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UNVEILING FINANCIAL CHALLENGES: RSETI'S ROLE IN RURAL ENTREPRENEURSHIP

Siddhant Mishra

Department of Finance, Economics & Strategy, Indian Institute of Management (IIM) – Mumbai. Vihar Lake, Mumbai – 400087

Email: siddhant.mishra.2019@iimmumbai.ac.in

KS Ranjani

Associate Professor, Department of Finance, Economics & Strategy, Indian Institute of Management (IIM) – Mumbai. Vihar Lake, Mumbai – 400087

Email: ksranjani@iimmumbai.ac.in

Rajeev Kumar Revulagadda

Assistant Professor, Department of Finance, Flame University - Pune

Pune, Maharashtra. Email: rajeev.revulagadda@flame.edu.in

Dr Debendra Nath Dash

Assistant Director (Research & Networking), Mahatma Gandhi National Council of Rural Education (MGNCRE), Ministry of Education, GOI, Hyderabad.

Email: drdndash.ncri@gmail.com

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Abstract

This case discusses rural people's entrepreneurial training and examines the finance-related complications trainees face after completing the training program. The RSETI (Rural Self Employment Training Institute) program has a strategy of providing entrepreneurs with short-term training and long-term support. RSETI is an initiative by the Government of India to help rural people start their businesses by providing proper training facilities for educating them and inculcating the necessary skills required for starting a business. Young people aged between 18 to 45 years are eligible to join the training program. The RSETIs have established themselves as pioneers in capturing rural youth ambitions and turning them into prosperous entrepreneurs by teaching underprivileged rural youth and giving them training about various skills which can be used to start their businesses. In order to understand the problems faced by trainees while starting their business, 15 trainees were interviewed who completed their training from RSETI. The study contributes to the extant literature of rural *entrepreneurship by analyzing the financial dilemmas that are faced by trainees after completing the training program and the measures that can be taken to overcome these problems.*

Keywords: *Entrepreneurship, Finance, Training, Rural Entrepreneurs, RSETI*

Barriers to Prosperity: Unpacking the Impact of Financial Challenges on Rural Businesses

In the quaint village of Sitapur, India, nestled amidst lush green fields lived a group of aspiring entrepreneurs who had just completed a rigorous training program offered by RSETI (Rural Self Employment Institute), an initiative by the Ministry of Rural Development (MoRD) aimed at empowering rural communities. Excitement buzzed through the air as the villagers envisioned a better future for themselves and their families. Among these budding entrepreneurs were Manish Kumar, a skilled mobile repairer who dreamed of opening his own mobile repairing shop, and Radha, who has mastered the art of making traditional handmade pottery. They were joined by several others, each with their own unique visions and talents.

The training program had been an eye-opener for the villagers, equipping them with essential business skills, financial knowledge, and practical know-how. However, as the days turned into weeks, a cloud of uncertainty descended upon the village. While the training had empowered them with knowledge, they were confronted with different dilemmas while trying to start their own business.

For Manish, the challenge was obtaining enough funds to set up his mobile repairing workshop. Despite having a detailed business plan, banks hesitated to lend to him because of the lack of collateral security and citing the risk associated with new ventures. Moreover, the interest rates were prohibitively high for a small-scale enterprise like his. Frustration gnawed at him as he felt he was being denied a chance to turn his dreams into reality. This conundrum forced Manish to consider whether he should invest his household savings to start the business or look for other job opportunities.

Radha had completed a skill training program under a government scheme that taught her the art of making traditional handmade pottery. With her newfound skills, she aspired to start a small pottery business to support her family and contribute to the village economy.

With great enthusiasm, Radha began crafting beautiful clay pots and decorative pieces. The villagers appreciated her work and often praised the intricate designs she created. However, despite her talent, Radha faced a significant hurdle that impeded the growth of her business - financial literacy.

While Radha had learned the craft of pottery, she had little knowledge of basic financial concepts, record-keeping, and pricing strategies. She struggled to manage her expenses, track her sales, and calculate profits accurately. As a result, she often underpriced her products, leaving little room for sustainable growth. Because of this, she started getting worried and was in constant dilemma about whether she should continue with the same business or learn new skills to help her earn more money and expand the business.

Meena is a housewife who encountered her own set of obstacles. While her handicrafts were exquisite, she struggled to reach a broader market to increase her business revenues. The absence of proper marketing channels and online presence made it difficult for her to showcase her products to potential customers beyond the village. The nearest town was miles away, and without affordable transportation options, she found herself confined to a local market with limited buyers. Her sales volume was adversely affected, resulting in lower profitability. She found herself torn between her passion for expanding the business by increasing the customer base, increasing revenue generation, and fulfilling family responsibilities.

Decision Dilemmas: Navigating Challenges on the Road to Entrepreneurship

In the picturesque village of Sitapur, a group of aspiring entrepreneurs grapple with a multitude of decision dilemmas as they endeavor to turn their newfound skills into thriving businesses. Manish Kumar, the mobile repairer, faces a daunting financial quandary, torn between investing his household savings to realize his dream of a mobile repair shop or seeking alternative employment due to a lack of collateral and high interest rates. Radha, the talented pottery maker, wrestles with the dilemma of her limited financial literacy, contemplating whether to persevere in her craft or acquire new skills that promise better financial returns. Meena, the skilled craftswoman, is at a crossroads, trying to balance her passion for expanding her business or reaching a broader market with her family responsibilities. Each of them stands at a pivotal juncture, making crucial decisions that will shape their entrepreneurial journeys and the future of their village.

Significance of Entrepreneurial Training and Education:

India's rural population makes up 65% of the nation's overall population (World Bank, 2021). Rural populations face major barriers to development because they lack access to a wide range of governmental and private sector services. Every year, millions of young people in this country enter the job market but cannot find suitable jobs. One of India's major issues is the lack of suitable employment opportunities in both the organized and unorganized sectors. In such a situation, it becomes essential to encourage self-employment among unemployed rural youth, especially those below the poverty line, and give them periodic skill training to keep them updated with emerging technology. Post-training, the beneficiaries can establish successful micro-enterprises, raise their personal standards of life, and subsequently boost the country's overall economy.

The participation of women entrepreneurs in emerging and developing nations is growing slowly (Schneider, 2017; Meyer, 2019). Extant literature discusses factors contributing to this delayed growth, including gender inequality, access to start-up capital, lack of entrepreneurial skills, and inadequate education and training (Gender Equality Report, 2020). Entrepreneurship is a subject that can be taught via education (Prochazkova, 2015). The participation of an educator or trainer with individuals to provide them with the necessary skills to succeed in entrepreneurial activity is referred to as entrepreneurial training or education (Chimucheka, 2014). Focus on entrepreneurial training and education help women start new businesses and prepare them for the business environment (Verheul & Thurik, 2001).

Developing skills and abilities related to entrepreneurship is the goal of entrepreneurial education or Training (Daniel, 2016). Chances for employment development are impacted by entrepreneurship education or Training (Maina, 2013). Entrepreneurs who received entrepreneurial training were more committed to sticking with and expanding their enterprises since they exhibited higher levels of self-efficacy, skill development, and confidence (Moodley, 2016). The Consortium of Entrepreneurship Education (2013) found that entrepreneurship education may help prepare individuals. It assisted females and the youth in preparing for entrepreneurship. De Bruin et al. (2007) found that female entrepreneurs were more likely to benefit from entrepreneurial training than their male counterparts.

Rural Self Employment Training Institutes

Dr D. Veerendra Heggade founded the Rural Development and Self Employment Training Institute (RUDSETI) in 1982 at Ujire, Karnataka, India, in collaboration with Syndicate Bank and Canara Bank. Inspired by the success of the RUDSETI model Ministry of Rural Development (MoRD) in 2009 suggested that banks build one RUDSETI-style institution in each of its lead districts (RSETIs). RSETI (Rural Self Employment Training Institutes) program is a trio collaboration between the State Governments, Sponsor Banks, the Ministry of Rural Development (MoRD) and the Government of India.

The highly effective RUDSETI model served as inspiration for the development of RSETIs. Through its 27 Institutes, the RUDSETI has trained more than 391 thousand unemployed youth across the country in a variety of activities. RUDSETI's mission is to empower unemployed rural youth by persuading them to start enterprises and giving them short-term training programs and continuous assistance. Many of the programs are residential and offer unemployed youth free meals, lodging, skill training, and behavioural inputs / soft skills to enable them to start their own venture with or without bank financing. RUDSETI reports a 69 per cent employment rate for the trainees (NATIONAL CENTRE FOR EXCELLENCE OF RSETIs (NACER). The Ministry of Rural Development was motivated by RUDSETI's high settlement rate of 69 per cent and its creative approach to tackling the unemployment issue. RUDSETI is dedicated to assuring the development and growth of rural areas with a special focus on developing self-employment opportunities for unemployed rural youth. In 2009, a Rural Self-Employment Training Institute (RSETI) was formed in each district of India based on the RUDSETI idea. The Government of India has agreed to contribute Rs. 10 million as an infrastructure fund for campus expansion and funding the cost of educating children living Below the Poverty Line (BPL). The responsibility of establishing RSETI in the district has been delegated to the Lead Bank operating in the area. It has been recommended that the respective state governments give the RSETIs free land. Each district's lead banks of RSETIs have been advised to finance the training institute's cost, designate an officer to serve as Director of RSETI, supply each RSETI with the appropriate support staff, and, most crucially, guarantee credit linkage for RSETI-trained applicants. The RSETIs have been tasked with instructing at least 750 BPL youth annually, generating minimum employment of 50 per cent in the beginning and reaching 70 per cent over three years of its operation. However, the banks should also focus on the quality of training provided to trainees alongside the quantitative goals. Financial institutions only actively monitor the monetary aspects of RSETIs, but they also need to closely check the quality of training. Establishing a reliable system for overseeing RSETI activities is necessary to guarantee uniform training quality and settlement rates across the country. Additionally, this would involve the systematic development of Directors and Faculty of RSETIs to ensure that all RSETIs are quickly brought up to the level of the best-performing RUDSETIs in the nation.

RSETIs were established to help solve the unemployment crisis by empowering young people. The eligible individuals receive free training and other benefits. As a result, RSETIs are classified as non-profit social organizations. RSETIs are a one-of-a-kind skill development organization that operates at the district level throughout the country. The RSETIs work to build skills in rural youth and help them start rural enterprises and ensure long-term livelihoods. RSETIs are sponsored and managed by several banks, but they all have the same goal of facilitating the formation of sustainable rural enterprises.

Skill training at RSETI

"Before I visited RSETI, I was anxious about starting my business. However, the training program helped me improve my skills and gain confidence to start my business."- Sushma Singh, Entrepreneur, Sitapur.

Personal skills:

They comprise interpersonal abilities, social skills, and an optimistic outlook. These abilities determine the quality of interactions and approach to life and work. Personal skills include communication skills, problem-solving skills, time management etc. RSETI helps develop these skills through personality development classes and one-to-one consultations. There are many other techniques that are used by RSETI to develop personal skills. For instance, in Surat, the trainers conduct role-playing exercises that help participants practice communicating effectively in different scenarios. Also, active listening exercises are conducted, which is an essential element of effective communication. For time management, prioritization exercises are conducted to help participants learn how to prioritize their tasks in day-to-day activities and manage their time more effectively.

Operational skills:

Entrepreneurs must possess the attributes of operational management to successfully support business methods that maximize efficiency and accomplish success. Entrepreneurs rely on a strong blend of hard and soft skills, including technical ability, coordination, and planning to coordinate and direct the activities of their enterprise's operations. RSETI helps develop these skills by conducting regular sessions regarding how to use a machine and solve the problems that arise while conducting the business. Trainers use practical training methods where trainees perform the tasks and operations they will handle when they start their businesses. Apart from this, they also provide a mentoring facility in which they connect the trainees to the people who have already completed the training and are successfully running their businesses so that these entrepreneurs can provide guidance, feedback, and support while these trainees are developing their skills.

Business and Marketing skills:

Strong business expertise is necessary to keep an enterprise operating efficiently. Individuals can use these skills to better understand the steps necessary to accomplish business objectives and the internal and external factors influencing an organization's success.

Investment in marketing expertise gives an enterprise the best chance of success. For a simple reason: marketing makes goods more widely known and attracts customers. RSETI helps in nurturing these skills by encouraging the trainees to take difficult decisions and identifying the market and customer base for their enterprise. There are various ways in which trainers help the trainees in developing these skills. For example, in Sitapur, trainers provide classroom lectures to introduce new concepts, theories, and techniques related to business and marketing. Also, guest speakers who are experts in their field are invited so that they can provide valuable insights and perspectives on various business and marketing topics. Role-playing activities are conducted to develop communication and negotiation skills in trainees.

Financial knowledge & Practice:

Financial literacy refers to the set of skills and information that empowers enterprise owners to develop efficient financial management plans for their organizations. Reading and writing skills and knowledge and expertise in a particular field are all considered literacy components. Financial literacy is understanding fundamental financial concepts and the capacity and confidence to manage one's personal finances through sound, long-term financial planning and appropriate, short-term decision-making while being aware of life events and changing economic conditions (Remund, 2010). RSETI ensures that each trainee has a proper and clear understanding of financial products and how they can use this knowledge to take effective financial decisions.

After the training program is over, the training institute sends a list of candidates to the bank branches, which work with them to arrange financial aid for the trainees to start their own enterprises. RSETI will assess the trainees' credit needs and transmit them to the bank branches. Government-sponsored programmes like SGSY (Swarnjayanti Gram Swarozgar Yojna) allow trainees to obtain bank loans.

Does RSETI guarantee success in business?

Entrepreneurship training is an organized program that provides participants with the knowledge and attitude needed to identify and start new enterprises. RSETI provides the best possible infrastructure and facilities to help trainees develop the essential skills and mindset required to start an enterprise. Some of the trainees who have completed their training are highly appreciative that the training program has helped them become independent and imparted them with the skills to fulfil society's needs and requirements.

Amidst the multitude of success stories, however, not all trainees reported success in their enterprise. During our visit to RSETIs (as shown in Exhibits 1 and 2), we interviewed some of the trainees who told us that the technology used in their respective fields of the enterprise was not available at the institute through which they could enhance the quality of product/service. For example, machines for skin treatment, hair spas, and new tailoring machines were unavailable at the training institutes. Satyam Kumar, who completed his training for mobile repairing and started his own repairing shop in Lucknow (as shown in Exhibit 3), pointed out that due to the unavailability of equipment like the microscope and OCA machine, he could not develop the skillset required to use this equipment and was unable to meet the demand of some of the customers. Similarly, Kanchan Prabha Sharma, who completed her training as a beautician, pointed out that trainers did not teach them skin treatment and hair spa skills due to the unavailability of machines. Also, the respondents reported the program's duration as insufficient. For instance, Priyanka Singh, who completed the beautician course from RSETI in Lucknow, stated that due to the short period of the training program (Usually between 15 to 30 days), they could not learn all the skills that can be used to meet the demand of customers. Also, most trainees were not adequately equipped with bookkeeping and budgeting skills, so they could not track their expenses and revenues. Due to this inefficiency, many entrepreneurs had low-profit margins.

Treading New Ground: The Rocky Road of Rural Entrepreneurship After Training

After completing a training program, rural entrepreneurs often find themselves entangled in a web of complex financial complications that hampers their path to success. While these programs aim to empower and equip participants with valuable skills, the transition from training to practical implementation in rural settings presents numerous challenges, particularly in finance. These aspiring entrepreneurs, often from poor backgrounds, confront multifaceted issues that hinder their ability to translate their newfound knowledge into tangible economic gains.

One of the most pressing financial complications is the lack of access to affordable credit. Despite their innovative ideas and potential for growth, rural entrepreneurs often struggle to secure loans or financing from traditional financial institutions. These institutions typically demand collateral and reliable credit history, prerequisites that are frequently out of reach for individuals in rural areas. As a result, even if these entrepreneurs have promising business plans, they find themselves trapped in a vicious cycle of undercapitalization, unable to invest in crucial resources such as machinery, raw materials, or marketing efforts. This lack of access to credit stifles their ability to expand their ventures and reinforces existing inequalities, as those without financial resources are disproportionately excluded from the benefits of economic growth.

Furthermore, the absence of financial literacy compounds the challenges rural entrepreneurs face. Many individuals who complete training programs may have acquired specialized skills related to their chosen field, but they often lack a comprehensive understanding of financial management, budgeting, and investment. This knowledge gap leaves them vulnerable to mismanaging their resources, making poor financial decisions, and falling prey to exploitative lending practices. Without the ability to effectively allocate resources and plan for the future, these entrepreneurs struggle to sustain and scale their businesses, resulting in a high rate of failures despite their initial enthusiasm and determination.

Inadequate infrastructure also plays a significant role in the financial woes of rural entrepreneurs. The lack of reliable transportation, electricity, and digital connectivity hampers their ability to access markets, connect with customers, and engage in online transactions. This limits their potential customer base, constrains their ability to diversify their product offerings, and increases operating costs. Moreover, the absence of modern payment systems in remote areas poses challenges for transactions, often forcing entrepreneurs to rely on cash-based exchanges that are susceptible to theft and financial mismanagement. This lack of infrastructure limits the entrepreneurs' income-generating potential and prevents them from participating fully in the formal economy, perpetuating a cycle of financial exclusion.

Government policies and bureaucratic hurdles further exacerbate the financial complications rural entrepreneurs face. Complex regulations, cumbersome licensing processes, and inconsistent enforcement create an environment of uncertainty and ambiguity. This discourages entrepreneurs from formalizing their businesses, as they may fear legal entanglements or excessive costs. The absence of clear guidelines also makes it difficult for these individuals to access government schemes and subsidies that could provide much-needed financial support.

Market access and limited market linkages pose yet another challenge for rural entrepreneurs. After completing their training, these individuals often struggle to connect with potential buyers or distributors for their products. The absence of efficient supply chains and marketing networks in rural areas limits their ability to reach larger markets, resulting in lower sales volumes and reduced profit margins. Moreover, the lack of awareness about market trends and consumer preferences hinders their ability to adapt and tailor their products to meet changing demands. This disconnect between production and consumption hampers rural enterprises' growth and contributes to the perpetuation of traditional, subsistence-oriented economic activities.

Conclusion:

While training programs like RSETIs aim to uplift rural entrepreneurs, the journey from learning to implementation is fraught with financial complications that hinder their progress. The lack of access to credit, inadequate financial literacy, infrastructural challenges, bureaucratic hurdles, and limited market access collectively creates a formidable barrier to the success of these individuals. Addressing these issues requires a multi-pronged approach that involves targeted financial inclusion initiatives, comprehensive training that includes financial management skills, infrastructural development, streamlined regulations, and improved market linkages. Only by recognizing and addressing these complex financial challenges can rural entrepreneurs harness their potential and contribute to sustainable economic growth in India's rural communities.

Discussion Questions:

1. How does RSETI contribute to rural entrepreneurship and economic development in India?
2. What are the key financial challenges RSETI trainees face after completing the training program, and how do they impact their entrepreneurial endeavours?
3. How can policy interventions and collaborative efforts address the financial dilemmas faced by RSETI trainees and enhance the effectiveness of rural entrepreneurship development initiatives?

Exhibit 1:

Interviewing Trainees at RSETI Lucknow

Exhibit 2:

Interviewing Trainees at RSETI Sitapur

Exhibit 3:

Declaration of Conflicting Interests:

Regarding the research, writing, and publication of this paper, the authors reported that they had no potential conflicts of interest.

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