

## Chapter 3

# Contextual Factors for Rural Entrepreneurship and Innovation

**Ruchi Khandelwal**

 <https://orcid.org/0000-0002-5826-4573>

*Amity University, Noida, India*

**Ruchi Jain**

*Amity University, Noida, India*

**Deepa Kapoor**

*Amity University, Noida, India*

### ABSTRACT

*Innovation and entrepreneurship are intertwined as entrepreneurs seek opportunities and innovations are the instruments that make them successful. Entrepreneurship and innovation are not constricted to the initial stages of a new venture alone and these are invincible processes that can lead to growth and sustainability of business in the dynamic environment. Rural entrepreneurship can be regarded as risk-taking behavior appropriate to opportunity, as well as to mobilize human, material, and financial resources in order to fulfill innovative projects in rural areas. There are multifaceted issues associated with the growth of rural entrepreneurs which need intervention by various political, economic, and social organizations. This chapter attempts to highlight specific contextual factors for rural entrepreneurship and innovation.*

### INTRODUCTION

Entrepreneurship has acquired a wide variety of meanings, with due credit to entrepreneurial researchers and the contexts in which research has been carried out (Nanni, 2019). The world around us is neither new to the word entrepreneurship nor unknown of the various areas to which this label has been ascribed.

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Before addressing other pertinent issues, it's important to briefly examine the sense of the word entrepreneurship. 'Entrepreneurship' has its origins in German and French where it connotes, 'to undertake'. The earlier theorists on entrepreneurship namely Say (1800) and Mill (1848), defined the concept from economic sense as the entrepreneur identifies opportunity, take risks and uses resources for superior productivity and more yield (Nanni, 2019). However, entrepreneurship was leveraged into capitalist societies thorough the works of Schumpeter, 1934 (Shane and Venkatraman, 2000).

More recent researches have added more weight to the term as well as to its application. Several perspectives on entrepreneurship have been identified namely creation of wealth, forming of enterprise, design of innovation, conception of change, generation of employment, creation of value, and foundation of growth (Drucker, 1985; Gartner, 1990; Morris et al., 1994; Amit and Zott, 2001, George and Zahra, 2002). A lot of research finds overlap in these identified perspectives of entrepreneurship and these are innovation, creation of organizations/employment, creation of value, and foundation of growth (Nanni, 2019). However, Slevin and Kivin (1990) posited entrepreneurship as organizational behavior that is related to change and innovation having an appropriate culture and structure to breed and support innovation.

Entrepreneurship is increasingly recognized as an important driver of economic growth, productivity, innovation, and job creation, and as a key aspect of economic dynamism (Karimi, 2015). Over the years the studies of entrepreneurship have been confined to large scale businesses and industry, and to small scale industrial sector. Of late, this phenomenon percolated to artisans and farmers, the two major forces of rural transformation (Sharma, Vandana, Rajni, & Ranchan, 2013).

Entrepreneurship is considered as a strategic development intervention that could speed up the process of rural development. Increase in entrepreneurship in rural areas will lead to balanced regional growth, increase in overall per capita income, equitable distribution of power, reduce the migration of rural population to urban areas, improve literacy rate of rural population and lead to overall improvement in the standard of living.

Rural areas are disadvantaged in some ways compared to the urban areas; there is a huge difference in the economic performance between these regions (Smallbone, 2009). The challenges faced by rural entrepreneurs are paucity of funds, lack of adequate infrastructure facilities in terms of transportation, warehousing and electricity; unavailability of information and communication technologies, skilled human resources and technology (Desai, 2007; Larson & Shaw, 2001; Stathopoulou et al., 2004). According to Sundar and Srinivasa (2009) managerial inadequacies is one of the crucial reasons for the failures in decentralized industrial sector in rural scenario. It is observed that entrepreneurship in rural areas is hindered by access to finance, technology, information and marketing. The development of rural entrepreneurs is a complex problem which can be tackled by the social, political and economic institutions. The sooner various stakeholders realize this fact and considers entrepreneurship as a development strategy the better will be rural development.

One of key solution for bringing change in the lives of people in rural areas is useful inventions. This study primarily focuses on the conceptual foundations of innovation as an essence for entrepreneurship. It further establishes the factors which are anticipated to be present in the entrepreneurs to transform the innovative approach or idea in form of products and commercial solutions with perseverance. While doing so, the macrosystem of rural setup may pose various challenges due to inherent structure and various other factors deeply rooted in the Indian ecosystem. Thus, study also highlights those challenges and further concludes with live examples of rural innovations offering solutions to recurring problems posed by these impediments in rural India.

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