

The Power of Hope

Anne Papantonio & Sunanda Mane

One in five graduates of the basic rural technology (IBT) program offered by Lend-A-Hand India¹ wants to become an entrepreneur, but, with no capital or experience, there is little chance. Lend-A-Hand India sees a way to extend further help: by providing bridge loans to qualified candidates to get them started, and a mentor to guide them from business development to access to capital from the formal banking system. This works. Open the door just a crack, and the ambitious and the hard-working will make their way through. The bridge loan fund program is a natural extension of Lend-A-Hand India's flagship project, PLAN 100, under which basic rural technology (IBT) centers are established in high schools to teach job and life skills to boys and girls. Graduates get jobs or go on for more training. Sundar is one such IBT graduate and the recipient of the first loan from the bridge fund. His story follows.

There's more to life than getting a job. You could start your own business. That's the conclusion Selukar Sundarlal Magansingh ("Sundar"), 24, of Dharni—a village located near the town of Amravati in Maharashtra State—came to last year after completing a diploma in basic rural technology (IBT)¹ and working as an apprentice welder for a year. He quickly saw a need in his community for a talented welder who could supply the rural population's steady need for metal grilles, gates, windows, and furniture, as well as for a jack-of-all-trades who could be called out at a moment's notice to repair an electric irrigation pump or refit well pulleys or bullock carts. Not only was Sundar good at welding, he had also learned, and practiced, electrical wiring, fitting, and carpentry as part of the IBT program. Raw material in the form of mild steel was readily available locally and relatively cheap.

Sundar saw a niche for himself and got excited about the possibility of having his own business. But then reality set in, and his hopes dimmed. He realized that without capital he would not be able to purchase equipment or rent space. But even with capital, where would he begin? He needed a guide and direction.

Sundar is not alone.² Capital is the single biggest challenge he and other young people

like him face in rural India. They may have the necessary drive, enthusiasm, and skills, but they lack the financial wherewithal to get viable businesses up and running. Since most of them come from poor families who lack financial as well as social capital, obtaining a bank loan in most cases is almost impossible. They have nothing to offer as collateral.

Further, the loan application process is complex for the non-savvy borrower, requiring endless forms and documentation. Then there is the time element: Completed applications typically take anywhere from six to eight months to process. In the interim, the parents of would-be entrepreneurs lose patience and become skeptical. They want to see their sons and daughters securely settled in life and put pressure on them to hurry and get paying jobs, now that they have their education—and not waste time (and scant resources) on risky schemes. The dire economic situation of many in rural India dictates that every member of the family pulls his or her weight financially as soon as they are able.

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The layers of frustration grow. If the hurdles are too high and there is no one to encourage these young people, they will give up. Lend-A-Hand India didn't want to see that happen after the many hardships these kids had already suffered just getting through high school and completing

¹ Lend-A-Hand India, a 501(C)(3) not-for-profit corporation based in New York and working for the cause of youth and education, supports the proven model of the training program, Introduction to basic rural technology (IBT), attached to high schools in rural India. Under its flagship Project "Plan 100," Lend-A-Hand India plans to start IBT centers in 100 high schools, which will equip 20,000 girls and boys in rural India with job and life skills by 2008.

² Roughly twenty percent of the young people who complete the IBT program want to start their own businesses, while the rest either obtain jobs locally or go on for more specialized training.

the vocational training program. There had to be a way the organization could go one step further and keep motivation high, skills fresh, and momentum going.

Lend-A-Hand India came up with a solution in the form of a one-year “bridge loan.”³ It makes funds available immediately to a select group of qualified IBT graduates so that they can get started on business plans and make capital investments as soon as they are ready—without having to wait until they receive approval of their loan from the bank. By the time the bank has processed the paperwork and granted the loan, the entrepreneur should be well on the way to proving him- or herself and generating an income.

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Just as important as the money is the mentoring, which means the entrepreneur is more likely to be successful in the long haul. He or she has help and support each step of the way from a dedicated technical professional from Lend-A-Hand India—creating a business plan, doing feasibility studies, test marketing, developing a client base, purchasing machinery, renting space, meeting bankers, overseeing the bank loan application process, and beyond.

For Sundar, the prognosis looks good. He received a bridge loan from Lend-A-Hand India, and his mentor, Mr. Kiran Inamdar,⁴ reports that Sundar passed the market survey and the technical feasibility study stages with flying colors. He has rented and renovated a space, ten feet by ten, on a main road in the middle of the town of Dharni. With the help of a technical expert and Mr. Inamdar, Sundar purchased all the machinery he was going to need for the workshop (welding transformer, grinding drill, etc.) in Pune in December 2006. Sundar himself

³ Recognizing the need for capital and mentoring for rural youth, Lend-A-Hand India introduced its bridge loan fund. A loan, at the bank rate, for a period of one year, is made available to IBT graduates. The entrepreneur repays the bridge loan when his project proposal is approved by the bank.

⁴ Kiran Inamdar is an expert in entrepreneurship development and training. He works as a mentor for young entrepreneurs who graduate from the IBT program.

laid the foundation for the machinery, and the shop has been rewired to accommodate the demand for extra power.

Sundar made a trial grill in late December 2006 and received his first order on January 1, 2007. He knows his costs down to the last cent—the raw material for each grill will run him Rs. 986 (approx. \$22)—and his profit margin on a retail price of Rs. 1500 (approx. \$33) per 4' x 6' grille after overhead (e.g., insurance, electricity) is calculated. In four years, his shop will be running at full capacity, and he will be able to produce four metal grills (or chairs, or divans, or windows) per eight-hour work day, 300 days a year. Since he cannot count on a steady flow of electric power during the day—outages are frequent in rural areas—he will tailor his work day (or night) to the hours of maximum availability.

To keep Sundar focused, Mr. Inamdar has left him a list of benchmarks he must reach over the next twelve months: For example, he must open a bank account, obtain sales tax registration, and get and fulfill at least two work orders per week. He must keep a journal where he will make notes on what he has learned upon completion of each order. Given the distance between Dharni and Pune (where Mr. Inamdar lives), protégé and mentor will be communicating via telephone or e-mail rather than face to face. Sundar has no phone for now but is considering installing a public coin operating telephone box outside his shop, which will generate a little income in the way of commissions—as well as provide him with a line out.

When Sundar submitted the completed loan application to Mr. Shewade of the State Bank of India on December 30, 2006, the banker was impressed. This candidate had done his homework.

With a “bridge loan” from Lend-A-Hand India, “Sundar Fabricators” opened for business in January 2007.

Sundar has cause to rejoice. “Sundar Fabricators” officially opened for business on January 9, 2007. He invited family, friends, and potential clients over for tea and sweets in the

shop to celebrate, prudently forgoing the expense of renting a special tent. The invitations he did himself on power point.



Sundar (right) at his workshop with his mentor, Kiran Inamdar, at the opening of "Sundar Fabricators"—funded under the bridge loan scheme offered by Lend-A-Hand India.

It's a dream come true for newly minted entrepreneur Sundar—and his family—thanks to the support of Lend-A-Hand India. This is just the beginning. Sundar may not know it, but his success will resonate far beyond rural Dharni as a model of hope for other young entrepreneurs across India to adopt and follow.

Sundar's Journey

Sundar's goals were clear from the beginning. His mentor, Mr. Inamdar, and his teachers at the training center have observed Sundar for over two years and witnessed his remarkable journey from student, to novice, to industrious apprentice, to budding entrepreneur.

By the time Sundar finished his diploma in basic rural technology (IBT) in 2005, learning welding, electrical wiring, fitting, and carpentry, along with other skills, it was apparent to all who met him that he was ambitious: Not satisfied with just getting a job, he had hopes of establishing a fabrication shop of his own. Fresh out of school, however, he was not yet ready and needed more on-the-job training. He decided to postpone his future plans and spend a year at Swar Farm House, Kolar (near Pune), working in a welding workshop and becoming more skilled

in shaping mild steel into grilles, gates, windows, and assorted furniture.

Sundar first learned about the IBT program from "Khoj" (a word meaning 'search' in Marathi), an activist group that works with indigenous communities on various issues in the drought-prone region of Amravati (notorious also for nutrition-related child deaths). He had finished high school and was faced with the question of what next. He heard about Khoj and contacted them for guidance. The coordinator Sundar spoke with there was familiar with Vigyan Ashram's⁵ IBT program. He mentioned it as a possibility to Sundar and offered to write him a recommendation. When Sundar contacted Vigyan Ashram about enrolling, he was stunned to find out that the tuition for the year-long training program was Rs. 15,000 (about \$350). Fifteen thousand rupees is a small fortune to a person whose family of five lives on a dollar a day. Sundar didn't have it.

Given Sundar's obvious enthusiasm and the recommendation from Khoj, Vigyan Ashram's program coordinator told him not to worry. He suggested that Sundar enroll with whatever funds he could raise. They would help him find the balance through local sources.

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Sundar went to work immediately. He got a job as a laborer under the government's employment guarantee program for the next three months, earning 2,000 Rs. (\$ 45). Of that he spent 800 Rs. (\$18) on transportation to the school at Pabal (a twenty-hour bus ride from home). That left him with a balance of 1,200 Rs. (\$27) to offer as a "down-payment" on his tuition. Having kept his part of the bargain, he arrived in Pabal in June 2004.

⁵ Vigyan Ashram, based in Pabal (near Pune), is a grass-roots non-profit organization and Lend-A-Hand India's NGO partner. This year marks the twenty-fifth anniversary of Vigyan Ashram's innovative work in promoting vocational education for rural youth and rural development. The Introduction to Basic Technology (IBT) program was developed by Vigyan Ashram. Lend-A-Hand India and Vigyan Ashram have joined hands to introduce the IBT training program in 100 high schools by 2008.

It is not difficult to imagine Sundar's future, had the IBT program not been available to him. He is the eldest of three children. His father is a farmer, his mother a housewife. Neither of his parents is able to read. The family of five subsists on an income of \$1 per day from farming—seasonal produce grown on the family's non-irrigated hectare of land—supplemented by a meager (and irregular income) from temporary jobs under the same employment guarantee program that employed Sundar.

Since his family belongs to the Korku Tribe,⁶ they are eligible for government benefits, such as free residential schooling for children, food grains at subsidized rates, and health care at government hospitals. Sundar attended Ashram Shala, one such government residential primary and secondary school. Besides an academic program, these schools provide food, clothing, and shelter, which is a major incentive for getting parents to agree to send their children to school and to keep them there for as long as possible.

Without the IBT alternative, Sundar would have returned home to the circumscribed world of his parents, working on the farm and at odd jobs, with little possibility for advancement. There would have been no fabrication shop on the horizon, no thought of entrepreneurship.

Sundar has opened a bank account and applied for an official bank loan. He will repay Lend-A-Hand India by January 2008.

Sundar is lucky. He's a man with a future now. With support from Khoj, Vigyan Ashram, and Lend-A-Hand India—and guidance from his teachers and mentor—Sundar completed the IBT program, obtained a year's apprenticeship in welding, and took the first steps toward starting his own business—completing a market survey and technical feasibility study. He qualified for a bridge loan from Lend-A-Hand India.

⁶ The Korku are an indigenous people. Once considered "outcasts" and excluded from the Hindu social hierarchy, with no opportunities for integration or advancement, they were recently granted special status, with concomitant benefits, under the Indian constitution.

Funds in hand, he was able to move quickly: rent and renovate space, purchase equipment, and produce and test market his first grille. Orders are starting to come in. He's opened a bank account and applied for an official bank loan. He will repay Lend-A-Hand India by January 2008.

Sundar's story has the makings of a fairytale of awakening and transformation—but it wasn't all magic. With a little help, one man's hard work paid off. As time goes on, Lend-A-Hand India hopes to be able to make Sundar's story the rule, not the exception.

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Sustainability

The sustainability of such programs is always a challenge. Lend-A-Hand India realizes that it can take a long time and a concerted effort to bring about behavioral changes in a community. For example, vocational training—perceived in certain sectors as somehow "inferior"—is not a popular alternative to formal education. Only demonstrable outcomes, over time, will serve to convince parents, teachers, and children, of the viability and desirability of vocational training under certain circumstances.

Sustainability measures under Project Plan 100 and the bridge loan fund are in place as follows:

- Community contributions of at least 20–25 percent, to meet the capital expenses of launching an IBT center;
- "Affordable" tuition fees for the IBT course, meaning tuition is tailored to the individual student's means.
- Community service of a minimum value from each student by the time he or she has completed the IBT program. This goes toward creating a fund at the school level to meet the cost of consumables.

- In the bridge loan fund, the entrepreneur pays an interest equivalent to the government or bank interest rate. The entire amount of the bridge loan is returned within a period of one year or earlier, depending on when a project proposal is approved by the formal banking system. Initially, the cost of mentoring and monitoring by professional experts will have to be subsidized, but as the number of bridge loan borrowers grows, these services will become self-sustaining.

About the “Bridge Loan Fund”

The bridge loan idea emerged about a year ago. A survey of 400 IBT graduates indicated that approximately twenty percent wanted to start their own enterprises. However, they faced two main roadblocks: capital and experience. Given their low economic and social status, very few (if any) were able to access the financial resources needed, in spite of a number of government-sponsored programs promoting self-employment.

In keeping with Lend-A-Hand India’s vision of eliminating youth unemployment and creating viable alternatives to migration, the organization created a “bridge loan fund,” whose goal is to make capital and mentorship support available to young entrepreneurs as soon as they are ready to go out on their own. This is a way of encouraging candidates to concentrate fully on launching a business and getting started, sooner rather than later.

A bridge loan, covering capital costs and working capital for six months, is made available to the young entrepreneur after he or she has performed a feasibility study with the help of a mentor. The duration of the loan is one year with a rate of interest equivalent to the bank rate. As soon as the business is launched, the proposal is submitted to the mainstream banking system. With the confidence, motivation, and experience gained from actually running a business, the young entrepreneur is now much better equipped to convince the bank of his or her creditworthiness. He or she can point, further, to the bank account they have opened in that same branch of the bank (as part of the application process). It is a concrete measure of success.

With the groundwork so carefully laid, they—and Lend-A-Hand India—have every reason to expect a favorable outcome.

About “Lend-A-Hand India”

Lend-A-Hand India's mission is to make a difference in the lives of the poor through self-help.

By partnering with grass-roots non-profit organizations and community groups in India, we work to create better access to education, vocational training, career development, employment, and entrepreneurial opportunities. Our goal is to help the poor realize their full potential to meet their aspirations for a better life.

These efforts serve young men and women by raising awareness of their environment, rights, and responsibilities, and empower them to seize opportunities beyond what is usually assumed to be out of reach.

Lend-A-Hand India’s program approach is to help existing and new organizations replicate their proven program interventions and technologies. The goal is to motivate them to diversify and move beyond their existing program areas. This approach is a conscious choice in recognition of India’s population challenge and the need to reach large numbers with workable solutions.

Lend-A-Hand India is a 501(C)(3) tax-exempt non-profit corporation with its head office in New York City and a branch office in Pune, India.

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To learn more about Lend-A-Hand India and its programs, please visit www.lend-a-hand-india.org or write to sunanda.mane@lend-a-hand-india.org