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An Exploratory Study for Conceptualization of Rural Innovation in Indian Context

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Abstract

Innovation is central to the economic growth and development of any nation. In rural context, innovation approach provides new ways to solve the problems of rural people and to create new opportunities for entrepreneurship development. Yet the empirical studies on rural innovation is still young in literature. Thus, this paper describes the conceptualization of rural innovation in rural Indian context based on field survey. The paper's main objective is to find out the variables of rural innovation from literature review and to identify the factors of rural innovation by analyzing empirical data. The field survey is performed through close ended questionnaire and face-to-face interview of 140 rural people who involved in entrepreneurial activities. The finding of the paper revealed that there are three factors of rural innovation include knowledge sharing for enhancing economic efficiency, new learning for economic scale up and new skill development for economic scope. Thus, this research gives unique contribution to literature by describing the measurable conceptualization of rural innovation in Indian context. The study highlights that knowledge, learning and skills development, as elements of human capital having contributed in configuration of rural innovation. Moreover, the study allows for the implication to be made for rural entrepreneurship development. However, the future scope of this research could incorporate large sample data, greater number of variables of rural innovation and conduct in other countries.

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1. Introduction

Innovation stimulates economic growth and development of the nation (Edquist, 1997; Freeman, 1987; Hall *et al.*, 2003; Spielman, 2005). In rural context, innovation is most likely defined as to give a new way to solve the problems of rural people (EOL, 1997). The most of the rural people suffer from poverty, poor infrastructure facilities, poor human resource development and poor accessibility of information and services (Maxwell, 2001). However, the facts remain that there is a remarkable contribution of rural sector for social as well economic development of any nation, particularly in developing countries (Chamber, 1983). Thus, there is a need to look on rural innovation concept, as it helps to improve the life of rural poor people by proving new opportunities of development. In fact, the most of rural poor people are landless and therefore can no depend fully on the benefits of agricultural activities. It is required to look on the new development activities and functions that create more employment opportunities in and outside agriculture in the rural sector (Sonne, 2010). In this context, rural innovation has been also associated with the creation of new economic opportunities and with the development of entrepreneurship (Knickel *et al.*, 2008). In line with this consideration, innovation most likely occurs through entrepreneurship, which is one of the effective tool of economic

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development and solution of poverty reduction (Bruton et al., 2013; Drucker, 1985). This paper therefore, throws light on the rural innovation concept based on the perception of rural entrepreneurs. Furthermore, the entrepreneurs have been considered as most potential economic leaders having a recognizable contribution to economic development.

With reference to literature, there are few empirical studies which describe the impact of innovation on rural development through analyzing the ability of rural people towards better utilization of resources, to analyze the impact on production, income, and life of rural people (Esparcia, 2014; Zeng *et al.*, 2010; Pant, 2012; Mapila *et al.*, 2012). However, limited literature focuses on the conceptualization of rural innovation. In those that do exist, the analytical methods employed are mainly qualitative and they lack the rigor of the quantitative and qualitative methods applied to the study of rural innovation in developing countries (Sonne, 2010). Moreover, no empirical studies applied rigorous quantitative methods to describe the measurable conceptualization of rural innovation in Indian context. The paper therefore presents the finding of the empirical study focusing on rural innovation in Indian perspective. The paper gives unique contribution to literature through describing the measurable conceptualization of innovation in the rural context.

2. Literature Review

Innovation has been regarded as an important topic of study in a number of disciplines including economics, business, engineering, science and sociology (Sullivan, 2008). On the other hand, there is a different opinion about the conceptualization of 'innovation' term in different contexts (Zeng *et al.*, 2010). The paper describes the innovation concept based on review of literature in order to identify variables that define the innovation in rural development perspective. In general, innovation is defined as the process that makes a change or something new into established system that adds value (Tidd, 1997; Voss, 1994). In the broader context, innovation is the process of making changes which are large, small, radical and incremental, to product, process and services that result in the beginning of something new that add value and contribute to the growth or improve performance (Cooper, 1998). However, innovation is commonly defined as the exploitation of new ideas. But, some literature describes the complete innovation process including creation and implementation of new ideas (Rogers and Shoemaker, 1971). Innovation therefore, involves a series of scientific, technological, organizational, financial and commercial activities. In a simple way, innovation can be seen as the result of conversion of new ideas into reality, integration of ideas and knowledge and to find a better solution of the problem. An innovation is, therefore, a new or existing knowledge introduced into and used in economically or socially relevant process (OECD, 1999). This paper mainly focuses on the concept of innovation in the rural context.

In this regard, the rural innovation includes the adoption of new process technique, use of new learning process and develops strategy by a group of small holders (Knickel *et al.*, 2008). In rural context, innovation has been identified with an allowance of geographical, economic, cultural and social circumstance of the rural sector. Rural innovation is engaged in the multidimensional activities related to the rural development. Rural innovation is defined as the creation and implementation of new ideas or solutions that deal with the rural problems (Sonne, 2010). Rural innovation concept supports multifunctionality of rural regions and rural entrepreneurship. Overall, the innovation function in rural context is viewed as a process where rural people and rural entrepreneurs' knowledge, motivations and values play an important role. Thus, rural innovation can be shown as 'doing traditional activities in a way', about initiation of entrepreneurship in rural area (Nastase *et al.*, 2008). Rural innovation has potential to positively influence the production, income and creation of new opportunities for rural development (Knickel *et al.*, 2008).

An innovation in rural context is results from the exchange and use of knowledge introduced in economically or socially relevant process (OECD, 1999). In this view, the nature of interaction between and among the rural actors is an important aspect for consideration. The interaction may be exchange of goods and services, new technology and sharing of information and knowledge (Spielman *et al.*, 2011). In this consideration, rural innovation is closely related to information flow, learning and interaction process. However, the general definition of innovation defined as newness or change (Sullivan, 2008). With respect to change, there are two types of innovation, 'first order' and 'second order' innovation (Knickel *et al.*, 2008). The 'first order' innovation is related to the ideas under the fixed paradigm involve the defined needs, objectives and knowledge that steer the innovation process. Within fixed paradigm, innovation is viewed as incremental, which exist on already existing achievement. In contrast, the second order innovation implies the adoption of new paradigm with respect to redefined objectives of innovation. Furthermore, the innovation in rural context is seen as a linear process from the concept of adoption. In this view, innovation happens as a result of the flow of new knowledge originating in a formalized way in basic and applied to production process and economic development (Knickel *et al.*, 2009). In some literature present a different view of innovation (Edquist 1997; Freeman 1987; Lundvall, 1988; Nelson 1988; Brunori *et al.*, 2008). They viewed rural innovation as systematic approach rather than linear process. As per systematic approach, rural innovation is the outcome of collective action, and depends on social structure where innovators are operates.

For the purposes of this study, the term innovation includes not only the adoption of a new process or practice by rural people, but also a range of other processes, such as the use of a new learning method, the integration of ideas and knowledge to solve the

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