

An Empirical Study On The Role Of Rural Entrepreneurship On Socio-Economic Development Among Rural Mass

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ABSTRACT:

The rural areas constitute about two-thirds of the Indian population, with over 60% of the people reliant upon agriculture as their primary source of income coupled with the prevalence of high levels of poverty, unemployment, and migration. With the decrease in the contribution of agriculture to rural family income, it is essential to diversify economic activities in the rural landscape. The key to overcoming the above problems is to unlock the potential of entrepreneurship in rural areas. The main aim of the paper is to analyze the impact of rural entrepreneurship on socio-economic development with a study sample of 130 rural entrepreneurs from Kancheepuram and Perambalur districts of Tamil Nadu, India. It provides key insight into, how the location of the enterprise and the type of business act as a major factor in determining the income earned from the business. The findings reveal the availability of resources and access to them have a significant impact on income. The survey also points out the variations between genders when it comes to starting businesses. Overall, the study highlights the importance of rural entrepreneurship in better income-generating opportunities and serves as a means for the effective allocation of local resources, thus preventing rural-urban migration and reduction of poverty and unemployment.

Keywords: Rural poverty, entrepreneurship, rural entrepreneurship, socio-economic development.

INTRODUCTION:

The rural economy which accounts for two-thirds of the population has high levels of poverty and unemployment and low levels of income. India adopts a multi-pronged approach under strategic planning in order to address these issues and improve the socio-economic conditions of the population, particularly those living in rural regions. Since these regions are comparatively less developed than the urban areas in terms of socio-economic indicators like education, health, income, and occupation (Ministry of Finance, 2023)

In the above context, it is necessary to develop rural areas and strengthen the social and economic indicators of rural communities, as it directly influences the standard of living of the people, which in turn is determined by the degree of income, employment, and education. (Rathod & Ningshen, 2012).

India's incredible achievement marked by high economic growth has to a certain extent helped to achieve a declining head count poverty rate both in the rural and urban areas (Roy & Weide, 2022). But India still grapples with poverty and its associated socio-economic problems which represents one of the biggest challenges to policymakers. The material dimension of Poverty refers to lack of financial resources whereas the nonmaterial dimension of it refers to lack of competence and capability (Singer, 2006), both of which can be addressed by the promotion of entrepreneurial activities. With the probability of poverty being high in rural areas rural entrepreneurship has become one of the indispensable means to overcome the problem.

REVIEW OF LITERATURE

Concept of Entrepreneurship and rural entrepreneurship:

Entrepreneurship acts as a catalyst for economic growth. The wealth created by the entrepreneur benefits various sections of society in the form of salaries to the employees, the supplies of raw materials and capital equipment, in the form of taxes to the government, and foreign exchange through international trade (Economic Survey, 2019). In general terms, an entrepreneur is a person who starts a new

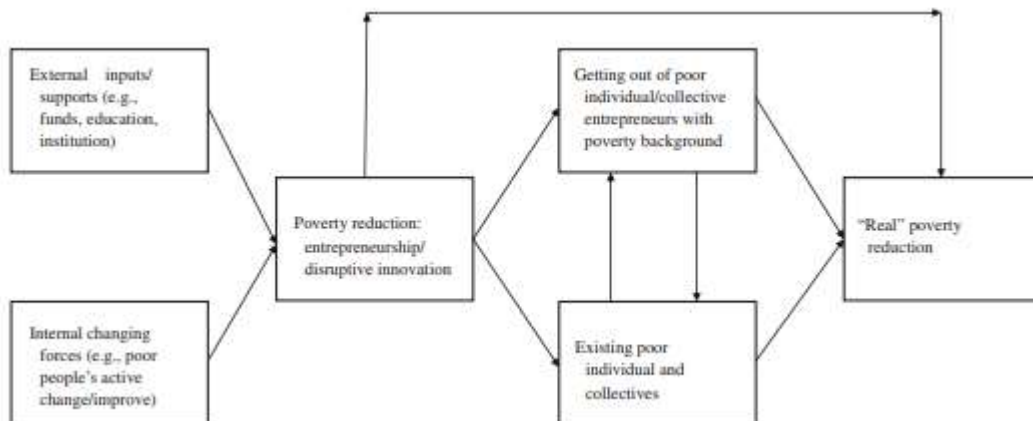
business. The word entrepreneur is derived from a French verb which, means to undertake. According to Hebert & Link, (1989), an entrepreneur is a person who engages in exchange for profit in the face of uncertainty. It is also described as a phenomenon that introduces new items, services, and people to the market (Venkataraman,1997).

The notion of rural entrepreneurship is more similar to the term entrepreneurship and it relates to the emergence of entrepreneurship in rural areas. It is about stimulating the local entrepreneurial talent and growth of indigenous enterprises rather than bringing in human capital and investment capital from outside (Petrin, 1994). Rural entrepreneurship can be defined as all forms of entrepreneurial activity that take place in the spatial context and creates value for the entrepreneur and also for the rural area (Korsgaard et al., 2015). it creates jobs, improves prospects, and minimizes agricultural brain drain. (Meyer et al., 2019) Thus rural entrepreneurship can be described as self-employment emerging at the village level across various business activities and act as a potent factor for overall development.

An entrepreneurial approach to rural development.

Despite the fact that small businesses are not predominantly profit-driven, nonetheless, they play an important role in economic expansion by providing employment opportunities and services to the community in which they operate. (Burns, 2016) Thus entrepreneurship plays an important role in the socio-economic development of the region through food security, skill transfer, employment, income generation, increase in the production and availability of goods and services, and ultimately reduction of poverty. (Dzingirai, 2021). The profile of the rural nonfarm sector is also more heterogeneous in nature consisting of small-scale manufacturing enterprises, self-employed petty traders, and other services catering to the needs of agriculture and rural consumers (Haggblade et al., 2010). Due to its heterogeneity in nature promoting manufacturing and commercial units in rural areas will lessen the divide between urban and rural regions (Ozukum, 2016)

Entrepreneurship at the grassroots level acts as a catalyst factor in the process of poverty reduction. Alongside the efforts of the government in the form of skill training, microcredit, and other policy support and establishment of large-scale enterprises to alleviate poverty through employment and income generation, the attitude and behavior of the poor to escape from the vicious cycle of poverty are also fundamental. The ability of the poor to recognize and take advantage of the market opportunity and develop a successful business model (disruptive innovation model) that is more consumer-oriented targeting the low and potential consumers with simple, cheap, and convenient products (Si et al., 2014). Such a model also increases the accessibility and availability of products and services at affordable prices and provides credit facilities to underprivileged consumers helping them to satisfy their basic needs (Fiseha et al; 2019).



A Conceptual Model of Poverty Reduction Through Entrepreneurship and Disruptive Innovation

Source: Entrepreneurship and poverty reduction: A case study of Yiwu, China. (Si et al., 2014)

Rural entrepreneurship development in India

Entrepreneurship flourished culturally and commercially prior to the arrival of British India. However, with the entrance of the British, artisans and craftsmen were forced to move to agriculture. The fine balance between agriculture and industry was shaken off resulting in poverty and unemployment which continued even after the

Independence due to poor industrialization and preponderance of the agriculture sector (Khanka, 2018). The adoption of five-year plans to overcome socio-economic problems was not effective, so as a specific measure to the problem, employment generation programs like the Integrated Rural Development Programme (IRDP), The Scheme of Training Rural Youth for Self-employment (TRYSEM), Development of Women and Children in Rural Areas (DWCRA) were initiated in rural areas since the beginning of fifth five-year plan (Misra & Puri, 2009). The recent initiatives include the National Rural Livelihood Mission, Start-up Village Entrepreneurship Programme, Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship, and Deen Dayal Upadhyaya Grameen Kaushalya Yojana.

Need for the study:

The current study explores entrepreneurship from a rural perspective. Rural entrepreneurship is an important navigator of economic growth and development. Policy measures toward rural entrepreneurship would be effectively implemented when the planners visualize the economic impact associated with it. Further, it helps to combat social issues such as rural poverty, unemployment, and regional imbalance. The research question involves examining the impact of rural entrepreneurs on income and employment generations. Thus, the study provides a comprehensive understanding of the economic impact of rural entrepreneurs in India and would be a valuable contribution to the literature on rural entrepreneurship.

METHODOLOGY

A quantitative research design has been used to investigate the economic impact of rural entrepreneurship on rural entrepreneurs in the Kancheepuram and Perambalur districts of Tamil Nadu. The study consists of 130 samples with 65 participants selected from each district based on a simple random sampling method to minimize potential bias. The study's participants are those individuals actively involved in income-generating businesses. This encompasses a wide range of business sectors operating in rural communities. Data collection was through a structured

questionnaire, developed based on an extensive literature review. The collected data were analyzed using SPSS. Descriptive statistics such as frequencies, percentages, means, and standard deviations were computed to summarize the demographic characteristics of the participants, and an Inferential statistical technique comprised 't'-test and ANOVA.

Result and Discussion

The demographic profile of the study samples presented in Table 1 shows that most respondents were male (85.4%) while the female respondents constituted only 14.6% of the total samples. With respect to the level of education, the larger group of respondents (57%) possessed only school-level education with 22.3% having primary education, 14.6% having secondary education, and 20% having higher secondary education. The respondents with tertiary education level constituted 28 % of the total samples and 15% of the respondents were reported to be illiterate. In terms of the type of entrepreneurship, the majority of the respondents are first-generation entrepreneurs (83%) who started their businesses from scratch, followed by inherited entrepreneurs (14%), while acquired businesses and franchise businesses constitute about 2.3% and 0.8% respectively.

Table 1: Demographic Profile of Respondents

VARIABLE	FREQUENCY	PERCENTAGE
GENDER		
Male	111	85.4
Female	19	14.6
EDUCATION QUALIFICATION		
Primary Level Education	29	22.3
Secondary Level Education	19	14.6
Higher Secondary-Level Education	26	20.0
Diploma	15	11.5
Undergraduate	10	7.7
Postgraduate	6	4.6
Professional	5	3.8
Illiterate	20	15.4

TYPE OF ENTREPRENEURSHIP

First Generation Entrepreneur	108	83.1
Inherited Family Business	14	10.8
Associated With the Present Family Business	4	3.1
Acquired Business	3	2.3
Franchise	1	0.8

Source: Primary Data

Business Motives

Financial security is the prime motivating factor among the majority of the respondents. Table 2 reveals that about 47.7% of the respondents have taken up entrepreneurship for financial security reasons. The second major motivating factor is independence, about 28.5% of the respondents fall under this category. About 11.5% of the respondents have stated rural business since they did not have another means of income generation. They have been pushed to take up entrepreneurship not out of interest but out of bear necessity. For about 6.2 % of the entrepreneurs, the existence of flexibility and work-life balance seemed to be the major motivating factor. 4.6% of the respondents cited joblessness and only 1.5% cited interest and self-satisfaction as the major motivating factor for starting a business respectively. The findings are in consensus with the results of Vuković, M., Prvulović, I., & Urošević, S. (2018) and (Chakraborty & Barman, 2014) in which the researchers have indicated that sustained economic stability acts as a major influencing factor to start entrepreneurship.

Table 2 Motivational Factors of Rural Entrepreneurs

Factors	Frequency	Percent
Work-life balance	8	6.2
Financial Security	62	47.7
Independent	37	28.5
Interest and self-satisfaction	2	1.5
Had no option	15	11.5
Job loss	6	4.6
Total	130	100.0

Source: Primary Data

Economic performance:

Entrepreneurial undertakings are central to rural development because they involve both individuals and other market players. (Korsgaard et al., 2015). From an individual standpoint, it has a beneficial effect on raising incomes in rural areas. To understand this, the annual income of the respondents was collected. The result shows that the minimum annual income of the sample is 30,000 while the maximum value is 25,00,000. This means there was a wide variation in the annual income among rural entrepreneurs. The variable is skewed with a mean value of 409423.1 with a standard deviation of 292885.7. To examine the difference in the annual income earnings between Kancheepuram (M =499307.692 SD = 362463.227) and Perambalur (M = 319538.462 SD = 158473.487) an independent sample t-test was used. The test result presented in Table 3 shows a significant difference in the annual income earning between the two districts, $t=3.664$, $p<0.001$. To conclude, there is a substantial difference in the economic achievements of rural entrepreneurs between the regions which may be due to differences in the resource endowments and access to resources, which have a bearing on how businesses evolve and grow (Müller, S., & Korsgaard, S. (2017)

Table 3: T-Test results on differences in the earnings of rural entrepreneurs between the regions

Location	N	Mean	t-test for Equality of Means	Sig. (2-tailed)
Kancheepuram	65	499307.692 (362463.227)	t	P
Perambalur	65	319538.462 (158473.487)	3.664	<0.001

Source: Primary Data

Note: The value within the bracket refers to SD.

To find whether there is any significant difference in the earnings between males and females an independent sample t-test was carried out, the result shows that the

mean earnings of females (M= 241578.9474, SD = 88773.31668) were comparatively lesser than the mean earnings of males (M=415900.9009, SD=227411.5195).

Table 4: T-Test results on differences in the earnings between male and female rural Entrepreneurs

Gender	N	Mean	t-test for Equality of Means	Sig. (2-tailed)
Male	111	415900.900 (227411.519)	t	P
Female	19	241578.947 (88773.316)	5.874	<0.001

Source: Primary Data

Note: The value within the bracket refers to SD

The test results as shown in Table 4 indicates a significant difference in earnings between male and female rural entrepreneurs, $t=5.874$, $P<0.001$. The differences in the earnings may be mainly due to their presence in low-productivity and low-income activities. The discriminatory practices with respect to entitlement to property and inheritance, result in limited access to finance which in turn affects their business growth (ILO, 2010).

Business Sector: For the purpose of the study rural businesses have been classified into nine major categories comprising agro-based industries, mineral-based industries, construction, textile/chemical/engineering, information and communication, retailing, repair and maintenance, and other services. Data on the distribution of rural entrepreneurs across different business sectors shows that the majority of the respondents were involved in retail businesses (30%) followed by other services (22.3%) that includes business like ironing shops, beauty parlors, salons, event management services, education centers, logistics, and transport, etc. 15.4% of the respondents were involved in agro-based business, followed by hotel and food processing (12.3%), textile/chemical/engineering (8.5%),

repair and maintenance (6.9%), information and communication (3.1%), and construction (1.5%).

Table 5: ANOVA Results on Difference in Annual Income Among Various Business Sectors

	N	Mean	F	Sig
Agro based	20	160000 ^a (50886.871)	27.676	<0.001
Textile/Chemical/ Engineering	11	202272.727 ^{ab} (7537.784)	27.676	<0.001
Information and Communication	4	250000 ^{abc} (0.000)	27.676	<0.001
Construction	2	250000 ^{abc} (0.000)	27.676	<0.001
Retail	39	307435.897 ^{abc} (38437.779)	27.676	<0.001
Repair & Maintenance	9	400000 ^{bc} (0.000)	27.676	<0.001
Hotel	16	466250 ^c (34229.617)	27.676	<0.001
Other	29	801724.137 ^d (385098.030)	27.676	<0.001

Source: Primary Data

Note: 1. The value within the bracket refers to SD.
2. Different alphabet among income level denotes Duncan Multiple Range Test (DMRT).

To understand whether there are any significant differences in the annual income earned by the rural entrepreneurs and the business sector they are involved, a one-way analysis of variance (ANOVA) was carried out. The result obtained provided in Table 5, shows that $p < 0.001$, hence it can be concluded that there is a significant difference in the annual income earned by entrepreneurs across the business sector. While acknowledging the significant differences in income generation between sectors, it is also imperative to emphasize the importance of recognizing the less-

performing sector due to its pivotal role in mitigating poverty and reducing inequality. It helps to generate employment opportunities, promote local development, and distribute income more equitably (Lanjouw & Lanjouw, 2001). In order to find for which specific sector the annual income differed significantly, the Duncan Multiple Range Test was employed. Based on the results it can be concluded that the annual income level of other services is significantly different from their counterparts. The diversification of economic activities in rural regions along with an increase in the working population might be major contributing factors to the increase in the demand for these services comprising beauty salons, logistics, transportation services, education services, etc. which might have contributed to the increase in the income for other services.

Employment creation

From the collected sample it was observed that the minimum level of employment creation is 0, while the maximum is 35 and the average employment creation is 1.80 with a standard deviation of 3.67 which shows that the employment creation by rural entrepreneurs is relatively low. With respect to the nature of the labor force employed, it has been categorized into three major categories the first category comprises involvement of only family members in the business, the second category involves only hired employees, and the third category comprises involvement of both family members and hired laborers. It was observed that about 50.8% of respondents involve only family members in their business operations. About 28.5% of the respondents involve only hired employees and 20.8% of the respondents involve both hired laborers and family members in their business operations. This shows that the contribution of the unpaid labor force in the form of involvement of family members is significantly higher among the respondents.

Table 6 ANOVA Result on Difference in Employment Creation Among Various Business Sectors

N	Mean	F	Sig
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Agro based	20	2.700 ^a (2.811)	4.280	<0.001
Textile/Chemical/ Engineering	11	6.636 ^b (9.759)	4.280	<0.001
Information	4	0.500 ^a (0.577)	4.280	<0.001
Construction	2	3.500 ^b (2.121)	4.280	<0.001
Retail	39	1.282 ^a (2.012)	4.280	<0.001
Repair & Maintenance	9	0.556 ^a (0.881)	4.280	<0.001
Hotel	16	1.125 ^a (1.995)	4.280	<0.001
Other	29	0.862 ^a (1.574)	4.280	<0.001

Source: Primary Data

Note: 1. The value within the bracket refers to SD.
2. Different alphabet among income level denotes Duncan Multiple Range Test (DMRT).

The study also compared the business sector and the level of employment creation to determine whether there is any difference between the business sector and employment creation. For which the ANOVA test was carried out, the test results are displayed in Table 6, which shows that $p < 0.05$, which means there is a significant difference in the level of employment creation across sectors. In order to find for which specific sector the level of employment creation differed significantly, the Duncan Multiple Range Test was conducted. Based on the results it can be concluded that the Textile/engineering/chemical and construction sector is significantly different from that of the other sectors with respect to the capacity to create employment opportunities.

CONCLUSION

The depth of poverty and underdevelopment in rural areas calls for the promotion of rural entrepreneurship. The success of entrepreneurial activity depends on access to resources (Müller, S., & Korsgaard, S. (2017)). Therefore, access to resources across all levels must be ensured especially for women entrepreneurs whose participation rate is comparatively lower and their contribution to the business in the form of an unpaid labor force goes unnoticed (Lanjouw & Lanjouw, 2001). Even though the level of employment creation is less in the case of rural entrepreneurship it contributes significantly to the income of the individual, as a majority of the entrepreneurs choose to take up entrepreneurial activity for better and more stable income. The level of employment creation is very less, which is mainly attributed to the business sector in which the majority of the entrepreneurs are involved. A greater percentage of rural entrepreneurs are involved in low-productivity economic activities (Lanjouw & Lanjouw, 2001). Potential rural entrepreneurs must be encouraged to involve in activities that can generate more employment opportunities, which can have a greater impact on the socio-economic development of the region, towards which appropriate policy measures must be taken.

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