CHAPTER I

INTRODUCTION

In any society, entrepreneurship is the single most important productive force and the chief instrument of economic growth and progress. The entrepreneur is central to all economic activities, for he organises human and material resources for production of goods and services, influences capital formation for utilisation in generating income and employment, and influencing consumption and savings. The entrepreneurs thus act as catalysts of economic development optimising all economic functions in the direction of welfare. The development of a state or a region, therefore, is contingent upon proper utilisation of entrepreneurial skills. Again, entrepreneurs do not always emerge out of industrial background with all developed institutions to support and encourage them. They are characterised by conditions associated with development and under-development. They may not be always innovative persons to do or produce something new; they can play their role by imitating the organisations developed elsewhere in a developed region. Their role is guided or controlled by various constraints and conditions peculiar to their area of operation and the factors under which they conduct their minimal modest industrial activities. Only few men with strong motivation towards growth are able to create preconditions of industrialisation.
Nagaland, the sixteenth state of the Indian union, is known as a state with technological backwardness, pressure of over-population, typical unemployment and underemployment, non-utilisation and underutilisation of natural resources, inadequate communication facility and unique socio-cultural diversity. The problems of economy such as poor finance, poor income generation capacity, lack of job opportunity etc. undergo a transformation process to evolve complex socio-political and psychological threats on the society. Industrialisation is one of the solutions to resolve the above issues of social importance. The entrepreneurs can only bring about a desired change through their skills and role performance. They need proper nourishment, encouragement and atmosphere where they can play their entrepreneurial role with less uncertainty and more productivity in all sectors of the state economy.

Significance of the Study

The economic growth of a nation or region depends on the dynamic role of the entrepreneurs. The entrepreneurial role is not confined to any particular sector of economy; it can be linked with all sectors, be it agriculture, manufacturing or service. But in the Indian context, based on the traditional structure of our economy entrepreneurship is more often referred to manufacturing sector (Despande, 1984, Bhanushali, 1987, and Rao, 1986). With a radical change in the structure of our economy the service sector has assumed an upward trend and the National Industrial policy (1991) has recognised the importance of this sector with a wider consideration. Consequent upon the inclusion of service sector industries in the definition of small
scale industrial unit the government has been putting continuous efforts to foster the growth of entrepreneurship in the service sector by extending a good number promotional measures. Since the service sector enterprises also contribute in terms of both the major objectives of our industrial policy, an attempt to have a comprehensive study on the development of entrepreneurship in a particular industry of the service sector is of a significant importance.

In Nagaland industrialisation is still in its nascent stage. However, a good number of entrepreneurs, facing the unique problems prevalent in the state have come forward to establish their business enterprises. No comprehensive study is available in Nagaland that highlights on how the industrial enterprises have grown, how they function and the problems associated with them. Any comprehensive study on any aspect of industrialisation in Nagaland shall not only be a pioneering work to lead the future growth of industries but also serve as base literature in the field. There is thus, an obvious need to take up a case study, at least in one sector, that focuses on the socio-economic origin, evolution and growth of entrepreneurship and the problems confronted by those entrepreneurs at various stages. These characteristics of entrepreneurship need to be understood keeping in mind the remote location, backwardness and socio-cultural diversification of the state. Moreover the policy framed both at the state and national level under presumption that it is easy to set and run an enterprise needs an evaluation in the Nagaland context with particular reference to the degree of ease perceived by the entrepreneurs and the flow of benefits and incentives. There is no knowledge about the relative efficacy of the entrepreneurs
engaged in various types of industries and the impact of the scale of operation on their efficiency.

Hence, there is a need to fill the above mentioned gaps by focusing research attention on the above aspects. The present study limiting its scope to only one industry is a modest attempt in this direction. The study is expected to help in taking policy decisions relating to the future of entrepreneurship development, to suggest measures to be taken to tap entrepreneurship from among various socio-economic classes and indicate the broad lines on which the existing and future entrepreneurship engaged in hotel industries may be reinforced.

The need of the study may be further justified with the visible increase in the future demand for hotel enterprises in the state because of increased emphasis on the development of tourism industries in Nagaland and other neighbouring states. Moreover, the state in its industrial policy (1995) has given priority to tourism industry of which hotel business is a subsidiary sector.

Scope and Objectives

The study under the title 'Development of Entrepreneurship in Nagaland with a special reference to Hotel Enterprises' aims at giving a clear picture of development of entrepreneurship with regard to origin, efforts and outcomes. Such a study necessarily requires investigation and analysis of:
• environment that surrounds the entrepreneur - physical and policy related;

• age, form of organisation, nature of activity, service type, size of investment, employment, turnover of a unit;

• background profile of the entrepreneur comprising age, education, migration status, training, work experience, income and parental background etc.;

• The factors that motivated him to set up the hotel, the problems that he faced in the process of setting the unit;

• mobilisation of financial and other resources, operational problems and efforts to overcome them;

• performance in absolute and relative terms.

Accordingly the study has been designed to achieve the following major objectives:

• To study and analyse the growth of entrepreneurship engaged in hotel industry of Nagaland;

• To study and evaluate the policy framework governing the promotion and growth of entrepreneurship in Nagaland;

• To study and analyse economic, social, educational and occupational background of the entrepreneurs in the hotel industry of Nagaland;
• To evaluate the entrepreneurial role at different stages of development of hotel enterprises in Nagaland and to locate the exact problems faced by the entrepreneurs at various stages;

• To study and analyse the relative efficiency of the hotel enterprises in Nagaland and find out correlation between their size and efficiency;

• To suggest measures for strengthening the flow of entrepreneurs and improving the functional management in hotel enterprises of Nagaland.

Methodology

The study is basically a questionnaire-based survey type and the scope is limited to the entrepreneurs operating in the hotel industry of Nagaland.

Data Base

Data has been collected from both primary and secondary sources. The data base relating to the objectives 3 and 4 that deal with socio-economic origins, influencing factors, role in setting, preparatory and performance stages, problem faced at various stages of entrepreneurship development and some selective variables of performance evaluation has been drawn from the entrepreneurs with a common schedule of questionnaire canvassed personally and also through a personal interview with them and in certain cases their managers. Two variables - customer satisfaction and employee satisfaction used along with many others for performance evaluation of the entrepreneurs have been measured through the personal subjective remarks on a five point Likert scale and for this purpose data have been collected through
questionnaire method. Data relating to the first, second and fifth objectives of the study have been collected from secondary sources particularly, Directory of Industries of Nagaland (as on 31.3.91), Plan documents and other records of Government of Nagaland, other Government publications, records of some financial and promotional institutions. Views of some of the officials working in relevant organisations have also been collected by means of informal interviews. For review of literature some important libraries have been referred which include VS library IIM, Ahmedabad, libraries of Entrepreneurship Development Institute of India, Ahmedabad, NEHU, Shillong, and Indian Institute of Entrepreneurs, Gauhati.

Design of Questionnaires

A tentative schedule of information to be sought from the entrepreneurs, their customers and employees was prepared initially on the basis of objectives of the study. Then a tentative framework of study was prepared and discussed with a number of persons in academic, industrial and other fields. A set of draft questionnaires were then prepared (for entrepreneurs, customers and employees) and pretested with the respective groups through a pilot survey. The final questionnaires were then prepared (a sample copy of each has been annexed) to be canvassed personally or under personal guidance.
Selection of Sample Entrepreneurs

All the enterprises listed in the Directory of Industries in Nagaland (as on 31.3.91) prepared by NECON and those others traceable unregistered ones satisfying the following conditions have constituted the sample of the present study.

1. The unit must be in the private sector and hence the two public sector hotels Japhu and Saramati were excluded.

2. The unit must have lodging facility in its service line and hence all tea-stalls and restaurants serving tea, sweets and meals have not been included in this study.

3. The present owner must be the founder of the unit i.e. only the first generation entrepreneur has been included.

Sample Survey

Prior to commencement of the survey of the sample hotel units, preliminary discussions were held with a group of entrepreneurs at Kohima and Dimapur in order to have a preadministering test of the questionnaire and determine the modality of the survey. In the course of discussion it was realised that getting the required information from the entrepreneurs would not be an easy task, partly because of their indifferent attitude towards research and partly because of their busy schedules. It was therefore decided that:
• The investigator should first conduct an exploratory survey by walking in the streets of various district headquarters and Dimapur.

• An intermediary person in case of need be contacted to help establish rapport of the entrepreneur with the investigator.

• A prior appointment be taken in advance

• The investigator himself conduct field investigation in order to explain difficulties as and when they arise in the questionnaire and to collect relevant additional information from the individual entrepreneurs.

As a result the field survey was successfully conducted during December, 1996-February, 1997. In every town under study a preliminary investigation was made to identify the hotels providing lodging facility and their entrepreneurs. Then the intermediary persons who could help introducing the investigator with the unknown entrepreneurs were determined and with the help of those persons appointment was fixed for administering the schedule questionnaire. Accordingly the schedule of questionnaire was administered to all the entrepreneurs. After completion of the questionnaire a small interview was taken with the entrepreneurs. In some cases multiple visits had to be made despite prior appointment and preliminary discussions with the concerned entrepreneurs. But in case of the employees and customers no such problem was faced because the questionnaires were very small
and simple and the investigator himself guided how to reply to those questions. The initial plan was to cover all the private sector hotels located at all district headquarters of the state and Dimapur including those which were listed in the Directory of Industries in Nagaland (prepared by NECON) but due to non-cooperation of few entrepreneurs at Dimapur and personal difficulty to travel to Tuensang (where only two small hotels are operating) only 78 hotels could be included in the study. This sample size is determined to be around 88.6 percent of the total population. Geographically these 78 hotels constitute 27 at Kohima, 40 at Dimapur, 2 at Mokokchung, 4 each at Wokha and Phek and one at Mon. At Zunheboto not a single hotel existed at the time of this survey.

Criteria for Entrepreneurship Development

Development of entrepreneurship is the development of personality of the entrepreneur in all its facets. He is the person living and responding to social, economic and psychological environment. This development is manifested through the decision he takes while steering his unit; the ways he finds to face the odds and the courage with which he faces challenges. In small industrial endeavour the enterprise and the entrepreneur are so unified that the development of the unit is the replica of the development of the entrepreneur. Thus entrepreneurship development has been studied here by developing the following set of criteria. Each criterion constitutes a number of variables which are explained while analysing various stages of entrepreneurship development in the relevant chapters.
Organisational Set Up

Organisational set-up is the frame work encompassing the productive activity.

In this study the setting up activities have been dealt with the entry and preparatory variables such as occupational mobility both inter generation and intra-generation, initiation to set an enterprise, support and encouragement, and the influencing factors responsible for the entry into the domain of entrepreneurship and the choice of industry, product, scale, form of organisation and capital structure that the entrepreneur has made while setting the enterprise.

Personal Management

Personal management skills are very crucial in service industry for interacting marketing. The variables included in this study are size and structure of workforce, criteria for recruitment, welfare measures, employees' relation and employees' satisfaction.

Marketing Management

Entrepreneurs produce products and services to be sold in the market. Selling their service in the market depends on their price structure, communication with the customers/potential customers about the availability of their services, and the extent they satisfy their guests by identifying and responding to their needs. Keeping the above in view, marketing skills have been studied by dealing with the variables like sales supervision, sales promotion, pricing policy, sales performance and customer satisfaction.
Operational Management

Variables included to reflect operational skills of the entrepreneurs are service mix, capacity utilisation, hotel maintenance and duration of hotel supervision.

Relative Efficiency

Relative efficiency has been measured through the three variables; labour productivity (the ratio of value added to number of workers, capital productivity (the ratio of value added to capital employed) and employment generation ability measured through peremployee capital investment.

Overall performance

Overall performance has been measured through Average Composite Rank Index considering five variables; three financial and two nonfinancial. The three financial variables include capacity utilisation ratio, sales to investment ratio and investment per employee. The two non financial variables considered for performance evaluation are employees satisfaction and customer satisfaction represented by the mean of their component scores measured through a five point Likert Scale.

The Average Composite Rank Index (ACRI) = \( \frac{CRI}{N} \)

CRI = Summation of Rank Indices for \( N \) number of variables

\( N \) = Number of variables under consideration.
The entrepreneurs are further ranked on the basis of their respective Average Composite Rank Index to list them in order of their overall performance.

The details of the above variables are discussed in the relevant chapters.

**Analysis and Interpretation**

Data collected by means of the above mentioned methodology have been analysed with the help of suitable statistical techniques. The analysis is basically a descriptive type using common statistical techniques like mean, median, range, standard deviation, coefficient of variation, coefficient of skewness, correlation coefficient, coefficient of association and linear regression analysis.

In most of the cases the frequencies of the entrepreneurs have been computed by developing a two way frequency distribution table and by linking therein the entrepreneurial performance variables (both qualitative and quantitative) with the personality traits of the entrepreneurs. These frequencies observed in various cells are then expressed as percentage of the subgroup total in order to interpret the association between the two variables. Observation of a high percentage of entrepreneurs in a particular cell of the contingency table is interpreted as an indication of the association between the personality trait and entrepreneurship variable linked with that cell. While analysing the contribution of various entrepreneurial characteristics towards overall entrepreneurial performance (success) Yule’s coefficient of
association (Q) has been used and the result has been interpreted at 5 percent level of significance.

\[
Q = \frac{(AB)(ab) - (Ab)(aB)}{(AB)(ab) + (Ab)(aB)}
\]

Where
- \( A \) = number of successful entrepreneur
- \( a \) = number of unsuccessful entrepreneurs
- \( B \) = number of entrepreneurs possessing the attribute
- \( b \) = number of entrepreneurs not possessing the attribute
- \( A+a = B+b = Total\ number\ of\ entrepreneurs\ taken\ in\ the\ pool \)

Standard Error of \( Q \) has been measured as

\[
(1-Q^2)/2 [\sqrt{(1/AB + 1/Ab + 1/aB + 1/ab)}]
\]

**Presentation of the Study**

The study has been presented in seven chapters. The second chapter deals with review of literature to throw some light on the conceptual framework of entrepreneurship and the research works undertaken in India and abroad. The third chapter has been included to introduce the state of Nagaland and to describe the environment that an entrepreneur is surrounded with. Chapter four is designed to reflect the policy environment in the state and describe the trend of industrialisation in Nagaland. Entrepreneurship in setting stage has been discussed in fifth chapter and the following chapter deals with entrepreneurship in preparatory stage. Entrepreneurship in performance stage is discussed in chapter seven followed by the chapter eight where conclusion and suggestion of the study have been drawn.