

**Guidelines for Start-Up Village Entrepreneurship Programme**  
**A sub-scheme under National Rural Livelihoods Mission, Ministry of Rural Development**  
**(Government of India)**

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# Chapter I

## Background

**During the Budget session of 2014-15 on July 10<sup>th</sup>, 2014 Honorable Finance Minister initiated the idea of the Start-up village entrepreneurship programme. As stated, “I also propose to set up a “Start-up Village Entrepreneurship Programme” for encouraging rural youth to take up local entrepreneurship programs. I am providing an initial sum of 100 crore for this.”**

In India, more than 90% of the working population is engaged in the unorganized sector. In the case of rural areas, a large section is self-employed and agriculture has served as one of the major sources of income for villages. However, agriculture comes with many uncertainties and is not an income source for landless households. It has been experienced that, poor families require 3-4 different income sources to get out of poverty. Amongst these the non-farm livelihoods, skill based work and small enterprises are important sources of income.

However, it has been realized that in the absence of adequate business skills like understanding of market, domain knowledge, accounting, costing skills and lack of financial support, these micro/nano enterprises struggle to survive and often either fail or become stagnant generating sub optimal incomes. The plight increases in case of the poor as they do not have linkages with financial institutions.

As per the NRLM mission, enabling households to come out of poverty through creating community based organizations, financial assistance and providing gainful employment and livelihoods support – designing strategies to support the entire portfolio of poor households, is integral to our interventions. The aim is to stabilize the current livelihood/s of the poor households, support the necessity and traditional sources of income and also help generate new avenues of livelihoods and markets.

### Nature and status of Rural Self – Employment: A statistical perspective

- i. Only 9% of India’s rural workforce are in regular salaried jobs (3 crore out of 34 crore workers)
- ii. Almost half of the rural youth are self-employed<sup>1</sup>. Cumulatively, 53% of the rural male and 55.8% of the rural female in the age group of 15-59 years are Self-employed. (19 crore people)

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<sup>1</sup>Self Employed workers include individuals working in household enterprises as own-account workers, in household enterprises as employers; and in household enterprises as helper as well etc.

- iii. The unemployment rate among rural males in India is 8.02% and 6.05% among rural females. (NSSO 2011).
- iv. Rural livelihoods are not only agriculture based. The number of households that depend on rural non-farm employment (RNFE) as their primary source of income has increased from nearly 32% in 1993–94 to over 42% in 2009–10 (NSSO 2011), but still a huge 58% household are dependent on agriculture as their primary source of income.
- v. The employment related reasons figure the highest behind migration from rural to urban areas. The migration rate per 1000 persons in rural areas is 26.
- vi. Micro Enterprises<sup>2</sup> constitute a significant proportion i.e. (99.8%) of the existing unregistered<sup>3</sup> enterprises in the country. Currently the Rural Micro Enterprises employ 232.95 lakhs people in 119.60 Lakh units.
- vii. 93.94% (112.36 lakhs) of the rural micro enterprises have an investment up to Rs. 1 Lakh and below.
- viii. 67% (71.7 lakhs) of the rural micro enterprises have an investment below Rs 25,000.
- ix. Altogether, 202.86 Lakh persons are employed in Rural Micro Enterprises with investment up to Rs 1 Lakh and below. (Average Employment is 1.80 per unit).
- x. Rural Micro Enterprises with Investment size below Rs 25,000 employ 132.42 Lakh people. (Average employment per unit is 1.65).
- xi. Manufacturing sector constitutes 61.4%; Services account for 33.8% while Repair and maintenance 4.7% of the total number of rural micro enterprises.
- xii. 10.4% enterprises are owned by women in rural areas where as 12.46, 6.9, 45.07% enterprises are found to be owned by SC, ST and OBC in rural areas respectively.

Some of the field based observations on rural micro enterprises:

- a. The enterprises of the poor often seem more a way to buy a job (Necessity Entrepreneurship) when a more conventional employment opportunity is not available. Many of the businesses are run because someone in the family has (or is believed to have) some time on hand and every

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<sup>2</sup>MSME survey for unregistered enterprises [Fourth census] has been considered for reference.

<sup>3</sup>Most of the Micro Enterprises in India are not registered. As the numbers of micro enterprises with investment of up to Rs 1 Lakh and below are significant, the analysis of various other economic variables has been restricted to these kinds of enterprises alone.

little bit helps. This person is often a woman, and she typically does it in addition to her housework. These enterprises are one of the multiple livelihoods of the poor.

- b. However, very few individuals from the Poorest of the Poor segment manage to start their own enterprise. This is due to issues such as lack of access to skills and finance.

Thus, it is important that interventions to be carried not on the basis of assumptions but with firstly, conducting scoping study and market feasibility analysis and on the basis of the same give relevant business skills training and financial literacy support. The same will determined the type and size of an enterprise.

Beyond achieving increase in income of the households in the given time, the bottom lines of these interventions is improvement in overall well-being of people and achieve food security, gender equality, improvement in health & education, better access to information.

### Problems faced by first generation entrepreneurs:

Most first generation entrepreneurs face problems with respect to:

- a. A Missing knowledge ecosystem

There exists lack of exposure to ideas and understanding of the viability of a new venture. Most enterprises are started in a “me-too” manner or on the basis of “herd mentality” – copying any enterprise that is moderately successful. This happens without analyzing the feasibility of the enterprise in the given market. There is also lack specific business domain skills and many times lack of business numeracy skills as well.

- b. A missing incubation ecosystem

Once an enterprise is started, there is no institutionalised eco-system for support of the enterprise – be it for domain knowledge, market intelligence, business numeracy or any other business advisory service or even peer advisory services. Most enterprises fail due to not having this support eco-system in the critical first 6 months of operations.

- c. A missing banking/ finance eco system.

The poor do not have access to bank finance and the existing mechanism of finance from moneylenders or MFI's or SHG's is not suited for businesses. Enterprises need working capital finance and startup finance, with some moratorium and flexible repayment schedules. The existing loans from MFI's or even the SHG's are of a fixed tenure with monthly EMIs which do not lend itself to enterprises with seasonal demand and supply cycles.

As of now, only 5% of MSME enterprises in India are institutionally financed.

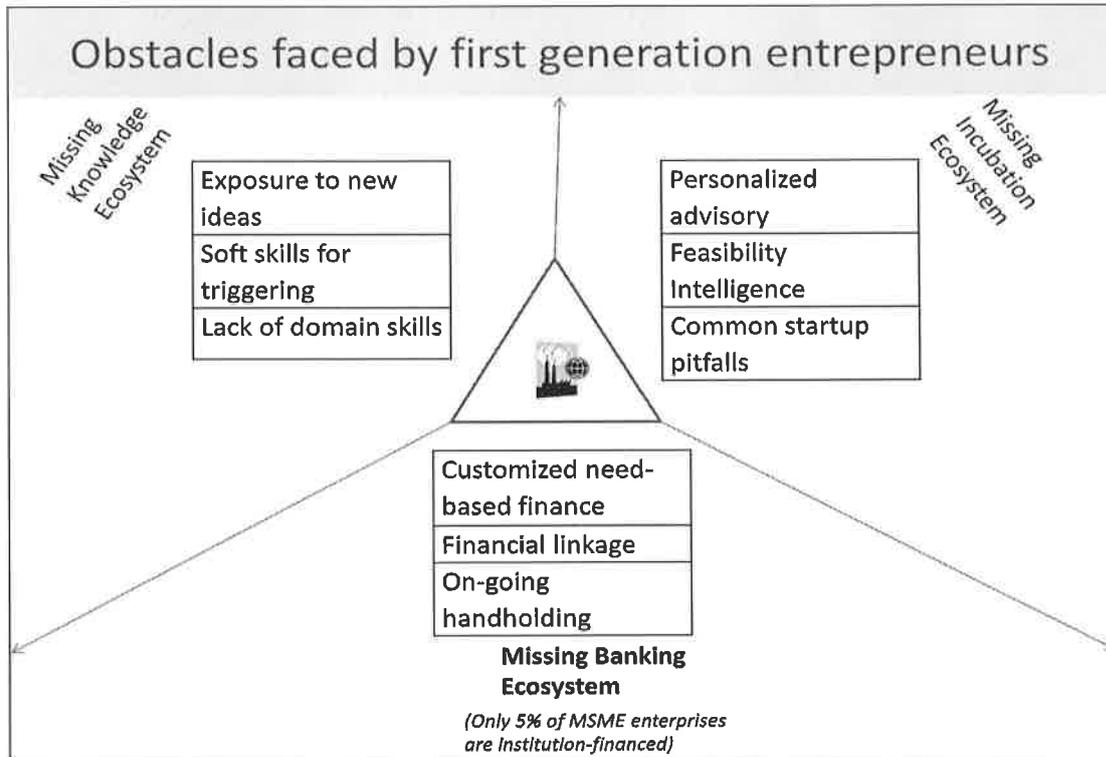


Figure 1

## Chapter II

### Objectives and expected outcomes

#### 1. Vision and Scope

The long term vision of the SVEP is to provide support for start-up to 1 crore village enterprises and provide direct employment to 2 crore people. The SVEP shall help the rural poor come out of poverty by helping them set up enterprises and provide support till the enterprises stabilize. The programmatic intervention will address all three missing ecosystems – Knowledge, advisory and finance ecosystems.

The SVEP will provide the supported enterprises with business skills, exposure, loans for starting and business support during the first critical six months of the enterprises by using the NRLM SHGs and their federations. These skills shall be imparted by local youth (Community Resource Persons – Enterprise Promotion- CRP-EPs) who shall be trained in business management, monitoring and support using ICT and audio-visual aids. These local CRP-EPs shall also provide support to the enterprises.

In its first phase of validating the concept, SVEP is expected to support creation and strengthening of about 1.82 lakh village enterprises in 125 Blocks across 24 States in the targeted four years i.e. 2015-19. This is expected to create employment for about 3.78 lakh persons. **While the program was envisaged to saturate a block in four years, initially the implementation has been approved for a period of 2 years (coinciding with the current plan period – up to 2016-17) with an estimated cost of Rs.158.21 crores and a central share of Rs.97.79 crores.**

The SVEP shall benefit the households and communities even beyond the financial gains it provides. It shall help rural people specially the marginalized sections, women, SC and ST communities to gain a sense of dignity and self-reliance leading to great social change. Similarly, the wealth generated in the local economy shall have a multiplier effect resulting in strengthening the local economy and reduction in distress migration. People engaged in a range of enterprises shall create further employment and improve the market. It shall also encourage new age enterprises in ICT/infotainment. It shall promote enterprises in the field of sanitation, drinking water, renewable energy etc. This shall offer more economic opportunities for the rural areas and bring people out of poverty.

#### 2. Target Audience

These guidelines have been developed keeping in mind the specific information needs to the following stakeholders:

- a) State Mission Directors (SMD) of the State Rural Livelihood Missions (SRLMs)

- b) Programme Managers in state, districts, blocks such as State Programme Managers (SPM), District Programme Managers (DPM) and Block Programme Managers (BPM) etc.,
- c) Programme Implementation Agencies (PIAs) like NGO's, livelihood promotion organisations, educational and training institutes etc.
- d) The Monitoring and Evaluation teams of the SRLM's/NRLM.

### 3. Objectives of SVEP

The overall objective of SVEP is to implement the Government's efforts to stimulate economic growth and reduce poverty and unemployment in the villages by helping start and support rural enterprises.

The key objectives of SVEP are:

- a. To enable rural poor to set up their enterprises, in its proof of concept phase, by developing a sustainable model for Village Entrepreneurship promotion through integrated ICT techniques and tools for training and capacity building, enterprise advisory services and to provide loans from banks/SHG & federations. These enterprises may be individual or group enterprises and should cover manufacturing, services and trading. These enterprises should cover traditional skills as well as new skills. They should also cover existing consumption and production of rural areas and should also cover new consumption and production of the rural areas, including the new consumption driven by government's priorities like RURBAN mission, Swachh Bharat Abhiyan, etc.
- b. Develop local resources by training a pool of village level community cadre (CRP EP) and build the capacity of the NRLM and SHG federations to monitor and direct the work of the CRP-EPs.
- c. Help the rural entrepreneurs to access finance for starting their enterprises from the NRLM SHG and federations, the banking systems including the proposed MUDRA bank.
- d. Handhold the rural entrepreneurs/ enterprises in the initial six months of start-up, with visits from the CRP-EP's supported by guidance from an advisory panel of experts for the relevant enterprise.

The SVEP should also work with the input and output supply chains for farm produce, artisanal products and other goods & services to help increase rural incomes.

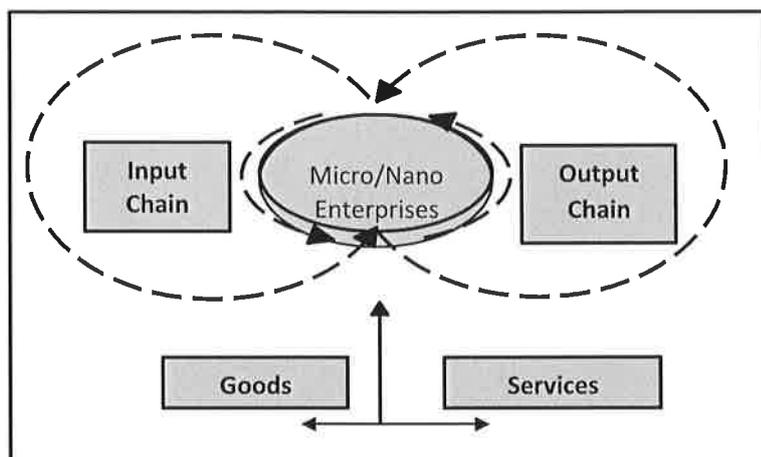


Figure 2

#### 4. Key Deliverables and Features

Apart from the outcomes and overall development SVEP is expected to have the following deliverables:

As mentioned above, the program is expected to promote 1.8 lakh enterprises in 125 blocks in 24 states in four years and create employment for 3.78 lakh rural poor in four years from 2015-2019. The total budget outlay for the program is Rs. 485 crores with a unit cost of Rs. 26,526 per enterprise with a cost benefit ratio of 7.38:1.

However, the current programme is approved for the next two years (current plan period, 2015-16 and 2016-17), targeting 45 blocks in 12 states initiating 34,000 enterprises and generating employment for 70,380 rural poor. Thus, the plan shall be taken up to 2016-17 at an estimated cost of Rs. 158.21 crores with a central share of Rs. 97.79 crores.

- i. A detailed review by a third party shall be conducted at the end of the current plan period before continuing the schemes into the 13th Five Year Plan.,
- ii. The programme should converge with the existing schemes of other ministries such as MSME, Ministry of Textiles, etc. The modalities for convergence shall be decided in consultation with the concerned ministries to avoid overlap.
- iii. The blocks in North Eastern states shall be given adequate priority in implementation.
- iv. The programme shall provide a specific segment for entrepreneurial support to rural youth in non-intensive blocks in convergence with the programmes of other departments. The knowledge

products and ICT support of the programme should be made available to rural youth outside the SHG fold.

- v. While selecting entrepreneurs under SVEP, priority shall be given to the highly vulnerable beneficiaries under MGNREGA.
- vi. Backward and forward linkages for farm livelihoods would be supported under the programme.
- vii. The programme should encourage enterprises of rural artisans.
- viii. The programme should ensure convergence with clusters identified under RURBAN mission.
- ix. Possibility of linkage of SVEP with MUDRA Bank proposed to be set up for refinancing microfinance institutions to SC/ST enterprises should be examined.
- x. Enterprises in the field of IT/infotainment and other similar newly emerging enterprise opportunities should be encouraged under the program.
- xi. Under this program there should be targeted attempts for enhancing credit limits for successful entrepreneurs from banks.
- xii. The program should track and report progress of the number of households under this program of NRLM, through the process of upgrading of skills and creating opportunities of employment.
- xiii. The program should conduct a baseline and micro-plan for each block and accordingly measure and report progress for the number of enterprises supported.
- xiv. Separate books of accounts for the CIF released under SVEP should be maintained – which shall be one of the basis of measurement of the progress of the program.
- xv. NRLM shall take adequate steps towards supporting development of appropriate technology and innovations especially for promoting enterprises in the field of sanitation, drinking water, renewable energy etc.



## Chapter 3

### Programme Structure and Management

#### NRLM Strategy and Start-up Village Entrepreneurship Program

The NRLM SHG's and federations are a critical pre-requisite for the implementation of the SVEP project. These community based institutions provide help in the identification of the potential entrepreneurs and the common resource persons (CRP EP)s, help in doing the due diligence for their credit worthiness and also monitor the work of the Community Resource Persons (CRP-EP's). Post the starting of the enterprise and providing credit to it, the community based institutions also monitor the progress of the enterprise and its repayment along with the CRP-EP.

The SRLM may also look at a mechanism of directly funding CBO's and Producer groups from CLF's instead of routing the entire CIF through the SHG's. This route may be used where the fund requirement of the group is higher and the members of the group – belong to more than 1 SHG's. The SRLM may share the process to be adopted for such funding and ensure repayment of the loan. The guiding principle of NRLM of no individual subsidy should be adhered to.

#### Key Elements of the programme

- i. Create a Block Resource Centre – Enterprise Promotion (BRC-EP); The BRC should act as a nodal centre to implement SVEP. Block Level Federation (BLF) to come up under NRLM could be one of institutional platforms for BRC.
- ii. Cluster Level Federation (CLF) /VOs shall hold the entity till BLF comes into existence. BRC should follow a self-sustaining revenue model.
- iii. BRC to be assisted by CRP-EP and the Bank Coordination System (Bank Mitra). BRC to provide resource and reference material including videos, manuals etc.
- iv. Help enterprises get bank finance using tablet based software for making the business feasibility plan, doing credit appraisal and tracking business performance.
- v. Use the Community Investment Fund (CIF) to provide seed capital for starting the business till it reaches a size where bank finance is needed.
- vi. Implementation of SVEP shall be managed by NRLM through the State Rural Livelihood Missions.

Two routes for implementation are suggested:

- a. **NRO route:** In order to start the implementation immediately, States may enter into MOU with any of the following four National Resource Organizations (NRO) recognized by NRLM, without following procurement process. This is only for taking up pilot enterprise development initiatives under SVEP in select areas. The identified NROs under SVEP are Kudumbashree (Kerala State Poverty Eradication Mission) NRO, OMPLIS (Orvakal Mandal Samakhya) NRO, EDII (Entrepreneurship Development Institute, India) NRO and the NAR (National Academy of RUDSETI) NRO.
  
  - B. PIA route** – SRLMs may also identify Project Implementation Agencies (PIAs) from among qualified non-governmental organizations, civil society organizations, technical institutions, and community based organizations etc., to take up implementation in select areas. Selection of PIA shall be done in an objective and transparent manner by the SRLM, following the process prescribed by NRLM.
- vii. SVEP implementation at the block level to consist of the following sets of processes:
    - i. New Enterprise Development
    - ii. Support for existing enterprises
    - iii. Block level activities
    - iv. Other project activities
  
  - viii. SVEP to be implemented in the Blocks in line with the community institution building plan of NRLM. The selection of SVEP blocks shall be done by the respective State Rural Livelihood Missions.

A summary of the flow of work is as below:

I. Pre-preparatory Phase:

**Role of SRLMs**

The state SRLM's to understand the program and deploy dedicated manpower to support implementation of the program.

The state may then send a proposal to execute the program as part of its AAP (for the year 2015-16) a revised AAP proposal for SVEP may be sent. SRLM to identify the blocks where they plan to implement the SVEP.

State to identify implementing agency (PIA's) either from among the NRO's or among qualified non-governmental organizations, civil society organizations, technical institutions, and community based organizations etc., to take up implementation in select areas. Selection of PIA shall be done in an

objective and transparent manner by the SRLM, following the process prescribed by NRLM.

**Post the approval of the AAP and project being awarded to a PIA, the PIA is expected to follow the process as detailed below. Please note that this is a suggested process flow, the state may modify the same, based on local needs and experience, without compromising on the outcomes.**

However the following **Non negotiables of the SVEP** need to be adhered to:

1. A baseline study has to be conducted in every block that we propose to take up for intervention.
2. A market feasibility analysis has to be conducted for every enterprise that we propose to support.
3. Handholding support has to be provided to every supported enterprise for a minimum of 6 months after start-up.
4. The process of selection of entrepreneurs to be supported must be transparent, fair and must positively discriminate towards the poorest of the poor and the disadvantaged.
5. The local institutions like SHG's federations and Gram Panchayat must be involved in the implementation of the program to benefit from convergence opportunities.

## II. Preparatory Phase

Activity	NRO/PIA	Bank & BRC supported by RSETI	SHGs/NRLM institutions
Block Resource Centre set up at the Block Level	✓	✓	✓
Identify Master CRP-EP	✓		
Train Master CRPs –EP	✓		
Position the Master CRP-EPs in the implementation blocks	✓		
Master CRP-EPs identify potential CRP-EPs in the blocks	✓		✓
The potential CRP-EPs screened	✓		✓
The potential CRP-EPs trained	✓		
The Potential CRP-EPs do baseline study of the existing enterprises in blocks to build database and understand businesses/market	✓	Link the Program with the Districts' RSETIs	✓

### III. Enterprise Selection & Start-Up Phase

Activity	NRO/PIA	Bank & supported RSETI	BRC by	SHGs/NRLM institutions
Triggering meetings with potential entrepreneurs	✓			✓
Interested potential entrepreneurs apply for starting enterprises/existing enterprises apply for scaling up	✓			SHGs/Village Organizations evaluate potential proposals for funding-based on local knowledge plus past SHG repayment history
Interested potential entrepreneurs screened by giving field test and their business model gets evaluated	✓			
Potential entrepreneurs with feasible business models shortlisted & trained	✓	✓		✓
Potential entrepreneurs with feasible business models linked for finances with SHGs/Banks	✓	✓		✓
Potential entrepreneurs with feasible business models helped to start enterprises. These new start-ups gets handholding support for 6 months by the CRP-EP	✓			CLF/VOs monitor work of the CRP-EPs through BRCs

#### IV. Enterprises Sustenance Phase

Activity	NRO/PIA	Bank & BRC supported by RSETI	SHGs/NRLM institutions
Business P & L, Cash Flow for all the enterprises tracked in the VE-IT, so that business history and credit history can be created for both the entrepreneur to monitor his enterprise and for the bankers to get some comfort on the entrepreneurs'/enterprise's ability and intent to repay loans	✓	Bankers access data to monitor borrowers' enterprises. RSETI Directors involved in the monitoring of the enterprises and loan repayments.	✓
In case of a few selected enterprises with growth and finance needs linked to banks for funding	✓	Bankers evaluate and fund potential enterprises, bankers' access data to monitor borrower enterprises. RSETI Director involved in ensuring bank linkages	
CRP-EPs continue to provide business monitoring support and are paid by the VOs/Entrepreneurs for this support	✓		CLFs/VOs monitor borrower enterprises with the CRP-Eps

#### Cost structure for the SVEP

The SVEP has the following components of costs (upper limits) that shall be given to the PIA through the SRLM.

Illustrative block costs are mentioned below:

Estimated upper limit of Budget for the SVEP and costs per enterprise				Figures in Rs.	
Head	Year 1	Year 2	Year 3	Year 4	4 years Total
Cost of Skill building of entrepreneurs including the Block level Professional support costs (PIA/CRP costs and baseline cost etc)	15,727	14,137	13,881	14,437	14,293
Community Enterprise Fund	15,000	11,324	8,789	8,609	9,591
Administration Cost (@4%)	1,748	1,173	920	922	1,023
<b>Total for SVEP - enterprises support costs</b>	<b>32,475</b>	<b>26,633</b>	<b>23,591</b>	<b>23,967</b>	<b>24,907</b>

Figure 5

Under the Skill Building cost, baseline budget cost shall not exceed Rs. 10 lakh per block.

Since, the number of enterprises that can be supported in a block is determined by the number of villages, the number of enterprise supported may vary from block to block as per the outcome of the baseline study. The scheme envisages support to maximum of 2400 enterprises per block over a period of four years

Apart from these costs per enterprise, there is also a provision for innovations and value chain studies and centralized support to the SRLM's and PIA, in the form of standardized training content, software for baseline, monitoring and enterprise support etc. This amount shall be retained in the NRLM centrally for providing common services to the States. Any of the above activities (software, ICT tools, training content, certification process, etc.) done by any PIA/NRO for supporting the implementation of the program shall be made available to all, in public domain, by MoRD for use by any SRLM/PIA.

Seminar & Workshop: NMMU would organize Central/Regional/State level workshops to familiarize the States with the SVEP guidelines.

### Fund Release Processes

The SRLM's will submit the Annual Action Plan (AAP) for implementation of the programme along with budget estimates which will be considered and approved by the NRLM Empowered Committee set-up under the Chairmanship of Secretary (Rural Development) with Financial Advisor as one of the members. The Empowered Committee will co-opt members from other Departments and Organizations dealing with Entrepreneurship development. The release of funds to the SRLMs and the NROs would be subject to the procedures and processes prescribed in the Framework document of NRLM.