# Women Entrepreneurship

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Chapter 2

# Women Entrepreneurship.

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## Concept of women entrepreneurship.

Women entrepreneurship is a process of creating new business by a woman or group of Women through risk bearing, innovating and managing for rewards. It is based on women participation in enquiry and employment of business entreprise. Women create and start a new business, they undertake risk of business, and the handling of economic uncertanities involved in business, introduce innovations, coordination and Control the business in women entrepreneurship. Women are real driving forces of economic growth.

## Features of women entrepreneurship

1) Creative in nature
2) Vision and foresight
3) Capable and courage
4) Passion and excitement
5) Independent and curious
6) Balance in behaviour
7) Expert in profession
8) Positive attitude

## Women Empowement through women Entrepreneurship

Women are regarded as better half of the society. Women entrepreneurs need encourogement and support from their families, social circles and most Importantly the government. Government Should make Initiation to provide financial Supports to women entrepreneurs. The entrepreneurship of Women is considered to be effective Instrunment to the economic development and empowerment of women.

# Problems of Woman entrepreneurship

1) Family restriction ⇒ Women are expected to spend more time with their family members. They donot encourage women to travel extensively for exploiting business opportunities.

2) Lack of finance / Finance problem ⇒ women donot have property on their names to use them as a collateral for obtaining funds from external source due to which there is limited availability of funds Similarly, bank also consider women less credit-worthy and discourage women borrowers on the belief that they can leave their business at any time.

3) Lack of education ⇒ Women are generally not given a higher-education especially in rural areas and under developed countries. Women are not allowed to enrich their knowledge in technical and research area to innovate new products.

4) Family responsibility ⇒ In context of Nepal, mainly a women's duty to take care of family and thus they cannot involve in or devote in business. They are busy in completing household works.

5) Male dominated society ⇒ Due to Neplease culture women are treated as weaker section in comparision to men which creates barrier to women to enter into business.

6) lack of persistent nature ⇒ Women generally have sympathy for others. They are very emotional. This nature shouldnot allow them to get easily cheated in business.

## Woman Entrepreneurs in Nepal

The situation has been improved at present. Nepal is one of the poorest countries in the world. One of the reason behind this is the lack of entrepreneurship development in the country. The condition of women entrepreneur is rather more miserable and still is in the infant ages. However nowaday the condition is improving slowly.

The central bureau of statistics published on 2019 A.D stated that 29.8 % of the enterprises in the country are owned by women. The highest number of enterprise owned by women is related to whole sale and retain as well as the repair of motor vehicles and motorcycles category. Secondly, accommodation and food service activities and thirdly manufacturing enterprise are own mostly by woman entrepreneur. But real representation of women is questionable. Although the paper shows that women are owner of the enterprises but these are really managed by ma relatives. According to Nepal's industrial policy 2010 has made the some special provisions for women entrepreneurs. Some of them are:-

1) Women will be represented at policy making level relating to industry and business.
2) Arrangements will be made for easy group loan for cottage and small industries from banking and cooperative institutions.
3) Women will get priority in venture capital.
4) Industry in the name of women will get 35%. reduction in registration free.
5) Women will get priority to establish industry in industrial distric
6) Industry ministry will have a seperate unit for women
7) Expoart loan will be made available to women and so on.

It is the pathway to prosperity but it has to face serious problem and challange as describe above. There is no doubt that the number of women entrepreneurs has grown over the years. However, today's women business owners have more challanges to overcome in the business world than their male counterparts. Some of the future challanges of women entrepreneurs are :-

1) ~~the~~ ~~&~~ Financing and credibility
2) Responsibility towards family & society
3) Responsibility towards work
4) Male dominated society
5) Tough competetion with large scale units
6) Lack of institution providing information
7) Lack of awareness facilities provided by government
8) Problem related to marketing
9) Low self - confidence
10) Aversion to risks.

# Women entrepreneurs success factors

1) Support from family
2) Strong social ties
3) Internal motivation
4) Information and communication technology
5) Gender equality
6) Increasing numbers of T and D institutions

Others:

- Level of education
- Business feature
- Risk encountering
- Assistance and easy regulation
- Social security and freedom.

# Issues of Women Entrepreneurship in Nepal.

1) Social pattern
2) Social attitude
3) Low value attachment
4) Low confidence
5) Double roles and responsibility
6) Lack of education and tranning
7) Financial constraints
8) Involve in small business
9) Institutional support
10) Lack of family support

# Problems of women entrepreneurs

1) Poor access to finance
2) Lack of skill and experience
3) Business relationship
4) Low mobility of women
5) Male dominated society
6) Low risk bearing ability
7) Family ties
8) Role conflicts
9) Lack of self-confidence.

# Future challange of women Entrepreneurs.

Women create and start a new business, undertake risks of business and the handeling of economic uncertanities involved in business, introduce innovations, coordinate and control the business in women entrepreneurship.

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Empowerment of women through entrepreneurship is possible because,

i) Entrepreneurship is a means to alleviate women's unemployment and poverty and also stimulate economic growth,

ii) Women's entrepreneurship promotion aims at eliminating gender specific barriers which limits women's capacity to businesses, these include inadequate access to information business networks as well as the traditional attitude towards the gender role,

iii) Women's entrepreneurship provides oppurtunities for creative and innovative women, and

(iv) Women's entrepreneurship enhances self confidence, awarness, and improves standard of living.

Reasons of Women ENTREPRENEURSHIP FOR WOMEN EMPOWERMENT

1) Improve economic independency
2) Improve quality of life
3) Promote social status
4) Decision making ability
5) Improve professional skills
6) Develop leadership
7) Enhance gender equality
8) Improve self-confidence
9) Source of capital building
10) Promote ethical value.

# Women entrepreneurship in Nepal

Women entrepreneurship in Nepal represents a women or a group of Women who involve in starting a new business enterprise. Women in Nepal entered business due to pull and push factor. Neplese women entrepreneurs make significant contributions to economic growth and to poverty reduction of the nation.

# Financing of Entrepreneurial Venture

# Very Short Question Answer

### 1. Who is angel investor?

An angel investor refers to a formal entrepreneur or professional who provides starting or growth capital in promising ventures, and helps also with advice and contacts. Angel investors usually operate alone or in very small groups.

### 2. Define the term equity financing.

Equity financing refers to the act of obtaining funds for the business in exchange of ownership. It is the fund raised by the organization by issuing shares.

### 3. What is debt financing?

A method of financing in which a company receives a loan and gives its promise to repay the loan is known as debt financing. It is a mechanism of borrowing money without giving up the ownership. Debt financing is another widely adopted source of generating fund for business.

### 4. Mention any four sources of short term loans for venture.

The four sources of short-term loans for venture are listed as follows:

- Bank overdraft
- Trade credit
- Short-term bank loan
- Factoring

**5. What do you mean by financial planning?**

The long term profit planning aimed at generating greater return on assets, growth in market share, and at solving foreseeable problems is known as financial planning. In other words, it is a comprehensive evaluation of an investor's current and future financial state by using currently known variables to predict future cash flows, assets values and withdrawal plans.

**6. Make a short note on venture capital.**

Venture capital refers to a type of private equity or a form of financing that is provided by firms to start ups with a high growth potential. Venture capital usually comes from venture capital firms that specialize in building high risk financial portfolios.

**7. What do you mean by IPO? Write.**

IPO stands for initial public offering. An IPO is the first time that the stock of a private company is offered to the public. IPOs are often used by smaller, younger companies seeking capital to expand.

**8. What do you mean by factoring?**

Factoring is a transaction in which a business sells its accounts receivable to a third party known as a factor. A factor is a finance company or bank that buys receivables from business for a fee and then collects the payments directly from the customers.

**9. Write how public deposit serves as a source of short term loan for ventures.**

Public deposit refers to the unsecured deposits invited by companies from the public for working capital needs. Every time a company is in need of short term loan, it can invite public deposit by making an advertisement in the newspaper. The public can deposit money in the company and get a interest in public deposit. This way a company can meet its financial need for six months to three years.

**10. Define the primary types of financing.**

They are defined as follows:

- Debt financing means borrowing money and not giving up ownership. It is the fund owed by the company from another party.
- Equity financing refers to the act of obtaining funds for the business in exchange of ownership. It is the fund raised by the organization by issuing shares.

# Short Question Answer

**1. What is financial planning in entrepreneurship? Explain the sources of short term loans for ventures.**

The long term profit planning aimed at generating greater return on assets, growth in market share, and at solving foreseeable problems is known as financial planning. In other words, it is a comprehensive evaluation of an investor's current and future financial state by using currently known variables to predict future cash flows, assets values sland withdrawal plans.

The primary sources of short term loan for ventures are discussed as follows:

**Bank Overdraft**

An overdraft is an extension of credit from a lending institution when an account reaches zero. The overdraft occurs when money is withdrawn from a bank account, and the available balance goes below zero. It is a provision that allows the customers to borrow a set amount of money. Usually, when you have a normal bank account check will bounce once the account has less amount than the one mentioned in the check. In such situation, having a bank overdraft account helps to fulfil your short-term financing need as it covers checks that would otherwise bounce. For this, you need to pay interest on the outstanding balance of an overdraft.

**Trade Credit**

Trade credit also known as account payable refers to the credit that a firm gets from its suppliers of goods. Trade credit is a primary source of spontaneous and short-term unsecured financing which is common to almost all firms. Trade credit provides one of the most flexible sources of short-term financing available to the firm. In practice, when a firm buys goods from another firm, buyer normally does not have to pay for those goods immediately. In this particular time before due payment, the purchaser has a debt outstanding to the supplier known as account payable on trade credit. The amount of trade credit is determined on the basis of daily purchases and credit period.

**Short-Term Bank Loan**

A bank loan is a non-spontaneous interest carrying and negotiated credit. Short term bank loan refers to those set of loan which has short term maturity period. Commercial bank provides short-term unsecured credit as:

- Transaction loan
- Line of credit
- Revolving credit agreement

Maturity of all types of short loans is normally one year or less. Short term bank loan may be secured or unsecured. When a bank is unsure and concerned about a firm's credit risk, it asks the firm to provide security.

**Factoring**

Factoring refers to a financial method in which a business owner sells accounts receivable at a discount to a third party funding source to raise capital. To explain it further, it is a financial service that collects receivables earlier than their maturity, where the bank emerge as buyers off their client's receivables giving them the opportunity to obtain the money. The obtained money, in turn, can be used in business. Factoring is common cash management tool for many industries where long receivables are the crucial part of the business cycle.

**Accruals**

Accruals represent short-term liabilities for the services that have been provided to the firm, but payment has not yet been made. The widely found common accruals are wages payables and taxes payable. The business firm pay employees on the monthly, biweekly or weekly basis. As a result, accrued wages are created. Likewise, the estimated income tax, property tax, tax deducted at source, sales tax, etc. are collected and paid after a specific period. Thus accrued taxes are created. These accrued wages and taxes can often be used as the source for the short term loan.

**2. What is equity financing? Distinguish between angel investor and venture capitalist.**

Equity Financing

Equity financing is the process of raising capital through the sales of shares in an enterprise. In other words, it refers to the sale of ownership interest to raise funds for business purposes. Equity financing is the most widely used source of funding a business. The investor that finances through equity gets his/her return in the form of dividend and selling their share in the premium price.

Distinguish between Angel Investor and Venture Capitalist

| Angel Investor | Venture Capitalist |
|---|---|
| Angel investor is one who invests in an enterprise for his/her personal satisfaction and investment purpose. They may be an individual angel investor or a small group off investor.<br><br>Angle investor usually invests in early stage or start-up business.<br><br>The investment amount is around 1 million to ten millions.<br><br>Decisions of angel investors are quick.<br><br>Angel investors invest their own money in the form of angel investment.<br><br>Angel investment is often made with willing to be 'hands -off" or "hands-on" adding important skills.<br><br>The primary motivational factor of angel investor is help | Venture capitalist refers to companies or business houses that invest in entrepreneurial venture.<br><br>Venture capitalists invest in the later stage of business unless compelling reasons.<br><br>The investment amount is usually more than ten millions.<br><br>Decisions ofventure capitalist are lengthy.<br><br>Venture capitalists invest other's money in the form of venture capital.<br><br>Venture capitalists usually require seat on board for their investment.<br><br>The primary motivational factor of venture capitalists is to make money. |

### 3. Write why financial planning is important for modern organizations.

The importance of financial planning for modern organizations are explained through following points:

**Define Financial Goals**

One of the primary objectives of financial planning is that it helps to define financial goals. When financial goals are defined, determination of financial objectives as well as estimation of capital requirements becomes easy.

**Identify Necessity of Funds**

Financial planning identifies the necessity of fund for a particular organization. The fund may be for different purpose such as the purchase of long-term assets, to meet day-to-day expenses, etc. If the necessities are identified, prioritizing the need and generating funds becomes easier.

**Fixing the Most Appropriate Capital Structure**

The arrangement of funds can be made adopting various sources. Every source has its share of advantages and disadvantages. Every structure is appropriate for a certain condition. In this regard, financial planning helps to fix the most appropriate capital structure.

**Base for Financial Control**

Financial planning provides the mechanism of comparing revenue and expenses of a venture. It compares actual revenue with estimated revenue as well as actual cost with the estimated cost. Based on the comparison, controlling effort can be implemented. In this regard, financial planning acts as the base for financial control.

### Availability of Funds

Every organization requires fund for a number of purposes. Financial planning ensures that sufficient fund is available for the organization to accomplish different purposes. It ensures that there is the timely availability of finance.

### No Raising of Resources Unnecessarily

It is a well-known fact that excess fund is equally bad as the shortage of funds. Keeping financial resources unused is just unacceptable in modern business. Financial planning ensures that every time there is the surplus fund, it is invested in the best possible manner.

### Helps in Investing Finance in Right Projects

It is important to invest in a project that assures return in a sustainable manner. Financial planning uses a number of tools to compare various investment proposals thereby helping to pick the best project.

### Avoid Business Shocks and Surprises

Financial planning anticipates the changes one can expect in future. It anticipates the changes in financial requirements and prepares accordingly. Due to which the organization is better prepared and hence avoids business shocks and surprises.

### Proper Coordination

Financial planning acts as an interlinking mechanism between every functional unit of an organization that requires fund. This interlinkage keeps all the functional unit in the same wavelength thereby achieving proper coordination and better result.

## 4. Write the process of preparing to raise finance for a business.

Financing is perhaps the most crucial aspects of every business operation. Careful planning and execution of raising finance can make or break any business. Raising finance in itself is a tough job and goes through following primary stages.

**Determine the Capital Necessity of the Business**

The first step to raising finance involves the determination of capital necessary for the business. The determination of capital should be done from capital expenditure, and cash flow statement. The information about capital expenditure and cash flow statement can be derived directly from the business plan. An exact determination of capital provides two-fold advantage:

- Showcase the certainty of capital required to the probable investors.
- Avoid excess or deficit fund.

**Identify the opt. Financing or Funding**

It is the second step of raising finance. This step involves identifying the most suitable method of financing. In principle, there are two methods for financing. They are equity and debt financing. Equity financing involves raising finance in exchange for partial ownership of a firm in the form of share. Debt financing involves taking the loan for a certain period. Every method of financing has its share of advantages and disadvantages. It is important to analyze which method is beneficial for the business.

**Development of Strategy for Attracting Potential Investors**

It is the last step of the process and focuses on attracting potential investors. For this, a proper strategy is developed based in the essence of business along with its merit. Then the best prospects are identified, and a presentation is made to them.

### 5. What do you mean by equity financing? What are its sources? Write.

Equity financing is the process of raising capital through the sales of shares in an enterprise. In other words, it refers to the sale of ownership interest to raise funds for business purposes. Equity financing is the most widely used source of funding a business. The investor that finances through equity gets his/her return in the form of dividend and selling their share in the premium price.

The primary sources of equity financing are explained below:

**Angel Investors**

An angel investor refers to a formal entrepreneur or professional who provides starting or growth capital in promising ventures and also helps with advice and contacts. Angel investors usually operate alone. Angel investors are more about passion. They get involved in financing because they enjoy helping early stage businesses, mentoring young entrepreneurs and participating in the development of an emerging business. When we look at the history, we find that angel investors have usually been high-net-worth individuals that privately invest in the new start-up with title publicity of their involvement.

Angel investment is considered as the first round of external independent investment. Angel investors invest in early stage ventures as the entrepreneurs exhaust their personal savings and sources of funding from family and friends. Although many angels are motivated by the factors beyond financial benefits, it is usually tough funding and continuing an angel investor.

## Venture Capital

Venture Capital is a type of private equity, a form of financing that is provided by firms to small, early-stage emerging firms that are deemed to have growth potential. For entrepreneurial start ups without any access to capital, venture capital is perhaps the most essential source of money. Venture capital usually comes from venture capital firms that specialize in building high-risk financial portfolios. Although the risk is high, it has the potential for above-average returns. An entrepreneur must ask the following questions to themselves before accepting venture capital.

- Do the venture capitalists have experience in our industry?
- Do they take a highly active or passive management role?
- Are the personalities on both sides of the table compatible?
- Does the firm have deep enough pockets of sufficient contacts within the venture capital industry to provide follow-on rounds of financing?
- Is the firm negotiating in good faith in regard to the percentage of our firm they want to exchange for their investment?

## Initial Public Offering

Initial public offering or IPO is the first time that the stock of a private company is offered to the public. A company can raise money by issuing either debt or equity. In this regard, if the company has never issued equity to the public, it is known as IPO.

Through the initial public offering, a privately held company transforms into a public company. A public company is a corporation whose ownership is dispersed among the general public in many shares of stock that are freely traded on a stock exchange. Company usually use public offering to raise the expansion of capital. A company that sells shares is never required to repay the capital to its public investors. An IPO is often preferred to other forms of equity financing due to following reasons:

- It helps to enlarge and diversify the equity base.
- It is perhaps the cheapest access to capital.
- IPO provides better exposure, prestige, and public image.
- Creates another form of currency that can be used for company growth.
- IPO provides a mechanism for the stockholders to cash out their investment and get their money back.

### 6. What do you mean by IPO? What are its advantages?

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**Advantages of IPO**

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- IPO provides a mechanism for the stockholders to cash out their be used for company investment and get their money back.

### 7. Explain in brief the different sources of raising debt financing.

A method of financing in which a company receives a loan and gives its promise to repay the loan is known as debt financing. It is a mechanism of borrowing money without giving up the ownership. Debt financing is another widely adopted source of generating fund for business. Debt financing usually includes both secured and unsecured loans. Secured loans are generated with an assurance of collaterals. If the debtors default the loan, collateral will be forfeited. A few lenders, however, will just lend the money based on a name and idea.

Debt financing is often preferred over than equity financing due to following primary advantages:

- Debt financing keeps the owner's ownership interest in the company intact as the lender cannot claim the equity.
- A lender who finances the debt cannot claim on future profit of the business.
- One can deduct the interest on the debt on company's tax return. It helps to lower the actual cost of the loan.
- The legal compliance associated with debt financing is less as compared to equity financing.

The primary sources of debt financing are explained as follows:

**Commercial Banks**

A commercial bank is an institute that aims at gaining profit through deals related to money and credit. In this regard, it is a financial institution that accepts deposits of money from surplus region and mobilizes that in deficit region. Commercial banks are considered to be the heart of the financial market for small business. In this regard, commercial banks are the main source of debt financing. Commercial banks provide both short term loan and long term loan. To provide the loan, they usually consider the cash flow strength of the start-ups as well as the collateral and balance sheet position.

## Private Sources

Sources that are more personal and not confined to any institutional structure are referred as private source. Private source could be anybody ranging from family members, relatives to colleagues, friends, etc. Entrepreneurs can also look forward to a number of private sources of debt financing. Friends, relatives, partners, etc. can lend money to the business in a term that is more flexible than bank and other lenders. One of the major drawbacks associated with private source is that they like to be involved in the management of the business.

## Microcredit

A minuscule loan given to impoverished people to help them become self-employed is known as microcredit. Microcredit is also known as microlending or microloan. It is a means of extending credit usually in the form of small loans with no collateral, to non-traditional borrowers such as poor in rural or underdeveloped areas. Microcredit primarily aims to provide credit to poor people so that they are engaged in entrepreneurial activities.

**8. Write the differences between equity and debt financing.**

Differentiation between Equity and Debt Financing

| Debt Financing | Equity Financing |
| --- | --- |
| Debt financing means borrowing money and not giving up ownership. It is the fund owed by the company from another party.<br><br>Debt financing on the other hand is an obligation of the company.<br><br>Debt financing is temporary in nature and is raised for comparatively short period.<br><br>Holders that provide debt financing are lenders.<br><br>With debt financing, the risk is low as there is promise to repay the investment. Moreover, there is also an interest component.<br><br>The return is in form of interest and principle amount.<br><br>Debt financer often demands collateral before financing.<br><br>The return of debt financing for lends is fixed and regular. | Equity financing refers to the act of obtaining funds for the business in exchange of ownership. It is the fund raised by the organization by issuing shares.<br><br>Equity financing is the ownership of the company.<br><br>Equity capital is raised for a long term and is permanent in nature.<br><br>Holders that provide equity capital are proprietors.<br><br>With equity capital the risk is high as there is no promise to repay the investment nor there is an interest component.<br><br>The return is in form of dividend.<br><br>The return of the equity capital is irregular and variable.<br><br>Equity financer never demands collateral as they believe in the idea before investing. |

# Entrepreneurial Venture Creation

# Very Short Question Answer

**1. What is marketing plan?**

A marketing plan is a business document written for the purpose of describing the current market position of a business and its marketing strategy for the period covered by the marketing plan.

**2. What is industry analysis?**

Industry analysis is a tool that facilitates a company or new venture's understanding of its position relative to other companies producing similar products or services. Industry analysis helps to understand the forces at work in the overall industry and thus is an important component of effective strategic planning.

**3. What is venture creation?**

Venture creation is the process of turning a new idea or technology into a business that can succeed and will attract investors. Every individual trying to be an entrepreneur must be able to identify a business idea and pay attention to venture creation.

**5. Define idea.**

An idea is something such as a thought or conception; that is the product of mental activity. In other words, it may be defined as something that you imagine or picture in your mind.

**6. Write about focus group.**

A focus group is a group of 6-12 persons that represents various socio economic backgrounds and are experts in the concerned groups. These individuals are asked about their opinions, beliefs, perception, attitude towards a product, service, concept and advertisement which lead towards the development of certain idea.

**7. Write a short note on Delphi technique as a source of idea generation.**

Delphi technique is a series of feedback loops, where the answers from one round of information gathering are summarised and sent out again to be voted upon. During the process, the group converges towards the common idea which is correct.

**8. Write the essential qualities of opportunity.**

They are listed as follows:

- Attractive
- Timely
- Durable

**9. Write the meaning of business plan.**

Business plan is a written document prepared by the entrepreneur that describes all the relevant external internal elements involved in starting a new venture. In other words, business plan is the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.

**10. Enlist the five forces as per the Porter's Model.**

They are listed below:

- Threat of new entrants
- Threat of substitutes
- Buyer's power
- Bargaining power of the supplier
- Competitive rivalry

**11. Define marketing research.**

Marketing research is a systematically problem analysis model building and fact finding for the purpose of improved decision making and control in the marketing of goods and services.

# Techniques for generating ideas for Venture Creation

Idea generation, popularly called Ideation is the creative process of generating, developing, and communicating new ideas, where an idea is understood as a basic element of thought that can be visual, concrete, or abstract. In simple words, idea generation is the creative process of solving problems or exploiting opportunities.

**Techniques for Generating Ideas for Venture Creation**

**Focus Group**

A focus group is a group of 6 – 12 persons that represents various socio economic backgrounds and are experts in the concerned groups. These individuals are asked about their opinions, beliefs, perception, attitude towards a product, service, concept and advertisement which lead towards the development of the certain idea.

**Brainstorming**

Brainstorming is the process of generating creative ideas and solutions through intensive and freewheeling group discussion. Alex Osborn, an advertising executive, is credited with the technique of idea generation named brainstorming. Brainstorming is a free and informal approach where every participant is encouraged to think aloud and suggest as many ideas as possible. No ideas here are criticized even if they seem to be utterly bizarre or outlandish. Brainstorming helps people come out from their usual ways of thinking. Brainstorming does not require the participant to prepare much and thus are more fun than the pressure.

**Problem Inventory Analysis**

Problem inventory analysis is another important technique for generating ideas. In this technique, consumers are provided with a list of problems and then are asked to identify products that have these problems. Problem inventory analysis is used to develop the new existing product. It, however, does not mean that every result leads to a new product. The result, thus must be carefully evaluated as they may not reflect a new business opportunity.

**Delphi Technique**

Delphi technique is a series of feedback loops, where the answers from one round of information gathering are summarized and sent out again to be voted. During the process, the group converges towards the common idea which is correct. Delphi technique is one widely adopted approach that provides the heterogeneity mix of knowledge and items with the greater probability of success.

**Library and Internet Search**

Trade journals, business related magazines, annual reports, industry reports, etc. available in a library can be studied and analyzed for generation of ideas. Likewise, the internet and email can be accessed to find anything and everything all over the world. Access to essential information from all part of the world is another primary source of idea generation.

**Survey**

Another widely adopted technique for generation of an idea is to survey. A survey is a method of gathering information from a sample of the population. The sample must be designed in a proper way so that it represents the population. The survey can be used to generate ideas on new product, service and modality of business.

# Sources of Idea Generation

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**Sources of Idea Generation**

Ideas can be generated from many sources. They are broadly categorized into two types:

*Internal sources*

- Research and development
- Employee's insight

*External sources*

- Potential customer needs
- Analysis of competitors' operations, products and services.
- Success stories of entrepreneurs and other personalities
- Information from government agencies and business experts
- Trend of product demand and usage.

# Meaning of Business Plan. Its Scope and Significance

A business plan is a formal written expression of the entrepreneurial vision, describing the strategy and operations of the proposed venture. In other words, it is a written document prepared by the entrepreneur that describes the relevant external and internal elements involved in starting a new venture. The business plan provides an intended course of action to the existing business or future business. It often integrates essential functional elements of finance, production, human resources, marketing, etc. demonstrating the feasibility of the prospective business along with its operational roadmap.

The scope of a business plan is broadly categorized into two types:

***Internal***

The internal scope of business plan primarily includes employees. The vision and mission of the firm are explained and articulated to the employees through a business plan. A business plan is crucial for both the managerial and administrative employees as it guides them to move ahead in a planned, consistent and purposeful manner. When the employees have a business plan, they are in a better position to fulfil their duties and responsibilities for the organizational effectiveness.

***Investors***

Investors are other crucial scopes of the business plan. One of the primary objectives of the business plan is to attract investment capital for your venture. It does not matter if it is an existing business or a new one. A new investor will always seek a better business plan that impresses them. It is thus important that a business plan is developed thinking like an investor.

The primary significance of business plan is discussed as follows:

- **Creation of a New Business:** Every business plan provides a roadmap to upcoming business. It is the initiation of a new business. In this regard, a business plan plays a crucial role in the creation of a new business.
- **Clarify Direction:** The primary significance of a business plan is to define what the business intends to do over time. A business plan describes your business and its products or services as well as detailed description of target customers.
- **Attract Financing:** The development of a comprehensive business plan shows whether or not a business has the potential to make a profit. By incorporation of facts, figures, and detail, a new business has a better chance of attracting investors.
- **Risk Management:** The degree of uncertainty involved in business is known as risk. A plan of activities goes a long way in helping entrepreneur assess and manage the risk. In addition to that, a business plan also provides a contingent plan to deal with possible risks.
- **Attract Team Members:** A business plan is often used as the sales tool to attract partners. Business plan can be shared with desired partners, so as to convince them of the business potential and persuade them to join the team.
- **Means of communication:** Business plan communicates the various elements of business. In this regard, it often serves as the means of communication. It communicates goals, strategies, both to the outsiders as well as insiders.

## Characteristics of a Marketing Plan

They key characteristics of a marketing plan are discussed below:

- **Provide Strategy:** A marketing plan must be in line with the vision and mission statement of the business. In other words, a marketing plan should spell out the marketing strategies for the accomplishment of vision and mission.
- **Based on Valid Assumptions:** A marketing plan should be based on facts and valid assumptions. In other words, every marketing plan should be backed by facts and figures
- **Management of Resource:** A marketing plan should adequately explain the use of existing resources. In this regard, it should clearly mention the allocation of all types of resources including machinery, equipment, financial and human resources.
- **Implementation:** The market plan should also describe how an organization is going to implement it. It is extremely important that a marketing plan comes up with a proper road map for implementation.
- **Continuity:** Every marketing plan, if possible should provide continuity of the previous plans so that achievement of longer goals and objectives becomes easier and in sync.
- **Simple and Short:** A long marketing plan is complex and difficult to execute. A good marketing plan hence is simple and short.
- **Flexible:** It is a well-known fact that business environment is dynamic. In that line, it is important that a business plan is flexible enough to adapt accordingly as per the changes in business environment.
- **Specific:** It is important that a marketing plan has expected results and milestones clearly defined along with the specific actions for implementation and the deliverable time for each step.
- **Balance:** A marketing plan must inform and guide not only the financial decision making but also the operational and human resource issues with the all business.

# Steps of Marketing Plan

A marketing plan follows the following steps:

- **Defining the organization's mission:** The starting point in the marketing planning process for the firm is to define its mission, the The essential purpose that differentiates the company from others. Mission statement provides general guidelines for future management actions. The mission can be defined as the unique fundamental purpose that sets it apart from other firms of its type. It indicates the nature and scope of business operations regarding product, market, and technology.
- **Situation analysis**: A situation analysis is a process of gathering and examining information to determine the organization's past, present and possible future position in the market. Situation analysis involves market analysis, internal analysis, and environmental scanning. Each of these provides the following information.

| Technique | Information |
|---|---|
| Market analysis | Description of market |
| Internal analysis | Organizations strengths and weaknesses |
| External analysis | Opportunities and threats |

- **Determining organization objectives:** Objectives and goals must be clearly spelled out and identified. A marketing objective might be to become the leading supplier of a certain product. Underneath this objective, certain goals are established. One goal might be the attainment of 35 percent market share within the next four years. Goals could relate to the volume of sales, return on investment, or measurable aims. Objectives or goals are not mutually exclusive. For example, attaining a particular market share may require the sacrifice of some profit.

- **Establishing strategic business units:** After defining the mission and the corporate objectives, a firm must formulate and establish the strategic business units. A strategic business unit in the recent years has been used to describe an organization's individual business. An SBU can be a company within a larger corporate chain, a division within the larger organization, a group of related products or a single major product or brand.
- **Setting marketing objectives:** Each SBU should have its objectives for marketing performance. Objectives can be quantitative (rupee, sales, the level of profit, market share, etc.) or qualitative (image, level of innovativeness, industry leadership, etc.) or both. It is tough to set se totally quantitative objectives or qualitative objectives. Whatever may be the nature but the objectives set should be specific, clear, and easily understandable.
- **Formulating a marketing strategy:** The net result of opportunity analysis is the formulation of marketing objectives designed to achieve overall organizational objectives and help in developing a marketing plan. The marketing plan revolves around a marketing strategy that in resource efficient, flexible and adaptable. Marketing strategy is the overall company program for selecting a particular target market and then satisfying consumers in that market through the careful use of the hing elements of the marketing mix. The components of the marketing mix product, pricing, distribution and promotion-represent subsets of the overall marketing strategy.
- **Implementing and monitoring marketing plans:** The next step of the marketing planning process consists of implementing the marketing strategy that has been agreed upon by management. The overall strategic marketing plan serves as the basis for a series of operating plans necessary to move the organization toward the accomplishment of its objectives.

At every step of the marketing plans marketing managers use feedback to monitor and adapt strategies when actual performance fails to match expectations. This is the final step in the strategic marketing plan or planning process

# Sole Proprietorship with Characteristics

The organization which is formed, managed and controlled by a single person is known as the sole proprietorship. In other words, in this model of business organization, the single person invests capital, takes all risks and shares all profits and losses by himself or herself. The owner of the business is called sole trader. A sole trader makes his/her all decisions on all business related matters. Such type of business firm is to be registered in the concerned department under the provision of -private firm Registration Act 2014 in Nepal.

In other words, a sole proprietorship is the form of business organization at the head of which stands an individual as one who is responsible, who directs its operation and who alone runs the risk of failure."

**Characteristics of Sole Proprietorship**

The primary characteristics of sole proprietorship are explained as follows:

1. Single ownership: A sole proprietorship is owned by a single person. A sole trader provides the entire capital either from his private property, loan or by borrowing from relatives or friends.
2. Unlimited liability: A sole trader should consider his business debt as Las his personal debt. S/he has to pay the business debt from his private property if business property is not sufficient to pay.
3. Limited capital: Generally, financial resources of a sole trader are very limited because a single person invests money in the business. Likewise, the borrowing capacity of individual is also limited.
4. No sharing of profit or loss: A sole traders alone receives all profit and bears all the losses of the business. There will be no one to share profit and losses. Therefore, there is a direct relationship between efforts and rewards.
5. Secrecy: A sole trader doesn't require publishing the financial statements of the accounts. He can keep business secrets with himself. Legal provision has not been made to reveal the books of accounts compulsory. vi. Sole management and control: A sole trader is free to take decision related to the business. He manages, organizes and controls the business as per his desires.
6. No separate legal existence: There is no legal existence of the business. It is not separated from its owner. The existence of sole proprietorship depends on the position of the owner. In case of death, insolvency, disability, sole proprietorship will be dissolved automatically

# Partnership with its Characteristics

A partnership firm is the mutual relationship of two or more persons who make an agreement for conducting business to (or "intending to") earn and share profits. "Partnership is the relation between persons who agree to carry on a lawful business with a view of private gain." In a case of loss, if the assets of the business are not sufficient to cover the debt, the partners are required to cover the debt jointly. The persons who enter into an agreement to operate the partnership firm are called partners. Partnership firm came due to the limitation of sole trading concern such as limited capital and limited managerial ability.\

Characteristics of Partnership

1. **Two or more persons:** To form a partnership, there must be at least two persons. A single person cannot form a partnership firm. Maximum number is not mentioned.
2. **Mutual agreement:** A partnership firm is established on the basis of agreement. Such agreement may be either verbal or written. However, it is better to have a written agreement to avoid misunderstanding and disputes in the future. The agreement document clearly defines the roles and responsibility of individual partners.
3. **Sharing of profit and loss:** The profit and loss of the firm is shared among the partners as per profit sharing ratio mentioned in the partnership agreement. The partners share profit or losses in proportion to their capital investment.
4. **Unlimited liability.** The liability of partners is not limited to the capital investment. The partners are required to pay the loans of the firm from their private property if the assets of the firm are not sufficient to cover the loss or loans of the firm.
5. **Good faith:** A partnership is formed on the basis of an agreement. It becomes profitable if there is mutual trust between partners. Good faith plays a vital role in the survival and growth of a partnership firm.
6. **No free transfer of share:** In a partnership firm, shares are not freely transferable. Before transferring the shares, the partners who want to sell or transfer his/her share has to obtain the consent of all other partners.

# Corporation with its Characteristics

Corporation is a modern type of business organization, which is established under the company act of a country. In other words, it collects capital by selling a number of transferable shares to the public at large. The shareholders are the owner of the company. The financial liability of shareholders is limited only up to the capital contributed by them in the company shares. An elected body of shareholders called the board of directors manages the company. In Nepal, it is incorporated under company act 2063.

"A corporation is a voluntary association of individuals for profit having a capital divided into transferable shares, the ownership of which is the condition of membership."

Characteristics of Corporation

Corporation is a very popular type of organization to mobilize resources and capital in national and international level. This company has its fundamental characteristics which are as follows:

1. Association of persons: A large number of people associate for a common purpose. Many people invest their capital in shares. A private limited company must have at least one promoter, and a public limited the company must have at least seven promoters for its registration.
2. Limited liability: The shareholders of a corporation have limited liability. The shareholder's liability will be up to a number of shares they have purchased. Shareholders are not liable to pay the debt of the company.
3. Separate legal entity: A corporation has a separate legal entity. It is incorporated and dissolved according to the law. Although the shareholders are the owners of the company, they are not responsible for the acts of the company. The company can sue and can be sued in its name.
4. Perpetual existence: The existence of the corporation is perpetual. The death or insolvency of the shareholders does not affect the continuity of the company. Thus, its existence does not depend on the will and condition of any shareholder.
5. Common seal: The common seal is the identification of the company as a living person. Common seal is the official signature of the company. The company law requires every company to have a seal of approval.
6. Artificial person: A company is quite distinct from its members. The law creates the company. All the properties and resources of the company belong to the company, not to the shareholders. The company acts as an artificial person who can file the case against others, and other can file against the company. Publication of financial statement: A corporation must publish the annual audited financial report and accounts for public knowledge and information. Such financial statements are published in the popular newspaper of the country. The law requires Corporation have current financial statements.

# Ethical Issue of Business

The primary ethical issues that need to be considered in developing business plan are explained as follows:

- **Stakeholder's Interest:** It is crucial that every company aims at maximizing the shareholder's wealth. Having said that, it should not be the only one concern. An organization must treat its customers, employees, and other stakeholders. In addition to that, effort must be put to consider the social, environmental and moral considerations in high regard.
- **Healthy Business Practices:** Unhealthy marketing, unfair slashing of employee expenses, degradation of product quality and negative impact on the environment are part and parcel of modern day business practices. It is thus important to set a benchmark by adopting healthy business practices that keep everything simple and fair
- **Ethical Publicity:** Drawing attention to a product or service is turning out to be one and only objective of PR agents. For this, unethical means like the use of nudity, sex, violence is very common. This unethical practice creates a lot of negativity among the general public. It is thus important that an ethical publicity is adopted that suits the sensibility of targeted customer.
- **Human Use of Human Resources:** A human needs to be treated like a human in working arena. Their health, safety, and social security must be kept in high regard. Treating them like machine won't be beneficial in the long run.
- **Self-Interest:** Business necessarily does not mean accumulating wealth for oneself. It is also about contributing to society in a positive way. Hence, it is extremely crucial that self-interest does not translate into greed and selfishness.

# Business Plan and its Elements

Business plan is a written document prepared by the entrepreneur that describes all the relevant external and internal elements involved in starting a new venture. In other words, business plan is the development of a written document that spells out like a roadmap where you are, where you want to be, and how you want to get there.

The primary elements of business plan are discussed below:

**Executive Summary**

An executive summary is the first element of the business plan. Executive summary tells the reader what you want. It is a synopsis of a business and is written with the aim to convince the readers that the business is worth investing. The executive summary should be kept Me short and should cover the key aspects of the entire business plan. The key elements that must be incorporated in an executive summary are:

- Business concept
- Financial features
- Financial requirements
- Current business position
- Major achievements

The executive summary is easier to finalize, once all the details of the plan are finalized.

**Industry Analysis**

Industry analysis is a tool that facilitates a company or new venture's understanding of its position relative to other companies producing similar products or services. Industry analysis helps to understand the forces at work in the overall industry and thus is an important component of effective strategic planning. In the industry analysis section of the business plan, the description of industry about nature, size, growth, strength, weakness, trends, the rivalry is done. One of the most widely adopted methods of industry analysis Michael Porter's Five Force Model. As per the model, industry is analyzed on five forces listed below:

- Threat of new element
- Threat of substitutes
- Bargaining power of the buyer
- Bargaining power of the suppliers
- Competitive rivalry

**Company Information**

This section of business plan provides the general information of the company. It describes what your company does or intends to do and how will it fulfil the needs of the company. Moreover, it shows how the company aims to translate the business idea into reality. This section also provides information on the probable customer of the company. In addition to that, it will explain the reason behind the probable success factor of products and service.

**Company structure**

Probable investors are concerned about the structure of the company along with the management team. They want to know who they are investing and lending their money to. Is it sole proprietors, partnership or corporations? Likewise, they want to know who is in charge and what experience they have in this particular business. They seek information about members regarding their position, experience, educational background, etc. Company structure section of business plan provides information on all the aspects mentioned as above.

**Market Analysis**

Market analysis is all about describing the target market for the product or service the company intends to sell. This section also explains how the product or service will meet the needs of the target market. Moreover, the market analysis also provides insight on the size of the target market, the share of the market that the company aims to achieve, competitors, pricing off the product, etc.

**Financial Analysis**

This section of business plan provides detailed information regarding the business. Financial analysis is imperative if your main aim of developing a business plan is the generation of the fund. The financial data that needs to be presented are listed below:

- Record of your financial dealings, investment if any
- Income statement
- Balance sheet
- Revenue and cost
- Break-even analysis

**Marketing Plan**

The marketing plan section of the business plan focuses on a strategy that outlines your marketing activities. It includes the plan for entering the market, differentiating itself from the competitors, channels of www distribution, communication, selling, etc.

**Product Description**

The product description part of the business provides information about the product or service you intend to sell. The three key issues that need to be addressed under this heading are:

- Description of present stage of product or service development
- Challenges and risks in bringing the product or service in the market.
- Patents, trademarks, copyrights, trade secrets, etc. to be secured.

**Operations Plan**

This section explains the operations procedure of the business. It outlines the administrative side of the business providing information on following aspects:

- Operation of business
- Network of suppliers
- Location of office
- Equipment used, etc.

# Identification and Recognition of Opportunities

**Identification and Recognition of Opportunities**

A number of methods are adopted in identification and recognition of opportunities. A few widely adopted methods are discussed below:

**1. Observing Trends**

One can identify and recognize the opportunities by observing the trends of various environmental forces. Every trend associated with the environmental forces brings either the favourable or unfavourable condition. Every favourable and unfavourable condition brings its set of opportunities that needs to be analyzed and tapped.

In observing the trends, the primary environmental forces that need to be analyzed are discussed briefly.

**2. Economic forces**

Observing economic trend is one important way to identify the opportunity. Based on the nature and direction of the economy in which a firm competes; opportunity can be analyzed. A sound economy usually creates many business opportunities. The economic trends must be observed under the following components:

***Economic systems:*** An economic system refers to an organized way in which a state or nation allocates its resources and apportions goods in the national community. The broad economic system prevalent are:

- Free market economy
- Centrally planned economy
- Mixed system

***Economic Policy:*** Government actions that are intended to influence the economy of a country is known as the economic policy. Some of the important economic policies are:

- Monetary policy
- Fiscal policy
- Industrial policy

***Economic condition:*** Economic condition refers to the status of a country's financial position at a specific period. Economic condition is represented through statistics like:

- Gross domestic product
- Inflation
- Employment indicators
- Balance of payment
- Income distribution

***Economic integration:*** Economic integration refers to an agreement among countries in a particular geographical region to reduce and remove trade barriers. In Nepal, economic integration has been promoted by regional and global organizations like SAARC, OPEC, ASEAN, WTO, etc.

***Political forces:*** Political forces are perhaps the least predictable elements in the business environment. It refers to the actions taken by the government which affects the business activities. The apa political trends must be observed under the following components:

- Political system
- Political institutions
- Political philosophy

***Legal forces:*** Laws passed by a government for business forces is another critical element that must be observed to identify the opportunity. The legal trends must be observed under the following components:

- Constitution
- Business law
- Courts of law
- Law Administrators

***Socio-cultural forces:*** A set of beliefs, customs, practices, and behaviour that exists within a population is termed a socio-cultural forces. Every business is a social system and conducts its activities in the society. The socio-cultural trends must be observed under the following components:

- Attitude
- Belief
- Religion
- Language
- Education
- Family structure and social organization

***Technological forces:*** Technology has a major impact on the business. Technological forces mean the development in the field of technology which affects business by new inventions of productions and other improvements in techniques. Early adoptions of new technology often achieve higher market share The technological trends must be observed under following components:

- Level of technology
- Pace of change
- Technology transfer
- Research and development budget

***Natural forces:*** Natural forces are affected by business operations. Certain regulations need to be considered to reduce those impacts. Moreover, many natural resources are limited. They need to be used diligently. In this regard, the various aspects related to natural forces often provided opportunity. The natural trend must be observed under following components:

- Energy consumption
- Environment policy
- Compliance with environmental

***Global forces:*** One should also continuously observe the various global forces of business such as the global market, international socio-political events, etc.

**3. Solving Problems**

Problems are part and parcel of human life. At every phase of human life, problems pop out. These problems are a major source of opportunity as every solution to them is a new business opportunity. If we look at the discovery of many inventions and innovations, problems have been starting point of many.

**4. Finding Gaps in the Market Place**

Another important source of business opportunities identification is the mechanism of finding a gap in the marketplace. There are many sectors where the needs of customers are not served. Even if those areas are served, there is always the opportunity to fill it out with better business opportunities. Moreover, there may be many customers that are dissatisfied with the present product and service. Thus, recognizing the current needs of the customers and making efforts to fulfil them leads to various opportunities.

**3. Explain how ideas are encouraged and protected in a business. Encouragement of an Idea in a Business.**

Ideas can be encouraged in business in following ways:

**Communicate the importance of creativity:** It is imperative that employees are communicated the importance of creativity in work life. When they realize that creativity fosters compositeness, they will be encouraged to generate an idea.

**Allow time for idea generation:** it is not necessary that every idea is a result of intuition or accident. New ideas often need sufficient time. Employees thus must not be pressurized and enough time should be given for new idea generation.

**Actively seek ideas:** If employees are to come out with ideas; it is ne important that an organization actively seeks their ideas. An employee must feel that organization genuinely is in need of ideas. For this, suggestion boxes, ideas, seminars, meetings, etc. must be kept and conducted.

**Be supportive:** When the organization is supportive towards employees, it fosters creativity. The employee must be provided every possible resource that supports the mechanism of idea generation.

**Tolerate mistakes:** On the road of creation; failures and mistakes are pretty much inevitable. If the employees are punished for every little mistakes and failure, they will be apprehensive in attempting something new. As such their quest for newness dies. It is thus crucial that people are allowed to make a mistake. The mistake should not always be penalized. Instead, they should be tolerated and taken as the opportunity to learn.

**Reward creativity:** There is no bigger joy in life than getting rewarded for your endeavour. Creativity is no exception. If the employees are rewarded for their ideas, they are motivated to come with new ideas. Reward thus is an important financial motivating factor that encourages the generation of ideas.

**Act on ideas:** Creativity means nothing if action is not taken. Employees, moreover, feel frustrated if their ideas do not bear fruit. In this regard, it is important that organization acts instantly bode on the ideas of the employee.

**Protection of an Idea in a Business**

The major ways of protecting ideas are discussed below:

- ***Putting the idea into tangible forms:*** Majority of ideas initially take tangible form. It thus is imperative that these ideas are converted into tangible form as soon as possible. For this, it is imperative that these ideas are saved in a logbook or computer.
- ***Secure the ideas:*** Once the ideas are recorded into tangible form, efforts must be made to secure them. One must ensure that no one can steal the idea.
- ***Non-disclosure agreement:*** It is essential that you sign a non disclosure agreement with anyone you work or share your ideas. It will commit them to confidentiality. The non-disclosure agreement is an agreement whereby the concerned parties do not share information with third parties.

## 4. Explain about the five force model and its implication.

Five Force Model and its Implication

Michael Porter provided a framework that suggests that an industry is influenced by five major forces. Anyone willing to exercise strategy to gain edge over rivals must use this model to understand the industry. The five major forces as per the Michael Porter's model are discussed below:

**Threats of New Entrants:** The level of threats of new entrants determines competitive position of a company. The new entrants come with a plan to obtain market share and often command substantial resources and skills. Strong companies entering the market can cause a major shake-up in the market, particularly when the new company is a large company diversifying through acquisition. A competitive onslaught by the new company can result in lower product prices; the costs to the incumbent companies rise as they respond to the new competitor. The significance of the competitive threat of entry by new companies in the market depends on the barriers to entry, especially the potential entrant's expectations about how the incumbent companies will react to it.

General assumption is that the threats of entry are low if barriers to entry are high and/or the new entrant expects massive, hostile retaliation from the older companies in the market. Established companies are freer to set a price if it is difficult and expensive for new entrants in the market.

Some of the major reasons of barriers to market entry are as follows:

- Economies of scale: Economies of scale usually indicate the scale of production. But in broader term, scale economies can occur in every function of business, including production, marketing, purchasing, finance, research and development, customer service, and distribution. If scale economic already exist in the market, the new entrants have two choices; to enter either on a large scale and enjoy lower costs or on a small scale and accept a cost disadvantage.
- An amount of financial resources or capital investment: The larger the total amount of financial resources needed to enter the market and compete successfully, the more limited will be the pool of likely entrants. Capital is needed not only for production equipment and plant, but, for financing inventories, working capital, providing credit to customers, advertising, and absorbing start-up losses.
- Access to distribution channel: A new entrant must either create its channels of distribution or use already established ones. Creating new channels of distribution may be uneconomical or prohibitively expensive, and the new firm must face the task of inducing the established distributors to carry its product. The distributor may be reluctant to carry a product that lacks buyer recognition. The distributor also may prefer not to offend firms with competing brands. To overcome this barrier, potential entrants may have to implement a variety of methods to obtain distribution channels, such as price reduction, higher margins, demand creating advertising, and so on.
- Brand identification or product differentiation: When a firm's product enjoys brand identification, it has been successful in differentiating its product and creating customer loyalty. Massive money expenditure, a series of time and a higher degree of risks are involved in creating brand identification and customer loyalty. Established brand identification and customer loyalty may create high barriers to the new companies.
- Government policy: Entry into certain markets is difficult, limited, or even disallowed by the government, especially in the field of public utilities, environmental issues, and safety issues. Licensing requirements may limit entry in the market. The government may control entry in to e some productions for which government has totally banned or banned partially such as hunting of wild animals and marketing the body parts of them.

- The reaction of existing competitors: Even though the new entrants feel that they have the ability to overcome the entry barriers, their expectations about how the existing competitors will react to their entrance will influence their decision. If they expect that the existing competitors will jointly retaliate them forcefully, they may decide t forgo entry.

**Threat of substitute products:** The next important determinant of a company's competitive power is the development of substitute products that meet underlying customer needs more cost-effectively than existing products. For example, the development of synthetic fibres had a significant impact on the demand for natural fibres; the development of steel had an impact upon the demand for aluminium; the development of coffee had an impact upon the demand for tea; and so on.

When a customer buys a product, he or she expects value for money spent. The level of satisfaction derived from using the product determines this value. The more attractive the price satisfaction trade-off of substitute products, the greater is the danger of losing market sales to the substitute products.

**Bargaining power of suppliers:** Many of the threats that potentially exist from buyers can also come from the suppliers to the industry. If the supply of critical materials is controlled by a few suppliers, or if an individual company's purchases from a supplier constitute only a part of his output, then freedom of manoeuvre may be limited. The more powerful are the suppliers, the greater their ability to influence the competitive conditions. Powerful suppliers can influence the buying industry's costs, prices, quality, and ultimately its overall prospects for growth and profitability.

- A supplier group is powerful when:
- There are a few large suppliers and many buyers;
- The products of each supplier are so differentiated that they make it very costly for the buyers to switch suppliers;
- The suppliers do not have to worry about competition from substitute products;
- The suppliers sell to a number of industries and the buyers do notaccount for a significant portion of the suppliers' total business;
- The supplier's product is an important ingredient in the success of the buyer's manufacturing process and product quality.

**Bargaining Power of the customers:** The customers or buyers can influence competition in an industry by demanding lower prices, higher quality, better service, improved warranty terms, and forcing sellers to outdo each other for the buyer's business. How much influence buyers can exert depends on their power. The buyer group is powerful when:

- The buyers are few, and their purchases represent a significant percentage of the total sales of the supplying industry;
- The purchased products account for a significant portion of the total purchases or costs of the buyer. The supplier industry's products are undifferentiated and standard;
- The supplier industry's product is not an important ingredient or component determining the quality of the buyer's product from any number of different sellers without incurring great switching costs. In this case, the buyer can play off one seller firm against another to get the best deal;
- The buyer industry has low profits and cannot sell at the further lower price.

**Competitive Rivalry within an Industry:** Competitive rivalry means how intense is competition among the competing firms or sellers, w whether there exists high degree competition or normal competition among the competing firms or sellers. There exists intense rivalry among competing firms, if:

- There are numerous of similar-sized competition.
- There is slow industry growth.
- There exist high fixed costs.
- There is the lack of differentiation. There is diverse nature of competitors.
- There exist high exit barriers.
- Rivalry among companies becomes weaker when the conditions mentioned above move towards negative direction.

# Entrepreneurship Competency

Entrepreneurial competencies are the underlying characteristics of an entrepreneur which result in superior entrepreneurial performance. It includes key characteristics that should be possessed by an individual in order to effectively run a new business enterprise. They are seen as important to business growth and success.

An entrepreneur is expected to cooperate with these environmental forces which necessitate him to be greatly competent in diverse dimensions like intellectual, attitudinal, behavioral, technological, and administrative aspects.

or

**Entrepreneurial competency** is a set of skills and behaviour needed to create, develop, manage, and grow a business venture. It also includes the ability to handle the risks that come with running a business. Without a doubt, business owners and startup founders must possess most of the entrepreneur competencies to succeed.

## Reasons / Necessity of Entrepreneurship Competency Developemnt

Reasons/Necessity of ECD of Entrepreneurial Competency Development Entrepreneurial competency development holds a major significance in entrepreneurship and enterprise development. The key aspects that explain the necessit of entrepreneurial competency development is discussed as follows:

- **To develop entrepreneurs:** Entrepreneurs are not born. They are made said by behaviourist scientist. Through entrepreneurship competencies, development program, competencies regarding knowledge, skill, attitude and motive can be developed which strengthen self-confidence of the entrepreneurs.
- **Change infusion:** Entrepreneurs play a crucial role in the development process of the country. Entrepreneurship is the cause, and economic We development is the effect. This indicates the need to develop entrepreneurship both quantitatively and qualitatively. It is the active and energetic entrepreneurs who help in full utilization of the resources like labour, capital, technology and natural resources available in the country. Economic development is not a thing that occurs automatically; someone has to work as a catalyst; entrepreneurs' shoulders have such responsibility. Entrepreneurs are the catalyst for a change. They can be developed through the entrepreneurship competencies development program. They infuse change through innovation, new materials, new products and new technologies.

- **Provide managerial know-how:** Through entrepreneurship competencies development programs, managerial skills can be developed in entrepreneurs. As entrepreneurs need managerial skills to make decisions and solve problems, this need can be fulfilled through competencies development program. The program puts emphasis on operational rather than academic training. It designs flexible training programs to meet the specific needs of participants. It directly bases its training to the setting up of enterprise and tailors its techniques and strategies to the socio-economic and cultural context. Training is kept practical through the participation of established entrepreneurs, businesspeople and others with the field experience through which entrepreneurs can learn a lot of managerial skill, which s/he can use in her/his own business.
- **Develop achievement motivation:** Through entrepreneurship competencies development programs, motivation can be developed in the potential entrepreneur. Suitable education and training programs help to mold up the motivation achieve superior performance. Though motivation only is not sufficient to achieve superior performance, it assists to achieve superior performance, because without motivation nothing will be done.
- **Information:** Through entrepreneurial competency development programs, information needed to entrepreneurs can be circulated, as it is a storehouse of information about various matters to entrepreneurship. Entrepreneurs need information, related to the source of finance, market, opportunities, incentives and facilities and risks. In general, to develop entrepreneurs in the country, the role entrepreneurship development programs cannot be underestimated. It is the program through which competencies of the entrepreneurs can be developed leading them to superior entrepreneurial performance. of

# Competencies Essential for Being a Successful Entrepreneur

The key competencies essential for being a successful entrepreneur are given as follows:

- **Strategic Competency:** Individuals must have the ability to develop the strategy that takes their entrepreneurial venture forward. They must be competent enough to develop a vision, mission, standard, objectives, etc. about the entrepreneurial venture.
- **Commitment Competency:** Individuals willing to be an entrepreneur must have a high commitment towards what they do and believe. It is an important competency to have as it sticks the individual with their work in testing times.
- **Conceptual Competency:** The individual must have an in-depth conceptual knowledge about the subject matter. S/he must have the ability to estimate risk must think analytically and should have an effective decision-making ability.
- **Opportunity Competency:** An individual willing to be an entrepreneur must have the ability to analyze the external environment so that s/he can recognize and capture the opportunity with minimization of threats.
- **Organizing Competency:** Organization of resources so as to maximize the output has always been the key essence of management. In this regard, an individual willing to be an entrepreneur must have the ability to direct, lead, delegate, motivate, etc. the human resource. S/he must be efficient in managing the available resource.
- **Relationship Competency:** Relationship competency is associated with developing relationship that fosters the entrepreneurial venture. For this, the individual must have effective interpersonal and communication skills along with the ability to influence and convince others.
- **Social Responsibility Competency:** The individual must have high social responsibility competency if s/he aspires to be a successful entrepreneur. In this regard, s/he must put the necessities and requirements of customers, employees and the general public in high regard.

# Entrepreneurship Company Development Process

The general process of entrepreneurial competency development goes through following steps explained as follows:

- **Competency Identification and Recognition:** It is the first step of entrepreneurial competency development process. In this step, the set of competencies essential to be a successful entrepreneur is identified and recognized. The competency could be anything related to knowledge, skill, attitude, motive, etc.
- **Competency Assessment:** Once the set of competencies essential to be an entrepreneur are identified, the next step involves the assessment of current competencies. One must also identify how often the individual exhibits the competency in his/her behaviour in real life.
- **Competency Mapping:** It is the step where the current competencies are compared with desired competencies. Competency mapping allows an assessment of gap if any between actual and desired competencies. Many methods can be adopted for competency mapping. One of the most widely used methods is competency mapping matrix, illustrated as follows:

| Inability to perform | Ability to perform | |
|---|---|---|
| B<br>Passenger<br>[Develop ability by training | A<br>Star/Idea<br>[Motivate] | willingness to perform |
| D<br>Deadwood<br>[Offload or bear the burden] | C<br>May run<br>[Involve, counsel and motivate] | Unwillingness to perform |

**Development Intervention:** It is the last step of entrepreneurial competency development process. After competency mapping, one is aware of the strength and weakness of an individual in entrepreneurial perspective. Based on that, an intro spectrum for sustaining the competencies or developing a new one is done. Development intervention, thus, is the step that enables an individual to nurture the desired competency thereby filling the gap.

# Overview of Entrepreneurial Competency Development Program

ECDPs are essential for developing entrepreneurial competencies that assist the journey of an individual turning into an entrepreneur. These competencies help the entrepreneur to perform the task effectively and efficiently. ECDPs consist of six steps explained as follows:

**General Introduction to Entrepreneurship**

It is the first step of ECDPs. In this step, individuals are well acquainted with the general concept and background of entrepreneurship. In this step, individuals are provided knowledge on topic such as:

- Factors affecting entrepreneurship
- Role of entrepreneurship for individual, social and national development
- Entrepreneurial competency
- Infrastructure and facilities available
- Regulations guiding entrepreneurship

**Motivating Training**

After individuals are well acquainted with a general introduction to entrepreneurship, the next step involves motivating training. In this step, efforts are put to develop the high need for achievement among the participants. Attempts are also put to develop a positive attitude, confidence. The second step is usually conducted by successful entrepreneurs and motivational speakers who have the ability to influence the individuals to give their two hundred percent.

**Management Skill**

An entrepreneur must require a set of management skills in functional areas to be successful. S/he must be equally competent in areas like marketing, finance, accounting, manufacturing, human resources, etc. In the third step of entrepreneurial competency development program, management skills of participants are nurtured. This step thus aims at enhancement of management skill of the participants.

**Support System and Procedures**

Every form of entrepreneurship be it small or large requires a know how of support system and procedures. One must know the procedure of establishing and entrepreneurial venture and obtaining support from many government and non-government institutions assisting entrepreneurs. In this reference, participants are exposed to the support system and procedures that foster entrepreneurship.

**Feasibility Study**

It is the fifth step of entrepreneurial competency development program whereby participants are taught the techniques and skills essential to conducting a feasibility study for a particular entrepreneurial venture. It helps the participant to assess the viability of the new venture regarding resource acquisition and utilization.

**Industrial Visit**

It is the last step of the development program. In this step, participants I are taken to the industrial visit. It is an attempt to make them well bacquainted with the real life situation of entrepreneurial ventures. This exposure provides the participants the ability to understand the thought process, behaviour and personality to be a successful entrepreneur.

# Different Phases of Entrepreneurial Competency Development Program (ECDPs)

An ECDPS consist of three primary phases explained as follows:

- Pre-training phase
- Training phase
- Post-training phase

**Pre-training Phase**

It is the first phase of ECDP, which includes the preparation activities required to launch the training program. This phase includes the following:

- Selection of participant
- The arrangement of infrastructure essential for conducting training
- The tie-up of guest faculty for the training purposes.
- Arrangement for the inauguration of the program.
- Selection of necessary, tools, techniques to select the suitable probable trainee
- Formation of selection committee for selecting trainees.
- Arrangement for publicity media and campaigning for the program.
- Development of the application form.
- Finalization of training program
- Finalization of syllabus
- Pre-potential survey of opportunities available in the given environmental conditions.

**Training Phase**

Training phase is often referred as the entrepreneurship competencies development delivery phase. The main objective of this phase is to bring desirable change in the behaviour of the trainee. Here, desirable change is searched in the level of trainee's motivation.

In this phase, practical and hands-on experience programs are emphasized. The training process is central around a project exercise. The program has been designed in such a way that it helps to motivate participants and guide them in the selection of appropriate opportunities and develop their management skill. The program is focused on intensifying the desire to achieve, to develop the ability of defining goals realistically and increase the self-awareness and confidence. To achieve these objectives, different sorts of behavioural and psychological techniques will be followed in this phase.

Likewise, the participants are encouraged to conduct the market survey and to prepare the project plan. They are given the exposure to the thought process and the field experience so that they are enabled to make a rational choice of business product lines, market mix and related aspects of the project.

The main objective of the training phase is to develop the level of confidence in the participants so that they can work with high motivation and carry the entrepreneurial activities.

After the training, the following changes in the behaviour of the participants are searched.

- Is the participant motivated to start his own business or not?
- Will the participant behave like an entrepreneur or not?
- Whether the trainee possesses the knowledge of technology and other resources which are required to essential for entrepreneurship development or not.
- Does the trainee possess the required skill in selecting the viable project or not.

**Post-training Phase [Follow up]**

lt is the post entrepreneurship development phase. The ultimate objective of the entrepreneurship development program is to prepare the enterprises. In this regard, this phase involves assessment to judge how far the objectives of the program have been achieved. In this phase, the following aspects are observed.

- Review the pre-training work.
- Review the process of training program and
- Review the past training approach.

# Bases of evaluating of ECDPs

The primary base essential in the evaluation of ECDPs are discussed below:

**Reaction**

It is the first base of evaluating ECDPs. This base measures how your participants reacted to the program. It is important to measure reactions as it helps you to understand how well the training was received by your participants. Every program has to be felt as a valuable experience by participants. Moreover, as an organizer you want the participants to feel good about the instructor, the topic, the learning materials, presentation, and venue. In this regard, the reaction shown by participants is an important base in evaluating ECDPs.

**Learning**

This base measures what the participants have learned. Moreover, how much has their knowledge increased as a result of ECDPs. Every time an ECDPS is planned, it is started with a list of specific learning objectives. It is important to identify if these learning objectives are met or not. Knowing what your participants are learning and what they are not will help you improve future entrepreneurial competency development programs.

**Behaviour**

At this level, you evaluate how far your participants have changed their behaviour based on the development program they attended. It is important to realize that only when the conditions are favourable, behaviour changes. Therefore, it is wrong to assume that just because the behaviour has not changed, it does not mean that participants have not learned anything.

**Results**

As per this base, final results of ECDPs are analyzed. It includes outcomes that you or your organization has determined to be good for you I your organization.

# Different institutions and agencies operating ECDPs

The different institutions and agencies operating entrepreneurial competency development programs in Nepal are discussed under two sub-heads, namely:

- **Government**
- **Non-government**

***Government***

The important government-related institutions and agencies operating ECDPs are as follows:

**Department of Cottage and Small Industries [DCSI]:** Department of Cottage and Small Industries can be considered as the pioneer institution in Nepal, imparting skill training since 1939. It has been operated through 27 district level offices. This institution has focused economically disadvantaged persons, unemployed and underemployed person and persons using traditional technology for income generating activities as the target group to provide training. The institution provides training on 83 skills. The duration of training ranges from 7 days to 30 days for short-term and three months to 1 year for long-term.

**Cottage and Small Industry Department [CSID]:** Cottage and Small Industry Department has been imparting training on paper, cloth, readymade garments, leather, etc. in the central level. This department at present conducts different types of income generating, skill oriented and employment promoting training for the deprived and unemployed persons. It has also been conducting entrepreneurship development program on a limited scale. Likewise, it has been providing consultancy service for the expansion of industry and establishment of new industries.

**Industrial Enterprise Development Institute [IEDI]:** This institution was initially established as Small Business Promotion Project [SBPP] in 1982, but later in 1996 it was converted into Industrial Enterprise Development Institute [IEDI] as an autonomous organization. This institute mainly focuses on the following activities.

- New business creation training
- Business management training
- Research and consultancy service
- Business information services

**Department of Labour [DOL]:** Department of Labour, a government agency provides skill training in industry and non-agricultural self-employment. It has operated two vocational training centres in Kathmandu and Biratnagar and about down labour supply centres in different parts of the country to provide training. DOL trains about 10,000 persons annually in various skills. DOL training is employment oriented. However, non-agricultural self employment training has had some impact on the development of entrepreneurship.

**Other Institutions:** Other government institutions providing entrepreneurship development training are respectively Nepal Industrial Development Corporation [NIDC], National Productivity and Economic Development Centre [NPEDC], Nepal Academy of Tourism and Hotel Management [NATHM] and Micro Enterprise Development Programme [MEDEP]. These institutions are involved in skill enhancement, preparation of business plan, market linkage, micro credit support and service support.

***Non- government***

The non-government institutions carrying out ECD programs are explained as follows:

**Trade Associations:** The important trade associations all over the country are Federation of Nepalese Chambers of Commerce and Industry [FNCCI]. Pokhara Chambers of Commerce [PCC] Federation of Cottage and Small Industries [FCSI], etc. are engaged in ECD programs in a humble way. FNCCI has a specialized cottage and small industry committee and women entrepreneur development committee. It in collaboration with USAID has established Agro Enterprise Centre to promote agro-industries. Besides, it in collaboration Friedrich-Nauman Foundation [FNF] of Germany has launched small and medium enterprise development project to support, promote and facilitate the development of the small and medium enterprise. Furthermore, it provides skill training and conducts workshops.

**Federation of Business and Professional Women Nepal [FBPWN]:** It is a non-government organization (NGO) established by women with the international network. This NGO provides different skill training especially to women and encourages women to initiate their venture. The NGO provides both moral and financial support to women in launching a new venture. [100] 2ooded to Inothings This NGO especially focus on the deprived class women. Besides, the CENGO provides different marketing and secretarial training too.

**Women Entrepreneurs Association in Nepal [WEAN]:** WEAN is a non government organization. It was established in 1987 by the initiative of Nepalese women entrepreneurs. The primary objective of WEAN is to promote entrepreneurship development among women. It provides training, marketing assistance, credit networking and extension services to women entrepreneurs. It established WEAN cooperative in 1991 to serve as a marketing outlet for products of women entrepreneurs. This cooperative provides micro credit to women entrepreneurs. The training package of WEAN consists of:

1. Practical small business management
2. Accounting system
3. Women entrepreneurship development in tourism.
4. Enterprise learning and networking
5. Technology based women entrepreneurship training.

**Swiss contact:** It has a project for small industry promotion. The project provides financial support to various Nepalese local non-government organization to deliver various management as well as skill-based training. Such training has been helpful in creating entrepreneurship climate.

# Introduction to Entrepreneurship

# IMPORTANCE OF ENTREPRENEURSHIP

Entrepreneurship is basically concerned with creating wealth through production of goods and services. Some of the importance of entrepreneurship are as follow:-

## IMPORTANCE / SIGNIFICANCE / IMPACT OF ENTREPRENEURSHIP

(1) Economic impact
- (i) Innovation
- (ii) Job creation
- (iii) Capital formation
- (iv) Resource mobilization
- (v) Rasing living standard
- (vi) Add national income

(2) Impact on society
(3) Impact on larger forms.

(1) Economic impact

⇒ Entrepreneurship injects economy by starting a chain reaction when the entrepreneur continuously tries to improve the quality of existing goods and services and add new ones. For eg:- when computer came in the market there was continuous improvement in the models, their functions etc. which directly or indirectly crea[te] economic impact.

a) Innovation ⇒ Innovation means introducing new products or ne[w] method of production or discovers new market. Innovation is mus[t] to run any type of organization as well as to be a good entrepr[eneur]. As people demand new product and services, entrepreneur must pro[...]

the product ~~the~~ in same way.

b) Job creation

⇒ Entrepreneur must have ability to provide or create job to other. Entrepreneurship increases the business that is the sources of employment. Every new business is a source of employment to people with different abilities, skills and qualification. The development of entrepreneurship is helpful to solve the unemployment problem of the nation.

c) Capital formation

⇒ Capital formation refers to the addition made to the stock of capital goods. Capital is regarded as prerequisite of economic development. The entrepreneurship promotes capital formation by mobilization the idle savings of the people.

d) Resource mobilization

⇒ Entrepreneurship has been playing important role for proper utilization of resources available in the nation. The proper utilization of forest, water, agriculture, minerals and others resources are helpful for the development of enterprise as well as for the economic development of nation.

e) National income

⇒ Entrepreneurship development ensures the national Integration. The entrepreneurship operate businesses in the different parts of the country on the basis of the availability of resources. This helps to acheive the objective of balance regional development or removings regional disparity of the governments.

(2) Impact on society

=> Entrepreneurship helps to solve the Societal problems also. The unused local resources are utilized by the entrepreneurs and create some value ~~of~~ that unused local resources. Hence, entrepreneur, helps to brings change within the society and ~~hence~~ in nation too.

# Concept Of An Entrepreneur

=> An entrepreneur is a person who starts an enterprise. Similarly, An entrepreneur is an individual who creates a new business, bearing most of the risks and enjoying most of the rewards. ~~The~~ In other word, The person who creates a new enterprise and embrances every challenge for its development and operation is known as entrepreneur.

An entrepreneur is one who creates her/his own business, Organize, Operates and shares the risk of business. The entrepreneur is a person, who perceives an idea and then brings together human resources, materials and arranges necessary capital, needed for business. She/he is a person, who possesses setting up of new ventures.

According to Peter Drucker, " The entrepreneur always searches for change, responds to it, and exploits it as an opputunity."

According to F.H. knight, " Entrepreneurs are a specified group of persons who bear risks and deal with uncertanity."

Therefore, entrepreneurs help drive change with innovation, where new and improved products enable new market to be developed

# CHARACTERISTICS / TRAITS OF AN ENTREPRENEUR

- Desire for involvement
- Moderate risk bearer
- Confidence on ability
- High level of energy
- Take immediate feedback
- Future orientation
- Skill of Organization
- High level of commitment
- Tolerance of ambiguity
- Flexible attitude

## Desire for involvement

⇒ Entrepreneurs have a strong desire to acheive high goals in business. for this there must be involvement of physical resources, financial resource and maximum time must be given by the entrepreneur to acheive goal

## Moderate risk bearer

⇒ Entrepreneurs are risk bearer. They have preference for moderate to high risk. They take calculated risk to achelve goals. Their risk taking ability is guided by information analysis and experience. Entrepreneurs possess self-confidence for acheiving their goals.

## Confidence on ability

⇒ A successful entrepreneur believes in his ability. He is not scare to ~~explore~~ take risk and take difficult decision. This will make them willing to put in the risk for a new business and succeding in that business then build more self-confidence

High level of Commitment

⇒ Commitment is very powerful when it comes to goal setting. It gives motivate and inspire the entrepreneur to keep their persistency and help them overcome all obstacles.

Tolerance of ambiguity

⇒ Tolerance of ambiguity is the ability to deal with ambiguous situations in a sensible and clam way. Business owners with a high tolerance for ambiguity can normally handle new and uncertain suitation easily.

Flexible attitude

⇒ Entrepreneur must be of flexible attitude. This means entrepreneur mustnot be stubborn. If the entrepreneur attitude is ~~is of~~ flex then he/she can easily grabbed the oppurtunities when they arise and helps to achieve organizational goals.

## FUNCTIONS OF AN ENTREEPRENEUR

1. Entrepreneurial functions → Innovating functions
   ↳ Risk bearing functions
   ↳ Organizing functions
2. Managerial functions → Planning
   ↳ Organizing ↳ Directing
   ↳ Staffing ↳ Controlling
3. Promotional function → Generation and selection of idea
   ↳ Prepration of business plans ↳ Arrangement of capital / funds
4. Commercial fundions → Marketing
   ↳ Manufacturing
   ↳ Accounting

1 Entrepreneurial functions

a) Risk bearing functions

⇒ The entrepreneur bears the risk of uncertain changes in production investment and profits. The other risk is of the frequent changes in the government policies and technological obsolescence

b) Organizing functions

⇒ The Organizing function of an entrepreneur refers to bringing together the men, material, machine, money and so on. The entrepreneur organizes above mentioned different organs of an enterprise to form a successfull organization

c) Innovation functions

⇒ Invention of new products, new techniques and discovering new markets is important to improve competitive position and increase earning too.

2 Managerial functions

a) Planning ⇒ Planning is the function of management that involves setting objectives and determining a course of action for acheiving those objectives. Planning requires that managers be aware of environmental conditions facing their organization and forecast future conditions.

b) Organizing function ⇒ Organizing is the function of management that involves developing in an organizational structure and allocating human resources to ensure the accomplishment of the objectives. The structure of the organization is the framework within which effort is coordinated.

c) Staffing functions ⇒ It is the duty of every manager to perform the staffing activities such as Selection, training, performance appraisal and counselling of employees. The staffing function also includes recruitment, Selection, training, development, transfer, promotion and compensation of personnel.

d) Directing function ⇒ Directing function of entrepreneur actually starts the setting up of entreprise. The entrepreneurs guides, counsels, teach, his/her employees to work efficiently to accomplish the set objective.

e) Controlling function ⇒ The entrepreneur has to supervise and control the day-to-day business activities to accomplish the business objectives. For this he properly co-ordinates between various factors of production.

3. Promotional functions

(a) Generation and selection of idea ⇒ Idea generation is the process of creating, developing and communicating abstract, concrete or visual ideas. The entrepreneur must have knowledge and skills to handle the public or people.

(b) Prepration of business plans ⇒ A business plan is a written document or description of future business. Entrepreneurs must prepare the business plan in such a way that people or instutions believe on that plan.

(c) Arrangement of capital fund ⇒ Capital funding is the money that lenders and equityholders provide to a business for daily and long-term needs. The business uses both debt and equity for operating capital.

4. Commercial functions

a) <u>Manufacturing</u> ⇒ The entrepreneur is the one that initiates the process of production by mobilizing the other factor of production. Here, entrepreneur purchase or invest in raw material and process them and produce a finished product or sellable product in the market.

b) <u>Marketing</u> ⇒ Entrepreneur uses different types of marketing tool i.e. promotion, advertisement, publicity, direct marketing and so on so that their product will be sold in the market.

c) <u>Accounting</u> ⇒ Accounting is a process which systematically records business transactions and translates it into the financial information of the business entity to assist the stakeholder in decision making process.

## TYPES OF ENTREPRENEUR

(1) Base on types of business
- Trading entrepreneurs
- Manufacturing entrepreneurs
- Service entrepreneurs
- Agriculture entrepreneurs

(2) Based on ownership
- Private entrepreneurs
- State entrepreneurs
- Joint entrepreneurs

(3) Base on innovation
- Innovating entrepreneurs
- Immitative "
- Fabian "
- Dron "

(4) Base on size of entrepreneur
- Small-size/scale entrepreneurs
- Medium " "
- Large " "

(5) Base on behaviour
- Solo operater
- Active partner
- Inventors
- Challangers
- Buyers
- Life timers

(6) Base on focus
- Women entrepreneur
- Minority "
- Corporate "
- Immigrant "
- Part time "
- Home base "
- Family base "

Base on types of business

a) Trading entrepreneurs ⇒ Trading entrepreneurs are those who undertake trading activities. These entrepreneurs donot concentrate on manufacturing activities. They give more emphasis on distribution and marketing of goods.

b) Manufacturing entrepreneurs ⇒ Manufacturing entrepreneurs were defined as the founders of their firms. Manufacturing is defined as the creation of new products, either from raw materials or components. For example :- bakeries, Shoemakers, tailors, automotive companies and so on.

c) Service entrepreneurs ⇒ The service business is an enterprise composed of a professional or experts that deliver work for the benefit of its customers.

d) Agriculture entrepreneur ⇒ Agricultural entrepreneurs is a person who manage and develop agricultural products. It is a strategic development in the agriculture sector and also helpful in the development of remote areas.

BASE ON OWNERSHIP

a) Private entrepreneur ⇒ Private entrepreneur is a person who operates under the ownership and management of individuals that freely decided to develop a given business idea.

b) State entrepreneur ⇒ The entrepreneur ~~in~~ through which productive enterprises are owned as public agencies but operated in accordance with standard business criteria.

Joint entrepreneurs ⇒ When many people or at least more than one person or two persons build an enterprise and take the entrepreneurship for such business is known as joint entrepreneur.

3) BASE ON INNOVATION

a) Innovating entrepreneurs ⇒ Individual who has the ability to undertake to create innovative products according to the changing demands of the market.

b) Emitating entrepreneurs ⇒ Those who immediately copy the new inventions made by the innovative entrepreneurs is known as imitating entrepreneurs.

c) Fabian entrepreneurs ⇒ Those individuals whodonot show initiative in visualizing and implementing new ideas and innovation wait for some development which would motivate them to initiate unless there is an imminent threat to their very existence.

d) Drone entrepreneurs ⇒ Drone entrepreneurship is characterized by refusal to adopt and use oppurtunities to make change in production such entrepreneurs may even suffer losses but they donot make changes in production method.

4) BASE ON SIZE OF ENTREPRENEUR

a) Scale entrepreneurs ⇒ A small enterprise is an entrprise where the investment in plant and machinery is more than Rs 25 lakh but doesnot exceed Rs 5 crore

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<u>medium scale entrepreneur</u> ⇒ The employees are directly managed by the business owner and therefore their number normally donot exceed 6. They have a greater number of business operations daily. In this scale investment in fixed capital is more than 150m to 150m

<u>Large scale entrepreneur</u> ⇒ A large entrepreneur is an enterprise where investment in plant and machinary is more than 150m

5. BASE ON BEHAVIOUR

a) <u>Solo entrepreneur</u> ⇒ A solo entrepreneur is a person who sets up a business venture and assuems full responsibility for the association. In the begining most of the entrepreneurs start their enterprise working alone

b) <u>Active partners</u> ⇒ Active partners are those entrepreneurs who start on an enterprise as a joint venture. It is important that all of them actively participate in the operations of the business.

c) <u>Inventors enterprenaur</u> ⇒ The inventors are drawn to new ideas and finding ways to get ahead of the competetion. The inventor is focused on building a product, service or process that solves a user's problem is known as inventors entrepreneurs.

d) <u>Challanger entrepreneurs</u> ⇒ The challangers are the entrepreneur They are the always coming up with new and innovative ideas.

e) <u>Buyer entrepreneurs</u> ⇒ The entrepreneur who donot like to bear much risk Hence, in order to reduce risk involved in setting up a new enterprise, they like to buy the ongoing one

Life time entrepreneurs ⇒ Those entrepreneurs who take business as a inseperable part to their life is known as life time entrepreneurs

6 BASE ON FOCUS

a) Women entrepreneurs ⇒ The women involved in independent business known as women entrepreneurs. In recent years, the numbers of women entrepreneurs are increasing.

b) Minority entrepreneurs ⇒ Minority a culturally, ethically or racially distinct group that coexists with but is subordinate to a more dominant group. Minority entrepreneurs have limited acess in the entrepreneurial world due to the discrimination.

c) Immigrant entrepreneurs ⇒ Those entrepreneur who go from one country to another country and run business is known as immigrant entrepreneurs.

d) Part time entrepreneurs ⇒ The persons who do not sacrifice fixed sal[ary] but also run their independent business are known as part-time entrepreneurs. They are also known as moonlight entrepreneurs.

e) Home base entrepreneurs ⇒ A business whose primary office is in the Owner's home. The business can be any size as long as the office that is located in a home.

f) Family business entrepreneurs ⇒ Such entrepreneurs are the family mem[bers] who operate and control business. They are widespread all over the coun[try]. Since such business is based on the family values there is a great ch[ance] of the success of such business.

## PROCESS OF NEW VENTURE CREATION
## ENTREPRENEURIAL PROCESS

- step 1 : Idea generation
- step 2 : Identifying oppurtunities
- step 3 : Developing a business plan
- step 4 : Resourcing and evaluation
- step 5 : starting the business
- step 6 : Management and control

Idea generation ⇒ Idea generation is the process of creating, developing and communicating different abstract, visual ideas. Generation of idea is the first step of entrepreneurial process. Every new venture begins with an idea.

Identifying oppurtunities ⇒ The identification and the evaluation of Oppurtunities is a difficult task. Entrepreneur must grab the oppurtunity in right time. Once the oppurtunity has been decided, the next step is to evaluate it. For identification of oppurtunities entrepreneur have to study the SWOT analysis.

3. Developing a business plan ⇒ Once the oppurtunity is identified, an entrepreneur needs to create a comprehensive business plan. An entrepreneur must dedicate his suffecient time toward its creation.

4. Resourcing and evaluation ⇒ Entrepreneur identifies the sources from where the finance and the human resource can be arranged. The entrepreneur finds the investors for its new venture and the personel to carry out business activities

5 Starting the business ⇒ In this stage, entrepreneurs decide to establish new venture. The scope of the venture can be service, manufacturing, communication, construction, and so on

6. Management and control ⇒ Once the funds are raised and the employees are hired, the next step is to initiate the business operations to acheive the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problem when they arise.

## DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

| ference | ENTREPRENEUR | MANAGER |
|---|---|---|
| aning | An entrepreneur is an individual who takes risk by starting new business for the sake of uncertain rewards. | A manager is an employee who se[rves] an existing business for the sake [of] fixed salary or rewards. |
| otive | Independence and acheivement are the key motives of an entrepreneur s/he initiates business for self-satisfaction. | The main motive of a manager [is] leadership and power. s/he prov[ides] service in the business established [by] an entrepreneur. |
| ewards. | Entrepreneur receive profits and other monetary rewards which are uncertain. | A manager get fixed reward as salary and other facilities. |
| jectives | An entrepreneur wants to maximize profit | A manager wants to receive high salary, which are certain. |
| atus | An entrepreneur is the owner of the business and is his/her own boss. | A manager is a servant or emp[loyee] of the business. |

Step 5 Starting the business ⇒ In this stage, entrepreneurs decide to establish new venture. The scope of the venture can be service, manufacturing, communication, construction, and so on

Step 6 Management and control ⇒ Once the funds are raised and the employees are hired, the next step is to initiate the business operations to achieve the set goals. First of all, an entrepreneur must decide the management structure or the hierarchy that is required to solve the operational problem when they arise.

## DISTINCTION BETWEEN ENTREPRENEUR AND MANAGER

| Difference | ENTREPRENEUR | MANAGER |
|---|---|---|
| Meaning | An entrepreneur is an individual who takes risk by starting new business for the sake of uncertain rewards. | A manager is an employee who se[rves] an existing business for the sake [of] fixed salary or rewards. |
| Motive | Independence and acheivement are the key motives of an entrepreneur S/he initiates business for self-satisfaction. | The main motive of a manager i[s] leadership and power. S/he provi[des] service in the business established [by] an entrepreneur. |
| Rewards. | Entrepreneur receive profits and other monetary rewards which are uncertain. | A manager get fixed reward as salary and other facilities. |
| Objectives | An entrepreneur wants to maximize profit | A manager wants to receive high salary, which are certain. |
| Status | An entrepreneur is the owner of the business and is his/her own boss. | A manager is a servant or emp[loyee] of the business. |

# Growth Entrepreneurship

# Chapter 3
# Growth of Entrepreneurship.

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**Define Entrepreneurship Growth**

Entrepreneurship growth means organization plans to achieve it's objective to grow and expand a business by it's quality, quantity and turnover. Moreover, it refers to the development in the field of entrepreneurial activities. Entrepreneurship growth is directly related to various aspects of entrepreneurship such as capital formation, production improvement, innovation, employment creation, etc. It is considered as catalyst of prosperity in a country.

Growing the start up rates through increasing the entrepreneurial base is the main aim of such entrepreneurial growth. This will eventually help in generating employment prospects and accelerating the economic growth.

**Emerging Concepts in Entrepreneurship Growth**

Following are the emerging concepts in entrepreneurship growth:-

1. Social Entrepreneurship:

It is an approach by individuals, groups, start up companies or entrepreneurs, in which they develop, fund and implement solution to social, cultural or environmental issues. In other words, the form of entrepreneurship that focuses on uplifting the standard of marginalized and poor people in the society is known as social entrepreneurship.

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The key areas of social entrepreneurship are listed below
- Education
- Health
- Environment
- Agricultural
- Human right, etc.

Now days, more people are coming up with brilliant social entrepreneurship idea.

2. Strategic entrepreneurship:

Strategic entreperneurship is integration of two disciplines: entrepreneurship and strategic management. So, we can define strategic entrepreneurship as a firm's efforts to exploit it's today's competitive advantage while exploring for the innovations that will be foundation of tommorrow's competitive advantage.

Identifying opportunities to exploit through innovation is entrepreneurship dimension of strategic entrepreneurship, while determining the best way to manage the firm's innovation efforts is the strategic dimension.

3. E-entrepreneurship:

E-entrepreneurship refers to establishing a new company with an innovative business idea within the net economy, which, using an electronic platform in data networks, offers its products and services based ~~on~~ upon a purely electronic

creation of value.

The successful examples of e-entrepreneurship are google.com, amazon.com, foodmandu.com, daraz.com, etc.

The primary types of e-entrepreneurship is B2C, B2B and C2C.

4. Green entrepreneurship:

Green entrepreneurship is the entrepreneurial activities that aims at creating and implementing solutions to environmental problems and to promote social change so that the environment is not harmed. It adopts principles, policies, and practices to improve the quality of life of the customers, employees, communities and the planet.

## Factors Affecting the Entrepreneurial Growth

1. Economic factors:

Economic factors include:

a) Capital: It is important factor for establishing enterprise. Having easier availability of capital directly influences the birth and ~~of~~ growth of entrepreneurship. lack of ~~f~~ enough capital can create hindrance to the growth of the company. Hence, for smooth growth of the company, capital is one of important factors.

b) Labour:

Quality labour is major factor for success of entrepreneurial activities. The supply, quality and ability of labor ~~along with it~~ force have a high impact on entrepreneurial growth and development. So, the skilled labor is essential for the development of entrepreneur.

c) Raw materials.

The availability and supply of raw material and resources at reasonable rates is one of the factors that influence the emergence of entrepreneurship. Having good amount of raw material motivates entrepreneur to establish entrepreneurship and vice-versa.

d) Market

The potential of market influences the growth of entrepreneurship. Higher the potential market, greater will be the entrepreneurship practices and vice versa. The market size and its composition both influence entrepreneurship emergence and development. People are struggling in Nepal is due to its small ~~and~~ size and limited market.

2. Social factors.

Social factors constitute a social system where entrepreneurship emerges and operates to satisfy social needs.

The key social factors include:

- Legitimacy of entrepreneurship

The degree of approval that a society grants to the entrepreneurship is known as legitimacy of entrepreneurship.

- Social mobility:

The movement of individuals, families, household, etc within or between social groups in a society is termed as social mobility.

- Marginality:

Marginality is used to describe and analyze socio-cultural, political and economic spheres, where disadvantaged people struggle to gain access to resources and full participation in social life.

- Security:

When people feel there is a high degree of security people incline themselve towards entrepreneurship for opportunities. It refers to the assurance of socially secured and fearless environment in the society/nation

3. Psychological factors:

A few psychological factors that affects the of entrepreneurship are give below:

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- **Need achievement:**

Need for achievement motivates individual towards the accomplishment of a challenging job. It inspires them to take risks, initiate new ventures and convert innovation into new product.

- **Withdrawal of status respect:**

Change is inevitable. It is thus entirely possible that many social groups experience a drastic loss in their power, position, and financial stronghold. This withdrawal of status respects encourage them to entrepreneurship and restore the status respect.

4. **Political factors:**

It includes government policies, actions, and regulation. Public policies regarding industries, trade, energy, technology, tourism, labor, taxation, and resources mobilization have a significant bearing on entrepreneurship emergence and development.

5. **Technological factors:**

Technological factors refer to all technological surroundings that affect entrepreneurship. Technology converts resources into a product with the help of skills, method, system, equipment and includes inventions and innovations.

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## Rural Entrepreneurship:

Rural entrepreneurship is the creation of a new organization that introduces a new product, serves or creates a new market or utilizes a new technology in a rural areas. In other words, rural entrepreneurship refers to establishing industrial and business units in rural areas.

## Types of Rural Entrepreneurship:

Rural entrepreneurship is a powerful means of rural economic development. It is very important for a country like Nepal where the majority of the people live in a rural areas.

1. Farm entrepreneurship:

   Farm entrepreneurship is related to farming. It involves agricultural activities for earning a livelihood.

2. Artisan entrepreneurship:

   It includes ~~mas~~ masonry, black-smithy, carpentry, repair of pump-sets, art, board painting, etc.

3. Merchants and traders.

   It includes businessmen dealing with the products mainly needed by the local population. They may be producing goods themselves or acting as middlemen.

4. Tribal entrepreneurship:
Tribal entrepreneurship belong to those who operate predominantly in tribal village. Their source of origin is the tribal community.

Significance of Rural Entrepreneurship:

Following are the importance or significance of rural entrepreneurship.
- Employment generation
- Income generation
- Balanced reginal development.
- Promotion of cultural
- Reduction of rural-urban migration
- Environment friendly.
- Utilization of ideal capital
- Utilization of local resources

Problems of Rural entrepreneurship:
Rural entrepreneurship is based on rural factors of production. It suffers from a number of problems. Some of them are:-

**Types of Rural Entrepreneurship**

Rural entrepreneurship is a powerful means of rural economic development. It is very important for a country like Nepal where the majority of the people live in rural areas. The development of the country cannot be imagined without the development of rural areas. Rural entrepreneurship takes various forms as mentioned below.

**1. Farm entrepreneurship:**

Farm entrepreneurship is related to farming. It involves various agricultural activities for earning a livelihood.

**2. Artisan entrepreneurship:**

It includes masonry, black-smithy, carpentry, repair of pump-sets, art, board painting, etc.

**3. Merchants and traders:**

It includes businessmen dealing with the products mainly needed by the local population. They may be producing goods themselves or acting as middlemen.

**4. Tribal entrepreneurship:**

Tribal entrepreneurs belong to those who operate predominantly in tribal villages. Their source of origin is the tribal community.

**Significance of Rural Entrepreneurship**

The significance/importance of rural entrepreneurship is mentioned below.

**1. Employment generation:**

Rural industries are labor-intensive. Hence, they are important in generating employment in rural areas.

**2. Income generation:**

Rural industries create employment and self-employment. It helps to generate income for the rural people. It further reduces the income gap between the rural and urban populations.

**3. Balanced regional development:**

Rural entrepreneurship promotes entrepreneurship in rural areas. This helps to have a balanced regional development. This is rather more important to a country like Nepal where the majority of the people live in rural areas.

**4. Promotion of culture:**

The industries in the rural areas are traditional. They are based on rural culture and traditional technology. Hence, they help to promote art and culture.

**5. Reduction of rural-urban migration:**

With the development of rural entrepreneurship, the independence of the rural people increases. It reduces rural-urban migration. It also helps the city areas to grow better.

**6. Environment friendly:**

Since rural industries take small forms and are based on rural technology, they are environmentally friendly. Unlike urban industries, they emit less smoke and wastage. This results in the promotion of the environment.

**7. Utilization of idle capital:**

Rural entrepreneurs raise finance from the scattered sources and use them for entrepreneurship development. Hence, rural entrepreneurship is important to use the idle capital in the rural area.

**8. Utilization of local resources:**

Rural entrepreneurs mainly depend on local resources. It helps to develop the rural economy.

**Problems of Rural Entrepreneurship**

Rural entrepreneurship is based on rural factors of production. It suffers from a number of problems. Some of them are;

**1. Financial problems:**

Rural entrepreneurship is largely found to suffer from financial problems. It is normally carried with family or personal savings which may not be sufficient for carrying business activities. Rural entrepreneurs borrow funds from their relatives or from informal sources. It hinders rural entrepreneurship to grow and prosper. As per the latest Rural Credit Survey, it is estimated that the institutional sector meets the only % of the demand for credit from the entire rural sector. There is a gap between the demand and supply of rural credit in Nepal.

**2. Lack of technological know-how:**

Technology has become an integral part of entrepreneurship. It helps to reduce cost and enhance quality. However, rural enterprises use labor-based or obsolete technology. The rural entrepreneurs also lack proper knowledge about technology to be used. All these negatively affect the growth and development of rural entrepreneurship.

**3. Lack of awareness:**

One of the major problems faced by rural entrepreneurship is a lack of awareness and knowledge about the importance of developing industries in rural areas. Rural people are not interested in building their careers as entrepreneurs.

**4. Prone to salaried employment:**

Rural people are found to be more interested in salaried employment because of assured income, lesser time, a lesser degree of responsibility, etc. This is further supported by the high status of the salaried people than the self-employed people. This has adversely affected rural entrepreneurship.

**5. Poor infrastructure facilities:**

Infrastructure facilities include transport, communication, security facilities, etc. A transport facility is needed for the entrepreneur for distributing their output. Communication facility brings effectiveness in the entrepreneurial development, Security is also very important to run a business smoothly, However, rural entrepreneurs lack such facilities.

**6. Low-risk bearing capacity:**

Rural entrepreneurs have a low risk-bearing ability, Hence, they are always fearful of investing in a business. This has adversely affected the entrepreneurial growth in rural areas.

**7. Low purchasing power of the people:**

The purchasing power of the rural consumer is lower compared to the urban consumers. It hinders the market performance of the rural business, It further affects rural entrepreneurship adversely,

**8. Competition:**

Rural entrepreneurs face' tough competition from large organizations and urban entrepreneurs. They cannot compete with them on grounds of economies of scale, product quality, and marketing.

**Factors Affecting Rural Entrepreneurship**

Rural entrepreneurship is very important for the development of a rural economy. It promotes rural industrialization and employment generation. For a country like Nepal where a majority of the people live in rural areas, rural entrepreneurship is very important for the overall development of the country, There are a number of factors that affect rural entrepreneurship. They are mentioned below.

**1. Availability of capital:**

Capital is the most important factor that determines the development of entrepreneurship in rural areas. Easy availability of short as well as long-term capital promotes rural entrepreneurship.

**2. Availability of raw material:**

The raw material is the basic input in the production process. Hence, it plays a vital role in the promotion of rural entrepreneurship. For this, the raw material base should be strengthened in the villages.

**3. Institutional support:**

Rural entrepreneurship can be promoted by institutional support by governmental as well as non-governmental institutions. They can support capital as well as Other aspects of entrepreneurship to support the rural entrepreneurs.

**4. Training and education:**

Rural entrepreneurship can be promoted through training and education. Training helps to develop entrepreneurial skills. Education at the school and college level develops an entrepreneurial attitude among the local masses.

**5. Public awareness:**

For the development of rural entrepreneurship, awareness should be created among the rural people regarding the importance of developing industries in rural areas. They should be motivated to build their career as entrepreneurs.

**6. Development of infrastructure facilities:**

Infrastructure facilities include transport, communication, security facilities, etc. The development of infrastructural facilities attracts rural people towards entrepreneurship.

### Concept of Tourism Entrepreneurship

Tourism may be defined as the activities, services, and industries that deliver a travel experience. It comprises transportation, accommodation, eating and drinking establishments, retail shops, entertainment businesses, and other hospitality services provided to individuals or groups traveling away from home. Tourism has been an important activity for every nation because of its direct effects on the social, cultural, educational, economic sectors, and international relations.

Entrepreneurship involves purposeful and systematic innovation for the exploration of opportunity. For exploitation of opportunity, resources are acquired and managed.

Tourism entrepreneurship refers to the activities designed for the effective and profitable interaction of demand for and supply of tourism products; at the same time assuring competitive professionalism and gainful socio-economic status. It includes all sorts of activities involved in the creation and operation of a legal tourism enterprise. A legal tourism enterprise excludes all forms of illegal activities.

With the world's highest mountain range, the Himalayas, and 8 of the 10 highest peaks in the world, Nepal has long been popular among mountaineers, trekkers, and adventure seekers. It offers beautiful lakes, steep rivers and gorges, unique wildlife, historic monuments, impressive fine arts, significant religious sites, and exotic cultures attracting a wide array of travelers for a variety of reasons. Lumbini, the birthplace of Lord Buddha, and Pashupatinath, and other Hindu pilgrimage sites are the main attractions for people following Buddhism and Hinduism.

### Types of Tourism Entrepreneurship

Tourism entrepreneurship takes various forms. They are mentioned below.

#### 1. Travel agents:

Travel agents provide information to the people for various travel destinations. They also provide advice to tourists about available holiday packages. They basically sell travel-associated products such as foreign exchange, rental, insurance, etc.

**2. Tour operators:**

They provide holiday packages. They need significant marketing experience, as well as experience in the finance, customer service, and hospitality industries. Tour operators must have good communication skills. They organize tours for holidays or historic places.

**3. Lodging and catering service providers:**

They provide accommodations to tourists. They may be marketed through a tour operator or individually. They also provide catering services to tourists.

**4. Transport operators:**

They provide formal transport services to the tourists. They could be airlines, cruise mines, rentals, etc.

**5. Information and guiding:**

They are basically involved in providing information to the tourists. They include a number of service providers such as insurance, creational communication, banking services, ticketing agents, and holiday sellers.

**6. Attractions:**

It involves the establishment of attractions for tourists and develops particular tourism locations. It includes the creation and management of museums, parts, galleries, heritage buildings, etc.

**Opportunities in Tourism Entrepreneurship**

The following are some of the opportunities in tourism entrepreneurship in Nepal

- There are opportunities in developing tourism infras&ucwre (hotels, restaurants, roads, airports, etc):
- There is also great potential for expanding the – market for meetings, international conferences, and events (MICE).
- Plans to upgrade the current international airport are underway which will increase the tourist traffic significantly.
- The expansion of existing tourism products and the introduction of new and innovative products have the potential to attract different types of tourists and extend their average length of stay.

**Problems of Tourism Entrepreneurship**

Tourism entrepreneurship has enormous potentiality in Nepal. Its rich biodiversity and cultural heritage provide a number of opportunities to tourism entrepreneurs in Nepal. However, there are a number of problems with tourism entrepreneurship. They are discussed below.

**1. Lack of proper infrastructures:**

Nepal is a beautiful country due to its richness in natural sceneries, historical and religious sites, arts, architecture, and cultures. Nepal can take advantage of the tourism sector through its uniqueness. However, infrastructural problems have remained as one of the main hurdles in tourism development in Nepal. Lack of transportation and communication facilities have adversely affected tourism entrepreneurship in Nepal.

**2. Lack of conservation of cultural and religious sites:**

Nepal has many cultural and religious sites. Some of them are enlisted in the World Heritage List. They are the major source of attraction, However, they lack proper conservation which is hampering tourism entrepreneurship in Nepal.

**3. Lack of tourism centers:**

Tourists need information that is provided to them through information centers. However, Nepal lacks such centers. It has negatively affected tourist arrival in Nepal. Hence, it has adversely affected tourism entrepreneurship in Nepal.

**4. Lack of publicity:**

Publicity at the national as well as the international level is one of the factors of the development of the tourism sector in the country. Nepal has not been able to publicize its tourism in an expected way. It has discouraged tourism development in Nepal.

**5. Lack of security:**

Tourists visit different places for the sake of entertainment and amusement. In such a situation, they want to be secure. The situation of tourism security is not found in a satisfactory state in Nepal. It has a negative impact on tourism entrepreneurship in Nepal.

**6. Political instability and unrest:**

The politics in Nepal has been unstable Nepal since long ago. It has resulted in strikes, banda, political movements, etc. All these activities have adversely affected tourism development in Nepal.

**Factors Affecting Tourism Entrepreneurship**

Tourism entrepreneurship has become one of the important drives Of economic development. There are different factors that affect tourism entrepreneurship. They are;

**1. Participation of the private sector:**

The participation of the private sector is important for the development and diversification of tourism products. Likewise, the government should involve in infrastructure development and play the role of coordinator and motivate for the growth of the travel and tourism industries.

**2. Development of tourism infrastructures and facilities:**

For the development of the tourism sector, tourism infrastructure and facilities should be developed. Priority should be given to developing new tourist destinations, particularly in the rural areas.

**3. Promotion of religious tourism:**

Improvement of popular religious tourism sites promotes religious tourism which further affects tourism entrepreneurship positively.

**4. Focus on adventure tourism:**

More tourists may be attracted by focusing on adventure tourism. It creates a number of opportunities for tourism entrepreneurs.

**5. Security:**

Tourist service and facilities should be developed to make places secure for tourists.

**6. Encouragement to local investment:**

If there is institutional encouragement to local investment, it promotes tourism entrepreneurship.

**7. Transport and communication facility:**

Availability of transport and communication facilities helps to carry out tourism-related activities smoothly and efficiently. It eventually promotes tourism entrepreneurship.

**8. Diversification:**

Tourism should be diversified to rural areas. It improves employment opportunities, foreign currency earnings, growth of national income, and regional imbalances. Diversification of tourism activities supports tourism entrepreneurship.

**9. Promotion of environment:**

If natural, cultural, and human environments of the nation are promoted, it helps to develop and expand tourism entrepreneurship.

**Institutional Support to Entrepreneurship Development**

# Very Short Question Answer

### 1. What is industrial estates?

Industrial estate refers to a place where the required facilities and factory accommodation are provided by the government to the entrepreneurs to establish their industries there.

### 2. Define the term tax concession.

A special provision for an entrepreneurial firm not to pay a tax that it needs to pay to the concerned authorities is known as tax concession. Tax concession is one primary mechanism of institutional support from the part of the government.

### 3. Write about institutional support to entrepreneurship.

Support provided by government, INGOs, NGOs, and private organization that fosters entrepreneurial activities is termed as institutional support to entrepreneurship. The support could be in any aspect ranging from finance to marketing.

### 4. Enlist the need of institutional support.

Institutional support is needed for following reasons:

- Capital resources
- Limited market
- Infrastructure availability
- Raw material supply
- Defective government policies and incentives
- Extended procedures of bureaucratic
- Access to information, research and development

### 5. What are the major financial support agencies?

They are listed as follows:

- Rural development banks
- Microfinance institutions
- Commercial banks
- Micro-enterprise development projects and programs

### 6. Define Rural Development Bank.

Established under BAFIA 2063, rural development bank refers to microfinance bank operating at a national level. It provides microfinance services to the rural people of the country with primary focus on poverty alleviation.

### 7. Write about microfinance.

Microfinance institutions are D-category bank as prescribed by NRB and primarily provides financial services to the poor. To illustrate it further they are institutions that provides financial assistance to unemployed or low-income individuals, or groups who otherwise have no other access to financial services.

### 8. What do you mean by commercial bank?

A commercial bank is an institute that aims at gaining profit through deals related to money and credit. In this regard, it is a financial institution that accepts deposits of money from surplus region and mobilizes that in deficit region.

**9. Enlist the functions of commercial bank.**

The functions of commercial bank are enlisted as follows:

- Acceptance of deposit
- Advancing loan and investment
- Credit creation Agency service
- General utility service

# Short Question Answer

**1. What is rural development bank? Explain the roles of rural development bank to support entrepreneurship development. [3+7]**

Rural Development Bank

Established under BAFIA 2063, rural development bank refers to microfinance bank operating at a national level. It provides microfinance services to the rural people of the country with primary focus on poverty alleviation.

**Role of Rural Development Bank to Support Entrepreneurship**

- Development Rural development bank plays a significant role in the entrepreneurship development in Nepal. This fact is further illustrated by following statements:
- Rural development bank provides micro credit to the deprived family in the rural area so that they can start their entrepreneurial venture in the field of agriculture, industry, service, etc.
- Rural development bank provides financial support to mobilize the available human resources and skills.
- Rural development bank generates capital by encouraging the habit of saving. The generated capital, in turn, is invested on entrepreneurial activities.

- Rural development bank provide loans to women groups. The loan is then utilized in income generating activities uplifting their social and economic conditions.
- Rural development bank has a significant role in entrepreneurship development by providing service of financial intermediary through institutional investment and healthy competition by integrating the scattered capital.

## 2. Discuss why institutional support is needed for the growth of entrepreneurship.

The necessities of institutional support for the growth of entrepreneurship are discussed as follows:

- **Capital resources:** Entrepreneurs lack adequate capital resources. New ventures also do not have easy an access to capital market. In this context the role of institutional support becomes paramount for the growth of entrepreneurship. Loan from financial institutions such as commercial and development bank and other financial institutions assist new ventures.
- **Limited market**: The domestic market for Nepalese products is very limited due to the small size of the country and its population. Besides, this purchasing power of the people is very low. Due to the low development of transportation and communication, the products cannot be marketed easily through in low cost. In this scenario, it is important that new ventures get the assist of many institutions in identifying the new market and expanding them.
- **Infrastructure availability:** Entrepreneurs need infrastructure facilities regarding industrial sheds, transport, communication, power, water, waste disposal, etc. Institutions are needed to build infrastructure. A government institution, supported by foreign aid, undertakes the task of infrastructure development.
- **Raw material supply:** Easy availability of raw material facilities supports entrepreneurial growth. The scarcity of raw materials in the country is also a cause of low industrial investment. New ventures, especially those based on new technology, require raw material from foreign sources. Nepal's major industries such as woollen carpet, ready-made garments and handicrafts are dependent on imported raw material and intermediary products. The problem of raw material is one of the main reasons for low capacity utilization. Institutions are needed to take care of raw material supply to meet the need of a variety of entrepreneur.
- **Defective government policies and incentives:** Entrepreneur needs a sound policy for creating the sound industrial environment. The us government policy of Nepal is neither sound nor they are effectively implemented. Government institutions are the prime sources of formulation policies. The industrial policy of Nepalese has reserved cottage and small industries for Nepalese citizens. The legal framework enacted by the government carries a number of incentives for entrepreneurial activities.

- **Extended procedures of bureaucratic:** Entrepreneurs have faced a long bureaucratic process. They have entirely different processes like, visit different ministries and departments for registering industries for exports of the product. For getting foreign exchange for getting financial support etc. The bureaucracy being inefficient is corrupted as well. An entrepreneur is needed a sound bureaucratic system.
- **Access to information, research and development:** This is the age of nation technology. Information is power. Research and development are the sources of innovation and inventions. Institutions are needed to supply relevant information to entrepreneurs. They are also needed to conduct research and provide extension services relevant to entrepreneurs. Government institutions are important to fulfilling such needs.

### 3. Give an overview of the logistic support agencies to entrepreneurship development in Nepal.

Overview of the Logistic Support Agencies to Entrepreneurship development in Nepal

Agencies that provide logistic support to foster entrepreneurship development in Nepal are discussed as follows:

**Government Agencies**

The key government agencies that provide logistic support are:

- **Ministry of Industry:** As the name itself suggests, Ministry Industry is involved in the development of the industrial sector. It of formulates industrial policy and implements them. It also conducts a number of activities that promotes small and medium scale enterprises in the c country. Moreover, Ministry of Industry collaborates with different global bodies to develop industrial sector. Micro Enterprise Development Programme is one of them.
- **Department of Cottage and Small Industry:** Department of Cottage and Small Industry falls under Ministry of Industry. This department primarily focuses the formulation and on implementation of policies that aids to the development of cottage and small industries. Every year, the department conducts many entrepreneurship development programs related to handicraft, textile, craft, wood, furniture, sewing, hosiery, etc. In addition to estor that, it also conducts a lot off training program in collaboration bildunwith local NGOS.

- **Office of the Company Registrar:** The Office of the Company Registrar carries out all the activities related to the company administration from a single place. Established in 2049 B.S., the activities of Office of the Company Registrar are conducted according to the Nepal Company Act, 2063.
- **Nepal Bureau of Standard and Metrology:** Nepal Bureau of Standard and Metrology focuses on the standard of product quality. The Bureau formulates, recognizes and promotes the standard of Nepalese product in line with international standard.

**Specialized and Consultancy Agencies**

The key specialized and consultancy agencies that provide logistic support are:

- **Industrial Promotion Board:** Established as per the Industrial Enterprise Act, the government has constituted the Industrial Promotion Board. Industrial Promotion Board primarily focuses on:

Implementation of policies, laws, and regulations that foster industrialization.

An increment of industrial sector competitiveness.

Coordination between policy level and implementation level of the industrial policy.

- **Special Economic Zone Development Committee:** Special Economic Zone Development Committee is set up by the government to attract foreign and national investors to invest in export-oriented industries and business. The Committee is further responsible for preliminary site identification, conducting a technical and environmental feasibility study, determining the financial viability of the location identified and undertaking the infrastructure development work.

- **Industrial Enterprise Development Institute:** Industrial Enterprise Development Institute assists organizations through need-based services. The services could be anything ranging from training to feasibility studies, consultancy, etc.
-
- **Nepal Tourism Board:** As the name itself suggests, it is a statutory body working for the growth and development of tourism in the Nepal. In this regard, Nepal Tourism Board facilitates tourism th entrepreneurship in Nepal.
- **Investment Board Nepal (IBN):** Investment Board Nepal promotes economic development by mobilizing and managing public private partnership, co-operatives, and foreign private investment in the acceleration of industrialization.
- **Trade and Export Promotion Centre:** Trade and Export Promotion hotaurt Centre focuses on promotion trade and export trade in particular,
- Likewise, Nepal Tea and Coffee Development Board and National to Dairy Development Board focus on the betterment and enhancement of tea, coffee, and milk.

### 4. Write the roles of Industrial Estates in promoting entrepreneurship in Nepal. Roles of Industrial Estates in Promoting Entrepreneurship in Nepal

Industrial estates play a significant role in the promotion of entrepreneurship. The key points that highlight the role of industrial estate is listed below:

- Provide infrastructure fa facilities like developed land, industrial sheds, and warehouse, electricity, water, etc.
- Already developed land and industrial shed are made available on lease thereby reducing the cost for upcoming entrepreneurs.
- Provide supporting facilities like bank, post office, clinic, day child care centre, workshop, canteen, sports hall, open playground, etc. Disseminate information on feasible projects, facilities available in to by the IPs.
- Minimize administrative procedure, thus enabling to render Inis prompt services to industries in its premises.
- Create a clean environment.
- Stimulate private sector.

# Long Question Answer

### 1. What is institutional support to entrepreneurship development? Discuss the roles of financial institutes in the entrepreneurship development in Nepal.

Support provided by government, INGOs, NGOs, and private organization that fosters entrepreneurial activities is termed as a institutional support to entrepreneurship. The support could be in any aspect ranging from finance to marketing. In a developing country like Nepal the significance of institutional support for entrepreneurship development is huge. Since, most of the entrepreneur lack resource they need government and private organizations to support them in their tot entrepreneurial venture. They need these institutions for development of basic infrastructures, access to input and market. When we look at the yd history of development all over the world, we find that the countries that are at the front are the one with supreme institutional support.

**Roles of Financial Institutes in the Entrepreneurship Development in Nepal**

A number of financial institution acts as financial support agencies to entrepreneurial development in Nepal. A few of them and their major roles are discussed as follows:

**Rural Development Bank.**

Established under BAFIA 2063, rural development bank refers to microfinance bank operating at a national level. It provides country with prim microfinance services to the rural people of the country primary focus on poverty alleviation. Rural development bank plays a significant role in the entrepreneurship development in Nepal. This fact is further illustrated by following statements:

- Rural development bank provides micro credit to the deprived family in the rural area so that they can start their entrepreneurial venture in the field of agriculture, industry, service, etc.
- Rural development bank provides financial support to mobilize the available human resources and skills.

- Rural development bank provides financial support to mobilize the available human resources and skills.
- Rural development bank generates capital by encouraging the habit of saving. The generated capital, in turn, is invested on entrepreneurial activities.
- Rural development bank provide loans to women groups. The loan is then utilized in income generating activities uplifting their social and economic conditions.
- Rural development bank has a significant role in entrepreneurship development by providing service of financial intermediary through institutional investment and healthy competition by integrating the scattered capital.

**Micro Finance Institutions**

Microfinance institutions are D-category bank as prescribed by NRB and primarily provides financial services to the poor. To illustrate it further they are institutions that provides financial assistance to unemployed or low-income individuals, or groups who otherwise have no other access to financial services. Microfinance institution plays a se significant role in the entrepreneurship development in Nepal. This fact urbis further illustrated by following statements:

- Microfinance institutions foster entrepreneurship development by supplying the credit card as prescribed.
- Microfinance institutions obtain loan or from any licensed institutions. They then supply these loans as micro-credit thereby assisting the entrepreneurial venture.
- Microfinance institutions often conduct seminars and training on the formulation of schemes, providing technical know-how and mobilizing technical assistance. These seminars and trainings develop knowledge and skill essential to be a successful entrepreneur.

**Commercial Bank**

A commercial bank is an institute that aims at gaining profit through deals related to money and credit. In this regard, it is a financial institution that accepts deposits of money from surplus region and mobilizes that in deficit region. Commercial bank plays a significant role in the entrepreneurship development in Nepal. This fact is further illustrated by following statements:

- A commercial bank provides both the short-term loan and long term loan for capital investment to entrepreneur. Among the total amount, the commercial bank needs to flow a certain percentage to the deprived sector thereby creating entrepreneurial venture in such area.
- Commercial bank also provides loan and letter of credit facilities to the merchants of foreign trade.
- Remittance has been a primary source of income in Nepalese economy. Among many uses, one of the significant uses of remittance is investment in entrepreneurial ventures an commercial bank facilitates the transfer of remittance from foreign countries thereby assisting in entrepreneurship.
- Commercial banks also provide a number of agency services and assist the entrepreneur. For example, collection of the cheque; payment of bills for electricity. Likewise, they also provide many utility services, to the entrepreneurs such as locker facility, travellers' cheques, letter of credit, etc.
- Commercial banks also provide credit cards, debit cards, ATM cards, etc. to facilitate the financial transaction.
- Commercial banks also provide necessary financial information and statistics to inform entrepreneurs and other interested parties about financial performance.

**2. Write the role of the government in promoting entrepreneurship in Nepal.**

Government as the supreme authority has a significant role to play in the promotion of entrepreneurship. Government through its various offices provides support to the future entrepreneurs. The major roles of government in promoting entrepreneurship are explained through the following points:

**Policy Formulation**

Different types of laws and policy relating to entrepreneur's business are formed by government agencies. Policy and laws relating to registration, renewal of venture, etc. are formed by the Ministry of Industry, Commerce supply and Department of Industry.

**Regulations**

A regulatory role is performed by many government agencies. Such regulation can be in the areas of licensing, foreign exchange, import, export control, quotas, restrictions, etc.

**Subsidies & Tax**

A tax that is levied on venture and subsidies provided to venture is determined by various government agencies. Such provision of subsidies and tax are; tax incentives, transport/power/water subsidies, tax holiday, etc. export incentives,

**Entrepreneurship Development**

Government agencies i.e. Cottage and Small Industries Department, Department of Labour provide various general and specialized training to the existing and possible entrepreneur. Such training increases productivity by increasing the skill and efficiency of the entrepreneur.

**Trade Fair & Exhibition**

The government agencies organize trade fair and exhibition in the domestic and foreign market, which links the producer and buyer and contribute in expanding market. Entrepreneurs get opportunities to exhibit and market their products during such events.

**Research**

Research undertaken by various government agencies is fruitful for the entrepreneur. For example; research done by Agriculture Research Centre is useful for entrepreneur involves in the agriculture sector.

### 3. Give an overview of entrepreneurship development projects in Nepal with reference to IED, MEDEP and ELAM.com Overview of Entrepreneurship Development Projects in Nepal

A few significant entrepreneurship development projects in Nepal are overviewed as follows:

**Industrial Enterprise Development Institute**

Industrial Enterprise Development Institute (IEDI) is a national resource organization that is committed to entrepreneurship development through training, research, consultant, and enterprise education. IEDI was established in 1996 and replaced the Industrial Enterprise Development Centre which itself was a successor of former Small Business Promotion Project. Today, more than 70 countries implement the approach pioneered and developed in Nepal by IEDI.

With a need to provide sustainability and weathering the challenges of entrepreneurship development in Nepal, IEDI's new focus is to provide services to a maximum number of organizations involved in enterprise development. For this, IEDI carries out R & D, testing and dissemination of best practices in business development services suitable for the different target groups and regions in Nepal.

**Objectives of IEDI The primary objectives of IEDI are listed below:**

- To assist organizations, institutions, industries and enterprises through need-based services such as training, entrepreneurship, and management development, feasibility studies, consultancy and training of trainers.
- To provide quality support services to industry/enterprise development.
- To carry out need-based action research to provide quality services for enterprise promotion and development.
- To conduct need-based programs to develop technical, entrepreneurial and management related know-how and skills.
- To carry out research and development related activities.
- To establish and develop projects and organizations for enterprise development

**Target Groups**

The following are the target groups of IEDI.

- Potential Entrepreneurs who want to establish their enterprises.
- Existing Entrepreneurs /Enterprises who are running their enterprises.
- Intermediary Organizations involved in enterprise development

**Functions**

The following are the main functions carried out by IEDI.

- Small Business Management
- Training program on market development
- Training program on business management
- Double entry book-keeping with VAT and office management training

- Training program on selling skill, marketing, and corporate social responsibility (CSR)
- Local capacity building program

**Entrepreneurship Development**

1. Microenterprise creation training
2. Training of trainers on entrepreneurship development program

**Micro-Enterprise Development Programme**

Nepal's economy is predominantly based on agriculture and provides livelihoods to approximately 70% of the population. Employment in the agricultural sector is seasonal increasing the unemployment rate. In this situation, it was essential to meet the economic necessities of the rural masses and in particular to cater to the needs of those living below the poverty line.

For this Government of Nepal and the UNDP entered into a technical collaboration in 1998 to promote off-farm employment and income generating opportunities. Initially, MEDEP was carried out in ten districts (two from each development region) of the country. Today MEDEP model in the name of Micro-Enterprise Development for Poverty Alleviation (MEDPA) is replicated across Nepal's all 75 districts.

**Objectives:**

The primary objectives of MEDEP are:

- To address the issues of rural unemployment and lack of economic opportunities for the poor.
- To build the capacity of state and private institutions that provide necessary services required for setting up micro-enterprises.

- To advocate for policy change and formulation which could support the development and strengthening of the micro enterprise sector.
- To facilitate the creation of conducive environment for rural economies to be linked to national private sector business.

**Target Groups**

The primary target group of MEDEP includes:

- Hardcore poor families (annual income of less than Rs.4,404).
- Poorly scheduled caste (Dalit- there are 26 different scheduled castes in Nepal)
- Poor indigenous groups
- Differently able (physically and mentally challenged)
- Deprived women (divorced women, women-headed households)

**Informal Sector Enterprise Development and Employment Generation Programme (ELAM)**

ELAM is an informal sector enterprise development generation program of HELEVETAS Swiss Intercooperation, Nepal. ELAM focuses on employment generation based on the promotion of the local resource, value chains and their value addition. This includes natural resources as well as resources that are locally available. The program was initiated in 2003 in the Terai of the Central Development Region and focussed on off-farm job creation and enterprise development components for job creation and livelihood, improvement off disadvantaged groups, etc. Objectives

The primary objectives of ELAM are listed as follows:

- Research and exploration based on sector assessments and area potential surveys.
- Pilot implementation of successfully tested products at a small scale with the involvement of the private sector to attract funding for further up scaling.
- The building of local capacity for business services through the development of enterprise, service providers, and for extension services through the development of local resource person.

# Legal Issue of Entrepreneurial venture

# Very Short Question Answer

### 1. Define the term intellectual property right.

The right that protects intellectual properties like inventions, literary and artistic works, designs, and symbols, names and images is known mas intellectual property right. Intellectual property is protected in law through patents, copyright and trademark which enables people to earn recognition or financial benefit from what they invent or create.

### 2. What is environmental law?

Law aimed at protecting and conserving the different facets of environment in a particular country is known as environmental law. These environmental laws help to protect the environment.

### 3. Enlist the types of courts of law in Nepal.

- Supreme Court
- High Court
- District Court
- Specialized Courts

### 4. Enlist any two laws related to consumer right protection in Nepal.

- Black market and other Social Crime Punishment Act, 1977
- Consumer Protection Act, 1998

### 5. Define PAN.

Permanent Account Number (PAN) is a unique ten-digit alpha-numeric issued by Inland Revenue Department to all the tax payers. It is allotted only once in the life time of tax payer.

### 6. Make a short note on VAT.

Value added tax is a type of consumption tax that is placed on a product whenever a value is added at a stage of production and final sale. Value added tax is based on tax payer's consumption of goods rather than his income. Today more than 160 countries around the world use value added tax. In Nepal, VAT was introduced on 16th Nov, 1997 A.D.

### 7. Define patent.

A patent is a set of exclusive rights granted by a sovereign state to an inventor or assignee for a limited period to an inventor or assignee for a limited period in exchange for detailed public disclosure of an invention. In other words, a patent is an exclusive right granted for an invention, which is a product or a process that provides, in general, a new way of doing something.

### 8. Write about trademark.

A trademark is a sign capable of distinguishing the goods or services of one enterprise from those of other enterprises. Trademarks are protected by intellectual property rights.

### 9. Define trade secret.

Any confidential business information which provides an enterprise a Ing competitive edge may be considered a trade secret. Trade secret 10 encompasses manufacturing or industrial secrets and commercial al secrets. The unauthorized use of such information by persons other than the holder is regarded as an unfair practice and a violation of the trade secret.

### 10. Write about copyright.

Copyright is a law that gives you ownership over the things you create. Be it a book, photography or painting if you created it, you own it and its the copyright law itself that assures that ownership.

# Short Question Answer

### 1. What are legal issues of entrepreneurial venture? Mention the legal requirements for venture creation.

Every country has its own share of laws. An entrepreneur must conduct his/her activities inside the circumference of these laws. Since an entrepreneur is not a legal person h/she has scant knowledge about legal matters. In this context, the entrepreneur often faces a series of legal hassles. These series of legal hassles are often termed as legal issues of entrepreneurship. Whether a law is violated intentionally or unintentionally the entrepreneur is recipient of punishment. It thus makes sense to have detailed knowledge of all the legal aspects associated with the particular enterprise.

In general, the entrepreneur must have knowledge about:

- Courts of law
- General business legislation
- Labour related legislation
- Finance and Investment related legislation
- Consumer protection legislation
- Legal strictness of entrepreneurial venture, etc.

**Legal Requirements for Venture Creation**

- **Name of business:** Name of business is a pre-requisite for new venture creation. The name must be new and not repeated. Moreover, it must not influence the society and country negatively.
- **Business structure:** There are many types of business structure. Every business structure has its own unique process. The entrepreneur must decide its organizational structure before establishing a new venture.
- **Registration:** The legal identity of a business venture starts with its registration. One must legally abide all the registration process for lawfully establishing a business.

- **Non-disclosure agreement:** There has to be a non-disclosure agreement among all the stakeholders of venture. Non-disclosure agreement secures all those important information that are crucial for the business.
- **Create documents of relationship and safeguard them:** Creating document of relationship of all the stakeholders associated with business venture and safeguarding them is another key legal requirement for venture creation. In this regard the entrepreneur must (e create document in relation to every activities and personnel concerned.

## 2. Write the process of registering sole trading concern in Nepal.

A firm or sole trading concern has to be registered under the Private Firm Registration Act 2014. If the STC is related to the industry, it has to be registered with the department of industry whereas STC related to commercial natures should be registered under the department of commerce. The general procedure that should be followed for registration is given below.

**Application form:** An individual has to fill up the details as required in the prescribed form of the concerned department. The applicant should pay the prescribed application fee and enclose attested citizenship certificate along with the application form. The application form contains the following particulars.

- Name and address of applicant, his father's and grandfather's name
- Name and address of the firm
- Objectives of the firm

**Payment of registration fee:** The prescribed registration fee should be deposited in the bank in the account of concerned departments. The voucher of deposited fee has to be submitted along with the application. The registration fee is determined by the government and rates are published in the Gazette. The registration fee differs according to the amount of capital investment.

| Capital | Registration fee | Renewal fee |
|---|---|---|
| Up to 1.00.000 | Rs 700 | Rs 100 |
| From 1,00,001 to 3,00,000 | Rs 2100 | Rs 125 |
| From 3,00,001 to 5,00,000 | Rs 4100 | Rs 150 |
| From 5,00,001 to 10,00,000 | Rs 7600 | Rs 200 |
| Up to 10.00,001 to 50,00,000 | Rs 10100 | Rs 250 |
| Above 50,00.000 | Rs 15100 | Rs 300 |

**Certificate of registration:** After receiving the application form and prescribed registration fee, the concerned department examines the particulars of the application form. If the application form is found to meet all the requirements, the concerned department registers the name of the private firm in its registry books. Then a certificate of registration is issued to the sole trader.

**Renewal:** The firm has to renew the certificate of registration every year. Such renewal should be made within 35 days of the new fiscal year. If not renewed within this period, the certain fine will be charged. The amount charged will depend on upon the period of default. The renewal fees may also be changed during budget sessions.

### 3. How partnership firms are registered in Nepal. Write.

According to Partnership Act 2020, the following procedures have to be followed while registering a partnership firm in Nepal.

**Submission of application form:** Partnership firm has to be registered under Partnership Act 2020. Application for registration should be submitted along with partnership deed. Also, a recommendation letter from Nepal Chamber of Commerce must also be attached. The application form is prescribed and provided by the concerned department which includes the following information.

- Name and address of firm and partners.
- Description of proposed goods or services the firm intends to provide.
- Objectives of the firm
- Restriction on the rights of partners if any
- Types of partners and the capital contributed by them
- Name of partners who represent the firm with specimen signature
- Any other information required by the concerned department from time to time.

**Registration fee:** The registration fee must be deposited in the account of the concerned department. Fee depends on the capital investment. A voucher from the bank must also be attached along with the application form. The registration fees are subject to change during the budget session of the government every year.

| Capital | Registration fee | Renewal fee |
|---|---|---|
| Up to 1.00.000 | Rs 700 | Rs 100 |
| From 1,00,001 to 3,00,000 | Rs 2100 | Rs 125 |
| From 3,00,001 to 5,00,000 | Rs 4100 | Rs 150 |
| From 5,00,001 to 10,00,000 | Rs 7600 | Rs 200 |
| Up to 10.00,001 to 50,00,000 | Rs 10100 | Rs 250 |
| Above 50,00.000 | Rs 15100 | Rs 300 |

**Certificate of registration:** If the registration officer is satisfied with the application, a certificate of registration is issued to the partners. In case, the officer is not satisfied, he will ask the partner to fulfil the requirement or rejects the proposal and informs the partners accordingly.

**Renewal:** Partnership firm must be renewed within 35 days of the new fiscal year. The renewal fee depends on the capital investment. If the firm is not renewed within specified period, the certain fine is issued. The renewal fee charged is subject to change during the budget session.

### 4. Define PAN. Enlist the documents essential for PAN registration.

Permanent Account Number (PAN) is a unique identification number, which is issued to all the taxpayers and Tax deducted at source TDS withholding agents throughout the country. The general process of PAN registration in Nepal is discussed as follows:

The key documents for PAN registration are listed as follows:

- A copy of the citizenship certificate. Foreigners: any authentic identification document.
- A copy of the firm registration certificate in case of proprietorship firm. Add copies of all proprietorship firm registrations if you own more than one firm.
- Two identical passport size photos.
- Proof of deposit if requested by your Inland Revenue Office (foreigners only).
- Sketched map of the location of your main office.
- When an individual of forms need to re-register the PAN, s/he should provide following detail:
- A copy of the Income Tax Registration Certificate with valid renewal.

### 5. Give the elements of VAT registration in Nepal

The various elements of VAT registration in Nepal are discussed as follows:

### 5. Give the elements of VAT registration in Nepal

The various elements of VAT registration in Nepal are discussed as follows:

- Agency: Department of Inland Revenue
- Purpose: For increasing revenue mobilization by making effective the process of collecting revenues required for the economic development of the country and to collect revenues effectively by regulating the process of collection.
- Application Fee: Rs. 10 (ticket fee)
- License Fee: No fees
- Maximum Processing Time: 1 day
- Statutes: Value Added Tax Act, 2052 (1995), Section 5,9 and 10; Value Added Tax Rule 2053 (1997), Rule 2,6 and 7
- Validity: No time bound
- Requirements: Proof of deposit if requested by Inland Revenue Office (only for foreigner)
- MOA & AOA of Company: Company Registration Certificate from Company Registrar Office/ DOComm/DoSCI/VDC/Municipalities
- Application Form: Copy of the citizenship certificate of the individual or of the partner who signs the application form for the partnership firm or the person who signs the application form for the limited companies corporations (Any authentic identification document for foreigner) Two passport size photo of the individual or of the partner who signs the application form for the partnership firm or the person who signs application form for the limited companies corporations
- Rent agreement: Hand drawn sketch of the business location or main office or head office of the applicant.
- Power of attorney in case a representative is sent for registration (except for applicants)

**6. Write the main provisions of environmental law of Nepal.**

The main provisions of Environment Protection Act, 1997 are explained Las follows:

**Definition**

As per the Environment Protection Act, "environment means the interaction and interrelationship among the components of natural, cultural and social systems, economic and human activities and their components. Likewise, pollution means the activities that significantly degrade, damage the environment or harm on the beneficial or useful purpose of the environment. Besides these, the act also defines the words, protection, proposal, proponent, etc.

1. Prevention and Control of Pollution: Nobody shall create pollution in such a manner as to cause significant adverse impacts on the environment or likely to be hazardous to public life and people's health, or dispose or cause to be disposed sound, heat radioactive rays and wastes from any mechanical devices, industrial enterprises, or other places contrary to the prescribed standards.
2. Environment Inspector: In order to effectively carry out or cause to be carried out the acts of the mitigation, avoidance or control of pollution or the acts required to be carried out in accordance with the Initial Environmental Examination or the Environmental Impact Assessment report, the Ministry may, by fulfilling the procedures prescribed by the Public Service Commission, appoint Environmental Inspectors or designate any employee to carry out functions of such Inspectors. The qualifications for the Environment Inspectors shall be as prescribed. The functions, duties, and powers of the Environment Inspector shall be as follows:
3. To inspect as to whether or not the acts of mitigation, avoidance or control of pollution have been carried out following this Act or the Rules framed under this Act.
4. To inspect as to whether or not sound, heat or wastes have been disposed or emitted from any place contrary to this Act or the Rules framed under this Act.
5. To examine and inspect as to whether or not the acts have been carried out following the terms mentioned while granting approval to implement a proposal.

6. Protection of national heritage: It shall be the duty of the concerned agency to protect National Heritage.
7. Environment protection area: Government of Nepal may, by a notification in the Nepal Gazette, maintain any place within Nepal containing natural heritage or aesthetic, rare wildlife, biological diversity, plant, and places of historical and cultural importance, which are considered crucial from the viewpoint of environment protection, as an Environment Protection Area.
8. Establishment and operation of Environment Protection Fund: A fund named Environment Protection Fund shall be established for the ar protection of the environment, prevention, and control of pollution and protection of the National Heritage. The following amounts shall be deposited in the Fund:
9. Amount received from Government of Nepal.
10. Amount received from foreign governments or international organizations.
11. Amount received from other sources.
12. The operation of the Environment Protection Fund shall be as prescribed. The fund shall be audited by the Auditor General.
13. Power to constitute Environment Protection Council: Government of Nepal may, to provide policy guidance and suggestion to Government of Nepal concerning environment protection, and also to have coordination among different agencies, constitute an Environment Protection Council comprising of environment experts and representation of the persons from recognized political parties at a national level as well.
14. Compensation may be given: In case, in consequence of the creation or disposal of pollution, sound, heat or wastes by anybody contrary to this Act or Rules or guidelines framed hereunder, any person or organization happens to suffer any loss or damage, the person or organization affected by such actions may, if he/she desires to have compensation recovered from the person or institution or proponent doing such Act, make an application to the prescribed authority setting They out the details thereof.
15. Punishment: In case any person carries out any act contrary to the approved proposal, the prescribed authority may stop such act immediately, and if any person or organization has done such act, may according to the degree of offence punish him/her with a fine up to one hundred thousand rupees.

### 7. Write the main provisions of contract law of Nepal.

The main provisions of Contract Act, 2000 are explained below:

Definition

Unless the context otherwise requires, the act defines contract as an agreement enforceable by law concluded between two or more parties for performing or not performing any work. Likewise, the proposal means a proposal presented by one person to another with the intent of obtaining his/her consent to do or not to do any work. Likewise, the act also defines aspects like consent, consideration.

**Contractual Parties and Proposal and Consent**

It deals with:

- Person competent to conclude contracts.
- Parties to be autonomous.
- Contract to be deemed to have been concluded.
- Place of contract.
- Proposal or consent may be cancelled.
- Proposal to be deemed or cancelled. .
- Indirect contract.
- Contingent contract.

**Void and Voidable Contract**

As per this, a contract preventing anyone from engaging himself/herself in any occupation, profession or trade union which is not prohibited by prevailing law is termed as void contracts. Likewise, following contracts may be made void:

- A contract concluded through coercion.
- A contract concluded through undue influence.
- A contract concluded through fraud.
- A contract concluded through deceit.

**Contracts Relating to Guarantee, Indemnity, and Subrogation**

It deals with the contracts relating to guarantee, indemnity and subrogation. As per this, a contract relating to guarantee shall be deemed to have been concluded in case it provides that if any person defaults in the repayment of the loan obtained by him/her or fulfilment of the obligation accepted by him/her, it shall be repaid or fulfilled by a third person. Likewise, in case person has entered into a contract relating to indemnity with a provision to pay any party to a contract or a third person for any loss or damage that may result from his/her actions while working under the direction of that party to that contract, he/she may realize as compensation all or any of the defined amounts subject to the contract. Similarly, it explains the provision concerning subrogation.

**Contracts Relating to Bailment**

It deals with:

- Contract relating to bailment
- Process of bailment to deem completed
- Particulars of bailed property to be mentioned, etc.

**Contracts Relating to Collateral and Deposit**

It deals with various elements of contracts relating to collateral and deposits such as collateral or deposit to be returned, rights of the obtaining collateral or deposit, consequences of pledging property without sufficient title as collateral or deposit, etc. person

**Contract Relating to Sale of Good**

As per this, a contract relation to a sale of goods shall be deemed to have been concluded in case any seller agrees to handover buyer immediately or in the future by receiving a price. In addition to any goods to the this, it deals with contract relating to the sale of goods to be void, determination of the price of goods, the price of goods to be paid, etc.

**Contracts Relating to Agency**

As per this, any person may appoint any other person as his/her agent to do anything/represent on his/her behalf except some things connected with his/her personal skills or to conduct business as his/her agent of many transaction with a third person on his behalf or to represent himself to such person or to establish any kind of legal relation with the person appointing an agent and a third person, and in case an agent is so appointed, a contract relating to agency shall be deemed to have been concluded.

Similarly, the few other provisions are in reference to contracts relating to transportation of goods, time, procedure and place for performing contracts, execution of contract and obligation arising out of the contract, breach of contract and remedies, etc.

# Long Question Answer

### 1. Write how intellectual property rights are acquired in Nepal.

The mechanism for acquiring intellectual property rights in Nepal are discussed below:

**Patent**

Application for acquiring right over patent: A person desirous of having any patent registered in his/her name should submit an application to the department (Department of Industry or prescribed) with the following particulars.

- Name, address and occupation of the person inventing the patent
- If the applicant he/herself is not the inventor, how and in what manner e/she acquired title from the inventor
- Process of manufacturing, operating or using the patent
- The theory or formula if any, on which the patent is based
- The applicant should submit map and drawings of the patent along with other particulars of the application.

**No registration:** The department does not register any patent under this Act in the following circumstances:

- If the patent is already registered in the name of any other person
- If the applicant he/herself is not the inventor of the patent nor has acquired rights over it from the original inventor
- If the patent is likely to adversely affect the public health, conduct or morality or the national interest

**Term**: The term of the patent is valid only for seven years from the date of registration.

**Design**

- Application: A person desirous to register the design of any article manufactured or to be manufactured should submit an application to the department together with four copies of such design and maps, and drawings and required particulars.
- Registration: On receipt of the application, the department registers the design in the name of the applicant and issues a certificate. 3. Term: The design registered under this Act remains valid for five years from the date of registration.
- Punishment. No one can copy or use the design without transferring the ownership or written permission. If a person does so, a fine not exceeding fifty thousand rupees may be imposed, and articles and goods connected with such offence can be confiscated.

**Trade Mark**

- Application: A person desirous to register the trademark of his business registered should submit to the Department an application in the prescribed format along with four specimens of such trade-marks.
- Registration: The Department registers a trademark in the name of the applicant after a necessary investigation.
- Prohibition: No trade-mark may be used as a registered trademark without registering it at the Department.
- Time limit: In case a trademark registered at the Department is not brought into use within one year from the date of registration, the department conducts necessary inquiries and cancel such registration.
- Term: The title of the person in whose name a trade-mark has been registered remains valid for seven years from the date of registration.
- Punishment: If one uses the trademark of others without transforming the ownership or written permission or the trademark registered is not brought into use within one year from the date of registration, the department imposes a fine not exceeding one hundred thousand rupees and articles and goods connected with such offence are also confiscated.

### 2. Give a brief overview of labor laws in Nepal.

Labor Act

The Labor Act 1992 applies to business and industrial firms, enterprise and service units. This act holds extreme importance as it lays down the legal framework and the basis for the rules regulation and guidance on the proper management of any establishment. Matters related to an employee like security, working hours, minimum wages, health and welfare of employees, employer-employee relations, settlement are addressed by this act.

The significance associated with this act is enlisted below:

- For the setting of minimum remuneration
- It finalizes the basic work time that is no worker shall engage more than eight hours a day or 48 hours. For work more than that overtime remuneration at the rate of 150% of usual remuneration shall be paid.
- For the establishment of necessary safety arrangement, etc.

**Trade Union Act**

Trade Union Act was promulgated in 1992 with its first amendment taking place on 1999. The Trade Union Act is defined as an act made to provide for the management of trade union. The trade union act aims to make legal provision regarding registration, the operation of trade union and other necessary provisions relating to it for the protection and promotion of the professional and occupational right of self employed and working for others. The trade union act is divided into six chapters with each chapter focused on specific aspects.

- Chapter 1: Preliminary
- Chapter 2: Regulation of trade union
- Chapter 3: Operation, management, and recognition of the trade union
- Chapter 4: Appointments, functions, duties and rights of the registrar
- Chapter 5: Fund and auditing
- Chapter 6: Miscellaneous

**Foreign Union Act**

Foreign Union Act was promulgated in 2007 to amend and consolidate laws relating to foreign employment. The Foreign Employment Act is expedient to amend and consolidate laws relating to foreign employment to make foreign employment business safe, managed and decent. Moreover, it focuses on protection of rights and interests of the workers who go for foreign employment and the foreign employment entrepreneurs, while promoting that business. The Foreign Employment Act is divided into 12 chapter with each chapter focused on a specific aspect.

- Chapter 1: Preliminary
- Chapter 2: Provisions relating foreign employment
- Chapter 3: Provisions relating to license on foreign employment business
- Chapter 4: Provisions relating to prior approval and selecting of workers
- Chapter 5: Provisions relating to classification of training and workers
- Chapter 6: Provisions relating to foreign employment welfare fund BAT
- Chapter 7: Provisions relating to monitoring and inquiry price
- Chapter 8: Constitution functions, duties, and powers of foreign employment promotion board
- Chapter 9: Offence and punishment regarding various aspects of foreign employment
- Chapter 10: Investigation and inquiry
- Chapter 11: Trial and settlement of cases
- Chapter 12: Miscellaneous that focuses on foreign employment department, appointment off labour attaché, repatriation of income of workers, etc.

**Bonus Act**

Foreign Union Act was promulgated in 1974 with its first amendment 1, taking place on 1977. The Bonus Act is an act made to provide for the distribution of bonus. The Bonus Act is expedient to provide for the legal provisions for distributors of bonus to the workers and the personnel working in the enterprises.