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Kudumbashree and SVEP model Micro enterprises

Comparative Study on Kudumbashree and SVEP model Micro enterprises

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Background

The role of micro enterprises in rural development and women empowerment is widely recognized the world over, particularly in developing nations like India. Micro enterprises play a vital role in poverty alleviation and socio-economic development of the poor. Micro enterprises help to bring about equitable and balanced economic development with relatively low amount of capital investment. The Government of Kerala State has introduced a novel scheme of poverty alleviation based on micro-credit and self help grouping. Paraphrased as Kudumbashree ('Prosperity of the Family'), the scheme aims at improving the living levels of the poor women in rural and urban areas. The project aims at removing poverty among rural women households through setting up of micro-credit and productive enterprises. The activities such as micro-credit and micro-enterprises under the scheme were undertaken by the locally formed Community Development Societies consisting of poor women. Kudumbashree, the State Poverty Eradication Mission (SPEM), was launched by Government of Kerala in 1998 with the active support of Government of India and NABARD for wiping out absolute poverty within a period of 10 years. Kudumbashree views Micro Enterprise Development as an opportunity for providing gainful employment to the people below poverty line and thereby improving their income and living standard. Micro enterprise development is an emerging process which will start with low capital low risk and low profit at the initial stage which will gain momentum and later switch on to low to medium capital and then to low to medium risk.

Sources of Data

Both primary and secondary data will be used for the purpose of study. Primary data is collected from Kudumbashree Micro enterprises and member beneficiaries. Secondary data required for the study is obtained from journals, magazines, books and other periodicals and report of Government of India, and Government of Kerala.

Project Details

Overview and Objective of the Projects

Micro enterprise is any income generating activity owned, operated and managed by a group, consists of at least five and not more than fifteen women members of the Kudumbashree NHG s with an investment ranging from Rs 5000 to Rs 5 lakh and should have a potential to generate atleast Rs 1500 per member per month by way of wages or profit or both together, with an expectation of turnover ranging from Rs 1 lakh to Rs 5 lakh per year.

Four parameters of Enterprises

1. Investment ranging from Rs 5,000 to Rs 2.5 lakhs
2. Enterprise should have a potential to generate at least Rs 1,500 per member per month either by way of wage or profit or both together.
3. Enterprise fully owned, managed and operated by members themselves, preferably, women below poverty line families as entrepreneurs.
4. Minimums turnover of Rs 1 lakh to Rs 5 lakhs (ie., 2-10 times of the capital investment).

Types of Micro Enterprises

- Individual entrepreneurs
- Group enterprises consisting of five members, ten members, or between five and ten members as per the requirements of the activity
- Groups consisting of women only
- Groups consisting of men only
- Mixed groups

Micro Enterprise Schemes

- Rural Micro Enterprises (RME): RME has been the first scheme that Kudumbashree Mission took up for promoting micro enterprises in rural areas. Started in 2002-03, the RME scheme covers women in the age group of 18 to 55 years. Scheme does not insist on any educational qualification for women. A micro enterprises group is given a subsidy of Rs. 10000 per member or 50% of total project cost whichever is less. The number of members in this group is 5 -10. Individual units have investment up to Rs. 50,000; Kudumbashree provides subsidy of Rs. 7500 per member or 30% of the total project cost whichever is less.
- Yuvashree: Yuvashree, a scheme announced in the State budget of 2004-05, offers employment opportunity to educated youth. Individual enterprises are given Rs. 7500 as subsidy or one-third of the total project cost whichever is less. Group enterprises are given a subsidy of Rs. 10000 per member or 50% of the total project cost whichever is less. Individuals and groups are encouraged to come up with business ideas and start enterprises to which Kudumbashree Mission provide support.

A comparison of RME and Yuvashree

Particulars	RME	Yuvashree
Individual enterprises	Yes	Yes
Group enterprises	Yes	Yes
Educational qualifications	NA	Up to Std X
Age	18-55 years	Up to 35 years
Subsidy - Individual	30% limited to Rs 7500	30% limited to Rs 7500
Subsidy - Group	50% limited to Rs 10000 per member	50% limited to Rs 10000 per member
Kudumbashree membership	For members	For Kudumbashree family members or relatives
Thrift deposit	Direct	Direct or for family members or relatives

Subsidy Schemes for Enterprises

Subsidy for individual and group enterprises

- For individual enterprises: 30% of project outlay or Rs 7500, whichever is less
- For group enterprises: 50% of project outlay or Rs 10000 per member, whichever is less.

Crisis Management Fund

This is an interest free loan, limited to a maximum of Rs 25,000 per enterprise, extended to enterprises facing challenges or crisis of the following nature.

- Working capital shortage due to delay in payment realisation from large customers
- Need to expand production because of sudden increase in demand/ orders
- When faced with losses due to reasons beyond the control of entrepreneurs

Eligibility:

- Individual or group enterprises under RME or Yuvashree schemes
- Enterprises started by Kudumbashree members under support from Grama Panchayats through Plan Fund, Special Central Assistance, or Linkage Loan
- Existing enterprises that has been in business for the last six months

Second Round of Financial Support

This is a support extended to enterprises that have been in business for at least three years; the support is meant for business improvement or shift to a more viable business. Financial support is limited to 40% of the project outlay or Rs 2,50,000 whichever is less.

Eligibility:

- The enterprise has to be in regular business for the last three years
- Total project outlay should not exceed Rs 10 lakh
- Funding support is proportional to the number of members active at present in the group
- An enterprise is eligible for this support only once

Technology Fund

This is a fund meant for supporting running enterprises in acquiring modern technology, machinery or equipment for improving the quality and scale of their operations. The support is limited to 40% of the capital investment; maximum allowed amount is Rs 2,50,000.

- Enterprises started under RME or Yuvashree scheme of Kudumbashree, or enterprises started by Kudumbashree members under support from Grama Panchayats through Plan Fund, Special Central Assistance, SJSRY, or Linkage Loan.
- Enterprises that have been in business for the past six months.
- The group should have at least three active members; support is proportional to the number of active members.
- Project outlay including the investment on technology, machinery or equipment should not exceed Rs 10 lakh.

Innovation Fund

Enterprises established around innovative ideas and those trying to make innovative changes in their mode of functioning, technology, machinery or processes are eligible for support under innovation fund.

The objective of the fund is to provide support to innovative entrepreneurs to overcome challenges that arise out of their innovations. The support is limited to 40% of the project outlay; the maximum support is Rs 2,50,000 (Rs 25,000 per family).

Eligibility:

- Enterprises started under RME or Yuvashree scheme of Kudumbashree, or enterprises started by Kudumbashree members under support from Grama Panchayats through Plan Fund, Special Central Assistance, SGSY, or Linkage Loan.
- Kudumbashree subsidy together with Plan Fund and Innovation Fund should not exceed 50% of the project outlay.
- An enterprise is eligible for Innovation Fund only once.
- Project outlay of the enterprise should not exceed Rs 10 lakh.

Revolving Fund

Revolving fund is aimed at supporting enterprises run by Kudumbashree members through provision of working capital support. This is available only for group enterprises; applications are to be submitted through the concerned CDS. Revolving fund is paid directly to the entrepreneurs.

Eligibility:

- Enterprises should be run by Kudumbashree members
- Should have been running for the last six months

Starting an Enterprise

Potential entrepreneurs have to follow a standard set of steps to start an enterprise with Kudumbashree support.

1. General orientation training (GOT)
2. Entrepreneurship development programme (EDP)
3. Skill training
4. Project preparation
5. Bank linkage and approval
6. Availing Kudumbashree subsidy for qualifying groups
7. Availing bank loan

8. Follow up by Kudumbashree
9. Performance Improvement training
10. Revolving fund support from Kudumbashree
11. Follow up by CDS, GP, and Kudumbashree District Mission
12. Second round of financial assistance for eligible enterprises

As Kudumbashree plays an active role in enterprise promotion, the above steps work as a process, guided and supported by the Mission and the community network. In most cases, it is the Mission and its community network that identify potential entrepreneurs and encourage them to pass through the above process. Micro Enterprise Consultants (MECs) trained by the Mission for providing managerial support to enterprises, as well as the training groups of the Mission support the process. While MECs offer support at all levels including firming up the idea, preparing the project proposal, linking with the banks, and setting up the enterprise, the training groups contribute through capacity building programmes

Streams of Enterprises

The enterprises that Kudumbashree promotes can be broadly classified into three streams.

- *Special enterprises*: These are enterprises that the Mission promotes based on an overall design. Groups of entrepreneurs start enterprises using the same or similar designs availing support, guidance, and training from the Mission. Special enterprises include Information Technology Units and Information Technology Enabled Services, Food supplement production units (Amritham Nutrimix), Apparel units, livestock farming projects such as Nutrimix, Santhwanam, and Clean Well Units.
- *Micro enterprises*: These are enterprises initiated by individuals of groups availing support from Kudumbashree; there are also enterprises that had been started through some other scheme such as Grama Panchayats through Plan Fund, Special Central Assistance, SGSY, or Linkage Loan, and further joined the mission's network of enterprises for availing further support – financial or otherwise. These enterprises fall in the sub-categories of production, services, trading, and sales and marketing.
- *Samagra Enterprises*: These are enterprises that came up as part of Kudumbashree Mission's *Samagra* initiative for integrated approach to enterprises. These projects have also been taken up in specific localities utilising certain traditional strengths, and were formulated and implemented with the support of the three-tier Panchayats and technical support agencies.

Origins of Start-up Village Entrepreneurship Programme (SVEP)

- The successful demonstration of proof of concept in pilot locations of KS-NRO's MEC project contributed to the universalization of the concept of Micro-Enterprise Consultants in India in the form of Government of India's Start-up Village Entrepreneurship Programme. Kudumbashree-NRO is accredited as one of the NROs to provide support in the implementation of SVEP to interested States.

About SVEP

- The SVEP, a sub scheme under the NRLM, is being implemented through States to promote to start-up enterprises in rural areas. SVEP supports the rural start-up entrepreneurs by training them to choose the right enterprise to start and run, making available loans through SHGs for starting the enterprise and subsequently linking them to banks for additional funds for expansion and supporting them for the initial six months of its business to ensure sustainability of the enterprise.
- Under SVEP, a pool of block level community cadre – **Community Resource Person for Enterprise Promotion (CRP-EP)** - will be trained in business management to support the rural poor to set up their enterprises and handhold them in the initial six months of start-up. SVEP entails building the capacity of NRLM and SHG federations to monitor the work of CRP-EPs. It also has provisions for the use of integrated ICT techniques and tools for training and capacity building, enterprise advisory services and to provide loans to rural entrepreneurs from the NRLM SHGs and federations and the banking system including the MUDRA bank.
- SVEP intends to fill in the gaps of a missing knowledge ecosystem (exposure to new ideas, soft skills for triggering, lack of domain skills, etc.), a missing incubation system (personalized advisory, feasibility intelligence, common startup pitfalls, etc.) and a missing finance eco-system (customized need based finance, financial linkage, on-going handholding), to address the obstacles faced by first generation entrepreneurs.
- NRLM Resource / Intensive Block will be the unit of implementation for SVEP. Under SVEP a **Block Resource Centre for Entrepreneurship Promotion (BRC-EP)** will be setup to occupy the trained CRP-EP. There is a provision for Community Enterprise Fund (CEF) for supporting enterprises.
- The key objectives of SVEP are 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 and 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 and 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. 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.

Learnings

Programmes	SVEP	Kudumbashree Micro enterprise
Area	Selected Blocks of Districts	In all Blocks of Districts
Identification of Target	Conduct a baseline and market potential study in selected block and decide the target number of enterprises	CDS level target
Identification of beneficiaries	This beneficiary selection may be done by the community organization, based on the need and poverty of the person, and also the potential capability of the person to run an enterprise. There is no age limit nor is the beneficiary expected to be a woman only. Promote entrepreneurs from highly vulnerable beneficiaries under MNREGS ,artisans etc	GOT,EDP Based on the qualification and interest they are giving skill training
Identification of enterprises	Based on the capability of person to run enterprises ,viability of enterprises	Enterprises initiated by individuals or groups availing support from Kudumbashree
Hand-holding support to enterprise	Through Community Resource Person for Enterprises Promotion(CRP-EP) .They are trained in business management	Through Micro enterprises Consultant
Committee for development of enterprises	Create a Block Resource Centre – Enterprise Promotion (BRC-EP); The BRC should act as a nodal centre to implement SVEP.	ME subcommittee at CDS level
Identification of Market	Monthly market, fairs, Weekly market, Nano market ,etc were conducted by CDS, convergence with other institutions	Monthly market, fairs, Weekly market, Nano market ,etc were conducted by CDS, convergence with other institutions

Monitoring of ME	Regular monthly monitoring done by community resource person	
Role of Resource person	set up their enterprises and handhold them in the initial six months of start-up	firming up the idea, preparing the project proposal, linking with the banks, and setting up the enterprise
Bank Linkage	Enhance credit limit for successful entrepreneurs s loan shall be recommended by the CRP-EP based on the assessment of the viability of the enterprise and the potential entrepreneur's ability to run the enterprise viably.	MEC prepare project proposal for bank linkage based on the assessment of enterprises
Grants	No grants are promoted	
Number of Community supporter	Minimum 20 Community Resource Person for Enterprises Promotion for Blocks	One MEC per panchayath
Revival of Micro enterprises		Sick ME fund giving

Findings and Suggestions

- Micro enterprises significantly enhance the individual and family empowerment of rural women by ensuring freedom to spend and save earnings.
- It improves the confidence to promote own micro enterprises and also inspiration to undertake risk.
- Role of subcommittee should be specific
- Convergence of programme will be good
- Model of SVEP ME can be replicated in Kudumbashree ME
- Funds should be provided to actual Microenterprises
- Role of MEC should be specific
- Business management training should given to MEC
- Continues monitoring is needed till a enterprises are able to manage by themselves