SUMMARY, CONCLUSION AND POLICY RECOMMENDATIONS

The present study is an enquiry into one of the major training interventions taking place in Kerala for enterprise development especially after the 73rd and 74th Constitutional Amendments. The study is based on selected sample of trainees from the district of Kollam. Divided into seven chapters, the major objectives of the study are:

i. To understand the personal and socio-economic characteristics of trainees of micro enterprises;

ii. To assess the performance of the micro enterprise development programme in terms of enterprise creation;

iii. To assess the financial performance of the units promoted by trained micro entrepreneurs;

iv. To study the problems faced by micro entrepreneurs in the day to day running of their ventures

v. To analyse the factors determining the success of micro enterprises in the particular context of Kerala; and

vi. To make policy recommendations on the basis of the findings of the study.

Keeping the objectives in view, the study was conducted using a methodology that involves survey of the relevant literature, field study
using interview schedule, interactions with the trainers, chief executives of the organisations involved in training and officials of sponsoring agencies. Wherever needed, secondary data from official sources like Kerala State Planning Board, Directorate of economics and Statistics and Directorate of Industries and Commerce were utilised. The main source material for the study is the sample survey conducted among the trainees of micro enterprise development programmes. Stratified random sampling methodology was adopted for drawing the sample for the study. For this purpose training programmes conducted in three strata i.e., Gram Panchayat, Block Panchayat and Corporation have been selected at random. Subsequently, 50 per cent of the trainees in the programmes conducted in 2005-06 have been selected at random for detailed study. Accordingly 216 sample trainees were selected on pro rata; 120 from Kollam Corporation 64 from Vettikkavala Block Panchayat and 32 from Thrikkadavoor Gram Panchayat for the study. A specially designed interview schedule was used to collect data and information from the trainees. The data thus collected have been collated and analysed with reference to the objectives of the study using statistical tools and techniques.

After a detailed survey of literature on entrepreneurship development presented in chapter two, the study tries to explore the
factors contributing to Kerala’s backwardness in entrepreneurship and industrial development (chapter III). It is observed that the very root of Kerala’s backwardness in entrepreneurship could be found in the culture of Keralites. Certain aspects of Kerala’s culture like joint family system, caste system and matriarchal system were not congenial to the growth of entrepreneurial traits in the individual. They stifled the growth of independence, risk taking ability and achievement motive. By and large, they promoted a kind of dependency culture. Left ideology with its emphasis on redistribution rather than wealth creation also appears to have had a retarding effect on the growth of entrepreneurship in Kerala society. The study identified certain facets of present day Kerala society which manifests Kerala’s backwardness in entrepreneurship and industrial development. The chapter also surveys the debate on Kerala’s industrial backwardness and presents an analysis of the industrial structure of Kerala.

It is against this backdrop that the micro enterprise development programmes in Kollam district were analysed. Kollam district is comprised of 11 Block panchayats and 70 Gram panchayats. Since 1997-98, all the Panchayat Raj institutions including Kollam Corporation have been actively promoting micro enterprise development programmes by extending financial assistance for the conduct of the programme.
Several local non-governmental organisations and state sponsored organisations are involved in these programmes. The basic approach of these programmes is to impart skills to trainees in selected productive activities with a view to help the trainees to set up group or individual enterprises. Financial assistance is extended to selected trainees under the Swarnajayanti Gram Swarojgar Yojana (SGSY) scheme sponsored by Government of India and also under Kudumbashree project of Government of Kerala.

An analysis of the personal and socio-economic profile of the sample trainees shows that all trainees are women and 65 per cent of trainees are above the age of 25 years. The complete absence of male candidates is due to the fact that the product based micro enterprise programmes were mostly women oriented programmes. The relatively higher age of the sample trainees is quite understandable considering the fact that in Kerala young people have a tendency to look forward to government or private sector employment. Majority of trainees were drawn from backward communities. Economically majority of them were drawn from non-business communities. Only 9.47 per cent of trainees hail from families with some kind of exposure to business- that too self-employment ventures.
Analysis of the educational background of trainees’ shows that majority of trainees have non-technical educational background. 81.40 per cent of them have an educational achievement below Plus two. Only 9.47 per cent of the total number of trainees has technical qualification and that too only up to engineering diploma. Educated people by and large prefer paid employment either in the public or private sector. Pre-training background shows that 82.11 per cent of trainees did not have any work experience. Majority was either remaining unemployed or continued as housewives. Considering the reasons given by sample trainees, it was found that only 19 per cent were truly motivated to enter into an entrepreneurial career. A few have joined the programme purely due to unemployment or compulsion from the husband or persuasion from the ward member of the local body.

The socio-economic and educational profile and pre-training status of trainees suggest that only a handful of trainees are really suited for an entrepreneurial career. This is partly due to the socio-economic context of the state where entrepreneurship as a career option does not have much social acceptability. When the society views entrepreneurship not as a preferable career option, it seems to affect the quality of those who opt for it and in turn the kind of entrepreneurship created.
Chapter V presents the performance of the MEDPs from the point of view of start-up of enterprises. An analysis of the feedback received from trainees' shows that they were only moderately satisfied by the duration and content of the programme. The suggestions point towards the fact that the content of the programme needs changes. According to them, the orientation of the programme should be on marketing the products of the trainees. Majority of them suggested that before launching this kind of programme, the sponsors should arrange marketing tie-ups with some agencies. They also pointed out that the training failed to instill confidence to launch their own enterprises indicating a strong need for including some kind of motivation training like Achievement Motivation.

The overall success rate of the programme is 36.84 per cent and this is comparable to the national average start-up rate in EDPs. Age profile of starters shows that 68.57 per cent of sample trainees fall under the age group 25 to 35 years. Majority of starters have educational achievements above S.S.L.C. The products selected by them are garment making (28.57 %), cattle and goat rearing (8.57 %), food processing (28.57 %), rexin bag making (8.57 %), paper bag making (5.71 %), book binding (2.86 %) and embroidery and fabric printing (8.57 %).
As far as the sales turnover of units is concerned, it is observed that in the first year of production most units reported small amounts as turnover as expected in most cases. From the second year onwards i.e. 2007-08, sales turnover of most of the units showed an increasing tendency. In 2007-08, 91.18 per cent of units had a turnover below Rs. 3 lakh. Though the number of units came down to 58 in 2009-10, 41 per cent of starters had a turnover above Rs. 3 lakh.

However, in the 4th year, a decreasing tendency of sales turnover was observed. Majority of units (78.57 %) had the turnover between Rs. 2 lakh and 4 lakh only. The number of running units has also come down from 68 to 56.

It was extremely difficult to work out the profit the way the entrepreneurs maintain books of accounts. The concept of economic profit cannot be applied as no allowance is given for own labour while working out profit. Rate of profit of starters have fallen over the years. In the initial year 94 per cent of units had profits ranging from 5 per cent to 15 per cent. In the second year, rate of profit increased appreciably with 70 per cent of units earning a reasonable profit of 10 per cent to 15 per cent. From third year onwards, it was observed that despite the increase in sales turnover, profits fell. In the fourth year, 96 per cent of units had a profit ranging from 5 per cent to 15 per cent only. Despite the increase in
sales turnover over the years, the profits decreased. At the time of the survey only 56 units (i.e. 80% of the starters) were in the working condition. Six units were closed down while eight units were sick making cash losses. The chapter also tries to understand the critical factors in enterprise creation by comparing the starters and non-starters with respect to their age, caste/community background, family background, etc. Except economic background of starters and non-starters, in all other factors, statistically significant differences were observed. It is found that relatively less educated and aged candidates are more likely to launch ventures than more educated and young trainees. The level of motivation of starters was found to be an important factor in enterprise creation.

The sixth chapter attempts a critical look at the whole microenterprise development programme of the population area of the study by analysing the problems encountered by the micro entrepreneurs and the suggestions put forwarded by them. The major problems faced by the trainees include ‘difficulty in getting payment from buyers’, ‘competition from new units’, difficulty in managing with one product’, ‘difficulty in getting the working capital limit extended’, ‘absence of anybody to give good advice’ and ‘problems with partners’. While these are the oft-repeated problems, there are other problems faced by individual

The starters put forwarded several suggestions which according to them will help to manage these problems. Some of the major suggestions are ‘extending marketing support’, ‘extending interest free or concessional credit’, ‘more effective follow up support’, ‘more working capital by banks’, ‘counselling services on a concurrent basis’, ‘repeat one day performance improvement programme’, and ‘limiting the number of trainees in a product line to avoid unhealthy competition’.

Analysis of non-starters revealed that 80 per cent of them gave up immediately after the conclusion of the programme. While 13.33 per cent gave up after preparing the project report, 6.67 per cent gave up after submitting the loan application. The reasons given by the non-starters are ‘did not feel confident to start a venture’ (37.50 %), ‘starting an enterprise was not the objective for joining the programme’ (20.83 %), ‘discouraged by those who are already in the business’ (12.50 %), and ‘discouraged by family members and friends’ (10.42 %). A few trainees gave up on getting government job (10.42 %) where as 8.33 per cent gave up on getting married. At the same time, majority of non-starters (66.67 %) reported that training had a large impact on them. The training
provided them with an opportunity to acquire knowledge which was highly useful in day to day life. The interactions with the trainers and other trainees had an effect of widening their world view.

The non-starters also had a few suggestions to offer for improving the programme. Some of the major suggestions are ‘this kind of programmes should be part of school curriculum’, ‘increase the duration of the programme’, ‘more entrepreneurs should share their experiences with the participants’, ‘use of audio-visual media to make the programme more interesting’ and ‘financial assistance to all trainees’.

As part of the study, chief executives of training institutions and officials of the sponsoring agencies were also interviewed. The chief executives of training institutions were of the view that skill development and entrepreneurship development should not be mixed up. The state is in need of people with specific skills. People may start their own ventures or work for others. It is their choice. Given the limited resources allocated for the conduct of these programmes, they cannot provide entrepreneurship training also to the participants. Six week EDPs do not have takers in the state for a variety of reasons.

The senior officials of the sponsoring agencies did admit that the training programmes suffer from several deficiencies. The problem of conducting too many training programmes in the same product line is
unavoidable considering the limited opportunity in the Kerala context for job work or sub-contracting. At the same time, they emphasised the importance of skill development.

**Recommendations**

The findings of the study have important policy implications. The central issue in these training programmes is that they are not oriented towards production and marketing of commodities. They end up mostly as skill development programmes. The trainees or society will benefit only if skills are put into use in the production process. As the micro enterprises are not catering to the demands of small and medium enterprises, there is no scope for micro enterprises to engage in processing activities. As a result, they have to concentrate to manufacture on a very few item with a very small investment in plant and machinery. Too many units of same kind cannot be catered in a panchayat or block. As there is every chance of such units coming up in neighbouring panchayats or blocks, leading to competition among the same kind of units resulting in sickness and finally closure of such units. The following recommendations are made to break this vicious circle.

1. **Organising Micro Enterprises under Cluster Format**

   The present strategy of micro enterprise development should be replaced by cluster form of micro enterprises in a particular product line
and this cluster should consist of all the units of at least of the same blocks. This would help the economies of scale in purchase of machinery and raw materials. Then it would be possible to fix a specific quality and specific price for the product. If required, it would be possible to give a brand name. It is suggested that the government should take initiative for marketing the products of these micro enterprises with tie-up with government and private sector organisations. For example, the products through the operating retail outlets of organisations like CONSUMERFED.

2. Use of Modern Technology in Production

As the micro enterprise development programme is envisaged for people below the poverty line, the capital base of the trainees is the loan under some kind of government programme like SGSY. The loan amount would not be sufficient for them to acquire machinery of the required specification and quality. Therefore, it would be helpful for the trainees if the government provides necessary support by giving bank guarantee to the loan availed by them so that they can go for quality machinery. Some kind of lease rent arrangement patterned on National Small Industries Corporation’s machinery lease scheme can be worked out.
3. Revamping the Training: More Rigorous Selection of Trainees

In the present pattern of training, the emphasis is on skill development only and confidence building module was not incorporated in the programme. Moreover, assured loan and effective support for setting up of the enterprise is lacking in. There was no selection process and those who wanted to join the programme were admitted. Therefore, it is felt that in the revamped training programme, there should be a selection process consisting of screening of application, selection tests and personal interview to assess the suitability of the person to be trained for the enterprise creation. This process would help to identify the persons with some entrepreneurial traits.

3.1 Revamping the training: Giving equal importance to entrepreneurship development

As already indicated, in the present format development of entrepreneurial traits were not given much importance. Development of entrepreneurial traits and other necessary components of EDP should be incorporated as essential component in the revamped programme. In order to raise and maintain the level of motivation of trainees, Achievement Motivation Training should also be included. Trainers should be accredited by the national resource organisation like
Entrepreneurship Development Institute of India and similar organisations.

3.2 Revamping Training: Changes needed in the Content of the Programme

The content of the programme also need changes. Audio-visual presentations would make the training programme more interesting. Experience sharing sessions with active entrepreneurs and field visits would help the participants a long way to develop confidence in them.

4. Extending Factoring Services to Clusters

One major problem faced by micro enterprises is the sales on credit and associated problems. This in certain cases result in sickness and closure of units but in our environment, credit sales cannot be avoided in most of the cases. Some sort of mechanism would be required to help the micro enterprises to end short supply of working capital. Factoring services followed in small and medium enterprises should be considered even with some modification.

5. Extending the Services of Business Counsellors

Unlike the small and medium industries, the owners of micro enterprises do not have proper education and knowledge. Therefore,
they require support and counselling on business issues. Considering their financial position, it is very difficult for them to approach experts on these matters. Micro enterprises training programme, therefore should have an in built counselling services on a continuous basis. In such case, the MEDP training agencies should have a band of qualified business counsellors. This would go a long way towards reducing sickness and closure.

6. Performance Improvement Programmes

As of now, there is no performance improvement programmes conducted for micro entrepreneurs. It would be advisable to organise such programmes for one or two days. This would go a long way in improving the performance of the trained entrepreneurs of micro enterprises.

7. Projecting Micro Entrepreneurs in the Society

It is important to boost up the morale of micro entrepreneurs so as to give a feeling of self-esteem by projecting them in the society. Print and electronic media have a big role in this context to publish the success stories of micro entrepreneurs. The success stories can also be made as part of school and college curriculum. Sponsoring agencies
would consider instituting awards and medals to better performing micro enterprises to recognise their efforts.

8. State should Attract more Modern Small and Medium Scale Enterprises

One major problem of the micro entrepreneurs is with regard to marketing of their products. They have to operate only in their locality because similar units are there in other places. As such, it is very difficult for them to enter in other areas. When new units are set up, it threatens the already established units. This is vicious circle. In industrially advanced states, there is linkage and close association of micro enterprises with medium and small scale enterprises in product processing and sub-contracting of work. Such an arrangement is completely absent in Kerala. This shows that for the overall development of the state and for the development of micro enterprises as well, the state should attract more medium and large industries. In other words, the development of micro enterprises cannot be viewed in isolation from the overall development of the state.