

Primary Problems - Livelihood initiatives should go back to the drawing board and begin with capacity building, says Dr Vanita Viswanath

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It is now widely recognised that ease of and timely access to microcredit is not adequate to ensure that women in the informal sector will be able to meet their livelihood requirements. While microcredit is continuing to fulfill the critical need for consumption support for poor women, investment in productive activities is still not as widespread as it should and could be.

Microcredit and now the development/refinement of other microfinance products such as insurance continues to receive a greater share of attention from donors and practitioners in India than the issue of increasing capacity of women in various ways to build up their livelihood initiatives.

Small gains in capacity of women to build skill as well as access markets are constantly challenged, as product and service markets become more variable and market relationships become difficult to grasp. Risks affecting productivity are increasing as resource constraints, health and household burdens take their toll. New challenges have to be addressed with new tools and training programmes have to be problem-solving rather than standard.

However, it is also true that attention to the informal sector has, in the main, been limited to the poorest among them, the primary producers. The complexity in middle-range product and service markets in India (which connect more directly with the primary producers) is because they are characterised by a considerable degree of informality as well. Small entrepreneurs are also often more deprived of service provision and knowledge of support from various avenues, including schemes of the government, than poor women producers.

They are dependent on ad hoc informal sources themselves, especially for finance. They have cash flow problems, which then has a cascading effect on returns to producers. They have to negotiate their way through higher order markets and establish their business as part of already settled value chain relationships.

Udyogini, a specialised agency for micro enterprise development for poor women in the informal sector, in existence now for nearly 14 years, has been challenged to develop useful approaches and methodologies for microenterprise promotion in an increasingly risky scenario for women in the informal sector. It has had to recognise that the dynamic for microenterprise is problematic and movement beyond sustainable livelihoods for basic needs is slow and not likely to be as widespread as had been hoped.

The dynamic includes a whole host of limitations: women's societal and resource constraints; the complexity and lack of transparency in value chains; uneven access to knowledge and skills; paucity of usable information; narrow, and often competing, institutional interests as well as their capacity. The persistent lack of integration, especially in implementation by various institutions is holding back achievable gains and not only making poor women more vulnerable to income losses but also limiting the ability of small entrepreneurs to grow.

Indeed, given these realities, many initiatives in livelihoods for the poor are now returning to the focus on understanding and sustaining local market initiatives rather than attempting high margin and distant market access. Udyogini's work comprises the following elements:

- Majority of poor women can be engaged in livelihood activities providing sustained employment and returns for basic needs; however, only some among them will be involved in ways that lead to enterprise in a true sense.

- Required methodologies/tools and practices for selecting and building capacity of women who will be “entrepreneurial” and who will engage in enterprises that involve market risks, will need to be intensive, sustained and specialised.
- Enterprises, as opposed to livelihood activities, will have a fighting chance of survival if they are based on a limited number of products/ commodities/ services that can be taken to scale, most likely through value addition.
- For scale and volumes, Udyogini's strategic advantage lies in a) partnering with NGOs who are willing to invest in efficient production and supply capacity-development while Udyogini focuses on other service provision including market linkages, enterprise management training, and aggregation of supplies, b) helping existing small traders/ entrepreneurs in the chain grow in their business so that they can place orders with producers being supported by NGOs.

It is necessary to study and understand the key support needs on the production and marketing route in particular resource and relationship contexts and then identify the institutional and other linkages required to fulfill those needs.

NGOs working with poor producers in the informal sector have often identified marketing as the key constraint while approaching Udyogini for help with service provision. On investigation it has been found that the primary problems are production-related - quality, non-marketability of the products and poor production management systems. To add to poor results deriving from the misdiagnosis of the problem, is the expectation not just of sustainable linkages with the market but also of ‘fair’ returns assessed on primarily social justice terms or perceived market value rather than assessed value of the products. Enterprise promotion and entrepreneur development (for poor women as well as small entrepreneurs) must be pursued together since leveraging the skills and support of small entrepreneurs, already firmly placed in value chains, are often necessary to the informal sector as a whole.

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