

(National Rural Livelihoods Mission, Ministry of Rural Development)

Proceedings of Consultation on the Concept and implementation strategy for Startup Village Entrepreneurship Development Programme (SVEP) held on 21st May, 2015 under the chairmanship of AS (RD)

Unnati, Krishi Bhawan, New Delhi

Objective:

1. To take suggestions and feedbacks on the SVEP strategy from the organization and sector experts.
2. Get organizations and sector experts learning and opinion about enterprise development in rural India.

List of Participants:

1. Chaired by Additional Secretary (RD)
2. Renuka Kumar (Director, RL)
3. V. J. Menon (Financial Advisor, NMMU)
4. RS Rekhi (Lead, Non – Farm Livelihoods, NRLM)
5. Divya Jain (Project Executive NRLM)
6. PRADAN – Anish Kumar
7. CWEI – Shashi Singh
8. CMIE – Prabhakar Singh
9. Udyogini – Arvind Malik, B. M. Kandpal
10. Swayam Shikshan Prayog - Prema Gopalan, Upmanyu Patil
11. IL & FS – Richika Tyagi

Proceedings:

1. The meeting started with AS (RD) addressing the group with a crucial question – whether the SVEP scheme in its current state addresses or meets the needs of the rural entrepreneurship sector. AS (RD) expressed his concern that if this programme was only implemented through SHG model and the Resource Blocks, it would be very restrictive in its reach and whether there was some way in which this scheme could be rolled out in a manner where it covers more of the country. He also expressed his concern, whether the scheme addresses the issues of linkages.
2. Director (RL) made a presentation on SVEP and highlighted the objectives and implementation strategy of SVEP. She emphasized the missing links in the rural entrepreneur startup ecosystem and the enabling support system that SVEP aims to create in the blocks.

3. During the presentation it was universally agreed by the participants that today rural households require multiple livelihoods options to survive. Owning an enterprise and running it successfully is one of the multiple livelihoods options for individuals and groups. Most rural entrepreneurs by themselves would not generate adequate incomes to become the sole livelihood option for the household.
4. The participants agreed with the presentation about the obstacles faced by entrepreneurs in starting and sustaining rural enterprises and the recommendations of the earlier consultations on SVEP as presented. (Annexure 1)
5. The participants emphasized the need to create an enterprise ecosystem for the village considering the entire economy of the village without creating any divide between farm and non-farm sources of livelihoods as that would restrict the number and viability of enterprises that could be supported.
6. There was almost universal acceptance of the fact that the rural enterprises face a problem in accessing finance from banks and that the MFI loans are not suitable for supporting new enterprises. There was also no positive experience that the SHGs have been better at providing loans for supporting enterprises. The question of which mechanism to be used to provide loans /finance to help start up enterprises largely remained unanswered.

Each organization shared their point of view on the presentation and scheme:

The representative from Pradan suggested that we should have clarity on benchmarks and the kind of support system we are creating, and how will we create a market or a bigger channel outside the village. He emphasized on the input –output linkages, process of linking the enterprises with new opportunities and also shared concerns on limitations of Block Resource Centre as a support system.

The Representatives from Udyogini, emphasized on a baseline standardization which should include family income of the households, income of the individual entrepreneur, what are entrepreneurs' aspirations, tracking how much the SVEP intervention is contributing to family/individual income, if there are new enterprises then compute what has been the incremental income.

On a conceptual note, they suggested that poverty is at multiple levels and of different kinds. They suggested that we need to have clarity on our target group, work in a value chain mode, address and understand the local market and market outside and also link self-employment to aggregation. Along with this, it was shared that market and business orientation are crucial to the program. As an operational challenge it was expressed that training of NGOs to not work in a sheer project mode and work with a commercial and business continuity mindset is required.

They also suggested that NRLM should facilitate cooperation from the SRLMs during the implementation phase as co-ordination with the various levels of SRLMs needed a lot of time and effort, with resultant costs. Other participants also shared the same concern.

The Representative from IL & FS emphasized on the important factors for enterprises to thrive, like – access to finance, infrastructure and technology support (how and when it should come is important to understand), marketing – outside the catchment area of rural entrepreneur, mentoring and skill building to bridge the existing gap. She also suggested that under SVEP the group enterprises could be smaller (of 5-10 members instead of 500 members) as under the cluster schemes of other Ministries.

The Representatives from SSP shared they had created new self-employment opportunities by aggregating demand. The new consumption demand gets created due to rise in aspirations or government spending and in convergence with the Government schemes like Swachh Bharat Abhiyan, solar power etc. SSP shared that they have experienced a positive increase in income of the enterprises. For further increase in income their entrepreneurs need more working capital which is not forthcoming from banks. The microfinance credit was too expensive and not conducive for business. Their experience with banks has also been poor where they have not managed to get loans from banks.

They also suggested opportunity marketing and understanding of local consumption, for the programme to succeed.

The Representative from CWEI emphasized importance of doing scoping and mapping study. She emphasized on creating bigger groups and look at outside/national market to compete. Her suggestion, based on her organisations current work in the craft sector was “Create demand – produce more and market more”. She raised issue of connecting with the bigger market. She said that the Unit cost of Rs. 26,586 per enterprise proposed in the proposal was low for collective enterprises.

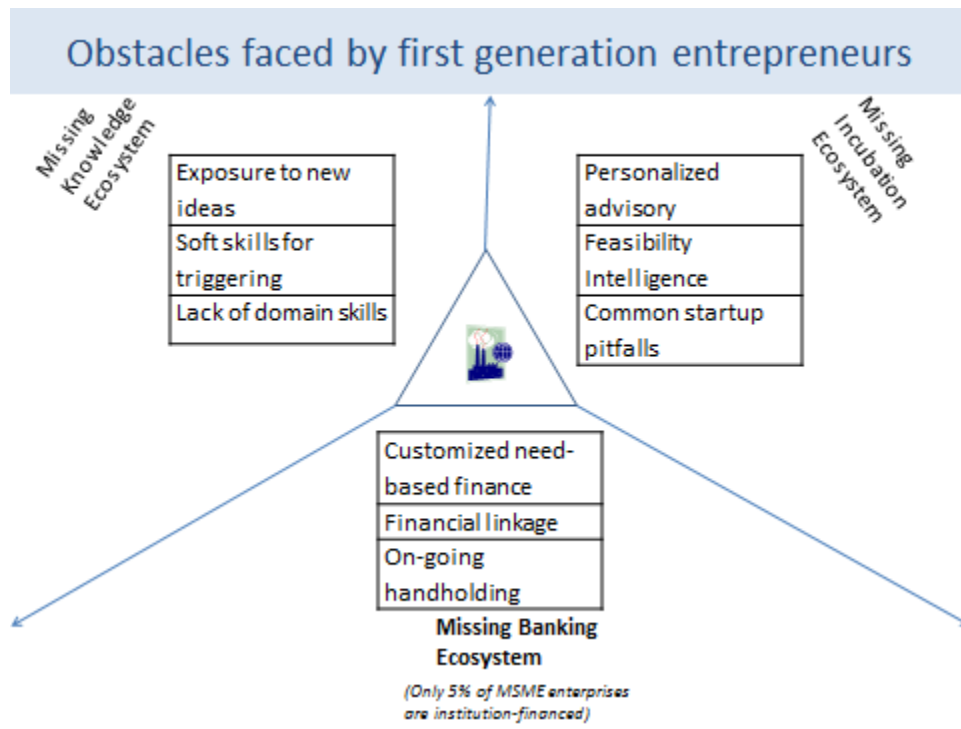
Representative from CMIE agreed with the findings that one of the causes of failure of new enterprises was due to improper market feasibility analysis done at the time of starting the enterprise. He also emphasized the need for a proper thought out and well defined baseline study, as there would be problems of data accuracy due to the mixed nature of a poor families income streams and it would be very difficult to isolate the income earned from the enterprise promoted.

Summary of Issues Identified which need to be addressed during in the implementation of the programme:

1. Need to identify a mechanism of funding the startup enterprises. Banks and MFIs have failed to fulfill this need. Whether SHG can fulfill this need and provide patient capital, needs to be discovered and ensured. The SRLM and the SHG structure needs to work on this, as their current way of disbursement of loans and recovery of loans is very similar to that of MFIs – with short tenure of the loans and no moratorium on repayment instalments.

2. The projects must focus not only on individual enterprises which are mostly necessity entrepreneurships but also consider supporting group enterprises which have a greater chance of being opportunity entrepreneurships.
3. Need to think of a process of working in any block and not be restricted to the resource/intensive blocks of NRLM.
4. Need to identify more implementing partners
5. Need to make provision for supporting creation of Linkages. These linkages should help linking the rural poor with the urban markets.
6. AS (RD) said that the vision of the program needs to be bigger and should have an intent of creating enterprises that create wealth for the entrepreneurs and not merely subsistence and necessity entrepreneurship.

Annexure 1



The problems of rural startups

- After starting, the major reasons for the low returns from the enterprise are due to :
 - Poor skills in business accounting.
 - Lack of business skills – planning, customer handling etc.
 - “Herd mentality” - business feasibility not considered while starting an enterprise.
 - Lack of peer learning from similar entrepreneurs.
 - Lack of hand holding support post training.
 - Lack of any platform to support enterprise development in rural areas.

Suggestions from the consultation with Banks & Implementing agencies:

- A well designed process to be followed for enterprise selection.
- Business advisory services through a strong institutional platform needed to be built up.
- Simplify process of obtaining credit by entrepreneurs.
- Set up a credit guarantee fund. Knowledge transfer and sustainability.
 - Collectives would be needed for larger enterprises
 - Business support services should be charged basic fees
 - Knowledge transfer and exit strategy to be thought out
 - Should have strong linkage to government schemes