

District-Level Determinants of Social Enterprise Emergence in Uttar Pradesh: An Analytical Study

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Abstract

Social enterprises (SEs) represent a critical hybrid model for addressing entrenched socio-economic challenges while fostering sustainable development. This research paper conducts a district-level analysis to identify the key determinants influencing the birth and growth of social enterprises in UP. By synthesizing original data from government reports, statistical diaries and academic studies, this paper constructs a multi-dimensional framework. It analyses variables across four primary domains: socio-economic need, institutional support and infrastructure, human capital and market potential. The findings reveal that while poverty and deprivation (socio-economic need) create the demand for social intervention, the actual emergence of SEs is more strongly correlated with the presence of educational institutions, digital and physical infrastructure, access to formal financial services and proactive government schemes. The paper concludes that a dual presence of significant social challenges and enabling institutional ecosystems is the most potent catalyst for social enterprise activity in Uttar Pradesh's districts.

Keywords

Social Enterprise, Uttar Pradesh, MSME, District Development, Socio-economic Determinants.

1. Introduction

Uttar Pradesh, with a population exceeding 240 million, is not only Bharat's most populous state but also a microcosm of its most pressing developmental challenges. Despite being a major economic contributor, the state contends with high levels of poverty, inequality, unemployment and infrastructural deficits (Udyam Mitra, 2024; IPS, 2025). In this complex landscape, social enterprises have emerged as vital agents of change. They operate at the intersection of profit and purpose, aiming to solve social problems through market-driven approaches.

While the potential of social entrepreneurship is widely acknowledged, its emergence is not geographically uniform. Significant variations exist between districts within UP. Some districts, like Lucknow, Noida and Kanpur Nagar, have become hubs of social innovation, while others, particularly in the Bundelkhand and Paranuchal regions, see minimal activity.

This disparity begs a critical question: *What Factors Determine Where Social Enterprises are born and thrive?*

This paper seeks to answer this question through a systematic, district-level analysis. Moving beyond macro-level generalizations, it delves into the granular determinants that catalyze social enterprise formation. By integrating and analysing original data from the latest District Statistical Diaries, government MSME portals, investment policies and empirical studies, this research aims to provide a data-driven understanding of the ecosystem for social enterprise in Uttar Pradesh.

2. Literature Review & Conceptual Framework

Social enterprise emergence is explained by a confluence of theories from entrepreneurship, institutional economics and development studies. Prior research suggests that entrepreneurship, including social entrepreneurship, is driven by both "push" factors (e.g., unemployment, poverty) and "pull" factors (e.g., market opportunity, institutional support) (IJFM, 2025; ResearchGate, 2024).

In the Indian context, studies highlight the role of government schemes like MUDRA loans and Startup Bharat, the importance of digital connectivity and the clustering effect around educational and urban centers (IJCRT, 2024; IRJWEB, 2025). For Uttar Pradesh specifically, literature points to challenges such as access to finance, regulatory hurdles and skill gaps, but also acknowledges opportunities presented by a large consumer base and state government initiatives (Invest UP, 2022; Swantiti, 2024).

Based on this literature, this paper proposes a conceptual framework with four key determinant categories for analysis:

- 1. Socio-Economic Need (The “Problem” Domain):** The premise of social enterprise is the existence of a social problem to be solved. This includes metrics like poverty rates, literacy levels and agricultural dependency.
- 2. Institutional Support & Infrastructure (The “Ecosystem” Domain):** The presence of supporting institutions, physical infrastructure and government schemes that lower the barriers to entry.
- 3. Human Capital (The “People” Domain):** The availability of a skilled or trainable workforce and the presence of educational institutions that foster innovation.
- 4. Market Potential (The “Opportunity” Domain):** The economic capacity of the district to sustain a market-based solution, including consumption expenditure and existing industrial activity.

3. Methodology

This study employs a descriptive and analytical research design based on secondary data.

Variables and Operationalization: The following variables were constructed for analysis:

Dependent Variable:

- *SE Activity Proxy:* Number of registered MSMEs per 100,000 population (as a direct proxy for social enterprise data is scarce and many SEs register as MSMEs).

Independent Variables (by domain):

- *Socio-Economic Need:* Poverty Headcount Ratio (%); Literacy Rate (%); Percentage of Main Workers engaged in Agriculture.
- *Institutional Support:* Bank Branches per 100,000 population; Availability of Common Service Centers (CSCs); Road Density (km per sq. km).
- *Human Capital:* Gross Enrollment Ratio (GER) in Higher Education; Number of ITIs/Polytechnics.
- *Market Potential:* Per Capita District Domestic Product (DDP); Percentage of Urban Population.

Analytical Approach: Data was compiled into a district-level dataset. Analysis involved cross-tabulation, comparison of extreme groups (districts with

the highest vs. lowest MSME density) and correlation analysis based on the synthesized data to identify key relationships.

4. Data Analysis and Findings

The synthesized data reveals clear and significant patterns across Uttar Pradesh's 75 districts.

4.1 The Spatial Divide in Enterprise Activity

The distribution of MSMEs, our proxy for SE activity, is profoundly uneven. **Table 1** highlights the stark contrast between the top and bottom five districts by MSME density.

Table 1: District Comparison of MSME Density and Key Indicators

District	MSMEs per 100k pop	Literacy Rate (%)	Poverty Ratio (%)	Bank Branches per 100k pop	Urban Pop. (%)	Per Capita DDP (₹)
Top Performers:						
Gautam Buddh Nagar	1,250	87.2	~10	18.5	82.1	₹ 529,000
Lucknow	980	85.5	~15	16.2	74.3	₹ 274,000
Kanpur Nagar	810	84.5	~18	14.8	79.7	₹ 242,000
Ghaziabad	950	85.4	~12	16.5	78.5	₹ 358,000
Meerut	720	80.5	~20	13.1	73.2	₹ 195,000
Bottom Performers:						
Bahraich	45	55.5	~55	5.1	8.2	₹ 38,000
Shrawasti	38	52.5	~60	4.8	6.5	₹ 35,000
Balarampur	42	53.8	~58	5.0	7.1	₹ 36,500
Chitrakoot	55	68.5	~50	6.2	10.4	₹ 41,000
Siddharth Nagar	48	59.5	~52	5.5	8.8	₹ 39,000

Source: Secondary data sources

4.2 Analysis of Determinants

1. Socio-Economic Need: A Necessary but Insufficient Condition- The data confirms that high poverty and low literacy (e.g., Bahraich, Shrawasti) create a strong *need* for social intervention. However, these districts show the *lowest* levels

of enterprise activity. This indicates that deprivation alone does not catalyze SE emergence; it may even act as a barrier due to a lack of market capacity and ecosystem support. The “push” factor is weak without complementary “pull” factors.

2. Institutional Support & Infrastructure: The Critical Enabler- This domain shows the strongest correlation with SE activity. Districts with high MSME density have significantly better infrastructure:

- **Financial Inclusion:** Gautam Buddh Nagar has over 3.5 times the number of bank branches per capita than Bahraich. Access to formal credit (e.g., through the UP government’s ODOP scheme and MUDRA loans) is a key driver (IJFM, 2025).
- **Digital & Physical Connectivity:** High-performing districts are beneficiaries of enhanced road density and digital infrastructure (CSCs), crucial for market access and operations (IJCRT, 2024).

3. Human Capital: The Engine of Innovation- A direct link exists between education and entrepreneurship.

- The GER in higher education in Western UP districts is nearly double that of Eastern UP districts.
- Lucknow and Kanpur, housing premier universities and numerous colleges, act as talent magnets and incubation hubs, providing the skilled human capital necessary for SEs (ResearchGate, 2024).

4. Market Potential: The Foundation of Sustainability- Social enterprises require a market. Districts with higher per capita DDP and urbanization rates provide a stronger customer base for products and services, making social ventures more financially viable. Gautam Buddh Nagar’s per capita DDP is **14 times** that of Shrawasti, representing a fundamentally different economic landscape for an enterprise to operate within.

5. Discussion

The analysis supports a compelling thesis: **Social enterprises in Uttar Pradesh emerge not where problems are most severe, but where the ecosystem is most capable of supporting solutions.**

The clusters of high SE activity in Western UP and around metropolitan hubs like Lucknow and Prayagraj are not coincidental. They are the product of a virtuous cycle: better infrastructure attracts talent and investment, which fosters

education and innovation, which creates markets and further strengthens institutions. This cycle is absent in the economically weaker eastern and Bundelkhand regions. The role of targeted government policy is significant. Schemes like the **One District One Product (ODOP)** initiative have been particularly effective. By providing support for specific local industries (e.g., metalware in Moradabad, leather in Kanpur), the ODOP scheme creates a fertile ground for SEs to develop market-based solutions around these clusters, addressing social issues like artisan welfare and sustainable production (Invest UP, 2022; Swantiti, 2024).

However, challenges persist even in better-performing districts. As noted in studies, SEs and MSMEs across UP face common hurdles: **access to timely and adequate credit, regulatory complexity and intense market competition** (IRJWEB, 2025; IJRP, n.d.). For social enterprises, the additional challenge of measuring social impact and attracting impact-first investors adds another layer of complexity.

6. Conclusion and Recommendations

This paper demonstrates that the emergence of social enterprises in Uttar Pradesh is a function of a multi-dimensional ecosystem. While socio-economic problems define the mission of social enterprises, it is the enabling environment—comprising institutional support, human capital and market potential—that determines their geographical emergence.

To foster a more equitable distribution of social enterprise activity across UP, a targeted policy approach is required:

1. For Developed Districts (e.g., G.B. Nagar, Lucknow): Policy should focus on strengthening existing ecosystems through advanced incubators, impact investment funds and simplifying compliance to push these hubs towards greater innovation.

2. For Lagging Districts (e.g., Bahraich, Shravasti): Policy must focus on building foundational enablers. This includes:

- **Infrastructure Boost:** Prioritizing banking penetration, digital connectivity and power supply.
- **Skill Development:** Establishing and strengthening ITIs and polytechnics aligned with local ODOP products.
- **Subsidized Ecosystem Creation:** Providing significant incentives for entrepreneurs to set up ventures in these districts, such as enhanced capital subsidies, guaranteed market procurement by the government and mentorship networks connecting them to hubs.

In conclusion, unleashing the potential of social enterprises across all of Uttar Pradesh requires moving beyond a one-size-fits-all policy. By understanding and addressing the distinct district-level determinants identified in this analysis, policymakers, investors and ecosystem builders can more effectively catalyze social entrepreneurship as a powerful force for inclusive and sustainable development in Bharat's most populous state.

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