



**FINANCIAL LITERACY AND ITS IMPACT ON INVESTMENT
BEHAVIOUR OF RETAIL INVESTORS IN INDIA**

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Abstract

Rural entrepreneurship plays an important role in generating employment, improving household incomes, promoting local production, and strengthening the economic development of rural communities. Small enterprises operated in rural areas through agriculture, food processing, handicrafts; retail trade, livestock, services, and other livelihood activities contribute to the circulation of income within local economies. However, rural entrepreneurs often face challenges such as inadequate finance, limited market access, lack of business knowledge, insufficient infrastructure, technological constraints, and difficulties in accessing government support. The proposed study aims to examine the role of rural entrepreneurship in promoting local economic development. The study intends to collect primary data from 40 selected rural entrepreneurs through a structured interview schedule. Descriptive and analytical methods will be used to analyse the collected data. Frequencies and percentages will be used to examine the socio-economic profile, nature of enterprises, sources of finance, employment generation, income, market access, digital practices, and major challenges faced by rural entrepreneurs. Pearson's Chi-square test will be applied to examine selected relationships between entrepreneurial activities and indicators of local economic development. The study is expected to identify the contribution of rural entrepreneurship to employment generation, income improvement, local market development, and livelihood diversification. It will also suggest practical measures relating to finance, marketing, skill development, digitalisation, infrastructure, and institutional support for strengthening rural enterprises.

Keywords: Rural Entrepreneurship, Local Economic Development, Employment Generation, Rural Enterprises, Income Generation, Entrepreneurship, Market Access, Finance, Rural Development, Livelihoods.



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Introduction

Rural entrepreneurship is increasingly recognized as an important pathway for strengthening local economies and improving livelihood opportunities in rural communities. Traditionally, rural households have depended heavily on agriculture and related occupations. However, changing economic conditions, consumer requirements, improved communication, technological development, and expanding local markets have created new possibilities for entrepreneurial activities. Rural people are now engaged in a variety of enterprises such as small retail businesses, food processing, tailoring, handicrafts, livestock-related activities, transportation, repair services, agro-based enterprises, and other local services. These activities enable individuals to make productive use of available skills, resources, and local opportunities.

The significance of rural entrepreneurship extends beyond the income earned by individual business owners. Small rural enterprises can generate employment for family members and other local workers, create additional sources of household income, strengthen local production, and support the exchange of goods and services within rural communities. Entrepreneurs who use locally available raw materials and sell products in nearby markets can contribute to the development of local supply networks. Rural businesses can also provide opportunities for women and young people to participate in economic activities and develop greater financial independence.

Nevertheless, establishing and sustaining a rural enterprise is often associated with several practical difficulties. Inadequate access to affordable institutional finance, limited market opportunities, insufficient entrepreneurial and technical skills, weak infrastructure, transportation problems, lack of reliable market information, limited technological knowledge, and competition from established businesses may restrict enterprise growth. Small entrepreneurs may also find it difficult to expand production, adopt modern technologies, improve product quality, or access distant markets.

Appropriate institutional support can help rural entrepreneurs overcome these limitations. Financial assistance, entrepreneurship training, skill development, digital literacy, market information, infrastructure, mentoring, self-help groups, and government development programmes can create a more supportive environment for rural enterprises. Digital payment systems, social media, and online marketing can further help entrepreneurs connect with customers beyond their immediate locality.

Review of Literature

1. Garg, Gupta and Mallick (2025) explored the connection between financial access and entrepreneurship in rural India. Utilizing village-level data, the research



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revealed that closer proximity to banking services enhances non-agricultural entrepreneurial efforts. This effect was particularly significant for women, for whom improved access to institutional funding facilitated greater involvement in entrepreneurship. The research illustrates that financial availability is a crucial factor in advancing rural enterprise development.

2. Mary Treasa and Santhi (2024) analyzed the adoption of mobile applications by rural women entrepreneurs. The research found that perceived usefulness and user-friendliness of mobile applications significantly influenced entrepreneurs' readiness to embrace digital technologies. It also pointed out that digital infrastructure and ongoing support are vital for overcoming technology-related challenges. The findings suggest that digital technologies can enhance business operations, customer interaction, and market competitiveness among rural entrepreneurs.
3. Pandhare, Bellampalli and Yadava (2024) looked into the influence of microfinance and entrepreneurial engagement among rural women linked to Self-Help Groups. Their results highlighted favorable impacts on women's economic and social empowerment, including increased financial independence, involvement in family decision-making, and stronger social connections. The study shows that access to microfinance combined with entrepreneurship can lead to improved livelihood prospects in rural communities.
4. Khurana and Sangita (2022) investigated the link between household electricity access and non-farm enterprises in rural India. The research uncovered that electricity access supports involvement in home-based non-farm businesses and can elevate earnings from such activities. The findings underscore the significance of fundamental infrastructure in enabling rural households to diversify their livelihoods through entrepreneurship.

Objectives

1. To examine the socio-economic characteristics and entrepreneurial profile of rural entrepreneurs.
2. To analyse the major types of rural enterprises, sources of finance, and investment practices.
3. To assess the contribution of rural entrepreneurship to employment generation, income improvement, and local economic development.
4. To examine the major challenges faced by rural entrepreneurs and suggest practical measures for strengthening sustainable rural entrepreneurship.



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Research Methodology

The study adopts a descriptive and analytical research design based on primary and secondary data. Primary data will be collected from 40 rural entrepreneurs selected through purposive sampling from selected rural areas of Warangal District. A structured interview schedule will be used to collect information on socio-economic characteristics, enterprise type, investment, finance, employment, income, market access, digital technology, and business challenges. Secondary data will be obtained from books, journals, government reports, and institutional publications. The collected data will be classified and analysed using frequencies and percentages. Pearson's Chi-square test will be applied only to selected hypothesis-testing tables to examine relationships between entrepreneurial factors and local economic outcomes.

Data Analysis and Interpretation

Table 1: Age-wise Distribution of Rural Entrepreneurs

Age Group	Number	Percentage
Below 30 Years	08	20.0%
31–40 Years	15	37.5%
41–50 Years	11	27.5%
Above 50 Years	06	15.0%
Total	40	100.0%

The data reveal that 37.5% of rural entrepreneurs fall within the 31–40 age bracket, followed by 27.5% in the 41–50 age group. Approximately 20.0% are under the age of 30, while 15.0% are over 50 years old. These findings suggest that rural entrepreneurship is predominantly represented among individuals within the economically active age ranges.

Table 2: Educational Qualification

Qualification	Number	Percentage
Primary/Below Secondary	07	17.5%
Secondary	14	35.0%
Intermediate	11	27.5%
Graduate and Above	08	20.0%
Total	40	100.0%

The data presented in the table indicates that 35.0% of rural entrepreneurs have attained secondary education, followed by 27.5% who have completed intermediate education, and 20.0% who hold a degree or higher. A mere 17.5% have achieved primary education or below. These findings suggest that a majority of rural entrepreneurs possess at least a secondary-level education, which may facilitate their ability to manage enterprises, access information, and make informed business decisions.



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Table 3: Type of Rural Enterprise

Type of Enterprise	Number	Percentage
Retail/Small Trade	11	27.5%
Food Processing	08	20.0%
Agriculture & Allied Activities	10	25.0%
Handicrafts/Tailoring	06	15.0%
Services/Repair Activities	05	12.5%
Total	40	100.0%

The data presented in the table reveals that 27.5% of rural entrepreneurs are involved in retail and small trade, followed by 25.0% in agriculture and allied activities, and 20.0% in food processing. Additionally, 15.0% of entrepreneurs are engaged in handicrafts and tailoring, while 12.5% participate in services and repair activities. These findings suggest that retail trade, agriculture-related activities, and food processing represent the predominant forms of rural entrepreneurship among the respondents.

Table 4: Years of Entrepreneurial Experience

Experience	Number	Percentage
Below 3 Years	29	72.5%
3–5 Years	06	15.0%
6–10 Years	03	7.5%
Above 10 Years	02	5.0%
Total	40	100.0%

From the above table, it can be noted that 19 respondents (72.5%) have below 3 years of entrepreneurial experience, followed by 6 respondents (15.0%) with 3–5 years of experience, 3 respondents (7.5%) with 6–10 years, and 2 respondents (5.0%) with above 10 years of experience. However, the frequencies given total 30 respondents, whereas the table states a total of 40. Therefore, 10 respondents are missing from the experience categories, and the table should be corrected before final analysis.

Table 5: Initial Investment in Enterprise

Initial Investment	Number	Percentage
Below ₹50,000	06	
₹50,001–₹1,00,000	12	
₹1,00,001–₹3,00,000	09	
Above ₹3,00,000	13	
Total	40	100.0%

From the above table, it can be noted that 13 respondents (32.5%) invested above ₹3,00,000, followed by 12 respondents (30.0%) who invested ₹50,001–₹1,00,000. Further, 9 respondents (22.5%) invested ₹1,00,001–₹3,00,000, while 6 respondents (15.0%) invested below ₹50,000. The findings indicate that rural entrepreneurs have



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different levels of initial investment, with a considerable proportion making relatively higher investments to establish their enterprises.

Table 6: Source of Finance

Source of Finance	Number	Percentage
Personal Savings	16	40.0%
Bank Loan	10	25.0%
Self-Help Group/Microfinance	08	20.0%
Friends/Relatives	04	10.0%
Other Sources	02	5.0%
Total	40	100.0%

From the above table, it can be noted that 40.0% of the rural entrepreneurs depend on personal savings as their main source of finance, followed by 25.0% who obtain bank loans and 20.0% who use Self-Help Groups or microfinance. Further, 10.0% depend on friends or relatives, while only 5.0% use other sources. The findings indicate that personal savings remain the major source of business finance, while formal and institutional sources such as bank loans and microfinance also play an important role in supporting rural entrepreneurship.

Table 7: Employment Generation

Workers Employed	Number	Percentage
Self-employed only	14	35.0%
1–2 Workers	13	32.5%
3–5 Workers	09	22.5%
Above 5 Workers	04	10.0%
Total	40	100.0%

From the above table, it can be noted that 35.0% of the rural entrepreneurs are self-employed without additional workers, while 32.5% employ 1–2 workers. Further, 22.5% employ 3–5 workers, and 10.0% employ more than 5 workers. The findings indicate that rural enterprises mainly operate on a small scale, with many entrepreneurs managing their businesses independently or with limited labour. However, some enterprises provide employment to several workers, demonstrating the contribution of rural entrepreneurship to local employment generation.

Table 8: Annual Income from Enterprise

Annual Income	Number	Percentage
Below ₹1 Lakh	11	27.5%
₹1–2 Lakhs	21	52.5%
₹2–5 Lakhs	06	15.0%
Above ₹5 Lakhs	02	5.0%
Total	40	100.0%



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From the above table, it can be noted that 21 respondents (52.5%) earn ₹1–2 lakhs annually from their enterprises, followed by 11 respondents (27.5%) earning below ₹1 lakh. Further, 6 respondents (15.0%) earn ₹2–5 lakhs, while only 2 respondents (5.0%) earn above ₹5 lakhs. The findings indicate that the majority of rural entrepreneurs generate a moderate level of annual income from their enterprises, while only a small proportion achieve higher income levels.

Table 9: Market Access

Market Access	Number	Percentage
Local Village Market	17	42.5%
Nearby Town	12	30.0%
District Market	07	17.5%
Online/Wider Market	04	10.0%
Total	40	100.0%

From the above table, it can be noted that 42.5% of the rural entrepreneurs depend mainly on the local village market, followed by 30.0% accessing nearby town markets. Further, 17.5% have access to district-level markets, while only 10.0% reach online or wider markets. The findings indicate that most rural entrepreneurs have a limited geographical market base and mainly depend on nearby consumers. Limited access to wider and online markets may restrict business expansion and income opportunities.

Table 10: Use of Digital Technology

Level of Digital Use	Number	Percentage
High	06	15.0%
Moderate	09	22.5%
Low	14	35.0%
Not Used	11	27.5%
Total	40	100.0%

From the above table, it can be noted that 35.0% of the rural entrepreneurs have a low level of digital technology use, followed by 27.5% who do not use digital technology. Further, 22.5% have a moderate level of digital use, while only 15.0% report a high level of use. The findings indicate that digital technology adoption among rural entrepreneurs remains relatively limited, which may affect their ability to access wider markets, promote products, use digital payments, and expand business activities.

Table 11: Major Problems Faced by Rural Entrepreneurs

Major Problem	Number	Percentage
Lack of Finance	29	72.5%
Limited Market Access	26	65.0%
Lack of Business Skills	31	77.5%
Infrastructure Problems	27	67.5%
Competition	21	52.5%



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From the above table, it can be noted that lack of business skills is the major problem faced by rural entrepreneurs, reported by 31 respondents (77.5%). This is followed by lack of finance with 29 respondents (72.5%), infrastructure problems with 27 respondents (67.5%), and limited market access with 26 respondents (65.0%). Further, 21 respondents (52.5%) reported competition as a major problem. Since respondents could identify more than one problem, the percentages exceed 100%. The findings indicate that skill development, finance, infrastructure, and market support are important areas requiring attention.

Findings:

1. **Initial investment:** The investment pattern shows that **32.5% of entrepreneurs invested above ₹3 lakh**, while 30.0% invested ₹50,001–₹1 lakh. This indicates considerable variation in the capital requirements of rural enterprises.
2. **Dependence on personal finance:** **40.0%** of entrepreneurs depend on personal savings, making it the largest source of business finance. Bank loans account for 25.0% and SHG/microfinance for 20.0%, indicating that institutional finance is used by a substantial but smaller proportion.
3. **Finance as a major constraint:** **72.5%** of respondents identified lack of finance as a major problem. This indicates that availability of adequate capital remains an important financial concern for rural enterprises.
4. **Income generation:** **52.5%** of entrepreneurs earn ₹1–2 lakh annually, while 27.5% earn below ₹1 lakh. Only 5.0% earn above ₹5 lakh, showing considerable variation in the income-generating capacity of rural enterprises.
5. **Limited market reach:** **42.5%** depend on village markets and only 10.0% reach online or wider markets. Limited market coverage can restrict sales turnover and the ability of entrepreneurs to expand their revenue base.
6. **Digital financial opportunity:** Only 15.0% report high digital technology use, while 27.5% do not use digital technology. Limited digital adoption may reduce opportunities for digital payments, online promotion, customer expansion, and efficient financial transactions.
7. **Business skills and financial management:** **77.5%** reported lack of business skills as a major problem. This has financial relevance because weaknesses in budgeting, costing, pricing, bookkeeping, cash-flow management and financial planning can affect enterprise sustainability.

Discussion:

The findings indicate that finance is a central factor in the functioning and growth of rural enterprises. Although a significant proportion of entrepreneurs make relatively substantial



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initial investments, personal savings remain the dominant source of finance. This suggests that entrepreneurs rely considerably on their own financial resources when establishing or operating their businesses. Bank loans and SHG/microfinance provide alternative sources, but their relatively lower share indicates scope for strengthening formal financial access.

The finding that 72.5% identify lack of finance as a major problem is particularly significant. Financial constraints can affect working capital, purchase of raw materials, inventory management, technology adoption, business expansion, and the capacity to respond to changing market demand. For small enterprises, inadequate working capital can directly affect day-to-day operations and income generation.

The income distribution further shows that most entrepreneurs operate within relatively modest income ranges. 52.5% earn ₹1–2 lakh annually, whereas only 5.0% earn above ₹5 lakh. This indicates that entrepreneurship is providing an important livelihood source, but many enterprises have limited financial scale and income-generating capacity.

Market access is also financially important. Since 72.5% of entrepreneurs operate mainly in village or nearby-town markets, opportunities to increase sales and revenue through wider markets remain limited. Similarly, low digital adoption restricts the potential use of online marketing and digital payment systems.

The findings therefore highlight the importance of affordable credit, working-capital support, financial literacy, bookkeeping, budgeting, cash-flow management, digital financial skills, market linkage, and investment planning. Strengthening these areas can help rural entrepreneurs manage available resources more effectively and improve the financial sustainability of their enterprises.

Conclusion:

Rural entrepreneurship plays an important role in strengthening local economic activity by creating self-employment, generating additional employment, supporting household income, and promoting the use of local resources. The findings of the study indicate that rural enterprises are mainly small-scale and are concentrated in retail trade, agriculture and allied activities, food processing, handicrafts, tailoring, and service activities. A significant proportion of entrepreneurs depend on personal savings for business finance, while lack of finance remains one of the major constraints affecting enterprise development. The study also shows that most entrepreneurs generate moderate levels of annual income and depend primarily on village and nearby-town markets. Limited access to wider markets and relatively low adoption of digital technology restrict opportunities for increasing sales and expanding business operations. Lack of business skills, inadequate finance, infrastructure problems, and limited market access are the major challenges reported by the respondents. From a financial perspective, strengthening rural



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entrepreneurship requires improved access to affordable institutional credit, working-capital support, financial literacy, proper bookkeeping, investment planning, and cash-flow management. At the same time, entrepreneurship training, digital skills, market linkages, infrastructure development, and institutional mentoring are necessary to improve enterprise sustainability. Thus, rural entrepreneurship can contribute substantially to local economic development when entrepreneurs receive appropriate financial, technical, infrastructural, and market support. A coordinated approach involving financial institutions, government agencies, training institutions, self-help groups, and local markets can help rural enterprises become more sustainable, improve income opportunities, and strengthen the economic base of rural communities.

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