

RURAL ENTREPRENEURSHIP IN UTTARAKHAND - SUSTAINABLE RURAL DEVELOPMENT STRATEGY FOR THE HILLS

Dr. Shikha Nagalia Sharma,

*Associate Professor,
Department of Economics,
DAV (PG) College, Dehradun, Uttarakhand*

ABSTRACT

According to the World Bank collection of development indicators, the **rural population in India** was reported at 65.97 % in **2018**. People are migrating from rural areas to urban areas due to lack of job opportunities and rural youth is unable to find any options for their growth. Not only does this problem lead to out-migration from the villages but also puts undue pressure on the infrastructure and amenities of the urban areas. **Rural entrepreneurship** is defined as “**entrepreneurship** whose roots lie in the **rural** areas but has a lot of potential to drive various endeavours in business, industry, agriculture, etc. and contribute to the economic development of the country.” Uttarakhand, a predominantly hill state with a population of 10,116,752 (2014) is spread over a land area of 53,483 square kilometres of which 86 percent is mountainous and 65 percent is covered by forest. Close to 70 percent of the people reside in rural areas. The three districts in the plains fare better on most human development indicators than the hill districts. A majority of the people in the hill districts engage in agriculture which by and large has become an increasingly uneconomical and unsustainable enterprise. There is a pressing need for evolving special policies and support mechanisms to promote micro, small and village enterprises, taking into account the diversities and constraints of the region. This exploratory study seeks to identify the areas suitable for rural entrepreneurship ventures in the hills of rural Uttarakhand, study the challenges of rural entrepreneurship in the area of study, the enablers initiated by the state government and suggest the way forward.

Keywords: Rural Entrepreneurship, Sustainable Rural Development, Key Areas, Challenges

INTRODUCTION

According to the World Bank collection of development indicators, the **rural population in India** was reported at 65.97 % in **2018**. (tradingeconomics.com) Poverty in rural India is rampant, with the average annual earnings of a small and marginal farmer household at INR

79,779 in 2015-16. At the national level, it is a mammoth challenge to bridge the urban-rural divide particularly when the farm sector has limited potential to generate income and employment on a sustainable basis. Welfare funding does not address the root cause of poverty, it only treats the symptoms. (www.livemint.com) The only way to cure poverty is through creation of

skills and economic opportunity. "With two-thirds of India's billion-plus people living in villages, jump-starting the economic engine of rural India will have a multiplier effect on investment, consumption, government expenditure and exports." (Mazumdar-Shaw, 2019) Rural entrepreneurship, based on innovative approaches and local resources can make a huge difference in this direction.

RURAL ENTREPRENEURSHIP

People are migrating from rural areas to urban areas due to lack of job opportunities and rural youth is unable to find any options for their growth. Not only does this problem lead to out-migration from the villages but also puts undue pressure on the infrastructure and amenities of the urban areas. Rural entrepreneurship facilitates self-employment, generates additional employment and income earning opportunities for local people leading to the wider distribution of income, on the one hand, and maximum utilization of local resources within the boundaries of the rural areas, on the other hand.

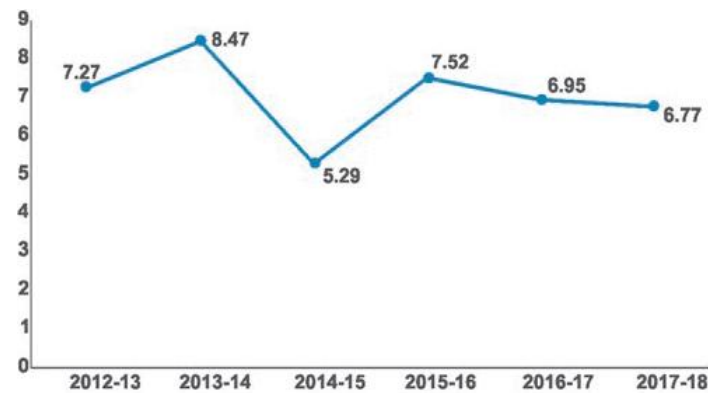
Rural entrepreneurship is defined as **entrepreneurship** whose roots lie in the **rural** areas but which has a lot of potential to drive various endeavours in business, industry, agriculture, etc. and contribute to the economic development of the country. Rural entrepreneurship can be classified into four types viz: Individual Entrepreneurship, Group Entrepreneurship, Cluster formation and Co-operatives. Innovative entrepreneurship is characterized by innovative and groundbreaking

thinking. Innovative entrepreneurs rely on creative ideas, and focus on the invention and development of new, original products or services (Benzing et al., 2009; Samila and Sorenson, 2011). Process entrepreneurship, on the other hand, focuses on the existing processes, or the development of technologies that can improve the quality of existing products or services. Entrepreneurs of this type work in a more certain, secure environment, and their risk level is low compared to that of innovative entrepreneurs. (Schumpeter, 1951; Carland et al., 1984).

Rural Entrepreneurship implies entrepreneurship emerging in rural areas as it harnesses local resources based on innovation and invention, provides employment for local youth and thus contributes to 'sustainable economic development'. Rural Entrepreneurs focus on creation of a new organization that introduces new products, serves or creates a new market, or utilizes a new technology in a rural environment. The Chinese Economic Miracle in the 21st Century is a classical example of Rural Entrepreneurship. (Goodwin, 2018)

PROFILE OF THE STUDY AREA

Uttarakhand was carved out in the year 2000 from the Himalayan districts of Uttar Pradesh, on the grounds of development issues, as the 27th state of the Republic of India. Post-2005, Uttarakhand has emerged as one of the fastest growing states within India – averaging a robust annual growth rate of seven percent over the past five years.

Figure 1: Growth Rate in GSDP (%),(at 2011-12 prices), 2012-13 to 2017-18

Source: Uttarakhand Human Development Report, 2018

Uttarakhand shares borders with China, Nepal, Uttar Pradesh, Himachal Pradesh and Haryana. Its population is 10,116,752 (2014) spread over a land area of 53,483 square kilometres of which 86 percent is mountainous and 65 percent is covered by forest. Close to 70 percent of the people reside in rural areas. The state has 13 districts, 49 subdivisions, 95 development blocks, 16,793 census villages out of which 15,745 villages (including forest settlements) are inhabited, and the remaining 1048 are un-inhabited. Out of thirteen districts, only Haridwar, Udham Singh Nagar, and some parts of Dehradun and Nainital districts are located in the plains.

There is marked spatial inequality in the state, and growth is heavily skewed in favour of already better developed districts in the plains. The three districts in the plains fare better on most human development indicators than the hills districts. Along some dimensions, the inequalities are even widening. Many factors account for this – the dependence of a majority of rural residents in mountain areas on subsistence agriculture compounded by fragmented, scattered and rain-fed land available for cultivation, poor accessibility to infrastructure, markets, technologies, and information and a fragile landscape.

JUSTIFICATION OF THE STUDY

There has been limited scope for industrial development in the rural and hill areas of Uttarakhand, even though the secondary sector made a sizeable contribution to the Gross State Domestic Product at 50.40% in 2016-17, at current prices. (Directorate of Economics and Statistics, Government of Uttarakhand). Low productivity in the agricultural sector and the dearth of income earning opportunities outside this sector in the hills has created a mammoth problem of out migration from the state which is leading to the utter neglect of the villages and farmlands and loss of traditional culture. Recently, the situation created by the Covid-19 pandemic has brought about a reverse migration of workers to the villages of Uttarakhand but without attractive livelihood opportunities for them in their native villages. This problem creates a two-fold opportunity for the state. Firstly, the development of the industrial sector in the villages can be initiated by promoting a large number of micro and small enterprises across the hill districts of the state to create self employment and employment and earning opportunities for these workers in their own villages. Even though there is not sufficient scope for large industries in the hills, there are very conducive and favourable conditions for setting up a large number of micro and small rural enterprises in the areas like agro- processing

and tourism which constitute the strengths of this state. Secondly, this will prevent the workers from moving out of the state in search of earning opportunities, which is expected till the pandemic comes under control, which may take up to a year. On the one hand, this will solve the major problem of out migration and on the other, it will also help in increasing the productivity of the primary sector, as the natives will be able to pay more attention to their farms. Hence, considering these benefits, the importance of promoting the concept of rural entrepreneurship in the hills districts of Uttarakhand need hardly be overemphasized.

PRIOR STUDIES

Goodwin R.D. & Bhanu Prakash (2019) emphasize that the empirical studies on 'Rural Entrepreneurship' focus on developed nations, most notably, the UK, USA, Spain, Finland and Greece. With the advent of globalisation, challenges created by economic downturn, and the need to integrate local economies with global markets especially in less developed and developing economies, make the study on Rural Entrepreneurship most imperative .

Pertin (1994) describes 'Rural Entrepreneurship' as an economic force for rural development. It integrates 2 approaches of rural development *viz.*, (i) Bottom-Up and (ii) Top-Down for the development of rural areas as rural entrepreneurs stay on in rural areas and generate incomes and employment for the local people on a sustainable basis.

Atterton et al., (2011) and Newbery and Bosworth, 2014; Phillipson et al., (2011) opine that rural entrepreneurship plays a vital role in harnessing invention and innovation, maintaining and developing communities, providing job opportunities

and moderating the relationship between farming, land-use, community and economic development.

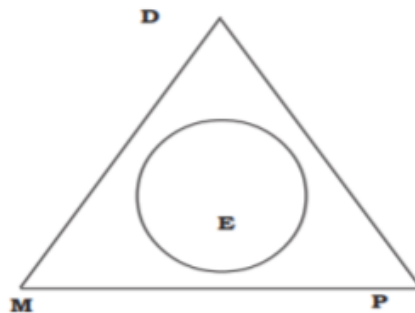
Onyekwelu et al., (2008) defined 'Rural Entrepreneurs' as individuals who find investment opportunities in rural areas. They identified the 'Pro-Developmental Rural Entrepreneurial Functions' as identification of investment opportunities, invention and innovation, formation and nurturing enterprises, assembling and coordinating resources (human and material), risk bearing and decision-making.

Wortman (1990), critiques the existing research on rural entrepreneurship, analyzes the data sources along with research methods to propose future questions in this field , and suggests a unified public-private approach to rural entrepreneurship..

Yagang et.al(2013) have probed into how institutional aspects such as regulation, normative and cognitive components affect the strategic behavior of rural Chinese entrepreneurs.

Patil et.al (2019) believe that entrepreneurs serve as the catalyst in the economy's engine, triggering and stimulating all economic activity. Based on agro-based and non agro-based ventures, they explain how rural entrepreneurship can help in mitigating the complex challenges caused by migration.

Katekhaye et.al (2017) have provided a comprehensive analysis of the relationship between rural entrepreneurship, development and poverty alleviation. **Todirica et.al, (2018)** opine that the spirit of rural entrepreneurship can be stimulated by increasing awareness of the environmental impact of green activities such as organic farming, renewable energy alternatives and eco-tourism etc to convert a traditional and poor economy into a sustainable and vibrant one.

Figure 2: The Rural Entrepreneurship Model

Lee, H.S., & Phan, P. (2008)., Initial Thoughts on a Model of Rural Entrepreneurship in Developing Countries, 2nd Edition, World Entrepreneurship Forum, Baltimore.

The Entrepreneurship (E) is at the centre and woven around (i) Production (P); (ii) Marketing (M); and (iii) Distribution (D). The Production Centre manufactures goods and renders services for sale. The Marketing Department fixes the quality, price, and promotes the enterprise. The Distribution Centre is where the product goes for sale. The sale proceeds then strengthen the enterprise financially and that is the focal point of reference for future development.

STATUS OF MICRO, SMALL & MEDIUM ENTERPRISES (MSMEs) IN UTTARAKHAND

Out of the 633.88 estimated number of Micro, Small & Medium Enterprises (MSMEs) in India, 324.88 lakh MSMEs (51.25%) were in rural areas (**Annual Report of MSMEs-2018-19**). Since September, 2015, in view of promoting ease of business, an online filing system under Udyog Aadhar Memorandum (UAM) based on self-declared information has been put in place. In Uttarakhand, 10547 UAMs had been filed by 2018-19. There are a total of 4.16 lakhs MSMEs in the state (**NSS 73rd Round**). The total number of people employed in this sector in the state is 6.60 lakhs with 5.91 lakh males and 0.69 lakh females (**NSS 73rd Round**). A comparative percentage distribution of MSMEs across the states shows that Uttarakhand is nowhere among the top ten states of India in respect of this type of entrepreneurship.

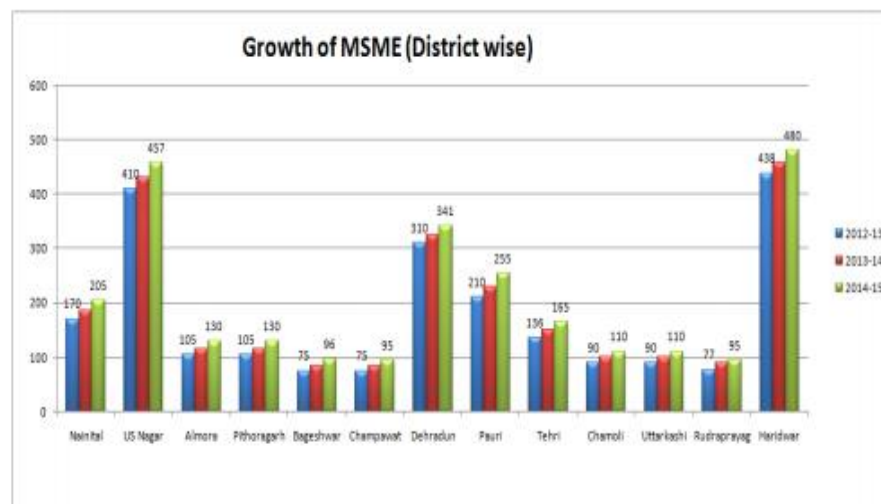
Table 1: District-wise distribution of number of EM-II (Entrepreneurs Memorandum Part II)filed by the MSMEs at DICs (District Industry Centres) in the State from 2012-13 to 2014-15

Position as on: 31st March, 2015

Sl. No.	District	Number of EM-II filed								
		2012-13			2013-14			2014-15		
		Mfg	Ser	Total	Mfg	Ser	Total	Mfg	Ser	Total
1.	Nainital	100	70	170	103	82	185	94	111	205
2.	US Nagar	361	49	410	351	79	430	349	108	457
3.	Almora	51	54	105	36	79	115	39	91	130
4.	Pithoragarh	99	6	105	101	15	116	99	31	130
5.	Bageshwar	34	41	75	39	46	85	35	61	96
6.	Champawat	21	54	75	31	54	85	45	50	95
7.	Dehradun	134	176	310	91	234	325	120	221	341
8.	Pauri	62	148	210	49	181	230	49	206	255
9.	Tehri	73	63	136	77	73	150	114	51	165
10.	Chamoli	51	39	90	53	47	100	55	55	110
11.	Uttarkashi	22	68	90	25	75	100	15	95	110
12.	Rudraprayag	51	26	77	53	37	90	61	34	95
13.	Haridwar	354	84	438	376	82	458	357	123	480
Uttarakhand		1413	878	2291	1385	1084	2469	1432	1237	2669

Source: - The State Directorate of Industries, Dehradun, Uttarakhand

Figure 3: District-wise distribution of number of EM-II filed by the MSMEs at DICs in the State during 2012-13 to 2014-15



Source: State Directorate of Industries, Dehradun, Uttarakhand

Table 1 and Figure 3 show that from 2012-2015, most of the micro and small industries in the state are located in the three districts of the plains namely, Haridwar, Udham Singh Nagar and Dehradun, while the hills districts show a much lower level of industrial activity. The main reason for very low entrepreneurial activity in the hill districts is the lack of infrastructure development. Agriculture, which continues to be the primary occupation in the hill districts has become an increasingly uneconomical and unsustainable enterprise. The productivity of hill agriculture and the income derived from it is very low. It can be argued here that mountain areas should primarily focus on niche products in which they have a comparative advantage rather than products in which they do not have a distinct advantage in terms of product and price competitiveness. There is a strong case for evolving special policies and support mechanisms to promote micro and small enterprises, taking into account the diversities and constraints of the region. From a long term perspective, a shift from farming activities to non-farm and niche activities seems to be the obvious and strategic option for the state of Uttarakhand. **(Uttarakhand State Development Report, 2018)**

OBJECTIVES AND METHODOLOGY

This paper seeks to identify the areas suitable for rural entrepreneurship ventures in the hills of rural Uttarakhand, study the challenges of rural entrepreneurship in the area of study, the enablers initiated by the state government and suggest the way forward. The study is an exploratory analysis of the prospects of rural entrepreneurship in the state of Uttarakhand.

KEY AREAS WITH POTENTIAL FOR RURAL ENTREPRENEURSHIP IN THE HILLY RURAL DISTRICTS OF UTTARAKHAND

Based on a study of business opportunities and prospects across the hills in the state, some key areas identified for rural enterprises in the hills and villages of Uttarakhand are, *inter alia*, Eco Tourism, Hospitality including hotels, resorts and homestays, Adventure Tourism, Medical Tourism, Yoga & Pranic Healing, Cultural Tourism, souvenir making, woolen items, sericulture, vermiculture & vermicomposting, mushroom cultivation, organic products processing, fruit & vegetable processing, horticulture, medicinal and aromatic plants, floriculture, fish rearing, apiaries, dairy and poultry, bamboo based wooden craft, and computer training.

CHALLENGES AND BOTTLENECKS

Major challenges faced by startups in the hills have been inadequate socio-economic infrastructure, significant migration from the rural hill areas of Uttarakhand, fragile land and eco-system, lack of markets, lack of technical expertise among the rural masses, lack of skill development initiatives, high cost of production, paucity of quality control mechanisms, lack of marketing and promotional strategies, lack of finance, lack of entrepreneurship ability and generally unskilled workforce etc.

ENABLERS AND DRIVERS

Despite the challenges, the factors which enable the entrepreneurial drive in rural areas to become success stories are the relatively high literacy rate, vast potential for adventure, religious, leisure, health, rural, cultural and eco tourism, hydropower generation potential, rich biodiversity, presence of many centers of research and excellence such as IIT, Roorkee, GBPUAT, Pantnagar, FRI, Dehradun, IIM, Kashipur etc. and above all the enabling policies of the state government for industrial development and attracting investment in rural areas.

GOVERNMENT'S INITIATIVES

The State Government has started some programmes of rural entrepreneurship development

for the unemployed youth of Uttarakhand. The National Bank of Agriculture and Rural Development (NABARD) along with the state government has set up institutes in all 13 districts to enhance their entrepreneurial skills and employment opportunities.

The Government of Uttarakhand has introduced the **Uttarakhand Startup Policy, 2018** to attract investments in startups and to nurture future entrepreneurs with adequate and comprehensive support on all fronts. The State Government has established industrial estates at Pantnagar, Haridwar, Kashipur, Kotdwar, Selaqui, Sitarganj, Dehradun and many more, close to the hill districts. There is also a provision of specialized optional courses on small scale entrepreneurship at the level of higher education, as part of the curriculum in the state.

RSETI (Rural Self Employment Training Institute) has been set up in each district under the responsibility of banks to impart training in skill development, capacity building and providing all support for a period of two years towards establishment of entrepreneurs.

The Government seeks to step up rural entrepreneurship by educating the local people about the qualities of herbs, plants and medicines and promotes Self Help Groups in this direction.

The Entrepreneurship Development Program (EDP) is a high technology driven entrepreneurship development mission to explore and provide access to new technologies in the region.

Besides, there are NGOs working in this field in the Uttarakhand hills. '**Udhyam**', for instance, is a rural entrepreneurship program which focuses on encouraging entrepreneurship among village communities in the Kumaon region of Uttarakhand.

SUGGESTIONS TO STIMULATE RURAL ENTREPRENEURSHIP

A robust plan of action to boost rural entrepreneurship in Uttarakhand must essentially rest on the following underlying elements:

- Soft and easy conditions for credit issued to aspiring entrepreneurs.
- Timely and regular availability of raw materials should be ensured throughout the year for hill enterprises at reasonable prices.
- Incentives and attractive packages for new initiatives and startups.
- Production centers should be brought in direct contact and connection with marketing points.
- Specialized skill development programmes for the rural youth backed up with seed money for starting self-employment ventures.
- Development of entrepreneurial attitude among the local masses by imparting entrepreneurial education at the school and college levels.
- Sound and supportive laws with a regular feedback mechanism should be introduced for stepping up entrepreneurial activity in the hills.
- Technological and marketing support for the rural startups.
- Insurance on investment in startups.
- Publicity of opportunities in the hills for rural first generation entrepreneurs.
- Organization of associations/cooperatives of the first generation rural entrepreneurs to provide them with a common platform to pool their knowledge and resources.

- Another suggestion is to create a long-term plan based on entrepreneurship using four essential elements of **Mapping, Identifying, Imparting Skills and Applauding (MISA) (Nautiyal A; 2013)**. This is a four-step plan to boost rural entrepreneurship. The first step is the **mapping** of active rural entrepreneurs in the state to create a database with the relevant business metrics including the nature of the business, number of people involved, business turnover, government subsidies availed by them and other relevant information.

The next step is to **identify** and evaluate the knowledge, skills and experience of rural entrepreneurs with information related to education, familiarity with technology and finance to identify deficiencies in entrepreneurship skills. Once the deficiencies have been identified, the government can provide **support/ skills** in technology, creativity, innovation, problem solving, financial planning, and marketing which will help the entrepreneur from the business perspective.

Finally, the government can play an important role in empowering rural entrepreneurs by **applauding** and rewarding their achievements to mark them as role models for others aspiring for rural entrepreneurship.

CONCLUSION

The findings suggest that alongside traditional rural businesses, local enterprising people in remote and rural locations can develop additional types of businesses with unique selling propositions these days. Innovation lies in the introduction of new business ideas and the transformation of rural areas through these. Success stories of the hill entrepreneurs will have a multiplier effect on account of backward and forward linkages of such enterprises. In the ultimate analysis, the compelling benefits of empowering the rural entrepreneur are – prevention of migration, reduced pressures on the choking cities in the plains of Uttarakhand, more

investments in the private sector and higher living standards in rural Uttarakhand.

REFERENCES

- ❖ Atterton, J., Affleck, A. (2010): “ Rural Businesses in the North East of England: Final Survey Results, 2009”, Centre for Rural Economy, Newcastle University.
- ❖ Benzing, C., Chu, H. M., Kara, O. (2009): “ Entrepreneurs in Turkey: A Factor Analysis of Motivations, Success, Factors, and Problems”, Journal of Small Business Management, 47, 1, pp. 58–91.
- ❖ Farja, Y., Gimmon, E., Greenberg, Z. (2017): “The developing in the developed: Rural SME growth in Israel”, The International Journal of Entrepreneurship and Innovation, Vol.18, Issue 1, pp. 36–46.
- ❖ Gladwin, Long et.al (1989): “Rural Entrepreneurship: One Key to Rural Revitalization”, American Journal of Agricultural Economics, Vol. 71, Issue 5.
- ❖ Goodwin, Bhanuprakash(2018): “Rural Entrepreneurship in the Sunshine State of AndhravPradesh”.
- ❖ (www.shodhganga.inflibnet.ac.in)
- ❖ Heilbrun, S. (2010): “Entrepreneurial opportunities in changing communities, Journal of Small Business and Enterprise Development”, Vol.17, Issue 2, pp. 247–259.
- ❖ Jun, Joyce,Yagang, Youmin(2013): “Rural Entrepreneurship in an Emerging Economy:Reading Institutional Perspectives from Entrepreneurial Stories”, Journal of Small Business Management, Vol. 51, Issue 2, pp 183-195.
- ❖ Katekhaye, et.al(2017): “Impact of Rural Entrepreneurship on Poverty Alleviation- A Study of Rural India”, Albanian Journal of

Agricultural Sciences, Vol.16, Issue 3, pp101-107

- ❖ Patil, et.al (2019): "Impact of Rural Entrepreneurship on Migration- A Case Study of Dahanu District of Maharashtra, India", Indian Journal of Agricultural Research, Vol.53, Issue 4, pp 500-503
- ❖ Pato, L.M, Aurora, Teixeira (2014): "Twenty Years of Rural Entrepreneurship: A Bibliometric Survey", Sociological Rurals, Vol.56, Issue 1, pp 3-28
- ❖ Todrica, et.al (2018): "Green Entrepreneurship in Rural Areas", Proceedings of the Multi-disciplinary Scientific Geo-Conference(SGEM), Vol.18, pp431-438.
- ❖ Wortman M.S, (1990): "Rural Entrepreneurship Research: An Integration into the Entrepreneurial

Field", Agribusiness, Vol. 6, Issue 3, pp 329-344.

- ❖ Wortman, M.S, (1990): "A Unified Approach for Developing Rural Entrepreneurship in the United States", Agribusiness, Vol. 6, Issue 3, pp 221-236.
- ❖ **REPORTS**
- ❖ Human Development Report -2018, Department of Planning, Government of Uttarakhand.
- ❖ UK Vision-2018, Department of Planning, Government of Uttarakhand.
- ❖ Annual Report on MSMEs -2018-19, published by the Government of India.
- ❖ Brief Industrial Profile of State Uttarakhand: MSMEs, A report compiled by the Micro, Small & Medium Enterprises Development Institute, Govt. of India, Ministry of MSMEs