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बहु-हिस्सेदारी परिवेश के अंतर्गत
ग्रामीण कृषेतर क्षेत्र का संर्वधन

जिला ग्रामीण उद्योग परियोजना से सीख

**Promoting Rural Non-farm Sector (RNFS)
Under Multi-Stakeholder Environment
*Lessons from District Rural Industries Project (DRIP)***

डॉ. के.जे.एस. सत्यसायि Dr. K.J.S. Satyasai
श्रीमती स्मिता मोहंती Mrs. Smita Mohanty

With :
Subhash Seraphim, G.P. Praveen
Ashutosh Kumar & Vinod Kumar Vidyarthi



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National Bank for Agriculture and Rural Development
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लेखक

डॉ. के.जे.एस. सत्यसायि

सहायक महाप्रबंधक, आर्थिक विश्लेषण और
अनुसंधान विभाग, मुंबई

श्रीमती स्मिता मोहंती

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Authors

Abbreviations

AAP	: Annual Action Plans
APGVB	: Andhra Pradesh Grameen Vikas Bank
ARWIND	: Assistance To Rural Women in Non-Farm Development
CDP	: Cluster Development Programme
DIC	: District Industries Centre
DLPCGC	: District Level Project Co-ordination and Guidance Committee
DPS	: Detailed Potential Survey
DRDA	: District Rural Development Authority
DRIP	: District Rural Industries Project
GLC	: Ground Level Credit
GOPP	: Goal Oriented Project Planning meeting
KVK	: Krishi Vigyan Kendra
LDM	: Lead District Manager
NABARD	: National Bank for Agriculture and Rural Development
NGO	: Non-Governmental Organisation
NREGA	: National Rural Employment Guarantee Act 2005
PLI	: Prime Lending Institution
PMRY	: Prime Minister's Rojgar Yojana
REDPs	: Rural Entrepreneur-ship Development Programmes
RNFS	: Rural Non-Farm Sector
RUDISETI	: Rural Development and Self Employment Training Institute
SGSY	: Swaranjayanti Gram Swarajgar Yojana
SHG	: Self Help Group
SLPCGC	: State Level Project Co-ordination and Guidance Committees
VVV	: Vikas Volunteer Vahini

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Executive Summary

Rural Non-Farm Sector (RNFS) promotion in the country has followed an integrated approach famously known as India model and has been replicated in many developing countries. The model envisaged providing package of interventions or 'cradle to grave services'. NABARD has launched its flagship RNFS promotion programme District Rural Industries Project (DRIP) in 1993-94, following similar approach, in 6 pilot districts which has been extended to 106 districts across the country. The philosophy of the project consists of *focussed attention, systematic planning, participatory process, coordinated efforts and credit plus approach*.

Coverage

NABARD has conducted a series of evaluation studies of DRIP in several districts fulfilling its commitment as the project coordinator from time to time. During 2007-08, it conducted evaluation of DRIP in six districts, viz., Ambala (Haryana), Bankura (West Bengal), Bargarh (Odisha), Medak (Andhra Pradesh), Thrissur (Kerala) and Udaipur (Rajasthan). The present paper meta-analysed the data given in study reports to get a comprehensive view of impact of DRIP. Besides, other studies on DRIP conducted earlier were also consulted while drawing conclusions. This paper did not merely aim at putting findings of individual studies together. Rather it relooked at the available evidence to draw firmer conclusions than what was possible from any one single report. The data available from different reports were made comparable by making necessary adjustment and recalculating wherever needed. Besides, the paper also discussed certain methodological issues that may hopefully help design evaluations for similar projects in future.

Impact

The impact of DRIP was measured in terms of three indicators i.e., growth in ground level credit (GLC) to RNFS, growth of new enterprises and growth in NABARD's refinance to RNFS. A limiting case of *time series design with non-equivalent comparison group model* is used for assessing the impact.

Udaipur (Rajasthan) recorded significantly positive growth of 4.41 per cent per annum compared to a negative growth (decline) of 10.62 per cent. Haryana also showed statistically significant difference in growth reflecting the positive impact of DRIP on RNFS GLC growth. While in

West Bengal DRIP district was way behind non-DRIP district in terms of inflow of GLC to RNFS, the growth differences were not significant in case of Odisha, Andhra Pradesh and Kerala. Thus, there is no conclusive enough evidence about the positive impact of DRIP based on the studies reviewed. Juxtaposing growth in GLC with key infrastructural indicators, brought out that focussing on districts with higher share of artisans in total workers may yield good results. That is, occupational distribution and gender specific demographics have to be taken into account while drawing the RNFS plan at DPS and GOPP stages which has not been done at present.

Another dimension is the problem of attribution. That is, even where noticeable step up in GLC or any other criterion was found, the same could not be attributed to DRIP. The implementation went haywire in all the districts for a variety of reasons and for want of missionary zeal. The programmes conducted could nowhere touch sizeable segment of the district population to cause even a flutter.

Implementation Issues

All the studies indicated that the basic philosophy of DRIP has not been adhered to in spirit while implementing the programme. The coordination meetings did not take place at the desired periodicity and effectiveness. Awareness programmes could touch miniscule proportion of the district functionaries and population. Similarly, the promotional programmes were not conducted on a desirable scale to make a difference. Also, DRIP could not create any infrastructure - social or physical - that could be helpful in promoting RNFS in the district on a continuing basis.

As a philosophy DRIP attempted to supply the missing inputs in RNFS promotion, namely, planning, coordination, focussed attention and participatory process. There is no problem in the philosophy as such and there cannot be any two opinions about the need for such approach. However, this approach could not be effectively put into practice due to:

1. Non-adoption of DRIP plan by the stakeholders due to divergence of interests of stakeholders from that of DRIP and lack of clear cut jurisdiction and accountability
2. Lack of integrated data management practice for monitoring the RNFS economy and improper MIS

3. Poor programme delivery mechanism and lack of flexibility
4. Focus on district and all sectors as a whole thereby spreading the resources thinly
5. Lack of serious efforts to spread the concept and awareness about the project, inadequate understanding of the RNFS and location specific problems and prospects
6. Difficulty in achieving coordination among stakeholders
7. Lack of provision for creating social or physical infrastructure
8. Too many interventions to allow any focus

Future Strategy

The future strategy should focus on identifying engines of growth, conducting supply chain diagnostics to identify strategic interventions, building flexible institutional coalitions for implementation. In fact, DRIP tried to do all these through Detailed Potential Survey, Goal Oriented Programme Planning (GOPP) and Project Coordination and Guidance Committee (PCGC), etc. However, what lacked were professional project management/delivery mechanism and missionary zeal. A few suggestions emerging from this paper are given below:

1. Spread the concept and the philosophy widely across using mass media including cable TV.
2. Giving lot of exposure/orientation to district functionaries
3. Break RNFS into distinct segments and make a particular agency accountable
4. Build in a few specific key incentives for the project district/ area to make a difference.
5. Provide for data management and MIS in the project design
6. Focus on smaller area within the district and work upwards. Within each district find engines of growth and plan around them.
7. Work around clusters and the growth poles (cluster of clusters) as suggested by NCEUS.

8. Strengthen programme delivery.
9. Create adequate training infrastructure.
10. Universalise RNFS training by introducing certificate and diploma courses through say, Indian Institute of Banking and Finance (IIBF), Mumbai. Target bankers and other functionaries by offering incentives to the successful candidates.
11. Much needs to be done to onset affordable technologies and make them accessible to the entrepreneurs.
12. Efforts are needed to educate micro-entrepreneurs on how to organise themselves into groups or clusters to help reap economies of scale.

This paper also suggests agenda for future research. Notably, it suggests: studies on use of GIS for spatial planning, panel studies on the pattern of ICRISAT's village studies to capture cross section and time series patterns in sustainable RNFS development, evaluation of institutional alternatives, rural hubs, policy options like impact of incentives, interest rates, etc., impact of NREGA, evaluation of alternatives in organising micro-enterprises.

CHAPTER - I

Background

Rural Non-Farm Sector (RNFS)¹ has a highly variegated terrain that poses a host of difficulties in promoting and financing the sector. Credit is often singled out as a constraint for the development of this sector (NCEUS, 2007, Government of India, 2010). Credit agencies, on the other hand, claim that they do not find credit-worthy entrepreneurs for extending financial support. While there may be some truth in both these arguments, the reality lies in the fact that RNFS is not well understood by the bankers as well as the government/non-government organizations which spend lot of manpower and other resources towards promotional support to the sector. This lack of understanding is at the heart of the tardy progress in the expansion of the RNFS in number, diversity and quality. As a result, in spite of the avowed intent in the promotional policies and programmes, the sector remained an 'institutional orphan' (Haggblade et al, 2007). RNFS has been approached from different perspectives i.e. from point of view of agricultural growth linkages, rural non-farm employment, household livelihood and regional development. This difference in perspectives followed by different stakeholders in their efforts in promoting the sector could be one reason for the absence of shared understanding and the lack of convergence in the approaches.

Over the last six decades, tremendous efforts have been focussed on promotion of rural non-farm sector throughout the world. India and China have been the leaders inspiring several developing countries to follow their strategies. India model of developing small enterprises has, in fact, been exported to many countries. It essentially involves a programme of integrated support that focuses on stimulating growth in modern small enterprises. Formulated during 1960s, the India model offered 'cradle to grave' support to firms consisting of initial feasibility studies, entrepreneurship training, technical support, common facilities, provision of infrastructure facilities, finance, etc. Over time, small enterprise promotion has undergone a radical transformation and deviated from the India model towards new paradigms emphasising a single input, a drive for full cost recovery and persistent, pragmatic cost cutting in pursuit of focus and financial

1 This is also referred to as Rural Non-Farm Economy (RNFE).

sustainability. Thus, there exist two broad groups one comprising minimalist credit advocates and the other of proponents of refined methods for cost-effective delivery of business development services other than credit (Haggblade et al, 2007).

In India, however, the India model is still followed in the promotional efforts even today. District Rural Industries Project (DRIP) a flagship RNFS Promotional Programme of NABARD also was conceived on the same lines as an area approach aiming to bring in the necessary synergies and coordination. DRIP, launched in 1993-94 with an objective of creating sustainable livelihoods through credit, was designed to offer a new approach to RNFS promotion. And, thus, the project raised many hopes. The programme was implemented in 106 districts including 6 pilot districts (List given in Annexure Table 1). During its implementations over last 15 years several rounds of feedback was obtained through monitoring, mid-term and terminal evaluation studies. This paper is an attempt to collate the information obtained from these studies, especially 6 recently concluded ones, to meta-analyse the project impact. Needless to say, the attempt will be to document the experiences and lessons learnt during the project period. The ultimate aim of this paper is not so much to discuss the nitty-gritty of the DRIP and its implementation per se. The real effort here is to draw lessons from the experiences which have immense value for NABARD and other agencies managing similar projects in a multi-stakeholder environment.

The objectives of the paper are:

1. to highlight the objectives of and expectations from DRIP;
2. to examine if DRIP is successful in creating awareness about RNFS among bankers, potential entrepreneurs, etc., and in forging coordination in the multi-stakeholder setting in the district;
3. to examine if DRIP has attracted and influenced performance of non-DRIP RNFS promotion programmes/interventions, not specific to DRIP;
4. to study the impact of DRIP on GLC, growth of RNFS units, performance of activities; and,
5. to isolate important lessons from implementation of DRIP and suggest alternative approaches and strategies better suited for multi-stakeholder driven programmes.

CHAPTER - II

Analytical Framework

This section describes the analytical approach followed in evaluating the DRIP besides elaborating on the data sources used in this paper.

Data Base

The data base for the present paper consists of six evaluation studies done in six DRIP districts from Northern, Western, Eastern and Southern regions of the country. Apart from these, a couple of other evaluation studies conducted earlier were also consulted. These evaluations were conducted as part of the commitment of NABARD as the coordinating and implementing agency for DRIP. The details of main studies reviewed have been given in Table 2.1.

Table 2.1. Basic details of the studies reviewed

Region	District/State	Phase	Date of Launching	Period of implementation
North	Ambala, Haryana	IV (2001-02)	March 2002	March 2002 to Feb 2007
East	Bankura, West Bengal	III (2000-01)	24 March 2001	2001-02 to 2005-06
East	Bargarh, Odisha	II (1999-2000)	16 December 1999	1999-00 to 2004-05
South	Medak, Andhra Pradesh	III (2000-01)	29 March 2001	2001-02 to 2005-06
South	Thrissur, Kerala	IV (2001-02)	2002	2002-2003 to 2006-07
West	Udaipur, Rajasthan	II (1999-2000)	01 April 1999	1999-00 to 2004-05

The studies depended, for their data needs, on ground level credit as available from SLBC, DDMs and LDMs of their respective states/districts. There were problems in getting reliable data on progress of financing RNFS units. There were sudden and inexplicable jumps in the number of units financed and credit quantum thereof. Also, there were inconsistencies in data given by DDM, LDM and SLBC on the same parameters (Satyasai and Chandra, 2009). Data on RNFS units were collected based on primary survey and summary measures were presented in the reports. The same were used after due adjustments to make them comparable for this paper. Lot of valuable information

was also presented by the study teams in their reports based on their interactions with various officials and stakeholders. This proved valuable for this paper.

The reference year of the studies listed in the table above is 2006-07. Besides these studies, three more studies, one mid-term evaluation in Tirunalveli district of Tamil Nadu (NABARD, 2003) and two terminal evaluation studies in Kurnool district, Andhra Pradesh (NABARD, n.d.) and Ganjam district, Odisha (NABARD, 2002) were also used for drawing inferences.

Since this study draws on half a dozen studies conducted in diverse locations and by different scholars, inferences need to be drawn with due care keeping in view the approaches followed in the studies. To the extent data supports, we attempted to recalculate important parameters to make them comparable. We summarized the focus and approach followed by these studies in measuring the impact of DRIP in Table 2.2 so as to give the readers proper perspective about the studies.

Table 2.2. Methodological approaches followed in the evaluation studies on DRIP

Study	Focus	Approach	Sample RNFS units covered	Remarks
Ambala, Haryana	Impact of DRIP, implementation of DRIP and Economics of RNFS investments	GLC growth in RNFS taken as main indicator of impact. Both 'pre & post' and 'with & without' comparisons done. Implementation of major interventions documented.	80	
Bankura, West Bengal	-do-	-do-	50	
Bargarh, Odisha	-do-	-do-	74	25 REDP trainees and one rural haat were covered.

Study	Focus	Approach	Sample RNFS units covered	Remarks
Medak, Andhra Pradesh	Impact of DRIP, implementation of DRIP, methodological issues in measuring impact and lessons for multi-stakeholder projects	GLC growth in RNFS taken as main indicator of impact. Instability of GLC around mean also examined. Both 'pre & post' and 'with & without' comparisons done. Implementation of DRIP and non -DRIP interventions & their impact studied in depth and was linked to impact on GLC. All districts data pooled for examining impact using regression framework.	8	10 REDP trainees, 6 ARWIND trainees were also covered
Thrissur, Kerala	Impact of DRIP, implementation of DRIP and Economics of RNFS investments	GLC growth in RNFS taken as main indicator of impact. Both 'pre & post' and 'with & without' comparisons done. Implementation of major interventions documented.	62	
Udaipur, Rajasthan	-do-	-do-	80	
Ganjam, Odisha	Impact of DRIP, implementation with special focus on PLI trainings and comparative economics of RNFS investments	GLC growth in RNFS taken as main indicator of impact. Both 'pre & post' and 'with & without' comparisons done. Implementation of DRIP interventions especially PLI studied in depth. RNFS units in DRIP and non-DRIP districts compared.	120 (90 from DRIP district and 30 from non-DRIP district)	
Tirunalveli, Tamil Nadu	Impact of PLI training	With and without PLI branches are compared and impact measured as difference between the two types of branches	80	8 bank officers who underwent PLI training, 20 REDP trainees also covered
Kurnool, Andhra Pradesh	General impact of DRIP, economics of RNFS activities	General discussion with economics of RNFS investments covered.	40	

Most of these studies in general were weak on analytical framework with more focus on the economics of RNFS investments and less focus on the evaluating DRIP as a project. Lack of sufficient data on the project expenditure and implementation was one reason for this. The other reason was that the commonly used methods of project evaluation cannot be applied for the task in hand due to problem of measurability of the costs and benefits from the project components. There are certain methodological issues which need elaboration before we proceed.

Analytical Approach

The evaluation of promotional projects like DRIP poses several problems. Evaluation issues are of two types: Programme theory issues (rationale and alternatives) and programme results issues (achievement of objectives, impacts and effects). The latter poses two major types of problems for analysis: (a) measurement problems and (b) attribution problems (Treasury Board of Canada, Secretariat, 1998).

Difficulty in getting reliable data, fungibility of enterprise assets as the funds obtained are used for a variety of uses by the entrepreneur, problem in defining the project being evaluated, determining the right 'control' or 'without' project situation, problem of measuring costs and benefits as also comparing them are a few of methodological problems. We attempted here to present the evaluation results of the project from six studies by following a common approach in measuring the impact. Some of the problems mentioned above, however, could not be taken care of and hence, the results should be taken with due caution. The main problem encountered is the data availability and reliability in the absence of a well thought out system of data management.

More important than the problems mentioned above is the conceptual understanding of what constitutes the impact of DRIP. In case of investments that are usually evaluated, we have an investment that involves initial investment in capital assets as well as operation and maintenance costs. Similarly, we may have additional benefits compared to the pre-investment situation. Thus, the impact is measured in terms of annual net cash flows using the following relation:

Impact = Incremental returns during the year

= Additional returns during the year (Y) minus additional costs during the year

$$= \{Y_1 - Y_2\} - \{C_1 - C_2\}$$

The impact measured as above, then, can be used along with the investment cost, after due discounting, to estimate net present value (NPV), internal rate of return (IRR) or modified IRR. Impact can also be measured in terms of qualitative parameters. But, these measures can give only the direction of the impact and not the magnitude.

Second set of problems relate to attribution, the more difficult but most important issue to address. It is important from policy point of view to determine if the success (or failure) of the programme is due to the theory of the programme, its implementation or both. Often the differential progress in the present area may be due to factors unrelated to the programme itself. However, DRIP is not an investment in a single item to apply known evaluation models and techniques. It has several individual components like conduct of detailed potential survey, entrepreneurship training, capacity building for Prime Lending Institutions (PLIs), cluster approach, technology transfer and the like. Most of these components entail cost without any commensurate, tangible impact and immediate benefits. For example, strategy meets at district and state levels are expected to sensitise the key players and commit them to some coordinated action plan. The benefits here are intangible and, as we know, it is not easy to change mind-sets in a short interaction.

RNFS promotional interventions like cluster development, REDP, ARWIND etc., have been implemented in DRIP as well as non-DRIP districts. The costs incurred in DRIP districts for implementing the programmes should be duly reckoned with in this context. However, since full details of such costs are not available, we discussed the costs wherever possible. The benefits from DRIP are due to two categories of interventions, viz., those specifically designed as part of DRIP and those which have been common to all districts.

Thus, impact of DRIP in DRIP district = Impact due to DRIP related interventions + impact due to general (not linked to DRIP) RNFS programmes Thus, the measurement of impact of DRIP as a difference

in impact indicators between DRIP and non-DRIP districts will lead to improper association of impact.

Then, we chose to follow the 'before and after' DRIP approach. This approach too is not without problems of measurement, for it is very difficult to ascribe the entire differential to DRIP intervention. In fact, some of the changes that occur in the district may be in response to the policy interventions and other contemporaneous developments outside the purview of the DRIP. That is, part of the impact measured as the simple difference using before and after approach may, in fact, would have been there independent of DRIP. Thus, we measured impact as below using a limiting case of *time series design with non-equivalent comparison group model*.

Situation	Before DRIP[@]	After DRIP	Growth rate
DRIP District	D ₀	D ₁ , D ₂ , D ₃ , D ₄ , D ₅	Growth (D ₀ ~ D ₅) = G _D
Non-DRIP district	N ₀	N ₁ , N ₂ , N ₃ , N ₄ , N ₅	Growth (N ₀ ~ N ₅) = G _N
Impact			G _D -G _N

@ In case of Rajasthan short time series for pre-DRIP period also were used.

The difference in growth rates in DRIP and non-drip district is taken as the net growth due to DRIP.

∴ Growth rate in RNFS due to DRIP = A measure of impact of DRIP on growth of RNFS

$$= G_D - G_N$$

G_D = growth rate of RNFS in DRIP district, and,

G_N = growth rate of RNFS in non-DRIP district, which is taken as proxy to impart of non-DRIP initiatives and the contemporaneous growth during the DRIP period. The difference in growth rates is tested for statistical significance using dummy variable technique.

We took the Goal Oriented Project Planning (GOPP) based on the Detailed Potential Survey (DPS) conducted before the launch of DRIP as the bench mark for comparing the achievement vs. the envisaged. In the same count, we also compared the actual roles played by

various agencies involved as against their envisaged role. Since, such information is not available uniformly across the individual study reports; we presented whatever information available with us.

Another issue here is to understand the impact of DRIP on the performance of RNFS units. Earlier studies on DRIP covered detailed economics of the RNFS units in the DRIP district and no valuable inferences could come out of this exercise that can tell us about the impact of DRIP on the performance of RNFS units in the absence of control sample from non-DRIP district. NABARD (2002), however, attempted to compare RNFS units in DRIP and non-DRIP districts of Odisha and concluded that the level of technology, pattern of investment and income generation of RNFS activities in both the districts were almost similar. An entrepreneur in a DRIP district, *a priori*, can benefit vis-à-vis his counterpart in a non-DRIP district, if he gets (1) subsidy, (2) special concessions in terms of tax, (3) procedural simplicity and priority in sanctions and approvals due to DRIP, (4) additional loan amount over and above the general scales of finance, (5) marketing support through organised network (6) additional training avenues, (7) additional flow of funds for infrastructure through channels like RIDF, Watershed Development Fund, etc., on priority, (8) several or all of the above. However, no such preferential treatment was accorded to RNFS in the DRIP district by design. This must be the reason why RNFS units in DRIP and non-DRIP districts did not show any differential performance. We will elaborate the economics of the units from various reports and also on the comparative data as available in NABARD (2002).

To sum up, impact of DRIP is measured in terms of the following indicators:

- Growth in GLC to RNFS
- Growth in NABARD's Refinance to RNFS
- Growth in number of enterprises during the period

For analysis of the data collected, we used the common statistical tools for summary analysis and hypothesis testing like tabular analysis, t-test, correlation, regression, etc. Apart from these, we computed exponential growth rates using the form,

$$Y_t = Y_0 e^{bt}.$$

The estimated semi-log form derived from this specification is:

$$\ln Y_t = \alpha + \beta t$$

Growth rate is computed using the expression $(\hat{\alpha}-1)*100$.

The variation in the series was measured using coefficient of variation (C.V.) which is the ratio of standard deviation to mean expressed as percentage. However, since the time series on refinance and ground level credit (GLC) have an element of trend, we used de-trended C.V. to net out the trend element from C.V. by using the relation

$$\text{De-trended C.V.} = \text{C.V.} (1-R^2)^{1/2}$$

CHAPTER - III

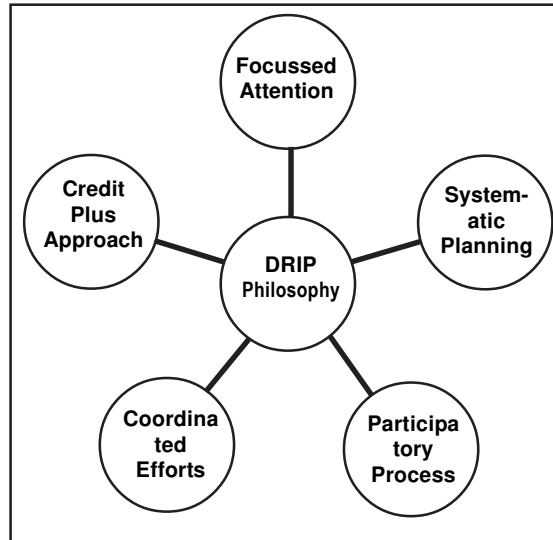
Drip Philosophy And Approach

Objective And Philosophy

The philosophy of DRIP has five components as given in Figure 3.1. The development of RNFS through DRIP has the major objectives of:

- Generating employment opportunities on a sustainable basis in the rural areas through credit intensification for RNFS with complementary promotional support.
- Development of RNFS through enhancement of Ground Level Credit in collaboration with project partners viz., State Govt., Banks, NGOs, Voluntary agencies etc.

Figure 3.1 Philosophy of DRIP



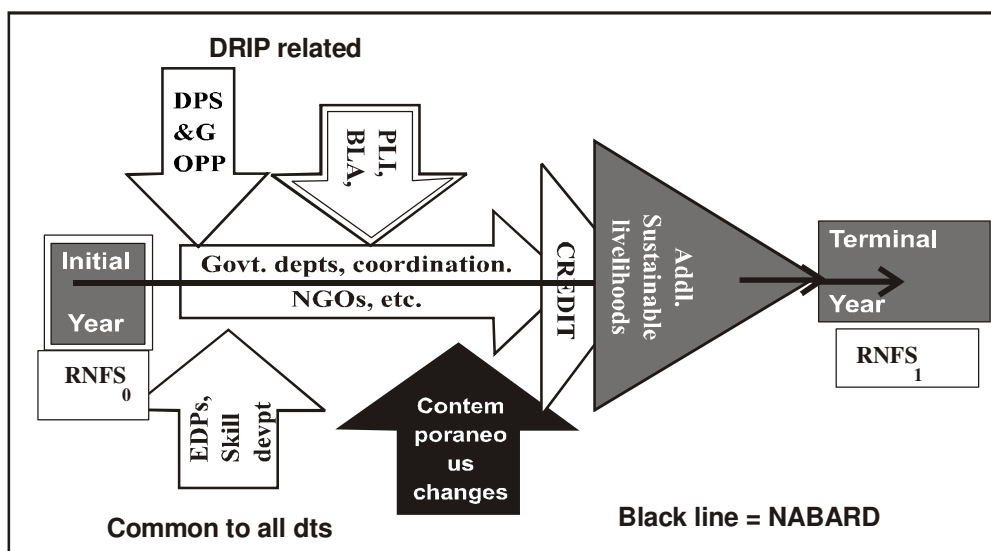
The salient features envisaged in the District Rural Industries Project (DRIP) reflect its philosophy. Major ones are as follows:

- A participatory programme of State Government, Banks, NGOs and Development agencies for credit intensification towards development of RNFS.
- Bring about the convergence of experience, energy and resources of all the project partners to harness potential for rural development.
- Provide realistic assessment of potential for growth of RNFS and gearing up of the entire district machinery for rural development.
- Facilitate adequate, timely, qualitative and need based credit support through banking channels for setting up of new units as well as for expansion / modernisation of existing units.

- Envisage promotional, infrastructural and linkage support from various projects.
- A flexible programme open to adoption of new ideas and innovations.

The approach followed in DRIP can be represented schematically as shown in Figure 3.2.

Figure 3.2. Schematic diagram of approach of DRIP



The objective is to take the number of RNFS units from RNFS₀ existing at the start of the programme to RNFS_t at the end of the project period. NABARD's efforts are represented as a black line pruning throughout supplemented by efforts of government departments, NGOs etc. The efforts of these are to be buttressed by promotional interventions and credit flow leading to establishment of more enterprises and in turn, additional sustainable livelihoods/employment. There may be some externalities (like policy changes) affecting the process of creating livelihoods during the project period.

Interventions Under Drip

Thus, the project is implemented in a multi-stakeholder environment. The stake holders are RNFS entrepreneurs (present and potential), financing agencies (formal and informal), line departments/government agencies, developmental and coordinating agencies like

NABARD, DIC, DRDA, etc. A stakeholder is a person/agency which has a role to play in the project, actively or otherwise. The stakeholders in DRIP are indicated in Figure 3.3. The project has different components for different stakeholders. NABARD played a crucial role as the initiator/facilitator in the implementation of DRIP throughout.

I) Pre - launching stage

The steps initiated in the pre-launching stage of DRIP include the following:

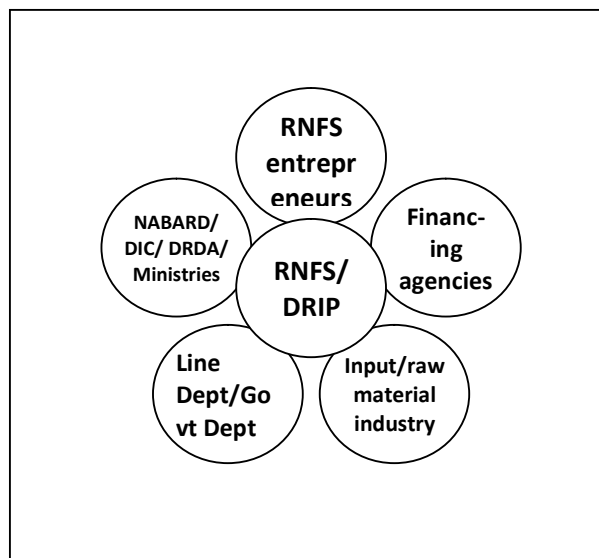
- Identification of district and seeking concurrence of the State Government
- Ensuring Conduct of Detailed Potential Survey (DPS) for mapping out industrial potential block-wise and activity-wise and chalking out DPS action plan with identification of sectors having high, medium, low potential etc.,

II) Post - launching stage **Figure 3.3. Stakeholders in RNFS/DRIP**

The steps launched in the post-launching stage include the following which can be classified under three heads focussing on different stakeholders and goals.

Planning, Monitoring and Coordination

- Multi - partner Project Planning through **Goal Oriented Project Planning (GOPP)**



workshop-to culminate self-target action plan with specific output indicators like credit requirements, number of units likely to be set up, employment generation and identification of action areas - fine tuning of **Detailed Potential Survey (DPS)** Action Plan with consultation of each project partner.

- Convening the **District level Project Coordination & Guidance Committee (DLPCGC)** meetings at quarterly interval under the chairmanship of the District Collector to coordinate / oversee and guide the project partners to ensure effective implementation.
- Convening the **State level Project Coordination & Guidance Committee (SLPCGC)** meetings at half-yearly interval under the chairmanship of the Secretary, Industries Dept. of State Govt. to coordinate/ oversee and guide the project.

Stakeholder Training/Orientation: Focus on Bankers

As objective of project viz., credit intensification cannot be achieved in absence of a strong, vibrant and responsive credit delivery system, various training / sensitisation programmes are organised for banks, some of which are enumerated below:

- Conduct of **Training Programmes for Primary Lending Institutions (PLIs)** - a three day programme organised with a view to sensitise and equip field level bank staff for undertaking financing under NFS - covering various aspects of NFS financing including balance-sheet analysis, ratio analysis, field visits etc.
- Refresher programmes for PLI trainees - to appraise the bank officials with the new developments and reinforce their role in implementation of the project.
- **Orientation Meets for banks** giving inputs on Non-Farm Sector Development.
- Organising **Strategy / planning Meets** at block level through **Block Level Awareness Programmes** with the objective of creating necessary awareness in field level staff of banks and line departments of State Government about the project.
- **Orientation Meet for senior officers** of Banks for sensitising them on DRIP and role expected of them.
- **Gender Sensitisation Programme** for Banks / VAs / NGOs with the objective of increasing credit flow to women

Stakeholder Training/Orientation: Focus on Others

- **Sensitisation Programme** for VAs/NGOs for development of NFS
- **Awareness meets** with VVV clubs / KVKs of the functionaries of Project Partners for creating awareness about the project with a view to involving them in NFS activities
- **Meets with NGOs / Trade Bodies**

The implementation of DRIP in all the six sample districts followed the same procedure though a number of specific interventions varied from district to district. Major interventions, components and their implementation are discussed in Table 3.1 and the progress in the study districts is discussed in Table 3.2.

Table 3.1. Interventions under DRIP

S. no	DRIP Intervention	Objective	Stakeholders involved	Remarks
1.	District Potential Survey (DPS)	to identify the potential areas/activities which could be addressed systematically during the subsequent five years of implementation	Banks, DIC, State Govt. Line Departments and KVIC and NGOs	The surveys were carried out / conducted in house by the National Bank Staff College (NBSC), Bankers' Institute of Rural Development (BIRD) and Department of Non-Farm Sector (DPD-NFS) with active support from NGOs with full/part involvement of outside agencies
2.	Goal Oriented Project Planning (GOPP)	to help in creating awareness and mobilizing opinion of all the stakeholders; to identify potential rural activities; to formulate strategic operational plan for five years; to trace the road map for the project	Banks, DIC, State Govt. Line Departments and KVIC and NGOs	conducted with assistance from the Faculty members from Training Centres of NABARD

S. no	DRIP Intervention	Objective	Stakeholders involved	Remarks
3.	District Level Project Co-ordination and Guidance Committee (DLPCGC)	to review the progress of DRIP on a more regular basis	District Collector as Chairman and NABARD DDM as Convenor. Members are: Additional District Collector / Commissioner, GM (DIC), Project Director (DRDA), representatives from KVIC, Deputy RCS, LDM, LDO (RBI), Secretary (DCCB), Chairman (RRB), representatives from Industries and prominent NGOs	Attendance was satisfactory. No serious business discussed and no follow up.
4.	State Level Project Co-ordination and Guidance Committee	to monitor / guide the implementation of DRIP in districts	Senior Govt. officials	Difficulty in convening meetings. Every meeting was attended by different personnel to ensure any continuity of action.
5.	Block Level Awareness Meets (BLAM)	to sensitise on the essence of DRIP and brief about latest developments in NFS financing	block level bank officials / VAs / NGOs	Could not cover enough numbers.
6.	Primary Lending Institutions (PLI) Training Programmes	to sensitise and improve the capacity of the branch level officials to undertake the financing of the NFS activities	officials of the PLIs (banks)	The faculty support for the same was provided by the Training Establishments of NABARD. Getting good attendance was a problem.

S. no	DRIP Intervention	Objective	Stakeholders involved	Remarks
7.	Orientation / Sensitisation Meets for Senior Officers of Banks, Govt. Functionaries	to familiarize them about the essence of DRIP and the means to achieve the goals set	senior officers of banks / voluntary agencies	—
8.	Sensitisation Meets for Banks / VAs / NGOs	to sensitise	NGOs and Voluntary Agencies	—
9.	Planning Workshop	to chalk out the DRIP Action Plan to be implemented by all agencies in a coordinated manner so as to avoid overlapping the same in the Service Area Plans	all agencies involved in credit planning	—
10.	Meet with NGOs and Trade Bodies	to bring NGOs and Trade Bodies together so as to facilitate the marketing of various products	NGOs and Trade Bodies	—
11.	Product Development Workshops (PDWs)	to train / enrich the participants on the latest developments in the design of the product	Entrepreneurs	—
12.	NFS Orientation Meets	to orient about the importance / relevance of the NFS financing in rural areas	bankers and other functionaries	—
13.	Gender Sensitisation Meets	to impress upon the bankers about lending to the women	bankers	—
14.	Integration Meets	to impart awareness about the role and services provided by different agencies to bring in coordination	staff from different agencies	—

Table 3.2. Performance of selected districts in implementing DRIP interventions over 5 years

S. No	DRIP Intervention	Ambala, Harayana	Bankura, West Bengal	Bargarh, Odisha	Medak, Andhra Pradesh	Thrissur, Kerala	Udaipur, Rajasthan#
1	District Potential Survey (DPS)	Details not available	1	1	1	1	1
2	Goal Oriented Project Planning (GOPP)		1	1	1	na	na
3	District Level Project Co-ordination and Guidance Committee (DLPCGC)		5	18	6	11	12
4	State Level Project Co-ordination and Guidance Committee		1	2	4	na	na
5	Block Level Awareness Meets (BLAM)		15	20	19	41	8
6	Primary Lending Institutions (PLI) Training Programmes		8	15	6	7	2
7	Orientation / Sensitisation Meets for Senior Officers of Banks, Govt. Functionaries,		0	-	-	-	6
8	Sensitisation Meets for Banks / VAs / NGOs		26	11	22	6	21
9	Planning Workshop		-	1	1	-	-
10	Meet with NGOs and Trade Bodies		-	7	-	1	21
11	Product Development Workshops (PDWs)		6	6	-	3	1
12	NFS Orientation Meets		6	9	-	4	3
13	Gender Sensitisation Meets		0	9	1	5	-
14	Integration Meets		5	11	-	3	4

S. No	DRIP Intervention	Ambala, Harayana	Bankura, West Bengal	Bargarh, Odisha	Medak, Andhra Pradesh	Thrissur, Kerala	Udaipur, Rajasthan [#]
15	Block level Training Programme		6	-	-	-	-
16	Buyer-seller meet		10	-	2	4	5
	Total		90	111	63	86	84
	No of Programmes/year		18	22	12	17	21

data for 4 years

Expenditure Incurred on Implementation

The expenditure incurred in the implementation is not available for the study districts. In the absence of this it is difficult to compare the efforts with outcomes. Only Bargarh district study could give expenditure incurred on major programmes as given in Table 3.3. The total expenditure was Rs.4793 per programme and Rs.215 per participant. The staff costs borne by NABARD in implementing the project were not loaded to the expenditure. Thus, the costing needs a serious consideration.

Table 3.3. Expenditure and coverage details of DRIP interventions in Bargarh district, Odisha

Programme	No	No of participants	Expenditure (Rs)		
			Total	per programme	per participant
DLPCGC	20		46365	2318	
PLI	15	131	280500	18700	1109
one day orientation meets	5	129	19553	3911	152
Sensitisation meets	7	173	25003	3572	145
NGO/trade bodies	7	228	26177	3740	115
PDWs	6	302	11667	1945	39
NFS orientation meets	11	460	56740	5158	123
Gender sensitisation	9	378	49970	5552	132
BLAM	28	593	36092	1289	61
Integration Meets	8	68	3897	487	57
Total	116 ^{\$}	2462	555964	4793	215

^{\$} excludes one planning workshop for which expenditure details are not available

Monitoring The Programme

The monitoring of DRIP was done very intensively by NABARD Head Office, Regional Office and the DDM. An exhaustive set of returns were prescribed and were revised in 2004 changing the periodicity. The formats of returns can be seen in Satyasai and Chandra, 2009. The following returns were prescribed for monitoring the progress of the programme:

- i. MIS-I (Annual statement):** Gives month-wise break-up of activities planned to be conducted during the year. DDM has to submit the information by 10th day of April every year and RO in turn to furnish the said information by 15 April every year. However, the details of backlog of activities and the plan to accomplish the same in subsequent months to be incorporated in a separate column in MIS-II statement.
- ii. MIS-II (Quarterly statement):** Gives quarter wise, activity-wise achievements vis-a-vis plan along with the details regarding date, place, name of the agency, number of participants and expenditure incurred during the quarter. DDM will be required to furnish the information by 15 th of the succeeding month of the quarter ended to RO, and RO in turn to furnish the information to HO within 15 days thereafter.
- iii. MIS-III (Half yearly statement):** Gives activity-wise and Agency-wise breakup of ground level credit disbursed, number of units set up, employment generated during the half year. DDM will be required to furnish the information within the next quarter from the close of the half year to RO, and RO in turn to furnish the information to HO by 15th July / 15th January every year.
- iv. MIS-IV (Half yearly statement):** For reporting details of sector wise, refinance disbursements made during the half year. RO will be required to furnish the information to HO by 15th July / 15th January every year.

An MIS should ideally be simple, focused and accurate. It should not be too demanding on the time of the people from whom the information is to be collected and those who compile it. Importantly, it should contain critical indicators that reveal the health of the programme. Fast two-way transmission of information/decisions makes the MIS useful. For this use of information and communication technology is a must. Viewed from this perspective, the MIS for DRIP draws flak. First, the information needed, for example for MIS IV, is not readily available in the same format, in the district from LDM. However, DDM compiled the MIS returns with the available data from SAMIS and other sources. When the study team obtained activity-wise information from LDM, the same is not comparable with what DDM submitted. DDM has mentioned the problem of this problem in his project completion report for DRIP. Second, time schedule for submission of returns has lot of lax time considering the developments in the Information and Communication Technology (I&CT). Third, there is no mention of schedule for communication of feedback/decisions from RO/HO to DDM. After all, MIS involves two-way communication. Four, MIS returns are highly structured and more or less submitted regularly from the district and the study team did not get the impression that the returns are put to serious use at any level. Last, the MIS returns did not reflect the banking plan as approved by GOPP for monitoring its progress. Thus, the system did not reflect district specific monitoring needs.

Apart from MIS returns, regular feedback is exchanged between DDM and RO through normal correspondence. RO monitored the progress of refinance and GLC flow regularly and from time to time followed up with DDM. But, there are cases of avoidable, protracted correspondence on issues like venue for holding PLI trainings or long silence on proposals like DDM's request to RO for sensitising senior officials of banks located in Hyderabad. Information and decisions have travelled through long channels taking heavy toll on the programme. Ideally, the information flow should be quicker and the decision flow should be instant.

CHAPTER - IV

Non-drip Related Interventions

Realising the fact that all out efforts are needed to be directed towards facilitating development of First Generation Entrepreneurs (FGEs) which would lead to setting up of Small and Medium Enterprises (SMEs), certain programmes have been designed for this most important component of the project. These programmes guide, motivate and to a limited extent address the problem of marketing of the products brought out by entrepreneurs. These programmes were not exclusive to DRIP districts. There are over a score of such promotional programmes with different coverage and approach. List of these programmes along with their objectives, strategies and suggestions for revamping are listed in Satyasai and Chandra (2009). Out of them, four programmes implemented in the sample DRIP districts have been discussed in this section. The results presented here in this section, however, reflect the implementation of these programmes in the given district and do not speak of the programme performance in the state as a whole.

1. Rural Entrepreneurship Development Programmes (REDP)
2. Assistance to Rural women in Non-Farm Development (ARWIND)
3. Cluster Development Programme (CDP)
4. Rural Haat Scheme

1. Rural Entrepreneurship Development Programme (REDP)

Rural Entrepreneurship Development Programmes (REDP) aims to develop entrepreneurial and activity-oriented skills among the educated unemployed youth willing to set up small/ micro-enterprises. The ultimate objective is to create sustainable employment opportunities in rural areas. It is one of the major promotional programmes supported by NABARD over the last 15 years. NABARD has been supporting selected VAs / NGOs / RUDSETI type institutions to implement REDPs.

REDP is implemented in three phases.

- Phases I - Covers identification of the activity on the basis of raw materials available in the locality & market potential for the end

product, selection of a venue, identifying master craftsman and selection of candidates.

- Phase - II - In the second phase the training and skill imparting is given for a period of 6-8 weeks. The Project Monitoring Committee regularly monitors the progress of the programme.
- Phase III is the post training follow up by the facilitator for up to two years. The facilitator pursues the trainees for settlement, arranges for credit and market linkages to the trainees/groups.

The facilitators regularly appraise the progress of the programme to NABARD through prescribed formats. NABARD provides limited promotional assistance, maximum up to Rs.75,000 for a programme, to select agencies to meet recurring expenditures in conducting REDPs. It includes expenditures for survey to identify potential entrepreneurial activities, market, motivational campaign, publicity, selection process, stipend or lodging and boarding charges depending of merit, stationery, course materials, salary for trainers, honorarium and travel expenses to guest faculty, rent for training hall, hire charges for teaching aids, overhead costs for the agency, field visits and follow up meetings, escort services, etc.

The impact of REDPs is measured in terms of number of new enterprises created by the trainees, the type of emerging entrepreneurship and income generation. In fact, since the REDPs are covered as part of the DRIP study, the scope of enquiry is rather limited. Readers interested in detailed discussion on impact of REDPs may see Badatya and Reddy (2008) and Banerjee (2010).

A total of 35 REDPs were conducted in 6 sample districts i.e. Ambala (6), Bankura (2), Bargarh (8), Udaipur (7), Medak (6) and Thrissur (2). The programmes covered mainly the skill based and craft oriented activities like Handicrafts, Brass & Bell Metal, Dhokra Casting, Readymade Garments, Durry & Patti Making etc. and also repairing and maintenance of electrical & computer appliances, welding etc., (Table 4.1).

Table 4.1. Basic details about the REDPs conducted in DRIP districts

District	Number of REDPs#	Activities	Our Observations
Ambala, Haryana	6	Maintenance and Repairing of Electrical Appliances, Durry Making, Leather Goods, Repairing of Computer Hardware & Maintenance, Garment Manufacturing and Fashion Designing	REDPs could not be studied due to lack of records either with NGOs or NABARD RO.
Bankura, West Bengal	2	--	Could not study the programme.
Bargarh, Odisha	8	Handloom, Tie & Dye, Weaving, Readymade Garments, Brass & Bell Metals	Total of 210 trained during the DRIP period. Based on 3 REDPs studied, the programme appears successful due to success rate\$ of 80 % and average annual incremental income per trainee of Rs 9120. Amount disbursed was Rs. 3.57 lakh (88 % of sanction).
Medak, Andhra Pradesh	6	Tailoring, mirror work and embroidery, woollen knitting, mat and carpet weaving, wood work.	Total 157 persons trained during DRIP period under 6 REDPs with a disbursement of Rs 2.54 lakh (66 % of sanction). Total 10 planned during the DRIP period (5 years). Four conducted during 2001-02, 1st year of DRIP and 2 completed during 2002-03. Four were withdrawn/ time barred. Two REDPs studied (Tailoring and embroidery & mirror work) are not successful as hardly 2 have taken up the activity after training (see Badatya and Reddy, 2008, for evaluation results for Andhra Pradesh).
Thrissur, Kerala	2	Welding & Fabrication and House-wiring	These two are studied as they are successful. Success rate\$ is 96 to 100 per cent.

District	Number of REDPs#	Activities	Our Observations
Udaipur, Rajasthan	7	Soft Toys making, Blue Pottery, Food Processing, Handmade Paper Products, Vermicompost, Marble & Poly stone Toys	Total 160 persons trained. Only one out of 20 trained in handmade paper successful.

Number of REDPs conducted during the DRIP period is given here. It is not known how many planned, how many withdrawn in all the districts.

\$ proportion of trainees gainfully employed in own or others' units

The overall feedback on REDPs in the sample districts indicated the following:

- In spite of proper MIS, traceability of REDP trainees remains a problem.
- Wherever partnered with committed NGOs, the programmes were successful. And, getting good NGOs has been a problem in spite of the presence of a large number of them in the districts due to divergence of interests and conducting REDP and hand-holding being a long term commitment. Regular training establishments of RUDISETI type institutions would do better (Badatya and Reddy, 2009). DRIP package could have included establishment of a good set of such training establishments for conducting REDP, ARWIND, etc.
- Selection of trainees and activities is important as success heavily depends on it. For example, in Medak district, daily wage labourers were selected for tailoring, embroidery and mirror work which require patience and creativity to be successful. Tailoring trainees were not linked to any scheme for supplying sewing machine. Handmade paper REDP in Udaipur, Rajasthan stands as an example of wrong selection of activity which lacks market. Hardly one trainee out of 20 could take up the activity. On the other side, REDPs on welding & fabrication and House-wiring in Trissur, Kerala has been well received by trainees where success rate is almost 100 per cent.
- The demand for the products like handlooms depended, to a large extent on the style and design of the products and was subject to continuous change. The trainees who were not able to cope up with the trend were losing the business and hence discontinuing the activity or getting very less income.

- More important point is the scale of REDPs conducted can hardly make a ripple given the large number educated and uneducated unemployed youth in the districts. Large scale training coverage is needed.

2. ARWIND (Assistance to Rural Women in Non-farm Development)

The main objective of Assistance to Rural women in Non-Farm Development (ARWIND) is to organize rural women into compact groups for training in entrepreneurship, skill upgradation, etc. and enabling them to set up own enterprises individually or in groups with credit and linkages support from banks/ voluntary agencies/ NGOs with grant assistance from NABARD.

Barring Medak district no other DRIP district studied reported implementation of ARWIND. Three programmes conducted in Medak district of Andhra Pradesh, trained a total of 75 women in Hand and Machine Embroidery with an overall expenses of Rs1.10 lakh. Of the 25 trained women in Kuknoorpally village studied, 10 were continuing the activity. Average income per successful trainee from the skill acquired was around Rs 2000 per month. The income, thus, justified the training costs and efforts of Manjira Grameen Bank (renamed as Andhra Pradesh Gram Vikas Bank, APGVB, after the merger).

The scale is a problem as training about 75 women in three villages cannot make any dent to RNFS. Also, the justification for having separate programme like ARWIND when REDP is already there is hard to find.

3. Rural Haat

Under Rural Haat Scheme, implemented since 1999, assistance is provided to Panchayats/PACS for setting up of a Rural Haats which are integral part of the rural market system for marketing both farm and non-farm products. The norm was to extend assistance to two Gram Panchayats in each DRIP district to the tune of Rs 3 lakh² per Haat or 90 per cent of the cost. Amount beyond Rs 3 lakh needed for shops with shutters is extended as soft loan repayable in 5 to 7 years, including 1 year grace period, in half yearly instalments. The performance of the Rural Haat Scheme in the sample DRIP district is given in Table 4.2.

2. The quantum of assistance has now been raised to Rs. 5 lakh.

Table 4.2. Status of Rural Haats in Sample DRIP Districts

S. no	Particulars	Bargarh	Medak	Udaipur
1	No. of Haats	1	2	1
2	Name of the Haat	Chakerkhendi	Mirdoddi & Khajipur	Mavli
3	Amount of Assistance from NABARD per Haat (Rs. Lakh)	2	1.6	1.96
4	Cost of investment (Rs Lakh)	2.5	2.0	2.46
5	Periodicity	Weekly Once	Weekly Once	Functioning only once in a year to host the Animal Fair
6	Types of Infrastructure	Raised Platforms, Boundary Wall, etc.	Raised Platforms, Boundary Wall, Toilets	Raised Platforms, Sheds, Water tank
7	Number of Sellers	100-120	100	750 temporary shops
8	Number of Buyers	1000-1200	500	70000
9	Income to GP (Rs/annum)	4500 on contractual basis	4500 on contractual basis	65000
10	Quality of Infrastructure	Not up to Mark	Poor quality	Reasonable

The number of buyers and sellers participating in the transaction in the market increased compared to the pre-intervention period which improved the turnover. Even though a lot of initiatives were taken to extend assistance for rural haat in the other sample districts i.e. Ambala, Trissur and Bankura, the same could not materialise. It is perplexing to note that applications are not forthcoming in spite of the reasonable level of assistance. Notably, one of the study reports questions whether the scheme can produce any extra benefits in terms of market expansion just by providing cement platforms and pucca roofs as weekly rural haats have been functioning in rural areas all along with make-shift arrangements. This question assumes validity when some of the new haats, as reported by a few studies, are not occupied or fully utilised for a variety of reasons including the location being farther from the existing one. The Mavli haat in Udaipur, for example, is used once in a year for cattle fair, though the income is sizeable enough to give good returns from the investment of

Rs.2.46 lakh. Also, a few haats suffered from poor quality of construction.

Further, in view of the low quality of infrastructure provided in the haat, some serious question sometimes comes up about the overall sustainability of the scheme as a whole.

4. Cluster Development Programme (CDP)

Cluster Development Programme aimed to develop at least one cluster in each DRIP district amongst the clusters identified in the DPS so as to avail sustainable competitive advantage through technology upgradation/transfer, market support, raw material access, skill upgradation, managerial inputs, credit support, etc. DRIP envisaged the adoption of Cluster Approach through preparation of Cluster Profiles, organisation of Product Development Workshops, Integration Mets, etc. in the DRIP district. The development in this aspect in the sample DRIP districts is rather dismal.

Medak district experience with Sivanagar (Jinnaram mandal) leather cluster the CDP was not encouraging as it could not take off in spite of lot of the spade work including diagnostic study (in 2003) and several rounds of discussions. But the issues like non availability of finance to tanners for building worksheds in the allotted plots, lack of sponsors for providing transformers, non-acquisition of clearances from Pollution Control Board, lack of incentive to the tanners for moving out of their original place (courtyards of their houses) of operations made the programme a non-starter.

In Bargarh district handlooms is a major activity providing substantial employment opportunities. The sector, however, suffered from several problems on production, technology, finance and other related fronts. While a formal cluster could not be developed in the district under NABARD's Cluster Development Programme (CDP), the Ministry of Textile, Govt. of India has introduced the Integrated Handloom Cluster Development Programme in the district since the year 2005-06. The aim of the programme is to bring about maximum coverage of handloom weavers in an efficient manner so as to enable them to meet the challenges in a sustainable and self-reliant manner. The progress under this is very discouraging as by the end of November 2009, hardly 4.29 per cent of funds allocated (Rs 47.75 lakh) could be spent and worse still, the basic activities like SHG formation could not be

taken up due to non-availability of funds (see <http://edi-handlooms.org/>). In Udaipur district, efforts to form two clusters i.e. Idol Making and Handloom remained at idea stage due to operational constraints. The experience in other districts too was no different.

The overall experience with implementation of the non-DRIP related interventions/programmes in the sample DRIP districts raise a few issues which has implications for consideration. No significant fillip was given to these programmes in the district during the DRIP implementation period. Nor did the programmes implemented could give a shot in the arm to DRIP. In fact, implementation of these programmes went haywire vis-a-vis the action plan drawn. For example, in Medak district, against 36 REDPs planned over 5 years in GOPP, only 11 could be sanctioned and further only 6 of them could be completed. Other programmes planned like mother units, CSCs, etc., were not taken up at all. No cluster could be launched against 2 planned. In fact, too many promotional programmes with overlapping focus might have diluted the efforts. These efforts may have to be streamlined by consolidating the programmes into a few focussed ones (Satyasai and Chandra, 2009).

When the implementation of promotional programmes is so poor and scattered, how can one expect them to show any impact on the RNFS scenario in the DRIP districts? In fact, the ideal situation would be to provide special delivery channel for these programmes in DRIP districts instead of treating all districts alike. Establishment of rural training institutes as suggested in the Union Budget 2009-10 can give some additional fillip to the sector as skill is one of the prerequisites for RNFS development.

CHAPTER - V

Impact Of Drip

After analysing the financial and non-financial interventions in the previous sections, this section gives an overview of the impact of the initiatives introduced under DRIP on the credit flow, employment generation and units set up in DRIP districts. DRIP districts were compared with non-DRIP districts, having similar socio-economic-infrastructure background.

Glc Flow In Drip Districts

Table 5.1 gives the flow of ground level credit (GLC) in DRIP and non-DRIP districts during the DRIP implementation period. The magnitude of GLC to RNFS is on higher scale in Thrissur district (Kerala). GLC flow is, in general, higher in DRIP compared to non-DRIP except in Haryana.

Table 5.1. Flow of GLC in DRIP and non-DRIP districts during the project period (Rs lakh)

State	Haryana		West Bengal		Odisha		Andhra Pradesh		Kerala		Rajasthan	
Year	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP
	Ambala	Kurukshetra	Bankura	Purulia	Bargarh	Bolangir	Medak	Mehbubnagar	Thrissur	Idukki	Udaipur	Sirohi
0 #	5270	10476	790	196	823	620	1233	1436	17917	1669	5179	702
1	5430	10873	853	285	285	514	8324	2968	13711	1686	6006	1029
2	6967	11887	1141	330	702	414	8946	3125	15918	2455	5346	868
3	8944	8518	1257	756	1594	1633	13472	3256	14786	1166	4951	782
4	12431	11359	1617	919	2526	644	9752	5339	27853	1600	5686	689
5	12067	13434	3274	2054	1351	1216	8372	6196	26258	3177	7351	416
Mean	8518	11091	1489	757	1214	840	8350	3720	19407	1959	5753	748
CV detrended %	10.79	13.60	45.58	15.05	58.30	52.93	40.21	41.51	18.81	33.78	9.18	22.58

The year before the launch of DRIP

The data from Table 5.1 are converted into index form and given in Table 5.2 to give better idea about the relative magnitude of GLC over time. Haryana and West Bengal DRIP districts showed consistent increasing trend while DRIP districts of Odisha and Kerala showed decline in the first two to three years of implementation and then

registered increase in last couple of years. Udaipur district showed decline from second year and recovery in the last year. Medak's case is disquieting with a sudden spurt of over 6 times in the first year of implementation.

Table 5.2. Indices of GLC flow in DRIP and non-DRIP districts during the project period

State Year	Haryana		West Bengal		Odisha		Andhra Pradesh		Kerala		Rajasthan	
	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP
	Ambala	Kurukshetra	Bankura	Purulia	Bargarh	Bolangir	Medak	Mehbubnagar	Thrissur	Idukki	Udaipur	Sirohi
0#	100	100	100	100	100	100	100	100	100	100	100	100
1	103	104	108	145	35	83	675	207	77	120	116	147
2	132	113	144	168	85	67	726	218	89	246	103	124
3	170	81	159	386	194	264	1093	227	83	117	96	111
4	236	108	205	469	307	104	791	372	155	160	110	98
5	229	128	414	1048	164	196	679	431	147	318	142	59

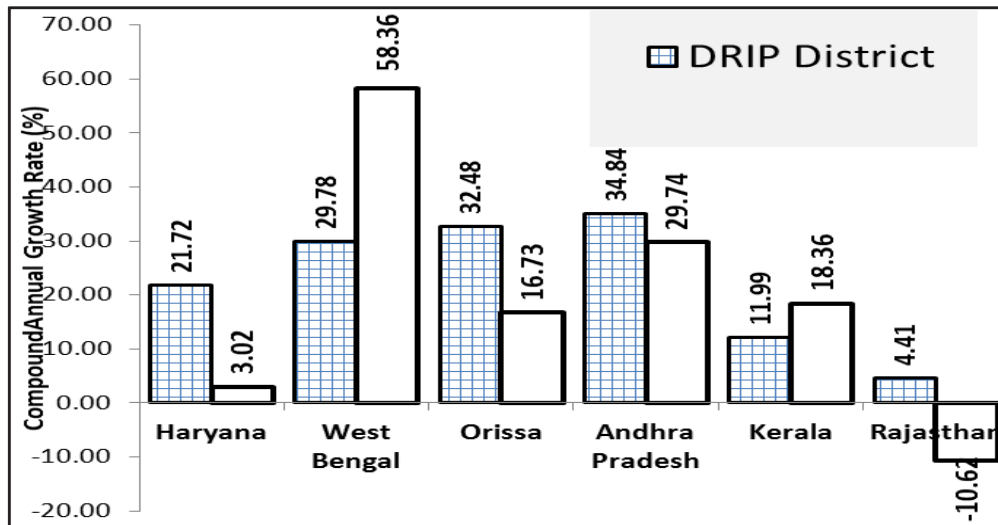
the year before the launch of DRIP

Exponential growth rates of GLC flow to RNFS have been computed and presented in Table 5.3. Udaipur (Rajasthan) recorded positive growth of 4.41 per cent per annum compared to a negative growth (decline) of 10.62 per cent in non-DRIP district. The difference in growth rates is significant as reflected in a t-value of 2.30. Haryana also showed statistically significant and difference in growth reflecting the positive impact of DRIP on RNFS GLC growth. While West Bengal showed that DRIP district is way behind non-DRIP district in terms of inflow of GLC to RNFS, the growth differences not significant in case of Odisha, Andhra Pradesh and Kerala. The differential growth (impact) does not seem to be in tune with the number of project interventions conducted. The growth rates are shown in Figure 5.1.

Table 5.3. Exponential growth rates for GLC flow to RNFS in sample districts

State	DRIP District	Non-DRIP district	difference in growth rate	t value	No of DRIP interventions/year
Haryana	21.72	3.02	18.69	3.69	---
West Bengal	29.78	58.36	-28.58	-2.97	18
Odisha	32.48	16.73	15.75	0.67	22
AP	34.84	29.74	5.10	0.21	12
Kerala	11.99	18.36	-6.37	-0.52	17
Rajasthan	4.41	-10.62	15.02	2.30	21

Figure 5.1. Growth rates in GLC flow in DRIP and non-DRIP districts



Data for pre-DRIP and DRIP periods available in Udaipur and Sirohi districts were used to estimate growth rates for pre and post as well as with and without situations using the regression framework using the form below and results are given in Table 5.4.

Estimated form:

$$\text{GLC_RNFS} = \text{INTERCEPT} + \beta_1.\text{YEAR} + \beta_2.\text{DRIP} + \beta_3.\text{DISTRICT} + \beta_4.\text{DRIP*YEAR} + \beta_5.\text{YEAR*DISTRICT}$$

GLC_RNFS = GLC flow to RNFS in Rs. Lakh

YEAR = year of implementation

DRIP = Dummy variable taking '1' for DRIP period and '0' for non-DRIP period

DISTRICT = Dummy variable for taking '1' for Udaipur and '0' for Sirohi district

DRIP*YEAR = slope dummy for DRIP period and YEAR

YEAR*DISTRICT = slope dummy for DISTRICT and YEAR

Table 5.4. Regression results for GLC for RNFS in Udaipur and Sirohi districts

Particulars	Coefficients	Standard Error	t Stat	Level of significance
INTERCEPT	698.90	382.61	1.83	0.086
YEAR	76.86	86.87	0.88	0.389
DRIP (dummy taking 1 for DRIP period, 0 otherwise)	1373.83	1021.97	1.34	0.198
DISTRICT (dummy taking 1 for Udaipur & 0 for Sirohi)	1017.21	436.56	2.33	0.033
DRIP * YEAR	-226.13	133.81	-1.69	0.110
YEAR * DISTRICT	460.96	64.37	7.16	2.26E-06
Adjusted R Square: 0.95		Standard Error: 477.36		
F -Value : 87.43		Observations: 22		

The growth rates for 'pre', 'post', 'with' and 'without' situations presented in Table 5.5 show that though the growth rates deteriorated between pre-DRIP to post-DRIP period, because of low level of growth in 'pre-DRIP' period in Sirohi, the DRIP period registered negative growth. These results prove that the positive differential in growth observed (Table 5.3) is not maintained when we take a longer period into perspective.

Table 5.5. Estimated# intercept and slope coefficients for regression of GLC-RNFS on YEAR

District	Non-DRIP Period		DRIP Period	
	INTERCEPT	YEAR	INTERCEPT	YEAR
Udaipur	1716.11	537.83	2157.44	311.70
Sirohi	698.90	76.86	2072.73	-149.27

Computed based on the results in Table 5.4.

We attempted to correlate a few infrastructure indicators with the growth rates to identify major determinants of inter-district variation (Table 5.6). Proportion of artisans in total number of workers has a significantly positive correlation of 0.66 with the growth rate. Other variable that has positive but weak correlation (0.39) was proportion of villages covered by all-weather roads. Perhaps due to near 100%

electrification of the villages in 8 out of 12 districts, the variable did not show any meaningful correlation with growth in GLC for RNFS. Bank branches for lakh rural population also did not seem to influence growth in GLC flow to RNFS. It should be kept in mind that these results need refining as we have used a very limited data set.

Table 5.6. Key infrastructure indicators for the selected districts

State	Growth in GLC to RNFS (%)	Irrigated area to NSA	%villages electrified	%villages covered by all-weather roads	Bank branches/1 lakh rural pop	Proportion of Artisans in total workers
DRIP Districts						
Haryana	19.65	95.38	100.00	100.00	39.57	3.40
West Bengal	26.07	89.09	73.33	85.69	16.94	9.68
Odisha	28.13	42.28	98.73	89.92	12.07	7.23
AP	29.89	25.18	100.00	70.75	10.80	12.64
Kerala	11.32	64.64	98.82	69.80	28.62	8.48
Rajasthan	4.32	31.44	87.83	53.89	18.57	3.85
Non-DRIP Districts						
Haryana	2.98	99.75	100.00	100.00	20.66	3.21
West Bengal	45.97	27.16	78.97	41.00	11.35	16.09
Odisha	15.47	16.44	84.81	95.29	20.63	4.31
AP	26.04	18.69	100.00	48.41	9.39	4.83
Kerala	16.85	6.89	100.00	100.00	20.99	2.24
Rajasthan	-11.22	40.33	100.00	85.28	20.00	5.65
Correlation between growth rate and the infrastructure indicator		-0.1947	-0.3790	-0.3904	-0.3988	0.66363
t-calculated*		-0.6276	-1.2953	-1.3411	-1.3750	2.80535

* Table value of t @ 95% confidence level is 1.81 at 10 degrees of freedom.

However, one can conclude that focussing on districts with higher share of artisans in total workers may yield good results. Occupational distribution and gender specific demographics have to be taken into account while drawing the RNFS plan at DPS and GOPP stages, which has not been done at present (Satyasai and Chandra, 2009)

Growth In Number Of New Enterprises During Drip Period

During the DRIP period, the sample districts reported differential growth in the number of enterprises established annually. Haryana study reported that about 32.5 per cent of the sample enterprises studied are new. Other studies gave data on new enterprises established every year during the DRIP implementation. Such data were reported through MIS on DRIP submitted by DDMs of NABARD. The data on initial or terminal number of enterprises were, however, not available.

In Table 5.7 we presented annual increments (i.e.linear growth) in the number of enterprises in absolute terms. The data shows that average increment in number of new enterprises is the highest at the rate of 15799 in Thrissur and lowest in Bankura with an average addition of 1600 units annually. The acceleration in addition to the stock of enterprises has been highest in Thrissur and deceleration was observed in Udaipur.

Table 5.7. Annual increment in number of new enterprises

Year	Medak	Bankura	Thrissur	Udaipur	Bargarh
2000	–	–	–	2588	2405
2001	–	2476	–	2134	2284
2002	6838	1634	–	3887	2763
2003	4571	1634	25110	2429	5414
2004	5145	1634	12709	1854	5699
2005	8019	1634	18238	1223	9045
2006	11309	1463	22940	1679	11330
2007	–	–	28435	–	–
Average increment/ year	7176	1600	15799	2256	5563
Average acceleration (linear)	2182.5	–	6167	-500	1421
Acceleration (exponential)	17.0	–	8.8	-10.6	33.7

Table 5.7 gives data on number units financed during the initial and terminal years of DRIP implementation along with the GLC flow and employment generated for three districts where such data were available.

Table 5.8. New units financed, GLC disbursed and employment generated during first and terminal years of DRIP

	Medak (Andhra Pradesh)						Bargath (Odisha)						Thrissur (Kerala)					
	2001-02		2005-06		2000-01		2004-05		2002-03		2006-07							
	Units	GLC	Emp	Units	GLC	Emp	Units	GLC	Emp	Units	GLC	Emp						
A. Non-Farm Sector (Outside ISB of SGSY)																		
Handloom/ Powerloom	10	1	10	301	293	301	248	313	248	86	47	240	158	58	474	201	264	603
Tiny Sector	12	2	60	213	964	852	4	1	4	18	1	27	104	277	312	1650	805	4950
Village Industries	80	75	160	368	318	736	12	4	12	121	39	363	327	478	981	1541	1100	4623
Rural Artisans	62	6	124	648	746	648	84	11	84	29	40	56	348	215	696	1074	429	2148
SSI (Other than above)	261	1355	2610	214	531	642	53	444	1325	675	908	3375	2338	10098	7014	5525	20231	16575
Miscellaneous	1788	219	8940	2619	2940	2619	185	48	185	580	3512	696	2157	2586	4314	4001	2911	8002
B. Other Priority Sectors (OPS)																		
SRT0	143	117	286	641	482	614	134	63	268	52	83	156	7254	2234	7254	1867	2541	1867
Prof. & Self employed	336	121	672	1678	438	1678	205	33	205	134	55	268	12424	3367	24848	5930	4321	11860
State Finance Corp	32	1865	1600	-	2491	-	-	-	-	-	-	-	-	-	-	-	-	-
NFS (ISB of SGSY)	30	4	37	-	-	-	50	17	50	429	145	4290	-	340	-	450	250	450
PMRY	-	-	-	-	-	-	48	36	48	92	95	122	-	998	-	2286	915	2286
SHG Linkage	4084	895	20420	4627	2250	4627	68	1	705	3154	257	37848	-	819	-	3910	2605	3910
Others	-	-	-	-	-	-	1193	2475	1193	3675	na	42260	-	14165	-	-	46375	-
Total	6838	4657	34909	11309	11453	12717	2284	3445	4327	9045	5183	89701	25110	35634	45893	28435	82747	57274

Note: Units in Lakh numbers; GLC = Ground level credit flow, Rs.Lakh; Emp = employment in person years.

Refinance Flow

In Haryana, the DRIP seems to have created impact on the refinance flow to RNFS in Ambala district with an annual compound growth rate of 15.7 per cent as against 7.7 per cent for non-DRIP district Kurukshetra district during the period from 2001-02 to 2006-07 (Table 5.9). The difference, however, cannot be confidently highlighted in favour of DRIP due to statistical insignificance. The share of NFS in total refinance averaged about 23 per cent in both Ambala and Kurukshetra districts during the same period.

**Table 5.9. NABARD's refinance to RNFS
(Rs Lakh)**

State	Haryana		Andhra Pradesh		Kerala	
	DRIP	Non-DRIP	DRIP	Non-DRIP	DRIP	Non-DRIP
	Ambala	Kurukshetra	Medak	Mehbubnagar	Thrissur	Idukki
0 #	390	584	438	742	342	448
1	364	607	506	398	512	227
2	865	361	1207	463	514	446
3	635	1358	889	180	3499	555
4	357	660	846	1281	1507	1514
5	1165	714	148	64	2469	659
Average	677	740	719	477	1700	680
CV (%)	50.9	50.1	56.2	100.0	76.0	72.4
CAGR(%)*	15.7	7.7	34.8	29.7	12.0	25.1

The year before the launch of DRIP.

* The difference is not statistically significant in any case.

CHAPTER - VI

Performance of RNFS Units

In this section we discuss the performance of the RNFS units covered in the studies. We basically discussed four aspects, viz., investment levels, returns to investment, employment generation and comparative performance between RNFS units in DRIP and non-DRIP districts.

Sample Structure

The aggregate sample from all the studies together covered 346 RNFS units. Medak study covered only a handful of units to understand functioning of RNFS units and identify factors behind their success. It did not cover more number of units as it did not fit its evaluation design. Entrepreneurs and other respondents covered under promotional interventions like REDPs, Rural Haats, ARWIND, etc., studied as part of the DRIP study are in addition to the sample reported here. Manufacturing units accounted almost half of the overall sample followed by service and business having 1/5 share each. Ambala sample is dominated by business and trade units while that of Thrissur had more of manufacturing units (Table 6.1).

Table 6.1. Number of RNFS units covered in the district-wise sample (Per cent)

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	3.8	20.0	13.5	0.0	10.0	9.0
Manufacturing	22.5	54.0	31.1	88.7	51.3	47.4
Business and Trade	47.5	0.0	27.0	0.0	13.8	19.9
Service	16.3	26.0	28.4	11.3	25.0	21.4
Miscellaneous	10.0	0.0	0.0	0.0	0.0	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0
Absolute no of units	80	50	74	62	80	346

Investment Levels

Table 6.2 gives data on average investment per RNFS unit in the sample. While the overall average investment was Rs.12.3 lakh, highest average investment was for agro-processing units (dominated by modern rice mills) in Bargarh sample. Business and trade had

lowest investment of Rs.5.2 lakh per unit. The average investment does not seem to have changed much over time considering a level of Rs.8.62 lakh in an all India sample (Jayaraman et al, 2002). In Bankura sample, service units had highest average investment due to classification of non-trading rice mills under this category. That is, these mills offer milling services at a fixed charge per unit of paddy milled.

**Table 6.2. Average investment in the units studied
(Rs.Lakh)**

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	19.7	14.3	98.1	--	0.4	38.3
Manufacturing	8.9	6.0	8.4	16.4	15.8	12.6
Business and Trade	5.9	--	5.3	--	2.8	5.2
Service	1.5	26.6	1.1	7.8	5.2	7.4
Miscellaneous	10.4	--	--	--	--	10.4
Overall	6.8	13.0	17.6	15.4	9.9	12.3

On an average, bank loan accounted for about 57 per cent of the investment. The remaining portion was financed through own sources or private borrowing (Table 6.3)

**Table 6.3. Extent of investment financed by institutional loan
(Per cent)**

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	58	61	57	--	77	58
Manufacturing	31	57	54	58	54	54
Business and Trade	26		66	--	56	40
Service	67	81	77	88	47	74
Miscellaneous	78	--	--	--	--	78
Overall	40	71	58	60	54	57

The break-up of private borrowing and own sources was not available in the reports. However, it is a known fact that most entrepreneurs are heavily dependent on private sources of borrowing due to limited access to institutional sources. The proportion of bank loan to

investment is higher in the sample more because the sample frame consisted of bank borrowers. Service sector units financed their investment through bank loans to the extent of about 75 per cent. Comparatively, manufacturing and agro-processing units had to tap own sources or private moneylenders. Thus, the leverage ratio (i.e. debt-equity ratio) was lower at 1.20 and 1.38 for manufacturing units and agro-processing units, respectively, compared to 2.90 for service units in the overall sample (Table 6.4).

Table 6.4. Leverage (debt - equity ratio) of RNFS units

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	1.36	1.57	1.35	–	3.39	1.38
Manufacturing	0.44	1.35	1.17	1.40	1.19	1.20
Business and Trade	0.35	–	1.94	–	1.27	0.67
Service	2.06	4.19	3.42	7.67	0.87	2.90
Miscellaneous	3.57	–	–	–	–	3.57
Overall	0.67	2.40	1.38	1.50	1.15	1.34

Average net income for the sample as a whole was Rs.8.00 lakh with Rs.2 lakh from service and Rs.12 lakh from manufacturing as well as agro-processing units (Table 6.5). Higher returns in the range of Rs.24 to 26 were obtained by agro-processing units in Ambala, Bargarh districts and manufacturing units in Thrissur district.

Table 6.5. Average net income per RNFS unit

(Rs.Lakh)

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	24	5	26	–	0.1	12
Manufacturing	2	2	2	25	10	12
Business and Trade	5	–	1	–	1	3
Service	2	3	1	4	2	2
Miscellaneous	1	–	–	–	–	1
Overall	4	3	5	23	6	8

Net income is taken as the difference of gross income over operating costs. Taking it as a proportion to average investment we derived rate of return on investment. We presented the estimates in Table 6.6. It indicates returns to fixed factors. The returns are about 63 per cent for all the units together with average of 24 per cent to 94 per cent from service and manufacturing units, respectively.

Table 6.6. Rate of return from sample RNFS units

(Per cent)

Sector/industry	Ambala	Bankura	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	124	35	26	-	27	32
Manufacturing	17	42	30	154	61	94
Business and Trade	81	-	27	-	36	62
Service	105	10	70	53	31	24
Miscellaneous	9	-	-	-	-	9
Overall	57	23	28	148	56	63

The average annual net income realised varied on the basis of the scale of operations and level of investments. Procurement of raw materials, training and identification of marketing outlets and entrepreneurial abilities are some of the problem areas. Establishment of cooperatives/producer companies, minimising the role of middlemen / traders and proper follow up and supervision of credit utilisation would ensure better returns to the entrepreneurs. In this context, case studies of RNFS units in Medak district revealed that for success and sustainability of RNFS units, hard work, ability to adopt technology, availability of market, experience, quality training, availability of safety nets, etc., are important factors.

Employment Generation

Employment generation, measured in terms of person-days per Rs.1000 investment, was 205 person-days in the overall sample (Table 6.7). Manufacturing units generated maximum of 292 person-days compared to 109 in case of service units. While this was true for overall sample, service units generated higher level of employment per unit of investment but for Thrissur district which influenced the overall average due to its domination in the sample of manufacturing units. Service units in Bargarh showed unimaginably high employment generation capacity which needs further probe.

**Table 6.7. Employment per Rs.1000 investment in
different sectors (Person-days)**

Sector/Industry	Ambala	Bargarh	Thrissur	Udaipur	Overall
Agro-Processing Units	305	115	–	670	112
Manufacturing	250	595	356	195	292
Business and Trade	135	199	–	425	179
Service	396	1072	77	212	109
Miscellaneous	108	–	–	–	108
Overall	192	210	340	209	205

We estimated the elasticity of employment with respect to size of investment using a regression equation of the form:

$$\mathbf{EMPLOY} = \mathbf{INTERCEPT} + \beta_1.\mathbf{SERVICE} + \beta_2.\mathbf{INVEST*SERVICE} + \beta_3.\mathbf{INVEST}$$

Where, **EMPLOY** = human labour employment in person-days per annum

SERVICE = intercept dummy taking value '1' for service units and '0' otherwise

INVEST = size of investment in Rs.Lakh

INVEST*SERVICE = slope dummy for investment for service units

The regression is estimated using aggregates of units under each category and not on individual units due to lack of sufficient data. The results should be read accordingly to understand broad patterns. The elasticity of employment with respect to investment has been fairly high at 0.75 for other than service sector which means that one per cent increase in investment leads to 0.75 per cent increase in employment. Service sector showed negative elasticity of -0.23 (i.e., -0.98+0.75) and is significantly different from elasticity in other sectors (Table 6.8).

Table 6.8. Employment elasticity with respect to investment size -Regression Results

Variable	Coefficients	t Stat
Intercept	6.108	21.70
SERVICE	0.72	1.46
INVEST*SERVICE	-0.98	-3.00
INVEST	0.75	6.39
R Square	0.74	
Observations	21	
<i>F</i>	16.51	
Confidence intervals	Lower limit	Upper limit
INVEST*SERVICE	-1.66	-0.29
INVEST	0.50	1.00

After analysing the macro impact of DRIP on the credit flow and number of new units, it would be but logical to assess if implementation of DRIP has any impact on the performance of RNFS units. However, none of the study reports attempted such assessment. An earlier study in Odisha (NABARD, 2002) attempted to compare the performance of RNFS units in DRIP (Ganjam) district with that of those in non-DRIP district (Balasore). The sample units were from 6 broad categories. There are a few common activities between the two samples. Table 6.9 gives summary statistics for the DRIP and non-DRIP samples.

Table 6.9. Summary statistics for the DRIP and non-DRIP samples from Odisha

Cate gory	Statistic	Block Capital	Net Income	FRR	Recovery
Overall	Mean	232112	107239	38	76
	Standard Deviation	442824	149864	17	25
	CV %	191	140	46	33
Non DRIP (Ganjam)	Mean	376160	136471	38	79
	Standard Deviation	621554	135749	15	29
	CV %	165	99	38	36
DRIP (Balasore)	Mean	178226	95821	38	74
	Standard Deviation	348354	152356	18	24
	CV %	195	159	48	33
t-statistic (t-table value @5% level of significance : 1.96)		1.66	1.37	0	0.91

The pattern of investment as well as the income generation in case of various NFS activities in DRIP and non-DRIP districts was found almost similar. The variation, whatever observed, was more on account of differences in resource endowments, agro-climatic conditions, socio-economic conditions, availability of linkages, etc., rather than due to differences in appraisal systems followed in DRIP and non-DRIP districts. In fact, the average levels of both block capital and net income were lower and the variation (as measured by coefficient of variation, CV) higher in DRIP vis-à-vis non-DRIP district. The difference was not statistically significant, however.

CHAPTER - VII

Has DRIP met its Objectives?

The answer to this question is more towards no, as it comes out from the study reports. The basic philosophy of DRIP had not been adhered to in spirit while implementing the programme. The coordination meetings did not take place at the desired periodicity and were not conducted effectively. Awareness programmes could touch miniscule proportion of the district functionaries and population. Similarly, the promotional programmes could not get any extra fillip and could not train enough in terms of numbers. Also, the DRIP did not create any infrastructure - social or physical - that could be helpful in promoting RNFS on sustainable basis in the district. We have listed problems in programme implementation that may explain why DRIP could not meet its objectives.

PROBLEMS IN THE PROGRAMME IMPLEMENTATION

1. Awareness

In spite of implementation of DRIP over a decade and a half in different parts of the country, a few studies highlighted that many district level functionaries showed lack of awareness about the project. This, in part, is due to transfer of the officials who were involved with the project during the launching phase. Enough publicity is a must for success of any project.

2. Number of programmes and coverage

Some of the programmes conducted as part of the DRIP aim at awareness creation and sensitisation among different stakeholders including prospective entrepreneurs. The programmes conducted in the districts are too few and far between to create even a flutter considering the target population.

3. Effectiveness, discontinuity of people in meetings, dislocation of trained people

There is a lack of continuity in the efforts during the project implementation leading to ineffectiveness on many counts. The coordination meetings are not attended by the same officials every time. Some bank officials trained under PLI training programme have been transferred out of the district.

4. Multiplicity of interventions and thin spreading of resources

DRIP related interventions implemented are too many in number while the underlying focus is on awareness creation/sensitisation, planning/coordination and training resulting in spreading the resources and efforts too thinly.

It is better to organise programmes together for bankers, district officials, NGOs and entrepreneurs once in a quarter. These meets can provide a platform for sorting out problems of coordination and interface among agencies. JMLBCs can be used as additional forum for DRIP related issues. But focus of these meetings being different, it is difficult to get quality attention. But if DRIP can be integrated with the priorities of PD, DRDA, things may work well.

5. Lack of continuity of efforts

The energies in implementing the project seems to have thinned down over the period. In all the districts studied, it was observed that the number of programmes conducted have considerably declined from first year to last year. Not only that, the number of DRIP related programmes conducted in the study districts is much less compared to the number of such programmes conducted in the pilot district of Ganjam in Odisha (NABARD, 2002). There is no systematic programming through the period with focus changing from year to year as detailed by West Bengal Study.

6. Stakeholder participation

It is tacitly assumed that all the agencies in the district are, by default, pro-development and can spare time and money for the tasks entrusted to them under DRIP. But, this assumption can hardly be true and this was one reason behind NGOs and government officials not fulfilling their commitments such as conducting feasibility studies. District Employment Officer in Medak district, for instance, expressed his inability to meet postage and other charges from his budget.

Bargarh (Odisha) study observed that banks participated in the project as reflected in their attendance in various awareness/orientation meets. However, the participation of government agencies at the state and district levels was not exemplary as state level PCGCs could not be convened and the DRIP had been treated as the NABARD's programme. The project got low priority unlike SGSY and PMRY. NGO

participation also is not full spirited and committed possibly due to their engagement with multiple agencies for a variety of activities. Similar experience has been reported by Medak (Andhra Pradesh) study also where in spite of reported presence of several NGOs, NABARD had been facing difficulty in finding an NGO for its activities.

7. Monitoring & MIS

The following observations on monitoring and Management Information System (MIS) compiled from different studies are worth noting.

- No specific year-wise target was fixed for the activities / sectors in the DPS document.
- Less than the prescribed number of DLPCGC and SLPCGC meetings are held that too sporadically. Further, the agenda of the meetings is often repetitive without any serious effort to review the action taken on resolutions of the previous meetings.
- MIS format is common for all districts and does not reflect the district-specific DRIP targets finalised in GOPP workshops. Thus, the progress is not monitored with reference to the targets fixed for the districts.
- Use of Information and Communication Technology was not put to use for the implementation and monitoring of DRIP.
- More stress was given on process monitoring than on outcome monitoring. Much attention was given to item-wise expenditure control, submission of MIS, etc., and little attention was given to address the field level issues like inaction of partners as reported in successive DLPCGC meetings.

8. Inadequate Machinery for Programme Delivery

Implementing a project like DRIP is not a single man's task. Hence, we cannot expect better implementation from involvement of DDM alone. As such DDM has many other works and it is unfair to expect the required attention for DRIP. Further, implementation of programmes like DRIP involves continuous review of the progress and addressing to district-specific developments and problems. DDM, the crucial person at the delivery point, does not have any decision making powers and can only forward any feedback/proposal with his

recommendation, which is often not binding on RO/HO, where all the decisions are taken. This may not be a constraint at all, if the decisions are flashed back to DDM in shortest possible time, which is not the case usually, due to the systems and procedures in vogue. Since district level functioning involves lot of on-the-spot decisions, this does not give him any commanding position in the district in implementing a serious programme like DRIP. Such programmes can be run more effectively by agencies having their own field force, flexible monetary facility, necessary authority, competence and orientation (Dantwala, 1996).

DATA PROBLEMS IN MEASUREMENT OF IMPACT

Most of the impact that gets reflected in the earlier section was most probably on account of data infirmities and reporting problems than the real impact of the RNFS programmes.

First, there is no uniformity in reporting data in terms of categories of RNFS. While full amount availed by SHGs was reported, in Andhra Pradesh 30 to 35 per cent of SHG finance was reported. Other priority sectors (OPS) consisting of a whole gamut of activities also is reported as part of RNFS in the MIS. One has to decide what should constitute RNFS for the purpose of reporting data for MIS of DRIP or any such programme. This, besides making the MIS true to the purpose, renders the data comparable over time and space.

Second, the reliability of data reported is questionable. One can easily observe that the growth in the RNFS activities came in the last one or two years. While the handloom and power loom sectors are languishing in the entire state, Medak recording a phenomenal growth performance in this sector looks untenable. Also, there are no major interventions that can catapult the sector to high growth path. The source of the information used by DDM for compiling his MIS was data given by LDM's office and published in the district Annual Action Plans (AAPs). The AAPs did contain this information initially which, subsequently, was discontinued. Hence, DDM had to rely on SAMIS data and other information compiled by LDM's office from time to time. As the DDM mentioned in his project completion report on DRIP in Medak, SAMIS system was not yet stabilised and hence, reliable and consistent data were not available on units financed and the amount of credit flow. Table 7.1 helps us to understand the problem of data discrepancy as it compares data furnished by DDM (in his MIS

statements) and LDM (submitted to the study team) of Medak. LDM's estimates are much higher than DDM's figures. Standardisation of reporting system, concepts used, etc., may have to be done while launching the programme. For example, there is no common approach in GLC to SHGs with some DDMs reporting part of SHG finance towards RNFS and others reporting full amount. LDM's data did not tally with even SLBC figures as shown by Medak study report. LDM's data are on lower side, except in the year 2006-07, compared to SLBC data. Interestingly, the data gap has been getting bridged over time (Satyasai and Chandra, 2009).

Table 7.1. Discrepancy in data on GLC flow to RNFS in Medak district as reported by LDM and NABARD DDM

Activity	2003-04	2003-04	2004-05	2004-05	2005-06	2005-06
	LDM	DDM	LDM	DDM	LDM	DDM
Handloom/ Powerloom	30	neg.	35	56	60	293
Tiny Sector	nr	3	nr	185	nr	964
Village Industries	75	61	101	150	125	318
Rural Artisans	50	10	60	217	645	746
SSI (Other than above)	1520	440	5381	2793	1846	531
Rice mills	50	nr	60	nr	nr	nr
Miscellaneous	nr	134	nr	2396	nr	2940
SRT0	50	141	102	244	105	482
NFS (ISB of SGSY	8100	3	9200	0	8150	nr
(Prof. & Self-employed)	780	231	647	421	884	438
SHG Linkage *	3102	2432	3893	1433	7554	2250
PMRY	356	405	417	417	212	212
Total	14113	3860	19896	8311	19581	9174

* LDM's data apparently counted SHG finance in full while DDM's MIS considered part of the SHG loans as RNFS loans. Other districts reviewed in this report reported full amount.

nr - not reported

Source: Compiled from MIS returns submitted by NABARD DDM, Medak and the data reported by LDM to the study team.

CHAPTER - VIII

What Should be the Approach for Promoting RNFS?

The previous sections dealt with the implementation aspects of DRIP-linked as well as general RNFS promotional programmes implemented by NABARD in the selected DRIP districts, shortcomings encountered during such implementation, impact of DRIP on growth of flow of GLC and refinance, growth in new enterprises and performance of RNFS units. The results are not conclusive enough about positive impact of DRIP based on the 6 studies reviewed. In fact, even where noticeable step up in GLC or any other criterion was found, the same could not be attributed to DRIP. The implementation went haywire due to lack of spirit and missionary zeal through the project period. The programmes conducted could nowhere touch sizeable segment of the district population to cause even a flutter.

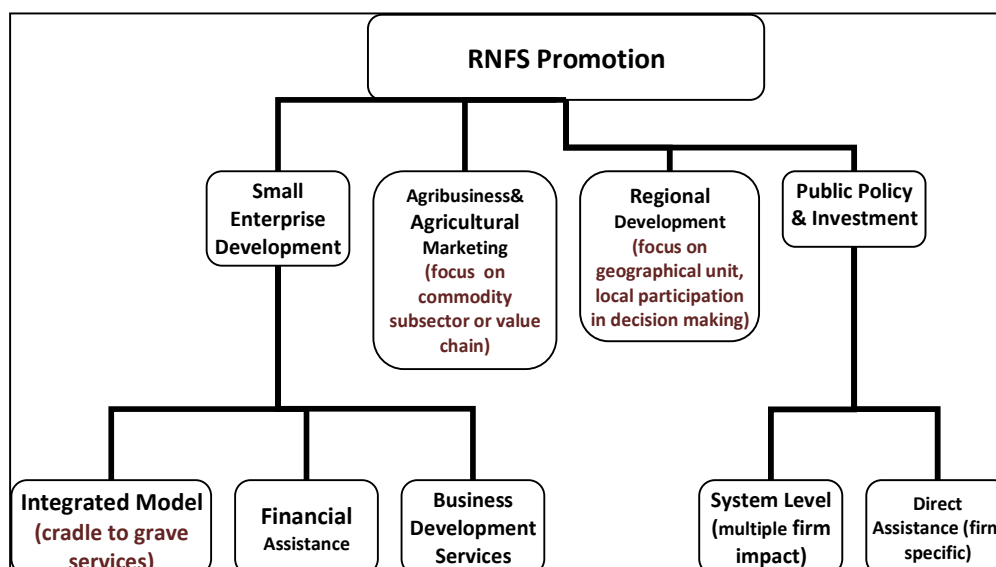
Promoting RNFS, on the other hand, cannot be ignored in view of the importance of the sector in the rural lives. Then, what should be the approach to the promotion of the sector? The answer is not simple in spite of vast literature available on the subject. The reason is the complexity and divergence of the sector and the involvement of multiple stakeholders who have their own and often conflicting interests. This section attempts to address this question though fool-proof, unique solution cannot be guaranteed, given the nature of the problem.

Earlier Approaches

Some of the strategies followed earlier for promoting RNFS have been discussed here in brief. A comprehensive review of programmes for promoting RNFS can, however, be seen in Haggblade et al (2007). The RNFS promotional efforts have been summarised in Figure 8.1.

The strategies followed through past six to seven decades have been: 1. Small enterprise development, 2. Agribusiness and agricultural marketing, 3. Regional Development and 4. Public policy and investment. Several converging tendencies have emerged of late from the diverse strategy paradigms which prescribe promoting private sector involvement, working with systems rather than individual firms, focus on conducive policy environment, to list a few.

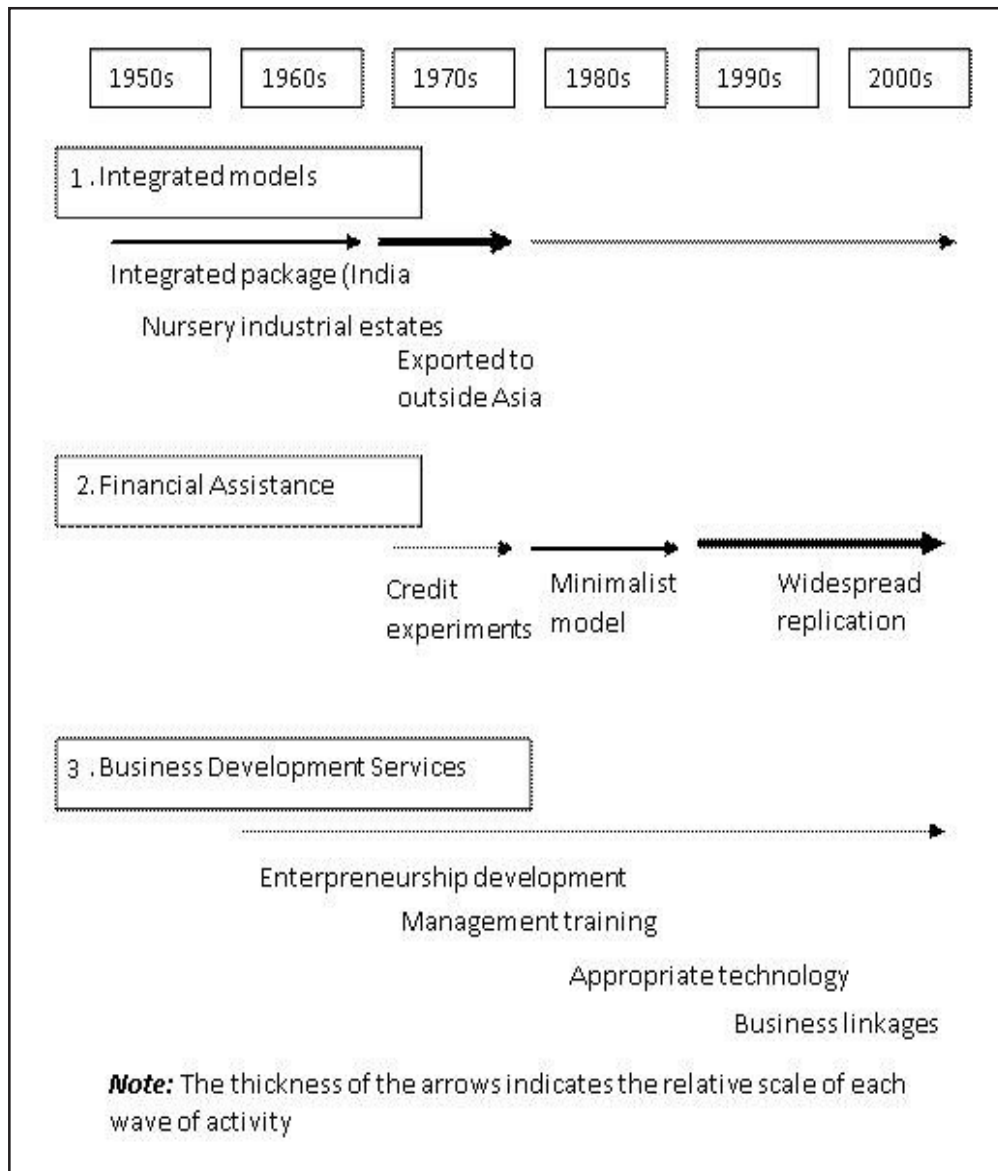
Figure 8.1. Strategies followed for RNFS promotion



Source: Chart constructed based on discussion in Haggblade et al (2007).

Scaling back from comprehensive package to a few missing ingredients has been another important shift in the paradigm. The main approach to small enterprise promotion that has been experimented over a long period of time around the world is India model where a package support, known as, *cradle to grave services* (i.e., integrated models) are offered to RNFS, credit being one of them. Over time, the thinking has changed with focus now being on one crucial input i.e., *minimalist* model. The other model is offering business development services such as entrepreneurship development, training, stressing on appropriate technology and helping to forge business linkages, etc., which usually form part of integrated models also. Historical evolution of efforts to promote small and micro-enterprises has been presented in the Figure 8.2.

Figure 8.2. Historical evolution of efforts to promote small and micro-enterprises, 1950s-2000s



Source : Haggblade *et al* (2007)

Credit has been identified as one of the critical inputs which constrained the growth of the sector and has been widely stressed, as can be seen in the chart, in the promotional strategies during last two decades. NCEUS (2007) and recent task force on MSME headed by Shri T.K.A.Nair (Government of India, 2010) identified credit as the most important issue. Lack of adequate and timely credit, high cost

of credit, collateral requirement, among others, have been identified as major constraints to growth of MSME sector. In fact, banks insist on collateral in spite of the extant guidelines of Reserve Bank of India (RBI) to extend loans up to Rs.5 lakh without collateral. The Working Group to Review the Credit Guarantee Scheme of the Credit Guarantee Fund Trust for Micro and Small Enterprises, appointed by RBI (RBI, 2010), recommended that this limit be enhanced to Rs.10 lakh besides enabling banks to take cover for such loans under Credit Guarantee Scheme. This recommendation was accepted by RBI in its recent policy.

Recent literature on credit programmes (especially micro credit) which galore in RNFS promotion suggests a few lessons for future schemes such as: charging higher interest rates to cover costs of lenders, slashing administrative costs of lenders, ensuring repayments through innovations like group approach, etc., designing location specific credit programmes and offering savings and other products.

The recommendation of higher interest rates is based on the premise that poor can and are willing to pay. This presupposes the efficiency of operations of lending agencies. Indian situation with multi agency scenario with higher interest charging MFIs on one hand and state owned RFIs charging lower rates of interest is far more complex to unequivocally agree with such a prescription. Given that small scale enterprises do not have commensurate enough access to institutional credit (NCEUS, 2007) and that MFIs charge relatively higher rate of interest to cover their costs, micro-enterprises operating on low margins are denied access to benefits like interest subvention and other schemes linked to institutional credit. This increases interest burden pulling down their bottom lines or even throwing them out of business. It is not difficult to understand that micro-entrepreneurs do not opt for a high cost loan out of choice as it is not a rational decision by an economic agent. This situation needs a deeper thinking on the policy front than a partial approach.

Studies on business development efforts brought out best practices which can be generalised (Haggblade *et al*, 2007) in terms of prescriptions such as to focussing on clusters of like enterprises rather than individual firms; focussing on a few key missing ingredients; reinforcing growing markets and improving market access; and, treating firms as clients whereby user charges can be collected from

them for training etc. However, our experience with clusters is not very enthusing as the cluster participants are not taught to own the interventions and are left to be 'beneficiaries' who are handed over some doles (Satyasai and Chandra, 2009; and, NABARD, 2009).

In spite of growing enthusiasm for financial services as the key lever for RNFS growth, fact remains that financial intervention can only lubricate like roads, power or other infrastructure facilities. New technology, new ways of doing business, new engines of growth are needed. Policy, however, can strongly influence the outcomes (Haggblade *et al*, 2007).

One more aspect of concern is the size of the enterprises and the strategies needed. Rural Non-Farm Sector (RNFS) is dominated by tiny units which suffer from problems of scale and marketability. As estimated by NCEUS, based on Informal Sector Survey of NSSO 1999-00, 96.36 per cent of the enterprises are below Rs. 1 lakh investment accounting for about 77 per cent of the gross output. And, another 3.09 per cent have investment levels between Rs 1 to 5 lakh. In the year 2006-07, there were about 58 million unorganised non-farm sector enterprises in the country providing employment to 104 million workers of which, 94 per cent have investment in plant and machinery of less than Rs 5 lakh (NCEUS, 2007). The Commission also found that the weakest among the non-farm unorganised sector enterprises are neglected persistently. Hardly one per cent of the credit from scheduled commercial banks, for instance, has gone to artisans and village industries. Units below Rs 5 lakh investment in plant and machinery received mere 3 per cent of the gross bank credit. In fact, just 4 to 5 per cent of the enterprises in unorganised sector have access to institutional credit. As the experience reveals the smaller units face problems of access to credit due to inability to offer collateral security. Notably, these are mostly undertaken by beneficiaries of government programmes, SHG women and other people of small means more as a means of livelihood. Hence, such units, with a low investment, say, Rs.2 lakh may be classified as 'nano-enterprises' and be given special attention (Satyasai, 2010).

How Drip relates to RNFS Promotion?

Looking from the foregoing review of earlier approaches, DRIP tried to advocate integrated model or India model. As a philosophy the project attempted to supply the missing inputs in RNFS promotion,

namely, planning, coordination, focussed attention and participatory process. We do not find any problem in the philosophy as such and there cannot be two opinions about the need for the approach followed under DRIP. However, in practice, this approach could not be put into practice effectively. The main problems we identified are:

1. Non-adoption of DRIP plan by the stakeholders due to divergence of interests of stakeholders from that of DRIP and lack of clear cut jurisdiction and accountability
2. Lack of integrated data management practice for monitoring the RNFS economy and improper MIS
3. Poor programme delivery mechanism and lack of flexibility
4. focus on district and all sectors as a whole thereby spreading the resources thinly
5. Lack of serious efforts to spread the concept and awareness about the project, inadequate understanding of the RNFS and location specific problems and prospects
6. Difficulty in achieving coordination among stakeholders
7. Lack of provision for creating social or physical infrastructure
8. Too many interventions to allow focused attention

Future Strategy

The future strategy should focus on identifying engines of growth, conducting supply chain diagnostics to identify strategic interventions, building flexible institutional coalitions for implementation (Haggblade *et al*, 2007). In fact, DRIP tried to do all these through Detailed Potential Survey, GOPP and PCGCs, etc. However, what lacked were professional project management including efficient delivery machinery and missionary zeal. Based on the studies reviewed and the literature, we list out a few suggestions here for better results.

1. Spread the concept and the philosophy widely across using mass media including cable TV.
2. The understanding of RNFS is poor among many district functionaries and hence, lot of exposure/orientation exercises have to be targeted towards them on a periodical basis. This is

very essential as the RNFS promotion involves multiple stakeholders with divided responsibility.

3. RNFS remained institutional orphan in spite of several players working for promoting it due to overlapping of efforts and the activities. Breaking the RNFS into distinct segments and making one agency accountable may be a better strategy as different segments based on size as well as organisation need different strategies for their promotion.
4. Build in a few specific key incentives for the project district/area to make a difference. For example, refinance may be sanctioned on priority and given at lower interest rates in DRIP district. Another could be to delegate higher authority of loan sanction to district level functionaries of the banks.
5. Provide for data management and MIS in the project design and if needed, project outlay should allocate sufficient funds for instituting such system.
6. Focus on smaller area within the district and work upwards. Within each district find engines of growth and plan around them.
7. It may be rewarding to work around clusters and the growth poles (cluster of clusters). Cluster development initiatives have some limitations, such as, impact on a small geographical area and limited number of artisans engaged in the cluster typically ranging between 20 to 500 artisan families, uni-product approach involving development of one specific sector/product, limited impact on improvement in income, employment and productivity of units and the workers within the clusters, no extension of multiplier effect from the units in the cluster to the region.as a whole, etc. Growth pole programme is proposed by NCEUS (2009) to take care of these limitations. The concept of growth pole as adopted by NCEUS put forward in the following extract of the Finance Minister's Budget Speech of 2005-06:

"The unorganised or informal sector accounts for 92 per cent of the employment and absorbs the bulk of the annual accretion to the labour force. PURA or Provision of Urban Amenities in Rural Areas is an idea that contains within itself possible solutions to a number of problems that afflict rural India such as unemployment, isolation from markets, lack of

connectivity and migration to cities. The National Commission for Enterprises in the Unorganised/Informal Sector has proposed pilot projects for 'growth poles' applying the PURA principles. The objectives are to expand production and employment in the unorganised enterprises around existing clusters of industrial activities and services as well as encourage the formation of new clusters. Once the proposals are firmed up, Government will take up the creation of a few growth poles, as pilot projects, in 2005-06. The above commitment was made in the backdrop of related statistics which point towards sizeable parts of our population being in the unorganised sector." (Paragraph 78).

8. Programme delivery is very important aspect in managing such a huge project. Firm commitments, wherever, possible should be obtained from project stakeholders. And, the coordinator should be ready to meet additional and contingency resource needs which may arise due to backing out of one or more of the partners or any emergent situation. Delivery point should have sufficient authority and delegation to decide and act effectively and should enjoy adequate backend support.
9. Training infrastructure need to be created in the project area which can train people on continuing basis. Each block should have a training establishment with adequate training infrastructure. Announcement in Union Budget 2009-10 that RUDISSETTI type training institutes would be established in each district is a right step in this direction.
10. Skill and technology, as we know, are two important pillars for success of the enterprises. Rural technologies are not affordable and did not receive adequate attention (NCEUS, 2009). Much needs to be done to onset affordable technologies and make them accessible to the entrepreneurs.
11. Getting bankers for PLI trainings has been a major problem due to their work pressures. One way out of this problem is to universalise RNFS training by introducing certificate and diploma programmes through institutes like Indian Institute of Banking and Finance, Mumbai and providing incentives to those who pass these examinations.

12. Efforts are needed to educate micro-entrepreneurs on how to organise themselves into groups or clusters to help reap economies of scale. A few experiments done earlier in different parts of the country to organise micro-enterprises and produce under a common brand showed limited success (NABARD, 2005). These experiences may help design future interventions.

Agenda for Future Research

In the light of the foregoing discussion in the paper, we feel the future research efforts should focus on the following aspects:

1. Spatial dimension of RNFS should be studied in view of advances in IT and GIS tools that can enable better spatial planning. These tools are especially useful for an area based intervention like DRIP.
2. Panel data studies should be encouraged as they give us better insights into spatial and temporal issues especially growth, equity and sustainability. As very limited reliable data is available, data generation should be done by instituting RNFS studies on the pattern of erstwhile village studies of ICRISAT.
3. Institutional alternatives have to be evaluated to find out location specific alternatives. This has relevance due to large scale hopes on Panchayat Raj institutions as delivery points for many rural initiatives.
4. Panchayat Raj Ministry has initiated steps in establishing Rural Hubs under Public, Private, People and Panchayat (PPPP) partnership. Evaluating their efficacy may give us an idea for expanding the private participation in RNFS.
5. Study of supply chains with specific reference to growth potential for RNFS activities and for evolving strategic interventions.
6. Mahatma Gandhi National Rural Employment Guarantee Act provides for guaranteed employment of 100 days to rural households and the scheme has been in operation for over a couple of years. It will be useful to study the implications of this the scheme for rural non-farm economy.
7. Nano-enterprises (with very small investment needs) have been coming on a large scale in rural areas more as a livelihood option with predominant participation of women. Limited research has

been done on them especially from point of view of finding their problems, evolving alternatives for organising and supporting them.

8. Many enterprises, especially in the lower spectrum in terms of size, in the rural nonfarm economy have ephemeral existence for want proper support nets as well as other reasons. This aspect needs detailed probe for evolving appropriate support systems.
9. Evaluation of policy alternatives is an evergreen area of research for evolving effective incentives, interest rates, etc.

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Annexure

Table 1. Districts covered in the country under DRIP in different phases

State	Phase II (1999-2000)	Phase III (2000-2001)	Phase IV (2001-2002)	Phase V (2002-2003)	Phase VI (2003-2004)	Phase -VII (2005-2006)
Odisha	Bargarh		Koraput	Sundargarh	Puri	Sambalpur
Madhya Pradesh		Ujjain	Jabalpur	Khandwa, Burhanpur	Indore	Balaghat, Vidisha
Andhra Pradesh		Medak	E.Godavari	Warangal	Nellore	Chittoor, Srikakulam, West Godavari
Gujarat	Kutch		Valsad	Mehsana	Rajkot	Bharuch
Rajasthan	Udaipur		Jhalawar	Ajmer	-	Bikaner, Jodhpur
Maharashtra	Akola, Washim		Sindhudurg	Aurangabad	Solapur	Latur
Karnataka	Bijapur, Bagalkot		Chamaraj-nagar	Chitradurga	Dakshin Kannada	Bellary, Shimoga
Uttar Pradesh	Mirzapur	Sitapur	Kanpur Dehat	Moradabad	Bareilly	Bharaich, Rae Bareilly, Sultanpur
Tamil Nadu	Tirunelveli		Tiruchirapalli	Villupuram	Vellore	Kanyakumari
Assam		Kamrup	Sibsagar	Cachar	Jorhat	
West Bengal		Bankura	Bardhaman	Malda	Coochbehar, 24 Parganas	Hooghly, Murshidabad
Punjab		Bhatinda	Muktsar	Kapurthala	Patiala	
Haryana			Ambala	Panipat	Yamuna-nagar	Rewari
Kerala		Palakkad	Thrissur	Kasargod	Malappuram	Kozhikode
Himachal Pradesh		Solan	Mandi	Kangara	Hamirpur	
Chattisgarh			Rajnand-gaon	Raigarh		Mahasamund
Jammu & Kashmir			Kathua	Udhampur		
Uttaranchal			Tehri Garhwal	Nainital		Almora
Jharkhand			Hazaribagh	Dhanbad		East Singhbhum
Bihar			Vaishali	Muzaffarpur	Gaya	Bhojpur, Nalanda, Purnea
Total	9	8	20	21	16	26