



CASE STUDY OF RURAL SELF EMPLOYMENT TRAINING INSTITUTES (RSETIS) IN INDIA AS A SOCIAL ENTERPRISE

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Abstract

Rural Self Employment Training Institutes (RSETIs) gain popularity in India as government proposes to set up similar institute in every district with support from lead bank of the region. Skill upgradation and empowerment of rural below poverty line youth has been considered as the major objective of these institutes. This paper proposes to understand the innovative model of social venture functioning in rural India. Primarily data has been collected from newspaper articles, annual reports and government publications. Researcher has also used qualitative methods like participant observation and interview techniques to undertake this study. Paper throws light on innovative ways of social venture creation in Indian context. How this model sustained and grown over the last 20 years? The benefits made by the rural population due to this institute. New innovative ways of managing human resources, finance, infrastructure and networks are discussed in the paper. Other geographies working on skill upgradation of their demography could learn from the findings of this paper. Differences in social and cultural situation might be a reason for difficulty in adopting similar models. RUDSETIs will continue to contribute for human development in rural India.

Keywords: Self Employment, Training, Skill Up gradation, Empowerment, Social Entrepreneurship.

1. Social entrepreneurship

1.1 What is social entrepreneurship?

Researchers have defined social entrepreneurship in different ways. From the broad perspective, social entrepreneurship refers to innovative activity with a social objective in either the for-profit sector or in the nonprofit sector, or across sectors. While from the narrow perspective, it refers to the phenomenon of applying business expertise and market-based skills in the nonprofit sector (Austin, 2006). The difference between the two is that the former one emphasizes generic social value creation, which is not restricted by sector boundaries and have no specific commercial character. While the latter one is only applicable to the nonprofit sector and is framed more specifically in business and revenue-generation terms (Dart, 2004).

Despite the differences, the two perspectives share some common characteristics. As Austin 2006, summarizes as the followed, the underlying drive is for social entrepreneurship is to create social values, rather than personal and shareholder wealth. The activity is promoted by innovation. The central driver for social entrepreneurship is the social problem to be addressed, and the particular organizational form a social enterprise takes should be a based on the ability to mobilize the resources.

Social entrepreneurship is usually defined by comparison to the commercial entrepreneurship. It is noteworthy that there is no absolute dichotomy between social and commercial entrepreneurship. They are more like two ends at a continuum. Dees (1998) used *the social enterprise spectrum* to put social enterprise in the continuum between philanthropic and commercial institutions. Also, scholars have tried to apply the commercial entrepreneurship model to analyze social entrepreneurship, based on which they try to raise social entrepreneurship's own explanatory model (Austin, 2006).

1.2 Why social entrepreneurship?

Another much-debated issue is the question is the need for Social Entrepreneurship. Why social entrepreneurship emerged so quickly? There are two different approaches to this question, rooted in different academic traditions of economy and sociology.

The economic approach holds that social entrepreneurship's emergence has its economic roots and is the strategic responses to many environmental turbulence and situational challenges that nonprofit organizations face today. For example, Dees (1998b) raises the question at the very beginning of his article *What do you do when traditional sources of funding fall short?* He summarized the challenges nonprofit are faced with, including rising costs, more competition for few donations and grants, for-profit companies entering the social sector, the new pro-business zeitgeist, nonprofit leaders searching for financial sustainability and institutional charity's potential risk of undermining the beneficiaries' self-esteem. Accordingly, with its innovative methods and commercial involvement, social enterprise, compared to the original nonprofit organizations, is a more efficient form of organizing resources, raising money and accomplishing its social missions. Nevertheless, as Dees



(1998a) points out in another article, it's difficult to determine whether a social entrepreneur is creating sufficient social value to justify the resources used in creating that value, making the measurement of its effectiveness and efficacy difficult. Thus, the economic explanation becomes questionable.

From a sociological perspective, Dart (2004) holds that the mainstream rationalist and economics-based theorizing of social enterprise may ignore the sociological basis and broader cultural or political origins of the nonprofit sector. Dart uses the typology of *legitimacy* to integrate rationalist explanations and institutional explanations. The performance-oriented and efficacy-based economic explanations are summarized as pragmatic legitimacy, which denotes an attribution of social acceptability by stakeholder groups if any activity provides them with anything of value. The basic logic is *if we get anything out of this, then we consider it legitimate*. If social enterprise activities don't produce outcomes of value for stakeholder groups, then their pragmatic legitimacy could swing sharply into question. Dart argues that there is scant empirical evidence showing that social enterprise generally produce outcomes that makes it pragmatically legitimate. Thus he turns to moral legitimacy to explain social enterprise's emergence. With the decline of the welfare-state ideology and the emergence of a renewed and pervasive faith in market and business-based approaches and solutions, social enterprise, as a form of organization, gains its popularity and legitimacy because it adopts the ideologically ascendant languages, goals, and structures.

2. History of RSETI

2.1 The history of RSETI system

The establishment of first RSETI dates back to 1982, which has been 33 years. Its initial name is RUDSETI (Rural Development and self-employment Training Institute), located in Ujire near Dharmasthala in Karnataka. With the aim of mitigating the unemployment problem among the youth, The RUDSETI is a society established jointly by three agencies, Sri Manjunatheswara Trust, Syndicate Bank and Canara Bank, both of which are India's nationalized bank. Lead by the Dr. D VeerendraHeggade, Dharmadhikari (hereditary administrator) of Dharmasthala. Since the Ujire Experiment, there has been 27 units of RUDSETI in 17 different states in India so far.

During 2007 and 2008, there came the turning point of RUDSETI. The MoRD (Ministry of Rural Development), Govt. of India decided to expand the successful experience of RUDSETI and establish such training institute in every district of India under the name of Rural Self Employment Training Institute (RSETI). According to the Guidelines for 'Rural Self Employment Training Institutes' (RSETIs) issued by Government of India, Ministry of Rural Development (MoRD) is convinced that there is a need for a dedicated structure to ensure necessary skill up gradation of the rural BPL Youth. Since the RUDSETI has today become a replicable model, the MoRD proposes to support establishment of one RUDSETI type of Institution in each district of the country to tap the rural BPL youth from the rural hinterland.

With the increasing number of RESTIs, a need was soon felt to standardize the training procedure. Dr. D VeerendraHeggade established the National Academy of RUDSETI (NAR) for the purpose of uniformity and standardization. In the meantime, the existing course modules were revised and published, making it more encompassing and exhaustive.

During 2011 and 2012, the policy went through a strategy adjustment. Govt. of India further recognized the RUDSETI model, by identifying the 2 key replicable factors are the visionary leadership of the founder VeerendraHeggade and the commitment and support from Sydicate Bank and Canara Bank. Thus, these guidelines accompany a serial of important events. With the recognition of the role banks play in the system, all the newly established RSETIs will be bank led institutions, managed and run by the Public Sector/Private Sector Banks with active co-operation from the State Governments.

The increasing expansion of RESTIs called for more systematic management and monitoring. In 2011, the Monitoring Cell for RSETIs was established under the signing of MOU between MoRD and NAR. Furthermore, in 2014, the signing of Renewal of Memorandum of Understanding emphasizes the outcome quality management of the RSETIs.

2.2 The history of SyndRSETI

Syndicate bank is deeply involved in the development of RSETI. It is among one of the three founding agencies of the first RUDSETI. However, the SyndRESTIs under the aegis of MoRD has another path of development. All the SyndRSETI are established under aegis of Syndicate Rural Development Trust (SRDT), which is sponsored by Syndicate Bank. Before MoRD issued guidelines and regulated the nomenclature of all institutions, SyndRSETIs were called SIRD (Syndicate Institute of Rural Entrepreneurship Development). The first four SIRD were established in 2000 along with SRDT in commemoration of Syndicate Bank's Platinum Jubilee. Manipal SyndRSETI was among the first four instituts. Until now, there are 16 SyndRSETIs operating under Syndicate Bank sponsorship.



2.3 The history of Syndicate Bank

Syndicate Bank is special for its social commission and its objective that bringing banking to the people by establishing small village branches in rural areas and encouraging small deposits and making small loans. Especially, its loan policy was friendly for the small-scale entrepreneurs. As a book says, Syndicate specialized in 'clean loans' of up to Rs. 2000 to small traders for sound business purposes...So thousands of people without capital were able to establish stores, tailor shops, taxi business and all sorts of professional establishments, thanks to this unusual policy (Menefee, 1967/1984:168). The pro-entrepreneur policy and enterprise culture resonates with the values of RSETI.

3. RSETI from a Social Enterprise Perspective

In this part, researcher will use RSETI as an example to contest the notion of social enterprise in the Indian context.

3.1 Incentive structure

As Austin (2006) noted, people (human capital) is one of the four constituents of social entrepreneurship model. The incentive structure is an essential part of human capital. In research field work, researcher found that the existence of mixed incentives, both commercial ones and philanthropic ones. One distinction of social entrepreneurship is the application of commercial methods to serve social causes. Yet in researcher participant observation in one of the RSETI, It is noticed that the notion of philanthropy and volunteerism is quite pervasive. Two episodes from researcher's informal interviews support the argument.

The trainer of the program told researcher that he is one of the guest staff, which means that he is not a professional trainer. He owns a shop back home but now his main focus is to teach such self-employment courses. He is very loyal to the institute and he has served to teach mobile phones repairing for over 10 years. When researcher asked about why he turned from the initial job as a phone shop owner to teaching, he told me it is not because he can earn more money from it, but because he likes the satisfaction of helping young unemployed people as a trainer. He is happy that he can help these people set up their own business.

When asked about his personal choice to become the director of a RSETI, he told me that he used to be a branch head and he got selected from 70 candidates. The reason he chose the position is that the working load is not as much as the bank and more importantly this work give him a sense of fulfillment by helping people.

However, the volunteerism in RSETI is limited. There doesn't exist voluntary labor forces, which is quite common in non-profitable organizations. The staff in RSETI are all employed on contract basis. One staff researcher spoke with is quite straightforward, saying she chose to work here just for a better payment.

3.2 Efficacy and evaluation

For the third sector, the issue of efficacy of serving social cause has long existed even long before the notion of social entrepreneurship (Dees, 1998a: 2). The rising of social entrepreneurship comes with the rising costs, more competition for few donations and grants, and increased rivalry from for-profit companies entering the social sector. Faced with these challenges from outside world, governmental and 3rd sector ways are inefficient, ineffective and unresponsive (Dees, 1998b). Nonprofits are turning to the for-profit world to leverage or replace their traditional sources of funding. To make the programs rely less on donations and grants and more on fees and contracts. To sum up, non-profits are chasing higher efficacy because of decreasing financial sources.

In RSETI's annual report, we can also see the emphasis on efficacy. Quantitative facts constitute the main content of the report. Numbers like settlement rate, number of the trainees, number of programs are listed. However, despite the difficulty to measure the real efficacy with these numbers, researcher argue that the motivation for chasing efficacy inside RSETI is quite different from that of the ideal social enterprise described by Dees (1998a, 1998b). Social enterprise are initiated mainly because of the financial pressure. Nevertheless, the motivation to seek efficacy of RSETI comes from the organization expansion and its evolutionary process. Researcher will demonstrate two supporting evidences from researcher's field work and the history of RSETI.

While Dees assumes that financial shortage is a background, the RESTI is fully supported by the bank and government programs (see 4.3 for more detailed discussions). Also, researcher's interview with the director reveals that RSETI as a non-profit organization is insulated from the market forces. When researcher asked about if there is any competition between the RSETI and the commercialized training institute, expected that there would be overlap between the marketized sector and the



third sector. But the director was very confirmed that no competition exists. And from his tone, he has a strong sense of distinction in mind between the two.

As we can see in detail in 3.1 and 3.2, during 2007 and 2008, the MoRD decided to expand the successful experience of RUDSETI and establish such training institute in every district of India. Afterwards, with the expansion of the organization, the National Academy of RUDSETI (NAR) was established for the purpose of uniformity and standardization. In the meantime, the existing course modules were revised and published, making it easier to replicate. In 2011, the Monitoring Cell for RSETIs was established with a special emphasis on the outcome quality management. The criteria and standard are established with the evolution of the RSETI system, especially after the involvement of government.

3.3 Sustainability

As Dees (1998b) have pointed out, non-profit leaders are searching for the holy grail of financial sustainability. Social enterprises take different measures to get sustainable, including innovation, introduction of commercial methods, decreased dependency on donations and grants and increased dependency on fees and contract.

However, the financial sustainability of RSETI highly depends on the government grants. According to the guidelines for 'rural self employment training institutes' (RSETIs) (SGSY, 2009), the land used for establishment of new RSETI would be allocated by state government free of cost. The central government will also provide one time grant assistance to the RSETIs, up to Rs 1.00 crore for meeting the expenditure on construction of the building and furniture. As for the training expenses, the Ministry of Rural Development will provide support to the sponsor bank via different government programs at the rate of Rs 200 per candidate per day to a maximum of Rs 4000 for training up to 4 weeks duration and maximum of Rs 5000 for training of longer duration. Other training expenses, faculty salaries, logistics, etc. will be borne by the sponsoring banks and sponsoring organizations.

According to the annual report of SyndRSETI Manipal (2015), during the year 2014 and 2015, of all the 558 applicants, 58 were sponsored by the lead bank while 138 by other banks and 362 by other agencies. Specifically, these agencies include NABARD (National Bank for Agriculture and Rural Development), DVIC (Khadi and Village Industries Commission), NRLM (National Rural Livelihood Mission), WCDD (Women and Child Development Department), KSWDC (Karnataka State Women Development Corporation) and ZP Udupi (the district government of Udupi). Apart from these scheduled sponsorship for training programs and trainees from banks and different organizations, SyndRSETI Manipal also mobilized funds from outside sources to cover its expenditure. But the listed outside sources are also government affiliated, including ZP, Udupi, KSEDC, DVIC, and NABARD mentioned above. The total expenditure of the institution is Rs 1544321 and the funds from outside sources amounted to Rs 1443145.

As is shown above, the operation of institution and training programs is highly dependent on the government grant. The grant may unswervingly go into certain training programs. In some cases, the bank may act as medium for receiving the grant and then to the training programs and trainees. The role of bank as medium will be discussed in the next section.

3.4 Innovation

One of the prominent features of social entrepreneurship is the application of innovation. The RSETIs can be seen as an innovation of institutional structure of public good delivery.

Why does bank became the delivery medium? The answer of this question can bring some insights into the foundation of this organizational innovation.

Firstly, from the perspective of efficacy, the banking system is a well-established one, having branches all over the country, which endow bank utilizable potential to be an efficient intermediary agency of social service delivery and a powerful organization platform. Plus, commercial banks are assumed to be more efficient and have less probability of corruption compared to other Indian government agencies.

Secondly, entrepreneurial activities, especially small and micro enterprise are highly reliant to loans and credit provided by the bank. For example, in the year of 2014-2015, 61 percent of settled candidates (259 out of 423) are settled with bank finance (SyndRSETI Manipal, 2015: 6). According to the Guidelines for 'rural self-employment training institutes' (RSETIs) (SGSY, 2009), after the training, a list of candidates will be sent to the bank branches and banks are required to provide assistance in credit linking to trainees under certain government scheme or through direct lending. There exists government programs providing credit linking to micro enterprise. Yet in this case, banks combine the functions of training potential entrepreneurs and supporting potential entrepreneurs. The trainees are given easier access to loans after the training. This combination may make the operation easier and more controllable.



Conclusion

RSETI can be seen as an innovation of private-public cooperation in public good delivery. The last two decades have seen a dramatic change in the division of responsibility between the state and the private sector for the delivery of goods and services, which is especially striking in developing countries where NGOs now supplement, and in some cases have replaced, the traditional role of the state (Besley, 1999). All the established and about-to establish RSETIs belong to the category society or trust. This means that they are all non-governmental organizations. However, these non-governmental organizations are quite affiliated with the government. As shown in 4.3, the operation of non-governmental sector is reliant on the government at least financially. The cooperation between government and NGO forms a unique structure of partnership.

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