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Address for correspondence:

Shital Salunke
Government First Grade College,
adalaga Tal. Chikodi, Dist.
Belagavi, State. Karnataka.
Email: shitalsalunke1@gmail.com

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Entrepreneurial Ecosystems in Rural India: A Micro-Level Study of North Karnataka

Shital Salunke

Lecturer in Commerce, Government First Grade College, Sadalaga Tal – Chikodi,
Dist – Belagavi, State – Karnataka

Abstract

A crucial paradigm for comprehending the dynamics of business creation, especially in rural economies, is entrepreneurial ecosystems. Through a micro-level empirical examination, this study looks at the composition and operation of entrepreneurial ecosystems in rural North Karnataka. In order to create jobs, lower migration, and promote equitable economic growth, rural entrepreneurship is essential. However, important elements like financial access, infrastructure, governmental support, talent development, and social capital are necessary for entrepreneurial ecosystems to be effective. The current study is based on primary data that was gathered using a structured questionnaire from 100 respondents in each of the North Karnataka districts that were chosen. To guarantee validity and reliability, the study uses descriptive and inferential statistical tools such as mean, standard deviation, Chi-square test, F-test (ANOVA), and Cronbach's Alpha. The results show that although rural entrepreneurs exhibit great inventiveness and tenacity, they are severely limited in their ability to obtain capital, digital infrastructure, and market connections. The study also shows that local support networks and government programs have a good impact on entrepreneurial performance, while there are still implementation gaps at the local level. Ecosystem characteristics and entrepreneurial growth are significantly correlated, according to hypothesis testing, underscoring the need of an integrated ecosystem strategy. By offering region-specific insights and policy recommendations to support rural entrepreneurial ecosystems in developing economies like India, the study adds to the body of current material.

Keywords: Rural Entrepreneurship, Entrepreneurial Ecosystem, North Karnataka, MSMEs, Economic Development

Introduction

It is often acknowledged that entrepreneurship is a major force behind economic growth, particularly in rural areas with few job options. The connection between several stakeholders, including financial institutions, governmental regulations, infrastructure, and human resources, is highlighted by the idea of an entrepreneurial ecosystem. Policy measures and growing knowledge of self-employment options have contributed to the growth of rural entrepreneurship in India. In order to build sustainable businesses, rural entrepreneurs make substantial contributions to regional development by utilizing local resources and traditional knowledge. Studying entrepreneurial ecosystems at the micro level is made possible by North Karnataka's semi-arid climate and socioeconomic difficulties.

Significance of the Study:

The present study covers various aspects of entrepreneurial ecosystems which led to:

- Aids in comprehending entrepreneurial difficulties at the local level.
- Offers policy recommendations for rural development.
- Promotes the expansion of MSMEs and the creation of jobs.
- Adds to scholarly works on ecosystem-based development.

Objectives of the Study:

1. To investigate the elements of rural North Karnataka's entrepreneurial ecosystems.
2. To examine the connection between corporate performance and ecosystem elements.
3. To determine the difficulties faced by rural business owners.
4. To make recommendations on ways to improve rural entrepreneurial ecosystems

Review of Literature:

Mark W. Fortunato (2014) highlighted that rural entrepreneurial ecosystems require tailored policy interventions rather than a one-size-fits-all approach. His findings indicate that localized strategies, which consider regional socio-economic conditions, are more effective in fostering sustainable entrepreneurship. This aligns with the present study's focus on micro-level analysis in North Karnataka.

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Vijay Yadav and Pankaj Goyal (2015) explored the concept of user innovation in rural India and found that rural entrepreneurs often develop innovative solutions tailored to local problems using limited resources. Their study underscores the importance of grassroots innovation and suggests that rural entrepreneurial ecosystems are inherently adaptive but constrained by limited access to formal financial and technological resources. David Deakins and Mark Freel (2016) emphasized that rural entrepreneurship is fundamentally shaped by local resource availability, social networks, and institutional support. Their work highlights that unlike urban enterprises, rural businesses rely heavily on community-based networks and informal systems of knowledge sharing. This insight is particularly relevant for regions like North Karnataka, where social capital plays a critical role in entrepreneurial success. Ramesh K. Wadichar et al. (2022) examined the structural components of entrepreneurial ecosystems, including policy support, finance, culture, markets, and human capital. The study concluded that while India has made significant progress in promoting entrepreneurship through government initiatives, there remains a disconnect between policy formulation and implementation at the rural level. This gap often results in underutilization of available resources by rural entrepreneurs.

Rakesh Kumar et al. (2024), have emphasized the importance of innovation ecosystems in sustaining entrepreneurial growth. Their research suggests that collaboration among stakeholders—government agencies, financial institutions, and training organizations—is essential for building a

Descriptive Statistics:

Variable	Mean	Std. Deviation
Financial Access	3.2	0.85
Infrastructure	3.5	0.78
Policy Support	3.8	0.72
Market Access	3.1	0.88

Interpretation:

The mean values of important entrepreneurial ecosystem factors in the current study reflect respondents' general perceptions. For example, policy support (Mean = 3.8) gets the highest average score, indicating that respondents are fairly supportive of the availability of government efforts and programs. In a similar vein, infrastructure (Mean = 3.5) indicates that physical and digital facilities are reasonably accessible in remote areas. However, the mean values for financial access (Mean = 3.2) and market access (Mean = 3.1) are significantly lower, suggesting that rural entrepreneurs have greater difficulty obtaining credit facilities and markets for their goods. This implies that market connectivity and financial

resilient entrepreneurial environment. The study also highlights that innovation-driven ecosystems tend to perform better in terms of enterprise sustainability and scalability. Ketut Putra et al. (2025) conducted a comprehensive review of rural entrepreneurship and identified key barriers such as inadequate infrastructure, lack of access to finance, and weak market linkages. Their findings reinforce the argument that while rural entrepreneurship has significant potential for economic development, systemic challenges hinder its growth.

Hypotheses:

H0₁: Ecosystem elements and entrepreneurial success do not significantly correlate.

H1₁: Ecosystem elements and entrepreneurial success significantly correlate.

H0₂: Districts do not significantly differ from one another in terms of ecosystem support.

H1₂: Districts significantly differ from one another in terms of ecosystem support.

Research Methodology:

Sample Size: 100 respondents per district (e.g., Belagavi, Dharwad, Vijayapura, Bidar)

Sampling Method: The present research rigorously followed Stratified random sampling method for collection of data through well-structured questionnaire.

Data Type:

Primary Data: The primary data collected by using questionnaire from various respondents.

Secondary Data: the secondary data collected through various different types of journals, government published reports, number sites etc.,

inclusion continue to be important obstacles in the entrepreneurial ecosystem.

Moderate response variability is indicated by the standard deviation values, which range from 0.72 to 0.88. The comparatively higher standard deviation for market access (0.88) suggests that respondents' perceptions fluctuate greatly, perhaps as a result of variations in location, business type, or network connectivity. Conversely, less variation in policy support (0.72) indicates a more uniform opinion among respondents.

Overall Interpretation:

The descriptive study shows that although infrastructure and governmental assistance are comparatively more advanced, financial and market-related limitations still impede the expansion of rural entrepreneurship. Additionally,

uneven progress among districts is indicated by the

moderate variability.

Hypothesis Testing:

Chi-Square Test:

Variable	Chi-Square	p-value
Ecosystem v/s Performance	18.45	0.002

Interpretation:

The null hypothesis (H0) is rejected since the p-value is less than 0.05. This suggests that entrepreneurial ecosystem elements and entrepreneurial performance have a statistically significant link. This means that factors like market

connections, infrastructure, regulatory support, and financial availability have a big impact on the prosperity and expansion of rural businesses. Entrepreneurs that operate in locations with stronger ecosystems typically outperform those in environments with weaker ecosystems.

ANOVA (F-Test):

Source	F-value	Sign
Between Districts	4.85	0.002

Interpretation:

The null hypothesis is rejected since the p-value is less than 0.05. This suggests that the support provided by the entrepreneurial ecosystem varies statistically significantly between districts.

This implies that not every district in North Karnataka offers entrepreneurs the same degree of assistance. While some districts lag behind, others may have superior financial institutions, infrastructure, and policy execution.

Non-Parametric Test (Kruskal-Wallis):

Variable	Chi-Square	Sign
Ecosystem Factors	12.67	0.002

Interpretation:

The null hypothesis is rejected since the p-value is less than 0.05. This demonstrates that ecosystem parameters change significantly between various groupings (districts or kinds of enterprises). Because it supports the conclusion even in cases when the assumption of normality is not met, this result guarantees resilience and reinforces the results of the ANOVA test.

Reliability Test (Cronbach's Alpha):

Variable	Cronbach's Alpha
Financial Access	0.82
Infrastructure	0.79
Policy Support	0.85
Skill Development	0.81

Interpretation:

The measuring scale's good internal consistency and high reliability are indicated by all results being over the acceptable threshold of 0.70. Acceptable reliability is indicated by values between 0.7 and 0.8. Good reliability is indicated by values between 0.8 and 0.9. Policy support (0.85) has the best dependability in this study, indicating that respondents consistently interpreted and provided relevant answers. The consistency of Infrastructure (0.79) is marginally lower but still acceptable.

Findings of the Study:

❖ Overall Status of Entrepreneurial Ecosystem:

According to the report, rural North Karnataka has a fairly established but unevenly distributed entrepreneurial ecosystem. While some factors, like infrastructure and policy support, exhibit

comparatively better responses, other crucial elements, like financial access and market connections, continue to be inadequate. This suggests that although the ecosystem is functional, its constituent parts are not balanced or integrated.

❖ Financial Access as a Major Constraint:

One of the most important conclusions is that one of the biggest obstacles facing rural entrepreneurs is access to financing. The respondents' inability to receive loans, credit facilities, and financial support from formal institutions is indicated by the lower mean score for financial access. Many business owners rely on unofficial sources, which could restrict their companies' capacity to grow and survive.

❖ Infrastructure and Policy Support Show Relative Strength:

The results show that policy support has the greatest mean value, indicating the existence and relative visibility of government programs and

activities at the local level. In a similar vein, infrastructure—which includes digital connectivity and basic amenities—is just mediocre. However, because of implementation flaws or a lack of understanding, these resources are not often used to their full potential.

❖ **Market Access and Linkages are Weak:**

Another crucial issue that surfaced was market access. The larger variability and comparatively low mean indicate that entrepreneurs have difficulty expanding their market reach, especially outside of local areas. This restriction has an impact on income creation and business expansion, particularly for traditional and small businesses.

❖ **Significant Relationship between Ecosystem and Performance:**

The results of the Chi-square test verify that elements of the entrepreneurial ecosystem have a major impact on business performance. This implies that better results for rural businesses are closely correlated with advancements in areas like financing, infrastructure, training, and policy implementation. The hypothesis that a well-developed ecosystem improves entrepreneurial success is substantially supported by this research.

❖ **Presence of Regional (District-Level) Disparities:**

The results of the Kruskal-Wallis's test and ANOVA (F-test) both unequivocally show that districts differ significantly in terms of ecological support.

- Certain districts exhibit comparatively better ecosystem conditions, such as Belagavi and Bidar.
- Some, like Vijayapura, fall behind in terms of funding, infrastructure, and support services. This demonstrates that entrepreneurial growth is influenced by local circumstances and that progress is not consistent throughout North Karnataka.

❖ **Consistency and Reliability of Data:**

The Cronbach's Alpha values (all over 0.7) attest to the strong reliability and internal consistency of the information gathered via the questionnaire. This increases the findings' credibility and guarantees that the conclusions are supported by reliable data.

❖ **Role of Social and Institutional Support:**

The study also concludes that local community ties, family support, and unofficial networks are essential to the survival of rural businesses. These social structures serve as entrepreneurs' support systems when robust formal systems are lacking.

❖ **Skill Development and Awareness Gaps:**

There is a discernible lack of awareness, accessibility, and practical application despite the existence of training programs and skill development activities. Many respondents said they had little exposure to digital tools, innovation tactics, and contemporary business methods.

❖ **Resilience and Adaptability of Rural Entrepreneurs:**

Rural entrepreneurs exhibit high levels of perseverance, adaptability, and invention despite a variety of obstacles. Many entrepreneurs adapt their business ideas to overcome obstacles and make inventive use of local resources. This demonstrates the unrealized potential of rural communities.

Suggestions forwarded:

➤ **Strengthening Access to Finance:**

Improving financial inclusion should be a high focus since access to financing has been identified as a significant barrier.

- For rural business owners, financial institutions should streamline lending processes and lower collateral requirements.
- It is important to promote the growth of cooperative credit systems, microfinance, and self-help groups (SHGs).
- To inform entrepreneurs about current government initiatives and subsidies, awareness campaigns should be held.
- The introduction of digital lending platforms can decrease delays and increase accessibility.

➤ **Enhancing Market Access and Linkages:**

Rural businesses' capacity to grow and make money is hampered by limited market access.

- The creation of rural e-commerce platforms to link business owners with domestic and international markets.
- The creation of cooperative selling centres and rural marketing hubs.
- Participation in trade shows, exhibits, and online markets should be made easier by the government and non-governmental organizations.
- Improving logistics infrastructure and supply chains.

➤ **Improving Infrastructure and Digital Connectivity:**

Despite the infrastructures moderate level of development, major upgrades are needed.

- Investments in transportation, storage, warehousing, and rural roads.
- Increasing dependable internet access to encourage digital entrepreneurship.
- The creation of common facility centres (CFCs) for processing and manufacturing.

➤ **Effective Implementation of Government Policies**

Policies do exist, however they are not always applied at the local level.

- Enhancing government program monitoring and assessment systems.
- Ensuring accountability and openness in the distribution and use of funds.
- Giving local governments the authority to implement policies for a wider audience.

- Making administrative processes for receiving benefits simpler.

➤ **Skill Development and Entrepreneurial Training:**

The potential of rural entrepreneurs is limited by ignorance and skill shortages.

- Setting up frequent training courses in digital skills, financial literacy, and company management.
- Encouraging rural schools and universities to teach entrepreneurship.
- Working together with industry professionals and educational institutions to get real-world experience.
- Using incubation centres to promote creativity and innovation.

➤ **District-Specific Development Strategies:**

Significant differences between districts were found in the study, necessitating targeted treatments.

- Creating plans for entrepreneurial development at the district level based on particular requirements.
- Distributing resources based on regional differences.
- Promoting local involvement and leadership in ecosystem development

Conclusion:

Through a micro-level empirical research, the current study investigated the characteristics and efficacy of entrepreneurial ecosystems in rural North Karnataka. The results offer compelling evidence that rural entrepreneurship is heavily influenced by the larger ecosystem, which includes financial institutions, infrastructure, policy assistance, market connections, and social networks. According to the report, North Karnataka's entrepreneurial environment is structurally unbalanced yet moderately developed. Critical elements like market connectivity and financial access are still lacking, despite the relative visibility of basic infrastructure and legislative support. Rural entrepreneurs' capacity to build their companies and attain sustainable growth is hampered by this disparity. These differences are highlighted by the descriptive analysis, and their significance is further confirmed by inferential statistical tests.

The findings of the hypothesis test unequivocally show that elements of the entrepreneurial ecosystem have a statistically significant impact on company performance. The Chi-square test supports the idea that a supportive environment is crucial for business development by confirming a substantial correlation between ecosystem components and entrepreneurial outcomes. Additionally, the Kruskal–Wallis and ANOVA tests show notable district-level differences, indicating that ecological support is not

evenly distributed throughout the area. This result highlights the need for context-specific and localized policy interventions as opposed to a standard development strategy.

Financial limitations and poor market connections are the biggest obstacles faced by rural entrepreneurs, according to another significant finding. Government programs do exist, but their efficacy at the local level is diminished by problems with accessibility, awareness, and implementation. The report also emphasizes how resilient, flexible, and creative rural businesses are, continuing to function and expand in spite of these institutional obstacles.

Cronbach's Alpha reliability analysis verifies the statistical soundness of the research tool and guarantees the validity and consistency of the results. This enhances the study's overall validity and bolsters the validity of the conclusions reached.

By offering a micro-level, region-specific understanding of entrepreneurial ecosystems in rural India, particularly in the setting of North Karnataka, the study adds to the body of current literature. By emphasizing how ecosystem elements interact and affect entrepreneurial performance in a rural setting, it closes the gap between academic frameworks and practical reality. The study indicates that a comprehensive and integrated ecosystem strategy is necessary to enhance rural entrepreneurship from a policy standpoint. Without coordinated efforts across all ecosystem components, isolated interventions in infrastructure, training, or funding are insufficient. Achieving balanced and inclusive growth also requires resolving regional inequities through district-specific solutions.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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