

# Transforming the Backbone: A Contemporary Analysis of Rural Entrepreneurship and Development in India

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## Abstract

A sophisticated "Digital-Rural" hybrid model is replacing survival-based cottage companies as India's traditional rural industries undergo a fundamental structural shift. Using actual data from the 2024–2025 period, this study offers a modern examination of rural entrepreneurship, emphasizing a clear move toward growth-oriented endeavors. Important results from the July 2025 Rural Economic Conditions and Sentiments Survey (RECSS) show that rural families have a record 74.7% positive income outlook and that formalization has significantly increased, with 52.6% of households now obtaining all of their loans from formal institutions. The report emphasizes the importance of the MSME sector, which accounts for 30.1% of the national GDP, and the rise of "Agri-Preneurs" who use digital platforms like ONDC and GeM and AI-driven solutions to circumvent conventional middlemen. The report also highlights the emergence of "Nari Shakti," pointing out that women-led businesses now account for 22% of rural MSMEs, helped along by programs like "Lakhpati Didi" and "Drone Didi." The study contends that the integration of digital financial services and tech-enabled value chains has repositioned the rural economy as a primary driver of national resilience and inclusive growth toward the "Viksit Bharat @ 2047" vision, despite ongoing issues like the digital divide and skill gaps.

**Key Words:** Rural, Digital, Entrepreneurship, Inclusive growth, Indian Economy.

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## 1.1 Introduction

Building on Mahatma Gandhi's timeless belief that "India lives in its villages," the modern policy environment of 2025 has reinterpreted "living" to include a vibrant online presence. This transition represents a shift away from traditional, survival-focused rural labor and toward an advanced model of indigenous growth and local value creation. The Micro, Small, and Medium Enterprise (MSME) sector, which has cemented its status as the nation's second-largest employment after agriculture, is at the center of this change. By 2025, the MSME sector will have supported the livelihoods of more than 28 crore people and contributed around 30.1% of India's GDP.

A "Digital-Rural" hybridity is driving this change, with cell phones now serving as the main instrument for business operations, especially for female entrepreneurs, 84% of whom now run mobile-first companies. In addition to making transactions easier, the integration of digital financial services like UPI and Aadhaar-enabled banking has given rural farmers and artisans the ability to avoid traditional middlemen. By linking traditional crafts with international e-commerce platforms and emphasizing productivity-linked employment over basic distress relief, programs like PM Vishwakarma and the Viksit Bharat-Guarantee for Rozgar and Aajeevika Mission (Gramin) 2025 are further modernizing the rural backbone.

## 1.2 Objectives

The main objectives of the study are

1. To analyze the "Digital-Rural" hybrid model and its impact on formalizing the rural economy.
2. To evaluate the role of women-led enterprises and "Nari Shakti" in driving rural industrialization.

## 1.3 Methodology

This study uses a descriptive and analytical design to examine how rural entrepreneurship changed in India between 2024 and 2025. It compiles secondary data from several institutional sources and compares the "Digital-Rural" model's current growth indicators with past survival measures. The growth in digital transactions, changes in

MSME registration, and the female labor force participation rate are among the key performance metrics that have been examined. The study combines qualitative evaluations of government policy with quantitative data, such as positive income projections and increases in MSME loans. It presents a strategic path in keeping with the "Viksit Bharat @ 2047" vision and highlights persistent problems like talent gaps and the digital divide.

## 1.4 The Shifting Economic Landscape

The Gandhian philosophy asserting that "India lives in its villages" emphasizes the importance of rural policy, as the majority of the population inhabits these regions, considered the "backbone" of the national economy. By 2025, notable progress in rural sectors has been recorded, supported by robust macroeconomic growth. Significant insights from the July 2025 Rural Economic Conditions and Sentiments Survey (RECSS) reveal dramatic shifts in rural enterprises:

- **Increasing Incomes:** A significant 39.6% of rural households indicated income growth over the last year, being the largest percentage since the inception of the survey, indicative of enhanced economic conditions.
- **Sectoral Transition:** There has been a shift from conventional agriculture towards industries such as "Agri-Tech," rural tourism, and renewable energy companies (including solar and biogas), with agriculture and related sectors witnessing a growth rate of 3.8% in FY25. Furthermore, rural manufacturing and MSMEs experienced a significant 13% year-on-year increase in lending, indicating intensified entrepreneurial endeavors.
- **Women Empowerment:** The prevalence of women-led enterprises is significant, with 22% of rural MSMEs currently owned by women. The Udyogini initiative in Karnataka provides financial assistance of up to ₹2,00,000 to enhance the service industry.
- **Formalization:** The formalization process has accelerated, with over 6.82 crore MSMEs registered on the Udyam portal by late 2025, improving their access to formal credit facilities.

- **Rural Sentiments:** Recent survey data reveal that 76.6% of rural households have seen heightened consumption, highlighting a persistent trend of growth propelled by consumption in rural economies.
- **Employment Trends:** Optimism over job development in rural regions is at a record high, with 56.2% of families anticipating enhanced employment prospects in the near future.
- **Economic Impact:** The rural sector currently accounts for around 46% of the national income, indicating a transition from a purely agrarian role to a more diversified composition that encompasses manufacturing and services.
- **Change in Definition:** The Government of India has amended investment classifications for village industries, permitting investments up to Rs. 3 crores, in contrast to the former limit of Rs. 1,000 per capita, with the objective of promoting larger-scale operations and modernization.

The rural environment in India is undergoing significant transformation, marked by economic diversification, enhanced formalization, and a burgeoning entrepreneurial spirit, all of which positively impact national progress.

## 1.5 The Digital Leap: Rural Entrepreneurship 2.0

Due in large part to the revolutionary "Digital India" impact that began in 2014, digitalization has become the most important instrument for sustained rural growth. Due mostly to improved market access, this change has freed rural business owners from geographical restrictions. Artists can now directly engage metropolitan and international customers by avoiding traditional middlemen by utilizing channels such as the Government e-Marketplace (GeM), the Open Network for Digital Commerce (ONDC), and social media. As of March 2024, India has 954.4 million internet users, 398.35 million of whom were in rural areas, ensuring that around 90% of rural youth now have smartphone access. This connectivity is made possible by a major infrastructural investment.

A revolution in institutional credit and financial inclusion is occurring concurrently with this connectedness. With more than 52.6% of rural families now obtaining all of their loans from official institutions like banks and NBFCs, the RBI Financial Inclusion Index

increased to 64.2 in 2024, significantly lowering reliance on unscrupulous moneylenders. A key component of this shift has been the Unified Payments Interface (UPI), which has reduced reliance on cash by 80% and given small business owners access to transparent accounting. Additionally, initiatives like the Start-up Village Entrepreneurship Programme (SVEP), in which 96% of participants reported increased savings, demonstrate the effectiveness of these instruments. Together with knowledge-sharing programs like DIKSHA that offer essential educational resources, these technological developments are successfully bridging the economic and educational divide between India's rural and urban areas.

## **1.6. Emerging Opportunities: Agri-Tech & Organic Farming**

By 2025, the landscape of rural entrepreneurship will have drastically changed from conventional cottage enterprises and simple farming to high-value tech integration. The booming agri-tech industry, which employs over 18,000 people and has over 2,200 DPIIT-recognized startups, is driving this transition by providing AI-driven solutions for irrigation and precision farming. Currently, over 2,500 businesses focus on cutting-edge industries including direct farm-to-consumer digital supply chains and drone-based surveys. This technical advancement is further demonstrated by "Organic Farming 2.0," which uses drones and satellite imagery to manage soil fertility and insect management, helping India become the world's top producer of organic products. Precision agriculture, which maximizes yields and reduces waste by providing farmers with personalized AI advises in their local languages through mobile devices, complements these developments. Beyond the fields, rural engineering has evolved to encompass key infrastructure like mobile repair units, solar panel maintenance, and Common Service Centers (CSCs), which help local communities bridge the digital divide by offering crucial government services.

## **1.7 Deep-Dive into the 2025 Rural Ecosystem**

By 2025, there will have been a significant shift in the rural entrepreneurship scene, primarily due to the rise of Agri-Tech, which has changed how farmers realize prices. By avoiding traditional middlemen and using platforms like Ninjacart and DeHaat, today's "Agri-Preneur" secures between 40 and 60 percent of the final consumer price, which is a substantial rise over the average of 19 to 20 percent in 2014. The "Drone Didi" phenomenon, in which more than 15,000 women-led Self-Help Groups (SHGs) offer precision spraying as a service,

and artificial intelligence (AI) tools like Jeevn AI, which have increased yields by 20–30% while reducing water waste by up to 80%, complement this change.

Rural business methods are expanding into a "Ru-Ban" hybrid economy outside of the fields. Local business owners are using the Open Network for Digital Commerce (ONDC), which has a vast user base of 400 million rural internet users, to grow companies that specialize in organic products and tribal arts. At the same time, a 15% increase in travel from cities to rural areas has led to a surge in eco-friendly agritourism and farm stays, and new renewable energy projects are emerging to supply decentralized solar mini-grids for village businesses. A systematic formalization framework, which includes CGTMSE collateral-free lending of up to ₹2 Crore for small industries and MUDRA Shishu loans for nano-units, supports this growth. Long-term expansion is threatened by "second-generation" obstacles, though. There is a significant talent vacuum for "tech-ready" workers who can operate drones and AI systems, despite high literacy rates. Additionally, despite strong yields, profit margins are still being squeezed by erratic food inflation, which reached 8.4% in late 2024, and network stability issues, which still affect 40% of deep-rural zones.

The approach focuses on creating village-level digital skilling hubs, creating hyper-local Geographical Indication (GI) brands for international markets, and integrating a circular economy to turn crop waste into wealth in order to realize the "Viksit Bharat @ 2030" goal. The rural economy is setting itself up for a future characterized by both dignity and digital empowerment by moving from unbranded goods to high-end, tech-enabled services.

## **1.8 The "Viksit" Rural Infrastructure & Collective Resilience**

By late 2025, the Indian rural economy has experienced a significant structural change, moving from a platform-centric paradigm to an e-commerce environment that is network-centric. The Open Network for Digital Commerce (ONDC), which has successfully dismantled conventional monopolies, is essential to this development. More than 1.16 lakh retail merchants from more than 630 towns have joined the network through the TEAM Scheme, taking advantage of a fee structure that is only 5–10%, a significant decrease from the 25–30% that major e-commerce giants usually charge. Hyper-local B2B connectivity, which reduces unit

pricing distortions by up to 9% by connecting businesses like HUL and ITC directly with Kirana retailers, further supports this change.

30 lakh craftsmen have been empowered at the same time that traditional craftsmanship has been formalized through the PM Vishwakarma Scheme. More than 23 lakh people have benefited from the program's expanded skill training beyond registration, and 6.8 lakh craftsmen have been able to get direct transaction incentives since the introduction of digital IDs. Significantly, this program has made government procurement more accessible; currently, 30,000 artisans are vying for contracts on the Government e-Marketplace (GeM). SFURTI, where 513 certified clusters—including a sizable number of women-led and SC/ST-dedicated groups—have switched from raw material sales to value-added production, boosting artisan incomes by up to 50%, further amplifies this "clusterization" mentality.

The data from the NABARD RECSS 2025 shows that these changes have been empirically successful, with a record-breaking 79.2% of rural families reporting higher consumption. Formal credit institutions now serve 52.6% of households and are driving a capital investment high of 29.3%, surpassing local moneylenders for the first time. The shift is evident when contrasting the baseline from 2014 with the 2025 paradigm: digital innovation has replaced survival as the main motivator. The village has formally transformed from a reservoir of passive labor into a high-tech manufacturing powerhouse, with female labor force participation (LFPR) nearly doubling to 47.6% and more than 400 million rural internet users.

## **1.9 The "Three Pillars" of 2025 Growth**

The "Three Pillars" of 2025 growth, which are mostly driven by the female-led "glocal" economy, signify a radical change in India's economic environment. It is clear that traditional leisure crafts are giving way to scalable, professional businesses, as seen by the 1.92 crore women-led MSMEs that are developing from rural areas. Initiatives like "Lakhpati Didi" have played a crucial role in this development by guaranteeing more steady household incomes and acting as a buffer against agricultural instability.

The "death of distance" made possible by digital platforms such as ONDC and GeM further amplifies this economic empowerment. The TEAM (Trade Enablement and Marketing) Scheme has successfully eradicated the "middleman tax" by closing the gap between local producers like tribal weavers in Bastar and international consumers. The average take-home

pay for artisans has increased by 35% as a direct result of this digital bridge. These successes are complemented by a new era of circularity and precision agriculture, where rural business owners have taken on the role of "climate warriors." Rural communities are creating a robust circular economy by turning garbage into biogas and agricultural wastes like stubble into fuel pellets. In addition to creating new sources of income, this creative strategy lessens the strain of food inflation volatility, which reached a peak of 8.4% the year before.

### **1.10 Nari Shakti: The Shift to Women-Led Development**

A more significant age of "Women-Led Development" has replaced previous "Women Development" frameworks in modern rural enterprise. Although early research concentrated on "awakening the rural youth," contemporary trends emphasize Nari Shakti's ascent to prominence as the engine of the rural economy. Self-Help Groups (SHGs) under initiatives like DAY-NRLM have played a key role in this development, organizing over 10 crore women into over 90 lakh groups and establishing the largest network of micro-entrepreneurs in the world. These communities have effectively expanded traditional talents into lucrative enterprises in the textile, dairy, and food processing industries.

In order to address the historical "lack of technical know-how," programs like the PM Vishwakarma scheme now offer credit-linked subsidies and modern instruments for 18 traditional trades, which has contributed to a rise in MSMEs managed by women. The nearly twofold increase in women-owned businesses from 1 crore in 2010 to 1.92 crore by 2024, which created over 89 lakh new jobs for women in just three years, is proof of this growth. The rural terrain, where the ownership ratio (2.5:1 male-to-female) is currently more equal than in metropolitan areas, is where this entrepreneurial growth is most evident. Additionally, compared to the urban average of 28%, the rural Female Labor Force Participation average (LFPR) has increased dramatically to an astounding 47.6%. These figures highlight a fundamental shift: rural women are now the main employers and creators of the economy, rather than only its participants.

### **1.11 Modern Challenges and Bottlenecks**

Despite advancements in fundamental infrastructure, Modern Challenges and Bottlenecks (2025) identifies a number of new problems. With only 29% of rural India having full internet connectivity compared to 64% in urban areas, the digital divide is still very much



present and reduces competitiveness in the digital economy. Inadequate cold storage and erratic electricity cause logistical delays and higher operational costs for food-based MSMEs, indicating clear infrastructure deficiencies. Furthermore, there is a clear skills gap, with about 70% of rural manufacturing workers without formal training. This makes it difficult to implement cutting-edge AI-driven agri-tech solutions.

The usual problems of financing, market information, and exploitative middlemen found in previous study are being substantially disrupted by digital tools. The Unified Payments Interface (UPI) and advanced Digital Credit models have taken the role of high-interest village moneylenders in the financial sector. These developments make it possible for "cash-flow based lending," which gives business owners the ability to obtain official loans based on past transactions rather than tangible assets. In a similar vein, platforms such as the Government e-Marketplace (GeM) and the Open Network for Digital Commerce (ONDC) are breaking the traditional shackle of middlemen. Through direct-to-consumer sales, these networks ensure fair pricing by bridging the gap between rural craftspeople and international marketplaces. Additionally, BharatNet's high-speed rural internet is breaking down the barrier of information asymmetry by giving business owners instant access to government policy changes and real-time pricing discovery.

In addition to being economically efficient, rural entrepreneurship acts as a structural check on poverty and rural-to-urban migration, and it is a vital driver for environmental and social change. These entrepreneurs promote balanced regional development by setting up commercial units in historically underdeveloped areas, protecting local artistic heritage and halting the growth of urban slums. The standard of life is directly impacted by this trend toward localized industry, as increased rates of self-employment lead to quantifiable gains in rural literacy and purchasing power.

## **1.12 Strategic Recommendations**

A multifaceted approach to rural industrialization is necessary to maintain and expand this momentum. In order to handle a variety of manufacturing needs, infrastructure must first be updated by building "Smart Industrial Sheds" in communities. These hubs must be outfitted with specialized cold storage facilities and high-speed 5G connectivity. The market's perception must change in tandem with this physical expansion. Rural business owners could adopt ISO standards and obtain Geographical Indication (GI) tags for regional handicrafts in

order to go from producing unstandardized items to high-value branded products. Lastly, cluster development is the cornerstone of these initiatives. By bolstering industrial cooperatives, local producers will be able to unite and provide the scale and resources required to successfully compete against large-scale metropolis competitors.

### 1.13 Policy Interventions

The Indian government has put in place a comprehensive set of policy initiatives throughout the 2024–2025 period with the goal of enabling women, young people, and traditional craftspeople to promote rural resilience. The Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM) is a key component of this approach; by the end of 2024, it had effectively organized over 10 crore households into about 91 lakh Self-Help Groups. The PM-MUDRA and PMEGP schemes, which have granted approximately ₹31.85 lakh crore in collateral-free loans, support this emphasis on "Mahila Kisans" and micro-entrepreneurs. The Agriculture Accelerator Fund has set a ₹20 lakh crore credit objective for fisheries and animal husbandry in order to modernize the agrarian sector. Meanwhile, 590 Rural Self Employment Training Institutes (RSETIs) and the SVEP offer unemployed youngsters essential skill development.

The Union Budget 2025–26 further accelerated these efforts by scaling infrastructure and financial access for small businesses. Notable developments include:

- **Entrepreneurial Incentives:** Investment limits for micro-enterprises were raised to ₹2.5 crore, and a new scheme was launched to provide term loans up to ₹2 crore for 5 lakh first-time entrepreneurs from women, SC, and ST communities.
- **Credit & Connectivity:** To unlock ₹1.5 lakh crore in additional credit, the credit guarantee cover for small enterprises was doubled to ₹10 crore. Simultaneously, the modified UDAN scheme is expanding logistics by connecting 120 new regional destinations.
- **Cultural & Regional Branding:** The PM Vishwakarma scheme has already trained over 15 lakh beneficiaries in traditional crafts, while the One District One Product (ODOP) initiative continues to transform local handicrafts into global brands, ensuring that rural economic growth is both inclusive and sustainable.

## 1.14 Conclusion and Strategic Recommendations

India has to move from basic connectivity to "Digital Literacy 2.0," including advanced training in e-commerce, AI-powered agricultural tools, and cybersecurity, in order to fully fulfill the promise of rural entrepreneurship as a catalyst for national growth. In addition to a drive for formalization to add additional units to the Udyam portal, this digital evolution must be bolstered by financial innovation that streamlines lending procedures for unofficial microbusinesses without conventional collateral. A key component of this approach is the expansion of the SFURTI scheme, which has already operationalized hundreds of traditional industry clusters, and the deepening of infrastructure, particularly through aggressive investment in rural cold storage and specialized transportation hubs, to support the "One District One Product" (ODOP) initiative.

Furthermore, encouraging circular economies—like waste-to-wealth biogas and biomass projects can provide sustainable, environmentally friendly revenue streams, while integrating more than 2,200 well-known agri-tech businesses is crucial to boosting productivity. Scaling these clusters to incorporate common infrastructure like quality testing labs and AI-driven solutions for smallholder farmers must continue to be the key priority as rural India advances toward the "Viksit Bharat 2047" vision. In the end, rural industrialization is no longer an option but a requirement to address unemployment; rural areas can transform from labor-exporting zones into worldwide centers of innovation by fusing local talent with contemporary technology. Today's rural entrepreneurs are digital-first innovators whose means of advancement have changed from weaving and hammers to smartphones and data, building a more sustainable and inclusive economic model for India's future.

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