

Evaluating Policy Interventions for Small-Scale Industries in Advancing Sustainable Development Goals in Nepal

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Abstract

Nepal with the implementation of the 15th periodic plan and Industrial Enterprise Act 2076, the assessment of policies helps in assessing the priorities of the country. Also, the commitment to Sustainable Development Goals has also directed Nepal to put a higher focus on small-scale industries. Micro, Cottage, and Small-scale industries are collectively, addressed as small-scale industries throughout the paper. The paper includes qualitative and quantitative analyses of the impact of the policies. Qualitative analysis was carried out through KIIs and Quantitative analysis was carried out through secondary sources that include reports from governmental institutions and international organizations. It was found that through its policies, the government of Nepal is using small-scale industries as a means to help in the achievement of SDG 1: No poverty, SDG 5: Gender Equality, and SDG 9: Sustainable Industrialization. Also, the registration of small-scale industries per year has increased to 65000, with 53% of enterprises led by women according to registration data in 2079/80, and 9.3% of total loans disbursed to small-scale industries in the year.

Keywords: Sustainable Development Goals, Small-scale industries, Financial Inclusion

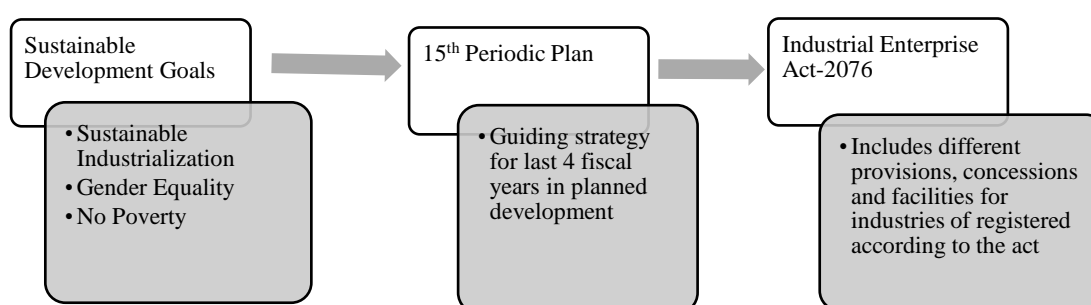
1. Introduction

Among 17 SDGs, small-scale industries have direct relationship with SDG-1 (No Poverty), SDG 5 (Gender Equality), and SDG-9 (Sustainable Industrialization). The commitment to achieve SDGs has led Nepal too to focus on empowering its small-scale industries.

Nepal is currently functioning in the 15th periodic plan as a part of planned development and the governing act for small-scale industries is Industrial Enterprise Act 2076. The 15th periodic plan is the first periodic plan that integrates Sustainable Development Goals (SDGs) in Nepal’s national development framework.

The study of policies related to small-scale industries is crucial because they are highly affected by market failures and business environment constraints. These industries have a greater dependency on the policies governing them. Given their vital importance in maintaining inclusivity in the development phenomenon, providing them with a feasible environment to grow is indicative of a highly inclusive economy, especially for the least-developed economies where disparities are larger than in other countries.

The hierarchy of policies related to small-scale industries in Nepal is shown in the figure below. Sustainable Development Goals will be the guiding principle till 2030. Guided by that, the periodic plans of Nepal will be formulated and implemented. Industrial Enterprise Act 2076 is the acting policy in the present context. SDGs and periodic plans are the strategic frameworks, however, the execution is done via Industrial Enterprise Act.



The 15th plan has tried to maintain the past facilities of small-scale industries in an attempt to facilitate a feasible environment while keeping SDGs into consideration. The working policies in the 15th plan that work directly for small-scale industries and the related SDGs are mentioned in Table 1.

Table 1: *Working Policies of 15th plan and related SDGs*

Working Policies	Related Sustainable Development Goals

Micro, cottage, and small industries will be protected and promoted for employment creation and poverty alleviation in cooperation and collaboration with provincial and local levels.	SDG-1 (No Poverty)
Industrial estates and industrial villages will be established for women entrepreneurs to develop women's entrepreneurship	SDG-5 (Gender Equality)
Priority will be given to soft loans for micro, cottage, small, and medium enterprises	SDG-9 (Sustainable Industrialization)

These working policies are the guiding principles that guide Nepal's resource allocation from 2019/20 – 2023/24. The policies are indicative of the priority of the Government to reach the goal of the development of small-scale industries in Nepal. The target mentioned in the plan for the assessment of these working policies are the number of registration of small-scale industries, the amount of additional employment created by the small-scale industries, the number of micro-entrepreneurs, the number of Industrial Areas, Special Economic Zones, and Industrial Villages and access to finance for small-scale industries. The governing act for the industrial sector, Industrial Enterprise Act 2076, has provisions and facilities for industries registered under this Act. The Act facilitates industries by tax exemption in customs and income tax, provision of different concessions, ease of registration, and redistribution of funds from industries of developed areas to underdeveloped areas, well-functioning industries to needy industries through different mediums. The government bodies directly concerned with small-scale industries are the Ministry of Industry, Commerce, and Supplies, and Ministry of Finance.

This paper focuses on the study of policies and how well they have supported SSIs and relating the progress and analysis with sustainable development goals.

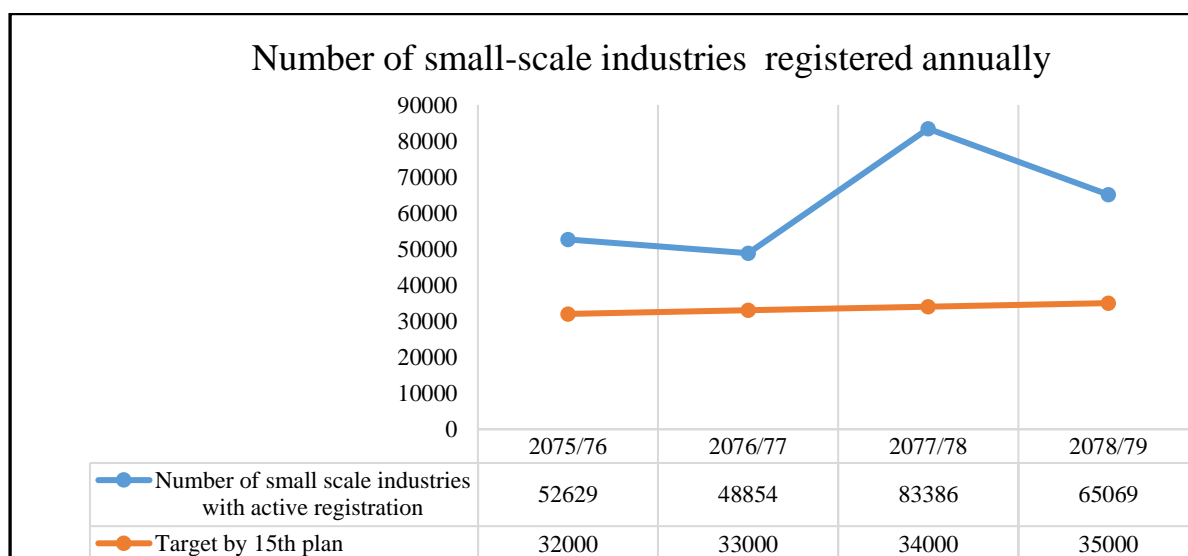
2. Methodology

The study conducted used secondary data from the National Statistics Office and Department of Industry, and KIIs were conducted with officials from the Federation of Nepal Cottage and Small-scale Industries (FCSI), Federation of Industries in Nepal Industrial Estate (FINIE), and Balaju Industrial Development Association.

3. Observation

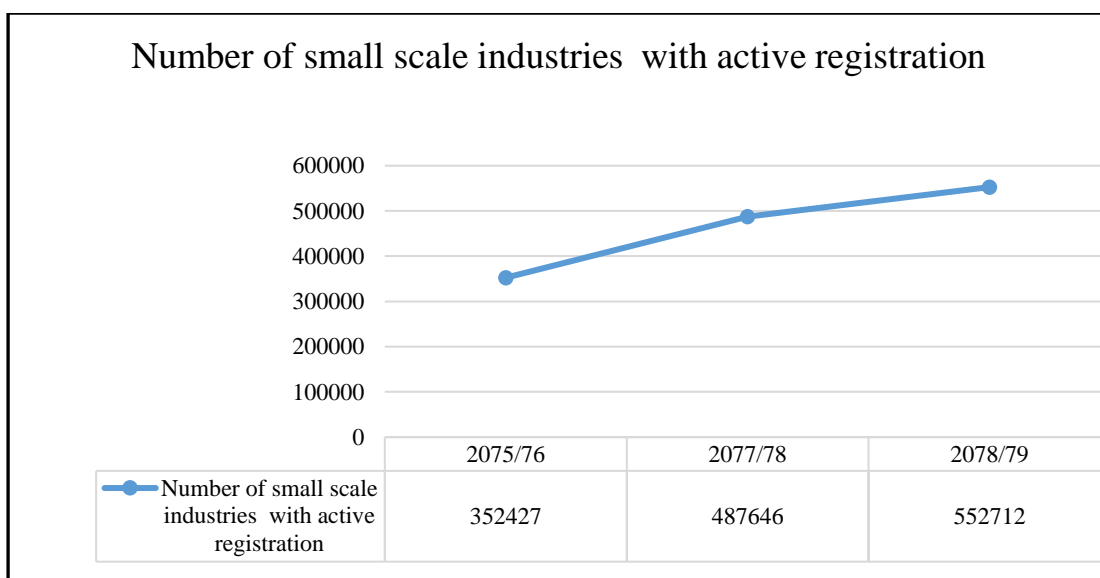
To increase access to finance, the government has been allocating amounts (Rs. 13.59 billion in the year 2080/81 and Rs. 13 billion in 2079/80) for interest subsidies on concessional loans for micro, cottage, and small-scale industries every year. Also, Nepal Rastra Bank has mandated commercial banks to allocate at least 11 percent of the total loan to the small, micro, cottage, and medium industries by mid-July 2022. Under women Entrepreneurship Fund, the Such requirement is 12 percent by mid-July 2023, 13 percent by mid-July 2024, and 15 percent by mid-July 2025. As of mid-April 2022, 9.85 percent or Rs.393.28 billion loan has been disbursed in this sector.

Number of small-scale industries registered annually



Source: Yearly publication of “Micro, cottage, and small-scale industries statistics”

Number of small-scale industries



Source: Micro, Cottage, and small-scale industries statistics

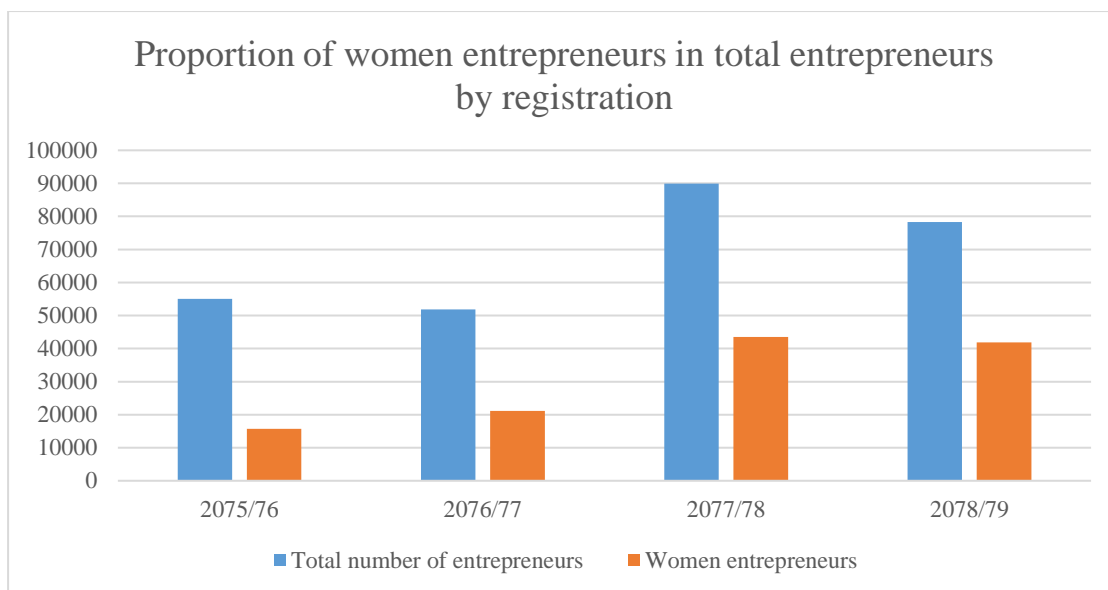
Update on Industrial Zones, 2080

Type	Updates 2021/22	Target for 2023/24
Industrial Villages	57 Announced	351
Special Economic Zone	1 Operational	5
	1 Under construction	
Industrial Estate	10 operational	14

Source: Special Economic Zone Authority, Nepal

The Scenario of Women Entrepreneurship

The report “National Economic Census 2018” by National Statistics Office, concluded that 23% of the businesses were owned by women. But, when the registration is made the basis for study, the number of enterprises being registered on the ownership of women is increasing. The proportion reached 53.48%.



Source: Micro, Cottage, and small-scale industries statistics

4. Result

SDG 1: No poverty

Since the number of registration and active registration has increased over the years, the number of employees and entrepreneurs are increasing along with that. This is allowing engaged individuals the economic power to fulfill their basic needs.

SDG5: Gender Equality

According to the National Economic Census 2018, number of women-owned Businesses are 23.6 % of the total businesses functioning in Nepal. But, the number increases to 53% when the number of entrepreneurs is based on registration data.

SDG 9: Sustainable Industrialization

Enabling small-scale industries to access finance is the major goal of Nepal Rastra Bank. Initiatives are being taken to achieve a high level of financial inclusion.

5. Recommendation

The recommendations are presented on the basis of KIIs conducted. Some of the recommendations made during KIIs are:

- Study-based policymaking should be given high priority

- There should be effective means of communication between different levels of Government
- Small-scale industries should focus on promoting their product more, and government should create feasible environment for that.
- The means of measurement too should be assessed on the basis of impact they have on the economic level. Rather than setting targets for registration, targets should be focused on growth and value addition by small scale industries.