

Research Article

Rural Industries and Entrepreneurship: Pathways to Employment, Economic Growth, and Poverty Alleviation

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A B S T R A C T

The majority of the population in India lives in villages. The village is the backbone of the country. Village or rural industries play an important role in the national economy, particularly in rural development. Rural entrepreneurship is not only important as a means of generating employment opportunities in the rural areas with low capital cost and raising the real income of the people, but also for its contribution to the development of agriculture and urban industries. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity and unemployment and develop rural areas and backward regions.

Keywords: Rural entrepreneurship, village industries, employment generation, rural development, poverty reduction, income generation, agricultural and urban development

Introduction

Entrepreneurship based on the welfare and upbringing of the rural areas is rural entrepreneurship. One of the major objectives of developmental policies in India is to provide employment to millions of unemployed rural youth.¹ The core of the problem in countries like India is surplus agricultural labour and closure of traditional village industries, resulting in increased unemployment in rural areas and migration of rural youth to urban areas in desperate search of jobs, in turn putting more pressure on the urban infrastructure and amenities.

Rural entrepreneurship brings an economic value to the rural sector by creating new methods of production, new markets, and new products and generates employment opportunities, thereby ensuring continuous rural development.² Rural entrepreneurship is one of the most important inputs in the economic development of a country and of regions within the country.

Rural entrepreneurs are those who carry out entrepreneurial activities by establishing industrial and business units in the rural sector of the economy. Establishing industrial and business units in the rural areas refers to rural entrepreneurship.³

According to the Khadi and Village Industries Commission (KVIC), "Village industry or rural industry means any industry located in rural areas, the population of which does not exceed 10,000 or such other figure which produces any goods or renders any services with or without the use of power and in which the fixed capital investment per head of an artisan or a worker does not exceed one thousand rupees."⁴

The definition of 'village industry' has been recently modified by the Government of India so as to enlarge its scope.⁵ According to the Government of India, "Any industry located in rural areas, villages or towns with a population of 20,000 and below and an investment of 3 crores in plant and machinery is classified as a village industry."⁶

Objectives of the study

The following are the objectives of the present study:

- To analyse the performance of rural industries.
- To know the importance of rural entrepreneurship.
- To know the various schemes that support the growth of the rural industries.

Methodology

The present study is based only on secondary data. The data were collected from books, journals, websites and annual reports.

Performance of Rural Industries

Village industries have shown growth over the previous year, 2017-18. Production and sales have grown consistently from total production worth Rs. 46454.75 Crores in 2017–18; the number stood at Rs. 56255.18 Crores in 2018–19 (provisional). Similarly, sales of goods produced by Village Industries have shown growth from Rs. 56672.22 crores in 2017–18 to Rs. 71113.68 crores in 2018–19 (provisional).

Village Industries Employment has grown from the previous year, from 135.71 lakh artisans in 2017–18 to 142.03 lakh artisans in 2018–19 (provisional).

Table.1 Performance of Rural Industries

Year	Production	Sales	Employment
2014-15	26689.39	31965.52	123.19
2015-16	33424.62	40384.56	126.76
2016-17	41110.26	49991.61	131.84
2017-18	46454.75	56672.22	135.71
2018-19(Provisional)	56255.1	871113.68	142.03

Source: MSME annual report 2018-19

Table.2 Classifications of Village Industries

Sl. No	Classification	Industries
1	Mineral Based Industry (MBI)	Pottery & Lime
2	Agro Based & Food processing Industry	Pulses & Cereals Processing Industry Gur & Khandsari Industry Palmgur Industry Fruit & Vegetable Processing Industry Village Oil Industry
3	Polymer & Chemical Based Industry	Leather Industry Non Edible Oils & Soap Industry Cottage Match Industry Plastic Industry
4	Forest Based Industry	Medicinal Plants Industry Bee Keeping Industry Minor Forest Based Industries
5	Hand Made Paper & Fibre Industry	Hand Made Paper Industry Fibre Industry
6	Rural Engineering & Bio Technology Industry	Non-Conventional Energy Carpentry & Blacksmithy Electronics
7	Service Industry	

Source: MSME annual report 2018-19

Importance of Rural Entrepreneurship:

Following are some of the important roles which rural industries play in accelerating the socio-economic conditions of the rural people in particular and the country in general.

Proper utilisation of local resources:

Rural industries help in the proper utilisation of local resources like raw materials and labour for productive purposes and thus increase productivity.⁷ They can also mobilise rural savings, which help in the increase of rural funds.

Employment generation: Rural industries create large-scale employment opportunities for the rural people.⁸ The basic problem of large-scale unemployment and underemployment in rural India can be effectively tackled through rural industrialisation.

Prevents rural exodus

Lack of employment opportunities, heavy population pressure and poverty forced the rural people to move to urban areas for livelihood. It creates rural-urban imbalance. Under these circumstances, rural industries help in reducing disparities in income between rural and urban people and act as a potential source of gainful employment. This prevents rural people from migrating to urban areas.⁹

Fosters economic development

Rural industrialisation fosters economic development of rural areas. This curbs rural-urban migration on the one hand and also reduces disproportionate growth of towns and cities, growth of slums, social tensions, environmental pollution, etc. on the other.

Earnings of foreign exchange

Rural industries play an important role in increasing the foreign exchange earnings of the country through the export of their produce.¹⁰

Producer's goods of consumers' choice

Rural industries, including village and cottage industries, produce goods of individual consumers' choice and taste. Jewellery, sarees and artistic products are produced to cater to the needs of different consumers according to their taste, design and choice.

Entrepreneurial development

Rural industries promote entrepreneurial development in the rural sector. It encourages young and promising entrepreneurs to develop and carry out entrepreneurial activities in the rural sector, which finally facilitates the development of the rural areas.

Schemes that Support Growth of Rural Industries

Government bodies such as the MSME Ministry have been running various schemes to support and grow these industries.¹¹ These schemes range from providing collateral-free credit access to incubation centres to better equipment and employment opportunities for entrepreneurs in various corners of India.

Scheme of Fund for Regeneration of Traditional Industries (SFURTI)

It is a cluster-based scheme for the development of khadi, village industries, and coir clusters by providing them with improved equipment, common facilities centres, business development services, training, capacity building and design, marketing support, etc. The scheme invites applicants from non-government organisations (NGOs), institutions of the Central and State governments and semi-government institutions, field functionaries of State and Central government, Panchayat Raj institutions (PRIs), private sector bodies by forming cluster-specific special purpose vehicles/entities (SPVs), corporate, and corporate social responsibility (CSR) foundations with expertise to undertake cluster development.¹²

A Scheme for Promoting Innovation, Rural Industry & Entrepreneurship (ASPIRE)

This scheme aims to create new jobs and reduce unemployment, promote entrepreneurship culture in India, boost grassroots economic development at the district level, facilitate innovative business solutions for unmet social needs, and promote innovation to further strengthen the competitiveness of the MSME sector. It does this by implementing incubation and commercialisation of the Business Ideas Programme through technical/research institutes, including those in the field of agro-based industry. These would be designated as Knowledge Partners and would incubate new/existing technologies for their commercialisation.

Credit Linked Capital Subsidy Scheme (CLCSS)

The scheme is a facilitator of technology upgradation of small-scale industries, including khadi, village and coir industrial units, by providing 15 per cent upfront capital subsidy (limited to a maximum of Rs 15 lakh). The major objective is to upgrade the plant and machinery of small enterprises with state-of-the-art technology, with or without expansion, and also for new MSMEs, which have set up their facilities with appropriate, eligible and proven technology duly approved under scheme guidelines.

Prime Minister's Employment Generation Programme (PMEGP)

Started in 2008, the scheme is a credit-linked subsidy programme which aims to generate self-employment opportunities through the establishment of micro-enterprises in the non-farm sector by helping traditional artisans and unemployed youth. The scheme is implemented by the Khadi and Village Industries Commission (KVIC), functioning as the nodal agency at the national level. At the state level, the scheme is implemented through State KVIC Directorates, State Khadi and Village Industries Boards (KVIBs), District Industries Centres (DICs) and banks

Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE)

The Credit Guarantee Scheme for Micro and Small Enterprises (CGTMSE) facilitates credit to MSME units through a collateral-free credit facility (term loan and/or working capital) extended by eligible lending institutions to new and existing micro and small enterprises. The MSME Ministry and Small Industries Development Bank of India (SIDBI) jointly established a trust named Credit Guarantee Fund Trust for Micro and Small Enterprises in order to implement the Credit Guarantee Scheme for Micro and Small Enterprises. The corpus of CGTMSE is contributed by the Government of India and SIDBI. Seventy-five per cent of the loan amount to the bank is guaranteed by the Trust Fund. The scheme provides collateral-free loans up to a limit of Rs 100 lakh for individual MSMEs on payment of a guarantee fee to the bank by the MSME.

Conclusion

Rural entrepreneurs play a vital role in the overall economic development of the country. The growth and development of rural industries facilitates self-employment, results in wider dispersal of economic and industrial activities and helps in the maximum utilisation of locally available raw materials and labour. Without rural industrialisation, it would not be easy to solve the problem of unemployment in rural areas. Rural entrepreneurship can be considered one of the solutions to reduce poverty, migration, economic disparity and unemployment and develop rural areas and backward regions.

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