

Role of Entrepreneurship and Small Business in National Development

Bir Bahadur Karki

"If you're not an owner,
It's not your business"

Kay koplovit

ABSTRACT

Entrepreneurship and small business play vital role in national development for both types of countries i.e. developed and developing countries like Nepal. Without having entrepreneurship. Government is not able to develop country itself. Most of the Nepalese people do not have ideas and skills about entrepreneurship and entrepreneur. Although, they have been trying to establish as well as operate cottage and small business all over Nepal. Special focus has been given on Central and Eastern Development Region. Data shows that most of the Nepalese people are not economically active still now. Therefore, Government should be able to address to that types of issues and should also be able to arrange in infrastructure as well as supporting programmes to those types of peoples who have entrepreneurship ideas.

Key words: entrepreneurship, cottage and small business, national development.

Introduction

Nepal is not only a least developed country, but also one of the richest countries in terms of natural resources like hydropower, forestry & herbal, culture, mountain, water resource in the world. But, due to the lack of entrepreneurship as well as entrepreneurs people, Nepal is known as one of the poorest countries in the world. Insufficient of capital or fund and out dated technologies are not only barriers for national development. We can develop our nations if we have entrepreneurship. It plays vital role in national development. Through entrepreneurship, we can develop new products, enter into new market segment, generate employment opportunities and revenue, utilize natural and local resources. Due to the lack of positive attitudes and commitment towards business, we are not actually able involved in entrepreneurship and in business. Therefore, we should have knowledge and information about entrepreneurship or entrepreneurs as well as about small business or business.

A Brief View of Global Economy: In 2006, the global economy expanded by 5.4 percent as against the rise of 4.9 percent in 2005. In 2006, the growth rate of developing Asia (including china, India and ASEAN-4) was 9.4 percent and that of emerging Asia (developing Asia and newly industrialized Asian economies) 8.9 percent. Among developing Asian economies the economic growth rate of ASEAN-4 was 5.4 percent and that of South Asia 8.7 percent. Among the high growing emerging Asian economies the growth rate of China, India and Singapore in 2006, were 10.7 percent, 9.2 percent, and 7.9 percent respectively. Like wise, in 2006, the economic growth rate of SAARC countries were as follows: Afghanistan, 8 percent, Bangladesh 6.7, percent, Bhutan 13.7 percent, India 9.2 percent, Maldives 16.1 percent, Nepal 1.9 percent, Pakistan 6.2 percent and Srilanka 7.5 percent. Among SAARC countries, the economic growth rate of Nepal was very low. (Economy Survey: 2007)

A Brief Overview of Nepales Economy: Nepal is one of the least develop countries of

the world. Among 23.1 million people of the country as per the census of 2001, 85.80 percent people live in the rural areas. (CBS: 2005) The preliminary estimate of per capital GDP at current prices stand at N Rs. 27,209 (US\$ 383) for the fiscal year 2006/07. The annual growth rate of GDP at producers prices is 2.50 percent in the year 2006/07. Nearly one third of the population (31.8%) live below poverty line as per Nepal living stanard survey 2003/04 and the Ginni Coeltticient, which indicates inequality between the poor and rich is 41.4 (CBS : 2007)

A review of the share of the major production sector in GDP at real price in F. 2006/07 testifies to the growing predominance of the service sector in the economy. Viewed sector-wise, agriculture stands with 36.1 percent contribution to the GDP at real prices in FY 2006/07, likewise wholesale and retail trade with 13.1 percent, transport, communication and storage with 8.7 percent, industry with 7.8 percent real-state and professional services with 7.5 percent, construction with 6.1 percent and education with 5.9%. The increase in service sector's contribution reflects the changing feature of economic development. Compared to its growth rate of 4.7 percent in F.Y. 2005/06, it has recorded a Phenomenal growth rate of 9.0 percent in the following year, thus increasing its total share in GDP from 46.4 percent last year to 47.1 percent this year. (Economy survey: 2007)

Entrepreneurship and Entrepreneurs

What is entrepreneurship? Simply, entrepreneurship is the process of new venture. It begins with an innovative idea. It identifies opportunities. And, who is entrepreneur? Who performs the function of entrepreneurship? Entrepreneurs launch new venture. Entrepreneurs refer those types of individuals who have innovative and creative mind as well as enthusiastic nature They possess various types of qualities such as creative and innovative mind ,hard working, optimistic, positive attitudes, foresight, work independently, risk bearer, , good manager and They have vision and capability to create new ventures. rare able to able to identify new business opportunity and take advantage from it. They are achievement oriented as well as action oriented individuals driver to seek new challenges and achievement

Positive and Negative Aspects of Entrepreneurship: Entrepreneurship provides opportunities for entrepreneur. It helps to the formation of capital. It is most essential for business success. It facilitates to create employment opportunities not only for owners and their relatives members, but also for other people. It helps to increase productivity. We can produce more output through using at least time, effort and at minimum resources. It also helps to balance development of the nations. Through it, national revenue can be distributed equally to all people. It has also some negative aspects such as risk of failure, emotion stress due to the changes in government policies , lack of professional manager. However, positive aspests of entrepreneurship is more than negative aspects. To gain something, we should need to take some risks.

Small Business/Industry

Meaning or definition of small business differs with developed countries and developing countires. In developed country, it is defined on the basis of number of workers employed in the business In such countries, small business is that type of business which has less than one hundred workers. But in developing countries like Nepal, it is defined on the basis of fixed capital investment. It means, in such countries, small business is that type of business which has invested less than Rs. 30 million fixed capital on business, Small

business possesses distinct features such as independent management, closely held ownership, local operation, small size limited resources etc. Most of the owners of small business perform managerial functions by themselves. If they arrange or recruit other people in managerial activities, they establish close relationship with them.

At the initial stage of business life cycle, most of the businesses are established in the form of small business. Generally, entrepreneurs are involved to establish small business or new venture.

Problems & challenges

Nepal confronts with a number of economic challenges at present : low economic growth, low per capita income, higher level of poverty, poor social indicator, under developed physical infrastructure, and high cost economy leading to higher cost of production and so on while the world economy in general and the emerging and developing economics. India and china at our doorsteps, in particular, are moving fast along the trajectory of economic growth. Nepal still finds itself grappled with a host of problems that demand early and effective solutions to ensure an inclusive, just and high economic growth on a sustainable basis.

Objective of the study

The main objective of the study is to highlight the major contribution of small business and entrepreneurship in the context of national development of Nepal. Other objectives of the study are as follows:-

1. To identify what types of contribution made by the small business in the context of national development
2. To explore the role of entrepreneurship in the development of small business

Significance of the study

The study tries to highlight the role of entrepreneurship and small business for national development. Besides it, the study will try to provide some basic knowledge of the entrepreneurship and small business. The study also helps to gain some information about it to student, researchers, businessmen and other ordinary people.

Methodology

The study is based on descriptive research design. Data are collected mainly from secondary sources. Data are gathered from reports, annual progress reports, journals and other publication. Specially, data are collected from publication of Government of Nepal.

Limitation of the study :- Due to lack of new industrial census, latest data are not able included in it. Because, Government of Nepal is going to conducting census of industrial sector in the current year. Data are presented in tables. To analyze data, only one tools i.e. percentage is used.

An overview of Contribution of Small Business and Entrepreneurship

Small business is the driver of economy in almost all countries. Most of the businesses are small. They are growing rapidly. It is easy to establish. Therefore, it attracts to people of all ages and all types of discipline. Compared with large business, the relative importances of small business are as follows: -

Encourage Innovation and Entrepreneurship: Entrepreneur are know as hard workers, risk bearers, foresighters, organizers and good leaders. They have always been given em-

phasized on innovation. One study (USA) found that half of all innovation and 95% of all radical innovations are made by entrepreneurs or small business firms. In another study it was found that, small business in the United States are credited with contribution about 55 percent of the new innovation and are responsible for inventions including the airplane, double knit fabric, the zipper, the pacemaker, soft contact lenses and the personal computer. Most of the new innovation and development of new products are made by the small business firms. Through innovation, an entrepreneur discovers new things, new products or services, modifies existing products, and makes goods for multipurpose. Through such innovations and activities, society is being nurtured from new products, services and facilities which are usually possessed high quality some products feature better performance and cheapest prices.

Complementary to Large Business: There is not one company which can stand itself or fully independent from all types of resources. Large companies need to take support from other small business firm. Small business firm supports to large companies by providing accessory items like miner tools, fabricating or spares parts. In USA, General motors procure inputs services from more than 37000 small businesses. The global industries of USA and Japan run without supplies from small business. So, small business is complementary to large business. They serve as ancillary units for them. They have backward linkage with large business to supply inputs. They have also forward linkage with large business to distribute products. They add value to the supply chain of big business. Both are interdependent on each other.

Job Creation and Satisfaction: Entrepreneurs are also known as job creators. They create jobs not only for themselves but also for others. Small business creates more new jobs compared to large business. Over 98 percent of the businesses in USA are technically considered small. Almost one million new businesses are started each year. Between 1992 and 1998, small companies created nearly all of the 12 million net new jobs. The smallest of those, business with fewer than 20 employees, generated more than two-thirds of the new jobs. Firms with fewer than five employees generated just over half of those new jobs. Small business with fewer than 100 employees employ nearly 40 million American, and provide 67 percent of the initial jobs opportunities and on the job training. In the context of Nepal, small manufacturing establishment account for about 60 percent of industrial employment. They are largely labour-intensive. Merchandise small business are found all over the country. They maintain close relation with customers. Small business in tourism and transport are also important source of employment. by creating jobs for others, they get satisfaction. They also get satisfaction from ownership as well as from self employment. So, we can say small business helps to solve UN employment problems of the society as well as of the nation.

Higher Financial Reward: Most of the new innovation or inventions and development of new products or services are created by the entrepreneurs and small business firms. They are able to launch and to introduce new products into market. They can determine higher price on their new products and can also enjoy from higher rate of financial reward. They have possessed patent right, copyright, goodwill and high image within an industry as well as in global market. Due to low capital investment and operate in full capacity of production, small business can generate higher rate of return on investment.

Economic Backbone: Small businesses are assumed as an important economic backbone of each and every country. They are not only involved in generating employment opportunities to people but also play a vital role to generate foreign currency through exporting goods abroad. They help to utilize local resources, skills and techniques to produce goods and services.

Table No. 1
Cottage and Small Industries on the Basis of Classification of Firm

First year	Private firm	Partnership Firm	Private Ltd.	Total	Capital Investment in Rs 10 Million	No. of Employment
1989/90	42,467	2827	2132	47,426	974.254	440940
1990/91	4822	273	108	5203	113.00	37095
1991/92	4968	465	242	5675	140.00	85125
1992/93	6087	398	296	6781	315.00	82176
1993/94	8535	630	321	9489	572.00	153,000
1994/95	7833	439	247	8519	537.64	75091
1995/96	8638	468	544	9650	722.00	92581
1996/97	7404	446	346	8196	604.00	85540
1997/98	8669	471	481	9621	881.00	93094
1998/99	8789	684	533	10,006	962.00	88973
1999/00	8889	549	685	10,123	1035.00	76618
2000/01	8368	407	542	9371	732.00	67995
2001/02	8851	526	513	9890	772.00	67374
2002/03	6778	454	340	7562	591.00	47455
2003/04	5985	548	600	7133	611	NA
2004/05	6972	499	559	8030	1101	NA
2005/06	7322	372	536	8230	377	NA
Total	161377	10456	9025	180858	11039.894	1494037
Percentage	89.23%	5.78%	4.99%	100%		

Source : Industrial Promotion Statistics, 2060, P-19, Economic survey, 2007, p 74

NA : Not available

The Table No.1 shows that 180858 small business firms are able to generate employment opportunities to 1494,037. People out of total business firms 89.23 %, 5.78 % and 4.99 % business firm are established by under private firm, partnership and Private Limited company respectively. It also refers that most of businesses are small businesses and established by an individual entrepreneur.

Loan Investment to those persons who have got skill oriented training by department of cottage and small industry and its.

Table 2
Loan Investment to Cottage & Small Industry -Till FY2059/ 060

No. of Entrepreneurs	Investment	Loan Recovery		
		Principle	Interest	Total
1 to 75 District 6267	38720	10,672	2911	13583

Sources: Department of Cottage & Small Industry 2060.p-35

Table No 3
Statement of Registration of Cottage and Small Industry (Industry Basis.)

S.N.	Classification of Industry	Production Oriented	Energy Oriented	Agriculture Forest	Mineral	Tourism	Constr uction	Service	Total
	Fiscal Year (FY)								
1.	1996/97	5080	23	81	23	246	632	2111	8196
2.	1997/98	5943	34	164	27	281	925	2247	9621
3.	1998/99	6351	282	91	35	343	727	2177	10006
4.	1899/2000	6201	209	193	20	382	1040	2078	10123
5.	2000/01	5742	123	206	20	323	935	1968	9317
6.	2001/02	5927	75	263	31	342	495	2757	9890
7.	2002/03	4583	60	201	19	213	310	2176	7562
	Total Number	39827	806	1199	175	2130	5064	15514	64715
	Total in Percent	61.54%	1.24%	1.85%	0.27%	3.30%	7.83%	23.97%	100%

Sources: Industrial Promotion statistics, 2060, P:8

Seven types of existing cottage and small industries found. These industries are production-oriented, energy-oriented, agriculture and forestry-oriented, mineral, tourism, service and construction industries. It is recorded that total number of registration of cottage and small business are found 64715 from the record of fiscal year 1996/97 to 2002/03. Out of them, production-oriented industries occupied by 61.54 percent, then after service industries occupied by 23.97 percent. These seven different types of cottage and small business were registered 8196, 9621, 10006, 10123, 9317, 9890 and 7562 from fiscal year 1996/97 to fiscal year 2002/03 respectively. It seemed that number of firm registration trends have been decreasing fiscal year.

Table No 4
Statement of Registration of Cottage and Small Industry (Regional Basis.)

S.N.	Fiscal Year	Classification of Industry							Total	
		1996/97	1997/98	1998/99	1899/2000	2000/01	2001/02	2002/03	%	
1.	Eastern	2025	2197	2325	2381	2207	1964	1418	22.43	14517
2.	Central	3589	3788	4982	4936	4242	4735	3935	46.68	30207
3.	Western	1209	1397	1432	1564	1694	1638	1231	13.36	8650
4.	mid-westera	642	736	734	757	655	786	580	7.56	4890
5.	Farwesten	695	1379	1402	1477	1457	744	385	9.56	6189
6.	Department	36	26	37	80	47	23	13	0.41	262
	Total	8196	9621	10006	10123	9317	9890	7562	100	64715

Sources: Industrial Promotion statistics, 2060, P:16.

Out of total cottages and small industries (from F.Y. 1996/97 to F.Y. 2002/03) 64715, the highest number of the Time i.e. 30207 (46.68%) registered in central development region and this region covered 46.68 percent of total Time. Then after, Eastern development region, Western, Far-western and maid-western development region cover 22.43 percents 13.36 percent, 9.56 percent, and 7.56 percent respectively. In conclusion, we found that most of the cottage and small industries are registered in central development region. Therefore, Government of Nepal should for malate appropriate policies and strategies for establishment of these types of industries into other development regions. These types of policies

and strategies should be able to formulate appropriate programmes for these regions and such programmes should be able to encourage to establish cottage and small industries.

Table No 5

Economically Active and Not Active Population Aged 10 years and Over by Sex 2001

Area	Sex	Population 10 years and Above						
		Total	Usually Active			Not Usually Active	No. of Not Eco	
			Employed	%	No of unemplaed		mically Active	%
Nepal	Male	83,30,597	52,12,339	62.56	4,19,384	3,39,327	23,59,547	28.32
	Female	84,39,698	63,89,061	43.71	4,40,713	5,36,444	3,77,480	44.71
	Both	16,770,295	89,01,400	53.00	8,60,097	8,75,771	61,33,027	36.57
Urban 14.20%	Male	13,14,769	7,68,852	58.48	66,075	28,855	4,50,987	34.30
	Female	12,33,947	3,45,946	28.03	67,834	55,023	7,65,144	62.00
	Both	25,48,716	11,14,798	47.74	1,33,909	83,878	12,16,131	47.72
Rural 85.80%	Male	70,15,828	44,43,487	63.33	3,53,309	3,10,472	19,08,560	27.20
	Female	72,05,751	33,43,115	46.39	7,52,879	4,81,421	30,08,336	41.75
	Both	1,42,21,579	77,86,602	54.75	7,26,188	7,91,893	49,16,896	34.57

Sources: *Statistical year Book, 2005, P:42*

On the basis of population census of Nepal, among total economically active people 14.20 percent people and 85.80 percent people are living in urban and rural area respectively. Average economically active population is 53 percent, in which 62.56 percent is covered by male and 43.71 percent covered by female. In Comparison of urban male population with rural male population, rural population (63.33%) is found more active than urban (58.48%). But in the context of female population, it is slightly different. In urban area, only 28.03 percent female population is economically active, but it is almost double in rural area i.e. 46.39 percent female population is active in rural area. Government of Nepal should formulate different strategies to involve other not economically active Nepalese people for national development.

Table No 6

Economically Active and Inactive Population

	Economically active					Economically Inactive				
	Total	Male		Female		Total	Male		Female	
		No.	%	No.	%		No.	%	No.	%
1981 Census	6850886	4479944	65.39	2370942	34.61	3667002	907670	24.75	2759332	75.25
1991 Census	73,39,586	4375583	59.62	2964003	40.38	5638024	2043899	36.25	3594125	63.75
2001 Census	8901400	5212339	58.56	3689061	41.44	6133027	2359547	38.47	3773480	61.53

Sources: *Nepal District Pootile, 1999, p:12*

According to population census of 1981, 1991 and 2001; economically active male population have been found in decreasing trend i.e. 65.39 percent, 59.62 percent and 58.56 percent in 1981, 1991, and 2001 respectively. But comparison with male population, economically active female population have been found in increasing trends i.e. 34.61 percent, 40.38 percent and 41.44 percent in 1981, 1991 and 2001 respectively. It also reveals that economically active total population is also found in decreasing trends.

Conclusion

To enhance National economy entrepreneurship ideas and entrepreneurs are most essential. For the commencement of any types of business people must have entrepreneurship ideas and they may start their own business in form of cottage and or small size business. Nepal's economic indicator shows that, Nepal is one of the poorest countries in the world. Most of the people have not own business and have not got employment opportunities elsewhere. Small businesses play vital role in national economic development specially developing countries. Therefore, we can not ignore the role of entrepreneurship and small business in national development. Small is beautiful. Cottage industry is known as small business. Small industry can also contribute in national economic development and can be made beautiful industry. It can be established easily and operated in a local level by using local resources. Most of the commodities are brought from outside countries and very few number and types of commodities are exported into outside country and also most of the people are faced with unemployment problems. To increase productivity and to provide employment opportunities to people, government as well as Nepalese people should establish cottage and small business in all over the country. Poverty alleviation is major challenge and goal of the Government of Nepal. In this context, all Nepalese people should consider about it and should involve in national economic activities. For it, Government should need to formulate goal, strategies, policies for poverty alleviation. Without increasing productivity and efficiency, we can not able to compete with global markets.

REFERENCE

- Acharya, Khagendra, (2063). Entrepreneurship and Small Business Management, Kathmandu. MK Publisher & Distributors
- Agrawal, Govindra Ram (2005). Entrepreneurship and Small Business Management in Nepal, Kathmandu: MK Publishers & Distributors.
- Broom H.N., Longnecks Justin Go, and Moore Carlos W. (1983), Small Business Management (6th Ed) Cincinnati, Ohio: South Western Publishing Co
- Central Bureau of Statistics (CBS) (2003). Census of Manufacturing Establishment Nepal (CME) (2001-2002, National Level), Kathmandu: National Planning Commission Secretariat (NPCS) .
- CBS, (2005). Statistical Year Book of Nepal, Kathmandu: NPCS.
- CBS (2006). Nepal in Figures, Kathmandu: Government of Nepal, NPCS.
- CBS (2007). Nepal in Figures, Kathmandu: NPCS.
- CBS (2007). Statistical Year Book of Nepal, Kathmandu: NPCS.
- Charles L, Fred Stoner and Shattuck E. Richard, (2001). Business in Integrative Approach (2nd Ed) New York: Irwin Mc Graw- Hill
- Department of Cottage and Small Industry, (2064). Industrial Promotion Statistics, Kathmandu; HMG Ministry of Industry Commerce and Supply.
- Holt, David H. (2004). Entrepreneurship New Venture Creation, New Delhi: Prentice Hall of India
- Koplovitz, Kay, (2002). Bold Big Women Ideas, New York: Public Affairs.
- Longenecker, Justin, Moore Carlos W. and Petty J William (1994). Small Business Management: An Entrepreneurial Emphasis 9th Ed, Ohio: South Western Publishing Co.
- Ministry of Finance (MOF) (2007). Economic Survey F.Y. 2006/07 Kathmandu: MOF, Government of Nepal.
- NRA (1999). Nepal District Profile, Kathmandu: National Research Associate (NRA).
- Siropolis, Nicholas Zl. (1986) Small Business Management (3rd Ed) Boston: Houghton Mifflin Company.
- Shrestha, Juddha Bahadur (1980) Role of Entrepreneurs and Managers in Nepal. Management Dynamics Vol.1 No 1 Kathmandu: Shanker Dev Campus
- Walters, Jamie (2001) Big vision, Small Business, San Francisco: IVK Sea Publishing