

# **Promoting Small and Micro-Enterprises through Training Interventions**

## **The Indian Experience**

---

**Dinesh Awasthi  
Naresh Singh  
Pramod Srivastava**

---

**International Centre for Integrated  
Mountain Development**  
Kathmandu, Nepal  
1999

## **ICIMOD**

ICIMOD is the first international centre in the field of mountain development. Founded out of widespread recognition of environmental degradation of mountain habitats and the increasing poverty of mountain communities, ICIMOD is concerned with the search for more effective development responses to promote the sustained well being of mountain people.

The Centre was established in 1983 and commenced professional activities in 1984. Though international in its concerns, ICIMOD focusses on the specific, complex, and practical problems of the Hindu Kush-Himalayan Region which covers all or part of eight Sovereign States.

ICIMOD serves as a multidisciplinary documentation centre on integrated mountain development; a focal point for the mobilisation, conduct, and coordination of applied and problem-solving research activities; a focal point for training on integrated mountain development, with special emphasis on the assessment of training needs and the development of relevant training materials based directly on field case studies; and a consultative centre providing expert services on mountain development and resource management.

### **MOUNTAIN ENTERPRISES AND INFRASTRUCTURE DIVISION**

Mountain Enterprises and Infrastructure constitutes one of the thematic research and development programmes at ICIMOD. The main goals of the programme include i) gainful enterprise development and income generation; ii) harnessing mountain specific advantages; iii) infrastructural development (social and physical); iv) sustainable energy resources for mountain development; and v) capacity building in integrated mountain development planning.

Copyright © 1999

International Centre for Integrated Mountain Development  
All rights reserved

ISSN 1521 - 8825

# **Promoting Small and Micro-Enterprises through Training Interventions**

## **The Indian Experience**

**Dinesh Awasthi  
Naresh Singh  
Pramod Srivastava**

**International Centre for Integrated Mountain Development (ICIMOD)  
Kathmandu, Nepal  
1999**

Copyright © 1999

International Centre for Integrated Mountain Development  
All rights reserved

ISSN 1561 - 8692

ICIMOD

**Published by**

International Centre for Integrated Mountain Development  
G.P.O. Box 3226,  
Kathmandu, Nepal

**Layout by**

Sushil Man Joshi

**Typesetting at**

ICIMOD Publications' Unit

**MOUNTAIN ENTERPRISES AND  
INFRASTRUCTURE DIVISION**

The views and interpretations in this paper are those of the author(s). They are not attributable to the International Centre for Integrated Mountain Development (ICIMOD) and do not imply the expression of any opinion concerning the legal status of any country, territory, city or area of its authorities, or concerning the delimitation of its frontiers or boundaries.



# Preface

Development experiences in most of the mountain areas of the Hindu Kush-Himalayan Region, over the past decades, have shown that the prevailing predominant mode of their economies – subsistence agriculture – is becoming increasingly unsustainable both economically and ecologically. Diversification of economic activities into products and services, for which these areas offer a comparative advantage, through enterprise-based production for the market, is considered necessary for sustaining livelihoods and alleviating the poverty of the rapidly increasing population. It is in this context that ICIMOD established a programme on Development of Micro-enterprises in Mountain Areas with the objectives of identifying constraints and opportunities and developing policy, programme, and training guidelines for enterprise development in hill and mountain areas of the HKH region. As part of this programme, the Centre has commissioned a number of studies in different countries and areas of the HKH region with a view to documenting experiences of development and functioning of enterprises. The studies cover different aspects such as comparative advantage of products, processes, and factors in enterprise development, technology, credit, marketing, and development of entrepreneurial skills as well as policies and programmes by government and non-government agencies for promotion of enterprises.

The present paper '**Promoting Small and Micro-Enterprises through Training Interventions: The Indian Experience**', by Dinesh Awasthi, Naresh Singh, and Pramod Srivastava, is one in this series of studies. It is being published with the hope that it will be found useful by those engaged in research and development, policy-making, programme formulation, and implementation for the promotion of enterprises, as well as by present and potential entrepreneurs in their respective activities.

T. S. Papola  
Head  
Mountain Enterprises and Infrastructure Division

## Acknowledgments

Development of entrepreneurial capabilities and facilitating the initiation of productive and gainful ventures through EDPs, integrated with other essential support, have made positive impacts on enterprise development in many underdeveloped regions, particularly the hill and mountainous areas in India.

The present study analyses some successful (and a few not so successful) training interventions for promotion of small and micro-enterprises in the Himalayan region of India and assesses the scope for their replicability elsewhere. The study finds that EDPs following the EDI approach have as much chance of succeeding in hill regions as elsewhere, but the Group Entrepreneurship Development approach is found to have much better potential in terms of sustaining successful entrepreneurial activities in these regions.

I very much appreciate the cooperation extended to us by various NGOs, especially by Mr. I.S. Kaundal, Secretary of SAVE, Kullu (HP); Mr. Mahendra Dubhal, Project Chief, SBMA Garhwal (UP); Mr. Ranjita Kaur, Secretary, AWAAD, Lehingpur (Assam); and Mr. G. Raghunathan, Managing Director, and Mr. Aziz Ahmed from INMCON (Shiridi). I am also grateful to our colleague, Mr. Ramen Jaggi, for helping us to procure some critical data on the UP hills. Without the active cooperation of these friends, the study might not have seen the light of the day.

# Acknowledgements

I am glad to present the final report on the study entitled 'Promoting Small and Micro-Enterprises through Training Interventions: The Indian Experience'. At the outset, I would like to gratefully acknowledge the funding support provided to us by ICIMOD, without which it would have been difficult to undertake this study. I would also like to put on record our sincere gratitude to Dr. T.S. Papola, Head, Mountain Enterprises and Infrastructure Division of the International Centre for Integrated Mountain Development (ICIMOD), Kathmandu, Nepal, for his very thoughtful comments on the earlier draft of the report. He was not only instrumental in providing us with the opportunity to work on the theme but also gave very useful insights into the issues confronting hilly regions.

I am grateful to Dr. V.G. Patel, Vice-President and Director of our Institute, who very kindly allowed us to work on the theme of our interest. He always encouraged us to visit NGOs operating in the Himalayan Region of the country to get first-hand information on the issues involved in promoting small and micro-enterprises (SMEs) in hilly regions.

I very much appreciate the cooperation extended to us by our network NGOs, especially by Mr. I.S. Kaundal, Secretary of SAVE, Kullu (HP); Mr. Mahendra Dobhal, Project Chief, SBMA Garhwal (UP); Ms. Ranjita Kaur, Secretary, AWARD, Lakhimpur (Assam); and Mr. C. Raghunathan, Managing Director, and Mr. Aziz Ahmed from HIMCON (Shimla). I am also grateful to our colleague, Mr. Raman Jaggi, for helping us to procure some critical data on the UP hills. Without the active cooperation of these friends, the study might not have seen the light of the day.

While Mr. Naresh Singh prepared the cases on SAVE (Kullu) and HIMCON (Shimla), Mr. Pramod Srivastava contributed the case on AWARD (Assam), besides helping me to procure the necessary data on Nagaland Societies promoted by EDI.

EDI's Computer Programmers, Mr. Manish Damani and Mr. Vimal Dagli, also extended their full cooperation in entering data and generating tables in various permutations and combinations, as per the requirements. We appreciate their help and support. I am also thankful to Mr. Sanjay Pal, who helped with the data analysis. The work of Ms. Julie Shah of the publications' department of the institute is also gratefully acknowledged.

Last but not least, I would like to thank my Secretary, Mr. A. Sivan. He worked hard and patiently typed and retyped the drafts without complain. Mr. Pravin Chavda, our Technical Assistant, did an excellent job in processing and production of the report. Our thanks are due to him also.

# Acronyms used

<b>AMT</b>	Achievement Motivation Training
<b>AWARD</b>	Association for Women and Rural Development
<b>CED</b>	Centre for Entrepreneurship Development, Ahmedabad (Gujarat)
<b>DIC</b>	District Industry Centre
<b>DRDA</b>	District Rural Development Agency
<b>DST</b>	Department of Science and Technology
<b>ED</b>	Entrepreneurship Development
<b>EDI</b>	Entrepreneurship Development Institute of India
<b>EDPs</b>	Entrepreneurship Development Programmes
<b>FBEI</b>	Focussed Behavioural Event Interview Technique
<b>GE</b>	Group Entrepreneurship
<b>GEDP</b>	Group Entrepreneurship Development Programme
<b>GIIC</b>	Gujarat Industrial Investment Corporation
<b>HIMCON</b>	Himachal Consultancy Organization Limited
<b>HP</b>	Himachal Pradesh
<b>ICICI</b>	Industrial Credit and Investment Corporation of India
<b>ICIMOD</b>	International Centre for Integrated Mountain Development
<b>IDBI</b>	Industrial Development Bank of India
<b>IFCI</b>	Industrial Finance Corporation of India
<b>IHHR</b>	Indian Himalayan Hill Region
<b>IRD</b>	Integrated Rural Development Programme
<b>MFBEI</b>	Modified Focussed Behavioural Event Interview Technique
<b>MP</b>	Madhya Pradesh
<b>NABARD</b>	National Bank for Agriculture and Rural Development
<b>NEC</b>	New Entrepreneurs' Creation
<b>NES</b>	New Entrepreneurs' Scheme
<b>NFS</b>	Non-Farm Sector
<b>NGOs</b>	Non-Government Organizations
<b>OG</b>	Opportunity Guidance
<b>PMRY</b>	Prime Minister's Rozgar Yojana



<b>REDPs</b>	Rural Entrepreneurship Development Programmes
<b>RGVN</b>	<i>Rashtriya Grameen Vikas Nidhi</i>
<b>RIP</b>	Rural Industrialisation Programme
<b>SAVE</b>	Society for Advancement of Village Economy
<b>SBI</b>	State Bank of India
<b>SBMA</b>	<i>Shri Bhuvaneshwari Mahila Ashram</i>
<b>SEEUY</b>	Self Employment Scheme for Educated Unemployed Youth
<b>SHGs</b>	Self Help Groups
<b>SIDBI</b>	Small Industries' Development Bank of India
<b>SMEs</b>	Small and Micro Enterprises
<b>SSE</b>	Small Scale Enterprises
<b>TRYSEM</b>	Training Rural Youth for Self Employment
<b>UP</b>	Uttar Pradesh

# Contents

<b>Chapter 1: Introduction: Objectives, Scope and Methodology</b>	<b>1</b>
1.1 Objectives of the Study	2
1.2 Scope and Coverage	2
1.3 Methodology and Database	2
1.4 The Outline of the Report	3
<b>Chapter 2: A Profile of the Himalayan Hill Region of India</b>	<b>5</b>
<b>Chapter 3: Entrepreneurship Development: Relevance, Approaches and Issues</b>	<b>7</b>
3.1 The Government Approach	7
3.2 Is it Possible to Create Entrepreneurs through Training?	8
<b>Chapter 4: Fostering Small and Micro-Enterprises through Training: The Individual Approach</b>	<b>11</b>
4.1 The Genesis	11
4.2 Entrepreneurship Development Programmes: The Key Features	12
4.3 Target Group Specific Variations: A Caveat	17
<b>Chapter 5: EDPs and Enterprise Development in Rural Hill Areas: Approach, Performance and Experiences</b>	<b>19</b>
5.1 The Approach : Why Is It Different for Rural Hill Areas?	19
5.2 Programme Implementation	20
5.3 Content Analysis of the Programme Inputs	21
5.4 Assessment of the Performance of REDPs.	22
5.5 Profile of the Trainees	23
5.6 The Start-up Rates	25
5.7 Size of Enterprises According to Amount of Investment	26
5.8 Experiences: Case Studies of EDPs from Selected Organizations	27

<b>Chapter 6: The Group Entrepreneurship Approach and A Case Study from Nagaland</b>	<b>49</b>
6.1 Background	49
6.2 Alternative Approach: Finding the Answers	50
6.3 The Conceptual Framework	50
6.3 Credit : How Was It Obtained?	57
6.4 Present Status of the Project	57
6.5 Cost Benefit Analysis of the Project	60
<b>Chapter 7: Conclusions and Policy Recommendations</b>	<b>63</b>
7.1 Institutionalisation and Replicability of the EDP's Promotion of SMEs	66
7.2 Transfer of the Approach	66
Bibliography	69
<b>Annexes</b>	
Annex 1: Constraints of Potential Rural Entrepreneurs and Development Inputs	71
Annex 2: A Brief Outline of the Sequencing of REDP Activities and Inputs	73
Annex 3: Training Programme Schedule for the Industry Sector Beneficiaries of the PMRY (20 working days each session of 1.5 hrs)	75
Annex 4: Revised Training Programme Schedule for the Business/Service Sector Beneficiaries of PMRY	79
Annex 5: Profile of the Himalayan Hill Region of India	81