



A STUDY ON RURAL STARTUPS – CHALLENGES AND OPPORTUNITIES

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According to a 2021 World Bank report, 15.3% of people in India live in rural areas. Urban population is subtracted from the overall population to determine the rural population. 15.3 % clearly shows how important rural areas are for India's future development. Entrepreneurship is essential to the development of rural areas. However, past studies solely presented an economic viewpoint on rural development. On the other hand, new approaches to indentifying the difficulties and chances faced by rural startups in small businesses were required. This essay seeks to indentify the opportunities and difficulties that rural entrepreneurs could encounter. The study aim of the paper is to help entrepreneurs analyze attractiveness of rural areas. In order to recognize opportunities and challenges, Entrepreneurship Process Model will be used with revised and modified elements. In order to meet the purpose of the study, the authors chose to use secondary data and conduct semi-structured interviews with three different types of rural companies. This helped authors to identify the major challenges and opportunities faced by rural startups. In conclusion, the Entrepreneurship Process Model's primary prospects and difficulties were noted.

Keywords: *Rural Startups, Challenges, Opportunities, Development.*



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1. INTRODUCTION

Rural startups refer to businesses or companies that are established and operate in rural areas, which are typically characterized by lower population densities, less urbanization, and often a stronger connection to agriculture, natural resources, and traditional ways of life. These startups are distinct from their urban counterparts due to the unique challenges and opportunities they face in such environment. For all rural residents, rural entrepreneurship represents a glimmer of optimism. They will have the chance to make a significant contribution to their neighbourhood or community, and they will be paid according to how

much more they can provide for their family. 70% of the workforce in India is located there, making it a primarily rural nation. 46% of the country's incomes come from the rural startups. By 2050, more than half of India's Population is expected to live in rural areas despite the country's growing urbanization. Today, non- agricultural activities provide around two thirds of rural income. Therefore, for general economic growth and inclusive development of the nation, quality skill training of the rural workforce and increase of sustainable job prospects in rural India are crucial.

2. REVIEW OF LITERATURE

The literature on rural entrepreneurship in India underscores the substantial contribution of rural business owners to the country's economic development (Jayadatta S, 2017). Acknowledging their pivotal role, especially in transitioning impoverished nations to developed ones, it is imperative to address the prevalent perception among young individuals in rural areas that starting their own business is an impractical career choice. To rectify this, concerted efforts from both organizations and the government are required to establish comprehensive training and support systems, offering the necessary assistance to encourage entrepreneurship among rural youth. This shift not only stimulates economic growth by generating employment opportunities but also acts as a crucial link between innovation and the market, thereby fostering overall economic development.

In focusing on the distinct challenges faced by women in the entrepreneurial landscape, Vijaya and Gurusamy (2022) highlight that the women's sector constitutes nearly 45% of the Indian population. Recognizing this significant demographic, they advocate for targeted initiatives such as entrepreneurial awareness, orientation, and skill development programs for women. Despite the evolving landscape with increasing female participation in entrepreneurship, the importance of supporting institutes in guiding and nurturing emerging women entrepreneurs is underscored. Government schemes and incentives are acknowledged as crucial components of a robust support system that enables entrepreneurs to establish themselves firmly in the business arena.

Patel and Chavda (2013) shed light on the opportunities and challenges faced by individuals migrating from rural or semi-urban areas to metropolitan regions due to the emergence of rural startups. While these ventures offer numerous opportunities, there is a stark reality that many rural enterprises encounter substantial difficulties, primarily stemming from the lack of essential utilities in underdeveloped regions. The essay delves into the potential and challenges facing rural startups, with a particular focus on issues related to product marketing, financial facilities, and fundamental necessities like access to electricity, water, transportation, and energy.

Sharma et al. (2013) emphasize the critical role of rural entrepreneurship in the economic growth of emerging nations, particularly India. The essay advocates for a comprehensive review of government strategies and initiatives to develop rural entrepreneurship, with an aim to enhance rural areas and stimulate economic growth. The identified obstacle lies in the absence of connections between the crucial variables essential for nurturing capital accumulation,

risk-taking, and innovation, hindering the growth of rural entrepreneurship. The proposed solutions encompass investments in agriculture, support for education and health services, infrastructure development, and the encouragement of non-farm activities in rural areas.

Addressing the context of developing nations like India, S. Moghana Lavanya et al. (2014) highlight the indispensable role of rural startups in progress. Their literature review underscores the need for institutions to prioritize the interconnections between education, innovation, and social transformation, recognizing entrepreneurship as the transformative process of turning ideas into income and jobs.

In the literature collectively emphasizes the pivotal role of rural entrepreneurship in India's economic development, particularly in addressing issues of poverty, fostering innovation, and promoting overall growth. It underscores the necessity for targeted efforts, supportive government schemes, and the development of a robust ecosystem to encourage entrepreneurship among diverse segments of the population, including rural youth and women. Furthermore, the identified challenges, such as the absence of essential utilities, call for strategic interventions and comprehensive rural development programs to create an enabling environment for sustainable entrepreneurship.

3. OBJECTIVES OF THE STUDY

- To study the major challenges faced by Rural Startups in India
- To study the major opportunities faced by Rural Startups in India
- To discuss about Government scheme of Rural Startups in India

4. RESEARCH METHODOLOGY

This study is based on secondary sources only. This secondary data was collected from the relevant related books, journals, annual reports, Handbooks, and magazines. Publication the challenges and opportunities for startups in Indian government policy.

5. RURAL ENTREPRENEURSHIP

Rural entrepreneurship refers to the establishment and operation of businesses or enterprises in rural areas. It involves identifying opportunities, creation innovative solution, and building businesses that cater to the needs and demands of rural communities. Rural entrepreneurship is crucial for economic development, job, creation, and the overall well-being of rural areas.

6. CLASSIFICATION OF RURAL ENTREPRENEURSHIP

- Entrepreneurship in business
- Self-help or undertaking party

- The development of clusters
- Organisations / Societies Industry of Services-Eco / Rural Tourism

7. RURAL STARTUPS

Rural startup is an entity that develops a business model based on some innovation and makes it scalable for achieving commercial success. As per the guidelines set forth by the Union Ministry for Commerce and Industry's Development for Promotion of Industry and Internal Trade (DPIITT), an entity that is incorporated as a private limited company or registered as a partnership firm or limited liability partnership in India, will be deemed a startup for a period of ten years from the date of incorporation or registration.

A startup business may be described as a new firm that is often sponsored by a single person or a small group of people and begins to expand in the early stages of operation. It is a new, forward-thinking, scalable company approach that places a strong focus on innovation and technical know-how. By dismantling current markets or establishing brand new ones, entrepreneurs construct a product or service for which they expect demand. Startups are not just a concept but take the form of an industrial undertaking. Farmers are able to start and operate small and micro companies since agriculture is a seasonal industry. Rural poverty is mostly a result of a lack of entrepreneurship. Farmers are in danger whether there is a big harvest or a prolonged drought. Establishing micro or household industries in rural areas will break the poverty cycle. Women's resources can be used for beneficial purposes, bringing wealth and generating jobs for young people.

8. TYPES OF RURAL STARTUPS

Below are the types of rural startups

- Intensive labor: food processing, herbal remedies, units of assembly, etc.
- Intensive space: organic mass (paper / pulp), animals, etc.
- Medium, small and cottage enterprises, such as handicrafts, etc.
- Weak industries: like crop colours, terracotta
- Service-based: farm machinery repair centres, e-chaupals, etc.

9. CHALLENGES RURAL STARTUPS

The cycle of poverty in rural regions can be broken by establishing micro or home enterprises, utilizing the resources of women effectively. This initiative will not only increase wealth but also create job opportunities for young people. The types of rural startups listed below include:

- Hard labor ventures: such as preparing food, making herbal treatments, assembling units, etc.
- Intensive agriculture ventures: focusing on animal life, organic materials (paper, pulp), etc.
- Weak industries: like terracotta and crop colors.
- Cottage, small, and medium-sized businesses: producing crafts, for example.
- Service-based businesses: such as echaupals, small computer training facilities, and repair shops for farm equipment.

10. DIFFICULTIES FOR RURAL STARTUPS

- 1) **Lack of education:** In India literacy among women is very low. Rural women in India are still far behind urban women in the area of education even in the Twenty-first century. Women in rural places tend to be ignorant. Women in rural areas who are educated Research provided whichever less or insufficient education than their male equivalent partly due to poverty, early marriage, low socioeconomic status, partially due to son's higher education. One of the main obstacles for women who wish to launch their own businesses is a lack of knowledge. Women entrepreneurs who lack a quality education do not accept new developments in technology, marketing trends, manufacturing techniques, or other government initiatives that might otherwise inspire them.
- 2) **Balance between Family and Career:** Indian women have strong emotional ties to their families. They are hardly useful at all. They are expected to take care of the entire household, the kids, and other members of the family. They spend a lot of their time and energy caring for their husband, children, other family members, and rule in addition to their increased family obligation. In such situations, it will be very challenging for women to focus and run the business successfully.
- 3) **Male Dominated Society:** Although our constitution guarantees equal rights for men and women, rural regions do not actually have equality. Women are not given the same rights as males. People in rural regions frequently maintain the stereotype that women are only capable of doing domestic tasks. Women's entry into business needs to be approved by the head of the family. Entrepreneurship usually has been seen as a male circle and male dominated. This particular type of phase is a barrier to the development of female businesses. Thus, the success of female businesses is hampered by male entrepreneurs.

- 4) **Shortage of finance:** There are several challenges that rural women business owners must overcome in order to raise money and meet their company's financial requirements. This sort of financial issue affects women and small company owners since they are disregarded by lenders, creditors, and financial institutions due to their lower credit worthiness and increased risk of failing their businesses. Because there is a lack of reliable security and credit in the market, they are unable to get outside funding.
- 5) **Limited managerial:** Only skilled managers are able to fulfil the specialised job that skills management has developed. Due to the absence of proper knowledge women entrepreneurs do not succeed in managerial responsibilities like planning, managing, directing, staffing, controlling, coordinating, monitoring, motivating, etc. of a business enterprise. Therefore, rural women's low managerial abilities have made it difficult for them to handle their businesses successfully.
- 6) **Lack of Technological:** Awareness Rural entrepreneurs face a severe problem of lack of awareness about technology. Lack of training Programmes and comprehensive services makes it difficult for rural woman startups to grow.
- 7) **Shortage of Raw Materials:** Women entrepreneurs struggle harder to buy raw materials and other necessary resources. Women's are facing the problem in searching raw materials from many sources. They use limited or convenient sources of raw materials. The lack of sufficient supply of forest-based raw materials in 1971 was a major factor in the demise of numerous women's cooperatives, including those engaged in basket manufacturing. May raw recourses are relatively expensive.
- 8) **Absence of Motivation:** Motivation is a key factor in an enterprise's ability to succeed. Inherent nature of the women entrepreneurs, sometimes feel less confident which a motivation factor in running an enterprise successfully is basically. Striking a balance between maintaining a family and a business is difficult for rural women.
- 9) **Legal Formalities:** Rural startups find it extremely difficult owing to illiteracy and ignorance in completing several legal requirements in order to receive licences.
- 10) **Family Challenges:** It is not simple to persuade someone to choose a business over a job. The first issue to be compared is whether starting your own business or taking over a family firm would bring in greater money. At this point, it becomes almost tough to persuade someone that you can make more money doing what you love than working for your dad.
- 11) **Societal obstacles:** Family issues always come first since they are the most significant, but societal obstacles can occasionally be just as significant. if both you and your friend receive their degrees simultaneously. While you selected entrepreneurship, your pal decided to work. With the help of a bank loan, he was able to easily acquire a property, a car, and other items. However, you still don't have anything to brag about, and this is where things become tricky.
- 12) **Technological Challenges:** The Indian education system lags behind the job market as a whole too much, but it lags behind internet entrepreneurship much more. Financial Challenges:
- 13) **Financial difficulties** range greatly from country to country in India, particularly for internet business owners. When you should strive to get investment for small to medium businesses instead of venture capital. Getting early company finance from these non-technical business people might be difficult because many of them don't grasp internet business models as a whole. The alternative you can consider is a loan, however for new internet business owners in India, bank loans are not at all a possibility.
- 14) **Policy Challenges:** Motivation is a key factor in an enterprise's ability to succeed. Problems of TRIPS and TRIMS. Obtaining raw resources, acquiring equity money, and other issues with aging of indigenous technologies a rise in pollution environmental imbalance.
- Limited Access to capital
 - Infrastructural Constraints
 - Lack of skill Labor
 - Limited Market Access
 - Technological Barriers
 - Inadequate business Support Services
 - Market information Gap
 - Seasonal and climate- related uncertainties
 - Regulatory and policy challenges
 - Social and cultural Factors
 - Access to Market and value Chains
 - Healthcare and Social Services

11. RURAL START-UPS AS A PROMISING OPPORTUNITY

Issues with obtaining raw materials, issues with getting equity money issue with the outdated nature of local technologies elevated pollution

unbalanced ecosystem. Growing demand for chemical-free cosmetics, food colouring, and organic goods has opened up new opportunities for rural companies.

12. RURAL ENTREPRENEURSHIP CHALLENGES AND OPPORTUNITIES

A general lack of knowledge about the most recent advances in the business, a lack of public awareness campaigns, a lack of professional experience, a lack of financial resources, and a lack of consumer access opportunities are just a few of the difficulties faced by rural startups owned by farmers.

- Free entry into world trade.
 - Improved risk taking ability.
 - Governments of nations withdrawn some restrictions
 - Encouragement to innovations and inventions.
 - Promotion of healthy completions among nations
 - The establishment of additional national and international institutions to encourage business between counties.
 - Benefits of specialization.
 - Social and cultural development
- Challenges for Rural Entrepreneurs
- Growth of Mall Culture
 - Poor Assistance
 - Power Failure
 - Lack of Technical know how
 - Capacity Utilization
 - Infrastructure Sickness
 - Crashed Scheme for Rural Development
 - Food for Work Program
 - National Rural Employment Program
 - Regional Rural Development Centers
 - Entrepreneurship Development Institute of India
 - Bank of Technology
 - Rural Innovation Funding
 - Social Rural Entrepreneurship.

13. INITIATIVES OF GOVERNMENT FOR RURAL STARTUPS SCHEMES

- 1) Start-Up Village Entrepreneurship Programme:** The government's Start-Up Village Entrepreneurship Programme (SVEP) implemented by the Ministry of Rural Development's Deendayal Antyodaya Yojana National Rural Livelihoods Mission (DAYNRLM) assists the rural poor in starting businesses, mostly in the manufacturing, commerce, and service sectors, and offers assistance up till the point at which the businesses stabilise. SVEP focuses on developing local community cadres for

business promotion while offering self-employment options, financial aid, and training in business management and soft skill.

- 2) Start-up India:** This programme provides three-year tax reductions and enforcement incentives to get rid of regulations and bureaucracies.
- 3) MUDRA Yojna:** Through this programme, banks lend money to startup companies so they may expand, grow, and maintain their operations. The government has given Rs 1,000 crore to the SETU (Self Employment and Talent Utilisation) Fund to provide chances for new jobs and self-employment, mostly in technology-driven industries.
- 4) E-Biz site:** To enable quicker clearance and improve business facilities in India, the government has created an e-biz site that combines 14 regulatory permissions and licences into a single source.
- 5) Tax on royalties:** The Indian government reduced the 25% royalty tax to 10% for businesses and start-ups. favoured government initiatives to support rural startups The government offers a number of well-liked schemes to assist rural business owners. The most successful government programmes to promote rural entrepreneurship are.
- 6) The prime minister's strategy for employment creation:** This device provides incentives for business owners. Only for new projects, Khadi and Village Industries Commission (KVIC) brought it through with connected banks. This plan requires all 102 feasible enterprises and Self Help Groups (SHGs) to adhere to it.
- 7) Dairy Entrepreneurship Development Scheme (DEDS):** This programme is carried out by NABARD, which provides financial assistance to projects that are economically bankable through loans from commercial, cooperative, urban, and rural banks with a back-end capital subsidy of 25% of the project costs to the beneficiaries of the general class and 33.33% of the project expenses to the beneficiaries of SC & ST. All business owners, farmers, Farmers organisations, Self Help Societies, District Milk Unions, and Panchayat Raj institutions are welcome to participate in this project.

14. CONCLUSION

India's cutting edge monetary system is growing with the launch of initiatives like "Make in India" "Startups India" "MUDRA" and others that promote entrepreneur friendly insurance policies, the Indian government has become more and more enthusiastic about supporting GDP growth at the grassroots level. The slogan "made in India" offers a lot of promise for Indian startups. By focusing all of the government attention on aspiring entrepreneurs, it should stop the exodus of talent and create the conditions or increasing neighbourhood intelligence grant for recruiting startups enterprises. To support the efforts of medium and large scale companies to transform India in to an unexpectedly growing economy, small investment made by a wide range of entrepreneurs would have a cascading impact on the economic system and job surge. The startups industry has several challenges, from funding to human resources, from starting to tenaciously sustaining growth. There are many options for company owners in a state with a big population to offers goods and services, from food, retail, and hygiene to regular so are and IT needs that may need to be provided at reasonable pricing. It is not of character to recommend that some of these companies expand into other emerging and developing countries in efforts to become household names and unicorns. Agriculture is crucial to the continued growth and development of the Indian economy. In order to economically address challenges in the agriculture sectors and increase the farm industry's competitiveness.

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