

# Entrepreneurial strategies – A study with special reference to Rural Entrepreneurial Strategies in Kerala

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**Abstract -** Rural entrepreneurial strategies are methods or plans chosen to bring about a desired future for the rural enterprises which have the capacity to remove economic backwardness of rural and less developed regions, reduce regional imbalances, optimum utilization of unexploited natural resources, improvement of standard of living, and attainment of self reliance with high potentials to grow with the needs of the hour. In Kerala rural enterprises sector has the potential to emerge as a strong, vibrant and globally competitive sector in the economy with its excellent connectivity, communication network, and availability of skilled human resources and developing industrial infrastructure which is best suited for the growth of rural enterprises. Even though there is a bright prospect for rural enterprises in the context of globalization and increased government support, rural entrepreneurial activities are not thriving well. At this juncture, the researcher tries to identify rural entrepreneurial strategies of rural enterprises. The analysis and interpretation of the data collected from 270 rural enterprises brought out three dominant entrepreneurial strategies such as ‘Pricing Strategies in Tune with Customer Awareness and Nature of Production/Services’, ‘Products/Service Development Strategy’ and ‘Customer Driven Marketing Strategy’.

**Keywords-** Rural entrepreneurial strategies, Pricing strategies in tune with customer awareness and nature of production/services, Products/service development strategy and Customer driven marketing strategy.

## I. INTRODUCTION

Rural Enterprises constitutes a vibrant and dynamic sector of the Industrial economy of India. This sector has always recorded marvellous growth in terms of manufacturing, employment generation and economic growth over the years. Rural Enterprises have been established in all the sectors of the nation's economy, which is less capital intensive and thus suits the economic environment of India. It is highly labour intensive built upon the traditional skills and knowledge.

Rural enterprises have been regarded as the engine of economic growth and development all over the world today. In India, rural enterprises include micro, small and medium enterprises which constitute nearly 90 percent of the total enterprises. The numbers of rural enterprises have increased from 361.76 lakh units in 2006-07 to 510.57 lakh units in 2014-15 which contributes 37.5 percent of India's GDP. (Ministry of MSME's, 2016). Even though 94 percent of rural enterprises are still remaining in the unregistered sector, their contribution to India's GDP growth is higher than the overall GDP growth rate (Ministry of MSME's, 2013).

In Kerala rural enterprises sector contributes to the process of economic growth, employment generation and balanced regional development. It has the potential to emerge as a strong, vibrant and globally competitive sector in the state's economy with its excellent connectivity, communication

network, and availability skilled human resources and developing industrial infrastructure which is best suited for the growth of rural enterprises (Venkateswaralu, & Ravindra 2015). At this juncture, the researcher tries to understand rural entrepreneurship in terms rural entrepreneurial strategies of rural entrepreneurs.

### 1.1 Significance of the study

Rural enterprises are a viable solution to the problem of chronic unemployment among the educated youth, especially in the rural areas of Kerala. Rural enterprises have the capacity to remove economic backwardness of rural and less developed regions, reduce regional imbalances, optimum utilization of unexploited natural resources, improvement of standard of living, and attainment of self reliance with high potentials to grow with the needs of the hour.

Institutions and individuals who promote rural development recognize entrepreneurship as a strategic development intervention which could accelerate the rural development process. Development agencies noticed rural entrepreneurship as an enormous employment potential, politician observed it as the key strategy to prevent rural unrest, women foresee it as an employment possibility and unemployed educated youth visualize, it is a way for self-employment. The study provides insights to the rural entrepreneurs regarding various entrepreneurial strategies that can be applied in their enterprises at different circumstances for better outcomes.

## 1.2 Statement of the problem

Review of literature reveals that no specific study has been carried out to examine rural entrepreneurial strategies in Kerala. There is a bright prospect for rural enterprises in the district in the context of globalization and government support, rural entrepreneurial activities are not flourished well and educated unemployed youth are still resistant in taking up entrepreneurial activities of their own. A good number of rural entrepreneurs withdraw from entrepreneurship owing to a myriad of reasons. However, there are many instances of successful rural entrepreneurs who perform well amidst the difficulties around them. In this context, the researcher wants to explore rural entrepreneurial strategies which may provide fresh insights into the functioning of rural enterprises in Kerala in general and Ernakulam district in particular.

## 1.3 Objectives of the study

The objectives of the study are:

1. To review rural enterprises in India.
2. To identify entrepreneurial strategies of rural enterprises.

## 1.4. Methodology

The study uses both secondary as well as primary data sources. The secondary data have been collected from the official publications, journals, books and official websites. The primary data have been collected from 270 respondents.

A structured interview schedule was used to collect required data from the rural entrepreneurs in Ernakulam district. A pilot survey was conducted among 25 respondents to assess the reliability and validity of the interview schedule used for primary data collection. The measurement scale adopted under the study meets the threshold limit of reliability (Alpha) of above .70 (Nunnally, 1978) indicating the internal consistency of a scale adopted.

### 1.4. 1. Sampling design

The entire rural enterprises in the district constitute the population of the study. Stratified random sampling method was used for the study. Under this method all the rural enterprises were divided into 6 strata's, viz: food based enterprise, wood based enterprise, agro based enterprise, textile based enterprise, service based enterprise and marine based enterprises. From each stratum, 45 units were selected randomly thereby making the sample size to be 270, which are found adequate for the study.

The Statistical Tool used for the study includes Factor Analysis and the Statistical Software Adopted for performing the analysis of the collected data was SPSS.

## 1.5 Scope of the study

The theoretical scope of the study covers growth of rural enterprises and rural entrepreneurial strategies. The

geographical scope of the study is limited to Ernakulam district and the concept of rural enterprises in the study covers only micro enterprises established in rural areas.

## 1.6 Limitations of the study

1. The scope of the study is limited to the district of Ernakulam of Kerala state.
2. The study was conducted from the perspective of rural entrepreneurs and enterprises only.

## II. REVIEW OF LITERATURE

Strategy is the direction and scope of an organization over a long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations (authorstream.com). Business strategies have specific classifications, and were given on the basis of functions for which it is formulated and implemented. The reviews under the head entrepreneurial strategies discussed in earlier studies are as follows:

Tim Mazzarol (2009) aims to examine the management practices of owner managers of small businesses seeking to grow their firms and it seeks to understand their strategic thinking with relation to internal and external environmental issues. Firms that possessed formal business plans were found to be more likely to have a stronger support network partnership, formal quality assurance and the ability to lead change among employees. A relationship was found between an above average level of annual sales turnover and the personal vision of the owner managers. Cesar L. Escalante (2006) examined the barriers and strategies for survival of agribusiness and non agribusiness entrepreneurs, during early business stages. Results confirm that there are qualitative differences in startup conditions, such as skill and execution deficiencies, market structure, and resource endowments. Eisenhardt (2013) tries to explain why some entrepreneurial firms succeed while others do not. He pointed that the reason is the influence of top management teams. Large and diverse teams with a history of working together are more likely to succeed, teams are effective in making strategic decisions when they are fast, and they are also effective when they rely on simple rules to perform significant activities like new product development and internationalization. Feldman (2014) discusses why investments in certain places yield jobs, growth, and prosperity while similar investment made in identical places fail to produce the desired results, the researcher seeks to understand the mechanisms and institutions that promote the creation of useful knowledge. Phillips (2011) identified three strategies such as institutional, brokering, spanning institutional voids, and bridging institutional distance. The success factors associated with each strategy are also considered which is concluded with a discussion of the implications of the

framework for theory development and points to a number of areas for future research. Przepiorka (2017) focuses on the decision taken on different stages of the entrepreneurial process. The aim of the study was to examine the relationship between action orientation, hope, goal commitment, entrepreneurial success, life satisfaction, and determines the role of psychological characteristics in the entrepreneurial process. Roper (1998) developed a structural model of the relationships between entrepreneurial characteristics, firm’s strategic choices and performance and the results suggested a marked difference between the determinants of strategic initiatives related to management and control. Goyal (2015) highlighted that rural innovators innovated in order to alleviate the drudgery of their lives and to fulfill their need for a low cost local solution to the widespread rural problem of poverty and unemployment and find that external factors can play an enabling role in filling this void. The finding helps to propose a framework for enabling rural innovation and entrepreneurship in developing countries like India. Leyland F. Pitt (1997) examined that, pricing tend to be the least creative element of marketing strategy, despite the fact that evidence from successful firms points strongly to the integral role of pricing in performance. It suggests that effective pricing has much to gain from an understanding of the entrepreneurial process, and its dimensions such as innovativeness, pro-activeness and risk assumption.

### III. RURAL ENTREPRENEURIAL STRATEGIES – ANALYSIS AND INTERPRETATION

Strategies are methods or plans chosen to bring about a desired future, such as achievement of a goal or solution to a problem. The review of literature brought out 17 variables that can be considered as strategies followed by the rural enterprises. The lists of seventeen variables were further tuned in to 14 variables based on the feedback received during the pilot study and discussions with experts in the field.

An exploratory factor analysis procedure was adopted to bring down the number of dimensions to a meaningful few. The factor analysis brought out three factors that explain 74 percent of variation using the method principal Component Analysis with varimax rotation. These rural entrepreneurial strategies are labelled as ‘Pricing Strategies in tune with Customer awareness and nature of production/services’, ‘Products/Service Development Strategy’ and ‘Customer Driven Marketing Strategy’. The Table 1.1 shows these factors along with its corresponding factor loadings and reliability scores.

**Table: 1.1 Rural entrepreneurial strategies**

Code	Variables	Factor Loadings	Reliability (Alpha)
<b>Pricing Strategies in tune with Customer awareness and nature of production/services (PSCA)</b>			
PS1	Consumer awareness on cost of production	.952	.933
PS2	Seasonal pricing	.928	
PS3	Satisfactory pricing of products/services	.921	
PS4	Autonomy pricing of personalized products/services	.856	
<b>Products/Service Development Strategy’ and ‘Customer Driven Marketing Strategy (PSDS)</b>			
DS1	Present Product /Service development approach	.773	.832
DS2	Competent suppliers towards Production/Services	.770	
DS3	Target achievement Approach	.762	
DS4	Present product /service promotion	.730	
DS5	Focus on New Product Development	.726	
DS6	Accurate Production Method	.684	
<b>Customer Driven Marketing Strategy (CDMS)</b>			
MS1	Market Knowledge	.840	.688
MS2	Innovative Marketing	.803	
MS3	Superior Marketing Strategy of Competitors	.670	
MS4	Influence of price on demand	.578	

Source: Field Survey N = 270

Table 1.1 shows the three factors emerged through Exploratory factor Analysis along with their Factor Loadings and Alpha values. All the factors have significant factor loadings and reliability (Alpha) to satisfy the threshold limits (Michels, L.C.2006).

### IV. CONCLUSION

Rural development is more than ever before linked to entrepreneurship. Institutions and individuals seem to agree on the urgent need to promote rural enterprises. Rural enterprises are considered to be an engine of growth especially a country like India due to their contribution to the gross domestic product. The present study is intended to examine rural entrepreneurship in terms of rural entrepreneurial strategies in Ernakulam district. A structured interview schedule is used to collect required data from the rural micro entrepreneurs in Ernakulam district. The data was collected from 270 respondents and were analyzed using Factor Analysis with SPSS software.

The Exploratory Factor Analysis procedure brought out three dominant rural entrepreneurial strategies labelled as 'Pricing Strategies in tune with Customer awareness and nature of production/services', 'Products/Service Development Strategy' and 'Customer Driven Marketing Strategy'. The three factors emerged through Exploratory factor Analysis along with their Factor Loadings and Alpha values. All the factors have significant factor loadings and reliability to satisfy the threshold limits.

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