CHAPTER 3

CONCEPTUAL FRAMEWORK OF RURAL ENTREPRENEURSHIP AND RURAL TRANSFORMATION IN INDIA

3.1 INTRODUCTION

India represents one of the oldest civilizations in the world with a kaleidoscopic variety and rich cultural heritage. The history of the nation gives a glimpse into the magnanimity of its evolution - from a country reeling under colonialism, to one of the leading economies in the global scenario within a span of six decades. India has become self-sufficient in agricultural production and is now one of the top industrialized countries in the world and one of the few nations to have gone into space technology for the benefit of the nation. India witnesses the blend of several customs and traditions, which are reflective of the rich culture and heritage of the country. The nation believes in “Unity in Diversity”. As the 7th largest country in the world, India stands apart from the rest of Asia, marked off as it is by mountains and the sea, which give the country a distinct geographical entity.

Indian population stands 1.21 billion as per the census 2011 with the percentage change from previous to last period is 17.64 per cent. The male population constitutes 51.47 per cent and female 48.53 per cent. 31.15 per cent of population lives in urban area and 68.85 per cent lives in rural area. Among urban population, 51.84 per cent are male and 48.16 per cent are
female and in rural area 51.30 per cent are male and 48.70 per cent are female.

There are 28 states, 7 union territories (UT) and 640 Districts in India administered by their respective Government.

3.2 INDIAN ECONOMY

The economy of India is the tenth largest in the world by nominal GDP and the third fourth largest by purchasing power parity (PPP) in the world. The country is one of the G-20 major economies and a member of BRICS.

The country was under socialist-based policies for an entire generation from the 1950s until the 1980s. The economy was characterized by extensive regulation, protectionism, and public ownership, leading to pervasive corruption and slow growth. Since 1991, continuing economic liberalization has moved the economy towards a market-based system. By 2009, India had prominently established itself as the world's second-fastest growing major economy.

With 1.21 billion people and the world’s fourth-largest economy, India’s recent growth and development has been one of the most significant achievements of our times. Since independence, the country has brought about a landmark agricultural revolution that has transformed the nation from chronic dependence on grain imports into a global agricultural powerhouse that is now a net exporter of food. Life expectancy has more than doubled, literacy rates have quadrupled, health conditions have improved, and a sizeable middle class has emerged. India is now home to globally recognized companies in pharmaceuticals, steel, information and space technologies, and
a growing voice on the international stage that is more in keeping with its enormous size and potential.

Historic changes are unfolding, unleashing a host of new opportunities to forge a 21st-century nation. India will soon have the largest and youngest workforce the world has ever seen. At the same time, the country is in the midst of a massive wave of urbanization as some 10 million people move to towns and cities each year in search of jobs and opportunity. It is the largest rural-urban migration of this century.

Inequity in all dimensions, including region, caste and gender, needs to be addressed. Poverty rates in India’s poorest states are three to four times higher than those in the more advanced states. While India’s average annual per capita income was $1,410 in 2011—placing it among the poorest of the world’s middle-income countries—it was just $436 in Uttar Pradesh (which has more people than Brazil) and only $294 in Bihar, one of India’s poorest states. Disadvantaged groups need to be brought into the mainstream to reap the benefits of economic growth, and women—who “hold up half the sky”—empowered to take their rightful place in the socioeconomic fabric of the country.

Fostering greater levels of education and skills will be critical to promote prosperity in a rapidly globalizing world. However, while primary education has largely been universalized, learning outcomes remain low. Less than 10 percent of the working-age population has completed a secondary education, and too many secondary graduates do not have the knowledge and skills to compete in today’s changing job market.

Improving health care will be equally important. Although India’s health indicators have improved, maternal and child mortality rates remain very low and, in some states, are comparable to those in the world’s poorest
countries. Of particular concern is the nutrition of India’s children whose well-being will determine the extent of India’s much-awaited demographic dividend; at present, an overwhelming 40 percent (217 million) of the world’s malnourished children are in India.

The country’s infrastructure needs are massive. One in three rural people lack access to an all-weather road, and only one in five national highways is four-lane. Ports and airports have inadequate capacity, and trains move very slowly. An estimated 300 million people are not connected to the national electrical grid, and those who are, face frequent disruptions. And, the manufacturing sector, vital for job creation, remains small and underdeveloped.

Nonetheless, a number of India’s states are pioneering bold new initiatives to tackle many of India’s long-standing challenges and are making great strides towards inclusive growth. Their successes are leading the way forward for the rest of the country, indicating what can be achieved if the poorer states were to learn from their more prosperous counterparts.

India now has that rare window of opportunity to improve the quality of life for its 1.21 billion citizens and lay the foundations for a truly prosperous future—a future that will impact the country and its people for generations to come.

Agriculture production continues to be significantly influenced by southwest is the predominant occupation in India, accounting for about 60% of employment. The service sector makes up a further 28% and industrial sector around 12%. One estimate says that only one in five job-seekers had any sort of vocational training. Major agricultural products include rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes, cattle, water buffalo, sheep, goats, poultry and fish. Major industries include textiles, chemicals,
food processing, steel, transportation equipment, cement, mining, petroleum, machinery, information technology enabled services and software.

Despite robust economic growth, India continues to face several major problems. The recent economic development has widened the economic inequality across the country. Despite sustained high economic growth rate, approximately 80% of its population lives on less than $2 a day (PPP), more than double the same poverty rate in China. Even though the arrival of Green Revolution brought end to famines in India, 40% of children under the age of three are underweight and a third of all men and women suffer from chronic energy deficiency.

3.3 RURAL ECONOMY

Development of the rural economy has been one of the prime concerns of our planning process. Accordingly, efforts have been made on a continuous basis for improving the economic and social well-being of people in rural areas on a sustainable basis. This is being ensured through the introduction of a wide spectrum of programmes/schemes for the rural economy. The schemes aim at bridging the rural-urban divide; poverty alleviation; employment generation; infrastructure development and social security. The government also provides the necessary support services and other quality inputs such as assistance for strengthening of District Rural Development Agency (DRDA), Administration and Panchayat Raj Institutions (PRIs); training & research; human resource development; development of voluntary action, etc., for proper implementation of the schemes and programmes.

The Indian rural market generates about 50 per cent of the country’s gross domestic product (GDP). Rural India comprises around 840
million people, and growing income levels and greater ambitions are progressively driving demand there. In the period 2009–2012, rural consumption per person increased annually at 19 per cent, according to data from National Sample Survey Organization (NSSO).

The consumption habits of India’s rural populace are gradually mirroring those of their urban counterparts. Due to this changing behavior and the sheer size of the market, the hinterlands are a tremendous investment opportunity for companies. Today, premium products are penetrating the market and brands are no longer a novelty.

The following figures reflect rural India’s significance to the country’s economy:

- Rural India housed 75 per cent of all new factories built in India in the last decade. Also, factories in rural regions currently account for about 70 per cent of all new manufacturing jobs.
- In incremental terms, spending in rural India during the period 2009–2012 rose by US$ 69 billion to urban India’s US$ 55 billion.

3.4  THE CONCEPT OF RURAL SOCIETY

The Bureau of the Census of the United States defines a rural community on the basis of the size and the density of population at a particular place. In India, on the other hand, the term 'rural' is defined in terms of revenue: the village means the 'revenue village". It might be one large
village or a cluster of small villages. According to the Census Commission of India, a village is an entity identified by its name and a definite boundary.

It is noted that the Indian villages exhibit a great deal of diversity. Different states in India have different numbers of villages. Indian village has several types of communities, some multi-caste, some having the members of just one caste. Some are close to the centers of civilization, the towns and cities, while some are situated in remote backward areas, and some are more developed than others in terms of material possessions and facilities (such as electricity, schools, dispensaries, etc.). In villages, we will come across immense diversity in the lifestyles and material conditions of villages. Notwithstanding the huge variations, which are bound to take place in a vast country like India, there are certain general features that all rural communities have in common.

The term ‘rural’ is used in contrast with the term ‘urban’. Some scholars think of a continuum, i.e., a kind of continuity from the rural to the urban. The left end of the continuum consists of the rural, whilst the right of the urban. Change takes place from rural to urban, rather than in the other way. This change is called urbanization, which is defined as the almost permanent migration of populations from rural areas to the urban. The changes that result because of urbanization are irreversible; so, when ‘urban people’ migrate to rural areas, as has happened and is happening in the villages of Punjab, because of one or the other reason, they carry with them the stamp of urban influence.

Indian villages are classified as nucleated and dispersed villages. It is well known that villages comprise homestead land and cultivable land. In nucleated villages, all the households are clustered together in a compact unit,
surrounded on all sides by cultivable land. When households are distributed over a large area, and each cluster of a few houses is separated by cultivable land, it is known as a dispersed village. Most of the villages in India are of compact nucleated type. Dispersed villages are found in the coastal areas of Kerala in south India, in Bhil settlements to the east and north of Gujarat, and in Coorg and western Mysore.

There are as many as 597,483 inhabited villages in India and among them 82,149 villages have a population size of less than 200. Nearly half of the rural population of India is residing in 115,029 villages with population more than 2,000 but less than 10,000. This statement gives the percentage of population living in villages of various population size references to the total rural population in 2011 for India and States/U.T.s. Very few people (0.98 per cent) are living in villages falling in the population range of ‘Less than 200’. The highest percentage of 34.63 is noted in the population range of 2,000-4,999. Similar trend was prevailing in 2001 Census also when the percentages in these two groups were 1.24 and 32.21 respectively. Among states in the range ‘Less than 200’ the highest percentage is noted in Arunachal Pradesh (29.41) followed by Himachal Pradesh (13.16) and Meghalaya (12.82). But major portion of rural population is residing in the villages falling under the size groups of 1,000-1,999 and 2,000-4,999. In India only 8.68 per cent of populations are living in villages having population more than 10,000 and above. Kerala shows the highest percentage of 92.21 of population living in villages of this range. In 2001 also the highest percentage of 92.20 of this category was noted in Kerala state.

In India there is an increase in the number of villages in the population size 1000-1999, 2000-4999, 5000-9999 and 10000 and above where as decrease in number of villages in the population size of less than 500
and 500-999. The percentage of population in the size 2000-10000+ has increased to 58.17 in 2011 from 53.98 in 2001. It is also noticed that the number of inhabited villages increased in the population size of 1000-1999 but declined in percentage of population from 24.69 in 2001 to 23.70 in 2011 in India. It is very interesting to see that the proportions of number of smaller villages in India has gone down from 36.90 in 2001 to 32.95 in 2011 Census in the population size of less than 500. This is but natural because with the growth of population the villages have moved up in classification by population size. This trend is prevailing in almost all states and union territories except Arunachal Pradesh, Nagaland, Goa, Daman & Diu and Lakshadweep. It is also observed that the percentage of smaller villages has doubled from 25.00 to 50.00 during the decade in Lakshadweep UT. But the percentages of the number of villages in their ranges have gone up in most of the states/union territories when compared with the percentages of 2001 Census.

In this population size of 10,000 and above, India had 4,682 inhabited villages in 2011 Census as against 3,962 inhabited villages in 2001 Census. This is but natural because with growth of population the villages have moved up. The same trend is also prevailing in almost all States except Nagaland, Mizoram, Tripura, Chhattisgarh, Andhra Pradesh, Goa and Kerala. It is also observed that among the States, Bihar tops the list which has 1,129 inhabited villages followed by Kerala and Uttar Pradesh which have 797 and 545 inhabited villages respectively as per 2011 Census. The maximum number of such villages has increased in Bihar from 630 in 2001 to 1,129 in 2011 followed by Uttar Pradesh from 296 in 2001 to 545 in 2011. The States of Sikkim, Arunachal Pradesh, Mizoram and Meghalaya do not have even a single village having 10,000 and above population according to 2011 Census.
Table 3.1  Indian Population

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>Rural</th>
<th>Urban</th>
</tr>
</thead>
<tbody>
<tr>
<td>Persons</td>
<td>1,028,610,328</td>
<td>1,210,569,573</td>
<td>742,490,639</td>
</tr>
<tr>
<td>Males</td>
<td>532,156,772</td>
<td>623,121,843</td>
<td>381,602,674</td>
</tr>
<tr>
<td>Females</td>
<td>496,453,556</td>
<td>587,447,730</td>
<td>360,887,965</td>
</tr>
</tbody>
</table>

Source: Census, India

In spite of development in India's economy since the late 1980s, issues in rural areas more or less remains same. The profession of Agriculture among younger generation looks non-profit oriented. The rural population and labor force continue to rise, and rural-urban migration remains high. Non-farm sector is rapidly growing, which now generates the largest number of jobs in rural India. Rural non-farm self-employment is especially dynamic with farm households diversifying into the sector to increase income. The bottling up of labor in rural areas means that farm sizes will continue to decline, agriculture will continue its trend to feminization, and part-time farming will become the dominant farm model.

3.4.1 Differences and Relationships in Rural and Urban Societies

Over a period of time, rural societies undergo a variety of changes. Some of them are assimilated into urban societies; some start resembling urban societies in certain material and social terms, but retain their identity as a village; while some remain less affected by the forces emerging from cities. It may be so because of their location. Villages closer to the centers of urban growth are likely to change appreciably and faster than their counterparts located in interior areas. With the passage of time, villages may grow into towns, which later on grow into cities. Continuity may, thus, be unmistakably noticed in the transition from the village to the city.
The term ‘rural society’ is used almost interchangeably with terms like ‘village’, ‘countryside’, or ‘folk society’. Of these, the term most commonly used in sociological literature on rural society is the *village*. The term ‘countryside’ is chiefly popular in the western world. It primarily denotes a quiet place, away from the hustle and bustle of the city, where one is in close proximity to nature. One chooses to retire to the countryside. It is not a place bereft (deprived of) facilities, as villages are in the developing world. There are 'pubs' and recreational centers in the countryside. What it lacks is the ‘fast life of the city’.

By implication, a folk society is traditional and homogeneous. This category is best understood in terms of culture and stands in contrast with the fast-changing and heterogeneous urban society. A folk society is ‘past-oriented’, so said Redfield, in the sense that its members are content with their lot, with what they have, and they proudly hold their *tradition high*. By *tradition*, sociologists mean the ‘conventionalized modes of social behavior and thought’, i.e. the behavior and thought that were established long time back are considered valuable and applicable at all times, present and future.

In comparison with a rural society, we find that an urban society is 'future-oriented'. Here, individuals are not satisfied with what they have, and they unceasingly want to change virtually everything they have. If urban dwellers are ‘forward-looking’, the rural are ‘backward-looking’. If *change* is the catchphrase of urban living, *stability* is that of the rural society.

From sociological point of view, the term 'rural society'" implies the following:

In comparison with the urban society, it is a small society, meaning thereby that it has a small population and extends over a shorter physical area. Various institutions (such as police stations, hospitals, schools, post-offices,
clubs, etc.) may or may not be there, and if existent, they are not available in plenty.

Density of the rural population is also low, and it may be clustered according to the criteria of social status. In other words, people occupying the same status may share the same neighborhood, and may observe considerable social, and sometimes physical, distance from others, especially those lower in hierarchy.

A sizable number of rural people are engaged in agriculture, which is the mainstay of their lives. In addition, a rural society has several other groups, engaged in various other occupations of arts and crafts, usually known as artisans and craftsmen, who regularly supply their services to agriculturalists in exchange for grains and cereals.

Rural society has some full-time and a large number of part-time specialists. Craftsmen and artisans also indulge in agricultural pursuits, especially during the monsoon and the agricultural produce of such specialists and small agriculturalists is mainly for domestic consumption.

Rural society is regarded as the repository of traditional mores and folkways. It preserves the traditional culture, and many of its values and virtues are carried forward to urban areas, of which they become a part after their refinement.

3.5 DEVELOPMENT

Development is a universally cherished goal of individuals, families, communities and nations all over the world. Development is also natural in the sense that all forms of life on earth have an inherent urge to survive and develop. Development is a subjective and value-loaded concept and hence no consensus to its meaning. The term is used differently in diverse
contexts. It basically means ‘unfolding’, ‘revealing’, or ‘opening up’ something which is latent. When applied to human beings, it therefore means ‘unfolding’ or ‘opening up’ their potential powers. Generally speaking, the term development implies a change that is desirable. Since what is desirable at a particular time, place and in a particular culture may not be desirable at other places or at other times at the same place and in the same cultural milieu, it is difficult to think of a universally acceptable definition of development. In this research researcher defines development as “a desirable change in quality of life of rural people”. Sustainable development has become a buzzword. According to the World Commission on Environment and Development (WCED 1987), ‘Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’

3.5.1 Development and Change

Development is both a cause and a consequence of change. There is a two-way relationship between them, i.e., development influences, and is influenced by, a change. The change implies a physical, technological, economic, social, cultural, attitudinal, infrastructural, organizational or political change. Whereas all manifestations of development can be traced to some change. Somewhere, sometimes not all changes lead to development. A change may be either for the better (development), or the worse (retrogression). In the context of rural development, a ‘change’ may be considered to be an instrument which can be used to promote rural development.

3.5.2 Rural Development

Rural development implies both the economic betterment of people as well as greater social transformation. In order to provide the rural people with better prospects for economic development, increased participation of people in the rural development programmes, decentralization of planning,
better enforcement of land reforms and greater access to credit are needed. This section provides complete information on initiatives taken by the government for bridging the urban-rural divide by upgrading the standard of living of people in rural areas. Information about programmes, schemes, employment opportunities, panchayat raj institutions, development authorities, drinking water, sanitation, road construction, electrification of villages and food supply etc. is provided.

Advance of the rural economy has been one of the major concerns of Indian planning process, wherein, efforts have been made on a continuous basis for improving the political, economic and social well-being of people in rural areas on a sustainable basis. The government agencies like Ministry of Rural Development acts as the nodal organization committing towards ushering in an all-round development of rural India. This is being promised through the introduction of a wide spectrum of programmes/schemes for the rural economy. The schemes mainly focus on addressing issues like bridging the rural-urban divide; poverty alleviation; employment generation; infrastructure development and social security.

Some of the important programmes/schemes being implemented are :-

- National Rural Employment Guarantee Act, 2005 (NREGA):- It aims at enhancing the livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. This work guarantee also serves the objectives of generating productive assets, protecting the environment, empowering rural women, reducing rural-urban migration and fostering social equity in the rural areas.
- Sampoorna Gramin Rozgar Yojana (SGRY): aims to provide additional wage employment with food security, alongside the creation of durable community, social and economic infrastructure in the rural areas. The programme is self-targeting in nature with special emphasis on providing wage employment to women, scheduled castes, scheduled tribes and parents of children withdrawn from hazardous occupations. It is exclusively implemented by the Panchayati Raj Institutions (PRIs).

- Pradhan Mantri Gram Sadak Yojana (PMGSY): aims at providing connectivity by way of good all-weather roads for every habitation in the rural areas, that has more than 1000 persons, within three years and for every habitation with a population of more than 500 persons, by the end of the tenth plan. In respect of the Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttaranchal) and the Desert Areas (as identified in the Desert Development Programme) as well as the Tribal areas, the objective is to connect habitations with a population of 250 persons and above.

- Indira Awaas Yojana (IAY): is a subsidy based scheme for providing houses to the poor in the rural areas. It aims at helping rural people below the poverty line belonging to SCs/STs, freed bonded laborers and non-SC/ST categories in construction of dwelling units and up gradation of existing unserviceable kutcha houses by providing grant-in-aid.

- Swarnjayanti Gram Swarozgar Yojana (SGSY): is a self-employment programme for the rural poor, aimed at bringing the assisted poor families above the poverty line by providing
them income generating assets through a mix of bank credit and Governmental subsidy. It also aims at establishing a large number of micro enterprises in the rural areas based on the ability of poor and potential of each area.

- Provision of Urban Amenities in Rural Areas (PURA):- aims to meet the gaps in physical and social infrastructure in the identified rural clusters consisting of 10-15 villages around towns with a population of one lakh or less, to further their growth potential.

In spite of massive rural development programmes, due to existing bottlenecks within the system, progress is not much visible. Issues like non-farm employment, education, health, economic prosperity, political etc still exist within the rural system. Table 3.2 presents causes of R-U migration. 49 per cent of the male and 5.30 per cent of female migrate from rural to urban for the purpose of work/employment related reasons followed by household movement with male 22 per cent and female 36.60 per cent and education with male 10.20 per cent and female 4.30 per cent

**Table 3.2 Rural to Urban Migration**

<table>
<thead>
<tr>
<th>Causes of R-U Migration</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work/Employment</td>
<td>49.00</td>
<td>5.30</td>
<td>27.50</td>
</tr>
<tr>
<td>Business</td>
<td>3.30</td>
<td>0.40</td>
<td>1.90</td>
</tr>
<tr>
<td>Education</td>
<td>10.20</td>
<td>4.30</td>
<td>7.30</td>
</tr>
<tr>
<td>Marriage</td>
<td>0.80</td>
<td>41.30</td>
<td>20.70</td>
</tr>
<tr>
<td>Moved after Birth</td>
<td>4.50</td>
<td>4.20</td>
<td>4.40</td>
</tr>
<tr>
<td>Moved with Household</td>
<td>22.00</td>
<td>36.60</td>
<td>29.10</td>
</tr>
<tr>
<td>Others</td>
<td>10.20</td>
<td>7.90</td>
<td>9.10</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Census, India
Rural to Urban Migration in Karnataka is depicted in Table 3.3, 46.90 per cent of male migrate with reason for work/employment followed by education 16.30 per cent and moved with household 16.60 per cent. 39.20 per cent of female migrate due to marriage followed by moved with household 29.70 per cent.

Table 3.3 Reasons for Migration in Karnataka

<table>
<thead>
<tr>
<th>State</th>
<th>gender</th>
<th>Work/Employment</th>
<th>Business</th>
<th>Education</th>
<th>Marriage</th>
<th>Moved after Birth</th>
<th>Moved with Household</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Karnataka</td>
<td>M</td>
<td>46.90</td>
<td>2.80</td>
<td>16.30</td>
<td>0.90</td>
<td>5.90</td>
<td>16.60</td>
<td>10.40</td>
</tr>
<tr>
<td></td>
<td>F</td>
<td>8.80</td>
<td>0.40</td>
<td>7.20</td>
<td>39.20</td>
<td>5.70</td>
<td>29.70</td>
<td>9.00</td>
</tr>
</tbody>
</table>

Source: Census, India

The rural character of the economy and the need for regeneration of rural life has to be stressed by. The revival of village life is possible only when it is no more exploited. Rural development is an absolute and urgent necessity in India and will continue to be so in future.

3.6 THE ROLE AND DEFINITION OF ENTREPRENEURSHIP

Economists such as Adam Smith, David Ricardo, and John Stuart Mill briefly touched upon the concept of entrepreneurship, though they referred to it under the broad English term “business management”. The writings of Mill go out of his way to stress the significance of entrepreneurship for economic growth. In his writings, Mill claims that
entrepreneurship requires ‘no ordinary skill’, and he laments the fact that there is no good English equivalent word to encompass the specific meaning of the French term ‘entrepreneur’.

The necessity of entrepreneurship for production was first formally recognized by Alfred Marshall in 1890. In his famous treatise Principles of Economics, Marshall asserts that there are four factors of production: land, labor, capital and organization. Organization is the coordinating factor, which brings the other factors together, and Marshall believed that entrepreneurship is the driving element behind organization. In order to do this, Marshall believed that entrepreneurs must have a thorough understanding about their industries, and they must be natural leaders. Additionally, Marshall’s entrepreneurs must have the ability to foresee changes in supply and demand and be willing to act on such risky forecasts in the absence of complete information.

Marshall also suggests that the skills associated with entrepreneurship are rare and limited in supply. He claims that the abilities of entrepreneur are “so great and so numerous that very few people can exhibit them in all in a very high degree”. Marshall, however, implies that people can be taught to acquire the abilities that are necessary to be an entrepreneur. Unfortunately, the opportunities for entrepreneurs are often limited by economic environment, which surrounds them. Additionally, although entrepreneurs share some common abilities, all entrepreneurs are different, and their success depends on the economic situations in which they attempt their endeavors.

One school of thought on entrepreneurship suggests that the role of the entrepreneur is that of a risk-bearer in the face of uncertainty and imperfect information. Knight claims that an entrepreneur will be able to bear the risk of a new venture if he believes that there is a significant chance of
profits. Although many current theories on entrepreneurship agree that there is an inherent component of risk, the risk-bearer theory alone cannot explain why some individuals become entrepreneurs while others do not. Thus, in order to build a development model of entrepreneurship it is necessary to look at some of the other characteristics that help explain why some people are entrepreneurs; risk may be a factor, but it is not the only one.

Modern school of thought claims that the role of the entrepreneur is that of an innovator; however, the definition of innovation is still widely debatable. Kirzner suggests that the process of innovation is actually of spontaneous “undeliberate learning”. Thus, the necessary characteristics of the entrepreneur are alertness, and no intrinsic skills other than that of recognizing opportunities are necessary. Other school of economists claims that entrepreneurs have special skills that enable them to participate in the process of innovation. Leibenstein claims that the dominant, necessary characteristics of entrepreneurs is that they are gap-fillers i.e. they have the ability to perceive where market fails and to develop new goods or processes that the market demands but which are not currently being supplied. Thus, entrepreneurs have the special ability to connect different markets and make up for market failures and deficiencies.

The Schumpeterian entrepreneurs mainly operate in small, independent firms. Intrapreneurs are the innovators and creative leaders within existing organizations. Both are creative destructors and bearers of change. In contrast to this, there are the managerial business owners, who focus on coordination of production and distribution. Possibly, this might be more of a Kirzner entrepreneur.

Peter Drucker proposed that ‘entrepreneurship’ is a practice. What this means is that entrepreneurship is not a state of being nor is it characterized by making planes that are not acted upon. Entrepreneurship
begins with action, creation of new organization. This organization may or may not become self-sustaining and in fact, may never earn significant revenues. But, when individuals create a new organization, they have entered the entrepreneurship paradigm.

Though the idea that entrepreneurs are innovators is largely acceptable, it can be difficult to apply this theory of entrepreneurship to Less Developed Countries (LDCs). Often in LDCs, entrepreneurs are not truly innovators in the traditional sense of the word. Entrepreneurs in LDCs rarely produce brand new products: rather they imitate the products and production processes that have been invented elsewhere in the world (typically in developed countries). This process, which occurs in developed countries as well, is called “creative imitation”. Creative imitation takes place when the imitators better understand how an innovation can be applied, used, or sold in their particular market niche (namely their own countries) than do the people who actually created or discovered the original innovation. Thus, the innovation process in LDCs is often that of imitating and adapting, instead of traditional notion of new product or process discovery and development.

There are numerous, at times even contradictory, definitions of entrepreneurship. Broadly, these definitions can be divided into two subcategories; those that are generally more encompassing theoretically and the more narrow operational ones. Thus, one conclusion is that it might be more fruitful to talk about entrepreneurial activities, at least from an operational point of view. The operational definitions, such as start-ups or innovative activities, each cover a limited range of entrepreneurial activities but might yield a more profound coverage in combination.

By combining the above thoughts it can be generalized that entrepreneurs are risk-bearers, coordinators and organizers, gap fillers, leaders, and innovators or creative imitators. Thus, by encouraging these
qualities and abilities, governments can theoretically alter their country’s supply of domestic entrepreneurship.

3.6.1 Rural Entrepreneurship

Through much of its history, India has been home to small-town merchants, talented craftspeople and progressive farmers, all willing to take the risks necessary to build their businesses and live the life of their choosing. It is a legacy of entrepreneurship and small business ownership of which rural people can be proud. Yet, the contributions of these entrepreneurs have often been obscured by the big and manufacturing empires that emerged over a period of time.

Defining Rural Entrepreneurship

While entrepreneurship is the topic of much discussion in the academic community and in state and national policy circles, definitions of the term vary widely. One common definition of an entrepreneur refers to business start-ups, companies based on innovative products or processes, or simply small businesses, including self-employed individuals in villages.

Broadly we can have two types of entrepreneurs in rural areas. First type of entrepreneur is opportunity-based entrepreneurship. Here an entrepreneur perceives a business opportunity and chooses to pursue this as an active career choice. Secondly, necessity-based entrepreneurship, individual is left with no other viable option other than to earn a living. It is not the choice but compulsion, which makes him/her, choose entrepreneurship as a career.

3.6.2 Functions of an Entrepreneur

With regard to the functions of an entrepreneur, the following broad views can be synthesized from the available literature.
3.6.2.1 Economists’ view

In the view of economists, entrepreneurial functions are directed towards achieving the materialistic objective of wealth maximization, the foundations of which may be associated with a high order of spiritual, patriotic, social, psychological and ethnic values. An entrepreneur’s role is regarded as an activity that gives form to ideas, wishes and efforts of the factors.

3.6.2.2 Sociologists’ view

Although entrepreneurial activities originate from individuals, entrepreneurs are neither independent of their immediate environment, nor omnipotent to carry out all the business related tasks single-handedly for sufficiently long periods of time. But as the business grows, the role of the organization, i.e., collective behavior of people in the organization, becomes critical to its success.

Hagen (1968) therefore argues that entrepreneurship is not only about conceiving of a business idea, but also about designing and maintaining the organization for carrying out the business. Environmental variables matter not only in providing opportunities to exploit the imperfect markets, as implied in the economists’ approach, but also in creating a conducive environment for entrepreneurial activities to flourish. Derossi in this context entrusts an entrepreneur with the task of coordination at every stage of the organization, i.e., inception, maintenance and expansion. She feels that the entrepreneur should have an optimistic outlook and a readiness to seize upon new problems as opportunities for testing one’s own capabilities.
3.6.2.3 Psychologists’ view

McClelland, introducing the concept of ‘need (n)-achievement’ as a psychological motive, implicitly states that people with high n-achievement have a tendency to strive for success. High achievement is associated with better performance at tasks, which requires some imagination and mental manipulation. Sharma maintains that entrepreneurs are those who exhibit qualities of leadership in solving persistent professional problems and demonstrate an eagerness to seize unusual opportunities Sharma KL (1975). They have a 'business gambler’s itch’. Rao & Pareek (1978) describe entrepreneurship as a creative and innovative response to the environment. An entrepreneur is goal oriented, rather than means oriented. According to them, an entrepreneur must not only have a high capacity for risk taking, but also a high capacity for risk sustaining, which is a function of high confidence.

3.7 ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT

There has been a wealth of knowledge on the determinants of entrepreneurship over the last few decades. Although studies bringing forth this knowledge have rather been based on theoretical grounds, others have been drawn from empirical evidence. Scholars have also been keen in investigating the impact of entrepreneurship in relation to economic growth which has further led to the explosion of extensive literature in this field (Carree & Thurik, 2005). It is important to note that a significant amount of existing literature has been based on the observation of firms, establishments and regions in terms of their economic performance, growth and survival. The facts that can be derived from these studies link economic growth with the size and age of the firm or an establishment. According to Carree and Thurik (2005), newly established firms and very small firms experience systematically faster growth compared to the already established larger firms. In the terms of how entrepreneurship has been a
stimulant in economic growth, there exist enormous discussions and debates but it is however eminent to realize the importance of constant innovations and rivalry enhancement (Todtling & Eanzanbock 2003). There has been a problem in defining and measuring entrepreneurial factors and this has further complicated the exact contributions to economic growth. According to Carree & Thurik (2002), the concept of entrepreneurship is multidimensional and largely ill-defined. Understanding the role of entrepreneurship in the process of economic growth will therefore require a framework because of the nature of intermediate variables and connections which exist (Bygrave & Minniti 2000). The best examples of these intermediate variables include innovation, competition mainly characterized by exit and entry of firms, variety of supply and particular energy and efforts of invested by entrepreneurs. Other conditions of entrepreneurship also add up when it comes to their contributions to economic growth (Robbins et al 2000). These conditions include personal traits, cultural and institutional factors as shown in Figure 3.1 below. While entrepreneurship is all about the activities carried out by individuals, the concept of economic growth has often been relevant at firm level, industrial, national and regional levels (Robbins et al 2000). This implies that linking entrepreneurship to economic growth will be to amalgamate individual to aggregate levels. These conditions have been mainly focused in this research.

Figure 3.1 Appreciating Entrepreneurship
3.7.1 The Empirical Approach

There are various aspects in the empirical literature on entrepreneurship and economic growth using different measures of entrepreneurial activity. For instance, while one strand of empirical studies measures entrepreneurship in terms of the relative share of economic activity accounted for by small firms, other studies use data on self-employment, the number of market participants (competition) or firm start-ups as an indicator of entrepreneurial activities (Carree & Thurik 2002, OECD 1998).

Together with recent studies on OECD countries, the analyses of the Global Entrepreneurship Monitor (GEM) represent one of the most important sources for statistical analysis of the links between entrepreneurial activity and economic growth. GEM analyses are based on a harmonized assessment of the level of national entrepreneurial activity for all participating countries. The GEM measures national entrepreneurial activity as the share of people among a country's labor force who are either actively involved in starting a new venture and/or manage a business less than 42 months old.

3.7.2 Conceptual Frameworks to Link Entrepreneurship to Economic Growth

Recently two established models have succeeded in not restricting explanations for economic growth to the realm of macroeconomics. The related framework models are proposed by Wennekers & Thurik (1999) and the GEM research programme Wennekers & Thurik (1999) established the following model, relating entrepreneurial activity to economic growth:
The model distinguishes between three levels of analysis: the individual level, the firm level and the macro level. Entrepreneurial activity originates at the *individual level* and is always traceable to a single person, the entrepreneur. Entrepreneurship is, hence, induced by an individual's attitudes or motives, skills and psychological endowments. Yet the individual entrepreneur is not undertaking entrepreneurial activities in a timeless and space less vacuum, but is affected by the context in which he or she is acting. Therefore, entrepreneurial motives and actions are influenced by cultural and institutional factors, the business environment and macroeconomic conditions.

While entrepreneurship originates at the individual level, realization is achieved at the *firm level*. Start-ups or innovations are vehicles for transforming personal entrepreneurial qualities and ambitions into actions. At the *macro level* of industries and national economies, the sum of entrepreneurial activities constitutes a mosaic of competing experiments, new ideas and initiatives. Entrepreneurial activity hence expands and transforms the productive potential of the national economy by inducing higher productivity and an expansion of new niches and industries. Processes at the

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**Figure 3.2 The Wennekers and Thurik Model**

<table>
<thead>
<tr>
<th>Level of analysis</th>
<th>Conditions for entrepreneurship</th>
<th>Crucial elements of entrepreneurship</th>
<th>Impact of entrepreneurship</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Individual level</strong></td>
<td>Psychological endowments</td>
<td>Attitudes and skills</td>
<td>Self-realization and personal wealth</td>
</tr>
<tr>
<td><strong>Firm level</strong></td>
<td>Culture and Institutions</td>
<td>Start-ups and Entry into new markets</td>
<td>Firm performance</td>
</tr>
<tr>
<td><strong>Macro level</strong></td>
<td>Business culture and Institutions</td>
<td>Variety, Competition, Selection</td>
<td>Competitiveness and Economic growth</td>
</tr>
</tbody>
</table>

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*Figure 3.2 The Wennekers and Thurik Model*
aggregate level are, in turn, linked to the individual layer, obviously including important feedback mechanisms for individual entrepreneurs. Entrepreneurs can learn from both their own and others' successes and failures, which enables them to improve their skills and adapt their attitudes (Caree & Thurik 2002).

The conceptual framework of GEM takes a slightly different angle. It analyses the success of large firms advancing market opportunities for SMEs and the role of entrepreneurship in the enterprise creation/growth process as the main mechanisms driving macroeconomic growth along with their complementary nature.

![The GEM Conceptual Model](image)

**Figure 3.3 The GEM Conceptual Model**

The top portion of Figure 3.3 focuses on the role of large established enterprises. Depending on national framework conditions, large firms, generally integrated into international trade markets, can promote self-expansion and maturation. The economic success of large enterprises tends to create new market opportunities for SMEs through technological spill-overs,
spin-offs, an increase in domestic demand for goods and services, an integration of SMEs in supplier networks, and so forth. Yet whether domestic firms are able to seize these opportunities depends largely on the existence of a competitive and vibrant SME sector. The lower portion of Figure 2 highlights the second mechanism driving economic growth: the role of entrepreneurship in the creation and growth of firms. The entrepreneurial process occurs in the context of a set of framework conditions (see “Entrepreneurial framework conditions”). It further depends on (a) the emergence and presence of market opportunities and (b) the capacity, motivation and skills of individuals to establish firms in pursuit of those opportunities. While the success of large established enterprises tends to create profit opportunities for small and new firms, these firms can also affect the success of large enterprises. For instance, by being competitive and reliable suppliers, SMEs provide a competitive advantage for large firms in global arenas (Reynolds et al 2002).

Both conceptual models introduced above refer to the importance of the individual level – that is, the attitudes, skills and actions of individual entrepreneurs. This indicates that policies for boosting entrepreneurial capacity should not focus solely on macroeconomic conditions or access to finance, the most frequently used policy tools to promote entrepreneurship. Although such policies are doubtless important for broadening the base of individuals with incentives to start up a business and with access to the necessary means, these policies alone will not suffice. Rather, the founding and development of firms depend to a large extent on the entrepreneurial qualities of the individual entrepreneur; an issue stressed by the leading British economist Alfred Marshall (Barreto 1989).

The present study taken by the researcher makes an understanding of micro level conditions of entrepreneurs in rural. The study of
entrepreneurship has relevance today, not only because it helps entrepreneurs better fulfill their personal needs but because of the economic contribution of the ventures. More than increasing income by creating new jobs, entrepreneurship acts as a positive force in economic growth by serving as the bridge between innovation and market place. Although government gives great support to basic and applied research, it has to have great success in translating the technological innovations to products or services. The study of entrepreneurship and education of potential entrepreneurs are essential parts of any attempt to strengthen this link so essential to a country’s economic well-being.

3.8 RURAL TRANSFORMATION

Although policy makers and the development community have widely used the phrase “rural development,” what constitutes rural development seems to have changed significantly over time. How did the concept of “rural development” evolve over time in the past 3 decades? What does “Rural Transformation” mean? Addressing these two basic interrelated questions is important to put the issues relating to inclusive rural development in perspective. The concept of rural development has changed significantly during the last 3 decades. Until the 1970s, rural development was synonymous with agricultural development and, hence, focused on increasing agricultural production. This focus seems to have been driven primarily by the interests of industrialization to extract surpluses from the agriculture sector to reinforce industrialization. With the focus on increasing agricultural production, the stated objective of most countries was to promote smallholder agriculture. Over time, this smallholder agriculture-centric concept of rural development underwent changes. By the early 1980s, according to Harris, the World Bank defined it as “…a strategy designed to improve the economic and social life
of a specific group of people—the rural poor.” Four major factors appear to have influenced the change: increased concerns about the persistent and deepening of rural poverty; changing views on the meaning of the concept of development itself; emergence of a more diversified rural economy in which rural nonfarm enterprises play an increasingly important role; and increased recognition of the importance of reducing the non-income dimensions of poverty to achieve sustainable improvements in the socioeconomic well-being of the poor. The establishment of the Millennium Development Goals has significantly reinforced the concerns about non-income poverty. With the paradigm shifts in economic development from growth to broadly defined “development,” the concept of rural development has begun to be used in a broader sense. It is also more specific, as Harris noted “in the sense that it focuses (in its rhetoric, and in principle) particularly on poverty and inequality.” In more recent years, increased concerns on the environmental aspects of economic growth have also influenced the changes. Today’s concept of rural development is fundamentally different from that used about 3 or 4 decades ago. The concept now encompasses “concerns that go well beyond improvements in growth, income, and output. The concerns include an assessment of changes in the quality of life, broadly defined to include improvement in health and nutrition, education, environmentally safe living conditions, and reduction in gender and income inequalities.” Today there seems to be a universal consensus that the ultimate objective of rural development is to improve the quality of life of rural people. This makes it essential to go beyond the income-related factors such as prices, production, and productivity to a range of non-income factors that influence quality of life and hence inclusiveness of rural development.
Rural Transformation (also, known as Inclusive rural development) is a more specific concept than the concept of rural development. In broad terms, inclusive rural development is nothing but rural transformation. It is about improving the quality of life of all members of rural society (Figure 3.4). More specifically, inclusive rural transformation covers three different but interrelated dimensions. The first is the economic dimension that encompasses providing both capacity and opportunities for the poor and low-income rural households to benefit from the economic growth. Second is the social dimension of supporting social development of poor and low-income households and disadvantaged groups, eliminating inequalities in social indicators, promoting gender equality and women’s empowerment, and providing social safety nets for vulnerable groups. Third is the political dimension of improving opportunities for the poor and low-income people in rural areas, including women and ethnic minorities, to effectively and equally participate in the political processes.
3.9 RURAL ENTREPRENEURSHIP AND RURAL TRANSFORMATION

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals promoting rural development now see entrepreneurship as a strategic development intervention that could accelerate the rural development process. Furthermore, institutions and individuals seem to agree on the urgent need to promote rural enterprises: development agencies see rural entrepreneurship as an enormous employment potential; politicians see it as the key strategy to prevent rural unrest; farmers see it as an instrument for improving farm earnings; and women see it as an employment possibility near their homes which provides autonomy, independence and a reduced need for social support. To all these groups, however, entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment.

The entrepreneurial orientation to rural development accepts entrepreneurship as the central force of economic growth and development, without it other factors of development will be wasted or frittered away. However, the acceptance of entrepreneurship as a central development force by itself will not lead to rural development and the advancement of rural enterprises. What is needed in addition is an environment enabling entrepreneurship in rural areas. The existence of such an environment largely depends on policies promoting rural entrepreneurship. The effectiveness of such policies in turn depends on a conceptual framework about entrepreneurship, i.e., what it is and where it comes from.

This research mainly deals with the following three issues: firstly, it makes an attempt to understand motivational factors to become an entrepreneur; secondly, challenges faced by the entrepreneur; and thirdly,
what kind of transformation they have seen or achieved by taking up the entrepreneurial activity.

3.10 OPERATIONAL DEFINITIONS

For the purpose of this study, meaning and scope of various terms used is defined as below:

3.10.1 What is Rural?

Rural is defined as area with having low population density, small settlements; farming is the primary economic activity with a maximum population of 10000 is considered as rural. In general, a rural area is a geographical area that is located outside cities and towns.

3.10.2 What is Rural Development?

Rural development refers to the process of improving the quality of life and economic well-being of people living in rural areas.

3.10.3 Who is Rural Entrepreneur?

For the purpose of this study, meaning and scope of entrepreneurs is defined as individual who are creative and innovative; who see opportunities and put together the resources needed to take advantage of these opportunities; who takes the risk of investment of resources and who create and grow their own enterprises, sometimes over and over again. This may include self-employed individuals and business owners across different sectors, including handicraft, retailing, services, very small scale business units and non-agriculture based in villages.
In precise, entrepreneurs are risk-bearers, coordinators and organizers, gap fillers, leaders, and innovators or creative imitators having dynamic mindset of always looking for creating economic value.

3.10.4 What is Entrepreneur Motivation?

Motivation is defined as the process that initiates, guides and maintains goal-oriented behaviors of an Entrepreneur. In general, motivation is what causes individual to act.

3.10.5 What is Entrepreneur Challenges?

It is a situation that tests entrepreneur abilities to participate in a competitive situation.

3.10.6 What is Rural Transformation?

Rural Transformation also, referred as inclusive rural development. More specifically, inclusive rural development covers three different but interrelated dimensions. The first is the economic dimension that encompasses providing both capacity and opportunities for the rural households to benefit from the economic growth process. The economic dimension also includes measures to reduce income inequalities to reasonable levels. Second is the social dimension of supporting social development of poor and low-income households and disadvantaged groups, eliminating inequalities in social indicators, promoting gender equality and women’s empowerment, and providing social safety for vulnerable groups. Third is the political dimension of improving opportunities for the poor and low-income people in rural areas, including women and ethnic minorities, to effectively and equally participate in the political processes.