

Micro-Enterprises Development for Poverty Alleviation

Volume II



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Tel.: 4240571
Email.: ossc@wlink.com.np

Entrepreneurship Development in Parbat District Effectiveness of the Entrepreneurship Competency Development Component of Micro-Enterprise Development Programme¹

Abstract

This paper investigates effectiveness of the method to develop entrepreneurial character, used by MEDEP in Nepal. This programme was initiated by the Government of Nepal with technical assistance and resources from the UNDP, in order to 1) reduce poverty through self-employment, while 2) establishing a sustainable mechanism to provide business development services. This study was conducted to determine the effectiveness of the methods that MEDEP used to develop entrepreneurial character among the participants of MEDEP in Parbat district. Due to armed conflict the coverage was confined to Salija and Lekphant villages only. This study looked into "entrepreneurship competence development component" which was to develop entrepreneurial character. The methods used include individual guidance and training in micro-enterprise creation. In the analysis, the outcome of the matrix uncovered that MEDEP techniques were generally having intended positive effects.

1. Introduction

1.1 Background to the Study

As a result of strong pressure on natural resources due to rapid population growth coupled with seasonality of subsistence agricultural employment (MEDEP, 2000), poverty is rampant in Nepal. The poverty and unemployment contributed to the country's weak competitive position in the international market. Consequently, many products are imported causing poor growth of export products. It showed a big opportunity for import substitution and export promotion, thereby creating employment opportunities. In view of this fact, the Ninth Five-Year Plan adopted a policy of creating self-employment opportunities through the promotion of micro-enterprises.

1.2 Statement of the Problem

The Ministry of Industry (MoI) in collaboration with the UNDP and several national partners implemented the pilot phase (1998-2003) of MEDEP to tackle poverty by providing a framework that would facilitate the establishment of micro-enterprises (MEDEP, 1998). MEDEP was designed after the review of failed and successful programmes implemented in the past. MEDEP theoretically provides safeguards for everything that might have gone wrong with projects in the past; theoretically it is the most efficient way to sustainable development of the country's economy. But as ever,

¹ MS Thesis 2002 by Siti Ichsan - Thailand: Asian Institute of Technology, School of Environment, Resources and Development

reality often deviates from theory. Thus, it is important to see whether this waterproof theory has stood the test of actual implementation.

1.3 Objectives of the Study

The general objective of this study was to determine the effectiveness of the MEDEP methods to develop entrepreneurial character among the participants of their programme.

The specific objectives were to:

- describe the methods used in entrepreneurial competence development component,
- explore the actual execution of the methods employed to develop entrepreneurial character of the participants, as compared to their description in planning documents,
- explore the extent of the participants' entrepreneurial character and its change since the programme was started,
- explore what the main influencing factors are on the entrepreneurial character of the participants, and assess the effectiveness of the methods MEDEP employed to develop entrepreneurial character of the participants considering the external factors that influence entrepreneurial character of the participants.

2. Review of Literature

2.1 External Programme Environment

Businesses are often classified on the basis of scale. In Nepal, it is classified on the basis of size and are divided into four categories (Table 1). In Nepal, another distinction becomes important in policy-related matters. It is

Table 1: Classification of Nepali enterprises by size

Category	Size
Cottage/micro-enterprise	Traditional production methods, negligible assets
Small enterprises	Fixed assets up to Rs 30m
Medium enterprises	Fixed assets ranging from Rs 30m-100m
Large enterprise	Assets worth over Rs 100m

based on the nature of the business such as manufacturing, energy-based, agro-based, mineral, tourism, service, construction, etc. (NIDC, 1997). The cottage/micro and small enterprises generate 90 percent of the gross national product - GNP (APO, 2000). All enterprises set up by MEDEP fall under the cottage/micro-enterprises. This implies that they do not have to register and do not have to pay income tax. The GoN promotes micro-enterprises through Cottage and Small Industry Development Board (CSIDB) and Department of Cottage and Small Industry (DCSI). Both the organisations are under the Ministry of Industry.

2.2 Internal Programme Environment: Review of MEDEP

The aim of MEDEP was to reduce poverty of low-income group of families through sustainable micro-enterprise development, and create a sustainable service delivery

system to serve micro-enterprises by building the required local capacity. The pilot programme was implemented in 10 districts (two in each development region - Terhathum, Sunsari; Nuwakot, Dhanusha; Parbat, Nawalparasi; Pyuthan, Dang; Dadeldhura, Baitadi). Low-income families and disadvantaged people were MEDEP's target groups making up 70 percent women and 80 percent from rural areas. MEDEP has adopted three-pronged strategy namely demand-driven process, sustainable enterprise partnerships, and building local capacity. MEDEP integrates different operational components to a certain degree as shown in Table 2. Enterprise Development Facilitators (EDFs) are the front-line workers of MEDEP. They conduct micro-enterprise creation (MEC) training, assist participants in preparing their business plans, assist micro-entrepreneurs in solving their problems in the field, assist micro-entrepreneurs to assess credit cycles, etc. The MEC training aims at developing personal competence of the entrepreneurs to undertake entrepreneurial ventures and successfully run them.

Table 2: Methods employed by MEDEP components

Component	Method	Responsibility
Entrepreneurship competency dev.	MEC training	EDF/EDO
	EDF guidance	EDF
Technical skill dev.	Technical (production) skill training	EDF (also SM)
	Credit disbursement	Partners
Marketing	Creation of marketing linkages	NPSO, EDF
	Exposure and marketing visits	NPSO, DPIO, EDF
	Exhibitions, fairs	NPSO
	Training for marketing of specific product	Partners
Appropriate technology	Research	Partners
	Product development	Partners
	Product testing	Partners
	Transfer of technologies	Partners
Management information system	Maintenance of information system	APSO
	Participant selection procedure	APSO, EDF
	Participant and customer registry	APSO

EDF: Enterprise Dev. Facilitator; EDO: Enterprise Dev. Officer; APSO: Area Programme Support Office; NPSO: National Programme Support Office; DPIO: District Programme Implementation Office; MEC: Micro-Enterprise Creation; SM: Social Mobiliser

3. Research Methodology

3.1 Conceptual Framework

The MEDEP process aims to assist individuals in becoming entrepreneurs, using the term "Entrepreneurship". One of the ways in which they require support is "entrepreneurship" as formulated by Farbman and Steel as specific character attributes (Farbman and Steel, 1992). MEDEP has six components of which one specifically aims to develop these character attributes. In MEDEP, this component is referred to as the

"Entrepreneurial Competency Development". This study is concerned with the measurement of effectiveness of the development of entrepreneurial character: the development of entrepreneurial traits and skills. Following Din and Gibb (1990), this conceptual framework is presented in Figure 1.

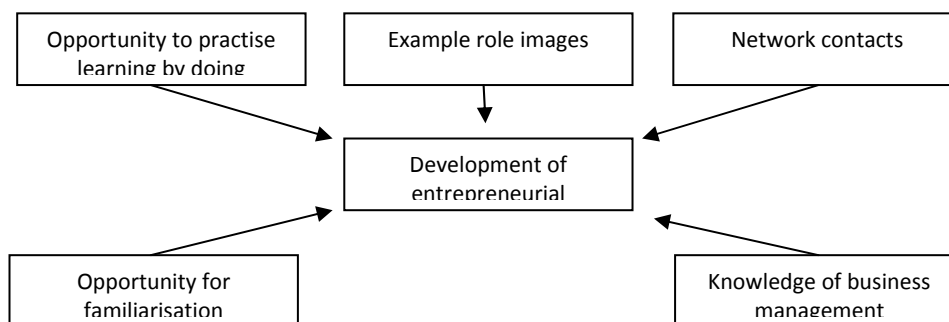


Figure 1: Influence on the development of entrepreneurial character

3.2 Analytical Framework

Analytical framework has included the methods MEDEP used to influence entrepreneurial character. There are two MEDEP methods that specifically aim to develop entrepreneurial character namely EDF guidance and MEC training. In order to see if MEDEP has been instrumental in bringing about a change in entrepreneurial character, further analyses have been made of the five factors - role image, opportunity for familiarisation, networks and contacts, opportunity to practise entrepreneurial characteristics, and knowledge of business management. MEDEP's four other components namely technical skill development, micro-credit, marketing and appropriate technology were also analysed.

3.3 The Data

This study was conducted in Salija and Lekphant villages of Parbat district. The major chunk of data collected consisted of interviews with the entrepreneurs. There were 14 entrepreneurs taking up eight types of micro-enterprises (house wiring (1), jam-making (4), Allo processing (1), tailoring (4), shop keeping (1), bakery (1), woollen bag-making (1), and bamboo craft (1)) interviewed to gather the required information. Information on the life story of some entrepreneurs was also collected to get an idea of the influence of their social and family background and other possible occurrences or settings significant for the development of entrepreneurial traits. Other data were collected from various secondary sources including MEDEP documents. The research was severely affected by the armed conflict waged by the Maoists and thus was confined to a limited geographical coverage.

4. Results and Discussions

4.1 Demographic and Socio-economic Features of the Study Area

The average size of the family was five persons. 63 percent people were economically active. Most of the people belonged to Bhramin-Chhetri and Magar groups. Women

were kept in house very much, not speaking to strangers, avoiding eye contact with them and covering their face when speaking. Natural resources constitute vegetables, fruit, milk, stones, meat, bamboo, Allo, the NTFPs, etc. The agriculture sector employed 90.8 percent of the population. On average, the district is self-sufficient in food production.

4.2 Confronting MEDEP Methods and the Influences on the Development of Entrepreneurial Character in the Study Area

The findings of this study on average influence of MEDEP methods on enhancing entrepreneurial characters are presented in Table 3. The role images were found as very effective means to enhance entrepreneurial character of the participants. This is natural as new ideas and way are first to be seen, before individuals aspire to copy such behaviour. Opportunity for familiarisation however, was found not having significant influence. Networks and contacts were found to have a significant influence on the development of entrepreneurial character. The opportunity to practise entrepreneurial characteristics was found as an instrumental means to enhance entrepreneurial character. Especially since no opportunity was offered at the location to learn running an enterprise through instruction, practice provided the most effective option. Likewise, knowledge of business management was found to have served as a firm base to develop entrepreneurial character.

Table 3: Influence of MEDEP methods on entrepreneurial characters of the participants

Methods	Average influence on					
	Role image	Opportunity for familiarisation	Networks, contacts and acquaintances	Opportunity to practise entrepreneurial attributes	Knowledge of business management	Average external influence
EDF guidance	++	+-	++	+-	++	++
MEC	++	+-	+-	++	++	++
Other MEC components	++	+-	++	++	+-	++
Average MEDEP influence	++	+-	++	++	++	++

Legend

Method effectively incorporates influence	++ (effective)
Method has ambiguous effect	+- (no effect)
Method does not effectively influence	-- (ineffective)

When assessing MEDEP methods individually in the current stage of development of the community, the effectiveness is rated quite good as can be seen from the last column of Table 2. Much of the credit for this goes to the EDF guidance method. An EDF actually employs the MEC training methods, only to enhance what is essentially his/her EDF guidance function: being the supplier of all that the participants need to grow into independent entrepreneurs.

5. Conclusions and Recommendations

5.1 Conclusions

The effectiveness of the MEDEP model to enhance entrepreneurial character was rated quite well. The findings of this study have concluded that role image is a very effective means to enhance entrepreneurial character. Entrepreneurial character is significantly influenced by networks and contacts. Methods have in most cases materialised the benefits they were designed to generate. The stage of entrepreneurial character is determined by time and effort. The current stage of entrepreneurial character in the community is still premature due to which they have not yet maximised the possible benefits. The effectiveness is not solely an internal matter of design and execution, the target group also needs to be ready to reap the fruit of the method.

5.2 Recommendations

Since the first set of entrepreneurs is graduating, it is important for the EDFs to have advanced skill to assess who is ready for which degree of independence. So, far the programme does not give any guidelines or descriptions of an entrepreneur that is ready for graduation, nor instructions how to analyse an individual's ability to operate independently. MEDEP may consider developing those in order to aid the EDFs, or to develop training for them to develop such analytical skills.

Though the EDFs were instrumental in exposing the girls to the programme, they were not prompting equally among both sexes in the brainstorming process to choose a profession. Likewise, even though the EDFs gave a good example regarding gender equality in terms of intellectual capacity and abilities, they did not significantly set an example for enterprise-related roles of women. It is recommended, therefore, that the EDFs should be further oriented to achieving this important objective of the programme.

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