

Entrepreneurship development:

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Historically, wherever development has been initiated and sustained, the agents of change have been entrepreneurs. It is they who innovate—creating new products or processes, finding new materials and markets, and designing new and more effective forms of organization. In many developing countries—particularly in backward areas within these countries—the socioeconomic environment has not been conducive to the emergence of entrepreneurial talents. Latent ability, however, appears to exist in classes and areas without an entrepreneurial tradition. Based on the belief that potential entrepreneurs can be identified and trained, financial institutions in Gujarat, India, have established the Entrepreneurship Development Program (EDP) to promote small enterprises by tapping this latent talent. The program's uniqueness lies in its integrated approach, which provides instruction and counseling from selection through to the actual operation of enterprises. This article sketches the program's evolution, and briefly reviews its methods, results, and possible applications in other regions.

In India in the 1960s a great deal of discussion centered upon whether growth could resolve income and regional disparities and whether the fruits of development were being concentrated in a few areas and classes. India's development strategy was altered in 1969, as a result of that debate, to give particular emphasis to industrial promotion in relatively backward states and districts. It was soon clear, however, that fiscal and financial incentives by themselves would be insufficient. Technical assistance would also be required if nontraditional sources of entrepreneurial talent were to be tapped. It was

in response to this need that Gujarat's financial institutions evolved a practical, result-oriented program to develop such entrepreneurs.

EDP was initiated in 1970 under the sponsorship of a state financial cum promotional institution, the Gujarat Industrial and Investment Corporation. The program was run by the GIIC, and its basic elements and characteristics were crystallized through repeated experiments until 1978, when Gujarat's financial institutions and industrial promotion agencies jointly sponsored a separate Center for Entrepreneurship Development to administer the program. (For a detailed account of the evolution of EDP and the initial problems it encountered, please see the publications cited in the box.) The Center's success in turn convinced India's national financial institutions that the program was relevant for other states and a national agency would be needed. The Entrepreneurship Development Institute of India (EDI-I) was set up in 1983 to conduct research, offer consultancy and training, and assist state-level agencies in carrying out their programs.

Throughout the program's evolution its approach has remained grounded in the belief that effective psychological-behavioral testing can identify potential entrepreneurs and that careful guidance in the selection of suitable enterprises and appropriate practical training can develop successful entrepreneurs. The program has been designed to strengthen potential entrepreneurs' confidence in their own ability; to impart necessary skills and knowledge about financial, technical, and managerial aspects of business; to provide information and assistance in identifying, formulating, and implementing projects; to help secure the required financial and technical assistance; and finally to offer follow-up services to assist them with the teething problems that accompany the operation of a new enterprise.

EDP is characterized by an emphasis on operational rather than academic training, flexible design of training programs to meet the specific needs of participants, and active involvement of the financial and business communities. The program directly ties its training to the setting up of enterprises and tailors its techniques and strategies to the socioeconomic and cultural contexts in which it operates. Costs are kept down, and training kept practical, through the participation of established entrepreneurs, businessmen, and others with in-the-field experience, who par-

ticipate in the program at their own cost.

While each program is adapted to local needs, the basic aspects of EDP are the same and are summarized here.

Selection. Selection of trainees is the initial step in the entrepreneurial development program. The identification process is supervised by the program's trainer-motivators, whose tools and techniques vary with the environment in which they operate. In a rural area, for example, trainer-motivators work in a very personal manner. By contacting social workers, teachers, bankers, and other socially respected but nonpolitical persons, they develop a list of suitable candidates. Applications are distributed personally and individual interviews are conducted. In urban areas newspapers advertisements or posted notices might be used to attract applicants and forms are often distributed through the mail.

Applications elicit basic information about the background and experience of the candidate. At successive stages, applicants are evaluated, on the basis of behavioral science techniques, to determine the extent of their entrepreneurial capacity. Testing is meant to measure, among other things, candidates' motivation to achieve, their capacity to take risks and resolve problems, the extent of their positive self-image, and their interest in setting up businesses by trying something new or unconventional. Personal interviews conclude the selection process, permitting a committee that includes trainers and business and academic experts to make a final assessment of entrepreneurial aptitude and a determination of what will be needed in training.

Training. EDP emphasizes practical, hands-on experience. It is designed to motivate participants, guide them in the selection of appropriate opportunities, and develop their management skills. The program uses behavioral and psychological techniques to intensify the desire to achieve, to develop the ability to define goals realistically and to fulfill them, and to increase self-awareness and confidence. In helping trainees find the appropriate enterprise, EDP counsels trainees on available opportunities and helps them match their interests with projects that may already have been identified by technical consultancy agencies or are known to be candidates for start-up funding. Participating experts from management schools and entrepreneurs are on hand to explain to trainees what will be required to manage a small business.

For detailed information, see:

V.V. Bhatt, *Financial Institutions and Technical Consultancy Services: The Indian Experiment in Small Enterprise Promotion*, EDI Seminar Paper 24, World Bank, 1981.

V.G. Patel, *Entrepreneurship Development Programme in India and Its Relevance for Developing Countries*, forthcoming EDI Seminar Paper, World Bank.

Copies are available, free of cost, from EDI, World Bank, Washington, DC 20433, USA.

India's experience

The training process is centered around a project exercise, which involves participants in the conduct of market surveys and the preparation of project plans. Trainees are exposed to the thought processes and field experience necessary to make a rational choice of business, product line, market mix, and related aspects of the project. The exercise culminates with the completion of a project report. Ideally commercial banks and other supporting institutions are brought into this process at an early stage. Finance can thus be raised for the project, and a link thereby established between the completion of training and the support of financial institutions for the implementation of the project.

Training normally entails a 150-hour program, which is flexible and arranged to meet the needs of participants. Its structure varies from six-week full-day programs for recent graduates and other unemployed participants to three-month evening programs for a mixed group of working and nonworking individuals. The cost of training may vary also, from approximately Rs 3,000 to Rs 4,000 (\$280-380) per trainee, depending on the nature, timing, and duration of training. A token fee of Rs 100 to Rs 150 (\$10-15) is charged to trainees to ensure their commitment to the program. The remaining costs are met by the supporting agencies, particularly state governments, industrial promotion agencies, and financial institutions.

Faculty. Usually the program uses no full-time faculty, other than a trainer-motivator supported by an expert in project formulation. Most aspects of the actual training are provided by managers or executives; experts from state industrial promotion agencies, financial institutions, and technical consultancy organizations; and small-scale entrepreneurs. Experts are mobilized by the trainer-motivators, who also arrange field trips and in-plant training in relevant enterprises. In-house core teams are formed from the group of trainers or experts when resources from industry or trade are not locally available. The full-time trainer-motivators provide the backbone of the program. They organize and administer programs and oversee the entire training process. Their multidimensional work includes aspects of an administrator, liaison officer, training manager, trainer, counselor, and technical advisor.

Because of the importance of the position, and the critical impact of individual personalities, special tests have been developed by

EDI-I to select trainer-motivators. Candidates are screened for (1) aptitude for development work; (2) faith in people's capacity to change; (3) a flair for public relations and field work; (4) an interest in understanding people and getting along with them; (5) knowledge about the area and its people; (6) dedication, initiative, patience, resourcefulness, and a proper sense of discrimination; and (7) a capacity to work under stress. Experience has indicated that candidates with high academic qualifications or long industrial experience but without the requisite behavioral and personality traits have not made effective trainer-motivators.

Follow-up. The responsibilities of the program, particularly those of the trainer-motivator, extend beyond the completion of the project. Once businesses have begun operations, trainers generally visit the new entrepreneurs to identify operational problems and assist them in obtaining what help might be needed from a network of experienced entrepreneurs and supporting institutions that has been established by the program.

Organization. Currently 50 different agencies in 20 states are conducting Entrepreneurial Development Programs in India. The other states, however, have still not evolved an institution like the CED, which has enabled Gujarat to accumulate experience and learn from mistakes and experiments.

The CED in Gujarat conducts 90 programs each year, while EDI-I assists agencies in the other states in conducting 30 programs each year. Those trained in the EDI-I style numbered about 70 in 1983; the EDI-I trains 30 trainers every year and along with them conducts demonstration programs for potential entrepreneurs in various states of India.

Results. Between 1970 and 1984, 312 programs in entrepreneurship development were conducted at 130 locations in Gujarat, with a total of 7,710 participants. The program's effectiveness has varied with region and circumstance, but on average 60 percent of those trained went on to set up their own businesses and some 75 percent of these enterprises have been profitable. Simple statistics, however, may not convey the nature of the program's impact. Many of those trained—unemployed graduates, tribals, women, poor artisans, skilled but frustrated employees—created new opportunities not only for themselves but for others. Their success, in addition, had a significant demonstration effect on potential entrepreneurs.

Experience in remote areas of Sikkim and in the Andaman and Nicobar Islands has demonstrated the effectiveness of the program in areas with little indigenous entrepreneurship, while its performance in Kerala, where literacy rates are high but most graduates seek "employee" positions, indicates that sociocultural preferences can be influenced and a new breed of entrepreneurs can be developed.

Equally important has been the program's effectiveness in drawing entrepreneurs from diverse sources. The conventional domination of traders and owners of industries has been significantly reduced. New entrepreneurs have emerged from employees (45 percent), traders (20 percent), young engineers and educated unemployed (25 percent), and farmers and others (10 percent). Though these percentages vary among groups depending upon local conditions, the program has demonstrated an ability to reach new groups and develop new sources of entrepreneurship.

EDP's success, particularly in areas without a history of indigenous entrepreneurial activity, has attracted the World Bank's attention. The program's integrated approach and its adaptability to local needs appears to hold promise for other regions, such as Africa, where a scarcity of indigenous entrepreneurs has constrained development efforts.

To share the results of India's program and to explore the possibility of adapting it in other countries, the Economic Development Institute of the World Bank sponsored a workshop for participants from eight African countries in January 1985. The workshop, held in Ahmedabad, Gujarat, in collaboration with EDI-I and the Industrial Development Bank of India, encouraged participants to develop action plans for their respective countries. As a result of the workshop, pilot programs in EDP are already being formulated in Kenya and Ghana.

The World Bank's EDI sponsored a second workshop for top-level officials from Anglophone Africa in Ahmedabad in January 1986. A similar workshop for Francophone African officials is likely to be held in Abidjan, in collaboration with African Development Bank and the EDI-I in May 1986. Each of these sessions is conducted by senior staff of the EDI-I under the sponsorship of the Bank's EDI. The objective is to find out how India's EDP experience can be adapted to specific conditions in African countries. It should be emphasized, however, that for a program of this nature to succeed, it is essential that it be sponsored by the financial institutions and industrial promotion agencies; without their active support an integrated program of entrepreneurial development is not feasible.

