

ENTERPRISE DEVELOPMENT AND ECONOMIC SELF- SUSTAINABILITY

Prabha Upreti

Daayitwa Summer Fellow 2016

ABSTRACT

Gulmi though renowned for its coffee related enterprises and other increased entrepreneurial activities, is facing major challenges in sustaining its innovativeness and enterprise promotion. One fifth of its population is abroad, mostly for work. This has put the district's economic system at risk as the entrepreneurial ecosystem is incomplete without the workforce.

There have been many efforts from the governmental agencies to help entrepreneurs and enterprises. However, this has been a slow process and Gulmi is still facing a huge problem of brain drain which has made the district economically dependent on external products and services. Gulmi's own resources are not being utilized and its population has been forced to leave their families working in unsafe jobs abroad which has added on the the unsustainability of its economy.

This study builds upon the argument put forward by Mark Zeleny (1997) that one of the most important step towards sustainability is the ability to produce the producers, i.e. autopoiesis besides sustaining one's existence and production. For Gulmi's dream for economic-sustainability to come true, it needs to produce its own economic agents: its entrepreneurs. The case study presented here shows the existing SME entrepreneurs in Gulmi are contributing in the autopoiesis and presents policy recommendations to strengthen this behavior.

TABLE OF CONTENTS

ABSTRACT	2
TABLE OF CONTENTS	3
INTRODUCTION	4
RESEARCH DESIGN	6
PROBLEM STATEMENT	6
RESEARCH OBJECTIVE AND RESEARCH QUESTIONS	6
RESEARCH METHODOLOGY	7
STUDY AREA AND METHOD JUSTIFICATION	7
POPULATION AND SAMPLE SELECTION PROCEDURE	7
DATA COLLECTION AND ANALYSIS	7
LIMITATIONS OF THE STUDY	7
FINDINGS	8
ECONOMIC BEHAVIOR	8
SOCIAL BEHAVIOR	9
PROBLEMS AND POLICY RELATED SOLUTIONS	10
REFERENCES	10

BACKGROUND

Gulmi is located at the western Hills of Nepal with its total area of 1249 square kilometers with 32 percent of its population dependent on agriculture for livelihood. The District Development Committee(DDC) Office Gulmi under Ministry of Federal Affairs and Local Development is the largest public agency working for the economic and infrastructural development of the district. Nepal Government has adopted plans and policies regarding self-sustainability as a measure for alleviation of poverty and economic development which is an idea similar to that adopted by Thailand for its own economic development (Chalapati, 3). The DDC is trying to strive for economic self-sustainability in the district in the long run with its policies encouraging the different aspects of the entrepreneurial ecosystem including “one product one pocket area” program and encouraging local production and export of other agricultural and animal products that the government has recognized Gulmi’s strength to be in. The government is spending in encouraging establishment of new enterprises in the district and use of the locally available resources by the district population by supporting various sections of the ecosystem through its programs. However, the central bureau of statistics in the National Population and Housing Census 2011 has determined that out of total Gulmi’s total population (279,005), 58,561 people are absent from the district to abroad for various purposes. (CBS NPHC 2011 p. 17) This is about 20.99% of the total population. Gulmi’s own population has not been using local resources for generating employment locally and has opted for less sustainable measures. From among this very large proportion of the total population abroad, most people are young people: 31,881 people from the age group 15 to 24 and 12290 people of age group 25 to 34. The population is absent for various reasons the major being private jobs for which a total of 23,855 from age group 15 to 24 and 9823 from age group 25 to 34 were abroad in 2011. The major portion of the absent population is male with 28,425 from age group 15 to 24 and 10,975 from age group 25 to 34. (236, CBS NPHC 2011) The largest proportion of the 15 to 24 age group: 9207 people stay abroad for only 1 to 2 years while the second largest duration of stay is 10 to 24 years for 7305 people. About 5551 have been staying abroad for 3 to 5 years. (CBS NPHC 2011 p. 429-430) 39,439 people went to India while 12,679 people are going to Middle East countries out of the total 58561 absentees. (CBS NPHC 340-341) This large proportion of the young population not engaged in Gulmi’s own economic system is unhealthy for Gulmi’s economic development and especially to the dream of a self-sustainable Gulmi.

INTRODUCTION

Looking at the behavior of the current Gulmi's economically active population, a large proportion of them are abroad which itself is a hurdle for achieving the goal of self-sustainability as Gulmi cannot produce sustainably without its own population getting involved in the district's business environment. A very large proportion of this population abroad: 9200 absentees out of the largest age groups abroad, 15-24 age group have only completed their primary education while 8145 people have completed lower secondary education. In the 25 to 34 age group, we can see similar proportions with primary and lower secondary being the highest level of qualification for most of the people leaving Gulmi to go abroad: 3253 people from age group 15 to 24 and 2973 people from age group 25 to 34. (CBS NPHC 2011 p. 531- 532) So despite the emigration, Gulmi is already behind in producing contributors to the local economy through education. So, though improving education can be a long-term strategy for economic sustainability, there will be no immediate results in the economy as the popular trend seems to be emigration for work with little education despite the emigration itself being a big question mark on Gulmi's economic sustainability.

According to Harper, encouraging entrepreneurial activities is an effective way to fuel economic growth (Harper). Entrepreneurship will ensure local production of goods and services which is the first step towards a self-sustainable economy. Economic development through entrepreneurship is significantly challenging in Nepal's case, where the entrepreneurs and prospective entrepreneurs face many technical and adaptive challenges. Dr Fatta Bahadur KC in his study "Entrepreneurs in Nepal: an empirical study" has identified the major challenges to include political instability and low level of confidence, low return from industrial confidence. (K.C., 3) which has discouraged for people to invest in SMEs and people tend to opt for an option with better financial security: labor emigration. This has caused the economy a crisis in the number of new business ventures.

This case study identifies and studies a group of people whose actions deviate from the existing popular culture of foreign employment. In this report, I shall label them as the "positive deviants" and study their behavior and influence. Our positive deviants are people who have shown entrepreneurial spirit within the local area and have been running their own enterprises and contributing to the local economy. In the study, we are going to look in depth about their patterns of interactions and how it is supporting the idea of a self-sustainable economy.

EXISTING IDEAS ON BEHAVIOR AND ECONOMIC SELF-SUSTAINABILITY

Milan Zeleny in his *Autopoiesis and self-sustainability in economic systems* states “Self-sustainable systems must be autopoietic, i.e., self-producing. They must be capable of producing themselves, not only of producing something else.” (Zeleny 251)

RESEARCH DESIGN

PROBLEM STATEMENT

Gulmi though renowned for its coffee related enterprises and other increased entrepreneurial activities, is facing major challenges in sustaining its innovativeness and enterprise promotion. One fifth of its population is abroad, mostly for work. This has put the district’s economic system at risk as the entrepreneurial ecosystem is incomplete without the workforce.

There have been many efforts from the governmental agencies to help entrepreneurs and enterprises. However, this has been a slow process and Gulmi is still facing a huge problem of brain drain which has made the district economically dependent on external products and services. Gulmi’s own resources are not being utilized and its population has been forced to leave their families working in unsafe jobs abroad. The residents of Gulmi are also poor and thus do not possess a good standard of.

This study aims to find more cost effective measures to promote entrepreneurial mindset among the people so that they can themselves be economically independent while encouraging such mindset among their connections making the economic system self-sustainable. It hopes to expand the preexisting network culture in Nepali rural communities to encourage positive discussions and resource sharing in the topic of entrepreneurship in order to help develop entrepreneurship as the popular culture through policy measures.

RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

The main objective of this research was to identify and study economic practices in Gulmi that were promoting the economic self-sustainability and to design policy interventions to promote such practices.

The research questions are:

1. What is economic self-sustainability and what does a self-sustainable Gulmi look like to Gulmelis?
2. Who are the individuals already adopting measures that contribute to the economic self-sustainability of the region and what is their behavior like?
3. How can such behavior be replicated and spread as a popular culture in the rest of the region?
4. What measures are being taken by the local public agencies in this matter?

RESEARCH METHODOLOGY

STUDY AREA AND METHOD JUSTIFICATION

This research was done in Gulmi. The specific study area was chosen based on convenience and its reputation as an emerging entrepreneurial site

POPULATION AND SAMPLE SELECTION PROCEDURE

The sample consists of positive deviants, so the sample does not represent the ordinary population in terms of economic activity and entrepreneurial spirit. However, the selection was done so that the positive deviants themselves represented a wide variation of other social categories and the major economic status. The sample has included people of different castes, religious groups and genders. The sample was chosen to be 50% male and 50% females. The female sample itself can be labeled as positive deviants in the social context too as not many women in the area own enterprises or even get involved in economic activities.

DATA COLLECTION AND ANALYSIS

The secondary data was collected through interviews. A questionnaire was used to record responses but the data collected is in more depth than the answers in the questionnaire because of the detailed interviews. The data is analyzed qualitatively and quantitatively.

LIMITATIONS OF THE STUDY

The major limitations of the study were:

The sample included entrepreneurs living less than a day away from the headquarter of Gulmi. These entrepreneurs have comparatively easier access and more knowledge about different services for their own enterprise. So, the problems for people living in more remote places could not be included.

Limited time was spent in the study area to be able to comprehend the social dynamics in full detail.

FINDINGS

The study analyzed budding entrepreneurs in a typical remote village of Nepal who started/ are running cottage and small scale enterprises. In the popular emigrating culture, they can be regarded as outliers or also positive deviants who chose to be entrepreneurs and be engaged in an economic activity in the area itself. The findings are centered towards analyzing their behavior so that recommendations can be made to replicate/encourage such behavior among other people.

The study focused on the economic and social behaviors of the positive deviants in the area. Information was collected about the problems the enterprises are facing in sustaining their enterprise and informal networks the entrepreneurs have used /built which has caused a positive impact on the sustainability of the community's entrepreneurial ecosystem which is going to be analyzed here.

ECONOMIC BEHAVIOR

The current economic status of the entrepreneurs was recorded to be comparatively sound compared to the rest of the district's population. The United Nations Development Program in Nepal recorded the per capita income of the local Gulmi's population to be NRs 46,500 per year (NHDR report 2014). The average annual income of the sample interviewed from their enterprise was NRs 11,43,750 per year. The average family size in Gulmi is 4.31 people per household according to the annual report published by Gulmi DDC Office in 2014/15. If we assume the enterprise to be the income source for the whole family, the per capita income for each enterprise family member is NRs 2,65,371 which is more than 5 times the income of the average Gulmi resident. The choice of the positive deviants was based on their economic success through entrepreneurship.

The entrepreneurs reported having more modest beginning and used personal loans from various sources or just the money they had. This is a direct example of how entrepreneurship in small and cottage industries directly goes into improving the living standard of the people. The modest roots make these entrepreneurs the right kind of positive deviants who can catalyze the process of autopoiesis in the entrepreneurial ecosystem as they are directly connected with the people who are not economically active and can influence them directly.

SOCIAL BEHAVIOR

The positive deviants displayed a certain pattern of social behavior that involved communication of entrepreneurial ideas among peers. Only 33.3% of the total participants reported having reached out to their peers for economic reasons i.e. asking for short term loans or grants. However, a larger proportion of the deviants: 66.6% reported approaching the governmental institutions for help. This can be one of the distinguishing characteristics between the deviants and normal population in the district and an important characteristic the deviants possess which is contributing to making the economy more self-sustainable by helping sustain the entrepreneurial ecosystem.

About 66.6% of the deviants also reported having adopted a different occupation than that of their parents' or of the family's that they grew up in. Those who continued the same profession have been innovative in their enterprise in different ways like technology, scale etc. Their risk-taking behavior is reflected in them changing their profession from what they saw and learnt in their family and society to an enterprise which addresses the gaps in the demand and supply, the resources and production.

Most of the entrepreneurs spoke about analyzing the local market and seeing the demand for certain goods that was either being imported from outside the district or outside the country. And most importantly, when they started their enterprises, it enabled other people to see the demand and enter the market as producers which is an example of how entrepreneurs can foster be integral to incorporate entrepreneurship in the local people's mindset. When someone has already taken the initial risk, and tried to get engaged in a new kind of profession, and does well, the enterprise is not regarded a risk anymore. Seeing rising entrepreneurs in their society raises people's business confidence, and the positive effects of supporting and encouraging entrepreneurship extends beyond just their contribution in the economy through their own sales. Conversely, seeing entrepreneurs who are usually the more proactive people in their society try and fail, it hurts not only the entrepreneurs' confidence but the whole society. Consequently,

protecting the existing entrepreneurs will itself be an effective step towards fostering and sustaining the economy and it induces autopoiesis in the economy.

PROBLEMS AND POLICY RELATED SOLUTIONS

Looking at the problems the entrepreneurs are facing, one of the most recurring ones were about infrastructure. SMEs are being affected due to the lack of transportation, electricity and education. So, a major focus of the government should be in executing infrastructural development planning and programs efficiently. Efficient administration can be fostered through transparency regulations.

The entrepreneurs also reported they face or have in the past faced problems regarding financial access and information. Access to finance can be improved for the SMEs through subsidized loans and deregulation. Financial literacy related programs would help the entrepreneurs understand their options. A way can be mobilizing commercial banks into helping the established SMEs wanting to expand their businesses.

The government's current programs for enterprise development includes mostly of mobilizing the government and its officials to execute the supply side interventions like trainings and subsidies. There is a special department in the executive looking after SMEs which has helped to give the required attention the SMEs sector which could have been overlooked by the Ministry of Industry.

REFERENCES

Central Bureau of Statistics, National Population and Housing Census 2011, Household Tables, (Housing Characteristics, Dead and Absentee Population), Volume 4, February 2014

Zeleny, Milan, Autopoiesis and self-sustainability in economic systems, 251-262, Human Systems Management, 1997

McCormick, Dorothy, African Enterprise Clusters and Industrialization: Theory and Reality, 1531±1551, World Development Vol. 27, No. 9, pp., 1999, Published by Elsevier Science Ltd.

Central Bureau of statistics, Development of Manufacturing industries in Nepal: Current state and Future Challenges, November 2014

Harper, M. 1991. The role of enterprise in poor countries. *Entrepreneurship Theory and Practice*, 15(4):7–11.

KC, Dr Fatta Bahadur, *Entrepreneurs in Nepal: an empirical study*, epfnepal

Altenburg, Tilman, Meyer-Stamer, Jorg, How to Promote Clusters: Policy Experiences from Latin America, *World Development* Vol. 27, No. 9, pp. 1693-1713, 1999 Elsevier Science Ltd.

Chalapati, Supaporn, Sufficiency Economy as a Response to The Problem of Poverty in Thailand, *Asian Social science*, Vol 4, No. 7, July 2008

<http://data.opennepal.net/content/district-wise-capita-gross-national-income-2014-kathmandu>