

MSMES AND RURAL ENTREPRENEURSHIP AS ENGINES OF INCLUSIVE GROWTH AND EMPLOYMENT IN INDIA

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Article Info	ABSTRACT
Article History: Received: 31st Dec 2025 Accepted: 15th Jan 2026 Published: 22nd Jan 2026 Keywords: <i>MSMEs, Rural Entrepreneurship, Inclusive Growth, Employment Generation, Economic Development</i>	The Indian economy is still facing problems when it comes to making sure everyone benefits from growth and getting people jobs especially in rural areas and small towns. Small businesses and people starting their businesses in rural areas are really important for making the economy work better for everyone. They create jobs reduce differences between poor areas and help people be independent. Small businesses do a lot for the country's industry, exports and helping people make a living. They do not need a lot of money to start. When people in areas start their own businesses using local resources and skills it helps the local economy and means fewer people have to move to big cities to find work. Small businesses and rural entrepreneurship are crucial, for the economy. The secondary data used in this descriptive paper came from government reports, research studies, and policy documents. The study looks at how MSMEs and rural entrepreneurship contribute to inclusive growth and job creation in India, evaluates the effects of government programs like Make in India, Start-up India, and Skill India, and identifies the main issues the industry faces. Suggestions for bolstering MSMEs and rural businesses for inclusive and sustainable development are included in the paper's conclusion.

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1. Introduction

India's significant economic growth faces challenges like unemployment, rural poverty, and inequality, making inclusive growth (growth benefiting all) a key policy goal, with MSMEs and rural entrepreneurship crucial for bridging this gap by creating jobs, utilizing local resources, and fostering innovation, thereby driving income generation and sustainable livelihoods across society. These enterprises act as vital engines for equitable development, addressing disparities often missed by broad economic expansion, especially in rural areas. Additionally, because of their widespread presence and labour-intensive nature, MSMEs are in a unique position to deliver social equity, regional balance, and improved quality of life—all of which are necessary for inclusive growth. MSMEs (Micro, Small, and Medium Enterprises) and rural entrepreneurship are crucial engines for India's inclusive growth and employment by creating vast job opportunities, especially in rural areas, reducing poverty and migration, fostering women's empowerment, and supporting economic diversification away from agriculture, making them fundamental to equitable national development and self-reliance. They achieve this by providing livelihoods at low capital costs, supporting local economies, and integrating traditional crafts into modern markets, all while contributing significantly to GDP, manufacturing, and exports. Rural and micro businesses now have more market access thanks to the increasing use of digital platforms and e-commerce, which allows them to compete on a global scale. For India to achieve long-term inclusive growth, job security, and balanced national development, MSMEs and rural entrepreneurship must continue to be strengthened.

In fact, MSMEs continue to be the backbone of the Indian economy and one of the main sources of entrepreneurial spirit. They are a perfect representation of India's past and its ambitious futuristic economy driven by innovation, be it the traditional crafts or high, tech companies in the defense and engineering sectors. Hence, enhancing the competitiveness of MSMEs by tackling the issues they are facing is a matter of great importance. This will not only help to maintain growth but also to incubate innovation and make sure that this sector will be the one to keep leading economic development that is both strong and inclusive.

2. Objectives of the Study

The objectives of the study are as follows:

1. To examine the role of MSMEs in promoting inclusive economic growth in India.
2. To analyse the contribution of rural entrepreneurship to employment generation.
3. To study the impact of government initiatives supporting MSMEs and rural enterprises.
4. To identify major challenges faced by MSMEs and rural entrepreneurs.
5. To suggest measures for strengthening MSMEs and rural entrepreneurship.

3. Research Methodology

The present study is descriptive and analytical in nature and is based entirely on secondary data. Data has been collected from:

- Ministry of MSME reports
- Economic Survey of India
- RBI, NABARD, and NITI Aayog publications
- Research Journals, books, and conference papers

4. MSMEs and Rural Entrepreneurship: Conceptual Framework

The linkage between MSMEs and Rural Entrepreneurship is mutualistic. On one side, rural entrepreneurship stands for the entrepreneurial spirit to initiate businesses outside urban areas, while MSMEs form the backbone to sustain such businesses.

- **Resource Optimization:** "Rural entrepreneurship involves identifying idle resources in the area, such as seasonal labor or farm wastes, and giving them value through MSME," which provides the necessary technology and credit.
- **Skill Transformation:** It involves the enhancement of old ancestral skills (weaving, pottery, etc.) into a modern micro-business capable of competing in a multinational setting.
- **Value Chain Integration:** MSMEs operating in rural areas essentially work as an interface that connects the 'Farm' to the 'Market' via units for processing and packing units.

5. Role of MSMEs AND Rural Entrepreneurship in Inclusive Growth

MSMEs enhance the country's potential for export and promote trade and export potential on an international level. They enhance entrepreneurship and innovation and thereby increase competition and productivities on an overall level of the economy. MSME is a thriving sector with the proper efforts of the Indian government, making a major contribution to the country's GDP. Although MSMEs are described as the "Backbone of the Economy," adding substantially to the GDP, employment, and export of India, there are a number of critical challenges currently being faced by MSMEs as of the year 2026. This would largely include finance, regulatory compliances, a slow acceptance of new technology, as well as a lack of skills in their human resource.

5.1 Key Roles in Inclusive Growth:

1. Employment Generation & Reduction of Poverty: MSMEs can generate employment on a massive scale, particularly in the rural sector, with less capital outlay, thereby absorbing the non-farm workforce from agriculture.

2. Rural Development: They promote development in backward areas by industrially developing them, thereby allowing economic decentralization and development of infrastructure such as roads and power.

3. Empowerment: The company offers business opportunities for women, youth, and marginalized groups in society like women SHGs in Dairy and Textiles. **4. Migration:** These initiatives enable them to control the migration pattern at a smaller scale since they are able to offer opportunities at a local level, thereby ensuring that the flow of people towards the already

5. Economic Diversification: The activities they carry out create non-farm employment opportunities in areas such as food processing, handicrafts, and web-related services, and hence improve the resilience of the

6. Innovation & Local Resources: It is localized, using only local resources and technologies; hence it is an example of innovative resource utilization.

6. Government Initiatives supporting MSMEs and Rural Entrepreneurship

6.1 Make in India:

Objective: aims to make the country a global manufacturing hub by encouraging investment and ensuring the country's infrastructure.

MSME Support: it is about providing a supportive business environment that will facilitate the growth and development of MSMEs.

6.2 Startup India

Objective: To cultivate a robust innovation and entrepreneurship ecosystem.

Support for MSMEs/Rural Startups: Provides tax exemption, finance (Fund of Funds), incubation support, fast tracking for patent registration, and simplified compliance (self-certification).

6.3 Skill India Mission

Objective: Improve employability and entrepreneur opportunities through vocational training.

Support for MSMEs: Directly helps in growing MSMEs by developing a skilled labor force through initiatives such as PMKVY (Pradhan Mantri Kaushal Vikas Yojana).

6.4. Financial & Institutional Support

Institutions: The credits flowing from institutions like SIDBI (Small Industries Development Bank of India) and NABARD (National Bank for Agriculture and Rural Development) provide this mode of finance to.

7. Challenges Faced by MSMEs and Rural Entrepreneurs

1. Credit and finance-not easily accessible: Small businesses lack access to credit due to strict collateral requirements and lack of credit history, which results in small businesses seeking non-expensive sources

when it comes to finance, limiting investment in technological advancements.

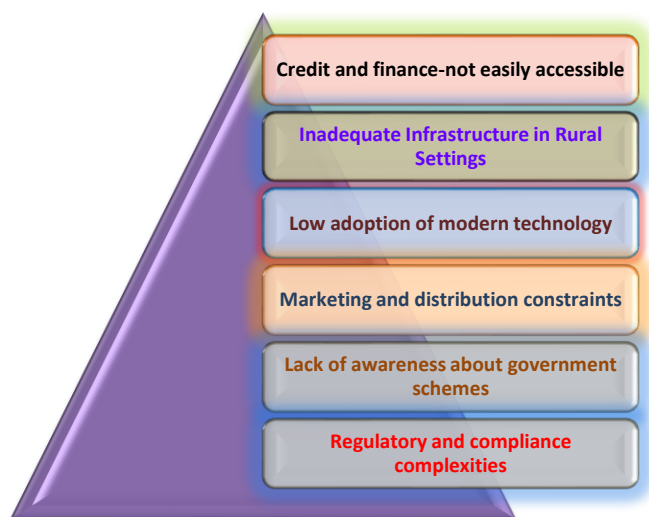
2. Inadequate Infrastructure in Rural Settings: A lack of essential infrastructure such as power supply, transport networks, and communication networks can increase the cost of operations and can be productive for companies in rural settings.

3. Low adoption of modern technology: MSMEs tend to employ old machinery and manufacturing processes, not only because they cannot afford them, but they also opposed adopting new changes and thus affect their efficiency and effectiveness in the digital age.

4. Marketing and distribution constraints: Most of these Small enterprises face severe constraints in terms of small marketing budgets, poor branding, and, hence, insignificant access to more extensive domestic and international markets. They have insufficient resources and capabilities to design and develop effective marketing strategies and distribution channels to compete with other larger corporations.

5. Lack of awareness about government schemes: In spite of so many schemes and support programs from the government, many entrepreneurs, particularly rural ones, are unaware of the benefits, subsidies, and assistance programs devised to assist them, thus thwarting the possibility of their leveraging this support.

6. Regulatory and compliance complexities: A large number of laws, tax regulations, such as GST, and labor norms make the administrative and financial burden on MSMEs very heavy. Time and resources used up in complying with these bureaucratic procedures divert attention from core business operations.



8. Suggestions and Recommendations

1. Access to Credit: Increase formal credit reach, as currently, only 2.5 crore units have accessed institutional loans.

2. Rural Infrastructure: Strengthen "last-mile" connectivity and stable power in rural clusters.

3. Technology Uptake: Provide subsidies for AI and digital tool adoption among micro-firms.

4. Public Awareness: Bridge the gap where 73% of MSMEs are still unaware of specific government credit schemes.

5. PPP Partnerships: Facilitate private sector mentorship to help rural startups scale.

9. Conclusion:

This analysis throws light upon how MSMEs and rural entrepreneurial endeavors are the backbone for "Viksit Bharat 2047." In 2026, the sector acts as an important connecting link between wealth generation in urban areas and rural possibilities in the form of several key transitions:

1. Social Equity: MSMEs create jobs in excess of 32 crores with low capital outlay and empower women and the marginal sections.

2. Formalization: The over 7.4 crore units that are now registered through Udyam Registration are experiencing the benefits of a formal economy that provides access to institutional credit and international markets.

3. Digital Integration: Through platforms such as the Open Network for Digital Commerce (ONDC) or

Government e-Marketplace (GeM), digital integration has ensured that the same opportunities can be availed of in both rural as well as metropolitan areas.

4. Future Priorities: "To avoid talking about a 'dual-speed economy,' the focus should be on filling the credit deficit of Rs.30 lakh crores and utilizing government schemes such as PM Vishwakarma to bring technological progress to far-flung micro-enterprises," according to the report.

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