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## Unit – 1

### Entrepreneurial Culture

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#### Learning Objectives

After completion of the unit, you should be able to:

- Understand the Entrepreneurial Culture in India.
- Describe the Effect of Socio Cultural factors in Indian Entrepreneurship.
- Explain the definition, Meaning, Implications and Challenges faced by Entrepreneurship
- Know the Problems of Rural Entrepreneurship

#### Structure

- 1.1 Introduction
- 1.2 Definition
- 1.3 Entrepreneurial Culture
- 1.4 Socio Cultural Factors in Indian Entrepreneurship
- 1.5 McClelland's Human Motivation Theory
- 1.6 Entrepreneurial Culture for business Startup activities
- 1.7 Relationship between Culture and Entrepreneurship
- 1.8 Let's Sum-up
- 1.9 Key Terms
- 1.10 Self-Assessment Questions
- 1.11 Further Readings
- 1.12 Model Questions

### 1.1 Introduction

Cultural values and entrepreneurial beliefs, motives and behaviours have grown significantly over the last decade. Through its influence on beliefs, motives and behaviours, culture can magnify or mitigate the impact of institutional and economic conditions upon entrepreneurial activity. Understanding the impact of national culture, alone and in interaction with other contextual factors, is important for refining our knowledge of how entrepreneurs think and act. The concept of “entrepreneurial culture” has existed for decades, described as an organizational culture embodying and championing entrepreneurial characteristics and attributes. These have included risk-taking, innovation, and creativity; the elements one would expect to see among entrepreneurs as individuals. The literature suggests that entrepreneurial culture is related to a number of positive organizational outcomes, such as generating new business and improving firm performance. Despite years of entrepreneurial culture discussion, however, it remains a relatively ambiguous theoretical construct. Numerous perspectives have emerged describing the phenomenon and the concept, yet it remains unfocused

and equivocal. Different definitions and sets of characteristics and attributes describe the concept inconsistently; empirical applications use inconsistent measures. Collectively, these theoretical deficiencies mean that despite the inherent value and interest in the subject, knowledge accumulation has been difficult.



## 1.2 Definition

An entrepreneurial organizational culture is ‘one in which new ideas and creativity are expected, risk-taking is encouraged, failure is tolerated, learning is promoted, product, process, and administrative innovations are championed, and continuous change is viewed as a conveyor of opportunities’. We thus define an entrepreneurial organizational culture as the coalescence of these behavioural norms and cognitions shared by organizational members.

“By entrepreneurial culture, we refer to a national system of shared values in a particular society that embraces and supports entrepreneurship.”

“The entrepreneurial culture is the composite of personal values, managerial skills, experiences and behaviours that characterize the entrepreneur in terms of spirit of initiative, risk-taking, innovative capacity and management of firms’ relations with the economic environment.”

## 1.3 Entrepreneurial Culture

Entrepreneurial culture is a concept that has been used to characterize a broader organizational culture that supports or champions entrepreneurship. Organizational culture has long been recognized as a central, underlying system of shared values, assumptions, and behaviours that permeates an entire organization. Organizational cultures influence new and existing members, motivates and cautions them, shapes and conforms their thinking and behaviours, creates structure within the organization, and builds routines and traditions that are held with emotion. As a result, an entrepreneurial culture has been argued to be a powerful force within organizations to enhance the innovative abilities of employees, fuel a desire for firm survival, provide permission to fail and try again, encourage a broad array of new ideas, experimentation, and creativity, and develop organizational learning abilities and a focus on markets. Entrepreneurial culture characteristics and attributes have also been positively linked to firm performance. In broader conceptual models, entrepreneurial culture has also been identified as a necessary component of a firm’s architecture in order to successfully pursue an entrepreneurial strategy that is, engaging in opportunity-seeking and advantage-seeking activities. Contemporary research continues to call for the study of culture in entrepreneurship, particularly in new venture creation and teams.

However, from a theoretical perspective these past applications of entrepreneurial culture are problematic. Theory development typically emphasizes the relationship among constructs, the direction, sign, and form of these relationships, and explains why and under what conditions these relationships occur. Theory development also addresses the relationship between constructs and measures and how these abstract constructs connect to observable phenomena. There has been some descriptive exploration and linking of entrepreneurial culture to other



constructs, however, theoretical development has been otherwise sparse. Entrepreneurial culture's conceptualization has generally been vague and insufficiently specified. There are several different definitions of entrepreneurial culture and not all of them are consistent with each other. There has also been little exploration of the relationship between the entrepreneurial culture concept and the firms that are supposed to demonstrate this phenomenon. In particular, it is unclear which firms possess an entrepreneurial culture and to what degree they possess it. A lack of conceptual clarity around entrepreneurial culture and the existence of competing definitions indicate that the field possesses a disjointed perspective. This makes the study and accumulation of knowledge in this area difficult.

Related to the lack of conceptual clarity around entrepreneurial culture is the absence of a psychometrically sound instrument (i.e., reliable, clear factor structure, low susceptibility to methodological confounds) with which to assess the construct. As a result, there has been a paucity of empirical examinations of entrepreneurial culture. The few papers which have empirically evaluated entrepreneurial culture have used measures that bear little resemblance to one another. For example, entrepreneurial culture has been measured through demographic variables such as the entrepreneur's age and level of education, and a firm's experiences with promising ideas. These examples demonstrate divergent operationalizations of the entrepreneurial culture construct.

Since a conceptually clear and consistently applied definition and operationalization of entrepreneurial culture has yet to emerge, entrepreneurial culture's usage has been haphazard and lacking in theoretical and methodological rigour. Instead, the field is left with a colloquial understanding of the construct. Analyzing the body of literature on entrepreneurial culture, it is unclear if the various researchers are talking about the same construct. While there may be some consistency in the characterization of the underlying phenomenon, a unified conceptual understanding of entrepreneurial culture seems absent. In particular, definitions and descriptions of entrepreneurial culture seem to emphasize the entrepreneurial component of the concept, while failing to incorporate the sophistication of extant organizational culture theory. Given the importance of entrepreneurial culture to the research areas of innovation, strategy, and human resources management, further work to explore and develop the entrepreneurial culture construct is of inherent scholarly value. These developmental issues are particularly important to address given past calls for continued improvement of construct validation and measurement in entrepreneurship research that are still relevant today. Indeed, poor construct conceptualization remains a fundamental challenge for management research in general, and a clear, concise conceptual definition of focal constructs is necessary to further develop and advance theory.

**Table 1.3.1 Three Different Perspectives on Culture**

	Culture as a Variable	Culture as Metaphor	Culture as Dynamic Construct
Assumptions about culture	Culture is an organizational variable that can be	Culture is a metaphor for understanding life in	Culture is a dynamic construct.



	manipulated.	organizations.  Organizational reality is socially and symbolically constructed.	Organizational reality is socially constructed and organizations produce culture (including cultural artifacts).
Paradigm	Social factist; rational- mechanistic	Interpretive	Pluralistic
Predominant interest in culture	Managing, controlling and changing the relevant culture variable for best performance and/or improved organizational effectiveness.	Deep and rich understanding of a particular cultural setting with a focus on organizational symbolism.	Understanding of the cultural context of an organization for effective culture-aware management.
Assessment of culture and its purpose	Focus on questionnaires and visible tools to identify (sub-) variables that can be manipulated.	Ethnography, story telling, in-depth interviews, discourse analysis to render rich descriptions of a particular cultural setting.	Multiple methods: qualitative and quantitative, perceptions and observations; triangulation.
Example Citations	Deal & Kennedy, 1982; Denison, 1984; Saffold, 1988; Kotter & Heskett, 1992;	Barley, 1983, 1986; Stewart, 1989; Kunda, 1992;	Swidler, 1986; Sackmann, 1991,1992; Weber, 2005; Weber & Dacin, 2011;

Entrepreneurial culture with the following measures:

- Age of entrepreneur: measures the age of the entrepreneur interviewed.
- Education level of the entrepreneur: measures the level of education of the entrepreneur.
- Father's profession: identifies the father's profession. It measures the intensity of the entrepreneurial experience acquired through the family environment.
- Level of entrepreneur's participation in Industry Association activity: measures the propensity of the entrepreneur towards collaboration among firms.



- Attitude to delegating of the entrepreneur: measures the propensity of the entrepreneur to work in groups and to personal collaboration. It is inversely proportioned to individualism.

Measuring entrepreneurial culture with the following questions:

- We have many more promising ideas than we have time and the resources to pursue vs. We find it difficult to find a sufficient number of promising ideas to utilize all of our resources.
- Changes in the society-at-large often gives us ideas for new products and services vs. Changes in the society-at-large seldom lead to commercially promising ideas for our firm.
- We never experience a lack of ideas that we can convert into profitable products/services vs. It is difficult for our firm to find ideas that can be converted into profitable products/services.

Organizational culture is a complex and long studied field of interest in management research. With origins in anthropology and sociology, organizational culture studies in management research have adopted different research perspectives, including interpreting it as an organizational variable or a metaphor for the organization itself. The most contemporary perspective of culture views it as a dynamic construct, incorporating various research paradigms and mixed-methods of study. Organizational culture can be seen as a socially constructed context with aspects that can be purposefully shaped to guide its evolution. Within that general framing of organizational culture, this study adopts a Scheinian cognitive perspective on the nature and content of organizational culture. That is, organizational culture consists of shared values, beliefs, and underlying assumptions that were formed by a group through problem solving. Values, beliefs, and underlying assumptions in this context are shared cognitions that guide behaviours.

Since organizational culture is such a broad conceptual area, researchers have developed cultural subtypes to focus on specific and distinct forms of culture. These cultural subtypes can be used to describe general cultural configurations (e.g., clan, hierarchy), applied to describe specific organizations and industries (e.g., wineries, art museums), or organizational types oriented around particular outcomes (e.g., TQM, innovation supportive culture). Outcome oriented culture types consist of taking particular organizational culture elements and forming them into distinct constructs. Entrepreneurial culture represents one of these formed cultural subtypes and is a topic that has generated much interest in the entrepreneurship field for many years. However, after reviewing the literature on entrepreneurial culture, it became apparent that there are 38 two primary deficiencies in how the construct has been defined and measured. First, the definitions provide a colloquial and descriptive understanding of entrepreneurial culture but not a clear basis for use as a theoretical construct. As a result, it is difficult to determine if past scholars have been talking about the same entrepreneurial culture concept in both conceptual and empirical research. Second, with respect to measurement, examples of measures of entrepreneurial culture are inconsistent with each other and with extant perspectives on organizational culture. That is, the measures do not appear to be tapping the same underlying

phenomena, nor are they accounting for the very important shared nature of culture. The following three chapters seeks to remedy these issues by developing the conceptual domain of entrepreneurial culture, and describing and applying methods for measuring it that are more closely aligned with organizational culture research.



## 1.4 Socio Cultural Factors in Indian Entrepreneurship

Entrepreneurship was considered as an important factor for the economic development. From the past two decades it has been given a special important in many disciplines of business and economics. In the developing countries the role of entrepreneurship was important for their economic growth. In the Indian context, Entrepreneurship has been influenced by many factors like economic, political, social, cultural etc. Much research was found in the socio economic context of entrepreneurship but in the domain of socio cultural factors of entrepreneurship. Many of the sociologists say that Socio cultural influence on the developing countries was at large. There is a common agreement among the experts that socio cultural influence on the socio cultural factors of people in India is very strong. In this study, we explore the factors influencing the Indian Entrepreneurship and making a framework for socio cultural entrepreneurship. The identified socio cultural factors of entrepreneurship was family support, tradition, gender, social status, caste, religion, education, race, norms, beliefs, attitudes etc. With the help of these factors we obtain a conceptual framework for socio cultural entrepreneurship in the Indian context. We conclude that in the Indian context socio cultural factors play an important for the entrepreneurial growth which is indirectly related to the economic growth of a country.

Since the 18th century Entrepreneurship was considered due to the industrial revolution when the Richard Cantillon used the term entrepreneurship for the first time as a risk bearing activity. After that entrepreneurship has gained the recognition of advancing into economic growth, innovation, advancement and for the development of nations. The word Entrepreneurship was defined as risk bearing activity by some authors and some define as an employment creation activity, attaining opportunities, etc. Some of the definitions as follow in the table 1.4.1

**Table 1.4.1: Definitions of Entrepreneurship from evolution**

Year	Author	Definition of Entrepreneurship
1734	Richard Cantillon	Entrepreneurship as self-employment of any sort.  Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty
1803	Jean Baptiste	An entrepreneur is an economic agent who unites all means of production- land of one, the labour of



		another and the capital of yet another and thus produces a product. By selling the product in the market he pays rent of land, wages to labour, interest on capital and what remains is his profit. He shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.
1964	Peter F Drucker	An entrepreneur searches for change, responds to it and exploits opportunities. Innovation is a specific tool of an entrepreneur hence an effective entrepreneur converts a source into a resource.
2000	Shane and	The field of entrepreneurship involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them.
2003	Commission of the European Communities	Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation.
2009	Rindova	Entrepreneurship is the efforts to bring about new economic, social, institutional, and Cultural environments through the actions of an individual or group of individuals
2013	Ronald May	An Entrepreneur is someone who commercializes his or her innovation.

From the above definitions it was clear with the changing economy the definition of entrepreneurship changed and now entrepreneurship was viewed

as an agent for economic development and growth through the identification of opportunities and commercializing those opportunities through innovation.



Many scholars had explored the factors influencing the entrepreneurship to create a new venture or business. But none of the studies have done in the socio culture aspect of entrepreneurship hence it explores the factors that were influencing the Indian entrepreneurship based on the available review of literature. Social context of entrepreneurship was explained by some of the scholars. Some authors say that the economic development of a nation depends on the entrepreneurial rate of the nation . Some has concluded with the entrepreneurial framework of factors influencing . Entrepreneurship was supported by many theories like Max Weber's Protestant Ethic, Hagen's Theory, Singer's Theory, Mc Clelland's Theory, Drucker's Theory etc.

The factors for the emergence of entrepreneurial activity were framed out from many theories and many entrepreneurial intentions. Among these the socio cultural factors influence on entrepreneurial activity was at large. In the developing countries like India it was given an important for the economic growth. India is a vast nation of vast economic, social and cultural values in varied regions.

### **Indian Entrepreneurship:**

In India the beginning of the factory system in the eighteen century had set up factories in India. Entrepreneurship in India means the micro, small and medium enterprises these play a vital role in economic development of a nation. MSME's plays a crucial role in the development of industrializing both rural and backward areas. Entrepreneurial development was a different and difficult phenomenon in the economic development of a nation. During this post independence Indian government had launched many programs for the development of entrepreneurial activity through different funding GEM report, India accounts for one fifth of china in terms of high growth expectation in the early stage of entrepreneurship. It was expected to grow further in the coming future.

### **Framework of socio-cultural factors influencing Entrepreneurship:**

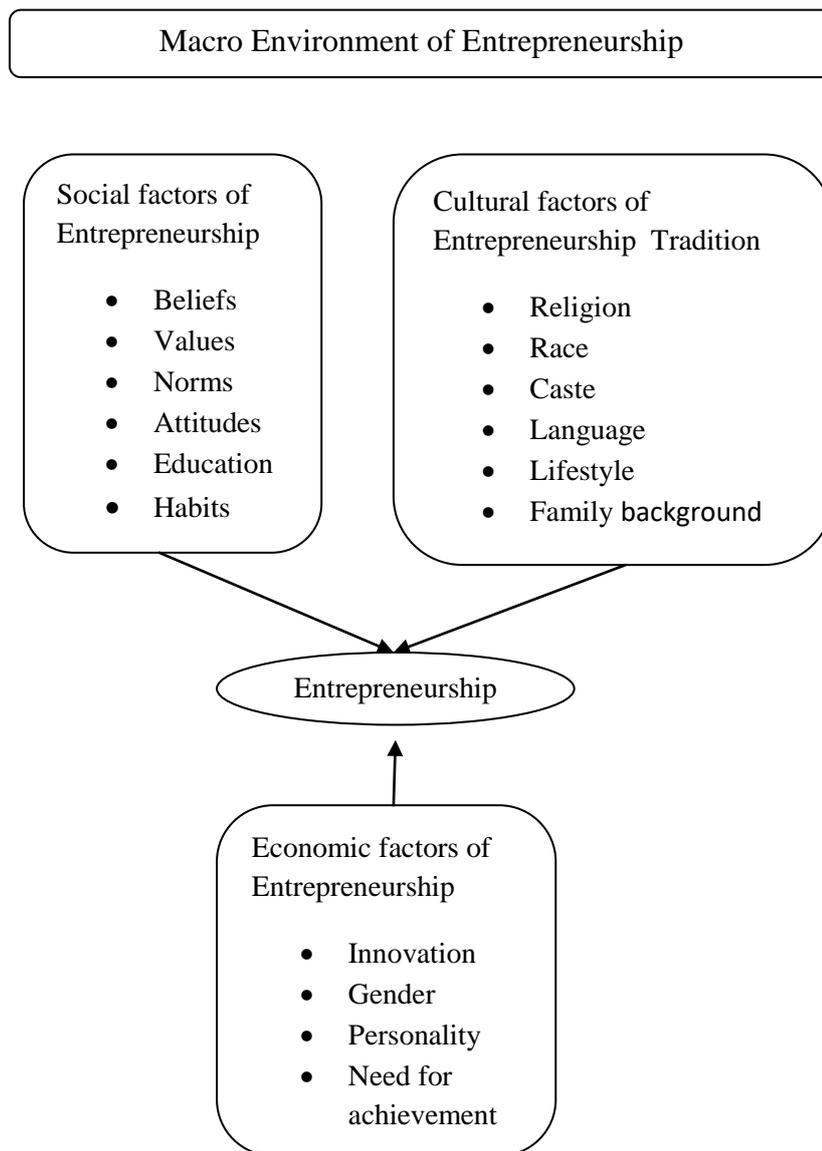
Socio cultural factors influence on the entrepreneurship in India was huge because of its vast cultural background. These socio-cultural factors identified through the review of literature. These factors identified were tabulated in the table 1.4.2. There are many theories that support the socio cultural factors influencing the entrepreneurship. Max Weber's theory was identified for the religious support. Family orientation theory says that family should support the entrepreneurs for their growth in the economy. Push and pull theory says that there are both push and pull factors that influence the entrepreneurship. Pull factors are the factors that give positive motivation for the entrepreneurs. Push factors are the factors that give negative motivation for the entrepreneurs . All most all the factors that were considered will be in the push and pull theory of entrepreneurship.

### **Table 1.4.2: Socio-Cultural Factors influencing Entrepreneurship**

<b>Socio-Cultural factors</b>		
Beliefs	Family Background	Gender Discrimination
Values	Tradition	Personality
Attitudes	Language	Need for Achievement
Norms	Religion	Education
Habits	Caste	Prior Experience
Lifestyles	Race	Innovation

From the identified factors a conceptual framework was drawn linking with the entrepreneurship. Among the factors there are some factors like innovation, gender discrimination, Need for achievement and personality were not directly come under the socio-cultural factors but these indirectly relate to the socio-cultural factors influencing entrepreneurship. The conceptual framework for the socio-cultural entrepreneurship was in the figure 1.4.3. The factors were divided into three as social, cultural and economical. From this broad division they are linked to the entrepreneurship. Normally these factors are macro environmental influencing factors of entrepreneurship.

**Figure 1.4.3: Conceptual Framework of Socio cultural factors influencing Entrepreneurship**



From this it was clear that the socio-cultural factors influence on entrepreneurship was may be in positive or negative but there is an influence on the entrepreneurship. Some the economic factors were considered here because due to the economic changes the social and cultural changes were happened. There is a direct relationship between the economic changes and the socio-cultural changes of entrepreneurship.

It was observed that the socio-cultural factors influence on the Indian Entrepreneurship was at large but it may be in the positive direction or in the negative direction. Based on the taken sample data the results may vary. But in the Indian context the family background, education, religion, caste etc has more influence in the Indian Entrepreneurship.

## 1.5 Relationship between Culture and Entrepreneurship



The decision to become self-employed or to start one's own business is influenced by a number of factors. Professional background, the level of education, current employment, personality traits and the social and regional environment have an impact on the start-up decision. Individual factors alone cannot explain why certain individuals become self-employed and others prefer paid employment.

Culture can influence economic activity in diverse ways: Culture is known to influence attitudes towards work and consumption. Culture has an influence on the organisation of economic activity and the shaping and effectiveness of institutions, and culture also has an impact on social networks and confidence building within social groups. Of primary interest in the present study is what kind of influence culture may have on business start-up activities. Such a relationship may be given in different ways. Mostly, analyses on the relationship between culture and start-up activities or entrepreneurship are conducted by considering attitudes towards entrepreneurship or business foundation. One proceeds from the fact that cultural features influence attitudes towards start-ups and that these attitudes, in turn, have an impact on start-up activities. Such a relationship between culture, attitudes and start-up activities may exist on the individual, as well on regional and group levels. There is a direct relationship on the individual level when, on account of cultural features, many persons exhibit a positive attitude towards business foundation and, due to such an attitude, decide to become self-employed or to start a business. In such a case, there is a direct relationship between culture and start-up activities because it is precisely persons with a positive mindset who become self-employed. This argumentation concurs with those of Schumpeter (1934), McClelland (1961) and Kirzner (1985), who likewise describe a direct linkage between attitudes and business foundation activity. Further, there may exist a relationship between culture and foundation activity on the societal level. Etzioni (1987) argues that the values and norms predominant in the social environment of an individual may have an influence on his or her propensity to start a business. In line with this argumentation, a culture averse to business foundation may suppress start-up activities. This would, for example, be the case when entrepreneurs and entrepreneurship have a bad image within a society or a region and the individual therefore does not consider this option of livelihood although he or she does not harbour any reservations towards entrepreneurs. In such a case there is a relationship between culture and business foundation activity not on the individual level but also on the level of groups, region or society.

The approaches presented here are designed to establish a relationship between culture, attitudes and economic activity. Cultural values and norms influence attitudes and patterns of behaviour and in this way have an impact on economic activities. When empirically verifying these approaches, it proves problematic that culture cannot be measured directly. Culture acts as a kind of background variable that manifests itself in attitudes and patterns of behaviour. Apart from cultural background, a number of other individual-related influences determine attitudes and patterns of behaviour, too. Furthermore, people belong to different social groups. That is why regional cultural features overlap with group-specific cultural features. Persons with the same regional cultural background may also display different attitudes and patterns of behaviour. Only in sum is it to be expected that cultural differences lead to varying frequencies of certain attitudes in different



regions or cultural groups. Therefore, it is quite difficult to distinguish between individual related features and cultural features. Attitudes and patterns of behaviour can be categorised as cultural features only when these are not individual features of single persons. Thus it is an empirical question whether certain features can be regarded as individual features or as cultural features of a major group of individuals.

## 1.6 Let's Sum-up

The goal of creating these entrepreneurial cultures is to enhance the innovative abilities of employees and, at the same time, increase organizational success through the creation of new corporate ventures. The development of an entrepreneurial culture will be strongly influenced by individual efforts toward innovation and growth in emerging organizations. The early stage of an organization is marked by an entrepreneurial culture fueling a desire for the firm to survive. In this stage, resource needs are high and the founder engages in less planning and more spontaneous decision making with a vision and passion for the business.

A firm is more entrepreneurial when its organizational culture encourages a broad array of new ideas, experimentation, and creativity. A firm is less entrepreneurial to the extent that its culture encourages new ideas, experimentation, and creativity focused on, or bound by, the resources that the firm controls. Studies of firms in high-tech industries, for instance, suggest that successful firms display a fierce activism in promoting an entrepreneurial culture through extensive communication and social interaction, overlapping responsibilities, and high tolerance for failure. Individuals in areas without entrepreneurial role models or an entrepreneurial culture are less likely to take on the uncertainty and risks of venture creation. Early entrepreneurial behaviour might stimulate a self-reinforcing pattern that generates what amounts to an 'entrepreneurial culture. In high tech, an entrepreneurial culture nurtures the notion that rewards should be closely tied to performance and that incentive attainments are a measure of personal achievement. The Adhocracy (entrepreneurial) culture can be characterized as a developing, dynamic, and creative workplace. Employees in this organizational culture are committed to experimentation and innovation. The goal of an adhocracy culture is to be able to produce innovative products and services and adapt quickly to new strategic opportunities. Individual initiative, freedom, and continuous improvement are seen as the key ingredients for being on the cutting edge of product or service leadership. Those organizations that desire to be highly entrepreneurial must develop an entrepreneurial culture that includes such factors as the ability to learn and to focus on markets.

## 1.7 Key Terms

Entrepreneurship, culture, national culture, cultural values, entrepreneurial activity, entrepreneurial cognition.

## 1.8 Self-Assessment Questions

Q. What is meant by entrepreneurial culture?

Q. How does entrepreneurial culture spread in Organisations?



## 1.9 Further Readings

- Härtel, C. E. J., & Ashkanasy, N. M. 2011. Healthy Human Cultures as Positive Work Environments. In N. M. Ashkanasy, C. P. M. Wilderom, & M. F. Peterson (Eds.), *The Handbook of Organizational Culture and Climate*, Second ed.: 85-100. Thousand Oaks, California, USA: SAGE Publications Inc.
- Hatch, M. J., & Schultz, M. 2001. Are the Strategic Stars Aligned for Your Corporate Brand? *Harvard Business Review*, 79(2): 128-136.
- Haugh, H., & McKee, L. 2004. The Cultural Paradigm of the Smaller Firm. *Journal of Small Business Management*, 42(4): 377-394.

## 1.10 Model Questions

Q. What comes to mind when one says the words “entrepreneurial culture”? Would you say your organization has a kind of entrepreneurial culture?

Q. What’s your organization’s vision? Do you think your employees know what the

Vision is? Are they passionate about it?



### Learning Objectives

After completion of the unit, you should be able to:

- Understand the Entrepreneurial Society.
- Describe the Problems and Prospects in Women Entrepreneurship
- Explain the definition, Meaning, Implications and Challenges faced by Women Entrepreneurship
- Know the International Labour Organisation approach to Women Entrepreneurship

### Structure

- 2.1 Introduction
- 2.2 Definition
- 2.3 Women Entrepreneurship
- 2.4 The Roles of Entrepreneurs in the Society
- 2.5 Challenges faced by Social Entrepreneurship
- 2.6 Social Entrepreneurship In India
- 2.7 Social Entrepreneurship Responsibility
- 2.8 Let's Sum-up
- 2.9 Key Terms
- 2.10 Self-Assessment Questions
- 2.11 Further Readings
- 2.12 Model Questions

## 2.1 Introduction

The rise of the entrepreneur, which has been gathering speed over the past 30 years, is not just about economics. It also reflects profound changes in attitudes to everything from individual careers to the social contract. It signals the birth of an entrepreneurial society.

How can policymakers adjust to this change? The first thing they need to do is shed some common misconceptions about the meaning of entrepreneurial capitalism. In any discussion of entrepreneurship, the phrase most frequently invoked is Schumpeter's "creative destruction". That can be unhelpful, implying that "destruction" and "creation" carry equal weight and that mankind will be in for a rough time in perpetuity.

Entrepreneurialism promotes individual creativity as well as economic dynamism. One of the most chilling chapters in William Whyte's "The Organisation Man" (1956), a study of corporate America at the height of managed capitalism, was entitled "The Fight Against Genius". The thinking at the time was that well-

rounded team players would be more valuable than brilliant men, “and a very brilliant man would probably be disruptive.” Entrepreneurial capitalism has brought the rehabilitation of the “very brilliant man”.



Entrepreneurial capitalism is not as disruptive as many of its friends—and most of its enemies—imagine. It produces a bigger pie and allows more people to exercise their creative talents. But it is disruptive nonetheless. It increases the rate at which companies are born and die and forces workers to move from one job to another. Policymakers have to find the right balance between flexibility and security.

The most urgent need for reform is in continental Europe. Policymakers in the larger European economies need to learn from the Scandinavian countries that it is possible to have a safety net without clogging up the labour market. If people are hard to sack, start-ups find it more difficult to get off the ground. And high unemployment rates discourage people from branching out on their own because they might not find another job if they fail.

America suffers from serious rigidities of its own. The mobility of American workers is severely restricted by the country's reliance on employer-provided health insurance, a relic of the second world war. New firms often have to pay more for their health care because they have smaller “risk pools” than larger companies. America's health-care system is bad at controlling costs, imposing a heavy burden on the whole economy, particularly the newest and most fragile firms.

“Every generation needs a new revolution,” Thomas Jefferson wrote towards the end of his illustrious life. The revolution for the current generation is the entrepreneurial one. This has spread around the world, from America and Britain to other countries and from the private sector to the public one. It is bringing a great deal of disruption in its wake that is being exaggerated by the current downturn. But it is doing something remarkable: applying more brainpower, in more countries and in more creative ways, to raising productivity and solving social problems. The “gale” that Schumpeter celebrated is blowing us, a little roughly, into a better place.

## 2.2 Definition

In the 2010s, social entrepreneurship is facilitated by the use of the Internet, particularly social networking and social media websites. These websites enable social entrepreneurs to reach a large number of people who are not geographically close yet who share the same goals and encourage them to collaborate online, learn about the issues, disseminate information about the group's events and activities, and raise funds through crowd funding.

Social entrepreneurship in modern society offers an altruistic form of entrepreneurship that focuses on the benefits that society may reap. Simply put, entrepreneurship becomes a social endeavor when it transforms social capital in a way that affects society positively. It is viewed as advantageous because the success of social entrepreneurship depends on many factors related to social impact that traditional corporate businesses do not prioritize. Social entrepreneurs recognize immediate social problems, but also seek to understand the broader context of an issue that crosses disciplines, fields, and theories. Gaining a larger



understanding of how an issue relates to society allows social entrepreneurs to develop innovative solutions and mobilize available resources to affect the greater global society. Unlike traditional corporate businesses, social entrepreneurship ventures focus on maximizing gains in social satisfaction, rather than maximizing profit gains. Both private and public agencies worldwide have had billion-dollar initiatives to empower deprived communities and individuals. Such support from organizations in society, such as government-aid agencies or private firms, may catalyze innovative ideas to reach a larger audience.

## 2.3 Entrepreneurial Society

An entrepreneur is further defined by Say as someone who "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield." The difference between "entrepreneurship" and "social entrepreneurship", however, stems from the purpose of a creation. Social entrepreneurs seek to transform societies at large, rather than transforming their profit margin, as classic entrepreneurs typically seek to do. Social entrepreneurs use a variety of resources to bring societies into a better state of well-being.

The terms *social entrepreneur* and *social entrepreneurship* were used first in the literature in 1953 by H. Bowen on his book "Social Responsibilities of the Businessman". Groups focused on social entrepreneurship may be divided into several categories: community-based enterprises, socially responsible enterprises, social services industry professionals, and socio-economic enterprises. Community-based enterprises are based on the social ventures aimed at and involving an entire community. These enterprises build on the community's culture and capital (e.g., volunteer resources, financing, in-kind donations, etc.) to empower the enterprise and the community. Socially responsible enterprises focus on creating sustainable development through their initiatives that focus mostly on creating societal gains for the community.<sup>1</sup> Social service industry professionals such as social workers and public health nurses work in social services, either for a government or a non-profit organization. They aim to expand social capital for individuals, communities, and organizations. Socio-economic enterprises include corporations that balance earning profits and with nonprofit goals, such as seeking social change for communities. Some social entrepreneurship organizations are not enterprises in a business sense; instead, they may be charities, non-profit organizations or voluntary sector organizations.

### Types

In *The Power of Unreasonable People*, John Elkington and Pamela Hartigan describe social entrepreneurs' business structures as falling under three different models, applicable in different situations and economic climates:

1. *Leveraged non-profit*: This business model leverages financial and other resources in an innovative way to respond to social needs.
2. *Hybrid non-profit*: This organizational structure can take a variety of forms, but is distinctive because the hybrid non-profit is willing to use profit from some activities to sustain its other operations which have a social or community purpose. Hybrid non-profits are often created to deal with government

failures or market failures, as they generate revenue to sustain the operation without requiring loans, grants, and other forms of traditional funding.<sup>1</sup>



3. *Social business venture*: These models are set up as businesses that are designed to create change through social means. Social business ventures evolved through a lack of funding. Social entrepreneurs in this situation were forced to become for-profit ventures, because loans and equity financing are hard to get for social businesses.

There are also a broader range of hybrid profit models, where a conventional business invests some portion of its profits on socially, culturally or environmentally beneficial activities. The term "Philanthropreneurship" has been applied to this type of activity. Corporate employees can also engage in social entrepreneurship, which may or may not be officially sanctioned by the company. This has been described as corporate social entrepreneurship.

One private foundation has staked the ground of more precise lexicon following the Newman's Own model having coined the phrase "Commercial Philanthropy" where commercial businesses are held and operated with all net proceeds going to serve social service needs.

## 2.4 The Roles of Entrepreneurs in the Society

Entrepreneurship has been seen by many researchers as the driver of the society (Frederick & Kuratko 2010). For example, they had been lauded for their contributions to things such as national employment, society building, innovation, economic development, community regeneration, etc. . Although these may be true for some entrepreneurs such as Steve Jobs and Bill Gates, are these really true from a macro-perspective? That is, when we take entrepreneurial activities in totality, are most, if not all, entrepreneurs and entrepreneurial firms have such positive effects on the society, or country, that they are situated in general?

### **ENTREPRENEURS AS KEY PLAYERS IN INTRODUCING NEW PRODUCT AND PROCESS INNOVATIONS:**

When one talks about entrepreneurs and entrepreneurial firms, one would usually think of people such as Steve Jobs and Bill Gates, and companies such as Apple and Microsoft. However, are these typical entrepreneurial firms and entrepreneurs that we would usually see in the street? Entrepreneurship has been broadly defined as new business creation (Gartner 1989), and entrepreneurs were taken by many researchers to refer to business owners who start and run their own businesses . This definition is used by prominent entrepreneurship research organisations such as Global Entrepreneurship Monitor (GEM; Global Entrepreneurship Monitor), and many entrepreneurship researchers. Essentially, this means that while very innovative individuals such as Steve Jobs are recognised as entrepreneurs, people who are not very innovative, but have nevertheless started their own businesses, such as a grocery shop owner, can also be considered as entrepreneurs. Hence, entrepreneurs are further categorised into two groups: imitative entrepreneurs and innovative entrepreneurs; and opportunity entrepreneurs and necessity entrepreneurs.



That is, some entrepreneurs do not start a business to pursue growth and innovation, but rather, they only start a firm to earn themselves a living by doing things such as imitating what some others are already doing. Indeed, according to Alrich and Martinez (2001), not all entrepreneurs are “innovators” that offer something new. In fact, many entrepreneurial firms (firms that are owned and run by entrepreneurs) are merely “reproducers”: they offer something that is already in existence. By definition, while creativity refers to the generation of novel and useful ideas, innovation refers to the implementation of new ideas to come up with things such as new products / processes. Given this, while one might be tempted to say that the role of being key players in introducing product and process innovations is mis-attributed to entrepreneurs, the reality should be the contrary. “New” is a relative term. When an entrepreneurial firm is said to have introduced something new to the market, it needs not to be always about the introduction of a radically new invention. For example, it can just be the selling of new products that were invented by some major public institutions, such as universities, that were not yet fully exploited towards the commercial end (Shane 2000). On the other hand, it might also be the introduction of something which was not previously seen in a country, industry, or market, from another place , such as the introduction of bubble tea from Taiwan to Singapore . If not, it can also be the extension, duplication and improvement, or the synthesis of products/processes that are already known .

This might be the reason why entrepreneurship is defined as a “dynamic process of vision, change, and creation” which involves the “creation and implementation of new ideas and creative solutions”; and entrepreneurs are addressed as innovators interchangeably by some researchers . While non-entrepreneurial firms can also be involved in such activities, it is unlikely for it to be as “active” as its entrepreneurial counterparts. This is because as entrepreneurial firms tend to be smaller in size, it will be more organic in nature, which will in turn facilitate the occurrence of innovation and creativity activities . For example, for a proposed research to be approved in a big corporation, it may take several months, if not years, for it to clear the many levels of hierarchy and detailed scrutiny. However, in entrepreneurial firms, the process can be as easy as just walking over to the CEO’s office, which may be just across the corridor, and convince him/her about the proposal. Moreover, innovations in big corporations are usually constrained by factors such as consumers out-reach. That is, if the anticipated market is not big enough, some projects may not be adopted at all even if it is very innovative. For example, for niche markets that are too small, the opportunity might not be pursued at all. By definition, a “niche” refers to a group of customers whose needs are not yet satisfied . In my opinion, insofar as there is a need, it is worthwhile to pursue it. For example, the post-it invention was originally meant for some employees in 3M only.

However, after it was introduced, the market-base quickly increased to become the whole company, followed by becoming a global market. Another good example would be items such as hand phones and computers. When it was first introduced, it was so expensive that only those who are rich would be able to afford it. However, with technological advancements, it has not only become something that is affordable by the public, it has become more of a necessity, a need, than a luxury good as per in the past. Such expansion in market-base would not be easily foreseeable by most people in the past. If the related companies did not bother to pursue such “niche” opportunity in the past, such wide market-base



would never be achieved today. Given that most big corporations' innovative pursuits are constrained by budgetary mechanisms such as justifiable market base that can be achieved almost instantly after the introduction of a new product or process, based on the information that is available at hand during the inception of a product, such “niche” opportunity is not likely to be pursued by them. During such instances, it is the entrepreneurs who would take the risk to seize the opportunity to pursue such opportunity, and make such innovation possible. Hence, although innovations will not necessarily be successful (King 1992), entrepreneurial firms should be considered to be playing a key role in introducing new product and process innovations.

### **ENTREPRENEURS AS COMMUNITIES REGENERATORS:**

The term “regenerator” refers to entrepreneurs, or entrepreneurial firms, as being the agents that bring changes to a community towards the better end. If this is the case, then the validity of the claim becomes relative in nature, such that it depends on which firm we are looking at. Theoretically, large organisations tend to have some industrial practices that are deeply rooted. According to institutional theorists, these are called standards that established organisations need to abide by for them to have the legitimacy to stay in the industry. Under such context, it is usually those new firms that are created by entrepreneurs who are not familiar with the industrial context who introduced changes. This is part of what some researchers would call “creative destruction”. This will not only influence how the industry operates, but also those who work inside it, and people around them. Although such changes may sometime change the whole country, if not the whole world, it is not necessarily so: whether the extent of the impact is great enough for it to affect both rural and urban communities depends on the case that we are studying. For example, although a Chinese tycoon was recently sentenced to death for defrauding hundreds of million yuan from investors, the impact of this case was only limited to those who were affected directly despite the great negative economic and social impact that this case had brought upon the country . However, some labour claims in some other countries have resulted in the change of the country's legislation even the claims made were only for some small groups of employees, and the economic and financial considerations involved were not as significant as the case prior mentioned .

Moreover, actions of entrepreneurial firms do not necessarily bring positive effect on the communities. For example, food contaminations had occurred in countries such as China, and caused great damages nationwide. For instance, the milk contamination case of China in 2008 caused more than 300,000 people to become sick after drinking the contaminated milk . Recently, several chemical plants' executives in China were arrested for discharging toxic industrial wastes into the river, which may cause harmful effects to millions of people who relied on the river for their daily lives . Given this, whether actions of entrepreneurial firms are regenerating on the communities or destructive to them also depend on the actions and firms that are in perspective. Hence, as whether the actions of entrepreneurial firms are far-reaching enough to influence both the rural and urban communities, and even if it does, will the effect be regenerating or destructive, depend on the firms, locations, and actions that we are looking at, it might not be appropriate to attribute the role of “community's regenerator” to entrepreneurs as the reason behind this claim of those researchers who made such claim might be based on some companies that had happened to do “the right thing at the right time” to

catch these researchers' attention during their research. That is, this claim might not be made based on solid scientific research outcomes, but just some pseudo-science results that were affected by sampling errors.



## 2.5 Challenges faced by Social Entrepreneurship

A social entrepreneur identifies practical solutions to social problems by combining innovation, resourcefulness and opportunity. Committed to producing social value, these entrepreneurs identify new processes, services and products, or unique ways of combining proven practice with innovation to address complex social problems. Whether the focus of their work is on enterprise development, health, education, environment, labour conditions or human rights, social entrepreneurs are people who seize on the problems created by change as opportunities to transform societies. The paper focuses on social entrepreneurs and entrepreneurship. The objective of the paper is to study about the different challenges of social entrepreneurship. How social entrepreneurs work for the benefits of the society. This paper focuses on different challenges faced by the social entrepreneurs while doing something for the welfare of the society.

### What is Social Entrepreneurship?

The idea of Social Entrepreneurship has become increasingly popular as social problems in our complex modern society have grown. In a way, it is a reaction to the 'bottom line' philosophy of modern big business with its emphasis on short-term profit to the detriment of any long term benefit to society as a whole or the human component of the business itself. Social Entrepreneurship seeks to harness the practical dynamism of the successful businessman to enrich and help society, especially in countries where the individual is beset with problems of dire poverty and lack of opportunity. Peter Drucker argues that social entrepreneurs "...change the performance capacity of society" while Henton speak of 'civic entrepreneurs' as "...a new generation of leaders who forge new, powerfully productive linkages at the intersection of business, government, education and community". In spite of the varying definitions of social entrepreneurship, one commonality emerges in almost every description: the 'problem-solving nature' of social entrepreneurship is prominent, and the corresponding emphasis on developing and implementing initiatives that produce measurable results in the form of changed social outcomes and/or impacts.

For example, McLeod (1996) quotes one social entrepreneur who criticized his own organization's earlier ineffective approach, noting they originally asked "...how many people walked in the door' rather than 'how many people are better off for having walked in the door?'" . What business entrepreneurs are to the economy, social entrepreneurs are to society? They may, like business entrepreneurs, be interested in profit, but their emphasis is on social change. They are often driven, creative individuals who exploit new opportunities, question accepted norms, and refuse to give up until they have remade the world for the better. Social entrepreneurs have the same core temperament as their business peers but use their talents to solve global social problems, such as why children are not learning, and why available technology is not widely used. William Drayton, founder of the world's first organization to promote social entrepreneurship, 'Ashoka', is credited with coining the phrase "Social

Entrepreneur”, to describe a person who recognizes logjams in society and finds ways to free them.



### **What Separates Social Entrepreneurship from Social Corporate Responsibility**

Social corporate responsibility involves a business making a profit while doing something ethical based on the needs of multiple stakeholders. A social entrepreneurship, on the other hand, exists with the goal of reaching out to those in need. According to Martin & Osberg, in Social Entrepreneurship, three main components are the basis for true social entrepreneurship.

- a. An Existing imbalance subjugates an impoverished segment of the population.
- b. Someone notices the imbalance and uses creativity and action to help.
- c. A new balance develops and life is better for the formerly impoverished group as well as, often, society as a whole.

### **Can a For-Profit Organization Develop Social Entrepreneurship?**

The opportunity exists for a business to create a socially responsible entrepreneurship plan, but a great deal of commitment, at all levels of the organization, will be required to implement the new plan. A business leader who is inspired to begin such a course of action will not be able to engage in 'business as usual' and expect to succeed as a social entrepreneur. A company that is doing one positive thing while still doing multiple other unethical things is not likely to reach the esteemed height of an organization that exists solely to help people. By examining a societal problem, business leaders can explore ways to develop products and programs that fit into the realm of social entrepreneurship.

### **Social Entrepreneurship helps**

1. NGO's need to find more sustainable ways of growing their business, particularly while facing decreasing external support. Adopting a social enterprise approach is a workable model for NGOs.
2. Entrepreneurs are looking for opportunities to develop their business ideas and meet their need to bring positive social change to their communities.

### **Directions in Social Entrepreneurship**

In recent years, social entrepreneurs have looked beyond the traditional philanthropic and charitable approaches in order to find more effective and sustainable solutions to social problems. They are working with many tools from the world of business, and this shift in the character of social entrepreneurship is evident in a few trends that have emerged over the past twenty years. Many societies have become less inclined to see big government or big business as providing solutions for problems by setting the world, and there has been a shift from throwing money at large problems to systemic solutions and social investment. Across all types of government there is increased emphasis on privatization of public services, and experimentation with for-profit and hybrid



forms of organization to deliver socially important goods and services, such as education and health care. There is greater scrutiny of social sector funding, and more attention to issues of impact, scale, and sustainability with the hopes of increasing the social return on investment. These trends are creating major changes in how societies around the world are dealing with social issues. They are opening the door to new forms of entrepreneurial behavior in the social sector.

## 2.6 Social Entrepreneurship In India

Social entrepreneurship is a topic of growing interest among academicians and practitioners. The potential of social problems in India is well known, but the degree of support and interest is hardly significant. An entrepreneurial mindset is re-emerging in India. Right from ancient times, India has been entrepreneurial. But the era of liberalization of late had released the genie from the bottle – the suppressed urge and natural instincts of our effervescent entrepreneurial class has once again been unleashed. The opening up of the industrial sector to foreign competition had created a flutter among the Indian industrial circles.

The economic development of a Nation depends on its industrial development. The industrial development is based on the entrepreneurial competencies of the people. Entrepreneurs are innovative, highly motivated, and critical thinkers. When these attributes are combined with a drive to solve social problems, a social entrepreneur is born. Social enterprises are the organizations which aim their efforts toward improving the general welfare of society and they apply market-based strategies to achieve a social purpose. Social entrepreneurs and social enterprises share a commitment of going ahead with a social mission of improving society. There is a great difference between social entrepreneurs and non profit organizations on the basis of their goals and objectives. Social entrepreneurs are driven by social as well as financial goals whereas non-profit organizations work purely for social purpose. An understanding of whether and how social entrepreneurship differs from processes and activities by political actors or social activists who also aim to bring about social change or alleviate social problems. In a nutshell, the concept of social entrepreneurship is still poorly defined and its boundaries to other fields of study are still fuzzy. While to some this may appear to be a problem, we see it as a unique opportunity for researchers from different fields and disciplines, such as entrepreneurship, sociology and organizational theory, to challenge and rethink central concepts and assumptions.

### SCOPE OF SOCIAL ENTREPRENEURSHIP

Social entrepreneurship is a growing, worldwide movement. The scope of social work is no longer limited to activism. Today, there are many opportunities in child welfare, community policing, healthcare, counselling etc in not only NGO's but also national and international bodies as well as social enterprises. Additionally, there is immense scope for social entrepreneurship and starting your own social initiatives. Social entrepreneurship will play a big role in bringing the growth to the rural masses in India and so it becomes important to study the factors, like fair trade, that will shape the social entrepreneurship philosophy.

First we will look into the areas where India faces problems, some of which are listed below:



1. Making the educated youths employable- many of our courses are designed in such a way that they don't cater to needs of the industry.
2. Healthcare- affordability
3. Urban and Rural Sanitation
4. Making use of renewable sources of power
5. Nutrition and Food for the poor.
6. Affordable housing.
7. Agriculture

Many more are there, but these are the basic needs of the Indian society, which are being the topics of discussions from so many years, many policies and laws were passed by state and central governments of India.

Social enterprises in these sectors will not only create many opportunities but also can find a solution for these problems. For example an enterprise to train the youth with industrial oriented skills, is a good entrepreneurial option at the same time it will answer the problem of unemployed educated youth. COSTFORD, an organisation with 13 centres across Kerala offers cost effective plans to build house.

COSTFORD encourages its institutional, public and private clients. Along with organisations sharing similar concerns about social equity and a healthier ecosystem, to envision alternative architecture as a path to a more just, peaceful and sustainable world” is a very good example for an enterprise with social goal (social enterprise) of affordable homes.

EARTHEN LIFE Earthen Life provides a sustainable and a decentralized waste management solution by converting organic waste to renewable energy at source while taking an inclusive approach of integrating the waste pickers and other low income communities in the value chain. Earthen Life is based in Maharashtra with offices at Mumbai and Pune. When many opportunities are available, when the Indian scene is wide open for new ideas, when many social entrepreneurs set the examples, why does entrepreneurs hesitate to make a first step?

### **Challenges for Social Entrepreneurs in India**

The positive feedback of success and attention will naturally encourage new entrants, driving more and more effective social entrepreneurial initiatives. Peredo & McLean (2006) indicate that there are nevertheless tremendous hurdles and challenges that many social entrepreneurs face while operating in India and that hinder the entrance of new social entrepreneurial ventures. Unfriendly bankers, procedural delays, bureaucratic indifferences all impede the smooth launching of enterprises. Ironically enough, the policy imperatives with their trust on protecting the new entrepreneurs in the small sector from the shocks of unequal market relations with the large sector, have turned out to be the hardest stumbling blocks on their path to growth and prosperity. Complex and burdensome regulatory and

administrative environment created as a result of excessive state intervention became the major deterrent to the emergence of new entrepreneurship. Some of the major challenges are explained below:



### **Lack of Education in Entrepreneurship:**

Entrepreneurship in India is still encumbered by the traditional educational system of the country. As education is the main source for promoting entrepreneurship in the business sector of the economy, there is still a lack of specific curriculum on entrepreneurship development in the Indian education system. Due to the increasing demand of this sector, currently, the entrepreneurship education is a “new cup of tea” limited to graduates of business schools and management institutes, whereas for other streams of education like the sciences and arts there is not a single course on entrepreneurship in the curriculum. Due to this gap in the Indian education system the country’s entrepreneurial sector is still underdeveloped and struggling. Even business schools that have developed curriculum on entrepreneurship are lacking in terms of social entrepreneurship. This lack of social entrepreneurship knowledge presents a major challenge for social enterprises in finding competent and skilled promoters.

### **Lack of Financial Assistance:**

Lack of financial sources is a major challenge for the Indian entrepreneur. Generally, the social entrepreneurs run their business with their own funds or by raising funds from the local money lenders at a high rate of interest, which sometimes becomes a financial burden on them. The reason behind this is the bank’s avoidance to providing loan facilities for social entrepreneurs given the various social complications attached with them. Hence the social enterprises have to deal with the challenge of facing a hostile reaction from financial institutions and governments as far as funding is concerned. This forces social entrepreneurs to take, what can be, a more difficult path of approaching venture capitalist and philanthropic organizations.

### **Social and Cultural Effect:**

In India, the social and cultural perception of social entrepreneurship sometimes becomes a challenge for social entrepreneurs in running their business activities. As in the case of Water Health International, the major focus of this social venture was to awaken the people about various water diseases and how they can be cured, but people were still sceptical about how, and why, WHI is providing the purified water at such a low cost. This impression shows the lack of knowledge or foresightedness of the local community in distinguishing a social business from a normal profit-driven business.

### **Comparative disadvantages to business:**

Social entrepreneurs mainly deal with the difficult task of improving the welfare of the society and they are always keen to find affordable solutions to various societal problems. But every activity of social business carries a cost, which is mostly borne by the owner out of his own pocket or by taking loans from money lenders. Social entrepreneurs are not necessarily working in a lucrative market; they identify a problem within society and try to find affordable solutions for

them. Once they find the way to earn some profit after providing the best low cost solution to the needs of the society, more traditional businesses will enter the market competing with a similar solution and technique, increasing transaction costs and competition for social entrepreneurs and hampering their future growth.



### **Lack of Government support:**

Lack of government support is a major hindrance for social business development in India. Currently, the government is not providing any kind of assistance for promoting these social cause ventures. The government's policies and regulations for social entrepreneurs are very complex and strict, with no tax incentives or subsidies being provided for a social business, the combination of which acts as major impediment to the growth of social businesses in India.

### **Lack of Skilled Manpower:**

Social enterprises have to get competent manpower from a variety of sources; professionals, volunteers, labourers and community participants. To align the motives of all these groups with the long term growth of the organization is a challenge for the founders. In order for social enterprises to fulfill their mission in a holistic manner they must typically employ manpower from the underprivileged sector of the society, leading to increased training and developmental cost as these people are typically uneducated and unskilled. The organizations have to attempt to fulfill the aspirations of all these divergent groups and still come out with the best results. Social entrepreneurs in India face a variety of challenges and problems in their day to day operations and while many of them have come a long way in meeting these challenges, there remains a long journey ahead in terms of satisfying their social mission.

## **SUGGESTIONS**

A few workable suggestions could help Indian social entrepreneurs in achieving their objectives:

Social enterprise should use the network approach with other social enterprises to avail the opportunities in the market. It helps them to educate the consumer and set the market standards. The social enterprises should work together to educate customers about the difference between their product and those offered (possibly at lower Prices) by other businesses. This would lead to increased demand for their products by the people who support their cause. This network approach can also be used in lobbying the government and regulatory agencies to create a business environment supportive of social enterprising. This lobbying can influence the government to provide liberal tax policies and investment regulations for the social enterprises.

Social entrepreneurs should assist higher education institutes in India in developing curriculum that instills social entrepreneurship in their students and, in doing so, provides social enterprises with access to good quality managers and promoters.

Majority of the social enterprises are operating mostly in the southern and western parts of India. This is primarily due to the jurisdictional focus of many of



these enterprises and this leads to a regional imbalance in the growth of social entrepreneurship within the country. These enterprises should try to expand their operations to act as a mentor for similar organizations in the under-served areas of India. Balancing the growth of social entrepreneurship in the country would go a long way in solving the social problems of a large population spread over the width and breadth of the country.

## 2.7 Social Entrepreneurship Responsibility

Even if there are major differences between social entrepreneurship and CSR we can say that both of them have a significant role through social value creation process. This research paper underlines how social value can be amplified through collaborations and partnerships established between firms and social mission organizations. Social entrepreneurship is addressed to social problems caused by the failure of public institutions in addressing social needs. Some definitions limit social entrepreneurship to nonprofit organizations, while others describe social entrepreneurship as for-profit companies operated by nonprofit organizations, or organizations that create a firm at a financial loss. Still others equate social entrepreneurship to philanthropy, while some scholars embrace broader definitions that relate social entrepreneurship to individuals or organizations engaged in entrepreneurial activities with a social goal. Social entrepreneurship is a process that can provide viable solutions to problems with the purpose to improve access to social services, health education and local labor exploitation, reducing all forms of discrimination by providing jobs to people in need. In Romania, social entrepreneurship (social economy) is “the generic term used to refer to a group of people gathered to assume an active economic role in the process of social inclusion, e.g. social enterprises, NGOs (foundations and associations) and other nonprofit organizations that have an important role in management and strengthening activities”.

Located in the social context, the entrepreneurs are innovators of society, an accepted definition and used by many organizations that sustain social entrepreneurship. Social entrepreneurs focus on systemic social change that disregards institutional and organizational norms and boundaries; they look for sources of resources and alliances exploiting a range of organizational forms from charities to not for profit to commercial venture. The social entrepreneur seeks to achieve social goals by developing new combinations of goods, services and methods, incorporating a high degree of innovation .

### Corporate Social Responsibility

Corporate Social Responsibility (CSR) brings many benefits and can be considered as an important lever in supporting social entrepreneurship. CSR implies commitment to improve the society through business practices. The approach given by the International Business Forum (2003) assumes that corporate social involvement means the investment in established partnerships with non-profit and public sector in order to create healthy and favorable conditions, targeting both the community needs and objectives of the business. CSR policies help the firm to fulfill the economic and social responsibilities to ensure the wellbeing of the firm and also it's the social welfare. CSR implies commitment to improve the society through business practices. Companies that

deal with their social responsibility in a forward-looking manner ensure that CSR becomes an integral aspect of their corporate governance.



CSR is a concept which refers to a supposed duty which all companies (as social entities) should have towards all parties involved in their activity . It refers to „business decisions" that pass beyond the economic and technical interests of the organization. Social involvement is a corporative integrative function of the company involving practices that contribute to the establishing of positive relationships to the communities and to society at various levels. The approach given by the International Business Forum assumes that corporate social involvement means the investment in established partnerships with non-profit and public sector in order to create healthy and favorable conditions, targeting both the community needs and objectives of the business. Businesses can contribute to the solving of these types of problems through partnerships, which is either through a department of an entrusted organization, as a department within the corporation or by a team of representatives of different companies.

Although definitions abound, we can say that two main directions can be highlighted, these being the contribution of own resources or voluntarily attracted ones to social development (community) and the networking with targeted groups important for business and key factors for the company (employees, customers, suppliers, nonprofit organizations, public authorities, the media). All CSR approaches have in common the idea that organizations have responsibilities regarding the social well-being.

## **SOCIAL RESPONSIBILITY OF ENTREPRENEURS IN INDIA**

An entrepreneur receives resources from the society, utilises in productive manner and gives some productive output to the society and earns profit. He cannot do anything without the help of society. On the other hand society is also getting benefits from entrepreneurs. Development of a new product, improvement in life style is only possible thru active efforts undertaken by entrepreneur. So we can say there is give and take between entrepreneurs and society. He is debtor as well as creditor of the society. If we study his behavior we find that he receiving from different classes of the society so his responsibility towards society can be understood as follows.

### **1. RESPONSIBILITY FOR CONSUMERS**

In this world of consumerism it is rightly said that consumer is King. Each and every economic activity is performed to satisfy consumer needs. Responsibility towards consumers can be better fulfilled by reasonable Pricing. An entrepreneur should have properly studied market, income, taste of consumers and accordingly should produce and promote the product. According to change in the preferences, taste, need etc. entrepreneur should introduce modification in the product to satisfy their needs. Entrepreneurs should consult consumer forum and according to their suggestions, decide the quality and price of the product. An entrepreneur should maintain business ethics in quality, quantity, design, price of the product and should not create artificial scarcity of the product to gain abnormal profit.

### **2. Responsibility for Employees**

Employees are the life blood of the organisation. Without them an entrepreneur cannot achieve the organisational goal . Satisfied employees are the assets of the



business. To satisfy them as per qualification, skill and experience healthy remuneration should be paid and avoid exploitation. Motivating incentive scheme should be introduced. The working place should be neat and clean with proper ventilation and light. For the refreshment, provide canteen, rest, sanitation etc. As lot of families are dependent upon the firm, entrepreneur should provide employees family welfare facilities like fees of their kids, medical allowance etc. While pension, provident fund, gratuity, sick leave will create the environment of safe future. Free medication and life time family maintenance should be provided if he loses any of his organ or his life at the work place. Employees' creative suggestions should be admired with the help of prize or any other motivating mode to satisfy their self actualization need. Entrepreneur should recognize the labour unions and be cooperative with them, try to find amicable solution for the problem. There should be enough room for discussions and bargaining to avoid strike and lockout.

### **3. Responsibility for Investors:**

When the fund is collected from variety of sources like shares or debentures, responsibility towards the interest of different investors also arises. The prime responsibility is to reward the handsome return on their investments. It is duty of entrepreneur to give detail about the progress of the company periodically. Especially when company is in trouble and not able to give the expected or projected returns, should inform the inventors about the real situation. Variety of forms of investments should be introduced to attract the various types of investors variety of preference shares, debentures. In expansion to collect fund easily and to maintain relations Right issue can be made.

### **4. RESPONSIBILITY FOR RELATED PROFESSIONAL INSTITUTES**

An entrepreneur is also connected with different organizations, institutes like chamber of commerce, labour union, mercantile federation, social welfare institute etc. Entrepreneur should fulfill his responsibility towards these organizations, accept the membership of such associations. For the development of the industry and interests of members, such institutes organizes various activities like conferences, seminar etc. Entrepreneur should provide finance for such activities which are helpful for the society. Such institutes provide important information like market trends, new productions technology, new product development, new source of raw material etc. Which are important for the entrepreneur to develop his business. So should be ready to help such institutes as a part of social responsibility.

### **5. Responsibility for Local Public**

Industrial unit is established in the society. So it becomes responsibility of the entrepreneur to take care of residing people living nearby. The interest and lifestyle of the surrounding locality should not be adversely affected. He should put local people for employment in first priority. This will increase positivity for the industry among local people. The local means of production should be used for the development of nearby industry. The natural beauty of the surroundings should not be spoiled due to presence of the industry. If it is polluting, necessary



steps should be taken by the entrepreneur to overcome it. Entrepreneur should help local economically backward, widows, unemployed youth. He should arrange special programme for the upliftment and development of orphans and orphanage. To satisfy the basic requirements of the local mass, an entrepreneur should support to develop organisations like school, hospital. He should also undertake efforts to develop public garden, play area etc to enrich the life of local people. Entrepreneur should provide guidance for emerging young entrepreneurs. He can arrange special programmes in association with any organization for those who poses some entrepreneurial skill. He can give guidelines for establishment of any small scale firm or industry. In any natural calamity like earthquake, flood, drought, heavy rain; entrepreneur should provide help.

## **6. RESPONSIBILITY FOR THE NATION**

An entrepreneur undertakes his business activities in the boundaries of any nation. So it becomes his duty to follow the law and order of any particular region or nation. The prime duty towards the government is to follow the law and order of that city, state or nation in which it is situated. It is the duty of entrepreneur to pay the genuine tax in time. So that government can better use it for the development of undeveloped locality. The development of any nation is based on the development of basic industries only. So it is social responsibility of the entrepreneur to jump into the basic industries of the nation. Government also supports such industrial development. Innovation is the identity of an entrepreneur. For the development of the society and nation, new product development is needed. Entrepreneur should undertake the research and development and uplift the lifestyle of the nation. According to change in time, government policy also changes. For the development of new industries as well as new entrepreneurs such policies are framed or modified. It is the duty of the entrepreneur to come forward and accept the changes and support the nation for the development. Entrepreneur should try to explore the overseas market and help the nation in form of export. He should take the benefits of entrepreneurship development programmes and utilize the latest information and training for the development of his business and country. For planned development of the country, government organises different programmes and sets the targets in five year programmes. An entrepreneurs should take benefits of such programmes and help the government for the development of the nations. Some times for the development of personal organisations, entrepreneurs adopt wrong tactics like bribe, corruption to the government employees. This may result into imbalance growth of the nation. At the cost of needy class of the entrepreneurs, developed entrepreneurs are getting benefits. Nation is the base on which an entrepreneur is developed. So he should always try to increase the wealth and prosperity of the nation Without the support of national resources, the development would have not taken place. The contribution of government and national wealth should not be overlooked by an entrepreneur. So he should always try to increase the wealth of the nation.

## **7. RESPONSIBILITY AT INTERNATIONAL LEVEL**

In the modern time, India has also opened the doors for the foreign countries. On the other hand our entrepreneurs have also the chances to take benefits of overseas market. It's time for global competition. So entrepreneur has to provide global quality standard to sustain in the market. The entrepreneur has to produce the



product keeping in mind the global standard. As competition is not limited up to domestic level. Competitors are worldwide. So entrepreneur should be aware with global standards. The biggest benefit of this situation is improvement in quality of the domestic product. To face the competition with global companies, domestic entrepreneur has to introduce new technology. For this either he may undertake research and development or he can have a tie up with any foreign concern having better technological standard. So technological collaborations will be necessity for the domestic entrepreneurs. Due to globalisation, it is possible to invite the foreign investors to invest in our country. Because of foreign direct investment inflow of exchange has increased. An entrepreneur can get benefit of huge investment thru FDI. It is even beneficial for underdeveloped or undeveloped country to develop. An entrepreneur of such a country can grab the opportunity in development of the business. International trade increases the prosperity, wealth of the nation. China could be developed on this basis. Domestic resources are engaged in satisfying needs of other countries will result in increase in national income of the country. That will result in increase in wealth of the country. Because of globalisation better business relations can be developed with friendly countries. Inter dependences will be increased due to this. Exchange of resources will be easier in this case and benefits specialisation and division of labour can be achieved. To develop the business at international level an entrepreneur should follow the international standard of business ethics. Code of conduct of different countries should be followed. Violation of this may result in collapse of global image. So it is the duty of entrepreneur to take care of global business standard. Being part of global business, an entrepreneur should become a part of international union. Such multinational union organises fairs, exhibition etc for the development of the business. So entrepreneur should be alert and grab the opportunity to become member of such multinational union and thru which he can knock the doors of the other countries as well.

## 2.8 Let's Sum-up

Social entrepreneurship is the work of a social entrepreneur. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create and manage a venture to make social change. Social entrepreneurship is a process aimed at enabling business to develop more advanced and powerful forms of social responsibility. The Indian scene is full of possibilities and challenges. The country possesses capable human resources, and has made good progress in achieving scientific and technological capabilities. The economy has been witnessing rapid growth since the onset of liberalizations from 1991 onwards. Unfortunately social and environmental problems of the country are increasing year after year which necessitates the extensive application of multidisciplinary approaches and entrepreneurial energy in the social and environmental sectors. India is experiencing an increase in social entrepreneurship and attempts by social entrepreneurs to find affordable solutions to various social problems of society. With changes in technology and increasing competition, social entrepreneurs have to become more dynamic.

## 2.9 Key Terms

Social entrepreneurship; Scaling; Social Performance; Social Networks

## 2.10 Self-Assessment Questions



Q. What would you describe as the purpose of entrepreneurship? That is; what role do entrepreneurs play?

Q. How can you encourage the formation of an entrepreneurial society?

## 2.11 Further Readings

- Alvord, Sarah H., David L. Brown, and Christine W. Letts. “Social Entrepreneurship and Societal Transformation: An Exploratory Study.” *Journal of Applied Behavioral Science* 40, no. 3 (2004): 260–82.
- Anderson, Beth Battle, and J. Gregory Dees. “Rhetoric, Reality, and Research: Building a Solid Foundation for the Practice of Social Entrepreneurship.” In *Social Entrepreneurship: New Models of Sustainable Social Change*, edited by Alex Nicholls, 144–68. London: Oxford University Press, 2006.
- Ashoka. “What is a Social Entrepreneur?” [http://ashoka.org/social\\_entrepreneur](http://ashoka.org/social_entrepreneur)

## 2.12 Model Questions

Q. Why companies encourage their employees to be entrepreneurial?

Q. What should be the startup strategy for an entrepreneurial society?

Q. What could government or society do to encourage social entrepreneurship?



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## Unit – 3

### Women Entrepreneurship

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#### Learning Objectives

After completion of the unit, you should be able to :

- Understand the Women Entrepreneurship in India.
- Describe the Problems and Prospects in Women Entrepreneurship
- Explain the definition, Meaning, Implications and Challenges faced by Women Entrepreneurship

#### Structure

- 3.1 Introduction
- 3.2 Definition
- 3.3 Women Entrepreneurship
- 3.4 Female Entrepreneurship – Gender specific constraints
- 3.5 Women Entrepreneurship in India
- 3.6 Challenges faced by Women Entrepreneurship in India
- 3.7 Problems and Prospects of Women Entrepreneurship in India
- 3.8 Let's Sum-up
- 3.9 Key Terms
- 3.10 Self-Assessment Questions
- 3.11 Further Readings
- 3.12 Model Questions

### 3.1 Introduction

The educated Indian women have to go a long way to achieve equal rights and position because traditions are deep rooted in Indian society where the sociological set up has been a male dominated one. Despite all the social hurdles, Indian women stand tall from the rest of the crowd and are applauded for their achievements in their respective field. The transformation of social

fabric of the Indian society, in terms of increased educational status of women and varied aspirations for better living, necessitated a change in the life style of Indian women. She has competed with man and successfully stood up with him in every walk of life and business is no exception for this. These women leaders are assertive, persuasive and willing to take risks. They managed to survive and succeed in this cut throat competition with their hard work, diligence and perseverance.

In India, women entrepreneurship is a recent topic which started only after the 1970s with the introduction of the Women's Decade (1975 to 1985) and which mostly picked up in the late 70s. This phenomenon was particularly visible only in the metropolitan and state capitals in India. It took a much longer time to percolate to the other cities and municipalities. Hence researches and publications in India in this new area are limited. The little that is available is the pioneering work done

by certain organizations and institutions engaged in the promotion of entrepreneurship in the form of occasional studies leading to publication of an article now and then.



Entrepreneurial development is a complex phenomenon. Entrepreneurs play a key role in the economic development of a country. Entrepreneurship may be regarded as a powerful tool for economic development of a predominantly agricultural country like India. Since independence, small scale entrepreneurship programmes have contributed significantly to the economic growth. To create entrepreneurship among the students, younger generation, the small scale sector has to be made a vital part of our economy next only to agriculture. The human resource in Small Scale industries are found to be more helpful in maintaining them on profitable employment opportunities. It may be pointed out that the ideal “Golden Age” of Mrs. Robinson has come only through entrepreneurship development.

The quest for economic independence and better social status and sometimes sheer need for the family’s survival, force women into self-employment and entrepreneurship” (Pillai and Anna, 1990) In India, economic development has brought about changes in women’s lives in many ways, because of advancement in medicine, availability and access to birth control devices, modern household appliances reducing the time and drudgery of house-hold work “But with the rising cost of living, the middle class family finds it very difficult today to manage with the husbands” income alone” (Roguradha Reddy 1986) At this critical position, self-employment is the safer way to generate income. In addition, self-employment also changes the position of women from being job-seekers to job givers .

### 3.2 Definition

“Women who innovate initiate or adopt business actively are called women entrepreneurs” Women entrepreneurship is based on women participation in equity and employment of a business enterprise.”

Entrepreneurship plays an imperative role in the growth of any society. Development of entrepreneurship culture and qualitative business development services are the major requirements for industrial growth. Entrepreneurship emerges from an individual’s creative spirit into long-term business ownership, employment creation, capital formation and economic security. Entrepreneurial skills are essential for industrialisation and for alleviation of mass unemployment and poverty. As technology speeds up lives, women are an emerging economic force, which cannot be neglected by the policy makers. The world’s modern democratic economy depends on the participation of both sexes. Irene Natividad has observed that “Global markets and women are not often used in the same sentence, but increasingly, statistics show that women have economic clout most visibly as entrepreneurs and most powerfully as consumers”<sup>1</sup> . Today, women in advanced market economies own more than 25 per cent of all businesses and women-owned businesses in Africa, Asia, Eastern Europe, and Latin America are growing rapidly. In some regions of the world, transformation to market economy, women entrepreneurs is a growing trend. However, in India, the actual participation of women in income generating activities is quite unsatisfactory, only eight per cent of the small scale- manufacturing units are owned and operated by women.



Entrepreneurship is an economic activity which is undertaken by an individual or group of individuals. Entrepreneurship can be defined as the making of a “new combination” of already existing materials and forces; that entrepreneurship throws up as innovations, as opposed to inventions and that no one is entrepreneur for ever, only when he or she is actually doing the innovative activity .

Women entrepreneurship is the process where women organise all the factors of production, undertake risks, and provide employment to others. The definition of women entrepreneurship has never been differentiated on the basis of sex and hence could be extended to women entrepreneurs without any restrictions.

According to Medha Dubhashi Vinze, a woman entrepreneur is a person who is an enterprising individual with an eye for opportunities and an uncanny vision, commercial acumen, with tremendous perseverance and above all a person who is willing to take risks with the unknown because of the adventurous spirit she possesses<sup>5</sup> . Thus, a woman entrepreneur is one who starts business and manages it independently and tactfully, takes all the risks, faces the challenges boldly with an iron will to succeed.

Women entrepreneurship is an economic activity of those women who think of a business enterprise, initiate it, organise and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.

### **3.3 Women Entrepreneurship**

Women entrepreneur may be defined as a woman or group of women who initiate, organize, and run a business enterprise. In terms of Schumpeterian concept of innovative entrepreneurs, women who innovate, imitate or adopt a business activity are called “women entrepreneurs”.

Kamal Singh who is a woman entrepreneur from Rajasthan, has defined woman entrepreneur as “a confident, innovative and creative woman capable of achieving self-economic independence individually or in collaboration, generates employment opportunities for others through initiating, establishing and running the enterprise by keeping pace with her personal, family and social life.”

The Government of India has defined women entrepreneurs based on women participation in equity and employment of a business enterprise. Accordingly, the Government of India (GOI2006) has defined women entrepreneur as “an enterprise owned and controlled by a women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women.” However, this definition is subject to criticism mainly on the condition of employing more than 50 per cent women workers in the enterprises owned and run by the women.

In nutshell, women entrepreneurs are those women who think of a business enterprise, initiate it, organize and combine the factors of production, operate the enterprise and undertake risks and handle economic uncertainty involved in running a business enterprise.



## **Functions of Women Entrepreneurs:**

As an entrepreneur, a woman entrepreneur has also to perform all the functions involved in establishing an enterprise. These include idea generation and screening, determination of objectives, project preparation, product analysis, and determination of forms of business organization, completion of promotional formalities, raising funds, procuring men, machine and materials, and operation of business.

### **Frederick Harbison (1956) has enumerated the following five functions of a woman entrepreneur:**

1. Exploration of the prospects of starting a new business enterprise.
2. Undertaking of risks and the handling of economic uncertainties involved in business.
3. Introduction of innovations or imitation of innovations.
4. Coordination, administration and control.
5. Supervision and leadership.

The fact remains that, like the definition of the term 'entrepreneur', different scholars have identified different sets of functions performed by an entrepreneur whether man or women.

### **All these entrepreneurial functions can be classified broadly into three categories:**

- (i) Risk-bearing
- (ii) Organisation
- (iii) Innovations

## **Evolution of Women Entrepreneurship**

Although women form a very large proportion of the self-employed group, their work is often not recognised as "work". The prevailing 'household strategy' catalyses the devaluation of women's productive activities as secondary and subordinate to men's work. Women's contributions vary according to the structure, needs, customs and attitudes of society. Women entered entrepreneurial activities because of poor economic conditions, high unemployment rates and divorce catapult. In Babylonia, about 200 B.C., women were permitted to engage in business and to work as scribes. By 14th century, in England and France, women were frequently accepted on a par with men as carpenters, saddlers, barbers, and tailors. Dressmaking and lace making guilds were competed more with men for some jobs, but were concentrated primarily in textile mills and clothing factories<sup>7</sup>. In 1950, women made up nearly 25 per cent of both industrial and service sectors of the developing countries. In 1980, it increased to 28 per cent and 31 per cent respectively. Meanwhile, in 1950, 53 per cent of females and



65 per cent of males of industrialised countries were in non-agricultural sectors<sup>8</sup>. As a result of the economic crisis of the 1980s and the commercialisation and modernisation of the economy, women lost employment in agriculture and industries. This pushed women in urban areas to find out a suitable solution for generating income, which resulted in the emergence of self-employment, largely in micro- businesses in the informal sector.

### **Importance of Women Entrepreneurship**

Women perform an important role in building the real backbone of a nation's economy. There is considerable entrepreneurial talent among women. Many women's domestic skills such as people and time management and household budgeting are directly transferable in the business context. Women have the ability to balance different tasks and priorities and tend to find satisfaction and success in and from building relationships with customers and employees, in having control of their own destiny, and in doing something that they consider worthwhile. They have the potential and the will to establish and manage enterprises of their own. These qualities and strengths of women are to be tapped for productive channels. But simultaneous creation and development of small business among women is a difficult task. According to Brady Anderson J., "Even though women's contributions to business are one of the major engines of global economic growth, too often, women do not have access to basic business education, commercial credit and marketing opportunities. Maintenance of proper quantitative balance among various economic activities is one of the principal functions of the economic system, which should operate to give equal freedom of choice to men and women.

The process of economic development would be incomplete and lopsided, unless women are fully involved in it. The orientation of a society as a whole, regarding desirability that women should play an equal part in the country's development, is a very important precondition for the advancement not only of women, but the country as a whole. The highest national priority must be for the unleashing of woman power which is the single most important source of societal energy. Women entrepreneurs should be regarded as individuals who take up roles in which they would like to adjust their family and society, economic performance and personal requirements. "Emancipation of women is an essential prerequisite for economic development and social progress of the nations.

In the closing years of the 21st century, multi- skilled, productive and innovative women entrepreneurs are inextricable for achieving sustained economic growth. Globalisations of industrial production and economic interdependence has become the torch-bearers for all international cooperations. In the dynamic world which is experiencing the effects of globalisation, privatisation and liberalisation, women entrepreneurs are likely to become an even more important part of the global quest for sustained economic growth and social development. The economic status of woman is now accepted as an indication of the society's stage of development. Women (especially rural women) are vital development agents who can play a significant role in the economic development of a nation, but they should have an equal access to productive resources, opportunities and public services. It has also been realised in the last few years that the widespread poverty and stunted economic growth can be overcome only by gainful and sustainable economic participation of women. National development will be sluggish, if the economic

engine operates only at half power. Women in Enterprise Building has emerged as an agenda for many policy makers, researchers, and trainers and as well as for associations and organisations involved in women development. If women acquire skills, they can carve a niche for themselves in the outside world too. This is the reason why women entrepreneurship development has become a subject of great concern and serious discussion in recent times.



### 3.4 Women Entrepreneurship in India

Women entrepreneurship in India represents a group of women who have broken away from the beaten track and are exploring new vistas of economic participation. Women in India entered business due to pull and push factors. Their task has been full of challenges. In spite of the family opposition, many women have proved themselves independent and successful entrepreneurs. The emergence of women entrepreneurs and women-owned firms and their significant contributions to the economy are visible in India and these businesses are ready for continued growth in the future. In India, women constitute half of the total population (495.74 million), but their participation in the economic activity is very low.

In India, women are relatively powerless with little or no control over resources and little decision making power. Women in the informal sector are found to be home-based workers, engaged in the petty manufacture of goods, either on piece rate basis or on own account, petty traders and petty shopkeepers or service specialists. Studies reveal that 89 per cent of India's women workers toil in the informal sectors in sub-human conditions. Over 2/3 of the enterprises are self owned and have a fixed capital of less than Rs.50/- . Over 4/5 of the women workers in this sector earn less than Rs.500/-p.m. The income earned by women in this sector is said to be about ¼ of that of a woman in the organised sector”.

Nowadays women are well-educated with technical and professional qualifications. Many of them have medical, management and similar degrees and diplomas. Many entered their family business as equal partners. Women set up their own clinics or nursing homes, small boutiques, small manufacturing enterprises and entered garment exports. They have their own personal choices and the courage to undertake new ventures. However, many have to face family antipathy and do not get adequate support from their family.

#### Organisations Promoting Women Entrepreneurship in India

##### i. National Resource Centre for Women (NRCW)

An autonomous body set up under the National Commission for Women Act, 1990 to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national database in the field of women's development.

##### ii. Women's India Trust (WIT)

WIT is a charitable organisation established in 1968 to develop skills of women and to earn a regular income by providing training and



employment opportunities to the needy and unskilled women of all communities in and around Mumbai.

**iii. Women Development Corporation (WDC)** WDCs were set up in 1986 to create sustained income generating activities for women to provide better employment avenues for women so as to make them economically independent and self-reliant.

**iv. Development of Women and Children in Urban Area (DWCUA)** DWCUA was introduced in 1997 to organise the urban poor among women in socio-economic self-employment activity groups with the dual objective of providing self-employment opportunities and social strength to them.

**v. Association of Women Entrepreneurs of Karnataka (AWAKE)** AWAKE was constituted by a team of women entrepreneurs in Bangalore with a view to helping other women in different ways –to prepare project report, to secure finance, to choose and use a product, to deal with bureaucratic hassles, to tackle labour problems, etc.

**vi. Working Women's Forum (WWF)** WWF was founded in Chennai for the development of poor working women to rescue petty traders from the clutches of middlemen and to make them confident entrepreneurs in their own right. The beneficiaries are fisher women, lace makers, beedi making women, landless women, labourers and agarbathi workers.

**vii. Association of Women Entrepreneurs of Small Scale Industries (AWESSI)** It was founded in Ambattur in Chennai in 1984 to promote, protect and encourage women entrepreneurs and their interests in South India to seek work and co-operate with the Central and State Government services and other Government agencies and to promote measures for the furtherance and protection of small-scale industries.

**viii. Women's Occupational Training Directorate** It organises regular skill training courses at basic, advanced and post advanced levels. There are 10 Regional Vocational Training Institutes (RVTIs) in different parts of the country, besides a National Vocational Training Institute (NVTI) at NOIDA.

**ix. Aid The Weaker Trust (ATWT)** ATWT was constituted in Bangalore by a group of activists to impart training to women in printing. It is the only one in Asia. Its benefits are available to women all over Karnataka. It provides economic assistance and equips girls with expertise in various aspects of printing and building up self-confidence.

**x. Self-Employed Women's Association (SEWA)** SEWA is a trade union registered in 1972. It is an organisation of poor self-employed women workers. SEWA's main goals are to organise women workers to obtain full employment and self-reliance.

**xi. Women Entrepreneurship of Maharashtra (WIMA)** It was set up in 1985 with its head office in Pune to provide a forum for members and to help them sell their products. It also provides training to its members. It has established industrial estates in New Mumbai and Hadapsar.

**xii. Self-Help Group (SHG)** An association of women, constituted mainly for the purpose of uplifting the women belonging to the Below Poverty Line (BPL) categories to the Above Poverty Line (APL) category. The major activities of the group are income generation programmes, informal banking, credit, unions, health, nutritional programmes, etc.

**xiii. The National Resource Centre for Women (NRCW)** An autonomous body set up to orient and sensitise policy planners towards women's issues, facilitating leadership training and creating a national data base in the field of women's development.

xiv. **Women Development Cells (WDC)** In order to streamline gender development in banking and to have focused attention on coverage of women by banks, NABARD has been supporting setting up of Women Development Cells (WDCs) in Regional Rural Banks and Cooperative Banks.



### **3.5 Challenges and Obstacles faced by Women Entrepreneurship**

As the entrepreneurial process (the establishment of the firm and its possible growth) is assumed to be path dependent, initial financing and continued financing for growth become related issues.<sup>4</sup> Hence, the outcome of the entrepreneurial process is sensitive to the effect of a wide range of initial conditions, but also to the contingent events in altering these conditions over time. Therefore, it is not enough to review the general conditions that affect women's entrepreneurship, but it is also necessary to review how these different conditions actually translate into different barriers women might meet when being engaged in the entrepreneurial process.

Obstacles are divided into four different parts: general obstacles to women engaging in entrepreneurship (opportunity recognition and willingness to start firms); specific obstacles to start-ups (assembling necessary information, financial and human resources to start a firm); specific obstacles to managing a small firm; and specific obstacles to growing firms.

#### **General obstacles**

The lack of role models in entrepreneurship. There exists a strong connection between the presence of role models and the emergence of entrepreneurs and women as they historically have not been present as entrepreneurs in general lack close role models. Role models are persons that by their attitudes, behaviours and actions establish the desirability and credibility of a choice (in this case becoming an entrepreneur) for an individual. Furthermore, the influence of role models is gender related. That is, an individual will be more influenced by another individual of the same sex, as one's aspirations and choices tend to be more influenced by persons of the same sex. This is a result that has been replicated in different countries and employing different methods.

An example of the importance of role models is the well-known fact in entrepreneurship research that children of self-employed parents are over-represented among firm owners and those trying to start a business. There also seems to be some evidence suggesting that whereas occupational inheritance declines with economic development, it still persists at a high level among self-employed or entrepreneurs. We know that the success of the self-employed parent is of central importance to the child's perception of entrepreneurship as a career option. In particular, individuals who are children to parents perceived as being successful as entrepreneurs are more likely to choose entrepreneurship as a career than individuals who perceive their parents as being less successful or have parents who are not self-employed.

## Obstacles specific to growing firms



A specific problem of women entrepreneurs seems to be their inability to achieve growth especially sales growth. As discussed previously, lack of motivation might be a contributing factor. Basically, women because of having a greater day-to-day responsibility for the family have less time to invest in the development of their firms.

Another previously addressed issue is finance and as stated previously, the entrepreneurial process is somewhat dependent on initial conditions. In other words, as women often have a difficult time to assemble external resources, they start less ambitious firms that can be financed to a greater degree by their own available resources. This also has consequences for the future growth of the firm. Basically, firms with more resources at start-up have a higher probability to grow than firms with fewer resources. By resources is meant here societal position, human resources and financial resources. This initial endowment in the firm is therefore of great importance for firm survival and especially for firm growth.

Two explanations can be offered. The first is that the initial endowment gives the firm a better chance to get established and to survive the first turbulent years. This enables the firm to establish routines and competencies needed to then engage in growth. Here, the human capital and the social position are central to the process. The second explanation relies more on the effect of rapid penetration of the market due to financial resources. In this scenario, a new firm with a higher endowment (more financial resources) starts ahead of other similar new firms. Therefore it can more rapidly penetrate the market and attract more customers and financiers when needing to finance the expansion of the firm. This consequently leads to both higher survival rates and more rapid and substantial growth. The explanations are complementary, but point to the importance of how initial conditions related to the founders (human capital and the sex), the nature of the opportunity and which resources can be attracted early on. As we have seen, women are disadvantaged from the beginning, which makes it less probable for them to “catch up” with men-managed firms.

Despite that many women entrepreneurs face growth barriers, they are still able to achieve substantial firm growth. We have seen examples of that both in a number of developing economies surveyed by the ILO, as well as in more developed economies such as the United States. The ability of women entrepreneurs to achieve firm growth and attract venture capital has now become so important that it has become a topic for systematic research. Furthermore, this development has led to the creation of networks of women angel investors, to the creation of women’s venture capital, to training of women and minority venture capitalists, to women-owned businesses being certified and trained to become suppliers to Fortune 500 companies (Women’s Business Enterprise National Council, known as WBENC) and to the creation of the Women President’s Organization (WPO) for high-growth women CEOs. Thus women’s entrepreneurship is not only about micro enterprises as is often assumed. Summary To sum up this section

## 3.6 Problems and Prospects of Women Entrepreneurship in India



Women Entrepreneurs may be defined as the women or a group of women who initiate, organize and operate a business enterprise. The Government of India has defined women entrepreneurs as —an enterprise owned and controlled by women having a minimum financial interest of 51 per cent of the capital and giving at least 51 per cent of the employment generated in the enterprise to women. Women entrepreneurs engaged in business due to push and pull factors which encourage women to have an independent occupation and stands on their own legs. A sense towards independent decision-making on their life and career is the motivational factor behind this urge. Saddled with household chores and domestic responsibilities women want to get independence. Under the influence of these factors the women entrepreneurs choose a profession as a challenge and as an urge to do something new. Such a situation is described as pull factors. While in push factors women engaged in business activities due to family compulsion and the responsibility is thrust upon them.

### REASONS FOR WOMEN BECOMING ENTREPRENEURS

The glass ceilings are shattered and women are found indulged in every line of business. The entry of women into business in India is traced out as an extension of their kitchen activities, mainly 3P's, Pickle, Powder and Pappad. But with the spread of education and passage of time women started shifting from 3P's to modern 3E's i.e., Energy, Electronics and Engineering. Skill, knowledge and adaptability in business are the main reasons for women to emerge into business ventures. 'Women Entrepreneur' is a person who accepts challenging role to meet her personal needs and become economically independent. A strong desire to do something positive is an inbuilt quality of entrepreneurial women, who is capable of contributing values in both family and social life. With the advent of media, women are aware of their own traits, rights and also the work situations. The challenges and opportunities provided to the women of digital era are growing rapidly that the job seekers are turning into job creators. Many women start a business due to some traumatic event, such as divorce, discrimination due to pregnancy or the corporate glass ceiling, the health of a family member, or economic reasons such as a layoff. But a new talent pool of women entrepreneurs is forming today, as more women opt to leave corporate world to chart their own destinies. They are flourishing as designers, interior decorators, exporters, publishers, garment manufacturers and still exploring new avenues of economic participation. The following flow chart shows the reasons for women becoming entrepreneurs.

### REASONS FOR SLOW PROGRESS OF WOMEN ENTREPRENEURS IN INDIA

The problems and constraints experienced by women entrepreneurs have resulted in restricting the expansion of women entrepreneurship. The major barriers encountered by women entrepreneurs are:



The greatest deterrent to women entrepreneurs is that they are women. A kind of patriarchal- male dominant social order is the building block to them in their way towards business success. Male members think it a big risk financing the ventures run by women

Women entrepreneurs have to face a stiff competition with the men entrepreneurs who easily involve in the promotion and development area and carry out easy marketing of their products with both the organized sector and their male counterparts. Such a competition ultimately results in the liquidation of women entrepreneurs.

Lack of self-confidence, will-power, strong mental outlook and optimistic attitude amongst women creates a fear from committing mistakes while doing their piece of work. The family members and the society are reluctant to stand beside their entrepreneurial growth.

Women in India lead a protected life. They are even less educated, economically not stable nor self-dependent which reduce their ability to bear risks and uncertainties involved in a business unit,

The old and outdated social outlook to stop women from entering in the field of entrepreneurship is one of the reasons for their failure. They are under a social pressure which restrains them to prosper and achieve success in the field of entrepreneurship

Unlike men, women mobility in India is highly limited due to many reasons. A single women asking for room is still looked with suspicion. Cumbersome exercise involved in starting with an enterprise coupled with officials humiliating attitude towards women compels them to give up their spirit of surviving in enterprise altogether.

Women's family obligations also bar them from becoming successful entrepreneurs in both developed and developing nations. The financial institutions discourage women entrepreneurs on the belief that they can at any time leave their business and become housewives again.

Indian women give more emphasis to family ties and relationships. Married women have to make a fine balance between business and family. The business success also depends on the support the family members extended to women in the business process and management.

Women's family and personal obligations are sometimes a great barrier for succeeding in business career. Only few women are able to manage both home and business efficiently, devoting enough time to perform all their responsibilities in priority.

The educational level and family background of husbands also influences women participation in the field of enterprise.

Absence of proper support, cooperation and back-up for women by their own family members and the outside world people force them to drop the idea of

excelling in the enterprise field. They are always making many pessimistic feelings to be aroused in their minds and making them feel that family and not business is a place meant for them.



Many women take the training by attending the Entrepreneurial Development programme without an entrepreneurial bent of mind. Women who are imparted training by various institutes must be verified on account of aptitude through the tests, interviews, etc.

High production cost of some business operations adversely affects the development of women entrepreneurs. The installations of new machineries during expansion of the productive capacity and like similar factors discourage the women entrepreneurs from venturing into new areas.

Women controlled business are often small and it is not always easy for women to access the information they need regarding technology, training, innovative schemes, concessions, alternative markets, etc. Just a small percentage of women entrepreneurs avail the assistance of technology and they too remain confined to word processing software in the computer. They hardly make use of advanced software available like statistical software SAP, Accounting Package like TALLY, Animation software 3D MAX, internet, etc

Lack of awareness about the financial assistance in the form of incentives, loans, schemes etc. by the institutions in the financial sector. So the sincere efforts taken towards women entrepreneurs may not reach the entrepreneurs in rural and backward areas.

Achievement motivation of the women folk found less compared to male members. The low level of education and confidence leads to low level achievement and advancement motivation among women folk to engage in business operations and running a business concern.

Apart from the above problems there may occur other series of serious problems faced by women entrepreneurs as improper infrastructural facilities, high cost of production, attitude of people of society towards the women modern business outlook, low needs of enterprise. Women also tend to start business about ten years later than men, on average. Motherhood, lack of management experience, and traditional socialization has all been cited as reasons for delayed entry into entrepreneurial careers.

## **STEPS TAKEN BY THE GOVERNMENT**

At present, the Government of India has over 27 schemes for women operated by different departments and ministries. Some of these are:

- Integrated Rural Development Programme (IRDP)
- Khadi And Village Industries Commission (KVIC)
- Training of Rural Youth for Self-Employment (TRYSEM)
- Prime Minister's Rojgar Yojana (PMRY)
- Entrepreneurial Development programme (EDPs)
- Management Development programmes
- Women's Development Corporations (WDCs)



- Marketing of Non-Farm Products of Rural Women (MAHIMA)
- Assistance to Rural Women in Non-Farm Development (ARWIND)
- Trade Related Entrepreneurship Assistance and Development (TREAD)
- Working Women's Forum
- Indira Mahila Yojana
- Indira Mahila Kendra
- Mahila Samiti Yojana
- Mahila Vikas Nidhi
- Micro Credit Scheme
- Rashtriya Mahila Kosh
- SIDBI's Mahila Udyam Nidhi
- Mahila Vikas Nidhi
- SBI's Stree Shakti Scheme
- NGO's Credit Schemes
- Micro & Small Enterprises Cluster Development Programmes (MSE-CDP).
- National Banks for Agriculture and Rural Development's Schemes
- Rajiv Gandhi Mahila Vikas Pariyojana (RGMVP)
- Priyadarshini Project- A programme for 'Rural Women Empowerment and Livelihood in Mid Gangetic Plains'
- NABARD- KFW-SEWA Bank project
- Exhibitions for women, under promotional package for Micro & Small enterprises approved by CCEA under marketing support

The efforts of government and its different agencies are ably supplemented by NGOs that are playing an equally important role in facilitating women empowerment. Despite concerted efforts of governments and NGOs there are certain gaps. Of course we have come a long way in empowering women yet the future journey is difficult and demanding.

### 3.7 Let's Sum-up

Most studies of women entrepreneurs in India have studied women entrepreneurs their non-entrepreneur peers or VIS-a-vis male entrepreneurs. Many programmes have been implemented by the central / state governments to motivate people to take up self-employment. This researcher work aims to evaluate the government programmes for women's development especially on the disadvantaged women.

A few characters in the social status of women entrepreneurs are inevitable; such as Psychological dependency of the business women on their family members in decision making ,to share family responsibility simultaneously along with their entrepreneurial responsibility.

The personality traits of the women in communicating with others

- Lack of interest and proper exposure to the things leading to run enterprises with names of women
- of proper training before entering into the business
- Interested in routine matters only and not involving in innovative ventures
- of marketing orientation in entrepreneurship

- Inability to distinguish entrepreneurial functions from other functions like management, production and speculation



Thus it is suggested that the requirements of women entrepreneurs are:

- i) to build up courage and self confidence
- ii) to fix priorities in family and business activities by allocating adequate time for both appropriately
- iii) must have urge to learn new things and to undergo training on various skills of entrepreneurship
- iv) Production orientation must be changed to real marketing orientation, to gain the maximum satisfaction of the maximum number of customers.
- v) involving in risk taking and taking effective decisions appropriately
- vi) preparedness to accept changes
- vii) elimination of unnecessary activities
- viii) build good relationship / working atmosphere for the employees within the organization

### 3.8 Key Terms

Entrepreneurship, Women, Business, Gender

### 3.9 Self-Assessment Questions

- Q. What does it take to become a female leader?
- Q. What do you think are the best ways to encourage and assist women to become leaders (e.g., education, mentoring)?
- Q. What, in your opinion, are the top qualities of women leaders?

### 3.10 Further Readings

1. Surti, K. And Sarupriya, D. (1983) **“Psychological Factors Affecting Women Entrepreneurs: Some Findings,”** INDIAN JOURNAL OF SOCIAL WORK,(44 (3), 1983, 287-295
2. Singh, N.P., and Sengupta, R.(1985) **Potential Women Entrepreneurs: Theory Profile, Vision and Motivation : An Exploratory Study,** (Research Report Serial One, NIESBUD, New Delhi)
3. Singh, N.P., Sehgal,P, Tinani, M. And Sengupta, R. (1986) **Successful Women Entrepreneurs – Their Identity, Expectations and Problems:** An Exploratory Research Study, Research Report Serial Two, NIESBUD/MDI, Collaboration, (New Delhi)

### 3.11 Model Questions

- Q. What are the differences in male and female entrepreneurs?

Q. What are the essential qualities of an entrepreneur?

Q. What are the major challenges for an women entrepreneur?





### Learning Objectives

After completion of the unit, you should be able to :

- Understand the Rural Entrepreneurship in India.
- Describe the Effect of Globalization in Rural Industry.
- Explain the definition, Meaning, Implications and Challenges faced by Rural Entrepreneurship in India
- Know the Problems of Rural Entrepreneurship

### Structure

- 1.11 Introduction
- 1.12 Definition
- 1.13 Rural Entrepreneurship in India
- 1.14 Rural Industry
- 1.15 Globalization in Rural Industry
- 1.16 Challenges faced by Rural Entrepreneurship in India
- 1.17 Problems of Rural Entrepreneurship
- 1.18 Role of Rural Entrepreneurs in Economic Development
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- 1.20 Key Terms
- 1.21 Self-Assessment Questions
- 1.22 Further Readings
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## 4.1 Introduction

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.

## 4.2 Definition

Defining entrepreneurship is not an easy task. To some, entrepreneurship means primarily innovation, to others it means risk-taking? To others a market stabilizing force and to others still it means starting, owning and managing a small business. An entrepreneur is a person who either creates new combinations of production factors such as new methods of production, new products, new markets, finds new sources of supply and new organizational forms or as a person who is willing to take risks or a person who by exploiting market opportunities, eliminates disequilibrium between aggregate supply and aggregate demand or as one who owns and operates a business.

**Entrepreneurship** emerging in **rural** areas is called **rural entrepreneurship**. Establishing industries in **rural** areas refers to **rural entrepreneurship**. **Rural entrepreneurship** is synonymous of **rural** industrialization.

### According to the KVIC:-

Rural industry means any industry located in rural areas, population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed a thousand Rupees.'

### According to Government of India:-

Any industry located in rural area, village or town with a population of 20,000 and below and an investment of Rs. 3 crores in plant and machinery.'

The problem is essentially lopsided development which is a development of one area at the cost of development of some other place, with concomitant associated problems of underdevelopment. For instance, we have seen unemployment or underemployment in the villages that has led to influx of rural population to the cities. What is needed is to create a situation so that the migration from rural areas to urban areas comes down. Migration per se is not always undesirable but it should be the minimum as far as employment is concerned. Rather the situation should be such that people should find it worthwhile to shift themselves from towns and cities to rural areas because of realization of better opportunities there.

## 4.3 Rural Entrepreneurship in India

Since national economies are more and more globalized and competition is intensifying at an unprecedented pace, affecting not only industry but any economic activity including agriculture, it is not surprising that rural entrepreneurship is gaining in its importance as a force of economic change that



must take place if many rural communities are to survive. However, entrepreneurship demands an enabling environment in order to flourish. Some individuals who happen to be local leaders and NGOs and who are committed to the cause of the rural people have been catalytic agents for development. Though their efforts need to be recognized yet much more needs to be done to reverse the direction of movement of people, i.e. to attract people in the rural areas. It means not only stopping the outflow of rural people but also attracting them back from the towns and cities where they had migrated. This is possible when young people consider rural areas as places of opportunities.

Despite all the inadequacies in rural areas one should assess their strengths and build on them to make rural areas places of opportunities. This is much to do with the way one sees the reality of the rural areas. The way a survivor or job seeker would see things would certainly be different from those who would like to do something worthwhile and are ready to go through a difficult path to achieve their goals. It isn't that there is a dearth of people with such a mindset. But with time they change their minds and join the bandwagon of job seekers due to various complications. Enabling them to think positively, creatively and Entrepreneurship purposefully is most of the development of rural areas. Young people with such perspective and with the help of rightly channelized efforts would usher in an era of rural entrepreneurship.

The basic principles of entrepreneur which applied the rural development are:

- Optimum utilization of local resources in an entrepreneurial venture by rural population - Better distributions of the farm produce results in the rural prosperity.
- Entrepreneurial occupation rural population to reduce discrimination and providing alternative occupations as against the rural migration.
- To activate such system to provide basic '6 m'- manpower, money , material, machinery, management and market to the rural population.

### **Rural Entrepreneurship in changing Environment:**

The changing global environment raises questions about the ability of traditional, small-scale businesses in rural areas to share the potential benefits offered by the changing environment. The rapid (though declining) population growth, coupled with even faster urbanization, creates increasing demands. In India, urban populations in general grow about twice as fast as the overall total, and by 2020 they may exceed the size of rural populations. Such a major demographic trend challenges the capacities of some traditional small-scale businesses to cope with the increasing demands.

## **4.4 Rural Industry**

"Rural Industry" means any premises used for handling, treating, processing, packing or distributing primary products and includes the servicing in a workshop of plant and equipment used or intended for use for rural uses in the locality.

### **Highlights:**



- Rural industrialisation has been given prominence in the current decade and enterprises under SIDO, KVIC and PMRY have received more attention.
- Employment under KVIC has shown remarkable progress and it may exceed 100 lakh persons in the near future.
- The high economic growth, perhaps, caused spurt in the demand for cloth and more so for garments. However, the production of cloth declined in 2009-10 more so in Handloom sector and in decentralized sector. The silk industry has been witnessing phenomenal improvement.
- The number of rural enterprises have been increasing over time. Six states viz., West Bengal, Andhra Pradesh, Uttar Pradesh, Tamil Nadu, Maharashtra and Kerala account for about 58 per cent of the rural enterprises in the country and 57 per cent of the total employment in this sector.
- Percentage of agricultural enterprises in rural areas is higher in Gujarat, Andhra Pradesh, Kerala and Tamil Nadu.
- Share of female workers in rural enterprises is high in Andhra Pradesh, Gujarat, Karnataka, Kerala, Manipur, Mizoram, Nagaland, Sikkim and Tamil Nadu.
- Impressive growth rates of enterprises in rural areas of Haryana, Jammu & Kashmir, Kerala, Mizoram, Punjab, Tamil Nadu, Uttar Pradesh and Uttarakhand during 1998-2005 are observed. Very high growth of employment in rural enterprises is witnessed in Haryana, Jammu & Kashmir and Uttarakhand.

The Ministry of Agro and Rural Industries (MoARI) in India was established in September, 2001 with the aim to develop the Rural Industries in the Indian Economy. The main objectives of this initiative were to ameliorate the supply chain management, upgrade skills, introduce innovative technologies and expand markets of the entrepreneurs and artisans. A wide range of programs, schemes, projects and policies have been formulated to carry out various activities in the rural sector in India. Also, the Government of India has also ensured employment generation program in the rural regions under Rural Employment Generation Program (REGP) and the Prime Minister's Rozgar Yojana (PMRY) in association with of State Governments, Reserve Bank of India (RBI) and other banks.

**Some of the major sectors in rural economy of India have been listed below:**

### **Rubber Business in India-**

Rubber is one of the significant commercial crops in India. Rubber Industry in India has accounted for a production of 6.49 lakh tons for the year 2006. Places in India where rubber is cultivated include areas of southwest Konkan and Malabar Coast in Kerala and in some areas of Tamil Nadu.

### **Fisheries in Rural India-**

The fish production rate in India has witnessed a remarkable growth since 1995-96. The National Program of Developing Fish Seeds, Fish Farmers' Development Agencies and Brackish Water Fish Farmers' Development Agencies have been the major contributors to the growth in fisheries in rural India. A diversified range of fishing methods along with processed fish products have been introduced in the Indian rural market through an Integrated Fisheries Project.



### **Poultry Business in India-**

Poultry Business is one of the major contributors to the growing economy of rural and semi-urban India. India has witnessed a remarkable growth in the egg and poultry meat industry in the recent period. States of Andhra Pradesh, Karnataka, Kerala and Tamil Nadu contribute to around 45 percent of the total egg production in India whereas the eastern and central parts of India contribute to around 20 percent of the same. India is the seven largest poultry producer all over the world.

### **Tobacco Business in India-**

India is one of the most predominant producers as well as consumers of tobacco in India. It ranks third in terms of tobacco production around the world. Tobacco leaves are highly exported in the overseas countries which has accounted for a 99 percent increase in the revenue from exports.

### **Jute Business in India-**

Jute is one of the most prime products in terms of exporting to the overseas nations and it brings in maximum foreign exchange earnings. The delta of the river Ganges in West Bengal is perfect for jute cultivation. A wide range of gunny bags, shopping bags, handicrafts, carpets, and many more other items are made from Jute.

### **Horticulture Business in India-**

India has a diverse soil and climate which provides a promising opportunity for horticulture. Some of the crops cultivated in the horticultural sector comprise of fruits, vegetables, root and tuber crops, flowers, ornamental plants, medicinal and aromatic plants, spices, condiments, plantation crops and mushrooms.

### **Sericulture Business in India-**

Sericulture is one of the rural based agro industries in India. Silk production activity has accounted for a total income from export production of more than USD 600 million. Sericulture offers agro based, ecologically and economically sustainable activity for the poor, small and marginal farmers which also include women. 60 percent of the pre-cocoon and post-cocoon sector activities are carried out by women.

### **Tea Business in India-**

The tea business has been ruling Indian economy for the past 170 years. The chief areas of tea production in India include rural hills and backward areas of Northeastern and southern states like Assam, West Bengal, Tamil Nadu and Kerala. India mainly manufactures tea variants such as CTC, Orthodox tea and green tea.

## Rural Industries under Make in India



The Government is implementing the following schemes for bringing the rural industries under the ambit of the 'Make in India' programme:

(i) **Prime Minister's Employment Generation Programme (PMEGP)** is a credit linked subsidy scheme, for setting up of new micro-enterprises and to generate employment opportunities in rural as well as urban areas of the country through Khadi & Village Industries Commission (KVIC), State Khadi & Village Industries Board (KVIB) and District Industries Centre (DIC). Since inception and up to January 2016, 3.50 lakh micro enterprises have been set up by utilizing margin money amounting to Rs.7004.40 crore and 29.82 lakh jobs have been created from these units.

(ii) **Scheme of Fund for Regeneration of Traditional Industries (SFURTI)** was launched in 2005-06 for making Traditional Industries more productive and competitive by organizing the Traditional Industries and artisans into clusters. 26 clusters have been granted final approval with a total project cost of Rs.72 crore benefiting around 25000 artisans.

(iii) **A Scheme for Promoting Innovation, Rural Industry and Entrepreneurship (ASPIRE)** was launched on 18.3.2015 to promote Innovation & Rural Entrepreneurship through rural Livelihood Business Incubator (LBI), Technology Business Incubator (TBI) and Fund of Funds for start-up creation in the agro-based industry. During the year 2015-16, 22 LBIs & 2 TBIs have been approved and two LBI Centres have been operationalized at Deoria (U.P.) and Rajkot (Gujarat).

Products of rural industries are already covered under extant laws & rules relating to trade & commerce including consumer protection. Stand Up India scheme is meant to provide composite loans between Rs. 10 lakh to Rs. 100 lakhs for setting up Greenfield enterprises in non-farm sector by SC/ST and women entrepreneurs.

### Classification of Rural Industries

Rural industries have been classified into the following six categories:-

1. Mineral-based industries.
2. Forest-based industries.
3. Agro-based industries.
4. Engineering and non-conventional industries.
5. Textile industry (including Khadi), and
6. Service industry.

## 4.5 Globalization in Rural Industry



Since globalization is a macro-concept and rural entrepreneurship is a micro-concept, occurring in a very limited area, it is very difficult to establish causal linkages, or to quantify the specific effects of globalization on rural entrepreneurship. However, it is possible to identify a range of different channels through which various aspects of globalization can be expected to change the welfare of rural entrepreneurship in India.

### 1) Productivity and efficiency effect

Globalization is often said to result in higher productivity, due to the access to global markets, abilities to specialize, and to take advantages of economies of scale and scope. Exposure to the global competition can result in high levels of productivity and efficiency. However, it is less crucial for large economies like India. Again, the potential gains to rural entrepreneur are also large, because globalization enhances countries' abilities to exploit comparative advantages arising from differing natural and ecological conditions. At the level of national policy, these arguments seem to favour globalization. Still, it is very easy to see how the rural entrepreneur could still lose out. In short, globalization presents real dangers to the rural entrepreneur, to set against the possible advantages for the wider economy.

### 2) Economic growth effect

The argument in favour of globalization is the positive link between globalization and rural entrepreneurship in India. Because the potential benefits include improved access to foreign technology and managerial expertise. Emergence of the WTO and the series of deliberations under the Uruguay round have changed the world economic order. Indian Government has shelved the earlier protectionist policies and opened up the economy to the world market. Undoubtedly, this has helped the Indian economy to recoup its strength with the flow of international capital and technology resulting in a robust economic position. The economy is moving steadily with more than 6 per cent DGP growth rate for the last two decades or so. However, the new economic order has posed severe challenges to the agricultural and rural sectors of the economy.

Overall, it indicates that openness promotes faster growth. Still, the question remains as to what this might do for the rural enterprises, particularly as little FDI flows into agriculture, least of all small-scale agriculture. The effect of globalization on rural enterprises depends upon the changes in GDP and changes in income distribution. The evidence suggests that the rural entrepreneur overall are substantially included as beneficiaries from economic growth. However, the extent of inclusion varies from country to country.

### 3) Technological effect

Transfer of technology is one of the prominent features of globalization and one of the major reasons for predicting improved growth. Many formerly small rural entrepreneurs saw major improvements in their businesses, but the improvements were in a very limited area and to a very limited number of entrepreneurs. The focus today is on the potentials and dangers of biotechnology. In principle, the benefits here too may be large. The benefits may be from raising productivity,



reduced risks of drought and pests, as well as lower food prices. Biotechnology research has been more relevant to the problems of high-income countries. The benefits tend to be specific to particular environments, conditions or markets. As small number of multinational corporations is also carrying out much of the research. There has been a general focus upon the problems of rural entrepreneurs in rich countries, with little attention being paid to developing countries' like India's basic food crops and the problems of their small farmers.

#### 4) **Distributional Effect**

It is not possible to gauge the overall effect of globalization on the level of inequality; the effect on women entrepreneur in rural area is less ambiguous. Many rural women entrepreneurs are hampered from benefiting from the changes arising from globalization. They have less access than men to education and training, less time to devote to productive activities, less command over important resources such as land, credit and capital. In developing countries, the sexual division of labor precludes women from income derived from cash crops. In addition, they also have less incentive to respond to economic signals, since they are likely to have less control over any income.

#### 5) **Policy**

Government of India has, in a sense, discriminated against agriculture and those enterprises that depend upon it. This 'discrimination' has typically taken the form of overvalued exchange rates, state trading monopolies for domestic and external marketing of agricultural commodities. Additionally, the revenues from commodity exports have been used for the growth of civil services and urban development, rather than reinvestment in agriculture.

## 4.6 Challenges faced by Rural Entrepreneurship in India

### **Family Challenges:**

Convincing to opt for business over job is easy is not an easy task for an individual. The first thing compared is – Will you make more money in the business of your choice or as a successor of family business. This is where it becomes almost impossible to convince that you can generate more cash with your passion than doing what your Dad is doing.

**Social Challenges:** Family challenges are always at the top because that is what matter the most but at times social challenges also are very important. Let us say you and your friend graduated at the same time. You opted for entrepreneurship and your friend opted for a job. He now has a flat, car and what not because he could easily get those with a bank loan but you still have nothing to show off and this is where the challenge comes.

**Technological Challenges:** Indian education system lags too much from the Job industry as a whole but then it lags even more when it comes to online entrepreneurship. What technology would be ideal and how to use that technology effectively?



**Financial Challenges:** (Difficulty in borrowing fund): Financial challenges are a lot different in India especially for online entrepreneurs. When you are starting out as an entrepreneur you don't opt for venture funding but try to go to funding for small to medium business people. Many such non-technical business people don't understand the online business models as a whole and so getting an initial business funding from them becomes challenging. The other option you can think of is a loan but bank loan is not at all an option in India for new online entrepreneurs.

**Policy Challenges:** Now and then there is lots of changes in the policies to change in the government. Problems of TRIPS and TRIMS. Problems of raising equity capital, Problems of availing raw-materials, Problems of obsolescence of indigenous technology Increased pollutions Ecological imbalanced. Exploitation of small and poor countries etc.

#### **A. Opportunities**

- Free entry into world trade.
- Improved risk taking ability.
- Governments of nations withdrawn some restrictions
- Technology and inventions spread into the world.
- Encouragement to innovations and inventions.
- Promotion of healthy completions among nations
- Consideration increase in government assistance for international trade.
- The establishment of other national and international institutes to support business among the nations of the world.
- Benefits of specialization.
- Social and cultural development

#### **B. Challenges for Rural Entrepreneurs**

- Growth of Mall Culture
- Poor Assistance
- Power Failure
- Lack of Technical know how
- Capacity Utilization
- Infrastructure Sickness

#### **C. Opportunities for Rural Entrepreneurs**

- 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.

## **4.7 Problems of Rural Entrepreneurship**

Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses,

similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.



## **Financial Problems**

### **• *Paucity of Funds***

Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. The procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. Lack of finance available to rural entrepreneurs is one of the biggest problems which rural entrepreneur is born now days especially due to global recession. Major difficulties faced by rural entrepreneurs include low level of purchasing power of rural consumer so sales volume is insufficient, lack of finance to start business, reduced profits due to competition, pricing of goods and services, Financial statements are difficult to be maintained by rural entrepreneur, stringent tax laws, lack of guarantees for raising up of loans, difficulty in raising capital through equity, dependence on small money lenders for loans for which they charge discriminating interest rates and huge rent and property cost. These all problems create a difficulty in raising money through loans. Landlords in Punjab proved to be a major source of finance for rural entrepreneurs but the rates of land are reduced due to global recession so they also lack hard cash nowadays.

Some banks have not ventured out to serve rural customers because banks are expensive to be reached by rural customers and, once reached, are often too poor to afford bank products. Poor people often have insufficient established forms of collateral (such as physical assets) to offer, so they are often excluded from traditional financial market. The government is providing subsidies to rural areas but due to the high cost of finance, these subsidies are not giving fruitful results. Major sources of finance in rural areas are loans from regional rural banks or from zamindars but their rate of interest is usually very high. The government has various institutions for this purpose but the results are not up to the level expected. Industrial Finance Corporation of India (IFCI), Industrial development bank of India, Industrial Credit and Investment Corporation of India (ICICI), Small Scale Industry development bank of India (SIDBI) are some of the national level (SFC) institutions that are helping out rural entrepreneurs. Some state level institutions are also working like a State Financial Corporation and State Industrial Development Corporation (SIDC). These institutions provide assistance for setting up of new ventures and side by side for modernization and expansion of existing ones but their terms and conditions are very strict to be handled.

Various schemes like composite loan scheme, tiny unit scheme, scheme for technical entrepreneurs etc. had started but they are unable to meet the expectation of rural entrepreneur. Raising funds through equity is little bit difficult for rural entrepreneurs because of lack of financial knowledge and also their financial corpus is also low, so loans are the primary source of finance for them which proved to be a great obstacle in developing rural entrepreneurship. Various policies of RBI regarding priority sector lending failed to achieve its objectives. Micro financing movements started in India worked well. Self-help groups from the basic constituent unit of micro finance movement in India. Self-help groups are a group of a few individuals who pool their savings into a fund from which they can borrow as and when necessary. Such a group is linked with banks but



joining an existing SHG is often a costly affair for an aspiring villager as in order to maintain parity among the members, a new member has to join by depositing the total accumulated individual savings and interest of groups. So starting new SHG is an easy as compared to join existing one. NGO's also played important role in rural development. These NGO's are usually registered as societies and trust. They have less capital resources as they cannot raise equity capital.

### ***Lack of Infrastructural Facilities***

- The growth of rural entrepreneurs is not very healthy in spite of efforts made by government due to lack of proper and adequate infrastructural facilities.

### ***Risk Element***

Rural entrepreneurs have less risk bearing capacity due to lack of financial resources and external support.

### **Marketing Problems**

#### **• *Competition***

Rural entrepreneurs face severe completion of large sized organizations and urban entrepreneurs. They incur the high cost of production due to high input cost. Major problems faced by marketers are the problem of standardization and competition from large scale units. They face the problem in fixing the standards and sticking to them. Competition from large scale units also creates difficulty for the survival of new ventures. New ventures have limited financial resources and hence cannot afford to spend more on sales promotion. These units are not having any standard brand name under which they can sell their products. New ventures have to come up with new advertisement strategies which the rural people can easily understand. The literacy rate among the Problems Faced by Rural Entrepreneurs and Remedies to Solve It rural consumer is very low. Printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication. People in rural areas mostly communicate in their local dialects and English and Hindi are not understood by many people. It has been seen in the recent past that in spite of enough food stocks with government warehouses, people are dying of starvation. This indicates a problem with the public distribution system. The producers are not collective in their approach for marketing their products because they are too widely scattered and uneducated.

#### **• *Middlemen***

Middlemen exploit rural entrepreneurs. The rural entrepreneurs are heavily dependent on middlemen for marketing of their products who pocket large amount of profit. Storage facilities and poor mean of transport are other marketing problems in rural areas. In most of the villages, farmers store the produce in open space, in bags or earther vessels etc. So these indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc. The agricultural goods are not standardized and graded.

### **Management Problems**



- ***Lack of Knowledge of I.T***

Information technology is not very common in rural areas. Entrepreneurs rely on internal linkages that encourage the flow of goods, services, information and ideas. The intensity of family and personal relationships in rural communities can sometimes be helpful but they may also present obstacles to effective business relationships. Business deals may receive less than rigorous objectivity and intercommunity rivalries may reduce the scope for regional cooperation. Decision making process and lines of authority are mostly blurred by local politics in rural areas.

- ***Legal formalities***

Rural entrepreneurs find it extremely difficult in complying with various legal formalities in obtaining licenses due to illiteracy and ignorance.

- ***Procurement of Raw Materials***

Procurement of raw materials is really a tough task for rural entrepreneurs. They may end up with poor quality raw materials, may also face the problem of storage and warehousing.

- ***Lack of Technical Knowledge***

Rural entrepreneurs suffer a severe problem of lack of technical knowledge. Lack of training facilities and extensive services create a hurdle for the development of rural entrepreneurship.

- ***Poor Quality of Products***

Another important problem in growth of rural entrepreneurship is the inferior quality of products produced due to lack of availability of standard tools and equipment and poor quality of raw materials.

## **Human Resources Problems**

- ***Low Skill Level of Workers***

Most of the entrepreneurs of rural areas are unable to find workers with high skills. Turnover rates are also high in this case. They have to be provided with on the job training and their training is generally a serious problem for the entrepreneur as they are mostly uneducated and they have to be taught in the local language which they understand easily. The industries in rural areas are not only established just to take advantage of cheap labor but also to bring about an integrated rural development. So rural entrepreneurs should not look at rural area as their market, they should also see the challenges existing in urban areas and be prepared for them. Rural entrepreneurs are generally less innovative in their thinking. Youths in rural areas have little options “this is what they are given to believe”. This is the reason that many of them either work as farm or migrate to urban land.

- ***Negative Attitude***



The environment in the family, society and support system is not conducive to encourage rural people to take up entrepreneurship as a career. It may be due to lack of awareness and knowledge of entrepreneurial opportunities. The young and well educated mostly tend to leave. As per circumstances, rural people by force may be more self-sufficient than their urban counterparts, but the culture of entrepreneurship tends to be weak. Continuous motivation is needed in case of rural employee which is sometime difficult for an entrepreneur to Problems In Rural Entrepreneurship Entrepreneurs are playing very important role in the development of economy. They face various problems in day to day work. As the thorns are part of roses, similarly every flourishing business has its own kind of problems. Some of the major problems faced by rural entrepreneurs are as under.

## 4.8 Role of Rural Entrepreneurs in Economic Development

The entrepreneurs with their ability to scan, analyze and identify opportunities in the environment transform them into business proposition through creation of economic entities. They by channelizing the resources from less productive to move productive use create wealth. Through efficient and effective utilization of national resources, they act as catalysts for economic development and agents of social transformation and change. According to Joseph Schumpeter, the rate of economic progress of a nation depends upon its rate of innovation which in turn depends on rate of increase in the entrepreneurial talent in the population. According to Meir and Baldwin, development does not occur spontaneously as a natural consequence when economic conditions in some sense are right. A catalyst is needed which results in entrepreneurial activity to a considerable extent. The diversity of activities that characterizes rich countries can be attributed to the supply of entrepreneurs. They play a vital role for the economic development of a country in the following ways.

**Formation of Capital:** Entrepreneurs by placing profitable business proposition attract investment to ensure private participation in the industrialization process. The otherwise idle savings are channelized for investment in business ventures which in turn provides return. Again the savings are invested giving a multiplier effect to the process of capital formation.

**Balanced Regional Development:** The entrepreneurs always look for opportunities in the environment. They capitalize on the opportunities of governmental concessions, subsidies and facilities to set up their enterprises in undeveloped areas. The setting up of steel plant at Tata Nagar, Reliance Petrochemicals at Jamnagar (Gujarat) have resulted in the development of Good Township and peripheral regional development. Thus entrepreneurs reduce the imbalances and disparities in development among regions.

**General Employment:** This is the real charm of being an entrepreneur. They are not the job seekers but job creators and job providers. With the globalization process the government jobs are shrinking leaving many unemployed. In the circumstances, the entrepreneurs and their enterprises are the only hope and source of direct and indirect employment generation. Employment is generated directly by the requirement of the large enterprises and indirectly by ancillary and consequential development activities.



**Improvement in Standard of Living:** Entrepreneurial initiative through employment→ generation leads to increase in income and purchasing power which is spent on consumption expenditure. Increased demand for goods and services boost up industrial activity. Large scale production will result in economies of scale and low cost of production. Modern concept of marketing involves creating a demand and then filling it. New innovative and varying quality products at most competitive prices making common man's life smoother, easier and comfortable are the contribution of entrepreneurial initiative.

**Increase in per Capita Income:** Entrepreneurs convert the latent and idle resources like land, labour and capital into goods and services resulting in increase in the national income and wealth of a nation. The increase in national income is the indication of increase in net national product and per capita income of the country.

**National Self-reliance:** Entrepreneurs are the corner stores of national self-reliance. They help to manufacture indigenous substitutes to imported products which reduce the dependence on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, the import substitution and export promotion ensure economic independence and the country becomes self-reliance.

**Planned Production:** Entrepreneurs are considered as economic agents since they unite all means of production. All the factors of production i.e., land, labour, Capital and enterprise are brought together to get the desired production. This will help to make use all the factors of production with proper judgment, perseverance and knowledge of the world of business. The least combination of factors is possible avoiding unnecessary wastages of resources.

**Equitable Distribution Economic Power:** The modern world is dominated by economic power. Economic power is the natural outcome of industrial and business activity. Industrial development may lead to concentration of economic power in few hands which results in the growth of monopolies. The increasing number of entrepreneurs helps in dispersal of economic power into the hands of many efficient managers of new enterprises. Hence setting up of a large number of enterprises helps in weakening the evil effects of monopolies. Thus, the entrepreneurs are key to the creation of new enterprises that energises the economy and rejuvenate the established enterprises that make up the economic structure.

### **Benefits from Rural Entrepreneurship:**

***Provide employment opportunities:*** Rural entrepreneurship is labor intensive and provides a clear solution to the growing problem of unemployment. Development of industrial units in rural areas through rural entrepreneurship has high potential for employment generation and income creation.

***Check on migration of rural population:*** Rural entrepreneurship can fill the big gap and disparities in income rural and urban people. Rural entrepreneurship will bring in or develop infrastructural facilities like power, roads, bridges etc. It can help to check the migration of people from rural to urban areas in search of jobs.



**Balanced regional growth:** Rural entrepreneurship can dispel the concentration of industrial units in urban areas and promote regional development in a balanced way.

**Promotion of artistic activities:** The age-old rich heritage of rural India is preserved by protecting and promoting art and handicrafts through rural entrepreneurship.

**Check on social evils:** The growth of rural entrepreneurship can reduce the social evils like poverty, growth of slums, pollution in cities etc.

**Awaken the rural youth:** Rural entrepreneurship can awaken the rural youth and expose them to various avenues to adopt entrepreneurship and promote it as a career.

**Improved standard of living:** Rural entrepreneurship will also increase the literacy rate of rural population. Their education and self-employment will prosper the community, thus increasing their standard of living.

## 4.9 Let's Sum-up

Rural entrepreneurship is now a days a major opportunity for the people who migrate from rural areas or semi - urban areas to Urban areas. On the contrary it is also a fact that the majority of rural entrepreneurs is facing many problems due to not availability of primary amenities in rural areas of developing country like India. Lack of education, financial problems, insufficient technical and conceptual ability it is too difficult for the rural entrepreneurs to establish industries in the rural areas. From the above analysis we can conclude that Rural entrepreneurship should not only set up enterprises in rural areas but should be also using rural produce as raw material and employing rural people in their production processes. Rural entrepreneurship is, in essence, that entrepreneurship which ensures value addition to rural resources in rural areas engaging largely rural human resources. In other words, this means that finished products are produced in rural areas out of resources obtained in rural areas by largely.

Thus the rural entrepreneurship is a vital for rural economic development. There are several reasons for the increasing interest in entrepreneurship especially in rural regions and communities. " The rural entrepreneurs play important role in driving local and national economies. The structure of rural economies is essentially composed of small enterprises, which are responsible for most of the job growth and the innovation. Moreover, small businesses represent an appropriate scale of activity for most rural economies. "Traditional approaches to recruitment and retention are just not working for most places, and states are looking for viable alternatives which mainly include entrepreneurship. Rural entrepreneurs have successfully diversified into or started new businesses in markets as diverse as agri-food, crafts, recycling, leisure and health.

## 4.10 Key Terms

Rural Entrepreneurship, Problems, Development, challenges. Agri-Business, Rural Industry

## 4.11 Self-Assessment Questions

- Q. What are the financial constraints faced by Rural Industries?
- Q. What are the Legal Problems faced by Rural Industries?



## 4.12 Further Readings

- Saxena S. (2012), Problems Faced By Rural Entrepreneurs and Remedies to Solve It, Journal of Business and Management, ISSN 2278-487X, Vol. 3, Issue 1, July-August.4 2.
- Choudhary K. (2011), Effect of Globalization on Rural Entrepreneurship in India, Half Yearly Global Economic Research Journal, ISSN 2249- 4081, Vol. I, Issue, pp. 88-92 3.
- Ahirrao J. (2013), Entrepreneurship and Rural Women in India, New Century, New Delhi.2.

## 4.13 Model Questions

- Q. What are the major problems faced by Rural Industries?
- Q. What are the different types of rural entrepreneurs?
- Q. How does Negative Attitude can affect the Rural Entrepreneurship?

# Self Assessment Questions (Answer)



## Unit 1

**Answer:** The term cultural entrepreneurship applies to the creation of any product or service that primarily targets our tastes, and that is an expression of our tastes, whether it's our taste in fashion, movies, music, stories, games, cuisine, or opinions. A newspaper is part of media; but I'd say a magazine like *People* or *Vanity Fair* would be part of the cultural industry.

What we have to understand is that culture, more than almost any other industry, is almost always in the private domain; only in very unfortunate countries is culture significantly done by the public sector. So, culture is produced by private individuals who spend effort creating it, marketing it, and try to make a living by selling it. These industries are well set, though most run on low margins and the companies involved are primarily small, and universally cash-strapped. So, culture is a hotbed of entrepreneurship.

**Answer:** There are many similarities, and one crucial difference. The difference is this: since cultural products deal with the taste of the consumer, there is every possibility they will fail. You just do not have a model to predict success, and the difference between a hit and a flop is so large that you can't build a proper NPV/ROI calculation. This scares away institutional investors, not because the risk of failure is so much more than, say, internet technology, but because they feel like they cannot predict it, that they don't have control.

In every other way, it's very similar. In fact, it's more hard-core entrepreneurship than in sectors where there is easy money flowing in. You need to get a team together, understand your customer, get financing, make your product or service, find a way to distribute or scale up, find a way to market and sell it. You probably won't become a billionaire through it, but you will have to find a way to make profits to keep doing it and reach the audience that you want.

There is one important advantage to this industry too. Unlike most other industries, you have the concept of a fan base. If you are a cultural creator who has succeeded once, your chances of future success increase exponentially.

**Answer:** India has had a few mature, advanced cultural sectors for a while. Film and music were both enthusiastically adopted very soon after Independence and those industries have grown to be world-class. Restaurants were also universally present, along with iconic eateries in every city. The change that we are seeing now is the growth of new cultural sectors: an explosion in publishing, breakthroughs in animation, a revival in comics, a bit of growth in fashion, a slow boil in gaming, and very importantly, a massive influx of recreation spaces which was led by the incredible growth experienced by cafes in the last decade.

We have to understand that India is severely underserved with regards to cultural consumption. Let's look at a great example – children's culture. Children are great cultural consumers, and it's important to have great content for kids, because they learn as much (probably, far more) through stories and play than they do by sitting through Geography and History classes. They certainly learn a lot of ethics through the stories they imbibe.

That doesn't mean that we make preachy, boring stories. But generally, the world over, children's content mixes the adrenaline rush of adventure and danger with the basic good vs evil, heroes vs villains aesthetic, and with messages of positivity, hope and courage. And they build great and profitable brands, great businesses, doing so.



Has that happened in India? Hardly. Are Indian kids any different? Don't they want great stories, awesome heroes? Till now, we have one indigenous kid's brand – ChottaBheem. That's it. One, for the 300 million children of this country. And ChottaBheem is everywhere now, in every toy store, in malls and McDonald's.

So that opportunity exists. In fact, this is the industry which personally excites me the most, where I plan to start-up myself.

## Unit II

**Answer:** The role of the entrepreneur is to facilitate trades that improve the living conditions of all participants. An entrepreneur sources materials, and provides a living for her suppliers. She then creates a product that adds value; one that improves happiness or advances society, without harming people or planet in the process. Ultimately, entrepreneurs are the people who move society — in which direction depends on the entrepreneur.

**Answer:** 1. Help children understand that taking risk and failure are part of life, not to be avoided. Then help them find their own level of comfort with risk and failure.

2. Help children and young adults preserve the creative skills they have inside them, skills that are often choked off accidentally in school and early work experiences.

3. Elect leaders who support both types of freedom: economic pursuit of happiness \*and\* personal freedoms of expression. The overlap of the two permits creative ideas to become businesses.

4. Keep taxes and administrative burden low for startups.

5. Encourage wide-open immigration and movement of capital and people across borders to maximum extent possible.

6. De-couple health insurance from employment.

7. Vigorously protect intellectual property and inventions.

8. Forgive bankruptcies; allow restructurings.

9. Adopt policies / set budgets (for govt, companies, projects, whatever) that recognize that creative genius is set free by scarcity of resources and that great innovations come from necessity.

10. Let people keep the vast majority of the wealth they create; contrary to current conventional political wisdom, that wealth typically creates more jobs directly by consumer spending and investment than it would by being hoovered up and sent to the central government.

## Unit III

**Answer:** Just like men, some women make good leaders and some don't. However there are some major differences in the way women lead. In extremely



broad stereotypes, men try to dominate and women try to connect. That makes for very different leadership styles. Men often tell stories to prove that they're better than other people; women share their experiences to show how they're the same.

**Answer:** The great thing about the young ones is that they assume there are no barriers between them and top leadership roles. That's progress. The downside is that there are still some gender issues in the workplace, and young women may not have an awareness of them. For instance, men are much more likely to negotiate a salary than women. Management may not be intentionally paying women less, but if she accepted a lower starting salary than her male counterparts, the guys are going to start out ahead, and that gap is likely to widen over the course of their careers. One of the things older women can do is nag their younger colleagues to ask for more. Ask for more money. Ask for a promotion to a more challenging role. Ask for more high-profile assignments.

**Answer:** Women leaders tend to spend more time nurturing their employees than testing their mettle. This is particularly important for gen y underlings, who crave support and feedback (preferably positive) at every turn.

Women also rely on their intuition and will often base business decisions on a gut feeling. They may then look at the data to make sure the facts support that decision, but sometimes you have to make decisions without much information to go on.

Women tend to be more empathetic than men and more sensitive to the nuances of communication. A female leader is more likely to pick up on subtle cues regarding how an employee is faring and also to have an intuitive feel for whether a potential hire is right for the team .

## Unit IV

**Answer:** Most of the rural entrepreneurs face financial crunch in setting up rural industries because of the non-supportive attitude of financial institutions and banks which work more on papers. The procedures and conditions to avail a loan is so time consuming that its delay often disappoints the entrepreneur. Due to this, the entrepreneurs are forced to take credit from village money lenders who charges exorbitant rate of interest.

**Answer:** Rural industries need compliance of various legal formalities in obtaining the government's approval and license for carrying out industrial activities. But rural entrepreneurs find it extremely difficult to comply with various legal formalities due to sometimes complex legal provisions or illiteracy and ignorance.

Besides the above problems, lack of awareness and knowledge about the importance of rural industries stand as a major problem before rural entrepreneurs. Added to this another problem crops up relates to the disinterest shown by rural

people to assume rural entrepreneurship as career. The ninth plan has also sorted out the problems of rural industries as follows:



- Inadequate flow of credit
- Use of obsolete technology, machinery and equipment
- Poor quality standards
- Inadequate infrastructural facilities.