Moving Forward towards
Rural Economic Transformation
Overview of implementation experience and progress: The first phase of the National Rural Livelihoods Project (NRLP), which aimed to reach 4.8 million rural women, was implemented across 13 states, 162 districts and 580 blocks of the country. NRLP was meant to support the launch and expansion of the Government of India’s flagship programme for poverty alleviation, the Deendayal Antyodaya Yojana National Rural Livelihood Mission (DAY-NRLM) and provide additional pro-poor investments in 13 states with the highest poverty rates which accounted for almost 85% of the poor in India. This program marked a strategic shift within the Ministry of Rural Development (MoRD) from a focus on allocation, disbursement, and monitoring of central government financial resources, to the provision of skilled technical assistance to states under the aegis of the DAY-NRLM.

NRLP was aimed at supporting DAY-NRLM in developing and creating proof of concepts for rolling out all systems essential for effective and smooth implementation as well as strategies and protocols for poverty alleviation through community institutions and self help. This included the development of standard program guidelines, manuals for financial management, procurement management, human resource management and an MIS for the uniform roll out of the program across all states.

NRLP also facilitated MoRD in providing Technical Assistance to the states through supporting creation of a National Mission Management Unit at the Central level, manned with high quality professionals with specialized skills and experience in the various verticals of the programme. At the state level, in order to have an effective implementation structure, 20 states created State Rural Livelihoods Missions that were autonomous bodies, registered mostly as societies, under their respective Rural Development Department.

Qualified professionals in the rural development sector were recruited at the state, district and block level, together with a large number of community professionals and cadres to spearhead this program, unprecedented in impact and scale.

Progress and results achieved to date through the NRLP and the DAY-NRLM:

Strong results have been seen across the following rubrics: 1) social mobilization of the poor into self-help groups (SHGs) and their federations, building both individual and institutional capacity 2) enhanced access to credit and other financial services and 3) livelihoods improvements and 4) raising awareness on several issues of social development.

1. Social mobilization, institution and capacity building

The NRLP has far surpassed the projected target of 400,000 SHGs, having mobilized more than 9.5 million rural women into 810,613 SHGs. These SHGs have been further federated into 54,069 Village Organizations (VOs) and 3331 Cluster/ Gram Panchayat level Federations (CLFs/GPLFs). The lessons drawn from implementing the NRLP has helped the DAY-NRLM in rapidly expanding its footprint. As of November 2019, the DAY-NRLM is being implemented in 5971 blocks across 646 districts and has been able to mobilize 65.7 million households into 5.94 million SHGs. Extensive training and capacity building support have enabled the SHGs and their federations (VOs, CLFs) to graduate into self-managed institutions – however, dedicated efforts will be required to put in place mechanisms and protocols to ensure the sustainability of these institutions post DAY-NRLM.

The NRLP, by focusing on the poorest households in the poorest states, has demonstrated an effective targeting approach where more than 57% SHG members belong to Scheduled Castes, Scheduled Tribes or other minority

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1. Approved on July 5, 2011 at a cost of US$ 1000 million (SDR 635.8 million).
2. It was envisaged that MoRD would reach all remaining rural poor throughout the country through its own resources using the institutions created and supported by the NRLP at the national and state level.
3. Assam, Bihar, Chhattisgarh, Jharkhand, Gujarat, Maharashtra, Madhya Pradesh, Orissa, Rajasthan, Uttar Pradesh, West Bengal, Karnataka and Tamil Nadu
households. Another notable innovation and achievement of the project has been the community driven strategy that has made DAY-NRLM truly a programme for rural women and by rural women. Since the launch of the project, nearly 295,000 community professionals and community resource persons (CRPs) from amongst the SHGs have been trained to undertake and further implementation of all verticals of the project on the ground.

2. Financial inclusion

Over the course of the project, SHG households have accessed approximately US$ 1,190 million in private financing against a total investment of nearly US$400 million from the project (with nearly US$ 300 million in direct community level grants provided as revolving funds and community investment funds). SHG members have managed to mobilize savings worth US$ 229 million and institutional credit worth US$ 640 million from banks. Under the NRLP, a strong focus was introduced in January 2016 to scale up digital financial services. The program has trained and empowered more than 5000 SHG members as Business Correspondent Agents (BCAs), who are also called “Bank Sakhis” to provide last mile delivery of financial services. The “Bank Sakhis” intervention, originally piloted under the NRLP, has been mainstreamed under the DAY-NRLM. It is envisaged that the Mission will deploy at least 1 SHG member as Bank Sakhis in approximately 2 lakh Gram Panchayats by 2023-24.

3. Income enhancement

By focusing on livelihood diversification and income enhancement, the NRLP introduced and assessed interventions related to agriculture and livestock management. Over 2 million households have availed technical services under the program to enhance agricultural productivity. These efforts were substantively abetted by economic initiatives designed to enhance human development outcomes, such as the development of producer collectives focused on high value agriculture commodities, digital finance interventions and convergence with other schemes of the Government in the rural areas, through the mechanism of dedicated funds introduced in the second project.

Preliminary results from the NRLP Impact Evaluation

A joint impact evaluation study conducted across 27,000 households in 9 states*, by a team from Stanford, 3ie and Vrutti, has revealed promising preliminary results. Some highlights are noted below:

• Savings in SHGs, SHG loans and wage earnings increase with program duration: It was found that the annual income of SHG members who belonged to older SHGs was approximately Rs 9,000 more than more recent SHGs, with the difference in age being approximately 2 1/2 years. This indicated an improvement in SHG household income of approximately 9% annually. The impacts are significantly higher for SC and ST members. Over a 3 year period therefore, an overall income effect of 27% was observed.
The federated structure of the NRLP significantly enhances women’s role in decision making within the household and their access to credit and institutional forms of savings. The average member loan amount from banks for SHGs that are 3 years of age and have been federated with VOs for 3 years (on average) is almost double as compared to SHGs of similar age that have not been federated (Rs. 8,300 as opposed to Rs. 4,700). The average internal loan amount within the SHG is also approximately double – Rs. 3,300 as opposed to Rs. 1,400.

The increased decision making power and access to loans is reflected in significant improvements in dietary diversity and quality of houses.

In Gram Panchayats that are led by members of the Scheduled Castes, Scheduled Tribes and women there is a noticeable shift in women, SHG members’ confidence and ability to engage with the larger socio-political universe.

The study found evidence of a declining adherence to the prescribed SHG norms (Panchsutra), as well as declining program effects on access to loan and incomes, over time, amongst the oldest SHGs, indicating possibly that other activities are taking precedence.

This pioneering evaluation of the NRLP program implemented at scale, unlike the evaluation of pilot programs, enables us to assess the impact of scale on program implementation and corresponding differences in implementation between early and late SHGs. The study is groundbreaking in its intensive use of MIS data on the universe of all SHGs in survey districts and blocks and paves the way for critical improvements in program design and meaningful implementation of the NRETP.

*Bihar, Chhattisgarh, Jharkhand, Maharashtra, Madhya Pradesh, Odisha, Rajasthan, Uttar Pradesh, West Bengal

For more information: https://www.3ieimpact.org/our-work/livelihood/nrlm

4. Technical assistance to the National Rural Livelihood Mission

The NRLP has supported the DAY-NRLM program with technical assistance that has enabled the MoRD to successfully expand the project to all 29 states and 5 union territories of the country. The NRLP has enabled (a) the setting up of a National Mission Management Unit (NMMU) that has engaged technical experts to support the implementation of the DAY-NRLM; (b) the development of standard program guidelines; and (c) the development of the financial management, procurement management, human resource management and an MIS for the uniform roll out of the program across all states.

5. Maximizing Finance for Development (MFD)

The NRLP and the DAY-NRLM provide an outstanding operational example of how to leverage resources under the principles of MFD. A total of 65.7 million rural women, enrolled in 5.94 million SHGs, have cumulatively leveraged nearly US$38 billion of financing from formal financial institutions since the launch of the DAY-NRLM in 2011. The US$ 500 million investment of the Bank leveraged an investment of US$ 2 billion from the GoI for the DAY-NRLM. Convergence initiatives with welfare schemes targeted at SHG members supported through the NRLP and the DAY-NRLM, account for a significant volume of additional resources. And finally, States have leveraged technical assistance via partnerships with multiple stakeholders across the development and private sector, while at the National level, partnerships such as the one with the Bill and Melinda Gates Foundation and TATA Trusts enable technical assessments and learning for improved impact.
6. Female Labour Force Participation (FLFP)

Between 1972 and 2013, FLFP in India declined from 31.8 percent to 26.7 percent. The DAY-NRLM program design was centered on the premise that entrepreneurship can transition more women into the labor force through self-employment and help by creating livelihood opportunities for other women, as female entrepreneurs are more likely to hire female workers. The program was tailored to foster positive and sustainable impacts on female labor force participation, livelihoods, income, assets, skill development and household welfare.

Among the most important reasons for the decline in rural FLFP in India was a reduction in agricultural jobs. The DAY-NRLM has therefore encouraged a shift from casual farm labor towards self-employment in high value agriculture and non-farm businesses. According to a recent study, there is a significant increase in the number of self-employment livelihood activities in farm (5.4 percent) and non-farm (0.7 percent) activities in the DAY-NRLM treatment areas. There is a 5.5 percent increase in the Work Participation Rate (WPR), and overall 13.6% more women have been retained in the labor force in the DAY-NRLM areas. This has in a large measure been supported by the two sub-schemes of DAY-NRLM for skill training and placements viz. the Deendayal Upadhyaya-Grameen Kaushalya Yojana (DDU-GKY) and the Rural Self Employment Training Institutes (RSETI) sponsored by Public Sector Banks, which provide free residential trainings to rural poor youth and facilitate placements and self employment.

The NRETP takes cognizance of the clear and significant economic benefits of increased female employment and will continue to pursue the integrated approach adopted under the DAY-NRLM.

COMPONENTS OF ADDITIONAL FINANCING

- **Institutional and Human Capacity Development**
  
  This component will finance technical assistance consultancies, human resources, training and development of training material/approaches.

- **State Livelihood Support**
  
  The focus will be to increase the uptake of economic activities like value chain development (VCD), enterprise and skills development.
  - Value chain development for high value farm and non-farm commodities
  - Enterprise development
  - Skills training interventions
  - Digital, financial services and access to finance

- **Innovation and Partnership support**
  
  In line with the original design of the project, the component will finance pilot initiatives and technical assistance consultancies that support innovative livelihoods activities in agriculture, livestock, youth employment, nutrition activities among others, for rural poor households.

- **Project implementation support**
  
  This component will strengthen the National Mission Management Unit (NMMU) for effective project management at the national level; finance Monitoring and Evaluation (M&E) activities and ICT initiatives.

**Intervention**

**From NRLP to NRETP**

The World Bank’s partnership with MoRD is predicated on bringing innovation and leveraging global and national learning to improve the impact of the program. Building on the aspirations of rural households actively engaging in the DAY-NRLM and accessing public services through convergence and participation in Gram Sabhas, the program now needs to help promote higher order economic transformation. The National Rural Economic Transformation Project (NRETP) was conceived of as the next...
Over the last decade, 27 million women have shifted from farm to non-farm sectors but the decline in agricultural jobs has not been offset by other employment for women. Diversification of employment evident across the economy has left women behind with a significantly lower proportion of rural women benefitting from non-farm employment. In the last decade, 5 million additional women joined the non-farm sector while the rest withdrew from the labor force for possible reasons of safety, job immobility, lack of skills, increased education opportunities and increased male earning potential.

Women face significant constraints to entrepreneurship stemming from low levels of skill, inhospitable enabling environments, lack of access to formal finance, business development services, infrastructure and technology. More than 90% of household enterprises are self-financed indicating an unmet demand of US$ 520 billion.

Lack of education and skills remains the biggest constraint for women.

A 10% increase in education is correlated with an 18% increase in female entrepreneurship. Women’s ownership of enterprises is also highly correlated with increased labor participation by women. An estimated 73% of demand for finance for female businesses is unmet and the data suggests that female networks and access to business and advisory services are important determinants of enterprise growth.

The NRETP will build on the initial successes of the NRLP and the DAY-NRLM and continue to emphasize women’s access to economic opportunities. The NRETP also anticipates the additional efforts required to engage women entrepreneurs and ensure that women are recognized and accorded rights in the ownership and management of emerging producer collectives and rural enterprises.
phase of the NRLP, through additional financing of US$ 250 million via an IBRD loan, to focus on the upward graduation of livelihoods/economic activities. The NRETP is mandated to identify and finance approaches to achieve these ambitions and to coordinate with the objectives of the Mission Antyodaya program of the Ministry of Rural Development in order to accelerate economic transformation and increase convergence of existing government programs with the DAY-NRLM, building on the NRLP outcomes.

What does NRETP focus on?

Investment support for economic initiatives: The initiatives under the DAY-NRLM have demonstrated that the approach of building strong social and financial capital can provide a launch pad for a new generation of economic initiatives such as the promotion of high value agriculture commodities and value chain development (VCD) through improvements in market access, rural enterprise and skill development, and the introduction of digital finance innovations.

Results to date indicate that these investments are starting to transform a significant proportion of SHGs into viable economic agents with the potential to engage with an evolving rural economy. DAY-NRLM fundamentally aims to address voice, agency and economic opportunities for rural women, making this program the largest social, financial and economic empowerment program for women across India and the world. From mobilizing community professionals and community resource persons, to training and empowering women Business Correspondents (BCs), the program has maintained and furthered its avowed aim of women’s empowerment. The NRETP seeks to build further on this strong foundation created in the 13 states under the aegis of the DAY-NRLM and NRLP.

1. Institutional and Human Capacity Development

Under NRETP, a significant component finances technical assistance consultancies, human resources, training and development of training material/approaches, in order to place skilled professionals and technical agencies to work with the DAY-NRLM at the national, state and district levels. This approach centers on (a) the retention and recruitment of professionals with business management expertise and client systems tailored to implement a market-based approach, (b) an emphasis on sourcing of technical support from agencies (Public, Private and NGOs) with expertise in rural enterprise development, (c) state-to-state learning; and other capacity building support for Mission Antyodaya.

The NRETP is also focused on expanding support for mainstreaming environmental and social sustainability of investments made under the project. New training modules on specific aspects of resource efficiency and minimization of adverse impacts of climate change have been developed and rolled out.

2. State Livelihood Support

Support under the NRETP aims to increase the uptake of economic activities like value chain development (VCD), enterprise and skills development. Specifically, the activities intended to be financed include (a) support to the SRLMs, with a focus on districts that will be selected for project coverage; (b) support to strengthening existing community institutions (VOs and CLFs); (d) financing for community organizations (SHG federations and producer collectives) mainly for VCD for farm and non-farm commodities, enterprise and skill development; (e) end-to-end value chain investments for high value commodities and innovative pilots involving community organizations and; (f) facilitation of higher order financing for producer collectives and skills development and provision of digital financial services.

3. Maximizing Finance for Development (MFD)

In line with the intention to innovate and identify impactful interventions, and to crowd in the efforts of a range of development partners, the NRETP is financing pilot initiatives that support innovative livelihoods activities in agriculture, livestock, non-farm enterprises, youth employment, nutrition activities among others, for rural poor households, in partnership with private sector, public sector and civil society organizations. This approach includes convergence of a number of government programs including those of the Ministry of Rural Development, piloted under the NRLP through convergence funds.

The program also aims to facilitate the convergence of private sector, philanthropy, social enterprises, impact investors and other development partner supported programs to achieve targeted impacts in chosen/pre-defined development/village clusters.
Key Lessons and the Way Forward

The South Asia Agriculture and Rural Growth discussion notes (1-8) endeavors to capture a number of lessons from the NRLP approach which the NRETP will continue to build on. The program will significantly advance gender mainstreaming and the women’s economic empowerment agenda through specific interventions on women-led producer collectives and enterprises, building upon the experiences of the Start Up Village Entrepreneurship Programme (SVEP) and upgrading of skills in selected self-employment occupations for women SHG members and youth. Further, interventions and strategies on digital payments, financial inclusion and literacy, business correspondents and enterprise financing are expected to lead to significant financial empowerment of rural women. Support to Mission Antyodaya will strengthen women’s advocacy and agency in the delivery of social safety nets and entitlement services for the rural poor. Nutrition sensitive agriculture and interventions on food handling and hygiene will benefit women and household health. Program monitoring will continue to track and report on gender, inclusion, citizens’ engagement and women’s economic empowerment.

The next few years of this support to DAY-NRLM must also address the following concerns:

- How to ensure that community institutions are sustainable and remain inclusive and participatory, such that it evolves in consonance with the needs of its members and with local government functions and has strong mechanisms in place to be able to ensure sustainability of the interventions under DAY-NRLM and NRETP beyond the project period.
- Since there is no demonstrated pathway for interventions, a trial and error approach is needed for adaptive learning and appropriate course correction. The program must build systems to track and monitor and maintain the flexibility to develop tailor-made interventions.
- How can we ensure improved convergence – both at the inter-ministerial and department level. Since the beneficiary base of multiple government programs remains the same, a holistic approach to targeting and delivery of schemes for poor and vulnerable households, would lead to more efficient resource allocation.
- Similarly, there is a need to build on and streamline external partnerships, particularly in the area of livelihoods.
- While maintaining the gender focused interventions of the NRLP, the NRETP must now seek to reorient and expand it’s scope to support stronger rural economies.

For geographies experiencing high-levels of social exclusion and poverty, the NRLP and DAY-NRLM project design continues to be relevant in demonstrating the foundations for implementing participatory rural livelihoods programs. However, given resource constraints, livelihood interventions need to align and evolve with community needs. Scale-up efforts should continue to remain socially inclusive, building on the strong foundation of CBOs and include grievance redressal mechanisms.

Further, as the NRETP supports the transition to rural economic transformation, there is a need to ensure pathways for communities to self-manage and self-govern.

About the Discussion Note Series

This note is part of the South Asia Agriculture and Rural Growth Discussion Note Series, that seeks to disseminate operational learnings and implementation experiences from World Bank financed rural, agriculture and food systems programs in South Asia.

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