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## Entrepreneurship – A Need for Ecosystem Development

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**Abstract:** The researcher has attempted to set out the key issues related to entrepreneurship in the context of its relationship with industrial development in rural areas. The analysis is then expanded to understand the determinants of rural entrepreneurship and the environment conducive for its development. Consequently the policies that are necessary to make this environment favourable have been discussed in detail. The impediments to entrepreneurship in Odisha is also discussed. The paper also emphasize the importance of rural industrial development in Odisha. The conclusion is that to accelerate socio-economic development in rural areas, it is necessary to promote entrepreneurship. Entrepreneurial orientation in rural areas is based on stimulating local entrepreneurial talent and subsequent growth of indigenous companies. This in turn would create jobs and add economic value to a region, and at the same time it will keep scarce resources within the community. And finally, it addresses the ways in which local environments can be improved.

**Keywords:** entrepreneurship, entrepreneurial ecosystem, impediments to entrepreneurship

### 1. INTRODUCTION

Poverty reduction and human development are the ultimate goals of all plans. But, more than 170 million people in India in 2015 live in extreme poverty (Deutsche Bank Research). As the world's economies become more interdependent, solving a problem as big and as difficult as poverty demands international alliances. 86% of people without electricity live in rural areas, where providing infrastructure is more challenging. (World development Indicators) According to the International Fund for Agricultural Development (IFAD), the Millennium Development Goals set forth by the United Nations are a guiding light for international cooperation for development, in particular the target to halve the proportion of hungry and extremely poor people. But the starting point to achieve this target must be the recognition that poverty is predominantly rural. Three quarters of the world's poor, about 900 million people, live in

rural areas where they depend on agriculture and related activities for their livelihoods. The reality is that the Millennium poverty target cannot be met unless the world addresses rural poverty.

Petrin (1994) affirms that rural development is now being linked more and more to entrepreneurship. Entrepreneurship stands as a vehicle to improve the quality of life for individuals, families and communities and to sustain a healthy economy and environment. Entrepreneurial ecosystem represent a conceptual framework to foster economic development through entrepreneurship, innovation and small business growth. Where the entrepreneurs play a key role in the achievement of economic growth that can be characterized by strong structures that may be mobilized as social capital for entrepreneurial activities. Entrepreneurship is a panacea for various problems in an emerging economy. But emerging economies are facing certain impediments. 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 (Petrin, 1994).

## **2. OBJECTIVE OF THE STUDY**

- (i) To find the impediments towards entrepreneurship.
- (ii) To find out the policies that are necessary to create an environment for entrepreneurship
- (iii) To emphasize the importance of rural industrial development in Odisha.
- (iv) To provide a conducive eco-system to encourage entrepreneurship

## **3. METHODOLOGY ADOPTED**

The study is purely based upon the secondary data collected through the literature available and the problems discussed herein are the opinions of various authors. Various articles published in journals, working papers, Govt. portals etc. were followed for deriving the conclusion.

## **4. THE IMPORTANCE OF RURAL ENTREPRENEURSHIP**

### **a) The Entrepreneurship Concept**

The rate of entrepreneurship can be measured statically as the self-employment rate or dynamically as the start-up rate of business firms. The start-up rate is increasingly seen as important, if not more so, as the growth of existing firms. They are more likely to grow, to create new jobs, and to promote new and flexible organizational forms. In many transition countries, where there were no significant private sectors to start out with, new firms often strengthened reforms by improving economic conditions (Thomas and Wim, 2008).

“Without vision, the people perish, without entrepreneurship, the economy and business stagnates”. Self-starters, creative thinkers and service-oriented entrepreneurs are a necessary part of the work force. Thus, entrepreneurs are Builders of the nation and creators of humanity who utilize their innovative vision, dynamic leadership and creative decision. Making abilities for wealth and employment generation so that people from all strata of society can benefit. Entrepreneurs are both the doer and dreamer, as a

doer, they have the ability to attend the details and as a dreamer, they possess the capacity of seeking opportunity. In today's era, wealth creation is not as difficult as choosing and finding the right ethical path, so that wealth creation can take place but not at the cost of people but at the bottom of the pyramid. Entrepreneurship involves a willingness to take responsibility and ability to put mind to a task and see it through from inception to completion. Another ingredient of entrepreneurship is sensing opportunities, doing more with less, getting started with little or no capital, and validating the market.

Entrepreneurship is a critical aspect of the knowledge economy and India has a large pool of entrepreneurs, who have the ability to make a difference and need to be nurtured to achieve their potential, and provide a further boost.

Entrepreneurship has been 'embedded in the Indian genius and is a part of its tradition'. (Maheswari, Agarwal, 2013).

The greatest challenge for a serial entrepreneur is figuring out how to rekindle the initial hunger, passion and dedication that fuelled their first venture. To do so, many surround themselves with connections who've supported them in the past, often leaning heavily on trusted partners for crucial financial, professional and emotional support. To continuously draw from these people, the entrepreneur must inspire an organic dedication among his or her followers. (Ryan May)

- Entrepreneurs turn opportunities into business ventures, they are important economic development assets in your communities.
- Entrepreneurs create jobs, according to research supported by the Kauffman Foundation, more than one-third of job growth is due to new businesses. Firms less than 5 years old accounted for ALL net job growth from 1980-2005.
- Entrepreneurs give back, they reinvest in the community through charitable giving, community support, leadership and in many other ways.

Therefore, Entrepreneurship can be defined as, a force that mobilizes other resources to meet unmet market demand. (Jones and Sakong, 1980); the ability to create and build something from practically nothing. (Timmons, 1989) the process of creating value by pulling together a unique package of resources to exploit an opportunity. (Stevenson, et al, 1985).

### **(b) Determinants of Entrepreneurship**

The need to understand the determinants of entrepreneurship is as important as understanding its concept. The origins and determinants of entrepreneurship span a wide spectrum of theories and explanations (Brock and Evans, 1989; Carree, 1997; Carree, Van Stel, Thurik and Wennekers, 2002; Gavron, Cowling, Holtham and Westall, 1998). However, it is generally accepted that policy measures can influence the level of entrepreneurship (Storey, 1994 and 1999; EZ, 1999).

Research analysing the determinants of the decision to start a new business has so far stressed the role of individual characteristics, access to capital and institutions. Social factors may also play a role in the decision to become an entrepreneur because, as shown by a growing literature, social interactions affect the payoffs from a variety of economic decisions. (Giannetti and Simonov, 2003). A widely accepted view is the

following: while personal characteristics as well as social aspects clearly play some role, entrepreneurship and entrepreneurs can also be developed through conscious action. (Petrin, 1994)

Development of entrepreneurs and of entrepreneurship can be stimulated through a set of supporting institutions and through deliberate innovative action which stimulates changes and fully supports capable individuals or groups. Therefore, policies and programs designed specifically for entrepreneurship promotion can greatly affect the supply of entrepreneurs and thus indirectly represent an important source of entrepreneurship.

This view has important implications for entrepreneurship development in rural areas. If currently entrepreneurial activities in a given rural area are not thriving it does not mean that entrepreneurship is something inherently alien to rural areas. While this feeling could have some legacy due to the slower pace of changes occurring in rural areas compared to urban ones, proper action can make a lot of difference with respect to entrepreneurial behaviour of people living in rural areas.

### **(c) Role played by entrepreneurs in rural development**

The entrepreneurship has been regarded as an important factor of social and economic change since 1960; however the phenomenon appeared in economics in early 1930s. For more than a decade the studies of entrepreneurship confined to large scale businesses and industry, and to small scale industrial sector. Lately this phenomenon percolated to artisans and farmers, the two major forces of rural transformation. The concept of rural entrepreneurship does not dilute the definition of entrepreneurs in general. An entrepreneur can be defined as a person who fails to conform to the traditional structured role given to him in the society and finds an exit to venture on his own [Bhanshali, 1987]. The entrepreneurship emerging in the rural areas across the country is termed as rural entrepreneurship which symbolizes rural industrialization. It tends to cater the rural needs such as employment generation, income generation, rural development, build up village republics and curbing rural - urban migration [Ram Naresh, 2009]. The rural entrepreneurial economy is an ecosystem of risk takers, capital providers, markets, technology and intermediaries that facilitate non - market transactions [Kumar, 1989]. It is important to stress here that rural entrepreneurship in its substance does not differ from entrepreneurship in urban areas. Entrepreneurship in rural areas is finding a unique blend of resources, either inside or outside of agriculture. The economic goals of an entrepreneur and the social goals of rural development are more strongly interlinked than in urban areas. For this reason entrepreneurship in rural areas is usually community based, has strong extended family linkages and a relatively large impact on a rural community.

This view has important implications for entrepreneurship development in rural areas. If currently entrepreneurial activities in a given rural area are not thriving it does not mean that entrepreneurship is something strange to rural areas. This could be because of the slower pace of changes occurring in rural areas compared to urban ones, proper action can make a lot of difference with respect to entrepreneurial behaviour of people living in rural areas.

## **5. POLICY IMPLICATIONS FOR RURAL ENTREPRENEURSHIP**

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 [Patel Brijesh & Chavda Kirit].

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.

Even though entrepreneurial activity may statistically be lower in some regions, unique entrepreneurial activity can emerge by utilizing the local resources and transform those into viable entrepreneurial (business) activities. There are different opportunities in different regions; therefore entrepreneurship education should focus on integrating regional and local aspects, such as place-specific historical, cultural or natural resources [Muller Sabine, 2012].

According to Petrin (1994), the creation of such an environment starts at the national level with the foundation policies for macro-economic stability and for well-defined property rights as well as international orientation. The policies and programs targeted specifically to the development of entrepreneurship do not differ much with respect to location. In order to realize their entrepreneurial ideas or to grow and sustain in business, they all need access to capital, labour, markets and good management skills. What differs is the availability of markets for other inputs.

The inputs into an entrepreneurial process- capital, management, technology, buildings, communications and transportation infrastructure, distribution channels and skilled labour, tend to be easier to find in urban areas. Professional advice is also hard to come by. Consequently, entrepreneurial behaviour, which is essentially the ability to spot unconventional market opportunities, is most lacking in those rural areas where it is most needed i.e., where the scarcity of ‘these other inputs’ is the highest.

Rural entrepreneurship is more likely to flourish in those rural areas where the two approaches to rural development, the ‘bottom up’ and the ‘top down’, complement each other. The ‘top down’ approach gains effectiveness when it is tailored to the local environment that it intends to support. The second requirement for the success of rural entrepreneurship, the ‘bottom up’ approach, is that, ownership of the initiative remains in the hands of members of the local community. The regional development agencies that fit both criteria can contribute much to the rural development through entrepreneurship.

The National Spatial Strategy (NSS), the national planning framework for Ireland for the next 20 years (2002-2020), recognizes the importance of making the most of cities, towns and rural places to bring a better spread of opportunities and a better quality of life. It advocates the following features as appropriate rural enterprise policy elements:

- 1) The nature of the enterprise encouraged to locate in rural areas must be appropriate to those areas in economic, social and environmental terms, e.g, location of overly large enterprises in rural areas should properly be avoided;
- 2) Enterprise policies must be flexible to facilitate local circumstances rather than being rigid national ones;
- 3) Policy towards enterprise must involve features which go beyond the bounds of traditional enterprise policy, eg, in relation to social infrastructure to attract and retain the necessary workforce;

- 4) Policies in relation to enterprise in rural areas and in smaller towns should be seen as an integrated package. There must also be flexibility in relation to how smaller towns' enterprise functions are perceived. These vary depending on the nature of the area;
- 5) Policy towards rural enterprise should encompass all rural enterprise and not just traditionally grant-aidable manufacturing, i.e., in a rural context any rural enterprise is in principle equally desirable;
- 6) There will need to be consistency and co-ordination regarding the choice of rural enterprise locations among the various bodies involved rather than each having its own unilaterally chosen list.

A study conducted by Smallbone and North (1997), reveals that firms that demonstrated the highest level of innovative behaviour were growing in terms of sales and also generating employment, although it is important to stress that the relationship between innovation and growth is an inter-dependent and mutually reinforcing one, rather than a simple cause and effect relationship.

Piore and Sabel (1984), in their book, "The Second Industrial Divide", outline a policy framework for small business development, which states that economic development is more likely to succeed if it takes place within a political context, where local communities actively nurture and support small-scale, industrially diverse, flexibly specialized enterprises. Within this context, small business development is one component of a comprehensive economic development strategy comprising both large-scale, mass- production enterprises and small-scale, flexibly specialized production units.

Organization for Economic Cooperation and Development's (OECD) (1999) work on government policy for enterprise development advocates best practices in four broad areas related to SMEs. These practices are appropriate for both agro industries and other rural enterprises. Specifically, OECD advocates facilitating:

- Efficient and unbiased financial markets for SMEs;
- A suitable business environment for SMEs;
- Education, training and the capability of SMEs to compete; and
- Access to information, networking and the global marketplace for SMEs.

To summarize, Petrin (1994) maintains that policy implications for rural entrepreneurship development can be:

- 1) Sound national economic policy with respect to agriculture, including recognition of the vital contribution of entrepreneurship to rural economic development;
- 2) Policies and special programs for the development and channelling of entrepreneurial talent;
- 3) Entrepreneurial thinking about rural development, not only by farmers but also by everyone and every rural development organization;

## **6. IMPEDIMENTS FACED BY RURAL ENTREPRENEURS**

The concept of entrepreneurial ecosystem recognizes the fact that entrepreneurial opportunities exist at the confluence of markets, people and technologies. The concept of ecosystem also takes into consideration

that the opportunities are not static and that rural Entrepreneurship in Developing Countries: Challenges, Problems changing environmental conditions can sometimes create and destroy value chains. These problems are impaired in rural regions due to geographic distance, isolation and in the view of above the challenges and problems faced by the rural entrepreneurship in developing countries such as that of India are discussed which have to be overcome for successful implementation of self employment.

- (a) **Awareness Gap:** The possibility of existence of awareness gap is higher in rural regions which may slow down the emergence of new ventures although its extremity depends upon the types of ventures and the conditions under which they are developed. For example those ventures founded by the individuals who migrated from outside the region for the exploitation of rural endowments are likely to be challenged by the lack of geographic and cultural knowledge of the region and those founded by indigenous entrepreneurs may suffer from the lack of knowledge of demand markets or how to access those markets efficiently.
- (b) **Finance:** Most of the rural entrepreneurs fail to get external funds due to absence of tangible security and credit in the market. Besides this, the procedure to avail the loan facility is too time-consuming that its delay often disappoints the rural entrepreneurs. Subsidies are also being provided by the government in rural areas but due to the high cost of finance, these subsidies are not giving fruitful results. 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 entrepreneurs. Raising funds through equity is difficult for rural entrepreneurs because of lack of financial knowledge and also their financial amount is also low, so loans are the primary source of finance for them which proved to be a great obstacle in developing rural entrepreneurship.
- (c) **Marketing:** The rural entrepreneurs experience marketing problems and the major problem is standardization and competition from the large scale units. These large scale units also create difficulty for the survival of new ventures as they have limited financial resources and are bounded for spending limited finance on sales promotion. The new ventures have to come up with new advertisement strategies so as can be easily understood by the rural people. Also the printed media have limited scope in the rural context. The traditionally bounded nature, cultural backwardness and cultural barriers add to the difficulty of communication where people in rural areas mostly communicate in their local languages and English and Hindi are not understood by many people. Also, the rural entrepreneurs are heavily dependent on middlemen for marketing of their products who demand large pocket for profit. Besides this the indigenous methods of storage are not capable of protecting the produce from dampness, weevils etc because of which the agricultural goods are not standardized and graded.
- (d) **Technology:** The challenges of agricultural growth in developing countries mostly include the lack of access to technology and infrastructure. It has been suggested that the barriers for the development of an enterprise is lack of interest, lack of coordination, disadvantage of geographic location for market access which results in high transportation cost etc. it can thus be stated that the geographic and social isolation leads to the lack of scale and scope economies that constraint capital accumulation and innovation.

- (e) Human Resource: It is difficult for an entrepreneur to search for workers who are skilled enough and agree to work in rural regions. If the workers are not skilled enough, the entrepreneur has to provide job training which is a serious problem as they are mostly uneducated and they have to be taught in local language which they easily understand. Also the family environment, society and support system is not conducive to encourage rural people to take entrepreneurship as a career which is mostly due to lack of awareness and knowledge of entrepreneurial opportunities.
- (f) Management: Due to lower literacy rate of the people residing in rural areas they are not much familiar with the information technology and mostly rely on internal linkages that encourage the flow of goods, services, information and ideas. However the intensity of family and personal relationships can be helpful but they may also present obstacles for the effective business relationships as the local politics of the area may sometimes create hurdles during making important decisions and thus create hindrance in growth of an enterprise.

According to a study by Tarling et al (1993), in rural UK, a number of potential weaknesses in the competitiveness of rural firms, in particular certain aspects of the operating environment and the firms' responses to them have become evident. In this respect, Vaessen and Keeble, (1995), also point out that the external environment in the more remote rural areas particularly, presents challenges for SMEs, which they need to adapt to if they are to survive and grow. These include the limited scale and scope of local market opportunities which make it necessary for firms to be particularly active in developing non-local markets if they are to grow. Another aspect of the external environment in these remote rural areas is the labor market, in which relatively low wage levels in comparison with urban areas combined with qualitative characteristics of the rural labour force (e.g loyalty to the firm) reduce the incentive for firms to invest in labour saving process innovations, particularly in the more craft-based sectors.

A further characteristic of the remote rural business environment is the lack of a local industrial and service milieu which means that there are fewer opportunities for firms to subcontract out locally than in an urban context. From the point of view of innovation specifically, the low density of the business population results in a small number of potential collaborating firms locally, as well as more sparsely distributed research and development, educational institutions and business support providers compared with some other types of location. This raises questions about the extent to which the characteristics of remote rural environments constrain innovative activity in SMEs; another issue which concerns the implications of these features for the type of policy response that is likely to be effective.

The National Spatial Strategy of Ireland (2002) also indicates the following issues as key constraints in the development of rural enterprise in Ireland:

- a) The issue of transport and accessibility in general, and of remoteness.
- b) The low skill base of many rural areas emerged as important.
- c) The lack of sufficient funding continues to be perceived as a major constraint.
- d) The low enterprise base in many rural areas is seen as a key issue, and there is a general feeling of being caught in a vicious circle where an existing lack of enterprise contributes to a low degree of enterprise potential.



- e) The absence of facilities and services both for enterprises and for their workforces emerged as important.
- f) Competition from larger centers was seen as crucial in a number of areas. In some cases it was suggested that the proximity to such areas can to some extent be a disadvantage from this perspective.
- g) Issues of planning and zoning were seen in some areas as significant as was the fact that it may be more difficult to obtain planning permission for certain types of enterprises in rural areas.

Smallbone and North (1997) in a study in rural England have identified the specific areas of support needs that rural SMEs require: marketing, process innovation, improving access to specialized training and assistance in the use of internet.

Gavian, *et al.* (2002), in a study in Egypt point out that by continuing to provide supply-side solutions without expanding the market for their products and services is highly unlikely to generate employment through expansion.

## **7. RURAL ENTERPRISE DEVELOPMENT IN ODISHA**

The 8<sup>th</sup> largest state and 11<sup>th</sup> most populous state and home to 41.95 million people is Odisha (as per 2011 census). Out of this the rural population is 34.95 million (83%) and urban population is 7.00 million. (Economic survey, 2016-17). Its population is largely rural and the structure of the human development (table 1) economy has shifted over the years from an agricultural base to manufacturing. Agriculture plays a crucial role in Odisha as 35 % of the geographic area of Odisha is the net crop area and 60 % of the State's total worker population depend on agriculture for their sustenance (Economic survey, 2016-17) (Table 2). Despite enjoying relative peace and prosperity and good economic performance over past decades in terms of growth and fiscal stability, Odisha now faces a number of challenges. These include maintaining macro-economic stability while providing better education and health, governance issues and gender inequality, high unemployment rates, the need to attract new investment and adapt to a changing trade environment.

Over 83% of Odisha's population lives in villages, therefore it is more necessary to make an earnest attempt to create an environment and supporting policies which will support in the development of rural entrepreneurs. An assessment of growth potentials of Odisha show that the major potential sources of growth are in the agricultural sector, including agro-industrial activities, as well as in tourism and mining. The country's ecological conditions are ideal for growing a wide range of crops and diversifying commercial and traditional agriculture into high value horticultural crops, which have linkages with agro-industrial activities. As, Odisha is gifted with a pleasant and varied landscape, tourism prospects are extremely buoyant and as yet under-exploited. There are also several opportunities for growth in the mineral sector. Keeping in mind the various guidelines which have been discussed above, the dawn of Odisha's rural economy lies in the hands of its entrepreneurs.

As per the words of Narayan J.P., (1962), "Rural industrialization would have to be based on two factors: (a) Local resources, both human and material, (b) and local needs. 'Local' does not mean a single village; it might mean a village, a group of villages, a block or a district - depending on the nature of the industry and the technology used. The aim and total long-term effect of rural industrialization should be to convert the present uneven agricultural communities into balanced agro-industrial communities."

**Table 1**  
**(Human Development)**

It denotes the improved quality of life which is the outcome function of economic growth, social policies and poverty reduction.

<i>State/ country</i>	<i>1981</i>	<i>1991</i>	<i>2001</i>	<i>2011</i>
Odisha	0.267	0.345	0.404	0.442
India	0.302	0.381	0.472	0.504

*Source:* UNDP

**Table 2**  
**(Cropping Pattern of Principal Crops as on 2015-16)**

<i>Crops</i>	<i>Area</i>	<i>(area in 000 ha)</i> <i>% to Total</i>
(A) Cereals		
Rice	3942	75.32
Wheat	“S”	S
Maize	55	1.05
Ragi	46	0.88
Others	34	0.65
Total (A) Cereals	4077	77.9
(B) Pulses		
Gram	39	0.75
Arhar	138	2.63
Other Pulses	598	11.42
Total (B) Pulses	775	14.8
Total Food Grains (A+B)	4852	92.7
(C) Oilseeds		
Groundnut	51	0.97
Sesamum	20	0.38
Rape seed and mustard	7	0.13
Caster Seeds	11	0.21
Others	48	0.92
Total (C) Oil Seeds	137	2.61
(D) Fibres		
Cotton	125	2.39
Jute	1	0.02
Other fibres	14	0.27
Total (D) Fibres	140	2.68
(E) other Crops		
Sugarcane	9	0.17
Tobacco	1	0.02
Potato	6	0.11
Chillies	72	1.38
Ginger	17	0.32
Total (E) other crops	105	2.01
Grand Total(A+B+C+D+E)	5234	100

*Source:* Directorate of Agriculture and Food Production, Odisha

## CONCLUSION

Rural enterprises are important generators of employment and economic growth. Entrepreneurship in rural areas is finding a unique blend of resources, either inside or outside of agriculture.

The paper has attempted to understand the role played by rural enterprises in economic development and how governing bodies can help to foster its growth. The promotion of entrepreneurship and the understanding where entrepreneurship comes from is as equally important as understanding the concept of entrepreneurship. The environment which is considered most conducive for their growth forms the basis for the development of policies for entrepreneurship development. However, despite their phenomenal growth rural enterprises have some common constraints for their development. Governments and supporters can help to address these constraints by facilitating efficient and unbiased financial markets; a suitable business environment; education, training, and competitive capacity; and access to information, networks and the global market place. It has also been pointed out the importance of rural enterprises in the development of the economy of the Indian state of "Odisha".

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