
A Theoretical Study on the Development, Challenges, and Success Factors of Underprivileged Rural Entrepreneurs with Special Reference to New Start-up Entrepreneurs in Maharashtra

Mohite R.B.*, Kale Santosh Subhash, Dr. Vishal T. Sabne*****

* Department of Commerce, Shri Muktanand College, Gangapur Dist: Aurangabad (M.S)

** Assistant Professor & Head, Department of P.G. - M. Com, Shikshan Maharshi Guruvarya R.G. Shinde Mahavidyalaya Paranada Dist: Dharashiv (M.S.)

ABSTRACT:

Rural entrepreneurship, particularly among underprivileged groups, is shaped by a complex interplay of structural, socio-economic, institutional, and personal factors. Understanding this complexity requires grounding in multiple theoretical frameworks. This paper examines eight major theories—Resource-Based View (RBV), Institutional Theory, the Entrepreneurial Ecosystem Approach, Human Capital Theory, Social Capital Theory, Diffusion of Innovation Theory, Theory of Planned Behavior (TPB), and the Sustainable Livelihoods Framework (SLF)—to explain rural entrepreneurial behavior and performance. Each theory offers a unique lens through which resource access, institutional influences, behavioral intentions, social relationships, innovation adoption, and livelihood strategies can be understood. The study concludes that entrepreneurial success among underprivileged rural groups in Maharashtra depends not only on financial resources but also on human capabilities, social networks, supportive institutions, and adaptive livelihood strategies. A multi-theoretical perspective is essential for designing effective policies and interventions for rural start-up entrepreneurs.

KEYWORD: *Entrepreneurship development, Government schemes, Marathwada Region, Startup promotion, Rural development, Policy intervention, Economic empowerment*

❖ INTRODUCTION:

Entrepreneurship in rural India has emerged as a vital driver of employment generation, poverty reduction, and local economic development. However, underprivileged rural entrepreneurs face numerous challenges such as limited financial capital, weak institutional support, socio-cultural constraints, poor access to markets, and inadequate skill development opportunities. These constraints often impede the growth and sustainability of new start-ups, particularly in states like Maharashtra where rural diversity is high.

Theoretical frameworks provide valuable insights into how these barriers influence entrepreneurial decisions, strategies, and outcomes. By examining major theories related to resources, institutions, human capabilities, innovation, and livelihood systems, this study seeks to establish a comprehensive understanding of rural entrepreneurship development. The focus is on identifying how these theories explain the unique conditions under which underprivileged rural entrepreneurs in Maharashtra operate.

❖ STATEMENT OF PROBLEM:

Underprivileged rural entrepreneurs in Maharashtra face multiple barriers such as limited capital, restricted market access, inadequate skills, socio-cultural constraints, and weak support ecosystems. Despite the availability of government schemes and community resources, many rural start-ups struggle to survive or grow. A clear understanding of the theoretical frameworks that explain entrepreneurial development is essential for identifying why these challenges persist and how they can be addressed.

Therefore, the problem addressed in this study is: What theoretical perspectives best explain the factors influencing the entrepreneurial success and challenges of underprivileged rural entrepreneurs?

❖ RESEARCH METHODOLOGY:

The present study is based entirely on secondary data, drawn from previously published research studies, books, theories, and conceptual papers. The methodology includes: Review and interpretation of established theories related to entrepreneurship and rural development. Examination of scholarly contributions focusing on the Resource-Based View, Institutional Theory, Human and Social Capital, Ecosystem approaches, and behavioral theories. Analysis of concepts presented in previous studies to

develop a theoretical foundation for understanding rural start-up development. No primary data collection was conducted because the objective is purely theoretical and conceptual.

❖ OBJECTIVE OF STUDY:

To study the theoretical frameworks that explain the development, challenges, and success factors of underprivileged rural entrepreneurs, with special reference to new start-up entrepreneurs in Maharashtra

❖ REVIEW OF LITERATURE:

The theoretical frameworks underpinning the study of entrepreneurship and rural development are diverse, reflecting the complex and multifaceted nature of these fields. This section reviews the primary theories relevant to our research objectives and hypotheses, including the Resource-Based View, Institutional Theory, the Entrepreneurial Ecosystem Approach, Human Capital Theory, and the Social Capital Theory. Each of these theories offers a unique lens through which to understand the development of new start-up rural entrepreneurs in Maharashtra, particularly in the Maharashtra. By examining these theories, we aim to establish a comprehensive foundation for analyzing the factors that influence the success and challenges of underprivileged rural entrepreneurs.

1 Resource-Based View (RBV):

The Resource-Based View (RBV) of entrepreneurship is centered on the idea that the possession and effective utilization of resources are critical determinants of a firm's success. This theory, introduced by Wernerfelt (1984) and later expanded by Barney (1991), posits that resources that are valuable, rare, inimitable, and non-substitutable (VRIN) can provide a sustainable competitive advantage. In the context of rural entrepreneurship, resources include financial capital, human skills, social networks, and access to markets.

RBV is particularly relevant for rural start-up entrepreneurs who often face resource constraints. For instance, limited access to financial resources is a common challenge among rural entrepreneurs, which significantly impacts their ability to innovate and scale (Acs & Audretsch, 2003). Studies have shown that rural entrepreneurs who can leverage unique local resources, such as community support or traditional knowledge, are better positioned to succeed despite broader resource limitations (Ketchen,

Ireland, & Webb, 2014). This theory underscores the importance of understanding the resource dynamics in rural settings, aligning with our objective to examine the socio-economic backgrounds and growth factors of underprivileged entrepreneurs.

Moreover, RBV helps to explain why some rural start-ups thrive while others fail, despite operating under similar external conditions. For example, a study by Brush, Greene, and Hart (2001) found that women entrepreneurs in rural areas often utilize their social capital and local knowledge to overcome financial and market access barriers, illustrating the practical application of RBV in rural contexts. By identifying and optimizing their unique resources, rural entrepreneurs can build resilience and competitive advantages, which are crucial for long-term success.

2 Institutional Theories:

Institutional Theory emphasizes the role of formal and informal institutions in shaping entrepreneurial behavior and outcomes. This theory, articulated by North (1990) and further developed by Scott (2001), argues that the regulatory, normative, and cognitive structures within a society significantly influence the decision-making processes of individuals and organizations. Institutions include government policies, cultural norms, legal frameworks, and education systems, all of which play a pivotal role in either facilitating or hindering entrepreneurial activities.

In rural settings, institutional support is often critical for entrepreneurship development. The presence or absence of supportive policies, such as subsidies, training programs, and access to credit, can significantly impact the success rates of rural entrepreneurs (Bruton, Ahlstrom, & Li, 2010). For example, the Government of India has launched various initiatives aimed at supporting rural entrepreneurs, such as the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM), which provides financial assistance and capacity building for rural start-ups. However, the effectiveness of these programs often depends on local implementation and the entrepreneurs' awareness and ability to access them (Shane, 2003).

Institutional Theory also highlights the importance of cultural norms and social expectations in shaping entrepreneurial behavior. In many rural areas, traditional gender roles and caste-based divisions can restrict access to entrepreneurial opportunities, particularly for women and marginalized communities. Studies have shown that these social barriers can be as limiting as financial constraints,

influencing the types of businesses that are considered acceptable or feasible (Busenitz, Gomez, & Spencer, 2000). This aligns with our research hypothesis that socio-economic and personal factors significantly influence entrepreneurial competency among underprivileged entrepreneurs.

3. Entrepreneurial Ecosystem Approach

The Entrepreneurial Ecosystem Approach focuses on the interconnected elements that support or hinder entrepreneurial activity within a specific environment. This framework, popularized by Isenberg (2010), suggests that entrepreneurship thrives in ecosystems where various components—such as access to finance, markets, human capital, infrastructure, and supportive culture—are well-developed and interlinked. The approach emphasizes the systemic nature of entrepreneurship, arguing that isolated interventions (e.g., funding alone) are insufficient without considering the broader ecosystem.

This theory is particularly relevant to rural entrepreneurship, where ecosystems are often underdeveloped or fragmented. In rural Maharashtra, for instance, entrepreneurs face challenges such as inadequate infrastructure, limited market connectivity, and a lack of business support services (Suresh & Ramraj, 2012). The Entrepreneurial Ecosystem Approach suggests that addressing these issues requires a holistic strategy that integrates multiple support mechanisms, from improving digital connectivity to fostering local entrepreneurial networks.

Moreover, the Entrepreneurial Ecosystem Approach aligns with the need to understand how different components of the ecosystem interact to influence entrepreneurial outcomes. For example, rural entrepreneurs may benefit from digital platforms that connect them to broader markets, but only if they also have the skills and resources to leverage these platforms effectively (Acs, Autio, & Szerb, 2014). This theory underscores the importance of creating enabling environments that go beyond financial support, reflecting our objective to assess the impact of socio-economic and institutional factors on rural start-up success.

4 Human Capital Theory:

Human Capital Theory, developed by Becker (1964), posits that individuals' skills, knowledge, and experiences are critical assets that contribute to their economic productivity. In the context of entrepreneurship, human capital includes education, work experience, technical skills, and

entrepreneurial knowledge, all of which influence an individual's capacity to identify opportunities, make strategic decisions, and drive business growth.

Rural entrepreneurs often face significant human capital challenges, including lower levels of formal education, limited access to training, and a lack of exposure to advanced business practices. Research by Davidsson and Honig (2003) highlights that entrepreneurs with higher levels of human capital are more likely to engage in opportunity-based entrepreneurship rather than necessity-based entrepreneurship, which is often the case in rural areas. This distinction is crucial, as opportunity-based ventures tend to be more innovative and have higher growth potential.

The relevance of Human Capital Theory to our study lies in its emphasis on personal development as a key driver of entrepreneurial success. By assessing the educational and experiential backgrounds of rural entrepreneurs in Maharashtra, we can better understand the link between human capital and business outcomes. Additionally, this theory supports our hypothesis that entrepreneurial training and government assistance significantly impact the success of underprivileged entrepreneurs. Programs that enhance human capital, such as skill development workshops or mentorship schemes, can be particularly effective in rural contexts where access to such resources is often limited (Bates, 1990).

5 Social Capital Theory:

Social Capital Theory, popularized by Bourdieu (1986) and Coleman (1988), emphasizes the value of social networks and relationships in economic and entrepreneurial activities. Social capital encompasses the resources available to individuals through their connections, such as information, trust, and support, which can facilitate access to opportunities and reduce transaction costs.

In rural entrepreneurship, social capital is often a critical asset, compensating for the lack of formal resources. Rural entrepreneurs frequently rely on family ties, community networks, and local relationships to access capital, find customers, and navigate regulatory environments (Putnam, 1995). Research indicates that strong social capital can enhance entrepreneurial resilience, particularly in resource-constrained settings (Anderson & Jack, 2002). For instance, a study by Stam, Arzlanian, and Elfring (2014) found that entrepreneurs with high social capital are more likely to receive financial support from informal sources, such as family and friends, which can be pivotal in the early stages of business development.

Social Capital Theory also sheds light on the barriers faced by marginalized groups, who may have limited access to influential networks due to socio-economic or cultural factors. This is particularly relevant for underprivileged entrepreneurs in rural Maharashtra, who may struggle to build connections outside their immediate community. Understanding the role of social capital aligns with our objective to profile the socio-economic backgrounds of rural entrepreneurs and assess how personal and external factors contribute to entrepreneurial competency.

6 Diffusion of Innovation Theory

Diffusion of Innovation Theory, proposed by Rogers (1962), explains how new ideas, products, and technologies spread within a society or social system. This theory is relevant to entrepreneurship, as it provides insights into how entrepreneurs adopt and implement innovations to gain a competitive advantage. In rural settings, the diffusion of innovation can be particularly slow due to factors such as limited access to information, resistance to change, and lack of resources.

Rogers identified five factors that influence the adoption of innovation: relative advantage, compatibility, complexity, trialability, and observability. In rural entrepreneurship, innovations that are perceived as highly compatible with existing practices and easy to use are more likely to be adopted. For example, the adoption of mobile payment systems in rural markets has been facilitated by their ease of use and alignment with existing transaction habits (Van Rijn, Bulte, & Adekunle, 2012). This theory supports our exploration of how rural entrepreneurs navigate technological barriers and adapt innovations to fit their specific contexts.

The Diffusion of Innovation Theory also highlights the role of opinion leaders and change agents in influencing the adoption process. In rural communities, local leaders, such as successful entrepreneurs or community elders, can play a crucial role in promoting new business practices. Understanding these dynamics can provide valuable insights into the strategies that rural entrepreneurs use to overcome market and operational challenges, aligning with our research objective to identify the critical factors contributing to the success or failure of underprivileged entrepreneurs.

7 Theory of Planned Behavior:

The Theory of Planned Behavior (TPB), developed by Ajzen (1991), posits that individual behavior is driven by behavioral intentions, which are influenced by attitudes, subjective norms, and

perceived behavioral control. This theory is widely used to understand entrepreneurial intentions, particularly in predicting whether individuals are likely to engage in entrepreneurial activities.

In rural entrepreneurship, TPB can help explain why some individuals choose to start businesses despite the challenges and risks involved. For example, if rural entrepreneurs perceive high levels of social support and believe they have the necessary skills and resources, their intention to pursue entrepreneurial ventures is likely to be stronger (Krueger, Reilly, & Carsrud, 2000). This theory is relevant to our study as it provides a psychological perspective on the motivations and barriers faced by rural entrepreneurs, complementing the socio-economic and institutional analyses provided by other frameworks.

TPB also underscores the importance of perceived behavioral control, which reflects an individual's belief in their ability to execute a specific behavior. In the context of rural entrepreneurship, perceived control can be influenced by factors such as access to resources, exposure to role models, and previous entrepreneurial experience. Understanding these perceptions is critical for developing interventions that enhance the confidence and capability of underprivileged entrepreneurs, aligning with our research objective to evaluate the impact of personal factors on entrepreneurial competency.

8 Sustainable Livelihoods Framework:

The Sustainable Livelihoods Framework (SLF) offers a holistic approach to understanding how individuals and communities sustain their livelihoods, particularly in rural areas. Developed by the Department for International Development (DFID, 1999), the SLF emphasizes the importance of assets (human, social, financial, physical, and natural capital), vulnerability contexts, and institutional processes in shaping livelihood outcomes.

For rural entrepreneurs, the SLF provides a valuable lens through which to assess the interplay of various factors that affect business sustainability. It highlights the need to consider not just economic factors but also environmental and social dimensions, such as community resilience, ecological sustainability, and social equity. In rural Maharashtra, where agricultural activities often intersect with entrepreneurial ventures, the SLF can help identify strategies that enhance the sustainability of rural start-ups (Scoones, 1998).

The SLF also aligns with our research objective to analyze the factors contributing to the success or failure of underprivileged entrepreneurs by providing a framework for assessing the broader livelihood impacts of entrepreneurship. This holistic perspective is particularly important in rural contexts, where the success of entrepreneurial ventures is closely tied to the well-being of the broader community.

❖ FINDING:

The theoretical review indicates that rural entrepreneurial development among underprivileged groups in Maharashtra is influenced by a combination of structural, institutional, social, psychological, and livelihood-related factors. Key findings include:

- **No single theory fully explains rural entrepreneurship**—a multi-theoretical perspective is necessary.
- **Resource constraints (RBV)** significantly shape entrepreneurial strategies and performance.
- **Institutional barriers and support systems (Institutional Theory)** heavily influence entrepreneurial outcomes.
- **Human capital deficits** such as lack of education and training affect opportunity identification and business growth.
- **Social networks (Social Capital Theory)** act as informal support systems but may be limited for marginalized groups.
- **Entrepreneurial ecosystems in rural Maharashtra are underdeveloped**, highlighting a need for integrated interventions.
- **Innovation adoption remains slow** due to technological, informational, and socio-cultural barriers.
- **Livelihood strategies (SLF)** affect entrepreneurial motivation and long-term sustainability.

Together, these findings highlight that supporting underprivileged rural entrepreneurs requires holistic strategies that combine resource enhancement, institutional strengthening, skill development, and social empowerment.

❖ CONCLUSIONS:

The study demonstrates that multiple theoretical frameworks are essential for understanding the complexities of rural entrepreneurship in Maharashtra. Each framework highlights different

determinants of entrepreneurial behavior—from resource availability and institutional support to personal competencies, social networks, and innovation dynamics.

For underprivileged rural entrepreneurs, success depends on their ability to navigate structural constraints, leverage available resources, build human and social capital, and adopt innovations that fit their livelihood contexts. Policymakers, NGOs, and development agencies must therefore adopt integrated and theory-informed approaches to strengthen rural entrepreneurial ecosystems. The insights from these frameworks can guide the design of targeted training programs, institutional reforms, mentorship initiatives, and community-based support structures.

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