

**No. G-20011/06/2016-RL**  
Government of India  
Ministry of Rural Development  
Department of Rural Development  
<https://rural.nic.in/>  
(Rural Livelihoods Division)

7<sup>th</sup> Floor, NDCC-II Building  
Jai Singh Road, New Delhi  
Dated the **29<sup>th</sup> January, 2024**

To

The State Mission Director/CEOs  
SRLM of States/UTs

➔ **Subject:** Strategy note on Establishing "State level marketing Aggregator cum Sales Outlet". reg

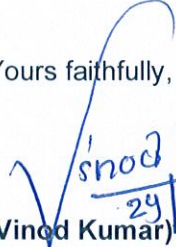
Madam/Sir,

As we move forward in our initiative to create 2 crore lakhpati didis, the importance of providing market access to the SHG members cannot be overlooked. After consultation with the States, a draft strategy note for creating a State level Aggregator for marketing with a Sales outlet has been prepared and is attached with this letter as Annexure -I.

You are requested to discuss the same with the concerned livelihoods team members in the State and suggest modifications to the strategy note, if any. A quick feedback, latest by the 1st February 2024, shall enable us the issue the final version and the states can consider including the same in their Annual Action Plans as a support to the lakhpati didi initiative.

This issues with the approval of the competent authority.

Yours faithfully,

  
24/01/2024  
(Vinod Kumar)

Under Secretary to the Govt. of India

Encls: A/a

Copy to

PPS Additional Secretary (RL) / PPS JS (RL-II)



**DRAFT CONCEPT NOTE ON**  
**Institutional structure for Marketing support for SHG products**

**1. Introduction**

1.1 The Ministry of Rural Development (MoRD) is implementing the DAY-NRLM with the objective to eliminate rural poverty through innovative implementation strategies involving mobilization and organization of the rural poor. It focuses on the promotion of their financial and economic inclusion as well as promotion of convergence with other livelihood programmes. DAY-NRLM aims to promote efficient and effective CBOs, such as SHGs and their federations as institutional platforms of the poor as mediating institutions to boost their collective bargaining power, and to leverage resources to augment livelihoods and improve their quality of life.

1.2 In addition, the DAY-NRLM has an objective of achieving increased access to rights, entitlements and public services, diversifying risk and bettering social indicators of empowerment. DAY-NRLM has believed in harnessing the innate capabilities of the women from poor households and complementing them with capacities (information, knowledge, skills, tools, finance and collectivization) to participate in the growing economy of the country. DAY-NRLM facilitates livelihood opportunities to women who are members of Self-Help Groups (SHGs) in both traditional livelihood and non-traditional livelihood areas where women are engaged.

1.3 It is a known fact that the poor need multiple livelihoods to be able to come out of poverty. These multiple livelihoods are needed for diversification of livelihoods and reducing risks. And also, because the available resources with the poor are not sufficiently large to sustain them, they are forced to have multiple livelihoods. (eg. Land holding is low, the number of livestock is low, Skills and working capital available with artisans is low etc).

1.4 Accordingly, the SHG members who are the part of the DAY-NRLM are envisaged to be supported to have at least 2-3 different livelihoods as part of the strategy to get them out of poverty.

1.5 Value addition is one way of increasing the incomes of the SHG members and the NRLM realizes the importance of providing market access for ensuring the value-added products of the SHG families are sold at a remunerative price.

1.6 The NRLM has multiple interventions for providing market access – Saras Melas in Delhi and in the state capitals and other cities, retail stores – Saras at Delhi and state's own stores in the large cities of the state, ecommerce access through the MoRD created and managed e-Saras portal, tie-ups with GeM, Amazon-Saheli, Flipkart Samarth, Meesho etc.

1.7 While providing these channels of market access the NRLM faced the following challenges:

1.7.1 The SHG producers don't have the requisite legal compliances for supplying to large buyers or selling on eCommerce platforms – largely GST registration.

1.7.2 The SHG produce is not standardized and hence is difficult to be sold to customers who want similar quality, look etc, ie a standardized product

1.7.3 The SHG producers do not have large production volumes (due to constraints of production as well as working capital, and in the absence of standardization cannot benefit from branding

1.7.4 There are no standards or norms for products, nor are there any quality check mechanisms or processes.

1.7.5 The SRLMs are in the dark about the production capacity of the SHGs manufacturers and hence cannot consolidate supply capability nor can consolidate raw material requirement.

1.7.6 Given the fact that the NRLM SHG producers are located in rural areas, while most of the high paying consumers are in urban area the above issues further hinder sales – as most sales have to be either B2B or if B2C sales, then it is unassisted eCommerce sale or catalogue sales.

1.8 In order to address the above challenges and to ensure that the market access is enhanced the NRLM need to devise a mechanism wherein these challenges are addressed and the capacity of the SHG producers is enhanced to make them and their products more market ready.

1.9 It is proposed that each SRLM sets up a state level body which shall aggregate and sell the SHG products and also define SOPs for product standardization, QC, packaging, branding and the entire gamut of activities that are needed to make the SHG products compete and sell in the market as equal to or better than, the other factory-made products.

1.10 Hence, it is proposed to establish a platform where SHGs are able to sell their products and generate a healthy source of income. Setting up an aggregation and sales outlet at commercially viable locations with high footfall of consumers. This market access shall also help create lakhpatis among the SHG members, as announced by the Hon. Prime Minister,

1.11 At State level a marketing federation or a Producer Company may be formed for meeting the above objectives.

1.12 States may hire a Technical Support Agency (TSA) or establish a dedicated PMU to support in establishing this PC / marketing federation and to operate the same. The PMU/TSA shall strengthen the Marketing federation (PC) through continuous capacity building and handholding, so that over a period of time the PC can be empowered to manage the entire forward linkage operations.

## **2. Vision**

2.1 The vision is to help the SHG members increase income by

- a) Increasing market access and reach
- b) providing market and sales support

This can be achieved by the formation of an institutionalized platform of an aggregator for the promotion and sales of SHG made products by increasing the efficiency of procurement, logistics, packaging, branding and marketing as well as ensure compliance with all the legal requirements.

## **3. Objectives**

3.1 To provide a sustainable institutional platform to the SHG artisans/ SHG producers for facilitating forward and backward linkages.

3.2 To build the capacity of SHG producer or artisans for sourcing of raw materials, fixation of pricing, basic book keeping practices, packaging, online operations etc. by transferring required knowledge, skill and technical knowhow through continuous guidance and handholding.

3.3 To set up aggregation centers for enhancing the economies of scale in respect of procurement, storage, quality checks, packaging, standardization etc., and to manage the entire business operations of a physical outlet and e-commerce platform to make it as a profitable business entity.

3.4 To facilitate producers for necessary legal compliances and also support in display and marketing of their products on different platforms through a GST compliant producer owned intermediary.

## **4. Features**

4.1 It is proposed that the interventions for the promotion of sale of SHG produce will be run by a SHG member owned marketing federation /producer company at the State level.

4.2 The members of this marketing federation shall be individual SHG members, women SHGs, women SHG producer groups, SHG owned and managed producer companies, CLF's (if doing business) or any unit run or led by SHG members or their immediate family members.

4.3 The marketing federation shall ensure that minimum 70% of the stock in the store (by value) shall be from the concerned State and a maximum of 30% of the product shall be from the outside State – produce of SHGs from other states.

4.4 Institutional framework: The Aggregator should be treated as a producer company and registered as per the suitable act i.e., producer company act or cooperative act. All the producers from among the SHG members or their immediate family members – of whichever legal form – individual proprietorship, partnership firm, Association of Persons, Producer enterprises – Companies or co-operatives terms of SHG group, shall be the members of this producer company.

4.5 This marketing federation in the initial years shall only recover actual costs of GST/ packaging / logistics / Quality Control and overheads of maximum of 5% of the cost of goods for the sale of the goods on behalf of the member producers. The marketing federation shall not sell the goods of any producer who's not part of the SHG network. The only exception to this shall be purchase and sale of raw material or items consumed by the SHG members.

4.6 The margins to be retained by this marketing federation shall be revised based on the experience of the operations and to ensure financial sustainability of the federation, while offering a reasonable profit to the producer members.

4.7 All the SRLMs are expected to implement this intervention to promote the marketing of SHG produce.

4.8 Each SRLM shall make a business plan for this federation for a period of 4 years and accordingly plan for budgetary support to the federation. The business plan should cover expenses for the manpower of the federation, the TSA fees, the rent for the premises, the working capital for the purchase of goods from the producers, funds for the capital expenditure required for setting up a aggregation centre and./ or retail stores, capex and opex for the aggregation centre / store etc.

4.9 The State may decide if they want the federation to only work as a B2B aggregator or a B2C eCommerce fulfillment centre, in which case the aggregator should be located in a warehousing area with appropriate capital expenditure.

4.10 In case the state feels that they need to set up a retail store cum fulfillment centre then they should locate a financially viable retail location which has the required infrastructural facility to support a retail business. It should be located in a market area which has high footfall, is easily accessible, has adequate parking space etc. Such a store can be used to service all channels – B2G / B2B as well as online sales.

4.10 Ideally the SRLM should try to get a government building for both the retail store and warehouse, but if the retail store is not available, then the warehouse should be located in a government building.

4.11 The marketing federation should use an ERP software for the sales and accounting of the business, so that the payment to the SHGs and profit sharing etc can be done easily.

## **5. Parameters for success:**

5.1 The marketing federation will be considered successful if it meets all of the following conditions:

- 5.1.1 It meets or exceeds the turnover projections as mentioned in the business plan projections
- 5.1.2 It meets or exceeds the net profit projections as mentioned in the business plans

## **6. Support to be provided by the SRLM's PMU and TSA:**

6.1 SRLM has to onboard PMU/ hire any suitable TSA to provide end to end support to the marketing federation.

6.2 Some of the key activities, but not limited to, that are expected to be undertaken by PMU/TSA are listed below

6.2.1 PC Strengthening and Capacity Building:

6.2.1.1 Capacity building of Board of Directors (BoD) of Marketing federation for taking up the business forward.

6.2.1.2 Capacitate PC members on governance, institutional functioning, quality control, inventory management, pricing, finance and accounts management etc. needed to run the physical outlet and e-commerce platform profitably.

6.2.2 Physical outlet and/or e-commerce platform management: Facilitate setting up and operation of the store and ensure day to day support to the Marketing federation for smooth functioning of the retail store / eCommerce fulfillment centre.

6.2.3 Supply chain management: PMU/TSA will oversee, guide and handhold the PC to do the supply chain management, which includes vendor and warehouse inventory management, sourcing and procurement, returns management, transportation and logistics, buying and merchandise management (B&M) by the marketing federation to ensure timely delivery of SHG produce to the customers.

6.2.4 E-commerce platform development: PMU/TSA will ensure the profitable business on e-commerce platform like Amazon, Flipkart etc.

6.2.5 Inventory and stock management: PMU/TSA will facilitate procurement, stock, warehouse management and inventory management by the marketing federation during the contract period.

6.2.6 Business plan development: Prepare four years' business and action plan for both store and e-commerce platform. Prepare merchandise budget plan in forecasting of particular merchandise related activities designed for a particular period of time.

6.2.7 Pricing and Packaging Policies: PMU/TSA will help PC for pricing of products based on market analysis and sales. It shall also develop standard and cost-effective packaging.

6.2.8 Finance and account management: PMU/TSA will maintain transaction records and prepare and share periodical financial statements (profit and loss, balance sheet, cash flow, bank reconciliation, receipt and payment etc.) adopted by PC. Additionally, development of digital payment solutions for the timely payments to the women producers.

6.2.9 Legal compliances and business documentation: Facilitate business compliances of PC on GST, Tax, Insurance, FSSAI, ISO/GI, etc. certifications and registrations in to different e-platforms.

6.2.10 Develop SoPs for sourcing, procuring, storing, grading, packaging and delivering of products. Additionally, prepare manual/SoP for the pricing of store returned material, un-used material, defective/damaged material, its storage and recycling.

6.2.11 Customer relationship management: Prepare customer relationship management (CRM) strategy by incorporating personalization, special treatment benefit, communication benefits, rewards etc. TSA should identify current and future customer requirements through feedback mechanism with potential and actual customers and other persons in a position to understand service requirements.

10. **Funding pattern**

The project at the State level will be funded through the AAP route. The funding of the programme will be shared by the central and state government in the ratio as prescribed for DAY-NRLM.

11. **Project period**

Four years from the signing of the MoU with the agency or establishment of dedicated PMU.

Prepare manual/ on retail audit and ethics in retailing to ascertain the sales personnel efficiency or to improve the customer service delivery.

6.2.12 Any other work assigned at the time of contract OR, by the competent authority in case of PMU.

## **7. Key Indicative Outcomes**

The PMU/TSA shall deliver the following assignment throughout the year on close guidance of the SRLM.

- a. SoP on sourcing, procuring, storing, grading, packaging on quality control parameters of identified SHG made products
- b. SoP for the stock management of physical outlet and e-commerce platforms.
- c. Opening of physical outlet of SHG products at state level.
- d. Input-Output stock of the e-commerce platform.
- e. Pricing policy for all mapped SHG products through cost-benefit analysis.
- f. Training of PC on governance & inventory management.
- g. Training and capacity building of the PCs staff on pricing, finance, accounts management and legal compliances.
- h. Ensure business compliances of PC on GST, Tax, Insurance, FSSAI, GeM, etc. registrations.
- i. Functioning of physical outlets and e-commerce platforms as viable business model.
- j. Establish market linkage and conduct periodic buyer seller meet to create demand for B2B & B2C market.
- k. Digital marketing campaign to enhance the visibility of physical and e-commerce store.
- l. Ensure achievement of sales and profitability targets
- m. Any other work agreed as per the contract.

## **8. Role of State Rural Livelihoods Mission (SRLM)**

- a. Providing building for display and workshops for making finished products and its packaging. State government may take the building on long term lease agreement or on monthly rental basis.
- b. Dovetailing assistance available under related schemes for overall effectiveness and viability of the projects; and
- c. Convergences of this scheme with the existing scheme for the promotion of women SHG made produce
- d. Shall ensure that the assets created under the scheme are properly accounted for and maintained for continuing the utilization of these facilities.

## **9. Budget outlay:**

The budget outlay shall be determined by the business plan prepared by the SRLM and presented as part of its Annual Action Plan (AAP) and approved by the EC of the MoRD.

The budgeted amount for this activity shall be funded from the marketing and infrastructure budget of the SRLM's annual allocation, under budget head E2.3 - Other marketing activities.