

Chapter 7

Conclusions and Policy Recommendations

Most of the hill regions suffer from certain structural bottlenecks that inhibit the process of industrialisation. Lack of adequate infrastructure; a meagre capital base; hostile terrain; subsistence agriculture; the fragile ecology; small markets; lack of information on markets, products, and appropriate technologies; apathy of the banks towards first generation entrepreneurs; lack of collateral and guarantees facilitating access to credit; lack of knowledge about how to manage an enterprise; lack of managerial skills; lack of business exposure; and an unfavourable policy environment for SMEs, in general, and those in mountain areas, in particular, have led to limitations in government support and infrastructure. The Government has a narrow attitude towards the industrial potential of such regions. In addition, sociocultural factors resulting from the migration of able-bodied youths in search of jobs reduce the scope of entrepreneurial activity.

Despite the aforesaid social and physical constraints, the Himalayan hill regions in India have certain inherent advantages. For example, the society is egalitarian and has a more equitable distribution of assets (land) and wealth. Frugality is a way of life. The prevailing social awareness and literacy have inculcated a sense of discipline among the people. All this taken together, if properly promoted, could convert many of them into successful entrepreneurs. Moreover, the hill regions are also endowed with rich natural resources such as forests, water, and mineral wealth, offering a vast potential for income-generating activities. Added to these is the healthy climate and clean unpolluted environment as a unique selling point to induce people from outside to invest in the region.

There are several business opportunities based on local resources and nature's bounty. Enterprises based on non-timber

forest produce, herbs and medicinal plants, horticulture, floriculture, tourism (including religious tourism and eco-tourism), electronics, software, textiles, bio-technology, handicrafts, adventure sports, micro-hydroelectric projects, to name a few, could easily be promoted, given the right kind of human resources.

One could argue that it is not so much the lack of opportunities but rather the lack of a conducive environment that has constrained the entrepreneurial potential. If the supply of entrepreneurs is inadequate without intervention, then the supply could be augmented through policy interventions. The focus will have to be on entrepreneur-friendly policies. Local youths will have to be encouraged to participate in the process of industrialisation of the region by taking up entrepreneurship as a career. Since most do not have exposure to business and its management, they need to be given an opportunity to receive exposure to entrepreneurship and business management.

The Indian experience in this respect has been quite encouraging. Besides policy support, a concerted impetus towards promoting entrepreneurship through training intervention has taken place. Many government and non-government organizations are involved in promoting micro-enterprises in the Himalayan hill regions of India. The analysis of secondary data and case studies of these interventions in The IHHR suggests that entrepreneurship development through training intervention, coupled with a conducive policy environment, is a viable strategy. However, the experience has also indicated that a strait-jacket approach may not succeed. The training programmes have to respond to

target specific needs; and thus the approach has to be need-based. It is in this context that we have described various approaches that could be suitably adapted depending upon the circumstances. For example, if a homogeneous group of people with basic skills in a product line is available, the Group Entrepreneurship Approach would be worthwhile.

The Indian experience in promoting entrepreneurship in the IHHR indicates that careful selection of potential entrepreneurs, a need-based and appropriate curriculum and training methodology, a competent trainer-motivator, and a proactive and responsive support system reasonably ensure the success of the approach. It is also argued that NGOs, given their commitment to social development, are likely to be more successful in such endeavours than a government or a semi-government organization. A comparison of the performance of HIMCON (a quasi-government organization operating in Himachal Pradesh), on the one hand, and a number of NGOs, on the other, in promoting enterprises, substantiates the argument.

Given the limited local market, it will be necessary to identify opportunities that offer adequate markets – local, domestic, or even international. The case of Nagaland's Group Entrepreneurship Programme is a point in fact. By promoting product-based groups, the approach tried to tackle the market constraints. It is sheer mass (bulk production) that facilitated input purchase and output disposal in a cost-effective manner. Otherwise it would not have been possible for the trained entrepreneurs in Nagaland to take advantage of the economies of scale and scope.

The Group Entrepreneurship Development approach offers substantial scope for replication, especially in hill areas. However, as indicated by the Nagaland case study, certain necessary and sufficient conditions must be met to make the approach successful. They are as follow.

- The groups promoted should be homogeneous (socially and economically).
- The groups should have democratic set-ups.
- All the active members (entrepreneurs) should have a stake in the project.
- GED has to be based on a lead-sector approach.
- One should build upon the existing skill base.
- Product identification must be undertaken carefully.
- Linkages should be established with raw material supply and markets, or they should at least be identified, well in advance.
- Ideally a few group members should have some basic skills so that they can be trained as master craftsmen or key organizers.
- Timely and adequate credit delivery must be ensured to ensure the motivation of the trainees.
- Adequate and prolonged follow-up support and counselling services should be made available to the groups to take care of problems during the establishment phase.
- The involvement of committed and professionally well-versed trainer-motivators/organizers is a must. It would be ideal to involve a local voluntary/peoples' organization that later could take over from a professional organization (such as the EDI) for which a

prolonged involvement may not be feasible.

- Commitment of the Government and involvement of the local bureaucracy must be ensured right from the inception.
- The programme should be taken up as a comprehensive package of training, credit, and advisory/counselling services rather than on an *ad hoc*, piecemeal basis. Minimalist approaches, such as providing credit only or organizing training without arranging credit, might not succeed.

This is not to say that the group entrepreneurship development approach alone is the answer. Given their outreach, NGOs could also play an important role and come forward to support individual micro-entrepreneurs, in marketing for example. The Government could also promote clusters by giving policy and logistics' support to product-based groups of entrepreneurs. Nevertheless, group entrepreneurship development offers better potentials than other schemes for entrepreneurship development in the hill regions.

Similarly, networking and support from the bureaucracy are also very critical factors for successful execution of programmes. For example, the success of agencies, such as SAVE in HP or AWARD in Assam, could be attributed to a significant degree to the cooperation they were able to procure from various government agencies and banks. On the other hand, the programme organized by the EDI in Nagaland faced problems when commercial banks did not support it. Despite the fact that the Institute had the full backing of the country's principal development finance institutions (such as the Industrial Development Bank

of India), the banks refused to acknowledge the strength of the entrepreneurs trained by the EDI. Eventually, of course, the Small Industries' Development Bank of India (a subsidiary of IDBI) did come forward to the EDI's rescue by extending credit facilities to the groups through the RGVN - an intermediary NGO.

The aforesaid discussion clearly indicates that such an approach can be successful provided it is undertaken in a comprehensive manner and not in a piecemeal and *ad hoc* way. The minimalist approach of providing only finance or training does not work. What works is a well-orchestrated effort wherein every stakeholder - potential entrepreneurs, NGOs, government and parastatal agencies, and banks - participates in unison.

7.1 Institutionalisation and Replicability of the EDP's Promotion of SMEs

At this stage it is pertinent to examine the extent to which HRD Interventions, such as the EDP training, are replicable, the pre-conditions for their successful transfer, and the methodology for internalising and institutionalising the entrepreneurship development strategy in the long-term perspective.

7.2 Transfer of the Approach

The experience of the Entrepreneurship Development Institute (EDI) of India demonstrates that the EDP approach can be successfully replicated and transferred. A number of organizations in India and other developing countries has already adopted the ED approach. The EDI's experience in transferring ED programmes to several Asian, African, and island countries, however,

indicates that the following conditions, factors, and processes should be kept in mind while evolving a strategy for transferring the approach from one context to another.

7.2.1 Need for Commitment

There is a need to obtain (a) commitment from the Government and key support agencies with regard to timely corrective action to facilitate the entry of small business entrepreneurs and (b) assurance of funding support for a reasonably long duration, prior to initiating the transfer of the approach.

7.2.2 Need for a Policy Framework

Certain policy measures need to be adopted before the transfer to encourage indigenous entrepreneurs to come forward and start small enterprises. Lengthy and time-consuming procedures should be avoided and simplified policies and procedures should be evolved to facilitate establishment of the SME sector.

7.2.3 Funding Support to New Entrepreneurs

Funding support is required to (i) meet the programme's expenses and (ii) finance the projects of those who are trained by such programmes. In many countries where EDI has worked, resources are not made available for trained entrepreneurs to establish projects, thus discouraging and demotivating many.

7.2.4 Organizational Needs

It is essential that one or more organizations, new or existing, depending upon the local needs and conditions, are identified to introduce/house entrepreneurship de-

velopment activities. The organization should have sufficient operational flexibility to introduce and experiment with new approaches. It should also have formal linkages with various support agencies, for example, financial institutions, technical training bodies, industrial advisory services, etc. Such linkages would facilitate timely support to trained/new entrepreneurs and influence government policies through joint efforts.

The financial stability of ED organizations must be ensured by meeting the cost of training trainers and ED programmes through sponsoring organizations on a long-term basis to avoid uncertainties with regard to facilitating advance planning and sustained efforts. Preferably, the organization should emerge out of joint efforts by the key industrial promotion and support organizations. This would ensure commitment of the network to ED activities.

7.2.5 Transferor-Transferee Relationship

The transferor-transferee relationship is usually that of a client-consultant. The

transferor is involved on a task basis to take care of feasibility assessment, training of trainers, opportunity identification, launching of a demonstration programme, etc. When no long-term collaborative arrangement exists between the two, the institutionalisation process quickly disintegrates due to the absence of professionally credible back-up support. This is a lesson donors/international assistance agencies should keep in mind.

The transfer of ED programmes is only the beginning. In the long run the activity must be sustained on its own merits. This necessitates institutionalisation of ED activities in the country or region concerned. The process of acceptance, internalisation, and implementation of the EDP training approach on a sustained basis (and innovations and improvements thereafter) is defined as institutionalisation of the EDP approach. The process can be introduced by either an existing organization or a new institution set up for the purpose or through intervention by state/international development agencies.

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