Efficiency Measurement of EDP's: A Comparative Study of Trained and Untrained Entrepreneurs of Anantnag District

Abstract

The aim of this paper is to make the comparison between the trained and untrained entrepreneurs of the Anantnag district. The purpose of this comparative study is to assess the effectiveness of Entrepreneurship Development Programmes on the overall entrepreneurial potential/efficiency of entrepreneurs. Thus entrepreneurial efficiency helps in identifying a significance difference in the entrepreneurial performance of entrepreneurs before and after training. Entrepreneurship has now become an important tool to eradicate unemployment and create new job opportunities for youth in both developed and developing countries. For promoting the micro small and medium enterprises various policies, programs and schemes have been developed from time to time by state governments. In order to make Entrepreneurship the important component of state economy the government has taken various step to create awareness, entrepreneurship education, skill up gradation, knowledge dissemination, attitude modification and building consensus with National and International organizations. Entrepreneurship training has been depicted as one of the most important step for entrepreneurship development. The findings of the study reveal that entrepreneurship training has substantial effect on performance of entrepreneurs.

Key words: Micro and small enterprises (MSEs), Entrepreneurship, Entrepreneurship training institution

Introduction

The main problem with the under developed countries has been to eradicate the poverty and raise the standard of living and providing basic necessities like food, shelter, clothing. The main reason of such problem is unequal distribution of income and low per capita income. Entrepreneurship plays an important role in the economic development of country and helps in generating more employment opportunities thereby raising the general living standard of the people. In India the challenge before the government is to tackle the twin problems of mass poverty and widespread unemployment which has penetrated the majors of civil society through rapid growth of industrial sector. India has vast natural resources and abundant mineral wealth. The country has rich reservoirs of mineral wealth, if exploited
to its fullest extent can usher new economic revolution, which can entirely change the fate of the people of this country. Although the government of the country is making numerous endeavours to exploit and extract its mineral wealth, yet a lot needs to be done in this concern. Thus emphasis has been given to the Entrepreneurship Development Programme (EDP) for raising the entrepreneurs and promoting self employment. Entrepreneurs are majorly classified as necessity driven and opportunity driven. The necessity driven entrepreneurs are compelled by the adverse economic conditions while opportunity-driven are compelled by the new innovations and opportunities which they identify and perceive (Lehimer, 2013). The theory of economic development stages draws a direct link between entrepreneurship and innovation. Indeed, a shift in favour of opportunity entrepreneurship stimulates innovation. This result is also found in endogenous growth models such as the model of King and Levine (1993), inspired by the Schumpeterian approach. Thus to strengthen the link between entrepreneurship and innovation in India efforts are made through EDPs by policy makers to build up entrepreneurial self confidence of youth, capture business opportunity, initiate an enterprise and become entrepreneurs, instead passively waiting for suitable employment or continue suffering from frustration in their current jobs. Entrepreneurship Development Programs (EDPs) were first initiated by Gujarat State Industrial Corporation and have started gaining momentum at the national level in early seventies. Meanwhile, the Hyderabad-based Small Industry Extension and Training (SIET), which now has been renamed as National Institute of Micro, Small and Medium Enterprises (NIMMSME), initiated EDPs in the state of Jammu and Kashmir. Micro, Small and Medium Enterprise Development Organization (MSMEDO) has started to conduct EDPs for unemployed engineers through its Micro, Small and Medium Enterprise Development Institutes (MSME-DIs). The Industrial Development Bank of India (IDBI) also evinced interest in the approach and circulated a paper, on the prior achievements and potential of the Gujarat experience, among various state governments. Subsequently, IDBI encouraged Technical Consultancy Organizations (TCOs), for creation of all Indian financial institutions viz., Small and Medium Enterprise Development, Bhopal, Centre for Entrepreneurship Development (NIESBUD) in Delhi and the Institute of Entrepreneurship Development (IED) in Guwahati in the North Eastern part of the country to expand its geographical coverage. Subsequently, some state governments, with the support of all Indian financial institutions took initiative in establishing state-level Institutes of Entrepreneurship Development (IEDs) like IED Lucknow, IED Bhubaneswar, IED Patna, Jammu & Kashmir EDI, or state centres such as Maharashtra Centre for Entrepreneurship Development, Aurangabad (Maharashtra), Madhya Pradesh Centre for Entrepreneurship Development, Bhopal, Centre for Entrepreneurship Development of Karnataka, Dharwad (Karnataka) in order to take the entrepreneurship development activities to grass-roots level. At present 686 parastatal organizations and more than 1000 educational institutions and NGOs are engaged in conducting entrepreneurship development programmes in the country. Most of these organizations are established, sponsored and/or financially supported (directly or indirectly) by the central/state governments, financial institutions and public sector banks. Presently, close to 10,000 EDPs of different kinds are being conducted in India, covering about 250,000 potential entrepreneurs from various target groups every year.

**Objectives of the Study**

The major objectives of the study are:

1. To assess the role of EDPs in promotion of entrepreneurs.
2. To examine the role and impact of training on the entrepreneurship key competence.

**Review of Literature**

In the early 1960’s entrepreneurship development programmes (EDPs) came into existence. These programmes have gained much importance after their inception. Continuous attempts have been made to evaluate their effectiveness and impact since the last few years. Across the world entrepreneurship programs have been designed in such a way that leads to enhancements in the skill and style of identifying business opportunity; analytic and problem solving ability; creativity; network relations; risk-taking; business start-up and management among owners/managers of small businesses. Further, to acquaint them with basic facts and information regarding legal and regulatory environment and business start-up, nurturing and harvest. Entrepreneurship development skills among the
SME managers lead to profitability (Cushion, 1996) and growth (Gray, 1997). Morris et al. (2001) studied that entrepreneurship is a step-wise process affected by both exogenous and endogenous factors like presence of business friendly environment, required factor endowments, capability to acquire required resources, and implementation and management of business concept.

Drucker (1985) and Gorman et al. (1997) revealed that entrepreneurship education leads to the success of entrepreneurship. Alarape (2007, p. 225) described entrepreneurial learning as “the improvement of insights, knowledge, and associations between past actions, the effectiveness of those actions and future actions”. Gartner (1985) studied the difference in the personality and background between entrepreneurs and non entrepreneurs and had found that cultural, economic, social, political and educational backgrounds of entrepreneurs are quite different from those of non entrepreneurs. Watson, et al. (1998) emphasized that for successful venture creation; personal background, motivation for start up and growth orientation are essential.

Entrepreneurship with strong motive is the main requirement for success of any venture. It is difficult to start any business without having the proper know how about it although having strong intent for such a venture. Over the last 20 years, Entrepreneurship education has shown rapid growth in most parts of the world especially US (Katz, 1991a, 1991b; Brockhaus Sr., 1991). Training in entrepreneurship has been carried out in many contexts (Vesper, 1985), but most of the training programmes focus on entrepreneurial abilities as business plan development (Vesper and McMullen, 1988; Solomon and Fernald, 1991). Recent studies have shown that entrepreneurship spirit among graduates is usually the outcome of entrepreneurship education (Ronstadt, 1987; Katz, 2003; Solomon et al., 2002; Robinson and Hayes, 1991; Sexton and Upton, 1984). Kolvereid and Moen (1997) opined that students who have taken a course or training in entrepreneurship have had shown greater interest in becoming entrepreneurs and act more entrepreneurially than other students in taking up the challenge to start a new business. Webb et al. (1982) depicts that students who participated in an entrepreneurship programme were more likely to start their own business than other students. Upton et al. (1995) found that 40 per cent of those who attended courses in entrepreneurship had started their own businesses.

Entrepreneurial Assistance Programs Targeted at Start-ups

All developed economies provide subsidized information and guidance to entrepreneurs (Storey, 2003). There are large training and guidance programmes to support smaller businesses, many of which are mostly funded by public sector and some by private sector organizations and also by public private partnerships. Researchers have identified that high failure rates can be reduced by interference or support at the initial stage of business (Deakins et al., 2000). To start or organize a business multi-skilled, resources and the proper mix of capital (ranging from human and social capital to physical capital) are required by the entrepreneurs. Lack of motivation and confidence hinders the entrepreneurial change; the education that leads to the creation of entrepreneurial skills and motivation (Utterback and Reitberger, 1982). Watson et al. (1998) concluded that personal background, motivation for start up and growth orientation leads to the success of any venture creation.

From the above reviewed literature it can be concluded that in order to promote and encourage entrepreneurs governments can and have intervened in various ways. However these Entrepreneurial assistance programs being resource intensive and expensive not only in terms of money and other resource commitments but also in terms of the entrepreneur's time (McMullan et al., 2001). So, such programmes usually those provided at the early stages and start up processes need to be evaluated properly because, the provision of start-up support is like “a lottery in which the odds of winning are not good” (Storey, 1993). Presence of supportive and encouraging environment and the quality of education provided leads to the generation of highly growth oriented and innovative entrepreneurs (Maqbool, 2006). Financial performance of trained group of entrepreneurs is significantly higher than Control Group (Awasthi & Sebastian, 1996). McClelland & Winter (1969) concluded that Trained group of entrepreneurs have improved in all indicators of economic success and was more successful than Control Groups. Need for achievement increased. Increase of achievement motivation caused increase in success.

Most of the studies support the fact that entrepreneurship development programmes have significant influence on entrepreneurial activities (Kolvereid and Moen 1997). But it is also doubted that EDP's can change someone's attitude towards the entrepreneurship. Therefore, it becomes important to determine the effectiveness and impact of EDP's on the success of enterprises because a considerable amount of resources are invested in EDP's. Thus following hypothesis has been formulated;

H1: EDP's and training has a significant role in the development of key entrepreneurship competencies.

Research Design and Methodology

The study has been intended to evaluate the effectiveness of EDP's through comparative study of trained and untrained entrepreneurs. The purpose of this study is to examine the role and impact of training on the entrepreneurship key
competence. The target population of this study consisted of SMEs located in Anantnag district of Jammu and Kashmir. More specifically the population consists of EDP beneficiaries & untrained entrepreneurs functional during the period of 10 years (2005-2015). The sampling frame for beneficiaries was drawn from the handbook of Industrial Statistics of Jammu & Kashmir, Industrial census of SSIs and for untrained entrepreneurs it was compiled from the data of educational backgrounds of untrained entrepreneurs provided by small Industrial associations.

The study being exploratory in nature was planned to be based on primary data collection from EDP's beneficiaries, and untrained entrepreneurs. Hence data collection was accomplished through interview schedules and questionnaires. A total of 110 questionnaires were administered to the potential respondents (55 questionnaires in each group) out of which 100 usable responses were received, for a final response rate of 90 percent. Reliability estimates (Cronbach's Alpha) for the items in questionnaire has been computed as shown below, indicating a good internal consistency.

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach’s Alpha</td>
</tr>
<tr>
<td>0.907</td>
</tr>
</tbody>
</table>

The above reliability estimates very well exceed 0.60 (Hair et al., 1998) lower limit of acceptability, suggesting a high level of reliability.

**Results and Discussions**

Entrepreneurship is a phenomenon through which opportunities are identified, fulfilled through innovation and handling of risk and uncertainties, without regard to the resources they currently control (Robbins and Coulter, 1999).

**Table I: Descriptive statistics of variables for Untrained & Trained groups (Ind. Sample t-test)**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Untrained</th>
<th>Trained</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>BK1; Commitment to business.</td>
<td>4.06</td>
<td>4.20</td>
<td>2.900</td>
<td>0.005</td>
</tr>
<tr>
<td>BK2; Business Planning.</td>
<td>3.94</td>
<td>4.50</td>
<td>2.10</td>
<td>0.05</td>
</tr>
<tr>
<td>BK3; Product Knowledge.</td>
<td>4.14</td>
<td>4.60</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>BK4; Marketing of business products or services.</td>
<td>4.04</td>
<td>4.20</td>
<td>0.67</td>
<td>0.98</td>
</tr>
<tr>
<td>BK: Business Knowledge</td>
<td>4.04</td>
<td>4.38</td>
<td>2.900</td>
<td>0.005</td>
</tr>
<tr>
<td>P5; Knowledge of competitors.</td>
<td>3.58</td>
<td>4.10</td>
<td>0.95</td>
<td></td>
</tr>
<tr>
<td>P6; Business opportunity identification.</td>
<td>3.54</td>
<td>3.80</td>
<td>0.98</td>
<td></td>
</tr>
<tr>
<td>P7; Taking advantage of a business opportunity.</td>
<td>3.48</td>
<td>3.80</td>
<td>1.26</td>
<td></td>
</tr>
<tr>
<td>P; Proactivity</td>
<td>3.53</td>
<td>3.90</td>
<td>2.338</td>
<td>0.021</td>
</tr>
<tr>
<td>CT8; Creative problem solving.</td>
<td>3.86</td>
<td>4.20</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>CT9; Creativity and innovation.</td>
<td>3.54</td>
<td>4.20</td>
<td>1.23</td>
<td></td>
</tr>
<tr>
<td>CT: Creative tendency</td>
<td>3.70</td>
<td>4.05</td>
<td>1.912</td>
<td>0.059</td>
</tr>
<tr>
<td>DD10; Need for achievement.</td>
<td>3.88</td>
<td>3.70</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>DD12; Performance motivation.</td>
<td>3.82</td>
<td>4.70</td>
<td>0.46</td>
<td></td>
</tr>
</tbody>
</table>
It is revealed from the table I that overall mean of the Business Knowledge for trained entrepreneurs, as computed from its items, is comparatively higher than untrained entrepreneurs.

The t-value and p-value depict that there is significant difference between the trained and untrained entrepreneurs in terms of Business Knowledge (t-value = 2.900 and p-value = 0.005). The training has positive impact on the development of business knowledge among the entrepreneurs. Through training business skills, planning for taking various business decisions, product knowledge and marketing of the business offerings are enhanced. These findings are in line with the earlier findings of Alarape (2007).

The overall mean of the Proactivity is higher for trained entrepreneurs than untrained entrepreneurs. It is due to the fact that entrepreneurs keep a track of competitor’s activities and have developed skills for identifying innovative business opportunities thereby taking competitive advantage from such opportunities. It is also revealed from the table I that there is significant difference between the trained and untrained entrepreneurs in terms of Proactivity (t-value = 2.338 and p-value = 0.021).

Further, the mean score for Drive & Determination and Communication are higher for trained entrepreneurs as compared to untrained entrepreneurs. The training has developed among entrepreneurs need for achievement, enthusiasm, persistence and commitment through continuous motivation and regular enrichment of entrepreneurial skills. The t-value and p-value (Table I) depicts that there is significant difference between untrained and trained entrepreneurs in their communication and entrepreneurial drive and determination. Therefore, findings of this study provide support for the hypothesis that EDP’s and training have significant role in the development of key entrepreneurship competencies. However, there is no significant difference between trained and untrained entrepreneurs in terms of Creative Tendency and Leadership.

The table II provides the mean and standard deviation of the entrepreneurial competencies before and after training along with t-value and p-value. It is revealed from the table that mean score of business knowledge comparatively higher after training than before training. The t-value and p-value illustrates that there is significant difference in the entrepreneurship competencies (Business Knowledge) in entrepreneurs before and after training (t-value = 4.384 and p-value = 0.000). Also it is depicted in the table that the mean score of variables (Drive & Determination and Communication) are higher after training than before training. The t-value and p-value of these variables reveal that there is significant difference in the entrepreneurship competencies for these variables before and after training.

### Table II: Descriptive statistics of variables before and after training groups (Paired sample t-test)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Before Training</th>
<th>After Training</th>
<th>t-value</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean Std. Deviation</td>
<td>Mean Std. Deviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BK1: Commitment to business.</td>
<td>3.70 1.19</td>
<td>4.20 0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BK2: Business Planning.</td>
<td>3.90 0.83</td>
<td>4.50 0.81</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
These findings are in context with the earlier findings of Maqbool (2006), which depicts that presence of supportive, encouraging environment and the quality of education provided leads to the generation of highly growth oriented and innovative entrepreneurs. The above findings of this study provide support for the hypothesis that EDP's and training & support have significant role in the development of key entrepreneurship competencies. However, there is no significant difference in entrepreneurship competencies before and after training of entrepreneurs in terms of Proactivity, Creative Tendency and Leadership.

### Conclusion

The findings of this study contribute to the entrepreneurial literature by highlighting the importance of EDP's and training for enhancing the entrepreneurship competencies. Specifically, study emphasizes on the development of entrepreneurial skills in terms of business knowledge, drive and determination and communication. The findings of the study depicts that there is significant difference between the trained and untrained entrepreneurs in terms of their entrepreneurship skills and competencies. Also training has impact on the development of managerial and competitive skills. The results of the study suggest that entrepreneurship...
training programs seems to positively affect entrepreneurial competence. By participating in entrepreneurship programs, owners/managers of small businesses learnt better managerial skills like proactivity, creative tendency, drive and determination, and business knowledge which in turn lead to better performance of entrepreneurs and provide a unique competitive edge to the enterprises. However, the results have indicated that entrepreneurship training has least role in improving the leadership qualities and creative tendencies among the entrepreneurs. Thus a need is felt to make by the amendment in Entrepreneurship Development Training Programmes and include the leadership and creative tendency skills in the entrepreneurship course design.

References


