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# The current and potential role of self-help group federations in India

July 2020

Working  
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Social protection



International  
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Impact Evaluation

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## About this working paper

This paper summarises the findings of a rapid field study of select federations in Kerala and Karnataka to understand the current and potential role of these federations to promote high-value livelihood activities for women.

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# **The current and potential role of self-help group federations in India**

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**Working paper 36**

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## **Abbreviations and acronyms**

ADS	Area Development Society
CDS	Community Development Society
FCI	Food Corporation of India
FGD	Focus group discussion
Gol	Government of India
ICDS	Integrated Child Development Scheme
JFPCL	Janadhanya Farmer Producer Company Ltd
ME	Microenterprise
MEC	Microenterprise consultant
NHG	Neighbourhood group
NRLM	National Rural Livelihood Mission
PG	Producer group
PIE	Platform for Inclusive Entrepreneurship
PRIs	Panchayat Raj Institutions
SERPTG	Society for Elimination of Rural Poverty Telangana
SGSY	Swarnjayanti Gram Swarozgar Yojana
SHG	Self-help group
SHGF	Self-help group federation

## 1. Background

The National Rural Livelihood Mission (NRLM) is a flagship anti-poverty programme from the Government of India (GoI). Under this programme, rural women are organised into groups and given access to credit and multiple forms of livelihood support. Mobilising people living in poverty into groups for collective action and access to livelihoods is not new in India and has its genesis in political groups in South India. In the early 1980s, this model was taken up by GoI to launch the Swarnjayanti Gram Swarozgar Yojana (SGSY), which aimed to promote self-help groups (SHGs) for poor households and provide them with bank linkages, thereby enabling them to initiate self-employment activities. The SGSY failed to meet its objective, and most of the groups collapsed. One of the main reasons behind the failure of the SGSY SHG groups to sustain was their lack of capacity to manage their own finances, initiate income-generating activities and become self-sufficient and sustainable.

The NRLM replaced the SGSY and sought to bring into place a federated structure of higher-level institutions to address the capacity constraints faced by the smaller SHGs. Currently, the federated structure of the NRLM consists of village organisations and, above them, cluster-level federations, both of which provide support to the SHGs at the grassroots. The role of SHG federations (SHGFs) has varied by state, promoter organization (government, multilaterals or NGOs) and programme maturity. For instance, in Bihar, village organizations are mandated to 'network and establish linkages with resource agencies for implementation of SHG investment plans'.<sup>1</sup> On the other hand, in Odisha, this role is being played by higher-level federations at the Gram Panchayat level.

This federated structure is now seen as a potential platform to promote high-investment high-return entrepreneurial activities that single SHGs and individuals may not have the scale to undertake. Theoretically, such collectivisation can lead to higher returns and efficiencies for individual businesses. Some possible, but not exhaustive, mechanisms through which collectivisation at the federation level can achieve this are by providing businesses access to high-value credit, value chain development services, market linkages, removal of intermediaries and technical support. SHGFs, therefore, have the potential to be drivers of change for women's social and economic integration.

## 2. SHG federations

Although SHGFs play varied roles, their common goal is to strengthen SHGs, build their capacity and make them organisationally and financially sustainable. A few studies have looked at the role of the SHGFs in India and these have largely examined SHGFs promoted by NGOs. We summarise the findings from some of these studies next.

Nair (2005) drew findings from four case studies of NGO-promoted federations from Andhra Pradesh. At the time of this study (early 2000s), the sample federations were primarily providing financial inclusion and capacity-building support to SHGs. They had not yet started on livelihood promotion programmes. Srinivasan and Tankha (2010) studied 10 federations, of which two were formed by the government. This study pointed

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<sup>1</sup> Bihar Rural Livelihoods Promotion Society State Rural Livelihoods Mission, Bihar, available at: <<http://brlp.in/>> [Accessed on 14 June 2020].

out that, although financial intermediation was the main function of all sample federations, government-formed federations had the additional role of delivering government programmes. The study found that NGO-led federations addressed the actual financial needs of individual members by offering a range of financial products. However, this study was unable to shed light on the ability of SHGFs to take up production or livelihood-promotion activities.

Navin and colleagues (2017) compared NGO-led SHGFs in Madhya Pradesh and Tamil Nadu and found that the sampled SHGFs played various roles but their main focus remained financial inclusion and capacity-building. None of the sampled SHGFs was involved in active livelihood promotion. The study reported that federations depended on the continual support received from promoter organisations and donors, and had not achieved financial self-sustainability. This finding was upheld in a report by Reddy and Reddy (2012), which examined close to 2,000 SHGs and their federations from eight Indian states and found that SHGFs have still not achieved self-sufficiency. Most of the costs of the SHGFs are borne by the promoting institution. Shylendra (2018) used survey data from Jharkhand, Madhya Pradesh and Maharashtra of 268 primary federations and found that livelihood promotion has been limited to providing training. Services such as providing market linkages or input supply have been negligible. In summary, the expected and actual role and the quality of services provided by SHGFs are varied and require a deeper understanding.

Government-promoted SHGFs and, in particular, the scaled-up NRLM federations need more examination, as the opportunities and challenges faced by them may be different from those experienced by NGO-promoted SHGFs. The scope of functions of these federations may be different from that of those that are NGO-led (as noted by Srinivasan and Tankha 2010).

In spite of the lack of clarity around the role played by SHGFs and the lack of evidence on their effectiveness in enhancing the quality of SHGs, Gol is set to expand their scope. This structure is being seen as having the potential to generate income. In 2018, the World Bank invested USD500 million in the NRLM to initiate the National Rural Economic Transformation Project. This additional funding will be used to increase women's participation in economically viable activities through value chain development in agriculture and the non-farm sector, through farmer producer collectives, enterprise development, skills training and access to larger-value loans through digital finance. In this new transformative phase, the focus will be on strengthening village organisations and cluster-level federations. This requires a careful examination of the barriers to and enablers of SHGFs' ability to take on this transformative role.

### **3. Objectives of the field study**

The main objective of this rapid field study to select federations in Kerala and Karnataka was to understand the current and potential role for SHGFs as organisations to promote livelihood activities of high value for women. We chose the Kudumbashree – or State Poverty Eradication Mission – in Kerala, among other state livelihood missions, because it is one of the first group-based poverty alleviation programmes in India whose three-tier



model of federation was eventually adopted by the NRLM.<sup>2</sup> SHG-promoted microenterprise activities are a core element of the Kudumbashree model, along with financial inclusion and social empowerment.

We chose an SHGF in Karnataka promoted by the Genetic Resource, Ecology, Energy and Nutrition (GREEN) Foundation<sup>3</sup> – Janadhanya Federation<sup>4</sup> – because it is an NGO-promoted SHGF modelled after NRLM and operates on a model where microenterprise and marketing activities are promoted along with financial inclusion, biodiversity conservation and health activities.

We also chose two women producer companies promoted by Industree Foundation<sup>5</sup> (Bangalore Greenkraft<sup>6</sup> and Ektha Apparel<sup>7</sup>) as these operate in the artisanal space and supply to premium markets, including exports. Considering the promise of digital solutions to bring out transformational sectoral changes in future, we chose the digital platform called Platform for Inclusive Entrepreneurship (PIE),<sup>8</sup> being built on the principles of societal platforms<sup>9</sup> co-created by Mindtree, Vrutti and Industree Foundation. PIE being implemented in Janadhanya Federation provided additional insight into the potential of a digital platform on the community institutional structures for livelihood promotion.

In addition, we also covered federations that are part of the Society for Elimination of Rural Poverty Telangana<sup>10</sup>, as there are some interesting initiatives with respect to financial inclusion through bank linkages and Stree Nidhi Bank<sup>11</sup> and public–private partnership-based mango and cashew nut procurement and marketing by the federations. However, adequate information could not be collected within the timeframe of the study, even with multiple follow-ups.

For each case, we attempted to answer the following questions:

1. What are the current roles and functions of SHGFs, particularly in enterprise promotion?
2. What are the benefits and challenges for enterprise promotion through SHGFs?

We then consolidate findings from the cases to discuss the opportunities and challenges that SHGFs present in the promotion of enterprises.

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<sup>2</sup> Please see Kudumbashree's website for the history of the programme:

<http://www.kudumbashree.org/>.

<sup>3</sup> <http://www.greenfoundation.in/>.

<sup>4</sup> <http://www.janadhanya.org/>.

<sup>5</sup> <https://www.industree.org.in/>.

<sup>6</sup> <http://www.industree.org.in/portfolio/bangalore-greenkraft/>.

<sup>7</sup> <http://www.industree.org.in/portfolio/ektha/>.

<sup>8</sup> <https://vrutti.org/platform-for-inclusive-entrepreneurship-pie/>.

<sup>9</sup> <https://societalplatform.org/>.

<sup>10</sup> <https://www.serp.telangana.gov.in/SHGTG/>.

<sup>11</sup> <https://www.streenidhi.telangana.gov.in/SNTG/UI/Home.aspx>.

## 4. Data and methods

This report draws on a literature review, as well as semi-structured interviews, conducted by a team of researchers from 3ie and Vrutti, with key representatives of the Kudumbashree Mission, Janadhanya Federation/GREEN Foundation, Industree Foundation, Society for Elimination of Rural Poverty and Mindtree. It includes insights from a visit to a Kudumbashree Mission Nutrimix unit, a group enterprise run by SHG women for the production of fortified meals for babies, and from focus group discussions (FGDs) with Kudumbashree federation members, as well as from a visit to a women's producer group (PG) formed by Janadhanya Federation (who are the users of PIE) and an FGD with the PG members. We additionally had a discussion with the co-creation team of PIE – Mindtree, Vrutti and Industree Foundation.

For the semi-structured interviews, we set up appointments in advance with the stakeholders and circulated a concept note of the study. Interviews were conducted in English. The facilitators from the respective teams selected the field sites. FGDs included the majority of group members. A trained interpreter facilitated the discussion. We independently took written notes, which were then compared and consolidated.

To answer the main research questions, we systematically read through all the interview and FGD transcripts and identified emerging common patterns of response. Such a triangulation exercise helped us to extract facts from individual opinions.

In the sections that follow, we start by providing a brief background to the organisation and its structure. We next elaborate on the microenterprise cases, and finally, we present the findings of the field visits.

## 5. Kudumbashree Mission Kerala

### 5.1 Background

#### 5.1.1 History

Kudumbashree or State Poverty Eradication Mission of Kerala was officially launched in 1998, although some women's groups (called neighbourhood groups [NHGs] in Kerala)<sup>12</sup> were operational before. The Mission's aim was to alleviate poverty through concerted community action. It sought to put women at the centre of local development efforts by organising them into NHGs, which would then work closely with the local governments or panchayats (PRIs) on local issues. NHGs were formed by the PRIs. At the time of their initiation, NHGs primarily focused on human and social development, such as nutrition, health and education. To take advantage of the national SHG Bank Linkage Programme (launched in 1992), thrift and inter-lending were introduced to NHGs. In 2001, NHGs were given autonomy from PRIs but continued to receive 10 per cent of PRI funds to implement gender-focused programmes. Thus, while they were eligible for funds from PRIs, they were free to plan their spending. Additionally, the Mission receives funds directly from the state government.

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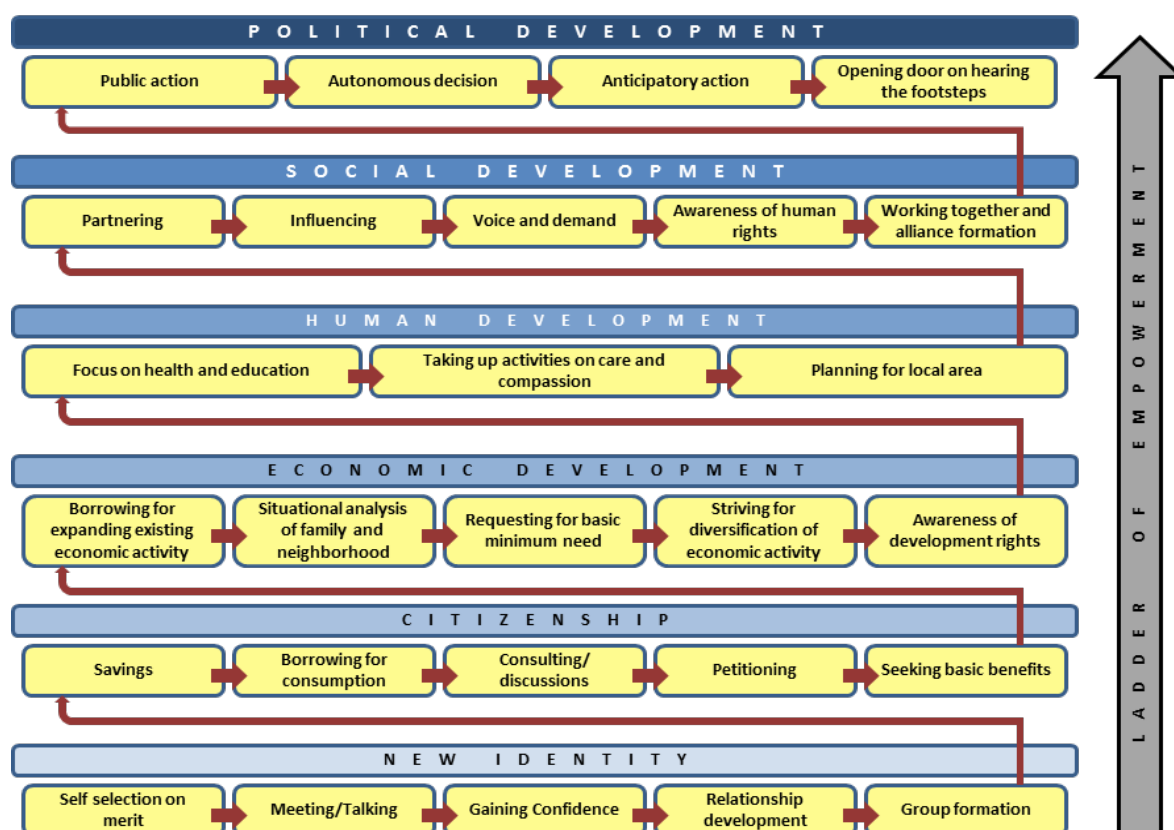
<sup>12</sup> SHGs are called NHGs in Kerala. We use the two terms interchangeably in this paper.

Mr Vilas, one of the key persons from the Government of Kerala responsible for steering and overseeing Kudumbashree shared the highlights of the programme. This provides a useful background and focus of the initiative:

- ‘Kudumbashree is a consciously structured relationship where development is a part of governance and not separated. Community Development Societies (CDSs) at the municipal level are not subordinates. It is the next step of decentralisation.’
- ‘Relationship with the gram panchayat brought lot of resources to the NHGs.’
- ‘It is an effective combination of “representative democracy” and “communicative democracy” working in synergy.’

He also shared how Kudumbashree Mission approaches women’s empowerment through the ‘ladder of empowerment’, in other words, a detailed pathway of women’s empowerment through the SHG. Based on the experience of the Kudumbashree model, it visualizes women members typically climbing the progressive ladder of empowerment as they travel through the SHG experience. This framework, reproduced in Figure 1, was developed based on discussions with Kudumbashree leaders by Vrutti team members in the context of another study, and is reproduced in Figure 1.

**Figure 1: Ladder of women empowerment (Kudumbashree Mission)**



Source: Authors.

In this, empowerment is the result of a six-stage linear but overlapping process:

- Stage I – New identity: In this initial stage, by forming a group based on affinity, the women members get their first taste of confidence, which helps them in forging a new identity – that of a group member.

- Stage II – Citizenship: The group starts to carry out its first activities like savings and inter-lending, thereby binding all the women in an initial transactional relationship based on self-defined group norms (such as attendance, membership) and transactional norms (rate of interest, terms of loans). The unique bond of the group is the seed of a full-fledged institution where every member believes herself to be a citizen.
- Stage III – Economic development: As the group's financial activities take off, members start deriving economic benefit, mainly from the expansion of existing livelihood activities or starting of a new enterprise. Group cohesion also provides a choice of collective enterprise. Further, by this stage, the women also begin to look beyond the group and show signs of awareness of their broader economic rights and entitlements, and about their families and larger social issues.
- Stage IV – Human development: While the process of economic development continues, the women now start taking community action on social issues and, as individuals, begin to play a larger role in household decision-making. This contributes towards the expansion of their capabilities.
- Stage V – Social development: The social capital of the group has now matured to look beyond internal dynamics and immediate neighbourhood; it now starts influencing social agenda and discourse by building support groups and synergistic partnerships, and by proactively demanding its members' rights. At this stage, some fundamental recalibration of social order takes place, with women finally challenging existing norms and traditional power structures at different levels.
- Stage VI – Political development: In this final stage of the ladder of empowerment, women in SHGs and their nested institutions become autonomous, functionally and organically, whereby they seem capable of drawing up their own social and political agenda and acting upon it effectively. The last stage often results in a permanent transformation of the social-political landscape, where women are able to take strategic control of their life choices.

### **5.1.2 Organisation**

The community organisation of Kudumbashree is a three-tier system that reports to the panchayats. Please see Box 1.

## **Kudumbashree structure**

*(reproduced and adapted from report obtained during field visit)*

In terms of its community structure, Kudumbashree works as an agency that supports the local government in the formulation and implementation of its plans and projects for social and economic development. It acts as the bridge that connects the local government with the people. The community structure consists of:

- Grassroots-level neighbourhood groups (NHGs): These are the basic units of the community structure of Kudumbashree. A woman member from each family can be a part of the neighbourhood group.
- Area Development Society (ADS): These form the ward-level federation of the Kudumbashree community structure. The office-bearers of all of the NHGs in a ward come together to form the General Body of the ADS. This General Body is responsible for the day to day decision-making and management of ADS activities.
- Community Development Society (CDS): This is the topmost level in the community structure of Kudumbashree. All seven members of the Executive Committee of each ADS together form the General Body of the CDS in the panchayat or at the municipality level. The General Body of the CDS has meetings once every three months. Each seven-member ADS Executive Committee will elect one person from among themselves for the Executive Body of the CDS. So the number of voting members of the CDS Executive Body is equivalent to the number of ADSs in the panchayat. This brings in equal participation from all wards into the CDS Executive Body. The CDS has five subcommittees that handle various sectors. The CDS Executive Body elects the following office bearers:
  - (1) Chairperson;
  - (2) Vice Chairperson, who also takes care of microfinance;
  - (3) Micro Enterprises Subcommittee convener;
  - (4) Social Development Subcommittee convener;
  - (5) Basic Infrastructure Subcommittee convener and
  - (6) Centrally Sponsored Schemes Subcommittee convener (with special focus on Mahatma Gandhi National Rural Employment Guarantee Act).

## ***Support system for the Kudumbashree community network***

The various support systems have its members from the Kudumbashree or the immediate family members of Kudumbashree members.

- Training teams: There are various training teams that have been set up in all the districts in Kerala. They focus on the capacity-building of community-based organisations in various activities.
- Micro-enterprise consultants (MECs): MECs are trained specialists in business who support potential entrepreneurs from the Kudumbashree network to start a business. They also provide handholding to enterprises that have already started.

- Kudumbashree Accounting and Auditing Service Society: This includes members from the Kudumbashree network who are Commerce graduates, who audit the accounts for the NHGs, ADSs and CDSs every year.

### ***CDS Action Plan***

The CDS prepares an Action Plan every year. The plan guides the work of the CDS for the next year. This plan is a demand-generated plan that originates from the NHG level. The NHGs list down their economic, social and infrastructural development needs, for themselves and the areas in which they are present. Through this, they make a Micro Plan for the area. The Micro Plans are consolidated at the ward level by the ADS, and then a Mini Plan is prepared. The final consolidation of the plan happens at the CDS level, where a demand plan is prepared to be presented before the Evaluation Committee. The Evaluation Committee consists of a maximum of 25 members at the panchayat level and a maximum of 40 members at the ward level. The Evaluation Committee has meetings at least once every three months. The demand plan is discussed and amended according to suggestions. Once the Evaluation Committee gives its approval, the demand plan becomes the CDS Action Plan for the next year. The plan is then submitted to the Panchayat Committee, which also approves it. A copy of the CDS Action Plan is also submitted to the District Mission of Kudumbashree.

### ***5.1.3 Enterprise promotion***

Livelihoods generation became an important component of Kudumbashree's poverty alleviation strategy within the second year of its launch, around the same time as the push for bank linkage. The Mission emphasised livelihoods in the form of small businesses and service enterprises by individual women. The main objective of microenterprise (ME) promotion was – and continues to be – poverty reduction of households. At the core of the Mission's ME strategy is improving incomes for women and generating livelihoods by energising the local economy.

Of the local economy, for the local economy. — Gender expert who has worked with Kudumbashree since its inception

The breakthrough for women-led group businesses came in 2003 with Subicsha, a venture between the Perambra Panchayat and Indian Institute of Management, Kozhikode, a premier management institute, to produce and market value-added coconut products, such as virgin coconut oil. The Subicsha model aggregated 522 SHGs for the production of value-added coconut products. Dependent entirely on local produce and using basic home-based technology, the products found success due to favourable supply and demand conditions in the local market. In 2005, Subicsha was registered as a producer company, federating the 522 SHGs. It has received financial and technical support from a number of organisations, including panchayats, the Coconut Development Board and Kerala State Rubber Co-operative Ltd, and continues to be heavily subsidised. Women entrepreneurs are provided with common facilities for production, packaging, quality control and storage by the producer company. The producer company handles the marketing of products, mostly selling to the state civil supplies department and other state-run manufacturing units. The company now has an

annual turnover of over INR1 crore and has diversified into several other value-added products. However, the sales are primarily in the state of Kerala.

Another success story is that of the Marari brand of clothing, which produces ethnic-style outfits and umbrellas. Marari also operates primarily in the local market. Alongside these success stories, there are failures as well. 'Only 20 per cent of group enterprises under Kudumbashree survive. This is better than that of the average start-up,' says Mr Vilas.

In 2019, there were close to 19,000 MEs by Kudumbashree SHGs. The average turnover of these is around INR3 lakhs per annum. Around 65 per cent of the MEs are group enterprises with five or fewer women. The most profitable of the group businesses are the canteen units that generate a monthly turnover of over INR200,000 per unit and a gross income of around INR45,000 per individual per month. The least profitable are services such as facilities management and wellness centres, which have an annual turnover of around INR700,000.

MEs receive support from all levels – state, district and panchayat – of the Mission. District Missions are responsible for implementing ME projects through the CDSs. Enterprises receive financial support either directly from the state mission or devolved via the CDS, mostly in the form of grants or interest subsidy on loans. In total, 8 per cent of the Kudumbashree budget is allocated to ME development and collectives. The Mission provides technical and skills training, product improvement and sick unit revival funds and services. Marketing and business development services are provided in the form of organising melas within and outside the state and establishing local outlets for ME products.

CDSs play an important role in ME promotion, besides channelling financial assistance. They are responsible for: (i) helping NHG women to identify and develop their project plans; (ii) capacity-building of NHGs by arranging skills training; (iii) information-sharing on entitlements and government schemes; (iv) working closely with PRIs and the Mission to link NHGs to banks and government departments; and (v) monitoring NHGs' enterprises. CDSs train a cadre of MECs from the community to support NHG members interested in starting their own businesses. MECs help women to identify which enterprises to invest in and to draw up their business plans, and provide them with all relevant information and services. The education qualification of an MEC is at least a bachelor's degree. They receive a one-time honorarium of INR5,000 and can earn up to INR10,000 per month for services. Thus, CDSs play the role of facilitators in ME promotion. Our respondents could not cite any instances of CDSs taking up entrepreneurial roles by aggregating NHG businesses and providing backward or forward linkages.

We now examine the role played by the Mission at different levels by taking the case of a Nutrimix unit in Panavoor Panchayat.

#### **5.1.4 Case study: Nutrimix unit in Panavoor Panchayat**

Nutrimix units are one of the profitable group enterprises promoted by Kudumbashree. Groups of five women can start a production unit for Nutrimix – a packaged cereal of wheat, Bengal gram and three other pulses. Nutrimix is supplied to all Integrated Child

Development Scheme (ICDS) centres in the state.<sup>13</sup> There are around 200 Nutrimix units in the state. On average, a Nutrimix unit has an annual turnover of over INR50 lakhs, generating monthly incomes of around INR12,000–18,000 per group member. The investigators visited the Nutrimix unit in Panavoor and held an FGD with the unit members. We summarize our findings below.

*Members' profile:* Panavoor is well connected by local taxis and autos to Thiruvananthapuram. The unit was started in 2006 by five women with an equal share in the business. The women are all married with grown-up children. Their husbands work as wage employees or have small businesses, such as tobacco shops.

*Starting the business:* The women have been active members of Panavoor CDS for over 10 years, although none has held any official position in the CDS. They had informed the CDS that they would be willing to set up a group ME together to increase their income. Prior to this, they had engaged in individual enterprises, such as tailoring and bag making, but these had not been profitable.

The CDS received the information that the Mission planned to start Nutrimix units to produce and supply packaged foods to ICDS centres. The CDS proposed their names as a group. The women were provided training at the CDS centre, the cost of which was borne by the CDS. It is unclear whether the Mission paid the CDS for the training or whether it came out of its own funds. The MEC at the CDS level supported the women to draw up their business plans and helped them to complete all forms related to bank loans and licences. The group got a bank loan of INR200,000 and subsidized loans of INR100,000 from the panchayat. They rented a place to set up the unit at a monthly rental of INR25,000. They received a list of machinery from the CDS, with designated stores from which to buy these, and placed orders by phone. The store delivered the machinery, set it all up and demonstrated how it should be operated. To obtain the necessary licences, the group approached the panchayat through the CDS. The process of licensing has been digitised and, after payment for the licence and an initial monitoring visit by the Food Safety Department, they were allowed to start production. The setting-up process took approximately three months.

*Output market:* This Nutrimix unit supplies five ICDS centres. These centres were identified by the District Mission. The assignment of ICDS centres to production units is driven by the distance of the unit from the ICDS centres and the number of students at the centres. The Mission tries to ensure that each Nutrimix unit is allotted enough centres for them to break even.

*Supply chain:* The main raw materials of Nutrimix are wheat and four types of pulses. Wheat is provided free of cost from the local Food Corporation of India (FCI) unit in Thiruvananthapuram. The women take turns to make a monthly visit to the FCI office and apply for wheat, specifying the amount required. The wheat is delivered to their unit by FCI transport, free of charge. The other grains have to be procured from the wholesale market in Thiruvananthapuram. The women are able to order these by phone to be delivered to their unit. They usually have to place an order once every three months. Packaging materials are collected from the CDS, free of charge.

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<sup>13</sup> See <https://icds-wcd.nic.in/icds.aspx> for programme details.



Each unit is preassigned a set of ICDS centres. The ICDS centre staff place orders when they are about to finish their stock, typically every three months. Nutrimix has a long shelf life and can be easily stored. It usually takes the unit around 72 hours to complete the production and packaging of one set of orders. The responsibility of delivering the Nutrimix packets to the centres rests with the women, who usually hire a vehicle to transport the supply.

*Costs:* The price of half a kilogram of Nutrimix is INR70. The women estimate that they are able to distribute around 7,000 kilograms of finished product per month. They estimate their cost of transportation to be around INR5,000 per quarter. After paying themselves a salary of INR25,000 per person and the cost of the pulses, the group claims to make a profit of INR200,000 per month.

To summarise, a Nutrimix unit appears to be a low-risk enterprise with assured prices and market. With fixed prices and designated markets to supply, there is little competition among units, and every unit is ensured of profits. Transportation costs are low, with the availability of delivery of raw materials to the doorstep. However, fluctuations in the price of pulses may have an impact on profitability. The other factor that could impact profitability is the distance of units from local markets. The unit we studied has access to the wholesale market in Thiruvananthapuram. We cannot be certain that the transportation costs will be as low for units located further away from wholesale markets.

## **5.2 Findings from Kudumbashree Mission in Kerala**

In this section, we present the findings from the semi-structured interviews with Mission representatives at the state level and with panchayat representatives, and from the FGDs held with CDS members and producer unit members.

### ***5.2.1 Role of CDSs in microenterprise promotion***

As discussed earlier, CDSs play the role of a facilitator to individual and group MEs through all phases – from start-up to growth and finally scale-up. In the first phase, CDSs provide MEs with access to credit and funds. NHGs can borrow from CDSs at lower than bank rates to start businesses. In the case of the Nutrimix unit that we visited, each woman borrowed INR15,000 from her respective NHG out of the CDS enterprise fund. CDSs have helped NHG members to access bank loans. In the FGD with CDS members, many women entrepreneurs claimed that the CDS provided a certificate vouching for their ability to repay loans, which enabled them to get bank loans with lower collateral. CDSs have themselves taken bank loans to fund NHG MEs. Thus, these federations have played an important role as financial intermediaries.

The repayment rate of CDS and bank loans by NHGs is high. According to Mission representatives, it is around 92 per cent. This favourable repayment rate may be attributed to the monitoring functions of the CDS. NHG business plans are discussed and their progress tracked in CDS meetings. If businesses are found to be at risk, they are referred to the MECs for advice. CDSs closely monitor the ability of businesses to pay back their loans (to all formal sources). There are instances of CDSs being able to recover loans from defaulters through peer pressure. For these reasons, banks are relatively more willing to lend to CDSs, or to NHGs directly if the CDSs provide assurance for them.

CDSs build the capacity of MEs by linking them to training providers, enterprise development schemes and entitlements. For example, in the case of the Nutrimix unit we visited, the CDS informed the group that they could apply for a loan from the panchayat. Yet another form of support that CDSs provide is that of MECs. MECs play a pivotal role in enterprise selection and growth. MECs are identified and managed by CDSs. While they are not part of the CDS staff, they work closely with CDSs in enterprise promotion. One of the stakeholders shared their experience, which shows that, in the promotion of MEs, an initial one and half years of support is important for MEs to navigate through their first and second crises; most failures occur during this period, and solid support here is critical to improving MEs' chances of success.

CDSs have not started enterprises of their own. Nor are there many instances of these federations playing an active role in value chain development or marketing. We discussed the reasons for this in our in-depth interviews with Mission representatives. The next sub-section summarises our learnings from these interviews.

Leadership and human resource capacity at the Mission is key to the success of MEs, as CDSs and enterprise groups need to be supported to address challenges from time to time. Mr Vilas shared that

enterprise development needs external support, constant vigil, generating ideas, facilitating markets, deep support and sometimes navigating political and market pressure to continue to support Mission groups.

He summarised that it requires 'an imaginative team with sensitive mission mode and open to realities' to get the best out of the SHGs in enterprise development.

### **5.2.2 Benefits and challenges of CDSs for growth and scale-up of enterprises**

#### ***Benefits***

There were some clear benefits of CDSs playing an intensive role in enterprise development at scale:

- Economies and efficiencies of scale: CDSs could potentially take up bulk procurement of inputs for NHG MEs. Facilities such as common storage and packaging units may be funded by CDSs. The Director of ME said that technical training is expensive, as professionals, who usually charge by the day, have to be contracted. It proves to be more cost-effective if these can be arranged at the CDS level to ensure higher participation. CDSs may also be able to get higher-value loans from banks, as they have higher savings and more assets than NHGs. CDSs have close links with PRIs and other government departments, such as civil supplies and public works, which may lead to efficiencies in procurement, production and distribution. Enterprises run by households and small groups suffer from the risk of idiosyncratic disruption to production and are often not able to meet demand. 'Illness of a family member or a death in the village stops production for a day or two,' says a CDS member who runs a tailoring group enterprise. Aggregating similar ME units at the CDS level has the added advantage of ensuring a smoother production and distribution line.
- Reduction of transaction costs: CDSs significantly reduce the costs incurred by banks, panchayats and District Missions in programme implementation. The PRI President of Panavoor estimated that he would need to double the size of his

staff if CDSs did not act as intermediaries between NHGs and panchayats. Similarly, as mentioned before, there have been instances of banks depending on CDSs to assure loans to NHGs. This could potentially lead to the lowering of monitoring costs incurred by banks.

- Collective bargaining: Women face discrimination in the marketplace as well as high costs in participating in markets. The opportunity cost of labour market participation may be prohibitively high for some women.

Women with small children may not have the time to put into MEs. Mostly, they join NHG MEs as hired workers and not owners. Of course, once children grow up this is not a problem. — a CDS FGD respondent.

It used to be quite troublesome when we had to go to the market to buy raw materials. Take a bus, go to the market, come back in autos. Nearly the whole day would go in this. Now we do everything on WhatsApp. — a woman entrepreneur who runs a canteen in her village.

She continued,

Earlier when we would step out for work, the men would eve-tease and talk about us. It was demotivating. Now, we don't care. If they misbehave, all the group ladies will go and give them a slap.

CDSs in Kerala have been in existence for over 10 years. They are vibrant, active institutions for women run by women, and they have gained experience in undertaking collective action for social causes. Based on this experience, CDSs may be in a position to collectively bargain for better prices in the input, output and services markets. For example, in the panchayat we visited, the wheat for Nutrimix units is delivered directly to the units by the FCI. This was negotiated by some CDSs. They may be in a position to negotiate better work conditions and safeguards for women entrepreneurs due to their linkages with other community-based organisations and government departments. An example shared by CDS members and corroborated by the panchayat was that of a loss-making enterprise that was close to defaulting on a bank loan. The bank had sent a notice to the group informing them that their assets would be confiscated if the loan was not repaid within a given period. In a meeting between the CDS, panchayat and the bank, this issue was raised. The CDS and panchayat negotiated with the bank to allow the group an extension on their loan. The enterprise was eventually able to increase production and pay off the loan.

### *Challenges*

The same set of respondents were asked to share their insights on what could be the potential challenges of CDS-led enterprises. The following findings emerged:

- Lack of technical skills: The role of CDSs has primarily been to develop the capacity of NHGs and to act as a financial intermediary. They do not have sufficient technical skills or qualifications to manage businesses at scale. Hiring professional management and specialists may be a solution. However, rural businesses may not be lucrative enough for highly skilled professionals.

- Capture by CDSs: All respondents were cautious of CDSs usurping the autonomy of small businesses. The women of the Nutrimix unit we visited shared an example of when they joined a number of Nutrimix units, which had formed a consortium for the bulk purchase of pulses and lifting of wheat. They found that the grains being provided by the consortium were substandard. After failing to pass quality checks, the group left the consortium. The women stated that they found it easier to ensure quality when the scale remained limited and the control of inputs purchased lay with them.
- Exposure to risks: There was unanimity among all respondents that women in poverty should not be exposed to market risks. Investing in enterprises by CDSs would expose them to high levels of risks. Should the enterprise fail, it would affect all members equally, irrespective of whether they were part of the business or not. A proposed solution to this is to create federations of MEs (such as Janadhanya Farmer Producer Company Ltd), with the CDSs playing the role of monitoring the ME federation.

## 6. Janadhanya Federation promoted by GREEN Foundation

### 6.1 Background

#### 6.1.1 History

Janadhanya Federation is an association of small and marginal women farmers promoted by GREEN Foundation, an NGO established in 1996.<sup>14</sup> Janadhanya Federation receives grant funding and technical support from GREEN Foundation. Its area of operation is Kanakapura Taluk, on the outskirts of Bengaluru. Janadhanya Federation is registered as a non-profit organisation under the Societies Registration Act, 1960. The federation has been operating in the area since 2006. The vision of GREEN Foundation is: 'A well-preserved, diverse ecosystem that will sustain the rural livelihoods of the present generation without eroding the resource base of the future.' This is reflected in the Janadhanya Federation's strategies. To achieve this, the women in the neighbourhood are mobilised to form into SHGs of 6 to 20 people, encouraging thrift and group credit. Providing bank linkage, access to government institutions, capacity-building and livelihood training are the important functions of the federation. In this sense, the role of Janadhanya Federation is similar to that of an NRLM village organisation.

GREEN Foundation strongly believes that biodiversity conservation and people's livelihoods have to go together to achieve its overall objective. Therefore, getting maximum returns out of the production done in the farms is critical. Enterprises that focus on semi-processing, processing and marketing through various channels are important.

Entrepreneurial activities are introduced to SHGs after achieving their financial inclusion. Janadhanya Federation promotes PGs from the SHGs.<sup>15</sup> These are PGs of women farmers producing largely millets, although some produce vegetables, oilseeds and cereals. All produce is organic certified under the Participatory Guarantee System for India.

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<sup>14</sup> [www.greenfoundation.in](http://www.greenfoundation.in).

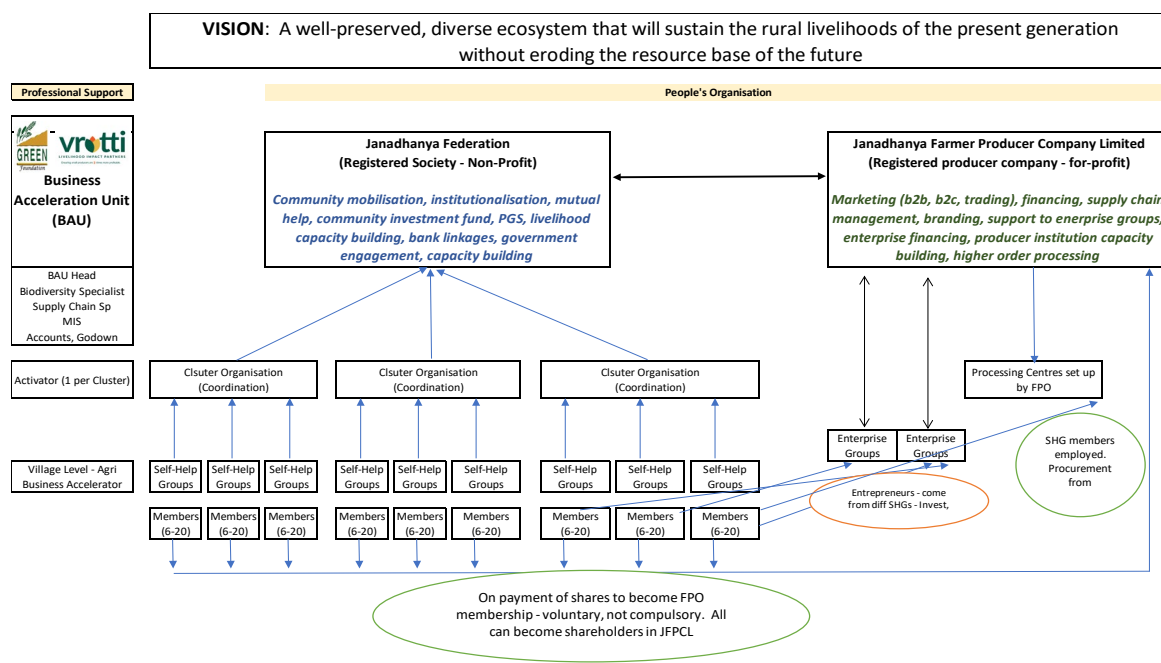
<sup>15</sup> Not all SHG members form PGs, and PG members need not all be from the same SHG.

The PGs pay an initial membership fee of INR100 per woman to become members of a farmer producer company called Janadhanya Farmer Producer Company Ltd (JFPCL). Membership in JFPCL is voluntary.<sup>16</sup> JFPCL currently has a membership of 891 women. Its share price at face value is INR500 per share, and the women can become shareholders. JFPCL's current share capital is INR936,000. JFPCL undertakes marketing, enterprise financing, input supplies and supply chain management of PG products. Identification of value-added products, higher-order processing and quality management are other critical roles that JFPCL has taken on. While the support to biodiversity conservation, sustainable agriculture and people mobilisation is supported by GREEN Foundation, JFPCL is being supported by Vrutti,<sup>17</sup> which brings in support for supply chain development, product development, marketing and enterprise financing, as well as deep handholding.

### 6.1.2 Organisation

Figure 2 shows the organisational structure of Janadhanya Federation and JFPCL, along with their respective roles.

**Figure 2: Structure of Janadhanya Federation and JFPCL**



Source: Janadhanya Federation documents, obtained during a field visit.

The overall organisational structure links reflects a set of people's organisations (federation and producer company, with the lower-level organisations being SHGs and enterprise groups) and professional support from NGOs (GREEN Foundation and Vrutti).

### 6.1.3 Enterprise promotion

The purpose of enterprise promotion by JFPCL is to ensure that the maximum proportion of consumer price reaches the farmer for their produce, which is grown through organic methods. This can be achieved only by intervening in the value chain

<sup>16</sup> Almost all Janadhanya Federation PGs are members of JFPCL. Janadhanya actively mobilises and federates PGs.

<sup>17</sup> [www.vrutti.org](http://www.vrutti.org).

and taking risks. The business model for JFPCL is on three levels: (i) organic production by members; (ii) value addition by enterprise groups and (iii) supply chain and marketing of organic products by JFPCL under the brand name 'Janadhanya' through a variety of channels (business to business, business to consumer and business to groups).

There are 23 PGs currently operational, with membership per group ranging from 7 to 17. Of these, seven groups produce organic food products, five are in agri inputs preparation, five are open-pollinated seed and vegetable seedling nurseries, and six are engaged in other enterprises, such as cloth bag making and cattle feed. The organic food enterprises produce cold-pressed edible oil units, millet-based products, papads made out of an indigenous variety of paddy and millets, tamarind, chilli powder and unpolished pulses; the agri inputs include vermicompost, Pongamia powder and organic liquid manure. The agri inputs and the seeds are sold in the Bengaluru market for home gardens, as well as to farmers in the villages.

There has been investment in items such as solar cold storage unit, community seed banks, food-processing units and packaging. Marketing is done by JFPCL, with the support of Vrutti, directly to consumers, to businesses and to groups of consumers in large office and residential complexes. Sales through e-commerce agencies are also being made. JFPCL also undertakes trading, holding and selling in bulk from time to time, based on market conditions.

Janadhanya Federation and JFPCL help their members to access financing through internal rotation of savings of groups, bank linkages and loans for enterprises. JFPCL has also, in a limited way, initiated buy-back arrangements with its shareholders.

#### **6.1.4 Case study: Janadhanya Federation Enterprise Unit**

We visited a PG of women farmers, primarily cultivating millets. Kanakapura is an arid region. Smallholders choose to farm millets because they do not require much water, have a high storage life and, being a staple food, sell in the local market. Janadhanya Federation started the PG in 2015. Before forming the PG, the women were part of a Janadhanya SHG and were regularly saving and inter-lending. Their average landholding is around 2 acres, and cultivation is rain-fed.

The FGD was attended by six of the eight members of the PG, including the PG president, and the Janadhanya activator for the village. At the time of our visit, the women were in the process of extracting oil from sesame seeds, which they cultivate alongside millets. The PG owns one oil extraction machine that can be used for multiple seeds. All the women are married with grown children. Their husbands are millet farmers who also work as wage labourers in nearby towns.

*Starting the business:* Janadhanya Federation informed the women of the opportunity to form PGs to start small businesses through an information session in their SHGs. In this session, the process for and benefits of joining the producer company (JFPCL) were explained to the women. 'We realised it made sense to join JFPC, even if we had to pay fees,' said one of the women. Each member contributed INR11,000 to start the business. They took a loan of around INR300,000 from Janadhanya Federation at a lower-than-market interest rate. They could pay off the loan within a year of doing business. They underwent training on oil production and business management by JFPCL.

*Output market:* The PG sells its products to JFPCL. JFPCL then sells them to large retailers and businesses in Bengaluru and Chennai and arranges melas in the metros where the products are sold. It plays an important role in linking the PGs to the NRLM and panchayats for loans, access to government schemes and marketing interventions undertaken at a community level. JFPCL receives orders and places these with the PGs. It is responsible for ensuring that quality standards are met for all orders. Wholesale prices are also negotiated by JFPCL.

*Supply chain:* The women use their farm outputs to produce oil. 'We use whatever we won't consume at home for production. I think that is half of our produce,' says the PG president. The CEO of JFPCL says that 70 per cent of the production is consumed. The millets or sesame are transported from the fields to the workshop using family vehicles such as bicycles. Branded packaging material is provided by JFPCL. Dry grains can be packaged in a packaging and branding unit within the village. This unit additionally produces value-added millet products such as idli mix and fries.

*Costs:* The sale price of a kilogram of millet ranges from INR80 to INR120, depending on the type of millet. Oil and value-added products are priced higher. The transportation costs borne by the women are negligible. Grains and products are sold at the JFPCL headquarters within the village. The women claim that they are able to make INR12–15 lakh profits in a year, which is divided among group members. They are aware that they will receive dividends from the company profits.

## **6.2 Findings from GREEN Foundation and Janadhanya Federation**

In this section, we list the benefits and challenges of the Janadhanya model, based on our discussion with the Janadhanya team and PG members.

### **6.2.1 Benefits**

- Realization of better prices: All women agreed that they receive better prices for their products after joining JFPCL. One woman said:

It is very difficult to go to the market and sell. We do not have the time and it is quite confusing because different buyers give different prices. Now we all get the same price, depending on quality, of course. We will also get share of the profit.

Transportation costs are prohibitively high. Going to the nearest government *mandi* will involve the women hiring a vehicle and bargaining with different buyers. The women feel that they are often cheated in the market and have complained of harassment. 'The men laugh and tease us and we would rather sell to the middle man who we know,' said one woman. 'We knew he would keep a cut but it is more convenient.' JFPCL staff share instances of the organisation bargaining for better prices on behalf of the PGs.

The price of millets in the local retail market is Rs 70 per kilo. If they sell it here, they will get somewhere around Rs 50 per kilo. Big food product retailers and supermarkets pay more than the local market. There is a premium for organic food.<sup>18</sup>

- Regular market access: Ensuring regular access is another benefit that the women cite. JFPCL takes large orders at agreed prices. The women are paid by JFPCL at the time of sale to JFPCL, depending on quality. This reduces the price risks that the women may face if sales are made directly to the market. The CEO of JFPCL said:

Smallholder farmers cannot bear market risks. JFPCL tries to do this, taking in bulk orders from businesses and bulk sales.

So how does JFPCL cover its own risks? This too depends on assured and established markets.

We typically work with buyers with whom we have established relationships. Half of the payment is usually paid to us at the time of placing order. We are operating at a small scale now because this enables us to meet demand easily and maintain quality. We have not yet been in a situation where we have failed to meet the buyers' requirements.

- Reduction of transaction costs: Women face barriers in market access in the form of high transaction costs (including the opportunity cost of women's time, transportation costs, inconvenience of going to the market). By taking up the role of the PGs' interface with the market, JFPCL is able to reduce the transaction costs that would otherwise have to be borne by the women. JFPCL's function as market linker saves women time, effort and money.

### **6.2.2 Challenges**

- Funding and scaling up: JFPCL is currently dependent on grant funding for its operations and technical support (GREEN Foundation and Vrutti support comes through grants). The organisation registered profits of INR130,000 in the year 2017–2018. Mr Shekhar does not think this is sufficient to fund high-value products and services. For JFPCL to generate more revenue, it has to diversify into newer products and scale up. Its current resources are insufficient for this, and more capital funds are required. At the same time, scaling up requires additional resources to deliver quality.
- Professional staff: JFPCL has built a strong quality-assurance process that requires high involvement of JFPCL staff at every step of production. The inability to hire and retain trained professionals who are willing to work in the field poses a challenge for scale-up.
- Geographical expansion: Another area of challenge is to raise funds for the geographical expansion of organic production. As the market demand for JFPCL products is increasing, higher production of organic products is needed, which requires the expansion of member base and geographies.

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<sup>18</sup> The cost of organic millets in supermarkets is INR120–150 per 500 grams.



## 7. Greenkraft and Ektha Apparel promoted by Industree Foundation

The information related to Greenkraft and Ektha Apparel is from the information shared by Industree Foundation and the discussions we had with its founder. A field visit could not be conducted during the study period.

### 7.1 Background

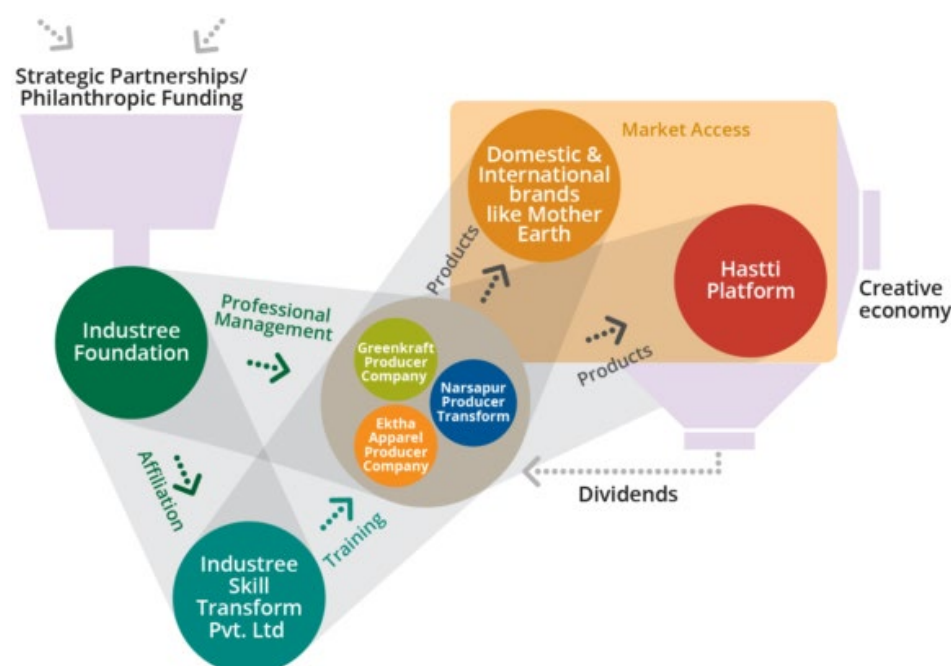
#### 7.1.1 History

Industree Foundation, established in 2000, holistically tackles the root causes of poverty by creating an ownership-based, organised creative manufacturing ecosystem for micro-entrepreneurs. Its comprehensive approach helps communities to assess their traditional skill base, organise them into production units, develop products that appeal to modern markets and generate consistent demand to create sustainable businesses at the lowest possible costs. This approach, according to Industree Foundation, helped artisans to triple their incomes by moving them from traditional products to the creative industries sector. It believes that if low-income households have access to a sustained and consistent demand for their products and services, and are provided with an enabling ecosystem, they can integrate into the formal economy and lift themselves out of poverty. Industree Foundation has so far reached 30,000 women artisans across India and Africa.

#### 7.1.2 Organisation

Industree Foundation is a registered non-profit organisation and it receives philanthropic funding to build and support producer organisations of women artisans. Two producer companies have been promoted and these are supported professionally by Industree Foundation and its group organisation – Industree Skills Transform Private Limited. Figure 3 reflects the organisational arrangement.

**Figure 3: Organisational arrangement of Industree Foundation**



### **7.1.3 Enterprise promotion**

Industree Foundation has successfully incubated two producer companies, Greenkraft (2012), based out of Tamil Nadu, and Ektha Apparel (2013), based out of Karnataka, collectively having an impact on more than 10,000 creative producers in the value chains. Many of these creative producers are owner-members, through SHG membership, in the natural fibre and apparel value chains. Through these companies, producers have gained regular and increased income, and have been brought under the social security net through the provision of bank accounts, ID cards and access to government health services. Both the companies are handheld by professional management and are 100 per cent child-labour free and globally compliant, thus able to face rigorous third-party audits.

Greenkraft is a producer-owned social enterprise that creates lifestyle and home accessories made from natural fibres, primarily banana bark and river grass. Of the 2,000 owner-members in the company, more than 80 per cent are women, with a significant number of them in supervisory and managerial positions. As members of a producer company, they have access to increased finance, training, social security, childcare and other benefits. Greenkraft was handheld by Industree Foundation until it was able to generate revenue and be self-sufficient. Greenkraft began supplying banana fibre baskets to IKEA in 2014. These orders were part of IKEA's Next Gen initiative, where it works with social enterprises to create limited-edition collections to promote local artisan craft from across the world. Greenkraft has a hub in Madurai and decentralised production units in Tamil Nadu. A majority of the work on the banana bark baskets produced by Greenkraft is carried out in the rural units in Tamil Nadu and then sent to the hub for finishing and shipment.

Ektha Apparel is a Bengaluru-based producer-owned social enterprise incorporated in 2013 that creates contemporary ethnic-style clothing and accessories. All the 300 producers of Ektha Apparel have an equal stake in the company. As owner-members, they have access to increased finance, training, social security, childcare and more. More than 90 per cent of the members are women, with a significant number of them in supervisory and managerial positions. It supplies to Mother Earth and Eco Femme. There are 150 producers and 100 machines producing a monthly output of 18,000 pieces. The unit is running at 80 per cent efficiency. It has an in-house product development and design studio, a training and skill development centre in partnership with the National Skills Development Corporation and an in-house finishing unit, with a capacity of 1,000 pieces per day.

## **7.2 Findings from Industree Foundation and producer companies**

In this section, we list the benefits and challenges of producer companies promoted by Industree Foundation as shared by its founder.

### **7.2.1 Benefits**

- Realisation of better prices: The producer companies achieve far higher prices than they could through local artisanal work or in agri-business. The products are supplied to high-end market segments, such as consumers of IKEA and Mother Earth.

- Regular market access: The risk for the individual women producers is very low, with regular market access, limited price risk and assembly-line production. As the organisation is owned by the women, the incomes go directly to the women, both for production and as a dividend, which is further spent on their children, themselves and other household requirements.
- Distributed production: As production is distributed, the women can operate from their own clusters rather than shifting to new towns and cities.
- Export means pride and potential: The producer companies and products are certified to be exported, which brings the women great pride in being involved in this livelihood and being the owners of their organization. It also means that the market is huge and there is a possibility for further expansion. Given the focus on sustainable products and women-owned businesses, the business can grow multifold.

### **7.2.2 Challenges**

- Maintaining consistent product quality: This is an ongoing challenge. While the ownership of the organisation and delivery commitments are being built up among the members of the producer company, it is hard to maintain quality. Deep handholding is required.
- Scaling up: To reach scale, it is necessary to mobilise members, and this is a development cost needing grant funding.
- Traceability: With consumers' increasing focus on quality and social and environmental concerns, the traceability of every product is important. This requires digital solutions.
- Domestic market: While the export and premium markets are expanding, there is a need to develop the domestic market for these products. This requires investment in order to market the concept and products.
- Human resources: Having passionate and talented human resources for professional support is key, and these are always difficult to obtain and retain.

## **8. Platform for Inclusive Entrepreneurship**

As mentioned earlier, one of the innovations that JFPCL is testing with its PGs is a digital platform called Platform for Inclusive Entrepreneurship (PIE). It is designed to connect smallholder farmers to input and output markets and professional services through a suite of integrated solutions. This section looks at this platform in more detail and explores the potential benefits.

### **I Got Crops: Helping Smallholder Farmers Climb up the Agri-Value Chain**

A farmer empowerment solution that enables marginal farmers and artisanal communities to sell directly to the consumer and earn more income. The solution provides access to information, opportunities, and a formalized value chain for the farmers' produce. This program has served 865 farmer micro businesses and 49,000 farmers. — Mindtree.org

Mobile/tablet-based apps – I Got Crops and I Enterprise (as a part of PIE) – have been adopted by Janadhanya Federation PGs this year. The solutions connect input suppliers, consumers and professional services to small farmers and artisans. Small farmers in India

rarely sell in regulated markets (NSS 2012). Most sell in informal markets and to private traders due to the excessive distance from the mandi. Distance to *mandis* is an often-cited cause for choosing intermediaries over direct sale to governments. The small quantities that smallholder farmers produce do not make it cost-efficient for them to sell directly in the market. Small farmers face barriers in the form of informational asymmetries, high costs, and high risks when accessing inputs, technology and markets. The PIE platform's model aims to address the challenges faced by small farmers and artisans on both the demand and supply sides by connecting them directly to input and output markets.

On the supply side, the platform allows farmers to connect with input providers, compare prices and qualities and transact online. It connects farmers to professionals and experts in agri-business development. On the demand side, the platform connects farmers to businesses and consumers for the sale of outputs. Every user of the app creates a profile for themselves. Other users are allowed to rate their services and make recommendations. The platform has a feature that enables users to manage and track their business performance. It contains information such as investments, sales and profits for every account.

In our in-depth interviews with the PIE team, we found that there was a high level of optimism on the potential of the platform to deliver value and increase farmers' incomes. The proposed mechanisms by which the platform is expected to deliver such effects are:

1. The platform will remove middlemen and thereby enhance the price obtained by farmers.
2. The platform will connect farmers to a wider network of suppliers, technical input providers and markets for their products, thus giving them the ability to make investment decisions according to their resource availability and requirement.
3. This wider network also means that farmers will be less dependent on their existing supply chains and have assured access to markets.
4. Such exercise of choice will lead to competition among suppliers and among farmers themselves to improve quality.

The apps have been recently rolled out among women farmers from the Janadhanya Federation. We were unable to fully triangulate the hypothesised mechanisms of the app because the women are still learning it. It is being used to maintain business activity records and accounts but not for any transactions yet. Additionally, the women themselves have not gained enough experience to manage their account in the app – rather, the Janadhanya activator manages their app accounts. All women agreed that the information contained in the app was correct, but they still preferred to maintain physical books for financial and non-financial records.

The following questions on the benefits of the PIE platform have occurred to us, and will need to be addressed:

1. What is the process in the platform for ensuring quality products and services?  
As an aggregator, the platform itself is not currently at a stage to do an independent assessment of service providers. It relies on ratings by platform users to indicate quality. Experience from similar aggregator models, such as Uber and Zomato, has shown that such ratings cannot be considered accurate. In particular, our concern is that such a ratings system will be biased against small farmers who typically enter the market with limited existing networks.

2. We could not find any separate feature to promote women's businesses. Will smallholder women farmers be able to compete on a platform such as this?
3. The app's model assumes that businesses know what technical support they require and can, therefore, connect to the right professionals. This may or may not be true. Our discussion with business managers suggests that small and medium-sized enterprises are often not in a position to analyse the causes of business failure. 'They know they are sick, but they don't know which doctor to go to,' says the CEO of Janadhanya Federation.

It is our current assessment that the PIE platform will be effective when trained professionals, such as business consultants, accountants and marketing professionals, who can make the optimal use of the platform and reduce exposure to risks, are associated with a women's PG. The professional support provided by the promoting organizations and the Mission could potentially use this platform.

## 9. Conclusions

In this section, we compare the models and summarise the findings. Kudumbashree is a government programme, while JFPCL, Greenkraft and Ektha Apparel are privately promoted federations. These public and private models vary in terms of size, resources and financial capacity. Yet both types appear to deliver similar benefits to their members.

- Both models ensure a consistent market for the women-led MEs. Kudumbashree does this by identifying 'captive' markets for some enterprises, such as the Nutrimix units that supply to government-run creches. Prices and quantities are fixed, and the MEs are assured of steady demand. JFPCL does this by procuring outputs from PGs at agreed prices and selling them to big retailers with whom contracts are established in advance. Greenkraft and Ektha Apparel continuously scan the business environment and develop their businesses among potential clients. Constant product development is also being done in these producer companies.
- Both models reduce the transaction costs for women. In the case of Nutrimix units, wheat is supplied from FCI godowns to the units free of cost. Selling to JFPCL eliminates the cost of travelling to the *mandi* for the women. Greenkraft and Ektha Apparel operate on a distributed production system and pooled procurement. In all cases, women cited that the developed value chain saved them time, money and inconvenience.
- Both models are able to deliver better prices for the MEs than what they would have received by selling in the local markets. Kudumbashree does this by fixing prices in such a way that profits are realised by every Nutrimix unit. JFPCL does this by negotiating prices with sellers on behalf of the PGs, and also by directly reaching out to consumers by cutting out many intermediaries in the value chain. Greenkraft and Ektha Apparel operate in premium and export markets, which provide much higher prices and more assured demand than local markets.
- While this was not explicitly discussed in the FGDs with the women, we assess that both models play a critical role in linking MEs to public institutions, such as banks and panchayats. Federations provide access to loans, technical support and training to MEs. Quality assurance and advisory services to MEs are important benefits of being federated.

- Both the models have a very strong component of continuous agile professional support at various levels to help MEs with enterprise development, marketing, financing and institutional development.

## 9.1 Strengths and weaknesses of federations as organisations for ME promotion

### 9.1.1 Strengths

Some of the advantages of using federations for women's enterprise promotion that emerge from our case studies are:

- **Social capital:** Kudumbashree and Janadhanya SHGs have been in existence for almost 10–12 years now. We observed that SHG women share a bond of trust among themselves and with the federations. Mutual trust facilitates women to pool resources for ME start-up and for bearing out-of-pocket expenditures. Federations connect women entrepreneurs to each other, and they are able to form group enterprises and support systems. For example, in Kudumbashree, activity groups that are engaged in MEs are formed by women belonging to different SHGs. The maturity of both programmes is further reflected in the trust that the women have in the Mission itself. We asked JFPCL women if they would be able to recover their dividends should the company close down. One woman responded:

They won't do that. We have known them for years. We attend every annual meeting where company finances are discussed.

- **Financial capacity:** The larger size of the federations relative to SHGs enables them to obtain larger loans or government funding. These funds are then devolved to individual SHGs or group businesses. Owing to the federations' control over the SHGs, they are able to ensure better repayment of bank loans. This makes banks more willing to route loans through federations rather than giving directly to SHGs. Federations have acted as assurers of loans for SHGs. With their own funds, federations are able to quickly meet the financial needs of SHGs. These loans require less documentation and are swiftly processed, thus reducing the transaction costs faced by women in acquiring formal loans.
- **Linkages with local governments and banks:** Federations have strong linkages with local governments and banks. They play a critical role in being a bridge between these institutions and the women's groups. These linkages are important to help women access programmes and schemes for ME support. For example, the MEC for Kudumbashree plays a useful role in helping women to draw up their business plans for bank loans, irrespective of whether the ME is being promoted by the Mission or not. Similarly, JFPCL activators at the village level inform women of new agricultural schemes and make them aware of their entitlements. JFPCL connects its SHGs to NRLM-promoted programmes.
- **Governance:** We observed that the federations we visited had satisfactory governance structures. The federations were able to show us records of regular meetings. Our FGDs corroborated this finding – the women said that they actively participated in federation meetings. The federations showed us appropriate and recent audited reports, even though this was not included in our

terms of reference for the field visit. Both models have governing bodies that provide oversight to federation activities. In Kudumbashree, this role is fulfilled by the panchayat and the block mission, while Janadhanya has formed a board comprising women farmers and independent directors. We were unable to verify whether the functioning of the federations was democratic and involved a system of rotation of office bearers.

- **Professional support:** We observed that continuous support by the promoting organization is critical for progress. The promoting organisations need to constantly build their capacities to address the needs of the PGs and organisations, and bring all market opportunities to them. Their role starts on either the mobilisation side or the market side, but they need to bring support in all areas. Consistency in support and policy of the promoting agency is critical, and they need to go beyond just project operations. In the government-led Kudumbashree too, longer-term of leadership helped to be consistent with policies and priorities to support groups.
- **Digital solutions:** We have observed in JFPCL that digital solutions are helping the producer company, particularly in the areas of supply chain, traceability and marketing. Real time information, a reduction in transaction costs and better consumer experience (through the consumer app) are great enablers for scaling up efforts.

### **9.1.1 Continuing challenges**

The most important challenge that was cited was the lack of high-quality technical-skill providers, product developers, marketing professionals and producer institutional development experts. MEs lack the technical expertise to be able to compete with existing branded products on quality and price. In Kudumbashree, respondents cited that most of their products, unless they are ethnic-style products, are struggling to compete with existing brands. Some examples of products that are losing in the market are cosmetics, soaps and sanitary pads. In Janadhanya, the development of value-added agri products is still at a nascent stage. In the cases of Greenkraft and Ektha Apparel, constant market research and product design development are a critical support.

Branding and marketing gaps exist, and products are selling primarily within the state (although in the case of Industree Foundation, there is a need to build domestic markets for quality artisanal products). Trade fairs and exhibitions are the only outlets for products outside the state. Yet all stakeholders perceived that there was a large market for certain agri products outside the state. Solutions that connect these producers to the international market are urgently required.

The inability to maintain quality was stated as a key barrier to scaling up, and many MEs operate at a small scale in order to be able to adhere to quality standards. Solutions that enable firms to maintain quality are essential for the growth and sustainability of these MEs.

## Appendix A: Comparative table – information from models studied

	Particulars	Kudumbashree	Society for Elimination of Rural Poverty in Telangana	GREEN Foundation/Janadhanya Federation	Industree Foundation: Greenkraft and Ektha Apparel	Platform for Inclusive Entrepreneurship <i>(under pilot)</i>
<b>A</b>	<b>Background:</b>					
	Promoting organization	State government	State government	NGO	NGO	NGOs-Private CSR
	Community aggregation structure	3-tier – NHG, ADS, CDS	3-tier – SHG, VO, MS	2-tier – SHG and Federation	SHG and producer company	Digital
	Enterprise group structure	Individual, enterprise groups under CDS	Individual, enterprise groups under MS	Individual, enterprise groups, producer company	Producer company, with individual shareholders	Either individual entrepreneur or group or producer company
	Enterprises support structure	Mission level – ME development team	Mission level – ME development team	Supply chain, marketing, institutions and finance teams (Vrutti supported)	Supply chain, marketing, institutions and finance teams (Industree supported)	All services through the platform via a variety of service providers accessible to entrepreneurs
	Some notable enterprises promoted	Nutrimix, Subicsha	Stree Nidhi Bank, Mango marketing	Multiple farm-based products (over 50) in multiple channels	Multiple artisanal products – domestic and international markets	Any agri-business or artisanal products for a variety of markets
<b>B</b>	<b>Services facilitated</b>					
	SHG capacity-building	Yes	Yes	Yes	No	Yes
	Financial inclusion	Yes	Yes	Yes	No	Yes
	Government schemes	Yes	Yes	Yes	No	Yes



C	Particulars	Kudumbashree	Society for Elimination of Rural Poverty in Telangana	GREEN Foundation/Janadhanya Federation	Industree Foundation: Greenkraft and Ektha Apparel	Platform for Inclusive Entrepreneurship <i>(under pilot)</i>
	facilitation					
	ME support	Yes	Yes	Yes	No	Yes
	Collective enterprises promotion	Limited	Limited	Yes	Yes	Yes
	Enterprise financing	No	No	Yes	Yes	Yes
	Deep handholding	Limited	Limited	Yes	Yes	Yes
	Inputs and services for production	Limited	Limited	Yes	Yes	Yes
	Supply chain management	No	Limited	Yes	Yes	Yes
	Market linkages (B2B, B2C)	No	Limited	Yes	Yes	Yes
<b>Type of support at the local level</b>						
Enterprise enablers/ME consultants	ME consultants at CDS level	ME support team at MS level	Field-level ME support team	Field-level ME support team	Multiple service providers	
Supply chain consultants	No	Yes	Yes	Yes	Multiple service providers	
Operational leads	No	No	Yes	Yes	Can be for individuals or institutions	
Technology support (digital)	Limited	NA	Yes	Yes	Bringing together multiple tech solutions	

<b>D</b>	<b>Particulars</b>	<b>Kudumbashree</b>	<b>Society for Elimination of Rural Poverty in Telangana</b>	<b>GREEN Foundation/Janadhanya Federation</b>	<b>Industree Foundation: Greenkraft and Ektha Apparel</b>	<b>Platform for Inclusive Entrepreneurship</b> <i>(under pilot)</i>
	<b>Type of support at mission/organisation level</b>	ME department	ME department	Supported by specialist organisations – Vrutti	Supported by specialist organisations – Industree	Digital solution being evangelised to bring all services
<b>E</b>	<b>Profitability and sustainability</b>					
	Profitability of the producer institution	About 20% enterprises feasible	NA	Yet to reach break-even if the cost of support is taken	Yet to reach break-even if the cost of support is taken	At the platform level, need to have the basic returns to handle the platform – being planned
	Market feasibility	Limited; support needed from Mission	Limited; support needed from Mission	Reasonable; branding and market linkages being established	Reasonable; branding and market linkages being established	Being evangelised and co-creation workshops taking place
	Institutional capacity	Limited; support needed from Mission	Limited; support needed from Mission	Reasonable; with constant handholding	Reasonable; with constant handholding	Governance and operational arrangements being established
<b>F</b>	<b>Key benefits:</b>					
	Economies and efficiencies of scale	High potential	Significant in financing	Reasonable	Reasonable	High potential
	Reduction in transaction	Significant	Significant	Reasonable	Reasonable	High potential

	Particulars	Kudumbashree	Society for Elimination of Rural Poverty in Telangana	GREEN Foundation/Janadhanya Federation	Industree Foundation: Greenkraft and Ektha Apparel	Platform for Inclusive Entrepreneurship <i>(under pilot)</i>
<b>G</b>	costs					
	Collective bargaining	Limited	Limited	Limited	Limited	High potential
	Better prices; better segments	Significant in prices, not for segments	Limited	Significant	Significant	High potential
	<b>Challenges:</b>					
		Limited direct market engagement – capacities	NA	Support for scaling and product development – limited funding	Support for scaling and product development – limited funding	In its current form, to be used by the ‘professional support’ or ‘promoting agencies’
		Quality issues in the production		Appropriate human resources at various levels	Appropriate human resources at various levels	Evangelisation and complete reference implementation
		Appropriate human resources at various levels		Risk related to agri-business	Making all services available for all enterprises – handling interdependencies	
			Making all services available for all enterprises – handling interdependencies			

Note: B2B = business to business; B2C = business to consumer; CSR = Corporate Social Responsibility; MS = Mandal Samakhya (a unit of local governance); VO = village organisation.

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Organising self-help groups into federations can strengthen these groups, build their capacity and make them organisationally and financially sustainable. While they have the potential to be drivers of change for women's social and economic integration by promoting entrepreneurial activities, there is a lack of evidence on their effectiveness. Authors of this paper summarise the findings of a rapid field study of select federations in Kerala and Karnataka to understand the current and potential role of these federations to promote high-value livelihood activities for women.

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