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ISSN (Online): 2455-7838

SJIF Impact Factor (2017): 5.705

EPRA International Journal of

Research & Development (IJRD)

Monthly Peer Reviewed & Indexed
International Online Journal

Volume:2, Issue:11, November 2017



Published By :
EPRA Journals

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EMERGING ENTREPRENEURIAL CHALLENGES IN NAGALAND: A CASE STUDY

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ABSTRACT

Entrepreneurs play a key role in determining the growth and development of a region and meeting the challenges of an industrialized economy. They must take up the task to exploit the natural resources of the state and tap into all potential areas. The evolving entrepreneurial scenario has necessitated a qualitative study into the present situation. Hence, this study has been done for the entire state of Nagaland in general to analyze the different socio-economic characters of the entrepreneurs and their enterprises. This is a case study of sample entrepreneurs to find out the existing and emerging entrepreneurial challenges.

KEYWORDS: *Self-employment, potential areas, development, small scale units, income, finance.*

INTRODUCTION

The potential resources of a nation have to be organized by an agency or an organization for the effective implementation of industrial development. The initiative and motivation to organize these resources usually falls with the Entrepreneurs. This calls for a need for cognizance to meet the challenges of an industrialized economy and for entrepreneurs to play a pivotal role in determining the growth and development of the state.

Entrepreneurial development depends on the various aspects of personality of the entrepreneur besides the financial and physical incentives. Entrepreneurs should strike the right balance between family and society based values on one hand and the new challenges of entrepreneurship and industrialization on the other. With few medium and large scale industries in the state, entrepreneurs must take up the challenge. This study deals with the emerging challenges of entrepreneurs in Nagaland: A case study of two districts.

PRESENT SCENARIO OF ENTREPRENEURSHIP DEVELOPMENT IN NAGALAND

In the present-day society, the foremost concern of the people is to secure a good livelihood. The decline of conventional way of living as agriculturists has given rise to the need of an alternative source of livelihood in Nagaland. The state had few opportunities for the employment of its youth with so many constraints such as a weak economy and industrial backwardness. Therefore, efforts need to be made to exploit the natural resources of the state and tap into all potential areas. The State has to plan wisely and strategize its efforts, concentrating on its areas of strength and available resources. Entrepreneurship/self-employment can become a decisive aspect of change for the society, empowering individuals to seek new opportunities. This emerging entrepreneurial scenario demands the need for a qualitative study on entrepreneurship development in the state.

Nagaland became a state on 1st December 1963. Since statehood Nagaland has developed drastically in areas such as education and life expectancy, which are at par with the country's average. However, the state still lies in the much underdeveloped stage of economic development with 82.8% rural population and only 17.2% urban population. The standard of living is very low compared with the national general standard of living.

The number of industries has gone up in the past two decades. As per the State records on employment, by the end of March 2011, there were 2062 establishments registered during the year. The total employment provided by them was 6,444. The number of units registered underwent a declining trend with 78 registrations done in 2014-15. The employment has also declined to 506 in 2014-15.

OBJECTIVES OF THE STUDY

- 1) To study the present situation of entrepreneurship in Nagaland.
- 2) To analyze the problems faced by entrepreneurs in the state (a case study).

METHODOLOGY

The nature of data includes both primary and secondary data. Primary data is based on personal interviews and questionnaires with the proprietor or managers and employees of the enterprises. Entrepreneurs are interviewed with the help of well-structured questionnaire. Discussions with entrepreneurs and other stakeholders have been conducted. The secondary data has been collected from reviews of past researches and reports of relevant departments and sectors. Information has also been obtained from the handbooks, annual reports, evaluative reports, guidelines and documents of various Government Departments/agencies. The total sample had 300 respondents from rural as well as urban areas of the state. The data collected from the entrepreneurs have been scored, tabulated and analyzed. Frequencies and percentages have been used to study the different socio-economic characters of the entrepreneurs and their enterprises.

CHALLENGES OF ENTREPRENEURS IN NAGALAND

The entire state is still industrially backward even with the rich potentiality of resources. Nagaland continues to be lacking in basic infrastructural facilities like power, transport and communication. Moreover, the possibility of developing large enterprises is limited. The main challenges faced by entrepreneurs in Nagaland are:

1. Finance- Though there are many financial institutions in the state which can give financial help to entrepreneurs, the existing rates of interest charged by financial institutions are quite high and work against

the economic viability of the enterprises. Also, there is delay in loan sanction due to procedural formalities to be fulfilled by the units. Financial complications have maximum influence on the working of a business enterprise.

2. Raw materials- The availability of raw material in adequate quantity whenever required and at a reasonable cost is a basic requirement of an enterprise. The raw material problem is due to inadequacy, irregularity and high cost of raw material.
3. Financial management- Often, operational issues tend to keep an entrepreneur busy and financial management tends to get neglected. He/she may find the technicalities of accounting and finance intimidating and avoid looking deep into it. Common mistakes in financial management are poor budgeting decisions, unproductive investments and faulty receivables management.
4. Marketing and market strategy- Inadequate marketing is a challenging problem faced by many entrepreneurs in the state. Shortage of demand for products, problem of credit sales and shortage of working capital are also faced by entrepreneurs.
5. Economies of Large scale production- The practice of production in the state is still for self-consumption and not for market sale. Therefore, many enterprises are producing in small quantity and do not avail the economies of large scale leading to higher total cost of production.
6. Competition- Competition from other existing units poses problem due to the low level of demand. Further, the existence of similar industries makes them heavily dependent on the outside market for selling the goods. But selling of goods to outside markets require well established distribution channel which is absent in the state. Competition from other entrepreneurs dealing in similar products also affects the local demand as it reduces the number of potential customers.
7. Power supply- Availability of cheap, adequate and regular supply of power is essential for the smooth functioning of industries. The challenge of power shortage for industrial purpose interrupts production and cause undue loss to entrepreneurs. Power supply in the state is both inadequate and of low quality. Consumption of electricity in the state is as low as 31.2 KWH while the national average is 90.8 KWH in 2016-17.
8. Transportation- The network of transport and communication is very much inadequate.

Dimapur district is the only district connected by railways and airways. The total length of National highway in the state is 830 kms and state highway is 1206.30 kms. With shortage of primary infrastructural activity like transport and communication, entrepreneurial initiative is restrained.

9. Labour- Labour is the pillar of every productive activity. A steady supply of required skilled and unskilled manpower is needed for uninterrupted industrial production. However, units belonging to food products, furniture, paper products, ferrous and non-ferrous category face the problem of non-availability of skilled labour.
10. Social outlook- For a state like Nagaland, it is customary for social norms and attitude to influence the entrepreneurial mindset. And these are a deterrent to many young entrepreneurs. To make a stand for an entrepreneurial career by convincing family, relatives and friends is a relentless challenge.
11. Lack of willingness to invest – Investors, both from within and outside, are not eager to invest their capital in Nagaland. There is huge amount of capital flight, money transfers and increased remittances from the state. Moreover, investments from outside the state have also been thwarted seriously by the problems of geographical isolation and higher unit cost of production.

Industrial development in general and growth of private sector in particular has been lacking because of weak tradition of enterprise and inadequate entrepreneurial and managerial inputs.

ENTREPRENEURIAL CHALLENGES IN NAGALAND: A CASE STUDY

Majority of the entrepreneurs under the survey were running very small enterprises with only a few employees, mostly family members. In a society where family is a closely knit unit, it was found that the approval and support of family is very essential in pursuing any career. Peer pressure, opinions of extended clan members, problems from anti-social elements and traditional values are other problems faced by entrepreneurs personally and in the society at large. The study has identified the challenges which are faced by entrepreneurs in starting their enterprises and in sustaining them. Likerts type scale with five point score was applied to analyze the perception of the entrepreneurs. The different challenges/ problems have been ranked on a scale of one to five as very high with 5 points, high with 4 points, medium with 3 points, low with 2 points, and very low with 1 point. Entrepreneurs have been asked to rank their problems accordingly. Then the Weighted Score of the respondents had been

calculated. The response reveals that entrepreneurs have identified finance, non-availability of land/ site, marketing and power requirement as the major problems.

The study reveals that majority of entrepreneurs had financial worries at one time or the other. It was the single foremost problem faced by new entrepreneurs and old entrepreneurs alike. Even with the presence of banking and financial institutions which can advance loans, the actual number of entrepreneurs who have benefited from them was very low. The reason for this was because financial institutions, in the past, had advanced loans to many bogus entrepreneurs, who have availed of the facilities and schemes for the money grant only and failed to set up their enterprises. The prevalence of such cases had made the financial institutions wary of other genuine entrepreneurs and subsequently, many deserving persons had to suffer.

In urban areas, non-availability of land is another major problem. Many entrepreneurs are unable to obtain a good position/ site for their enterprises. Besides rent or lease for available location is very high, which also usually involves advance deposits. A good location is important as it determines the level of earnings of entrepreneurs later on in getting adequate returns by way of sales. However, this problem is not so severe in rural areas.

The study found that proper market channels are yet to be established for many of the local products. The present scenario is one where the entrepreneurs are just able to meet the needs of the local area since the production and volume of the enterprises are in small scale only. To expand further, they need more space. Marketing problem is not so severe under the present situation for most small scale units but those wanting to go for expansion of their products are facing this problem.

Power problem was low because most of the units under the study were in the service sector and power requirement was very minimal. Only a few production units such as stone quarries or cold storage units needed more power supply (electricity). And for such units, the power problem was quite high with an average score of almost 5 points.

Social problem, family problem, procurement of raw material, legal problems, problem from government and lack of motivation had a WS of less than 2 points each. This indicates that these problems were low for the entrepreneurs under study. Almost all the units under survey faced no legal problems at any time since their inception. Apart from registration, there were no other legal hurdles. This was reflected with the low WS of just 1.4 points. Lack of motivation was almost absent with a WS of 1.37 points. The reason behind this was that the entrepreneurs were self-motivated either out of financial need or to be self-

employed. Another reason might be because most of the entrepreneurs had been in business for above 5 years and by then they have proved themselves to be well motivated and successful.

Table 1: Problems faced by Entrepreneurs

Problems	VH	H	M	L	VL	WS
Finance	95	69	62	26	48	3.62
Non-availability of land/ site	40	74	69	28	89	2.83
Marketing	17	30	82	65	106	2.29
Power	49	42	19	3	187	2.21
Social	30	27	36	11	196	1.95
Family	27	20	19	20	214	1.75
Raw material	19	13	30	34	204	1.70
Legal	4	3	28	38	227	1.40
Motivation	5	8	23	22	242	1.37
Government Policy	4	7	8	35	246	1.29

Source: Field Survey

Note: VH-Very High, H-High, M-Medium, L-Low, VL-Very Low, WS- Weighted Score.

All the problems are dynamic issues, continuously evolving and needs to be periodically monitored. New entrepreneurs also have to deal with challenges relating to obtaining clients, getting a good team, inadequacy of quality infrastructure and inadequate access to finance (including lack of financial information, access to private equity, venture capital and very limited access to secondary market instruments).

PROFILE OF ENTREPRENEURS: CASE STUDY

In this section an attempt has been made to study the perception of the entrepreneurs (respondents) about the challenges faced by them and for the same purpose a survey was done for 300 entrepreneurs from two districts viz., Kohima district (150) and Dimapur district (150) to draw the conclusion.

The parameters taken for the study are given as follows:

1. Types of entrepreneurs- The sample comprises of two types of entrepreneurs- first generation entrepreneurs, and second generation entrepreneurs. First generation entrepreneurs are those whose family occupation had been either agriculture or service. Entrepreneurs having business background have been considered under second generation entrepreneurs. The percentage of second generation entrepreneurs was 54.67% while that of first generation

entrepreneurs was 45.34%. The bulk of the entrepreneurs interviewed belong to the services sector and ancillary segment.

2. Age of Entrepreneurs- The age of the sample entrepreneurs have been grouped into five categories viz., below 20 years, 20-29 years, 30-39 years, 40-49 years and above 50 years. The number of entrepreneurs is the highest (39.67%) in the age group 20-29 years followed by 30-39 years (27.33%), and 40-49 years (18%).

3. Educational Qualification- The educational background of the entrepreneurs has been categorized into below Matric (below class 10), HSLC (class 10 pass), HSSLC (class 12 pass), Graduate, Post graduate and others (including Diploma and certificate courses). The study has found the number of graduate entrepreneurs is the highest, followed by below Matric, Class 10 pass and Class 12 pass respectively.

4. Time Period: To study and explore entrepreneurs across various time periods, the sample is spread as follows: 33% of the sample entrepreneurs started their ventures after 2012; 38% started in between 2007-2012; and 29% started before 2007. 67% of the enterprises have been in operation for more than 5 years. This gives possibility to study the enterprises which have been doing business for the long run. However, to gain insights into recent trends for starting

an enterprise, 100 enterprises recently started have also been selected for the study.

5. Source of Finance and investment- Besides the personal money invested by the entrepreneur, borrowings from friends and relatives, loans and advances from banks and other financial institutions, trade or supplier credit, and equity financing are the common sources of finance. The investments of respondents ranged from Rs.2,500 to Rs.60,00,000. The percentage of entrepreneurs investing below Rs.1,00,000 is highest among the sample respondents.

6. Income- Maximum entrepreneurs (63.67%) earned below Rs.50,000 per month. Few entrepreneurs (7.67%) were earning above Rs.3,00,000 per month.

7. Employment generation- From the total 300 enterprises interviewed, the total employment generated was 695. Most of the entrepreneurs interviewed are tiny/ very small scale units employing less than 5 employees each. 33.67% of the enterprises had only one employee (who is usually the entrepreneur and owner). 52.67% of the enterprises had 2-5 employees. And 15.67% had above 6 employees each.

8. Motivational factors- The most important motivational factor for the entrepreneurs was to earn money (32.33%), followed by self-independence (28.33%), self-motivation (16.67%), to utilize own skills (9.67%), motivation by family (5.67%) and influence of EDP (4%).

FINDINGS OF THE STUDY

There is a need to gradually and simultaneously instill new work culture and entrepreneurial spirit in the people. A successful Entrepreneurship environment is the function of a number of factors working together. Some Important factors towards Entrepreneurial career are individual motivation, socio-cultural factors, access to early-stage finance and business environment. Motivation is influenced by the need for independence, family background, market opportunity, new idea, and challenge.

- Most of the entrepreneurs interviewed were self-financed, while other major sources included banks, NGOs and state financial corporations/ institutions.
- Almost half of the entrepreneurs considered skill shortages in recruitment to be a problem of average importance. More than a third of the entrepreneurs faced problems in accessing as well as retaining employees.
- Most of the entrepreneurs did not experience any difficulty while seeking statutory clearances and licenses. A major hurdle was in accessing reliable information on registration procedures, finance and other schemes.

- More than 50% claimed that the paucity of quality infrastructure – especially transport, power, and telecommunications – was a critical barrier.
- Majority of entrepreneurs believed education is a critical success factor. Education is a key trigger to evoke entrepreneurial inclinations. The study shows that 35.33% of the entrepreneurs are graduates and above. 22.67% could not complete their high school even.
- Many entrepreneurs who approached banks have received bank finance. Yet there is a widely held perception among entrepreneurs that it is very difficult to get bank loans at the start-up stage while becoming comparatively easier at the growth stage. Perceptions regarding bank finance have not improved in case of entrepreneurs who started ventures after Year 2007.

Suggestions to improve entrepreneurship:-

For entrepreneurship to develop, the individual's role is crucial. He/she has to take the decision to get self-employed rather than scout for job. Such a person needs to possess intuition, vision, optimism, dynamism and determination. Decision has to be made on the type of activity to be undertaken or the identification of the proposed project, size of the project, location, preparation of technical feasibility report, financial viability and arrangement of finance.

1. Development of infrastructure facilities- Development of transportation and communication and power sector should be emphasized. Foreign investors can be invited to invest in promoting new power projects in the state. a private public partnership model can be adopted.
2. Government policy support- State Industrial Policy/ Government Policy should provide active support for the promotion of new industries as well as for the expansion of existing industries in the state. The industrial policies announced so far had not been very effective in bringing industrial development.
3. Collaborations between Education (including modern vocational education training/skill development), Innovation (converting ideas into wealth and employment) and Entrepreneurship should be encouraged.
4. Growing the pool of skilled people is a key priority. This entirely depends upon access to quality education. The key challenges in higher education relate to ensuring access, inclusiveness and excellence. In Vocational Education and Training (VET) there is need to

completely overhaul and modernize current institutions and practices.

5. Government Assistance such as trainings, loans, subsidies and marketing support to entrepreneurs through different programmes and schemes needs to be honestly implemented so that the targeted groups are benefitted.
6. Most of the SSIs and MSMEs are individual-driven with no succession planning. To sustain an enterprise, it is essential to plan for future by identifying a successor. This will make the unit a going concern with perpetual succession and improve its financial viability with other stakeholders.
7. Nagaland has a literacy rate which is higher than the national literacy rate. This indicates that the state produces a good number of educated manpower. On the other hand, with the unfavorable infrastructure, there is better scope for service-based which have lower dependence on infrastructure.
8. The financial institutions should frame a more friendly financial policy especially for granting loans to entrepreneurs.
9. The Government Departments should also rightly identify the genuine entrepreneurs while granting the various self-employment development schemes.

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