

Economic Policy Paper

on

Entrepreneurship Development through Educational Reform

1. Introduction: Background, Concept of Entrepreneurship

1.1 Background

The Terms of Reference (TOR) as at Annex - I for the preparation of an Economic Policy Paper on Entrepreneurship Development through Educational Reform seeks to appropriate changes in the education system for providing opportunities to many for their contribution to the economy. The TOR is specific in that property designed entrepreneurship development program could and should fulfil the aspiration of the people for food, shelter, clothing, medicare and education. With this interest and guidance the Economic Policy Paper on the subject has been initiated for economic development through the entrepreneurship development program.

1.2 Concept of Entrepreneurship

Entrepreneurship is an act of initiative, drive, commitment, diligence, perseverance, organized effort, and achievement outlook, to undertake some specific functions of performing productive activities and the capacity to bear and associated with the investment. Assessment of Market Opportunity, responding to competition, gaining command over scarce resources, identifying sources of inputs, and marketing of products, dealing with public, bureaucracy, management of human resources, technological innovation and improvements in production techniques are prime functions of an entrepreneur. In other words, Entrepreneurship is the dynamic process of creating incremental wealth by individuals/groups through the use of resources. The individual or groups who perform these activities are called entrepreneurs. The entrepreneurial activities create incremental wealth which is a precondition to economic growth. The existence of entrepreneurs and its accelerated growth is a precondition to continuous and sustainable economic growth.

Entrepreneurship nowadays is universally recognized as critical resource in the economic development process of a country. In view of this fact development of entrepreneurship received serious attention among the policy makers, planners and development economists as a strategy of economic growth. The entrepreneurs played significant role in the economic development process during 19th & 20th centuries in developing business successfully with continuity. It will continue to play dominant role in economic growth particularly industrial during 21st century.

Various studies reveal that Bangladesh has adequate potential for entrepreneurship development as essential qualities (Innovativeness, risk-taking, perceiving economic opportunities, strong commitment to purpose, vision etc.) of an entrepreneur which is available among a good number of people. Given the opportunities and with needed support assistance many can be developed as successful entrepreneurs. The potentials are great; appropriate opportunities provided in congenial environment can help develop entrepreneurship development.

2. New Venture Creation: Entrepreneurs

After the starting a new venture an entrepreneur requires knowledge, skill, motive and courage to run enterprise successfully. In every year many individuals start businesses but rate of their failure is very high. The forces that necessarily encourage business formation do not necessarily

lead to successful growth and development. Research studies on entrepreneurs show various factors of entrepreneurial development. These factors are divided into two parts : entrepreneurial formation factors and key business development skills.

2.1 Entrepreneurial Formation Factors

Three sets of factors are related to the formation of entrepreneurial organizations . **Psychological factors**, such as, an individual's need to achieve, contribute to the entrepreneurial urge. **Sociological factors**, such as social status, a child's position in the family, family experience can affect the child's likelihood of becoming an entrepreneur. **Environmental factors** also play a key role in business formation. For example, as the interest rate increases, fewer potential projects can be funded because fewer projects can generate sufficient cash flow to service the debt. Exhibit-I shows the factors for new business creation.

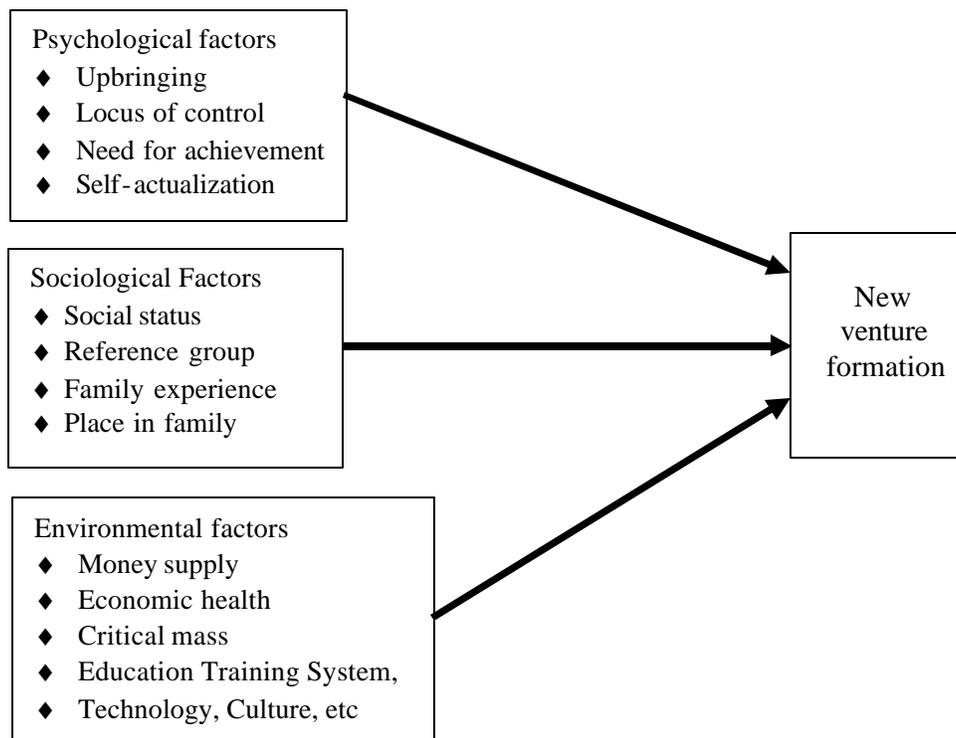


Exhibit-I

In addition to above factors, various support services provided by government and non-governmental organizations are of great assistance for entrepreneurship development.

2.2 Key Business Development Skill

To start, survive and progress continuously and develop organization that outlive its creator an entrepreneur must develop basic management skill. These skills are more important than an entrepreneur's background or environment. This can be developed regardless of background or skill through education and training. As the organization grows and gets bigger its organizational structure, market area, management style are also changed. Entrepreneurs have to cope with the changing conditions of the business.

There are three stages of organizational growth, namely, (1) early stage, (2) developing stage, and (3) developed stage.

Potential entrepreneurs in order to become successful should be acquainted with basic management skill, such as, planning and managing small firm, managing growth and development, and planning for competitive advantage. Moreover, they should be aware of hazards to be faced in running the enterprises.

3. Entrepreneurial Qualities and Traits

Entrepreneurship refers qualities of an entrepreneur. Knowledge, skill and motif together form entrepreneurial traits.

Major Entrepreneurial Qualities are:

- i. Self confidence :- Confidence, leadership, Independence, Commitment.
- ii. Originality :- Innovative, Creative, resourceful, Initiative, Versatile.
- iii. People Oriented :- Easy going, Flexible, Response to suggestion.
- iv. Task Oriented :- Persistence, Perseverance, determined, hard working profit oriented.
- v. Future Oriented :- Foresight, perceptive, concern for improvement.
- vi. Risk Oriented :- Challenging, Ability to take risks.

To be an entrepreneur the above qualities are required. However, all these qualities may not be present in one individual. But a good mix of the qualities can be found in a man, who may be developed as an Entrepreneur through concerted efforts. Some of the qualities are inborn or inherited by birth, some can be acquired through training and education.

There exists a belief in the mind of some that "entrepreneurs are born and not made". They mean that entrepreneurial qualities are born and cannot be developed by education, training or any other means. This myth is no longer true. It is now evidently proved that some qualities can be developed and improved by education, training and support assistance. It is of course true, to become an entrepreneur one must have some qualities (e.g. high need for achievement motivation, common sense) but there are many qualities, say, management technique could be learned. In fact many entrepreneurial qualities are acquired from knowledge.

4. Entrepreneurship Education, Training and Self Employment

The importance of entrepreneurial education and Training for motivating educated youth to self-employment is recognised by development economists, planners and policy makers, as well as governments of most countries of the world. The entrepreneurial education traces its origin from the growing ideas that entrepreneurial qualities of man can be improved or new skill can be developed through special type of training and education among the potential persons in a society. The entrepreneurship education course includes the contents that help the students to be aware of economic opportunities, business environment, identification of project, preparation of business plan, improving motivation for achievement, techniques of enterprise management, self-development techniques, improving precision skill etc. Other objectives are concerned with building self-confidence, opportunity sense sensitivity and analytical skills. The purpose of the courses is to develop or improve skills that are vitally needed for self-employment as a career.

Today, entrepreneurship education is a popular course in business education and technical curriculum in many American and European countries. The courses are being offered not only in business school but also at community colleges, colleges of engineering education. It is taught

either as a course of under graduate and post graduate program or through the establishment of separate centre/institute. Separate institutes have been established in India, the Philippines to impart entrepreneurship education and training. In Bangladesh programs have been launched for educated youths, women and some targeted groups. Entrepreneurship courses have been included in the under graduate and graduate programs on selective basis in order to motivate some students to initiate small venture and take self employment as an alternative source of employment.

5. Education System of Bangladesh

Education system in Bangladesh may broadly be classified into two divisions, namely, General Education and Technical Education.

5.1 General Education

Again the general education system in Bangladesh is divided into three phases: PRIMARY, SECONDARY AND HIGHER EDUCATION. From class I to class VII is imparted in primary school; from class IX to class XII is imparted in secondary and intermediary colleges; and, higher education in degree colleges and universities. Madrasha education in the country offers traditionally to Muslim boys and girls. This system is integrated to a certain extent with general education system of the country.

5.2 Technical Education

Technical education in Bangladesh is organized in three phases : Via Certificate, Diploma and Degrees. The Certificate Course which prepare skilled workers in 11 trades of two years duration after 8th grade of schooling imparted in 64 Vocational Training Institutes (VTI) and 15 technical training centers (TTC).

Polytechnic Institutes and Monotechnique Institutes offer Diploma courses in Engineering, Commerce and Industry subjects. The duration of polytechnic courses is four years. The duration of Commercial courses is two years after secondary school certificates examination.

The Engineering University, Institute of Technologies offer degree courses of technical education system. The Engineering University and the BIT council awards degrees respectively.

Bangladesh Technical Education Board awards diploma certificates to the students who passes the public examination held at the end of terminal year of the course. The Board has full academic control over vocational and institutes which require its affiliation for all academic purposes.

5.3 Curriculum of the Education System

In order to create general awareness about Entrepreneurship as career plan, an alternative to salaried employment the role of entrepreneurship education is most crucial. In Bangladesh, entrepreneurship courses have been included in the curriculum of business education and technical education system very recently. This course has been included in the curriculum of business education program of the University for the last few years. It has been introduced as an optional course in the business education curriculum of SSC & HSC programs. Similarly this course has been included in the curriculum of Polytechnic & technical education system of the country.

The contents of the Entrepreneurship development course include, among others concept, entrepreneurship as career plan, entrepreneurship theory, entrepreneurial motivation, business environment, the role of entrepreneurs in economic development, project ideas generation, selection of project, preparation of business plan, Project management, social responsibility of the Entrepreneurs in developed & newly industrialised countries, Entrepreneurship, development programs. The courses for different levels of education have been designed keeping in view the requirements and absorbing capacity of the students. However, inconsistency exists in the course contents of the curriculum. Text books and reading materials for the courses are very scarce.

Entrepreneurship course is a special type of education. To teach this course trained and experienced teachers are needed. There is an absolute shortage of trained teachers for this course. Moreover, there is no provision for assistance for those students who are willing to entrepreneurship as a career.

In the Present curriculum teaching is mainly theory-based rather than practical. As a result this education is not so effective for taking entrepreneurship as a Career.

Except for the M. Com. degree program, this course has been introduced very recently. As a result, it is difficult to comment on the impact of the program. However, it is observed that some students who have this course at graduate program have been motivated to start business as an alternative to salaried employment. Some of them are doing quite well. It is also understood that given the financial support without collateral, more graduates taking this course will be attracted to entrepreneurship as a career.

6. Entrepreneurship Development Policy

More than three decades have passed since Bangladesh achieved independence after bloody liberation war. The liberation generated great hope for accelerated economic growth through rapid industrialization. The successive governments in power in order to guide the emerging entrepreneurs announced Industrial Policies from time to time keeping in view the changing needs of the country; the first Industrial Policy was announced in 1972 heavily emphasised the role of public sector dealing as well the role of private sector. The private sector investment was restricted to the investment of only Taka 25 lacs ceiling since the announcement of first Industrial Policy. The policy was revised and changed several times. The last Industrial Policy was announced in 1999. In this policy the Government reiterated its firm commitment to rapid industrialization and extended more liberal support services to entrepreneurs and clearly stated in the policy the role of government which will be facilitator than regulator. The small and cottage industries were provided with some special incentives. It has been stated that in the next two decades there will be a 25% contribution to the GDP and also a 20% increase in employment by the industry sector.

7. Organizations involved in Entrepreneurship Development Program (EDP) in Bangladesh

As has been seen that EDP has since been implemented by the government organisation and the non-government organisation, the Industrial Policy remains the major guide for the purpose.

7.1 Government Organizations include

- * Bangladesh Small and Cottage Industries Corporation (BSCIC)
- * Bangladesh Rural Development Board (BRDB)
- * Bangladesh Management Development Institute (BMDI)
- * Directorate of Women Affairs (DWA)

- * Development of Youth Development (DYD)
- * Bangladesh Manpower Training Bureau (BMTB)

7.2 Non-government Organizations

- * Micro-Industries Development and Assistance Services (MIDAS)
- * Bangladesh Rural Advancement Committee (BRAC)
- * Gono Shasthya Kendra (GK) etc.

Professional Association: Dhaka Chamber of Commerce and Industry (DCCI), Chittagong Chamber of Commerce & Industry (CCCI), Sylhet Chamber of Commerce & Industry (SCCI) and the National Association of Small and Cottage Industries of Bangladesh (NASCIB) in a limited scale. All these organizations, among others, have been organizing training program for both men and women. However, these programs in true sense of the term provide training assistance which is a part of the total Entrepreneurship Development Program.

7.3 Impact of the Programs

The Government of Bangladesh in its policies has awarded priority to privatisation especially to small, medium and micro industries development. Human resources development efforts to existing and potential entrepreneurs have to be supported by required appropriate implementation measures. The country features a number of innovative grassroots schemes for income-generating activities; however, entrepreneurship development programs at more advanced level of business operations were found inadequate. Demand for education and training far exceeds supply and, notwithstanding the fact the first-generation entrepreneurs predominate. There seems to be ample potential and talent for entrepreneurial growth. A country like Bangladesh rich in human rather than natural resources, can not afford to this potential, particularly in view of serious unemployment and underemployment.

Overall performance of the training on entrepreneurship development programs differs according to target groups. At all levels of income-generating programs organised both by governmental and non-governmental agencies are mostly related to orientation and motivation sessions and in some cases skill development training efforts and impact achieved through distribution of micro loans to needy beneficiaries. A crude estimate suggests that over 65% of rural under-unemployment are not reached by these schemes. Nevertheless, outreach has been quite substantial. BSCIC has undertaken some training schemes to assist small entrepreneurs in the form of starting small business, small business management training, etc, but those were inadequate in relation to demand. MIDAS has done some commendable work with regard to entrepreneurship development but those were too inadequate.

7.4 Weaknesses of Entrepreneurship Development Programs

In Bangladesh, there is no specialized Institution organizing entrepreneurship development program. The Institution mentioned above offers entrepreneurship development programs. They are designed to help individuals achieve income generating and self-employment or skill development. The following are some of the problems of these programs:

- The concept of entrepreneurship development through formal training programs is completely new to the participants. The entrepreneurship development course, has been introduced in some courses, say, business education, technical education system. However, this course has not been introduced in other disciplines.

- Lack of awareness that business could be a good profession is another problem for the training.
- Most training programs were designed without formal assessment of the needs of the trainees.
- Neither the trainers are well trained to give training nor methodology used in the program is appropriate. Training programs are not followed by appropriate provision of support assistance.

7.5 Importance of Entrepreneurship Development in Bangladesh

Bangladesh need a large number of entrepreneurs and in quality. It is important for creating incremental wealth by undertaking productive activities particularly industrialization. Rapid industrialization is an inescapable necessity to generate employment opportunities to meet crucial educated unemployment and underemployment problems. Every year thousands of educated unemployed is joining the labor force. In addition there are thousands of dropouts from different levels of our education system. Who are the wealth as well as job creators? Definitely the existing as well as emerging entrepreneurs. Among three important sources (the individuals, the spin off and Entrepreneurs) the most important source is individual entrepreneurs. The major source of entrepreneurs are the college and university graduates and educated youths.

Bangladesh is predominantly an agricultural country in search of employment to a large number of individuals start business with great enthusiasm but retire soon facing innumerable problems. As a result our first generation entrepreneurs having no family or industry / business experience go ahead to operate their promotion. Excepting few vulnerable industries all sectors were open to local foreign investors. Despite generous support and encouragement the overall performance has remained unsatisfactory. The impact is reflected in the share of contribution in GDP and employment.

8. Experiences of Selected Countries on EDP

Technonet Asia, Singapore, a regional organisation with 12 countries in the South East Asia, since 1974 has been providing various assistance to the Small and Medium-Scale enterprises. One of the activities of this organization was to support entrepreneurship development training. The organisations in the respective counties - say in Bangladesh the BSCIC organized several workshop / training on EDP but it was a part of the total EDT.

The German Confederation of Small Business and Skilled Crafts (ZDH), Germany in its 400 vocational institutes has been regularly conducting a 3-year diploma course on Comprehensive EDP. The passed out trainees with a 3-year diploma on specific subject is entitled to establish an enterprise with all the needed assistance including bank financing. The government for each trainee is to bear 70% of the cost of training, 20% is the contribution of the trainee or his sponsor and the remaining 10% is from the ZDH.

9. Entrepreneurship Development Process

Major assistance requirements of the new entrepreneurs are worth mentioning while discussing the entrepreneurial development as a tool of economic growth of a nation. They need multiple assistance which may be offered in a package form. To set up an enterprise and run it successfully an entrepreneur need these types of assistance. These three groups of assistance form an Entrepreneurship Development Cycle. The groups of assistance are:

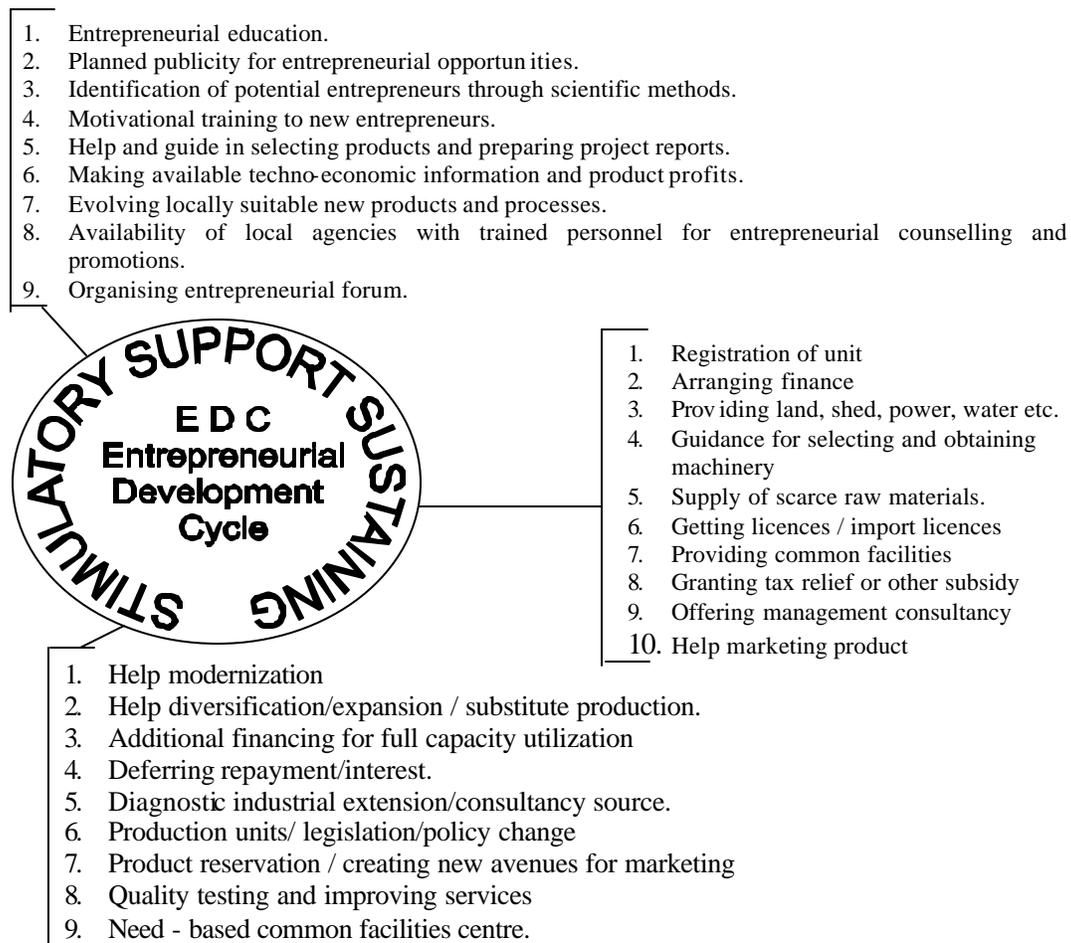
- a. Stimulatory;
- b. Support; and

c. Sustaining.

- a. The stimulatory activities comprise entrepreneurial education, provision of entrepreneurial opportunities and guidance in selecting industries are needed to help emergence of entrepreneurship in the Society. This support ensures a good supply of entrepreneurs to start a new venture and develop potentiality to succeed in a venture.
- b. The support activities refer to those which enable the entrepreneurs in setting up and running the enterprises successfully. They help in mobilising resources and assistance.
- c. The sustaining activities include efforts which help the entrepreneurs sustain themselves against the challenges of actual operation. Many enterprises starting well, meet immature death subsequently because of some problems. Such cases are many and they are particularly more significant in the field of small enterprises.

The above groups of activities play complementary roles to each other. In the absence or negligence of one, others may be rendered infructuous. If the stimulatory activities are over-emphasised, there may be better supply in failure and frustration. This causes national wastage of resources in terms of men and materials. Similarly, if support activities are over emphasised and the other two are neglected, then there may be facilities available with no or few entrepreneurs to avail such facilities. When sustaining activities are over-emphasised the growth in the number of enterprises is bound to be stagnant. It is thus imperative that the needs of enterprises are required to be identified in the total perspective before devising package of assistance. Entrepreneurship Development Cycle is shown in **Exhibit-II**.

9.1 Entrepreneurial Development Cycle



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Exhibit-II

10. Conclusion and Recommendations

10.1 Conclusion

To sum up experiences of the programs of entrepreneurship education and training, it may be stated that it has not yet received due attention at the policy level as a strategy of human resource development. This is also reflected in the educational curriculum and inadequate training provisions in the country. General awareness of entrepreneurial attitude and motivation are required to be developed during the learning periods of the students. Entrepreneurship course has not yet been included in the curriculum at all levels of education system in our country. This shortfall can be dealt by bringing reforms in the Education system of our country. Lack of trained and experienced teachers, absence of text books and reading materials exposing Bangladesh situation, inconsistencies and over-lapping of course contents and absence of positive attitude of concerned authorities appear to be major problems for effective delivery of entrepreneurship education. However, it is observed from the experience of few seminars organized by Technical Education Board for teachers and institutional heads that the attitude towards entrepreneurship education is changing in a positive direction.

Regarding entrepreneurship training, it appears that the country featured a number of innovative income generating programs for the poor organized by NGOs. Their programs include training for creating awareness on group activity and skill development. NGOs like BRAC have achieved remarkable success in bringing landless people under the umbrella of productive activities and thereby generating income earning opportunities for disadvantaged people of society. It is, however, doubtful that there exists hardly any entrepreneurship development programs in the truest sense of the term. Entrepreneurship development training programs are inadequate and suffer from many weaknesses to create major impact on entrepreneurship development in the country. The major weaknesses, as identified, are: (i) missing needed attention at policy level, (ii) shortage of qualified, leaders and trainers, (iii) lack of training program need analysis, (iv) insufficient number of programs geared at entrepreneurship for those who would like to step in starting Small Enterprise after being successful in income generating activities, (v) absence of integrated education and training approach for youth and provisions for followed-up assistance, (vi) insufficient application of innovative training methods materials, (vii) lack of co-ordination between concerned institutions at National, Regional and International level.

10.2 Recommendations

10.2.1 General

Despite these limitations, the study of the programs for entrepreneurship education and training indicates the proposition that given the motivational training and key inputs, the educated youth particularly having entrepreneurial qualities could be attracted to entrepreneurial activities and lured to undertake small ventures. Bangladesh has immense potentiality in terms of resource endowments both material and human for entrepreneurship development. What is needed is to devise appropriate policy and implementation measures for the improvement of entrepreneurship education and training in the country. For developing sound entrepreneurship education and training, the following measures are recommended:

- a) Entrepreneurship education and training should be recognized as an important component of human resource development in the country. This should be reflected in the education and development policy of the country.
- b) In order to create general awareness on the subject entrepreneurship course should be introduced in the curriculum at different levels of educational system in all disciplines. The

courses should be designed by experts and offered by trained teachers. The graduates intending to take self-employment by starting small ventures should be provided by required support & sustaining assistance.

- c) Short term training course should be designed and organized for different target groups and offered by trained motivated and trained/trainers. While designing the training programs, specific needs of the target group are required to be identified by appropriate means. Needless to say that the training program should be supported by appropriate assistance.
- d) Training of trainers and motivators is essential for organizing successful operation of entrepreneurship Education and training
- e) Provision should be made for improving the capability of existing training institutions by providing needed assistance.
- f) A separate training institute for entrepreneurship development should be established. Establishment of new training institutions particularly in the private sector should be encouraged by taking policy initiative and promotional assistance.
- g) Special program should be designed for those beneficiaries who want to graduate themselves out of income generating activities in the country.
- h) Appropriate mechanism should be developed to establish effective linkage with institutions (including universities, donor agencies) engaged in entrepreneurship education and training at national, regional, and international level for strengthening existing and new approaches in bringing qualitative improvement in force.

10.2.2 Specific Recommendations for Technical Graduates

- (i) Introduction of general awareness and basic courses on entrepreneurship and self-employment into the vocational training curriculum. The objective of adding the new dimension to the Technical Education curriculum should be to create awareness of business opportunities available for the graduates as well as to motivate them toward self-employment and entrepreneurship.

The following key points should be considered in implementing this recommendation.

- a. A compulsory module or course on entrepreneurship should be introduced for all disciplines in the technical education system.
 - b. The curriculum on entrepreneurship should be developed by an expert committee
 - c. Reading, instructional materials, and teaching aids for the course should also be developed by specialists in the area of entrepreneurship, small business management, behavioural science.
 - d. Instructors offering entrepreneurship courses should be professionally trained and motivated to teach the subject successfully. A cadre of dynamic young instructors should be recruited from accredited business schools and by carefully screening and selecting applicants from among those existing instructors who have the aptitude and ability to serve in this capacity.
- (ii) An intensive short term entrepreneurship training program should be offered for Technical graduates and others living in the immediate vicinity of the technical centres who are unemployed and interested in starting micro-enterprises and small business ventures.

An integrated package of assistance in terms of capital, kits, etc. may be designed and made available to the graduates motivated to take up self-employment or start a small business venture.

- (iii) For effective administration and proper implementation of the entrepreneurship education in technical education system as separate division named entrepreneurship development should be established under the Bangladesh Technical Education Board.