

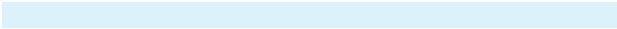
# JOBS WE CREATE

THE POWER OF ENTREPRENEURSHIP





## PRELUDE



India's impressive growth trajectory has not translated into a corresponding increase in jobs. For every 12 million Indians who join the workforce each year, less than 1 million are able to find meaningful, dignified and adequately remunerative work in the formal economy; the rest struggle in situations of obvious unemployment or disguised under-employment.

Micro-enterprises could play an instrumental role in addressing this challenge as they create local jobs in large numbers. Employing 80 million of India's workforce, any impetus to this sector will have a significant consequential effect on economic resilience and social well-being. India needs to harness the power of micro-enterprise.

Entrepreneurial attitudes and resourcefulness run deep in India – from the busiest streets of Mumbai to the remotest villages of poverty stricken regions in Uttar Pradesh and Bihar. People's strengths and their initiatives are however, stifled by a complex set of social and economic factors. Very few are able to set up entrepreneurial ventures. Age-old constraints imposed by social norms and lack of access to support services prevent potential entrepreneurs from taking simple steps that would transform their lives. Their inability to do so, in turn, means that no new jobs are created.

Work 4 Progress was born out of the need for a multi-faceted and innovative approach to creating systemic solutions that foster entrepreneurship – not only creating enterprises in the tens of thousands but more importantly, enabling them to 'create' jobs – jobs 'we' want.

Intensive interaction has taken place with a large number of existing and potential entrepreneurs in over 40 villages of Uttar Pradesh. The Work 4 Progress platform is adopting an operational methodology based on getting stakeholders involved in: Dialogue, Co-creation, Prototyping and Learning - critical elements of a robust, interactive, and iterative innovation process. In the past few months, we have conducted interviews and discussions and also used platforms such as the community radio to launch a reality competition for entrepreneurs called Kaun Banega Business Leader, for which we received 800 applications with ideas for new businesses which they would like to start. The deep dive that Work4Progress partners have made into the rural economy confirms both the magnitude and complexity of the challenge. And yet, we go forward with hope and a large measure of confidence; built up through our interactions with individuals and community groups, officials, businesspersons, facilitating organizations, innovators and analysts. We present those insights and experience to you.

Shrashtant Patara

Senior Vice President

Development Alternatives Group



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# CHALLENGE

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**485** million people in india are working or seeking employment

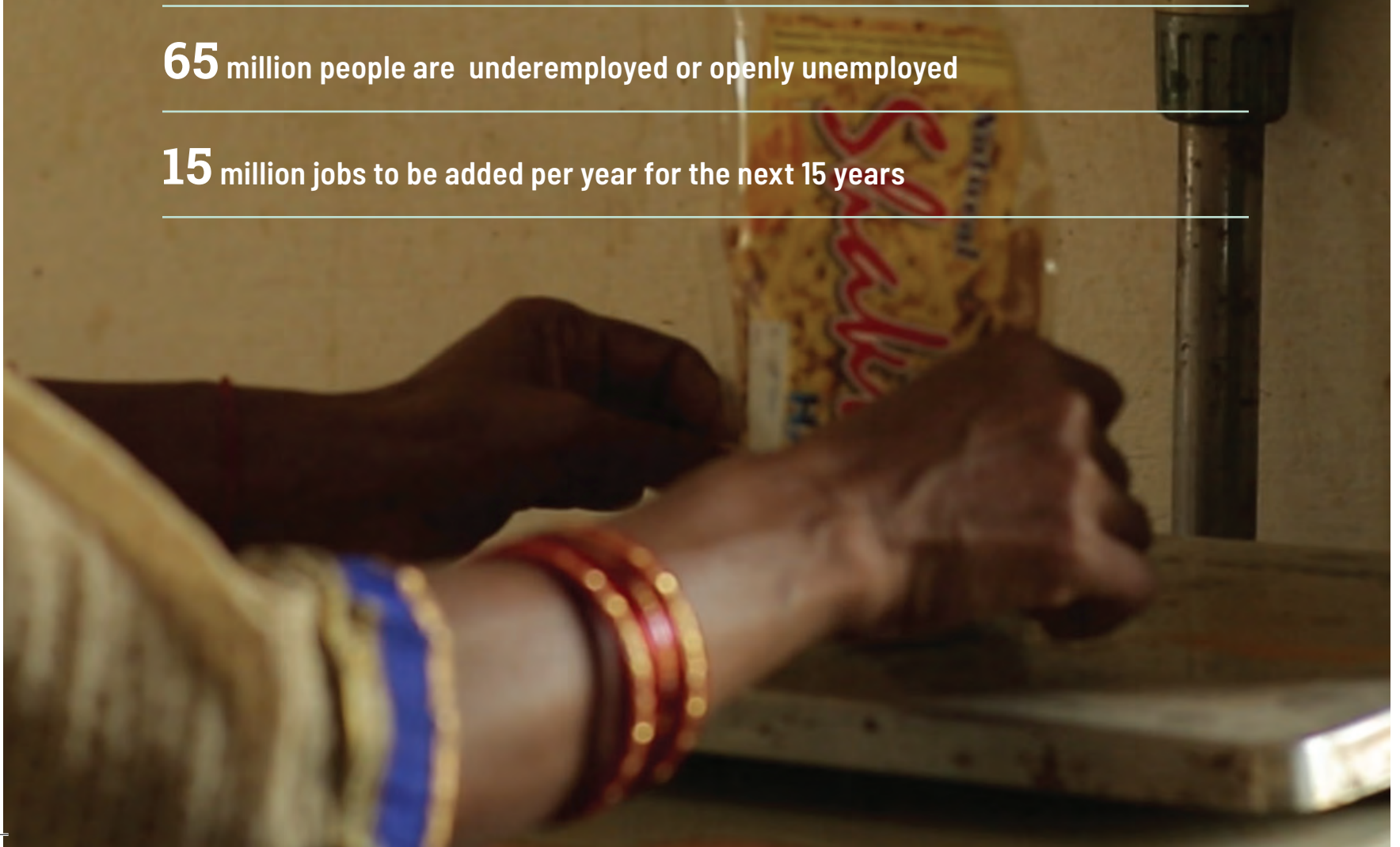
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**65** million people are underemployed or openly unemployed

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**15** million jobs to be added per year for the next 15 years

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## THE INDIAN ECONOMY & THE JOBS RACE

In less than ten years from now, by 2027, India will expand to become a \$6 trillion economy<sup>1</sup>. With only 5 other nations surpassing it in terms of nominal GDP, India's story of economic growth is one that has met hopes while persistently defying expectations. Positioned to have one of the youngest populations in the world by 2020, the existing figure of 65% of the population within working age is only slated to rise<sup>2</sup>. However, India's dynamic growth is not matched by commensurate growth in employment. Moreover, the quality of work opportunities that are available to a majority of young women and men remains questionable.

**Today a workforce of 485 million resides in India, and it grows by a million each month<sup>3</sup>. Large corporations, medium sized businesses, and institutions in the formal economy generate employment for less than one-tenth of this increasing workforce. Those left behind hold the potential to either fuel the engine of growth through gainful and productive activity, or mar India's story of growth with their joblessness.**

The Indian economy shows spectacular rates of growth, and yet, paradoxically, unemployment rates are rising and a major share of the country's population remains underemployed. This contradiction points towards the complexity of its nature.

In 2015, the International Labour Organisation estimated that for every point percentage growth in GDP, the rate at which new jobs are being generated has reduced by 50% in the last decade<sup>4</sup>. Around 50% of India's workforce continues to be employed in the agricultural sector, whereas the sector's contribution to GDP stands at less than 20% today<sup>5</sup>. It is estimated that, in order to stabilise the current job situation, with unemployment reaching alarming rates, **India will need to add 15 million new jobs annually for the next 15 years<sup>6</sup>.**

Sustainable development requires narrowing the current employment gap and meeting the aspirations and job expectations of an increasing workforce. The new socio-economic paradigm has led to redefining the nature of employment that people seek. The need of the hour has gone beyond simply reducing the unemployment numbers to creating equality of opportunity and access to jobs for all, creating a diverse range of opportunities that leads to decent and attractive work for all.

This will require a systemic response that realigns the current ecosystem of economic development and job creation, resetting the growth trajectory to make it more inclusive - especially of those who have been left behind in the 'jobs race'.

India's favourable demographic dividend has become a much-touted figure and has been identified as the means to a better and equitable future. Yet the question remains: **how do we tap into this reservoir of talent and energy to spur the story of growth ahead?**

# BELIEF

## PEOPLE

Small enterprises play a major role in creating jobs for the poor and the marginalized

## PROFIT

Local green enterprises bring resilience, innovation, and value addition in developed and developing economies

## PLANET

Prevent locking in of capital in long term, low return, resource-intensive projects and have a positive impact on the environment

## MICRO & SMALL ENTERPRISES CAN BRIDGE THE GAP

In 2017, India has retained approximately half of its workforce in the agricultural sector even as agriculture's share in GDP has reduced to less than 20%<sup>7</sup>. The services sector has steadily increased its share in contribution to GDP, while less than 10% of the workforce find formal employment in it. India continues to show low growth in its six most labour-intensive sectors, and automation reinforces the problem of joblessness. It is imperative now to focus on alternative pathways towards equitable participation and reduced economic contradictions - in order to meet our goals of sustainable development.

This requires India to enable a system that appropriately localises and decentralises its production of goods and services while also integrating economic efficiency, environmental soundness, and social equity into business decisions. Across high, middle, and low-income countries, micro-enterprises (MEs) constitute the largest share of private businesses and account for the bulk of employment. These dynamic entities create local jobs and boost economic resilience leading to strong multiplier effects on the national economy.

With around 36.1 million units throughout the country, MSMEs in India contribute to 37 percent of the GDP, 37% of India's manufacturing output and employ close to 20% of the workforce<sup>8</sup>.

**According to the Fourth Indian Census on Micro, Small and Medium Enterprises (2006-07), micro enterprises constitute over 90% of MSMEs and provide employment to around 70% of those employed in MSMEs<sup>9</sup>.** The development of micro businesses, therefore, is crucial to the implementation of equitable and inclusive growth models across urban, rural and rural areas across the country.

There is evidence from World Bank that most formal jobs in emerging economies like India are located within MSMEs, which are also responsible for creating 4 out of 5 new job positions<sup>10</sup>. The ability of small businesses to adopt innovations can bolster the growing aspirations of the youth. They can allow for embedding new economy models like use of digital technology and process innovations which can instill a sense of dignity, confidence, and ownership for all.



## DIGITALISING ENTERPRISES, ACCELERATING GROWTH

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Industry 4.0 - the digital revolution has allowed for erasing boundaries and barriers where they earlier existed. This has created a platform where micro-enterprises can potentially capture segments of the same market as large industry. Through such platforms, avenues for job creation will increase tremendously, and the aspirations of the people will be met. The opportunities that young women and men want will then be available.

Further, micro-enterprises have the potential to grow, since they are trying to capture underserved rural markets. For this reason that several developing countries have shown high rates of growth in this sector, reinforcing the need for their presence. Having demonstrated a consistent growth rate of over 10% in the last decade, any impetus to this sector will have significant multiplier effects on economic resilience and social well-being. The Confederation of Indian Industries (2015) projects a positive macroeconomic outlook on the potential of MSMEs to develop entrepreneurship and support growth led by innovation over the next decade by:

- **Significantly increasing the share of MSME manufacturing contribution to GDP from the current 8 per cent to 15 per cent by 2020**
- **Generating employment levels to the extent of 50% of the overall employment, more than doubling the current MSME workforce across agricultural, manufacturing and services sectors<sup>11</sup>**

Micro- and small businesses have, in the past, demonstrated the potential to foster local and inclusive economic development for the Indian economy, and will continue to do so. The question that needs to be asked next is

**are we doing enough to create an ecosystem that can nurture this potential?**



# MEET THE CHANGEMAKERS

## LOCAL BUSINESS LEADER PROMOTING ECOFRIENDLY HOUSING SOLUTIONS

### SHIV PRATAP RAI

Fly-ash and brick making unit

Bina, Madhya Pradesh

Mr. Shiv Pratap Rai, the owner of Nandeshwar Fly Ash Bricks unit in Bina, Madhya Pradesh, registered with the State government to supply bricks for public projects. With a Bachelor's degree in commerce, this 24-year-old was determined to own and manage his own brick manufacturing unit. Shiv Pratap is one among the many entrepreneurs in rural India who start out with an idea in their minds and motivation in their hearts. Such entrepreneurs only need handholding support to nurture their spirit and additional support through the process of setting up their business.

Shiv Pratap enrolled himself in a 5-day training programme on production and quality control of fly ash bricks. This gave him confidence to run and manage his own fly ash brick making unit. To further strengthen his entrepreneurial skills, he underwent an intensive, ILO-certified training programme, 'Start and Improve Your Business, to learn business management and operations skills. His enterprise has been financed by the the Prime Minister Employment Generation Programme (PMEGP) from the State Bank of India.

He has a well-equipped quality control lab to test both the raw material and the final product. He believes that this lab gives him an edge and enables him to charge a premium over the price offered by other enterprises supplying inferior quality bricks.

**His story is an example of how appropriate support from the larger ecosystem can help rural micro-entrepreneurs start their journey of becoming local business leaders and job creators.** It is in the benefit of society and industry to encourage the use of bricks that solve the problem of waste management on one hand and provide a reliable and durable building material on the other. Shiv Pratap's enterprise currently employs 10 people and utilizes around 115 tonnes of fly ash a month from the nearby power plant.

उत्तम तकनीकों का इस्तमाल और व्यापार की सही जानकारी और ज़रूरी अभ्यास के द्वारा मैं अपनी खुद की ईंटों का उत्पादन करने में सक्षम रहा ।

*(With access to the best technology, marketing know-how and all the necessary training, I was able to fulfill my dream of owning my very own brick manufacturing unit.)*

~ Shiv Pratap



## EMPOWERING PEOPLE, CHANGING LIVES

### TARAJurja

Access to electricity can have a dramatic impact on the well-being of rural communities. Today, the community of Shivpura, in Balrampur district of Uttar Pradesh, stands tall amongst the other villages in the vicinity, lit up and buzzing with life when nearby settlements are struggling with the debilitating effects of power scarcity. Business in Shivpura market is thriving, with entrepreneurs' incomes enhanced and opportunities created for new businesses.

This has happened over a period of one year - an outcome of the Smart Power for Rural Development (SPRD) programme that helps increase access to clean and affordable energy services in underserved regions of the country. The Shivpura micro-grid is one of several 30kW peak solar power plants set up across Uttar Pradesh and Bihar by TARAurja (a solar energy based micro-grid facility of the Development Alternatives Group) with funding from The Rockefeller Foundation and advisory support from Smart Power India.

The core principle of the SPRD program and TARA's belief is that people in villages are not just "consumers". The role of village communities as "producers" needs to be recognized and responded to in order to deliver enduring benefits. Efforts should look at putting money into people's pockets. It is here that micro-enterprise development holds the key.

Siyaram Pandey owns a carpentry unit in Bheldi village, Bihar. His business has now risen to the next level with the help of a "combi-planar" machine recently installed at his enterprise. The combi-planar runs on reliable and affordable electricity provided by TARAurja's solar powered micro-grid, enabling better output and a 22% increase in profit in his business in just a span of three months.

**Reliable electricity is not only catalyzing entrepreneurship but is helping unleash its true potential in building a resilient local economic system.** Across SPRD sites in Uttar Pradesh and Bihar, new manufacturing enterprises (with investments of less than USD 8000) like biomass pellet, paper plate, incense stick making units, etc. have been set up, and existing businesses like computer centres, hair salons, carpenters, have been expanded to ensure local economic development. Moreover, local institutions like banks, schools, etc. are, as a result now being able to provide better services. This has, in turn, ensured that communities have access to better choices to fulfill basic needs, like clean cooking fuel and devices, safe drinking water - all at their doorstep.

नए जोड़े गए कॉम्बी-प्लानर ने मुझे समय बचाने और उत्पादों की शीघ्र डिलीवरी देने में मदद की है।

अब मैं पेहे तीन की तुलना में एक दिन में पाँच आर्डर पूरे कर लेता हूँ।

*(The newly added combi-planar has helped me save time and deliver products faster. I am now able to complete five orders in a day as compared to three in the past.)*

~ Siyaram Pandey



## LOCAL ROLE MODEL MAKING SMOKELESS KITCHENS A REALITY

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### APARNA GONDHALEKAR

Pellet manufacturing enterprise owner

Pune, Maharashtra, India

Aparna Gondhalekar is the owner of a pellet manufacturing enterprise in Pune, Maharashtra. She was determined to build a future for herself and her family. It was a decision she had made long before she started working in the biomass pellet sector. Leveraging two years of experience of working in a machine and tech service company, she started her own pellet manufacturing enterprise in 2016. Aparna often talks about how she wouldn't have been able to start and sustain her enterprise without her mother-in-law and husband's support, which helped her to balance her personal and professional life successfully.

Aparna now owns two pellet making machines, employs three more women to support the operations of her enterprise and hires 10-12 contractual staff per month, basis demand. She manufactures quality saw dust pellets- a smokeless new-age combustion fuel with a calorific value of ~4700kCal and 5% ash content. These pellets are then sold to the commercial boilers of PepsiCo and Diageo as well as household kitchens along with clean cookstoves. Aparna, on an average, manufactures 800 tonnes of pellets every month and sells 95% of the produce at a cost of INR 8.5/kg.

Besides being a successful entrepreneur, she is also a voice on environmental issues. Aparna earns up to INR 45,000 a month, which is thrice of what she earned prior to setting up her own enterprise. Moreover, she plans to reinvest the profit from the current business and expand it by adding two more pellet machines in the near future.

The impact of Aparna's enterprise goes beyond clean cooking fuel and women's economic well-being. It addresses the issue of indoor air pollution from cooking with traditional fuel like coal, cow dung cakes, wood twigs, etc. Moreover, the Government's ban on using coal in boilers has also added to Aparna's competitive advantage.

**Her story showcases how local green enterprises act as drivers of transformational change towards a more green and inclusive economy.**

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मेरा लक्ष्य है कि मैं ५ जिलों में १० या १० से अधिक उद्यमी महिलाओं का संजाल बनाने में सक्षम रहूँ और २०२० तक कम से कम १०० ग्रामीण परिवारों तक पहुँच सकूँ।

*(I aim to expand to five districts with a network of around 10 more women entrepreneurs and reach out to at least 100 rural households by 2020.)*

~ Aparna Gondhalekar

# REALITY



## UNDERSTANDING ENTREPRENEURSHIP: OUR DEEP DIVE

Despite the role of MSMEs as engines of inclusive growth, their growth and viability is often stifled by the lack of a nurturing ecosystem - access to advisory support, risk-management tools, credit, productivity tools, and market linkages. The Government of India has introduced several major policy initiatives for the support and promotion of micro and small businesses and has been active in encouraging private sector players to support microenterprise in their value chain. Yet there is increasing evidence in institutional and independent evaluations that the entrepreneurship ecosystem has not delivered on its full potential.

In a study conducted across Asia on entrepreneurship, India ranked in the bottom quartile on external factors such as government support, culture, social capital, and access to training. In contrast, intrinsic factors -- such as entrepreneurial talents and attitudes towards entrepreneurship -- ranked much higher than external factors in enabling support for aspiring entrepreneurs.<sup>12</sup>

To understand this further, we found that while a multitude of data is available on entrepreneurship and employment, it is often focused on economic data and captures stories of larger entrepreneurs, missing out on micro-businesses that service rural economies. There exists a data deficit on rural entrepreneurs in India's most backward regions, where they are needed the most.

In order to deep-dive into transition points that accelerate micro-enterprise development and job creation, a broad survey was carried out with the aim of 'getting inside the minds' of these changemaking entrepreneurs. - **Why do they make the decisions they do? What motivates them? Who do they turn to for advice?**

**What is it really like 'on the ground' for an entrepreneur in India - what are the challenges they face?** These questions are more relevant now than ever before, with the evolving and dynamic nature of the macroeconomic scenario and the enterprise opportunities that are bound to arise as a result, increasingly influenced as they are by digital technology, globalization and resource constraints.

**250 entrepreneurs and 100 aspiring entrepreneurs were engaged in interviews, focus group discussions, and games to uncover answers about what enables entrepreneurial decisions. These research methods could help us develop insights into some of the following:**

- How do women and youth - from the ground up - perceive opportunities and take decisions on establishing micro-enterprises?
- How do challenges differ for those already running a business as opposed to those who are on the verge of setting up businesses?
- What are the aspirations of young women and men in the current digital age? How do we bridge generational and gender-related divides in an interconnected society?
- Is there a desire to adopt green economy solutions to manage natural resources better?
- How can policy interventions help simplify the complexity of the enterprise ecosystem?

## **JOBS MICRO-ENTERPRISES CREATE**

Between 2005 and 2012, India's GDP growth was 54%, but its net job growth was only 3%. There were only about 15 million net new jobs<sup>13</sup>.

This giant disconnect will worsen in the coming decade. Assuming 7-8% annual growth, 2025 will see the GDP double. India will add over 80 million net new job seekers. But at current rates only 30 million net new jobs - mostly informal, and low-wage ones - will be created<sup>14</sup>.

## The “deep listening” exercise!

**250** entrepreneurs and **100** aspiring entrepreneurs surveyed across 40 villages of Eastern Uttar Pradesh and Bundelkhand

**20%** of the sample was women

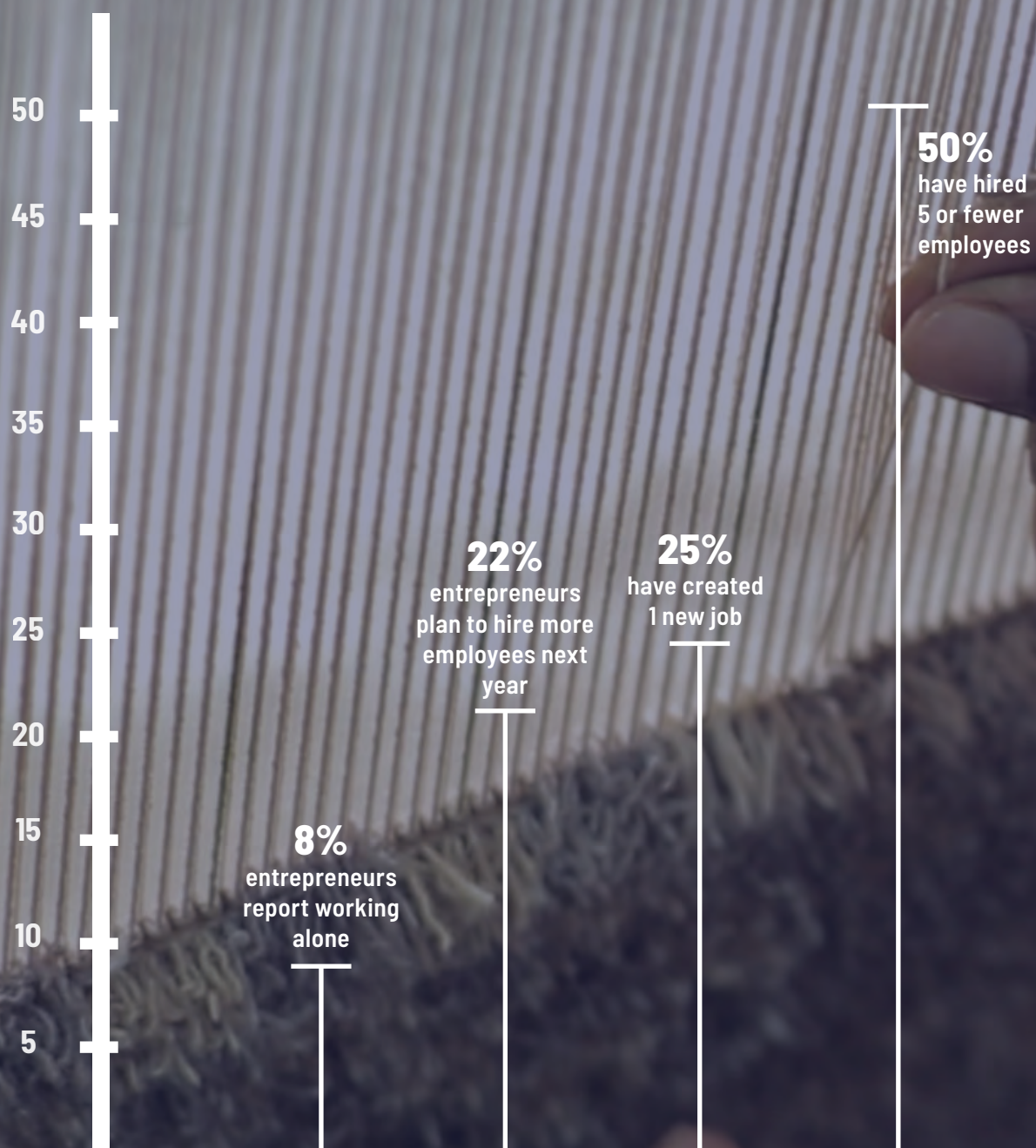
Average years of operations per enterprise – **3.4 years**

Annual average income is **INR 97,500**

## WHO IS AN ENTREPRENEUR?

An entrepreneur is an individual who proactively seeks to generate value through the expansion of economic activity and who creatively responds to the challenges and needs encountered in the process of accomplishing this outcome. Success comes more naturally to those who have an inherent talent for this endeavour.





This study suggests that micro-enterprises create part-time and full-time work for workers, and pay wages that exceed minimum wage. Our data suggests that there are **4.5 jobs per enterprise**, if weaving and tent-renting enterprises are removed, the number comes down to **1.6 jobs per enterprise** - validating Start-up Village Entrepreneurship Programme (SVEP) data<sup>15</sup>.

This study highlights an interesting finding; micro entrepreneurs who create jobs for others differ in some key ways, from the ones that do not create even one new job.

### **Sector matters!**

Enterprises in the weaving and food services sector are more likely than others to have jobs, while having a business in the manufacturing sector is associated with a lower probability of having even one permanent job.

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## **Sectoral distribution**

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**51%**

in service sector

**24%**

in agri and allied sectors

**5%**

in green sector\*

**20%**

in other sectors

\*No innovations were observed in green sector. Majority of entrepreneurs adopted green enterprise solutions because of government or civil society interventions.



## GOING GREEN...INCLUSIVELY

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### VEER SINGH RAJPUT

Ganeshgarg

Jhansi, Uttar Pradesh, India

Veer Singh Rajput is a 43 year old entrepreneur from Ganeshgarh, Jhansi who has used his experience of working with technical institutes and organic farming centers to set up a vermi-compost production centre in his village.

Veer Singh always wanted to do something new for his village. Since a majority of the people in his village were engaged in agriculture, he began making compost to substitute inorganic fertilizer. Through his hardwork and savings, Veer Singh was able to invest and begin his own enterprise.

Within a few years, most people in the village started buying their compost from him, and he successfully enabled the entire village to farm organically. In the local market, he is known for the quality of his product, and counts the Railways and Forest Department among his clientele. He currently employs three people to support him with the operations of his enterprise.

Veer Singh attended a training programme on entrepreneurship this September. The workshop motivated him to expand further and increase the number of jobs he can create. He also wants to buy a packaging machine to increase the overall value of his product in the market.

Veer Singh was one of our first applicants in the Kaun Banega Business Leader competition - a reality show conducted in Bundelkhand for local entrepreneurs.

Veer Singh has been able to fulfill his own aspirations as well as provide for his village. He has become a role model for aspiring entrepreneurs, while demonstrating that profits can be made by caring for nature.

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मेरी खर्च और बचत की योजना ने मुझे ये लाभ दिया कि मैं अपना सतत उद्यम स्थापित कर पाया हूँ ।

*(It is my ability to save and spend wisely that has given me an advantage in setting up a sustainable enterprise.)*

~ Veer Singh Rajput



मेरा सपना है कि मैं कालीन बनाने की उन्नत तरीकों के द्वारा बिना बिचौलियों की सहायता के अंतराष्ट्रीय बाजारों में अपनी पकड़ बना सकूँ।

*(With improvised carpet designs, I wish to now expand to international markets without any support from intermediaries.)*

~ Shyam Surat Yadav

## ENHANCING EMPLOYMENT OPPORTUNITIES THROUGH INCLUSIVE SUPPLY CHAINS

### SHYAM SURAT YADAV

Weaving Centre

Lalanagar, Bhadohi district, Uttar Pradesh

Shyam Surat Yadav, a 40-year-old entrepreneur based out of Lalanagar village, runs a weaving centre with 10 looms in the carpet capital of India, Bhadohi district, Uttar Pradesh.

14 years ago, when his father sent him to Mumbai to work at a dairy unit, he felt demotivated and pressurized to work for someone else. Low pay even after long hours of working further added to his woes. It was then that he decided to come back to his own village and take over the carpet business from his father.

He assumed leadership in managing the center, with just one loom, where his father, uncle and grandfather worked. With a little help from his father, he added 10 more looms and employed 30 weavers to work on them. He called it his 'campus'. His vision was to create a centre that would allow weavers to come together at a common place and work, as against the set practice of weaving carpets at their home. By giving weavers a conducive environment to work in, he believes he motivates them to work more efficiently and for longer hours. In addition, he provides access to basic amenities at the campus like fire extinguishers, fans and drinking water facilities to ensure good working conditions for fellow weavers.

After a year of working with hand looms he started losing his weavers, who preferred working in units using machines in place of the hand-tufted method of making carpets (since the production and pay was higher from these). In order to get his weavers back, he invested in 20 electric guns with an additional investment of INR 2,00,000.

Now, with 30 weavers, and facilities for making both hand-knotted and tufted carpets, Shyam Surat earns approximately INR 60,000 a month. He considers himself one of the new generation entrepreneurs, who think beyond, and creatively aim to solve the issues of unemployment in his region. He understands that there is a dire need for innovation in the overall structure of how the sector operates, in order to make it attractive for women and youth to get involved and take it forward, making it more inclusive.

He has, in the recent past, partnered with a big carpet manufacturing firms such as OBEETEE as part of their CSR work. Under this, he trains local women on how to weave and provides them an honorarium for the work they have done.

**Shyam Surat struggles to take the next big leap of expanding his enterprise further. With improvised carpet designs, he now eyes the international market and would like to export his wares directly, without any support from intermediaries.**

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*Shyam Surat Yadav provides employment to 30 weavers in his village.*

*He, however, struggles to take the next big leap, and further expand his enterprise...*

## IN THE MINDS OF ENTREPRENEURS

### WHAT MOTIVATES THE ENTREPRENEURS?

In an attempt to understand the motivation that leads one to being an entrepreneur, it was found that the top motivation for entrepreneurs behind setting up an enterprise was **making more money and a feeling of financial security** (51%). This was followed by the excitement of exploring a new idea. 22% reported moving into a venture because of an available market opportunity, and 17% were forced to do so due to lack of job opportunities in their vicinity.



It was interesting to find that 'market opportunity' was the least important trigger for Bundelkhand entrepreneurs, while the reverse was true for entrepreneurs from Eastern UP. This may be attributed to the fact that in Eastern UP there is a presence of mature markets due to an existing weaving cluster.

When asked about who entrepreneurs think is a business leader, a striking majority of 91% voiced their admiration for a local successful entrepreneur in their village. This reiterates the need for identifying a large number of such influential leaders in rural areas of Uttar Pradesh and Bundelkhand to promote the idea of entrepreneurship among communities.

The finding of the Legatum Institute Survey of urban entrepreneurs (2011) is in line with our data from the ground. The survey also cites 'being independent' as the most important trigger for Indian entrepreneurs (46%)<sup>16</sup>.



During dialogue sessions conducted across both geographies, it was found that in a village with 300 households, on an average, only fourteen individuals thought about starting their own enterprise. Out of these only 50% (six individuals) were successful in setting up one. **This highlights the need to minimize barriers through systemic changes that enable entrepreneurship at scale.**

**1** village with **1,500 individuals**

**14** individuals thought of setting up an enterprise

**6** individuals set up their enterprise



**Looking specifically at motivating factors for women, it was found that** the independence derived from entrepreneurship is the most important trigger (57%) for women to set up an enterprise. Men, on the other hand, were found to be most significantly influenced by 'exploring new ideas' (30%) with 'independence' (28%) coming a close second as a motivating trigger.

In Pipra, Bundelkhand, Vandana Ahirwar, a 26-year-old entrepreneur, started her own computer centre after finishing her graduation. In a nearby village, Kena, Meera didi (featured left) set up a store to sell bangles and cosmetics to women who often didn't have the time to visit the market, which is at a fair distance from the village.

After studying the data to understand motivating factors for the youth it was found that 'exploring new ideas' is the topmost motivating factor for men and women in the age group of 25-35. For those belonging to the above-35 age group, 'market opportunity' is a far more significant motivating factor. Starting a micro-enterprise on their own gives rural youth the power to earn while staying in their own village.

Therefore, efforts must be made to make entrepreneurship as a sector more attractive for youth through counselling and capacity building support. Efforts should be made to make the environment for entrepreneurship more conducive for both youth and women through the provisioning of specific support services.

**6 out of 10 potential entrepreneurs do not want to get into traditional businesses. They aspire to start something new in the village.**

**Indrajeet from Bhadohi** no longer wants to take his father's weaving business forward. Most weavers live and often work in small, dark and dingy settlements. This makes the weaving sector less attractive for the youth. They would rather migrate to cities for formal employment which offers better working conditions and a stable income.

## WHAT TRIGGERS THE INVESTMENT?

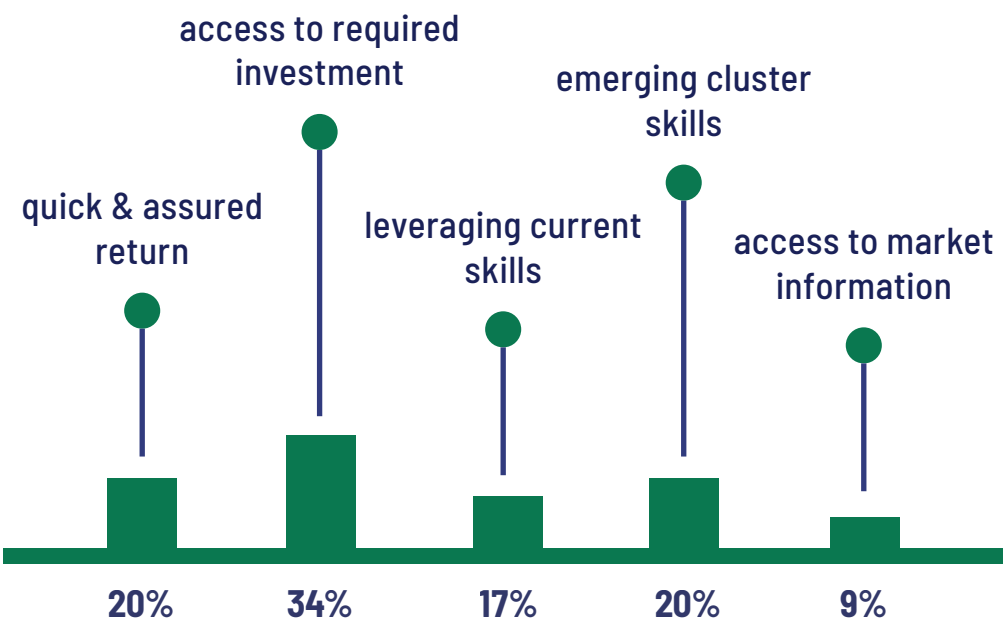
Another important aspect of the study was to identify trigger points that lead the entrepreneur to finally put into action the idea of starting an enterprise. Analysis reveals that..

**34%** of entrepreneurs finalized the idea of setting up an enterprise since they had access to the required finance through family and/or friends.

Using personal savings as investments helps the entrepreneur avoid the inconvenience of dealing with a bank or a moneylender. It saves them the hassle of loan processing through a bank and helps them avoid the high interest rates offered by private moneylenders. On the flipside, however, since the savings are not large sums of money, it is often only enough to help them sustain the enterprise for a few months.

**35%** of enterprises close after 8 months of operation, failing to expand or upgrade their business.

20% of these entrepreneurs shared that the other two important factors that trigger the idea of entrepreneurship are emerging cluster opportunities and quick and assured returns on investment. For example, in a small village near Jhansi, in the government announcing construction of a highway, local entrepreneurs see an immediate available opportunity to open small food and water kiosks or dhabas to service the traffic on the road. In a few months' time, several such units crop up near the potential highway site.







# 63%

of entrepreneurs answered in the affirmative when asked if they wanted to get into a new business line, as opposed to **37%, who wanted to continue traditional businesses.**

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On the other end of the spectrum, access to updated information or new ideas for entrepreneurship was the least important trigger for starting an enterprise.

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Only **9%** entrepreneurs reported having access to updated market information

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**54%** entrepreneurs in both the geographies expected that greater information availability would create the necessary transparency that would, in turn, make funding decisions easier. Potential entrepreneurs seek advice and information to finalize the enterprise idea. There is a lack of knowledge resources, and entrepreneurs do not know whom to contact for what purpose.

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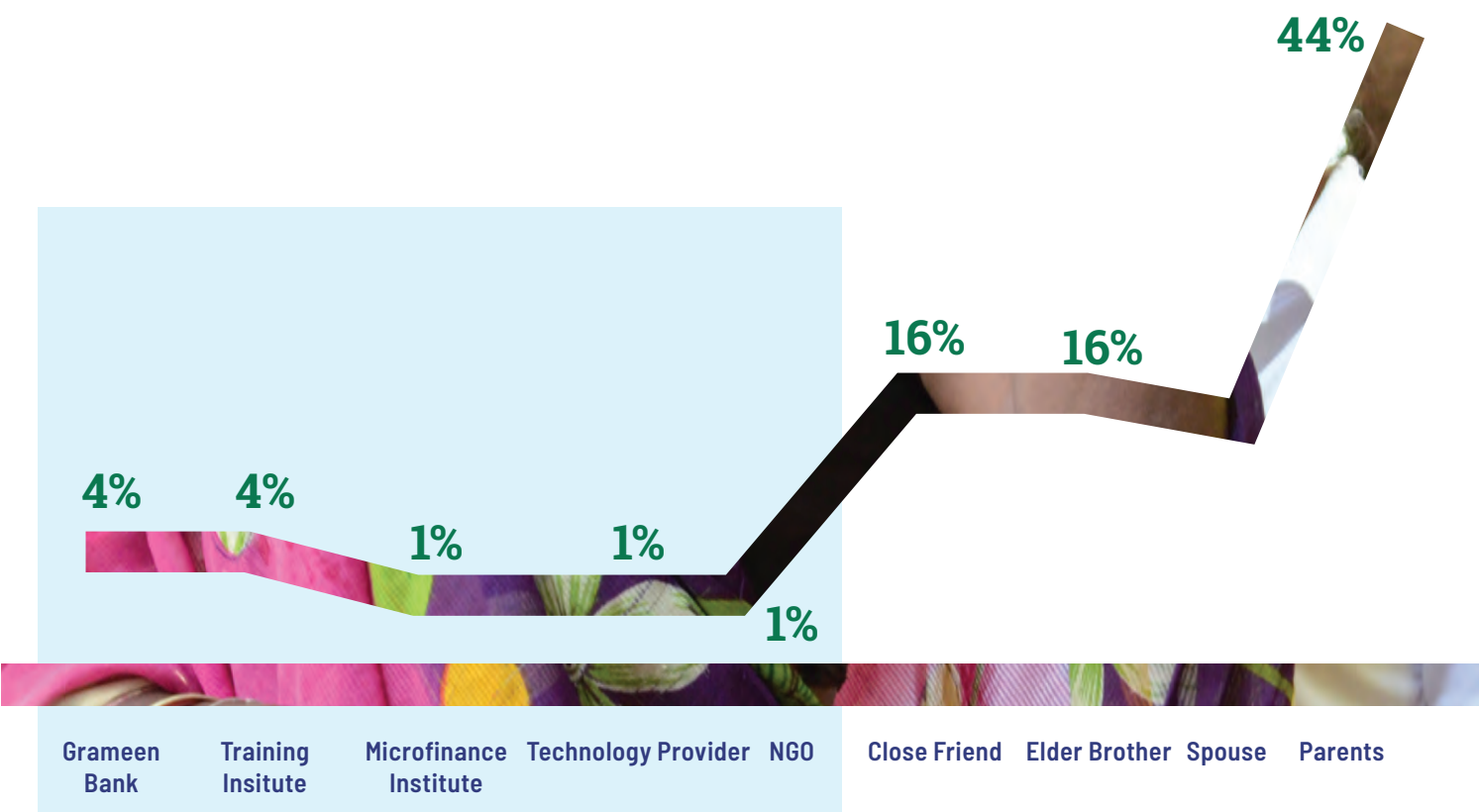
The findings point towards the need for building a platform for engaging entrepreneurs and providing them with updated information that is easy to understand and access.

The data shows that the spirit of entrepreneurship exists within individuals even in the most backward states of India, like Uttar Pradesh. Therefore, there is a clear need to support this spirit through the development of an ecosystem that makes information and support services available to potential entrepreneurs.

## WHAT IS THE FIRST POINT OF CONSULTATION?

In order to understand the mindset of the entrepreneurs who are motivated to start an enterprise, it is important to find out who these entrepreneurs consult to assist decision making.

It was found that entrepreneurs continue to report that finding reliable, appropriate and timely information is onerous, and therefore the first point of contact comprises people who are accessible, trustworthy and experienced.



Only **11%** consulted formal institutions for support as opposed to **89%** who consulted family and friends.

This points out that there is either little or no access to information from formal sources. In cases where information is available, the source is either inaccessible or not trusted well enough.

Financial help from the family members of entrepreneurs is to be considered an important and crucial source of help. Firstly, it indicates the **confidence of the family** in the capabilities of the entrepreneur. Secondly, it indicates the **preparedness of the family to risk** its savings in an entrepreneurial activity.



In Jhansi, **Suraj Yadav** spoke of how he set up his tent business by ideating with his close friends. He mentioned that it is often difficult to trust advice from someone unknown. He therefore found it safer and felt more comfortable speaking to his friends, and they collectively came up with ideas to set up their own businesses. Each of them now has an enterprise; Suraj runs a tent house business in the village, while his friends have set up a convenience store and a “dal mill” (pulse polishing unit) in Jhansi.

This phenomenon is not specific to rural areas only. According to the Legatum Institute Survey of Entrepreneurs 2011, Indian entrepreneurs primarily consult family and friends (29%) as well as other entrepreneurs (26%), and only 13% consulted formal institutions<sup>17</sup>.

While it is encouraging to see that family contributes positively to an entrepreneur’s journey, even they may sometimes be sources of limited information only. This **highlights the underlying factors regarding inaccessible and unreliable support services to budding rural entrepreneurs from formal sources.**



## WHAT CONSTITUTES THE “REAL SUPPORT SYSTEM” FOR ENTREPRENEURS?

When asked about who entrepreneurs perceive as “real” support providers, 78% of the entrepreneurs reported taking support from informal sources, as opposed to 22%, who went for formal support to a technology solution provider or a bank.

Every second entrepreneur reported taking their family’s support for starting an enterprise, and one in every three entrepreneurs reported close friends supporting them at the start-up stage.

**This study validates the fact that there is a lack of connect between enterprise support service providers and rural micro-entrepreneurs. Family constitutes the “real support system” for them.**

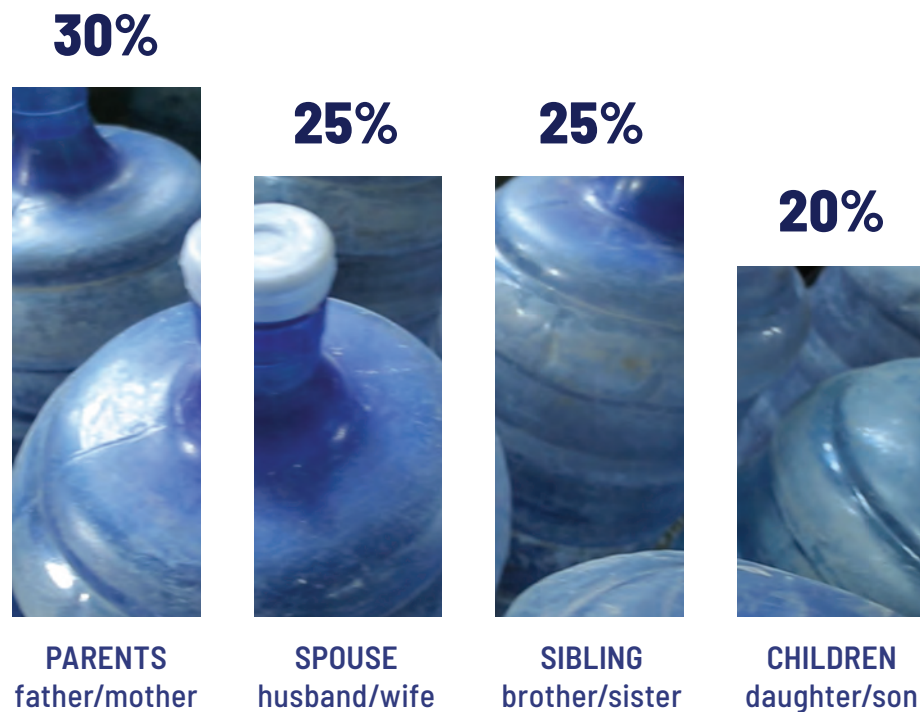


### Family support - is it the same for everyone?

Support is easily accessible from familial sources, but it requires both an economically strong background and social sanctioning, which is not equitable across different segments of society. Enabling entrepreneurship in different genders, different classes, and different castes will require specific types of support that can engage with fault-lines particular to these segments. One cannot assume that the same family, which will be willing to support their son to set up an enterprise, would invest the same amount in their daughter’s venture. These questions must be answered to provide strategic support provisioning and to enable entrepreneurship to lead to inclusive and equitable progress for all.



During “deep listening” sessions, 30% entrepreneurs reported that their parents, specifically the fathers, supported them in managing the enterprise. One fourth reported taking support from their spouses and siblings and 20% reported taking help from their children after school/college hours.



The reasons for taking family support were to secure the initial funding and to reduce working capital in employing additional labor.

Forced to work within a restricted ecosystem, 73% of aspiring women entrepreneurs living in rural areas become dependent on their parents or especially their husbands, for startup capital and markets which are beyond their means.

**We need to ask: what happens in families that do not have strong self-support systems to provide these enabling services? Is the entrepreneurial spirit locked in because effective inroads are not being created by formal institutions?**



मुझे एक सफल उद्यम स्थापित करते देख मेरे गाँव की महिलाओं ने भी स्वतंत्र होने की ठानी है। मुझे बहुत खुशी होती है जब महिलाएं मुझे अपनी प्रतिमा बताती हैं।

*(Seeing me set up an enterprise, other women in my village have been encouraged to be independent... It makes me happy when women come to me and say I am their role model. )*

~ Prabha Rajpoot

## "REAL" SUPPORT SYSTEM – AN IMPERATIVE TO CATALYZE ENTREPRENEURSHIP

### PRABHA RAJPOOT – SAKSHI PRODUCER PVT. LTD.

Spice grinding and composting enterprise

Maharajapura, Madhya Pradesh

Prabha Rajpoot, Managing Director of Sakshi Producers Pvt. Ltd., with a customer base of 500 farmers, earns INR 1 lakh per year.

A resident of Maharajapura in Madhya Pradesh, Prabha always felt that she wanted to do more for both her family and her community. She started out as a worker at a local cow shed (gaushala) with the local women's groups. Women's groups from 18 nearby villages had come together to form a federation, which was handed the responsibility to run and operate the cowshed. Her work there was confined to cleaning and milking the cows. With a strong academic background and the confidence of having taken up work outside her home, Prabha felt that she wanted to do more. She motivated the women to utilise the cow shed to set up businesses related to cattle rearing.

She underwent a three-day training programme where she learnt about various business opportunities linked to farming and cattle-rearing. From an array of business ideas, she decided to start a spice grinding and composting enterprise along with the women's group she was earlier working with in the shed.

The women's group started running a spices and composting services business in full swing that employed 5 other women full-time. Talking about what inspired her, she says, "Jab hum ghar ka khaate hain toh achha lagta hai, toh humne socha auron ko bhi yehi khilayen" (when we eat home-grown products it feels nice, we thought others should have the same). She speaks of how her parents and mother-in-law have consistently supported her, even in the face of criticism from community members. She procures the raw material from farmers in Budera, Madhya Pradesh, at a cost of INR 15 per kg and sells them at INR 40 per kg post processing. Her market includes BHEL, Bijoli district, and some hotels in Orchha itself. Prabha operates a 4-acre plot of land where she mostly grows peanuts and wheat through the process of vermicomposting.

Now registered as a Farmer Producer Organisation (FPO) with 225 women shareholders as supporting members, currently, Prabha manages a company for procurement, processing, and value addition of organic compost, spices and animal balanced feed. The annual turnover of the FPO, from this business has reached 20,00,000 per annum. With 500 farmers currently a part of her customer base, the aim of Prabha's FPO is to recruit farmers and increase the production and processing of compost at a larger scale.

**Prabha has become an agent of change in her community, motivating people to take the leap and see the change.**

*Prabha's story is an inspiration to millions of women who are struggling to earn a living. This is an example of how a community can come together to establish an enterprise with an innovative idea which caters to the needs of the community. All that is needed is an environment that offers support in this endeavour.*

## ELEMENTS OF THE ENTREPRENEURSHIP SUPPORT ECOSYSTEM

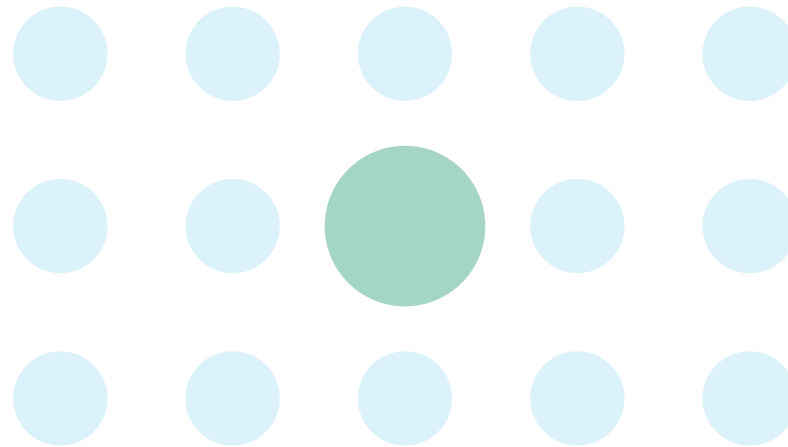
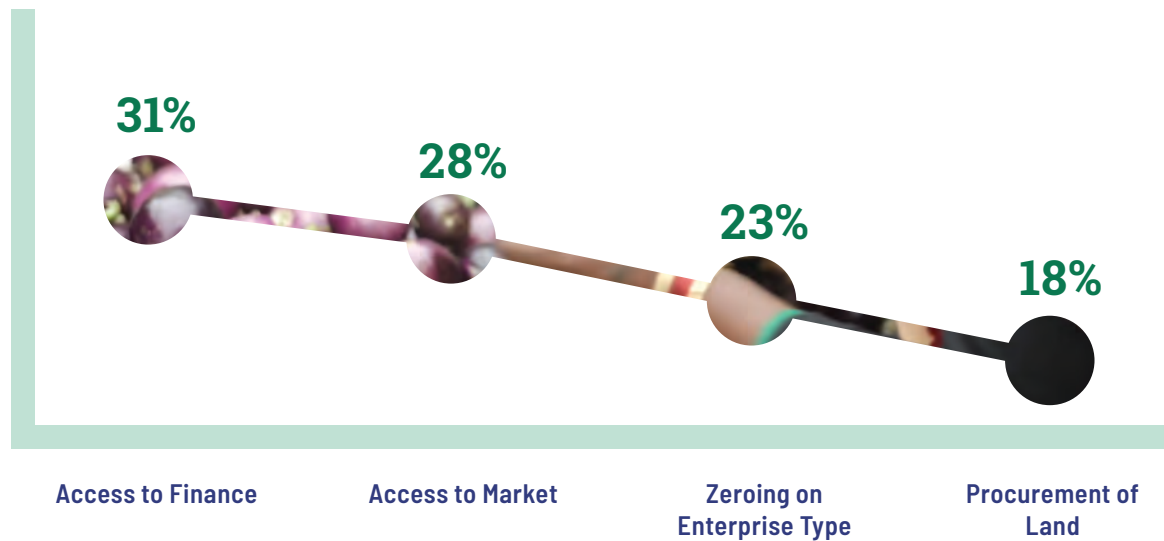
To build effective support services, the first step is to understand the challenges faced by entrepreneurs. In light of this, a series of questions were asked of both aspiring and existing entrepreneurs to develop a better understanding of their challenges.

**Access to finance tops the list with 31% naming it as a challenge, followed by access to markets (28%), zeroing down on the enterprise (23%) and possessing and procuring land (18%).**

Rural micro-entrepreneurs state that gaining access to finance, followed by access to a market, are the most important factors needed for success. While access to formal financing instruments remains a common constraint for both male and female entrepreneurs, appropriate market linkages are more of a concern for female entrepreneurs. Since most women operate home-based enterprises, making use of local resources and restricted mobility is a concern.

**Nigam Devi, who manages an Agarbatti-making unit in Bhadohi, relies on her husband for market access while she independently manages production, leading a group of 20 women. The group waits for her husband to finish his job and then sell the finished product in Gyanpur, a nearby town.**

Another major challenge for potential entrepreneurs is to identify what type of enterprise to set up. This is most relevant to young entrepreneurs who have limited access to updated market information. **One third of the young entrepreneurs shared that they face difficulties in zeroing in on** to a particular enterprise due to lack of a reliable source of information.



Only 1 out of 15 micro-entrepreneurs is able to access formal credit for setting up a new enterprise

Looking at each of the four pillars i.e. finance, market, technology and capacity-building, all of which are key to an enterprise, questions from both aspiring and existing entrepreneurs were asked to understand the challenges faced.

**“Despite these challenges, entrepreneurship in rural India is on the rise. But the question remains unanswered - is the pace fast enough?”**





## ACCESSING CREDIT

**75%**

entrepreneurs used equity investment and 25% availed loans

**Out of 25 only 9%**

secured a formal loan from private banks or microfinance institutions and the remaining entrepreneurs took credit support from family members and friends.

**The findings of this survey are consistent with an assessment by the International Finance Corporation, in 2012, that only 5% of enterprises have access to formal finance<sup>18</sup>.**



**Studying constraints faced specifically by women entrepreneurs, it was found that 80 out of 100 women entrepreneurs faced obstacles when trying to secure a loan from a bank.**

The plight of women entrepreneurs that belong to a group and already have some saved up capital is slightly better than those willing to start an enterprise all by themselves. In general, women find it tougher to avail loans without any help from the male in the family or a community institution, owing to limited basic and financial literacy. Absence of assets in their name is another key limiting factor for accessing financial help.

The Government of India, in recent times, with schemes such as the Pradhan Mantri Mudra Yojna (PMMY), in which collateral-free loans are available under three categories, has extended financial support to a large number of entrepreneurs. Also, under the Pradhan Mantri Jan Dhan Yojna (PMJDY) millions of people have opened bank accounts, which will make it easier in the future to access credit from formal sources. The situation on the ground however, remains difficult at present, with 12-13 steps and complex documentation required to avail loans.

According to reports by GIZ, almost 94% of enterprises fall under the missing middle segment where credit requirement varies from Rs.50,000 to Rs.10,00,000. While MFIs support loans upto Rs.50,000, banks are hesitant to support enterprises below the 10 lakh threshold<sup>19</sup>.

Under the PMJDY scheme, the majority of the new accounts opened came from Uttar Pradesh (57.11 lakh), followed by Maharashtra (25.05 lakh), and Madhya Pradesh (24.11 lakh)<sup>20</sup>.

Of the total loan amount disbursed under PMMY, only 2% (1.68 Cr.) was provided to women entrepreneurs<sup>21</sup>.

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When asked about required services, **84%** demanded support for:

- Preparation of bankable business plans
- Knowledge of existing financial schemes
- Determination of appropriate loan size
- Information on regulatory compliances

To make finance more accessible to micro-entrepreneurs, there is need for a two-pronged approach – to demystify financial tools for entrepreneurs, and to bridge the gap to make banks and MFIs better understand the specific needs of micro-entrepreneurs.



## WILL SEEMA DEVI BE ABLE TO ACCESS CREDIT?

### 'ELECTRIC DIDI' - SEEMA DEVI

Village Sarraiya

Mirzapur district, Uttar Pradesh, India

Seema Devi, popularly known as 'Electric Didi', is a 35-year-old woman entrepreneur from Sarraiya village, Mirzapur, Uttar Pradesh. Her husband runs an electronic shop in Mirzapur to cater to the needs of his community. This was the first electronics shop in Sarraiya and the nearby villages within a 7-km radius.

Leveraging her husband's shop for selling electrical boards, in February 2017, Seema Didi started her own "electricals" training centre - the first of its kind, with an initial investment of INR 10,000, formed to train other women in the community. In addition to providing training to the local women of the community, she manufactures socket boards. On every board sold, she earns a profit of INR 50.

Till date, 10 young women, most of them being literate or neo-literate, have been trained in repairing and soldering fans, irons and wires. The training fee she charges is in the range of INR 200-300.

A mother of 4 children, 3 girls and 1 boy, Seema dreams of a brighter future for all. Puja, the eldest girl, studies in a private school, whereas the other three children have been enrolled in government schools. Puja's favourite subject is science and she dreams of becoming a doctor when she grows up. However, due to the unstable financial condition of the family, she might have to drop out of school and will then not be able to fulfill her dream.

With an aim to empower women so that they can make choices for themselves, Seema emphasises the need for unconventional jobs for the women of her community to become self-reliant. She hopes to be able to see her daughter fulfill her dream of becoming a doctor one day, and wants to expand her training centre in order to be able to sponsor her children's education. She is thus looking for opportunities to avail a loan to take her business to the next level by formalizing the training centre and upgrading the equipment.

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*Seema Devi works towards making the women of her community self reliant. Will she be able to expand her training centre and fulfill her daughter's dream of becoming a doctor?*

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महिलाओं के लिए पारंपरिक नौकरियों की आवश्यकता को कम करने का समय आ गया है...अब समय है की महिलाएँ सशक्त और स्थिति-स्थापक बनें ।

*(It is time to limit the need for conventional jobs for women...it is time to make women more empowered and resilient.)*

~ Seema Devi

## DEVELOPING MARKET LINKAGES

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Finding the appropriate market and connecting to it in the best possible manner is essential for any enterprise. Therefore, it was essential to understand the challenges faced by micro-entrepreneurs in engaging with their market.

**26% of existing entrepreneurs** reported facing challenges in building market linkages and in maintaining long term customer relationships.

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**35% of potential entrepreneurs** expressed the need for support in establishing backward and forward market linkages.

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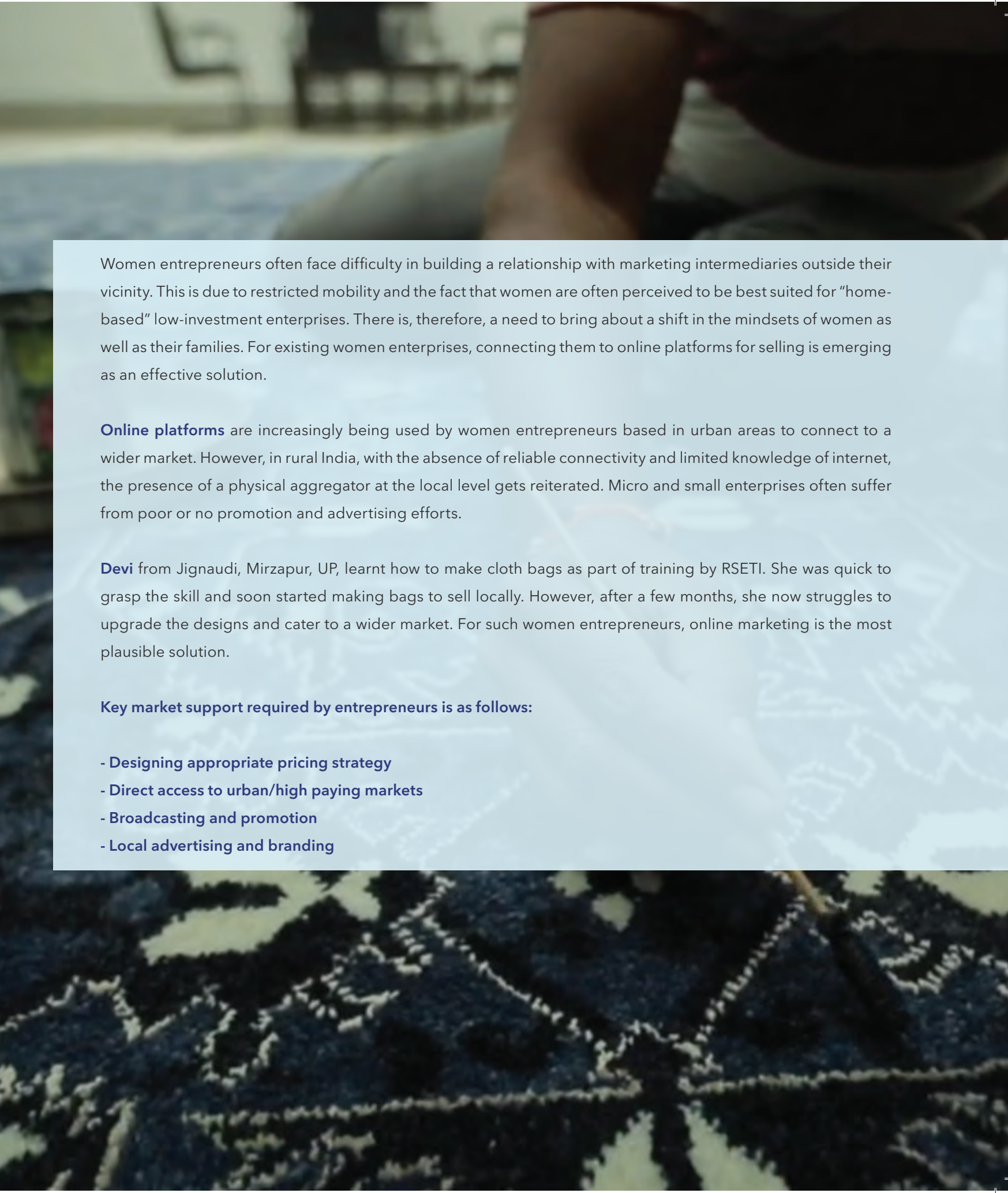
This is substantiated by the findings of International Finance Corporation, 2012, that over 32% of MSMEs have inadequate market linkages, leading to irregular revenue cycles<sup>22</sup>.

For an enterprise, understanding the market and designing products and services in accordance with that are key to success. Micro-enterprises often fail to swiftly respond to changing market conditions and customer feedback and, hence, find it difficult to run stable operations and grow in a steady manner. Most micro-enterprises need upgradation of technology, better pricing strategies, better branding and high-touch marketing to compete with large brands that have increasing penetration in rural markets.

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**57% of women entrepreneurs** reported having difficulty in connecting to market players outside their village.

**35% of young entrepreneurs did not have a clear idea on how to** establish backward and forward market linkages.



Women entrepreneurs often face difficulty in building a relationship with marketing intermediaries outside their vicinity. This is due to restricted mobility and the fact that women are often perceived to be best suited for “home-based” low-investment enterprises. There is, therefore, a need to bring about a shift in the mindsets of women as well as their families. For existing women enterprises, connecting them to online platforms for selling is emerging as an effective solution.

**Online platforms** are increasingly being used by women entrepreneurs based in urban areas to connect to a wider market. However, in rural India, with the absence of reliable connectivity and limited knowledge of internet, the presence of a physical aggregator at the local level gets reiterated. Micro and small enterprises often suffer from poor or no promotion and advertising efforts.

**Devi** from Jignaudi, Mirzapur, UP, learnt how to make cloth bags as part of training by RSETI. She was quick to grasp the skill and soon started making bags to sell locally. However, after a few months, she now struggles to upgrade the designs and cater to a wider market. For such women entrepreneurs, online marketing is the most plausible solution.

**Key market support required by entrepreneurs is as follows:**

- **Designing appropriate pricing strategy**
- **Direct access to urban/high paying markets**
- **Broadcasting and promotion**
- **Local advertising and branding**



## 'WORD OF MOUTH' MARKETING - IS IT SUFFICIENT?

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### NIGAM DEVI

Village Jignaudi

Mirzapur district, Uttar Pradesh, India

Members of a women's self-help group in Jignaudi village, Mirzapur, have become successful entrepreneurs by producing handmade incense sticks.

A total of 100 women belonging to five women SHGs in the village were involved in the production of incense stick making. A year back, they evinced interest in starting this enterprise. Gradually, due to various social and market constraints, only one SHG survived.

Nigam Devi emerged as a group leader and started motivating these women to take part in the handcrafting training of incense sticks. These women spend a few hours a day rolling incense sticks after attending to the daily needs of their homes. With an investment of a mere Rs.20,000 in this agarbatti unit, a monthly profit of Rs.5,500 was secured.

Nigam Devi purchases the raw material at a rate of INR 20/kg, provides the women of the group a labor charge of INR 35/kg and sells the incense sticks at a price of INR 65/kg. All 15 women, working for 7 hours, generate 20 kg sticks as output. These sticks are then sold to wholesalers in Mirzapur itself and Varanasi, where desired fragrances are added and the final product is sold in packets of INR 5, 10 and 15.

One of the major problems of this enterprise is the inability to market their products. They are good at manufacturing and scenting the sticks, however, they are incapable of giving it the desired finishing. Nigam Devi, in her own words, "My enterprise is facing hardships but it has not shut down yet. I need access to better technology with 60-70% of the machine costs taken care of and an immense amount of support to be able to establish market linkages, rest we as a group will manage."

There are many others with the potential of similar transitions, which can be facilitated through continued cross learning and effective market linkages.

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हर महिला के पास रोज़गार हो और हर महिला आत्मनिर्भर हो, मैं यही बदलाव देखना चाहती हूँ ।

*(That every woman is employed and has work in her hands, is the change that I want to see...)*

~ Nigam Devi

## ACCESSING TECHNOLOGY-BASED SOLUTIONS

For any enterprise to operate efficiently, it is essential to put in use the best and most appropriate technology available. However, selecting the best technology package from the available options is often a tricky and uninformed decision for rural micro-entrepreneurs. The study reveals that

**83% of potential young entrepreneurs think that enterprises are a major source of technology innovation in our country and intend to start tech-based innovative enterprise.**

**44% of potential entrepreneurs expressed the need for support to understand and access technology for starting their enterprise**

Entrepreneurs face difficulties in identifying technology solutions and vendors that are best suited to their enterprise. A majority of them are unaware of the new and simple innovative technologies that they could use to increase production efficiencies and product quality.

In the case of women's enterprises, getting access to better and more sophisticated technology is a big hurdle due to the increased requirements of finance, and limited technical knowledge. Women who aspire to become entrepreneurs find it challenging to keep abreast of technological advancements.



**9 out of 10 women expressed hesitation in operating a machine/equipment all by themselves.**

*In a report published in the Gallup Business Journal (2012), 22% of entrepreneurs in India have a low-tech base, resulting in low productivity and competitiveness<sup>23</sup>*

Among micro-entrepreneurs, and more so in rural areas, there exists a lack of exposure to ideas and an understanding of the viability of the new or upgraded technologies. Most enterprises are started in a 'me too' manner – copying any enterprise that is moderately successful. In order to meet the newer demands of globalization, and the widening scope and scale of business, it is expected that the technology information gap will further widen. There is a need to create a platform that enables access to newer technologies, facilitates online delivery of interactive curriculum and content to entrepreneurs and connects them to local mentors.

The required support was in line with bridging the existing technical and information gap, by providing access to:

- Low-cost technology solutions
- Innovative technology solutions
- Selection of ideal technology solutions from the available options
- Upgradation of existing technology

*For example, Manish Yadav from Lachapatti village in Mirzapur, started with just an idea of setting up an RO filtration unit. He sensed the need for such a service in his community, owing to the increased demand of packaged drinking water. Without any knowledge on the type of technology options available for the same, he decided to use his mobile phone as his friend. He searched for possible technology options and names of solution providers. Within a week's online research he went and met the vendors and bought himself an RO filtration unit. He has now come a long way since then and serves 70 customers on a daily basis with purified water, both in jerry cans and plastic pouches.*

*Such cases underline the fact that information gaps with respect to technology can easily be bridged using platforms that are accessible to all entrepreneurs.*



## DIGITIZATION OF RURAL MICROENTERPRISES

In a multi-stakeholder workshop conducted by Development Alternatives in Mirzapur, eastern Uttar Pradesh, the technology divide among young and old entrepreneurs and rural and urban enterprises was very evident. Two-thirds of the participants admitted to not using any form of social media. However, the assumption that entrepreneurs in low income groups struggle most with access to the digital space is not entirely accurate either.

**Yogesh Kumar**, a potential entrepreneur from Dabkka village in Mirzapur, wants to set up a carpet design centre. With 2000 Facebook friends and his own YouTube channel, taking his reach online both fascinates and confuses him. **Ram Kumar Vishwakarma**, who runs a video store in a village in Jhansi is another such instance of an aspiring local writer who is well-versed with blogging (<http://rk1947shayri.blogspot.in/>). Yet, the challenge remains: we must look towards integrating cutting edge information and communication with their businesses and using them to create stronger networks.

Systemic innovations are required which can enable people to advance their capabilities, leading to many more enterprises being nurtured and consequently many more jobs being created.

In backward districts of Bundelkhand like **Tikamgarh**, entrepreneurs have created WhatsApp groups to share and exchange information. Digital payments and cloud technology are the next innovations that are going to enter the rural micro-enterprise landscape in the near future. **Going digital is no longer an option, but is now a necessity** for micro-entrepreneurs.

Evidence from the ground highlights the fact that technology will be a game-changer, a crucial driver of both economic growth and job creation in a resource-efficient manner. A set of “empowering” technologies can dramatically reshape value chains and profit pools, leading to an increase in jobs and bringing better lives to millions of Indians.



## ACCESS TO BETTER TECHNOLOGY - A NEW ECONOMY DREAM?

### RAM KUMAR VISHWAKARMA

Tikamgarh district, Madhya Pradesh, India

Ram Kumar Vishwakarma is an entrepreneur running a small store and video centre in the region of Tikamgarh in Madhya Pradesh. In the age of rapidly changing technology and online communication, Ram felt that introducing digital services in his village was very important. With this belief in mind, he joined training classes and, within two months, acquired digital literacy. Ram wanted to buy a computer so that his school-going son, and other young people in the village, would be able to access opportunities that new-age technology could lead them to.

The cost of a personal computer wasn't within his investment capability - but Ram didn't lose hope. Showing foresight, he decided to invest in a video camera, which he used to shoot local weddings and functions. He then saved up enough money to purchase the computer that he had initially hoped to buy. Today, Ram's small store has become a one-stop shop for local digital needs. People, especially the youth, come to him for a variety of services - from filling their university applications to watching the latest English music videos online. Simultaneously, his video-shooting business has flourished, and he services local needs for wedding videos, photographs, and invitations - which he currently prints on a manual screen printer.

An aspiring actor and song-writer, in one conversation, he mentioned that often people from big cities with better resources are considered talented, while people like him end up being ignored. Ram has used this technology to fulfill his personal dream of publishing his poetry - he writes his own blog and says that at least this way his talent will be recognized by a wider audience. He also motivates the youth in his village to tap into opportunities that the new economy provides them. Each time we have met him, there are several young boys crowding around his shop who are interested in using the computer or his cameras, and to learn more about digital techniques.

Ram now wants to buy a high-definition camera and a printing press. He feels that the power of digital technology can lead his enterprise to grow as well as create interesting opportunities for the local youth in his village. The only constraint that he faces is keeping up with the rapidly changing needs of the digital ecosystem and new economy. The power of digital technology has provided an enabling platform for Ram and the youth in his village - the next step is to make such technology accessible to all.

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*Ram Kumar is one of the few people who knows how to capture opportunities and work them to his advantage. It might take him some time, but he will surely be able to own a printing press one day.*

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डिजिटल प्रौद्योगिकी की शक्ति ही है जो मुझे अपने उद्यम को विकसित करने में मदद कर सकती है...यह न केवल मेरे लिए परन्तु गाँव के युवाओं के लिए भी रोचक अवसर पैदा करेगा।

*(It is the power of digital technology that can help me expand my business and, at the same time, provide job opportunities for local youth.)*

~ Ram Kumar Vishwakarma

## TECHNICAL AND BUSINESS MANAGEMENT CAPACITIES

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### 15% of existing entrepreneurs

reported the need for capacity-building to enhance their entrepreneurial capabilities

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To enhance capacities for entrepreneurs, a combination of both hard and soft skills is required. Absence of the required skill set for both technical operations and enterprise management **compels entrepreneurs to either take uncalculated risks or to employ intermediaries** to advise them on essential decisions.

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### 7 out of 10 youth

7 out of 10 youth said that they did not receive any career counselling and **62% did not understand the MSME** space very clearly.

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Rural youth need customized skill-building initiatives to equip them to start their own enterprises. **In case of young, aspiring entrepreneurs**, there is a need for capacity-building programmes to nurture their talent by enlightening them about opportunities in the micro-enterprise space.

During an SIYB\* training programme held in Bundelkhand, a young entrepreneur stated, "After 8 years of operating a business, it is only now that I have learnt how to maintain my books. This training has helped me acquire the basic skills of accounting, enabling me to check my progress on a daily basis."

\* SIYB: International Labor Organisation (ILO) certified Start and Improve Your Business Idea (SIYB) is a material-based training programme. It has three training modules, Generate Your Business Idea (GYB) for potential entrepreneurs who want to develop a feasible business idea, Start Your Business (SYB) for new entrepreneurs, and Improve Your Business Idea (IYB) for existing entrepreneurs who want to grow their business.

In the case of women entrepreneurs, 80% women felt the need to enhance their business management skills.

## **8 out of 10 existing women entrepreneurs reported the need for business management training.**

**It has been seen that the lack of positive attitude and low confidence of loan officers in women entrepreneurs' managerial skills further affects their access to credit. Therefore it is necessary to bridge this gap.** Capacity-building initiatives empower them to acquire market-valuable skills which are necessary. With literacy rates around 60%<sup>24</sup> in these areas, initiatives for financial and functional literacy will enable women entrepreneurs to confidently and independently carry out basic business operations.

**In light of the growing demand for digitization and online platforms for sales, there is also a niche area in which capacities of micro-entrepreneurs need to be built to help them transition through changing times.** One of India's biggest online selling platforms, Amazon, has partnered with a bank to train entrepreneurs on e-commerce transactions. They will, in turn, help offline MSMEs and retailers understand technology, enabling them to sell online. This example reiterates the need and potential of MSMEs to find their place in the digital world.

**In this study, support requirements identified by entrepreneurs consisted of providing information and expertise in:**

- Designing appropriate pricing strategy
- Direct access to urban/high-paying markets
- Broadcasting and promotion
- Local advertising and branding





## WILL VANDANA GAIN THE CONFIDENCE TO SCALE UP HER ENTERPRISE?

### VANDANA AHIRWAR

Village Pipra

Tikamgarh district, Madhya Pradesh, India

Vandana Ahirwar is an entrepreneur running an online information and printing service centre in Tikamgarh district, Madhya Pradesh.

She completed her Polytechnic Diploma three years ago and started working as a computer teacher in the village primary school. At school, she was often approached by many young girls and boys to provide them with assistance in accessing IT-related services which varied from ticketing, printing, and obtaining information on government programmes and schemes. Seizing this opportunity, she decided to start her own online information and printing service centre with her own investment. In her words, "People often come to me for assistance in using IT-related services, so why not use this opportunity to start an enterprise of my own?"

At present, Vandana serves over 10 customers on average every day. She believes that the potential to grow this business in nearby villages is great, as the local market is 20 kilometres away.

She hopes to scale up operations for the unit by diversifying her service portfolio (photography, AADHAAR/PAN card service, among others) and adding more equipment which will allow her to cater to a large number of customers and also to set up a computer training centre for young girls and boys.

Vandana says she is limited in pursuing this dream because she does not have the confidence to operate a large business operation. She seeks channels to improve her skills in the use of software like Photoshop, which could help her business grow.

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जो सरकारी ट्रेनिंग उपलब्ध है वो बहुत लंबी है, अगर कोई मुझे फोटोशॉप और बिज़नेस की ट्रेनिंग दे तो मैं अपने व्यवसाय को और आगे बढ़ाना चाहती हूँ ।

*(The official trainings available are very long, if someone would give me training on Photoshop and business management, then I would like to further my business.)*

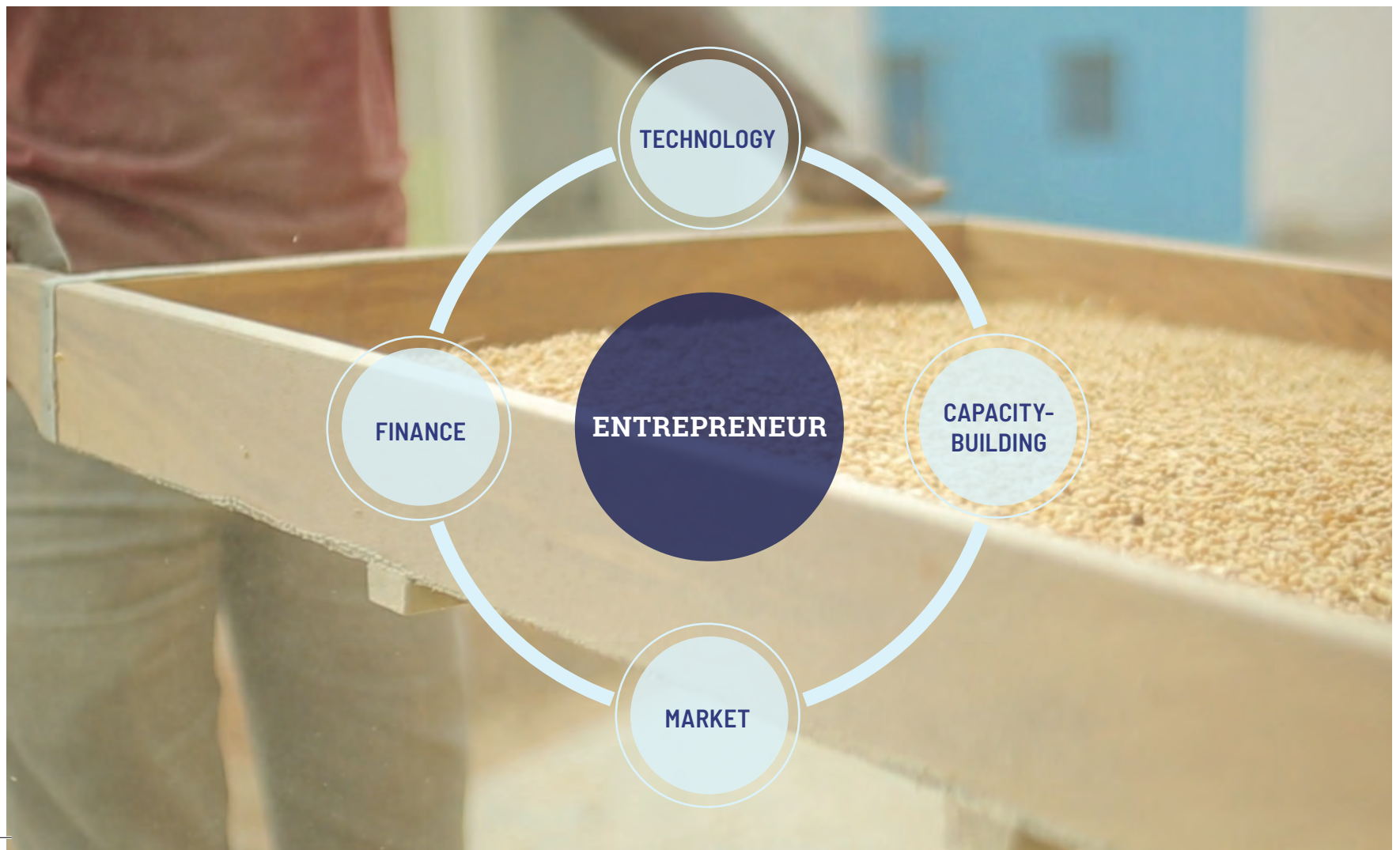
~ Vandana Ahirwar

## POLICY TO CONFORM AND ENABLE

Rural entrepreneurs seek support from standard straitjacketed schemes. These fail in terms of providing innovative and customized support. In our interactions with aspiring and potential entrepreneurs, around 11% interacted with formal institutional systems to set up a business. Over 70% reported that they had not or did not wish to register their businesses owing to cumbersome compliance procedures.

Dialogues within communities suggests that dysfunctionality is on account of:

**Lack of a one-stop shop for information or access to support services:** Access to information and services for entrepreneurs is often routed through various schemes and departments. Given the limited channels of communication and the very high transaction costs of accessing this information, business decisions are often undertaken without complete and symmetrical information. **Over 40% respondents highlighted that lack of access to appropriate and reliable information channels hinders the decision to set up or grow their business.** Government schemes often follow their own timelines which are not in sync with business cycles, rendering them unreliable. As Ram Kumar Kushwaha mentioned in a workshop - "By the time my mother's self-help group got access to credit for making diyas (clay lamps), the Diwali season was already over."



**Broken or uneven contours of micro-enterprise development support:** Scanning the enterprise support framework, the entrepreneurs expressed discontent regarding the limited and one-size-fits-all scope of enterprises promotion support. They echoed that old and conventional business models - like, dairy, goat-rearing, backyard poultry, home-based food production, small shops, and small eateries - characteristic of low productivity, low returns and viability - are mainstreamed under national flagship schemes. Enterprise support services are not only limited by the type of enterprise, but also fail to provide enabling solutions for marketing, management and expansion in the rapidly changing market systems. For instance, in the training programmes conducted with a series of entrepreneurs for co-creation, the majority of the queries were focused on the use of digital technology and other tools for marketing for business expansion

Moreover, in our interactions, we identified that the rollout of policy changes in the past has adversely affected these small businesses, creating ambiguity and inconsistency in the market system. In the training programmes, atleast 30 per cent of entrepreneurs sought support and assistance in managing business processes with the implementation of new fiscal policy reforms, such as the Goods and Services Tax.

It is evident that while favourable market conditions are necessary, ultimately, the success of businesses will depend on the willingness and capacity of local and national governments to create and implement an enabling policy framework. Improved enabling factors are likely to unlock more of the Indian population's natural entrepreneurial potential. It is therefore crucial that as India transitions into a new economy, it adopts a systemic MSME-enabling framework that provides the necessary impetus to millions of budding entrepreneurs.

**The question that needs to be asked, therefore, is: how can innovative entrepreneurship models be taken to scale, and how will they find support under broad-brush, overarching schemes?**

# POTENTIAL



The Government monitors the employment in the Micro, Small & Medium Enterprises sector in the country by conducting an All India Census of the sector, periodically. In the latest Census (Fourth Census) conducted (with base reference year 2006-07), the data was collected till 2009 and results published in 2011-12<sup>25</sup>; data was also extracted from the Economic Census 2005, conducted by the Central Statistics Office, Ministry of Statistics and Programme Implementation, which is for activities excluded from the Fourth Census (namely, wholesale/retail trade, legal, educational and social services, hotel & restaurants, transport, and storage and warehousing- except cold storage). According to this Census, the total employment in the sector is 805.24 lakh <sup>26</sup>.

## INNOVATION FOR JOB CREATION

Towards this end, there exist several initiatives such as 'Make in India' and 'Stand-Up India'. Often however, efforts in the enterprise development space are piecemeal schemes and are unidimensional. For an ecosystem to be effective and enabling, it is imperative that it allows for synergy between these initiatives and creates the networks that allow an aspiring entrepreneur to seize existing opportunities. Recognizing and subsequently removing barriers to the development of entrepreneurship will lead to the unleashing of young and dynamic entrepreneurial talent of the youth, who will be willing to make entrepreneurship their first career choice.

**As seen in our case studies earlier, entrepreneurship not only leads to job creation in the local economy, but also leads to an increase in aspirations and belief among others that they can do the same. Enabling such an ecosystem, then, is not just an economic or financial venture, but needs to incorporate several other social, generational, and technological aspects of the present scenario. We are confident that a thriving ecosystem for entrepreneurship will necessarily factor in the skewed availability of opportunity and resources, leading to promoting innovations that allow for inclusive growth. Even small-scale innovations can lead to sparking an impact and creating a change at a much larger level.**

**As is also evident from our research, meso-level aggregators and market players play a significant role in translating these innovations from simple ideas to concrete models that are resilient and competitive within the formal economy. As envisioned by the Planning Commission Report<sup>27</sup>, from the perspective of employment generation as well, creating a suitable business environment to nurture and promote entrepreneurship is critical for large-scale employment creation. Typically, entrepreneurship tends to be innovation-driven and can also help generate solutions to India's myriad social and economic problems, such as skill development, affordable health care, energy dependence, urbanization, waste management, and financial inclusion. Entrepreneurship-led economic growth is thus more robust and inclusive.**

Further, it is not enough to simply state that barriers exist; rather the effort needs to be directed towards conducting an inquiry into how people on ground perceive these issues and their solutions. Through such an inquiry, which draws its conclusions from data from stakeholders at the micro, meso, and macro levels, it may be possible to come up with effective strategies that are cognizant of the several levels at which fault lines and barriers exist, and the ways in which these gaps may be filled, leading to enterprise development and job creation at scale.



## IMPACT

**1000+** waste pickers and scrap dealers' work facilitated by providing them access to waste

Rag-pickers empowered by setting standard rates for recyclables to ensure that negotiation skills and power do not affect income

**920 tonnes** of waste going to Indian dumpsites averted in 2016

**20+** workers provided with decent jobs and secure incomes

## WASTE VENTURES INDIA

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**Waste Ventures India** have pioneered a unique model in India incorporating door-to-door collection of waste, environmental waste processing as well as carbon credits. They work with rag-pickers and train them to compost waste that is organic, then recycle the waste and thereby reduce methane production, helping them to live a dignified life and to support their families.

Their challenge is to overcome the economic, social, and environmental barriers, and create a sustainable solid waste management system in Tier 2 and Tier 3 cities across India.

### MODEL

A triple bottom line operating model

- Provide a **cleaner environment** for people to live in and, at the same time, improve the standard of living of the rag-pickers in India
- **Train rag-pickers** under the waste management model, in which they are taught how to segregate waste into organic and non-organic waste. They are also trained to make compost out of the organic waste and thus produce manure out of it
- **Recycle paper, plastic and glass waste**, thus tackling the toxic issue of global waste through a holistic model geared towards collecting, recycling and reusing waste
- **Create partnerships** to involve stakeholders in the system, including existing waste organisations, municipalities/RWAs, as well as private investors, to create a new paradigm of financially viable and environmentally sustainable waste management.



## IMPACT

**13021** Social Investors

**61936** Loan disbursed; **93.28%** Women borrowers

**688.2M** Social Investments raised

**94.86%** Repayment rate

**18** States covered

## RANG DE

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**Rang De** is a not-for-profit organization committed to fighting poverty by providing **access to affordable micro loans for underserved communities in India**. Motivated by the belief that the **peer-to-peer lending model** could be leveraged to lower the cost of microcredit, the platform went live in 2008.

**Empathy, Creativity, Transparency, Accountability and Tenacity** are the core values that guide Rang De's actions. They believe that they are not just a non-profit peer-to-peer lending platform. They are as much about social change as they are about technology, and as much about investing time as they are about investing money.

## MODEL

- **Network:** Committed field partners and social investors, who allow Rang De to offer microcredit that has a positive impact on business, education, health and environment in the communities in which they operate
- **Platform:** Investors use the platform to choose borrowers who are seeking funds for small businesses or education
- **Field Partners:** Rang De's field partners then receive and disburse the loans to borrowers, and the borrowers repay the loan according to a repayment schedule
- **Sustainability:** Rang De takes a nominal cut of 2% on all the loans repaid by their borrowers



### IMPACT

**2113** small holder farmers work on around **12,000 acres** of land

**1452** members certified organic as per PGS India

**350** individuals and institutional customers supplied with **342 tonnes** of produce through **1245** orders; sales worth **2.43 crores** in 2016-17

Farmers receive premium procurement price (**15% to 25%** higher than the market)

## DHARANI - THE TIMABKTU COLLECTIVE

**Timbaktu Organic** was initiated in 2005 in association with Adisakthi, Ananthasakthi and Mahilasakthi Mutually-aided Thrift Co-operative Societies (MATCS). The goal of this venture is that the **small and marginal farmers of the area are enabled to improve their livelihood on a sustainable basis using organic farming.**

Registered in March 2008, under MACS Act, **Dharani farming and Marketing Coopertaive (FaM Coop) Ltd.**, is a federation of sanghas and a producer-owned business enterprise, promoted by the Collective to help with the post-production processes. At Timbaktu, they have small scale units for the extraction of groundnut oil, millets, the manufacture of organic soaps and Khadi weaving. Other products include rice, pulses, and honey as well as readymade food mixes.

### MODEL

- **Procure, store, process and market** its members' produce under the brand name Timbaktu Organic
- Support members of the federation in all aspects of **pre-production, production and post-production operations**
- Re-education of farmers in organic agricultural practices through Farmer Field Schools (FFS), classroom trainings, peer group assessments and exposure visits
- Support to farmers in **land development** as well as **soil fertility enhancement**
- **Create awareness** on the importance of organic farming among farmers; mobilizing oriental farmers to switch to organic farming

# **JOBS WE CREATE**



## REDISCOVERING THE POWER OF ENTREPRENEURSHIP

In the words of Dr. Ashok Khosla, "If sustainable livelihoods are the key to sustainable development, micro-enterprises are the keyhole." We need to therefore bring the once-pervasive concept of decentralized, entrepreneurship-driven job creation to the forefront again, bringing life back into the "missing middle" of entrepreneurs and their immediate business networks, who are crucial to the creation of economic wealth and social well-being in local economies. Moreover, it is essential now that we acknowledge and support the role these entrepreneurs can play in promoting resource-efficient, environmentally benign production of goods and services. It is time to nurture not just the few Prabha Devis and Shyam Surats, but many a million more.

In order to do this, there is a need for systemic change, driven by a process of transformation that is planned and managed in a participatory manner. Collective will, with collaborative action, is required to first remove barriers that stifle the emergence of micro-enterprises, and second, put them on an accelerated growth trajectory that enables entrepreneurs to turn into their job creators of their choice.

The Work 4 Progress program of "la Caixa" Foundation aims to promote employment opportunities for women and young people through creating action and learning platforms that scale up innovative solutions. The W4P program in India aims to expand economic opportunities for women and young people who have difficulties in accessing enterprise solutions in backward regions. The program adopts multifaceted and innovative approaches to create systemic solutions that will unleash entrepreneurship at scale - for creating attractive and dignified jobs.

This monograph captures the work undertaken by the Work 4 Progress team on what constitutes an essential first step in a process of systemic innovation - **to understand the inter-connectedness between problems**. We asked ourselves 3 key questions:

### Why the joblessness?

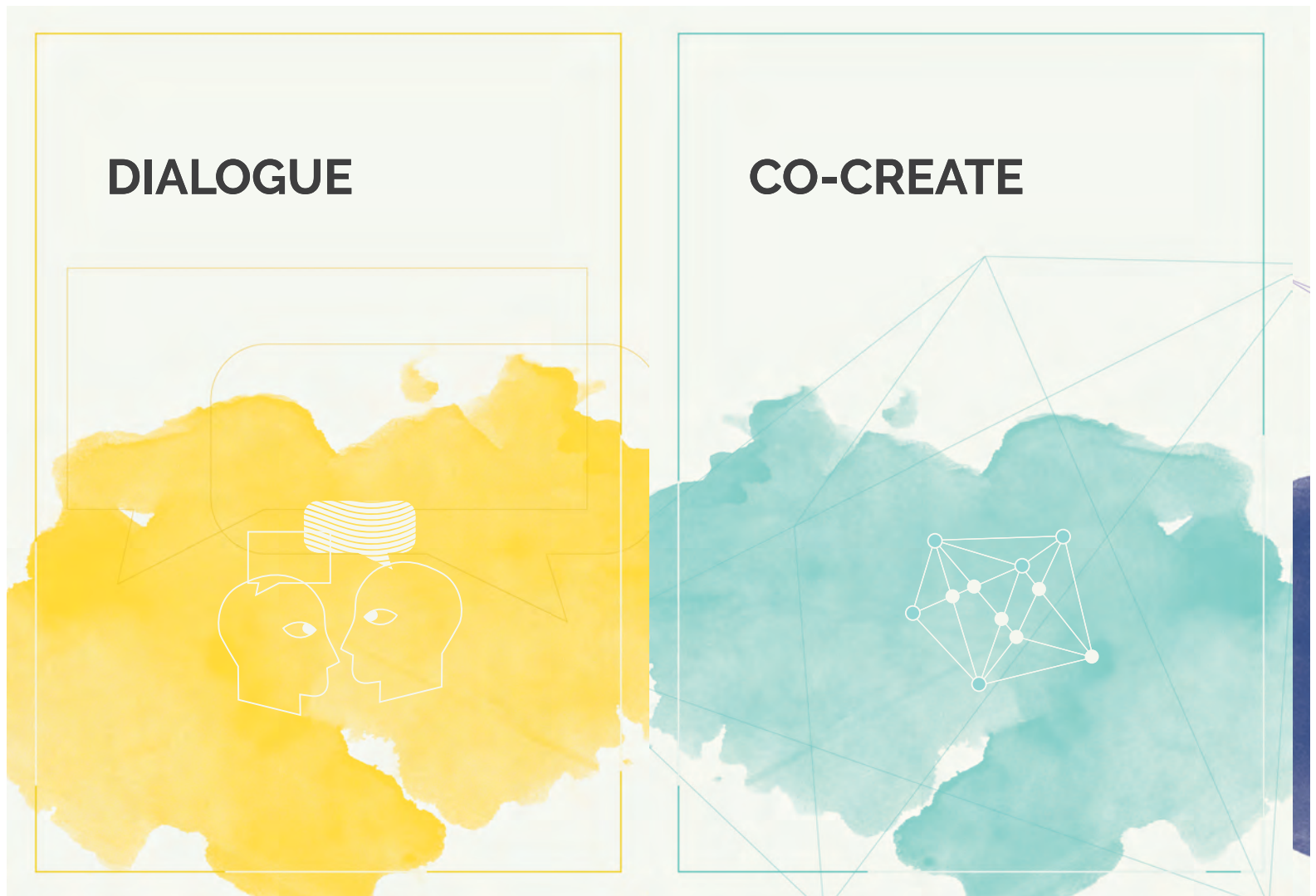
In their perception, what do people themselves see as the principal reasons for unemployment, and do they think the potential of micro-enterprises as job creators has been harnessed within local economies?

### Where is the synergy?

Can latent strengths, through greater connectedness between stakeholders, be re-crafted into new enterprise solutions, in which people can capitalize on local resources and traditional skill sets, yet adopt innovative technologies and find comfort in new kinds of increasingly formal business models and aggregator-driven market systems?

### What does it take to Empower?

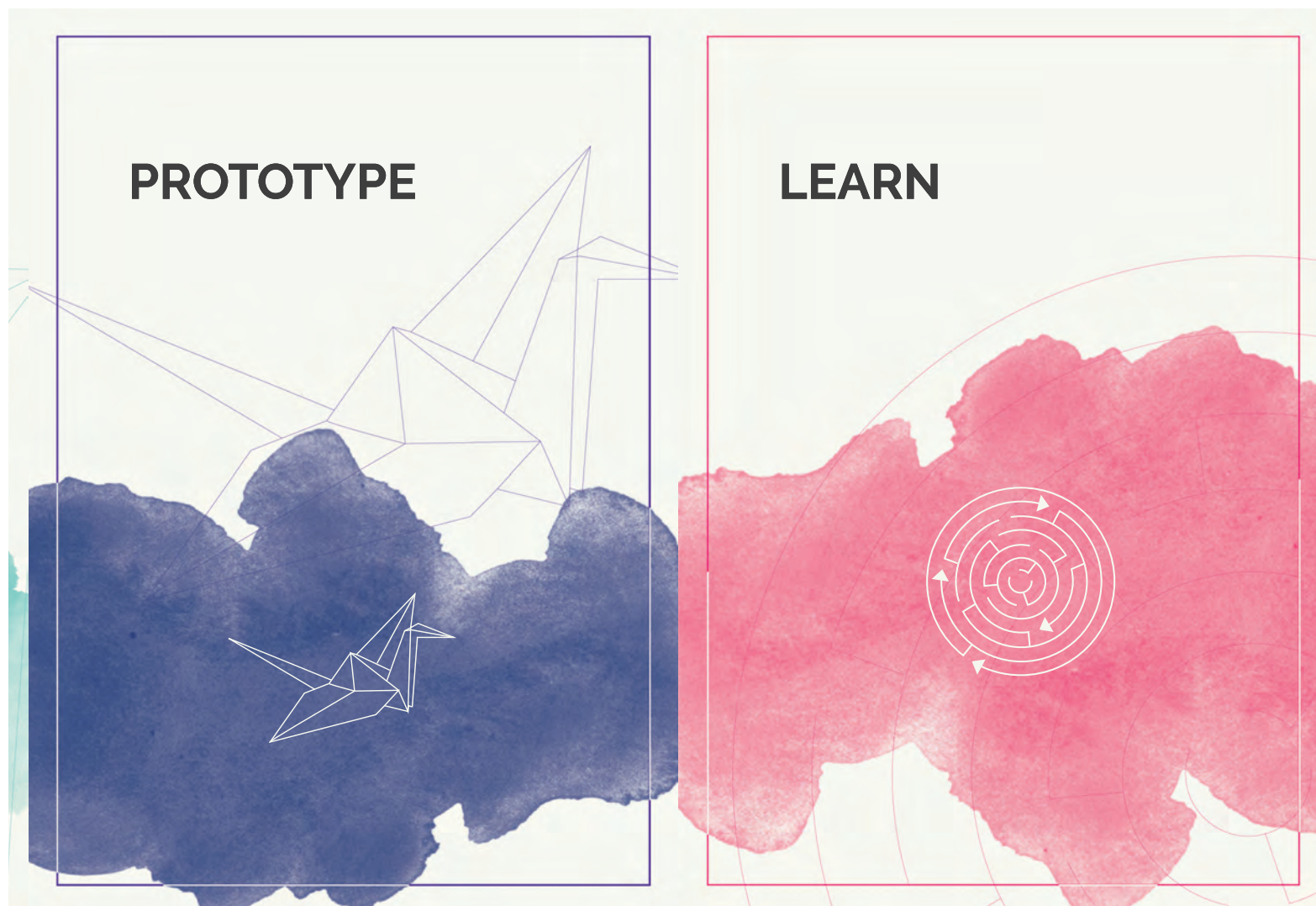
In real terms, how do support systems help existing and potential entrepreneurs overcome barriers to growth? What are the interactive tools that connect low-income micro-entrepreneurs to a larger ecosystem - communities, the business world and the media?



The deep dive that Work 4 Progress partners have made into the rural economy confirms both the magnitude and complexity of the challenge. And yet, we go forward with hope and a large measure of confidence; generated through our interactions with individuals and community groups, officials, businesspersons, facilitating organizations, innovators and analysts.

The big question, however, that confronts us, is – How do we tie all of this together? Our belief is that the answer lies in systemic innovation that seeks to address the apparently conflicting objectives of economic viability (essential to sustainability) & social inclusion (essential for benefits to reach marginalized segments, particularly women). Hence, the need for Work 4 Progress to play the role of a multi-stakeholder platform becomes even more pronounced. It is designed to exchange insights on these issues through dialogue and find answers through interactive processes of co-creation, then proceeding to prototype solutions and share learning among a network of change-makers, to eventually create impact at scale.

The W4P program, currently operational in 40 backward villages of Bundelkhand (Jhansi, Tikamgarh) and Eastern



Uttar Pradesh (Mirzapur, Bhadohi), is in its dialogue and co-creation phase. It hopes to enable entrepreneurship for specific needs of under-served women and youth.

Dialogues with communities were conducted in order to investigate constraints and accessible opportunities for micro enterprise development. Conducting focus group discussions and deep dive interviews helped the program develop a comprehensive view on factors that enable entrepreneurship. The various elements of the dialogue were geared to ensure a meta-analysis of the market and policy ecosystem through interactive sessions and workshops. This helped the program evolve a systemic view on how entrepreneurship could scale up and scale out in these areas.

Dialogue was followed by co-creation activities that would strengthen entrepreneurial attitudes in the community. For instance, in a first of its kind, a rural business pitch competition - Kaun Banega Business Leader - was held to crowd source business ideas and trigger entrepreneurial thinking in the community. The program also invested efforts in enhancing the capacities of community members for business planning through the ILO certified Generate Your Business Idea and Start Your Business Idea training programs. The team engaged in games and partner workshops for identifying mechanisms that could help enhance access to enterprise solutions in the community.

As we move ahead in the program, processes of dialogue and co-create will continue to be strengthened while solutions will be prototyped based on a nuanced understanding of community needs. It will, through interactive processes work on critical trigger points which have been reiterated throughout individual and community level narratives to strengthen rural economies. Prominent among these are:

**Specific needs of women and youth on the threshold of entrepreneurship**

**The role of technology – digital and conventional in enabling micro enterprise development**

**Policy interventions that can simplify the complexity of the enterprise ecosystem**

**Bridges that open generational and gender related divides in an increasingly inter-connected society**

**Emergence of meso-level actors who can build better access to credit and new markets**

In light of the above, prototypes will be developed and demonstrated through building influence networks and platforms which would enable access to information and enterprise support services with a network of partners. This would allow a culture of entrepreneurship to be promoted locally as well as influence large scale initiatives and policy decisions.

Going forward, the Work 4 Progress programme plans to invest its resources in a two-fold approach that aims, in a complementary manner, to

### **a) Liberate entrepreneurial energies through social innovation**

The programme takes into account the social and structural constraints that currently make it much more difficult for everyone to see and take advantage of emerging opportunities and available resources. It specifically looks, for example, at how mobility challenges, patriarchal systems, etc. inhibit women from setting up entrepreneurial ventures. Every entrepreneur in rural India has a story. Each is a potential innovator and agent for mobilizing social change. Work 4 Progress has chosen, therefore, to ignore the traditional top-down approach of handing out solutions to entrepreneurs, opting instead to co-create solutions from within the community - empowering entrepreneurs with tools to create their own futures with their own hands.

### **b) Strengthen the entrepreneur through a robust support system**

It is evident that the lack of access to support services prevents potential entrepreneurs from taking even simple risks that would transform their businesses. Once the systemic issues that impede entry into entrepreneurship are resolved, we need to provide support services that enable enterprises to run as viable, profit-making and expanding ventures. The spectacular improvements that have occurred in the lives of the privileged few in Indian society are, in large measure, due to an explosion in access to information and knowledge. Work 4 Progress aims to, therefore, effectively improve access to knowledge of the various aspects of running a successful business, and facilitate the enhanced exchange of information between stakeholders in local enterprise ecosystems. Further, the programme believes in the power of collaborative action to enable change and plans to build networks at two levels - the meso-level, with one set of actors providing services that enable 'efficient' and 'effective' operations, and the macro-level, with agencies who provide easier access to capital and influence the policy and regulatory environment.

In the coming year, the programme will create a portfolio of enterprise solutions in two areas that include Jhansi (rural) and other adjoining areas of the Bundelkhand region, and Sant Ravidas Nagar and Mirzapur districts in the Vindhyachal Region of Uttar Pradesh. Specifically, through partners and alliances, the following key triggers will be created in the enterprise ecosystem:

**“Community” of change agents - points of influence in the enterprise ecosystem.**

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**Coalition of “Micro-Movements”- specifically mandated to promote more conducive policy frameworks.**

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**A Portfolio of new service packages and interactive tools to bridge gaps in connectivity, mobility and market access.**

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**100 new and 150 existing micro-enterprises, creating 500 new jobs through the prototyping of replicable and scalable enterprise development.**

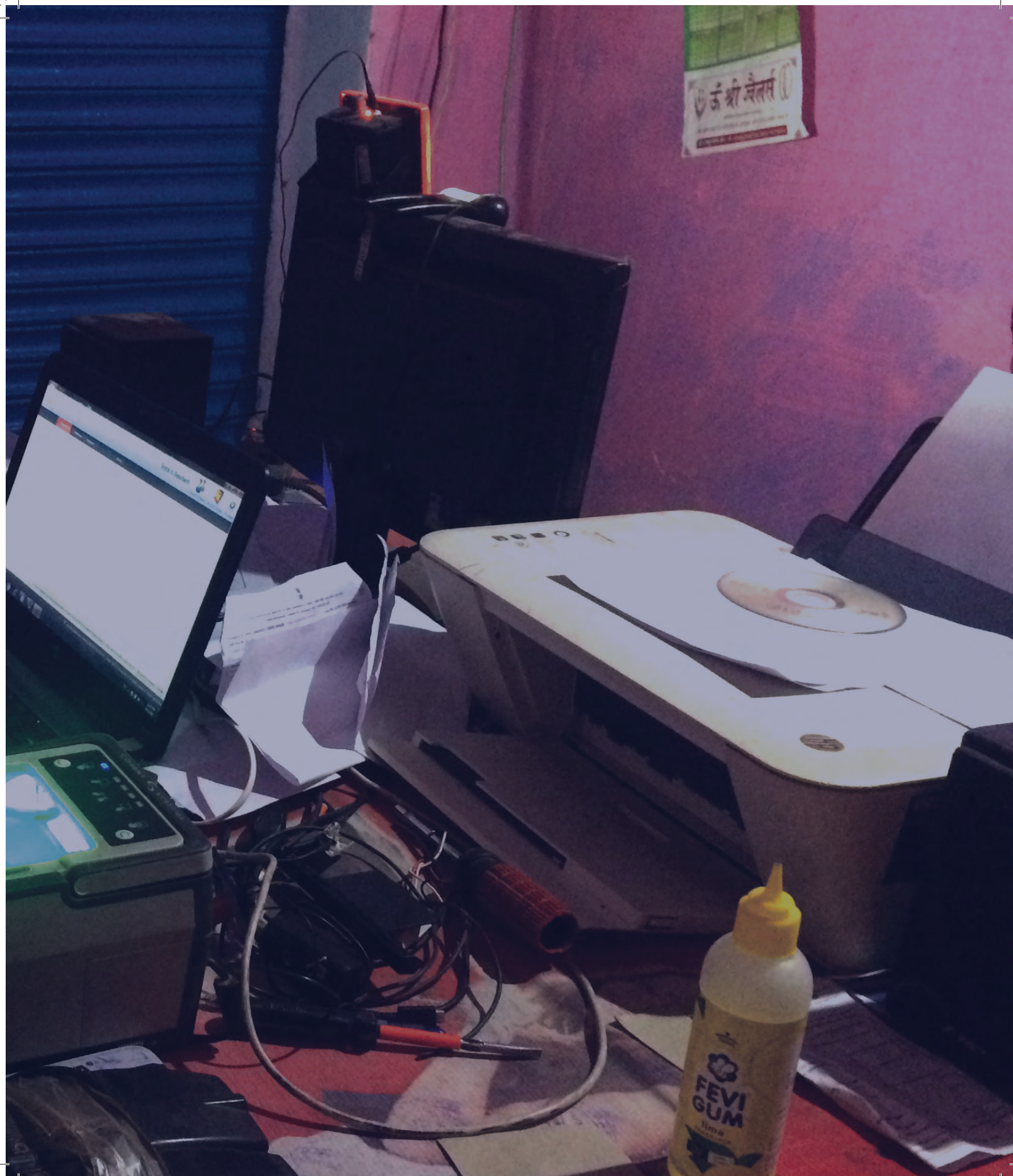
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Beyond next year, the programme aims to demonstrate impact at scale, **through the establishment of approximately 30,000 new micro-enterprises or expanded businesses each year from 2022 onwards. In 2027, over 300,000 families will experience the benefits of a secure livelihood. It is envisioned in the decade to come that cumulatively, this number will cross 1 million.**

Lastly, we believe that the global goal of livelihood security for all will not be achieved by one platform alone but through the emergence of similar platforms in various geographies across the world. In its role as prime mover, Work 4 Progress aims to work with other such platforms to build knowledge and support the work of those who believed in the value of what E.F Schumacher called “good work”.

**Join us on this journey of “Jobs We Create”, as we rediscover the power of entrepreneurship to create a sustainable future.**





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