

## **What Motivate Youths to Start a Business: An Empirical Evidence from Eastern Nepal**

Arjun Rai<sup>1</sup>, Chandra Kumar Rai<sup>2</sup>, Khagendra Adhikari<sup>3</sup>, Min Bahadur Karki<sup>4</sup>

<sup>1</sup>Principal author

Lecturer

Faculty of Management, Mahendra Multiple Campus, Dharan,

Tribhuvan University, Nepal

arjun.raï@mahmc.tu.edu.np

<https://orcid.org/0000-0001-9578-6971>

<sup>2</sup>Corresponding author

Associate Professor

FOM, Mahendra Multiple Campus, Dharan, Tribhuvan University, Nepal

chandra.raï@mahmc.tu.edu.np

<https://orcid.org/0000-0002-0111-6609>

<sup>3</sup>Co-author

Teaching Assistance

FOM, Mahendra Multiple Campus, Dharan, TU, Nepal

khagendra.adhikari@mahmc.tu.edu.np

<sup>4</sup>Co-author

Lecturer

FOM, Mahendra Multiple Campus, Dharan, TU, Nepal

Email: min.karki@mahmc.tu.edu.np

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### **Abstract**

This survey attempted to explore the motivating factors of young entrepreneurs in eastern Nepal to start a business. Primary data were collected from 204 young entrepreneurs from eastern Nepal using a self-administered questionnaire. The collected data were coded, entered, and processed in the Statistical Package for the Social Science (SPSS, version 25). This survey used a quantitative technique to analyze the collected data. The study's findings revealed that most young entrepreneurs of eastern Nepal were motivated by profit potential to start the business, followed by a perceived

difficulty to find a job in Nepal and willingness to do something new through entrepreneurial activity. The least number of entrepreneurs had started their business for legacy purposes and to take advantage of a supportive business network.

*Keywords:* youth entrepreneurship, entrepreneurial motivation, Eastern Nepal

## **Introduction**

### **General Background**

Turker and Selcuk (2009) stated that entrepreneurship had attracted scholars' and policymakers' attention during the last decades. The primary cause of this concern is the increasing need for entrepreneurs who promote economic development by introduce new ideas and convert them into profitable ventures. Entrepreneurs are the incubators of technological innovation and creators of employment opportunities and increase economic activities in a country. It is agreed that entrepreneurship is necessary for economic growth; meanwhile, it is also equally important to understand the motivating factors for business creation. The government of Nepal has been attempting to promote entrepreneurship development. However, the development of entrepreneurship in Nepal is not satisfactory. The fact that hundreds of Nepali youths are persuaded to seek a job instead of becoming entrepreneurs. The youth of Nepal either search for a career in the country or foreign lands (ILO Report 2019). Buheji and Ahmed (2017) asserted that youth from developing countries are obsessed with qualifications and certifications that coincide with Nepalese youth.

Further, they stated that youth, especially the poorest, tend to start a job early without equipping themselves with the necessary skills required to enter the labor market, eventually forcing them to move to bigger towns or other countries for better employment opportunities, isolating themselves from their family and supporting social network. To achieve peace after a decade-long conflict (Maoist insurgency), bring the youth into the mainstream economic activities, and promote the youth's participation in the social transformation process, in 2008, the Ministry of Youth and Sports was established (National Youth Policy 2015). Different initiatives have been undertaken by Nepal's government (National Youth Policy 2015) to achieve the mission and objectives conceived by Nepal National Youth Policy (2009). A country with approximately 40.3 percent youth in the total population can take population-related benefits, i.e., demographic dividend. To take such a demographic dividend, the challenges and problems of the youth need a due address. Nepal National youth Policy (2015) outlined

the issues and challenges Nepal's youth face: lack of employment-oriented quality education, limited access to vocational skills, unemployment, a flight of youth to the international labor market, and lack of youth investment-friendly environment, and many more. A new system of governance, availability of opportunities, an abundance of natural resources, increased access to financial resources due to rapid expansion of financial institutions, and expanding entrepreneurial education networks promise an entrepreneurial opportunity in Nepal. Although Nepal has an enormous entrepreneurial opportunity, many young people leave Nepal for employment daily. This paper explores the business areas that the youth are involved and the primary motivating factors to start the business in the context discussed above.

### **Statement of the Problems**

Different studies conducted in different socio-cultural contexts revealed various motivating factors to start the business. The profit potential or generating income, job security, difficulty in getting a secured job, an advantage of leaving a legacy for the family members, and utilizing the skills acquired in training were some of the motivating factors behind starting a business by the entrepreneurs from different socio-cultural contexts. This study aims to determine what factors motivated the young entrepreneurs of eastern Nepal to start their businesses.

### **Research Questions**

This study is conducted in the backdrop of the following pertinent questions in the Nepalese context.

- a. What are the significant areas of business in which the young entrepreneurs of eastern Nepal engaged?
- b. What are the significant sources of capital used by the young entrepreneurs of eastern Nepal?
- c. What are the primary motivating factors to start the business by young entrepreneurs of eastern Nepal?

### **Objectives of the Study**

This study has the following objectives.

- a To investigate the areas of business that young entrepreneurs are engaged in, in eastern Nepal.
- b To find out the primary source of capital of young entrepreneurs of eastern Nepal.

- c To identify the motivating factors for young entrepreneurs of east Nepal to start their businesses.

## **Review of Literature**

### ***Concept of Youth***

Schnurr and Newing (1977) defined youth entrepreneurship as a process of applying enterprising qualities, such as innovation, initiation, risk-taking, creativity in the work setting, which may be in self-employment or employment in others' small startups. Thus, young entrepreneurs refer to those people who are innovative, initiative, risk-taking in nature, either starting their enterprises or working for others. Nevertheless, this definition of youth entrepreneurship does not delineate clearly who the youths are. Chigunta (2002) categorized youth entrepreneurship into three major types, viz. pre-entrepreneurs, budding entrepreneurs, and emergent entrepreneurs. Chigunta (2002) stated that pre-entrepreneurs are the youth in the age band of 15-19 years who have limited business experience and novices. Budding entrepreneurs are young adults in their middle 20s and have some skills, the required capital to launch their enterprises, and have business-related experiences. The emergent entrepreneurs are the youth, who are in their late 20s with an accumulated business-related experience, are matured. However, in the study context, youth entrepreneurship refers to the entrepreneurial initiation taken by the people of the 16-40 age group. In this study, young entrepreneurs refer to those in the age group of 16-40, recognize entrepreneurial opportunities to create value and establish new enterprises, irrespective of the sectors and investment amount. Nepal National Youth Policy (2015) defines "Youth" means citizens within 16 to 40 years. According to the criterion set by National Youth Policy Nepal (2015), total youth constitutes 40.3 percent of the total population in Nepal.

### ***Concept and Roles of Entrepreneurs***

Al-Mamun et al. (2016) stated that entrepreneurial activities are crucial in any country's economic growth. The term "entrepreneur" is frequently used to refer to financial matters through academia, mass media, and also by ordinary people in their daily interactions. The word entrepreneur is said to have its origin in French long before a general concept of an entrepreneurial function. (Ssendi 2013). During the 1800s, several academicians and French economists gave specific meaning to "entrepreneurship" and "entrepreneur." However, with differences in the characteristics

of the economic sector's area, they were interested (Ssendi 2013). In the same study Ssendi (2013) remarked that just after the 1700s, the French government used the term entrepreneur to imply civil engineering contractors in road works, bridges, and sometimes fortification contractors and later on architects. Thus, an entrepreneur is a person who can efficiently organize all the required resources for exploiting an opportunity to add value, develop the resources, and become successful. An entrepreneur is an agent who initiates value-adding activities by offering a product or service. The word entrepreneur does not refer to a person who buys an existing business and runs it the previous owner used to run it. Instead, entrepreneurs identify the business opportunities unidentified by others or manage the business in innovative ways. Even if the risk-bearing component is incorporated in many current theories on entrepreneurship, the risk-bearer approach alone is insufficient to explain why some individuals become entrepreneurs while others do not (Ssendi 2013).

An entrepreneur is an individual who starts a new business where there was none before, Gartner (1985). An entrepreneur either creates a new business or continues to operate an existing business in new ways. Other scholars like Cunningham and Lischeron (1991) opined that entrepreneurs are the persons who organize, own and, manage the required resources and assume the risk associated with the venture. Pant (2015) opined that entrepreneurs play a significant role in transforming economic opportunities into economic activities regarding the entrepreneurs' role. Economic development has essential roles in countries like Nepal facing underdevelopment, unemployment, pervasive poverty, and social marginalization of many people.

### ***Motivating Factors for Entrepreneurs***

Yalcin and Kapu (2008) asserted that it is essential to understand what motivates people to create a business or start a business—studying entrepreneurship without including motivation results in an incomplete theory and developing policies (Herron & Sapienza 1992). Motivating factors for starting a business can either be internal or external. Those motivating factors are further classified into four different categories, such as financial rewards (extrinsic rewards), independence/autonomy, personal growth (intrinsic rewards), and family security (Herron & Sapienza 1992; Kuratko et al., 1997). Similarly, the motivating factors for enterprise creation are also categorized as push or pull factors. Javalgi et al. (2018) stated that push factors for starting a business include increasing family income, dissatisfaction with a salary-based job, difficulty finding a job, and the need for flexibility for family responsibilities.

Contrarily, Pull factors include the need for independence, self-actualization, increased status quo, and reputation in society (Yalcin & Kapu 2008). A study conducted by Yalcin and Kapu (2008) in Kyrgyzstan's entrepreneurs found difficulty getting a job and profit potential to be the primary motivators of entrepreneurial startups.

Similarly, different studies revealed that increasing income, creating a job for oneself, personal satisfaction and growth, and job security were the key motivating factors for starting a business. Benzing et al. (2005) found that the Romanian entrepreneurs were motivated by profit potential and job security to launch their enterprises. Likewise, a study conducted by Swierczek and Thai (2003) found that the entrepreneurs from North, Central, and South Vietnam were motivated by challenge and achievement. Benzing et al. (2009) revealed that Entrepreneurs in Turkey were motivated to increase income, job security, and personal freedom and independence, essential to entrepreneurs. Different researches have identified various motivating factors to launch a business in different cultural contexts. Thus, this paper aims to determine the motivating factors to start a business in the Nepalese socio-cultural context.

### **Research Methods and Materials**

According to Bryman and Bell (2015 p. 28), "research design is a framework for the collection and analysis of data." A choice of research design reflects decisions about the priority being given to a range of dimensions of the research process (Bryman & Bell 2015. P. 28). This survey used a structured questionnaire to collect the primary data from 204 youth entrepreneurs in eastern Nepal. This study used descriptive and quantitative research methods. In this study, the researcher used a primary data source from 204 young entrepreneurs from eastern Nepal. The questionnaire was sent to the target respondents by using social networking contacts. Sampling Method: The researcher used a non-probability sampling method. The actual data revealing the exact number of youth entrepreneurs in the eastern part of Nepal was not available. Therefore, the snowball sampling or chain-referral sampling technique was used to collect data from the respondents. In the first phase, youth entrepreneurs connected to the researcher's social networking were sent the questionnaire; after that, those youth entrepreneurs forwarded the questionnaire to other youth entrepreneurs of their acquaintance circle. In the second phase, the questionnaire recipients were requested to fill up the questionnaire and submit it. The received responses in the google sheet were

then exported to SPSS (Statistical Package for Social Science Version 25), and the all-necessary data coding and interpretation were carried out. The population of the study includes all the young entrepreneurs of the eastern part of Nepal. However, due to the unavailability of the sample frame, the data was collected from 204 respondents. Kline (2015) suggested that a sample size of more than 200 is considered adequate because the statistical analysis is based on probability. For data analysis and presentation, this study used simple descriptive tools.

### Results and Discussion

This chapter presents the collected data and the findings of the study. This study aims to examine the entrepreneurial motivations of young entrepreneurs of eastern Nepal.

**Table 1**

*Business Sector Involvement Profile*

Business sector	Frequency	Percent
Agriculture	67	32.8
Grocery	24	11.8
Construction Materials	7	3.4
Manufacturing	5	2.5
Trading	16	7.8
Service	70	34.3
Other sectors	15	7.4
Total	204	100

Table 1 presents the number of young entrepreneurs engaged in different business sectors. Out of 204 young entrepreneurs included in this study, 34.3 percent of the respondents were engaged in the service sector, which is the highest score, followed by 32.8 percent of young entrepreneurs involved in agro-business. Similarly, the data analysis revealed that close to 12 percent of young entrepreneurs' business was related to the grocery business, 8 percent of the young entrepreneurs of this study were engaged in trading and other sectors. The least number of entrepreneurs involved sector was the manufacturing sector.

**Table 2**  
*Location Profile of Young Entrepreneurs*

Districts	Frequency	Percent
Morang	26	12.7
Sunsari	23	11.3
Jhapa	22	10.8
Dhankuta	21	10.3
Ilam	20	9.8
Pachthar	18	8.8
Udaipur	17	8.3
Bhojpur	16	7.8
Sankhuwasabha	14	6.9
Tehrathum	14	6.9
Khotang	13	6.4
Total	204	100

Table 2 presents the location profile of young entrepreneurs from eastern Nepal who participated in this study. Out of 204 respondents, 12.7 percent of the respondents were from Morang, and the least number of young entrepreneurs who participated in this study were from Khotang, accounting for 6.4. Similarly, Sunsari has the second-highest number of participants in this study, with 11.3 percent of respondents. Jhapa and Dhankuta had a similar number of respondents accounting for around 10 percent of 204 respondents. Similarly, out of 204 respondents, 9.8 percent were from Ilam. Pachthat and Udaipur have a close number of respondents, with approximately 8 percent out of 204 respondents. Likewise, 7.8 percent of respondents were from Bhojpur.

**Table 3**  
*Enterprise Profile*

Variables	Groups	Frequency	Percent
Market Area Served	Nationwide	30	14.7
	Local market	174	85.3
	Agriculture	67	32.8
Sector	Grocery	24	11.8
	Construction Materials	7	3.4



	Manufacturing	5	2.5
	Trading	16	7.8
	Service	70	34.3
	Other sectors	15	7.4
	Personal saving	56	27.5
Capital Sources	Only Loan	12	5.9
	Both	136	66.7
	Department of Cottage and Rural Industries	171	83.8
Registration office	Company Registrar	22	10.8
	Both	11	5.4
Major Customers Served	Individual buyers	131	64.2
	Organizational buyers	73	35.8
Total number of enterprises under this study		204	100

Table 3 presents the enterprise profile of enterprises. Table 4 reveals that out of 204 respondents, 14.7 percent covered the national market, and 85.3 percent of enterprises sold their products to their local market only. Similarly, an analysis of the business sectors of enterprises exhibits that out of 204 respondents, 32.8 percent of enterprises were related agricultural sector, 11.8 percent in grocery, 3.4 percent in construction material, 2.5 percent in manufacturing, 7.8 percent in trading, service sector – 34.3 percent, 7.4 percent of respondents were related to other sectors. Regarding the capital sources, out of 204 respondents, 66.7 percent used personal and loan from financial institutions to establish their enterprises, 27.5 percent used the saving, and 5.9 percent of young entrepreneurs in this study established their business with a hundred percent loan from the financial institutions. Similarly, most young entrepreneurs had registered their enterprises to the department of cottage and rural industries, accounting for 83.8 percent. Out of 204 respondents, 10.4 percent had registered their enterprises to the company registrar's office. Only 5.4 percent had registered their enterprises to both registration offices, i.e., to the office of the department of the cottage and rural industries and the office of the company registrar. Furthermore, an analysis of the customers served shows that out of 204 respondents, 64.2 percent of enterprises had individual customers, and 35.8 percent served organizational buyers.

**Table 4**  
*Demographic Profile of Respondents*

Variables	Groups	Frequency	Percent
Gender	Female	83	40.7
	Male	121	59.3
Qualification	Grade 10 or below	42	20.6
	Higher Secondary	92	45.1
	Bachelors or above	70	34.3
Pre-Business Training	No	54	26.5
	Yes	150	73.5
Training Provider	Govt	44	29.33
	Non Govt	106	70.67
Overseas Employment	No	163	79.9
	Yes	41	20.1
Total Respondents		204	100

Table 4 present the demographic profile of young entrepreneurs of eastern Nepal who participated in this survey. Table 4 shows that out of 204 respondents, 59.3 percent of young entrepreneurs are males, and the rest are young female entrepreneurs. Similarly, the respondents' educational qualification exhibited that out of 204, 20.6 percent had a grade 10 or below, 45.1 percent had a higher secondary, and 34.3 percent had a 'bachelor or above' level of qualification. Likewise, the data presented in Table 4 reveals that out of 204 respondents, 73.5 percent had acquired business-related training before establishing their business, and 26.5 percent of young entrepreneurs established their businesses without acquiring any business-related training. Further, out of those 150 young entrepreneurs, who had acquired training before starting their businesses, 70.67 percent were provided the government's training, and the rest 29.33 percent of young entrepreneurs acquired training from non-government institutions. Likewise, analysis of whether the young entrepreneurs had been to any overseas employment before starting their business shows that out of 204 young entrepreneurs, 79.9 percent of the young entrepreneurs had an overseas employment experience, and the remaining 20.1 percent of them had the experience of overseas employment before starting their businesses.

**Table 5***Motivation Factors for Starting a Business*

Motivating Factors	Frequency	Percent
To use experience	63	30.9
Profit Potential	109	53.4
Wanting to do something new	96	47.1
Lack of Job Opportunity in Nepal	106	52
To use a supportive business network	8	3.9
Influenced by the success of others	19	9.3
Legacy	8	3.9
Total number of respondents	204	100

Table 5 shows the motivating factors of young entrepreneurs of eastern Nepal to start a business. The respondents were asked to provide different motivating factors for starting the business. Out of 204 respondents, 30.9 percent started the business to utilize the experience, 53.4 percent opted for business due to profit potential, 47.1 percent started the business to do something new, 52 percent started the business because of difficulty in getting a job in Nepal. Similarly, 3.9 percent of young entrepreneurs opted for businesses to utilize their existing network to support their business. Likewise, 9.3 percent of young entrepreneurs started a business due to the influence of other successful businesspersons. Likewise, out of 204 young entrepreneurs, only 3.9 percent of them started the business for legacy or believed that the next generation could inherit the business.

**Conclusion**

This study's objective was to determine the areas or the business sector involved, the primary source of capital to finance the enterprise and identify the motivating factors for eastern Nepal's young entrepreneurs. The study revealed that most young entrepreneurs were involved in the service sector, followed by an agriculture-related business involvement. Similarly, the analysis of the capital sources suggested that the majority of the young entrepreneurs used personal savings and loans from financial institutions to start their enterprises. Further, most enterprises were found to be registered in the cottage and rural industries departments. Likewise, the customer profile of the enterprises run by young entrepreneurs was individual customers. Analysis of the young entrepreneurs' demographic characteristics suggests that most of the youth entrepreneurs included in this study were males. The young

entrepreneurs' academic qualification analysis revealed that most young entrepreneurs' academic qualification was at a higher secondary level. The respondents were asked for the reason to choose the area they were involved. The majority of them stated that they chose the area for utilizing their skills learned in training. Likewise, the majority of young entrepreneurs were motivated to start a business by profit potential.

### ***Implication***

The study's findings show an uneven number of young entrepreneurs involved in different sectors of the economy. For instance, in this study, most young entrepreneurs of eastern Nepal were involved in the service sector, whereas; very few young entrepreneurs were involved in the manufacturing-related business. The result of the study indicates a disparity of involvement in different sectors. The policymakers must identify the underlying reasons and formulate policies accordingly so that all sectors of the economy can attract entrepreneurs and promote an even development of all the sectors. The study shows that most young entrepreneurs who participated in this survey were young male entrepreneurs. Despite the Nepal Government's effort to promote women's access to economic opportunities, the study shows that a higher number of males owned the enterprises. The government and other non-government organizations working to promote women empowerment and gender equality to the economic pursuit may pay timely attention to excavate possible reasons less participation of women in entrepreneurial activities.

The study exhibited that most of the enterprises' scope of operation was confined to the local market only. In other words, the majority of entrepreneurs sold the product to their local market only. It is imperative to find out the reasons for confinement to the local operation. Suppose the operation is confined to a local area due to the lack of infrastructure required to access the market. In that case, the concerned authorities may give due consideration and act upon it.

An analysis of the capital sources revealed that a substantial number of entrepreneurs had started their businesses with their savings. Further researches may be required to determine the reasons behind the entrepreneurs relying on their savings to fund their businesses. Suppose the reason for relying on personal savings for funding the business is the commercial banks' stringent lending policies. In that case, necessary measures may be taken to promote entrepreneurship and access to capital.

***Limitations of the Study***

Regarding the population of the study, the scope of this study is confined to eastern Nepal only. A better understanding could have been gained if the study had included all the youth entrepreneurs from Nepal. Similarly, there may issue relating to the generalization problem since the sample size is only 204. A better picture could have been presented if a larger sample size was incorporated. A larger sample size ensures greater precision of estimates (Cooper & Schindler 2008).

Similarly, all the districts falling in eastern Nepal were not included in this study. This was basically for two main reasons, i.e., due to unavailability of the sampling frame and lockdown imposed due to Covid-19 pandemic. The result would have been more inclusive if all the districts were included in the study. This study's sampling technique was a non-probability sampling technique; a probability sampling technique would have made this study sound more scientific. Although probability sampling is the gold standard for quantitative data collection, it is challenging to conduct in practical terms (Lee & Lings 2008).

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