

# Viksit Bharat @ 2047

## Making of India as High Income Country

Mass Flourishing: Mini and Nano Rural Enterprises

### **Prologue**

Amrit Kaal's march to Viksit Bharat @ 2047, when we celebrate centenary of our Independence, presents us an unprecedented opportunity to reset equitable growth with a new paradigm. This report emerging from TRI's field work across 8 states, global and national experiences and first of its kind national survey of "enabling ecosystem for enterprises" indicates need to recognise Mini and Nano Rural Enterprises (MNRE) as critical category for policy attention and support in realising our ambition of becoming developed country and identifies areas of focused intervention in building an ecosystem that makes for mass flourishing.

Amirt Kaal 2022-47, is unique 25 year in India's history with unprecedented demographic dividend, 68% of its population between 15 and 64 years and nearly 183 million individuals entering working-age by 2047, much of this is in rural India; fortuitously at a time of remarkable economic growth with rising India set to become 3rd largest global economy while remaining the fastest-growing major economy. Agriculture remains the largest employer, accounting for 59.8% of the workforce contributing about 17% to GDP, highlighting a crucial gap in productivity and sustainability. Transitioning rural workforce toward MNRE particularly in manufacturing and services, is vital to addressing unemployment and fostering robust rural economies.

Mini and Nano Rural Enterprises (MNRE) represent under-recognised segment within India's economic landscape, significantly contributing to youth employment, rural economic growth, and inclusive development. Defined as micro-enterprises operating predominantly in rural or peri-urban areas, MNREs typically involve investments between ₹ 1-5 lakhs (nano enterprises) and between ₹5-25 lakhs (mini enterprises); and are classified as Hired Worker Enterprises (HWE). These businesses usually employ between 1 to 10 individuals, primarily drawing their workforce from villages and encompass activities in textile & apparel, construction, handicrafts, rural services, small-scale processing, retail, and rural manufacturing.

Our demographic profile underscores the urgent need for productive employment opportunities to absorb the expanding youth workforce. Diversifying employment avenues beyond traditional agriculture is imperative. MNREs are uniquely positioned to address this imbalance by creating approximately 78.5 lakh non-farm jobs annually, making them the largest generator of quality employment in rural India. Despite this potential, MNRE is invisible and remains overshadowed within the broader MSME

narrative, which primarily emphasizes urban-centric SMEs; which also garners most of the financial incentives and policy support. Formal recognition and targeted policy attention toward MNRE is necessary for maximizing their impact.

Rural manufacturing establishments have seen a 7.9% growth between 2021-22 and 2022-23, contributing to a 19.14% rise in Gross Value Added (GVA). MSMEs overall contribute approximately 30% to India's GDP and employ over 110 million people, with about 51% located in rural areas. MNRE specifically constitutes the most vibrant segment within the micro-enterprises, it faces challenges in accessing basic resources such as credit, financial solutions, training, and targeted support systems. Infrastructure bottlenecks, such as inadequate road connectivity, unreliable electricity, and limited digital infrastructure, significantly rural business operations. Despite increased internet penetration, with rural users now 442 million, the digital growth has not translated proportionately into employment, partly due to inadequate vocational training and limited digital literacy among rural youth. Current skilling programs under Skill India, though valuable, have not fully aligned with market demands and emerging sectors, resulting in lower-than-expected results. Rural enterprises face challenges in obtaining credit. Despite substantial government initiatives, including PM Mudra Yojana with 47.7 crore loans disbursed by 2024, rural credit gaps persist, estimated at around \$530 billion. Furthermore, the complexity and perceived risks associated with rural lending continue to limit financial inclusion, especially for MNRE segment. Strengthening physical and digital infrastructure, enhancing vocational training and a District-focused (contextual opportunity) aligned with market-led demands can increase productivity and build linkages. Social security and supportive measures can foster gig economy, promote rural tourism, and encourage start-ups and social enterprises to deepen and diversify rural employment. Women's participation, who currently represent 20.5% of MSMEs through targeted financial and mentorship programs is critical to increase Female Labour Force Participation Rate.

The ecosystem surrounding MNREs requires deliberate and targeted policy interventions to facilitate their formal recognition and growth. Initiatives such as Pradhan Mantri Mudra Yojana (PMMY), Skill India, Digital India, and the Scheme of Fund for Regeneration of Traditional Industries (SFURTI) have laid foundations, yet persistent gaps in infrastructure, vocational training (with only 3.4% rural youth receiving formal vocational training), and financial inclusion (a rural credit gap of approximately \$530 billion) highlight the need for distinct MNRE-focused policies. Recognizing MNREs as a separate category within MSMEs is essential to direct policy attention and ensure tailored implementation of growth measures.

Recognizing and addressing the unique needs and potential of MNRE is imperative for achieving India's ambitious development goals. Strategic policy interventions, infrastructure investments, targeted skilling programs, and robust entrepreneurial support mechanisms are essential for harnessing MNRE's full potential for quality employment generation, and an inclusive development trajectory. Creating a vibrant, supportive ecosystem through targeted initiatives—enhanced rural entrepreneurial hubs, accessible credit mechanisms, integration of technology and digital skills, and greater inclusion of women and marginalized groups—will unleash MNREs' full potential. Acknowledging MNREs formally and distinctly within India's policy framework is crucial for harnessing their substantial capacity to contribute to rural economic vitality, quality youth employment, and achieving the inclusive vision of Viksit Bharat by 2047.

# Chapter 1

### India's Young: Rural, Work-ready and Aspirational

India has the world's largest youth population, about 27%¹ of India's population is in the 15–29 age group (about 371 million youth); and if extended to ages 18–35, this cohort is well over 400 million. The majority of Indian youth live in rural areas. Demographically high-fertility states like Bihar and Uttar Pradesh saw their youth population share rise up, peaked around 27–30% of population in these states, rural areas tend to have slightly more of the young female population, since many young men migrate to cities for work). Rural youth form the backbone of India's "demographic dividend" 240–250 million individuals; their socio-economic outcomes are critical to national development. India adds 10–12 million youth to the workingage population annually.

India's rural youth cohort is enormous and growing; this segment is crucial for India's labour force and future growth. Basic literacy among Indian youth has improved markedly; youth literacy (ages 15–24) is around 97%² nationally, 88% of rural women age 20–24 had completed at least primary schooling (NFHS-5); gross enrolment ratio (GER) in higher secondary school (classes 11–12) is about 53.8% and in higher education (ages 18–23) is ~27.1%. A critical aspect of youth education is access to vocational training and skill development, PLFS shows sustained uptick in youth skill training participation.

The rapidly improving education and skill profile of rural youth presents an opportunity and challenge for creating decent work opportunities.

Less than half of India's youth are in the labour force, due to continued education and other factors. In 2022–23, the youth labour force participation rate (LFPR, age 15–29) was **only about 42.1%**, four out of five rural young women are neither employed nor looking for work – largely due to schooling, domestic duties, or social norms (marriage, child-rearing). India's youth – especially rural females – represent a large **potential labour pool that is currently untapped**. The youth unemployment rate (UR) is far higher than the all-age unemployment rate, reflecting the difficulties faced by fresh jobseekers. Young women have higher unemployment than men (despite lower participation), because those women who do seek paid work often face more difficulty finding jobs. Agriculture remains the dominant employer for rural young people. As of 2022–23, about 42.2% of rural youth (15–29) were working in agriculture, forestry or fishing; **ie despite education, skills and aspirations nearly half of rural employed youth are still in the farm sector;** largely working as family labour or as agricultural wage workers; a large fraction of young workers are in informal and vulnerable employment; self-employment (often in family farming) dominates youth employment – nearly 80% of rural self-employed youth in agriculture are actually unpaid family workers, indicating high disguised unemployment.

https://www.mospi.gov.in/sites/default/files/publication\_reports/Youth\_in\_India\_2022/Youth%20at%20a%20glance. pdf#:~:text=Percentage%20Share%20of%20Youth%20Population,21

<sup>&</sup>lt;sup>2</sup> https://tradingeconomics.com/india/literacy-rate-youth-male-percent-of-males-ages-15-24-wb-data.html#:~:text=India%20 ,Bank%20collection%20of%20development%20indicators

Migration is a pivotal factor in the lives of rural youth, as many young people move in search of better opportunities. According to the PLFS 2020–21, the overall migration rate (share of persons who migrated from their birthplace or last residence) was **28.9%**; **rural-to-urban migration³ has been rising** and accounts for roughly 20% of migratory flows; migration corridor is dominated by low-income agrarian regions exporting labour to industrialized urban centers.

### Key Takeaway - Place-based Economic Opportunity:

For rural youth - labour force participation is low (especially for women), unemployment is higher, and a large number of those employed are stuck in low-productivity agriculture or informal work. This underscores an urgent need for more quality job opportunities near rural areas to productively engage India's young workforce.

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<sup>3</sup> https://sprf.in/wp-content/uploads/2023/07/Inter-state-Migration.pdf#:~:text=migration%20is%20classified%20into%20 rural,However%2C%20in%20recent%20years

### Chapter 2

# Rural Economy: The Growth Frontier

India's economy continues to grow at an impressive pace, with GDP growth estimated at around 7% in the fourth quarter of FY 2024–25. This growth has been marked by declining employment elasticity to below 0.2 in recent years indicating that the economy is generating fewer jobs per unit of GDP growth. This disconnect between GDP growth and job creation is especially critical given India's youth dividend. Unemployment in young 18.8% in urban areas and 13.8% in rural regions is worrying, seasonal post-harvest dips lead to temporary spikes in unemployment and highlight the precariousness of farm-based livelihoods that employ ~45% of India's workforce. Meanwhile, growth across manufacturing and services has been largely capital-intensive, creating fewer jobs per unit of output, and little increase in labour absorption, especially in rural areas. Just five cities - Mumbai, Bengaluru, Delhi-NCR, Chennai, and Hyderabad - generate around 18% of India's GDP, across only 15% of the population. In contrast, agriculture and allied sectors contribute a similar share to GDP while employing 45% of the population. This mismatch points to significant hidden unemployment and underemployment in rural areas, where workers are often engaged in low-productivity, seasonal, or subsistence-level work.

Rural GVA is shifting from primary to secondary and tertiary sectors - recent reports indicate that the rural economy has been growing at a pace comparable to or exceeding urban areas, driven by factors such as increased welfare transfers, government infrastructure spending, favourable agricultural conditions, and rising consumer demand. At ~INR 123 Lakh Crore (\$1.42 Trillion), rural India contributes approximately 45% to the country's GVA, even as contributors to GVA are shifting. As rural areas become more connected with urban economies, the rural GDP composition is becoming more diversified with increasing contributions from non-agricultural sectors. Even with rural shrinking - both as a result of administrative reclassification (the number of Census towns tripled between 2001-2011) and rural-urban migration (9-10 million people migrate within India each year), it will still be home to over half the population by 2047; and thus, Rural Economy is key to realising *Viksit Bharat* income goals.

MSMEs make up 35% of India's GDP, and continued to be our best bet for distributed growth and labour absorption. As of today, India has over 63 million MSMEs across the secondary and tertiary sectors employing around 111 million people and contributing a significant 35% to GDP. However, over 90% of MSMEs are micro-enterprises, and a significant share operate informally, especially in rural areas. Around 62% of MSMEs are Own Account Enterprises (OAEs) i.e. they have no hired workers, and 32% have just 2–3 workers - mostly family members - limiting their capacity to generate large-scale employment. While these offer subsistence livelihoods, they typically do not translate into significant GDP growth or structural economic transformation. Most self-employed rural workers operate in low-productivity sectors with minimal capital investment, limited technology use, and local, informal markets (MoSPI PLFS 2023). In contrast, **Hired Worker Enterprises (HWE) - businesses hiring wage workers - are major contributors to jobs and GDP.** These enterprises use capital, technology, and skilled labour, resulting in higher output per worker. HWEs also generate indirect work and inject money into local economies. By creating wage-paying jobs, they expand household incomes, boost consumption, and stimulate secondary services such as logistics, retail, and processing.

Furthermore, HWEs facilitate formalisation, bringing rural producers into the tax paying segment (e.g., GST), expanding access to formal credit, and enabling participation in larger supply chains. This creates more robust financial flows into rural areas.

### **Manufacturing Stasis**

Amrit Kaal's march to Viksit Bharat (India@100), will be instructive to step back and look at independent India's first Industrial Policy tabled by Shyama Prasad Mukherjee in 1948. Successive policy measures to increase manufacturing sector contribution to national income from License-Permit-Raj (LPR) to Liberalisation-Privatisation-Globalisation (LPG) of the 1990s hasn't had much impact, as government data shows, the share of the manufacturing sector in India's GDP remains the same over last decade at 17.3 per cent, while contribution of manufacturing to overall employment has declined indicating a "reversal of structural transformation from a higher productivity sector to a lower one. Our focus to have 25% of national output from manufacturing; is less than half of what the iconic and now forgotten Bombay Plan of 1944 had envisaged as a 15-year vision for India. Bombay Plan is important as all independent India's various Industrial policies owe debt to the two parts "Memorandum Outlining a Plan of Economic Development for India", pertinent as this was not the work of Nehruvian thought it was put together by Industry doyens, best-known technocrats that included Indian representatives to Bretton Woods. The Bombay Plan advocated for economic functions of the State, protection of local industry, import substitution and an ungrudging admiration for rapid Soviet industrialisation and need for Minimum Support Price to agriculture!

The disconnect of intent and action has no easy answers; but do point to some innate characteristic of India's socio-economic evolution shaping the production system. Some recent commentaries have pointed out heavy reliance on now hollowed temples of modern India, neglect of small industry the colonial de-industrialisation of rural areas has continued with the Lewisian demand kick coming only in few bursts of good monsoons or to the years when terms of trade shifted to rural. This is also corroborated by lack of any significant manufacturing-led urban growth; we have a unique case of rural out-growths and politicoadministrative urbanity, significant departure from the urbanisation pattern of 17-20th century witnessed in industrialising English, continental Europe and much of Americas. The factory towns evolved unprecedented shifts in production-system, labour productivity, political economy and enormous wealth and life advancement opportunity and decisively made preindustrial revolution manufacturing uncompetitive. The impact of division of labour leading to specialisation added exceptional productivity gains and consequently wealth. In India low per capita output has not been upended as elsewhere because of our inability to raise factor productivity; this will be critical to achieving Viksit Bharat goals. Rapid economic growth in last three decades with transitions from a mixed planned economy of dirigisme to a mixed middle-income developing social market economy has produced highest number of dollar millionaires and vanity success, while bulk of India with drastic reduction in extreme poverty still remains outside the ambit of larger prosperity drivers. We are in a structural mutually reinforcing "low equilibrium web" of low supply, low demand, low productivity, low innovation. India needs a "productivity revolution" for wealth to be widely distributive and consequential gains on human development. We are surplus in most farm commodities and the urban consumer as a citizen extracts a heavy toll on elective democracy for any rationale terms of trade, this has restricted and obscured market and technology signals to reach rural production system; the recent upsurge of start-ups will have limited impact unless we have concomitant solutions for addressing unemployment and underemployment in farm sector. We are battling enormous productivity differentials; the informal sector wage worker is 18x and private sector wage workers is 25x of agricultural worker; in rural economy cultivators are 1.5x, non-farm sector wage worker are 2.5x, self-employed or Own Account Enterprise are 4x, and the circular migrant 3x of agriculture wage worker. Agriculture revolution of 2025 is required to break free of the Lewisian duality, India of 2023 has outgained food sufficiency ensured by Green Revolution, now like the proverbial chicken and egg, without jobs outside agriculture you won't have the agriculture revolution (ag-rev) and without ag-rev you have limited demand in economy. That's **why manufacturing sector is critical to India growth story,** service sector by itself will not be able to create labour movement outside agriculture, one reckoning is without manufacturing jobs in rural areas we are not going to make much headway.

In 1947, small-scale industry was 1.5x that of large-scale industry including mines; over the years of massive public investments backed by policy support including protection till recently; it has failed to create jobs that India needs. Received wisdom of "development as urban", and "growth through big industry" on evidence has failed India. Increase in economic activity has not translated into work, on evidence there is a negative corelation between GDP growth and employment. We have had numerous schemes to promote small-scale industries and for traditional enterprises, state and non-state initiatives starting with Nilokheri's "Mazdoor Manzil" in 1950s to Rurban and such like. There is a growing argument that none of this has worked, and even the famed TVEs of China are also disappearing; there is evidence Small Industries contributed 7 % in 1947, today their contribution is little less. Even a cursory look from 1st Plan 1951, onwards shows we have been ahead of the curve in thinking and never sticking to any prescription; never sustained investments in building institutional competencies in the words of Nobel Prize winner Edmund Phelps "mass flourishing'.

There is expert, policy and academic fixation on size of enterprise both in terms of investments and employed labour to explain lack of competitiveness. Expert speak "larger the firm the higher is the productivity" is founded on evidence of significant productivity differences between small and large establishments as also the logic of technical change and returns to scale as the drivers' productivity and of performance. Let us look at structural skew in the MSME sector, which contributes approximately 29% to India's GDP, accounts for 40% of exports, and employs over 60% of the workforce. 97% of registered MSMEs are micro enterprises, 2.7% are small, and only 0.3% are medium enterprises. Micro is very vast category definition, bulk of the enterprises are in the bottom decile of investment and no surprise that's the ceiling of MUDRA loans and of the overall MUDRA numbers the highest category 5-10 Lakh i.e. Tarun is just about 15 %. Owner Account Enterprises (OAE) and nondirectory firms (employing 1-5 workers) are 97 % of total and employ nearly 85 percent of the total employed persons and this has remained static. Evidence speaks of this reality of manufacturing and service sector jobs in India. On service sector, and hope of India jumping the manufacturing hump straight to services like we did with fixed line telephony, the evidence globally across multiple studies is clear manufacturing sector has larger multiplier effects than do services, it generates 2-3 fold output impact because of the denser backward and forward linkages, further manufacturing has an indirect employment in service sector; some experts argue services sector development depends manufacturing sector.

The **productivity revolution** in our context has to get out of size; it needs a very large population to be part of it, even if gains are incremental as we have seen earlier compared to agriculture wage work still its increase. Given our education, skills, employability endowments we should not compare ourselves with other countries, a comprehensive analysis will show we have been barking the wrong tree for manufacturing jobs; that's not in big, medium, or

small; it's in MUDRA category and Micro category and much of it will come from OAE, HWE and nondirectory. This space has the potential to provide escape from agriculture underemployment; beyond non-existent chimera, the real deal upended for manufacturing stasis is this. Tailwinds from the technology advancements particular in decentralised manufacturing and logistics, demands on shorter value chain (as compared to Global Value Chains), circularity has created space for innovations. Demographic shift; young, aspirational, connected to a flat communication world with many pulls, tech-savvy with formal education, most strikingly girls; has brought once in generation industriousness. Favourable policy regime particularly on financing like micro equity, lease financing of manufacturing infrastructure and expand the OAE and nondirectory manufacturing employment both in numbers and quality to the rural economy. Our employment challenge cannot be addressed by Soviet Man or American Man model, its inadequate for our population; even the Korean and Chinese models are of different times and for very different human development endowments; future forward has to find ways outside of rear-view, locating drivers of wealth through innovative access to factors of production: capital, enterprise, skills, technology. The challenge and opportunity of present times is "engaging masses in mass-production".

### Rural Non-Farm Sector: Fuelling Growth and Workforce Diversification

Rural Non-Farm Sector (RNFS) is the most vigorous component of India's rural economic landscape, significantly contributing to employment creation and economic diversification. At present, RNFS contributes 40.2% of employment in rural India. India's MSME sector with over 52 % in rural, includes about 63 million micro-enterprises, which employ over 110 million individuals, accounting for nearly 30% of the GDP. Rural manufacturing has seen notable growth, with a 7.9% increase in establishments from 2021-22 to 2022-23.

The Rural Non-Farm Sector includes various industries outside of agriculture, encompassing manufacturing, construction, trade, transport, accommodation, food services, and other services. This sector holds immense potential for job creation and economic diversification. Between 2021-22 and 2022-23, rural manufacturing establishments grew by 7.9%, and their Gross Value Added (GVA) increased by 19.14%, highlighting their resilience and capacity for significant economic impact. MSMEs, a crucial segment within RNFS, employ over 110 million individuals, contributing about 30% to India's GDP. Yet, micro-enterprises, representing 98.55% of all MSMEs, face substantial challenges transitioning into small and medium enterprises (SMEs).

### Making Sense of Rural Income Opportunities

Rural India contributes approximately 45% to the country's Gross Value Added (GVA), with agriculture accounting for about 40%, services around 32%, and manufacturing approximately 12.8%; rural India's GVA would be around \$1.42 trillion. In last 30 years post liberalisation of Indian economy, composition of rural GVA has undergone key shifts: Agriculture decreased from over 60% to around 40% of rural GVA; services increased from approximately 20% to about 32% and manufacturing converged with urban areas to nearly 13%; construction has doubled to 10%. Rural manufacturing GVA reached ₹3.82 trillion in FY2023-24, contributing 13.93% to India's total GVA.

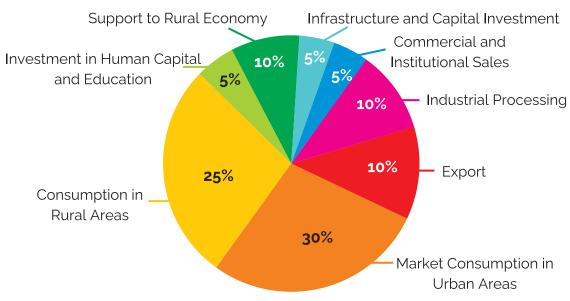
Reports indicate that the rural economy has been growing at a pace comparable to or exceeding urban areas. India realized an \$11.8 billion trade surplus in agricultural and related products in 2021, with leading exports including rice, prawns, shellfish, spices, and sugar. Over time, agriculture's contribution to rural GDP has been slowly declining as rural economies diversify into manufacturing and services. Services, especially retail, healthcare, education, and banking, have seen significant growth in rural areas, aided by infrastructure development. As rural areas become more connected with urban economies, the rural GDP composition is becoming more diversified with increasing contributions from non-agricultural sectors.

Rural Industrial	Estimated Value (Rs.Trillion)	Employment (Millions)	YoY Growth (%)
Village Industries	1.05-1.08	17	3-5
Small and Medium Enterprises (SMEs)	2.5-3	30	5-7
Agricultural Processing and Agro-Based	3-3.5	25	4-6
Construction Materials Manufacturing	1.5-2	20	5-6
Textiles and Apparel Manufacturing	1.2-1.5	15	3-5
Leather and Footwear Manufacturing	0.5-0.6	5	4-6
Metal and Engineering Goods Manufacturing	2-2.5	10	5-7
Renewable Energy Equipment Manufacturing	0.3-0.4	2	8-10

Sectors of promise include renewable energy propelled by government incentives and adoption; construction material driven by infrastructure projects, industrial demand and housing projects.

Rural India's total production is consumed within the rural areas, funnelled into urban markets, processed for industrial use, or exported globally. The most significant is Consumption in Rural Areas; these include in addition to agricultural production basic goods such as textiles, soaps,

### Estimated Percentage Breakdown of Rural India Production Utilization



and other essential products. Local services (education, healthcare, and utilities) are largely consumed within the rural areas. A considerable share of agricultural output, particularly in crops like grains, vegetables, fruits, and milk, is transported to urban markets for consumption. Cities rely on rural India to supply food, dairy, and raw materials for processing industries. Rural areas are home to a significant portion of India's manufacturing base, with about 51 % of total output coming from rural areas especially in textiles, chemicals, agro-based industries.

The breakdown of consumption across the five MPCE pentiles provides a clear view of how different income groups allocate their resources. Typically, the poorest households (0–20% quintile) spend a larger portion of their income on food, while wealthier households (81–100% quintile) have more diverse consumption patterns, spending on both food and non-food items. Increased expenditure to housing, health & education, durable goods, and recreation, reflects growth opportunities for service sector.

### Estimated Monthly Expenditure by Category

	0-20% Poorest	21-40%	41-60%	61-80%	81–100% Wealthiest
Monthly MPCE	₹ 2,000	₹ 3,000	₹ 4,000	₹ 5,000	₹6,000
Food	₹ 1,400 (70%)	₹ 1,800 (60%)	₹ 2,400 (60%)	₹ 3,000 (60%)	₹ 3,000 (50%)
Housing	₹ 200 (10%)	₹ 360 (12%)	₹ 600 (15 %)	₹ 1,000 (20%)	₹ 1,200 (20%)
Health & Education	₹ 100 (5%)	₹ 150 (5%)	₹ 400 (10%)	₹ 600 (12%)	₹ 900 (15%)
Durable Goods	₹ 40 (2%)	₹ 90 (3%)	₹ 160 (4%)	₹ 300 (6%)	₹ 600 (10%)
Transport & Communication	₹ 60 (3%)	₹ 150 (5%)	₹ 240 (6%)	₹ 500 (10%)	₹ 600 (10%)
Clothing & Footwear	₹ 100 (5%)	₹ 180 (6%)	₹ 320 (8%)	₹ 500 (10%)	₹ 600 (10%)
Recreation & Other Services	₹ 100 (5%)	₹ 180 (6%)	₹ 400 (10%)	₹ 700 (14%)	₹ 900 (15%)

States like Bihar, Uttar Pradesh, and Odisha have a higher concentration of their population in the lower MPCE percentiles, while states like Kerala, Punjab, and Maharashtra have a larger share in the upper percentiles, there is need for differentiated rural economy diversification strategy. There is significant intra-state variation, cities like Patna, Jaipur, Mysuru, and Bhubaneswar have higher proportions of their rural population in the 81–100% quintile, indicating higher per capita income and better economic conditions. The impact of urbanization on available opportunities both wage goods and production needs to be better understood and localised district specific strategy is required.

Hired Worker Enterprises (HWE) are the engine for job creation at scale: NITI Aayog's 2023 report on unorganised enterprises notes that while over 94% of India's workforce is in informal employment, the unorganised sector contributes only 57% of GDP, reflecting a major productivity gap between informal self-employment and formal HWEs (NITI Aayog, 2023). According to the India Employment Report 2024 (ILO-NITI Aayog), regular wage workers in rural areas earn ~₹15,177 per month, while self-employed individuals average only ₹10,201 per

month. This earnings gap reflects the inability of self-employment to create surplus income or stimulate broader market demand. Furthermore, self-employed enterprises seldom generate additional jobs, limiting their impact on employment multipliers and rural economic dynamism (ILO India Employment Report 2024).

Rural per capita income is positively correlated to the prevalence of HWE - more prosperous states have a greater number of hiring establishments: Higher-income states tend to host more rural HWEs indicating that these states have a more diversified and formalised rural economy. For example, Maharashtra accounts for about 13.3% of all rural HWEs; these states including Maharashtra, Tamil Nadu, Gujarat, and Kerala also show a higher average rural MPCE. In contrast, lower income states such as Uttar Pradesh, Bihar, and Madhya Pradesh, that also represent a significant share of the national rural population have a large number of OAEs and a much lower proportion of HWEs, indicative of lower rural industrialisation and fewer non-agricultural, formal sector jobs.

Overall, while self-employment provides a basic safety net in rural India, it **cannot drive GDP growth or create large-scale employment.** For India's rural economy to evolve, **scaling HWEs is essential.** These businesses deliver:

- Higher productivity per worker
- Job creation beyond the household
- Formal market participation
- Access to finance and technology
- Integration into national and global supply chains

Without this shift, rural India risks remaining trapped in **low-income**, **low-productivity cycles**, despite overall national economic growth. States with a high proportion of rural workers in HWEs also tend to have more diversified employment structures and better economic opportunities, especially in the non-farm sector - this is one of the key drivers of higher per capita income in these states. **Increasing Hired Worker Establishments (HWEs) in rural India requires an endend value chain integration approach combining financial incentives, skill and capacity building**, backward and forward linkages to inputs and markets, infrastructure and **institution development**, **policy and regulatory pushes**. Key sectors such as manufacturing, agriculture, construction, services (trade, transport, retail) can become significant drivers of rural employment and income growth.

Higher-income states tend to host more rural HWEs Maharashtra accounts for about 13.3% of all rural HWEs; in contrast, Uttar Pradesh – despite having the most rural enterprises overall contributes a smaller share of HWEs (~10%). In poorer states like U.P. and Bihar, rural businesses are more often single-person operations, whereas in more developed states like Maharashtra and Tamil Nadu, a higher fraction of rural enterprises hire workers. Rural per capita income is positively related to the prevalence of HWE, more prosperous states have a greater number of hiring establishments. The sectoral mix of rural HWEs is skewed toward "Other Services" (roughly 36–40% of rural HWEs), followed by Trade (~34–35%) and then Manufacturing (~27–30%), this distribution is fairly consistent across states, but those with traditional rural industries (e.g. West Bengal in handlooms, Tamil Nadu in textiles) show notably higher manufacturing HWE, whereas agriculturally oriented states (e.g. Odisha, Chhattisgarh) have very few manufacturing HWEs and mostly petty trade or service OAEs. According to the ASUSE 2022–23 survey, India had about 35.6 million unincorporated enterprises in rural areas (out of ~65 million total). About 15% of these rural establishments employ at least one hired worker (classified as HWEs), while the remaining 85% are own-account enterprises with no

Rural Establishments Employing Hired Workers, % of Rural Population, and Rural MPCE all figures rounded off and is for illusrative purposes

State	Manu- facturing HWEs (No.)	% of India's rural HWE	Manu- facturing OAEs (No.)	Trade HWEs (No.)	% of India's rural HWE	Trade OAEs (No.)	Other Services HWEs (No.)	% of India's rural HWE	Other Services OAEs (No.)	% of Rural Popula- tion HWE	Rural MPCE (₹)
Uttar Pradesh	1,75,000	4.10%	17,22,000	2,45,000	5.80%	21,58,000	2,80,000	%09.9	23,44,000	17.90%	5,395
West Bengal	2,20,000	2.20%	12,39,000	1,65,000	3.90%	16,82,000	1,65,000	3.90%	23,44,000	7.80%	5.775
Maharashtra	1,50,000	3.50%	7,69,000	1,80,000	4.20%	9,84,000	2,70,000	6.40%	10,00,000	10.20%	7,363
Tamil Nadu	1,80,000	4.30%	4,23,000	1,12,500	2.70%	6,51,000	1,57,500	3.70%	6,76,000	8.40%	8,165
Gujarat	45,000	1.10%	5,01,000	1,20,000	2.80%	5,71,000	1,35,000	3.20%	6,20,000	%09'9	7,175
Karnataka	50,000	1.20%	4,20,000	75,000	1.80%	6,25,000	1,25,000	3.00%	7,19,000	6.10%	8,076
Bihar	45,000	1.10%	9,55,000	1,35,000	3.20%	21,59,000	1,20,000	2.80%	29,94,000	12.90%	5,080
Andhra Pradesh	40,000	%06.0	8,05,000	80,000	1.90%	11,11,000	80,000	1.90%	19,16,000	8.60%	5,327
Madhya Pradesh	18,000	0.40%	11,17,000	42,000	1.00%	14,76,000	60,000	1.40%	22,35,000	9.20%	5,538
Rajasthan	20,000	0.50%	10,09,000	30,000	0.70%	14,80,000	50,000	1.20%	20,29,000	7.10%	6,574
Odisha	000'9	0.10%	12,13,000	24,000	0.60%	23,94,000	30,000	0.70%	24,17,000	4.50%	5,825
Punjab	8,000	0.40%	4,09,000	27,000	0.60%	9,27,000	45,000	1.10%	9,54,000	3.70%	7,359
Haryana	8,000	0.20%	2,43,000	15,000	0.40%	6,86,000	28,000	0.70%	7,01,000	2.30%	8,428
Jharkhand	4,000	0.10%	5,91,000	16,000	0.40%	14,47,000	20,000	0.50%	14,63,000	%00'9	5,393
Kochi	15,000	0.30%	3,20,000	22,000	0.50%	4,80,000	30,000	0.70%	5,20,000	2.50%	9,474
Kerala	45,000	1.10%	3,48,000	30,000	0.70%	5,25,000	75,000	1.80%	7,05,000	%08'9	7,783
Uttarakhand	8,000	0.20%	3,05,000	12,000	0.30%	3,41,000	20,000	0.50%	3,13,000	3.10%	7,182
Chhattisgarh	2,000	0.05%	3,11,000	8,000	0.20%	6,96,000	10,000	0.20%	7,04,000	3.20%	4,927

hired workers (OAEs). Higher MPCE States - Maharashtra, Tamil Nadu, Gujarat, and Kerala show a higher average Rural MPCE and a greater number of HWEs, indicating that these states have a more diversified and formalized rural economy. States like Uttar Pradesh, Bihar, and Madhya Pradesh represent a significant share of the national rural population and also have a larger share of OAEs, however, much fewer HWEs, indicative of lower rural industrialization and fewer non-agricultural formal sector jobs. Most states have a larger number of Other Services HWEs, followed by Trade and Manufacturing, this aligns with India's rural economy being largely dominated by services such as transportation, education, and retail; and hence are value pick for interventions. States with a high proportion of rural workers in HWEs tend to have more diversified employment structures and better economic opportunities, especially in the non-farm sector, this is one of the key drivers of higher per capita income in those states.

Increasing Hired Worker Establishments (HWEs) in rural India, requires a targeted approach and enabling ecosystem.

### Chapter 3 Mini and Nano Rural Enterprises

### How distinct is MNRE segment and why is this important?

Mini and Nano Rural Enterprises are Hired Worker Enterprises (HWE) operating predominantly in rural or peri-urban areas with investment thresholds typically ₹1-5 lakhs (nano enterprises) and ₹5-25 lakhs (mini enterprises) and are Hired Worker Enterprises (HWE). They are usually owner-operated, employing between 1 to 10 individuals, primarily from local communities, with activities spanning textile & apparel, construction, handicrafts, rural services, small-scale processing, retail, and rural manufacturing.

These are Unorganised but Formal Rural Enterprises; not registered with KVIC; this category covers the small-scale units that belong to the largely unorganised sector (typically proprietary or family-run, with few employees) yet have some form of formal registration or licensing. In other words, they are "micro or small enterprises that have stepped into the formal net"; registered for things like GST, Udyam registration, or local licenses, even if they remain tiny in size.

These are like the Village Industry defined under KVIC Act but outside the ambit of KVIC, and are sub-category within the official definition of Micro Enterprises.

Village Industry: As per KVIC Act, "any industry located in a rural area which produces any goods or renders any service with or without the use of power and in which the fixed capital investment per head of an artisan or worker does not exceed ₹5 lakh per artisan/worker"; rural area, is defined as :village, any town with population not exceeding 20,000, or any area notified as rural by the government.

Under the Micro, Small and Medium Enterprises Development (MSMED) Act, 2006, redefined in 2020 (Atmanirbhar Bharat package), enterprises are classified irrespective of rural or urban location. Micro: Investment ≤ ₹1 crore AND turnover ≤ ₹5 crore. While KVIC uses investment per worker, MSME uses investment + turnover, some schemes (e.g., PMEGP, Cluster Development) for scheme eligibility consider employment as criteria, broadly it is Micro: 1–10 workers; Small: 11–50 workers; Medium: 51–250 workers

MNRE is the fastest growing segment within the rural enterprise segment; today about 20 % of the total enterprises. These are different from the 3/4th of the rural enterprises (33 million) which is unorganised and informal which continues to operate outside the regulatory system and hence outside of the enterprise promotion ecosystem.

Mini and Nano Rural Enterprises (MNRE) is a critical to rural economy transformation and creating place-based quality opportunities for young. These owner-operated ventures span agriculture value-addition, handicrafts, rural services, small-scale processing, retail, and light manufacturing. MNREs is pivotal for two strategic goals: (a) place-based economic engagement of rural youth, and (b) a productivity revolution via workforce transition from agriculture to rural industry and services.

MNREs offer a powerful answer to rural underemployment and youth migration. Large companies alone cannot absorb India's growing workforce – they create relatively few jobs, mostly for highly educated workers. MNRE are rural India's job engine, capable of creating millions of local jobs across skill levels. By creating local employment and income, expanding MNREs gives youth new pathways to livelihoods in their own communities. Such place-based engagement mobilises local talent, skills, and resources.

MNREs is key to shifting the rural workforce into higher-productivity sectors. Currently, nearly half of India's workforce (around 46%) is in agriculture, which contributes only ~18% of GDP. This imbalance signifies enormous **productivity gaps** – jobs in industry or services produce six times more output on average than agricultural jobs. Mini and nano enterprises can spark a rural productivity revolution by moving under-employed youth from farms to rural business ventures in manufacturing and services. Even small rural manufacturing units or service centers can dramatically raise output per worker and incomes, compared to subsistence farming. As these enterprises expand, they foster **a structural transformation:** the rural workforce gradually transitions from low-yield farm work to more productive activities in the secondary and tertiary sectors. The result is not only higher rural GDP, but also a more diversified and resilient economy.

### Chapter 4

# The MNRE Ecosystem Making of Mass Flourishing

Enterprises need a strong ecosystem in which they can flourish and grow. The ecosystem facilitating the operation and growth of MNREs consists of the following integral components:

- 1. Policy & Institutional Support: Existence of dedicated MNRE policies or rural enterprise missions, ease of doing business and strength of state institutions supporting MNREs. This includes one-stop facilitation centers, or dedicated agencies for rural enterprises. For example, Tamil Nadu's MSME Policy 2021 introduced a host of micro-unit incentives and set up district MSME facilitation centres.
- 2. Special State-Level Schemes: State-funded programs specifically targeting micro and nano enterprises. These include credit-linked subsidy schemes (e.g. state versions of PMEGP), entrepreneurship development programs for youth/women, cluster development schemes, etc. The presence, scale, and uptake of such schemes indicate proactive support.
- 3. Access to Finance: Ease of obtaining credit and financial assistance for MNREs and specialized financial instruments including micro-credit, subsidies, and loan guarantees.. Indicators include per-capita disbursement of microenterprise loans (e.g. MUDRA loans), outreach of microfinance institutions (MFIs), interest subsidy programs, etc. High credit uptake can signal a supportive financial ecosystem. For example, as of 2025 Tamil Nadu leads in total Mudra loans disbursed (₹ 3.24 lakh crore), followed closely by Uttar Pradesh (₹ 3.14 lakh crore) and Karnataka (~ ₹ 3.02 lakh crore) Some states also provide interest subventions Odisha offers zero-interest loans up to ₹ 3–5 lakh for women's SHGs under Mission Shakti, Maharashtra's SRLM has targeted outreach on PMFME.
- 4. Market Linkages & Procurement: Integration of MNREs into markets via government procurement, expos, and platforms. Penetration of market institutions, infrastructure for logistics, and flow of goods/services;Common Facility Centers (CFCs) for production, storage, and marketing support. Key indicators: existence of preferential procurement mandates (e.g. reserved % of state purchases from micro units), number of trade fairs or buyer-seller meets facilitated by the state, and initiatives to link MNRE products to e-commerce or export markets. For instance, many states (Tamil Nadu, Haryana, etc.) mandate at least 25% of government purchases, Odisha has gone further by outsourcing ~ ₹ 1000 crore of departmental supplies and services annually to women's SHGs States like Gujarat and Tamil Nadu subsidize MSME participation in trade expos and West Bengal and Uttar Pradesh have partnered with Amazon
- **5. Skilling and Mentoring:** Presence and access to specialised training institutions and mentoring networks
- **6. Infrastructure:** Rural infrastructure including roads, electricity, warehousing, logistics and digital

We have attempted to understand "ecosystem development" in states using adapted version of World Bank's Ease of Doing Business framework. MNRE, characterized by small turnovers and workforces of fewer than ten employees, represent a significant portion of India's entrepreneurial landscape. Many of these businesses operate with single or double-employee structures, facing distinct challenges that may not be fully captured in aggregate economic indicators. The analysis includes both secondary and primary study examines the ease of doing business for such enterprises through a comprehensive analysis of five critical pillars: awareness and access to government schemes and support, finance and credit access, skilling and capacity building, market access and digital presence, and regulatory compliance. The research focuses on understanding operational realities across urban, rural, and peri-urban contexts to identify specific barriers and opportunities that shape business environments for India's smallest entrepreneurs.

Effort rather than being rigorous is to draw attention to what works so that we can draw learning and best practices around policy & institutional support, financial and market access that characterize the MNRE ecosystem in each state.

### **MNRE Ecosystems across Indian States**

The table below highlights key parameters of the **Micro & Nano Rural Enterprises (MNRE)** ecosystem in select Indian states. These include the prevalence of micro enterprises, policy/institutional support, special state schemes, access to finance, and market linkages/procurement initiatives.

Estimated Monthly Expenditure by Category

State	MNRE Prevalence	Policy & Institutional Support	Special State Schemes	Access to Finance	Market Linkages & Procure- ment
Uttar Pradesh	~go lakh MSMEs (micro/small units), ~14% of India's total – among the highest absolute numbers (though per-capita density is moderate given large population).	MSME policies with rural focus; District Industries Centres (DICs) act as onestop facilitation for micro enterprise clearances. Emphasis on One District One Product (ODOP) to promote local crafts/skills in each district.	CMEGP (State PMEGP variant): Launched a Chief Minister's Employment Generation Programme providing capital subsidy to new micro enterprises in rural areas (similar to PMEGP). ODOP Scheme: Flagship program identifying one key product per district for support (training, marketing, common facility centers, etc.).	High credit uptake: 2nd-highest Mudra loan disbursement (~₹3.14 lakh crore as of 2025) Wide network of rural banks and MFIs; state-tied up schemes with banks to ease collateral-free loans for ODOP artisans.	E-commerce & procurement: Partnered with Amazon to onboard local weavers, artisans and ODOP sellers onto online platforms. State follows 25% procurement mandate from MSMEs (aligned with central policy) – e.g. government departments encouraged to source local handicrafts, textiles, etc., boosting rural micro units.
West Bengal	~8g lakh MSMEs (*14% of India)- one of the highest densities of micro enterprises relative to population. Vibrant cottage industries in handicrafts, textiles, food processing across rural Bengal.	Dedicated MSME Department and policies; district-level Shilpa Sathi facilitation centers for small businesses. Focus on rural craft hubs (e.g. terracotta of Bankura, muslin of Murshidabad). Institutional support through Biswa Bangla marketing initiative to brand and market local artisan products.	Artisan Cluster Programs: Numerous state-funded cluster development schemes for handlooms, handicrafts (e.g. Rural Craft Hubs initiative). Youth/Women Enterprise Schemes: Programs like Karma Sathi for youth entrepreneurs provide subsidized loans; support for SHG-led micro units under Anandadhara (State Rural Livelihoods Mission).	Strong micro-credit ecosystem: Mudra loans ~₹2.82 lakh crore disbursed (4th highest) Thriving microfinance sector and cooperative banks ensure credit reach. State offers interest support for bank loans to handicraft and small-scale units; credit camps organized in rural areas.	Market integration: MoU with Amazon India (2023) to boost e-commerce exports and onboard Bengal's artisans/SMEs onto Amazon. Active participation in trade fairs - state subsidizes stalls for rural MSMEs at events like Bengal Biz Fair. Government procurement prefers local micro units; e.g. handloom uniforms, ICDS supplies sourced from women's SHGs, leveraging a ₹400+ cr annual budget for SHG procurement.

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Market linkages: State mandates 25% procurement from micro and small enterprises for all government departments (echoing central policy). Tamil Nadu also reimburses MSMEs for participating in trade fairs/expos – e.g. 50% stall rent subsidy (up to 77.5 lakhs) for MSME associations and financial assistance for international exposAdditionally, schemes through M-TIPB support marketing, and trade facilitation through events like Global Investors Meet include MSME product expos.	Market support: Supports "market days" and rural santhes (fairs) to connect micro producers with buyers. Though no formal 25% state procurement law until recently, many departments prioritize local products (e.g. procurement of millet-based foods from FPOs/SHGs for govt programs). Karnataka subsidizes MSME stalls at trade exhibitions (often covering up to 75% of costs) and facilitates B2B buyer-seller meets in sectors like handicrafts and horticulture. The state is also developing online marketplaces through partnerships (e.g. tie-ups with Flipkart's Samarth program for local artisans).
Leader in finance access: Tamil Nadu tops Mudra loan disbursal (~₹3.23 lakh crore) reflecting a thriving small-business credit culture. The state expands credit via TIIC and cooperative banks; ₹1,000 cr fund infused into TIIC for MSME lendingOffers interest subvention: e.g. 3% interest subsidy for micro units, and back-ended interest subsidies for timely loan repayment. Grievance redressal at district level ensures smooth loan and subsidy delivery	Financial ecosystem: Ranks 3rd in Mudra loans (~₹3.02 lakh cr) indicating strong credit flow to micro units. Widespread microfinance outreach (notably SKDRDP in rural areas). The state offers interest subsidies for tiny industries in backward taluks and has set up venture capital funds for rural innovations. Cooperative banks (e.g. Karnataka Vikas Grameena Bank) actively lend to cottage industries; loan melas and single-window credit approval for MSMEs are common.
State Micro-Enterprise Schemes: – UYEGP (Unemployed Youth Employment Generation Programme): subsidy-cum- loan program to help rural youth start micro units (covers up to 25% of project cost)— NEEDS (New Entrepreneur Cum Enterprise Development): offers 25% capital subsidy (up to ₹75 lakh) plus entrepreneurship training for educated youth— Capital Subsidies: 25% capital subsidy up to ₹1.5 crore for micro/manufacturing units, with additional subsidies for SC/ST, women, agro- industries, etc.	CMEGP (Chief Minister's Employment Generation Programme): State's own credit-linked subsidy scheme for rural unemployed youth to start micro-enterprises. Provides margin money subsidy (up to ~25–35% of project cost) similar to PMEGP, targeting thousands of village enterprises annually. Other schemes: Arivu (for artisan financing), Kayaka for women self-help groups, and specialized programs for SC/ST entrepreneurs (like 50% capital subsidy under SCP/TSP).
MSME Policy 2021: Comprehensive policy introduced a host of incentives for micro/nano units (capital subsidies, tax exemptions for nano units in backward blocks). District-level MSME facilitation offices (through DICs) serve as single-window supportStrong institutional framework: MSME Dept., TIIC (state finance corp) for MSME credit, and Entrepreneurship Development Institute (EDII) for training.	Progressive MSME policies with focus on rural industry (part of Industrial Policy). District Industries Centres provide handholding. Karnataka's Kaigarika Adalat and Udyami Aagu programs simplify regulatory hurdles and build capacity among small entrepreneurs.
~50 lakh MSMEs (3rd largest in India; ~8% of total) including a robust rural micro sector (coir, food processing, rural manufacturing). High penetration of non-farm micro units in villages.	~20-30 lakh estimated rural micro enterprises (exact count varies; significant presence in agri-processing, textiles, and village industries across Karnataka's districts). Notable for tech-enabled micro entrepreneurs in semi-urban areas as well.
Tamil Nadu	Karnataka

Linkages & procurement:  The state implemented a purchase preference for MSMEs in government buying (mirroring 25% rule). Notably, Maharashtra's departments hold district-level exhibitions to promote local ODOP products (e.g. Paithani sarees, Kolhapuri chappals). Through MSRLM, the state connects SHG products to markets – e.g. the Mahila Arthik Vikas Mahamandal helps SHGs sell products at fairs and on e-commerce. The state also subsidizes participation in international trade fairs (up to 100% subsidy for micro units on stall rent/airfare in some cases), encouraging rural artisans to tap export markets.	Innovative procurement: Odisha pioneered outsourcing ~{1000 crore of government supplies and services annually to SHG micro-enterprises. For example, women SHGs stitch preschool uniforms, manage mid-day meal kitchens, run PDS shops, procure paddy, etc., under formal contracts with 10 departmentsThis institutional buying guarantees market and income for rural nano businesses. The state also hosts SHG Trade Fairs and helps SHG products get GeM (Government e-Marketplace) listings. Additionally, Odisha's Bazaar on Wheels and e-commerce partnerships (e.g. Amazon Saheli) promote rural products beyond local markets.
Access to funds: Maharashtra has seen ~2.74 lakh cr Mudra loans (ranked 6th) Strong banking presence; the state gives interest- incentives (e.g. interest- free loans up to 72 L for micro food processing under central PMFME, supplemented by state assistance). Venture capital assistance is provided for micro food enterprises via MahaUdyog and SIDBI partnership. District cooperative banks and MAVIM (women coop) extend micro-credit deep into villages.	Easy finance: By covering interest costs, Odisha ensures SHGs pay 0% interest on bank loans up to ₹10 L- massively improving capital access for women entrepreneurs. State co-operative banks and regional rural banks and regional rural banks actively participate in Mission Shakti lending. There are also targeted credit-linked capital subsidy schemes (e.g. PMEGP top-up subsidy for SC/ST in Odisha). Overall credit uptake is growing; Odisha has disbursed ~₹1.15 lakh cr under Mudra (cumulative).
CMEGP (Mukhyamantri Rojgar Srijan Yojana): Launched in 2019 as a flagship to create to lakh jobs in 5 years by aiding new micro ventures. Offers up to ₹50 L loan for manufacturing and ₹10 L for services with subsidy, targeting first-generation entrepreneurs. Cluster schemes: e.g. support for Warli art clusters, coir units in Konkan. Women enterprise programs: Under MSRLM's "Lakhpati Didi" initiative, women SHGs get seed funds and training to start micro businesses (dairy, apparel, food products).	Women Entrepreneurship Schemes: Zero-Interest Loan Scheme under Mission Shakti provides interest-free credit to women SHGs – originally up to ₹3 L (2019), now extended to ₹10 L as of 2024. Over ₹40,000 crore in loans disbursed to SHGs in 2019–24 under this initiative Mukta scheme supports urban micro street vendors (mentioning to show breadth). The state also runs Odisha Youth Innovation Fund for rural startups and a Food Processing Fund for micro units in that sector.
No standalone "rural enterprise" policy, but MSME & New Industrial Policy include micro unit incentives (capital subsidy for weaker regions, electricity duty exemption, etc.). District MSME centres (under Udyog Mitra) help with clearances. The state leverages its extensive Maharashtra State Rural Livelihoods Mission (MSRLM) to promote nanoenterprises via women's SHGs.	Mission Shakti – a dedicated Department for Women's SHGs – drives rural enterprise promotion. Since 2001, Mission Shakti has functioned as a rural nano-enterprise mission, organizing women into SHGs and federations. Odisha also has an MSME Development Policy (2016) focusing on micro units (with provisions like marketing support and enterprise hubs). Institutional support via Odisha Livelihoods Mission and district-level Mission Shakti offices provides training, bank linkages, and product development help to SHG entrepreneurs.
~47 lakh MSMEs (estimated ~7% of India), with a large chunk in rural and semi-urban areas (food processing, small engineering, crafts). Vidarbha and Marathwada regions host many agro-based micro units.	*6 lakh women's SHGs act as micro-enterprise units (70 lakh women members statewide) indicating an extensive rural nano-business network (many engaged in weaving, food processing, trade). Additionally, ~17 lakh individual MSMEs in the state (mostly micro).
Maharashtra	Odisha

### **Ease of Doing Business Survey**

This survey examined the ease of doing business for such enterprises through a comprehensive analysis of five critical pillars: awareness and access to government schemes and support, finance and credit access, skilling and capacity building, market access and digital presence, and regulatory compliance. The research focuses on understanding operational realities across urban, rural, and peri-urban contexts to identify specific barriers and opportunities that shape business environments for India's smallest entrepreneurs.

The analysis of the study is based on primary survey data collected from 514 micro and nano enterprise owners operating across 14 states; as these are state level ecosystems we have taken the sample from both urban and rural areas. The sample includes enterprises from urban (26.65%), rural (60.70%), and peri-urban (12.65%) settlements, ensuring geographic diversity in understanding business environment conditions (refer table 2).

### **Key findings from Survey**

### 1. Enterprise Profile:

- Majority (71%) engaged in trading; services (15%) and manufacturing (13%) follow.
- Rural enterprises dominate the sample (61%), with urban (27%) and peri-urban (13%) representing smaller shares.
- Urban enterprises are younger (44% <5 years), while rural and peri-urban enterprises show longevity (43% peri-urban >20 years).

### 2. Formalization and Compliance:

- High informality in rural areas (78.85% unregistered) vs. urban areas (29.93% unregistered).
- Urban enterprises face stringent regulatory demands (35.77% needing approvals vs. 7.05% rural).
- Major compliance barriers include multiple office visits (60% of enterprises requiring licenses).

#### 3. Awareness and Utilization of Government Schemes:

- Higher scheme awareness in urban (82.48%) vs rural areas (59.94%).
- Significant utilization gap, especially in rural areas (only 25.67% applied).
- High success rates once schemes are accessed, notably higher in rural areas (75%).

### 4. Access to Finance:

- Urban enterprises rely heavily on banks (80%); rural firms frequently depend on microfinance, NBFCs, and SHGs.
- Loan application processes are challenging; informal costs and delays are common.

### 5. Market Access and Digital Presence:

- Predominantly local markets in rural and peri-urban areas (90%+).
- Urban businesses significantly utilize digital promotion (58%); minimal digital engagement in peri-urban regions.
- Barriers to market expansion include pricing pressure (60%+ respondents), lack of information, and logistics.

### 6. Skilling and Capacity Building:

 Higher skill development awareness and participation in urban and peri-urban areas; rural regions show low engagement.

### 7. Support Needs:

- Market access and networking cited as top priorities (approx. 70% across locations).
- Financial support is critical for rural enterprises; urban and peri-urban businesses emphasize skill development.

The study validates need for differentiated and targeted interventions for MNRE; across regulatory simplification, scheme accessibility, financial inclusion, and market connectivity is essential to fostering inclusive entrepreneurial growth

- Simplify regulatory and compliance processes to reduce complexity.
- Enhance access to government schemes through targeted awareness and simplification of application processes.
- Expand financial inclusion mechanisms and tailored financial products.
- Strengthen market connectivity and digital literacy, particularly in rural areas.
- Tailor skilling programs to meet local market demands and emerging business sectors.

### **Annexure A**

# Ease of Doing Business for Micro and Nano Enterprises: A Study Across India

The World Bank's Ease of Doing Business framework has established important global benchmarks for assessing regulatory environments that support business establishment and operations. Since its introduction in 2002, the framework has evaluated economies across indicators including, business registration procedures, permit acquisition, credit access, tax compliance, and contract enforcement mechanisms. While these comparative assessments provide valuable macro-level insights, understanding the specific operational challenges faced by India's smallest enterprises requires a more granular examination of their day-to-day business experiences.

Micro and nano enterprises, typically characterized by small turnovers and workforces of fewer than ten employees, represent a significant portion of India's entrepreneurial landscape. Many of these businesses operate with single or double-employee structures, facing distinct challenges that may not be fully captured in aggregate economic indicators. This study examines the ease of doing business for such enterprises through a comprehensive analysis of five critical pillars: awareness and access to government schemes and support, finance and credit access, skilling and capacity building, market access and digital presence, and regulatory compliance. The research focuses on understanding operational realities across urban, rural, and peri-urban contexts to identify specific barriers and opportunities that shape business environments for India's smallest entrepreneurs.

The analysis of the study is based on primary survey data collected from 514 micro and nano enterprise owners operating across 14 states (refer Table 1). The sample includes enterprises from urban (26.65%), rural (60.70%), and peri-urban (12.65%) settlements, ensuring geographic diversity in understanding business environment conditions (refer Table 2). Most of the enterprises surveyed were engaged in trading (71.21%), with service and manufacturing businesses comprising 15.37% and 13.42%, respectively (refer Table 3). Data collection was conducted through structured telephonic interviews using a comprehensive questionnaire designed to capture detailed business operational experiences across the analytical framework. The methodology emphasizes detailed examination of entrepreneurial experiences rather than comparative rankings, focusing on practical insights that can inform targeted policy interventions and business development support mechanisms for India's micro-enterprise sector.

The location-wise composition of businesses revealed clear sectoral patterns. Trading businesses dominate rural and peri-urban areas, accounting for over 70% of enterprises in these regions, whereas urban areas host a more balanced mix with shares of service (24.82%) and manufacturing (10.22%) firms (refer Table 3). The study shows that urban businesses tend to be younger, with nearly 44% operating for less than five years, indicating dynamic entrepreneurial activity. In contrast, rural and peri-urban businesses exhibit greater longevity, with a notably high proportion of peri-urban enterprises (43.08%) functioning for more than 20 years (refer Table 4).

In this study, it was observed that the formalization levels differ markedly by location. In rural areas, 78.85% of businesses remain unregistered, compared to only 29.93% in urban areas (refer Table 5). This might be due to the difference in compliance requirements across different settlement types. Among the respondents, urban entrepreneurs reported facing substantially higher regulatory demands compared to their rural counterparts. While only 15.95% of respondents overall require compliance or approval for their businesses, this proportion rises dramatically in urban areas to 35.77%, compared to just 7.05% in rural settings and 16.92% in peri-urban areas, highlighting the more stringent regulatory environment that characterizes urban business operations (refer Table 6). However, it must be noted that, across all locations, the approval process is perceived as a significant challenge, particularly due to multiple office visits, which was the major obstacle cited by nearly 60% of those requiring licenses, especially acute in urban settings (refer Table 7).

Awareness of government support schemes varied across locations as well. Urban and periurban respondents demonstrate higher awareness (approximately 82%), while rural awareness lags at about 60%. (refer Table 8). Despite widespread awareness of government business support schemes, a significant utilization gap persists, with 59.21% of aware respondents never having applied for government support. This knowledge-to-action gap varies considerably across settlement types, with rural enterprises showing the lowest application rates at 25.67% compared to 61.06% in urban areas and 50.94% in peri-urban settings (refer Table 9). However, among those who successfully applied for schemes, the majority across all settlement types received benefits, with rural areas actually demonstrating the highest success rate at 75% compared to 63.77% in urban areas (refer Table 10). This pattern suggests that while scheme implementation functions effectively across regions once accessed, systemic barriers in rural areas significantly hinder initial application processes, indicating that the primary challenge lies in facilitating access rather than scheme delivery mechanisms themselves.

Access to finance showed similar regional disparities. Urban businesses predominantly rely on bank loans, with over 80% utilizing banking institutions as their primary funding source. Conversely, rural enterprises more often turn into microfinance providers, non-banking financial companies (NBFCs), and self-help groups (SHGs) (refer Table 11). A significant portion of entrepreneurs report difficulty obtaining formal credit, reinforced by the fact that over half describe the loan application process as challenging or very challenging. Informal costs, such as agent fees, are a common and burdensome feature in urban and service-sector loan processes. Loan disbursal times typically range from one to three months, but delays extending beyond six months are not uncommon.

Market access mechanisms further reflect an urban-rural divide. Rural and peri-urban businesses heavily depend on local buyers, with over 90% selling locally and very limited use of fairs, exhibitions, or online platforms (refer Table 12). Digital promotion to reach new customers is predominantly an urban phenomenon, with nearly 58% of urban businesses employing tools like WhatsApp, Google, and social media, compared to negligible digital use in peri-urban areas (refer Table 13). Skill development, awareness and uptake similarly favor urban and peri-urban respondents, underscoring a need to expand such programs in rural regions where familiarity remains low.

When asked about barriers to market expansion, pricing pressure emerges as the most significant concern for over 60% of respondents, followed by lack of information and logistical challenges (refer table 14). Urban businesses are more likely to cite branding and digital skills as critical obstacles, while rural participants emphasize informational and supply chain difficulties. Competition stands out as the foremost overall problem, particularly within trading enterprises, affecting more than half of all respondents. Financial access and customer acquisition challenges also feature prominently, especially among manufacturers and urban firms.

In terms of support needs, market access and networking dominate entrepreneurs' priorities, requested by nearly 70% of participants across all locations (refer table 15). Skills development and financial assistance follow as important enablers for growth. Notably, urban and peri-urban businesses emphasize training and customer expansion, whereas rural enterprises prioritize financial support. Looking forward, respondents most commonly suggest that gaining more customers and reducing corruption would ease their business operations significantly.

Thus, this study reveals significant spatial disparities in business operations across India's diverse entrepreneurial landscape, with clear urban-rural divides affecting formalization, access to resources, and growth opportunities. While urban enterprises demonstrate higher formalization rates, superior access to formal financing, and greater adoption of digital marketing tools, they also face more stringent regulatory environments and complex compliance requirements. Rural businesses, though predominantly informal and heavily reliant on local markets, show remarkable resilience with many operating for decades, yet they struggle with limited awareness and utilization of government support schemes despite these programs showing consistent effectiveness once accessed. The findings highlight that barriers to business growth are often systemic rather than programmatic - from the cumbersome approval processes requiring multiple office visits to the persistent knowledgeto-action gap in scheme utilization, particularly acute in rural areas. Common challenges like pricing pressures affecting over 60% of respondents and competition, emerged as the foremost concern across all settlement types. This study indicates that sustainable business development requires differentiated approaches: simplifying regulatory processes in urban areas where complex compliance requirements pose significant barriers, while focusing on improving scheme accessibility, financial inclusion, market connectivity, and digital literacy in rural regions where these foundational gaps limit entrepreneurial growth. Ultimately, bridging these spatial divides through targeted interventions in market access, skills development, and streamlined support delivery mechanisms will be crucial for fostering inclusive entrepreneurial growth across India's varied business ecosystem.

Table 1: State wise Sample

State	Freq.	Percent
Uttar Pradesh	65	12.65
Bihar	40	7.78
Madhya Pradesh	47	9.14
Rajasthan	38	7.39
Jharkhand	20	3.89
Haryana	24	4.67
Punjab	29	5.64
Chhattisgarh	40	7.78
Himachal Pradesh	22	4.28
Maharashtra	40	7.78
Tamil Nadu	41	7.98
West Bengal	30	5.84
Telangana	40	7.78
Gujarat	38	7.39
Total	514	100

Table 2. Distribution of sample location

Туре	Freq.	Percent
Urban	137	26.65
Rural	312	60.7
Peri- urban	65	12.65
Total	514	100

Table 3: Distribution of Enterprise type by Rural/Urban location

Туре	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Manufacturing	10.22	14.42	15.38	13.42
Service	24.82	13.14	6.15	15.37
Trading	64.96	72.44	78.46	71.21
Total %	100	100	100	100
Total respondents	137	312	65	514

Table 4: What is the age of your business by location type

Age Category	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
1-5 yrs	43.8	24.68	9.23	27.82
6–10 yrs	11.68	31.41	29.23	25.88
11-20 yrs	19.71	25.64	18.46	23.15
Above 20 yrs	24.82	18.27	43.08	23.15
Total %	100	100	100	100
Total	137	312	65	514

Table 5: Distribution of enterprise formalization rate by location

	Formally Registered	No, not formally registered	Total  % of Frequency respondents	
	% of respondents	% of respondents		
Urban	70.07	29.93	100	137
Rural	21.15	78.85	100	312
Peri-urban	29.23	70.77	100	65
Total	35.21	64.79	100	514

Table 6: Requirement of compliance/approval for running business by location

	Urban % of respondents	Rural % of respondents	Peri-urban % of respondents	Total % of respondents
Yes	35.77	7.05	16.92	15.95
No	64.23	92.95	83.08	84.05
Total %	100	100	100	100
Total	137	312	65	514

Table7: What was the biggest challenge during the approval process by location

Туре	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Too many documents	2.04	9.09	9.09	4.88
Multiple office visits	79.59	40.91	9.09	59.76
Unclear requirements	8.16	0	27.27	8.54
Delays	10.2	36.36	36.36	20.73
Corruption	0	13.64	18.18	6.1
Total %	100	100	100	100
Total	49	22	11	82

Note: Respondents for the above table were those who took loan

Table 8: Awareness of government schemes which support business by location type

Туре	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Aware	82.48	59.94	81.54	82.48
Not aware	17.52	40.06	18.46	17.52
Total %	100	100	100	100
Total	137	312	65	514

Table 9: Utilization of government's scheme by those who are aware by location type  $\frac{1}{2}$ 

Туре	Urban % of respondents	Rural % of respondents	Peri-urban % of respondents	Total % of respondents
Applied for govt. schemes	61.06	25.67	50.94	40.79
Never applied	38.94	74.33	49.06	59.21
Total %	100	100	100	100
Total	113	187	53	353

\*Note: Respondents for the above table were those who were aware about schemes

Table 10: Reception of government's scheme benefits by location type

Туре	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Applied – received benefits	63.77	75	66.67	68.06
Applied – did not receive benefits	36.23	25	33.33	31.94
Total %	100	100	100	100
Total	137	312	65	514

 $<sup>{}^*\!</sup>Note$  : Respondents for the above table were those who applied for govt. schemes.

Table 11: Source of financing for business by location

	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Bank	82.67	62.16	65.63	71.27
NBFC	8	12.16	25	12.71
Micro-finance	66.67	40.54	50	53.04
Government schemes	53.33	25.68	31.25	38.12
SHG	13.33	18.92	12.5	15.47
Informal money lender	0	4.05	0	1.66
Friends and/or family	2.67	8.11	9.38	6.08
Total	75	74	32	181

Table 12: Selling channels of business by location

Туре	Urban	Rural	Peri-urban	Total
	% of respondents	% of respondents	% of respondents	% of respondents
Local buyers	78.1	91.67	96.92	88.72
Orders	62.04	28.85	32.31	38.13
Fairs/exhibitions	13.87	7.05	9.23	9.14
Online	15.33	8.97	1.54	9.73
Others (please specify)	1.46	0.64	0	0.78
Total	137	312	65	514

Note: The above table represents a multiple response question, where respondents were allowed to select more than one option.

Table 13: Usage of digital promotion for accessing new markets by location

Location	Used digital promotion	Did not use digital promotion	Total
	% of respondents	% of respondents	% of respondents
Urban	57.65	20.51	26.65
Rural	41.18	64.57	60.7
Peri-urban	1.18	14.92	12.65
Total	85	429	514

Table 14: Main barriers to expanding market by location

Туре	Urban % of respondents	Rural % of respondents	Peri-urban % of respondents	Total % of respondents
Lack of information	29.2	31.73	41.54	32.3
Pricing	65.69	60.58	55.38	61.28
Logistics	24.82	25.96	40	27.43
Branding	34.31	23.72	38.46	28.4
Digital skills	26.28	28.85	35.38	28.99
Others (please specify)	8.76	12.82	0	10.12
Total	137	312	65	514

Note: The above table represents a multiple response question, where respondents were allowed to select more than one option.

Table 15: Most important support required for growth and expansion by location

Туре	Urban	Rural	Peri-urban	Total
	% of	% of respondents	% of respondents	% of respondents
Financial Support (Access to loans, grants, investment, or funding)	15.33	22.12	27.69	21.01
Skills Development & Training (Technical training, business skills, workforce development)	56.93	20.83	41.54	33.07
Market Access & Networking (New customer connections, trade opportunities, business networks)	70.8	70.51	61.54	69.46
Technology & Digital Support (Digital tools, online presence, automation, IT infrastructure)	21.17	17.63	16.92	18.48
Regulatory & Compliance Assistance (Help with licenses, permits, legal requirements, tax guidance)	11.68	15.71	16.92	14.79
Business Advisory & Mentoring (Strategic guidance, business planning, expert consultation)	20.44	31.41	35.38	28.99
Marketing & Branding Support (Promotional assistance, advertising, brand development)	9.49	9.62	18.46	10.7

Infrastructure Support (Physical infrastructure, utilities, workspace, equipment)	10.22	11.22	23.08	12.45
Supply Chain & Logistics (Supplier connections, distribution channels, inventory management)	15.33	7.37	18.46	10.89
No support required	5.11	4.49	1.54	4.28
Others (Please specify)	0	0.32	0	0.19
Total (%)	100	100	100	100
Total	137	312	65	514

Note: The above table represents a multiple response question, where respondents were allowed to select more than one option

### **Annexure B**

### Introduction

This document assembles a one-stop repository of state-wise, publicly sourced indicators drawn from ASUSE, PLFS, Udyam, MoSPI, CMIE, HSIE and other official portals.

### Each section includes:

- 1. Rationale (academic third-person justification)
- 2. Narrative Summary (concise interpretation)
- 3. State-wise Table(s) (latest data)
- 4. Source Citation (full hyperlink in academic style)

### Section 1: Rural Purchasing Power (MPCE)

### Rationale:

Monthly Per Capita Consumption Expenditure indicates rural demand potential, guiding MSME prioritization.

### Narrative:

High MPCE in Kerala (₹6,611) and Haryana (₹5,377) signals robust markets for rural enterprises; lower MPCE in Jharkhand (₹2,946) and Chhattisgarh (₹2,739) suggests limited purchasing power.

Table 1.1: Rural MPCE by State, 2023-24

State/UT	Rural MPCE (₹)
Andhra Pradesh	5,327
Assam	3.793
Bihar	3,670
Chhattisgarh	2,739
Gujarat	4,116
Haryana	5.377
Jharkhand	2,946
Karnataka	4.903
Kerala	6,611
Madhya Pradesh	3,441
Maharashtra	4,145
Odisha	3,357

Punjab	5,817
Rajasthan	4,510
Tamil Nadu	5,701
Telangana	5,435
Uttar Pradesh	3,481
West Bengal	3,620
All-India Avg.	4,122

Source: MoSPI. (2025). Household Consumption Expenditure Survey 2023–24. Government of India. Available: https://www.mospi.gov.in/documents/213904/0/SHCE\_Report\_2023\_24.pdf

### Section 2: Enterprise Formalization (OAEs vs. HWEs)

### Rationale:

The OAE/HWE ratio reflects formal employment and scalability of rural non-farm enterprises.

### Narrative:

Only 15% of rural establishments employ hired workers; marginally higher HWE shares in states like Kerala (~18%) indicate better formalization.

Table 2.1: Share of Rural Establishments by Type, 2023–24

Category	Share (%)
OAEs	85.0
HWEs	15.0

Source: MoSPI. (2025). Annual Survey of Unincorporated Sector Enterprises 2023–24 Press Note. Available: https://www.mospi.gov.in/documents/213904/0/PressNote\_ASE\_2023\_24.pdf

### Section 3: Labour-Market Engagement (PLFS)

#### Rationale:

LFPR, WPR, and UR gauge workforce availability and underemployment.

### Narrative:

Rural LFPR of 46.8% and WPR of 45.6% indicate substantial engagement; UR of 2.5% reflects residual unemployment. Female LFPR soared from 24.6% (2017–18) to 47.6% (2023–24), expanding the MSME labour pool.

Table 3.1: Key Rural Labour Indicators, 2023-24

Indicator	Value (%)
LFPR	46.8
WPR	45.6
UR	2.5

Table 3.2: Rural Female LFPR Trend

Year	Female LFPR (%)
2017–18	24.6
2023-24	47.6

Source: NSO. (2025). Periodic Labour Force Survey Annual Report 2023–24.

Available: https://www.mospi.gov.in/documents/213904/0/PLFS\_Annual\_Report\_2023\_24.pdf

### Section 4: Formal MSME Registrations (Udyam)

### Rationale:

Udyam registrations quantify formal sector uptake among micro, small, and medium enterprises.

### Narrative:

Maharashtra (5.72 million micro-enterprises) and Uttar Pradesh (3.58 million) lead in registrations; small and medium segments remain minor shares, indicating scope to grow higher-value MSMFs.

Table 4.1: MSME Registrations by Category, July 2025

State/UT	Micro	Small	Medium	Total MSMEs
Andhra Pradesh	15,81,465	16,339	934	32,64,010
Bihar	14,86,735	11,520	550	34,66,697
Maharashtra	57,23,666	72,067	6,610	83,05,005
Tamil Nadu	33,95,975	38,305	2,690	51,33,031
Uttar Pradesh	35,84,953	38,524	2,445	68,11,016
West Bengal	16,07,762	23,069	1,667	44,47,799
All-India	3,60,61,499	4,72,584	35,236	6,34,59,924

Source: Ministry of MSME. (2025). Udyam Registration State-wise Data. Available: https://udyamregistration.gov.in/Udyam\_Statewise\_Registration.aspx

### Section 5: Irrigation Infrastructure (PDMC)

### Rationale:

Micro-irrigation under the PDMC scheme boosts agricultural productivity, generating surplus income and releasing labour for MSMEs.

### Narrative:

Karnataka leads with 1.33 million ha under micro-irrigation; stronger irrigation correlates with non-farm diversification.

Table 5.1: Cumulative PDMC Coverage, FY 2019-24

State/UT	Area (ha)
Karnataka	13,30,709
Tamil Nadu	7,79,847
Gujarat	5,24,382
Maharashtra	3,09,479
Uttar Pradesh	2,75,775
All-India	53,68,757

Source: Ministry of Agriculture & Farmers Welfare. (2024). Rajya Sabha Unstarred Question No. 2899 Annexure. Available: https://pqars.nic.in/annex/263/AU2899.pdf

### Section 6: Rural Economic Composition (GVA Shifts)

### Rationale:

Shifts from agriculture to non-farm sectors underlie rural diversification and MSME growth.

### Narrative:

Agriculture's share of rural GVA fell from ~60% in the 1990s to ~40% in 2023–24, while non-farm sectors rose to ~60%. Concentration of 308 rural districts across nine states accounts for 70% of rural GDP, highlighting regional hubs.

Table 6.1: Rural GVA Composition, 1990s vs. 2023-24

Sector	1990s (%)	2023–24 (%)
Agriculture	~60	~40
Non-farm	~40	~60

Source: HSIE Research & CMIE. (2025). Rural Economy Report.

Available: https://www.hdfcsec.com/Research/ReportDetails.aspx?report\_id=95955021-88a2-4b61-b7df-edda5fbd4ea5

## Section 7: Combined LFPR & GVA-Manufacturing Shares by State

### Rationale:

State-level LFPR alongside manufacturing's share of rural GVA reveals workforce engagement and sectoral growth potential.

### Narrative:

High LFPR in Meghalaya (76.1%) and Nagaland (71.8%) contrasts with lower rates in Uttar Pradesh (52.2%). Tamil Nadu (34%) and Karnataka (31%) lead in manufacturing's rural GVA share, guiding state-specific MSME strategies.

Table 7.1: Rural+Urban LFPR by State, July 2023-June 2024

State/UT	LFPR (%)
Andhra Pradesh	57.0
Arunachal Pradesh	72.2
Assam	63.8
Bihar	51.2
Chhattisgarh	63.9
Delhi	46.3
Goa	50.6
Gujarat	62.1
Haryana	48.1
Himachal Pradesh	69.2
Jharkhand	54.1
Karnataka	55.1
Kerala	50.9
Madhya Pradesh	61.2
Maharashtra	57.5
Manipur	58.5
Meghalaya	76.1
Mizoram	54.3
Nagaland	71.8
Odisha	58.5
Punjab	54.6
Rajasthan	59.0
Sikkim	74.7
Tamil Nadu	55.8

Telangana	59.9
Tripura	61.3
Uttarakhand	55.0
Uttar Pradesh	52.2
West Bengal	58.2

Source: NSO. (2025). PLFS Annual Report 2023–24. Available: https://www.mospi.gov.in/documents/213904/0/PLFS\_Annual\_Report\_2023\_24.pdf

Table 7.2: Manufacturing Share of Rural GVA by State, FY 2021-22

State	Manufacturing (% of Rural GVA)		
Andhra Pradesh	20		
Karnataka	31		
Tamil Nadu	34		
Maharashtra	33		
Uttar Pradesh	28		
All-India Avg.	27		

Source: CMIE. (2022). Rural Sector GVA Database. Available: https://www.cmie.com/home/index.php



### **Transform Rural India**

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