

COMMENT SHRAGA ZALTZMAN

## Grants won't help

► THIS year, the government launches its expanded New Enterprise Allowance (NEA) scheme, offering a package of up to £2,000 to unemployed people wanting to set up their own businesses. Through financial support, a business mentor and access to a start-up loan, the government hopes to create over 40,000 new businesses by 2013.

We should welcome any initiative that encourages entrepreneurship and seeks to reduce worklessness, especially as small-to-medium enterprises (SMEs) employ most of the UK workforce and will be the ultimate catalyst in bringing our economy out of recession. However, there are flaws with the NEA.

It will only be available to those in receipt of Jobseeker's Allowance for six months or more, which makes me question the government's motives. Is this just another ruse to mask rocketing unemployment figures? What advantage is there in having this stipulation? Won't it force people to remain unemployed for six months in order to access the grant?

Businesses often fail because the 'budding entrepreneur' is unaware of what starting a new business entails and lacks the commercial knowledge, understanding and drive to ensure its success. Secondly, the NEA budget

is £50m to help 40,000 businesses, which means the average grant received will be £1,250 per business. New businesses often fail due to lack of sufficient startup capital. What will £1,250 do? Even with matched funding, 40,000 inexperienced businesses with £1,000 each will not pull the country onto its feet.

Thirdly — and critically — this grant does not address the challenges of one of the hardest-hit groups in this recession; the graduates and under 25s. In order for this group to contribute to the entrepreneurial world, they need business acumen, and expertise. An entrepreneur without this will not succeed in building a business.

We have always been a nation of small businesses, but if entrepreneurs and graduates have no practice in applying their skills, commercial success is unlikely, grant or no grant. What is needed is for the government to introduce initiatives to create employment opportunities for this group and develop an infrastructure that gives specialised support to young businesses.

While the NEA is a good start, there is a long way to go.

*Shraga Zaltzman is the managing director of TrainE-Trade*