DECODING IMPACT

DECODING NANO ENTREPRENEURS WITH PRIYA NAIK

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Acknowledgements

Contributors

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Sattva Knowledge Institute (SKI), established in 2022, is our official knowledge platform at **Sattva.** The **SKI** platform aims to guide investment decisions for impact, shedding light on urgent problems and high potential solutions, so that stakeholders can build greater awareness and a bias towards concerted action. Our focus is on offering solutions over symptoms, carefully curating strong evidence-based research, and engaging decision-makers actively with our insights. Overall, SKI aims to shift intent and action toward greater impact by influencing leaders with knowledge. All of our content proactively leverages the capabilities, experience and proprietary data from across **Sattva**.

Introduction: *You are listening to Decoding Impact, a podcast by Sattva Knowledge Institute hosted by Rathish Balakrishnan.*

Welcome to Season Two of Decoding Impact. Every fortnight we will engage leading thinkers and practitioners to understand what it takes to solve systemic problems at scale. For all the curious changemakers committed to understanding the trade-offs and incentives to make this world a better place, this one's for you.

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Rathish Balakrishnan [RB]: [00:00:48] India's 11 million nano entrepreneurs are being hailed by some as a country's economic growth engines. These are enterprises with an annual turnover between ten lakhs and one crore. However, lack of access to formal, affordable credit prevents them from realising their potential. It is crucial to understand the specific needs of the segment of entrepreneurs and explore means of innovative financing that can solve their capital deficit and enable them to grow. So what are these problems they face? Who is offering them the potential solutions to these, and what else can be done to enhance their potential? To discuss this and more, we have Priya Naik, founder of Samhita Social Ventures and Revive Alliance. In a career spanning nearly two decades, she has worked with International Finance Corporation, the Poverty Action Lab at MIT, and Arthur Andersen. Priya. Great having you here with us and looking forward to the conversation.

Priya Naik [PN]: [00:01:39] Rathish, I'm so happy to be here.

RB: [00:01:53] We've been talking about MSMEs in this podcast and for good reason, because what we often don't realise when we look at all of these big companies in this country is that a large part of employment in this country is actually driven by MSMEs and they contribute to more than 30% of India's GDP, and a large number of them are very, very small. And that's another nuance that it's immediate to catch because we always think of MSMEs as these start-ups that are going to grow, but they're really small organisations and you have a very specific focus on the nano entrepreneur. It'll be great if you can maybe help us understand who this nano entrepreneur is. What is a nano enterprise look like in real life?

PN: [00:02:33] Yeah. Thanks, Rathish. So, you know, typical nano entrepreneur is around all of us, right? They address so many of our day-to-day needs. They could be your *Sabzi Wala* (Vegetables vendor), your *Fruit Wala* (Fruits vendor), or you know, a *Kirana* Store (General Store), the woman who's manufacturing pottery or a handloom, right. So literally, they are everywhere around us. We just don't see them as exactly like you said, right - that these viable, successful businesses that are going to scale very rapidly.

RB: [00:03:02] And Priya, I think it's an important point. You know, one, because they are an essential part of the social fabric. You know, as a mental experiment if I say remove all of the nano entrepreneurs I actually engage with on a daily basis from kirana wala (general store owner), to the guy who presses my clothes, to everything, our life is probably unimaginable. That's number one. But the second thing, which is probably more, you know, from the lens of impact, we've always been obsessed about growing companies, you know, like how can I take you from one to ten, ten to hundred, hundred to thousand. My guess is, and please correct me if I'm wrong, a lot of these nano entrepreneurs are going to be small, but are still an integral part of the economic landscape of the country. And if you can maybe shed a few lights on, you know, (is) how do they look at, you know, sustainability and scale, if at all, and what are their aspirations as nano entrepreneurs?

PN: [00:03:54] Yeah, I mean, Rathish, you're exactly right (right). That all of our lives would be unimaginable, and particularly in a country like India, where it is these tiny businesses that are integral to every aspect of what we do. Now, I mean, like you said, right? If each of them is able to recruit two, three, four (or) five people, that literally contributes to about 25% of new job creation in this country. And we forget that, right, we're so obsessed with saying it is manufacturing or services or our unicorns that are going to lead to this massive job creation. Yes, they will be. But it needs to be complemented very strongly with, you know, these tiny entrepreneurs and broadly I think, you know, it's hard to generalise, right? But in our work, we found two kinds, those that became solo nano entrepreneurs because they had no other option and those that, even though they are tiny, really have the aspirations to scale, right? So can one shop become two shops? Can, you know, just a vegetable seller also start offering fruit and something else? Can they become more digitised? So there is I mean, you know, this is the aspirational underbelly of India,

PN: [00:05:06] right. That is fiercely determined to grow, is highly entrepreneurial, is highly creative. We saw what Covid did, right, the kind of mass adoption that we saw in terms of them coming on to digital platforms or now the potential for them to really become an integral part of ONDC. I think they're all willing to make that journey. The question is how do we really organise ourselves as the philanthropic ecosystem, the private sector, the government, the financial markets, to ensure that they're able to leapfrog seamlessly and that, you know, this needs to cut across rural and urban and it needs to be irrespective of education levels and, you know, financial literacy levels, right? So the question really is, look, they are hungry, they want to do more, they want to not just survive, they want to thrive. But how do the rest of us who are far more organised and significantly more resourced, ensure that this transition happens not over years and decades, but really over, you know, days and weeks?

RB: [00:06:12] And I think there are two parts to what you're saying that deeply resonate with me and want to sort of start there. The one is understanding the aspiration of this part of our society is going to be extremely critical for us to get to that 25% growth that you talked about. And that's not a small number. I mean, we can sell the 25% growth to anyone and they will buy it and hence the criticality of the opportunity, right, that we have. And the second is also the fact that you ended with ONDC, and that's an important point that we are now creating these rails like ONDC, OCEN et cetera. And while we are creating it and it's democratising access to a large number of people, there is still that last mile enablement. There is still that understanding of who these people are, what they need and how do we make it work for them, which is still has to be figured out. You know, what is that last mile integration that is going to be necessary for them to not lose out? Because I often worry that as we become more digital and as we enable access to more people, we are also creating newer divides. You know, that becomes harder to cross while we are bridging some other divides as unintended consequences.

RB: [00:07:19] Now, before we get into the solution side, which I think I definitely want to talk to you about, I want to talk about the problem side and don't understand it as well. But here are some things that I know. Credit, of course, is the biggest need for most businesses to thrive because access to capital and as entrepreneurs ourselves, we recognise that cash flow determines everything that you can do. And Korea University did a study where they found out that 80% of the borrowers in this segment actually are bootstrapped. They rely on family, they rely on friends to receive their money. And a large part of it is because the products are not designed for them. The kind of credibility or let's say the accounts that they need to be able to get money is hard enough. And there are challenges both on the supply side and the demand side. So, Priya it'll be great - and you've been working with these people now through Covid and beyond and, you know, really focussed on them - (if) you can step back and tell us what are the challenges that these entrepreneurs face today as they look to achieve their aspirations and growth.

PN: [00:08:22] Yeah, that's a great question, right. So I think there are I mean, they have many, many challenges, but there are a few that we are very squarely focussed on. One is the access to credit. And over there, there is a continuum, right? What a new business needs is fundamentally different from a stable business, is fundamentally different from somebody who wants to grow. And so for us, I think the big aha moment is to say there isn't a one size fits all solution. We really do need to experiment with any and every kind of blended finance product that is matched to the aspirations, the context and the reality of the enterprise that we're talking about. So for example, today we use returnable grants, which are zero interest, zero collateral, pay if you can, right, linked to a moral, not a legal obligation, which is really the solution for somebody who's just starting out their business, is not able to get any kind of credit and needs to have the flexibility to be able to repay based on really what that particular business can afford. We're also and I'll get into this a bit later, which is, you know, we're also putting together first-loss default guarantee backed credit guarantee facility with SIDBI to say that the vast majority of your solo nano micro-enterprises who have never accessed formal credit, who don't really have the documents that a bank and an NBFC would require, how do you really enable them to get access to credit, right? And then there are others who will qualify for Mudra and/or regular NBFC and bank credit.

PN: [00:09:54] So I think the first challenge is matching the right product to the right business and meeting them where they are. They're not suddenly going to be exactly what the bank needs them to be. The second key challenge that you talked about is really the digital divide, right? So how do you systematically go to a segment of population that is not considered commercially viable from a digital tool or integration perspective? So a couple of years ago, I think bang in the middle of COVID, we spoke to many banks and you know all of your fintech providers to say, how do we enable tiny retailers, right? Like your doodhwala (milkman), your subzi wala (vegetable vendor), et cetera, to start really embracing digital payments, and systematically what we heard is, look, they are too fragmented, you know, too small, just economically unviable for us to care, and so we ended up supporting 90,000 small retailers and ensuring that they were very much part of the digital transformation experience, right. So I think philanthropy is going to be critical to address a challenge that the market believes is unviable just from their perspective. The third key issue is, I think as we started working with the government, a large number of schemes that were both individual and trade specific were announced.

PN: [00:11:18] But the reality is that when you go on the ground, a significant proportion of people have not received these schemes because they don't know about it, they don't have the paperwork, they don't have the wherewithal. And women compared to men systematically get left out of, you know, very well-intentioned large-scale government schemes. So we're now partnering with a common service centres across the country. They have 600,000 of these VLEs (Village Level Entrepreneurs) to ensure that every person that we engage with from now on has the ability to unlock any and every government service that they, their employees and their families are eligible for. A fourth key concern is really where will the market linkages happen? You don't link them to markets. How are they going to grow their business right? Now ONDC, for example, is going to be really a transformational, disruptive player, but even before ONDC, right, we worked with a variety of organisations, including nonprofits that are able to work with these nano entrepreneurs and ensure that you're building these local market linkages. And really the last but sort of a critical perspective, and I know the CSR (?) report also talked about it is that formalisation is not seamless. A lot of them are unregistered. They remain under the radar, which means that they will if they don't integrate with the formal economy, then all the gains that India is making in this digital financial transformation, they're just going to be squarely left out and Rathish, as you can imagine, that the fear of formalisation is very real, right? You know, no one suddenly wants to be figuring out how to pay taxes and GST.

PN: [00:12:51] They're not set up to do that. And so in some sense the gains that they get from formalisation have to be overwhelmingly large for them to really be comfortable with with formalising their businesses. And so I think, you know, a single sort of strategy that we're using is to say, hey, one without the other doesn't work, you're not registered, you can't get access to credit. Right? You don't have access to credit, you can't really scale your business. And so we're realising that very much like the VC ecosystem, every single one of these challenges have to be addressed either in a bundled or a sequential manner, because there is no way that the average nano entrepreneur has the ability to go and seek out all kinds of support in a seamless manner, right? So in some sense it is our responsibility to bring all of these solutions to bear. As you think about this, you know, millions of tiny businesses that are spread across the country.

RB: [00:14:02] This is a useful framing for us to even structure the rest of the conversation because as you rightly said, access to credit, access to markets is like the fundamental engine, you know, that that governs the business. And in addition to that, wherever possible schemes and subsidies that are provided by government enables that financial cash flow as well, and digital enables them to leverage opportunities both on the credit side and the market side, and finally, formalisation then unlocks everything that we need, you know, they can get access to, and potentially what is that value - unlock is critical. I want to maybe take each of these and a little bit, go a little bit deeper. You know, I think one again, don't want to make the mistake of talking about nano entrepreneurs as the same, you know and you in the right at the beginning highlighted there are those that are looking to sustain their businesses and those that are looking to thrive, and you also gave us a continuum of credit, right, like as what type of money are people looking for. Maybe if you can give us some indicative numbers, not scientific, but in the engagement that you've had, how many nano entrepreneurs do you really feel like they have to grow and then sort of run that one shop, two shops, five shops kind of approach? And are there some defining traits that sort of, you know, help you identify who this person is and, you know, could be social, could be ethnographic, could be whatever, and say, hey, these typically help us understand whether these are the people who are looking to grow, because one of the questions about credit is always a question of how do you find these people? Right? That's why I'm asking that question. But I'll just follow that up with the second question. In the continuum today, where do you find the biggest gap? Like, is there a part of it where there are alternate sources, formal, informal and there are parts where there is really no other alternative and hence the work that you do becomes even more important?

PN: [00:15:46] So, Rathish I think the beauty of working with nano entrepreneurs is that they opt in, right? So typically what we do is we work with a large number of non-profit partners. They have these relationships that are trust based. And really I think we rely on them to say, you know, out of the, let's say, 500 entrepreneurs that you deal with on a day to day basis, what proportion of them do you think have the aspiration and the readiness in some sense to scale? Right. So it's not like we will ever go into a particular community and ensure that everybody gets access to the same thing. They're also in kind of different stages of growth, right? And so because we also use multiple interventions, each individual may be eligible for a set of different interventions and we need it in, you know, to be delivered differently. I mean, you know, just to say that there is a process that we use, which is to say, who is this entrepreneur? What are their business aspirations? Where are they currently? What do they believe are the 2 or 3 key barriers for them to scale? And by the way, do we have a solution ready now? Right. So the combination of the two is what's needed to be able to support a particular individual. Also, it's not like money is unlimited. And so, you know, we obviously want to be able to work with those that are going to do the most with the opportunity that we're able to provide. Right. So I just want to talk a little bit about sort of the access to credit bit, because it's not homogeneous.

PN: [00:17:15] One thing like you said, which is we're not taking a one size fits all approach. This is highly customised to the specific trade. So I'll just give you a few examples. When we first began, you know, bang in the middle of Covid, we actually did 33,000 direct cash transfers to a whole bunch of these nano entrepreneurs. And we said, tell me about who you are. Tell me about your trade. What are you going through today? What does recovery look like? And the one thing we heard over and over and over again is "We don't need your charity. Thank you very much. We have always conducted our lives with dignity. What we want is opportunity", right. So the fact that we said we will lead with opportunity and therefore, when I talk about the six interventions, it is about unlocking every single opportunity. And we understand that when offered six things, some people may take two and others may take six. And this is also an experiment at scale to say, you know, if we were to reach out to 10 million people and the ambition is to irreversibly increase their income, what set of interventions play out for what kind of audiences, right? Point two is about the Returnable grant, because for us it was this one instrument that really enabled us to understand the mindsets, the needs and the credit challenges of nano entrepreneurs. And so when we first gave it to farmers, farmers used it to buy seeds and fertilisers before the harvest, the sowing season. And they paid us back when they sow the harvest.

PN: [00:18:41] But retailers use the returnable grant to actually digitise their operations and they paid back in monthly instalments. Street vendors used it to restart their business or start a new business, and they paid back far more frequently. Right. So nothing sort of path breaking. But basically to say that credit should be customised to the specific trades, cash flows, contexts of each business. When we went in and did the Returnable grant, we thought, you know, we're going to see maybe 5%, 10% people paying back, given that you're in the middle of a pandemic. You know, there isn't really a legal obligation to repay. And a vast majority of people we were working with had never taken any kind of external financial support other than from friends and family. We've now consistently seen 95% repayment rates. It doesn't matter whether we do cash, it doesn't matter whether we do vouchers, it doesn't matter whether we put money into the bank accounts of individuals or we give it to enterprises. Consistently high repayment rates. Right. And I think the trick there is to, like you said, identify the right person and the right need and then design the product in a way that it's fully aligned with their aspirations and their business cycles. So the experience from that. Right. And I think, you know, your earlier question, which is sort of the role of philanthropy, is that philanthropy can't really be a substitute for, you know, the amount of debt that's really available. Right. And given that India now has a very strong emphasis on widespread, well, almost universal financial inclusion. The question really is how do you get markets to pay attention to this solo nano micro entrepreneurial ecosystem which is starved of cash and which, if it receives the right kind of financial products, can really be in some sense, the catalyst for our economy, right? So a tremendous amount of work is now going in to say, how do you source these individuals? How do you design products, How do you create underwriting processes? What kind of philanthropically funded blended finance instruments can truly catalyse debt for a segment of population that's of great interest but is also perceived as being very high risk? And, you know, how do you, like you said, build the rails to be able to deliver this across the country at very, very low costs because it's not like you can have, you know, unviable costs of acquisition and servicing, right,

PN: [00:21:14] for a proportion of population that is really hard to reach out to. And so increasingly, we're saying that the answer to solving the access to credit problem is philanthropy being catalytic and being fairly innovative in you know, the types of sort of risk mitigation strategies that are needed to bring banks and NBFCs and guarantee providers to the table. It is sort of mass collaboration with formal financial institutions. It has to be done in partnership with the government, but also ultimately we need to rely on these community based relationships because, you know, it's not like the average sabzi wale (vegetable vendors) is just going to suddenly discover that she can get onto ONDC or suddenly take a loan. Right? There is some amount of hand-holding, trust building, capacity building that will also be needed.

RB: [00:22:08] I want to come back to that number, the 95% return rate, because that's a dream for anyone, even in the formal finance space, to be able to have that return rate. The question is what do you think is causing that? One point that you mentioned is that it's a custom product tailored to their needs and you know, and hence works for them, number one. And I think underlying that and this is the point you made earlier about the non-profit partners role, there is somebody who deeply understands their context. So you're not sort of trooping in to deeply understand the context. You're leveraging local partners who probably have engaged with them before and building that understanding, which then helps you tailor it. And apart from these two, one question is, is there any other factor that you think is resulting in this level of high trust engagement that results in this return to normal number? The other thing that I wanted to know is even in creating the product, are there any structural, physical, you know, legal limitations that you have in terms of what you can do with that product? Today, that anyone who is listening to this and potentially thinking of this space should be aware of?

PN: [00:23:16] Yeah. So Rathish, I think, like you said. Right. The fact that this is trust based helps and goes a really long way. So when we went back and asked people, why are you paying back? They say, well, it's because we know this is non-profit. They have built capacity in the past. You know, I know them, my husband knows them. And so in some sense, I think the social relationships, you know, are really driving this. And this is even true of what we've seen in the MFI ecosystem. The second, like you said, is customisation, right? So because we've now done so many permutations and combinations, I think again and again the fact that this is designed. For the nano entrepreneur really goes a long way. And we've seen now that if you design it for retailers in Bombay, the same thing works in Jalandhar, right? It's not so much community specific or culture specific, it is trade specific, which is great because when you bring lenders to the table, it's not like the average lender is not going to be able to create like 100 products, right? But what they can do is they can say, okay, I know the retailers' cash flow, but I also know the farmers' cash flow. And now this becomes and because you're catering to a mass business, we're not expecting hyper customisation, right? Just trade specific.

RB: [00:24:33] And I think that's an important point, Priya. I think that when you talk about customisation and trade customisation makes so much sense because it's also the language that business understands, right? Because then you're not talking about a person or a community and so on, but you're saying, Hey, you can understand that market and tomorrow, if this one product has to be scaled, if it has to be commercialised, it becomes a lot easier for us to then speak to the language of the market and say, Hey, here's a segment that is large enough transferable across geographies and can become a viable economic opportunity for the markets to take over. Yeah, but go ahead. Sorry.

PN: [00:25:05] Exactly, Rathish. So I think the fact that we didn't approach it as philanthropy first, but that we always approached it as market first meant that we were only using the returnable grant as a way to make the market and pave the way for lenders to come in. Right? So I think, you know, that decision fairly early on was vital. And I mean, you know, ultimately, like I said, this is a mass business, right? And so the more lenders that understand categories of people that we're supporting, the better it is, even from our perspective. The third thing that's driving this. And, you know, so in the middle of the second wave, we had a set of women who did 103% repayment. And so we went back to them and we said, wait a minute, tell me about your life. Tell me what you're going through right now. And, you know, these women said, oh, my God, like, this is the worst moment of my life. You know, my business is shut down. We thought things were going to get better. We're back at home. Children are not in school. We've lost family members. Right. And, you know, I'm not sure what my future looks like. We've seen death and illness and just an erosion of savings and everything is uncertain. And we said if that is true and of course it is true, why are you paying back this 103%? You know, you don't have to pay back, right? You can pay zero. And what we heard and this is sort of really playing out again and again is women who said, when you gave us the money, we were a recipient.

PN: [00:26:35] When we paid back the money, we're a donor. And I just remember being in shock because I'm saying really, altruism is driving this in this moment, this sort of the worst moment of your life. You're thinking about somebody else but you don't even know. Right? You're giving something that's very precious to you. And it's never mattered more than just now to somebody else.

And so we are finding that, you know, women in particular, are coming to the table with empathy, with care, a sense of sisterhood. Right. Just being a really good human. And so on one hand, we're saying, are we designing these processes so that banks and NBFCs can replicate this? On the other hand, we're saying, well, how do I really capture this, you know, overwhelming sense of altruism and citizenship, right, and just being human. And now how do you design for that and how do you scale it? And we also want to see sort of what's motivating them, Right? So is it the promise of a loan? Is it the promise of other interventions? Is it the fear that they will no longer be supported by the local partner? Or is it just generosity, which, you know, is just so phenomenal to see? And so I don't know. Right. And the reason we're also scaling up from from 360 thousand people under revive right now to 10 million is really to see what aspect of this truly scales up, but how do we also preserve, right, the the sort of sheer humanity that we're seeing? So, Rathish, I think, you know, we didn't develop the returnable grant or we're not developing the credit guarantee to benefit us, right? For us, it is an ecosystem, public good.

PN: [00:28:27] It's literally an instrument where hypothetically, companies give a grant to a non-profit. The money goes usually into the bank accounts of the individual. It's considered a straight off grant and therefore it's compliant with CSR regulation. It's fully aligned with Schedule Seven because you're typically supporting someone who's at the base of the pyramid and have, you know, very low income levels. When the person pays the money back, they're actually a donor because they are not technically, you know, bound to pay the money back. And the money just goes to somebody else into their bank account and then somebody else into their bank account. We have 20 funders now. We have 26 implementation partners. And these are folks like SEWA, Mann Deshi, Pratham, TISA. Right. So we're working with the sector skill councils. We're working with a common service centres. So really looking to mainstream this and drive mass adoption. And we're also hoping to take it to the social stock exchange and say, look, yes, you know, grants are great, but can you start experimenting with other or blended finance instruments and sharing the beauty of it is the following, right? Initially we came at it saying, hey, let's just give money to people who need it. But as you can imagine, people's repayment history can now become the basis of a credit score that a lender can use to lend to them.

RB: [00:30:06] One of the things that people, they say is that part of the motivation to doing things is to feel connected. You don't do it for the sense of competition. You don't do it for a sense of fear. You don't do it for the sense of achievement. You do it for a sense of being connected. And that is one of the most positive reasons why you do anything. And one of the things that I feel we underestimate as what the social impact space has created is a sense of connectedness that is years of work that's gone in that enables market transactions to happen with far less friction. And we've now seen that in EdTech, right? Like where EdTech products that go via non-profit partners find greater acceptance because there is a connectedness as a community that we are doing this and as a with a partner that we know we trust and so on. We've seen that in loans with construction workers. We've seen that in health many, many times where actions are taken, market actions are taken, purchase decisions are made, usage decisions are made because there is a feeling of connectedness. And since it's not measurable, quantifiable, monetizable, I think we underestimate how important that is. And I think when you talk about it, for me it was one of the things that stood out, right, which is that I do this differently because I feel connected to the partner, to my community, to the larger humanity.

RB: [00:31:19] And I think that's a very, very important point. It's a very subtle one, but I still want to share it because it's struck so, such a strong card. And I also wanted to sort of build on that story, Priya, because when you talked about digitisation earlier and you talked about how women entrepreneurs approach it differently versus men, and there are different constraints, but I think that's worth discussing a little bit more because gender does play a huge role, you know, because in the research that we've done with large corporate and research that has been done otherwise, we know that a lot of women are not aspiring entrepreneurs in the sense that they didn't start businesses out of wanting to start one. They started it out of necessity as well. And then once they get there, of course they want to grow and so on. What are some of the differences that you've seen in engaging with male entrepreneurs versus female entrepreneurs, and how does gender play a role in this whole thing?

PN: [00:32:11] Yeah, you know, I'll allude to the sense of connectedness because that's so powerful. So, you know, Rathish, when we first began the Returnable grant work, we went to men and women and we said, here is ₹10,000. Let's get you back on your feet. The men's reaction is "10,000? That's not enough. I need 25." Women's reaction is "10,000? Well, why do you trust me when no one else does? Why are you giving me this 10,000, Right. Can you give me 5000? Let me use it carefully. Let me show you. I can do it. Then you can give me 10." And we were struck by that, right? This sense of overconfidence and a sense of underconfidence and I mean, you know, those are very real. And you can only imagine, right, like three years ago, just the sense of sort of despair that was also driving these communities, which meant that, yes, access to finance was going to be critical and we were going to treat it differently. But I think the wrap-around support that you need to get women back on their feet, get them to believe that they cannot just survive, but thrive, was going to require a slightly different mindset. So that was one. 60 Decibels just recently did a report and we found that the Net promoter score of women (is) much higher than men, right? When women's lives are transformed, they go and tell five other women and they say, "Let me help you."

PN: [00:33:35] And for us, I think the reason it's critical from a design perspective is we are now going back to all of our NGOs and sourcing partners and saying, why are you going door to door? Let each woman that you benefit go and bring five more women because she trusts them. She already has that existing relationship. Right? So how do you convert? And we don't call them beneficiaries with good reason, right? How do you convert somebody from being a participant to a customer to being a change agent? So remember, even in my returnable grant story, people get returnable grants only once, right? Where they are an active participant in terms of how we design it with them, how they use it, they repay it. The second time, they don't get a returnable grant. They actually get a loan backed by a credit guarantee. And then ideally, they also go in and bring a bunch of their, you know, friends or sort of fellow, you know, business folks into the fold. And that goes back to the point that you made in terms of connectedness, right? Which is how do you ensure that the social relationships that you have get integrated into the design of the products that we're designing and scaling.

PN: [00:34:42] But also the other key point is, you know, until we started doing Revive, even as an organisation, Samhita would do at point interventions. You go in, you build a school, you get out, you go in, you provide training, you get out. Right now I think the fundamental shift with Revive is we stay connected with all of our participants over multiple years. So you may get financial literacy, then you get digital literacy, then you get a returnable grant, then you get a loan, then you get integrated into ONDC, then you get additional capacity building support. And so I think we're realising, like you said, the increasing importance of staying connected because opportunities and challenges don't come when suddenly, you know, the funder has money or the partner has capability, right? These lives are very different and we want to ensure that we're actually using technology, understand each one of our 10 million participants and then organise the ecosystem in a set of opportunities and products and services in a way that we are still delivering standardised but also customised support depending on who they are and what they need, and creating that sense of connectedness both within their social circles but also across this vast ecosystem of partners that we're building together now.

RB: [00:35:52] Thank you Priya, and want to double click again on the gender point. One, as you rightly said, there is that initial confidence and this of course is mirrored in many, many research from farmers to corporate executives, et cetera. So that deeply resonates. And the other point is that where the NPS conversation, right, which when one woman benefits, she tells five other women and and I've seen this so many times in social contexts, even in minor things like WhatsApp groups of men and women, and they work very, very differently when there's all men WhatsApp groups, and there's all women WhatsApp groups, right? So and it's amazing how that same social behaviour parallels and other activities where there are material gains like this one as well. But one question I wanted to get your thoughts on beyond what you shared is the research that Sattva did once showed that most women took the lowest possible loan, you know, in Mudra scheme that was possible. That was one point which itself stands out. But the thing is that while most men graduate to the second loan, third loan, fourth loan, not only do women take the lowest loan, but they don't actually graduate subsequently as well, which is a worry, right? Because if 51 or 49% of India's population who are capable, people who are actually running meaningful businesses, creating value, eventually decide not to grow, that is something that is going to impact the country as a whole. In your experience, do you see that growth curve happen for women entrepreneurs as well? Well, when they first time, when you ask them, they probably asking you only for ₹5000, but the next time, the next time and as you unlock more doors is there a greater willingness to embrace the risk, take more opportunities and grow or are the curves of growth for men led on, you know, enterprises and women-led enterprises distinctly different?

PN: [00:37:31] Rathish, so, I think a lot of what I will tell you right now is anecdotal, right? But to kind of build the mechanism to answer that question using a lot more data. Right. So here's what's happening. So let me talk about sort of three things. Right? Women just have barriers that are different from men, which means that when we design interventions for them, it's not just financial literacy. It's not just digital literacy. Right. Very, very simple. So for women, when we talk about financial literacy, it is personal finance and household finance and business finance, right? Men don't really need you know, don't mean for them the separation is much easier, whereas women tend to confuse all three seamlessly. And so I think in every intervention we're designing, we're actually putting the woman at the centre of it and her context and saying, I understand that your set of challenges and opportunities are distinctly different. And so how do I continue to design for you? What's real for women is sort of easily translatable for me, right? So that's point one. Point two is I think we're also beginning to work primarily with partners that have worked with women for decades. Right? So it's very gendered, intentional partner selection. And because Mann Deshi and SEWA and TISA, right, are I mean, so fiercely committed to the lives of the women, we're really bringing a lot of their insights in terms of how to design it also mean you can imagine right, that a lot of men, when provided with sets of opportunities, require a little bit of assistance and then they're okay.

PN: [00:39:02] Whereas women, particularly those that have lower levels of literacy, don't have access to devices et cetera, will require an assisted model for much longer. So we're also paying very close attention to the constraints that women work with. Right. And then therefore, to your question, to say how do you design for scale up differently? So one, addressing the social and infrastructure barriers that women have. The second is really making them part of the design process, but also having deep conversations about aspiration. You don't want to grow your business. Why? Because you don't believe you can do it. You don't have the skill sets, you don't have the resources. Let's fundamentally understand what are the barriers that are real and what are the barriers that are perception driven. And let's at least address the perception level barriers, right? Because I may not be able to address any constraints that you have because of your family or, you know, whatever else. Right. I'm not geared to do that today. The third then is why are we expecting women to find solutions one by one by one? So let me give you an example.

PN: [00:40:06] We work with the Sector skill Councils. Now, a large proportion of people that get skilling from the sector skill councils are not going to go into employment. They're going to become entrepreneurs. Think of the home chef. Think about the woman setting up a salon. Think of, you know, a woman wanting to do embroidery or weaving. Today, the Sector Skill Council doesn't have a mechanism to provide access to capital. So we're literally beginning to work with the sector skill councils and saying, give us a set of people who've been skilled. We will seamlessly integrate them into this new to income, new to credit scheme. We will seamlessly integrate them into the ONDC platform. We will seamlessly ensure that we're unlocking every government scheme that the CSC has. And so instead of expecting that the woman or the NGO partner to build these alliances and these opportunities that sit within different parts of the financial private sector, public sector ecosystem, it's a role that we are taking on, right? But with three things. One, understand the context of the woman and her challenges and her reality. So tech interventions, everything is designed for her. At the highest level, ensure that the different institutions that need to come together to enable that growth that you talked about are being fundamentally aligned, both in terms of strategy as well as in terms of operational execution.

PN: [00:41:28] And then everything in the middle is important. You have to convince a bunch of funders, a lot of execution partners are in there. There are very real sort of social barriers. And so how do you ensure that these three ecosystems are now working seamlessly and they are designed to catalyse growth of women? And if women choose to stay back in spite of those opportunities, that's their decision to make. But the ecosystem can't be broken, right? Like that's not excusable anymore. So I think designing for that from the get go, how it plays out, I mean, I have no idea. Right. And for us, that's why revived is a hypothesis. It's a hypothesis that six interventions, may be more, have the ability to irreversibly increase incomes. We will find out really through a lot of data and tech to say what works for whom, in what order and how do you ensure very rapid, let's say, you know, market integration, where philanthropy always plays the role of a catalyst and is not ever the constraint, right, to drive this large-scale inclusion.

RB: [00:42:36] That's a great point, Priya and I think, you know, as you were speaking, I recognised that it would be great if there is that sort of the learning question, what it makes to make this work for women be answered because the value for the ecosystem is huge. Because today I feel like a lot of conversations around getting women to grow as entrepreneurs falls on one or the other buckets, right? One bucket has a very top-down narrative which says which judges their way of making decisions as not being the right one and says, "Hey, you should think about it differently." or it sort of stereotypes all women to be the same, reduces their ambition, and hence does not differentiate between women because we're talking about 50% of the world's population. And that nuancing is missing. Or it sort of takes an approach where it is seen piecemeal and, you know, tries and focuses on some parts of these things. So I think what work you're doing is exciting and just the learning agenda around, you know, making women entrepreneurs grow, I feel like will be extremely valuable as you scale and work with more women entrepreneurs with a much larger ecosystem as well. I want to come to two other questions. The one question I had was formalisation. And I think you made a very important point when you spoke in the beginning around what are the gains of formalisation given the fears of formalisation, the gains have to be at least three times, four times more than perceived risks that entrepreneurs face.

RB: [00:43:57] I wanted to ask you, do you see that value getting unlocked, which is three times, four times more, number one. Number two, and I've been arguing this with a lot of people that is India forever going to be an informal market which is organised in a way and we accept the informality and build on top of it. You know, like a lot of people who are at Urban Clap today don't know if they registered themselves as nano entrepreneurs, et cetera. But there is a solution that is working for India which enables them in an urban company to connect them to us. There are other models today where a certain level of digitisation is acceptable, even if you're not formalised. And I wonder, given who we are and the diversity of our country, whether we'll always be informal in parts or in, you know, to a large share and just build models that accept that informality and grow. And wanted to sort of get your thoughts on both of these questions saying is this pot of gold at the end of formalisation real? Do you see it? And two, do you think that India actually can be perpetually informal and we accept it and build around it?

PN: [00:45:03] Yeah, this is a great question. So I think, you know, (A) when we came in very similar to what you said, we just accepted the informality, right? This was three years ago because we said this is not the time to boil the ocean. Like literally let's just get people back on their feet. But as soon as we started seeing recovery and, you know, it was, I think, phenomenal to see right as we go into surveys in terms of what happened to the people that we supported, we're seeing the ability to come back, find a new job, you know, restart their business was much sooner than we expected. Right? And now we're saying, well, you can't remain informal forever. We are very much in peacetime the rapid strides that India is making towards digital inclusion, financial inclusion, formalisation has to very quickly embrace, you know, the 93% people that are left out. And so here's what we're doing right. Um, every person that we work with the first journey is let's do digital literacy, let's do financial literacy, let's get you formalised if you do these three things because you also want to explain the benefits of formalisation and provide the support to move from, "Hey, I wanted to have no paperwork ever." to "Oh my God, I'm going to have to do this paperwork now. And do I have the capability to do this year after year?" Right. And very quickly showing them the carrots of here is access to capital. Here is access to markets. Right here is access to the next set of customers. So ensuring that we're doing this simultaneously and creating a feedback loop. Hey, I know that you're formalising your business, but here is the gain. I know that you're filling out this paperwork, but here is what you're getting. Hey, by the way, you know, here, here is the gains that you yourself have made, right? Because we realise even between baseline and end line, people themselves did not know that they had done better. It's like the sense of, Oh, I have done better. But when you go back and say, Well, you told me your income was 'X' and now it's 1.5X , it's a great confidence building feedback loop, at which moment you also say, Hey, can I just introduce you to the next and the next level of gains that are coming from formalisation, Right? So (A) I think, you know, very quickly, to answer your question, doing it at the ecosystem level and then second is doing it with local partners because, you know, hand holding that woman over two, three, four, five, six, seven months. Right. Understanding her frustrations, I think are going to be vital to be able to get to that formalisation.

PN: [00:47:34] And to your point, no, I don't think we should believe that India should always remain an informal economy. I think everyone's doing their very best to ensure that that's not what happens. So in the credit guarantee scheme that we're putting together, we're saying, hey, you know, women owned businesses, if you're able to show more business registrations, I'll give you an interest waiver. If you're able to show that you're paying your staff wages in their bank account, we will give you an incentive. If you're able to show that you have contracts for the people that you're hiring, we'll give you an interest waiver, Right? So really using philanthropic capital initially and then, you know, we'll see if we can influence government policy in any way. But using small amounts of money to really driving home the process of ongoing formalisation, it's not enough for it to just happen at the level of the entrepreneur. It needs to trickle down to the five, six, ten, fifteen people that they're going to employ as well and their own kind of business supply chain, right? So very much ensuring that we're doing this at scale and over a period of time so that the gains overwhelmingly make up for any hardship.

RB: [00:48:58] And your comments about the Potters could mean purely from the entrepreneur's perspective, there is significant value to be unlocked through formalisation.

PN: [00:49:06] Yeah, Yeah, for sure. Right. And I think now that we're talking to ONDC and a whole bunch of others, I mean, it is the way to go. There will always be a set of businesses that will resist, but that's not the business that we're interested in.

RB: [00:49:20] It takes me to the last question, which is really the question on ONDC and what is ahead. You know, it's an exciting time. There's the announcement yesterday about the $100,000 mean orders a day that is going to go for in a few months. And you started this podcast also by saying, you know, this whole digital rails that are establishing themselves are often an opportunity, but also a potential divide. In your mind, what are some 3 or 4 things that we should definitely do for nano entrepreneurs that ensures that they're ready for something like an ONDC coming forward?

PN: [00:49:53] Yeah. So I think the first stop is that formalisation, right? Which is if you don't really register your business, how are you going to access any of these support services? The second is, I think building that base of financial digital literacy, you're expecting people to go online, but do they even understand, you know, how to keep their data safe? Do they even understand what they can and cannot share with somebody else? Because if you don't get some of those fundamental hygiene factors in place, you know, then you're sort of scrambling to make up for, you know, bad outcomes. Right. So I think setting the hygiene in place. Third is I think, you know, we remain committed to saying we will always work with market players, but we will customise as much as possible. And the more data we share, the better it is. So I'll just give you an example in terms of what we're doing, even in terms of the credit guarantee. When we first went to banks and we said, "Hey, we want to put together this credit guarantee for new to income, new to credit, primarily solo nano entrepreneurs, they said, fantastic, not interested.", "Why aren't you interested?". They said, "Well, because you have to you have to solve my sourcing challenge. You have to ensure that I have the ability to actually understand this individual and create an underwriting process. You have to cover my risk. You have to ensure that their businesses are robust enough to be able to repay my money and ideally I want to see growth. How will you solve for all of this?" Right. Fair question. We now have many, many partnerships with large NGOs, corporate supply chains, the sector skill councils, a common service centres, like any and every large ecosystem that can help source solo and nano entrepreneurs and people who understand these businesses sort of fundamentally well, right.

PN: [00:51:40] And where there is trust already built in, we're co-creating a pre credit score, which is a mechanism for it's an alternative credit scoring mechanism. Right? None of them will have a credit bureau score. And so how do you get banks and NBFCs to fundamentally reimagine an underwriting process that is very different from what they follow today? Because that's what you're going to need and it can't be heavy in terms of execution or costs. The third is the first loss default guarantee, right? The fourth is that every borrower and every nano entrepreneur also gets financial literacy, digital literacy, the ONGC integration, et cetera, which means that the average nano entrepreneur is not only being protected against the key risks that they will face, but that they're presented with a series of market opportunities so that they can repay and grow. Right? What we cannot afford to happen is we can't afford to see 10% default rates because if we see that 10%, no one's going to trust that this is a viable segment to serve. ONDC is not going to jump in because then they're going to believe that the cost of onboarding and servicing the average nano entrepreneur is going to be exorbitant. The banks are not going to fund them because unless we address at least the key challenges, you're not going to see markets fundamentally shifting. And being optimistic about the segment. Right. So I think. Short answer to your question, looking at it both from the perspective of the nano entrepreneur, but also looking at it very systematically from every single, you know, private public financial institution that they're going to have to engage with at scale.

RB: [00:53:20] The problem we are talking about is a much larger problem that any one initiative or organisation can solve. Can you quickly paint for us, what are the other initiatives, things that are happening in the ecosystem that's giving you hope, or organisations that are doing fantastic work that you know, the listeners of this podcast can learn from, and two, what are some of the gaps that others can come in to solve so that you know your work or work of other, you know, inspiring initiatives can actually accelerate in solving problems for nano entrepreneurs.

PN: [00:53:52] Yeah Rathish, so I think there's a few different sort of opportunities that we're beginning to solve and the reason we're excited is the following. One, when we first came in, we said, and this was what you started out with, who is this nano entrepreneur, right? And until very recently, we were doing programs and hey, let's give money to, you know, a non-profit. The non-profit will identify 10,000 people. All we care about is, you know, how does the 10,000 pool, like, how did they do? That's not enough. I need to know who these 10,000 people are, right? Because when you take them to the market, the market is not dealing with them as a like a like a group. But, you know, they're going to have to transact with them individually. So the first is, I think a lot of the work, the societal thinking ecosystem has done has been phenomenal, right? So the ability to track and support every individual over a period of time and have this granular data so that you can be very sharp in providing the right opportunity to the right individual and I think, you know, the work that Aadhaar has done, that OCEN has done, that E-Gov has done, et cetera, is really something that we're rapidly building on, right? You don't need to recreate any of this.

The second is I think the work that the government itself is pushing around open digital ecosystems so suddenly because when we said, Hey, I want to bring six interventions to this nano entrepreneur, but the people who are delivering the six interventions are six completely different partners. Some of them are NGOs and some of them are banks and some of them are, you know, government entities. How are you going to get different set of partners to transact at the level of a nano entrepreneur and make it viable and given, you know, the big push that the government is doing on the work, you know, that's really come. The third is we are realising that all of our partners also want to work with each other. So when we started engaging with SIDBI, CGG, NSC and we said, Hey, we want to do this scheme for new to income and new to credit, they said, Well, but how about integrating with NSDC? Right? You're already creating a large proportion of people that are skilled. Instead of us doing this offline, can you actually build an integrated mechanism? NGOs are saying instead of us doing this one by one by one, can we now just partner with a whole bunch of others? So we're now realising that each of our critical partners and their own five year strategy is fully aligned with our five year strategy.

PN: [00:56:15] So ensuring that everyone is comfortable with innovative financial instruments, large scale collaboration, data sharing, right, compliance because God knows everyone is under very different compliance regimes. Right. And it needs to be almost seamless for them to be able to collaborate with each other. So I think, you know, to summarise a few things, one, the work that a lot of people have done before us and our ability to really build on that work without ever recreating. Second, the fact that we seem to be fully aligned with the Prime Minister's budget right now, everything that he talked about, right, large scale scaling, large scale digital financial inclusion. I mean, you know, we're sort of riding on a wave that's already been created. Third, the fact that each of our partners are realising not just the benefits, but just the sheer necessity to collaborate and collaborate at scale, right? Fourth, I think the widespread acceptance that data and insights is going to drive a lot more efficiency, efficacy scale, right? So the fact that all of these enabling movements are all coalescing and, you know, we have the ability to, I mean, literally just plug into it.

PN: [00:57:32] These are I mean, to give you an example, we started engaging with ONDC as of Thursday last week, we've already met a whole bunch of stakeholders. Right. And we know sort of more or less know the roadmap to be able to execute. I don't think this was possible a year ago or two years ago. Right. So partnerships that are being built very, very rapidly with very limited friction because everyone's aligned to the growth of that nano entrepreneur that we talked about. So it's almost, you know, it's sort of magical to see so many - it's sort of the universe conspiring right to support the nano entrepreneur that we're talking about. So I think this is sort of an interesting, exciting time in where India is going. And I you know, I really have not faced any resistance at all and philanthropy itself, because it's critical. Right. These different sectors are not going to just seamlessly come together because they don't have the resources to build that alignment. The fact that philanthropy is becoming sort of fairly innovative and mature and is willing to take these big bets and is willing to be collaborative and patient and willing to listen and willing to pivot, I think is just such a phenomenal development that we've seen in the last few years.

RB: [00:59:00] I would have loved to ask you more about what are the gaps that you still see. What are some of the things that need to happen? Thank you so much for your time. I think for me, one of the biggest takeaways is really the opportunity with the nano entrepreneurs that exists. I hope our conversation also inspires more entrepreneurs to take up this challenge and the opportunity to see how we can unlock value. Because, you know, whenever you want to pick a problem to solve, you want to make sure it is population scale because you can create a large amount of impact. So there is an enabling environment which we sort of highlighted in the last answer. And three, the urgency and the opportunity is now, it's not later, you know, and a lot of what is happening now gives us the window to be able to create value. And I think that just and as ONDC is coming up on the promise of ONDC is also that we create a cadre of entrepreneurs that are enabling these entrepreneurs to come on board and unlock the value for themselves. So super useful. Very, very interesting. Thank you so much for your time.

PN: [00:59:58] Thank you, Rathish. Thanks for giving us the opportunity to talk about this exciting stuff.

RB: [01:00:02] Absolutely, my pleasure.

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