A Study on the Determinants and Prospects of Entrepreneurship in the East Khasi Hills District, Meghalaya

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Executive Summary

Introduction

Meghalaya, one of the seven states in North Eastern India, still remains backward even after four decades and several five-year plans. The state is still predominantly rural, with 86% of Scheduled Tribes, over 40% of the population still under 15 years of age, and nearly 50% of those above 15 years of age involved in farm labour. Nearly half the population (49%) is below poverty line, and even common assets such as radio, TV, bicycle, etc are not possessed by nearly 60% of the rural population and 30% of the urban. Only 56% of the rural masses are literate and the general educational status is low. The overall vital and health status in Meghalaya is poorer than the rest of India.

This is paradoxical since this state possesses rich mineral and natural resources, adequate power supply and vast potentials to produce high-value cash crops. Many reasons could be cited for this situation, but it is also likely that the State lacks the necessary support system to promote entrepreneurial activities that can result in economic development of the region. Due to ignorance or misconceptions, entrepreneurship appears to be a low priority in the society particularly among the educated youth. These urgent concerns should be properly investigated through careful research studies. Much entrepreneurial research is reported from various countries and from a few indigenous populations, but hardly any research has been done to explore in-depth the enabling factors, constraints and obstacles faced in Meghalaya,
as well as the prospects of establishing adequate entrepreneurial activities to aid in the economic development of the region

**Objectives and Scope**

Hence a major doctoral research was undertaken since 2007 with the following objectives: (1) To determine the enabling and constraining factors associated with successful entrepreneurship in terms of personal, social, cultural, political and economic characteristics. (2) To explore the prospects of enhancing entrepreneurship in East Khasi Hills district. (3) To ascertain the knowledge, perceptions, attitudes and aspirations of Khasi youth towards entrepreneurship in East Khasi Hills district. This research should contribute new knowledge in the crucial area of sustainable entrepreneurship in Meghalaya, to promote its socio-economic development.

**Methods & Subjects**

After an extensive review of literature on entrepreneurship research in various countries including a few developing nations and indigenous populations, and analyzing the linkages between entrepreneurship and economic development, it was proposed to adopt multiple approaches to achieve the stated objectives (1) A Case-Control study of successful entrepreneurs (Cases) with the not-so-successful entrepreneurs as Controls, using in-depth interview techniques, tracing back to the beginning of their ventures, their progress, hardships, innovations and other events till the present time (2) Focus Group Discussions (FGD); (3) Case studies on typical senior entrepreneurs and (4) A Descriptive Survey on Knowledge and Attitudes of Khasi Youth.

Based on variation, type 1 and type 2 errors and precision desired, a random representative sample of 30 entrepreneurs, 5 men and 5 women, in each group of successful, not-so-successful and potential entrepreneurs were chosen and interviewed in-depth. Likewise, representative random samples of 385 students of the 12th grade were studied
using a self-administered structured questionnaire. These interview checklists and questionnaires were developed in consultation with senior entrepreneurs, field tested, modified and used. Data were entered on Excel sheets and statistically analysed using SPSS, for calculating the necessary descriptive and inferential statistics.

The in-depth interview documented the background of the enterprise, listed the enabling and constraining factors, elaborated on the developments and innovations made, risks taken, training, bank loans and other financial supports availed of. It also elicited their opinions on the prospects of entrepreneurship, their view on the viability, sustainability and impact on economic development in the area. The questionnaire for students included basic socio-demographic details, background of parental occupations, especially in business, career options, knowledge, attitudes and interest in entrepreneurship, and their suggestions for encouraging youth to take up entrepreneurship. Two Focus Group Discussions (FGD), and Two case studies, using key entrepreneurs, provided a broader canvas on entrepreneurship.

All the data were computerized and statistically analysed using SPSS and other packages.

Findings

The duration of the enterprise was significantly longer for the successful ones (60%) as compared to only 10% in the Unsuccessful group (P<0.05). The Odds Ratio (OR) and the 95% confidence interval is calculated as 13.5 (1.45, 110.67). Seven among successful ones, as compared to 9 from the unsuccessful ones, took the initiative on their own to start the enterprise. The most important personality trait mentioned by both successful and unsuccessful entrepreneurs was hard work followed by positive attitudes to learning, dedication, patience and good public relations. While many entrepreneurs in both groups placed more importance on experience, a significant number felt the necessity of formal training. The leading problems in start-up were related to the location of their business in a good place, publicity and getting customers, training needs, manpower, and obtaining good
quality materials. These problems were common to both the groups of entrepreneurs and were overcome with learning experiences and hard work, significantly more among the successful entrepreneurs. Only half of the successful ones and none of the unsuccessful ones took Bank loans, and felt their experiences good although there were too many formalities to comply. The successful entrepreneurs were able to innovate more in every aspect of their enterprise, viz., the product, process, marketing, internal and external environment as compared to the unsuccessful ones. The respondents felt that while not everyone can become a successful entrepreneur, they should be optimistic and persevering. In summary the key enabling factors were hard work, patience, dedication, innovation, some risk-taking experience and technical knowledge. Lack of knowledge, suitable man-power and finance, guidance and support from government or non-governmental agencies were the leading constraining factors in both the groups. Findings showed no statistically significant differences between men and women entrepreneurs, in terms of initial start-up problems or failures, and the methods or opportunities utilized to achieve success, or in their advice and suggestions. Further analysis comparing successful and not-so-successful entrepreneurs in terms of business background of their parents and family revealed no major advantages, but there was good family support for all entrepreneurs.

Eighty percent of both the successful and not yet started entrepreneurs stated that cultural factors have a large role to play in entrepreneurship as compared to only 20% of the unsuccessful group, these differences statistically significant (P<0.05). Among successful and not-yet started entrepreneurs, 70% stated that Khasi culture encourages entrepreneurship as compared to only 40% in the unsuccessful groups. Nine out of 10 successful ones and eight of the unsuccessful stated that there was no gender bias in entrepreneurship. The general impression in all groups seems to be that the governmental formalities tend to delay the initiation and progress of an enterprise, probably because of heavy paperwork and
procedures. However, all the successful entrepreneurs and 80% of the unsuccessful were positive that entrepreneurship can blossom in the East Khasi Hills district and would lead to socio-economic development in the area, with necessary support systems in place. Students, both boys and girls, expressed great interest in seriously considering entrepreneurship as a professionally attractive career, especially if training and financial support is given.

Both the Focus Groups generated much discussion on the determinants and prospects of entrepreneurship. The groups concluded that the Khasis have all the required qualities for successful entrepreneurship. Adequate support from government and need-based training will be required for better performance in entrepreneurship that would impact on economic development; finally, sufficient publicity, training, financial support and encouragement by parents will enable larger numbers of youth to consider entrepreneurship as an attractive career option.

The Case studies reiterated the leading enabling and constraining factors in their lives through examples and attributed their success to a strong Christian influence, ability to exploit God-given talents to the maximum, availing every opportunity, and displaying the fighting spirit of Khasis, well-known since ancient days. This culture has inculcated enduring qualities from childhood, such as to be hardworking, patient, responsible, and to foresee things. It has encouraged entrepreneurship, helped to promote innovative business ventures, and contribute to social and economic development at both micro levels within the families, and extended to the macro level into the communities. Both the case studies emphasized the great prospects for the success of entrepreneurship in East Khasi Hills district.

In the youth survey, although the natural choice of the students seemed to opt for professions in medical, engineering sciences and administrative services, 33% were thinking of business as a choice. Only 17% had said a definite ‘no’, 40% said ‘yes’, but another 43%
were not yet sure of their preference, who could be motivated for becoming an entrepreneur. The difference by sex was not statistically significant. Half the students felt that entrepreneurship was more difficult as compared to other professions as it was difficult, risky, needed large financial and social support. However, when asked if they would take up entrepreneurship if enough assistance was given, through training and funds, nearly 70% replied positive; it was 60% for girls and 73% for boys, the difference statistically significant and (P<0.01). The students wholeheartedly supported the idea that schools/colleges should provide training and education opportunities on entrepreneurship. Among 89 students whose parents were engaged in business, 45% had mentioned business as their career choice, as compared to only 29.4% of 296 students whose parents were not engaged in business, the difference statistically highly significant (P<0.01).

Conclusions & Recommendations

Successful Khasi entrepreneurs manifested certain qualities reported by other researchers, but there were also some major differences. Not all of them demonstrated great innovativeness or risk taking behavior given the logistical and other limitations. The Khasi culture was highly supportive and there was practically no gender bias. The prospects of expanding and sustaining a variety of enterprises are bright, eventually leading to economic development of the area because of population growth, government schemes and support for rural and small scale industries. There is a great need for capacity building of the potential, prospective entrepreneurs as well as practicing entrepreneurs. Entrepreneurship will become more attractive if integrated and coordinated efforts are made by the government agencies, non-governmental organizations, universities and the community leaders. Much greater awareness must be created among Khasi youth to consider Entrepreneurship as an attractive
career option. The budding entrepreneurs should be given proper training, guidance, and adequate facilities to start viable ventures to enable development of the region. Both boys and girls have expressed great interest in seriously considering entrepreneurship as a professionally attractive career, with such support. Based on these conclusions, several recommendations are made to educational institutions, government departments, community leaders and others. Research ideas are given including action research on entrepreneurship and prospective cohort studies, as well as extending similar research to other parts of Meghalaya.