

Rural Entrepreneurship and Sustainability in India

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Abstract

Rural entrepreneurship has emerged as a cornerstone for inclusive and sustainable development in India. This paper reviews policy initiatives, institutional frameworks, and research trends that link entrepreneurship with the triple bottom line of economic, social, and environmental sustainability. Using secondary literature and recent program data (2020–2025), it examines schemes such as the One District One Product (ODOP) program, Startup Village Entrepreneurship Programme (SVEP), and Farmer Producer Organizations (FPOs). The review identifies key drivers including digital enablement, women's empowerment, value-chain integration, and finance innovation, while highlighting persistent challenges like informality, infrastructure deficits, and climate risks. The study concludes that India's rural entrepreneurship ecosystem is moving toward sustainability but requires greater integration of environmental metrics and resilience-building strategies to secure long-term rural prosperity.

Keywords: rural entrepreneurship, sustainability, MSMEs, ODOP, SVEP, FPOs, India

1. Introduction

India's rural economy remains a major pillar of national growth, employing nearly two-thirds of the population and contributing significantly to GDP (Press Information Bureau [PIB], 2024). The rural entrepreneurship movement has expanded with government schemes that emphasize self-employment, innovation, and local value addition. According to the Ministry of Micro, Small and Medium Enterprises (MSME), micro and small firms account for approximately 30 percent of India's GDP and 45 percent of exports (PIB, 2024). Rural entrepreneurship represents an intersection of economic growth, social justice, and environmental stewardship (Kumar & Sharma, 2023). It offers solutions for employment generation, poverty reduction, and sustainable resource management in non-urban areas (Singh & Mehta, 2025). This paper reviews the evolution, determinants, and sustainability dimensions of rural entrepreneurship in India.

2. Concept and Significance of Rural Entrepreneurship

Rural entrepreneurship refers to the establishment and management of enterprises in rural areas to generate economic value and local employment (Patel & Sinha, 2023). It encompasses agro-based industries, handicrafts, food processing, renewable energy, and service sectors. Such enterprises often utilize local resources, traditional knowledge, and community networks to sustain production and distribution (Srivastava & Jain, 2022). The role of rural entrepreneurship is particularly vital in India's development context. It reduces rural-urban migration, diversifies the agriculture-dependent economy, and enhances social inclusion through self-help groups (SHGs) and women's collectives (Indian Institute of Entrepreneurship [IIE], 2024). By fostering local innovation and sustainability, it also contributes to several Sustainable Development Goals (SDGs), including SDG 1 (No Poverty), SDG 5 (Gender Equality), and SDG 8 (Decent Work and Economic Growth) (Patel & Sinha, 2023).

3. Policy and Institutional Framework

3.1. MSME Formalization

The Government of India has emphasized MSME formalization through the Udyam Registration portal, which recorded over 3.8 crore enterprises by mid-2024 (PIB, 2024). Formal registration enables rural entrepreneurs to access credit, technology, and subsidy schemes (NABARD, 2024).

3.2. One District One Product (ODOP)

The ODOP initiative identifies unique products from each district to develop value chains, promote branding, and link rural artisans to markets (Ministry of Food Processing Industries [MoFPI], 2023). Over 1,100 district products—ranging from mango in Malihabad to coir in Alappuzha—are being supported through common facility centres and export linkages. This cluster-based approach stimulates local employment and reduces transport and transaction costs (Kumar & Sharma, 2023).

3.3. Startup Village Entrepreneurship Programme (SVEP)

The SVEP, a component of the National Rural Livelihood Mission, has established community-managed enterprises across rural India. By 2024, it had supported 1.8 lakh enterprises and generated more than 370,000 jobs (IIE, 2024). SVEP's focus on capacity building and handholding creates a resilient ecosystem for first-generation entrepreneurs, especially women and marginalized groups (BPAS Journal, 2024).

3.4. Farmer Producer Organizations (FPOs)

FPOs aggregate farmers to enhance bargaining power, processing, and market access. NABARD (2024) reports that FPOs facilitate input procurement and value addition, reducing waste and improving price realization. These collectives are critical to integrating environmental sustainability with rural enterprise through efficient use of resources and collective decision-making.

4. Sustainability Dimensions of Rural Entrepreneurship

4.1. Economic Sustainability

Economically, rural entrepreneurship supports inclusive growth by creating non-farm jobs and enhancing local value addition (Kumar, 2023). Programs like ODOP and PMFME strengthen supply chains by developing processing facilities and quality infrastructure (MoFPI, 2023). Access to microfinance and digital credit platforms has also expanded through Udyam and Jan Dhan initiatives (PIB, 2024). However, credit constraints remain a barrier for micro enterprises (NABARD, 2024).

4.2. Social Sustainability

Socially, rural entrepreneurship empowers women and marginalized communities. Under SVEP, approximately 75 percent of beneficiaries are women, enhancing their decision-making and financial agency (IIE, 2024). Collective models like self-help groups and FPOs also build social capital and community resilience (Singh & Mehta, 2025). Studies show that entrepreneurship training and mentorship improve leadership skills and confidence among rural women (Patel & Sinha, 2023).

4.3. Environmental Sustainability

Environmentally, the integration of green technologies and resource efficiency is increasing. NABARD's (2024) programs on watershed management and climate-smart agriculture have introduced eco-friendly practices such as organic farming, rainwater harvesting, and solar drying. The adoption of circular economy principles in rural industries reduces waste and carbon emissions (Singh & Mehta, 2025).

5. Challenges and Constraints

5.1. Informality and Survivalism

Despite progress, many rural enterprises remain informal and subsistence-oriented. Limited financial literacy and market knowledge restrict growth opportunities (Kumar & Sharma, 2023). Small enterprises often depend on local demand, making them vulnerable to economic fluctuations.

5.2. Credit and Infrastructure Deficits

Access to institutional finance is inadequate despite government schemes like MUDRA and PMEGP. Delays in loan sanction and collateral requirements discourage entrepreneurs (NABARD, 2024). Infrastructure deficiencies such as poor roads, power supply, and logistics increase transaction costs (Kumar, 2023).

5.3. Skill and Technology Gaps

Entrepreneurial success requires technical and managerial skills, yet training facilities are limited in rural areas (IIE, 2024). Digital literacy and marketing skills need to be mainstreamed for sustainable growth (Patel & Sinha, 2023).

5.4. Environmental Risks

Climate change poses significant threats to rural livelihoods through droughts, floods, and resource scarcity (NABARD, 2024). Entrepreneurship in agrarian communities must adapt through green technologies and resilient production systems (Singh & Mehta, 2025).

6. Emerging Opportunities

6.1. Digital Transformation

Digital platforms such as the Government's Open Network for Digital Commerce (ONDC) and e-NAM enable rural entrepreneurs to reach wider markets (PIB, 2024). Mobile banking and e-commerce reduce information asymmetry and transaction costs (Kumar & Sharma, 2023).

6.2. Green and Circular Economy

The shift toward bio-based industries, renewable energy, and waste management offers new business avenues. Sectors like biogas, organic fertilizer, and sustainable packaging align with global sustainability standards (Singh & Mehta, 2025).

6.3. Women-Led Entrepreneurship

Empowering women through microfinance and training creates a multiplier effect on household welfare and community development (BPAS Journal, 2024). Integrating gender mainstreaming into FPO and ODOP projects enhances social equity (IIE, 2024).

6.4. Sustainable Finance

Blended finance models that combine public grants and private investments can fund green enterprises. NABARD's Green Finance and Climate Resilience Fund (2024) encourage credit for solar dryers, biogas plants, and water management systems.

7. Policy Recommendations

1. **Integrate Sustainability Indicators:** Adopt energy efficiency, water use, and waste reduction metrics in rural enterprise evaluation (Singh & Mehta, 2025).
2. **Strengthen Cluster-Based Support:** Expand common facility centres and design labs under ODOP and PMFME (MoFPI, 2023).
3. **Promote Financial Inclusion:** Increase revolving funds and credit guarantees for micro entrepreneurs (NABARD, 2024).

4. Build Skill Ecosystems: Integrate entrepreneurship modules in rural education and use digital platforms for training (IIE, 2024).
5. Mainstream Climate Adaptation: Link enterprise schemes with agro-ecological planning and disaster risk management (Kumar, 2023).

8. Research Agenda

Future studies should quantify the impact of government schemes on environmental indicators, such as carbon footprint and water use (Patel & Sinha, 2023). Mixed-methods research linking entrepreneur behaviour with social empowerment can provide deeper insights (Sharma, 2024). Longitudinal data on FPO and SVEP enterprises will help evaluate resilience to climate and market shocks (NABARD, 2024).

9. Conclusion

Rural entrepreneurship in India is progressively transitioning from a subsistence-driven to a sustainability-oriented model. Programs like ODOP, SVEP, and FPOs have strengthened the economic and social fabric of rural communities. However, to achieve true sustainability, policy frameworks must embed environmental metrics, green technologies, and inclusive finance mechanisms. Collaboration between government, private sector, and local institutions will be pivotal for building resilient, equitable, and environmentally sound rural enterprises.

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