

Facilitating Rural Entrepreneurship



Wadhvani Government Digital Transformation (WGDT)

Authors:
Pramathesh Ambasta
Sayantani Satpathi

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1. Abstract

India, since the decade of the 1990s, has seen rapid economic growth, which has put the country on the world map, positioning it as a global economic powerhouse. Indicators of human development and poverty suggest, however, that the benefits of this growth have not been distributed evenly whether spatially or across groups. India, with a significant portion of its workforce reliant on agriculture, faces a critical challenge as the contribution of agriculture to the country's GDP continues to decline. This shift underscores the pressing need for strategies that go beyond traditional agricultural employment, as it becomes evident that agriculture alone can no longer offer sustainable and productive livelihoods in rural areas. While millions of people migrate across India, absorption of all surplus labour in the cities (as the Lewis model postulates) is conspicuously absent. Over the past decade or so, India's Labour Force Participation Rate has fallen by about 16 percent, with an all-time low of around 36.9% in 2018. This poses a serious challenge in terms of employment creation. It is estimated that about 90 Mn. new jobs will need to be created by 2030 to look at employment for all working-age youth (15-30 years). Given the circumstances, promotion of rural entrepreneurship offers a way forward, with the aim to set up enterprises which grow over time and act as employment and growth avenues. Several steps have been taken to facilitate the growth of enterprises, especially the Micro, Small and Medium Enterprises (MSMEs). However, while MSMEs have grown in number to about 63.4 Mn. enterprises overall, the promise of growth in these MSMEs has been beset with the vexed problem of the "missing middle". Furthermore, although 50% of these enterprises are in rural areas, there are problems in terms of access to finance, inclusion of vulnerable sections, including women, human resources, skills, and training. These in turn can be traced back to systemic bottlenecks. This paper looks at the experience of entrepreneurship in India with a view to understanding the ecosystem and policies surrounding MSMEs. The aim of the paper is to look at and suggest ways in which Rural Enterprises can be promoted to meet the aims of growth, full employment and socio-economic inclusion, and the appropriate policy framework to enable this. The paper commences by examination of the performance of agriculture, rural distress, and migration. It then explores some of the policy responses to address the situation, which include efforts at skilling. It continues to examine the experience of promotion of MSMEs and the challenges therein and concludes with recommendations on fostering rural entrepreneurship to its full potential.

2. Background

2.1 Rural Distress, Underemployment and Surplus Labour

India, since the decade of the 1990s, has seen rapid economic growth, which has put the country on the world map, positioning it as a global economic powerhouse. There is reason to believe, however, that this growth's benefits have not been distributed evenly, both across socio-economic groups and spatially. The condition of *Adivasis* and *Dalits* of India perhaps best reflects the magnitude of this unequal spread of benefits, as these social groups are among the most deprived across all human development indicators amongst all social groups. For example, the *Adivasis* accounted for 9.4 percent of the overall population but experienced the highest incidence of multidimensional poverty¹ -50.6% (2021 Human Development Report, p.15). This is followed by the *Dalits* with 33.3% experiencing multidimensional poverty (Ibid). These are clear indicators of the fact that benefits of development have not been evenly distributed.

Given this preponderate share of population in rural areas (65%) (Economic Survey, 2022-23), it is a matter of concern that the share of agriculture is unable to productively absorb all the workforce dependent on it-47% of the workforce is dependent on agriculture (Ibid). The above scenario is a gradual development and reflects long-standing structural issues in the Indian economy. After India embarked on the Liberalization, Privatization and Globalization (LPG) in the late eighties and the early nineties, while growth has been dramatic, structural reforms have been limited to urban areas and the industrial sector, with the rural sector bearing the neglect.

Some of the genesis of unemployment and underemployment in rural areas owes itself to the poor performance of Indian agriculture, especially since the 1990s. For the first time since the early-sixties, India compared to the rest of Asia, witnessed a lower rate of growth in per capita kilocalorie supply from all food per day (27.2% increase between 1960 and 2020) compared to Asia (61.1% increase between 1960 and 2020) (Our World

¹ The Multidimensional Poverty Index measures the proportion of household lacking access along three dimensions-monetary power (i.e., earning less than \$2.15 per day, education, and basic infrastructure. See: <https://www.worldbank.org/en/topic/poverty/brief/multidimensional-poverty-measure#:~:text=What%20is%20the%20Multidimensional%20Poverty%20Measure%3F%20%E2%80%A2%20An,to%20capture%20a%20more%20complete%20picture%20of%20poverty>

in Data website). Similarly, the total agricultural output², in India grew ~5X times, compared to Asia where the total agricultural output grew by ~7X times. While irrigated agriculture appears to be hitting a plateau, dryland farming has suffered neglect. The worst performers have been those regions where rainfed farming³ predominates.

The above needs to be understood in its proper context. While a substantial share of India's workforce is still dependent on agriculture (upwards of 60%), the share of agriculture in the GDP has declined steadily from around 54% in 1931 to around 15% in FY 2023 (see The Economic Times, 2023b), signifying declining labour productivity of and huge underemployment in agriculture. Post economic reforms of 1991, agriculture in India has also seen an unprecedented crisis, symbolized by the high rates of farmer suicides. Limited access to formal sources of credit created demand for informal ones (including moneylenders), a push towards export-oriented agriculture, putting farmers at risk arising from international price fluctuations and non-remunerative output prices for farm products have caused this long-term crisis of agriculture post-1991.

Another problem facing Indian agriculture is the fragmentation of land. As per the Agricultural Census of 2015-16 (Department of Agriculture, Cooperation and Farmers Welfare, 2020), the total number of operational⁴ holdings increased from 138.4 Mn. in 2010-11 to 146.5 Mn. in 2015-16. At the same time, the total operational area in the country decreased from 159.6 Mn. ha. in 2010-11 to 157.8 Mn. ha. in 2015-16. This has resulted in a 6 percentage point decline in average size of operational holdings in India from 1.15 hectares in 2010-11 to 1.08 hectares in 2015-16. While the evidence does not seem to suggest that this has resulted in a decline in agricultural productivity, there is reason to conclude that this fragmentation has adversely impacted the incomes of farming families. A comparison of NSSO data between 2012-13 to 2018-19 suggests that only 37% of household incomes were derived from crop production in 2018-19 as

² Total agricultural output is the sum of crop and livestock products. It is measured in constant 2015 US\$, which

means it adjusts for inflation. See: <https://ourworldindata.org/agricultural-production>

³ Rainfed drylands account for 48% of area under food-crops and 68% of the area under non-food crops.

⁴ A distinction is made between the legal title to land and actual operation of land. For instance, a farmer may till more than she owns because she may lease-in land. Hence the number and area of operational holdings tilled by her may both be higher than the land area and units held by her. In the Agricultural Census, data is taken on the basis of operational holdings – “. . . information by operational holdings is more important for implementation of the Agricultural Development Programmes as it is the operational holder who makes the decisions. As such, operational holding defined as ‘all land which is used wholly or partly for agricultural production and is operated as one technical unit by one person alone or with others without regard to title, legal form, size or location’ is taken as statistical unit for data collection in Agriculture Census” (see Agricultural Census of India, undated)

compared to 48% in 2012-13. The balance income in 2018-19 came mainly from wage labour, animal husbandry and leasing out of land (Jadhav, 2021).

The answer to the predicament of surplus labour in agriculture would seem to lie in the absorption of the surplus labour in agriculture by the non-agricultural sector. The traditional route for this to happen in economic literature is migration from rural areas to urban areas which are supposed to be growth poles.⁵ However, the non-agricultural sector has not been able to absorb the surplus labour from farms.⁶ In fact, the classical Lewis model type of labour absorption by growth centers in the urban areas does not seem to have taken place. One of the paradoxes of Indian migration is that unlike the experiences of the other countries, where rural to urban migration accelerates until urbanization of a very high level is achieved (around 50%), and then begins to decelerate, in India, the deceleration has happened at very low levels of urbanization (at around 25%) and has continued over three census periods – 1991, 2001 and 2011 (see Sen, 2017 for a discussion). In fact, about half of the 98 Mn. migrants between 1991 and 2001 were estimated to be from rural to rural (Dandekar, Ghai, and Ambasta, 2022). Rather than create pressure on wages, the situation of surplus labour in agriculture and the inability of urban areas to absorb this excess labour has led to increasing casualization of labour and migrants work in undignified conditions in urban areas.⁷

The unemployment situation is exemplified in a falling Labour Force Participation Rate (LFPR). Reports citing data from the Centre for Monitoring the Indian Economy suggest that more than half of the 90 Mn. Indians of legal working age are dropping out of the labour market altogether or actively looking for jobs (Beniwal, 2022). The LFPR, which was 57.2% in 2000, dropped to 41.3% in 2022, with an all-time low in 2018 of 36.9% (CEIC, 2013). The graph below captures the fall in the LFPR.

⁵ This mechanism of migration from rural to urban is referred to as the Lewis model, after the economist W. Arthur Lewis, who first elaborated it (see Lewis, 1954).

⁶ See also Unni, 1997, pointing to longer term trends in the labour market which imply a depressed real wage income and hence a low or stagnant demand for wage labour, leading to casualization through the eighties and the nineties.

⁷ Sen points out that the nature of migrant settlements in slums, especially for first time migrants, is a factor in driving the extent of rural to urban migration. The improvement in these living conditions would be expected to happen only with an increase in income levels in urban areas. With this not happening, the pace of migration could only be expected to decelerate.



Figure 1: Labour Force Participation Rate 2012-23, India

Source: CEIC, 2023

The situation assumes more gravity if the fact that competition for jobs is intense is considered. Estimates on the number of jobs that need to be created vary, depending on the agency and the time of the estimate. The 12th Plan document (Planning Commission, 2012) had earlier pointed out that around 50 Mn. jobs would need to be created. More recent estimates suggest that around 70 Mn. jobs will need to be created whereas only 24 Mn. were likely to be created (Dugal, 2023). One recent study (McKinsey Global Institute, 2020) points to estimates that around 90 Mn. new non-farm jobs will need to be created by 2030 in India, for its youth. An additional 55 Mn. women could enter the workforce by 2030 if their “long standing under-representation” is corrected (McKinsey Global Institute, 2020, op.cit.)

3. The Unemployment Challenge and Policy Responses

Given the low absorption of labour in agriculture, and the low productivity of labour, policy responses have moved in different directions (among others)⁸, of which we will look at three:

- i. We look at these aspects to understand their adequacy or otherwise in terms of diversification of skilling opportunities so that the employability of people entering the workforce could be enhanced and they could be absorbed by the different sectors of the economy more gainfully.
- ii. Creation of livelihoods, through the National Rural Livelihoods Mission (NRLM) for rural India, including entrepreneurship, so that lack of wage employment does not mean a lack of incomes. This thrust is necessary in the absence of a lack of diversified livelihoods avenues in India's poorest areas.

Support for Farmer Producer Organizations (FPOs) of the objectives of creation of rural employment, reduction of poverty and generation of incomes in rural areas.

3.1 Skilling

Low absorption of labour in agriculture and a low sectoral elasticity of employment prompted the twelfth five-year⁹ plan to place greater emphasis on skill development. The 12th plan document emphasised that the focus would be on manufacturing growth which would absorb labour force and cut down unemployment. For this strategy to work, skilling would need to be accelerated.¹⁰

However, the challenges in the strategy, especially with respect to skilling were also not lost on the Commission. Although India stood to gain in terms of the demographic

⁸ Since the high unemployment rates and low levels of productivity of agriculture also imply poverty, there are other social protection measures such as the NFSA and workfare programs such as MGNREGA as well.

⁹ See Planning Commission, 2012, for a discussion on Employment and Skilling. The employment elasticity estimated by the Commission for the country's economy (based on previous data) was 0.19. In manufacturing, this elasticity was a low 0.09, while in agriculture it was 0.04. The sector showing highest employment elasticity was Construction (1.1.3) followed by Finance and Real Estate (0.66).

¹⁰ "22.46. As more skilled people coming back to the labour force after completing their education and training to join the work force, those under-employed in agriculture will be drawn out to fill the job opportunities created by the non-farm sector. This could, in the planned scenario, bring down the projected share of employment in farm sector to about 45 per cent of the total." [Planning Commission, 2012, op.cit., p. 137]

dividend (which is projected to last until 2040)¹¹, the major challenge was that the skilling effort would have to start from a very low base. To understand this, based on data from the NSS 66th round, the 12th Plan document estimated that more than half of the people entering the labour force (of 470.1 Mn. persons) in the age group of 15 to 59 years were educated up to the primary level or below only. Nearly 29% of this age group entering the labour force were illiterate. The 12th plan document also notes that a vast majority of workers received non-formal vocational training.¹² This took the form of hereditary transfer of knowledge or skills or learning on the job. Further, while the proportion of illiterate workers was highest in agriculture, there was very little difference between agriculture and manufacturing in terms of share of workers who received non-formal vocational training. Another report (see Ministry of Skill Development and Entrepreneurship, 2015) estimates the share of formally trained persons in the workforce in India to be only 2.3 percent, while that in the UK is 68 percent, Germany is 75% and Japan is 80%. While 50 Mn. new non-farm jobs would need to be created over 5 years, the training capacity was only 4.5 Mn. So, a significant expansion of training capacity and infrastructure would need to be undertaken.

Recognizing skill development's crucial role in achieving 10% annual economic growth, the earliest version of India's Skilling Policy (2009) aimed to enhance skills, promote decent employment, and boost global competitiveness. Simultaneously, an expansion of training capacity, infrastructure and a revamp of training programmes and syllabi were also envisaged. Following this, a dedicated Ministry and a revised 2015 policy were established. In 2015, the National Skill Development Mission was launched to capitalize on India's demographic dividend until 2040. Its core objective: rapidly scale up skilling while aligning it with national and international employer demands. The mission has also defined for itself several sub-missions to ensure training infrastructure upgradation, convergence between different ministries and departments, training of trainers and sustainable livelihoods, among others.

¹¹ As estimated by a study carried out by the Boston Consulting Group, the world was to face a shortage of about 47 million people in the workforce by 2040, while India was supposed to have a surplus of 56 million people.

¹² The share of workers in agriculture who received non-formal vocational training was 86 percent while that in manufacturing was 91.7 percent (Planning Commission, 2012, op.cit.)

At the same time, challenges in the skilling landscape remain.¹³ Some of these challenges are summarized below:

- i. In 2015, only one-third of the students applying for jobs were found to be employable, i.e., found to have the requisite skills for the job (Sharma and Nagendra, 2016).
- ii. By 2023, the situation changed somewhat, with employability improving to slightly over 50% (see Wheelbox, 2022 and Wheelbox, 2023). However, this implies that at least half of the people seeking work were not considered employable by the sectors seeking workers.
- iii. The highest shares of employability were recorded in domains such as engineering, commerce, and finance, with the share of polytechnics and ITI graduates falling to about half of these sought after domains (Wheelbox, 2022 and Wheelbox, 2023, op.cit.). This implied that a major part of the employment was created for those already quite well qualified.
- iv. Availability of trainers capable of understanding the needs of trainees and imparting skills to them, is a big gap.
- v. Training infrastructure is also a major lacuna. While this is a problem in cities, the problem compounds itself in smaller towns and villages (Sharma and Nagendra, 2016, op.cit.).
- vi. Mobilization of students to undertake skilling courses is a problem both in terms of demand from students and the dissemination efforts made by government in spreading the word.¹⁴
- vii. Yet other problems are created because of a mismatch of skills. Skills required by employers are not available amongst potential employees and hence they are not employed.

The structural transformation of the Indian economy has witnessed a steady shift in the proportion of working-age population moving away from agriculture (211 Mn.) to the non-agricultural economy (282 Mn.) (The State of Working India, 2023, p. 61). However, among the non-farm jobs created, regular salaried jobs with social security benefits were fewer (112 Mn.) compared to casual wage jobs and self-employment jobs (approximately 170 Mn.) (Ibid). In fact, it is being argued as India took to the path of

¹³ see Ministry of Skill Development and Entrepreneurship, 2015, for a discussion on some of the problems and challenges

¹⁴ A part of the problem is associated with the relatively lower status associated with skilling, especially vocational training, which is associated with blue collar jobs, a fact recognized by the policy guidelines on skilling of the Government of India as well (see Ministry of Skill Development and Entrepreneurship, 2015, op.cit.). The other part relates to branding and adequate awareness being created around the courses.

LPG, high growth rates have coexisted with lower employment rates. Comparing the period before economic reforms (i.e., pre-1991) with the period post-1991, a pattern that emerges is that growth rates were discernibly lower before 1991 but employment rates were discernibly higher. In other words, higher growth rates in the latter period did not result in higher employment rates. More recently, post-2017, although the unemployment rates show decline, the reasons are more to do with a decline in labour force participation rate in the economy. Hence, the extent of unemployment has perhaps not gone down (see Chaudhury, 2019). India's employment elasticity with respect to GDP (at 0.47) is lower than the mean observed internationally. The relationship between the GDP growth and employment growth is extremely weak, especially when compared to other developing countries (see Centre for Sustainable Employment, 2023). What this implies is that despite the effort made at skilling, the unemployment problem remains. The skilling effort was unable to translate into jobs because either the skills created were not aligned with those needed by the employers or that while the economy grew, the growth was not accompanied by a concomitant rise in employment.

3.2 Rural Livelihoods through the Government Schemes

National Rural Livelihoods Mission

Evaluation studies indicate that the National Rural Livelihoods Mission (NRLM's) (refer to Appendix 2) has done reasonably well in terms of its aggregate indicators. One evaluation, covering a sample of 27,257 households and 18,895 members (Kochar et al., 2020) spread across 1,052 villages, concludes, for example, that SHGs are playing an important role in financial inclusion. Further, the programme shows a statistically significant positive impact on household incomes, with 2.5 years of membership of SHGs leading to an increase in household incomes by about INR 11,000 per annum (an increase of about 19% over the base incomes). The program also has diversified sources of income for the participating households, who were able to access additional sources of income as well. To supplement the efforts of the NRLM, there are some key initiatives launched by the Government of India as components of NRLM. Of interest amongst them in the context of rural entrepreneurship are the Mahila Kisan Sashaktikaran Pariyojana (MKSP) and the Startup Village Entrepreneurship Program (SVEP). The entirety of NRLM's work creates women-led people's institutions which can be effectively leveraged to great success as a platform for working on rural entrepreneurship. The components (MKSP and SVEP) highlighted here, reflect these possibilities, and therefore bear some examination.

Mahila Kisan Sashaktikaran Programme (MKSP)

As of December 2021, the MKSP project (refer to Appendix 2) reached a cumulative coverage of 14 Mn. women farmers (see Ministry of Rural Development, 2023). This vast coverage, combined with the coverage of NRLM SHGs and the thematic areas on which MKSP is working, is a platform on which the transition from livelihoods to entrepreneurship can be pegged. Collective farming groups of women farmers can and have benefitted through the capacity building and support offered under the MKSP so that they can grow in terms of their economic activity into entrepreneurs (for example, see Kudumbashree, n.d., on how the MKSP project helped Kerala's women farmer groups).

Startup Village Entrepreneurship Program (SVEP)

At the time of launch, the SVEP targeted setting up of 0.18 Mn. enterprises in four years, spread over 125 blocks in 24 states (see Quality Council of India, 2017). As of March 31st, 2020, it was targeted that 0.21 Mn. enterprises would be created under SVEP. For this, 137 Detailed Project Reports were approved. Of this about 98,336 enterprises were created. Of the entrepreneurs created, 67% are women, while remaining are men family members of SHG women. 46% of enterprise owners belong to the OBC category, 16 percent to SCs and 21% to ST households. This reflects the fact that the targeting under the program was done in order to include some of the most disadvantaged (National Rural Livelihoods Promotion Society, 2020).¹⁷

At the same time, there are challenges which have been noted, primary among them being the low (Quality Council of India, 2017, op.cit.) offtake from the Community Enterprise Fund (CEF) set up for the purpose of financing the enterprises, with the CEF not being able to fulfil the demand for funds. In addition, it took 60 days on an average for the funds to be released, which is a long time, and proved to be an impediment in the setting up of the enterprises. There was a pressure to give loans to new enterprises which came in the way of granting subsequent loans to the enterprises already established. Further, there were difficulties in linking entrepreneurs with banks for loans. The report recommends that banks should be involved at an early stage so that they are able to get to know the entrepreneurs.

3.3 Farmer Producer Organizations (FPOs)

It is important to discuss FPOs¹⁸ in the context of rural entrepreneurship for two reasons – one, the government, especially since the recent budget announcements of 2022-23 have made them a thrust area and two, since these producer organizations are slowly evolving from collectives which are simply involved in aggregating agricultural produce into organizations which are attempting to participate in value chains. Such organizations are candidates, therefore, to be nurtured into rural enterprises on its own. This is particularly so since the producer organizations do not relate only to the farm sector. The amendments to the Companies Act allow non-farmers also to get together and register producer organizations.

Around 85 percent of Indian farmers belong to the small and marginal farmer category with an estimated average landholding size of 1.16 hectares (see for example, Ramappa and Yashashwani, 2018). With no means of storage or transportation, these farmers are forced to resort to distress sales of their farm produce at prices prevailing at the farmgate and are therefore unable to take advantage of better prices in distant markets. The very small volume of marketable surpluses for such farmers makes it unviable to do so. FPOs are a route which could enable aggregation of farm produce and economies of scale so that farmers who are hitherto unable to connect to markets and remunerative prices are able to do so.

Over the years, the FPO movement has grown. As of 2017, it was estimated that there were around 1,000 registered FPOs in the country and double that number were under mobilization (see Dr. Verghese Kurien Centre of Excellence, 2017, Annexure 4, p.41). A host of agencies including the National Bank for Agriculture and Rural Development (NABARD), the Small Farmers Agribusiness Consortium (SFAC) and international and national foundations are supporting FPOs across the country. Data available from the Tata Cornell Institute database suggests that the growth in the number of FPOs across the country has varied over the years (Figure 2 below showing FPOs added each year).

¹⁸ The prior experiences of the cooperative movement in India raised the need for greater flexibility for cooperative organizations to be able to compete in the market. Hence Producer Organizations (POs) were introduced as a new form of organization and an amendment was made in Section 581 of the Companies Act in 2003 to enable the formation of producer companies, thus enabling PCs or POs to operate under the regulations and legal framework of companies rather than cooperatives, which were seen to be corrupt and inefficient.

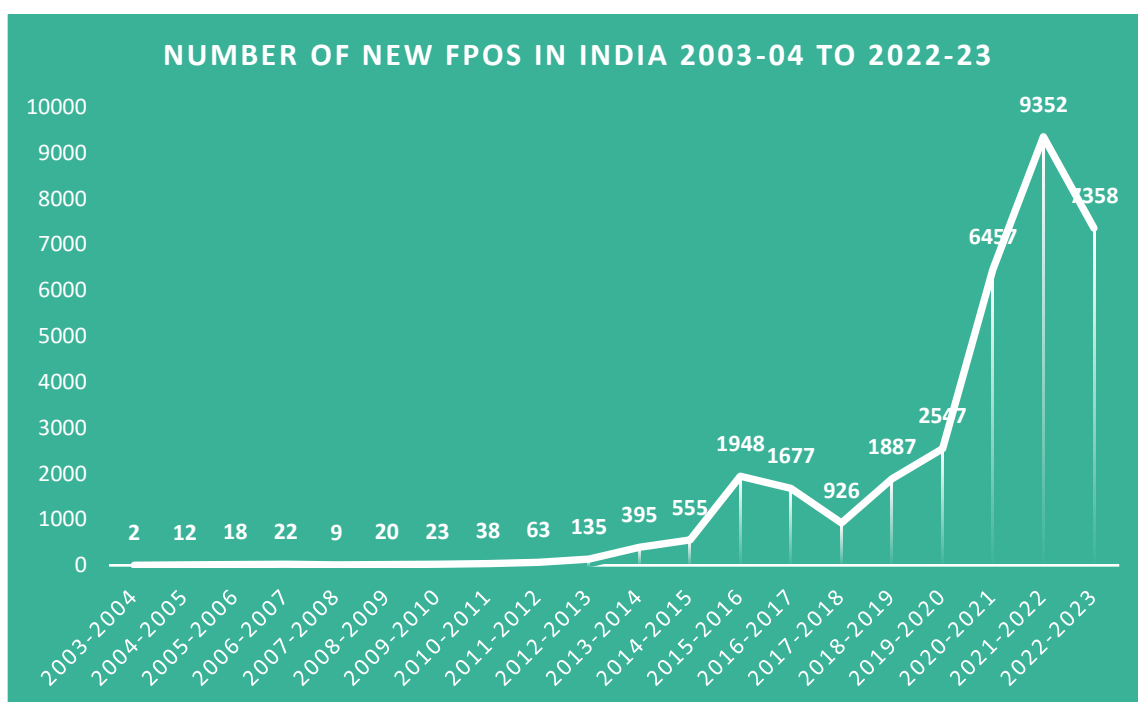


Figure 2: Growth of FPOs in India

Source: <https://fpo.tci.cornell.edu/dashboard>

According to the same database, there are ~33,000 FPOs spread across 28 states in 692 districts with about 2.8 Mn. shareholders in these FPOs. The Union Budget of 2022-23 announced that another 10,000 new FPOs would be set up across the country, with a budget allocation of INR 9,550 Mn. made for the same. Impressive though these figures may sound, they amount to only around 4 percent of India’s farmers. And progress on growth of FPOs has been slow because of the many challenges that the ecosystem faces. Capital for FPOs, lack of a uniform and updated guideline, lack of a cluster approach and gaps in human resources and technical capacities have all come in the way of FPO promotion (see Satpathi, n.d.).

However, the FPOs hold up promise since they are already engaged in many activities which are entrepreneurial in nature (such as value addition) and their core activity is linked to markets. As such, building upon the work already done in this sphere would help in promoting entrepreneurship in India.

In this section, we have looked at skilling, the NRLM (including MKSP and SVEP) and FPOs in India as policy responses to the issues of unemployment and poverty. As the discussion above shows that the skilling effort did not translate to creation of additional employment, despite a concerted thrust in that direction. Therefore, while skilling is no

doubt an important activity, its impact on the issue of employment and incomes has not been as expected.

The NRLM's component programs such as MKSP and SVEP have done work on creation of capacities of women farmers and creating entrepreneurs respectively, these initiatives remain limited in scale and there is a need for a scaling up of these efforts.

- i. The advantage offered by the NRLM, where it has worked well, is however, the vast network of women's institutions that has already created. It is our view that this network should be built upon to take the task of building rural entrepreneurship, employment, and incomes further.
- ii. While the FPO movement in the country has grown, it is still small and beset with many problems, primarily financing, and technical know-how. However, there is a growing number of institutions of farmers and other producers and a growing body of institutional knowledge and memory being built up which (like the NRLM) can be leveraged for building entrepreneurship in rural India.
- iii. It is our submission that the next level would logically be promotion of rural entrepreneurship, building upon the work already done and the experience gained. It is to a discussion of this that the rest of the paper is devoted.

4. Rural Entrepreneurship

As we have seen above, a focus on the creation of enterprises, which could absorb labour by creating employment, would seem to be an answer to the issue of unemployment and poverty. This could be done by creating new enterprises or facilitating the growth of existing ones so that they can absorb more and more people into their rolls. Such a strategy would have the merit of simultaneously facilitating economic growth and exports while reducing poverty and unemployment. In the following sections we will look briefly at entrepreneurship in India to understand its size and dimensions. We will then look at some of the problems that the thrust towards entrepreneurship could potentially face. We will conclude with some recommendations on what could be done to make the sector rise to the challenges it faces.

4.1 Rural Enterprises in India

If the way forward for employment generation in rural areas is taking rural entrepreneurship to scale (refer to Appendix 2), the next logical step, whether under SVEP-NRLM or through FPOs would be to enable the enterprises or FPOs set up to acquire the dimensions of the MSME sector and become part of the sector. This will enable them to take advantage of the benefits made available to this sector by the government. Given this, it is important to look at the MSME sector to understand both its growth and the challenges it faces, so that the same may be addressed during promotion of rural enterprises.

There is 63.4 Mn. Micro, Small and Medium Enterprises (MSMEs) in India, of which as many as 32.4 Mn. MSMEs (or 51.2%) are in rural areas.²⁰ The categorization of MSMEs by activity and rural-urban status is given below (Figure 3). The higher share of rural enterprises is noteworthy. The data show that the higher share of rural enterprises also largely accounted for a comparatively higher share of manufacturing units as compared to the urban.

²⁰ See Ministry of Micro, Small and Medium Enterprises, 2023

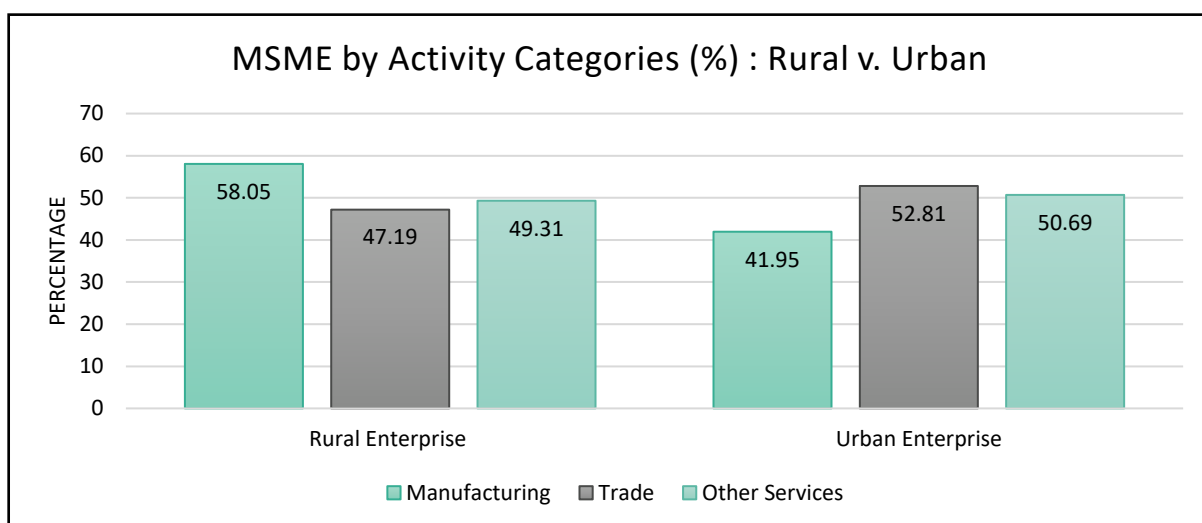


Figure 3: Share of MSME enterprises by activity categories in rural and urban areas
Source: NSSO 73rd Round, 2015-16

In terms of gender composition of owners of enterprises, only 22% enterprises in rural areas and less than 20% enterprises in urban areas are owned by women (Ministry of Micro, Small and Medium Enterprises, 2023, op.cit). Further women own a little more than 5 percent of the small and around 2.7 percent of the medium category of enterprises. This obviously reflects a serious gender imbalance pointing to certain system tendencies whereby women are not able to set up and grow as entrepreneurs. This aspect must be corrected through appropriate policy instruments if inclusion is a goal of the MSME policy.

Data suggested that rural areas are more inclusive regarding marginalized social groups and business ownership than urban areas (Figure 4). STs owned 6.7 percent in rural areas. SCs owned 15.4% of enterprises OBC-owned enterprises account for 47.8%

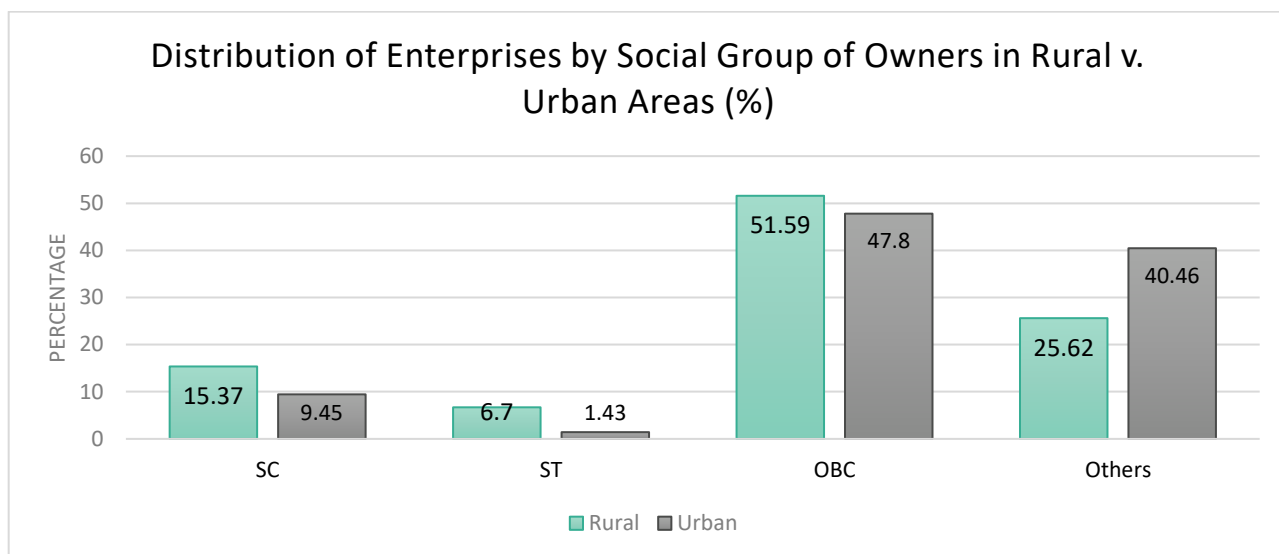


Figure 4: Percentage Distribution of Enterprises by Social Group of Owners in Rural and Urban Areas

Source: Calculated from Ministry of Micro, Small and Medium Enterprises, 2023

As per data available in the annual report of the Ministry of MSME (Ministry of Micro, Small and Medium Enterprises, 2023), MSMEs together in rural areas provide employment to nearly 49 Mn. people, which amounts to nearly 45% of the total employment of upwards of 110.9 Mn. generated by MSMEs. In 2021-22, the MSME sector contributed 29% of the GDP of India and nearly 49.4% of the total exports (Deshpande, 2023). Given these, it is undeniable that the size of the MSME sector is economically significant.

However, one important fact that stands out when we look at the size of enterprises is that micro enterprises completely dominate the landscape, with a share of 99.5% of all enterprises and a staggering 97% of this employment in rural areas is in the micro enterprises. In terms of size of enterprises, the significant fact that emerges is that micro enterprises completely dominate the landscape (Table 2 below).

Sector	Micro	Small	Medium	Total
Rural	32.41	0.078	0.001	32.49
Share	99.8	0.24	0.00	100.00
Urban	30.64	0.25	0.004	30.9
Share	99.2	0.08	0.01	100.00
Total	63.05	0.33	0.005	63.39
Share (%)	99.47	0.52	0.001	100.00

Table 2: Distribution of MSMEs by Size Category (Urban and Rural) (in Mn.)

Source: Calculated from Ministry of Micro, Small and Medium Enterprises, 2023

The important fact to note from the above is that more than 99% of all enterprises, whether in rural or urban areas are micro enterprises, with small and medium enterprises accounting for the balance. This is commonly referred to as the problem of the “missing middle”, implying that the micro enterprises remain micro and do not grow into small or medium enterprises. The reasons for these are many and we will go into them in the coming sections. But it is precisely the problem of the “missing middle” which will need to be addressed if the MSME sector would grow and contribute its true potential to the economy, a fact that we will return to in the coming sections.

4.2 Schemes of the Government of India Promoting Enterprises

There are several schemes launched by the Government of India to promote and support MSMEs in India. For example, MUDRA (Micro Units Development and Refinance Agency) Scheme provides loans to micro-enterprises in three categories to cater to different sizes of business growth. The smallest ticket size is up to INR 50,000 while the biggest is up to INR 0.10 Mn. SFURTI (Scheme of Fund for Regeneration of Traditional Industries) is a scheme implemented by the Khadi and Village Industries Commission to promote crafts and traditional industries while building upon their competitiveness and market access. The Prime Minister’s Employment Generation Programme (PMEGP) is a credit-linked subsidy scheme to nurture micro-enterprises and create self-employment. Financial assistance is provided to individuals and SHGs for new projects or expansion of older ones. Other programmes include the Credit Linked Capital Subsidy Scheme, Credit Guarantee Fund Trust for Micro and Small Enterprises and the National Manufacturing Competitiveness Programme. Overall, there is a policy framework, which can be used to advantage for promotion of rural entrepreneurship.

4.3 The Problem of the Missing Middle and Challenges for Rural Entrepreneurship

Rural India (51 percent) has a larger share of MSME enterprises. The “missing middle”—the inability of micro enterprises to become Small and Medium sized Enterprises—presents a critical challenge in the business landscape. Without growth in these enterprises, the prospects of them being engines of both economic growth and

employment generation become bleak. These problems and issues exist for both rural and urban areas. We could safely assume, however, that the problems get compounded as we move from urban to rural and from accessible rural to remote rural. While normally it is imagined that rural enterprises will be very small in size (or nano enterprises), the purpose of this paper is to examine ways in which they can grow into micro and then small and eventually medium enterprises. In this sense, it is important to understand not only challenges facing forms of rural enterprises (even if nascent enterprises) embodied in FPOs or NRLM enterprises but also those enterprises in rural areas which normally come under the definition of MSMEs. In some respects (finance, technical know-how, capacities, and infrastructure) the problems are the same. In other respects, such as the legal framework, the issues are different for different forms of rural enterprises. Yet, since this paper recommends that FPOs and other forms of rural enterprises are supported to grow in to MSMEs over time, it is fruitful to look at the challenges faced by enterprises in India as a whole, to build in safeguards when we evolve a policy for rural entrepreneurship.

The key challenges inhibiting the growth and vibrancy of entrepreneurship in general and rural entrepreneurship in particular, include the lack of an ecosystem for nurturing and incubation of rural enterprises: Nurturing and incubation involve mentoring, training, and support, along with financial support for facilitating rural entrepreneurship. While attempts have been made in this regard, they are either too small in scale or are inadequate.

- I. Financing remains a critical hurdle for rural enterprises, hindering their growth:
 - Limited equity: Small businesses like Producer Organizations lack sufficient equity to attract traditional banks. From the lenders' perspective, financing a small business is complicated considering "high transaction costs, low ticket sizes and high risks involved" (KPMG-IMC, 2017, p.15 as cited in Satpathi, 2023).
 - Collateral constraints: Banks view these entities as risky due to lack of collateral, leading to abysmal credit allocation. Mondal (2027) reports interest being charged @18% by a commercial bank, due to absence of collateral (i.e., physical assets since FPO members could comprise of women and farmers without land tenure) while securing a loan for a registered FPO.
 - High-cost alternatives: They rely on expensive NBFCs, family and friends, and moneylenders for both long-term and working capital needs. Surendra

(2021) observed rural money lenders charging 40% interest rate each year, on an average, or “employing coercive enforcement mechanism” for repayment (Surendra, 2021).

- Significant credit gap: Estimates suggest only 15.4% of the MSME debt demand is met through formal sources, leaving a vast unmet need of 84.6% (see International Finance Corporation, 2018²²). Timely, adequate credit and access to equity are major roadblocks. Small enterprises need finances to grow, but banks view them as risky²³ due to limited resources, creating a vicious cycle.

- II. Rural India faces critical infrastructure challenges related to work-sheds, storage facilities, reliable electricity, and water supply. These deficiencies significantly hamper enterprise productivity and deter new entrants in the off-farm sector, encompassing activities like food processing, packaging, grading, and sorting undertaken by FPOs. As of 2020, India's 8,186 cold storage facilities with a capacity of 37.4 Mn. MT could only accommodate 12% of the storage needs for perishable horticultural produce like fruits and vegetables²⁴ (Ministry of Agriculture & Farmers Welfare, September 23, 2020).
- III. Rural enterprises, despite a vast human resource pool, often stumble on a crucial weakness: inadequate availability of talent. Skilled per compliances tasks like business planning, market analysis, production planning, and

²² The input of P.S. Vijayshankar in this regard is gratefully acknowledged. The study estimates the MSME demand for debt and equity finance at Rs.87.7 trillion of which nearly 80 percent (Rs.69.3 trillion) is debt demand and the balance Rs.18.4 trillion is equity demand. The study estimates that of the total debt demand, 84 percent is met out of informal sources, with formal sources only meeting about 16 percent or Rs.10.9 trillion. This indicates a huge gap. If new enterprises (those in operation for a year or less), sick enterprises and enterprises, which prefer informal sources of credit are left out, the demand for credit can be addressed is Rs.36.7 trillion, which is 53 percent of the total debt demand. Deducting Rs.10.9 trillion of demand which is met, Rs.25.8 trillion remains as a credit gap to be addressed.

²³ As the Secretary General of the Federation of Indian Small and Medium Enterprises (FISME) observed "The credit barriers for MSMEs are not limited by the processes and procedures. The real barrier is in the approach of the banking system, who consider any credit to MSME as a potentially bad loan and try to ring-fence the sanction procedure." (The Economic Times, 2023a).

²⁴ India ranked second to China in terms of global production of food and vegetables. As per National Horticulture Database (3rd Advance Estimates) published by National Horticulture Board, during 2021-22, India produced 107.24 million metric tonnes of fruits and 204.84 million metric tonnes of vegetables. See for details:
https://apeda.gov.in/apedawebsite/six_head_product/FFV.htm#:~:text=As%20per%20National%20Horticulture%20Database%20%283rd%20Advance%20Estimates%29,fruits%20and%20204.84%20million%20metric%20tonnes%20of%20vegetables.

regulatory compliance are often missing, hindering growth. While entrepreneurs may bring expertise, they alone cannot shoulder all responsibilities. Filling this crucial talent gap, both in terms of skills and retention, is key for rural enterprises to thrive. Rural enterprises struggle with a gaping skill gap. While entrepreneurs/CEOs of FPOs may begin with specialized expertise, they suffer from both motivational and skilling challenges due to a lack of training (e.g., in finance and market trends) and financial constraints, hampering growth. Similarly, overreliance on team members without proper understanding fosters a detrimental lack of ownership. State institutions like District Industries Centres have not effectively addressed this training gap, leaving rural entrepreneurs struggling to scale up. Filling this crucial skill gap through training (see Banerji, 2023, Saxena, Tomar, and Mondal, 2023, Vijay Shankar, 2021), for both entrepreneurs and their teams, is key to unlocking the potential of rural businesses.

- IV. Technology is another area where rural enterprises may find themselves at a disadvantage.²¹ Newer technologies need to be developed and disseminated to rural enterprises (are characterized in general as operating at a low level of technology) for efficiency and cost advantages and particularly for them to retain a competitive edge.²² Institutional linkages with R&D institutions require additional facilitation despite progress made, especially in the dairy and livestock sector under the Rashtriya Gokul Mission launched in 2014.
- V. Rural enterprises face the dual challenge of regulations and power asymmetry. The MSME enterprise files 23+ registrations and licences, while complying to 750+ annual compliances and 120+ filings each year (Global Alliance for Mass Entrepreneurship, 2020). In stark contrast, business-friendly countries like New Zealand allow registration in just one day (GAME, 2022). This burden hampers growth and discourages new entrants. Adding to their woes is a legal framework favouring larger corporations. As Bhardwaj (2009) highlights, outdated insolvency laws leave small enterprises

²¹ For instance, many FPOs, particularly in the South of India, are already leveraging international technologies for grading, sorting, and packaging, while those in tribal central India are not aware of such technologies

²² Technologies may be needed for processing of produce such that waste is avoided. However, these are not available. In the absence of cold chains for storage, this technology gap leads to high levels of waste.

vulnerable, while corporates enjoy robust bankruptcy protections.²³ This asymmetry extends to disputes, where deep-pocketed giants easily outlast micro-enterprises in lengthy appeals. This legal disadvantage is further amplified by their B2B nature. They often grapple with uneven power dynamics, where distributors and platforms capture significant profits while offloading risks onto the rural businesses. Government e-commerce platforms fail to provide a viable alternative. As rural enterprises climb the size ladder, the dream of accessing MSME benefits gets overshadowed by these legal hurdles. Secure access to essential resources like forests for NTFP processors (as pointed out by Srinivasan Iyer) further underlines the need for a fair and accessible legal framework. In essence, rural enterprises' path to success requires dismantling regulatory mountains and levelling the legal playing field to unlock their true potential.

- VI. A major lacuna which needs to be addressed with some urgency is the paucity of data around rural enterprises due to high degree of “informality”- 99.5%.²⁴ Limited information was available on the growth or closure of enterprises in rural areas, the types of products or services offered, the wage structure, and the nature of employment.

5. Rural Entrepreneurship – the Road Ahead

We have so far looked at the canvas of entrepreneurship in India and some of the problems that entrepreneurs face. While these problems apply to rural as well as urban enterprises, many of these problems are compounded when we talk specifically of rural enterprises. This is because the challenges are manifold – remoteness, absence of infrastructure and connectivity, low levels of human resource capacity, lower levels

²³ As Bharadwaj argues, bankruptcy and insolvency laws cover corporates, but small enterprises are covered by colonial era laws which are dysfunctional. While international best practices are oriented towards protecting debtors, Indian laws do not offer such protection in the case of micro or small enterprises. This becomes critical when the downturn in a business is temporary and could be reversed. But the legal system allows no opportunity for settlement or restructuring. There are no specialized courts to deal with the issue of insolvency. Banks are generally not sensitive to micro and small enterprises and faced with a choice between a lower amount typically involved in a One Time Settlement and a legal recourse which leads to punishment, would prefer to take recourse to the latter. As a result, once insolvent, there is no possibility for the enterprise to come back on track or for the entrepreneur to lead a respectable life (Bhardwaj, 2009, op.cit).

²⁴ The *statistical exclusion* compounds the vulnerability of the artisans as even the available policy benefits would not be reaching the *unregistered* artisan “ (Das, 2023, ibid.)

of technology penetration, lower income levels leading to difficulties in financing enterprises and offering collateral – all are issues which multiply in a rural setting.²⁵ In this sense, the learnings from the experience of the MSME sector in India are relevant for rural entrepreneurship. The key recommendations for encouraging rural entrepreneurship in India:

- 1. Mission for Rural Entrepreneurship:** To catalyse rural entrepreneurship, a dedicated National Mission is essential. This Mission would: manage funds, overseen by the Ministry of Micro, Small and Medium Enterprises (MSME), forge partnerships for tech and skill training, attract qualified personnel, identify block strengths for thematic ventures, build stakeholder linkages, and provide policy feedback and research. By anchoring these roles, the Mission would cultivate a thriving rural enterprise ecosystem. The National Mission could be headed by the Ministry of Skill Development and Entrepreneurship. Its governing council can comprise of Secretaries of key ministries like Ministry of Rural Development, Panchayati Raj, Agriculture, and Tribal Affairs, and NITI Aayog to ensure convergence and strategic direction. This Mission, mirrored at the state and block levels, will provide the vital handholding needed for enterprise incubation and growth. Intensive support in business planning, accessing government schemes, and adapting strategies will be key, especially in the early years. This dedicated structure, rooted in local understanding, is the fertile ground for a thriving rural enterprise ecosystem to bloom.
- 2. Target Areas:** To foster inclusive rural entrepreneurship, initial focus should target "aspirational blocks" across diverse geographies. Unlike traditional infrastructure projects, nurturing rural businesses demands a "transaction-intensive" approach with creative design,²⁶ human interaction, and adaptation. Quick scaling at the cost of quality risks undermining progress and discouraging future participation. Starting small, focused on specific blocks, allows us to gain crucial experience, refine strategies, and ensure program credibility – even addressing inequities and prioritizing women entrepreneurs. Within these blocks, sub-block level intervention will provide the closest support to nascent enterprises, laying the groundwork for a thriving national ecosystem.

²⁵ The *statistical exclusion* compounds the vulnerability of the artisans as even the available policy benefits would not be reaching the *unregistered* artisan “ (Das, 2023, *ibid.*)

²⁶ Not just in the restricted sense of designing products but in the larger sense of designing systems, processes and methods to suit particular situations which are wide and variegated (see Banerji, 2023).

- 3. Financing Rural Entrepreneurs:** While rural enterprises are expected to be viable and profitable, it must also be understood that they would need this support to get to the point of profitability. Investment in these enterprises is extremely important for three to five years from when they start. It can be safely asserted based on experience of successful enterprises in rural areas that ensuring capital and credit at low costs is of the essence.²⁷ The central government should continue supporting the financial needs of establishing FPOs and covering key operational costs including HR and basic infrastructure (e.g., rent, inventory costs, marketing, and insurance). The government should also consider different forms of financing including, novel financing channels (i.e., blended finance approach through mainstreaming of impact financing).²⁸ Promoting the creation of challenger banks²⁹ and rural enterprise focused fintech firms, cooperatives, and microfinance lending institutions, which have better geographical reach and community buy-in than commercial banks (Satpathi, 2023, p. 31).

- 4. Skilling and Capacity Building:** Human resources play a very important role as does skilling and capacity building. It is important to have sufficiently skilled human resources at the disposal of rural enterprises. Consequently, skilling and capacity building of rural entrepreneurs could be undertaken using the *phygital* approach. This approach integrates digital technologies with physical elements and aligns with emerging *phygital* technology to create a superior user experience (Banik, 2021). The existing Skill India Digital platform could be leveraged to encompass both online and offline offerings through the local spoke facilitators and hub centers of the Vocational Training Partners.

- 5. Ease of Doing Business:** On the issue of improving the ease of doing business (EoDB), it is obvious that much more needs to be done. There are far too many

²⁷ See The Buddha Institute, 2023, Arya, 2023b, Banerji, 2023, op.cit, Saxena, Tomar, and Mondal, 2023, op.cit., Vijay Shankar, 2021, op.cit. for an elaboration of this aspect. In each of the cases cited, the successful entrepreneurship programme has relied heavily on provision of adequate finance, including capital and credit, even grants, to tide over the initial years. Over time, the share of such subsidised components falls once the enterprise takes off. A major suggestion made by people working in the field (Mondal, 2023, Arya, 2023a) has been that the RBI needs to design and oversee implementation of the support framework as it did for the SHG programme in the country.

²⁸ See for details: <https://lnkd.in/eb7yjHUN>

²⁹ These are small but new banks that leverage digital infrastructure to access a wider customer base by offering personalized services and act as direct competitors for traditional banking institutions. For details see: <https://bfsi.economicstimes.indiatimes.com/news/fintech/what-are-challenger-banks-and-what-is-happening-in-india/89825881>

compliance requirements imposed on the enterprise sector (whether rural or urban), which tends to be small and may lack capacity. Compliance and regulatory requirements, including registration time required for enterprises, need to be heavily rationalized and made business friendly. It is important also to look at the existing legal framework, around issues such as insolvency and bankruptcy for example (as highlighted in the previous section) and bring it in line with established best practices internationally, which would mean overhauling some of the laws and making the process more debtor friendly. In particular the distinctions between corporates and micro/small enterprises as far as these laws are concerned would need to be re-examined, given that micro, small and medium enterprises constitute around 97 percent of the total enterprise space (Bhardwaj, 2009, op.cit.). Powerful regulatory mechanisms need to be set up which strike a right balance between interests of rural enterprises and others in the supply chain, particularly larger companies. Similarly, in terms of market dealings with online portals, there needs to be regulation to ensure that rural enterprises are not facing disadvantage.

- 6. FPOs as MSMEs:** The NRLM institutions and the FPO network should be leveraged for the creation of rural enterprises. Enterprises already created under the SVEP should be scaled up. The Central Government in its budget of 2023, announced an ambitious scheme of creating 10,000 more new Farmer Producer Organizations (FPOs) for which a fund of INR 9,550 Mn. have been earmarked in the budget. It is therefore recommended that FPOs are granted the status of MSMEs going forward. This would enable FPOs to become beneficiaries of the various schemes of government for MSMEs. At the same time, it would incentivize them to professionalize their business plans and operations and take them to the next level.
- 7. Collective Entrepreneurship:** Leveraging the success of Producer Organizations, focusing on collective entrepreneurship should be a key policy objective. This allows a wider group of individuals to share financial risks and diverse responsibilities, ultimately facilitating the collective success of the venture. The collective gives bargaining strength to entrepreneurs, who are from poorer backgrounds as it can help them strengthen their voice vis-a-vis other stakeholders in the ecosystem, whether they be buyers, sellers, or government. For instance, in 2021, the Government of Odisha launched the

Agricultural Production Clusters (APC) program³⁰ for tribal women in western Odisha. Aiming to double their income, the program attempted to collectivize them into Producer Organizations and Producer Groups. As of today, the APC has benefited 219,000 small and marginal farmers (of which 133,426 are women farmers), establishing 1,757 vibrant producer groups and 63 producer companies. It covers 124,821.2 acres with high-value crops and 18,627.4 acres for orchard development.

- 8. Data driven policy formulation:** The government can prioritize gathering and disseminating quality data on rural enterprises to unlock the true potential of this sector. The government can leverage the growing digital public infrastructure³¹ to collect data on various indicators related to rural entrepreneurs through Gram Panchayats annually, which can enable it to take appropriate policy decisions and provide a comprehensive insight to financial institutions to improve the access to formal financing to such enterprises.

³⁰ To know more about the program, check: <https://www.apcodisha.net/>

³¹ To know more about digital public infrastructure in agriculture, check: <https://agristack.gov.in/#/>

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Appendix 1

Method

The arguments and recommendations of the policy paper on rural entrepreneurship is derived from research conducted by the authors. The methodology combines secondary research, expert consultations in the form of semi-structured interviews and consultative workshop.

Design of the consultative workshop

Experts from civil society organizations, funding agencies, and academia were consulted to understand ways in which Rural Enterprises can be promoted to meet the aims of growth, full employment and socio-economic inclusion, and the appropriate policy framework to enable this. Below are the details of the experts for the consultative session.

- I. Rural Enterprises - Past, Present and Future
Prof. Keshab Das, Kalinga Institute of Industrial Technology (KIIT) School of Social, Financial & Human Sciences (KSFH)
- II. Nurturing Young Entrepreneurs in and for Rural Areas: Lessons from the Buddha Fellowship Program
Mr. Ved Arya, Founder Director, The Buddha Institute
- III. Reflections on Facilitating Civil Society Interventions on Rural Entrepreneurship
Mr. Dhruvi Shah, CEO, Axis Bank Foundation
- IV. Social Rural Enterprises, Profits, Viability, and Inclusion - Experiences of a Woman-led Producer Company
Ms. Nivedita Banerjee, CEO, Kumbaya Producer Company Limited
- V. From Farmer Producer Organization to MSME: Challenges for Farm Based Rural Enterprises.
Mr. Animesh Mondal, Ram Rahim Pragati Producer Company Limited
- VI. Financing Rural Enterprises
Mr. P.S. Vijayshankar, Professor of Practice, Shiv Nadar University & Board Member, Nature Positive Farming and Wholesome Foods Foundation (N+3F)
- VII. Reflections on Policy and Legal Framework Around MSMEs
Mr. Srinivasan Iyer, Former Senior Program Officer, Ford Foundation

Appendix 2

The National Rural Livelihoods Mission was established in 2011 by the Government of India and is a flagship livelihoods program of the Government of India. The aim of the program is to create women-led Self-Help Groups (SHGs) and SHG-linked institutions of the poor which engage in savings and credit operations. After the SHGs mature and stabilize, livelihoods (both off-farm and on-farm) are integrated with the program. The context of the NRLM is also linked to the realization in policy that with the falling capacity of agriculture to productively absorb labour, there would be a need to diversify livelihoods options to make a dent on poverty, especially in poorer geographies of India. The NRLM coverage is vast, spreading across 653 districts and 6,093 blocks across India as of 2019-20 (see National Rural Livelihoods Promotion Society, 2020). More than 67.9 Mn. households have been included under the ambit of 6.14 Mn. SHGs. Upwards of 0.36 Mn. village organizations of the SHGs were formed which were further consolidated into 31,781 Cluster Level Federations (CLFs). A cumulative Rs. 68,724.50 Mn. were disbursed as Community Investment Fund to the SHGs. A total of Rs. 1,827,837 Mn. have been mobilized by the SHGs as savings corpus.

The Mahila Kisan Sashaktikaran Pariyojana aims at interventions which target women farmers with an aim to increase their incomes, reduce their drudgery, bring greater area under cultivation and cropping intensity and bring better technologies and information, along with increasing visibility of women as an interest group in terms of increased number of women institutions and increase in their entrepreneurship. The MKSP is primarily a farm livelihoods augmentation programme, wherein the livelihoods augmentation falls into three broad thematic areas sustainable agriculture (through popularization of agro-ecological practices and no-pesticide plant protection), livestock (a supplement to farm incomes and an important aspect of livelihoods diversification, especially in rainfed India), and Non-Timber Forest Produce (NTFP) for tribal and forest dwelling communities.

The Start-Up Village Entrepreneurship Programme is implemented by Deendayal Antyodaya Yojana –National Rural Livelihoods Mission (DAY-NRLM), Ministry of Rural Development, as a sub-scheme since 2016. The SVEP is anchored in the NRLM and was announced as a budget scheme in May 2015. The scheme envisages provision of livelihoods and self-employment opportunities with financial assistance and training, and building and supporting “early stage rural enterprises” by providing them with a range of critical services (see SVEP Website, n.d.). SVEP hopes to give a boost to non-

farm livelihoods, especially skill-based work, and small enterprises, “stimulating long-term economic growth and produce social benefits” (op.cit.).

The Micro, Small and Medium Enterprises Development (MSMED) Act of 2006 (see Ministry of Law and Justice, 2006), a concerted thrust was given to the idea of promoting entrepreneurship, with a focus on rural areas as well. The Act empowers the central government to take effective steps to promote enterprises, including establishment of a board for MSMEs and provision of a legal framework wherein manufacturing, and service enterprises could both be included. The Act enjoins upon the central government to undertake measures to promote MSMEs, including provision of finance and credit, training, technological upgradation, marketing assistance and development of backward and forward linkages. The Act also, vide clause 12, envisages the setting up of funds through which the purposes of the Act may be realized. With these steps, the decks were cleared for acceleration of the MSME sector in India.



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