

Chapter 4

Fostering Small and Micro-Enterprises through Training: The Individual Approach

4.1 The Genesis

The origin of the entrepreneurship development movement in India can be traced to an initiative by the Gujarat Industrial Investment Corporation (GIIC). The GIIC is a development finance company established by the State Government of Gujarat in the late 1960s, through a unique scheme known as the Technician Scheme for technically qualified or experienced persons. Through the scheme, entrepreneurs were provided with up to 100 per cent financing to meet project costs. Such financing was given without collateral if they had a viable business plan. The upper limit was fixed at Rs 0.3 million. Later, credit was made available to both technical and non-technical first-time entrepreneurs under the New Entrepreneurs' Scheme (NES) (For a review see Patel 1981).

The schemes relied upon the competence of the persons behind the project and

project viability, rather than their financial background (as is the case with conventional banks) and they were an instant success. As many as 300 units were established in the first three years of operation. Subsequently the number of applicants declined and some units experienced problems. The result of the schemes indicated that:

- there was a vast untapped entrepreneurial potential among the non-business communities;
- finance was a major constraint; if it was removed, many entrepreneurs would emerge: young engineers, artisans, craftsmen, etc; and
- many new entrepreneurs lacked managerial capabilities and, therefore, found it difficult to manage their units successfully.

On the basis of the above experience, the GIIC and other State agencies in Gujarat

jointly took a pioneering initiative. A three-month training programme, known as the Entrepreneurship Development Programme (EDP), was developed in 1970 for new entrepreneurs selected for their latent entrepreneurial potential. It emphasised (i) setting up a small venture; (ii) managing it; and (iii) making a profit out of it. The initial programmes were oriented towards business knowledge and skills. Later, behavioural inputs (e.g., Achievement Motivation Training-AMT) were also added to the regular EDP training package. For almost seven years, the EDPs continued to be organized by a cell in GIIC.

The resounding success of EDPs led these organizations to consider setting up a State-level specialised agency to conduct EDPs. The Centre for Entrepreneurship Development (CED), the first of its kind in Asia, was established in Gujarat in 1979. The CED carried out EDPs all over Gujarat. News of its success crossed state borders. Other states in India became interested in the approach also.

In order to respond to the needs of the various states, Indian Financial Institutions, viz., the Industrial Development Bank of India (IDBI), Industrial Credit and Investment Corporation of India (ICICI), Industrial Finance Corporation of India (IFCI), and State Bank of India, with the active support of the Government of Gujarat, set up a national institute known as the Entrepreneurship Development Institute of India (EDI) in Ahmedabad in 1983 to spread and institutionalise the EDP strategy. Since its inception, EDI has been actively engaged in spearheading the entrepreneurship development movement in the country through training, education, and research in the field. The EDP model

discussed below has been developed into its present form by EDI after years of experimentation and research.

4.2 Entrepreneurship Development Programmes: The Key Features

EDPs are undertaken to serve one or more of the following objectives.

- Accelerate industrial development by increasing the supply of entrepreneurs
- Promote industrial development of rural and less developed areas where there are few local entrepreneurs and to which entrepreneurs from nearby cities and towns are not easily attracted
- Enlarge the small and medium enterprise sectors that offer promising potential for employment generation and extensive dispersal of industrial ownership
- Provide productive self-employment to young men and women leaving schools and colleges
- Improve the performance of small industries by supplying selected and trained entrepreneurs
- Diversify sources of entrepreneurship and, therefore, business ownership

4.2.1 Target Group

EDPs are addressed to all those who possess entrepreneurial potential (even latent) and who are willing to take up the challenges of an entrepreneurial career, irrespective of their caste, community, religion, family, sex, educational background, and experience. Persons in the age group of from 18 to 45 years are preferred for training. Though there is a stipulation concerning a minimum level of education, to be selected

for an EDP the ability to read and write is desirable. There are also EDPs that are meant specifically for graduates or engineers, etc.

4.2.2 The Programme Package

The entrepreneur development package of EDI emerged from the felt needs of potential entrepreneurs and the 'gaps' that held them back. The task of developing entrepreneurs involves (a) identifying and selecting those who have potential; (b) developing their entrepreneurial capabilities; (c) ensuring that each potential entrepreneur has a viable industrial project; (d) equipping them with basic managerial understanding; and (e) helping them secure financial, infrastructural, and related assistance so that an industrial venture can soon be launched. The key to success lies in undertaking each of the above tasks in an integrated and coherent manner, backed by requisite training expertise, organizational arrangements, and financial support for entrepreneurs. (For a discussion on the conceptual framework of the programme see Patel 1987.)

4.2.3 The Programme Design and Implementation

An EDP has three phases, viz., a (i) pre-training phase; (ii) training phase; and (iii) post-training or follow-up phase.

The Pre-Training Phase

During the pre-training phase, news about the programme is spread in the area of operation. Various communication channels are used in the promotional campaign, e.g., advertisements in local newspapers;

distribution of handbills, banners, and posters; and meetings with local people's organizations. Applications are invited from the candidates interested in the programme. After screening the applications on the basis of the eligibility criteria, the candidates are invited for a selection test. The entrepreneurial traits assessed through behavioural tests include the need for achievement (NACH); moderate risk taking; self-confidence and a positive self-image; initiative and decision-making ability; problem-solving attitude; optimism about one's future despite the odds; clarity of goals; and time-bound planning.

Those having sufficient entrepreneurial traits to develop are selected. The EDI advocates a firm and clear policy in favour of qualitative rather than quantitative criteria. Normally 25 to 30 candidates are selected for one EDP. The selection phase takes about a week.

The Training Phase

The comprehensive training package of EDP is based on the EDI's conceptual understanding of the process of entrepreneurship development. An entrepreneur passes through different stages during the process of setting up his/her venture. The EDI model of a six weeks' full-time programme (150 hours) for freshers and unemployed people and a three-month evening course for a mixed group of working and non-working target groups (about 180 hours) is fairly well accepted. The package, described in this section, fulfills the basic requirements for developing an entrepreneur. Depending upon the target group characteristics, project size, and local environment, flexibility in duration and input structure is possible.

Developmental Inputs

The inputs aim to develop the selected potential entrepreneurs into 'well-rounded competent entrepreneurs' together with a definite plan for an industrial enterprise they are to establish. The programme design in terms of inputs and their focus could be given as in Table 4.1.

The unique feature of this package and the key to its success lie in the process of developing a potential entrepreneur (an HRD function) with project formulation (enterprise creation) and project management (enterprise performance) tasks in an integrated (not *ad hoc*) and comprehensive (not piecemeal) manner. The outcome is a confident, competent, and responsible entrepreneur. The key inputs for taking care of the felt needs of potential entrepreneurs (trainees) include behavioural inputs, information inputs, business opportunity identification and guidance, formulation of a preliminary business plan and a market survey, business plan preparation, managerial inputs, marketing skills, soft skill development, legal system related inputs, and technical orientation and skill development.

Post-Training/Follow up Phase

The objective of an EDP is not only to strengthen entrepreneurial competency but also to help the trainees launch their ventures. Implementation of the projects begins when formal training ends. At this stage, the trainees need guidance and support from the trainer to link up with necessary infrastructural facilities and other aspects of project implementation. Besides counselling support, the trainer may need to act as a trouble-shooter whenever the trainees encounter insurmountable problems in clearing certain statutory procedures/formalities or in securing finance and facilities. Other objectives of the follow-up phase are to collect data and monitor the progress of the trainees. An entrepreneur-trainer-motivator, both during and after an EDP, looks after the potential entrepreneurs. He/she is responsible for organizing post-training support. This support involves follow-up on loan applications; facilitating the access to infrastructure such as land and/or factory sheds; and trouble-shooting. It also involves counselling when there are problems, resourcefulness, and liaison skills to expedite project implementation. Follow-up usually lasts for up to six months

Table 4.1: The EDP Inputs and Their Focus*

Focus	Objectives (Needs)	Training Inputs
1. Entrepreneur	Motivation and Behavioural Inputs	Reinforcement of Entrepreneurial Traits
2. Enterprise Establishment	Facilitation of the Decision-making Process to Set Up a New Venture	Business, Opportunity Guidance, Information, Project Planning Inputs and Technical Inputs
3. Enterprise Management	Successful and Profitable Operation of Enterprise	Managerial Inputs

* Based on Patel (1987, 16-23)

and, in some cases, even up to one year following the training. Frequent interaction between trainer-motivators and trained entrepreneurs often continues for several years.

Administration of EDP

As per the EDI approach, a trained trainer-motivator is assigned one EDP on a full-time basis. He/she acts as a coordinator and is responsible for its execution and performance. In-house and external experts and practitioners support him/her.

Cost of Training

The key component in the cost of such development programmes is that of training/counselling manpower. The standard cost of conducting one EDP (part-time, non-residential mixed group) for a group of 30 participants for a period of three months is approximately US\$ 4,500. A phase-wise break down of the estimated cost is given in Table 4.2.

Table 4.2: Phase-wise Cost Break Down

Stages	Amount (US\$)
i) Pre-training Stage (4-6 weeks)	600
ii) Training Phase (12 weeks)	1,200
iii) Follow-up Stage(4-6 weeks)	700
iv) Faculty Costs	1,500
v) Other Expenses	500

⁵ The start-up rate is defined as the proportion of the trainees who start enterprises.

⁶ 25.95 per cent had commenced commercial production, while 6.02 per cent had installed a plant and machinery and were at the stage of making a trial run at the time of the survey.

Therefore, training per potential entrepreneur/trainee, assuming a total of 30 trainees for a three-month (part-time) programme costs approximately US \$ 150 (in Indian conditions).

4.2.3 Performance Evaluation of EDPs

Nearly 300 organizations in India conduct EDPs following the EDI approach. Taken together, these organizations hold approximately 1,000 programmes per year. An estimated 25,000 entrepreneurs are trained every year through these EDPs. Given the start up rate⁵ of 45 per cent, estimated on the basis of the periodic reports of EDP organizations throughout the country, the programmes annually contribute around 11,000 new enterprises and nearly 33,000 direct jobs. A national-level evaluation study of the EDPs, sponsored by Indian financial institutions and conducted by EDI, covering 145 EDPs and 1,295 trainees, 28 organizations, and over 250 government officials and officials of the support system, such as bankers, spread across the country, came up with the following findings and observations.

Overall Start-up Rate and Effectiveness of EDPs

The overall results of the evaluation study conducted by the EDI show that the final start-up rate among EDP trainees was approximately 31.97 per cent⁶. In other words, out of every 100 persons trained through EDPs, 32 persons were able to launch their ventures successfully. Another 129 (9.96%) trainees were blocked at vari-

ous stages in the process of setting up their ventures, and 225 (17.37%) gave up the idea of launching an enterprise. The start-up rate was higher (36.46%) in the case of women. About 68 per cent of the trainees who started businesses belonged to communities outside of the traditional business communities. About 90 per cent of the trainees had no or very little business experience, and more than 91 per cent of the EDP-induced ventures were running successfully. Only 8.6 per cent of the units had either closed down or were in loss compared to over 20 per cent industrial loss at the national level. At the time of joining the EDPs, about 29 per cent of the trainees were students, 25.66 per cent were unemployed, about 18 per cent had a salaried job, and another 2.44 per cent were engaged in farming.

The results indicate that the trained entrepreneurs performed better than untrained ones in terms of indicators such as capital productivity, return on equity, profit margins, and profit to sale ratio. The study also proved the effectiveness of these programmes in terms of new investments, employment generation, diversification of the sources of entrepreneurial supply, and self-employment of educated and unemployed men and women. From a variety of criteria of cost-benefits, the investments made in EDPs are found to have been worthwhile.

A Macro Analysis of the Direct Cost-Benefit of EDPs

The direct cost of training one potential entrepreneur worked out to Rs 2,871⁷. However, given the start-up rate of 32 per

cent, the effective average cost for creating one venture works out at Rs 8,712. This cost could vary between Rs 7,288 and Rs 10,827. Creation of one entrepreneur also led to mobilisation of about Rs 296,000 worth of investment in the unit started. The total invested capital mobilised by these trainees from EDPs conducted between 1984-85 and 1987-88 was estimated at Rs 2,368 million, of which 62.13 per cent was mobilised through banks and the remaining 38.87 per cent raised from the trainees' own resources. The study indicated that spending one rupee on training leads to mobilisation of investment worth Rs 27.56 and leads to an output worth Rs 19.45 in the initial year itself. A new venture helps to create full-time regular employment for approximately five persons in addition to the trained entrepreneur. Thus, the EDP seems to have been a very cost-effective strategy for promoting small manufacturing/ service ventures, besides being successful in tapping latent entrepreneurial potential and mobilising idle resources.

Performance of EDPs in the Himalayan Region

The study shows that the performance of EDPs in the IHHR has been impressive in comparison to their performance at national level. For example, the actual start-up rate at the national level works out to about 26 per cent; the corresponding percentage for Assam is 33.78 per cent and for Himachal Pradesh it is 32.20 per cent. It is only in the other north-eastern states that performance is below average (Table 4.3). Even the start-up rate of 23.17 per cent is commendable, given the sociopolitical climate prevailing in

7 At that point in time the Rupee-US Dollar exchange rate was Rs 28-US\$1.

Table 4.3: Analysis of the Start-up Rates of Sample EDP Trainees in the Hill Region

Start-up (Rates)	State-Wise Start-up Rate (%)			
	Assam	HP/J&K	North-east*	All India
1 Observed As Per the Field Contact	27.3	25.42	20.73	21.39
2 As Per the Secondary Sources	6.76	6.78	2.44	4.56
3 Actual (1+2)	33.78	32.20	23.17	25.95
4 Activity in Process	6.76	6.78	14.63	6.02
5 Estimated Final Start-up Rate	40.54	38.98	37.80	31.97
Total Sample Size	74	59	82	1295

Source: Based on Table 3.3 in Awasthi and Jose (1996,42-43)
 * Except Assam

the north-eastern states. Should the cases 'under process' also be included, the estimated final start-up rate in the hill states is consistently higher than the national average. It is expected to be 45 per cent in Assam, 38 per cent in other north-eastern states, and 39 per cent in Himachal and Jammu and Kashmir compared to 32 per cent in India as a whole.

4.3 Target Group Specific Variations: A Caveat

EDPs began as general, open to all, courses aimed at inculcating and developing entrepreneurial traits and managerial competencies. It was later realised that the training needs of potential entrepreneurs from different backgrounds, e.g., experienced (general) groups, science and technology

graduates, women, the rural poor, ex-servicemen, and so on, varied. Therefore, keeping intact the fundamental programme design, the input delivery mechanism was modified by the EDI to suit the learning styles of potential entrepreneurs with different backgrounds. For women, additional focus is given to certain inputs such as managing role conflicts, assertiveness, communication skills, and so on. In rural areas, trainees with little formal education find it difficult to assimilate the inputs in their original form. Therefore, suitably simplified training inputs are provided and the delivery mechanism is very 'experiential' – learning by doing – in nature for rural trainees. The methodology for promoting micro-enterprises in rural areas, as used in IHHR, is discussed in some detail in the next chapter.