

## Family Business Practices: Empirical Insights from Bhadrapur Municipality, Jhapa, Nepal

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### Abstract

This paper reviews the family business practices adopted by different types of business and their approaches. The research is conducted to investigate the management practices and control mechanisms of family business in Bhadrapur area. Primary data showed the responses of the businessmen as well as customers and initiation of family members for undertaking business. A field survey on fifty different types of family businesses and one hundred customers explored the degree of effectiveness of management and control system of the firms. The study has found the trend of business practices along with the frequency of customers' visit and transactions performed by different income group customers with different family businesses of Bhadrapur area. For the purpose of data presentation and analysis, a business survey as well as customer's survey were performed by using Likert Scale. The analysis provides foundation for young entrepreneurs and motivates for being self-sustained and establish their own business by their professional skills acquired by degree that they receive from university education. This research will be beneficial for the policy maker of local government.

**Keywords:** Business, control, entrepreneurs, field survey, management.

### Introduction

Family businesses are the undertakings which engage economic activity performed by the active involvement of family members by nominal or average capital investment. It is one of the self-employment practices where there is professionalism in family relationship. Management is the practice of any organization which blends functions such as planning, organizing, Staffing, Directing, Controlling and Budgeting. Management helps to motivate individual approach that will assist for the achievement of organizational goals and does not allow those activities which come as obstruction of achievement of goals (Zlatko Jakovlev1, 2023). These functions assure the sound and effective functioning of any organization reducing the chances of risk and enable the organization for sustainable development. There are many large businesses in the world today which are the results of foundation created by family concept. Family businesses management practices and control systems are affected by various factors. Continuity of such profession by the coming generations in most of the businesses are seemed to be lacking in context of Nepal. Political instability, Brain drain, social and family pressures, fashions are some of the factors which have become hindrances for continuity of family busi-

-nesses and professions by the new generations. Brain Drain is the mechanism which outflows human capital of the nation with low return rates and lead to talent scarcity in host country (Mayrhofer & Buciuniene, 2023).

The success of family business depends upon the involvement of family members in the ownership and management of the firm where involvement of family makes the firm complex. As per the data from August 2023, small and family-owned businesses play a significant role in Nepal's economy. More than 90 percent of businesses in Nepal are categorized as Small and Medium Enterprises (SMEs), with the many being family based. These SMEs on Nepal's Gross Domestic Product (GDP) is around 22 percent and employ more than 2 million people, making them an important source of employment, especially in rural areas. The prospect of small and family businesses in Nepal encompasses a wide range of sectors, including agriculture, manufacturing, trade, and services. Many of these enterprises are engaged in traditional industries such as textiles, handicrafts, and food processing, leveraging Nepal's cultural heritage and natural resources. Challenges faced by small and family businesses in Nepal include limited access to financing, lack of skilled labor, inadequate infrastructure, and regulatory burden. However, the government has implemented various initiatives to support the growth of these enterprises, such as providing tax incentives, facilitating access to credit, and promoting entrepreneurship development programs. Increased entrepreneurship is an indicator of economic progress (Subedi & Gautam, 2024)

This research is based on the study conducted between 2023 Dec to 2024 June of family firms of Bhadrapur. Family firms' significance, creation of self-employment and a source of entrepreneurial habits for management graduates cannot be underestimated as per the findings derived from various researches. Nepalese graduates from major universities are suffering the obstacles of roaming for employment opportunities in service sectors though advanced courses of multiple disciplines are parts of management education in reputed universities of the country.

The study of Sthapit and Vaidya (2024) investigated problems in regulation, absence of active participation of institutional investors and shareholders in conducting business. Calabrò et al., (2021) stated the positive aspects of family enterprises such as sound relationship, trustworthy environment at the workplace and exchange of values among employees and management. According to Proceedings (2014), owners themselves did not reveal the financial statements to the professional accountants and crucial variables such as perceptions of respondents were misleading elements of trustworthy information about family business. Panta and Thapa examined in (2018) about the involvement in the ecotourism and its prospects in Bardiya National park as a part of family business which contributed in economic growth on the one hand and assisted in environmental conservation on the other hand. Berrone et al., (2012) also presented unique dimension of family business success. Stewart and Hitt, (2012) stated that stereotype perception, less professionalism still exists in family businesses and further such businesses are mis-guided by nepotism and favoritism practices.

Studies of previous researchers about family business practices contradict with each other Calabro et al. (2021). Present research provides insights regarding the similarity and dis-similarity with the opinions of previous researches. At the local level, family business practices and management and control systems seem to be favorable on some instance while unfavorable on some. Family businesses selected for the present study have agreement with Pant and Thapa (2018) regarding positive aspects such as healthy relationship, faithful environment at the work place and empowerment of local people as self-employment is found to be generated by such business practices. Similarly, some businesses selected for the present study also are found to have disagreement with these researchers but agreed with the opinions with researches of Sthapit and Vaidya, (2024) and Proceedings (2014), which encountered

several problems on family business management which lacked participation of stakeholders and absence of transparency on financial statements. Similarly, there were also influences of nepotism and favoritism practices. However micro level analysis is required to perform detail study about the family businesses and their prospects (De Massis & Foss, 2018).

The basic objective of this study is to examine the family business practices of Bhadrapur municipality of Jhapa, Nepal. More specifically, this study aims to identify customers of small and family businesses in Bhadrapur, analyze their transactions across income groups, and assess their satisfaction levels with these businesses.

To fulfill the objectives the following research questions are developed:

- a. What is the business practice of small and family undertakings of different types of business?
- b. What is the transaction of different types of customers with such businesses?
- c. What is the status of customer dealing with the businesses and their satisfaction?

This study is segmented in five parts. The rest of the article is divided into the following sections: part two presents the literature review on the related topic. In segment three, the research methods and materials are presented. In segment four, the data are presented and analyzed. Section five covers the study's conclusion, policy implications, and limitations.

## Literature Review

Several researches were performed by scholars in different times about family business. The latest reviews and arguments about the scholars in relation to family owned businesses are stated by the present paper.

Miroshnychenko et al., (2024) investigated the performance of family firms during COVID 19 pandemic. The research found that active involvement of family firms had been higher to serve public than non-family firms in Switzerland and other different nations of the world. A study conducted by Sthapit and Vaidya (2024) reviewed that most of the Indian businesses are family based and decisional roles are relied upon family members. Compared to other nations, style of governing Indian businesses has no strong regulatory norms and absence of active participations of institutional investors and shareholders. Waheed (2023) discovered the concealed importance of resources in family firms that are required for the stakeholders. The researcher also stated the positive aspects of family firms which was assistful for growth and would be helpful for every family owned businesses.

Upadhyaya (2023) argued that presence of inadequate resources and lack of sufficient knowledge about the significance of succession planning to the business owner in family based educational institutions have always imposed challenge in competitive scenario in global market. The study has also presented the fact regarding dynamism in educational sector and obstacle created due to family in managing the institution. Calabrò et al., (2021) investigated about the family owned businesses at the time of crisis. The study discovered the scenario of the businesses performance on several areas during COVID 19 pandemic. The research also found the requirement of top quality relationship, counselling, faith and shared values among the employees and management. Ruiz-Palomo et al., (2019) argued that Family enterprises use MCS occasionally for several of reasons first, as centralized decision-making and the owner-manager relationship overlap; second, because the owner holds individual authority; and third,

because of the bind between the family and the company. Further, such businesses view the implementation of informal and subjective management controls as the most common MCS.

De Massis and Foss, (2018) highlighted the necessity of adopting micro level analysis enabling the researchers to broaden and make the knowledge of contemporary issues about family firms transparent. Though, studies are found to be performed frequently in this regard, denying micro level analysis is troublesome as the predictions of theory at macro level only lead to wrong and incomplete evidences about family firms. Hauck et al., (2016) stated that the main feature of family ownership is that such businesses influence the economic and non- economic aspects either positively or negatively. The profit or loss of non- economic value is the main concern of decision making. Stewart states that Stereotypes perception about family owned businesses are guided by less professionalism than non-family owned businesses. However, some family enterprises possess proper management but are found to have practiced nepotism practices than non-family business.

Proceedings (2014), reviewed about the comparative analysis of financial performance of selected small businesses in Goa. From the study, it was found that owners were not ready to show financial figures required for professional accountant for evaluation. The data was collected through crucial variables as perceptions of respondents. Berrone et al., (2012) investigated about the unique dimension of family businesses in relation to the socio-economic wealth. In this research several options for conducting family businesses were addressed. Panta and Thapa, (2018) studied about of prospects of ecotourism and women involvement enhancing environmental conservation, participation of community women and promoting tourism as a part of entrepreneurship which not only added plus point on economic growth but also creating unique opportunity to promote tourism sector in Bardiya national park premises. The research found that women entrepreneurs increased their potentiality and self-dependency by getting involved in hotel and homestay enterprises. Miroshnychenko et al., (2024) investigated the performance of family firms during COVID 19 pandemic. The research found that active involvement of family firms had been higher to serve public than non-family firms in Switzerland and other different nations of the world.

## Methodology

A descriptive research design is adopted in this research as the study simply describes the business practices of small undertakings. Altogether, 50 small businesses and one hundred fifty customers were interviewed in random fashion for the research. Primary data has been used for the analysis of small and family business. The small businesses involve Retail, IT based, street vendors, animal husbandry, Nursery businesses. A well-structured questionnaire was prepared by using Likert Scale and distributed to the business personnel associated with family business of different types of business undertakings in Bhadrapur Municipality.

### Variable and model specification

Since, the study is based on small and family business performance and business is carried out for society and customers residing in different corners of the society, business performance and turnover (ie, sales) of such business is dependent variable while varied customers transactions with regard to products and services at different types of businesses of different natures are independent variables of the research.

## Presentation and analysis

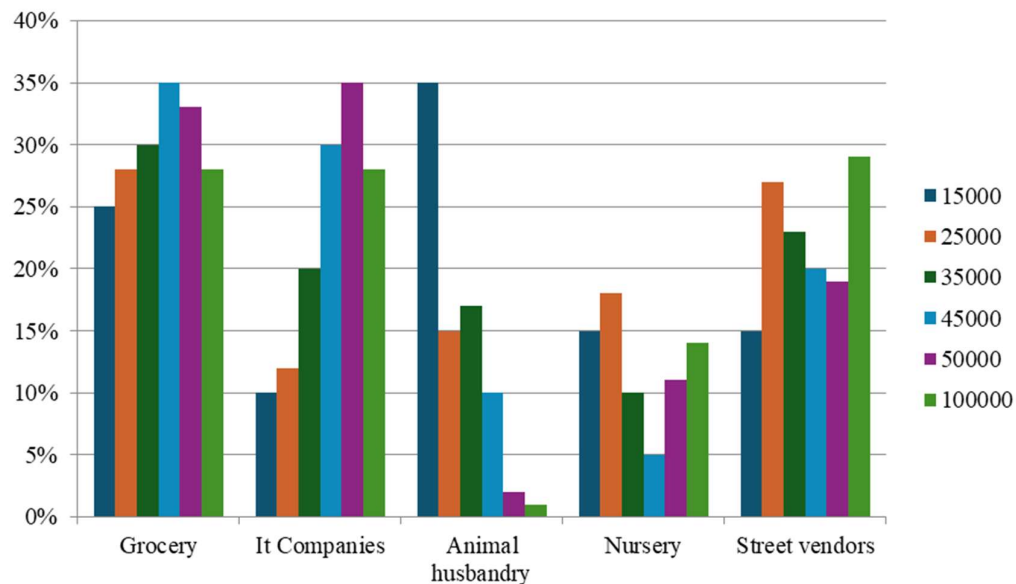
Questionnaires were asked to the respondents associated with different members belonging to diversified family businesses. The responses were taken from different areas of businesses so that the overall scenario of family business could be identified. The questionnaires in relation to management and control system of family businesses of the locality were asked in the following manner:

**Table 1**  
*Family Business Survey*

Sector	Questionnaire area	Response
Grocery business	Family members involvement	Loyalty and sense of belongingness
IT companies	Employees participation	Importance of participative management
Animal husbandry	Products marketability	Price reduction and wider market area significant
Nursery	Access of every seasonal sales	Demand fulfilled but only few types of customers' visit
Street Vendors	Service delivery period to customers	Addition of new flavor's, trial of token system

Table 1 clearly displays the different types of businesses of Bhadrapur along with areas with which questions were asked to the businessmen and their responses about their business practices' management, corrective actions that they took on different occasions and are currently operating their businesses with some success.

The Contribution of different monthly average income group customers to these businesses is presented by the following figure:



**Figure 1**  
*Family Business and Earning*

From the figure, it can be analyzed that family businesses of different areas' performances in Bhadrapur Municipality seem to differ as per the categories of different income group's customers. The customers earning more than Rs 35000 as monthly income perform less transaction with Nursery business. However, animal products usage produced astonishing result. Animal products such as meat, milk, egg, fish is found to be used most by the average income group of Rs. 25000 than that of Rs 45000, Rs 50000 and Rs 100000. There is no much difference in usage of street products as per the level of income of people compared to other businesses in Bhadrapur area. The significance of Information technology has increased in the present situation as every income groups are found to having transaction with IT companies.

The research paper included the family business of diversified area. However, among them IT companies which were purely family business employed few employees with young talent who were relatives as well as non-family members. Some businesses such as street vendors did not possess any non-family member to perform supportive role. Similarly, in most of the grocery stores, animal husbandry too, family members and relatives were acting as employees for assisting the business. The satisfaction level of business however seemed to be satisfactory on some area while businessmen had grievances as well on some aspects. Core area where business undertakings are performed, habit, loyalty, offers provided on large orders, discount, etc. were the major factors that influenced business performance in different times. As the family business under study were from different areas, these elements too seemed to be variable for achieving their business goals. A part from businessmen sample survey, customer's perception about business practices was also taken into consideration for the research work. A sample of 100 different customers belonging to above mentioned business areas were interviewed to know about the responses about quality of products and services at affordable price of such family businesses. The responses of the customers in relation to business is presented by Likert scale in the following table.

**Table 2**  
*Satisfaction Survey of Customers Dealing with Grocery, Street Vendors and Animal Husbandry*

Scale Rating	1	2	3	4	5
Product or service delivery quality	40%	30%	5%	10%	15%
Delay in service during queue	60%	20%	10%	8%	2%
Priority to relatives during occasions	80%	10%	2%	3%	5%
Adoption of token system during queue	4%	3%	3%	40%	50%

Scale Rating: 1, 2, 3, 4, and 5 indicates the strongly agree, agree, neutral, dis-agree, and strongly disagree respectively.

Since Bhadrapur is a small town, there are no more alternatives available for customers compared to other urban areas such as Biratnagar, Kathmandu and even Birtamode where there are numerous businesses and adequate alternatives. From the Satisfaction survey, business practices and effectiveness in managing on different tough situations are revealed. Positive side from customer's perception lies on quality of products and services of grocery, animal husbandry and street vendor's products. Negative aspects such as delay in service during queue, priority to relatives on different occasions such as

Dashain, Tihar, Teez and inability to manage demand of customers and failure to adopt token system by most of the family businesses are clearly experienced by most of the customers. However, some family businesses such as street vendors adopt token systems to manage their business activities but it is negligible.

**Table 3***Satisfaction Survey of Customers Dealing with IT Companies and Nursery Business*

Scale Rating	1	2	3	4	5
High- and average-income families: High demand for nursery products	35%	20%	15%	20%	10%
Positive Response of IT companies for customers complaints	20%	40%	5%	20%	15%
Easy accessibility of seasonal demand nursery products	50%	30%	2%	10%	8%
Youths attraction to IT companies	70%	25%	2%	1%	1%

ScaleRating: 1, 2, 3, 4, and 5 indicates the strongly agree, agree, neutral, dis-agree, and strongly disagree respectively.

With regards to IT and nursery businesses, most of respondent customers are found to be positive on every aspect under study as satisfaction survey shows strong agreement and agreement of more than 50% compared to other ratings. It is a good indication that 70% of youth's attraction lies on family business of IT companies. Similarly, easy accessibility of seasonal nursery products for farmers and those who prefer varieties of flower for attraction within their household compounds are also found to be not short in supply from nursery farms of Bhadrapur.

## Conclusion, Policy Implication and Limitations

This study has investigated family business practices taking into consideration different types of small and family businesses of Bhadrapur area. Research found different results of different businesses by conducting survey with businessmen and different category of customers having varied levels of income. Among different family businesses, grocery IT companies and street vendors' businesses transaction percentage with every income level customer was found to be in double figures. Primary data was used for the study by directly questioning the family entrepreneurs, their strategies in different situations to attract customers, effect of direct decision making and participative approach for ensuring better business practices. Small town Bhadrapur experience some hindrances in family business practices which occasionally create grievances among the customers though business intends to manage properly. Businesses inability to manage the products whenever queue arise for demanding products on festivals, occasions. Trend of providing important products providing first priority to neighbors, relatives and unable to supply for other customers by vendors who deliver qualitative products at other time than festival. In some occasions there are no such some problems of family businesses such as grocery and animal husbandry in Bhadrapur area.

This study covers only 5 types of family businesses in Bhadrapur area. However, this study is significant as it conveys message about the role of family business for young business graduates. It is not necessary that business requires huge investment, crowded town area where there are lots of

apartments, large population, and presence of every VIP people. It can be conducted in small town where trustworthy customers who are quality conscious on important products, loyalty towards pure products from agricultural source and take interest on new technology for future endeavour.

Family entrepreneurship's existence and dedication of entrepreneurs by the collective effort of family members are obviously found in every parts of our country whether large town or small town with low population. Some of the large business houses of today are also the outcomes of family entrepreneurship. Therefore, collective effort of government and policy makers should bring new schemes in order to motivate the family entrepreneurs. Today's burning issue is brain drain of fresh graduates of Nepalese Universities. Therefore, this research paper's data presentation and its findings need to be realized by different scholars, policy makers, academicians for further studies which surely becomes contributory to convey important message for ensuring revolutionary move for self-employment for the people even for those who have less capital.

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