	Low operating capacity	0.784		
	Shortage of finance	0.675		
Market Problems	More distribution cost	0.813	7.64	17.17
	Middlemen problems	0.825		
	Government restrictions	0.797		
	Lower price	0.765		
	Market instability	0.684		
	Ineffective marketing strategy	0.763		
	Lack of global market support	0.788		
Personnel Issues	Labour problems	0.815	5.29	12.67
	Lack of trained employees	0.734		
	High wage rate	0.803		
	Low production	0.777		
	Waste of labour hours	0.698		
	Collective protest	0.784		
Operational Difficulties	Poor technology usage	0.812	4.17	8.56
	More cost on technology	0.806		
	Low production capacity	0.677		
	Lack of expertise to use technology	0.722		

	No state-of-art-technology	0.719		
External Forces	High competition	0.787	3.55	5.36
	Large scale industry problems	0.712		
	Political changes	0.754		
	Economic problems	0.721		
Personal Problems	Lack of knowledge	0.787	2.51	3.21
	Attitude problems	0.802		
	Lack of involvement	0.658		

(Source: Primary Data)

Table-2 shows that these factors are influencing rural entrepreneurship performance, which explains the cumulative variance of 69.20 percent. The most significant factor is finance crisis since it explains 22.23% of variance with Eigen value of 9.76. It contains eight variables with the reliability coefficient of 0.824. Among the eight variables lack of infrastructure, lack of working capital, lack of subsidized interest, and high rate of interest for borrowed funds are mainly influencing. It has significant influence on rural entrepreneur's performance. Subsequently, market problems, which are loaded with seven variables, it explains 17.17% of variance with Eigen value of 7.64. More distribution cost, middlemen problems, and government restrictions are the main issues in marketing. Personnel issues are the third important factor which explains 12.67% of variance with Eigen value of 5.29. Labour problems and high wage is main factor that affect the personnel management. Operation of firm plays a significant role; it explains 8.56% variance in data with Eigen value of 4.17. Poor technology usage and more cost for technology are highly distressing its performance. Fifth and sixth factors are external forces and personal problems since their Eigen values are 6.55 and 2.51 respectively. The variables explained by these factors are 5.36 and 3.21 percent respectively. It was inferred that rural entrepreneurship is highly influenced by various problems.

So as to test the influence of six factors identified in factor analysis, multiple linear regression analysis has been implemented. The trustworthiness of factor analysis can be verified through the multiple linear regression analysis. Since six underlying factors are considered as independent variable and rural entrepreneurs' performance is taken as dependent variable, which is described in table-3.

**Table - 3: Multiple Linear Regression Analysis**

Independent Variables	Dependent Variable	Un-standardized coefficients		Beta coefficients	t value	Sign.
		Beta	Std. Error			
Constant	Rural Entrepreneur's Performance	-0.823	0.631		-1.488	0.003
Finance crisis		0.422	0.067	0.414	6.739@	0.004
Market problems		0.221	0.068	0.168	1.754\$	0.002
Personnel issues		0.217	0.087	0.153	1.586\$	0.008
Operational difficulties		0.182	0.047	0.122	0.977\$	0.016
External forces		0.163	0.066	0.104	1.328\$	0.004
Personal problems		0.11	0.038	0.099	1.269\$	0.02

		8			1
R	0.811				
R <sup>2</sup>	0.655				
Adjusted R <sup>2</sup>	0.57				
F Value	27.543@				

Note: @ significant at 1%, and \$ significant at 5%.

Table-3 shows the results of multiple linear regression analysis; it shows that all six independent variables are extremely correlated with rural entrepreneurs' performance. It also shows the value of R<sup>2</sup> and adjusted R<sup>2</sup> as 0.655 and 0.57 respectively, which indicates that 65.5% of variation on its performance. Finance crisis bears highest beta coefficient 0.422 and t value 6.739 is statistically significant at 1% level. It indicates that the strong influence on the performance of rural entrepreneurship. Market problems, personnel issues, operational difficulties, external forces and personal problems are statistically significant at 5% of level. Therefore, it is evident that these factors have significant influence rural entrepreneurs' performance.

### 6.3. Opportunities for MSMEs

Rural entrepreneurs have been offered much financial and technical assistance by the commercial banks, term lending institutions and Government. These factors are identified in the pre-test and proprietors are solicited to rate most significant factor on the basis of point from five to one. One sample t-test is applied to find the most significant opportunities for rural entrepreneurs. Its results are presented in table-4.

**Table - 4: One-Sample T-Test**

Criteria	Test Value = 3					
	T	df	Sig.	Mean difference	95% Confidence Interval of the difference	
					Lower	Upper
Subsidized finance	16.759	99	.000	.948	.859	1.175
Technology support	5.366	99	.000	.907	.837	1.086
Tax incentives	15.858	99	.000	.902	.883	1.114
Feasibility studies	13.376	99	.000	.833	.743	.866
Bridge finance	2.839	99	.000	.757	.675	.841
Working capital	10.447	99	.000	.842	.747	.925
EDP training	11.397	99	.000	.776	.736	.913
Skill development	12.759	99	.000	.762	.715	.821
Market report	7.788	99	.000	.741	.722	.903
Government support	6.458	99	.000	.777	.685	.817

(Source: Primary Data)

Table-3 shows that t-test values are significantly higher than the test value '3' at 5% level of significance. It is evident that subsidized finance and tax incentives broadly offer opportunity to the rural entrepreneurs. In addition to that feasibility studies guidance, working capital finance, entrepreneurial training, skill development activities are actively supports rural entrepreneurs. Similarly, market environment report, government policy, and technology support also offered to rural entrepreneurs. Furthermore, bridge finance is not found viable and potential opportunity to the rural entrepreneurs.

#### 6.4. Government Schemes to Rural Entrepreneurs

Indian Government provides various supports and finance schemes to the rural entrepreneurs. It consists of reimbursement of one-time registration fee up to 75% and 75% of the annual fees paid for the first three years. Credit linked capital subsidy scheme is a scheme, which offers 15% back end capital subsidy, capped at one billion rupees for technology up-gradation, is operated through NABARD and SIDBI. Market development assistance scheme offers funding for the participation in international trade fairs and exhibitions. The credit guarantee fund scheme makes available collateral-free credit through credit guarantee fund trust. Both term loans and working capital facility up to Rs.1 crores is covered under this scheme without any collateral security. It is available to the extent of 75 percent of the sanctioned amount of the credit facility. Performance and credit rating scheme is implemented through NSIC to provide a subsidy of 75% of fee charged by the rating agency. The government seeks to encourage entrepreneurship ventures by offering tax sops, such as general excise exemption scheme and tax holidays.

#### 7. CONCLUSION

Rural development is utmost important for growth of economy, it has been achieved by developing entrepreneurship in rural areas. Rural entrepreneurship is mainly affected by both external and internal problems connected with the operation of business in rural areas. Finance is the main problem; financing or is of critical importance to this sector, particularly as it benefits the weaker section. Demographic profile shows that 84% are male, 41% are between 26- 35 years of age, 38% are completed school education, 42% are having 3-9 years of experience, and 45% are earning less than 20,000 per month. Chi-square supports the alternate hypothesis that there is a significant association between demographic profiles of rural entrepreneurs and source of finance used. The factors influencing rural entrepreneurs performance explains 69.20% variance in data. It confirmed that rural entrepreneur performance is significantly influenced due to several problems. Various opportunities safeguards rural entrepreneurs' mainly subsidized finance and tax holidays are the big opportunity to them. Rural entrepreneurship has been promoted it for employment generation and enlargement of production; Government of India offers reimbursement of registration fee, financial support, tax incentives and so on for rural development. It is concluded that financial institutions and government should support rural entrepreneurs in order to attained balanced development in rural areas.

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