**FACTOR INFLUENCING STARTUP GROWTH AND YOUTH ENTREPRENURSHIP IN KATHMANDU VALLEY**

**Project Work**

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*(Bachelor in Business Administration)*

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**Dipesh Singh Thapa**

5April, 2021

**DECLARATION**

This Project Report entitled **“Factor influencing startup growth and youth entrepreneurship in Kathmandu valley”** is submitted by me in partial fulfillment of the requirement for the award of BBA degree of Pokhara University, comprises only my original work and due acknowledgement have been made to materials used in the report.

………………………..

**Dipesh Singh Thapa**

Date: March, 2021

# SUPERVISOR’S RECOMMENDATION

The project work report entitled, **“Factor influencing startup growth and youth entrepreneurship in Kathmandu valley”** submitted by Dipesh Singh Thapa of Liberty College, Anamnagar, Kathmandu is prepared under my supervision as per the procedure and format requirements laid by the University, as partial fulfillment of the requirements for the award of the degree of Bachelor of Business Administration (BBA). I, therefore, recommend the project work report for evaluation.

……………………………

Mr. Chetan Acharya

Project Supervisor

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March, 2021

**BONAFIED CERTIFICATE**

This is to certify that the Project Work titled

**“Factor influencing startup growth and youth entrepreneurship in Kathmandu valley”**

Submitted by:

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For the partial fulfillment of the requirements of BBA embodies the bonafide work done by him/her.

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# ABSTRACT

Youth unemployment is one of the key global challenges that may persist on for many years to come. Recently, about 38 percent of the youth population in Nepal is currently unemployed and around 75 percent of them are underemployed. This could mean that hundreds of thousands of young people are living under poverty condition in this country.

Recently, interest in youth entrepreneurship has been fueled owing to high levels of unemployment amongst young people and as a way to foster employment opportunities or to address social exclusion. Youth entrepreneurship has gained some more importance in recent years in many countries as a way of fostering employment opportunities, boosting economic competitiveness and promoting local and regional development. Interestingly, the world has adopted entrepreneurship as a strategic approach to facilitate economic participation among youth. Youth involvement in entrepreneurship supports them to boost up their confidence, achieve economic independence and ward off their inherited poverty. It also creates job opportunities and also ensure development of economic growth.

Despite having such advantages of entrepreneurship, youth in Kathmandu, where this study is conducted, seem to be reluctant in pursuing career in entrepreneurship. The objectives of this study was to investigate the obstacles that young people encounter when setting-up their businesses; the current obstacles that prevent the expansion of their entrepreneurial ventures; as well as the prospects for youth entrepreneurship development in this community.

This study adopted a descriptive research design. A quantitative research methodology was used with the help of self-administered questionnaires. A sample of 100 subjects was randomly selected from a population of 150 youth entrepreneurs from different Small and Medium Enterprises (SMEs) industries, who formally registered their businesses on FNCCI, which promotes and develop entrepreneurship among youth in Kathmandu. The data were collected from participants and analyzed with the help of Statistical Package for Social Science (SPSS). A total of 100 questionnaires that were distributed to the participants of the study, 68 questionnaires were returned, resulting a response rate of 68 percent. Out of the returned 68 questionnaires, 3 of them were incomplete. This left the researcher with a total of 65 questionnaires to be analyzed.

The findings were illustrated in tables, bars and pie charts, and the objectives of this study were met. It was found that young people in Kathmandu want to pursue career in entrepreneurship, but youth entrepreneurship development is lacking in this community. The current study revealed that most important obstacles that Kathmandu’s young entrepreneurs encounter while setting up their businesses, and subsequently operating their businesses include; lack of support structures, ineffective programs of Nepalese government to support entrepreneurial development in the region, lack of business funding and start-up capital, high cost involvement and unclear business registration process, lack of business management skills, lack of business resources. However, youth enthusiasm to involve in entrepreneurial activities was also encouraging. Overall on the basis of challenges and prospects revealed, recommendations to improve the current situation was made. Thus, the findings and recommendations bear far reaching ramification for all stakeholders who are concerned about developing youth entrepreneurship in this community.

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ABBREVIATIONS

BFI Banks and Financial Institutions

CTEVT Council for Technical Education and Vocational Training ERF Economic Rehabilitation Fund

GoN Government of Nepal

MoU Memorandum of Understanding NGO Non-Government Organization NPC National Planning Commission

RSRF Rural Self Rehabilitation Fund

SME Small and Medium Enterprises

TDF Technology Development Fund

WEDF Women Entrepreneurship Development Fund

# Chapter 1 - INTRODUCTION

## Chapter 1.1- ENTREPRENEURSHIP IN KATHMANDU

One of the earliest researches about entrepreneurship in Nepal described the Thakalis of Marpha as having a ‘culture of entrepreneurship’, ‘possessing a powerful cultural impetus towards trade, investment, and capital accumulation.’ (Parker, 1988). While the entrepreneurial ecosystem in Kathmandu came into prominence in the early 2010s, Nepali, in general, have always been very entrepreneurial. The startup ecosystem is growing; there are more business accelerators, private equity companies, mentorship programs, and formal education provided than existed a decade ago. Much of this growth is driven because of knowledge transfer, the growth in the number of people with education and exposure to entrepreneurship, rise in access to public media, and the exponential development of mobile telecommunications and outreach. This growth was concomitant with the growth of incubators, investor confidence, and policy changes.

Private entrepreneurs in Nepal had traditionally remained very shy to come forward for investment in industrial ventures due to various reasons (K.C. 2003) aside from having limited financial resources, low rate of return from industrial investment and the then conservative lending policy of BFIs, they also faced a dearth of appropriate entrepreneurial education, training facilities that were suited to their circumstances, and wide-spread corruption in the public sector. Even for the investors, there weren’t adequate protection measures, stable and apt economic or industrial policies. This situation, however, has changed in the past two decades, likely for the better. According to Dr. Swarnim Wagle, ‘Nepal needs an “economic war room” to launch the new wave of reforms to boost entrepreneurship and investments in Nepal’ (NPC, 2016). This wave has already started rising in Kathmandu.

Even among developing countries, Nepali entrepreneurs face their own quite unique set of problems. For more than a decade, the nation was unstable in many senses– unstable governments, unstable electricity supplies, unstable *bandhs,* unstable natural disasters, unstable diplomatic relations. These things, which can easily be taken for granted by more developed countries, are a very tangible concern to entrepreneurs and people in general. Furthermore, we stand today both as a consequence of a history that disallowed innovation and stifled education among the general people for centuries and specified it to a small domain of individuals, and as a testament to the will and wile of the average Nepali person to find solutions even under the worst of circumstances.

The *Doing Business in 2018* report by World Bank puts Nepal at the 105th rank out of a total of 190 countries in 2018, doing better than all other South Asian countries except Bhutan and India. Furthermore, more than half of the country’s population is under the age of 24. This provides a huge challenge and an opportunity for the country. Entrepreneurship, particularly focused on the youth, remains an important priority. Despite these two facts, the youth aren’t proportionally represented as

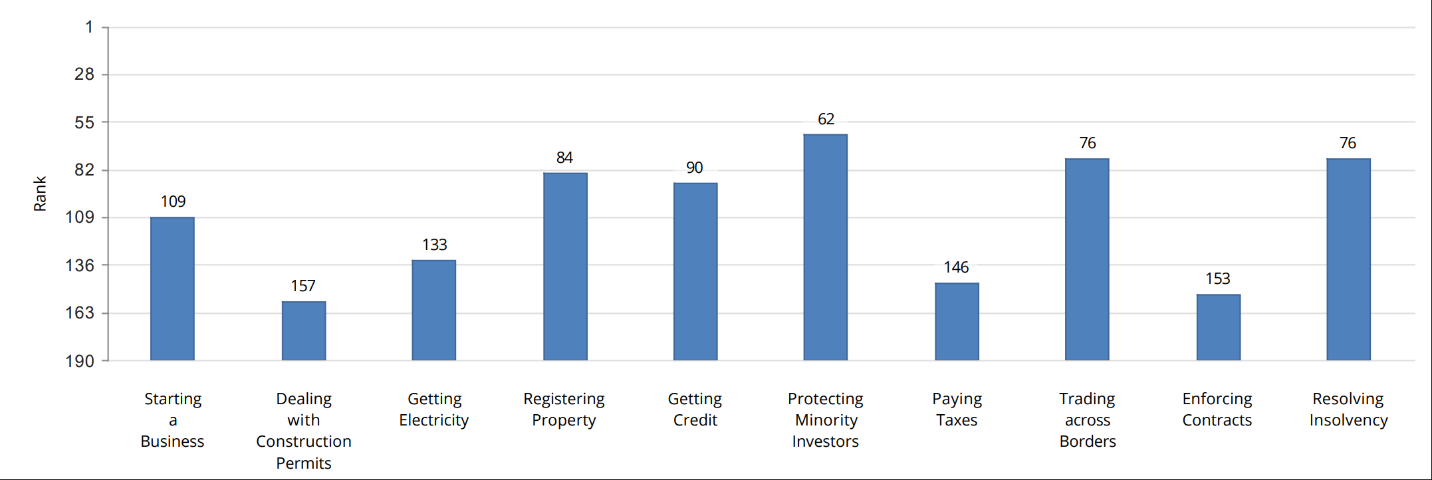


Figure 1: Ranking of various Indicators (World Bank 2018)

ministries at all levels of the government – local, provincial and federal, don’t recognize the need for youth’s involvement in decision-making. More importantly, it isn’t recognized by the youth themselves (Agrawal et. al., 2014). If the ecosystem fails to provide skills and capacitate our youth, Nepal’s potential demographic dividend could very well turn into a demographic disaster. Consequently, the country’s economic growth prospects, development strategy, and social cohesion will depend progressively upon forming alternative employment sources for the youth. According to a World Bank report (2013) ‘recent government actions have begun to lay the foundation for greater national engagement with the youth while creating new possibilities for youth entrepreneurship and employment. Furthermore, Nepal has set the goal to reach middle-income status by 2030, which is dependent on sectoral enterprise development ((Lemma and te Velde, 2017)) and established Youth Vision 2025 (MYS, 2015). To promote the business sector, the government must provide a sound business environment (Karki, 2011), and given such an environment, more households may be attracted to become entrepreneurs in Nepal (Zwager and Sintov, 2017).

This has a lot of implications for Nepal, and not just Kathmandu. In rather rural areas, there is a tremendous need for economic growth and; therefore, entrepreneurs motivated with rural

management, poverty reduction, education and welfare have a wider scope to focus on. But perhaps, the greatest numbers of entrepreneurs gather in urban cities and metropolitans due to the incredible amount of opportunities available in countless fields which include the ever expanding IT sector, ecommerce, retail among others.

Urban areas and metropolitans like Kathmandu tend to be more flexible towards entrepreneurial ideas due to the reliance on big business and mass production. This means that there is a lot of space to commit and work for innovative entrepreneurs. Urbanization itself is a global driving factor but what makes Kathmandu unique, is its amalgamation of cultural, religious identity along with the growing commercial side driven by modernization. Nepal’s strengths in our unique landscape, culture, and hospitality are well-renowned and most organizations, even if they focus outside the valley are connected to the capital.

## 1.2 Statement of the problem

In this competitive modern society, particular skills and experiences that the industry demands remain a challenge for the youth, and these issues need research, particularly job scare environment, such as Nepal. The industrial sector contributes around 8 percent to GDP and offers employment to about 2 percent of economically active population. Nepal has been experiencing unemployment and acute under-employment problem. In a case study conducted by Nepal Rastra Bank, the percentage of unemployed in the total labor force was estimated at 3.1 percent. Similarly, the under-employment rate was 46.4 percent and 33.6 percent in rural and urban Nepal respectively (NRB 1988). Therefore, entrepreneurs have an important role to play in the process of industrial as well as economic development. They could assist in the generation of employment opportunities, raising income level and breaking the vicious cycle of poverty. Moreover, entrepreneurship is regarded as one of the best strategic approaches to alleviate unemployment, which may result in poverty, criminal activities, dependence on government grants so on and so forth. Hence, Nepal’s government has introduced some business development scheme aimed to flourish the business environment, in particular among the youth, since the introduction of liberalization and privatization policy, early 1990s.Young people in Kathmandu do not appear to be interested in entrepreneurship. This may be because of long crippled insurgency subsequently followed by decade long political instability and transition. In recent decade, youth migration has greatly increased and diversified in pattern (Gurung 2002). Globalization has opened new migration channels, particularly to the Gulf States and Malaysia. Though much has been written about the pros and cons of the so-called remittance economy, countries overall entrepreneurship development has been badly discouraged. In Nepal, youth constitute a large proportion of those who migrate to different countries for various reasons, including lack of opportunities in Nepal. Owing to lack of participation in business creation, younger persons could be losing out the many business opportunities that exist in the communities, districts or elsewhere in the country, as well as the benefits of entrepreneurship such as income generation, improvement of standard of living and so on. If this is the case and it continues to exist, youth unemployment will continue to ris

## 1.3 Research Question

To guide the thesis for understanding significant problems and provide the solutions, the requirement of research question is vital in every research. The research question will track all the required information in sequential order and helps the research to present the best knowledge towards the topic. My study aims to address the following research question

* What are the specific factors that encourages and discourage youth entrepreneurship in Kathmandu?
* What challenges that prevent expansion of youth entrepreneurial ventures in Kathmandu?
* Are there prospects for youth entrepreneurship development in Kathmandu?

## 1.4 Research Objective

The above-mentioned research questions focused to achieve the following objectives for this study:

* To trace out specific factors that encourages and discourages youth entrepreneurship in Kathmandu.
* To investigate challenges that prevent expansion in youth entrepreneurial ventures in Kathmandu, and
* To analyze and describe the possibilities of youth entrepreneurship development in Kathmandu.

## 1.5 Significance of the Study

Entrepreneurship focuses on economic growth, economic competitiveness, job creation, as well as improvement of social welfare in any country (Fatoki 2011). Therefore, the importance of youth entrepreneurship development cannot be underestimated in the Kathmandu community, particularly gives its poor background. Creation of employment opportunities and utilizing it as a major source of livelihood and income generation by youth through micro enterprises is a crucial issue. Though youth entrepreneurship is relatively new phenomenon in Nepal, the concept of youth entrepreneurship is progressively gaining momentum within the Nepalese society. Various studies have much focused on the analysis of socio-economic conditions and problems faced by youth, but the studies on youth entrepreneurship and their economic contribution is extremely limited. Problems and potentials of youth entrepreneurs in social and economic context virtually remain untouched. Thus, the findings of this study will shed light on the challenges and prospects of youth entrepreneurship in Kathmandu for the following stakeholders: researchers; policy makers; donors; entrepreneurship educators; and the youth development practitioners who are enthusiastic about developing youth entrepreneurship in Kathmandu. Furthermore, entrepreneurship does not only benefit entrepreneurs, but also their families, society at large as well as government (Fatoki 2011). For example, entrepreneurship results in the following:

creation of job opportunities, which ultimately stops the migration of young people to foreign job market; income generation; progression of standard of living; creation of investment opportunities; technological development so on and so forth (Nieman 2009). Entrepreneurship also reduces criminal activities as well as dependency on government incentives for social well-being. Furthermore, a study of this nature has not been conducted in this research area before, and this underlines the need of the study.

## 1.6 Research Methodology

To understand the methodology in brief, I have selected quantitative research methodology for my research. The quantitative data are collected by way of questionnaires. These questionnaires were personally distributed by the researcher to respondents of the study. The population of this study was the youth entrepreneurs from Kathmandu valley who were registered on the database of NYEF and FNCCI. The participation of respondents was completely voluntary in this survey, which was clearly stated on the questionnaire.

The data that was collected was analyzed with the help of Statistical Package for the Social Science (SPSS) software and the findings were presented in charts and frequency tables.

## 1.7 Research Design

Generally, research in relatively new fields, such as youth entrepreneurship, has to go through various phases, starting with explorative studies and moving to descriptive, explanatory, and analytical and finally, may be prescriptive studies (Jeppesen 2005). This study is designed more or less in both ways, exploratory and descriptive. Exploratory in the sense that it seeks to aim and investigate unfolded area of how young entrepreneurs develop opportunities for entrepreneurship in Kathmandu. This is done through the collection of available quantitative data in Nepalese context. Similarly, the analysis and discussion is descriptive in the sense that it describes the general situation of youth entrepreneurship on the basis of available primary and secondary data.

A research design is a blueprint, in which the data of the study is collected and analyzed in an effort to find the relevant answers for questions that are put forward by the researchers. More

specifically, in the context of this research, quantitative empirical research designed is used with the help of self-administered questionnaires. Zikmund and Babin (1997) referred to research design as the “master plan specifying the methods and procedures for collecting and analyzing the needed information”. This is essentially a framework for the research plan of action. The detailed research design should answer the overall research questions and assist in the attainment of research objectives. The importance of the research design is highlighted by (Easterby-Smith 2002), he argues that “…….research designs are about organizing research activity, including the collection of data, in a ways that are most likely to achieve the research aims”.

Based on research phenomena and the philosophical position of the study, it is not only important to select and justify particular design, but also to accept that no single study is inferior or superior to another. “No single type of study is inherently superior or inferiors to others. Each does a particular job and should be selected according to the nature of issues or question to be address” (Hakim 2000). Bloomberg and Volpe (2008) states that qualitative research approach is “applied to describe conditions, investigate relationships, and study cause-effect phenomena”. Furthermore, quantitative research is conducted through administering questionnaires, case study and surveys and is more concerned with analysis of numerical data.

The intensive research design employed here consist of administering questionnaires, as well as participants observation and field notes which were made during a field trip to Kathmandu.

## 1.8 Limitation of the Study

The first limitation of this study is that it was only conducted among youth entrepreneurs who are strictly registered with FNCCI and NYEF, in Kathmandu, Nepal. Therefore, generalization of this study regarding Factor influencing Youth entrepreneurship to the larger section of society in Nepal may not be applicable. As context of youth entrepreneurship development may differ in other places than that of Kathmandu. This research conducted on profit making private youth entrepreneurial ventures that produce and sell the product and services. Thus, youth entrepreneurs such as social, tourism, adventure entrepreneurs were not included in this study. Yet this study applies the role that these entrepreneurs play in their respective communities and to a large extent in the country’s economy. It is also very frustrating to obtain data related to young entrepreneurs. Similarly, there have been very few studies on youth entrepreneurship in Nepal. Thus, searching literature regarding youth entrepreneurship is also a very challenging task.

Besides these limitations, the research has also been done in limited time frame and also with limited resources in closed premises. So, the result might not be fully viable for all other related condition

# Chapter 2 -LITERATURE REVIEW

## 2.1 Introduction

This chapter provides a brief presentation of the entrepreneurship literature, where the main variables relevant to answer the research question are further elaborated upon. The objectives of this study were to find out specific factors that discourage young people from pursuing entrepreneurship careers in Kathmandu investigate particular challenges that prevent expansion in youth entrepreneurial ventures in Kathmandu and explain and describe the possibilities of youth entrepreneurship in Kathmandu. The chapter commences with the literature to the field of entrepreneurship, which directly relates to the researcher’s particular topic. A literature review consists of all sources of secondary data that are of relevance to a particular topic that is being studied (Nieman 2003). Therefore, in the context of this study, the sources of information that were used was published and unpublished dissertation, books, journals, magazines and government publications.

The literature review was written to provide insights to the readers on the key concepts, theories and the data that are related to the topic being studied. Therefore, the following key issues and concepts are addressed in this chapter: entrepreneurship and its theoretical background, youth entrepreneurship in Nepal, its challenges and prospects.

This section presents the thorough review of literature on consumer’s perception towards online shopping. It is divided into two sections. The review of literature has been organized as under:

The review of Nepalese literature on E-service Quality and its Impact on Customer’s Perceived Value and Loyalty of Online Grocers of Nepal is shown below

|  |  |
| --- | --- |
| **Study** | **Findings** |
| Kumar and Timilsina (2016) | Advantage of online shopping were easy to order, variety at one shop and time saving. Mobile application was viewed to be better and convenient option than websites and phone calls |
| Baral (2013) | Small buyer group and the generation has been a major factor both as a challenge and opportunity of ecommerce business in Nepal |
| Tamrakar (2016) | The study found that security has a positive and significant impact on customers’ satisfaction. |
| Thapa (2016) | Website quality is positively related to customers’ satisfaction. |

Kumar and Timilsina (2016) found that majority respondents i.e. 86% were found to be aware about online shopping. Advantage of online shopping were easy to order, variety at one shop and time saving. Mobile application was viewed to be better and convenient option than websites and phone calls. The freshness and delivery timing were given more importance than payment system and pricing while shopping vegetables and fruit items online. . Since the majority customers were found to be aware and positive about online grocery shopping, the researchers concluded that if the issues identified by this research are addressed there is potentiality for optimistic future of online grocery.

Baral (2013) stated that we must create history not become a history. We must always be active on the development, process and the business policy and strategy on ecommerce being a small market, small buyer group and the generation has been a major factor both as a challenge and opportunity of ecommerce business in Nepal. The future of e-commerce business lies in the hands of players who are currently in the market.

Thapa (2016) analysed the customers’ perception of online shopping sites in Kathmandu valley. The data were collected from the 104 respondents (consumers) of Kathmandu valley. This study has been designed to understand the opinions of the respondents regarding consumer’s perception of online shopping in Kathmandu valley. Structured questionnaire has been used to collect the required information from the consumers of online shopping. Thus, the study found that website quality is positively related to customers’ perception.

According to Tamrakar (2016), convenience, web design, time saving, and security have positive and significant impact on the customers’ satisfaction towards online shopping in Kathmandu valley. This study has employed descriptive research design to deal with the fact-finding and searching adequate information associated with consumer behaviour in online shopping.

## 2.2 ENTREPRENEURSHIP

While the definition of an entrepreneur varies widely, there are a few terms on which there is more consensus than others. For this research, we will work under the assumption that an ‘entrepreneur is anyone who undertakes the organization and management of an enterprise involving innovativeness, independence and risk, as well as the opportunity for profit’ (Timmons and Spinelli 2006). The process of entrepreneurship too involves multiple functions in domains of production, investment, enterprise organization, capital raising, resource management – human and raw materials, technique innovation and application, and more importantly the combination of all these factors (Higgins, 1966:88).

The most important contributions of entrepreneurship comprise job creation, smoothing of the markets by introducing innovation, and enhancing efficiency through more competition and poverty reduction by self-employment options (Pfeifer and Sailaja, 2010). An entrepreneur has to play multiple roles in many different dimensions, especially in the context of a developing country like Nepal (K.C, 1993).

## 2.3 Youth Entrepreneurship

Baker (2008) argues in his paper the present challenge of youth unemployment and investigates the role that youth entrepreneurs play in solving these challenges. Youth Business International (2009) recommends that business, governments and other stakeholders in society highly perceive that supporting young entrepreneurs would results in reducing youth unemployment and encouraging growth in the economy. Youth entrepreneurship has therefore, gained more importance in recent years in many countries as a way of fostering employment opportunities, boosting economic competitiveness and promoting regional development. Chiefly, there are two main factors that draw growing attention of young entrepreneurship in developing countries like Nepal. The first is the increased number of unemployed young people compared to the rest of the population; the second is the need for greater competitiveness and the accompanying pressures for skills development and entrepreneurship as a way of addressing the pressure of globalization and liberalization (Dash and Kaur 2012). Moreover, there are thousands of pioneering examples of SME enterprises that are operating successfully in our urban and rural areas. But the growth in entrepreneurial undertakings is not enough. Nepal is badly in need of entrepreneurs not only “in numbers‟ but also “in quality‟ and “in time**‟.** Thus, youth entrepreneurship as a key tool to develop the human capital necessary for the future, unleash the economic potential of youth, and promote sustainable growth.

## 

## 2.4 Importance of Youth Entrepreneurship

Entrepreneurship is highly regarded as an important strategy to solve not only unemployment, but as a mechanism to respond to uncertain national landscape (Ndedi 2009). So it is an important mechanism to deal with the society’s unemployment agenda. Investing in entrepreneurial ventures and educating people to start-up those ventures can be an invaluable tool to advance human resources to promote socio-economic development. Therefore, youth entrepreneurs have important role to play in the process of industrial as well as economic development. They could assist to generate employment opportunities for youth, to raise income for them and to break the vicious circle of poverty (Chiquita 2002). Youth unemployment is an immense waste of human resources that could contribute to economic and social progress. Moreover, entrepreneurs are risk takers, implementers and innovators, who can bring the change in socio economic status of the society via creation, exploitation and exploration of emerging opportunities in the market (Gwija 2014). Entrepreneurs create new technologies, products and services to meet society’s needs (Nicolaides 2011).

GEM report (2012) highlights a number of additional positive advantages to stimulating youth entrepreneurship.

* + - Youth entrepreneurship is an option to create employment for the youth.
    - Youth entrepreneurs are more likely to hire fellow youths.
    - They are particularly responsive to new economic opportunities and trends.
    - They seem to be active in high growth sectors.
    - Youth having entrepreneurial skills can be better employees.
    - They are more innovative and often create new forms of independent work.
    - Those young people, who have self- employed would have higher life satisfaction.
    - Entrepreneurial experience and/or education help youth develop new skills that can be applied to other challenges in life. Non-cognitive skills, such as opportunity recognition, innovation, critical thinking, resilience, decision making, teamwork, and leadership will benefit all youth whether or not they intend to become or continue as entrepreneurs.

Similarly, Chiqunta (2002) outlines the following reasons for the importance of youth entrepreneurship.

* + - Creating employment opportunities for self-employed youth as well as the other young people they employ.
    - Bringing alienated and marginalized youth back into economic mainstream and giving them a sense of meaning and belongings.
    - Helping address some of the socio-psychological problem and delinquency that arises from joblessness.
    - Helping youth develop new skills and experiences that can then be applied to other challenge in life.
    - Promoting innovation and resilience in youth.
    - Promoting the revitalization of the local community by providing valuable goods and service.

## 2.5 Factors responsible for the emergence of entrepreneurship

There are number of factors that motivate a young person to pursue a career in entrepreneurship. These factors can be outlined as follows

### 2.5.1 Background factors

Education: lack of education restricts youth access to opportunities, limits their abilities to negotiate the bureaucracies of finance and government, and often prevents them from effectively voicing their opinion (Bushell 2008). A person who, receive entrepreneurship education and training from the environment s/he is brought up, therefore, play a vital role in influencing his attitude towards setting up entrepreneurial ventures (Pillania, Lall et al. 2009). Henry Ford says, “A country’s competitiveness starts not on the factory floor or in the engineering lab, but in the classroom”. Thus, entrepreneurship education and training are important in assisting young people to develop entrepreneurial skills, attributes and behaviors as well as to develop enterprise awareness.

* + - * Family role: Those people who reside within entrepreneurially oriented environment, more likely to take part in entrepreneurial activities in their career. Role model plays an importance role because they function as carriers of value, emotions and experiences towards self-employment. The study reveals that the children of self employed parents are more likely to continue in entrepreneurial career than those who does not have their parents in self employment. Thus, those young people whose, parents own their own business ventures may influence entrepreneurial attitudes for young people who live together in the same environment (Nieman and Nieuwenhuizen 2009).
* Financial condition: “Young people aren’t short on passion or guts, they are short on cash” (Rahmawati, Hasyyati et al. 2012). The financial conditions of a person, whether favourable or adverse, can pull or push them to start-up a new entrepreneurial venture for a variety of reason (Pillania, Lall et al. 2009). Financial support is therefore critical for successful entrepreneurship for both man and woman. (Zimmer 1986). Entrepreneurs need to access to both internal and external finance to reduce the survival and grow in business. Depending on financial accessibility, majority of young persons who try to become entrepreneurs, have been pushed or pulled to do business (Bolton, Thompson et al. 2003).

# 

### 2.5.2 Motivational factors:

* Need of Achievement; High need for achievement is one of the important motivational factors, which can motivate an entrepreneur to start-up and advance in his entrepreneurial venture. This need for achievement leads an entrepreneur to accomplish his personal goals, teach how to use the available resources optimally and explore the creativity and innovativeness to produce better products and services for the market. (Pillania, Lall 2009).
* Locus of control: Another motivational trait that has received attention is locus of control—the belief in the extent to which individuals believe that their actions or personal characteristics affect outcomes. Individuals who have an external locus of control believe that the outcome of an extent is out of their control, whereas individuals with an internal locus of control believe that their personal actions directly affect the outcome of an event (Rotter 1966)
* Need for independence: Independence entails taking the responsibility to use one’s own judgment than blindly following the assertions of others (Shane, Locke et al. 2003). Many researchers have observed that the entrepreneurial role necessitates independence
* Risk taking: Risk taking is another crucial factor for the emergence of entrepreneurship, which emerged from McClelland (1965) research on entrepreneurship. He further claims that individuals with high achievement needs would have moderate propensities to take risk. This claim by McClelland is especially interesting for entrepreneurship research because the entrepreneurial process always involves in the face of uncertainty.

### 2.5.3 Economic Factor

* Government policies: the importance of entrepreneurship for the improvement of economic health of the country is undeniable. Hence, every government of the world, including Nepalese government, is formulating entrepreneurship development programs and policies that promote entrepreneurial ventures in different sectors.
* Business environment: A supportive business environment where government business policies are investment friendly, business regulatory mechanism is efficient, legal parameters are relaxed, bureaucratic system is viable and efficient, business advice, counseling, mentoring, widely available incubators, widely accessible financing system, vocational training and good infrastructure, the emergence of entrepreneurship is likely to occur(Gwija 2014).
* Availability of financial assistance: It is crucial to have start-up capital, additional working capital or access to it, to expand and remain competitive, especially for the emergence of entrepreneurship development (Bushell 2008). However, in Nepal, financial institutions have been reluctant to approve loan for business development and required a performance history of at least five years before they would even consider. As a solution to their financial issues, government micro credit as well as private micro finance programs such as Grameen Bikas Bank, Nirdhan Uthan Bank and center for self-help development have been providing assistance for those young people who really want to pursue their career in entrepreneurship.

### 2.5.4 Rewards:

* Recognition: The success of entrepreneurial venture always depends on the entrepreneurial efforts of exploring, introducing, managing, expanding and advancing ventures successfully. Recognition is one of the crucial factors that may encourage an individual to start-up and successfully manage his or her business venture with an expectation to gain social standing in the society (Nieman and Nieuwenhuizen 2009). Social recognition would also help to boost up entrepreneur’s self-esteem.
* Social status: An entrepreneur social status and lifestyle may change, if his or her venture becomes successful and lucrative, and other people who live within the community begin to regard him/her as a role model.

## 2.6 Factors affecting entry to entrepreneurship

There are number of factors that can drive an individual to become an entrepreneur (Nieman and Nieuwenhuizen 2009). These authors categorize them as push (necessity) and pull (opportunity) factors. The figure below presents the influence that result in entrepreneurship.

**PUSH FACTORS**

* Job insecurity
* Unemployment
* Disagreement
* Discontentment
* No other alternative

No other alternative (**Necessity**)

Drive to become entrepreneur (**Opportunity**

**Entrepreneurship**

**PULL FACTORS**

* Recognition
* Independence
* Achievement
* Personal development
* Personal wealth

# Figure 1: push and pull factors of entrepreneurship (Nieman and Nieuwenhuizen 2009)

Dissatisfaction in traditional jobs

## 2.7 Theoretical Framework

The conceptual framework explains the relationship between the independent variables and dependent variables. The former is presumed to be the cause of the changes while the former influences the latter (Kothari 2003). The following framework illustrates how the independent variables affect the successful utilization of the youth entrepreneurship development. The conceptual framework of this study will be developed based on research problem and relevant literature.

**Dependent variable**

**Independent variable**

|  |  |  |  |
| --- | --- | --- | --- |
| Education  Youth entrepreneurship development  **Moderating Variables**   * Age * Gender * Support structure * Regulation * Market * Technology   Access to finance  Reward  Unemployment  Entrepreneurial skills | | |  |
|  |  |  | |
| Training | | | |

**Figure 1:** Conceptual frameworks for the study

## 2.8 Summary

Entrepreneurship has been adopted all over the world as a better strategy to facilitate economic participation among young people (Nieman and Nieuwenhuizen 2009). This chapter was started with the definition of entrepreneurship. The entrepreneurs are the person, who identifies the business opportunity, gather resources, make an organizational team to exploit the identified opportunity and take a risk to earn profit (Shane and Venkat 2009). Entrepreneurship empowers young people to build a vision for the future. Youth will explore new opportunities, and explore career and educational aspirations, living with the skills, understanding and interest to be successful in employment and entrepreneurship. It provides unique hands-on experience for youth to turn their passion into profits and contribute to the economic power.

Nepalese government has focused on youth entrepreneurship considering its importance to transform the country’s ailing economy, alleviate poverty and resolve deeply rooted unemployment problems, as it introduced National Youth Policy to aid entrepreneurship development in the country. This policy was introduced to respond to number of challenges that young people face in the country such as unemployment, migration, empowerment, crimes. Other government programs that lunched in attempting to address youth challenges in the country includes small enterprise self-employment fund, youth partnership program, micro enterprise development program. Warshun (2017) stated that when e-commerce was first recognized as a sea change in business, many companies tried to enter the realm of online grocery. But many of these pioneers failed when the Internet bubble burst, and in the decade since, online grocery sales have grown much slower than the overall e-commerce market. For the most part, customers in Western countries continue to shop for their groceries by going to bricks-and-mortar stores. In addition, casual comparative research design has been used to analyze the cause and effect relationship between the consumer behaviour in online shopping with in kathmandu valley.

# CHAPTER 3 - RESEARCH FINDING AND ANALAYSIS

## 3.1 Introduction

The objectives of this study were to find out specific factors that encourages and discourage young people to pursue their career in entrepreneurship in Kathmandu; investigate obstacles and challenges that prevent entrepreneurial development in Kathmandu; and describe about the possibility of youth entrepreneurial development in Kathmandu. The objective of this chapter is to discuss and present the research’s findings. Moreover, analysis and discussion would help the researcher to draw conclusion about youth entrepreneurship in Kathmandu and make recommendation in the next chapter.

## 3.2 Data Analysis:

After collecting data from participants, the SPSS software was used to present and analyze the data. This result was based on 65 responses of youth entrepreneurs from Kathmandu, who took part in this study. The result was presented in frequency tables, bar and pie charts as follows.

### 3.2.1 Data presentation based on the age of respondents:

The following table presents a variety of age groups for youth entrepreneurs from Kathmandu, participated in this study.

|  |  |  |  |
| --- | --- | --- | --- |
| **Age Group** | **Frequency** | **Percentage** | **Cumulated Percentage** |
| 21-25 | 9 | 13 | 13 |
| 26-30 | 22 | 34 | 47 |
| 31-35 | 34 | 53 | 100 |
| Total | 65 | 100 |  |

**Table 1: Age group of youth entrepreneurs (Source: field survey 2015)**

Based upon the age of respondents, 9 respondents were between the age of 21-25 old, 22 respondents were between the age of 26-30 and 34 respondents were between the age of 31- 35 years old. The above table also shows that the majority of Kathmandu youth entrepreneurs were between the age of 31-35, comprising 53 percentage, followed by 34 percent between the age of 26-30 and 13 percent between the age of 21-35 respectively.The young entrepreneurs between the age of 21-25 was less in percentage compared to other age groups. This may be because of that young people in these age groups are still studying in university and collages. However, their still being young cannot hold them back from pursuing entrepreneurial ventures. This underlines the need for aggressive measures in promoting entrepreneurship as early as in high school. For example, Center for International Private Enterprise Nepal (CIPEN) has been initiating different programs to help university students explore alternative ideas for addressing Nepal’s existing problems, emphasize the value of entrepreneurship, and help aspiring entrepreneurs open their own businesses. Students gain practical entrepreneurship skills through participation in mock business competitions.

### 3.2.3 Data presentation based on gender:

The following table and chart indicates the gender of respondents involved in this study.

|  |  |  |
| --- | --- | --- |
| **Gender** | **Respondents** | **Percentage** |
| Male | 52 | 80 |
| Female | 13 | 20 |
| Total | 65 | 100 |

**Table 2: Gender of youth entrepreneurs (Source: Field survey 2015)**

**Respondents based on Gender**

20%

Male Female

80%

**Figure : Gender of youth entrepreneurs**

Figure surprisingly indicates that a large percentage, comprising 80 percent respondents were male, while female consists of only 20 percent. Thus this study reveals that majority of respondents are male. These results could be related to Bushell (2008) findings that socio cultural constraints are likely to negatively affect the participation of young woman in entrepreneurial ventures. It is particularly challenging to become an entrepreneur in Nepal, where women are traditionally regarded as caretakers of the family, and tend to be the most impoverished in terms of education and financial capital. Some of them had been forced to start their own ventures owing to family financial support, some began by chance and many of them began because of “pull” factors. Apart from the entrepreneurship constraints mentioned above, these results could be related to Gwija (2014), which revealed that personal difficulties, gender discrimination, prevailing socio cultural attitudes and family responsibilities etc. have been identified as key obstacles for woman in developing countries to start-up their own ventures. In addition, although women’s education and training has been given priority over the past decade or more in Nepal, women’s literacy remains far below that of men, and this lack of literacy restricts women access to opportunities. Moreover, a lot of young women in Nepal nowadays become mothers early in their life and have babies to take care for might be the another reason in Kathmandu, which restricts the chances of being entrepreneurs.

### 3.2.4 Data presentation based on educational background of respondents:

The table below shows the educational background of youth entrepreneurs in Kathmandu.

|  |  |  |  |
| --- | --- | --- | --- |
| Level of education | Frequency | Percentage | Cumulated percentage |
| Graduation | 22 | 34 | 34 |
| High School | 31 | 48 | 82 |
| Literate | 12 | 18 | 100 |
| Total | 65 | 100 |  |

**Table 3: Educational background of youth entrepreneurs (Source: Field survey 2015)**

The above table shows that most of the respondents (48%) hold high school degree, followed by 34 percent who had graduated. The small number of respondents comprising 18 percent

had managed just to be literate. Perhaps this highlights the need for education for those young people who start their career in entrepreneurial ventures. It is more likely that women do not go to school after marriage and this might be one of the reasons for low school attainment. Even in urban areas nearly half of the women cannot read and write. Nearly one-third of the literate women have never been to school while more than two-fifth of them are devoid of formal education beyond the primary level (Tuladdhar 1996). In addition, youth participation in the education system declines as the level of schooling goes up, indicating a higher tendency of drop-out or discontinuance especially among girls (Tuladdhar 1996). Lowergren (2006), thus, suggested that at high school level, entrepreneurship should be introduced in all fields of the study, because all students may require such entrepreneurial competencies.

### 3.2.5 Data presentation based on duration of business operation of respondents:

The chart below explains about the duration of business operation of youth entrepreneurs in Kathmandu.

**Duration of business operation**

9.2

20

13.8

Less than 1 year

1-3 Years

3-5 Years

More than 5 years

57

**Figure : Duration of business operation (Source: Field survey 2015)**

The above chart indicates that majority of youth owned businesses (57%) were between 1-3 years, followed by 20 percent of those who owned and run business for more than 5 years. Only 9.2 percent of those businesses which had not completed even a year. The study, thus, found out that majority of the youth owned businesses were new as they were just running 1-

3 years. Research shows that majority of the business fails during the earlier period. Therefore, this could be an indication that this primary business stage is crucial to overcome.

Moreover, the majority of the youth owned business started venturing recently, less than 3 year, because of conducive business environment, as decade long violence and insurgency has come to ceasefire and the country is on the process of making constitution.

### 3.2.5 Data presentation based on no. of employees of respondent’s venture:

The following table shows the current number of employees that the respondents have in their respective businesses.

|  |  |  |  |
| --- | --- | --- | --- |
| Current no. of employees  1-10 | Frequency  61 | Percentage  94 | Cumulative Percentage  94 |
| 10-25 | 3 | 5 | 99 |
| 25 and above | 1 | 1 | 100 |
| Total | 65 | 100 |  |

**Table : No. of employees employed (Source: Field survey 2015)**

Table shows that majority of youth owned businesses (i.e. 94 percent) had created employment for 1-10 employees in their respective business. Out of 61 youth owned business, only 2 business ventures had just one employee each. And surprisingly both firms are cloths sewing store. Those young enterprises who had about 10-25 employees each represented 5 percent. There was only one business venture that had been able to offer employment opportunity for more than 25 employees, and this firm falls in carpet making industry. This research explains that overwhelmingly majority of the business had created employment for 1-10 employees in their respective business, while very insignificant number of youth businesses had employed more than 10 employees. This could be an indication that majority of youth owned business is small in size and capital. Most of the youth have financed their business themselves and only few have used bank loan and borrowed money from informal sectors. Thus lack of access to business funding that is necessary to acquire the business resources and lack of access to market, which could negatively affect the growth and profitability of the business, and thereby reducing the opportunity to create more employment.

While relating ownership and investment range to employment, it could be said that youth entrepreneurs in Nepal normally venture into cottage-level businesses, initially with a moderate size of investment and low level of employment.

### 3.2.6 Motivation to start a business:

The following table highlights various factors that inspired participants of this study to start their own business.

Factors Frequency Percentage

Unemployment 21 32

Passion for business 15 23

Poverty 12 18

Business background 8 12

Entrepreneurship education &training 5 8

Business role model 3 5

Previous work experience 1 2

Total 65 100

**Table 5: Motivation to start a business (Source: Filed survey 2015)**

Factors that inspired participants of this study to start their own businesses are highlighted in a chronological order.

#### 3.2.6.1 Unemployment:

Table 4.5 shows that 21 out of 65 (32 percent) participants reasoned that unemployment were the main motivating factor for them to start their own businesses. Unemployment in Nepal is largely an urban phenomenon. The survey identifies 252.8 thousand persons aged 15 years as currently unemployed in Nepal (Pokharel 2012). Connections between the situation in the labour market and entrepreneurship are of at least two kinds (Gaweł 2010). He further argues that firstly, the situation on the labor market, especially connected with unemployment, is often treated as negative motivation for entrepreneurial undertakings according to recessional push theory. Secondly, labour is one of the production factors, so paid workers influence

entrepreneurship through the possibility of enterprise growth. However, many researches are in favor of argument that there is variety of factors behind unemployment that pushed them to set-up their own business. Labour market related factors pushing people into entrepreneurship include the loss of a job or threat of losing job, which may be direct stimulus for a person to start entrepreneurial undertakings. Gawel (2010) asserts in his study that the longer a person is unemployed and in search of a job, the lower will be their wage threshold. An unemployed person then stops looking for a job and choose to become an entrepreneur when the expected income from being hired labor falls below the expected income from entrepreneurship. Thus, the motivation behind undertaking entrepreneurial venture owing to unemployment includes; financial burden of themselves and their families, skills they gain from previous employment and setting up a business as a trial for self employment.

#### 3.2.6.2 Passion for business:

A total of 15 out of 65 (23 percent) respondents initiated business because of drive and passion for business. Passion has long been recognized as a central component of entrepreneurial motivation and success(Bird 1988, Smilor 1997). Passion is the underlying force that fuel entrepreneurs to engage in activities that interest them deeply. It fills them with energy and enables them to perform at their peak (Cardon, Wincent et al. 2005). Some youth entrepreneurs in this study were attracted by the intention to create the jobs for inhabitants and to prevent the region from degenerating any further. Many young people did this to give back something of value to their region, while some others were motivated by education, training and some special skills they posses that were gain from their environment schooling. In many cases they wanted to create value within the region instead being migrant worker in Middle East and Malaysia. Moreover, some of the young people had exposure of business early in their life in their family business which might have driven them to engage in entrepreneurial undertakings.

#### 3.2.6.3 Poverty:

12 out of 65 (18 percent) respondents started entrepreneurial ventures, who had come from under the poverty condition. And the need for changing their and their family’s economic status was inspired them to undertake the ventures of their own. High levels of poverty combined with slow economic growth in the formal sector have forced a large part of the developing world’s population into self-employment and informal activities (Devi 2013). Entrepreneurship is one of the most important vehicle through which low income people can escape poverty. With limited skills and education to compete for formal sector jobs, young people find economic opportunities in microenterprises as business owner. Hence, in this study, engagement in entrepreneurship brings the young people closer to realizing the dream of being rich. As entrepreneurs do not only come from rich context, but also emerge from poor background, and those who come from poor background are likely to be successful (Bolton, Thompson et al. 2003).

#### 3.2.6.4 Business background:

A total of 8 out of 65 (12 percent) respondents involved in business as a result of their family business environment as an influence, which resulted in setting up their own business. A substantial number of studies find a positive correlation between the parents’ entrepreneurial status and the likelihood that their children will become entrepreneurs later in life. Family influences are crucial for the development of young people’s career intentions (Jodl, Michael et al. 2001), and studies suggest that parents’ entrepreneurial status triggers their children’s entrepreneurial intentions (Scherer, Adams et al. 1989, Matthews and Moser 1996). Moreover, self employed parents provide their children with plenty of vicarious experience, and there are several kinds of financial resources that entrepreneurial parents provide for their children. Thus, Individuals whose parents are entrepreneurs are likely to perceive that entrepreneurship is a feasible endeavour, thus triggering the development of their entrepreneurial intention.

#### 3.2.6.5 Entrepreneurship education and training*:*

A total of 5 out of 65 (8 percent) respondents indicated that entrepreneurial education and training motivated them to start their career in entrepreneurial ventures. Those young people who had gained skills, knowledge and expertise during their schooling and colleges might have entered into entrepreneurial undertaking to transform the knowledge into practice. Giving the opportunities to learn and cultivate entrepreneurial skills at early age can foster entrepreneurial development in the society (Bushell 2008). Thus, in this study, few young entrepreneurs had started their business because of entrepreneurial training and education. This might be the reason that the education policy of the country has not implemented entrepreneurship as a priority in high school and university education.

#### 3.2.6.6 Business role model*:*

Only 3 out of 65 (5 percent) participants expressed that successful entrepreneurs, both locally and globally, inspired them to start their own business. Role models may also enhance the desire to become an entrepreneur and the entrepreneurial self-efficacy of individuals (Van Auken, Fry et al. 2006). This may, in turn, positively influence entrepreneurial intentions and,

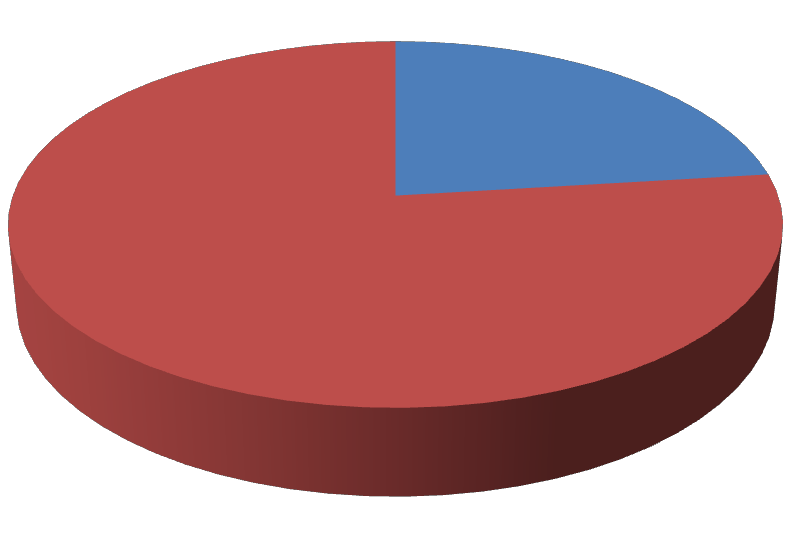
ultimately, entrepreneurial activity (Krueger, Reilly et al. 2000). “When role models are selected from the entrepreneur’s network (instead of distant icons) they may be ‘strong ties’ such as friends or family members or ‘weak ties’ such as acquaintances, distant relatives or (former) colleagues and superiors”(Granovetter 1973). Weak tie networks are likely to fulfill a different function for the entrepreneur than strong tie networks, because the first provide access to new information and knowledge which may help entrepreneurs to explore new horizons and eventually expand the business, and the second (strong ties) may be more useful in providing mental and practical support (mentoring). In this study, most of the respondents cited the name of Rechard Branson as their role model. Some mentioned other names such as Bill gates, Carlos Slim, Dhirubhai Ambani, Lakshmi Mittal, JRD tata and some local successful business entrepreneurs such as Prabal Ggurung, Anil Shah, Min Bahadur Gurung etc. Based on the result of this study, these business role models have played influential role for some young entrepreneurs to set up their business in Kathmandu.

#### 3.2.6.6 Previous work experience:

Just one participant out of 65 indicated that experience, knowledge, expertise and skills gained from previous work encouraged him to start his own business. Thus knowledge and experience from previous employment, as well as unsatisfactory working condition had influenced him to begin new career by establishing entrepreneurial venture. From the previous employment, as he said, he comes in touch with business networking such as suppliers and customers, gains knowledge about marketing the products, and understand the useful information about banking, credit and loans.

#### 3.2.6.7 Family business background:

The following figure explains the extent to which participants agreed or disagreed that young people involvement in a family business early in their life gives a better entrepreneurial foundation to start-up their own businesses.



23.07

Strongly agree Agree

76.93

**Figure 6: Involvement in a family business, as an entrepreneurial foundation (Source: Field survey 2015)**

Majority of the respondents (76.9 percent) in this study clearly indicated that involvement in a family business would provide a good entrepreneurial foundation for those who want to establish their own business, while remaining 23.07 percent of respondents also strongly support this argument. A substantial number of studies find a positive correlation between the parents’ entrepreneurial status and the likelihood that their children will become entrepreneurs later in life.

#### 3.2.6.8 Entrepreneurship education and training in the business success:

The following table explains the extent to which the participants of this study agreed or disagreed that entrepreneurship education and training can plan a major role in the success of business venture.

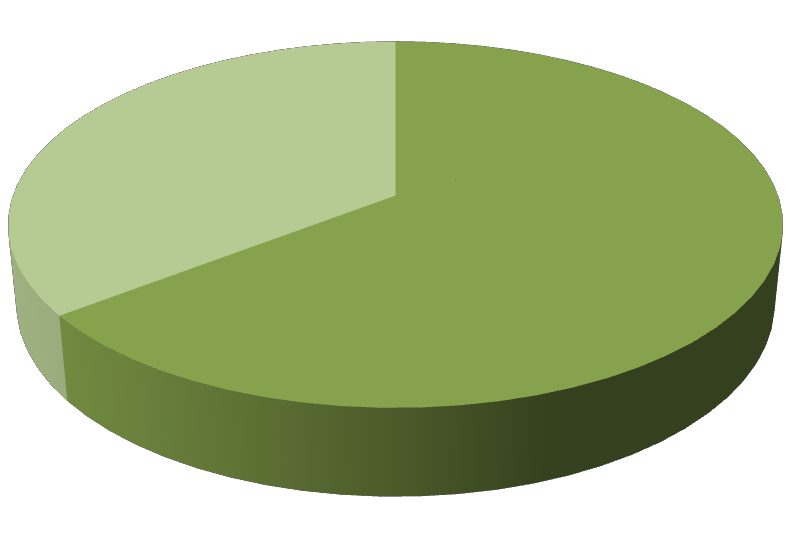
|  |  |  |  |
| --- | --- | --- | --- |
| Response categories | Frequency | Percentage | Cumulative percentage |
| Agree | 18 | 27.7 | 27.7 |
| Strongly agree | 47 | 72.3 | 100 |
| Total | 65 | 100 |  |

**Table 6: Role of entrepreneurship education and training in the success of business (Source: Field survey 2015)**

Table 4.6 indicated that majority of the respondents in this study (72.3 percent) strongly recommended that entrepreneurship education and training can play a chief role for the successful accomplishment of any business, while remaining 27.7 percent of respondents also agreed with the statement. Isaacs and Friedrich (2007) define entrepreneurship education as the purposeful intervention that is made by an educator in the life of the learner through entrepreneurial qualities and skills teaching, which will enable the learner to survive the dynamics of the business world. (Gwija, Eresia-Eke et al. 2014) believes that entrepreneurship education is designed to specifically support graduates, operating and aspirant entrepreneurs in the setting up/operation of their own entrepreneurial ventures rather than to seek paid employment from someone else or institutions (either public/private). Thus, the importance of promoting entrepreneurship and training to entrepreneurs, through centres and institutions, should not be taken lightly (Ndedi 2009). Most of the research suggests that university graduates and school leavers should be equipped with proper entrepreneurial skills, which will help them to create more jobs, as opposed to the seeking of paid employment. Since 1990, in Nepal, education has gained popularity. However, entrepreneurship education has not gained momentum yet in academic sector due to lack of clear policies and strategies of Ministry of Education. Private sectors and Non-governmental organizations have nevertheless done much to promote entrepreneurship education in the country.

#### 3.2.6.9 Entrepreneurial skills as a success factor of business:

The following figure shows the extent to which respondents agreed or disagreed that entrepreneurial skill would boost chances of success in their business.



35.4

64.6

Strongly agree

Agree

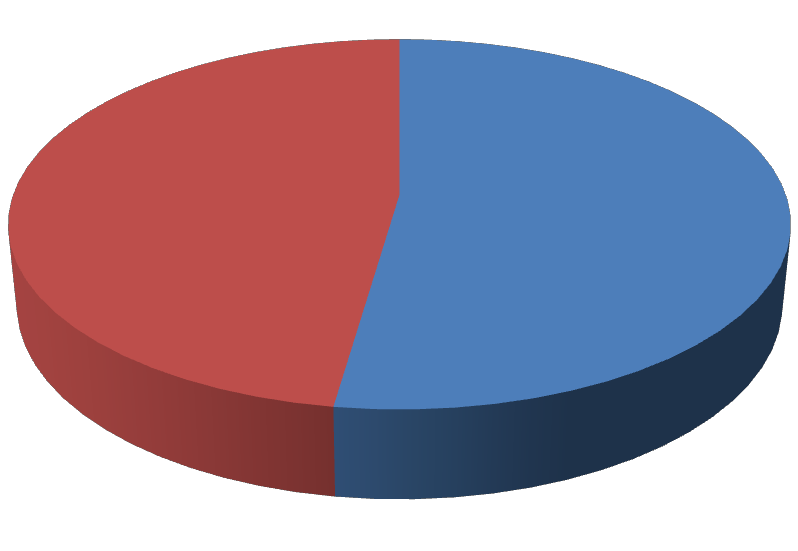
**Figure 7: Entrepreneurial skills as success factor for business (Source: Field survey 2015)**

Figure 4.4 explains that larger proportion of respondents (64.6) strongly agreed that entrepreneurial skills would be regard as catalyst to boost probability of success of their businesses, while remaining 35.4 percent respondents would also agree with this notion.

The result in this study indicate that all the respondents in this research agreed that entrepreneurial skills such as risk taking, persistence, innovative, change oriented and inner discipline would boost chances of success in their business. It is still a topic of much debate whether entrepreneurs are born or made. While it is generally acknowledged that there are natural ‘born’ entrepreneurs, there are also researchers who believe that entrepreneurship is a skill that can be learned. Drucker (2002) argued that entrepreneurship is a practice and that “most of what you hear about entrepreneurship is all wrong. It’s not magic; it’s not mysterious; and it has nothing to do with genes. It’s a discipline and, like any discipline, it can be learned.” Cooney (2012*)* believed that key skills required to be successful in entrepreneurial ventures includes; the ability to identify and exploit business opportunities, a willingness to undertake a risk, skills to organize the necessary resources to respond to opportunity. The most important is recognizing economic opportunities and acting effectively to realize them. In addition, in order to achieve entrepreneurial performance, entrepreneurs should focus on developing their business and entrepreneurial skills (Van Rensburg 2010).

#### 3.2.6.10 Managerial skills as a success factor of business:

The following figure shows the extent to which the respondents of this study agreed or disagreed that business managerial skill would be regarded as a catalyst in order to successfully establish a entrepreneurial undertakings.



47.7

52.3

Stongly agree

Agree

**Figure 8: Managerial skills as a success factor of business (Source: Filed survey 2015)**

Out of total respondents, 52.3 percent of them strongly agreed that managerial skills would increase the chances of business as a success, while remaining half also admitted with the statement.

The result of this study clearly indicates those managerial skills such as planning, decision making, financing, marketing, selling etc would increase the chances of success of their business. An entrepreneur must have essential managerial skills for day to day management and administration of the ventures. Results from various researches regarding the small enterprises revealed that, managerial skills and knowledge are needed for successful management of small enterprises. These results could also relate to the argument made by Van Rensburg (2010) that in order to achieve good entrepreneurial performance, entrepreneurs should focus on developing their business and entrepreneurial skills. In addition, entrepreneurs should consider number of managerial skills for example, project management skills, small business management skills, team building, leadership, risk management skills so on, in order to effectively manage the business. They should also assume interpersonal role, informative role, decision making role, without considering these roles and skills, it could be difficult for young entrepreneurs to manatheir business to success.

#### 3.2.6.11 financial access of youth entrepreneurs:

The following table shows the extent to which the participants of this study agreed or disagreed that getting access to finance for the operation of the business like they run from the financial institution that support youth entrepreneurship.

|  |  |  |  |
| --- | --- | --- | --- |
| Response categories | Frequency | Percentage | Cumulative percentage |
| Strongly disagree | 29 | 45 | 45 |
| Disagree | 36 | 55 | 100 |
| Total | 65 | 100 |  |

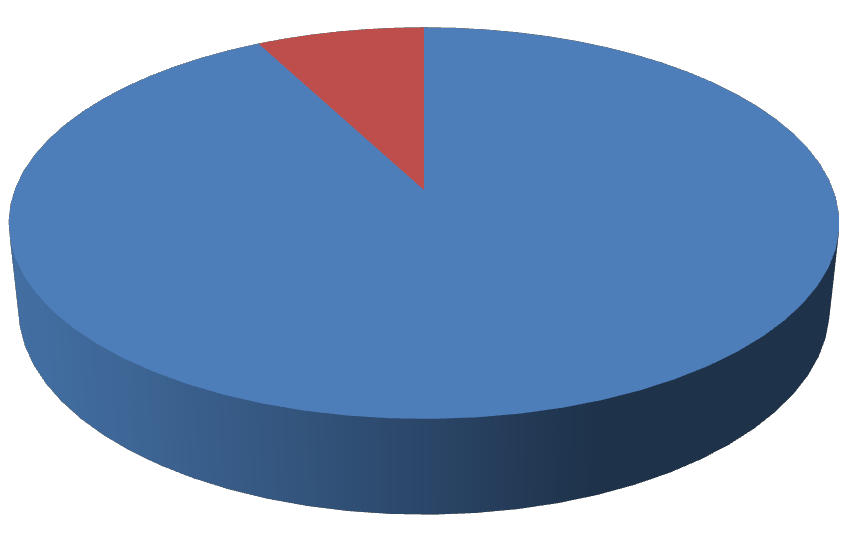
**Table 7: Access to finance in financial institutions that support youth entrepreneurship (Source: Field survey 2015)**

Almost half of the respondents (45 percent) for this research vehemently disagreed that it is easier to access to fiancé in financial institution that support youth entrepreneurship, while remaining 55 percent respondents also disagreed with this notion.

The table 4.7 shows that lack of access to start-up capital accompanied with other financial support from the financial institutions was major stumbling block to youth entrepreneurship in Kathmandu. Collateral, almost always land, is necessary to obtain loan from a bank and other lending institutions in Nepal. It is crucial to have additional working capital, or access to it, to expand and remain competitive, but most financial institutions had been reluctant to approve loans for business development, and required a performance history of at least five years before they would even consider it. Lack of financial incubator, lack of business funding information center, and short of savings were among other obstacles that result in their inability to obtain finance.

#### 3.2.6.12 Growth in youth entrepreneurs in Kathmandu:

The following chart shows the extent to which participants of this study agreed or disagreed that the number of young entrepreneurs in Kathmandu is growing.



7.70%

Agree

Disagree

92.30%

**Figure 14: increase in the youth entrepreneurs in Kathmandu (Source: Filed survey 2015)**

The above figure clearly indicates that more than 90 percent respondent felt that the number of young entrepreneurs in Kathmandu is increasing, while around 8 percent participants disagreed with this utterance. Majority of respondents felt that the number of youth owned enterprises are growing daily. However, the degree of growth in their numbers cannot be measured so easily. This may be because of not all the youth owned ventures are registered in FNCCI, and even though when they were the member of FNCCI, might not come to deregister when they shot down their ventures. However, this could be the good gesture for the development of youth entrepreneurship in this area. Thus, in the context of Kathmandu, young people are starting out new ventures in various fields, from agro-business to outsourcing. The importance of entrepreneurship is slowly being recognized. These entrepreneurs are going to be a vital force in bringing about the much needed progress and change, especially in economic frontiers, in the country. This indicates a growing interest in youth entrepreneurship, the issue of sustaining and promoting their interest should be the attention of all stakeholders.

#### 3.2.6.13 Government support structures and programs for youth entrepreneurship:

The following chart shows the extent to which the respondents of this study agreed or disagreed that support structures and programs of Nepalese government are supportive to youth entrepreneurship in Kathmandu.

70%

60%

50%

40%

30%

58.40%

20%

38.50%

10%

0%

3%

Agree

Disagree

Strongly disagree

**Figure 16: Government support and programs for youth entrepreneurship in Kathmandu**

Majority of respondents (58.40 percent) participated in this study vehemently disagreed that Nepalese government programs and structures are supportive to youth entrepreneurship in Kathmandu, while 38.50 percent disagreed with this notion, only around 3 percent of respondents agreed.

The results showed that there was overwhelming disagreement that programs of the Nepalese government were supportive to youth entrepreneurship in Kathmandu. Currently, there is no mechanism for the collection, analysis and dissemination of information on micro enterprises in Kathmandu. There is no over-arching policy framework that describes the Government’s intentions for the development of youth entrepreneurship. The national development plans and policies do not accord high priority for the development of youth entrepreneurship. Policies and programs have been established without a comprehensive information base on Nepal’s youth labor market. There is no doubt that some initiatives have been introduced to assist young entrepreneurs through government programs but these are a mere drop in the ocean. Besides, majority of such initiatives are foreign funded, which affects the overall prospects of the sustainability of the programs. Most development planners and policy makers do not integrate youth into development process, and they feel their duty is done by making separate policy statement on youth. These policy statements are however, not followed with appropriate programs and strategies. The sectoral policies and programs of National Development Plans do not consider youth. Ministry of Youth and Sports and department of cottage and small industries, as a custodian of youth development in the country, have

responsibilities to facilitate youth entrepreneurship, among others. In Kathmandu’s situation, this responsibility is not being discharged. In fact, they are not playing role in the development of youth entrepreneurship in Kathmandu.

#### 3.2.6.14 Current obstacles for youth entrepreneurs in Kathmandu

The following table shows the main obstacles that are being encountered by young entrepreneurs in their business operation in Kathmandu.

Factors Respondents number Respondents percentage

Lack of expansion capital 38

Lack of business resources 26

Lack of business support 18

Lack of business management skill 15

Rigid business regulation 9

Getting right employees 6

Lack of access to business information 4

58.5

40

27.7

23.1

13.9

9.2

6.2

**Table 12: Obstacles for business operation (Source: Filed survey 2015)**

#### 3.2.6.15 Lack of expansion capital

A total of 38 out of 65 (58.5 percent) respondents of this study stated that lack of expansion capital was the main inhibiting factor for these young entrepreneurs, which affect the growth of their business ventures. Due to lack of capital many young entrepreneurs have been unable to expand their businesses. There is always a question mark of how to solve the capital problem of youth entrepreneurs who have no collateral. The problem can be solved only if the young people can have the same property right as adults. These results could be associated with the findings highlighted by Bushell (2008) that most financial institutions had been reluctant to approve loans for business expansion, and required a performance history of at least 5 years before they would even consider it. Thus the youth in this study felt constraint by lack of available capital to expand and develop.

#### 3.2.6.15 Lack of business resources

A total of 26 of 65 (40 percent) respondents participated in this study felt that lack of business resources was another hindering factor for their business growth. Most of the youth in this study mentioned the resources such as modern technologies, machinery and equipment, vehicle, land and building, raw materials, skilled employees, location, amenities available at that location, securities and so on; lack of access to them had hindered the growth in their business. To the contrary, however, without business capital, good business resources

will be difficult to obtain. Dollinger (2005) highlighted six types of resources namely, physical, reputational, organizational, financial, intellectual/human and technological to remain competitive in the market for entrepreneurial ventures. Access to some of these resources would be assistance for the growth and sustainability of youth entrepreneurial ventures.

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#### 3.2.6.16 Lack of business support

A total of 18 out of 65 (27.7 percent) respondents participated in this research indicated that lack of business support in services such as business advice, mentoring and financial assistance for youth entrepreneurs in Kathmandu is lacking from government. These results correspond to the findings shown in section 4.2.19 and figure 4.10 and 4.13, which explain that government support structure to assist youth entrepreneurs to expand their business, were not accessible to most of the youth entrepreneurs in Kathmandu. These results highlight the need for policies and strategies to make accessible to SMEs and entrepreneurship development services from government in Kathmandu area.

#### 3.2.6.17 Lack of business management skills

A total of 15 out of 65 (23.1 percent) respondents participated in this study expressed that lack of business management skills such as finance, marketing, human resource, managerial, entrepreneurial skills was an impediments to the success of their business. These skills were needed not only for setting up business ventures, rather it still remains challenge in the current operations of their businesses as well. Some of the youth entrepreneurs in Kathmandu argued that educational training was essential not just to start businesses but rather to be capable of operating their businesses. However, unfortunately, most of the entrepreneurs had no formal entrepreneurial education and training to prepare them for business environment.

#### 3.2.6.18 Rigid business regulation

A total of 9 out of 65 (13.9 percent) respondents participated in this study felt that strict business regulation, issues such as ambiguity in income tax exemption, VAT, unclear tax incentives, high cost of tendering were also among obstacles against growth and success of their businesses. These results align with the study findings shown in section 4.2.24.8 and figures 4.6, 4.7, 4.8, and 4.9 in which most of the participants were concerned for slow business registration process, ambiguity in business registration process, and high cost involvement in business registration process due to the involvement of agents, who claims to facilitate the registration process for aspirant entrepreneurs. These results suggest that problematic business regulations continue as the business grows further. Most of the youth entrepreneurs in this study admitted that they encountered bureaucratic burdens mainly associated with excessive red tape; bureaucratic delays; middleman commission; corruption; and unpredictable, unclear, inconsistent and poorly implemented government policies in the course of operating their businesses.

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#### 3.2.6.21 Getting right employees

A total of 6 out of 65 (9.2 percent) respondents participated in this study suggested that getting the right employees was another obstacle they encountered in the course of operating their businesses. Few young entrepreneurs admitted that getting talented and experienced employees was a real challenge. This result relates to the literature discussed in this study that getting talented and competent employees is one of the impediments encountered by number of entrepreneurial ventures. Longenecker, Petty et al. (2011) assert that a small company’s employees can easily make or break the business. Thus, without appropriate human resources, a business venture will not have products or services to deliver in the market.

#### 3.2.6.22 Lack of access to business information

A total of 4 out of 65 (6.2 percent) respondents participated in this study felt that lack of access to business information was another obstacle to the success and growth of their businesses. Entrepreneurial undertakings cannot be flourished without proper information about entrepreneurship initiatives. This result relates to findings in section 4.2.19 and figure 4.10, which explain that lack of available support structures, other than FNCCI, was discouraging for the development of youth entrepreneurship in Kathmandu.

**Summary**

This chapter discussed results, which are based on research study findings. The findings were mainly discussed according to the research questions, which were presented and analyzed with the help of SPSS software, where applicable. The results were illustrated in frequency tables, bar and pie charts. The results explored that youth entrepreneurs in Kathmandu encounter number of obstacles in their businesses, most of them are identical to the ones that they face while starting-up their business ventures. These included lack of access to finance, lack of expansion capital, lack of business resources, lack of government support structures, lack of business management skills, lack of entrepreneurial skills, lack of business management experience, rigid business regulation and so on. On the other hand, the prospects of youth entrepreneurship development in Kathmandu area are encouraged by growth of entrepreneurial zeal by young people in this community. These results suggest that country’s government should do more to ensure the sustainability of the youth entrepreneurship development in Kathmandu community. Thus, this underlines the need for aggressive measures to be taken to uplift the unsupportive and unfavorable business environment for youth entrepreneurship in this community. In order to conclude this study, the results and recommendations are dealt with in next chapter.

# CONCLUSION

As Nepal moves forward with its goals of reaching low-middle-income country status by 2030, and fulfilling its youth vision in 2025, entrepreneurship stands as a catapult from which Nepal can launch its youth to the future. This will depend on how well young people are capacitated through skill trainings and eased to access investment, how deeply the government, the civil, and the private sector foster collaboration and knowledge sharing with each other, and how effectively Nepalese as a people can change their cultural mindsets from one of risk-averseness to one of risk-willingness.

It is the responsibility of all the stakeholders in the ecosystem – the educators, the investment community, the government, students, and entrepreneurs themselves, to ensure that the ecosystem as much as the individuals are glorified, to safeguard that trainings are up-to-date with global standards and not subject to nepotistic and unjust practices, and to embolden future generations to come up with contextualized solutions to problems ailing our community, our economy, and our society.