2

INDIA'S RURAL MSME SECTOR: AN ENGINE OF INCLUSIVE GROWTH

"The MSME sector is the backbone of India's manufacturing and industrial growth. MSMEs play a transformative role in the economic growth of our country. We are committed to nurturing and strengthening this sector."

– Hon'ble Prime Minister Narendra Modi

2.1 INTRODUCTION

The micro, small, and medium enterprises (MSME) sector has long been the backbone of India's economy. With 6.5 crore MSMEs registered on the Udyam Registration Portal including Udyam Assist Platform (UAP), employing over 28 crore individuals,[1] the sector contributes substantially to the nation's economic output—accounting for 30.1% of gross domestic product,[2] 35.4% of manufacturing output,[3] and 45.7% of export earnings.[4] These figures underscore the sector's critical role in advancing India's ambition to become a global manufacturing hub.

Though 6.5 crore MSMEs were registered on the Udyam Portal including UAP as of June 2025, this does not indicate full formalisation of the sector. A substantial proportion of enterprises—particularly in rural areas—continues to operate informally. It is estimated that over 7.3 crore unincorporated non-agricultural establishments are engaged in manufacturing, trade, and other services (excluding construction), underscoring the extensive informal character of the sector.[5]

Within this broader landscape, rural MSMEs hold distinct relevance due to their grassroots presence and developmental impact. They are deeply embedded in India's cultural, artisanal, agricultural, and socio-economic fabric, enabling decentralised industrialisation and sustaining livelihoods in villages and peri-urban regions. Rural MSMEs are diverse in form and function—ranging from handloom cooperatives and agro-processing units to repair shops and cottage industries. These enterprises help reduce the rural-urban divide, discourage distress migration, and build resilient local economies. Importantly, rural MSMEs also serve as platforms for gender empowerment and community-based entrepreneurship, providing livelihoods to marginalised groups, including Scheduled Castes (SC), Scheduled Tribes (ST), and women.

Despite their growing significance to the economy, rural MSMEs face multiple constraints that hinder their scalability, competitiveness, and integration into broader markets.[6] These include inadequate access to finance, weak infrastructure, low technological penetration, and poor market linkages. Moreover, issues such as informality, skill gaps, and regulatory burdens further marginalise these businesses.

This chapter seeks to offer a comprehensive understanding of rural MSMEs in India, exploring their sectoral characteristics, challenges, policy context, and future opportunities. A special emphasis is placed on the role of NABARD—India's apex development finance institution in supporting rural MSMEs and empowering rural communities. NABARD has emerged as a vital enabler for rural MSMEs through its credit interventions, capacity-building efforts, and institutional partnerships. As India envisions a Viksit Bharat (developed India), the strategic strengthening of rural MSMEs will be critical for inclusive, sustainable, and decentralised economic transformation.

2.2 DEFINITION OF MSMEs IN INDIA

Given the wide diversity in terms of size, capital base, and operations of MSMEs, a clear classification framework was essential to distinguish them from large-scale industries. The MSME Development Act, 2006 marked a paradigm shift by including the services sector within the MSME definition and extending coverage to medium enterprises through a composite classification norm based on investment and turnover.

To align with the evolving economic landscape and enhance MSMEs' access to capital, technology, and scale, the Ministry of MSME revised the investment and turnover thresholds in the Union Budget 2025–26, with effect from 1 April 2025 (Table 2.1).

Table 2.1: Definition of MSMEs in India

Category	*Investment limit*	*Turnover limit*
Micro	Up to ₹2.5 crore	Up to ₹10 crore
Small	Up to ₹25 crore	Up to ₹100 crore
Medium	Up to ₹125 crore	Up to ₹500 crore

MSMEs = Micro, Small, and Medium Enterprises.
Source: GOI (2025), Notification on MSME-related provisions, Ministry of Micro, Small and Medium Enterprises, Government of India, 21 March. https://www.dcmsme.gov.in/Notification-S.O-no-1364-E-dated-21.03.2025-Revised-Definition.pdf.

The revised classification norm is applied uniformly across all enterprises, encompassing both the manufacturing and services sector. This revision is intended to support MSMEs in scaling up their operations, adopting advanced technologies, and enhancing access to capital. It is also expected to strengthen their growth potential and generate greater employment opportunities for the youth.

2.3 RURAL MSMEs OF INDIA

2.3.1 Rural–urban distribution

While MSMEs are prevalent across the country, a sharp distinction exists between rural and urban enterprises. About 54% of the 734 lakh "unincorporated manufacturing, trade and other services sector enterprises" operate in rural areas in agriculture-linked sectors like agro-processing, dairy, handlooms, and crafts (Table 2.2). These enterprises are more likely to be micro in scale, informal in structure, and owned by women or self-help group (SHG) members.

Table 2.2: Distribution of MSMEs by category in rural and urban areas (number in lakh)

Sector	*Micro*	*Small*	*Medium*	*Total*	*Share (%)*
Rural	397.2	0.3	0.01	397.5	54.2
Urban	335.5	1.0	0.03	336.5	45.8
All	732.6	1.3	0.04	734.0	100.0

MSMEs = Micro, Small, and Medium Enterprises.
Source: The National Sample Survey Office, 73rd Round, "Unincorporated Non-Agricultural Enterprises", 2015–16 (latest full round), data as quoted in MOSPI (2024), *Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023–24*, Ministry of Statistics and Programme Implementation, Government of India, October 2023–September 2024. https://www.mospi.gov.in/sites/default/files/publication_reports/ASUSE_2023_24_Full_Report-L.pdf.

2.3.2 Characteristics of rural MSMEs

Sectoral profile of rural MSMEs

Rural MSMEs operate across a range of sectors, often leveraging agricultural linkages, local skills, and natural resources. Some of the dominant sectors include:

- **Agro-processing**: Enterprises involved in processing of grains, pulses, dairy, spices, pickles, and forest produce. These are especially prominent in Maharashtra, Punjab, Madhya Pradesh, and Tamil Nadu.

- **Handlooms and handicrafts**: Clusters producing textiles, bamboo products, pottery, leather goods, and metal crafts—prevalent in states like Odisha, Assam, West Bengal, and Uttar Pradesh.
- **Food and beverages**: Household-scale production of pickles, snacks, jams, jaggery, traditional sweets, and packaged foods with local branding.
- **Animal husbandry and allied activities**: Dairy, poultry, goat rearing, and fisheries-based enterprises, often supported by SHGs and cooperatives.
- **Rural services**: Enterprises offering services such as mobile repair, tailoring, hairdressing, transportation, and hospitality in small towns and growth centres.

Size, scale, and ownership

- **Size and informality**: The vast majority of rural MSMEs are micro in size, often employing fewer than five workers. Many are informal, operating without Udyam registration or GST numbers. As per the UDYAM Portal, micro enterprises account for over 99% of the total registered enterprises, while small and medium enterprises together constitute less than 1%.
- **Ownership structure**:
    - **Proprietary and family-owned**: The dominant form of ownership, particularly in food processing, local services, and retail trade.
    - **Self-help groups**: Women-led groups engaged in collective enterprise such as food processing, tailoring, or soap making, often under NABARD-supported schemes.
    - **Cooperatives**: Particularly active in dairy (e.g., Gujarat, Karnataka), handlooms (e.g., Tamil Nadu, Kerala), and tribal forest produce (e.g., Chhattisgarh, Jharkhand).
    - **Farmer producer organisations**: Emerging form of collective enterprise focused on agri-processing, storage, and marketing.

Unique operational characteristics

- **Resource-based enterprises**: Most rural MSMEs are tied to local agricultural cycles or forest produce availability.
- **Seasonality**: Many rural enterprises are seasonal in nature, such as those dependent on harvest cycles or festive demand.
- **Low technological intensity**: While access to smartphones and digital payments has improved, most rural MSMEs use basic tools and have low mechanisation levels.
- **Proximity to markets**: Rural MSMEs tend to cater to local or nearby markets due to transportation and distribution constraints. Exceptions exist where NABARD or state schemes have enabled wider market reach.

2.3.3 Economic and social importance of rural MSMEs

Rural employment, livelihood diversification, poverty alleviation, and economic resilience

Rural MSMEs play a pivotal role in India's non-farm employment landscape by absorbing surplus labour from agriculture, especially in regions with low productivity and small landholdings. They offer diversified livelihood opportunities across dairy, poultry, aquaculture, grain milling, tailoring, woodworking, food processing, and textile sectors. With a rural worker–population ratio of 61.4% (versus 49.6% urban), these enterprises are key to retaining labour in the rural economy.[7]

Many rural MSMEs are SHG-led and operate as home-based, seasonal, or part-time ventures. These provide meaningful economic avenues for women and disadvantaged communities. Approximately 22% of rural MSMEs are women-owned,[8] with active participation in sectors such as dairy, weaving, tailoring, and food-based enterprises. At the national level, 26.2% of unincorporated establishments are headed by female proprietors, with an even higher share of 58.4% in the unincorporated manufacturing sector.[9] Youth engagement is also growing, particularly in digital services, electronics repair, and transportation.

Initiatives like NABARD's Micro Enterprise Development Programme, Livelihood and Enterprise Development Programme, and GOI's National Rural Livelihoods Mission (NRLM), which focus on building skills and enterprise capacity among SHG members, have transformed women's SHGs into vibrant economic units across states such as Tamil Nadu, Kerala, and Chhattisgarh. Earnings from these enterprises are frequently reinvested in household welfare, thereby improving health, education, and nutrition outcomes. In many districts, rural MSMEs have helped curb distress migration by offering local, year-round employment, for example, in handloom clusters in Assam and food-processing units in Maharashtra.

Rural MSMEs contribute significantly to poverty reduction, even when operating on thin margins. The income generated often supports health, education, and social mobility, thereby contributing to multi-dimensional poverty alleviation.

Retention of traditional skills and local identity

In addition to their economic contributions, rural MSMEs safeguard traditional skills and cultural identity. Artisanal clusters engaged in bamboo craft, handloom weaving, pottery, and tribal artwork serve not only as income-generating enterprises but also as custodians of community heritage.

With institutional support from NABARD and other agencies, these clusters are being revitalised through branding, geographical indication (GI) tagging, and market exposure via trade fairs. These efforts enhance rural incomes while strengthening India's cultural economy and soft power.

2.3.4 Challenges faced by rural MSMEs

Limited access to finance

Access to affordable and timely finance remains the foremost constraint for rural MSMEs.

- The credit gap for rural MSMEs is estimated at 32%, with women-led MSMEs facing an even higher gap of 35%, compared to 20% for male-led enterprises. To bridge this gap, a larger proportion of women rely on informal sources of credit.[10]
- Many rural enterprises do not meet the formal lending criteria due to lack of collateral, credit history, or registration documents.
- Even when credit is available, it is often short-term, underfinanced, or linked to consumption rather than productive needs.
- Consequently, a large segment continues to rely on informal lenders, which leads to high interest burdens and restricts growth potential.

Technological gaps and low productivity

Rural MSMEs often lack access to updated machinery, production processes, and digital tools.

- Most of them operate with low levels of mechanisation, affecting quality, productivity, and consistency.

- Many enterprises are unaware of or untrained in newer technologies such as e-commerce platforms, inventory software, and digital accounting apps.
- Even where awareness exists, poor internet access, high device costs, and lack of digital literacy inhibit adoption.

The result is a wide productivity gap between rural and urban MSMEs, particularly in high-potential sectors like food processing, apparel, and handicrafts.

Infrastructure deficits

In rural and semi-urban areas, MSMEs still face a lack of essential infrastructure such as power, roads, and communication services, which hinders their efficiency and overall development.[11] Inadequate infrastructure remains a binding constraint.

- Poor roads and limited access to logistics services raise transportation costs and limit market access.
- Unreliable electricity supply affects production schedules and leads to wastage, especially in perishable product-based enterprises.
- Limited access to affordable workspaces, storage, and cold chains hampers business expansion.
- Broadband and mobile network gaps prevent access to digital tools and government e-services.

Market access and linkages

Rural MSMEs face difficulty in accessing profitable markets.

- Absence of aggregation mechanisms limits economies of scale and bargaining power.
- Poor packaging, branding, and standardisation reduce market appeal and shelf-life.
- Lack of marketing skills and platforms, particularly digital ones, means many rely on word-of-mouth or low-margin local channels.
- Participation in exhibitions or public procurement processes is limited by complex procedures and lack of handholding.

Skills deficit and capacity constraints

- Rural entrepreneurs often lack exposure to formal business practices, including bookkeeping, quality control, pricing strategies, and legal compliance.
- Technical skills relevant to specific trades (e.g., food processing, tailoring, and carpentry) are limited to traditional methods.
- There is low uptake of formal skilling programmes due to lack of awareness, mobility issues (especially for women), or irrelevant curricula.

Gender-specific challenges

Women-led MSMEs face unique difficulties.

- Limited mobility and time due to domestic responsibilities.
- Difficulty in accessing finance, especially in the absence of male guarantors or property titles.
- Low participation in digital platforms and marketing networks.
- Underrepresentation in formal skilling programmes.

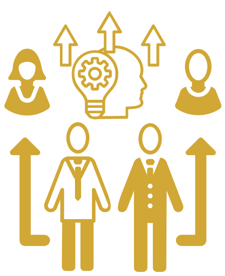
Targeted efforts—such as women-specific loan products under MUDRA and NABARD's SHG–Bank Linkage Programme—have helped, but significant gaps remain, which NABARD aims to bridge via its training and handholding programmes, especially LEDPs.

2.4 GOVERNMENT SUPPORT FOR MSMEs

The Government of India has implemented a comprehensive suite of initiatives to strengthen the MSME sector, recognising its pivotal role in fostering inclusive economic growth. These efforts reflect a strategic focus on enhancing competitiveness, improving access to finance and technology, and integrating MSMEs into domestic and global value chains.

National initiatives such as Digital India and Skill India are equipping MSMEs with essential digital capabilities and infrastructure. Additionally, the "Districts as Export Hubs" initiative, led by the Directorate General of Foreign Trade, aims to promote e-commerce exports, thereby fostering a dynamic ecosystem for MSME growth.

These wide-ranging initiatives can be grouped under key functional areas that align with the core needs of MSMEs, including employment generation, access to finance, infrastructure development, market integration, technology adoption, and sector-specific support.[12]



1. Employment generation and skill development

a. Prime Minister's Employment Generation Programme (PMEGP): A credit-linked subsidy scheme that promotes employment by facilitating the establishment of micro enterprises in the non-farm sector. Margin money subsidies (15%–35%) are provided for loans up to ₹50 lakh for manufacturing units and ₹20 lakh for service units.

b. Entrepreneurship Skill Development Programme: Designed to promote new enterprises and build capacity among existing MSMEs, this scheme offers (i) one-day Entrepreneurship Awareness Programmes, (ii) six-week Entrepreneurship-cum-Skill Development Programmes (E-SDP), and (iii) one-week Advanced E-SDPs across various trades.

c. Assistance to Training Institutions Scheme: Provides capital grants to national-level institutions[13] and up to ₹3 crore to state-level entrepreneurship development institutes for infrastructure development and entrepreneurship training.

d. Coir Vikas Yojana: An umbrella scheme implemented by the Coir Board for industry-wide development. Sub-schemes include:

   i. Science & Technology (R&D)
   ii. Skill Upgradation
   iii. Mahila Coir Yojana
   iv. Export and Domestic Market Promotion
   v. Functional Trade and Industry Support Services

e. A Scheme for Promotion of Innovation, Rural Industries and Entrepreneurship: Supports rural entrepreneurship by establishing "Livelihood Business Incubators", and funding plant, machinery (₹1 crore for government agencies; ₹75 lakh for private agencies), and operational costs (₹1 crore for government as well as private agencies).

f. Tool rooms and technical institutions: Focus on integrated sectoral development by providing tooling facilities, training programmes, product development, and consultancy services to MSMEs.

2. Financial assistance and credit support

a. Credit Guarantee Scheme for Micro and Small Enterprises: Offers collateral-free and third-party guarantee-free loans.

b. Additional guarantee schemes include:

   i. Mutual Credit Guarantee Scheme for MSMEs

   ii. Credit Guarantee Scheme for Start-ups

   iii. Credit Guarantee Fund for Micro Units

   iv. Credit Guarantee Scheme for Stand-Up India

   v. Credit Guarantee Fund Scheme for Factoring

c. Self-Reliant India Fund: Aims to channel capital to MSMEs through daughter funds via equity, quasi-equity, and debt to support growth, innovation, and employment generation.

d. Raising and accelerating MSME performance: A World Bank-supported Central Sector Scheme that enhances MSMEs' access to markets, finance, and technology through improved outreach, institutional strengthening, and centre–state collaboration.

e. PM MUDRA Yojana: Offers collateral-free institutional credit for non-farm enterprises, especially targeting women and marginalised entrepreneurs. Loan categories include:

   i. Shishu: up to ₹50,000

   ii. Kishore: ₹50,000–₹5 lakh

   iii. Tarun: ₹5–10 lakh

   iv. Tarun Plus: ₹10–20 lakh

f. Second loan for upgradation of existing PMEGP/MUDRA units: Provides assistance for scaling and technology upgrade, with up to 15% subsidy (20% in North East Region [NER] and hill states). The balance is provided as term loans by banks.

3. Cluster development and infrastructure

a. Micro & Small Enterprises Cluster Development Programme enhances sustainability and competitiveness through:

   i. common facility centres—up to 80% assistance for projects up to ₹30 crore; and

   ii. infrastructure development—up to 70% assistance for projects up to ₹15 crore.

b. Scheme of Fund for Regeneration of Traditional Industries:

   i. promotes collectives, value addition, and sustainable employment in traditional industries; and

   ii. includes government support—up to ₹2.5 crore (≤500 artisans); ₹5 crore (>500 artisans).

c. Promotion of MSMEs in NER and Sikkim, supporting infrastructure development through 90% financial assistance for:
   i. mini technology centres—up to ₹13.5 crore;
   ii. new/existing industrial estates—up to ₹13.5 crore/₹9 crore;
   iii. tourism sector projects – up to ₹4.5 crore; and
   iv. building costs—up to ₹1 crore (excluding land).

4. Marketing and export promotion

a. Procurement and Marketing Support Scheme aims to improve market access via:
   i. participation in trade fairs and exhibitions, and awareness generation on Government e-Marketplace, packaging, and export procedures;
   ii. increased capacity building and expansion of retail outlets for Geographical Indication products.

b. International Cooperation Scheme facilitates MSME participation in international events and market access through:
   i. market development assistance,
   ii. capacity building of first-time micro and small enterprises (MSE) exporters, and
   iii. international market intelligence dissemination.

c. National SC-ST Hub Scheme supports SC and ST entrepreneurs through:
   i. 25% capital subsidy (up to ₹25 lakh) and
   ii. mentoring, marketing, and procurement support under Public Procurement Policy (2012).

5. Innovation and technology upgrade

MSME Champions Scheme aims to unify and converge interventions for competitiveness and global reach through the following:
   i. MSME-Sustainable (ZED): Encourages high-quality, environmentally friendly manufacturing.
   ii. MSME-Innovative: Supports incubation, intellectual property rights, and design.
   iii. MSME-Competitive (Lean): Promotes lean manufacturing techniques for enhanced efficiency.

6. Sector-specific schemes

a. Khadi Gramodyog Vikas Yojana
   i. Enhances productivity and income for Khadi artisans through modernised infrastructure, skill revival, marketing, and exports.
   ii. Sub-schemes include Khadi Vikas Yojana and Gramodyog Vikas Yojana.

b. PM Vishwakarma Scheme: Recognises and empowers traditional artisans with:
   i. skill development and modern tools,
   ii. collateral-free credit up to ₹3 lakh in two tranches (₹1 lakh + ₹2 lakh), and
   iii. interest subvention, digital incentives, and market linkages.

7. MSME portals

a. Udyam Registration Portal: Official platform for paperless MSME registration using PAN and GSTIN, issuing a permanent identity number and certificate.

b. Udyam Assist Platform: Facilitates informal micro enterprises to register and formalise operations.

c. Other MSME portals:

   i. My MSME Portal

   ii. MSME Samadhan

   iii. MSME Sambandh

   iv. MSME Champions Portal

   v. MSME Sampark Portal

8. Policy framework

Public Procurement Policy for MSEs (2018): Mandates 25% of all procurement by central ministries, departments, and central public sector enterprises to be sourced from micro and small enterprises. Within this 25%, 4% is reserved for SC/ST-owned MSEs, and 3% for women-owned MSEs.

2.5 NABARD'S ROLE IN SUPPORTING RURAL MSMEs

Building on its mandate to promote sustainable and inclusive rural development, NABARD has progressively expanded its support to the rural non-farm sector, including MSMEs. Recognising the critical role of rural enterprises in employment generation and income diversification, NABARD has aligned its interventions to strengthen this ecosystem. As an apex development financial institution, NABARD operates at the intersection of finance, capacity building, and institution building—making it a key enabler of the rural MSME ecosystem.

NABARD's efforts received further impetus through the amendment of the NABARD Act, 1981 via the NABARD (Amendment) Bill, passed on 2 January 2018. Under the original Act, NABARD was authorised to provide credit and related facilities to industries with investment up to ₹20 lakh in plant and machinery. The Amendment expanded this ceiling to ₹10 crore for enterprises in the manufacturing sector and ₹5 crore for those in the services sector. The earlier Act included experts from small-scale industries on NABARD's Board of Directors and Advisory Council and allowed financial assistance to banks lending to small-scale, tiny, and decentralised industries. The amended Act extended these provisions to cover MSMEs.

The key amendments to NABARD Act, 1981 were:

- the words "small-scale industries, industries in the tiny and decentralised sector, village and cottage industries and those engaged in the field of handicrafts and other rural crafts," shall be substituted with the words "village and cottage industries, micro enterprises, small enterprises and medium enterprises and those engaged in the field of handicrafts, handlooms and other rural crafts".
- "micro enterprise", "small enterprise", and "medium enterprise", shall have the same meanings as are respectively assigned to them in the Micro, Small and Medium Enterprises Development Act, 2006.

The development of the MSME ecosystem thus forms one of NABARD's core mandates, reflected in both its developmental and business interventions.

Financial assistance to banks and developmental support constitute key pillars of NABARD's approach to promoting credit flow, catalysing investment, generating employment, supporting collectivisation, enhancing livelihoods, and fostering sustainable economic growth among MSMEs.

The amendment expanded the scope of NABARD's refinance support to MSMEs, thereby enhancing the institution's capacity to facilitate inclusive rural industrial development.

NABARD's MSME interventions are closely aligned with central government policies that seek to promote enterprise-led development, generate rural employment, enhance incomes, support workforce diversification from agriculture to MSMEs, and reduce distress migration. Through strategic partnerships, memoranda of understanding with key stakeholders, and targeted capacity-building efforts, NABARD continues to support rural MSMEs through a robust mix of financial assistance, developmental programmes, and institutional strengthening (Table 2.3).

Table 2.3: NABARD's interventions to support MSMEs

1. Financial support	
Focus area	*Description*
Access to capital and refinancing	Provision of refinancing to eligible financial institutions to support capital access and investment by MSMEs. Collaborative action with banks and other lenders to improve outreach.
Credit planning	Credit projections for MSMEs prepared using district-level PLPs in consultation with stakeholders, identifying exploitable sector potential.
SRS for MSME activities	Implementation of targeted refinance schemes for: (i) micro food processing enterprises, (ii) watershed and wadi project areas, (iii) transformation of PACS into MSCs, (iv) infrastructure under AIF, and (v) aspirational districts and those with low PSL.
Channel for subsidy disbursal	Serving as the nodal agency for disbursing subsidies under SCLCSS for SC/ST entrepreneurs.
Support via subsidiaries	(i) NABSAMRUDDHI financing MSMEs in green energy, wellness, textiles, and handicrafts. (ii) NABKISAN providing finance to FPOs. (iii) NABVENTURES supporting start-ups.
MSME lending through RRBs	Mapping branches to MSME clusters and introducing tailored loan products through RRBs, thus enabling RRBs to expand their MSME loan portfolio by 17.6% to ₹57,890 crore in FY2024.
2. Developmental support	
Focus area	*Description*
Entrepreneurship and skill development	Promoting rural entrepreneurship and micro enterprise creation through skill development initiatives, with emphasis on women and marginalised groups. Supporting programmes such as MEDP and LEDP.
Technical and cluster support	Enabling technology upgrade, quality improvement, and marketing. Supporting producer collectives, particularly in handloom and handicrafts, through FPO/OFPO formation, DPR-mode projects, and tourism-linked models.
Marketing support	Facilitating market access for rural producers via rural haats, mobile marts, exhibitions, M-Suvidha, and similar initiatives. Showcasing 116 GI products and 22 OFPOs at the Grameen Bharat Mahotsav 2025 in partnership with DFS.
Cultural heritage and IPR	Supporting GI-related pre- and post-registration activities and the establishment of GI facilitation centres.
Start-up and innovation ecosystem	Promoting innovation through the establishment of RBICs (10 supported to date) and by operating a Catalytic Capital Fund for start-ups with prototypes or minimum viable products.
Scheme convergence	Initiating scheme convergence by district development managers working with district industries centres for alignment and integration of central and state-level MSME schemes.

3. Collaborations and strategic partnerships	
Focus area	*Description*
MOUs and partnerships	Formalisation of MOUs with: • NRLM to support SHG graduation to entrepreneurship; • NSCFDC, NBCFDC, and NSKFDC to support marginalised communities through skilling and finance.
Sectoral promotion activities	Sponsorship of seminars, conferences, and programmes such as Startup Mahakumbh hosted by organisations including PHDCCI, ASSOCHAM, and start-up missions.
FPO capacity development	Developing FPO accelerator programmes to address skill and capacity gaps among producer organisations.

AIF = Agriculture Infrastructure Fund, ASSOCHAM = Associated Chambers of Commerce and Industry of India, CLCSS = Credit Linked Capital Subsidy Scheme, DFS = Department of Financial Services, DPR = Detailed Project Report, FPO = Farmer Producer Organisation, GI = Geographical Indication, IPR = Intellectual Property Right, LEDP = Livelihood and Enterprise Development Programme, MEDP = Micro Enterprise Development Programme, MOU = Memorandum of Understanding, MSC = Multi-Service Centre, MSME = Micro, Small, and Medium Enterprise, NBCFDC = National Backward Classes Finance and Development Corporation, NRLM = National Rural Livelihoods Mission, NSCFDC = National Scheduled Castes Finance and Development Corporation, NSKFDC = National Safai Karamcharis Finance and Development Corporation, OFPO = Off-Farm Producer Organisation, PACS = Primary Agricultural Credit Society, PHDCCI = PHD Chamber of Commerce and Industry, PLP = Potential Linked Credit Plan, PSL = Priority Sector Lending, RBIC = Rural Business Incubation Centre, RRB = Regional Rural Bank, SC = Scheduled Caste, SCLCSS = Special Credit Linked Capital Subsidy Scheme, SHG = Self-Help Group, SRS = Special Refinance Scheme, ST = Scheduled Tribes.

Note: Wadi is an orchard-based livelihood programme.

2.6 WAY FORWARD

The vision of Viksit Bharat @2047 calls for a resilient and dynamic economic ecosystem with energetic contributions from all key sectors of the economy. Within this framework, MSMEs possess significant potential to act as engines of inclusive and sustainable growth. Their agility, deep understanding of local contexts—particularly in rural areas—and entrepreneurial drive position them as the appropriate agents of change to achieve India's long-term development goals.

To unlock this potential, it is essential to foster the growth of rural entrepreneurs and MSMEs through a coordinated set of interventions spanning finance, capacity building, technology, and market integration.

NABARD plays a pivotal role in shaping a sustainable and competitive rural MSME ecosystem. Its innovative strategies and targeted initiatives support rural enterprises in meeting global standards while maintaining their local relevance. Key strategic areas include:

- **Skill and entrepreneurship development:** NABARD supports skill and entrepreneurship development programmes to nurture rural talent, create employment opportunities, and promote women-led MSMEs. These initiatives strengthen enterprise readiness and sustainability, especially in underserved areas.
- **Infrastructure and digitalisation:** Investments in modern infrastructure and digital tools are transforming the rural MSME landscape, helping MSMEs create a strong digital footprint and compete more effectively in national and international markets. NABARD promotes digital solutions tailored to small enterprises, including:
  - ◇ Digital enhancements to existing equipment and machinery
  - ◇ Integration with e-commerce platforms
  - ◇ Adoption of digital payment systems and digital lending models
- **Incubation and mentorship:** NABARD fosters incubation and mentorship ecosystems by connecting MSMEs with industry experts, successful entrepreneurs, and support platforms. Hybrid (physical

and digital) incubation centres and peer-learning communities help enterprises acquire the skills and knowledge required to grow and innovate.

- **Cluster development:** The development of rural MSME clusters, supported by aggregation models, promotes resource efficiency, shared infrastructure, and collective problem-solving. Cluster-based value chains enhance competitiveness and facilitate integration into global supply chains.
- **Marketing support:** To improve market access, NABARD supports MSMEs through participation in trade fairs and exhibitions, while promoting the use of digital tools for branding, promotion, and customer engagement.
- **Streamlined access to finance:** Addressing the rural credit gap, NABARD facilitates access to tailored financial products and digital lending platforms, with a focus on unserved and underserved enterprises.
- **Environmental sustainability:** In alignment with national sustainability goals, NABARD promotes green technologies and resource-efficient business practices across rural MSMEs, reducing their environmental impact and enhancing long-term viability.
- **Collaboration and convergence:** By nurturing partnerships with public and private stakeholders, NABARD broadens the resource base for rural MSMEs, facilitating access to capital, technology, infrastructure, and markets. These collaborations strengthen the overall MSME ecosystem and drive inclusive growth.

2.7 CONCLUSION

The MSME sector continues to expand, playing a critical role in employment generation and contributing significantly to the national economy. While government initiatives and institutional partnerships have created an enabling environment for MSMEs, persistent challenges, such as limited access to affordable credit and gaps in technological adoption, remain.

To overcome these barriers, a holistic approach is needed—one that integrates finance, infrastructure, skill development, market linkages, and institutional capacity building. NABARD, with its extensive district-level presence, developmental mandate, and collaborative network, is uniquely positioned to lead this transformation.

By strengthening the rural MSME sector, NABARD can help unlock the full potential of grassroots enterprises and contribute meaningfully to the vision of Viksit Bharat—an India that is prosperous, inclusive, and globally competitive by 2047.

NOTES

1. https://dashboard.msme.gov.in/ (As on 29 June 2025).
2. GOI (2024), Press Information Bureau Release by Ministry of MSME, Government of India on 22 July 2024. https://www.pib.gov.in/PressReleasePage.aspx?PRID=2035073.
3. Note 2.
4. GOI (2024), *Economic Survey 2023–24*, Ministry of Finance, Government of India. https://www.indiabudget.gov.in/economicsurvey/doc/echapter.pdf.
5. The National Sample Survey Office (NSSO), 73rd Round, "Unincorporated Non-Agricultural Enterprises", 2015–16 (latest full round) data as quoted in MOSPI (2024), *Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023–24*, Ministry of Statistics and Programme Implementation, Government of India, October 2023–September 2024. https://www.mospi.gov.in/sites/default/files/publication_reports/ASUSE_2023_24_Full_Report-L.pdf.

6. NITI Aayog (2025), *Enhancing MSMEs competitiveness in India: A roadmap for growth*, Government of India. https://www.niti.gov.in/sites/default/files/2025-05/Enhancing_Competitiveness_of_MSMEs_in_India.pdf.
7. MOSPI (2025), Periodic Labour Force Survey (PLFS) – Key Employment Unemployment Indicators for 2024, press release through the Press Information Bureau by the Ministry of Statistics and Programme Implementation, Government of India, 9 April 2025. https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2120359.
8. Ministry of MSMEs (2024), *Annual Report 2023–24*, Statement No. 2.3: Percentage Distribution of Enterprises in rural and urban areas (Male/ Female ownership and category wise), Ministry of Micro, Small, and Medium Enterprises, Government of India, p. 25, https://www.msme.gov.in/sites/default/files/FINALMSMEANNUALREPORT2023-24ENGLISH.pdf
9. MOSPI (2024), *Annual Survey of Unincorporated Sector Enterprises (ASUSE) 2023–24*, Ministry of Statistics and Programme Implementation, Government of India, October 2023–September 2024. https://www.mospi.gov.in/sites/default/files/publication_reports/ASUSE_2023_24_Full_Report-L.pdf.
10. SIDBI (2025), *Understanding Indian MSME Sector: Progress and Challenges*. https://www.sidbi.in/uploads/Understanding_Indian_MSME_sector_Progress_and_Challenges_13_05_25_Final.pdf.
11. NITI Aayog (2025), *Enhancing MSMEs competitiveness in India: A roadmap for growth*, Government of India. https://www.niti.gov.in/sites/default/files/2025-05/Enhancing_Competitiveness_of_MSMEs_in_India.pdf.
12. References to Section 2.4:
    - Ministry of Micro, Small & Medium Enterprises, Central Schemes. https://msme.gov.in/central-schemes.
    - Ministry of Micro, Small & Medium Enterprises, Reports and Publications. https://msme.gov.in/documents/reports-and-publications.
    - https://msme.gov.in/1-prime-ministers-employment-generation-programme-pmegp.
    - https://msme.gov.in/entrepreneurship-and-skill-development-programs.
    - https://www.nimsme.gov.in/about-scheme/assistance-to-training-institutions-ati-scheme.
    - https://msme.gov.in/sites/default/files/Coir-Vikas-YojanaContents.pdf.
    - https://www.nimsme.gov.in/about-scheme/a-scheme-for-promotion-of-innovation-rural-industries-and-entrepreneurship-aspire-.
    - https://www.dcmsme.gov.in/TR_TDC.aspx.
    - National Institute for Micro, Small and Medium Enterprises (ni-msme), 'SELF RELIANT INDIA (SRI) FUND Empowering MSMEs for Aatmanirbhar Bharat'. https://www.nimsme.gov.in/about-scheme/self-reliant-india-sri-fund-empowering-msmes-for-aatmanirbhar-bharat"SELF.
    - https://ramp.msme.gov.in/ramp/.
    - https://www.mudra.org.in/. Mudra = Micro Units Development & Refinance Agency Ltd.
    - https://dcmsme.gov.in/CLCS_TUS_Scheme/Cluster-Development-Programme/Scheme_Guideline.aspx.
    - Ministry of Micro, Small & Medium Enterprises, Scheme of Fund for Regeneration of Traditional Industries. https://msme.gov.in/scheme-fund-regeneration-traditional-industries.
    - https://www.dcmsme.gov.in/schemes/RevisedGuidelines_NER_Sikkim2025.pdf.
    - https://www.scsthub.in/sites/default/files/Revised%20NSSH%20Guidelines.PDF.
    - https://pmvishwakarma.gov.in/cdn/MiscFiles/eng_v30.0_PM_Vishwakarma_Guidelines_final.pdf.
13. Such institutions include the National Institute for Micro, Small, and Medium Enterprises; Khadi and Village Industries Commission; Coir Board; Tool Rooms; Mahatma Gandhi Institute for Rural Industrialisation; and National Small Industries Corporation.