

November 2021

Fostering Inclusive Growth India Deep Dive

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1. Introduction

This deep dive is part of a larger research study on marginalized communities and their use of digital tools. In the white paper *Fostering Inclusive Growth: How Digital Tools Benefit Entrepreneurs from Marginalized Groups* we discuss marginalized communities, entrepreneurship, and digital tools in general. In brief, we find that there are many marginalized groups—groups that are systematically relegated to the periphery of society in some way—and that entrepreneurs from those groups face specific challenges. We also find that digital tools can help those entrepreneurs increase their chances of success, which results in value for the entrepreneurs and their communities.¹

This deep dive focuses on entrepreneurs from rural areas and Tribal groups in India. These entrepreneurs often live in remote areas, resulting in less access to infrastructure and digital connectivity. In India, a cultural expectation to not take on too much risk can also act as a barrier to entrepreneurship. However, there have been several digital tools that have shown promise at lifting up marginalized entrepreneurs. Microfinance, accessible via digital platforms, can help rural and female entrepreneurs; Amazon has established low-cost supply chain and logistics services; and social networks and sites like YouTube provide opportunities for entrepreneurs to network and learn skills.

2. Identifying Marginalized Entrepreneurs

India is one of the world's fastest growing economies but is also threatened by widening income inequality.^{2,3} Indians who live in rural areas are especially vulnerable to poverty.^{4,5} Some rural communities in India are relatively remote, and lack access to services such as electricity and therefore digital technology. These populations generally have worse literacy rates, lower average incomes, and worse health outcomes compared to urban areas.^{6,7,8,9} There are also hundreds of Tribal groups in India, who typically live in remote areas of the country, who tend to be marginalized.¹⁰ Tribal groups are sometimes referred to as "Adivasis," which translates to "original inhabitants," and

¹ Baumol and Strom, "Entrepreneurship and Economic Growth"; Cumming, Johan, and Zhang, "Economic Impact of Entrepreneurship"; Collins and Fakoussa, "Ethnic Minority Entrepreneurship."

² Prableen Bajpai, "The Fastest Growing Economies in 2021" (Nasdaq, April 27, 2021), <https://www.nasdaq.com/articles/the-fastest-growing-economies-in-2021-2021-04-27>.

³ Chris Elbers and Peter Lanjouw, "Inequality in rural India: Are non-farm jobs the driver or a brake?," *WIDER Research Brief* no. 4 (2019), <https://www.wider.unu.edu/publication/inequality-rural-india>.

⁴ Thomas Amirtham, "Managing Market Marginalization of Smallfarmers: An Ethnographic Study," *International Journal of Business Anthropology* 8, no. 1 (January 2018), <https://doi.org/10.33423/ijba.v8i1.1102>.

⁵ Marco J. Haenssger, "The Struggle for Digital Inclusion: Phones, Healthcare, and Marginalisation in Rural India," *World Development* 104 (2018): pp. 358-374, <https://doi.org/10.1016/j.worlddev.2017.12.023>.

⁶ Haenssger, "The Struggle for Digital Inclusion".

⁷ Setu Pelz, Namrata Chindarkar, and Johannes Urpelainen, "Energy Access for Marginalized Communities: Evidence from Rural North India, 2015-2018," *World Development* 137 (2021): p. 105204, <https://doi.org/10.1016/j.worlddev.2020.105204>.

⁸ Viktoria Hnatkovskay and Amartya Lahiriz, "The Rural-Urban Divide in India" (2012), <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.1077.1104&rep=rep1&type=pdf>.

⁹ Ministry of Statistics and Programme Implementation (MOSPI), "Chapter 3: Literacy and Education" (2016), http://mospi.nic.in/sites/default/files/reports_and_publication/statistical_publication/social_statistics/WM16Chapter3.pdf.

¹⁰ Social and Political Life - III Textbook for Class VIII, Published by National Council of Educational Research and Training, 2008. <https://ncert.nic.in/textbook/pdf/hess307.pdf> (Indian Govt. Textbook)

are communities who commonly live in or near forests.¹¹ While Tribal groups have their own distinct cultures from other parts of India, they share many of the same barriers to entrepreneurship as other rural entrepreneurs.

This study focuses on marginalization based on race, ethnicity, or Indigenous status. India has thousands of ethnic and tribal groups, so rather than identifying each of the many marginalized groups individually, we study rural areas and areas of high poverty, which are strong indicators of marginalization.¹² Tribal groups tend to also live in rural areas, but this paper study will specifically refer to Tribal experiences where appropriate. In addition to race, ethnicity, and Indigenous status, there are many factors that could cause marginalization, including gender, sexual orientation, religion, age, and historical determination, such as caste. By focusing on ruralness and poverty, we may capture individuals with those characteristics, but we do not study them explicitly.

3. Experiences of Marginalized Entrepreneurs

3.1 Motivations and Definitions of “Success”

In many cases, marginalized populations of India turn to entrepreneurship to improve their economic outcomes. An OECD report found that the rates of self-employment have increased in both rural and urban areas, indicating a move from casual, informal employment to formal work.¹³ One study on street vendors in Bangalore found that 56% of respondents were motivated to start their business for “rational economic decisions,” such as the best way of making money or lower barriers to entry.¹⁴ Another study about entrepreneurs in the Marathwada region, reported that 66% of respondents cited the “non availability of jobs,” and 58% of entrepreneurs were motivated to improve their “social and economic status.”¹⁵ In addition, 74% of respondents in the Marathwada study said they started their business because of “government supported policies” and there are a number of government policies encouraging entrepreneurship to fight poverty.^{16,17}

Entrepreneurs from Tribal groups can be motivated to start their business to give back to the community or for sustainability reasons. In a profile of entrepreneur Sharad Tandale, he said that through his engineering business he invests locally in his Vanjari¹⁸ community by “developing local value chains and recruiting rural youth as novices

¹¹ Social and Political Life - III Textbook for Class VIII.

¹² “People of India,” Britannica, September 20, 2021, <https://www.britannica.com/place/India/People>; Ira N. Gang, Kunal Sen, and Myeong-Su Yun, “Poverty in Rural India: Caste and Tribe,” *Review of Income and Wealth* 54, no. 1 (2008): pp. 50-70, <https://doi.org/10.1111/j.1475-4991.2007.00259.x>.

¹³ Amitabh Kundu and P. C. Mohanan, “Employment and Inequality Outcomes in India,” *Organisation for Economic Co-operation and Development* (2009), <https://www.oecd.org/employment/emp/42546020.pdf>.

¹⁴ Colin C. Williams and Anjula Gurtoo, “Evaluating Competing Theories of Street Entrepreneurship: Some Lessons from a Study of Street Vendors in Bangalore, India,” *International Entrepreneurship and Management Journal* 8, no. 4 (2012): pp. 391-409, <https://doi.org/10.1007/s11365-012-0227-2>.

¹⁵ Murlidhar Ananda Lokhande, “Entrepreneurship Development Among Scheduled and Scheduled Castes and Scheduled Tribes in Marathwada Region,” *The Indian Journal of Commerce* 59, no.1 (2006): pp. 64-76, https://www.researchgate.net/publication/267395652_Entrepreneurship_Development_Among_Scheduled_and_Scheduled_Castes_and_Scheduled_Tribes_in_Marathwada_Region (n=150).

¹⁶ Lokhande, “Entrepreneurship Development”.

¹⁷ Geetika Goel and Meenakshi Rishi, “Promoting Entrepreneurship to Alleviate Poverty in India: An Overview of Government Schemes, Private-Sector Programs, and Initiatives in the Citizens' Sector,” *Thunderbird International Business Review* 54, no. 1 (2011): pp. 45-57, <https://doi.org/10.1002/tie.21437>.

¹⁸ Vanjari are a Tribal Group of India

and providing them with on-the-job training.”¹⁹ Many Tribal businesses also have a sustainability focus, such as organic agricultural products.²⁰

3.2 Barriers for Marginalized Entrepreneurs

3.2.1 SOCIAL BARRIERS

Rural entrepreneurs can face social and cultural barriers in the form of a culture of low tolerance for failure and skepticism about private enterprise.

In general literature on entrepreneurship, many academics claim that entrepreneurs do at least one of three things: innovate, recognize opportunity, and/or take risks.²¹ One article noted that there is a “culture of low tolerance for failure in India,” including a hesitancy to embrace failure as a learning experience, which can lend itself to psychological barriers to entrepreneurship, an activity with a high failure rate.²² It may be that obligations to the family, which tend to be highly valued in India, reduce risk taking. For instance, some rural families engage in subsistence farming, where farm activities are focused on meeting family base needs.²³ In general, subsistence workers in rural areas tend to limit risk to support their families.²⁴ Literature suggests that people in rural areas tend to be more family-oriented when it comes to economic decisions, such as occupation, whereas people in urban areas tend to be more individualistic.²⁵

In some cases, rural entrepreneurs might have to contend with rural consumers who are skeptical of business and prefer government initiatives.²⁶ For instance, a study found that residents in rural areas distrusted a newly introduced solar-energy provider, and instead preferred the government manage the energy supply.²⁷ While respondents had a positive view of solar products they were worried that the newly introduced solar-energy provider would be honest and conduct business with integrity.²⁸

¹⁹ Ashoka Changemakers, “Providing Much-Needed Jobs For India’s Marginalized Groups: Sharad Tandale Tells His Story” (Changemakers, November 17, 2015), <https://www.changemakers.com/es/blog/global-goal-8-decent-work-economic-growth-sharad-tandale-gew>.

²⁰ सौरभ राय, “Tribal entrepreneurship is booming in India and these 8 startups are showing the way” (Your Story, November 21, 2017), <https://yourstory.com/2017/11/tribal-entrepreneurship-india/amp>.

²¹ Nadim Ahmad and Richard G. Seymour, “Defining Entrepreneurial Activity,” *OECD Statistics Working Papers*, 2008, <https://doi.org/10.1787/243164686763>; Robert F. Hébert and Albert N. Link, “In Search of the Meaning of Entrepreneurship,” *Small Business Economics* 1, no. 1 (1989): pp. 39-49, <https://doi.org/10.1007/bf00389915>.

²² Srivardhini K. Jha, “Entrepreneurial Ecosystem in India: Taking Stock and Looking Ahead,” *IIMB Management Review* 30, no. 2 (2018): pp. 179-188, <https://doi.org/10.1016/j.iimb.2018.04.002>.

²³ I. S. Bisht et al., “Subsistence Farming, Agrobiodiversity, and Sustainable Agriculture: A Case Study,” *Agroecology and Sustainable Food Systems* 38, no. 8 (2014): pp. 890-912, <https://doi.org/10.1080/21683565.2014.901273>.

²⁴ Antoinette Schoar, “The Divide between Subsistence and Transformational Entrepreneurship,” *Innovation Policy and the Economy* 10 (2010): pp. 57-81, <https://doi.org/10.1086/605853>.

²⁵ Madhubalan Viswanathan et al., “Marketplace Literacy Education and Coping Behaviors Among Subsistence Consumer-Entrepreneurs during Demonetization in India,” *Journal of Consumer Affairs* 55, no. 1 (2020): pp. 179-202, <https://doi.org/10.1111/joca.12300>.

²⁶ Johannes Urpelainen, “Energy Poverty and Perceptions of Solar Power in Marginalized Communities: Survey Evidence from Uttar Pradesh, India,” *Renewable Energy* 85 (2016): pp. 534-539, <https://doi.org/10.1016/j.renene.2015.07.001>.

²⁷ n = 1597. Urpelainen, “Energy Poverty”.

²⁸ Urpelainen, “Energy Poverty”.

Rural consumers also tend to spend more time deliberating before making a purchase than urban consumers.²⁹ Rural consumers also prefer to purchase products based on recommendations from family and friends.³⁰ This creates a barrier for entrepreneurs introducing a new product to a rural market; if the product is not marketed correctly to instill trust, it may not be accepted.

Rural consumers in India value honesty and tend to support businesses they perceive as honest. A focus group studied rural consumers in India and found that they were most loyal to brands they perceived as “virtuous,”³¹ defined as refraining from “marketing activity...against our social norms and beliefs” and “disgracing social values and traditions.”³²

3.2.2 ECONOMIC BARRIERS

Finance is a commonly cited barrier for rural entrepreneurs in India. One study found that “reasons for ... monetary setbacks are poor mobilization and management of funds, injudicious allocation of funds, poor maintenance and management of required working capital, severe fluctuations in prices of raw materials, and rising trend of other day-to-day expenditures of the business.”³³ In a study of rural entrepreneurs, participants ranked the “constant need of finance” and “high interest rates” as significant barriers to starting and running a business.

Not only do rural entrepreneurs often have limited working capital and liquidity, they are also hesitant to seek funding from banks or moneylenders due to high interest rates.³⁴ A survey by Omidyar and the Boston Consulting Group (BCG) also found that access to sufficient funds and affordable credit were top challenges for Indian MSMEs (Micro-,small-, medium enterprises).³⁵ Another study found that initial investment size was a strong predictor of rural microenterprise longevity, where rural micro-enterprises with over 25,000 rupees (\$384 USD) invested were found to be more likely to sustain business.³⁶ For comparison the average monthly wages for rural workers is about 13,000 rupees, per a 2020 report from the Ministry of Statistics.³⁷

Another challenge for rural entrepreneurs is that their customers may also have limited purchasing power. In some cases, customers will ask to purchase goods on credit and entrepreneurs struggle to collect what customers owe,

²⁹ R. V. Rajan, “The rural consumer: S/he’s different!” (The Hindu Business Line, March 12, 2018), <https://www.thehindubusinessline.com/catalyst/the-rural-consumer-shes-different/article23055845.ece>; Md. Abbas Ali, Venkat Ram Thumiki, and Naseer Ahmed Khan, “Factors Influencing Purchase of FMCG by Rural Consumers in South INDIA: An Empirical Study,” *International Journal of Business Research and Development* 1, no. 1 (January 2012), <https://doi.org/10.24102/ijbrd.v1i1.138>.

³⁰ Rajan, “The rural consumer”; Ali, Thumiki, and Khan, “Factors Influencing Purchase”.

³¹ Rashmi Ranjan Parida and Sangeeta Sahney, “Cultural Influence on Brand Loyalty of Rural Consumers in the Indian Context,” *Journal of Asia Business Studies* 11, no. 1 (March 2017): pp. 60-72, <https://doi.org/10.1108/jabs-08-2015-0137>.

³² Parida and Sahney, “Cultural Influence”.

³³ Rajasekhara Mouly Potluri et al., “Challenges and Opportunities of Small Business Management and Start-Ups in India,” *Journal of Distribution Science* 10, no. 7 (2012): pp. 5-11, <https://doi.org/10.15722/jds.10.7.201207.5>.

³⁴ J. Abey and R. Velmurugan, “Obstacles Mentioned by the Rural Entrepreneurs in Central Districts Of Tamilnadu,” *Journal of Critical Reviews* 7, no. 03 (January 2020), <https://doi.org/10.31838/jcr.07.03.42> (n=540).

³⁵ N=1500. Omidyar Network, Boston Consulting Group, “Credit Disrupted: Digital MSME Lending in India” (2018), https://omidyar.com/wp-content/uploads/2020/09/18-11-29_Report_Credit_Disrupted_Digital_FINAL.pdf.

³⁶ Surender Mor et al., “Survival of the Smallest: A Study of Microenterprises in Haryana, India,” *Millennial Asia* 11, no. 1 (June 2020): pp. 54-78, <https://doi.org/10.1177/0976399619900609>.

³⁷ Ministry of Statistics and Programme Implementation (MOSPI), “Annual Report: Periodic Labour Force Survey” (June 2020), http://mospi.nic.in/sites/default/files/publication_reports/Annual_Report_PLFS_2018_19_HL.pdf.

which limits available cash.³⁸ In addition, rural entrepreneurs must ensure that their products are affordable, since rural consumers are also low-income and have low disposable incomes.³⁹

Finally, the barriers related to finance could be exacerbated by lack of information. For instance, while the Indian government does offer support schemes for entrepreneurs, anecdotal evidence from case studies found that “rural innovators [entrepreneurs] had poor understanding of obtaining formal finance from financial institutions.”⁴⁰

3.2.3 HUMAN CAPITAL BARRIERS

Entrepreneurs with limited business experience and technological ability can struggle to start and maintain their business.

Some rural areas have low literacy rates, which hinders entrepreneurship.^{41,42} Literacy in rural areas is improving, but still lags compared to urban areas. The 2011 census found 64% of India's rural population is literate, compared to 88% of urban populations.⁴³ Illiteracy has a direct impact on economic growth in areas, and can mean populations do not have the right skills to be employed, or manage and grow a business.^{44,45}

Likewise, some entrepreneurs from rural areas lack business skills and experience, important ingredients that increase the chance entrepreneurs are successful. Research suggests that people in rural areas of India have limited work-force related skills, making it harder for them to manage a business.⁴⁶ In another study, female entrepreneurs in India with previous work experience were more likely to lead successful businesses than those without experience.⁴⁷ In yet another study, weavers in rural India with previous business experience tended to have better resource mobilization.^{48,49}

³⁸ Abey and Velmurugan, “Obstacles Mentioned by Rural Entrepreneurs”.

³⁹ Jamie Anderson and Costas Markides, “Strategic Innovation at the Base of the Pyramid” (MIT Sloan Management Review, October 1, 2007), <https://sloanreview.mit.edu/article/strategic-innovation-at-the-base-of-the-pyramid/>.

⁴⁰ Vanita Yadav and Preeti Goyal, “User Innovation and Entrepreneurship: Case Studies from Rural India,” *Journal of Innovation and Entrepreneurship* 4, no. 1 (2015), <https://doi.org/10.1186/s13731-015-0018-4>.

⁴¹ The Times of India, “Cost of Illiteracy” (The Times of India, April 16, 2012), <https://timesofindia.indiatimes.com/home/education/news/cost-of-illiteracy/articleshow/12683618.cms>.

⁴² Elaine Hunter, “Poverty leaves India with huge literacy problem still to solve” (Theirworld, September 8, 2017), <https://theirworld.org/news/poverty-leaves-india-with-huge-literacy-problem-to-solve>.

⁴³ Ministry of Statistics and Programme Implementation (MOSPI), “Chapter 3: Literacy and Education” (2016), http://mospi.nic.in/sites/default/files/reports_and_publication/statistical_publication/social_statistics/WM16Chapter3.pdf.

⁴⁴ Mark Blaug, “Literacy and Economic Development,” *American Journal of Education* 74, no. 4 (1966), <https://doi.org/10.1086/442786>.

⁴⁵ “The Consequences of Illiteracy in Quebec,” Fondation Pour L’Alphabetisation (September 20, 2021), <https://www.fondationalphabetisation.org/en/causes-of-illiteracy/consequences-of-illiteracy/>.

⁴⁶ “Skill Gap in India,” National Council for Skill Development & Entrepreneurship (September 20, 2021), <https://www.ncsde.in/skill-gap-in-india/>; Divya Jain, “The rural skills gap problem is a bottleneck for the Indian economy” (QRIUS, June 28, 2018), <https://qrius.com/the-rural-skills-gap-problem-is-a-bottleneck-for-the-indian-economy/>; Aditya Sharma, “Why India lags behind in imparting skills to its workforce” (Deutsche Welle, March 15, 2021), <https://www.dw.com/en/india-youth-lack-skills/a-56879385>.

⁴⁷ V. Kanti Prasad et al., “Women Entrepreneurs and Business Venture Growth: An Examination of the Influence of Human and Social Capital Resources in an Indian Context,” *Journal of Small Business & Entrepreneurship* 26, no. 4 (2013): pp. 341-364, <https://doi.org/10.1080/08276331.2013.821758>.

⁴⁸ The study used average credit period for raw material purchases as a proxy for resource mobilization.

⁴⁹ Suresh Bhagavatula et al., “How Social and Human Capital Influence Opportunity Recognition and Resource Mobilization in India’s Handloom Industry,” *Journal of Business Venturing* 25, no. 3 (2010): pp. 245-260, <https://doi.org/10.1016/j.jbusvent.2008.10.006>.

Marketing skills are also necessary to run an effective business, but that may be lacking among rural entrepreneurs in India.⁵⁰ In one study, researchers determined effective marketing was a significant variable in rural Indian start-up success and reach.⁵¹ Per a *Harvard Business Review* article, “word of mouth” marketing plays an important role in customer sentiment about a business.⁵² As a result, if rural entrepreneurs do not have strong social ties or cannot build relationships with trusted members of the community, their business could suffer.⁵³ If the rural entrepreneur has internet access and is digitally literate, then digital tools can aid in expanding rural entrepreneurs' marketing reach.

Limited internet connectivity can be a barrier for entrepreneurs to grow outside of their local areas.⁵⁴ Around 30% of people in rural areas of India are connected to the internet, compared to 67%, over double, of people who are connected in urban areas.⁵⁵ In addition, digital illiteracy can inhibit entrepreneurs' ability to weather unplanned challenges like COVID-19. A report by the Observer Research Foundation found that “digital illiteracy and unfamiliarity with digital platforms deterred entrepreneurs from moving to online marketplaces post COVID-19,” even “despite their incomes being nearly wiped out due to cancellation of physical fairs and exhibitions.”⁵⁶

3.3 Opportunities for Marginalized Entrepreneurs

While rural entrepreneurs face many barriers, they are well positioned to understand the needs and problems of rural consumers.^{57,58} Academic literature has proposed the concept of “user innovation,” where “firms or individuals ... initially create an innovation for their own use and then later commercialize the innovation for sale in the marketplace.”^{59,60} For example, rural farmers might invent mechanical tools. Drawing on his own experiences stripping cotton by hand, Mansukhbhai Patel, who invented a mechanical cotton stripper, wanted to create a mechanical machine to “alleviate this drudgery.”⁶¹

The Indian government is also trying to encourage increased entrepreneurship. The Ministry of Micro, Small, and Medium Enterprises runs a support hub for entrepreneurs and entrepreneurs can get support on marketing, bank

⁵⁰ Praveen Kulkarni et al., “Challenges of rural start-ups in Karnataka, India,” *World Journal of Entrepreneurship, Management, and Sustainable Development* 17, no. 3 (2021), <https://www.emerald.com/insight/content/doi/10.1108/WJEMSD-01-2020-0012/full/html>.

⁵¹ Kulkarni et al., “Challenges of rural start-ups”.

⁵² Mamta Kapur, Sanjay Dawar, and Vineet R. Ahuja, “Unlocking the Wealth in Rural Markets” (*Harvard Business Review*, June 2014), <https://hbr.org/2014/06/unlocking-the-wealth-in-rural-markets>.

⁵³ Anirudh Krishna, “Understanding, Measuring and Utilizing Social Capital: Clarifying Concepts and Presenting a Field Application from India,” *Agricultural Systems* 82, no. 3 (2004): pp. 291-305, <https://doi.org/10.1016/j.agsy.2004.07.003>.

⁵⁴ Ashutosh Dandekar, Akhilesh Joshi, Indraj Dandekar, Narayan Hargude, Amod Shrotri, and Satish Kulkarni. “The Challenge of Unemployment and Entrepreneurship Before Rural India and Its Solution Through the Foundry Business Using Traditional Indian Knowledge System.” *In Techno-Societal 2020*, pp. 1041-1050. Springer, Cham, 2021.

⁵⁵ FE Bureau, “Rural India driving Internet user base, says report; cheaper data plans and devices fuelling growth” (*Financial Express*, June 4, 2021), <https://www.financialexpress.com/industry/technology/rural-india-driving-internet-user-base-report-cheaper-data-plans-and-devices-fuelling-growth/2264706/>.

⁵⁶ Mitali Nikore and Ishita Uppadhyay, “India’s gendered digital divide: How the absence of digital access is leaving women behind” (Observer Research Foundation, August 22, 2021), <https://www.orfonline.org/expert-speak/indias-gendered-digital-divide/>.

⁵⁷ Vanita Yadav and Preeti Goyal, “User Innovation and Entrepreneurship: Case Studies from Rural India,” *Journal of Innovation and Entrepreneurship* 4, no. 1 (2015), <https://doi.org/10.1186/s13731-015-0018-4>.

⁵⁸ Yadav and Goyal, “User Innovation and Entrepreneurship”.

⁵⁹ Yadav and Goyal, “User Innovation and Entrepreneurship”.

⁶⁰ Sonali K. Shah and Mary Tripsas, “The Accidental Entrepreneur: The Emergent and Collective Process of User Entrepreneurship,” *Strategic Entrepreneurship Journal* 1, no. 1-2 (2007): pp. 123-140, <https://doi.org/10.1002/sej.15>.

⁶¹ Yadav and Goyal, “User Innovation and Entrepreneurship”.

loan processing, registration, and other schemes related to their business.⁶² In fact, government encouragement is the motivating factor for some rural entrepreneurs, as found in a survey where 74% of respondents said they were motivated to start their ventures because of the “government’s supportive policies.”⁶³

Another opportunity for rural entrepreneurs is microfinance, a form of financing that gives small, or “micro,” loan amounts to low-income entrepreneurs. The aim of micro-financing is to help entrepreneurs who do not have access to traditional financial services start and fund their businesses.⁶⁴ In India, there are a few types of microlending institutions: Non-Banking Financial Company - Micro Finance Institutions (NBFC-MFI), Banks, Small Finance Banks (SFBs), Non-Banking Financial Companies, and Nonprofits.⁶⁵ In addition, microfinance agencies often work with local “Self Help Groups,” rural associations of entrepreneurs originally formed as small savings and credit collectives.⁶⁶ Literature shows that microfinance does help Indian, rural entrepreneurs start and grow and grow their businesses, especially when entrepreneurs also participated in SHGs and had access to training resources.⁶⁷ Finally, there are a growing number of microfinance start-ups embracing digital technologies, which could further increase financial access as digital access expands across rural India.⁶⁸

4. Role of Digital Tools

There is limited academic research on digital tool usage by marginalized entrepreneurs. However, through news articles, business organizations, and business websites, there is evidence of how some entrepreneurs use digital tools. This evidence can serve as a jumping off point for further research.

4.1 Digital Tools for Sales and Marketing

Digital tools can help connect entrepreneurs in rural or remote places with customers outside these areas.⁶⁹ For example, the Tribal Cooperative Marketing Development Federation of India Ltd, which represents Tribal entrepreneurs, partnered with Amazon and enables “over 1,000 tribal entrepreneurs [to showcase] their products through TRIFED’s ‘Tribes India’ [brand] [and] will cater to customers worldwide through Amazon’s Global Selling Program.”⁷⁰ Tribes India also uses their Facebook Pages to feature video testimonials from public figures such as

⁶² “National SC-ST Key Highlights,” Ministry of Micro, Small & Medium Enterprises, September 20, 2021, <https://www.scsthub.in/>.

⁶³ Lokhande, “Entrepreneurship Development” (n= 540).

⁶⁴ “Status of Microfinance in India,” NABARD (2020-2021), <https://www.nabard.org/auth/writereaddata/tender/1207215910SoMFI%202020-21.pdf>.

⁶⁵ “Status of Microfinance”, NABARD.

⁶⁶ Shreya Khaitan, “Women’s self-help groups in rural India have pushed past obstacles and boosted household incomes” (Scroll.in, Oct 25, 2020), <https://scroll.in/article/976368/womens-self-help-groups-in-rural-india-have-pushed-past-obstacles-and-boosted-household-incomes>; “Status of Microfinance”, NABARD.

⁶⁷ Ranjula Bali Swain and Fan Yang Wallentin, “Does Microfinance Empower Women? Evidence from Self-Help Groups in India,” *International Review of Applied Economics* 23, no. 5 (2009): pp. 541-556, <https://doi.org/10.1080/02692170903007540>;

Katsushi S. Imai, Thankom Arun, and Samuel Kobina Annim, “Microfinance and Household Poverty Reduction: New Evidence from India,” *World Development* 38, no. 12 (2010): pp. 1760-1774, <https://doi.org/10.1016/j.worlddev.2010.04.006>.

⁶⁸ KPMG, “Rejuvenating microfinance in India - embracing digital” (Microfinance Institutions Network, March 2021), <https://assets.kpmg/content/dam/kpmg/in/pdf/2021/03/microfinance-digital-fintech-mfi-technology-finance.pdf>.

⁶⁹ Dr. C. Chandramouli, “Scheduled Tribes In India” (People’s Archive of Rural India, May 3, 2013), <https://ruralindiaonline.org/en/library/resource/scheduled-tribes-in-india-as-revealed-in-census-2011/>.

⁷⁰ “TRIFED goes global with Amazon” Amazon, accessed September 21, 2021, <https://sell.amazon.in/grow-your-business/amazon-global-selling/press-releases>

actors endorsing tribal products, which is akin to an online version of word of mouth marketing.⁷¹ By working with Tribes India, Tribal entrepreneurs are able to overcome limited marketing skills, such as how to price their products. In one Tribes India video, Pravir Krishna, a managing director at TRIFED, explains that Tribal artisans have products that consumers have high willingness-to-pay for, but the artisans might not know what price to charge. TRIFED helps Tribal entrepreneurs earn higher profits, which helps their businesses grow.⁷²

4.2 Digital Tools for Operations

Amazon India has played a major role collaborating with small businesses in India to help overcome barriers like limited digital literacy and business skills. For instance, the Amazon Chai Carts are mobile carts that drove through districts in India to educate entrepreneurs on the benefits of selling online and introduced them to specialized seller services on the Amazon India marketplace, all over a cup of chai.⁷³ Finally, Amazon also helps entrepreneurs with logistics through programs such as Easy Ship and Seller Flex, where Amazon handles pick up and fulfillment of online orders. Through leveraging the Amazon suite of offerings, rural entrepreneurs can still manage and grow their business, even if they do not have a background in marketing or logistics.⁷⁴

For example, milk farmers in India can leverage low-cost apps to manage their business. The Prompt AMCS Project for Milk Farmers is a digital solution aimed at solving both the barriers of limited margins and limited digital skills, specifically for milk producers.⁷⁵ Through the apps, farmers can see a summary of transactions and analytics to help them run their business. Prompt AMCS also offers paid software and portals that can be paired with the free apps that provide even more functionality. Finally, the company has established kiosks in villages so farmers without smartphones can still collect data. The platform attracted over 12 million farmers in the system and over 2 million mobile app users. In addition to helping to maximize profits, the platform also introduces trust into the dairy production system, because of the availability of real-time data.⁷⁶

Digital tools and digital companies can help rural entrepreneurs overcome knowledge barriers and finance constraints to manage operations, which helps entrepreneurs manage their businesses more effectively and reach a wider audience.

4.3 Digital Tools for Human Capital

Social networks can help alleviate networking and human capital barriers, and entrepreneurs can leverage Facebook groups to build networks outside their local areas and find mentorship opportunities. HENIndia is a networking community for female entrepreneurs and uses a Facebook Group for members to share business ideas, achievements, and create connections with mentors.⁷⁷

⁷¹ "Tribes India - Videos" Facebook Page, accessed September 21, 2021, https://www.facebook.com/tribesindia/videos/?ref=page_internal

⁷² Tribes India, "Tribes India | Tribes of India | Stories of Success | Introducing TRIFED," YouTube Video, 5:10, May 9, 2019, <https://www.youtube.com/watch?v=ZOV-lbRtaGQ>.

⁷³ Amazon Staff, "Empowering sellers to go online, the Amazon way" (Amazon, June 5, 2018), <https://www.aboutamazon.in/news/innovation/empowering-sellers-to-go-online-the-amazon-way>.

⁷⁴ Amazon Staff, "Empowering sellers".

⁷⁵ "About Prompt Automatic Milk Collection System," Prompt AMCS, September 20, 2021, <https://promptamcs.com/>.

⁷⁶ "Milk Supply Chain of Modern Dairy Industry," Prompt AMCS, September 20, 2021, <https://promptamcs.com/dairy-industry.html>.

⁷⁷ "HenIndia (Her Entrepreneurial Network)," Facebook Page, accessed on September 21, 2021, <https://www.facebook.com/HEN.India.Her.Entrepreneurial.Network>.

A lack of relevant work experience can act as a barrier to becoming a successful entrepreneur; online platforms help marginalized workers find jobs to gain experience.⁷⁸ The application My Rojgaar allows companies and small businesses to find workers. In addition, the application has a feature where people without smartphones can still register by offering a mobile number and details of what work they are looking for.⁷⁹

Entrepreneurs can also leverage online content sites such as YouTube to learn relevant skills for their business. In a profile of entrepreneur Pramod Susare, he explained how he watched videos on YouTube to learn how to convert worn out tires and drum barrels into furniture. By watching videos, he was able to convert his idea, recycling tires and drums, into an actual business.⁸⁰ In addition, there are several content creators specifically focused on disseminating business knowledge. One channel Employment Opportunities (*रोजगार के अवसर* in Hindi) has over 2.6 million subscribers and publishes videos that receive over a million views, such as “Top 7 Small business ideas for rural areas in India” and “How to get a personal loan online.”⁸¹ Content platforms like YouTube can help bridge skills barriers by offering free access to information.

5. Conclusion

As digital access expands across India, there is opportunity for entrepreneurs in rural areas to start and grow their businesses with digital tools. Historically, the limited infrastructure and remoteness have contributed to the marginalization of rural and Tribal entrepreneurs. However, present-day entrepreneurs are reaching more customers from increased digital access, as well as partnerships with technology firms.

This overview of rural and Tribal entrepreneurship is only the tip of the iceberg. Academic literature review and online research give a good foundation of the typical experiences of entrepreneurs, and further empirical research would contribute how these entrepreneurs use present-day digital tools to alleviate barriers caused by their marginalization. Given the barriers and opportunities, there is untapped potential to support marginalized entrepreneurs, which can contribute to more inclusive, sustainable growth.

⁷⁸ Tamanna S Mehdi, “Apps connect the dots between migrant labourers and jobs” (The New Indian Express, August 12, 2020), <https://www.newindianexpress.com/cities/hyderabad/2020/aug/12/apps-connect-the-dots-between-migrant-labourers-and-jobs-2182145.html>; Ujjwala Sinha, “This App Is Helping Millions Of Poor Workers Hit By The Pandemic In India Find Jobs” (ScoopWhoop, September 3, 2020), <https://www.scoopwhoop.com/news/this-app-is-helping-millions-of-poor-workers-hit-by-the-pandemic-in-india-find-jobs/>.

⁷⁹ Mehdi, “Apps connect the dots”.

⁸⁰ Himanshu Nitnaware, “Engineer Learns to Upcycle Drums & Tyres From YouTube, Earns Rs 1 Crore” (The Better India, September 13, 2021), <https://www.thebetterindia.com/262146/recycled-drum-tyre-furniture-maharashtra-entrepreneur-success-story-earns-crores/>.

⁸¹ रोजगार के अवसर, “Top 7 Small business ideas for rural areas in india,” YouTube Video, 4:03, February 23, 2018, <https://www.youtube.com/watch?v=BT4BjpdRKSc&t=2s;>

रोजगार के अवसर, “घर बैठे लोन पाये | how to get personal loan online,” YouTube Video, 3:47, November 25, 2016, <https://www.youtube.com/watch?v=hDOFKyXAYHY>.