

**Institutional Support to Entrepreneurship Development**

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# 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.

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## 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.

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- **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.
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- **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 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.
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- 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.

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## 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.



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