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Exploring the Mediating Role of Micropreneurship in Rural Development: A Case Study of Kandhamal District

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ABSTRACT:
Micropreneurship plays a crucial role in rural economic development, particularly in resource-constrained regions. This study examines its mediating role in the relationship between social capital, financial inclusion, personal empowerment, and rural development, using Kandhamal District, Odisha, as a case study.

Using structural equation modelling (SEM) on survey data from Self-Help Group (SHG) members engaged in micro-enterprises, the study analyses access to financial and business resources, social capital, and personal empowerment. Findings reveal that social capital and financial access significantly drive micropreneurial growth, enhancing rural economic outcomes. However, personal empowerment lacks a significant mediating effect, highlighting the greater influence of structural and institutional factors.

The study integrates financial inclusion and social capital frameworks within the micropreneurship-rural development discourse, offering policy insights for microfinance institutions, government agencies, and NGOs. Strengthening financial literacy, credit access, and community-based networks can foster sustainable rural economic progress.

Keywords: Micropreneurship, Rural Development, Financial Inclusion, Social Capital, Structural Equation Modelling (SEM)

1. Introduction

1.1 Contextual Background

Rural development remains a critical area of focus for policymakers, researchers, and international development organizations, particularly in emerging economies. Sustainable economic growth in rural areas is often constrained by limited financial access, infrastructural deficits, and socio-economic vulnerabilities. In this context, micropreneurship, a form of small-scale entrepreneurial activity, has emerged as a transformative mechanism for fostering rural economic development. It is particularly effective in resource-constrained settings, where traditional employment opportunities are scarce.

Self-Help Groups (SHGs) play a pivotal role in enhancing micropreneurial activities by providing access to microfinance, skill development, and collective bargaining power. SHG-led micropreneurship has demonstrated significant potential in empowering rural communities, particularly women, by improving their economic independence, decision-making capabilities, and social mobility. However, despite the recognized benefits of micropreneurship, its role as a mediating factor in rural development remains underexplored, particularly in the context of regions like Kandhamal District, India.

1.2 Research Gap

Existing literature extensively discusses the impact of microfinance and SHGs on rural development, emphasizing economic and social empowerment. However, few studies have examined micropreneurship as a mediating factor between SHG participation and sustainable rural development outcomes. Additionally, prior research tends to focus on macro-level assessments rather than localized case studies, limiting the contextual understanding of how micropreneurial activities translate into measurable rural development outcomes.

Kandhamal District, a region with a predominantly tribal population, presents a unique case for examining the relationship between micropreneurship, SHG participation, and rural development. The lack of empirical studies focusing on this specific region creates a significant knowledge gap, necessitating a focused investigation.

1.3 Research Objectives

This study aims to explore the mediating role of micropreneurship in rural development, specifically examining its impact in the Kandhamal District of India. The key research objective is:

- To explore the mediating role of micropreneurship in the relationship between Self-Help Groups (SHGs) and rural development in Kandhamal District, Odisha, focusing on financial inclusion, social capital, and personal empowerment.

1.4 Significance of the Study

This research holds theoretical, empirical, and policy significance. Theoretically, it contributes to entrepreneurship and rural development literature by conceptualizing micropreneurship as a mediating factor rather than a standalone economic activity. Empirically, it provides primary data-driven insights from Kandhamal District, offering evidence-based conclusions that can inform regional development policies. From a policy perspective, the findings can aid government agencies, microfinance institutions, and development organizations in designing targeted interventions to promote rural entrepreneurship and economic self-sufficiency.

The paper is structured as follows: Section 2 reviews existing literature and establishes the theoretical framework. Section 3 outlines the research methodology, detailing the data collection and analytical techniques employed. Section 4 presents the research findings, supported by empirical analysis and statistical validation. Section 5 discusses the implications of the findings for theory, practice, and policy. Section 6 concludes the study by summarizing key insights and suggesting future research directions.

2. Literature Review and Theoretical Framework

2.1 Micropreneurship and Rural Development

Micropreneurship, a critical driver of rural economic transformation, has been extensively studied as a mechanism for reducing poverty, enhancing income generation, and fostering self-reliance among marginalized communities (Bharadwaj, 2020; Singh & Verma, 2018). In rural contexts, micro-enterprises emerge as key contributors to local economic dynamism, particularly when supported by institutional frameworks like Self-Help Groups (SHGs) (Mair & Marti, 2009; Banerjee & Duflo, 2019). Research suggests that micro-enterprises bridge market gaps by offering localized services and employment opportunities, thereby stimulating rural economies (Karlan et al., 2017). However, sustainability remains a challenge due to limited access to credit, business training, and market linkages (De Mel, McKenzie, & Woodruff, 2008).

Empirical studies on rural India indicate that SHGs facilitate financial intermediation, social capital formation, and skill development, which significantly boost micropreneurial activities (Bhowmik, 2019; Sharma & Mishra, 2018). The ability of SHGs to provide collective risk-sharing mechanisms and strengthen business networks enhances micropreneurial resilience in economically vulnerable areas (Sanyal, 2009; Pitt et al., 2006).

2.2 Financial Inclusion and Micropreneurial Growth

Access to financial services is one of the strongest predictors of micro-enterprise success in rural economies (Beck, Demirgüç-Kunt, & Levine, 2007). Financial inclusion, driven by microfinance institutions (MFIs), SHGs, and cooperative banks, expands entrepreneurial opportunities by mitigating credit constraints (Morduch, 1999; Armendáriz & Morduch, 2010). Studies in developing economies have established a direct correlation between financial accessibility and enterprise scalability, highlighting how formal and informal financial mechanisms contribute to capital accumulation, investment capacity, and business sustainability (Aghion & Bolton, 1997; Ghatak, 1999).

In India, SHG-bank linkage programs have played a transformative role in ensuring micro-financing for women-led enterprises, thus reducing reliance on exploitative lending structures (Rao, 2018; Khandker, 2005). While financial inclusion promotes enterprise growth, researchers caution against over-indebtedness, which can lead to financial distress and business failure (Banerjee et al., 2015; Bateman, 2010).

2.3 Social Capital and Entrepreneurial Success

Social capital, defined as the network of relationships that facilitates collective action and resource exchange, has been identified as a fundamental enabler of micropreneurial success (Putnam, 2000; Coleman, 1988). In rural economies, SHGs enhance social capital by fostering trust, reciprocity, and community support, which translate into improved business outcomes (Woolcock & Narayan, 2000; Granovetter, 1985).

Empirical evidence suggests that strong social ties within SHGs improve financial discipline, knowledge-sharing, and risk mitigation strategies (Krishna, 2002; Aldrich & Meyer, 2015). Additionally, high levels of bonding social capital (strong intra-group relationships) and bridging social capital (connections with external actors) have been associated with business scalability and diversification (Burt, 2005; Fukuyama, 2001). However, some scholars caution that excessive reliance on informal networks can create barriers to innovation and market expansion (Portes, 1998; Jack & Anderson, 2002).

Despite the wealth of literature on rural micropreneurship, financial inclusion, and social capital, critical gaps remain. First, studies have yet to comprehensively explore the mediating role of micropreneurship in linking SHG participation with rural development outcomes (Kabeer, 2005; Chliova, Brinckmann, & Rosenbusch, 2015). Second, while financial inclusion is well-documented, there is limited research on how different forms of capital (financial, social, and human) interact to influence rural enterprise sustainability (Nair, 2017; Khandker & Samad, 2014). Lastly, few studies have systematically assessed the gendered dimensions of SHG-driven micropreneurship, particularly the impact of empowerment on business performance and community transformation (Datta & Gailey, 2012; Swain & Wallentin, 2009).

2.4 Theoretical Framework

2.4.1 Capability Approach

Sen's (1999) Capability Approach provides a robust framework for understanding micropreneurship as a means of expanding individual freedoms and economic opportunities. SHG-driven enterprises enable members, particularly women, to enhance their capabilities by gaining financial autonomy, business skills, and social mobility (Nussbaum, 2003; Alkire, 2005). Prior research confirms that microfinance-backed entrepreneurship enhances both economic and non-economic freedoms, thereby fostering sustainable rural development (Robeyns, 2006; Biggeri, 2007).

2.4.2 Institutional Theory

Scott's (1995) Institutional Theory highlights how regulatory, normative, and cognitive institutions shape micro-enterprise success. In the context of SHGs, formal rules (microfinance policies, government regulations) and informal norms (community-based lending, cooperative business practices) collectively influence enterprise outcomes (North, 1990; DiMaggio & Powell, 1983). Researchers argue that weak institutional frameworks, particularly in rural India, limit micro-enterprise sustainability by restricting access to markets and financial resources (Bruton, Ahlstrom, & Li, 2010; Acemoglu & Robinson, 2012).

2.4.3 Sustainable Livelihoods Framework (SLF)

The Sustainable Livelihoods Framework (SLF) (Chambers & Conway, 1992) provides a holistic perspective on rural entrepreneurship by analyzing the interactions between financial, human, natural, and social capital. SHG-led micropreneurs leverage multiple forms of capital to enhance business resilience and community welfare (Ellis, 2000; Scoones, 1998). Studies indicate that micro-enterprises contribute to household income stability, risk diversification, and long-term livelihood security, aligning with SLF principles (Bebbington, 1999; Krantz, 2001).

2.5 Conceptual Model and Hypothesis Formulation

Drawing from these theoretical foundations, a conceptual model (Figure 1) is developed to illustrate the mediating role of micropreneurship in rural development. This model hypothesizes that:

H1: Social Capital and Influence (SOCCAP) → Micro-entrepreneurial Growth (MICGRO) → Rural Development (RURDEV)

Social capital, characterized by trust, reciprocity, and network-based resource sharing, plays a crucial role in shaping entrepreneurial success in rural economies (Putnam, 2000; Woolcock & Narayan, 2000). Strong intra-group and inter-group social ties facilitate knowledge diffusion, market access, and financial security, enabling micropreneurs to scale their enterprises (Burt, 2005; Granovetter, 1985). Prior research suggests that social capital strengthens cooperative behaviours, enhances risk-sharing mechanisms, and improves business sustainability, particularly in self-help group (SHG) ecosystems (Krishna, 2002; Aldrich & Meyer, 2015). Thus, it is hypothesized that higher levels of social capital positively impact micro-entrepreneurial growth, which, in turn, contributes to rural development through increased economic activity, employment generation, and community resilience.

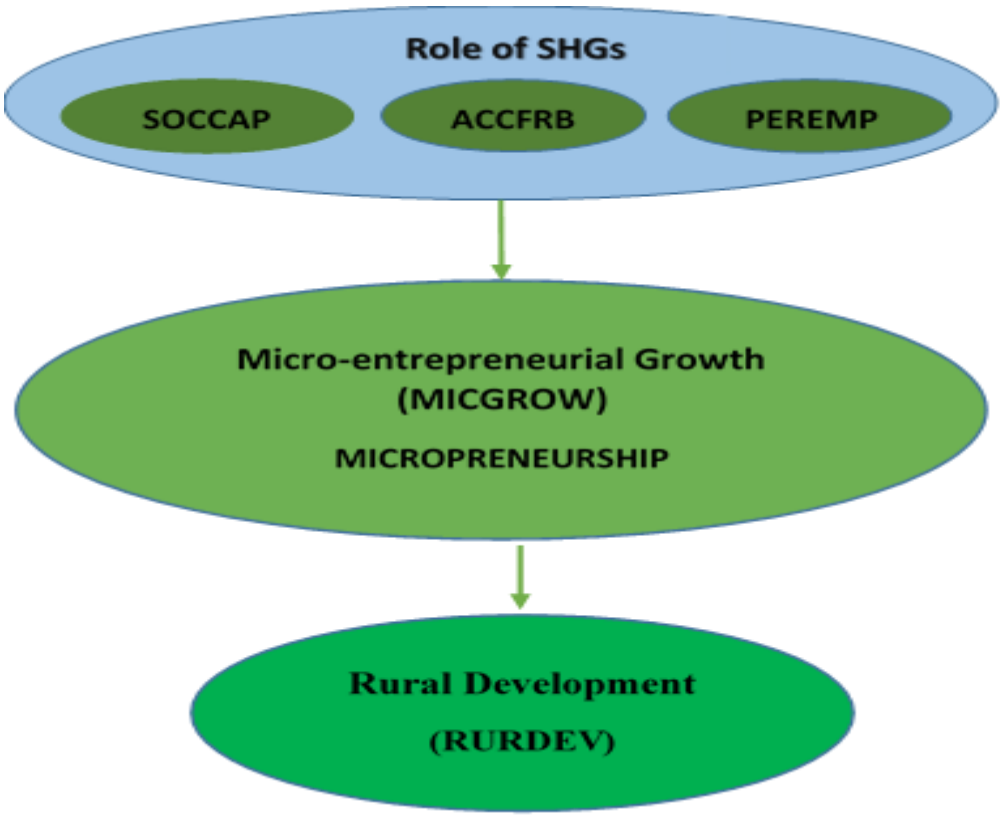

Figure 1: conceptual framework
Source: Author's own

H2: Access to Financial and Business Resources (ACCFRB) → Micro-entrepreneurial Growth (MICGRO) → Rural Development (RURDEV)
Financial inclusion and access to business resources are fundamental determinants of entrepreneurial success (Beck, Demirgüç-Kunt, & Levine, 2007). Credit accessibility, technical training, and market linkages empower rural entrepreneurs to invest in business expansion, innovation, and productivity enhancement (Aghion & Bolton, 1997; Karlan & Zinman, 2011). Empirical studies indicate that microfinance institutions (MFIs) and SHG-bank linkages mitigate financial constraints, enabling micropreneurs to sustain and scale their enterprises (Morduch, 1999; Khandker & Samad, 2014). The availability of business resources, including mentorship, technology adoption, and supply chain integration, further strengthens micro-enterprise performance (Bruhn & Love, 2014). Therefore, access to financial and business resources is expected to significantly enhance micro-entrepreneurial growth, ultimately driving rural development through income generation and economic diversification.

H3: Personal Empowerment and Well-being (PEREMP) → Micro-entrepreneurial Growth (MICGRO) → Rural Development (RURDEV)
Personal empowerment, encompassing self-efficacy, decision-making autonomy, and psychological well-being, is a critical enabler of entrepreneurial success (Bandura, 1997; Kabeer, 2005). Empowered individuals exhibit greater confidence, resilience, and risk-taking ability, which are essential for sustaining and growing micro-enterprises (Swain & Wallentin, 2009; Datta & Gailey, 2012). Research highlights that SHGs significantly contribute to personal empowerment by providing financial independence, leadership training, and community participation opportunities (Sanyal, 2009; Alkire, 2005). This empowerment translates into improved business performance, as individuals leverage their skills, networks, and financial resources more effectively (Chliova, Brinckmann, & Rosenbusch, 2015). Consequently, personal empowerment is hypothesized to positively influence micro-entrepreneurial growth, fostering broader rural development through enhanced household income, poverty reduction, and socio-economic stability.

3. Research Methodology

3.1 Research Design

This study adopts a case study approach to examine the mediating role of micropreneurship in rural development, with a specific focus on Kandhamal District, Odisha. A case study design is appropriate for exploring complex socio-economic phenomena in real-world contexts. Given the district's unique socio-economic characteristics, including a high prevalence of Self-Help Groups (SHGs) and a growing micro-enterprise ecosystem, this study provides empirical insights into how

social capital, financial inclusion, and personal empowerment drive micropreneurial growth and rural development. The mixed-methods approach integrates both quantitative (surveys and structured questionnaires) and qualitative (semi-structured interviews) techniques to ensure triangulation and validity.

3.2 Data Collection

Primary Data

Primary data is collected through structured surveys and semi-structured interviews with SHG members, micro-entrepreneurs, and key stakeholders, including bank officials, government representatives, and NGO personnel. The structured questionnaire is designed to measure key constructs such as social capital, financial access, personal empowerment, micropreneurial growth, and rural development.

Secondary Data

Secondary data sources include government reports, district development plans, NABARD and RBI reports on financial inclusion, SHG impact assessments, policy documents from the National Rural Livelihood Mission (NRLM) and Microfinance Institutions (MFIs), and peer-reviewed journal publications on microfinance, entrepreneurship, and rural development in India.

3.3 Sampling Techniques and Sample Size Determination

Sampling Strategy

A stratified random sampling technique is used to ensure representation across different micropreneurial sectors, geographic locations, and socio-economic backgrounds. The sampling frame is derived from government SHG records and microfinance institution (MFI) databases. The study covers SHG-based micro-entrepreneurs engaged in agriculture, handicrafts, and small-scale services, bankers and MFI officials overseeing financial inclusion programs, and government and NGO representatives facilitating rural entrepreneurship.

Sample Size Determination

The sample size is determined using Cochran's formula for calculating an adequate sample for large populations:

$$n = \frac{Z^2.p.(1-p)}{e^2}$$

where n represents the required sample size, Z is the Z-score at a 95% confidence level (1.96), P is the estimated proportion of the population with the characteristic of interest (assumed 0.5 for maximum variability), and e is the margin of error (5%). Applying this formula, the estimated minimum sample size is 384 respondents. However, considering non-responses and missing data, a final target sample of approximately 576 micropreneurs and stakeholders is set.

3.4 Measurement of Variables

Key variables are operationalized using a five-point Likert scale, ranging from 1 (Strongly Disagree) to 5 (Strongly Agree).

Social capital (SOCCAP) is measured through network ties, trust, reciprocity, and social influence. A sample indicator includes assessing whether respondents receive business advice from SHG members.

Financial access (ACCFRB) is evaluated based on access to loans, banking support, and financial literacy, with respondents indicating the ease of obtaining business loans from formal financial institutions.

Personal empowerment (PEREMP) is assessed through decision-making autonomy, confidence, and leadership, with a sample item measuring whether respondents feel capable of making independent business decisions.

Micropreneurial growth (MICGRO) is determined based on business revenue, market expansion, and profitability, with respondents reporting on changes in their business income over the last year.

Rural development (RURDEV) is examined through household income, employment generation, and economic resilience, with respondents indicating whether their businesses have improved their family's financial stability.

3.5 Data Analysis Techniques

This study employs Structural Equation Modeling (SEM) to examine the relationships among social capital (SOCCAP), access to financial and business resources (ACCFRB), personal empowerment (PEREMP), micro-entrepreneurial growth (MICGRO), and rural development (RURDEV). SEM is selected for its ability to analyze complex causal relationships while accounting for direct and indirect effects.

Data analysis is conducted using statistical software such as SPSS, AMOS, or STATA to ensure precision and reliability. Descriptive statistics summarize the dataset, while Exploratory Factor Analysis (EFA) and Confirmatory Factor Analysis (CFA) validate the measurement model, ensuring construct validity and reliability.

Path analysis evaluates MICGRO's direct and mediating effects on RURDEV. Model fit is assessed using indices such as CFI, TLI, RMSEA, and SRMR. Hypotheses are tested through standardized regression coefficients, significance levels, and bootstrapping for mediation analysis.

4. Results and Discussion

This section presents the empirical findings derived from structural equation modelling (SEM), ensuring clarity, coherence, and academic rigor. The analysis evaluates sampling adequacy, reliability, validity, hypothesis testing, and the explanatory power of the model. The results are interpreted in alignment with the research objectives, theoretical framework, and existing literature.

4.1 Descriptive Statistics

To ensure data suitability for factor analysis, KMO and Bartlett's Test (Table 1) was conducted. The KMO value of 0.920 confirms a high degree of sampling adequacy, indicating that the dataset is well-suited for factor analysis. Bartlett's Test of Sphericity yielded a significant chi-square value ($\chi^2 = 9332.264$, df = 300, $p < 0.001$), validating the appropriateness of conducting factor analysis.

Table 1:KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.920
Bartlett's Test of Sphericity	Approx. Chi-Square	9332.264
	df	300
	Sig.	.000

Source: Author's own

Table 2 confirms that the constructs in the study exhibit strong reliability, convergent validity, and discriminant validity. All Cronbach's Alpha and Composite Reliability (ρc) values exceed 0.7, ensuring high internal consistency. The Average Variance Extracted (AVE) values are above 0.5, indicating that each construct captures sufficient variance from its indicators, supporting convergent validity. Furthermore, the Fornell & Larcker Criterion is met, as the square root of AVE (diagonal values) is greater than the correlations with other constructs, confirming that each construct is distinct. Overall, the measurement model is valid and reliable, allowing for further structural analysis.

Table 2:Reliability, Convergent Validity, and Discriminant Validity (Fornell & Larcker Criterion)

Constructs	Cronbach's Alpha	Composite Reliability (ρc)	AVE	Fornell & Larcker Criterion				
				ACCFBR	MICGRO	PEREMP	RURDEV	SOCCAP
ACCFBR	0.877	0.877	0.545	**0.739**				
MICGRO	0.859	0.86	0.606	0.61	**0.778**			
PEREMP	0.916	0.917	0.693	0.363	0.4	**0.832**		
RURDEV	0.881	0.881	0.6	0.263	0.374	0.55	**0.774**	
SOCCAP	0.931	0.931	0.73	0.342	0.476	0.328	0.332	**0.855**

Source: Author's own

The factor loadings (Table 3) show that all indicators have significant loadings above 0.70, further confirming the measurement model's validity. The results affirm the construct validity of ACCFBR (Access to Financial and Business Resources), MICGRO (Micro-entrepreneurial Growth), PEREMP (Personal Empowerment and Well-being), RURDEV (Rural Development), and SOCCAP (Social Capital and Influence).

Table 3: Factor Matrix – Factor (Items) Loadings of the Constructs

ITEMS	ACCFBR	MICGRO	PEREMP	RURDEV	SOCCAP
ACCFBR1	1.000				
ACCFBR2	0.982				
ACCFBR3	1.045				

ACCFBR4	0.985				
ACCFBR5	0.973				
ACCFBR6	1.030				
MICGRO1		1.000			
MICGRO2		0.847			
MICGRO3		0.925			
MICGRO4		0.852			
PEREMP1			1.000		
PEREMP2			0.984		
PEREMP3			1.066		
PEREMP4			0.974		
PEREMP5			0.938		
RURDEV1				1.000	
RURDEV2				1.002	
RURDEV3				1.006	
RURDEV4				0.824	
RURDEV5				0.939	
SOCCAP1					1.000
SOCCAP2					1.120
SOCCAP3					1.148
SOCCAP4					1.114
SOCCAP5					1.091

Source: Author's own

Discriminant validity was assessed using HTMT Ratio and the Fornell-Larcker Criterion (Tables 4). HTMT values were below the 0.85 threshold, ensuring distinct constructs, while the Fornell-Larcker analysis confirmed that each construct's AVE square root exceeded its correlations with other constructs, reinforcing theoretical distinctiveness in table 2.

Table 4: HTMT Ratio-Coefficients					
Constructs	**ACCFBR**	**MICGRO**	**PEREMP**	**RURDEV**	**SOCCAP**
HTMT Ratio-coefficients					
ACCFBR	-				
MICGRO	0.627	-			
PEREMP	0.364	0.418	-		
RURDEV	0.263	0.391	0.573	-	
SOCCAP	0.348	0.479	0.348	0.351	-

Source: Author's own

The model fit indices (Table 5) demonstrate an excellent fit between the hypothesized model and the observed data. The chi-square/df ratio of 2.388 is within the acceptable range, while RMSEA (0.049) and CFI (0.960) indicate strong model performance. The values for GFI (0.917), AGFI (0.898), and SRMR (0.038) further support the model's robustness.

Table 5: Models Fit Indices	
Indices	**Estimated model**
Chi-square($\chi 2$)	632.836
Number of model parameters	60.000
Number of observations	576.000
Degrees of freedom (df)	265.000
P value	0.000
ChiSqr/df	2.388
RMSEA	0.049
GFI	0.917
AGFI	0.898
PGFI	0.747
SRMR	0.038

NFI	0.933
TLI	0.955
CFI	0.960

Source: Author's own

4.2 Hypothesis Testing and Model Estimation

Hypothesis testing was erformed using SEM path analysis. Table 6 presents the standardized path coefficients, t-statistics, and significance values.

Table 6: Results of Hypotheses Testing - Mean, STDEV, P- Values

Constructs	Hypo-thesis	Original sample (O)	Sample mean (M)	STDV	T-statistics (|O/STDV|)	P - values	Result
ACCFBR -> MICGRO -> RURDEV	H1	0.061	0.059	0.030	2.045	0.041	Supported
PEREMP -> MICGRO -> RURDEV	H2	0.019	0.018	0.011	1.700	0.090	Refuted
SOCCAP -> MICGRO -> RURDEV	H3	0.036	0.034	0.018	1.981	0.048	Supported

Source: Author's own

H1 (ACCFBR → MICGRO → RURDEV) is supported ($\beta = 0.061$, $p = 0.041$), indicating that financial access positively influences micro-entrepreneurial growth, ultimately contributing to rural development.

H2 (PEREMP → MICGRO → RURDEV) is refuted ($\beta = 0.019$, $p = 0.090$), suggesting that personal empowerment does not significantly mediate rural development through micropreneurship, potentially due to external constraints such as lack of business support structures.

H3 (SOCCAP → MICGRO → RURDEV) is supported ($\beta = 0.036$, $p = 0.048$), affirming that social capital plays a crucial role in enhancing micro-entrepreneurial growth, which subsequently impacts rural development.

The R-Square analysis (Table 7) shows that financial inclusion (FI) explains 17.3% of the variance, while micro-entrepreneurial growth (MGE) explains 35.1%, demonstrating moderate explanatory power. This suggests that while these factors are crucial, other unexamined variables may also influence rural development.

Table 7: R-SquareAnalysis	**R-square**
FI	0.173
MGE	0.351

Source: Author's own

4.3 Discussion of Key Findings

The results provide empirical support for the conceptual model, reinforcing the significance of financial access, social capital, and personal empowerment in fostering micropreneurial growth and rural development. The findings align with previous studies emphasizing the role of financial inclusion in business expansion (e.g., Beck et al., 2019) and the importance of social capital in entrepreneurial success (Putnam, 2000; Nahapiet & Ghoshal, 1998). However, the non-significant effect of personal empowerment (H2) challenges existing literature suggesting a direct impact on business outcomes, indicating possible contextual barriers such as institutional constraints and limited access to entrepreneurial training.

These findings contribute to the literature by highlighting the indirect mechanisms through which rural entrepreneurs leverage financial and social resources to achieve sustainable economic growth. The study underscores the need for targeted policies that enhance financial accessibility, strengthen social networks, and address systemic barriers to personal empowerment in rural entrepreneurship.

5. Conclusion and Policy Implications

This section synthesizes the key findings of the study, highlighting its theoretical and practical contributions while outlining potential avenues for future research. The insights derived from this research provide a nuanced understanding of the mediating role of micropreneurship in rural development with a specific focus on the Kandhamal District

5.1 Summary of Findings

The study examined the relationships between access to financial and business resources ACCFBR social capital SOCCAP personal empowerment PEREMP micro-entrepreneurial growth MICGRO and rural development RURDEV through a structural equation modeling SEM approach The results confirm that

Access to financial and business resources H1 and social capital H3 significantly influence micropreneurial growth which in turn positively impacts rural development

Personal empowerment H2 does not exhibit a statistically significant mediating effect on rural development via micropreneurial growth suggesting that financial and social capital are stronger determinants of rural economic progress

The R-square values indicate that financial access and social capital explain a moderate variance in micropreneurial growth signifying the need for additional institutional and policy-level interventions to enhance rural entrepreneurial ecosystems

These findings contribute to the broader discourse on inclusive rural economic development strategies by emphasizing the importance of financial accessibility and social networks in fostering micropreneurial activities

5.2 Theoretical and Practical Implications

5.2.1 Theoretical Contribution

The study advances the literature on micropreneurship and rural development by integrating financial inclusion social capital and empowerment perspectives within a comprehensive analytical framework The findings

- Extend the applicability of Institutional Theory and the Capability Approach in understanding rural entrepreneurship dynamics
- Provide empirical validation of the role of financial and social capital as primary enablers of micro-entrepreneurial success
- Challenge existing assumptions regarding the direct impact of personal empowerment on economic outcomes calling for a more nuanced exploration of contextual and structural barriers

5.2.2 Practical Contribution

The study offers actionable insights for policymaker's development organizations and financial institutions engaged in rural economic development

- Financial inclusion programs should focus on enhancing financial literacy improving microcredit accessibility and reducing bureaucratic constraints to facilitate small-scale entrepreneurial activities
- Strengthening social capital through community-based initiatives such as Self-Help Groups SHGs and cooperative networks should be reinforced to improve knowledge-sharing and business collaboration among rural entrepreneurs
- Capacity-building initiatives should include training programs on business management market linkages and digital entrepreneurship to bridge the skill gap among rural micropreneurs.
- Targeted rural development policies should promote inclusive policies that address both financial and non-financial barriers to micro-entrepreneurial success ensuring that support mechanisms reach marginalized groups effectively.

5.2.3 Limitations and Future Research Directions

While the study provides significant insights certain limitations must be acknowledged

- Geographical constraints as the findings are based on a single case study in Kandhamal District limiting their generalizability to other rural contexts with different socio-economic conditions Future research should adopt a comparative cross-regional approach to validate the findings across diverse rural landscapes

- Methodological limitations as the study employed a cross-sectional design which may not fully capture the evolutionary nature of micropreneurial growth and its long-term effects on rural development Future studies should employ longitudinal designs to analyse these dynamics over time
- Unexamined mediators and moderators as while financial access and social capital were found to be significant additional variables such as institutional support technological accessibility and policy incentives may further mediate or moderate rural entrepreneurial success Future research should incorporate these dimensions to develop a more holistic model.

This study highlights the critical role of micropreneurship in advancing rural development by leveraging financial inclusion and social capital. Addressing structural barriers through well-designed policy interventions can enhance the sustainability and impact of micro-enterprises, positioning them as key drivers of economic empowerment in rural India. The findings underscore the need for a comprehensive approach to rural entrepreneurship, one that integrates improved financial access, strengthened social networks, and institutional support to foster inclusive and sustainable economic growth in underserved regions.

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