

Chapter 6

Summary and Conclusions

Summary

The IEDI and CSIDB are two leading institutions which provide training on entrepreneurship development. The DCSI is also planning to get into the field of entrepreneurship development. The method of entrepreneurship development—New Business Creation (NBC)—which was developed by the SBPP of IEDI, also known by the GTZ project name of CEFE (creation of entrepreneurs/formation of enterprises), has been a model programme for many organizations in Nepal. The five-week training programme on entrepreneurship development provided by the IEDI focusses on urban or semi-urban areas, while the two-week programme provided by the CSIDB concentrates on developed pockets in rural areas. Entrepreneurship development is the key area of the IEDI's activities, and its training is relatively better organized and systematic in planning, designing, and service delivery. This is mainly due to the continued support to SBPP from GTZ. In addition, it has relatively better exposed and experienced trainers. Its principal challenge is to be self-sustaining after GTZ withdraws support. Another challenge is to design cost-effective programmes to service potential entrepreneurs in rural areas.

All three organizations, the IEDI, CSIDB, and DCSI are under the same ministry, the Ministry of Industries (MOI), the latter two are involved in both industrial administration and promotion of cottage and small industries. Both provide industrial promotion and extension services, skill development training, and industrial facilitation through their network of district offices in the country. Organizations such as WEAN, WDD, and FNCSI provide entrepreneurship development training as part of their activities, and this training is based entirely on financial support or sponsorship from different bilateral/multilateral agencies and I/NGOs. All these organizations together provide training on entrepreneurship development to about 1,500 persons annually.

The entrepreneurship development programmes run by different institutions have different durations—the shortest is of one week and the longest of five weeks. The course contents of these programmes vary but are mostly found to contain the modules and subject matter developed or adjusted within the framework of the NBC course of the IEDI or the EDP course of the CSIDB. Institutions such as WEAN and WDD organize training exclusively for women entrepreneurs. The IEDI and CSIDB usually have a

mixed group of trainees except in those planned for women only. The IEDI usually launches sponsored training programmes for women entrepreneurs. The FNCSI has also initiated a two-week training programme on entrepreneurship development for women.

The survey of EDP trainees shows that the average age of the trainees is 25.5 years (male: 26.0 years, female: 25.2 years). Around two-thirds of the trainees belong from 20-30 years. Female trainees usually make up 20 to 30 per cent in the general batch of EDP trainees. About three-fourths of the trainees have had mid-level formal education (Secondary, SLC, or Intermediate). Only about six per cent were graduates, nine per cent had primary to lower secondary education, and 11 per cent were merely literate. The educational status, however, varied by gender and by institutions as well. Among the CSIDB trainees in Tanahu, about 51 per cent had primary to secondary school education, 29 per cent had SLCs, and four per cent were intermediates and graduates. The remaining 16 per cent of the trainees were simply literate without any formal education. In the case of the IEDI trainees in Kaski district, about 25 per cent had lower to secondary school education, 36 per cent had completed SLC, and 39 per cent had intermediate level or were graduates. The family structure and socio-economic background of the trainees varied by location, but, by and large, reflected the overall occupational pattern of the household in the area. For instance, over 60 per cent of the trainees in Kaski district were from families for which agriculture was the main occupation, 27.3 per cent had trade/industry, and 11.4 per cent as services as their family occupation.

The trainees were of the opinion that EDP was successful in imparting business insights and management know-how and encouragement for new business creation. In regard to factors that could make the training more useful and effective, the respondents suggested the inclusion of provisions for loans/credit, technical/trade skills, practical programme design, more field visits/observation, product marketing support, technical services, and purposive selection of trainees. The CSIDB programme on entrepreneurship development has, to some extent, contributed to creating general awareness about rural entrepreneurship and rural industry promotion. Some of the trainees thought that the programme duration was short and needed to be extended.

Although it is not clear whether a credit-linked training programme is more successful, there are several trainees who have made use of such credit to set up their enterprises. Apart from normal credit from commercial banks, there are special financing schemes available from different institutions. Although the technical aspect of the business plan is dealt in the training programme, post-training technical services are lacking in such areas as product design and quality improvement, production process improvement, composition of material inputs, material handling, and wastage reduction. Marketing is another area in which the micro- and small enterprises need support. These include information dissemination, industry-product exhibitions at important market centres, and CSI participation in trade/industry fairs and exhibitions.

The effectiveness of EDP was measured in terms of post-training placement of the trainees. The overall success rate of training programmes, in this respect, has averaged around 35 per cent. NBC trainees had better results, at about 44 per cent than, say, the CSIDB trainees at 28 per cent. The field survey in Kaski and Tanahu districts had a placement ratio of 32.5 per cent for EDP trainees. Placement was better among male trainees. Gender-specific placement status indicated a placement ratio of 37.0 per cent for male and 29.9 per cent for female trainees. Among the reasons behind low placement of female trainees was the fact female trainees were mostly the age-group between 10-25 years and were unmarried. But the most important reasons lie in the lack of family support and lack of collateral for securing loans.

Women's entrepreneurship in Nepal is a relatively new phenomenon, although women of certain ethnic communities have a long tradition of being involved in small business enterprises. Women's participation in the informal sector has increased significantly in both urban and rural areas. Some more common employment ventures are vending, petty trade, vegetable selling, and such traditional micro-enterprises as woollen products, tailoring and garments, and *dhaka* weaving. Many women entrepreneurs consider financial independence as their main motivation for creating and operating businesses. Other reasons include supporting their families, having no other options, and social prestige. Lack of capital for investment, and lack of family support are the main reasons for not setting up businesses among potential women entrepreneurs. The problems related to micro- and small enterprises in rural areas are mostly common in nature and are equally relevant for women entrepreneurs as well. The gender-specific problems for women entrepreneurs are more concerned with prevailing social values, culture, practices, and perceptions about the role and value of the work performed by women. However, a change in traditional perceptions and outlook is taking place. Women's entrepreneurship is now understood as a means of empowering them to contribute to the country's economic development process.

Conclusion

The institutions involved in entrepreneurship and skill development training in the CSI sector have one common objective, i.e., to promote micro and small enterprises in order to raise productive employment in the country. Despite over one-and-a-half decades of experience, awareness about entrepreneurship development in rural and mountain areas is still very limited. The EDP is often run as a routine activity to meet a set target of numbers to be trained without due regard to improving effectiveness through necessary changes in programme contents and methods and post-training support. There is no proper assessment of locational factors, such as resource potential, skills, markets, prerequisite infrastructure, local agencies and NGOs, and support institutions such as banks, while planning EDP training programmes.

Rural people have little awareness of entrepreneurship development training. There should be a coordinated effort from existing institutions to create awareness in rural areas through their network of district / branch offices and through involving all dis-

district-level line agencies, VDCs or DDCs, local NGOs, banks, and others. This can take place through regular visits, personal contacts, bill boards, group meetings, and local workshops as pre-training promotional activities. It would help generate interest and reach potential entrepreneurs at large.

There has to be proper planning and design of EDP based on location or area specific assessment. It should look into all such aspects as the prevailing socioeconomic situation, resource potential, physical infrastructure and its condition, existing institutions and local NGO support, skill availability and potential, market centres, and the existing and potential economic opportunities. The existing practice of selecting locations for the sake of meeting a desired target in terms of numbers of trainees, irrespective of whether they constitute the potential entrepreneurs, could undermine the very purpose of EDP.

The training programmes need to be specifically oriented and tailored to suit the needs of different target groups of trainees. The present entrepreneurship development programmes are of a general nature and mainly oriented to urban or semi-urban based potential entrepreneurs. The institutions should make their training programmes more cost-effective and collectively make use of the existing network in extending EDP into rural areas.

The organizations have serious resource constraints in terms of organizing training activities effectively. With some exceptions, they have no adequate training facilities and equipment and mostly depend on hired training halls and training equipment. Programmes are also adversely affected mainly because of insufficient training budget, inadequate facilities for trainers, and lack of training for trainers to upgrade skills in specialised areas.

Post training follow-up and evaluation are often looked upon as mere formalities. In many cases, no detailed records of trainees are maintained. The support needs, as identified in the follow-up and evaluation process are not properly addressed. There should be proper follow-up and evaluation of trainees and institutional mechanisms to provide post-training support as per the requirements of the trainees. Results of the follow-up and evaluation should also be used to modify and improve contents and delivery of the training with a view to making them more relevant and effective.

Development of micro- and small enterprises in the CSI sector requires a packaged programme with different inputs and support services. EDP training is one component of the programme package. There are other components equally important in terms of effective contributions to entrepreneurship and enterprise development. These include, dissemination of technical information, financing, marketing, and technology. Our survey shows that EDP trainees have often lacked inputs and support to facilitate their use of entrepreneurial skills. In order to improve the placement status of EDP trainees, it is important to plan entrepreneurship development according to the identified needs of the entrepreneurs.

The inputs and support needed in order of relative importance are as given below.

- Loan and credit assistance
- Technical consultancy and extension services
- General or advanced skill training for rural artisans/rural entrepreneurs
- Refresher courses for ex-EDP trainees
- Post-training follow-up and guidance
- Product marketing and institutional support
- Knowledge of local business opportunities and alternatives
- Facilitating CSIs through better institutional coordination
- Observation or orientation visits during in-training or post-training periods
- Marketing and salesmanship skills for CSIs
- Guidance and counselling

The basic approach to developing rural entrepreneurs should be directed at: i) identifying and carefully selecting those who could be trained to become entrepreneurs; ii) developing their entrepreneurial capabilities; iii) ensuring that such potential entrepreneurs have a viable project; iv) equipping them with basic managerial understanding; v) imparting adequate technical skills; and vi) helping them secure necessary financial, infrastructural, and related assistance so that their venture materialises in time.

Rural EDP training should be developed keeping in mind the socioeconomic conditions and sociocultural characteristics of the people – their values, attitudes and belief, hopes and aspiration, fears and apprehensions, and so on as well as local resources. The problems of and constraints to rural entrepreneurship and micro-enterprises should be addressed through a strong support system, though inputs of the support system may vary by location and by various stages of entrepreneurial development. For example, one of the post-training support needs for micro-enterprises is for easy access to credit assistance. The trainees expect more in terms of procedural simplification, affordable interest rates, and flexibility with regard to collateral security. These can be addressed through policy measures that could help provide credit up to a fixed limit without any collateral or against some form of guarantee from respective Village Development Committees (VDCs) and for amounts exceeding the said limit from existing priority credit schemes of commercial banks. In addition, the respective VDCs in mountain areas should be encouraged to mobilise part of their resources to give training in entrepreneurial, managerial, and trade-related skills. The government, through an existing network of training organizations, should provide funds to VDCs in equal contributions for training programmes on entrepreneurship development in the CSI sector. The EDP training organizations should support them by providing trainers/instructors and training materials.

Special training programmes for potential entrepreneurs in mountain areas need to be developed with contents focussing on their specific problems. It is important to identify the existing or new product lines and the problems faced or likely to be faced by such enterprises in these areas. The types and nature of the problems may vary

according to product lines. For instance, the need for marketing inputs may not be great for micro-enterprises such as broom-making in locations where marketing channels already exist. If some products or services (*dhaka* weaving, metal products, tourist services) produced by micro-enterprises in certain locations have problems relating to product design and quality, the support required would be in the form of technical inputs. There is a need for special training programmes for groups engaged in or likely to take up enterprises in the same product line and for greater exposure to marketing by taking trainees/enterprises to different markets to show them marketing arrangements. Product or area-specific design and contents of the EDP to meet the needs of potential entrepreneurs are likely to be more effective than general EDPs, especially in the case of remote and backward mountain areas, and in the case of women entrepreneurs.