

Redefining Rural Landscapes

Startups Paving the Way for Inclusive Development



Riding on the digitisation wave, India has seen growth in startups catering to rural needs. With a customer base of 100 crore, rural India presents a massive opportunity for startups, especially in sectors like agritech, food processing, edtech, skill development, e-commerce, health-tech, renewable energy, handicrafts and traditional arts, and fintech.

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Startup ecosystem of India has witnessed remarkable growth in the recent years, with a surge in innovative ventures addressing diverse challenges. India is the 3rd largest startup ecosystem in the world, with more than 1 lakh registered startups (DPIIT – Startup India). Traditionally centered in urban hubs, the startup culture is now permeating the hinterlands, ushering in a new era of innovation and economic transformation. This phenomenon reflects a broader trend of

decentralisation and inclusivity, where startups are leveraging technology to bridge the rural-urban divide.

The current scenario witnesses a surge in startups catering to rural needs, ranging from agritech and e-commerce platforms to healthcare and education services tailored for rural communities. These ventures not only address local challenges but also create employment opportunities, fostering sustainable development. The startup ecosystem as a whole, especially in rural areas, has seen unprecedented

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growth with a big Government push since 2014, when the government launched schemes like Startup India, Atal Innovation Mission (AIM), MeitY Startup Hub (MSH), BIRAC, and DST-supported schemes, among others. Many schemes were curated, especially to encourage rural entrepreneurship. Some of these schemes are listed below:

1. **Atal Community Innovation Centres (under Atal Innovation Mission)** – AIM's ACIC initiative was launched in 2020, with the objective of creating community innovation centres for rural entrepreneurs. The initiative encourages grassroots innovation and directly supports community-based entrepreneurs by establishing enabling infrastructure in Academic Institutions and NGOs. Till now, AIM has established 14 ACICs across the country that have cumulatively supported more than 200 community-based startups.
2. **Start-up Village Entrepreneurship Programme** – Ministry of Rural Development is implementing Startup Village Entrepreneurship Programme (SVEP) as a sub-scheme under the DAY-NRLM with the objective of helping the rural poor to set-up enterprises at the village level in non-agricultural sectors. A total of 1,97,168 enterprises across 23 States/UTs have been supported so far.
3. **Skill India Mission** – Under this mission, Ministry of Skill Development and Entrepreneurship (MSDE) has been delivering skills through various schemes viz. the Pradhan Mantri Kaushal Vikas Yojana (PMKVY) and the National Apprenticeship Promotion Scheme (NAPS), among others, majorly to rural youths across the country. Third party evaluations of these schemes have shown that 70.5% of PMKVY 2.0 beneficiaries (2016-20) received placement in their desired skill sector.
4. **ASPIRE** – The scheme implemented by Ministry of MSME aims to provide training and incubation support to prospective entrepreneurs in agro-rural sector through Livelihood Business Incubators (LBIs). As of FY 2022, 61 LBIs have become functional in the country. A total of 54,801 people have been trained in LBIs across the country, out of which 15169 trainees became self-employed and 8928 trainees got employed in other entities.

Startups in Rural India

Life away from Metros

More than 100 crore Indians, or around 65% of India, live in rural areas. A total of 63% of workers in rural areas are self-employed, 1.6 times that of urban areas, mostly in agriculture and allied sectors. This aspect defines the rural community and has huge significance in the rural way of life. The challenge for startups is to understand the intrinsic values of rural India and make products and solutions that build trust among the people, cater to their needs and aspirations, while simultaneously creating employment opportunities for them. While branding and marketing may work for startups in urban areas, trust and word-of-mouth publicity have always worked better for established companies and may hold true for startups operating in rural India as well.

Role of Digitisation

Internet penetration and data accessibility have a huge role to play in developing startup ecosystems. India has one of the cheapest data rates in the world (USD 0.17 for 1 GB). Over 50% of Indians are internet users, out of which around 40 crore people reside in rural areas. By 2025, India will have 90 crore active internet users, and 56% of the new internet users will be from rural areas. Every farmer added to the digital ecosystem presents an opportunity for the application of new agri-based solutions; every rural-based resident added presents an opportunity for financial inclusion; and every Tier 2/3 city resident added presents an opportunity for e-governance and e-commerce platforms. The digitisation of rural areas has been bolstered with government schemes like BharatNet, Common Service Centers (CSCs), Digital India Campaign, Pradhan Mantri Gramin Digital Saksharta Abhiyan (PMGDisha), and Digital Finance for Rural India, along with a vibrant private telecom sector.

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Types of Rural Startups

Founders based in urban areas with solutions catering to rural areas: In this category, startups are founded by individuals from urban areas who identify and address the unique challenges faced by rural communities. These entrepreneurs leverage their urban upbringing, access to resources, and exposure to technology to create innovative solutions tailored to rural needs. This approach often involves bridging the gap between urban and rural lifestyles by introducing technology-driven initiatives in areas such as agriculture, healthcare, education, and infrastructure. Examples include online platforms connecting farmers with markets, telemedicine services, and digital learning solutions for rural students. The key trait of these startups is that they tend to disrupt an organised industry and bring efficiency to traditional processes.

Founders belonging to rural areas with solutions catering to rural areas: Startups in this category are founded by individuals who have a deep understanding of rural life, having grown up in rural areas themselves. These entrepreneurs leverage their firsthand knowledge of local challenges, cultural nuances, and community dynamics to develop solutions that resonate with and directly address the needs of rural populations. Their solutions are often rooted in a deep appreciation for local traditions and sustainable practices. Examples may include ventures focused on agricultural innovations, rural craft preservation, and community-centric initiatives that enhance the overall quality of life in rural areas. The key trait of these startups is that they aim at improving earning of rural households, giving them visibility on national and global platforms through increased market access.

Self-Help Groups: Self-help groups (SHGs) represent a unique form of rural entrepreneurship, where individuals within a community come together to create a collective entity. These groups pool their resources, skills, and talents to initiate income-generating activities and address common challenges. SHGs often focus on activities like handicrafts, small-scale agriculture, and micro-enterprises. Startups emerging from SHGs can be collaborative in nature, with a shared sense of responsibility and a focus on community development. The emphasis is on empowering individuals within the group to uplift the entire community economically and socially. Anand

Milk Union Ltd. (AMUL) is one of the most successful enterprise built on this model.

Micro, Small, and Medium Enterprises (MSMEs): MSMEs in rural areas encompass a diverse range of enterprises, including manufacturing, services, and trading. These enterprises are characterised by their relatively smaller scale and localised operations, catering to the specific demands of rural markets and also unlocking larger markets through economies of scale. MSMEs contribute significantly to employment generation and economic development in rural areas. They often focus on preserving local craftsmanship, promoting indigenous products, and providing essential services to the community. In India, over 6.3 crore MSMEs are estimated, out of which more than 50% are in rural areas .

Challenges for Rural Startups

1. **Connectivity with Suppliers in Urban Areas:** Rural startups often face challenges in establishing seamless connectivity with suppliers, partners, and other stakeholders based in urban areas. Limited infrastructure, including transportation and communication networks, can hinder the efficient flow of goods and services. This connectivity gap may result in delays, increased costs, and logistical complexities for rural startups, impacting their overall operational efficiency.
2. **Access to Financing:** Access to reliable and affordable financing remains a significant hurdle for rural startups. Financial institutions may be hesitant to invest in ventures located in remote areas, citing higher perceived risks and a lack of traditional collateral. The limited availability of banking services in rural regions exacerbates the challenge, making it difficult for startups to secure the necessary capital for business expansion, technology adoption, and infrastructure development.
3. **Lack of Support System and Ecosystem in Rural India for Startups:** Despite various rural entrepreneurship enabling schemes introduced by the Government of India in the last decade, there remains ample room for improvement in establishing the essential support structure and ecosystem for the development of rural startups. The absence/lack of mentorship, networking

opportunities, and incubation centres can impede the growth of rural startups. The dearth of experienced mentors and business incubators in proximity makes it challenging for entrepreneurs to receive guidance, access resources, and navigate the complexities of scaling a startup in rural India.

4. Difficulty in Finding Early Adopters in Rural Areas:

Identifying and convincing early adopters is a critical phase for any startup. In rural areas, the challenge is amplified due to limited communication channels, lower income, and lower digital penetration. The traditional methods of brand communication such as word-of-mouth, community engagement, and local events become crucial.

5. Limited Funding Mechanism in Rural Areas:

Despite gaining a customer base in rural areas, startups struggle with a virtually non-existent funding mechanism locally. The disparity is noticeable in the concentration of startup funding primarily within major urban centres such as Bangalore, Delhi, and Mumbai, collectively accounting for 92% of startup funding over the past nine years. Investors and venture capitalists tend to be concentrated in these urban centres, creating a significant gap for rural startups. This geographical imbalance limits the growth potential of rural startups, hindering their ability to scale operations and compete on a broader scale. This also leads to multiple rural startups with bright founders migrating to the bigger urban centres.

Important Startup Sectors in Rural Areas

S.No.	Startup Sector	Importance for Rural Areas
1.	Agritech	<ul style="list-style-type: none"> Agri-tech startups leverage technology for precision farming, optimising resource use and increasing yields. Prominent examples include <i>Fasal</i> and <i>BigHaat</i>, which use artificial intelligence and data analytics for providing valuable information to the farmers. SaaS based agritech startups like <i>Ninjacart</i>, <i>DeHaat</i>, and <i>Cropin</i> connect farmers directly with buyers/retailers/storage facilities, reducing dependence on intermediaries and ensuring fair prices. Other agritech startups like <i>Khetigaadi</i> provide platforms where one can buy, sell, rent, compare, and review conventional farm machinery.
2.	Food Processing	<ul style="list-style-type: none"> Food Processing startups like <i>Intello Labs</i> add value to raw agricultural produce, creating marketable products, and reducing post-harvest losses. Processing enhances the quality and shelf life of products, especially for crops like millets, thus expanding their market reach. Startups like <i>Millet Magic</i>, <i>Slurrp Farm</i>, and <i>Millet Amma</i> are actively working in this sector, encouraging farmers to shift from traditional cereals to millets.
3.	E-commerce	<ul style="list-style-type: none"> E-commerce platforms provide rural businesses access to a larger customer base, boosting sales and income. Startups like <i>Meesho</i> have partnered with M/o Rural Development to sell products of SHGs under NRLM on its platform.
4.	Edtech & Skill Development	<ul style="list-style-type: none"> EdTech startups like <i>Learning Delight</i>, <i>Hippocampus Learning Centres</i>, <i>Sudiksha Knowledge Solutions</i>, <i>Paathshala Learning Solutions</i>, and <i>Classle</i> bring education in local languages to remote areas through digital platforms, addressing the rural-urban education divide.
5.	Health-tech	<ul style="list-style-type: none"> Health-tech startups like <i>Medyseva</i>, <i>Gramin Health Care</i>, <i>Blackfrog Technologies</i>, <i>AI Health Highway</i>, <i>Hesa</i>, and <i>DigiQure</i> offer remote consultations, overcoming the lack of healthcare infrastructure in rural areas. These startups provide health education and awareness programmes, addressing preventive healthcare.
6.	Renewable Energy	<ul style="list-style-type: none"> Startups like <i>AgriVijay</i> provide renewable energy products for farmers and rural households offering range of products, including solar, biogas, electric, hydro, and wind energy. Startups like <i>Agringenium Innovations Pvt. Ltd.</i> are harnessing agricultural waste for clean energy production, reducing dependence on traditional energy sources.

S.No.	Startup Sector	Importance for Rural Areas
7.	Handicrafts and Traditional Arts	<ul style="list-style-type: none"> Startups in this sector contribute to preserving and promoting traditional crafts and arts. These startups also attract tourists, fostering cultural exchange, and economic growth. Startups like <i>Peetal</i>, <i>Shilpkari</i> and <i>ThinkGudd</i> provide training to rural artisans, expanding their customer base and increasing income.
8.	FinTech	<ul style="list-style-type: none"> FinTech startups facilitate digital banking and financial services, ensuring banking access for rural populations. Examples include startups like <i>Aye Finance</i>, <i>BankSathi</i>, <i>BharatPe</i>, <i>KhataBook</i>, and <i>Propelld</i>, which are revolutionising access to financial services through online banking, offering a range of services such as investment platforms, Aadhaar Enabled Payment System (AEPS), digital ledger apps, and digital payment solutions.

Disclaimer: Atal Innovation Mission does not endorse any of the mentioned startups. The names are provided based on research and the success stories within the AIM ecosystem.

Atal Innovation Mission's Rural Startups Support Ecosystem – At a Glance

Established Incubation Centre



Access Livelihoods - promoting women entrepreneurship and digital financial inclusion in North Karnataka

Atal Community Innovation Centre



KL Startups Foundation conducting a Capacity Building Program on Crafts & Decors in a village in Krishna District, Andhra Pradesh

Atal Incubation Centre



Artisans being trained on social media skills by AIC-Catalyst incubated startup ThinkGudd

Conclusion

Migration of startups from rural areas / Tier 2 and Tier 3 cities to innovation hubs is an inevitable phenomenon, and while it cannot be entirely prevented, the key lies in establishing an enabling innovation ecosystem in rural areas. This ecosystem is crucial for sustaining early-stage challenges and overcoming the valleys of death that startups often face. The trajectory of a rural startup may not align with the conventional path to becoming unicorns. However, their significance lies in their potential to evolve into sustainable enterprises, which generate employment opportunities and align with the broader vision of Viksit Bharat. Therefore, fostering an environment that supports and nurtures the growth of startups, particularly in rural areas, becomes imperative for realising the USD 10 Trillion milestone by the year 2030. □