

***Transforming Rural Non-Farm Livelihoods:
The NRLM Journey***

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Context

Rural India is primarily an agri-based economy. Agriculture and allied sectors employ 64% of the India's total rural population, while their contribution towards rural GDP is only 39%. Over-dependence on agriculture has meant declining per-capita rural income which has gradually initiated a shift towards the non-farm sector. According to the Sixth Economic Census released by the Ministry of Statistics and Programme Implementation, there are 3.48 crore (34.8 million) rural enterprises in India, of which 66%, 2.28 crore (22.8 million) are non-agricultural enterprises. This transition from agriculture to non-farm sectors is considered an important source of economic growth.

DAY-NRLM, which has been instrumental in reaching out to 6.80 crore (68 million) rural poor women, witnessed a similar shift towards non-agricultural sources of



income. Anecdotal evidence suggests that approximately 5% of the total households mobilized under DAY-NRLM (300,000 households) increased their investments in existing micro enterprises or became first-generation entrepreneurs over the past few years. This trend encouraged DAY-NRLM to adopt dedicated entrepreneurship promotion measures.

Even though, NRLM is more than a decade old, enterprise development programmes have been initiated only in the last five years. These initiatives are expected to gain pace and momentum through National Rural Economic Transformation Project (NRETP).

Intervention

Entrepreneurship Development Initiatives Prior to DAY-NRLM

Much before DAY-NRLM adopted entrepreneurship promotion as a cornerstone intervention, states such as Andhra Pradesh (AP) and Kerala had made significant progress in this field.

KERALA - Micro Enterprise Consultants (MECs)

Kudumbashree – the Kerala State Poverty Eradication Mission - has been promoting local enterprises by providing business planning and advisory support through trained community professionals (known as Micro Enterprise Consultants or MECs) since 2004. In 2013, NRLM designated Kudumbashree as a National Resource Organization (NRO) to implement the model in other parts of the country. Kudumbashree partnered with five states – Bihar, Jharkhand, Karnataka,

Maharashtra, and Rajasthan – to encourage Self Help Group households (SHG HHs) to set up micro-enterprises. Under the MEC Project, 580 MECs were trained and deployed across 17 districts in the five partner-states. These MECs supported 20,118 enterprises over a period of 5 years.

These states recognized a need for building a local pool of trained consultants to bridge the gap between business development needs of the entrepreneurs and existing business management knowledge. They recognized the need for sustained training and handholding support, and leveraging technology to boost entrepreneurship promotion.

The MEC project provided rigorous training to local resource persons in business

management skills and made their services available to the rural poor to set up and run their enterprises. While adapting its model in partner-states, Kudumbashree placed seasoned MECs from Kerala as mentors to provide continuous training and handholding support to newly identified MECs in partner-states.

These MECs provide a range of services including identification of business opportunities, preparation of business plans, providing basic business management training to entrepreneurs, liaising with financial institutions for enterprise loans, facilitating backward and forward market linkages, conducting surveys and studies - as required.

1. **Micro-Enterprises** (as per Ministry of Micro, Small, and Medium Enterprises, Govt. of India): Owned by one or more individuals such enterprises would significantly contribute to value chain, investment, and employment. The investments of these enterprises be upto INR 25 lakh (approximately USD 33,000).

The project pioneered a practice of instating a digital performance tracking system (PTS) to encourage entrepreneurs to maintain books of records. With regular record keeping, MECs were able to prepare financial statements for enterprises to track business performance at regular intervals. In addition to PTS, the project also pioneered calculation of sector specific benchmarks for rural enterprises to enable comparison with similar enterprises across geographies. Use of benchmarks along with performance tracking enabled MECs to grasp and delve deeper into business performance issues.

ANDHRA PRADESH - Technology Driven Entrepreneurship Promotion

In AP, a mandal federation by the name of Orvakal Mandal Podhupu Lakshmi Ikya Sangam (OMPLIS), under the Society for Elimination of Rural Poverty (SERP), piloted an entrepreneurship promotion model in Kurnool district. Together with business advisory services provided through trained community professionals (Business Development Managers or BDMs), OMPLIS used technology to conduct credit and income appraisals of entrepreneurs and supported them with loans.

Entrepreneurship Development Initiatives, the NRLM Experience

Start-up Village Entrepreneurship Programme

The DAY-NRLM rural entrepreneurship platform was boosted by the budget speech (FY 2014-15) when the Finance Minister designated INR 100 crore (~USD 14 million) towards the 'Start-up Village Entrepreneurship Programme' (SVEP). The SVEP design elements were inspired by the two entrepreneurship promotion projects from Kerala and Andhra Pradesh.

SVEP has been instrumental in bridging gaps in the entrepreneurial ecosystem in rural areas. Evidence suggests that the

The model piloted by OMPLIS aimed to create stable non-farm livelihoods that can meet the aspirations of the entrepreneurs and reduce their risk of being exposed to unmanageable debt.

OMPLIS identified BDMs through a rigorous selection process and trained them in business management skills, to promote local enterprises. These BDMs were assisted by an IT platform that enabled them to identify business opportunities by conducting market surveys, assess credit worthiness of entrepreneurs, and monitor businesses to extend assistance in times of need.

OMPLIS also created a repository of videos, which identified fundamental business issues and best practices, as tools for building capacities in entrepreneurs. The videos helped trigger interest amongst potential entrepreneurs, who were subsequently screened using assessment tests to judge their entrepreneurship potential.

To bridge the systemic gap in enterprise financing, the mandal federation developed

project addresses a missing 'incubation ecosystem' by providing customized business development, advisory, and mentorship services; a missing 'knowledge ecosystem' by providing rural entrepreneurs with exposure to new ideas, markets, and domain skills; and a missing 'financial ecosystem' by giving them access to affordable finance for enterprise development.

Kudumbashree along with Entrepreneurship Development Institute of India (EDII) was designated as a National Resource Organisation (NRO) under DAY-NRLM, for implementation of SVEP in the identified blocks, to provide technical support to other



a need-based funding ecosystem to fit the needs of rural micro-enterprises.

Financial products such as cash credit limit and quasi-equity products were developed to meet the cash flow needs and risk appetite of rural entrepreneurs.

states. This includes a basic assessment of the blocks in terms of existing and potential enterprises, training Community Resource Persons-Enterprise Promotion (CRPs-EP), and mentoring CRPs-EP in the support of rural enterprises.

As on Jan 2020, SVEP has trained and deployed over 1,400 CRPs-EP, who have supported 85,000 enterprises in 108 blocks, across 19 states. The project has disbursed approximately 66,000 enterprise loans (through Community Enterprise Fund²) amounting to INR 204.41 crore (~USD 28.3 million), averaging IINR 31,000 (~USD 430) per enterprise. .

2. Community Enterprise Fund (CEF) is fund in perpetuity housed with a mature NRLM-promoted women's federation in a block with the sole purpose of providing loans for enterprises under SVEP.

Key Lessons and the Way Forward

Experiences from Kerala, Andhra Pradesh, and SVEP reaffirm the importance of deploying trained extension workers (MECs, BDMs, or CRPs), who are essential catalysts or change-makers in the entire process. Besides providing basic technical services to entrepreneurs, this strategy ensures that access to such services remains a call away for many years even after the culmination of the project.

A few states, as part of SVEP implementation, developed a pool of local mentors and professional support providers to provide deeper technical assistance to enterprises. This pool, along with extension workers, directly contribute to the sustainability of the enterprise and enterprise promotion initiatives.

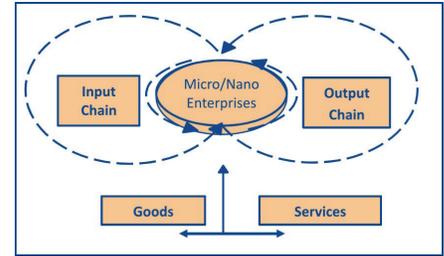
Convergence with local governance structures plays a key role in providing regular market access to enterprises even in remote areas. Several MEC and SVEP blocks liaised with local government departments to organize weekly and festival haats (markets), which created sales opportunities for local entrepreneurs in their blocks. To illustrate, weekly markets initiated by MECs in several blocks of Gadag district of Karnataka are held as per schedule even after three years of project completion.

Access to timely and affordable finance is a critical element of rural enterprise

promotion. The novel need-based funding mechanism developed by OMPLIS and CEF piloted by SVEP were instrumental in high uptake of enterprise activities amongst rural population.

While developing a cadre of extension workers and financial products were well thought out elements of project design, other elements were introduced by way of sporadic experimentation. Conscious decisions will need to be taken to include such successful experiments as parts of project design to ensure lucrativeness and sustainability of enterprise promotion initiatives.

Building on the experiences of SVEP, the next phase of World Bank investment with the Ministry of Rural Development – National Rural Economic Transformation Project (NRETP) – aims to identify existing enterprises with growth potential and provide dedicated services to help them scale-up. While SVEP will continue to encourage SHG households to set up new enterprises, NRETP will deploy resources to expand existing initiatives. The project plans to establish One-Stop Facility (OSF) centres to provide last-mile incubation support to identified enterprises through trained community professionals. The project will also develop customized financial products, a resource pool of experienced entrepreneurs and other professionals to provide sector-specific technical services.



NRETP also seeks to recognize and provide financial and acceleration support to women-owned enterprises that have scaled-up through their own initiative and have the potential to create local employment. The project will partner with existing incubators to provide intensive customized professional services to transform such rural enterprises.

To support these enterprises, NRETP will adopt the tested methodology of recruiting community resource persons and mentors, and instating dedicated funds for enabling access to affordable and timely loans. These efforts will be augmented through the use of various web-based platforms, interactive mobile applications, and access to business-specific financial products. The project also aims to develop partnerships with players in the private and government sector to access growth avenues for entrepreneurs.

Though these measures, NRETP aims to support about 50,000 existing SHG member-owned enterprises during the project period.

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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