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STATUS QUO REPORT ENTREPRENEURSHIP IN NEPAL





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Executive Summary

ENCORE+ is a center that amplifies instances of best practices, facilitates innovation in training and education, and promotes innovation that encourages corporate entrepreneurship. For the future European Open Educational Resources (OER) Ecosystem, ENCORE+ focuses on developing open, distributed, and highly trustworthy community-based quality review processes. ENCORE+ also engages businesses and higher education institutions in discussions about quality and innovation through OER.

A country with a growing economy, such as Nepal, can be categorized as either an agrarian nation transitioning to an industrial nation or a nation experiencing industrial infancy and slow technological development. In Nepal, entrepreneurship is a key driver of the nation's economic growth. An integrated economy centered on the welfare state has been established in Nepal. Both the public and private sectors engage in entrepreneurial activities in this sort of economy, including industrialization.

A variety of courses, training and development programs, and educational institutions play a significant role in the development of entrepreneurial competency in Nepal. Higher learning institutions provide people with a place to develop their inventiveness and creativity. In Nepal, a stronger connection between entrepreneurship and academic knowledge would be fostered as a result of an increase in the development of skilled manpower. Both rising and experienced entrepreneurs, policymakers, trainers, academics, mentors, funding organizations, and other supportive agencies can benefit from the information provided by this research.

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CHAPTER 1

INTRODUCTION TO ENTREPRENEURSHIP IN NEPAL

The term entrepreneurship derives from the French word '*entreprendre*', meaning 'to undertake', 'pursue opportunities', or 'fulfill' needs and wants through innovation and starting businesses. Modern use of the term now refers primarily to those who take responsibility for the organization, ownership, and management of their own businesses, as well as the assumed risks that come with it (Webster's Third New International Dictionary, 1961). In this regard, entrepreneurship can be distilled into three key components: innovation, risk-taking, and the mobilization of human and economic capital.

Concerning risk-taking, entrepreneurs must constantly strive to meet the ever-evolving demands of businesses. Entrepreneurs serve as an important intermediary between capital and labour as they work to innovate new opportunities for production, goods and services whilst foreseeing the possibility of making use of these inventions for their own enterprises. Trying something new and different will inevitably present a great risk to the prosperity of any enterprise, but it also has the potential to bring great rewards and opportunities. Various factors such as

increasing competition, changes in customer preferences, lack of promotion, shortages in raw materials, and the means of production are some of the key factors that can determine the success of a new venture. Entrepreneurs, therefore, must be bold enough to assume the risks involved in enterprise, not avoid them. Then, even in failure, one can learn the lessons and persistence needed to empower themselves and their ideas.

For the purposes of the ENCORE Nepal project, the definition of entrepreneurship as given by Howard H. Stevenson (cited in Kao, 1993) will be the main point of reference. Stevenson defines entrepreneurship as a three-fold process; "entrepreneurship is the process of making changes; the entrepreneurial process is doing everything others are doing – to greater effect; entrepreneurship is the pursuit of opportunity beyond the resources under your current control" (Kao 1993, p. 69). This definition encompasses the six key dimensions of entrepreneurship this project aims to explore: market, culture, human capital, finance, support, and policy.

As developed nations continue to evolve and grow their economies through areas such as entrepreneurship, the sector has become a significant contributor to employment generation and economic development. These results stemming from entrepreneurship have been acknowledged by least developed and developing nations like Nepal as they strive to grow their industries. In addition to the aforementioned points, entrepreneurship serves to incubate and promote innovative businesses according to needs, people, and location. Therefore, entrepreneurship ventures are highly beneficial to nations looking to expand their domestic industries.

1.1. Importance of Entrepreneurship to Nepal

Economies are powered by innovation. Much of that innovation derives from forward-thinking individuals who possess the drive, skills, and background to turn a business vision into a reality. The importance of entrepreneurs extends beyond the effect they have on their own companies as their activities have the potential to positively impact their broader region and beyond. Entrepreneurship has played a pivotal role in contemporary economic growth among nations and internationally as it has helped to transform or revitalize industries, create new markets, and build resilience within communities. Globally, several factors

contribute to the contemporary importance of entrepreneurship as an industry for Nepal’s development.

1.1.1. Economic Activity in Nepal

The success of the products and services created and sold by entrepreneurs will have a cascading effect on other businesses and markets. Targeting new markets and tapping consumers beyond the focus of established sectors can lead to new sources of revenue and profits. Following the restoration of democracy in Nepal in 1990, the first half of the decade saw a successful trend of economic growth. However, this growth was halted by the start of the Maoist insurgency and Nepalese civil war, bringing widespread disruption to all areas of life in the country. Similarly, being a landlocked country surrounded by the Himalayas forces Nepal to be largely dependent on trade with its immediate and regional neighbors.

In terms of total trade and import trade, as of the 2019/20 fiscal year, Nepal’s ten largest trading partners were India, China, Indonesia, the United States, the United Arab Emirates, Canada, Argentina, France, Malaysia, and Ukraine respectively. Trade with these partners was worth NPR 1137.49 billion (87.87% of Nepal’s total trade) in the 2019/20 fiscal year. Meanwhile, Nepal exported NPR 83.05 billion worth of commodities to the above-mentioned

countries, constituting 84.99% of Nepal's total exports in 2019/20. On the other hand, Nepal purchased commodities worth NPR 1054.44 billion from these countries which accounts for 88.10% share of Nepal's total imports this 2019/20. These amounts show a deficit balance of trade in goods amounting to NPR 971.39 billion - 88.4% of Nepal's total trade deficit (Nepal Foreign Trade Statistics, 2019/20).

However, some obstacles to productive trade have been reduced in part thanks to widespread social change, innovations in technology, and the advancement of Nepali goods and services. These changes have helped Nepal reduce its dependence on outdated processes and technologies. Smartphones and mobile communication have especially had a fundamental impact on how businesses communicate with customers, employees, and

partners. Additionally, innovations in the telecommunications sector since 2000 by the private sector in Nepal have had a tremendous impact on Nepali society. Similarly, entrepreneurs foster a sense of community among people with common goals and interests, whether in a single neighborhood or across continents. Their products and services contribute to the community's social and economic well-being and development (S.Seth, 2021). Although such development in Nepal was stifled as a consequence of the unrest of the 1990s, the past decade has seen a new phase of socio-economic activity due to the peace process.

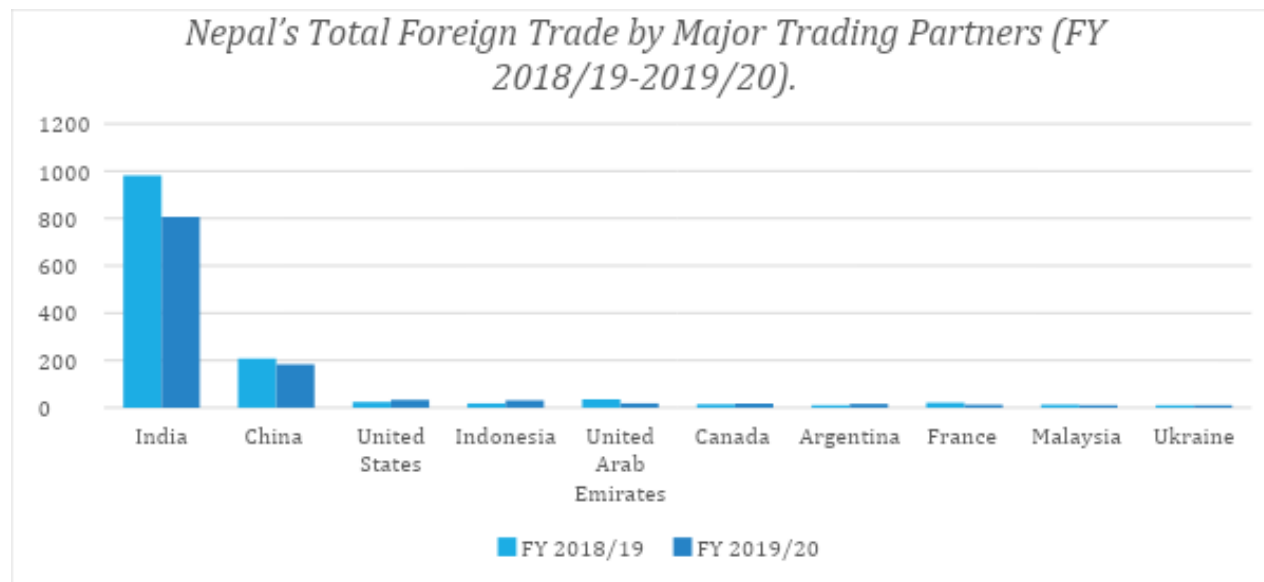


Figure 1: Nepal's Total Foreign Trade by Major Trading Partners

PARTNER COUNTRY	TOTAL FOREIGN TRADE (Billion NPR)		% CHANGE
	FY 2018/19	FY 2019/20	
India	980.65	805.40	-17.87%
China	207.63	183.11	-11.81%
United States	24.28	32.99	+35.87%
Indonesia	18.22	30.93	+69.76%
United Arab Emirates	35.69	18.37	-48.53%
Canada	14.45	17.43	+20.62%
Argentina	10.45	16.03	+53.40%
France	21.15	12.41	-41.32%
Malaysia	12.76	10.58	-17.08%
Ukraine	10.18	10.23	+0.49%

Table 1. Nepal's Total Foreign Trade by Major Trading Partners (FY 2018/19-2019/20). Source: Nepal Foreign Trade Statistics, 2019/20

1.2. Benefits of Entrepreneurship for Developing and Least Developed Countries

The relationship between economic openness and entrepreneurial growth in developing countries remains a topical issue. As established already in the example of Nepal, entrepreneurship is providing a fundamental input to the country's economic development. The nature of an economy like Nepal's is quite different in comparison to that of a developed

economy. A developing economy, such as Nepal, can be characterized as an agricultural country moving towards industrialization or a country in a stage of industrial infancy and poor technological advancement. The globalization of industry and commerce has brought benefits to Nepal. A developing country like Nepal needs entrepreneurs who are competent to perceive new opportunities and willing to incur the necessary risk of capitalizing on them. For a developing economy like Nepal, it is vital to

break the cycle of low income and poverty. This is where entrepreneurship can step in. Some of the benefits of entrepreneurship for developing countries like Nepal are as follows.

Employment Generation

Private enterprise provides a source of direct and indirect employment for many people in a country. Unemployment is a chronic problem in most developing and underdeveloped countries like Nepal. In 2020, the unemployment rate in Nepal was around 1.47%. Entrepreneurs, therefore, play an effective role in reducing unemployment in Nepal, which in turn clears the path toward greater economic development.

Promotes Capital Formation

Entrepreneurs mobilize funds that lead to capital formation. The funds which are used by entrepreneurs are a mix of their own and borrowed sums. This scenario leads to the creation of wealth essential for economic development.



In recent times, the Government of Nepal has

started to provide a grant program for innovative businesses with the help of the National Planning Commission. This grant program allows innovative businesses to receive between one and five million rupees as a grant if their proposal is approved.

Small Business Plan Dynamism

Dynamism is one of the qualities of small and medium enterprises. The structure of small and medium enterprises is less complex than that of large enterprises and therefore facilitates quicker and smoother communication and decision-making. There is greater flexibility and mobility in small business management due to communication and quick decision-making. Small enterprises also make it possible for owners, who have a stronger entrepreneurial spirit than employed managers, to undertake risks and challenges.

Balanced Economic Development

The growth of industries and business lead to a large number of public benefits such as an improvement in infrastructure, health, education, entertainment, etc. In the case of Nepal, entrepreneurship has led to the generation of more industries and business activity in underdeveloped regions, thereby encouraging and promoting balanced regional development.

Improved Standards of Living

Nepalese are financially very poor as only a few elite groups of society live comfortable lives. The majority of citizens struggle for basic needs. The per capita income of Nepal, as per the World Bank in 2019, is USD 1,071 (Thapa 2014). Entrepreneurs can play a vital role in greater economic prosperity as they can produce goods at lower costs and supply quality goods at a lower price according to the demands and requirements of the consuming community. When the price of commodities decreases, the consumers get the power to buy more goods for their satisfaction. Many businesses in Nepal have begun to provide the same services at cheaper costs. Many private businesses are involved in different sectors like health, education, transportation, construction, agriculture, etc., and provide services at reasonable prices. In this way, private businesses can increase the standard of living of the people.

Self-Reliance

Entrepreneurs are the cornerstones of national self-reliance as they help manufacture indigenous substitutes for imported products, reducing dependency on foreign countries. There is also a possibility of exporting goods and services to earn foreign exchange for the country. Hence, import substitution and export promotion ensure economic independence and

allow the country to become more self-reliant.



Figure 2: Textile industry in Nepal

Recently, the announcement was made on behalf of the Ministry of Agriculture and Livestock Development that Nepal has now become self-sufficient in dairy, eggs, and meat products (The Himalayan Times, 2021).

The announcement was made based on the needs and production conditions in line with the Food and Agriculture Organization (FAO). The investment in agriculture and livestock not only contributes to self-reliance but also helps generate local employment opportunities.

Facilitates Overall Development

Entrepreneurs can act as catalytic agents for change. Once an enterprise begins its establishment in Nepal, the process of industrialization is set in motion. This enterprise then generates demand, at multiple levels, for the various types of units required to produce the end product. This outcome leads to a greater development of an area due to an increase in demand and the production of

diverse units at a higher rate. In this way, the

However, prior to the COVID-19 pandemic,

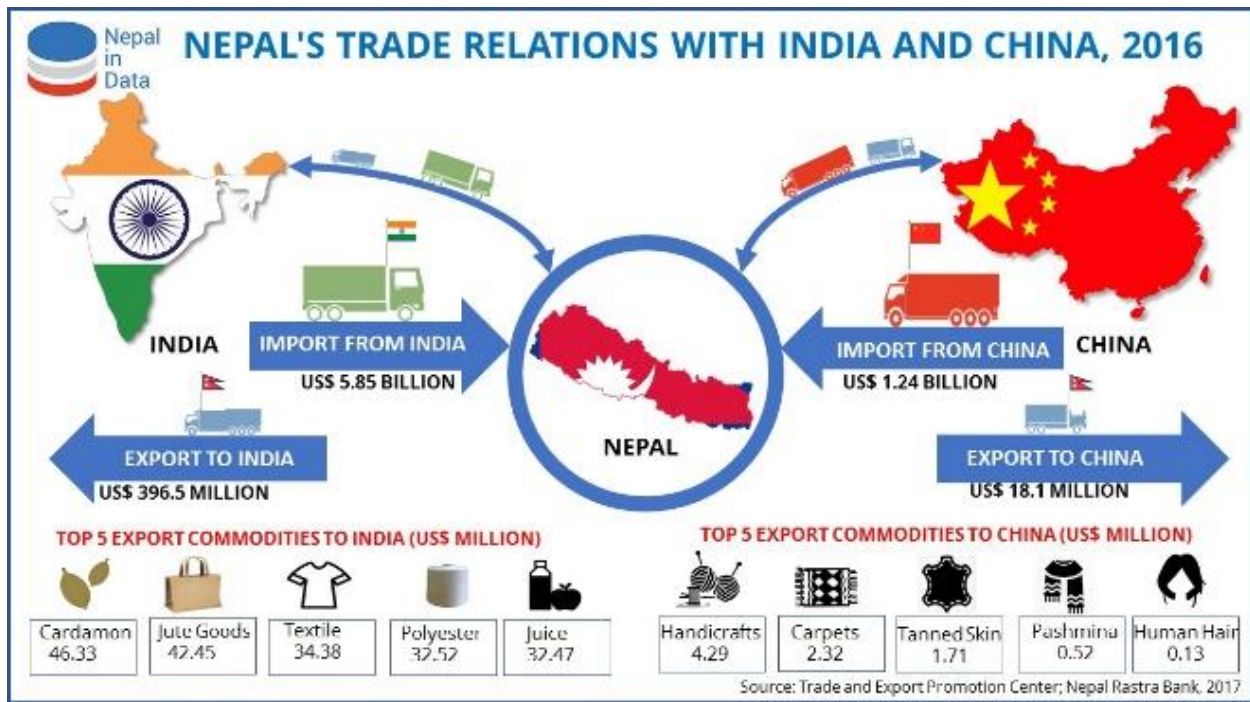


Figure 3: NEPAL'S TRADE RELATIONS WITH INDIA AND CHINA

activities of entrepreneurs have a strong multiplier effect which creates an environment of enthusiasm and conveys an impetus for the overall development of an area.

However, an increased connection with international trade does place greater reliance on these markets. The 2008 global financial crisis and the Eurozone crisis of the 2010s hampered economic growth among developing and least developed countries. Whereas Least Developing Countries saw an average GDP growth rate of 7.9% between 2002 and 2008, by 2010 this had slowed to an average of 5.6%, and down to just 4.2% in 2011.

there were signs of economic recovery. The economic growth rate among LDCs rose to 4.9% in 2017, after plateauing at 4.2% in 2016. Thus, external economic factors have demonstrated an impact on developing countries' capabilities. (UNCTAD, 2020)

The major internal barriers to the growth of entrepreneurship in Nepal are a lack of management capacity, networking abilities, funding levels, sales and marketing capacity, and psychological and motivational factors. Some external barriers are legislation, complex government policies, market structure and competition, labour market conditions, initial stages of economic development, and the global and regional economic environment. To

overcome these barriers, Nepal should include entrepreneurship in national development plans and industrial policies should be formulated. Additionally, entrepreneurship and development policies for microenterprises and small and medium-sized enterprises should be adopted. Furthermore, the institutional framework for enterprise policies should be formulated along with recommended policy principles

1.3. Entrepreneurship and Business Practices in Nepal

According to the Central Bank of Nepal's 2019 report 'SME Financing in Nepal', as of the 2018/19 fiscal year, a total of 275,433 small and medium enterprises (SMEs) were registered in Nepal. Per the World Bank's 2020 'Starting a Business' Index, these SMEs contributed to an estimated twenty-two percent of Nepal's GDP, employing some 1.7 million people. Furthermore, Nepal ranks 135th out of 190 countries for ease of setting up enterprise (Mahat 2020). This ranking indicates several problems within the country but also conveys the prospects and potential the field can strive towards.

Nepal has adopted a mixed economy that is oriented around the welfare state. In this type of economy, both the private and government

sectors perform entrepreneurial functions, including industrialization.



Many private enterprises, in the present context, have promoted many industrial units like confectionary, bakeries, soaps, tanneries, cotton and textiles, solvent extraction plants, light engineering units, breweries, iron rods for television use, corrugated sheets, plastic piping and utensils, flour mills, modern rice mills, sugar, radio assembly, and hotels.

When there is an absence of entrepreneurial capability and a lack of capital in the private sector, the government also acts as an entrepreneur in the development of industrial projects. The government of Nepal has funded ventures into jute, sugar, cigarettes, leather, timber processes, agro-lime and agricultural tools, brick and tile, cement, dairy, textile, herbs and medicines, and paper mills. However, many nationalized businesses and sectors are not profitable and are closing as a consequence of political corruption and mismanagement. Further complications arise from the fact that

Nepal remains largely reliant on its neighbouring countries for the import, processing, and refinement of raw materials, thus inherently limiting Nepal's industrial capacity (Karki, 2012).

Due to globalization, multinational companies now play a vital role in transforming and creating international production and distribution networks globally. In tandem, movements towards market liberalization and public-private partnerships have given greater influence to business interests. In the present context, several plans, policies, rules, and regulations have been adopted for the promotion of entrepreneurship and economic growth in Nepal. The government has taken several initiatives towards promoting entrepreneurship as economic growth, such as through adequate pricing and exporting, identifying demand and supply patterns, managing market evaluation, developing business and commercial infrastructure, conducting research and collecting data and information, coordinating and collaborating with private industries and non-governmental organizations, and planning, monitoring and evaluating processes. However, structural issues surrounding policy and regulation remain. Entrepreneurs frequently discuss the lack of clarity in legal provisions and loopholes in these initiatives. On the other hand,

entrepreneurs seem to overlook compliance requirements.

1.3.1. Public-Private Partnerships for Entrepreneurship Development in Nepal

Public-private partnership in Nepal includes the involvement of both the private and public sectors for entrepreneurship and economic development. The main objective of this type of partnership is to utilize the professionalism, work efficiency, entrepreneurship, and technical skills available in the private sector to render qualitative public infrastructure services needed for the country. This partnership also gives attention to creating an environment that attracts private investment to meet the requirements of the private sector. These requirements concern capital, means and resources for development, and the efficient reconstruction and operation of public infrastructure and services. These partnerships also seek to optimize the use of professionalism, entrepreneurship, ability, competency, and the latest technologies of the private sector in the development, reconstruction, up-gradation, operation, and management of infrastructure services for the country's overall development (Ministry of Finance, 2015).

1.3.2. Foreign Investment in Nepal

Globalization has fundamentally changed the economic landscape of the world and this is especially true in developing nations like Nepal. Since the 1970s, there has been a shift in how developing countries approach international trade, moving from a strategy of import substitution to an export-oriented approach. Multinational companies have played a key role in this transformation and the creation of international production and distribution networks has worked in Nepal’s favour as they have opened the country to previously inaccessible markets. Nepal has thus become an attractive partner for international investors.

Nepal’s economic liberalization has expanded per this trend. Beginning with the sixth Five Year Plan (1980-85), the Government of Nepal has emphasized foreign direct investment (FDI) as a major component of stimulating economic development alongside a free-market policy. Foreign investment began to be given priority and favorable rules and regulations along with attractive incentives. The Foreign Investment and Technology Transfer Act 1992 (FITTA) aimed to promote foreign investment and technology transfer, making the economy viable, dynamic, and competitive through the optimum mobilization of capital, human, and natural resources. Policy reformation has thus

become an important issue for developing entrepreneurship.

Since FITTA, the Government of Nepal has introduced new legislation to encourage more quality FDI. This legislation includes the Public-Private Partnership and Investment Act (PPPIA), a new version of the Foreign Investment and Technology Transfer Act (both in 2019), and the Special Economic Zone Act (Neupane, 2020). Under the previous FITTA, technology transfer was not treated as an investment but as a separate category. Additionally, loans were treated as foreign investments. However, while technology transfer and lease have been classed as investments, foreign loans have been removed and treated separately.

However, restrictions remain in some key sectors. Under the provisions of FITTA, foreign investment is not permitted in defense-related industries, cottage industries, travel and trekking agencies, cigarette companies, or alcohol companies (excluding those industries exporting more than 90% of their products or services). And whilst favorable accommodations have been made, investors still need to bring seventy percent of their proposed investment before beginning operation and must transfer the capital they have pledged within a year of their project being approved. It is also important to note

that in Nepal, foreign investors are also provided with identity cards.

As of the World Bank's 2020 'Ease of Doing Business' Index, Nepal ranks 94th out of 190 countries, up from 110th the previous year and moved from 'medium' to 'easy' status, indicating significant improvement in the country's investment environment (World Bank 2020). Advantages like a favorable demographic structure, cheap labor force, strategically beneficial geographical location, comparatively low tax, and improving business indicators, have allowed Nepal to demonstrate its potential to become an investment hub for small as well as larger scale investors.

1.3.3. Nepalese Youth in Entrepreneurship

Demographically, Nepal is an overwhelmingly young country, with sixty percent of the population being under the age of thirty. Though some 500,000 young people enter the Nepali job market every year, a majority leave Nepal to seek employment opportunities abroad, predominantly in the Middle East and Europe. The World Bank estimates suggest that remittances from overseas Nepalese contribute to twenty-five percent of Nepal's GDP (McCausland, 2019). Despite these initial migratory trends among young people, long-term trends indicate a growing interest in domestic entrepreneurship among returning

migrants. Data drawn from 2010 to 2014 shows that 65.1% of Nepalese who returned from abroad have started their own businesses (Bhusal & Pandey, 2019). This trend shows that people are slowly attracted to entrepreneurship after returning from foreign nations, having learnt valuable experience and skills. The government of Nepal, however, has not been capable to recognize, protect and promote these innovative business initiatives effectively. Mostly based in Kathmandu, Nepal's young entrepreneurs struggle under the pressure of exorbitant rents, high taxes, and other liabilities that combined with the continuing pressures of COVID-19, have left many entrepreneurs in a precarious position (Mahat 2020).

Despite their significant contribution to Nepal's overall economy, remittances should not be regarded as a sustainable source of revenue for development. A 2013 survey by the World Bank titled '*Migration and Entrepreneurship in Nepal*' found that 85% of migrants' earnings will go towards daily expenses, loan repayment, education, medical care, house repair, and construction. Additionally, six percent of their earnings will remain as savings, four percent will be invested in land purchase plans, and a mere two percent is thought of for investing in an existing or a new business (The World Bank Group 2013).



Figure 4: Young entrepreneur Nishan Aryal pitching business idea at International StartUp Fest 2019, Kathmandu, Nepal

These numbers restate that the majority of Nepalese youth do not see entrepreneurship as an option. Unless the country has solid business policies, platforms, industries, opportunities, and government initiatives to promote youth self-employment and entrepreneurship in Nepal, this unfortunate reality will likely remain for the foreseeable future. Limitations in the Nepali education system (as will be discussed in Chapter 1.7) leave young people with limited knowledge, skills, and resources to initiate their own enterprises (Pandey 2017). The education system also fails to provide the support needed for youth to effectively utilize the skills they do have. A trend of outward migration, combined with domestic pressures of unemployment and insufficient education, has left many young people in Nepal struggling. Dedicated youth entrepreneurship strategies by the government and effective mentorship programs can help put youth on the right track, allow them to recognize their strengths, and encourage them

to become their own bosses by conducting business in their communities and utilizing local resources. (Thapa, 2014)

1.4. Federal Entrepreneurship Frameworks and Policies

Several different frameworks, policies, and initiatives have been adopted by the Federal Government for the promotion and development of entrepreneurship in Nepal. These efforts are detailed below.

The Constitution of Nepal, 2015

The right to employment is enshrined as a fundamental right under the Constitution of Nepal. Article 51 (i) and (j) focuses on policies relating to labour and employment. Section (J:7) is dedicated to youth mobilization, development, and the enhancement of youth participation in entrepreneurship development. This section also focuses on the importance of providing special opportunities for youth education, health, and entrepreneurship, supporting youth empowerment and development, as well as creating a convenient atmosphere where youth can enjoy political, economic, social, and cultural rights (Constitution of Nepal 2015).

Sustainable Development Goals 2016-2030

The SDGs have been mainstreamed into the 15th plan and annual programs of Nepal.

According to the global target, Nepal has finalized a national target of a **“75 percent increase in the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship”** (National Planning Commission, 2017).

Periodic and Five-Year Plans

Since the first five-year plan (1956-61), the Government of Nepal has been focusing on youth-related policies that include the agriculture, industry, education, health, and entrepreneurship sectors. For the first time, the sixth five-plan included an entrepreneurship development policy, as discussed previously.

The seventh five-year plan (1985-1990) emphasized vocational training, national development service, sports development, and employment for youth, including employment via entrepreneurship. Under the umbrella of the Youth Coordination Committee, various activities including income generation, youth employment projects, skills development and training, and youth welfare funds were all conducted.

The eighth plan (1992-1997) conducted youth activities through social organization. The plan focused on entrepreneurship generation, human resource development, and skill-focused development programs. During this period, the

Ministry of Youth, Sports, and Culture was established.

The ninth plan (1997-2002) focused on promoting self-employment, entrepreneurship, technical education & vocational training. For the first time, the plan involved a separate chapter dedicated to youth mobilization as it involved policies promoting youth employment activities, entrepreneurship-oriented vocational education, and training programs. These policies were developed through coordination among the employment-oriented institutions of the government.

The tenth plan (2002-2007) focused on entrepreneurship in rural areas through vocational training in agriculture and livestock and implemented agricultural-based small enterprises, skill development initiatives, and entrepreneurship promotional programs.

A three-year Interim Plan between 2008 and 2010 involved mobilizing youth in productive areas and youth entrepreneurship activities that incorporated skill development.

The next Three Year Plan (2010-2013) focused on socio-economic entrepreneurship development for controlling the youth brain drain from Nepal. Similarly, the 13th plan (2013/14-2015/16) also focused on training for entrepreneurship promotion and development

as well as worked to generate internal employment.

The fourteenth plan (2016-2019) advocated entrepreneurship through technical education and capacity development. The plan focused on implementing the National Self-Employment program through partnerships with the private sector. The plan also focused on implementing the 10 Youth One Youth Enterprise program in all election constituencies under the Youth Enterprise program. Similarly, the plan strived to implement further youth-oriented programs and improved loan accessibility for female entrepreneurs through a Women Entrepreneurship Fund. The Small Enterprise Development program was expanded into an additional eleven districts and provided training to fifty-one thousand people, including training and technical support to returnee migrants in order to empower self-employment.

Under the fifteenth and current plan (2020-2024), the government has adopted a strategy for increasing production and creating employment through the promotion of self-employment and entrepreneurship. Accordingly, various funds and loan schemes have been set up to encourage the establishment and operation of micro, cottage, and small industries and to improve their access to financial resources.

National Employment Policy 2014

The national employment policy aims to provide employment and entrepreneurship opportunities that are productive and result-oriented. The policy focuses on prioritizing the creation of youth-targeted entrepreneurship opportunities. It also emphasizes creating opportunities for developing human resources according to the needs of the labour market and strives to enable the labour market (Government of Nepal, 2014).

National Youth Policy 2015

The National Youth Policy (2015) focuses on developing the creativity, entrepreneurship, and innovation capacity of youth. It enhances different sectors' action plans, including the employment and education sectors. These initiatives included: establishing cooperatives for creating opportunities for self-employment and entrepreneurship among youth; increased employment for youth entrepreneurs through skill-oriented and vocational training; creation of business incubation programs to promote entrepreneurship among young people; introducing self-employment and entrepreneurship programs for those returning from foreign employment; increased opportunities of entrepreneurship for young people through the modernization and professionalization of the agriculture sector; and the provision of insurance for different

types of entrepreneurship through secure investment.

Youth Vision 2025

Youth Vision 2025 and the Ten Years Strategy Plan were introduced by the Ministry of Youth, Culture, and Sports. The vision is to make Nepalese youth strong, competent, competitive, and self-reliant. These plans hope to build a modern, just, and affluent Nepal through the meaningful participation of youth and the promotion of their entrepreneurship. These plans improve upon one action policy out of four by including the following language:

- "The age group of 16 to 24 years shall be given more emphasis in regard to education, health, training, leadership development and employment including entrepreneurship."
- "The age group of 25 to 40 years shall be actively involved in employment, leadership, management, health, investment in the youth and entrepreneurship and policy formulation/decision and implementation."

These plans also define five strategic pillars (quality and vocational education, employment, entrepreneurship, youth health & social security, mobilization, participation & leadership development) of youth

advancement. Every pillar has fixed appropriate goals and quantitative indicators that make it easy to measure its results (Ministry of Youth, Culture and Sports 2015).

Technical Education and Vocational Skill Related Policy 2007

The policy related to technical education and skill development has focused on expanding opportunities for training and entrepreneurship, as well as improving inclusivity and accessibility to all needy people. (Khanal, 2012)

Youth Enterprise Program Operating Guideline 2016

The 2016 Youth Enterprise Program Operating Guideline has defined the Youth Enterprise program and sectors of the program as well as the selection criteria of the youth group and youth organization. The guideline also describes the process and procedure of youth entrepreneurship programs and also provides different kinds of formats. (Government of Nepal, 2016)

The Youth Council Act 2015

The Youth Council Act has defined youth according to age groups and provisions of the National Youth Council. The duties, functions, and power of the National Youth Council are defined in the Youth Council Act regarding

youth development. The National Youth Council conducts programs related to the promotion of self-employment for youth and the enhancement of entrepreneurship. It also encourages youth mobilization, youth development, and youth empowerment. (Government of Nepal, 2015)

Industrial Enterprises Act 2016

This act establishes a small/cottage enterprise development fund and a female entrepreneurship development fund, along with export loan facilities and tax concessions for female entrepreneurs.

1.5. Initiatives of Provincial and Local Government

Since the declaration of Nepal as a Federal State, both the local and provincial governments have been working alongside the central government for the development of entrepreneurship. According to the Rural Enterprises and Remittances Project (RERP) (2017), the local government has the following authority for entrepreneurship and business:

- Local market center management
- Local business, demand-supply identification, evaluation, pricing, and exports
- Market and hat bazaar management
- Business and commercial infrastructure development

- Research and updated data information on businesses
- Coordination and collaboration with private industries and NGOs
- Local business promotion and market management
- Local policy, planning, monitoring, and evaluation on agriculture and livestock
- High-value agriculture products to be promoted and marketed
- Slaughterhouse management and monitoring

Different municipalities and provincial governments in Nepal have played specific roles in entrepreneurship development. Gaumul Rural Municipality of Bajura District, in the far western part of Nepal, organized a three-day mentorship program to provide young entrepreneurs support for developing their skills for better employment opportunities in the future. Under the slogan “I, the youth and pride of Gaumul”, the program aimed to encourage entrepreneurship among young people. More than two hundred youths from all six wards of the rural municipality attended the program (Singh, 2021).

Changunarayan Municipality, Bagmati Province has implemented a program titled *Entrepreneurship Program with the Mayor*. The program targets young people in the municipality who have lost their jobs due to

COVID-19. The objective of the program is to make unemployed youth self-employed at the local level. The program also emphasizes ending the situation of youths going abroad (brain drain). The program was passed by the 7th Municipal Council to provide an interest-free loan of NPR 300,000 to unemployed youth (Aryal, 2020).

Tansen Municipality, the administrative center of Palpa district in western Nepal, has also launched an *interest-free collateral-free loan plan* to support start-ups. The municipality has coordinated with the Rural Economic Development Association, a non-profit community that works to promote business activities in Tansen. The United Nations Development Program has also been imparting training and knowledge to local communities to help them become self-employed (UNDP, 2021).

Entrepreneurship development has also been supported at the provincial level. The Lumbini provincial government has begun an entrepreneur development program for unemployed youths and returnee migrant workers affected by the COVID-19 pandemic. The provincial government has declared that it shall be providing beneficiaries with easy loans and grants to start their own businesses. Recent returnees from India or overseas, who have lost their jobs due to COVID, along with disabled

people, conflict victims, single women, and people from marginalized communities will be given priority for the program according to the Ministry of Industry, Tourism, Forest and Environment. The ministry has declared that it will provide the beneficiaries with loans and pay their interest for three years. (Anmol, 2021)

Whilst these initiatives have been largely successful and represent a positive direction for local efforts, they have not gone without criticism. Industrialists and business people of Province No. 1 have mentioned that government policies and prevailing laws are not industry-friendly. In a 2018 round table discussion organized by the Nepal Republic Media in Biratnagar, entrepreneurs expressed frustration toward the government for not addressing various challenges and difficulties they face when conducting business. However, reception was positive towards the formation of provincial governments under the federal setup that will make friendly laws and embrace investment-friendly policies. Participants stated that the immediate focus should be on the high-interest rate on bank loans. Hence, they demanded the central government address their concern without further delay (Subedi, 2018).

1.6. Culture of Entrepreneurship in Nepal

Until recently, entrepreneurship was not a mainstream concept within Nepalese communities. The scenario has now changed as the majority of people want to pursue entrepreneurship. Likewise, the support system has been gradually built up in multiple dimensions of the entrepreneurial ecosystem. Therefore, many entrepreneurs are encouraged to explore new ideas with viable business models. However, despite impressive growth, there are still many issues faced in the entrepreneurship sector in Nepal.

There is a culture in Nepal where a job holder from any family has a responsibility to feed the whole family. In Nepal, there is a presence of different castes and cultures. The castes also have different professions among themselves. For instance, the Newar caste group includes highly differentiated and specialized castes, i.e., agriculturalists, farmers, potters, painters, dyers, florists, butchers, tailors, cleaners, etc. (Bennett et al., 2008).

The traditional Nepalese culture of becoming employed revolves around seeking a job, typically in the Government, and remaining secure for a lifetime. Due to the political instability in Nepal, people tend to look for permanent jobs or leave the country rather than engage in pursuing a dream. Therefore,

many citizens do not see entrepreneurship as a realistic option. However, certain sectors in Nepal have grown in comparison to past years. Telecommunication, banking, financial intuitions, fast-moving consumer goods (FMCG), hotels, and resorts have all seen healthy growth as the market supported their growth. With the rise in urbanization and an increased desire for international exposure to goods, work, services, studies, fashion, and lifestyles, the preferences, choices, and needs of people have changed faster than they used to. By cashing this opportunity, some of the small and medium firms captured the gap, served the changing contexts, and remained profitable. Hence, today, we see lots of small businesses growing and developing entrepreneurship in Nepal.

Therefore, gradual shifts in societal perceptions toward entrepreneurship can be observed. However, it still seems that entrepreneurship is the game of the elite class where their wealth and networks allow them to be in the ecosystem longer and stronger (Gautam, 2020). Middle and lower class sections, despite their interests, are consumed in the daily economic necessities of their lives and families. Furthermore, limited financial options aggravate these issues. Financial institutions do not fund business ideas, no matter how feasible, innovative, and promising they are.

The concern of these institutions is whether proposed projects are supported adequately by the collateral. However, the traditional work concept is being changed now as some people have started treating entrepreneurship as an option.

In the context of Nepal, the major challenge to treating entrepreneurship as a serious priority and development pathway is the poor social attitude surrounding the sector. There do remain other major obstacles aside from socio-cultural aspects, however. The initial capital essential for business can be hard to acquire and access to funds is either limited or tends to charge very high-interest rates. There also remains a lack of sustained initiatives from the federal government to foster entrepreneurship. Although some private firms support their own domain, a national-level policy is essential to promoting youth entrepreneurs.

Although many groups are offering training to youth in Nepal, these trainings do not always reflect needs and often fail to add value to workers. Training offered by international organizations tends to be focused on employment creation rather than on entrepreneurship development. Businesses require good people to find suppliers and partners. As young people with no such business experience do not have beneficial relationships with people in the sector, it is

crucial to have a support function that aids entrepreneurs in finding motivated investors. The country also lacks infrastructure such as affordable and well-located workspaces, information and communication technology, and other services that could stimulate productive progress in the sector.

With Nepal being a politically unstable country, constant change in government often drives changes in policies that already existed, which conveys a message of insecurity and uncertainty for the growth and sustainability of a business.

The sociocultural beliefs of the past segregated jobs based on caste and gender, whereby profit was generally perceived as 'dirty'. However, today, attitudes and mindsets are changing. These changes are brought in by entrepreneurs and an entrepreneurial ideology that requires further support from the government, investors, and consumers.

1.6.1. Youth-Led Entrepreneurship Initiatives in Nepal

Some youth-focused groups have led great efforts to help or promote the growth of entrepreneurship in Nepal. Examples include the below.

Association of Youth Organizations in Nepal (AYON)

AYON was established in 2005 as a national network of eighty-six youth-led Nepalese organizations. AYON aims to bring youth organizations together to provide a common platform for collaboration, cooperation, joint actions, and collective endeavors. Additionally, AYON works to bring together government, non-government, business institutions, civil society, and young people for collaborative actions for youth programs and policies.

Biruwa Ventures

Biruwa Ventures was founded in 2011 and is considered the first of its kind incubation service provider in Nepal for new businesses and budding entrepreneurs. The service provider helps entrepreneurs transform their ideas into sustainable and profitable ventures by providing a range of start-up services such as office space, consulting, mentoring, and access to venture capital.

Entrepreneurs for Nepal

Entrepreneurs for Nepal is a network of more than 5,000 young and creative entrepreneurs who have business ideas and want to implement them in Nepal. Entrepreneurs for Nepal speeds up chances of success by credibly connecting entrepreneurs to avenues for success.

Samriddhi, The Prosperity Foundation

Samriddhi was established in 2006 as an independent, non-profit, non-partisan research and educational public policy institute in Kathmandu. Samriddhi promotes the process of generating alternative ideas from those of the general public by conducting innovative research and performing other activities in the social, economic, and political sectors of Nepal.

ChangeFusion Nepal

Founded in September 2008, ChangeFusion Nepal serves to help local youth direct their vision and skills towards benefiting people and the planet through social entrepreneurship. They support young Nepalese with the most innovative ideas to solve social and environmental problems through four components: mentorship, knowledge, funding, and networking.

On this positive note, it can be said that Nepali youth are gradually receiving more support within the country to initiate startups, engage in entrepreneurship, and empower themselves through organization and collaboration. As a result, the number of small businesses is growing. It is also important to note that recently, online businesses are flourishing such as kuamu.com, hamrobazaar.com, foodmandu.com, and metrotarkari.com.

1.6.2. Involvement of Non-Governmental Sectors in Entrepreneurship in Nepal

The involvement of non-governmental and private sectors in entrepreneurship plays a vital role in growing the economy of the country. Entrepreneurial interventions increasingly require the engagement of non-governmental and private sector actors as partners to capitalize on innovation and meet the needs of targeted groups. An active private sector not only creates employment but can play a vital role in helping to tackle the development challenges of developing countries like Nepal. In turn, there are many non-governmental and private organizations involved in the field of entrepreneurship in Nepal.

Nepal Entrepreneurs Society (NES)

NES was established with the aim of creating a platform for young founders/co-founders of startups to connect with the business hub, policymakers, diplomats, NGOs, and INGOs. NES works to create a better entrepreneurial ecosystem as well as promotes the concept of entrepreneurship among the Nepalese youth. To help solve the issue of unemployment, NES wants to create job opportunities for youth by promoting a stronger startup culture in Nepal. NES aims to influence youth by conducting various boot camps, hackathons, trainings, investor meet and greets, etc. where young

entrepreneurs can receive mentoring and connect with mentors

Frontline Nepal, The Entrepreneurship & Development Foundation (FEDF)

Established in 2011, FEDF is affiliated to the Social Welfare Council of Nepal and is a youth-centered, youth-led, and non-profit NGO that identifies itself as a social organization. FEDF emerged as an attempt to ‘light a candle in the darkness’ with the concept that youth can do something to improve the national system and help strengthen national attempts of socio-economic freedom. The organisation aims to rise up as a Global Partner for Development to meet the New Development Challenge. The major key areas of Frontline Nepal are youth-centered social entrepreneurship, self-employment, micro-enterprise promotion, poverty alleviation, environment conservation, the defense of youth from drug addictions and other vices, personal and social development, active and good citizenry, youth participation in national policy-making, and holistic work for the Global Brotherhood and World Peace.

DAAYITWA

DAAYITWA is an NGO working at the grassroots, government, and local levels to promote rural youth entrepreneurs and evidence-based policies for an enterprising Nepal.

The Federation of Women Entrepreneurs Associations of Nepal (FWEAN)

FWEAN is an apex body of the Women Entrepreneurs' Associations in Nepal (WEAN). Established in July 2003, the organization works with the vision to build the nation through the socio-economic empowerment of Nepalese women. It advocates for issues related to women's economic empowerment, the advancement of women entrepreneurs, and the promotion of female-led enterprises.

1.6.3. Involvement of the Private Sector in Entrepreneurship in Nepal

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI)

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is the nationally and internationally recognized umbrella organization of business in Nepal. Organized as a representative body of business organizations in the country, FNCCI represents the interests of the private sector and is involved in the promotion of the socio-economic development of Nepal through private sector-led economic growth (Himalayan News Service, 2021). FNCCI leads the 'Nation's Economic Progress' and facilitates Nepalese businesses to become globally competitive. The major objectives of FNCCI are (1) to promote the economic and social development of Nepal

while protecting and defending the rights and interests of the business persons of the entire country, (2) to make an effective and significant contribution to the development of an open market economy while recognizing the changes taking place in the global arena, (3) to act as a supreme representative body of the trade and industry of the country while supporting the national goals of a self-reliant and independent national economy, and (4) to foster cooperation with related national and foreign organizations.

FNCCI plays a catalytic role in Nepal's business and industrial development. Simultaneously, FNCCI (1) establishes sound industrial relations in the country, (2) reinforces the business community's commitment to society, (3) provides advisory services to the government, (4) lobbies as and when required in the formulation and execution of business and industry related policies, and (5) supports policies and programs friendly to the private sector. FNCCI also helps to foster cooperation with related Nepali and foreign organisations and provides up-to-date information to businesses, the government, and the country at large. FNCCI also helps create awareness and musters business and industry initiatives on issues such as quality, social responsibility, corporate governance, campaigns against HIV/AIDS, child labour, the environment etc. (T.U, FGD data, 2021).

Confederation of Nepalese Industries (CNI)

CNI's origin was based on the widespread belief that the industrial community of Nepal urgently needed an effective representative body that would serve as a true platform to address many issues currently plaguing the Nepalese industries. Since its establishment, CNI has been raising issues like the persistent economic challenges in Nepal, the need for reforms in the financial sector, the strengthening of the private sector's capabilities, the streamlining of the private sector's initiation of the development agenda, double-digit growth issues, and industrialization based on trade competitiveness. CNI is an organisation that works in coordination with other organizations and is increasingly becoming involved in areas where the existing system has failed to deliver. The organization is working along the lines of several organizations in various developing countries such as India, Japan, Thailand, Malaysia, etc. and hopes to hire expertise as well as bilateral support in the development of the Confederation, the theme of which is, "Talking Business, Talking Change" (Himalayan News Service, 2021). Recently, CNI launched the 'Make in Nepal-Swadeshi' campaign. Under the campaign, the CNI aims to create 1.5 million industrial jobs every year and increase annual exports to Rs 4.3 billion over the next five years. The confederation has said that through this

campaign, it will contribute to 22% of the country's gross domestic product (GDP) by 2025 and 26% by 2030. The campaign has been launched with the aim of ramping up domestic production, raising the competitiveness of businesses, and increasing the demand for Nepali goods and services (Pandey & Shrestha 2017, TU FGD Data, 2021).

Entrepreneurs for Nepal

Entrepreneurs for Nepal is a loose network of thousands of entrepreneurs in Nepal where entrepreneurs can help each other out by providing information, contacts, and opportunities in the sector. The organisation was co-founded in 2008 by Ujwal Thapa, Ashutosh Tiwari, Sagar Onta, and Jaya Budhathoki ((Entrepreneurs for Nepal (E4N) - Platform for Those Who Want to Build an Entrepreneurial Society for Nepal, 2008)).

Startups Nepal

Startups Nepal represents the startup community of Nepal. The organization conducts entrepreneurship boot camps and various other activities related to the entrepreneurial ecosystem.

Nepal Entrepreneur's Hub

Nepal Entrepreneurs' Hub is dedicated to nurturing entrepreneurship, supporting startup communities, contributing towards a vibrant

entrepreneurial ecosystem, and facilitating investment in budding and small and medium enterprises. It is the organizer of Startup Weekend in Nepal and several other programs focused on startups.

Yunus Social Business Center at King's College

Yunus Social Business Center at King's College supports business ventures from the idea stage to 1.5 years of operation. The centre provides seventeen weeks of training before matching startups with potential investors.

Kathmandu University Business Incubation Center

Kathmandu University Business Incubation Center provides training programs on entrepreneurship and helps individuals develop specific skills to become potential entrepreneurs.

Idea Studio

Idea Studio provides training and funding to new innovative ideas and early-stage enterprises. It also runs a reality TV show where people with innovative ideas can pitch for investment.

Himalayan Climate Initiative

Himalayan Climate Initiative has a Social Innovation and Business Incubation Hub in four

locations across the country and incubates social enterprises.

Nepal Social Business

Nepal Social Business is a joint initiative between the Chaudhary Group and Lions Club International. It is working to incubate 5,000 social businesses in Jumla.



Nepal Engineers Association Business Incubation Center

Nepal Engineers Association has also been running an incubation centre for engineering-related startups at its central office in Pulchowk.

I-Cube Business Incubation Program

The I-Cube Business Incubation Program is a holistic business incubation program designed to support Nepali businesses to build a strong foundation for growth and success. It is operated by Nepal Communities.

Biruwa Ventures

Biruwa Ventures is a well-known name in the field of entrepreneurship in Nepal. It provides consulting services to early-stage ventures and also provides office sharing services.

Institute for Suitable Actions for Prosperity

ISAP has various programs supporting entrepreneurs, especially agro-entrepreneurs. Its Udhyami Fellowship provides technical and managerial training to agricultural entrepreneurs.

Industrial Enterprise Development Institute

The Industrial Enterprise Development Institute is a national resource organization committed to entrepreneurship development through training, research, consultancy, and enterprise education. It is mainly focused on providing business-related training.

In conclusion, the involvement of NGOs and the private sector in the field of entrepreneurship in Nepal not only helps in creating employment opportunities but also helps promote mentoring, innovative ideas, funding, skilled human resources, and the empowerment of youth, women, and beginners. This support eventually leads to the development of entrepreneurship in Nepal.

1.7. Entrepreneurial Education in Nepal

Entrepreneurial education is defined as a whole education and training activity (whether it is an educational system or a non-educational system) that tries to develop participants' entrepreneurial intention or some factors that promote the intention, such as knowledge, desirability, and feasibility of the entrepreneurial activity (Liñán 2004, Audia, Locke, and Smith 2000). Many sources indicate that entrepreneurship is an important factor in the development of an economy. The basic functions of entrepreneurship education are to help individuals apply for jobs and create new jobs. Entrepreneurship education is an important way for entrepreneurs to acquire resources, enhance innovative ability and innovative personality, and build multi-level learning channels through the integration of various knowledge and value systems (Wei et al., 2019). Entrepreneurship education requires the use of the active learning method. This method places the learner at the center of the educational process and enables them to take responsibility for their learning as well as experiment and learn about themselves with specific importance given to attitude and behavior (Gautam & Singh, 2015). Entrepreneurship education teaches the skill of playing the role of a catalyst for socioeconomic change to improve the country's future.

Educational institutions play an important role in the development of entrepreneurial competencies through various courses and training and development programs. These activities may be in the form of short or long-term programs and may or may not require an individual to graduate. Educational institutions provide a platform for individuals to nurture their creativity and innovativeness. These institutions play an important role both in financial and technical assistance to individuals through guides, mentors, and consultants.

Developing entrepreneurship in Nepal is one of the key ways to uplift the country's socioeconomic status. Entrepreneurship is considered a catalyst for economic development (Dhaliwal, 2016). Entrepreneurship is a worthy pursuit to consider but not everybody might want to become an entrepreneur. Despite this hesitancy, it is important to encourage and teach young children about entrepreneurship (Dhaliwal, 2016). It is very important to develop an entrepreneurial mindset in students so that instead of regretting problems, they will actively seek solutions by using creativity, critical thinking, and the power of collaboration.

In the context of Nepal, a Business and Technology (OBT) curriculum has been placed in basic school education which plays an

important role in developing students' entrepreneurial intentions. Entrepreneurial intention could be effectively ignited if students are (1) instilled with a sense of self-efficacy and desirability and (2) shown the great opportunities entrepreneurship provides. In recent years, one of the hottest debates in business has been whether entrepreneurs can be created. In other words, it is debated if someone can be taught to be an entrepreneur. It is commonly believed that entrepreneurial qualities are something that can only be inherited or gained through practical experiences. A primary complaint is that the Nepali educational system is too rigid and that it would never be able to teach something as dynamic as entrepreneurship. However, for years, educators have pondered on this point and have made some substantial progress in adapting to the dynamic needs of entrepreneurship (Designing Education for Entrepreneurs, 2017).

In Nepal, Educational institutions like King's College, the British College, and Thames International College have started providing undergraduate and graduate levels of programs such as a Bachelor in Business Studies (BBS), a Bachelor in Business Administration (BBA), a Master's in Business Administration (MBA) in Entrepreneurship, and so on. Though there are many entrepreneurship courses in Nepal, there

is some sense of confusion over what the programs aim to accomplish. Most of these courses tend to simply provide theoretical entrepreneurial knowledge and hope that the students are able to start businesses. However, other courses have made a huge difference in academia by focusing on creating entrepreneurs. In these types of programs, students focus on running and growing their companies throughout the duration of their study. The role of the teacher is that of a mentor, who only assists the students when needed and gives periodic theory classes. This type of education resembles a vocational study and the assessments can be done through the gamification of the grading system. This type of education is one of the most straightforward ways to successfully create entrepreneurs as there is a high chance that the students could turn their mock business into a real one after completing the course. Additionally, they could be inspired to start a new company. The benefit of running a business within an educational institution is that the entrepreneurs are able to make plenty of mistakes and learn from them as the institution acts as a safety net for them.

As the popularity of entrepreneurship grows as a preferred career path, educational institutions need to be able to create more entrepreneurs. However, the existing entrepreneurship programs in Nepal are more

focused on creating researchers rather than entrepreneurs. In order to design a program that creates entrepreneurs, educational institutions need to recognize the dynamic nature of the field and adjust their programs accordingly. The role of mentors is undermined here. Nepali citizens may not benefit fully from the experiences and expertise of mentors as the country lacks proper mentorship and training programs that could uplift and strengthen skills according to the needs of the nation. Moreover, entrepreneurs need to be guided by mentors who question ideas and feasibility. Mentors need to be experienced, knowledgeable, trustworthy, and credible. In the Nepalese context, mentors seem to lack this combination of attributes. Therefore, the role of mentors is often limited to suggestions and critical feedback.

1.8. Impact of COVID-19 on Entrepreneurship in Nepal

As a consequence of the ongoing COVID-19 pandemic, the world has witnessed massive economic shutdowns. These shutdowns have negatively impacted livelihoods, personal healthcare, social activity, employment, businesses, and the overall economy. Entire global supply chains have been shut down, which has disrupted consumption, business continuity, and overall global growth. Nepal and other LDCs have not escaped this

shockwave. COVID has hit LDCs especially hard, with many countries experiencing their worst economic performances in thirty years. GDP per capita among these nations contracted by 2.6% and out of the forty-seven nations classified as LDC, forty-three saw a fall in average income. Additionally, the global poverty rate rose from 32.5% to 35.7%, whilst the number of people living in extreme poverty rose by 32 million (UNCTAD, 2020).

In Nepal, the government estimated a GDP growth rate of just 2.5% in 2020 (Ministry of Finance, 2020), whereas the World Bank (2020) has revised its forecast and predicted only a 1.8% GDP growth rate for the fiscal year 2020. However, the World Bank has estimated that with the gradual resumption of economic activities, Nepal's gross domestic product will grow by 2.7% in the current fiscal year (The Himalayan Times, 2021). UNDP (2020) has estimated that accommodation, food, the arts, entertainment, recreation, and transportation have been the most affected sectors whereas, manufacturing, construction, wholesale, retail trade, and agriculture have been affected moderately. Despite the start of some sectors reopening, economic activity remains very slow as some international flights are still closed, imports and exports are minimal, the tourism sector is only partly operational, retail stores

are functioning on a limited basis, and remittances have dropped.

This crisis disproportionately affects the most vulnerable groups of Nepalese society such as women, the elderly, and marginalized communities. Private sectors in Nepal have been cooperating with the government in the fight against COVID-19. The sector has kept its businesses closed and has tried to retain workers by paying them as much they could for the period of lockdown. Nepalese entrepreneurs have demonstrated resilience while fighting against COVID-19 despite having very little support from the government. Entrepreneurs experienced a shortage in labour and needed raw materials on the supply side and a sudden decrease in demand and revenue on the demand side. Nepalese entrepreneurs, due to limited infrastructure development and weak logistical management, have faced challenges in meeting customer demand and maintaining the supply chain. (UNDP, 2020).

In 2020, following the first COVID-19 lockdown in Nepal, the government, with the National Planning Commission, announced a decision to introduce a startup grant and subsidies program to support innovative businesses. The businesses eligible for this grant and program can belong to the ICT, agriculture, energy, health, tourism, education, manufacturing, or transportation sector. Additionally, this grant

and program applies to other resource and management-oriented businesses. To sustain and overcome the ongoing economic crisis in the country, this grant and program are efforts by the Government to support the growing startups in the country. These efforts are good initiatives made by the government for the people and promote the startup culture and rightly acknowledge innovation. However, there is a lack of neutrality in the lending process when working with the various government departments as those with pre-established connections within the sector often enjoy a privileged relationship with the government. However, these initiatives boost the ambitions of present startups and also provide a roadway for aspiring entrepreneurs. According to the scheme, the entrepreneurs may receive a minimum of NPR 1 million (ten lakhs) to a maximum of NPR 5 million (fifty lakhs) if their proposal is accepted (Swar, 2020).

1.9. Challenges and Opportunities of Entrepreneurship in Nepal

1.9.1. Challenges

There are many social, cultural, economic, and political challenges entrepreneurs encounter in Nepal. For instance, there are challenges in the field of human resource management. Shortages of competent human resources, a lack of clarity in

roles, miscommunication regarding the responsibilities and rewards of stakeholders, increasing turnover, job dissatisfaction, and complex legal frameworks regarding human resources are central to those challenges. The challenges are further explained below.

Political Instability

Frequent changes to Nepal's government have stifled the establishment of a concentrated vision for Nepal's development and economic growth. Despite the promulgation of the new constitution in 2015, there continues to be political stability. Continued political instability will have an even greater negative impact on business and entrepreneurship as potential investors may be reluctant or deterred to invest capital or enter new markets.

Lack of Security

Running and setting up a business takes time and energy. Entrepreneurs give up their existing job and the security of a regular income to work on their business idea. Additionally, they have to work for long hours and on irregular days. Given extreme hours, they may find it difficult to continue running their business. A lack of job security contributes to a negative work environment and can also decrease employee productivity and increase employee turnover. When employees come to work they want to

feel safe and protected. Strong security is the best way to ensure this sense of safety.

Effectiveness of Government Institutions

The government institutions in Nepal must strive to be more efficient in their aims of entrepreneurship development. The provincial and local governments lack coordination but have to come up with sufficient laws and regulations regarding the development of entrepreneurship. Although these government bodies have the power and authority to oversee such laws and regulations, they lack the capacity to implement them.

Trade Unions and Labor Unions

Within a short span of time, the trade union and industrial relations in Nepal have become a major factor in socio-economic and entrepreneurship development. However, trade unions only consider the needs of their members and often ignore the plight of those excluded from labor markets, e.g. the unemployed. The labor unions in Nepal have a keen interest in providing job security and employment to their members. If labor unions go on strike and work is unproductive, it can lead to a decrease in sales and output. Therefore, an entrepreneur's company may go out of business and be unable to employ workers at all. It should also be considered that if unions are very powerful, they can hamper

firms from investing and creating employment opportunities. While these organizations are allowed to exercise their democratic rights, it seems too often that their actions come at the negligence of other responsibilities or contributions to civil society.

The deficit in National Budget

In Nepal, the fiscal deficit marginally increased to 5.8% of GDP in 2020 from 5.6% in 2019. Total revenue (including grants), therefore, slumped by 0.3%. Additionally, capital expenditure fell by 20.6% in 2020 as long-standing challenges to project readiness, procurement delays, and weak entrepreneurship development hampered its execution in the pre-pandemic period. The COVID-19 crisis further affected entrepreneurs as workers were unable to return to work and the import of construction materials got delayed (ADB, 2020).

Raw Materials and High Custom Duties

For a common person to start a business in the country, raw materials are required. In the case of Nepal, people have to import raw materials from other nations, especially India. This process costs a lot and thus entrepreneurs do not often have the courage to start a business. Even if they start one, they have problems with the continuity of their businesses. Materials for the construction of houses like bricks, cement, rods, etc. have to be imported from India.

Additionally, these materials are charged with high custom duty that is unaffordable for emerging entrepreneurs.

Challenges Presented by Natural and Human-Made Disasters

In Nepal, the frequency of natural disasters make it difficult to start up new businesses. The 2015 earthquake, for instance, affected entrepreneurs and the national economy. The COVID-19 pandemic has affected the country's entrepreneurs in a massive way. Many companies were shut down. Additionally, man-made disasters like fire, chemical spills, plane crashes, etc. have led to the closure of many businesses. With the growing threat of climate change, Nepal's already vulnerable exposure to

Corruption

A culture of corruption and the misuse of money and authority is not just a significant problem in Nepal, it is a problem worldwide. Instead of enhancing entrepreneurship, leaders are often engaged in fulfilling their own needs and misuse power and money. Thus, the capital directed toward the common people is insufficient. Moreover, corruption is one of the major problems in the public sector around the world. Existing laws regarding corruption must be better enforced or replaced with more effective legislation and action. A constitutional body, the Commission for Investigation of Abuse of Authority (CIAA), does exist to check such practices but often lacks the political teeth



Figure 5: Bhrikuti Paper Factory, defunct state-owned industry in Nepal

natural hazards will only be exacerbated. Climate policy and efforts to mitigate negative effects must serve as a cornerstone of policy in order to provide economic and human security to Nepal's mission of sustainable development.

or will to investigate such abuses.

Lack of Financial and Institutional Support

As per the fiscal year (2021/22) budget speech declaration by the Ministry of Finance, rules have been established that allow recent graduates to apply for a grant of up to twenty-

five lakhs (NPR2.5 million). Soft loans in the agricultural sector from the central bank of Nepal provide up to USD 700,000 with interest for a period of five years. However, the lack of a 'one-door' policy results in a lengthy process of communication and application between the various ministries and departments of the government. Therefore, a great deal of the population is closed off from these opportunities.

Lack of Knowledge in Science and Technology

Nepal lacks proper access to technology and infrastructure. Although young people have demonstrated a strong capacity for learning and utilizing current technologies, many of the older generations, especially in more rural areas of Nepal, do not have proper knowledge of technology and infrastructure. Though the future is promising, the current generational gap remains a serious limitation to current development strategies.

Policy Issues of the Government

The Nepalese government has made an effort to establish stronger policies, rules, and regulations. However, they are unable to implement such plans and policies. In some cases, the policies are also too ambitious that the goal cannot be met. Also, the processes of registering companies, ensuring regulations, and overseeing taxes are difficult and time-

consuming. There is no provision or law for new business ideas. Also, the adoption of a one-window policy for immigration is a challenge. The current progressive tax rate, unlike other countries, does not provide any additional services, such as social security. If a new business is encouraged and supported in a short time, the entrepreneur's efforts can be enhanced. Policies, therefore, should be welcoming and accommodating to new entrepreneurs whilst also offering supportive exit strategies for those who may wish to close their businesses.



Figure 6: Gorakhkali Rubber Udyog, defunct state-owned industry in Nepal

Societal Judgments

As discussed in Chapter 1.6, society in Nepal does not have a strong culture of starting up and encouraging new business ventures. Rather, citizens are often engaged in the search for job opportunities, especially those that involve foreign employment. Nepalese society is very traditional as most citizens spend money on land, save up for gold and silver, construct buildings, and consume luxury goods rather

than invest in new entrepreneurship. The choice of profession remains largely driven by familial expectations or caste. Therefore, an awareness of status can discourage a risk-taking pursuit of a new enterprise. In Nepal, most parents are not supportive of startups and are hesitant to take risks. Additionally, traditional gender roles create a significant barrier to the involvement of women in entrepreneurship, who often face ostracization or exclusion. Moreover, women are often bound to household activities and thus are unable to start up new businesses.

1.9.2. Opportunities

Although Nepal challenges, there are ample opportunities that can be capitalized on to improve the country's future. Some opportunities are described below.

Improved Legal Support

There is a national legal arrangement involving the Special Investment Promotion Board chaired by the Prime Minister of Nepal. This legal arrangement helps with direct foreign investment. Through support regarding direct foreign investment, this arrangement can help investors invest in different sectors.

Social and Economic Well-Being

As entrepreneurs start up their own businesses, they can be their own bosses. In Nepal, it is difficult to find a job. Therefore, it is a good option for Nepali to start up their own businesses as there are potential natural resources. They can even hire and employ people. Thus, entrepreneurship can help enhance the social and economic well-being of the people.

Popular Participation

Entrepreneurship opportunities can even enhance the participation of people in the economic development of the country. It can reduce unemployment and people can become independent. Entrepreneurship can create job opportunities for people, raise living standards, and help Nepal become economically independent.

Enhancement of Tourism, IT, and Hydropower Sectors

Nepal is abundant with natural beauty. Also, the average length of stay of tourists in Nepal is thirteen days. Hence, youth-led start-ups can be related to tourism activities. Startups can involve mountaineering, tourist guides, the opening of hotels, paragliding, and many other adventurous activities. The IT sector can also be enhanced. With the help of high-speed internet and wider technological development, Nepal can progress in economic and entrepreneurship

development. Nepal has abundant opportunities for energy and hydropower. Nepal, being rich in water resources, has the potential for greater production of electricity. Hence, youth can become engaged in the entrepreneurial sector through hydropower development.

Importance of Youth Population

Nepal's overwhelmingly young population can be employed in various business initiatives that enhance the chances of entrepreneurship development. These initiatives can also renew Nepal with a significant reserve of human capital and skilled manpower, but only stronger opportunities for youth are presented. Youth will make the future of Nepal and therefore must be given guidance to make the future prosperous.

Geopolitical Advantages

Nepal's location between two great regional and global powers, China and India, allows it to benefit greatly from conducting trade with these two countries. This trade can help investors capitalize on huge opportunities and profit through increased trade activity. However, given the tensions between these two giants, Nepal must be cautious in its approach.

Joint Venture Policy

Foreign investment is allowed in most industries in Nepal through the establishment of joint ventures or wholly foreign-owned enterprises. Joint ventures in Nepal could provide opportunities for greater resources and capacity, increased technical expertise, and improved access to more established and advanced markets and distribution channels. The reasons behind forming a joint venture involve business growth, product development, or expansion into new markets, particularly overseas.

Abundant Resources

Nepal is a country rich in natural resources, many of which are yet to be fully explored. With the use of current and novel natural resources, entrepreneurs in Nepal can start new businesses.

The opportunities and challenges within Nepal's entrepreneurial ecosystem are the prime agenda items of the ensuing focus group discussions. The discussions are evaluated according to the six broad thematic bases drawn from Isenberg's entrepreneurship ecosystem model: markets, human capital, support, culture, finance, and policy. This process is further detailed in the methodology section.

CHAPTER 2

RESEARCH METHODOLOGY

2.1. Research Approach, Strategy, and Design

The first stage of research was an academic assessment of existing academic literature, journal articles, and peer reviews as well as an analysis of policy documents developed by various associations of industry and entrepreneurship within Nepal. The findings of this research are discussed in Chapter 1. The nature of the initial research was exploratory and adopted a phenomenological approach to identify key elements and phenomena of the contemporary entrepreneurial environment in Nepal. This research also involved a further investigation into the entrepreneurial environment through existing secondary resources. This first stage was then expanded on by conducting our own study and collecting new and unique primary data.

The aim of collecting primary data was to engage with different perspectives and elements of the entrepreneurial ecosystem. Focused group discussions with respective stakeholders in the sector helped understand these elements across the Nepalese context

and the assumptions, values, and interpretations attached to these elements. Through stakeholders sharing their information, knowledge, and experiences with the study, deeper interpretations emerged and thus the co-construction of interpretations has been enhanced. The range of participants' interpretations uncovered subtle and hidden dynamics of Nepal's entrepreneurial ecosystem and expanded knowledge about the investigated research topics. Therefore, the choice of qualitative methods was decidedly the most useful in accessing rich and contextual data that would help investigate nuances, complexities, and ambiguities related to the entrepreneurial ecosystem. This data assisted in elaborating on the literary research to corroborate or counter the trends conceived.

In accordance with the prescriptions set out under Work Package 1 of the ENCORE project, this study was conducted through two focus group discussions held by country partners Tribhuvan University and Global College International. As per the guidelines provided by the WP leaders (Gedu College of Business Studies and the Royal University of Bhutan), a

total of fifteen individuals were invited to participate in the discussions.

Focus group discussions enhance open interactions which help new ideas and concepts emerge. Additionally, participants' ideas and views are challenged, confirmed, and approved by other participants which adds to the authenticity of the data collected. There is flexibility in the process of discussion as participants get to encounter interesting ideas and expand their own responses and perspectives in light of the given subject matter. This flexibility allowed for the exploration of ideas and views that may not have been achieved in other research methods.

Due to the ongoing situation of COVID-19, the focus group discussions were conducted via virtual video-conferencing platforms. Global College International used Zoom whilst Tribhuvan University used Google Meets as their respective platform. While in-person events would have been preferable, it was ultimately a situation beyond the control of participants. This situation presented a new set of challenges to the research process, namely technical issues that occurred such as internet disruption and unfamiliarity with the used platforms. Furthermore, a lack of social intimacy has the potential to stifle natural conversation or connection with other participants. However, these obstacles were

offset by the unique advantages that online discussion brings. In an online setting, participants were found to be honest and open in their views as they were in comforting environments, e.g. their own homes. In a physical setting, however, participants may feel uncomfortable expressing their opinions with new people in an unfamiliar place. Additionally, physical meetings may influence participants to be more conscious about being recorded which in turn might affect their comfort and willingness to freely express themselves. Online platforms, however, can promote a more natural and open environment for participants, despite the fact that they may have been recorded.

The focus group discussions were guided by a series of open-ended questions provided by the Work Package. Questions and the direction of conversation were facilitated by respective moderators whose role was not only to ask questions but also to encourage participants to deliver valuable content and elaborate on their points on the given subject matter. The moderators were conscious of not being dominant in the interactions and were found to be good listeners and facilitators.

2.2. Research Purpose

This research had the following key purposes:

- To identify the status quo of the current entrepreneurial environment of Nepal
- To bring together and facilitate discourse among stakeholders so that entrepreneurship may be better encouraged in Nepalese society
- To understand entrepreneurship from different dimensions of Daniel Isenberg's model of the entrepreneurial ecosystem. Those dimensions are culture, education system, market, support system, finance, and policy.
- To identify gaps in the entrepreneurial environment so that adequate and proper training can be delivered in collaboration with our partner countries
- To empower Nepal's higher education institutes, teachers, students, and researchers
- To provide the government of Nepal with a policy advocacy document that covers and recommends the structures, human resources, and symbolic scenarios needed for the development of entrepreneurship in Nepal

2.3. Area of Study

The area of study of this research involves the policy, regulations, and legislation carried out by the government of Nepal. It also focuses on the role of private sector actors like FNCCI, the Chamber of Commerce, and the Confederation of Nepalese Industries. The area of study also examines business policies, theoretical and practical approaches in the country, and existing academic efforts.

CHAPTER 3

FOCUS GROUP DISCUSSIONS ON CONTEMPORARY ENTREPRENEURSHIP IN NEPAL

3.1. Preliminary Analysis of Discussion Results and Identification of Key Themes from Research

The key research objective of this study was to explore the contemporary Nepalese entrepreneurial ecosystem. As this objective referred to complex constructs and multiple

dimensions, it was broken down into six themes that covered various aspects and assumptions inherent in the research objective. These themes were identified in accordance with Daniel Isenberg’s exploratory model of the domains of the entrepreneurial ecosystem. Under each of the six themes, there are sub-themes which are indicated in this section.

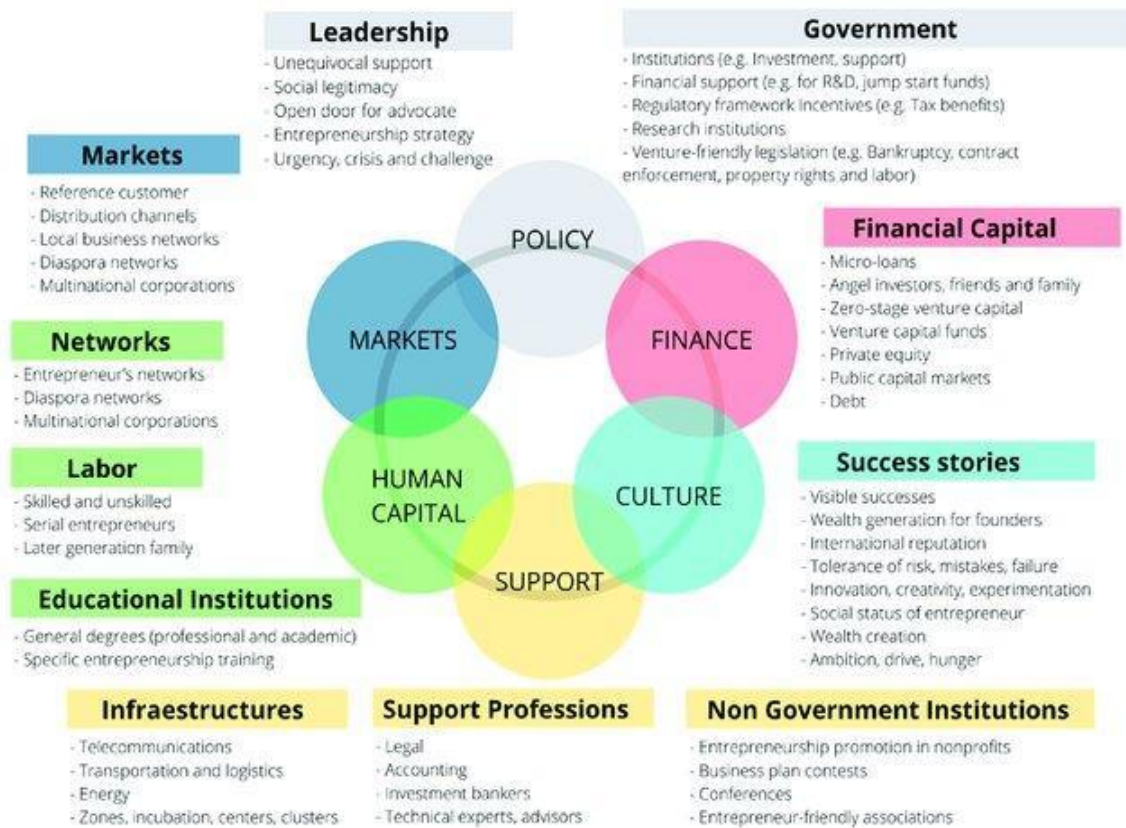


Figure 7: 'Domains of the Entrepreneurship Ecosystem' (Isenberg 2011)

After the focus group discussions were transcribed and translated, there was a thorough check and review of these materials and processes. This accuracy check helped facilitate in-depth readings of participants' opinions which ensured full engagement with the data. It is also important to understand that a coding system was used based on the six themes of Isenberg's model which helps to see the patterns within such texts (Auerbach & Silverstein, 2003). The domains were explored as follows.

3.1.1. Market

Many participants who identified themselves as entrepreneurs suggested that a good team is more important than anything else in a successful enterprise. They advised that good ideas and proper investment are of little value in the absence of good team formation and expertise in production and distribution. Similarly, it is hard for startup companies to gain entry into their respective markets and reach customers as most of them are not expertized in production. They are new to the market so they do not know what products are in high demand. According to information from these experts on entrepreneurship, new entrepreneurs often can't afford to pay their employees by themselves which weakens their ability to strengthen the market value of their product

(GCI, FGD Data 2021). The government is also not very effective in giving access to early customers and providing new entrepreneurs with convenient access to distribution channels (GCI, FGD Data 2021). As a result, entrepreneurs often can't earn much and have to hire incompetent human resources due to the limited salaries they can provide. These challenges have weakened the production capacity of entrepreneurs.

Currently, Nepal's young entrepreneurs are swimming under the burden of excessive taxes and other legal responsibilities. Even though their businesses have had to struggle with COVID-19, the pandemic is not only the major reason for the burden of excessive taxes as over the past eighteen years, young entrepreneurs have been consistently facing this issue (Mahat, 2020). However, the government has not yet created easy access to distribution channels in the national market for any kind of entrepreneur. This reality is due to the government considering entrepreneurs as a competitor who can weaken the government service sector. According to one respondent, the government is just now starting to acknowledge and incorporate entrepreneurship into government agencies (GCI, FGD Data 2021). Although the government has created a lot of policies that aim to assist new entrepreneurs in accessing the market, only a handful of

entrepreneurs who have connections with specific political parties benefit from these kinds of policies.

It is important to note that all participants agreed that even if the perception is that it is hard for new entrepreneurs to create superior market strategies, it is actually easy for entrepreneurs to do so in Nepal due to the population's multicultural backgrounds. However, even though Nepalese people are doing some entrepreneurship-based work, most of them are just copying ideas already proven to be successful and profitable without innovating such strategies.

3.1.2. Networking and Entrepreneurship

Different levels of entrepreneurship have different kinds of networking systems both at national as well as international levels. 'Small and domestic industries' do have their own federations (GCI, FGD Data 2021). However, there is a reactive decision and action-oriented culture in these kinds of federations. This means that they only take action and create ideas after the government gives them work. So in reality, these kinds of networks have not done any kind of effective work to uplift entrepreneurs in Nepal.

These kinds of networking organizations in Nepal are now slowly turning into youth organizations aligned with certain political

parties and interests. Networking within the Nepalese entrepreneurship sector is slowly changing into political networking which presents serious conflicts of interest and challenges to the ethical conduct of free and fair business. In Nepal, it is seen that national networking corporations focus more on entrepreneurs who have links with certain political parties (GCI, FGD Data 2021). These networking corporations are of no use for new or standard entrepreneurs as they are more focused on protesting or advocating for certain political parties. To elaborate, these kinds of national corporations are slowly turning into some kind of political parties rather than federations. Business entrepreneurs should not be a political asset of the country, but rather an instrument of economic growth and prosperity.

It is proven that good networking can increase the effectiveness of programs and also increase the efficiency of existing and potential entrepreneurs. Additionally, the output execution of entrepreneurship development programs on the basis of good relationships between businesses, capital investment, and occupation opportunities can also advance the capabilities of entrepreneurs (Gaudel, 2016). In Nepal, it is found that good networking is very necessary for new youth entrepreneurs. Almost all the new entrepreneurs of Nepal are networking with national as well as

multinational corporations with the motive to find good investors that can finance their entrepreneurship projects. However, unfortunately, new entrepreneurs sometimes forget that these kinds of networking corporations are also places where they can display their best entrepreneurial projects and automatically gain huge financial assistance. Currently, with the start of financing organizations, some new entrepreneurs have started to create fake entrepreneurship projects. This situation conveys how networking, to an extent, has not been completely effective in the development of an adequate Nepalese entrepreneurship sector (GCI, FGD Data 2021).

Besides these challenges, some of the national networking corporations like the 'Nepalese Youth Entrepreneurship Forum (NYEF)' have been doing wonderful work for targeted groups of Nepalese entrepreneurs such as Nepalese youth entrepreneurs. One primary working objective of NYEF as a national networking agency is to teach entrepreneurship-interested youths about varieties of technologies by helping them build an innovative spirit to become competitive in terms of creating good business in Nepal and beyond. This objective is executed under the main aim of the National Youth Policy 2010 which seeks to improve the entrepreneurship and innovative abilities of

youths of Nepal (Report NYEF, 2019). There are good investors who are truly working under this youth policy act in Nepal. However, there are fake investors, mafias, and companies who just organize networking programs to fool the youths who have freshly entered the sector of Nepalese entrepreneurship. Such actors do not follow this youth-based national policy. Similarly, many youths who are entering the sector are also not aware of these kinds of policies and fake investors that simply seek profits. Therefore, many new entrepreneurs have to wash away their entrepreneurship ideas and sometimes share what they possess with these kinds of harmful actors. One of the youth respondents from a focus group discussion stated that a lack of knowledge about the market environment of Nepalese entrepreneurship has caused these kinds of problems. Youths in Nepal are taught just the theoretical portion of entrepreneurship (GCI, FGD Data 2021). However, they are not given practical knowledge to create entrepreneurship-based networking among their friends that could help them in near future. Similarly, students are also not aware of the importance of intra-networking in the field of entrepreneurship.

3.1.3. Role of Educational Institutions

In Nepal, many higher education institutions offer business-oriented courses

such as master's programs in Business Administration and Business Studies and have faculties dedicated to business management. However, on a holistic level, the education system does not emphasize direct entrepreneurship education. Lately, universities and colleges have seemed to highlight entrepreneurship courses in their academic programs. Yet, Nepal needs an education system that understands the industry of Nepalese entrepreneurship rather than a system that teaches the working strategy of multinational companies like Apple, Google, Alibaba, and so on. This type of instruction is of no use as the market and entrepreneurship culture of where these companies are situated greatly differ from the Nepalese market and entrepreneurship culture. This point was emphasized by various participants in the focused group discussions.

Entrepreneurship education is a new concept in the Nepalese education system. However, as compared to women, men are receiving quality entrepreneurship education in Nepal (Sigdel, 2016). This scenario is due to the cultural perspective that after marriage, women in Nepal are expected to take on the responsibilities of home-making and family care rather than pursue their own professions. Therefore, despite taking management education, females in Nepal prefer to pursue a

degree in banking and finance rather than entrepreneurship.

The current condition of the Nepalese entrepreneurship sector is not reflected within the current Nepalese education system. Over the past centuries, the Nepalese education system has been heavily influenced by western systems of teaching (GCI, FGD Data 2021). As such, the Nepalese curriculum requires students to learn theories that are not applicable to the Nepalese context of the entrepreneurship environment. Although this education provides basic knowledge about entrepreneurship theory, it is critical that this knowledge can be applied to Nepal's situation.

Instead of teaching these types of theories throughout the year, it is better for professionals as well as the Ministry of Education to create an academic syllabus that could help Nepal produce the manpower needed to help promote and expand native businesses on a local and global scale. and Nepal does have lots of good enterprises like Bajeko Sekuwa, Himalayan Java, etc. that are operating excellently at the international level per their investments. However, the Nepalese education system does not use these enterprises as examples. Instead, students are often taught about international corporations like Mcdonald's or Coca-Cola (GCI, FGD Data 2021).

Currently, each and every community has unique enterprises in Nepal. However, the concern is that these enterprises are not aware that some of their activities could be converted into entrepreneurship projects. This hindering mindset is present in all 123 ethnic groups in Nepal. This damaging mindset is further promoted by the current system of education in Nepal (GCI, FGD Data 2021). The Nepalese education system has never tried to teach youth about the importance of Nepalese products that they can benefit from in local, national, and international markets.

Within the last few decades, Nepal has seen some changes in its education modality. Within the last decade, many private educational institutions started to teach 'Entrepreneurship' courses to promote the entrepreneurial culture in Nepal (GCI, FGD Data 2021). However, due to the social trends of viewing government workers as superior and pursuing an education just to get a degree, students are often discouraged by their parents, society, and the education system to embrace entrepreneurship-based creative skills.

Universities in Nepal have started to teach the course 'Innovation and Entrepreneurship' as part of their academic criteria (GCI, FGD Data 2021). As entrepreneurship started to become more popular among youths in Nepal in 2015, it is not a big deal that Nepalese universities have

only now begun to teach this course. After universities included this subject in their curriculum, lots of education-based institutions also started to introduce it as a major subject in their co-curriculum activities. However, this process was not completed overnight by the universities of Nepal. It has been ten years since the profession 'entrepreneurship' was introduced in Nepal and only in the last five years has the subject received attention from different stakeholders such as youths, academic councils, the government, etc. (GCI, FGD Data 2021).

Although banks related to industry and finances are focusing on strengthening the ability of new entrepreneurs in Nepal, it is the education system of Nepal that has limited growth efforts in the field of entrepreneurship. According to another participant, until the Nepalese government changes the education system of Nepal, Nepalese entrepreneurship is not going to see any advancement (GCI, FGD Data 2021). In order to strengthen Nepalese education on entrepreneurship, teachers, as well as heads of institutions, should arrange agreements with companies that provide internships, work placements, or practical training for students. It would be better if the Nepalese education system focused on providing education with an endorsement system. Although this type of system is present in the MBA stream of study, it

is not so effective throughout the nation as these systems are only executed in city areas of Nepal (GCI, FGD Data 2021).

Additionally, Nepalese education does not have any initiative, unlike in India, to provide an 'MBA' program that focuses on employers. However, Nepal has a program called 'EMBA' which is an evening MBA program that focuses on officers and job holders who work during day time. Yet, even these courses only focus on 'how to turn around our family business and generate profit'. Similarly, neither the Central Bank of Nepal nor any other kind of Nepalese bank has developed a student endorsement-based treaty and agreement with any national education institution in Nepal. Nepal should adopt practices from countries such as Germany as there, the 'Central Bank of Germany' has its own university to teach students (GCI, FGD Data 2021). There, students are given practical education by the central bank. Unfortunately, Nepal does not have any policies that support and/or uphold this type of education structure. In fact, no institutions or companies provide these kinds of educational facilities. In Nepal, only marks and theories are given priority by teachers, students, parents, and the overall community.

Additionally, many Nepalese students do not have fixed and proper ambitions regarding entrepreneurship. Even if students have fixed

plans and ambitions to become an entrepreneur, they end up either as private job holders or government job holders (GCI, FGD Data 2021). However, this outcome is not the student's fault. Instead, this scenario results from Nepal not having proper career counseling activities, even in this 21st century.

Even in MBA courses in Nepal, there are a large number of 'turnaround specializations'. This is actually a very important component of MBA courses as it helps create good 'CEOs' who are specialized in corporate as well as organizational sectors (GCI, FGD Data 2021). Yet, a grave concern is that such Nepalese courses simply discuss topics such as 'how to turn around a family business' which is not productive for Nepalese entrepreneurs.

In Chitwan, a mid-western part of Nepal, one can find fast-growing tourism, poultry farming, health, horticulture, agriculture, and educational systems. However, the type of teaching provided to entrepreneurs is often limited to that found in a regular MBA. In Nepal, MBA programs usually only focus on the banking sector (GCI, FGD Data 2021). Research shows the positive relationship between training/education and motivating individuals in becoming entrepreneurs (Pant, 2019). Even students and youths focus more on the banking sector rather than the above-mentioned growing sectors. Due to this kind of education

system and the preferences of youths, some SMEs have become dirty jobs in the states of Nepal.

For a long time, it has been clear that Nepalese entrepreneurs need an education system that understands Nepalese industries, jobs, and entrepreneurship. Nepalese entrepreneurs do not need an education system that only teaches them about multinational companies. However, it is important to consider that Nepalese entrepreneurs can take inspiration from multinational companies like Apple, Samsung, and Google in order to boost their creative minds (GCI, FGD Data 2021). Additionally, faculties facilitating entrepreneurship should provide more examples of what kinds of activities are being performed by Nepalese entrepreneurs to spread awareness of realistic Nepalese entrepreneurship contexts rather than foreign-based entrepreneurship contexts. Faculties can also provide historical examples of local entrepreneurship-based companies, such as Choilla Shops. Choilla Shops was started by a young entrepreneur named Narayana. Stories such as Narayana's should be shared with students to inspire them and motivate them to do something in the field of Nepalese Entrepreneurship (GCI, FGD Data 2021).

3.1.4. Human Capital in Nepalese Entrepreneurship

There is sufficient evidence provided by western researchers that the culture of having nuclear families has a robust influence on entrepreneurship in society (Pant, 2015). However, in Nepal, people with a large number of working family members benefit more in the field of entrepreneurship.

Currently, Nepalese youth entrepreneurs lack the opportunity to reach their full potential and become a powerful source of human capital for Nepal. The aforementioned limitations in the education system of Nepal leave young entrepreneurs with limited resources for (1) planning and conceiving domestic enterprise, (2) identifying real social problems, and (3) learning proper ways to negotiate in business. (GCI, FGD, Data 2021). One participant in the focus group discussion, a female youth entrepreneur, and highlighted how rather than developing new and innovative strategies, young entrepreneurs will often rely on existing markets and employ emotional tactics to engage with consumers instead of using logistical and effective business approaches. .

Even today, Nepalese private entrepreneurs are often unwilling to stray from their traditional nervous approach to investment due to the lack of adequate protection for investors. In turn,

entrepreneurs should first win the heart of these investors by dedicating themselves to securing a good workforce without seeking any profit from their newly formed business. However, this process initially reduces the budget that could help entrepreneurs gain proper profit as a founder through their entrepreneurship business. Therefore, efforts to remove this mindset and encourage an optimistic attitude towards entrepreneurship should be a focus in Nepal. By making efforts to renew these perceptions in this regard across the education system, both in dedicated teaching and in general education, such efforts can have a ripple effect across civil society.

Although there are many emerging female entrepreneurs in Nepal, data surveys show that most of the women do not operate their business as a lead owner as Nepalese society prevents them from exercising their rights and power as an entrepreneur (Acharya & Pandey, 2018). Companies that are under the name of women are mostly executed by any male members of their family, especially their husband or son. This scenario is due to husbands being able to gain more funding initiative and liberalization in tax through the use of their wife's name rather than their own name. This law was created by the Nepalese government to uplift female human capital in the field of entrepreneurship, especially in

micro-entrepreneurship. However, due to the lack of proper knowledge regarding entrepreneurship and society being male dominant, it is extremely difficult for Nepalese women, especially in rural areas, to run their businesses as leaders. Nepalese society, especially in village areas, believes that all plans regarding entrepreneurship and business are to be created by the husband, not the wife.

However, one female youth entrepreneur (participant), stated that people are starting to be more and more supportive of youth entrepreneurs despite their gender. She also pointed out that night markets and markets related to farms are becoming very popular, especially in city areas. Even if the owners of these related businesses are female, if they know how to deal strategically with people, their products are sold in good amounts.

In the focus group discussion, there was some concern that only a limited number of business success stories are visible in the media which limits positive exposure of entrepreneurship to the general public. However, it must be considered that many areas in Nepal still lack proper links to national mainstream media and communication platforms. Thus, there are potentially many success stories that do not or cannot get the deserved attention. On the other hand, the prominence of more democratic and individual-driven platforms such as Facebook

and YouTube means that many entrepreneurs are now able to promote themselves outside of traditional channels. However, social media remains a relatively new phenomenon and not everyone in Nepal knows how to effectively use these platforms. Some Nepali are also reluctant to advertise themselves as 'media savvy'. Additionally, in comparison to conventional marketing strategies, some enterprises that rely on social media may not be taken as seriously by established businesses. This outcome is either due to the supposed novelty of the medium or doubts over the significance of the business's following. Nonetheless, the internet and social media will certainly play a fundamental role in the evolution of entrepreneurship. Managing marketing using online tools is a skill that can be learned just like any other and should be taken seriously as such in education and training.

Likewise, the confidence women have in themselves to become business leaders and entrepreneurs is very low in both villages and cities (Acharya & Pandey, 2018). However, due to lots of entrepreneur-based training, female entrepreneurs in city areas are far more efficient and successful as compared to female entrepreneurs in rural areas.

Since 2007, the situation regarding entrepreneurship in Nepal has become a bit better due to the restoration of democracy and

the transformation of Nepal into a secular state. However, a lot of work is required to increase the self-confidence of Nepali women in becoming an entrepreneur. To elaborate on this issue of self-confidence, a female participant in the discussion provided an example of how Nepalese kids are nurtured in their childhood. She stated that from an early age, kids are taught that some work is meant for males only and other work is meant for females only. Being taught gender roles and job categorization from an early age contributes to the gap in females that grow up intending to become an entrepreneur (GCI, FGD Data 2021).

Similarly, right from the primary level of schooling, Nepalese are not taught in a way that supports their ability to utilize creative problem-solving skills in their future jobs and roles. Instead, the Nepalese are taught how to memorize things and complete work according to the instruction provided to them by their superiors. This situation has produced more job seekers in Nepal than human capital who can establish their own types of jobs and businesses at their own risk (GCI, FGD Data 2021).

3.1.5. Labor Market

The concept of the labor market has changed in recent years due to the establishment of democracy in Nepal. Currently, people from high castes like Brahmin and

Chhetris, who in the past did not like to work as cobblers, consider such jobs as degrading and are currently engaged more in the footwear business (GCI, FGD Data 2021). This trend has increased the number of skilled entrepreneurs in Nepal and the working model of later generations. Currently, with the engagement of more people from all caste levels in Nepal, competition has increased in such business sectors. Therefore, to run a business in this competitive environment, individuals should possess lots of skill-based knowledge and training to sustain their business. However, obtaining this knowledge and training is often not possible in nations with a government like Nepal's. Therefore, private sectors are given more focus in the entrepreneurial sector as they are seen as more suited to strengthen the labor market of Nepal according to the Fifteenth Plan of Nepal's Fiscal Year 2019/20 – 2023/24 (The Fifteenth Government Plan 2019-24 of Nepal, 2019).

The private sector is often responsible for strengthening the labor market to fulfill the sustainable goals of Nepal through the government's Fifteenth Plan. However, the problem is that the government is not helping the labor class workforce through encouraging support mechanisms (GCI, FGD Data 2021). Consequently, a significant majority of the labor force migrates to foreign nations instead of

searching for work in Nepal. This situation has caused a scarcity of labor and has prevented entrepreneurs from successfully running their businesses in Nepal. Although policies are flexible toward private actors involved in entrepreneurship in Nepal, due to the absence of proper encouragement and support mechanisms, these actors also face difficulties in finding competent labor forces and markets that suit their needs. Similarly, due to the politicization of the entrepreneurship market in Nepal, this Fifteenth Plan has remained relatively useless for pure entrepreneurs in Nepal who have no link with any political parties.

Nepalese Organizations like 'FNCCI' (The Federation of Nepalese Chamber of Commerce and Industry) have created different kinds of committees to foster entrepreneurship in Nepal. The innovation committee is one of them. This committee of FNCCI has currently made a plan to provide training and an approximate amount of 50 million to 60 million NPR (Nepalese rupees) to new entrepreneurs to strengthen their labor skills (GCI, FGD Data 2021). Referring to participants, FNCCI is currently trying to establish itself as an organization that helps only large companies with experienced entrepreneurs. This reasoning is due to the committee wanting to concentrate on providing training to laborers rather than

owners as laborers are the ones who ultimately convert the plans of entrepreneurs into outputs and results. One of the participants shared his opinion on celebrity entrepreneurs or so-called entrepreneurs who just want to get highlighted in the media in Nepal (GCI, FGD Data 2021). According to the participant, these entrepreneurs do not care whether they have skilled manpower or semi-skilled manpower, as their only goal is to receive attention, not produce quality products. Their main motive is to earn profit within the first six to seven years and then sell their company to others (GCI, FGD Data 2021).

On a slightly separate note, entrepreneurs focusing on 'Small- Medium Enterprises (SMEs)' need lots of laborers compared to large-scale enterprises as most enterprises in Nepal are SMEs. However, similar to new enterprises, a participant discussed how these kinds of enterprises cannot provide good salaries to workers compared to banks (GCI, FGD Data 2021). Therefore, these kinds of SMEs often have to make sacrifices in terms of the quality of services they provide. Currently, about 99.76% of the total labor market is covered by SMEs in Nepal, providing mass employment of about 95.56% as compared to large-scale industries (Khatri, 2020). However, due to improper laws and market policies from the government, entrepreneurs of these SMEs are

unable to run businesses properly and pay for a better labor force to produce better outcomes. As touched on previously, the Nepalese labor market is not focused on creativity and Innovation. Instead, it is based on a 10 AM to 5 PM time-based working system. Additionally, startup companies are suffering a lot in the labor market due to their low budget. Therefore, this puts a difficult burden on them as they have to find good workers who can do the work for minimum wages. Similarly, seeking business ease and not acquiring proper business skills (right from registration to the entirety of the process) has caused a scarcity of qualified workers in the sector of Nepalese entrepreneurship (TU., FGD Data 2021).

On the other hand, tension among the public and private sectors along with conflicts between labor and industry policies are creating disharmony between the state and society in Nepal. This disharmony creates a dysfunctional relationship between Nepalese policymakers, stakeholders, academicians, and laborers (TU., FGD Data 2021).

3.1.6. Finance and Capital

In Nepal, both male and female entrepreneurs encounter similar issues. However, female entrepreneurs struggle more than their male counterparts to acquire financial loans. Female entrepreneurs often

face more problems because they are tasked with household and family chores and therefore do not have sufficient time to support their own business. Due to this reason, many financial companies hesitate to provide funds to women in Nepal as they doubt female entrepreneurs can return loans in a given time. However, this is sometimes not the case for unmarried and youth women entrepreneurs in Nepal. Currently, per the fiscal policy of 2018/19, it is stated that citizens of Nepal from ages 18-50 who are willing to run their own enterprise will receive micro-loans from the government if they can provide an eligible education certificate (Maharjan, 2018). However, due to the COVID-19 pandemic, not much priority has been given to entrepreneurship in the 2020/21 fiscal year.

Nevertheless, a primary issue is that many women do not hold the mentioned education certificate. Therefore, women in Nepal are deprived of this opportunity despite them having unique entrepreneurship-based ideas. Additionally, enterprises operated by women are questioned within society as it is known that a majority of women are unable to provide an educational certificate to receive loans (Sigdel, 2016). As a result, Nepali youth, especially females, do not benefit from these types of government loans.

According to the census bureau of Nepal, it is stated only around 38,000 youths have created some professional micro-enterprises with the help of funds from 2018 to 2019. However, loans provided by the government to Nepalese youths are very minimal compared to the actual market rate of capital investment. Due to COVID-19, nothing novel was implemented in the field of entrepreneurship in terms of financial investment.

In Nepal, angel investors do not come easily. Each new company in Nepal struggles for at least five years to make profit and revenue (GCI, FGD Data 2021). In turn, Nepal has a scarcity of banks or any kinds of financial institutions that can provide new entrepreneurs or startup companies with sufficient funds to sustain their business.

An entrepreneur who has the support of their family and other financing organizations may have better luck in securing support from other funding agencies. However, it is only after their products are established in the national or domestic market that they begin to compete with existing markets and enterprises.

Currently, Youth and Small Entrepreneur Self-Employment Funds (YSEF) are being operated under the Ministry of Cooperatives and Poverty Alleviation. These funds help provide unemployed Nepalese youths with funds to

start small enterprise businesses. According to the executive president of the fund, Dr. Kalyan Roka, YSEF has opened the path for 12,000 youths to start self-employment activities by directing five new agendas such as the Cooperation Based Partnership Program, the

Bheri-Karnali Economic Corridor Program, the Kathmandu Valley Self-Employment Program, the Koshi Economic Corridor Program, and the Terai-Madhes Self-Employment Program (YSEF Report, 2021).



Figure 8: Model showing process of gaining support in self-employment in Nepal

The above figure shows that although the YSEF Secretariat of Nepal has planned to provide subsidiary loans to fund self-employment activities for youths, the youths must connect themselves with banks and other financial institutions to benefit from this loan. In other words, Youth and Small Entrepreneur Self-Employment Funds (YSEFs) are not granted directly to youth.

Additionally, politics have dominated a lot in the field of entrepreneurship. In the case of Nepal, political workers are strongly affiliated with the field. Due to this reason, manufacturers, businesses, and finance organizations often promote certain political parties and engage in unproductive ego-based protests for the sake of receiving financial benefits through entrepreneurship projects (GCI, FGD Data 2021). As stated before, in terms

of finance and capital, each new company in Nepal usually suffers for at least five years (GCI, FGD Data 2021). In these situations, even if there are lots of financial plans that are made by different banks as well as financial institutions, none of them are of use to entrepreneurs as they have yet to win the heart of stakeholders. Additionally, in Nepal, the number of business opportunities is outnumbered by job seekers. One discussion participant highlighted that according to the national census report from 2010, about 38% of job seekers are aged between 16-25, with a further 31% aged from 25-34 (TU, FGD Data 2021). Therefore, a lack of young, skilled, and experienced manpower in Nepal limits the country's human resource potential.

3.1.7. Social Norms and Cultures

The nature of Nepalese entrepreneurship is based on 'Play Safe' culture (GCI, FGD Data 2021). Most Nepalese people try to avoid risks that may arise while operating a new business even if they are willing to be an entrepreneur. As risk-taking propensity is very minimal in Nepal, most people search for jobs in established companies rather than create their own businesses.

Nepal is a remarkably diverse nation with a proud history of multicultural harmony and support. However, across Nepalese culture, individuals often lack a supportive family who would easily accept and encourage investment into newly formed sectors (GCI, FGD Data 2021). Similarly, there is also a misconception that every purpose-driven initiative to develop the country is done by NGOs and other funded organizations. This misconception neglects the initiative and interest that Nepalese citizens have shown in development. Unfortunately, these cultural circumstances leak into the sector of Nepalese entrepreneurship.

It is also important to note that the social status of entrepreneur remains an issue in Nepal, As the traditional business-owning community, the Marwadi ethnic group enjoys a positive social status as entrepreneurs in Nepal (GCI, FGD Data 2021). No matter what degree they hold, these

people must carry out their family business. In these kinds of business clans, upper managerial positions revolve around family members rather than external employees. Therefore, each Marwadi person is an entrepreneur in Nepal. This pattern also shows the importance of family dignity within these kinds of Nepali clans.

The internal management of family businesses also exists within the 'Newari' clans in Kathmandu (GCI, FGD Data 2021). However, the culture of internally promoting family business is lower in this clan of people as compared to the 'Marwadi' group of people. However, in regards to female members of these groups, women are still bound to social and cultural expectations to manage household tasks. This is because Nepal is a developing nation with a patriarchal social structure; regulatory and sociocultural differences between female and male norms provide a unique set of challenges to women who want to enter the entrepreneurship sector (Xheneti, Thapa, & Madden, 2019).

The culture of applying for government services by taking the PSC (Public Service Commission) exam or applying for a private job related to economics is very popular in Nepal. In Nepal, PSC-related government jobs are considered prestigious unlike entrepreneurial professions (GCI, FGD Data 2021). Likewise, people from 'Kath' areas, as well as the 'Brahmins', would

not have considered the shoe-making business a reputed business twenty years ago as it was prohibited by social norms, ethics, and culture. However, these people have started to work in this field due to advancements in shoe-making technology. Growth in this sector is also due to cleaner and safer manufacturing procedures as people no longer get as dirty or injured while making shoes.

Investors that are buying all kinds of enterprises through huge investments are slowly attacking

ethnic-based entrepreneurship activities in Nepal (GCI, FGD Data 2021). As a result, traditional enterprises that would have helped remote communities that have little access to modern technology are now in the hands of investors and external business persons who do not have any authentic connection with rural and ethnic-based entrepreneurship projects. Therefore, an inverse relationship is currently seen in Nepal among social norms, cultures, traditional enterprises, and investors.

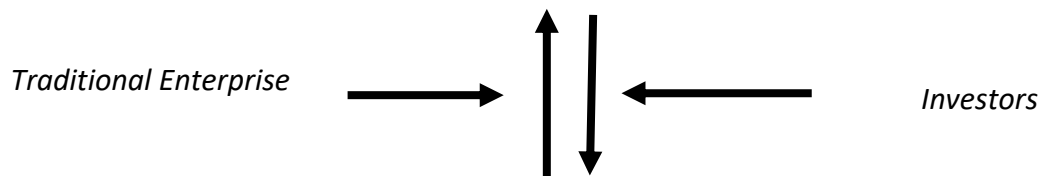


Figure 9: Showing the inverse socio-cultural relationship between 'Traditional Enterprise' and 'Investors' in Nepal

The above figure shows the inverse relationship between traditional enterprises and investors in Nepal. The above figure also shows that investors play a huge role in promoting or degrading traditional enterprise-based entrepreneurial skills and ideas in nations like Nepal where most traditional enterprises are based on cultures and certain ethnicities.

To clarify the relationship between 'Traditional Enterprise' and 'Investors', one participant from the focused group discussion provided examples of Newari ferment hard drinks. Various Newari fermented drinks meet international standards. However, due to the

social norms and culture of Nepal, the legal selling of hard drinks is not encouraged in Nepal. Similarly, due to this culture, the current policy of implementing a huge percentage of tax on these kinds of hard alcoholic fermented drinks is accepted by the government of Nepal and promoted in the budget of 2021/22. This practice has also created a very hard environment for finding good investors that could invest in traditional entrepreneurial ideas that are typically focused on these kinds of culture-based hard fermented drinks in Nepal (GCI, FGD Data 2021).

In general, people are encouraged to engage in work if they feel supported (via financial assistance and resources) and if the work stems from positive intentions. However, this is not often the case in Nepal. Nepal has a discouraging work culture as compared to other nations in the world (GCI, FGD Data 2021). Even the government discourages entrepreneurs by implementing heavy taxes on them and the sector.

New generations of entrepreneurs have developed more positive mindsets toward work culture. However, the entrepreneurial culture of Nepal has changed into a family-focused business where second or even third generations of elite groups that used to rule the entrepreneur sector of Nepal have started to take over the market. Therefore, the culture of entrepreneurship in Nepal is slowly moving toward a hierarchical family-focused system (GCI, FGD Data 2021).

In Nepal, the act of either going to a foreign nation or opening a startup company rather than pursuing work in an established company is increasing among youths. This trend has been slowly hampering small-level businesses in Nepal. Most of the youth in Nepal do not like to work as a businessperson. Instead, they prefer to start their own companies. Due to this developing culture in Nepal, youth often face problems related to fake investors. The culture

of impressing entrepreneurs and considering them as superior due to them providing jobs to other people is promoting egoistic feelings among normal people and entrepreneurs in Nepal. Therefore, entrepreneurs do not receive their due amount of credit until their death (GCI, FGD Data 2021). Entrepreneurs are also often disliked by those who are not employed by them. Additionally, a sense of animosity between entrepreneurs and other people can arise if entrepreneurs are unable to provide jobs due to their own incapability. It is not uncommon for some Nepali entrepreneurs to have a poor understanding of the market system and consumer and business culture.

Nepal also has a culture of calling family businesses a form of entrepreneurship. Therefore, the mindset of youth is focused more on pursuing their family business rather than taking the unnecessary burdens associated with opening up a new business. Since childhood, Nepali youth are taught not to open their own company as their parents do not want their children to experience the same financial problems they did when opening their family business (GCI, FGD Data 2021).

Labor deficiency has been a major issue in Nepal. The caste system has also played a major role in strengthening the problem of labor deficiency. Regarding labor deficiency and the issue of young laborers, one participant, also

the vice president of the Confederation of Nepalese Industries (CNI), suggested that the cultural issues within society are a barrier to establishing a better entrepreneurial culture in Nepal (T.U., FGD Data 2021). A supposed aversion to risk-taking and financial concerns stifle business innovation whilst the bureaucracy of the current system deters many people from opening a business.

In Nepal, it is traditional to seek a job in government services and remain secure for a lifetime. Due to the political instability in Nepal, people tend to look for permanent jobs or leave the country rather than pursue entrepreneurship and open up a dream business (T.U, FGD Data 2021). However, the Nepalese business and industry sectors have grown in comparison to past years. Telecommunication, banking, financial intuitions, fast-moving consumer goods (FMCG), and hotels and resorts have grown as the market has supported their growth. Similarly, according to a participant who is a retired entrepreneur, the rise in urbanization and the desire for international exposure to goods, work, services, studies, and fashion has led to a change in the lifestyle preferences, choices, and needs of Nepali people (T.U, FGD Data 2021). Some small and medium firms have capitalized on these changes and have remained profitable. Therefore, today, small

businesses are growing and entrepreneurship is developing more in the country.

3.1.8. Support from Government

The grassroots support mechanism from the side of the government remains severely limited in Nepal. Few people, especially entrepreneurs, have access to governmental support. Those who do have access are often connected to certain political parties. Currently, politicians whose political party is in power receive more support from government plans and initiatives. Corruption and the alignment of business interests with political interests have led to the unfair distribution of resources in Nepal as preference is given to supporting political allies rather than new entrepreneurs for whom the support is intended. Increased politicization has isolated many citizens from the wider fields of business and entrepreneurship (GCI, FGD Data 2021).

Similarly, the new and less established businesses are frequently isolated from financial assistance in favor of larger and more reputed industries. Sugarcane farmers, for instance, have staged protests over the government's slow response to helping them recover due payments from sugar mills (The Kathmandu Post, 2020). After the government promised to assist in paying some NPR 520 million owed to them by the mills in December

2019, a year later this assistance had not yet arrived. (HNS Report, 2020). Beyond promises on paper, it is apparent that much of the needed assistance, even that which has been pledged by the government, fails to materialize into practical support. However, the government is not solely to blame. Four sugar mill companies were responsible for the massive debt owed to farmers. An increased focus on the production and distribution of agricultural products in the past decade (Karki 2011) has given great power and influence to major players, or 'business mafias', who can strongly influence business policy in their favor.

Although small and domestic industries have their own federations, they are often reactive decision-makers and only take action after they have been assigned work, often by the government.

However, this is not to say though that the government has been entirely unsuccessful in its efforts. Current support mechanisms, such as the 'Make Our Kathmandu Ourselves' initiative, represent a positive step toward bringing entrepreneurs together and developing a shared mindset between businesses and the government that will help develop Kathmandu into a central hub for enterprise in Nepal (GCI, FGD Data 2021). Hopefully, this kind of success can be replicated across the country.

Additionally, the government has facilitated an initiative to bring startups together from across the field of development to share strategies and educate young and emerging entrepreneurs on successful practices. This plan is still in a pilot stage of development but has the goal of developing into a major national program (GCI, FGD Data 2021).

Lots of new business initiatives are slowly being implemented in Nepal. Digitizing the Nepalese market and improving internet access across the country will give new power to digital entrepreneurs. However, the government should consider the conditions of the local environment and education systems before introducing these kinds of development programs. Many entrepreneurs in village areas do not have proper knowledge regarding how to exchange, transact, and do business with the help of digital technology. The government should not think that only the cities are capable of strengthening the country through entrepreneurship.

In Nepal, entrepreneurs have to do tedious and lengthy paperwork. They also need to certify their newly launched product in each and every official department. The government should deploy more officials to provide complete information and help new entrepreneurs in the registration process. These actions would help ensure that the paperwork is shortened and clear. For example, if one wants to open any health-related enterprise in Nepal, they need to

register that organization in the 'Ministry of Health' to receive government-based support and verify the legal license (GCI, FGD Data 2021). Due to a lack of information sharing, many enterprises fail to understand registration policies.

Similarly, due to a lack of a categorization market system in the field of entrepreneurship, it is very difficult for citizens to identify different kinds of projects. Each and every entrepreneur, especially the new ones, need at least moral support from the government. Even if registration processes become easier, the administrative work that each Nepalese entrepreneur has to do after registration is disheartening and time-consuming. Additionally, policies and laws have become so cumbersome to obtain a VAT bill and receive PAN numbers to find ICC (GCI, FGD Data 2021).

In Mid-March of 2021, the Prime Minister announced a plan to provide an NPR 1 million micro-entrepreneurship fund under the National Association of Attorney General (GCI, FGD Data 2021). It is important to understand that Nepal does have a flexible environment to strengthen its innovation and its innovative entrepreneurship. However, due to (1) conservative attitudes toward enterprise, (2) party-based nepotism and interests, and (3) no proper guidance from the government, Nepalese entrepreneurs are not able to develop solution frameworks to solve the problems that exist in the field of Nepalese entrepreneurship.

3.1.9. Support from Agencies

Regarding financial support from investments, banks, and financing agencies, there are many complex procedures that entrepreneurs have to go through to obtain such support. Often, these procedures are too time-consuming for the entrepreneurs that they cannot even concentrate on advancing their business (GCI, FGD Data 2021). However, due to the huge competition among banks, obtaining loans has been relatively convenient for Nepalese entrepreneurs if their company is registered in accordance with the procedures of Nepalese law. According to a participant in the focus group discussion, it is known that some of the private banks in Nepal even provide loans within 24 hours of submission of valid documentation that reflects strong legal background and support (GCI, FGD Data 2021).

Despite Nepalese being considered to have access to natural resources and raw products in rural areas, financial difficulties are more prominent among entrepreneurs in rural-based areas than in cities. This scenario is especially true for new entrepreneurs trying to start their companies as they are more vulnerable. Therefore, banks are afraid of providing monetary or any financial support to them. Additionally, other agencies like investment organizations and private investors are also afraid to invest in the ideas of new entrepreneurs. It is important to note that in order to receive support from these kinds of

investors, business ideas do not have to be perfect in their initial phase. However, it is important for entrepreneurs to accept any constructive feedback they receive from investors. Additionally, entrepreneurs should establish certain legal agreements with investors to ensure transparency and accountability (Kunwar, 2018).

In Nepal, it is easier to start a business if one owns land in their own name or if they have inherited it from their ancestors.

This situation supports the rise of 'angel' investors in Nepalese entrepreneurship. It is also important to find investors who can serve as mentors. Additionally, entrepreneurs and investors must be on the same page in regard to investment and impact. In Nepal's compact society, friends, parents, and other relatives who own businesses can be good sources of mentorship.

Currently, Nepalese citizens struggle to receive assistance from support agencies like FDI. This struggle is partly due to youth entrepreneurs in Nepal possessing a traditional mindset regarding business partnerships. Additionally, it is extremely difficult to receive business support from international agencies. Genuine entrepreneurs often burn out as they cannot continue to invest the energy and enthusiasm into their initiatives due to Nepal's poor entrepreneurial environment (GCI, FGD Data 2021). These genuine entrepreneurs can hardly

get access to any support from these kinds of agencies due to business mafias. Business mafias are everywhere in the Nepalese entrepreneurial sector. As a result, most of the investments and funds are captured by them through the use of political leverage and social links (GCI, FGD Data 2021).

3.1.10. Support from Non- Governmental and Private Institutions

The involvement of non-governmental and private sectors in entrepreneurship plays a vital role in growing the economy of a country. Entrepreneur interventions increasingly require the engagement of non-governmental and private sector actors as partners. These types of partnerships are needed to capitalize on innovations and meet the needs of targeted groups. An active private sector not only creates employment but can play a vital role in helping tackle the development challenges of developing countries like Nepal.

Currently, FNCCI's Innovation and Development Committee has a plan to invest about five to six million rupees in training for new entrepreneurs across Nepal (GCI, FGD Data 2021). Today, lots of impact funds are received by Nepal from different international non-governmental organisations. These funds have developed a better ecosystem for investors. In turn, entrepreneurial tendencies are gradually growing in middle-class families (GCI, FGD Data 2021).

With only one established training center in the form of CTEVT (Council for Technical Education and Vocational Training), Nepal should look to expand its vocational training capabilities. Furthermore, ensuring affordable or free access to these institutions would be of tremendous benefit to Nepali citizens. Whilst there are many tertiary training facilities and agencies, they are not as structured as educational institutes are. Thus, the services that these agencies offer frequently change according to the preferences of the institutions and/or organisations that hire them. Therefore, these services do not consider the wider needs of the sector. As a consequence, there is no established system for the preservation and consolidation of training data. Properly storing this data could offer invaluable insights into trends in the Nepalese entrepreneurship sector as well as provide information on who undertook and delivered the training (TU and GCI, FGD Data 2021).

Whilst government capacity in education and training should be expanded, there are also many non-governmental organizations involved in these areas. Organizations like the Nepal Entrepreneurs Society (NES) aim to create a platform for young founders/co-founders of startups to connect with the business hub, policymakers, diplomats, NGOs, and INGOs. NES works to create a better entrepreneurial ecosystem as well as promotes the concept of entrepreneurship among Nepalese youth (TU, FGD Data 2021). Working to solve the issues of unemployment, NES strives to create job

opportunities for youth by promoting a stronger startup culture in Nepal. NES aims to empower youth by conducting various boot camps, hackathons, trainings, investor meet and greets, etc. where young entrepreneurs will receive mentoring and the chance to connect with mentors (TU, FGD Data 2021).

Recently, CNI launched the 'Make in Nepal-Swadeshi' campaign. Under the campaign, CNI aims to create 1.5 million industrial jobs every year and increase the worth of annual exports to NPR4.3 billion over the next five years. The confederation has said that through this campaign, it will contribute to twenty-two percent of the country's gross domestic product (GDP) by 2025 and twenty-six percent by 2030. The campaign has been launched with the aim of ramping up domestic production, raising the competitiveness of businesses, and increasing the demand for Nepali goods and services (TU, FGD Data, 2021).

In terms of strengthening women's enterprises in Nepal, the Federation of Women Entrepreneurs' Associations of Nepal (FWEAN) is working to advance the nation through the socio-economic empowerment of Nepalese women. FWEAN aims to achieve this goal by (1) advocating for issues related to women's economic empowerment, (2) enhancing the capacity of women entrepreneurs, and (3) supporting female-led enterprises (TU, FGD Data 2021).

CHAPTER 4

CONCLUSIONS AND RECOMMENDATIONS

4.1. Discussion of Findings

Per the focus group discussion, rigid structures, poor internal direction, and a lack of coordination between governmental bodies have all led to weak entrepreneurship development in Nepal. Due to the lack of budgetary provisions, the Nepal government has developed some supportive schemes related to the Technical and Vocational Education and Training (TVET) sector. However, these schemes only support short-term solutions. Profit should be considered the guiding factor in an enterprise and therefore efforts should be made to reassess some of the liabilities that enterprises face, such as the Value Added Tax at both the local and federal levels. Furthermore, reformation should be considered for the way that taxation is calculated for businesses as it should be explored how these taxes should be based on gross profit instead of total profit.

Educational institutions should therefore play a key role in promoting entrepreneurship. Different policies have been made regarding entrepreneurship in Nepal but the country has failed to effectively implement these policies. The Income Tax Act of 2002, the policy that

concerns the self-declaration of taxes in Nepali, could be more effective and flexible in addressing the concerns of current trends and events. For example, this act could be more flexible toward the expenditure of entrepreneurs. Thus, the act should be reviewed in coordination with experts in related fields. There is a trend of entrepreneurs quitting their businesses in times of difficulty. An example can be the current pandemic. Additionally, many aspiring entrepreneurs are still uncomfortable with the idea of risks. However, such pandemics and risks can also provide great opportunities. Young entrepreneurs must be prepared for other challenges that may occur in the future.

Therefore, there are a number of suggestions for these challenges faced by the sector of entrepreneurship. One suggestion is to improve the perception of entrepreneurship and business in the country. General mainstreaming and the stronger promotion of entrepreneurial policy can help achieve this. Encouraging a new culture of entrepreneurship that values risk-taking should also be prioritized. Political parties must be clear in their commitment to entrepreneurship and

uphold their promises regarding non-intervention, strike action, vandalism, and the solicitation of donations. These actions also help connect profit to the development of Nepal through the payment of taxes. Linkages between the public and private sectors should also be established to fill gaps in entrepreneurship development. The discussion also found serious differences between the targets of the Nepalese government and the expectations of the private sector. There is a lack of a flexible environment between the two that impedes effective cooperation. New rules and policies need to be drafted in coordination with the government, experts, and stakeholders that consider best practices and the Nepalese context.

Although there is an existing plan and policy concerning foreign investment, the current direction of the Foreign Policy Investment initiative creates an unfavorable environment for new investors and should be reassessed while taking good practices into consideration. Additionally, a review of related costs is necessary and should be conducted soon.

Foreign direct investment should be operated in tandem with immigration/visa policies for workers through a single 'one-window' system. Similarly, foreign investors should feel confident and secure in their business decisions and be provided with appropriate and secure

exit strategies. Furthermore, the Central Bank of Nepal should facilitate the withdrawal of investment and provide better access to foreign currency, especially the US Dollar and Euro due to their importance in the global economy.

Cultural factors have also influenced the direction of entrepreneurship in the country. It has been questioned why traditional knowledge has not been effectively transferred into the sector. Two other main challenges to the development of entrepreneurship in Nepal were also discussed. First, there are high tensions between the public and private sectors. Labor policies and industry policies are often not in agreement and create stress between the state and society. Additionally, the relationship between policymakers, stakeholders, academics, and workers is also very discouraging in Nepal.

Another challenge is that due to globalization, national boundaries are losing relevance as industry boundaries are becoming more important. This globalized economy has hampered development in Nepal as the country is experiencing a rise in foreign employment abroad. Due to foreign employment, Nepal is not being able to generate a willing workforce capable of starting their own businesses.

Entrepreneurship in Nepal has been highly affected by COVID-19, however, this does not

mean that entrepreneurship cannot move towards development. It is important to understand that universities can play a critical role in this development. Universities can bridge the gaps between the state and society that have been identified in the focus group discussions. An outcome of this institutional involvement in development is that students would be better connected with citizens in the entrepreneurship sector and vice versa. As a result, there would be an increase in the development of skilled manpower that can help foster a more robust relationship between entrepreneurialism and academic knowledge. As youths are searching for opportunities abroad, providing opportunities for training, internships, and work placements in Nepal can help counter this desire for foreign work and raise Nepali entrepreneurship to the next level.

4.2. Conclusions

This research project aimed to examine the current status of the Nepalese entrepreneurial ecosystem. To achieve this, Isenberg's model of an entrepreneurial ecosystem was used. Focus group discussions were conducted where experts from the field provided information based on their experiences, knowledge, and expertise. To fulfill the research goal, the participants' responses were interpreted through various lenses regarding policy, the market, finance, support

systems, human capital, and culture. An assessment was performed to understand the existing scenario of Nepalese entrepreneurship with respect to each of the dynamics modeled by Isenberg.

Through the focus group discussion, it became evident that educational institutes and government agencies can play a vital role in enhancing entrepreneurship in Nepal. Educational institutes can enhance entrepreneurship by improving curriculum design, providing practical-based learning, and establishing incubation centers. On the other hand, government agencies can enhance entrepreneurship by (1) improving and implementing laws and regulations that have been made, (2) creating transparent and business-friendly environments, (3) improving accessibility for startups, and (4) encouraging and empowering youths to pursue self-employment. As globalization and sectorial fragmentation remain a challenge to Nepal's nascent domestic industry, the country can still enhance entrepreneurship by maintaining a healthy industrial ecosystem and strengthening the foundation of state-society relations.

In the past, the Nepalese socio-cultural environment encouraged citizens to seek a job based on caste and gender. However, this mindset is changing. This change has been brought about by entrepreneurs and

entrepreneurial ideology. However, this societal change requires further support from the government, investors, and consumers. In order to enhance entrepreneurship, the sector should raise awareness of success stories, challenge the current social perception of entrepreneurship, encourage new generations, and establish a positive and supportive culture of entrepreneurship. The public and private sectors also play a vital role in advancing Nepali businesses to the next level. A strong relationship between the public and private sectors helps create open and accessible paths for entrepreneurs and investors. Additionally, skilled manpower also plays a vital role in enhancing entrepreneurship in Nepal. Nepal's challenges regarding human resources must be resolved. Educational institutions and vocational training can help produce skilled manpower while also helping to maintain and strengthen the relationship between academia and industries. To maintain productive relations between academia and industries, it is necessary to identify gaps in research and explore them accordingly.

To conclude, it is evident that in spite of several problems impacting entrepreneurship in Nepal such as a lack of productivity, socio-cultural factors, limiting support mechanisms, and corruption, youth and adults are increasingly showing their interest in the field of

entrepreneurship. Overall, this research helps identify and understand the challenges and opportunities in the field of entrepreneurship in Nepal. The research provides a deep understanding of the dynamics of finance, policies, support systems, human capital, culture, the market, and the entrepreneurship ecosystem of Nepal. In turn, this research helps inform and bring awareness to beginners and established entrepreneurs, policy-makers, trainers, academics, mentors, funding organisations, and other supporting agencies. Furthermore, this study also contributes to efforts to design an academic curriculum and training materials that uplift entrepreneurs in Nepal.

4.3. Recommendations

Nepal is in the developing phase of entrepreneurship and lots of improvements must be made regarding the entrepreneurial sector to overcome challenges and facilitate development. Suggestions to improve the sector are provided below.

- Firstly, the government of Nepal should focus on the implementation and improvement of laws and regulations that have been established. The government should look to international standards of conducting businesses and appropriately draw from them to

advance current policies. Formulating new laws and regulations without implementation will prove counter-productive.

- The government should prioritize the creation of a proper and business-friendly environment for startups through improved tax systems, bank loans, and corridors of trade. Productive trade should be strongly encouraged.
- Foreign direct investment and corresponding development should also be prioritized for the enhancement of entrepreneurship in Nepal. Improved access to facilities like infrastructure, electricity, and water will improve the accessibility and success of startups. Furthermore, this development can help to improve the sector's relations with local authorities.
- School and university students should be provided with knowledge, awareness, and training so that they do not have difficulties in starting a new business. Combining academic awareness with

practical opportunities can provide invaluable experiences for young people.

- Nepal is poor in terms of science and technology. The government should focus on the development of science and technology as this development would enhance entrepreneurial growth and development.
- All three levels of the government should cooperate and collaborate on the management of tax, including VAT and customs duty.
- A series of seminars, group discussions, and interviews should be conducted with concerned authorities and stakeholders throughout the country.
- Youth should be encouraged to contribute to their own country rather than seek foreign employment.
- Soft and subsidized loans should be provided with lower interest rates.

Appendix #1
P6 - TU - Panel member discussion for FGD
May 6, 2021

1. Pitambar Bhandari,

Program Coordinator, Department of Conflict, Peace and Development, Tribhuvan University

2. Ramila Bhandari,

Section Officer for Ministry of Industries, Commerce and Supply

3. Narayan Prasad Duwadi,

Joint Secretary for Government of Lumbini Province

4. Sahara Joshi,

CEO of Himalayan Bamboo Pvt Ltd

5. Rajendra Ojha,

Global College International

6. Birendra Raj Pandey,

Director of Nepal Adarsha Nirman Company Pvt Ltd, Vice President of Confederation of Nepalese Industries (CNI)

7. Dhubra Lal Rajbanshi,

Former Director General, Department of Industry, Government of Nepal

8. Prarthana Saakha,

Member of Nepalese Youth Entrepreneurs, Co- Founder of Helmet Nepal Pvt Ltd

Appendix #2

P7 - GCI - Panel member discussion for FGD

1.) Dr. Ram Chandra Lamichhane

Founder & Vice chairperson of the City Planning Commission of Pokhara Metropolitan City

2.) Ms. Lucky Chhetri

Founder of "Empowering Women of Nepal", NGO

3.) Dr. Binod Atreya

CEO, Advisory Council Member, trainer, Chairman – BFIN (Banking Finance and Insurance Institute of Nepal)

4.) Mr. Niraj Khanal

Co-Founder/CEO of Antarprerana

5.) Dr. Seema Singh

Assistant Professor at Kathmandu University in the field of Entrepreneurship Education

6.) Ms. Faija Parween

Board member of National youth Council, Nepal

7.) Mr. Kumar Bhatta

Co-Founder/Owner of 'Nirman Saathi'

8.) Ms. Parikshya Khadka

Represents the students' body of GCI

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EDITORIAL

COMMITTEE PROFILE



Ram Thapaliya, Ph.D., a faculty member of the Ph.D. program in Conflict Peace and Development studies and Ph.D program in Department of International Relations and Diplomacy (DIRD) at Tribhuvan University. He is also a visiting professor at Kagawa University-Japan, Queensland University- Australia and IDMR, Sichuan University, China. Currently, Dr. Thapaliya is working as a Chairman at Institute of Crisis Management ICMS, Tribhuvan University.

He holds a degree in International Law from Tribhuvan University, a Master's degree in International Relations from the Fletcher School of Law and Diplomacy at Tufts University (USA) and has been awarded a Ph.D. in Crisis Management from Atlantic International University (USA). His research interests include the role of the military in South Asia, identity based conflicts, Sustainable Tourism, Business Excellency and crisis management of both natural and human-made disasters.

During 2015, Dr. Thapaliya served as the Honorary Disaster Management and Security and Advisor to the former Prime Minister Sushil Koirala at the Office of the Prime Minister and Council of Ministers in Nepal.



Ghanashyam Bhattarai, Ph.D., member of UGC High-level Committee to formulate policy and procedures of universities regarding university standards, criteria development for opening new universities, and merger policy of community campuses/colleges. He is a member of the Research Committee in the Central Department of History, Tribhuvan University.

He is involved actively, as a member of different subject committees, in drafting the courses for Master in History, Tourism and Hospitality studies, Development study, and Nepal Study, TU. Worked as a resource person for research method classes to Ph.D./M. Phil. candidates in Tribhuvan University and Pokhara University in Nepal.



Subash Shrestha, Ph.D. degree in Management from the University of Auckland, New Zealand in 2018. He completed his Master's degree from Tribhuvan University in 2005 and was the gold medalist of that batch. Later he completed Masters in Management (MM) from Cambridge College, Boston, USA in 2009 with a CGPA of 4 out of 4.

In the past Dr. Subash has worked in the University of Auckland in different academic fields. He also worked in the Kiwi Institute of Training and Education, New Zealand as a lecturer. In addition to that he has achieved significant amounts of international experiences in the academic and industrial sphere in the USA, Australia and India. He is one of the founders of the Global College International and associated with the college.



Mr. Rajendra Ojha, a social science researcher, ERASMUS+ certified trainer, poet, youngest citizen diplomat (to Switzerland in 2017), philosopher, and social worker specializing in blood-related matters. He is now working on two international scientific research projects based on CESTour (Sustainable Tourism) and ENCORE (Entrepreneurship Education) that are funded by the European Union's Erasmus+ scientific research program.

He received the 'Asia's Outstanding Solution Provider Award 2020/21' from Asia Award, powered by Rula Award, for his contribution to business and entrepreneurship research.



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