

# Insights Into Rural Entrepreneurship



## About the Survey

In 2021, India's rural population crossed 900 million, which makes it larger than the entire population of Europe. India is projected to remain predominantly rural till 2050. Moreover, the rural economy constitutes 46 % of the national income and 70% workforce. The pandemic has brought to the fore fissures, particularly in rural and rural-urban transition zones. These come on the back of profound changes experienced by India's rural economy in the last two decades. As per the 1991 Census, 48.4% of the main workers in rural India were cultivators and 31.6% were agricultural labourers. By 2011, the census estimates that there are 40.3% cultivators and 32.9% agricultural labourers. This not only points to a significant shift in the agrarian base of our country but also hints at the fact that the shift has primarily gone to the secondary and tertiary sectors of the rural economy and not to wage labour. About two-thirds of rural income is now being generated in non-agricultural activities, and more than half of the value added in the manufacturing sector is being contributed by rural areas, but unfortunately, all without any significant employment gains.

Rural and migrants are both sources of strength and attention. But post the pandemic, the return of migrants to cities within a short time and a much lesser quantum of migration in the second wave showed limits of rural and transition habitats to provide productive engagement. In a scenario dominated by informal and fragile jobs, the poverty slide reported in research by APU and Pew asks of the New Rural to become a productive habitat of human development, and social and economic mobility.

Today, the rural, peri-rural, and circular migrants are younger than ever, they are agile, aspirational, with higher school years, with mobile and digital access, and a highly diversified household economy that includes agriculture and allied sector, trading, and heavily connected with urban/migration economy. But the fact of the matter is, there

is growing unemployment, and opportunities haven't grown in comparison. Government jobs have remained stagnant while the competition has soared, and the private sector hasn't been able to create the number of jobs to absorb the remaining workers. While entrepreneurship promotion has grown over the years, this again is limited to urban technology start-ups while a large section of people is ignored in this process.

Entrepreneurship promotion in rural India tends to follow more of a 'self-employment' promotion with a major focus on Own Account Enterprises. The approaches towards entrepreneurship are top-down that do not let the ecosystem emerge. In addition to this, the definitions used by the Ministry of MSMEs are too broad (and based on investment thresholds) and do not aptly capture the nano and mini businesses, making them visibly invisible.

In this line of thought, the key questions that require answers are

1. Is the ecosystem being built that can support job creation and promote entrepreneurship?
2. What are the aspirations of the people?
3. Are the entrepreneurs pursuing entrepreneurship only in subsistence/ survival mode, or are they also creating more jobs?
4. If we need to move towards job creation, what are the actors in the ecosystem that need to be nudged/ connected/unlocked?

This survey is an attempt at answering some of these questions.

## Survey Coverage

Zone	State	Enterprise sample
North	Himachal Pradesh	84
	Haryana	72
	Punjab	108
Central	Uttar Pradesh	78
	Madhya Pradesh	116
	Chhattisgarh	86
West	Gujarat	99
	Maharashtra	128
	Rajasthan	129
East	Jharkhand	107
	Bihar	61
	West Bengal	58
	Odisha	90
North East	Nagaland	90
	Tripura	68
	Assam	105
South	Tamil Nadu	68
	Karnataka	163
	Telangana	146
	Andhra Pradesh	185
<b>Total</b>		<b>2041</b>

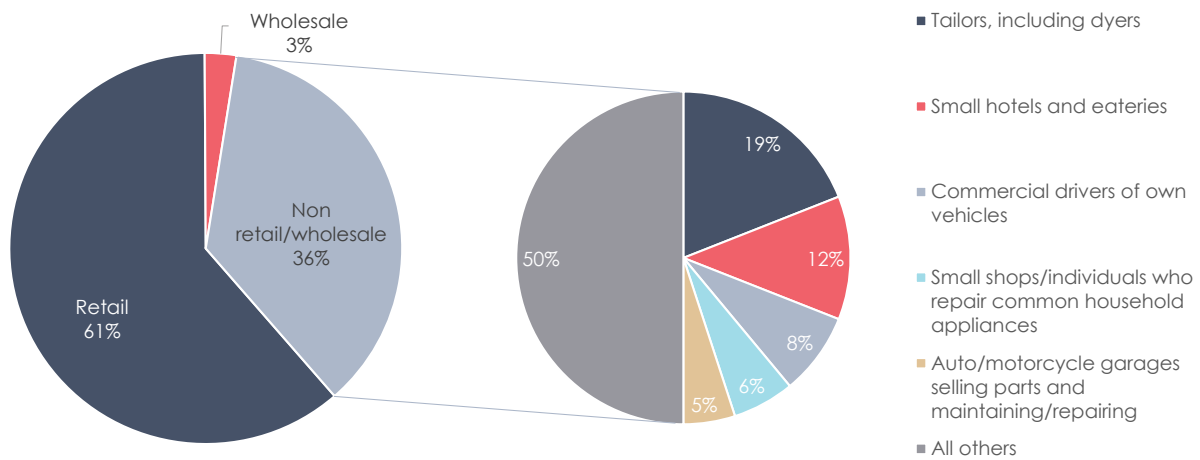
This survey covered a total of 2041 rural enterprises over a period of one month starting from the second week of October 2022. The survey spanned over 20 states spread across all 6 zones of the country. This was a telephone-based survey, and the sample was drawn from two sources. Sambodhi Panel (the platform that was used to run the survey) has a set of nearly 40,000 curated phone numbers from rural Indian households in its panel, which includes the gender, age, and occupation of the holder of the phone number. The majority of the 2041 sample of enterprises/ businesses came from

among these empaneled numbers, while the rest were acquired from these respondents using a snowballing technique.

This survey also covered a total of 1906 adolescents and young people aged between 16-29 years. Further, 927 were younger adolescents aged 16-22 years while the rest, i.e. 979, were older. Out of this, 1404 were male respondents while 502 were female respondents. This survey also covered 20 states across all the 6 zones of the country.

Zone	State	Sample of adolescents and young people
North	Himachal Pradesh	89
	Haryana	96
	Rajasthan	118
	Punjab	122
Central	Uttar Pradesh	120
	Madhya Pradesh	97
	Chhattisgarh	113
West	Gujarat	84
	Maharashtra	76
East	Jharkhand	123
	Bihar	79
	West Bengal	100
	Odisha	59
North East	Nagaland	96
	Tripura	40
	Assam	40
South	Tamil Nadu	126
	Karnataka	90
	Telangana	87
	Andhra Pradesh	109
<b>Total</b>		<b>1864</b>

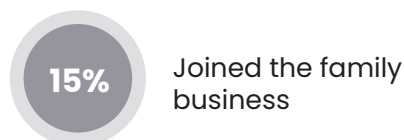
## Predominant Business Profiles In Rural India



Nearly 2/3rd of the businesses were either retail trading or wholesale outlets. This included general stores as well as shops selling vegetables, fruits, or even foodgrains, furniture showrooms or shops selling apparel, small vendors selling goods on a cart/van, and even sweet shops and meat sellers. All businesses dealing with the upkeep of animal herds for bulk selling or grain dealers who procure directly from farms and sell in bulk are considered under wholesale. This also includes general stores that sell at wholesale rates to retailers.

Among non-retail and non-wholesale businesses, the prominent business typologies included tailors, including dyers (around 19%), small hotels and eateries, including roadside eateries and tea stalls (12%), those driving their own transport for commercial purposes (8%), small shops/individuals who repair common household appliances (6%) and auto garages selling parts for motor vehicles and motorcycles as well as repairing and maintaining them (5%).

## Startup Or Existing Business



Nearly 9 out of 10 rural businesses which were part of our sample were first-generation enterprises. This does not seem to be too many businesses running across rural India that

are inter-generational. It will be worthwhile to look at this attrition rate and its causes as a separate study.

## Seed Investment

**Rs.50,000**

Median value of seed investment

The median value of seed capital that has gone into these businesses is around Rs.50,000. The value is the same for retail businesses

**Rs. 1.66 lakhs**

Mean value of seed investment

as well as non-retail, even though the mean investment values are quite different (Rs.1.44 lakhs and Rs.2.01 lakhs respectively).

## Range Of Seed Capital

There are two clear investment bands as far as seed money is concerned, one in the range of Rs.10,000 to Rs.50,000, and another in the range of one lakh to five lakhs. The bulk of the investment is in the 50,000

range as it also coincides with the median value of starting investment for all forms of businesses taken together.

**1.5%**

Greater than 10,00,000 seed investment

**3.2%**

5,00,001 to 10,00,000 seed investment

**29.1%**

1,00,001 to 5,00,000 seed investment

**14.3%**

50,001 to 1,00,000 seed investment

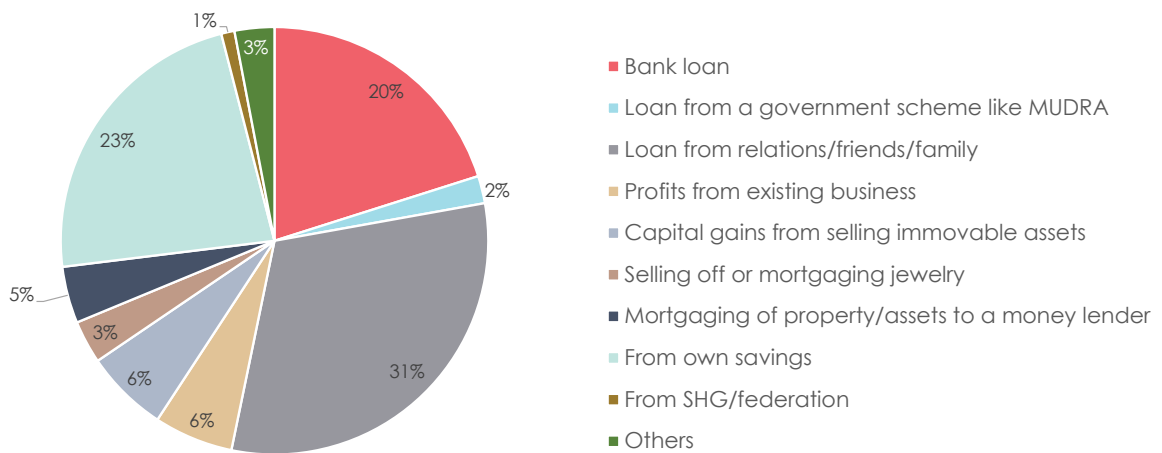
**41.8%**

10,000 to 50,000 seed investment

**10.1%**

<10,000 seed investment

## Sources Of Start-Up Capital



The premier source of finance for starting a business in rural India seems to be borrowing capital from friends and family/relations. About a quarter of the businesses were started with one's own savings. Only one in five were started with bank loans. Selling off assets/jewelry or mortgaging assets to money

lenders account for only about 8%. It is worthwhile to note that membership in SHGs and thereby getting access to bank loans for business under various government schemes while showing only 1%, could also be part of the 20% loans that came in through banks.

## Business Expenses In Last 6 Months

**Rs.75,000**

Median value of expenses (all enterprises) in last 6 months

**Rs.82,500**

Median value of expenses (retail) in last 6 months

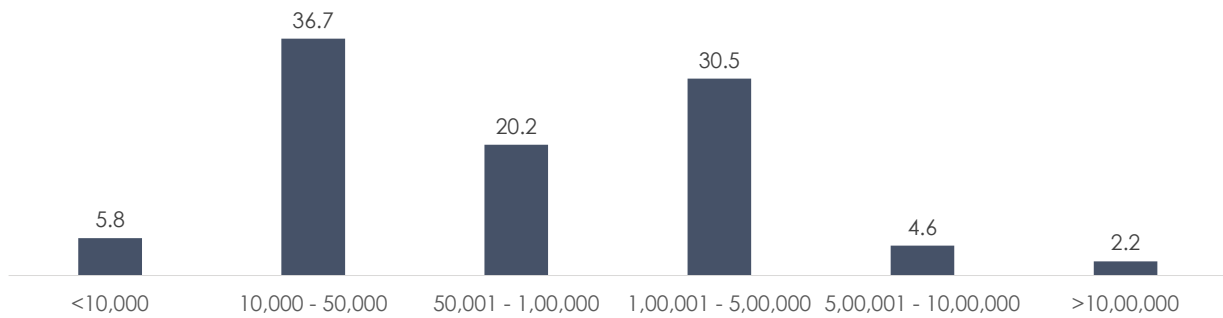
**Rs.50,000**

Median value of expenses (non-retail) in last 6 months

The survey also looked at cost of inputs to keep the business running. The proprietors were asked about the quantum of expenditure they have incurred in the last 6 months of operations. The median value of expenses overall (all types of businesses

taken together) stands at Rs.75,000 (mean value of Rs.2.28 lakhs). The median value of expenses for retail businesses is Rs.82,500 (mean value being 2.47 lakhs) while that of non-retail businesses was Rs.50,000 (mean value being Rs.2.17 lakhs).

## Spread Of Expenses By Range Bands

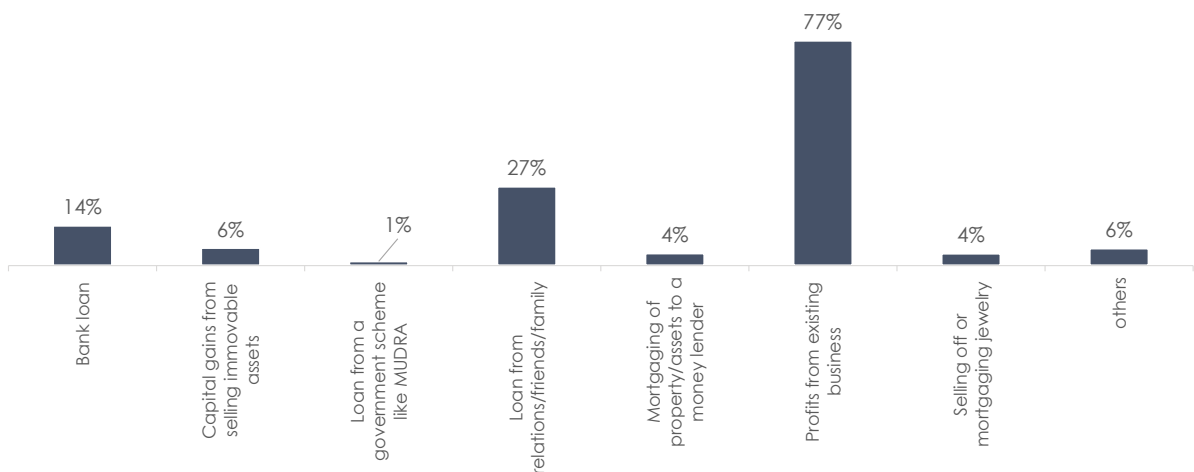


Figures in percentage

At an aggregate level, close to 37% of the businesses had spent between 10,000 and 50,000 over the period of the last 6 months. At the same time, just over 30% had spent between 1 lakh and 5 lakhs. One in five businesses had spent 50,000 to a lakh. It may be noted that there are some large rural-based enterprises that are large enough to be

spending in excess of 10 lakhs in the last 6 months. These typically include Land transport businesses, especially heavy-duty vehicles, shops dealing with hardware or machines, mobile sellers, factories manufacturing household items like coolers, bank customer service points, electronic shops, property dealers, large travel agencies, etc.

## Sources Of Money For Keeping Business Running



Three out of four entrepreneurs solely used the revenue they made to keep their businesses running. About one in four also tapped their friends

and relations for an infusion of capital. Instances of taking bank loans in the last 6 months were only 14%.

## Business Revenue In The Last 6 Months

### Rs. 90,000

Median value of revenue (all enterprises) in last 6 months

### Rs. 95,000

Median value of revenue (retail enterprises) in last 6 months

### Rs. 85,000

Median value of revenue (non-retail enterprises) in last 6 months

### Rs. 1,50,000

Median value of revenue (enterprises with employees) in last 6 months

### Rs. 70,000

Median value of revenue (enterprises without employees) in last 6 months

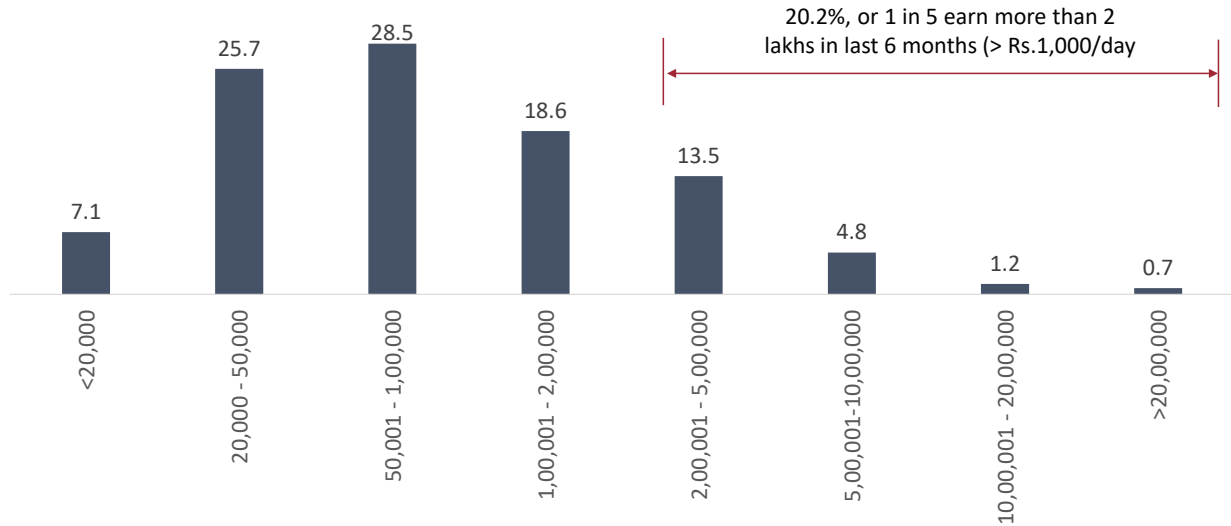
Against an expenditure of Rs.75,000 (median value), the median value of revenue of all types of enterprises over the past 6 months has been Rs.90,000 (median value; mean value is Rs.2.39 lakhs). Similarly, against an expenditure of Rs.82,500, the revenue for retail businesses has been Rs.95,000 in the past 6 months (mean value being Rs. 2.72 lakhs). However, this should be noted here that the profit margin here does not take into account inventory stock for retail outlets.

For non-retail outlets, against an expenditure of Rs.50,000 (median value; mean value is Rs.1.94 lakhs), the revenue for the same period has been Rs.85,000 (median value; mean value is Rs.1.86 lakhs).

Another way of looking at revenue is by whether or not businesses have employees. The median value of revenue in the last six months for rural businesses that have at least one employee (full-time or part-time) is Rs.1.50,000 (mean value being Rs.4.32 lakhs). On the other hand, for businesses with no employees, the median value of revenue is Rs.70,000 (mean value being Rs.1.58 lakhs).

While it is a fact that at an aggregate level, businesses are not making losses, there is still some way to go to make a decent profit from the business to employ people. The nature of inputs that will be needed to realise enhanced revenues has also been explored and has been discussed later in this report.

## Revenue ranges (past 6 months)



Figures in percentage

The bulk of rural businesses was quite small in terms of turnover (54%), having earned between Rs.20,000 to Rs.1,00,000 in the last 6 months. But on the other hand, one in five rural businesses has

earned revenue in excess of Rs. 2 lakhs in the last 6 months, which works out to be more than Rs.1,000/day. In comparison, the wage rate for skilled labour in Delhi, which is the highest in India, is Rs.783/day.

## Employment Particulars

One working hypothesis of the Work4Progress conclave is that strategic investments in growing rural business enterprises will help in addressing the unemployment problem of rural India. But for this to happen, rural businesses need to first grow beyond a threshold value for them to start hiring. This survey indicated that 71% of the rural businesses had no employees. Within this, 61% did not even have any unpaid family workers engaged in the business.

A little less than a quarter of the businesses had any full-time employees engaged in the business; the mean number of FT employees was 2.78 and the median number was 2. Only 10% of the businesses had any part-time employees; again the mean number was 2.67 and the median number was 2. Overall, just 4% of the rural businesses had both FT and PT employees; and those who did, employed around 3 persons (mean value being 4.4).

71%

businesses have no employees

26%

have FT employees

*Mean no. of FT employed = 2.78; Median = 2*

10%

have PT employees

*Mean no. of PT employed = 2.67; Median = 2*

04%

have both FT and PT employees

*Mean no. of PT employed = 4.4; Median = 3*

73% of retail businesses had no employees and among those which did, the mean numbers employed were 2.47 (median value of 2). Similarly, 66% of the

non-retail businesses had no employees and among those which did, the mean numbers employed were 3.89 (median value of 2).

For businesses to engage at least one paid employee, the threshold value of revenue for the past 6 months had to be around Rs.1,00,000. For businesses to engage more than one employee, the median threshold value was Rs.2,00,000 of revenue for the past 6 months.

## Wage Bill And Sourcing

**Rs.30,159**

Average wage bill per month for businesses that employ (3.12 employees)

**Rs. 9,639**

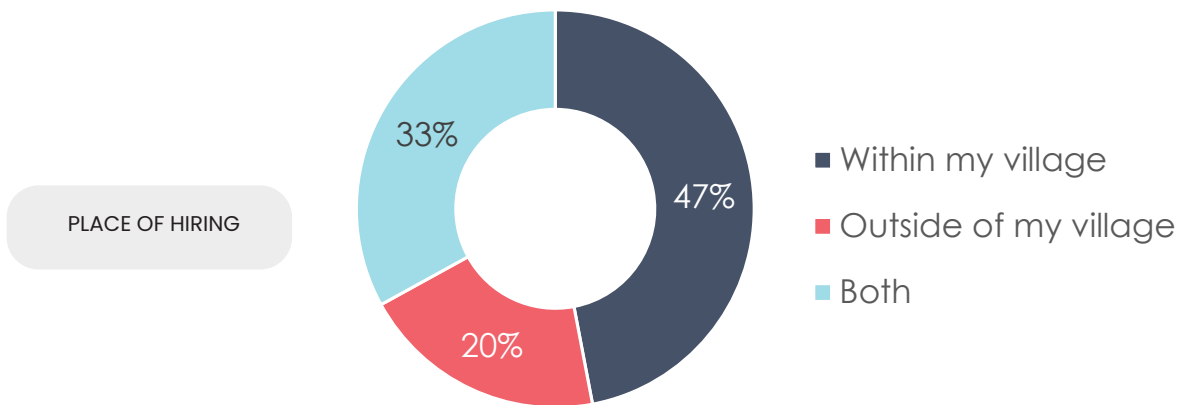
Average wage bill per employee/month for businesses that employ

**Rs.8,000**

Median wage bill per employee/month

The average wage bill per month for rural enterprises is Rs.30,159 (median being Rs.12,000, or Rs. 72,000 for 6 months). This is from those businesses that employed, on average, 3.12 employees. Further,

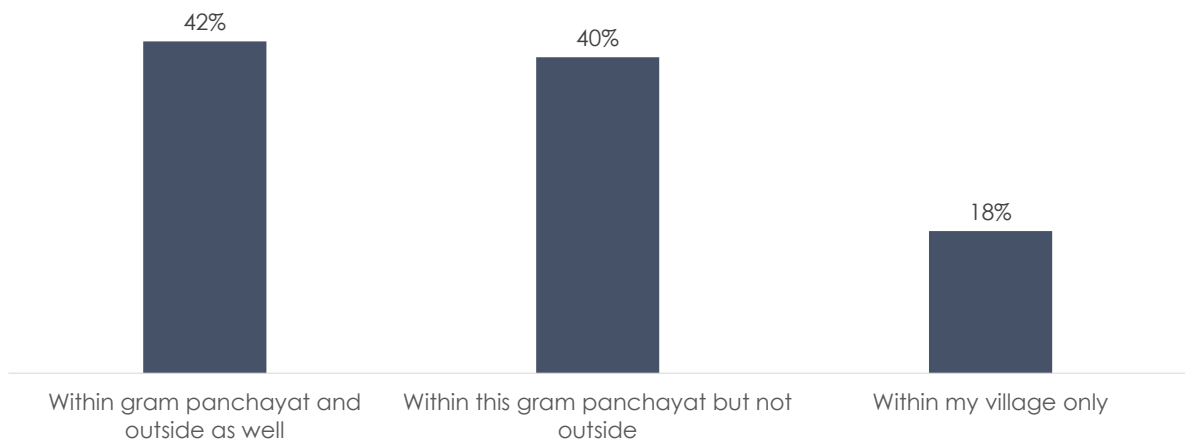
the median revenue for the past 6 months for those with employees was Rs.1,50,000. This essentially implies that wage bill accounts for 48% of the total revenue of a business in rural India.



Nearly half of the hiring takes place exclusively from within the same village while one in five businesses

have hired from outside of the village. One in three has hired from both within and outside of the village.

## Location Of Customer Base



Less than 1 in 5 rural businesses cater to only their own village. 40% cater to all villages within the gram

panchayat, while 42% sell their wares or services to both within as well as outside of the gram panchayat.

## Accessing Business Development Services

### Technology – 11.1%

- Privately run centres – 38%
- Govt. run centres – 29%
- Private agency/agent – 12%
- SHG/Federation – 9%

### Finance – 21.3%

- Bank loan – 34%
- Loan arranged by govt. run centres – 29%
- Money lenders – 9%
- SHG/Federation – 8%

### Marketing – 13.4%

- Privately run centres – 32%
- Govt. run centres – 20%
- Private agency/agent – 13%
- Coop society – 12%

For businesses to survive and thrive, it is essential that they get access to what is known as business development services. The term “business development services (BDS)” means support for the growth of micro, small, and medium-sized enterprises through training, technical assistance, marketing assistance, improved production technologies, and other related services, including financial inclusion. The survey revealed that only 11% of the rural businesses had accessed any technology services, only 13.4% had accessed any marketing services, and one out of five had accessed any financial services.

Technology and marketing services were primarily provided by privately run centres, followed by centres run by the government. It is our presumption that businesses were affiliated with these centres either before they were opened (as a Vocational Training Entrepreneurship Programme, or VTEP), or accessed as a training agency that also provided business development support as part of the association.

Financial services were primarily provided by the banks, or loans (or bank linkages) were arranged by government-run centres as part of their training package.

8.1%

## Business info

- Privately run centres – 32%
- Govt. run centres – 20%
- Coop society – 10%
- Panchayat – 10%

8.9%

## Training

- Through privately run centres – 42%
- Through govt. run centres – 23%
- Through private agency/agent – 10%

4.3%

## Govt. schemes

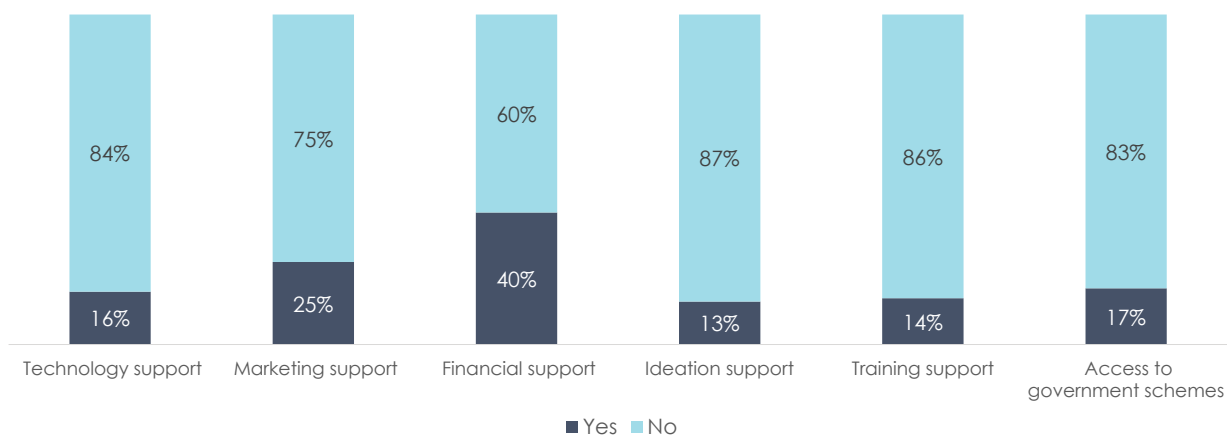
- Through govt. run centres – 73%
- Through privately run centres – 11%
- Banks – 4%

Business information was accessed by only 8% of the businesses; such services being provided primarily by private players and to some extent, by government-run programmes as well. Around 9% of business owners accessed any formal training. Given that the majority of the businesses pertained to retail trade, the need to have skill training in

vocational trades was not a felt need. However, this does cry out for the fact that modular training on how to develop and successfully run a retail business is a gap that will need to be explored.

Less than 5% of the businesses had actually accessed any government scheme.

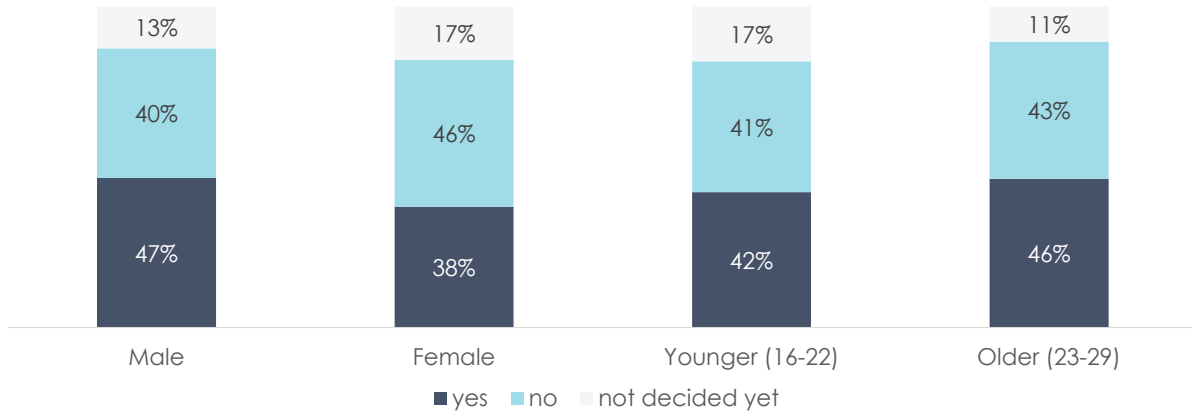
## Biggest Roadblocks Faced In Expanding The Business Or Keeping It Running



The critical input sought from these business owners was details of any roadblocks that they faced when it came to business expansion, or even keeping their businesses afloat. These insights would help the government as well as civil society to design interventions that are not only felt needs, but also integral to the survival and growth of rural MSMEs so that they become employment generators in the long run.

The most felt need was lack of financial support, and this was mentioned by 40% of the businesses. One in four of the businesses sought marketing support and cited that lack of this was negatively impacting their business. One in six wanted linkages to government schemes, thereby possibly addressing both their capital infusion needs as well as marketing support.

## Whether Adolescents Aspire To Have A Business Of One's Own In The Future



One of the most significant findings of this survey was the clear indication shown by adolescents (irrespective of gender or age) to become future entrepreneurs and run their own businesses. The interest was high among males (47%) compared to

females (38%) but it was fairly even across both age groups. What was important to note was that there were not too many fence-sitters, and respondents were quite clear as to their choice.

## If Yes, Then What Are The Drivers?

	Male	Female	Younger (16-22)	Older (23-29)
My present occupation does not earn me enough money	34	37	25	44
A business, if successful, will allow me and my family to earn a comfortable living	59	56	56	61
The entrepreneurs/businessmen are among the richest in my village	13	11	10	14
I am tired of my present occupation	9	13	7	12
I don't want to follow in my father's footsteps	7	4	7	5
I have no interest in working on a farm	20	3	16	16
I have a specific vocational training that I want to use to make a living	9	6	8	8
There are many schemes of the government that provides loans through banks for people who want to start a business	7	5	5	7
Others I know have been successful entrepreneurs/businessmen and I want to follow their example	10	4	8	9
Successful businessmen are given a lot of respect in our society/community	9	4	5	9
Others	12	8	15	9

Figures (In the above table) are in percentage

The survey also explored the drivers behind any positive disposition toward entrepreneurship. Among males, the primary driver was the opportunity to earn a comfortable living for themselves and their families. In fact, this was the primary driver across all four profiles. This is complemented by the fact that there is some dissatisfaction with their present occupation in terms of being able to make enough money to be

comfortable. It is our contention that both drivers are complementary to each other. One in five males had expressed an opinion that they were tired of working on a farm and wanted a change. It may be worthwhile to note that over 10% of the survey participants across all four profiles did mention that they were aware of the fact that businessmen were among the richest in their villages.

## If No, Then What Are The Drivers?

	Male	Female	Younger (16-22)	Older (23-29)
I am happy with my present occupation	19	19	12	25
My family will not encourage this	15	30	20	18
My family had a business earlier, but it went bust	3	0	2	2
I would rather get a government job/stick with my government job	30	30	40	20
I would rather get a salaried job/stick with my present job	19	15	14	22
Opening a business requires money, which my family cannot afford	29	13	19	32
Running a business is risky and one could run up huge losses	11	9	12	14
After Covid 19, lots of businesses have closed and I don't want to take the risk	6	3	4	11
No one in my family has ever run a business enterprise	10	9	9	15
I have no training for this	6	4	5	15
I don't have the mentality to be successful in business	3	2	2	3
I don't see myself as a businessperson	3	1	2	2
There is hardly any demand for anything in my village as people are quite poor	0	1	0	1
Others, specify	8	3	5	8

Figures (In the above table) are in percentage

The survey also explored the drivers behind any negative disposition toward entrepreneurship. Among males, the key drivers were a clear preference towards a government job, followed by the realization that they would not be able to generate the seed capital required for starting a business. One out of five 'naysayers' were also inclined to give preference to any salaried job in the private sector over starting a business.

Preference for a government or a private salaried job was also a strong driver for females, as also a fear that their family did not look too kindly upon a woman venturing out to start a business.

It was interesting to note that the younger lot was

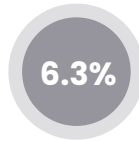
less inclined to take the risk associated with starting a business as compared to the older age group. The primary driver behind this mindset was also a clear differentiator, with 40% of the 16–22-year-olds who said no to starting a business venture preferring to go after a secure government job or even a salaried private job (22%) as compared to the older respondents where only 20% sought out a government job. This is perhaps because a larger share of the older respondents was already employed and a quarter of them was satisfied with their current occupations. For the older lot, lack of capital was the primary driver towards rejecting a life of entrepreneurship.

# Annexure 1

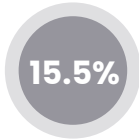
## Inputs for estimating the universe



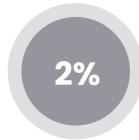
Average number of households in the sample villages



Proportion of households in the village engaged in business activities



Proportion of businesses being run by females



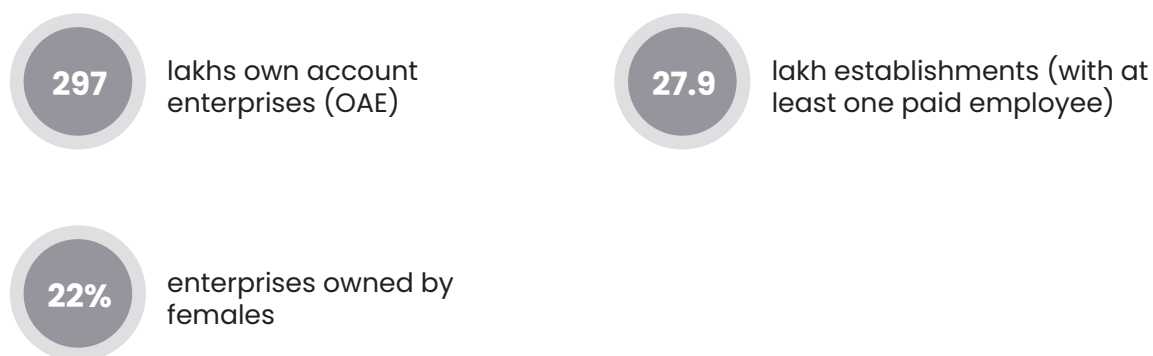
Proportion of businesses that are partnerships

Extrapolating information received from the survey participants (business proprietors), the average size of the villages from where the samples were drawn (across 20 states) was 674 households. The average number of

households where there was someone who was running a business enterprise was 6.3%. The proportion of businesses being run by females was 15.5% and only a minuscule 2% were a partnership

## Annexure 2

### Analysis of NSS 73rd round: Rural India



Total of **324.9 lakh** enterprises

OAE has self + unpaid family workers = together 297 OAE accounts for 381.2 lakh works including self (avg of 1.3 per enterprise)

**27.9 lakh establishments** account for 117.4 lakh employees (avg of 4.2 including self)

The survey on Unincorporated Non-Agricultural Enterprises (excluding Construction) of NSS 73rd round was conducted from July 2015-June 2016. According to their estimates, there were a total of 297 lakhs own-account enterprises (OAE) in the rural areas of the country. There were also 27.9 Lakh establishments (enterprises with at least one paid employee), making it a total of 324.9 lakh business enterprises.

The 297 OAEs in rural India had a total of 381.2 lakh workers working in them. This will include the proprietor himself/herself as well as 84.2 lakh unpaid family workers. The 27.9 lakh establishments engaged 117.4 lakh workers (an average of 4.2 including the owner). This implies that establishments on average had 3 employees. Overall, 22% of all enterprises (including establishments) were owned by women.

## **About the Development Intelligence Unit (DIU)**

The Development Intelligence Unit (DIU) brings data and expert analysis to the intersection of opportunity and deprivation in rural India. The DIU supports stakeholders who navigate the increasingly opaque, complex, and uncertain world of data to analyse social and economic developments, forecast trends, and better understand development programmes and practices. Doing so provides actionable insight to improve the efficacy and effectiveness of development initiatives.

The DIU platform is a clearing-house of rural information presented in a user-friendly format, addressing the needs of diverse stakeholders in public, private, and civil society. It brings rural India into focus and furthers the field of rural analytics for understanding, positioning, and informing stakeholders and decision-makers.

DIU specialises in evidence-based insights that will create an impact for governments and non-profits. It has the expertise to develop data-driven solutions to public policy challenges based on robust evidence, expert insights, and data analysis. It is providing data, research, and tools to amplify issues in order to help rural India gain a voice, spark deeper conversation and help shape the future of India.

## **About Development Alternatives**

Development Alternatives is the world's first social enterprise dedicated to sustainable development. It's a research and action organisation striving to deliver socially equitable, environmentally sound, and economically scalable development outcomes.

Inclusive entrepreneurship initiative of Development Alternatives aims to enable millions of 'job seekers' to transition towards becoming 'job makers' within their communities, thereby leading to enhanced social inclusion and sustainable economic growth. We prioritise the use of social innovation and systems thinking principles and methodologies as the means to unleash energies, nurture constructive communities, and build robust ecosystems. Such initiatives have been successfully put into practice through programmes such as the 'la Caixa' Foundation supported Work4Progress Programme.

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