

Features of Nepalese Micro and Small Entrepreneurs

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Abstract : *This article attempts to answer the question: what factors impel an individual to become an entrepreneur in the case of Nepalese micro and small businesses. Although several studies have been conducted in different countries about the traits, characteristics, needs or drives of entrepreneur, there has been a lack of such studies in Nepal. Like entrepreneurs in all other countries, Nepalese entrepreneurs also portray the images of the adventurer, the pioneer and independent spirit in pursuit of the fulfillment of passion and dreams, one who dares assume the risk of the success or failure of a business venture. Besides, the study reveals some special features, which are attributed to the Nepalese entrepreneurs.*

I. INTRODUCTION

Entrepreneurship is essentially the act of creation requiring the ability to recognize an opportunity, shape a goal, and take advantage of a situation. Entrepreneurs plan, persuade, organize resources, and create new ventures.

For a long time it was thought that entrepreneurs were special, that they were just born with the ability and desire to go their own way, on their own. But later it was confirmed that entrepreneurs learn to do what they do that they also learn, to a large extent, to be who they are. Therefore, it is said they are made not born.

Entrepreneurs in all countries, use personal initiative, and engage in calculated risk-taking, to create new business ventures by organizing resources to apply innovative new ideas that solve problems, meet challenges, or satisfy the needs of a clearly defined market. Entrepreneurs everywhere possess the same traits. Nepalese entrepreneurs also share the universal traits of the entrepreneurs. There are personal characteristics and skills frequently present in successful entrepreneurs, such as leadership traits, creativity, opportunism and intuition, so far no unique combination of traits, experiences and acquired skills differentiates a successful entrepreneurs from an unsuccessful one.

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II. REVIEW OF LITERATURE

Entrepreneurial Entry

Why some people become entrepreneurs and some do not? The answer of this question cannot be easily found since several factors are involved. Everybody from policy makers, development planners to administrators want to know the answer to the question "What factors impel the individual towards an entrepreneurial career? Researchers and scholars began to answer the question by studying the entrepreneur himself. As a result, certain predominant traits, characteristics, needs or drives that distinguish him from the non-entrepreneur have emerged.

There is strong evidence that environment plays a significant role in creation of an entrepreneurial venture. Environmental variables matter not only to provide opportunities to exploit the imperfect markets as argued in the approach advocated by economists, but also in the sense that different environments are more or less conducive for entrepreneurial activities to flourish (Stevenson & Jarillo, 1990, Van de Ven, 1993).

Environmental outcome relates to the boom and recession in economy, surge in demand or supply, growth in population, homogenization and globalization of market and development in science and technology.

Family background

Why a person is in business? It is because his father is in business or he is asked by his father to get involved in a family business. The eldest son, in almost all culture, has an added advantage of being with the entrepreneur father and learns many business secrets since his childhood. The entrepreneur father, because of his ethics and religion, grooms carefully his eldest son. Because of this he gets more attention from the father. With the passage of time he becomes capable to cover the business in the absence of his entrepreneur father.

Dr. David McClelland (1961) at Harvard and Dr. Stanley Schacter (?) at Columbia have written about achievement motivation. Along with others they include that the first-born (or oldest) child in a family is the achiever i.e., an entrepreneur.

Education and Age:

Education, entrepreneurship and development are interrelated. Education is the best means of developing man's resourcefulness, which encompasses different dimensions of entrepreneurship.

The formal education has always been considered as important assets of an individual in building his occupational career in a bureaucratized society (Lipset and Bendix, 1959).

The formal education not only helps in the acquisition of required skills for a job, which demand non-traditional skills, but also imparts knowledge about the different occupational opportunities. Therefore, in developing economy the education is always

looked upon as a means to improve one's socio-economic position in the society. Now doubts are being expressed about the effect of formal education on entrepreneurial supply (Wayne, 1970).

Age is another interesting determinant for entrepreneurs. There is not age bar to start business and one can start all ages. But the real entrepreneurs cannot just wait and often begin in their late teens or early twenties.

Age of the people engaged in the technical and non-technical area is different. The person with the entrepreneurial instincts starts the business at the earliest. The family also can help the prospective entrepreneurs by supporting his formal and informal education, which is necessary for acquiring the desired skills. The family connections and contacts at different levels also help in building one's occupational career. The family connection helps the prospective entrepreneurs in either eliminating or at least minimizing the hurdles in promotion, stabilization or development of his enterprise. The good family connection also helps the entrepreneurs at the various stages and this too acts as an additional factor in their dimension to enter the entrepreneurial job.

III. RESEARCH METHODOLOGY

Nature and Type of Data

The research study is based on primary data. Primary data have been collected through a set of questionnaire. But the secondary data also have been used to support the analysis in different aspects. The sources of primary data are the entrepreneurs from the cottage, small and medium scale enterprises (SMEs). The secondary data have been used to compare the outcome of the survey with those of the other researchers and writers and find out the differences between the study done before and now as well as to support the analysis.

Secondary data were collected for the study from the official records, publications, annual reports, books/reports and other published and unpublished information, books, journals, papers and reports.

Out of 400 distributed questionnaires among entrepreneurs of Biratnagar, Butwal, Hetauda, Kathmandu, Nepalgunj, Tansen, and Pokhara, 350 replies have been received. The responses represented a good balance of different micro, small and medium entrepreneurs from varied geographical locations.

IV. PRESENTATION OF DATA, ANALYSIS AND DISCUSSIONS

Age

In earlier studies Professors Collins and Moore (University of Michigan, *The Enterprising Man*, 1958) found that the entrepreneurs' age is between 38 and 42 years. Likewise, Hisrich & Peters (2000) has observed that most entrepreneurs initiate their entrepreneurial careers between the ages of 22 and 45. Further he opined that earlier starts in an entrepreneurial career are better than latter ones.

The study of Small Business Promotion Project (SBPP, 1991) has found that fifty four percent entrepreneurs in New Business Creation (NBC)¹ group and forty eight percent in control group were under the 30 years of age. This showed that almost half of the entrepreneurs have already started the business. The same study also pointed out that only four percent entrepreneurs were above forty-five years of age.

Table 1 : Age of Entrepreneurs

	No. of Entrepreneurs	Percentage
Below 30 years of age	79	22.64
From 31 – 45 years of age	197	56.45
Above 46	73	20.91
Total	349	100.00

Source: Survey conducted by the author, 2006.

The research study indicated that the average age is between 31 to 45 years. The total respondents were 350 and they have been categorized into three strata in age terms. Respondents below 30 years of age totalled 79 which come to 22.85 per cent, respondents from 31 to 45 years of age totalled 197 which constitute 56.29 percent and respondents above 45 years totalled 73 which constituted 20.86 percent respectively.

Nair and Pandey (2006) opine that as for age, the evidence broadly suggests that maturity in terms of age favoured success in entrepreneurial ventures. It has also been noticed that a number of individuals began their entrepreneurial venture while in their twenties.

Gender

The overall picture that everyone gets of entrepreneurs is of men. But lately women are making headway into business and even in sophisticated segment of business such as management consulting business.

Again when the study of SBPP showed that the entrepreneurs were predominantly male constituting about 93 percent in NBC group and 95 percent in control group. But the gradual involvement of women has been apparent now.

Table 2 : Gender of Entrepreneurs

	No. of Entrepreneurs	Percentage
Male	280	80
Female	70	20
Total	350	100.00

Source: Survey conducted by the author, 2006.

Of the 350 entrepreneurs included in my study 280 (80%) of them were male and 70 (20%) were females. This showed that the sizable numbers of women entrepreneurs also are venturing into the business.

Location of Entrepreneurs

Of the total respondents surveyed, 214 (62.9%) were the residents of the Kathmandu Valley and 126 (37.1%) were from outside the Valley.

Table 3 : Location of Entrepreneurs

	No. of Entrepreneurs	Percentage
Within the Kathmandu Valley	214	62.94
Outside the Kathmandu Valley	126	37.06
Total	340	100.00

Source: Survey conducted by the author, 2006.

True entrepreneurs are not bound by the particular location. It is natural that they move where the opportunities are galore. But here in my case, the focus of questionnaire study is Kathmandu. Because of this reason the percentage of respondents from the Kathmandu Valley is high.

Education

The stories and success of the people making big headlines without going the process of complete education are high. During 1950s most entrepreneurs neglected to complete high school, never mind college. People still question the usefulness of giving more time to education.

The study of SBPP (1991) showed that the education of the respondents below the secondary level is 20 percent, higher secondary 56 percent and 24 percent above the higher level in the NBC group. The percentage of the control group is 25 percent, 55 percent in the higher secondary and 20 percent in higher level in the control group.

Table 4 : Educational Level of Entrepreneurs

	No. of Respondents	Percentage
Below Secondary Level	70	20.00
Higher Secondary Level	140	40.00
Above Higher Level	130	37.14
Illiterate	10	2.86
Total	350	100.00

Source: Survey conducted by the author, 2006.

The percentage of illiterate respondents was nominal at 2.86 percent. The entrepreneurs are lately showing more respect for education and obtain higher degree. The result of Nair and Pandey (2006) substantiate that both technical education/training and work experience in a similar or related field favourably affect entrepreneurship.

Marital Status

Marrying after the wage earning is the human phenomenon in every culture and society. The entrepreneurs also fall in this category. Most entrepreneurs enter into the

matrimony only after they have some earning be it from own business or from any other source. The study of SBPP in case of NBC group has 81 percent married entrepreneurs and control group has 82 percent married entrepreneurs. There is no basic difference between the two.

Table 5 : Marital Status of Entrepreneurs

	No. of Entrepreneurs	Percentage
Single	37	10.60
Married	308	88.50
Divorced	3	0.90
Total	348	100.00

Source: Survey conducted by the author, 2006.

The Table above showed that 37 of them were single (10.6 %), nearly 90 percent of the respondents is married and just 0.9 percentages of entrepreneurs is divorced, which is insignificant.

It is said that the supportive wife significantly increases the entrepreneur's chance of success.

Occupational Origins

25 percent NBC entrepreneurs were students before they started the business, 25 percent were in family business, 14 percent were employed in service, 11 percent in agriculture and 5 percent others.

In control group 43.2 percent were students before coming into the business, 26.1 percent is employed in the job and 19.3 percent were working in the family business, 7.9 percent in agriculture and 3.4 percent in others.

Table 6 : Occupational Origins

		Percentage
Agriculture	78	23.07
Service	53	15.68
Own Business	125	36.98
In others' business firms	25	7.40
Students	54	15.98
Others	03	00.89
Total	338	100.00

Source: Survey conducted by the author, 2006.

The occupation of responding entrepreneurs before starting their business enterprises was: 78 respondents (23.07%) were employed in agriculture, 53 (15.68%) in service, 125 (36.98%) in own business, 25 (7.40%) in other business firms, 54 (15.98%) students and 3 (0.89%) others.

Monthly Income of the Family

One of the characteristics of the sole proprietors is that they do not maintain proper financial accounts and spend their personal and household expenses from the business earning itself. Some depend on the agriculture itself to meet the cost of living.

Table 7 : Monthly Income of the Family

Monthly Income	No. of Entrepreneurs	Percentage
Income up to Rs. 5,000	64	21.8
Income up to Rs. 20,000	153	59.8
Income more than Rs. 20,000	62	18.4
Total	279	100.00

Source: Survey conducted by the author, 2006.

On the basis of the income of the entrepreneur, respondents were divided into three groups – lower group earning monthly income up to Rs. 5,000, moderate group earning monthly upto Rs.20,000 and higher group earning more than Rs. 20,000 per month. Under this classification 64 respondents (21.8%) came under the lower group, 153 respondents (59.8%) in the moderate group and 62 respondents (18.3%) in higher income earning group.

Ethnicity of Entrepreneurs

The study of SBPP of ethnic distribution of NBC group revealed that Newar entrepreneurs constitute 36 percent, Brahmin 33 percent, Chhetris 13 percent, Tibeto-Burman 9 percent and other 9 percent whereas in control group Brahmin entrepreneurs top the list with 40 percent, Newar 33 percent, Chhetris just 9 percent, Tibeto-Burman 11 percent and others 7 percent. The comparative figures showed that the Brahmins, traditionally who are supposed to get involved only in religious activities are engaging actively in the business sector as well.

Table 8 : Ethnicity of Entrepreneurs

		Percentage
Newar	160	49.08
Brahman/Chhetry	128	39.26
Janajati	26	7.98
Marwadi	4	1.23
Others	8	2.45
Total	326	100.00

Source: Survey conducted by the author, 2006.

The study showed the Newar entrepreneurs topped the list with 160 entrepreneurs (49.08%), Brahman/Chhetry 128 (39.26%), Janajati 26 (7.98%), Marwadi 4 (1.23%) and others 8 (2.45%)

Parents' Occupation

In terms of evidence of the entrepreneurs' parent, there is strong evidence that entrepreneurs tend to have self-employed or entrepreneurial fathers. Having a parent who is self-employed provides a strong inspiration for the entrepreneurs.

Nepal is predominantly an agricultural country and hence it is natural that sizeable numbers of people are engaged in agriculture. The data of SBPP revealed that 40 percent entrepreneurs' father in NBC group and 59 percent in control group are involved in agriculture. Likewise, the fathers of the entrepreneurs involved in industry and business constitute 37 percent and 34 percent.

Table 9 : Occupation of Parents

Types of Family	No of Respondents	Percentage
Agriculture	182	52.3
Business	89	25.6
Government service	42	12.1
Non-government service	15	4.3
Wage earning works	2	0.6
Others	18	5.2
Total	348	100

Source: Survey conducted by the author, 2006.

The study of Nair and Pandey (2006) reveals that forty one person had their father as businessman, Further they write that there is little to indicate that those who took to business were predominantly from the business families and hence with business background. In the above Table also majority of the entrepreneurs (52.3%) are from the agriculture background whereas just 25.6 percent are from the business background. This supports the view, to some extent, that one's background does not affect much to start the business. The result of Nair and Pandey (2006) shows that business acumen does not ran in the family.

Types of Family

Family environment is most desirable in establishing entrepreneurial activity in an individual. If family is supportive, then the encouragement and achievement is possible.

Table 10 : Types of Family

Types of Family	No of Respondents	Percentage
Nucleus family	257	73.9
Extended family	22	6.3
Joint family	69	19.8
Total	348	100

Source: Survey conducted by the author, 2006.

The study of SBPP showed that 72 percent of the Nepalese entrepreneurs who are married and are living in joint-family and percent of living in nucleus family is 28 percent.

The study above reveals that nearly 74 percent of the respondents are from the nuclear family. This may be shift from the earlier joint family hold business system. In some cases joint family may be taken as hindrance to personal initiative thus barring venturesome people.

Motivating person to initiate business (Source of Inspiration)

The role model or motivating people seem to be the relatives and close friends rather than the role model of successful entrepreneurs. One's own interest also counts very much.

Table 11 : Motivating person to initiate business (Source of Inspiration)

Source of Inspiration	No. of respondents	Percentage
Own initiative	183	54.46
Parents	51	15.18
Tradition	26	7.74
Education	13	3.87
Relatives	16	4.76
Friends	43	12.80
Others	04	1.19
Total	336	100.00

Source: Survey conducted by the author, 2006.

More than 54 percent of the respondents' source of inspiration is themselves. They have taken themselves initiative of operating their ventures followed by parents' inspiration. Somehow the figure above under education scores the lowest in the Table. Just 3.87 reported that source of education is the sources of establishing the business. It will be too early to draw the line that education is the least sought factor.

V. CONCLUSION

The features of the entrepreneurs all over the places are not drastically different and most of them share the same universal traits with slight change. From age, gender, education, marital status, origin to parent's occupation they are same. Family background is most active ingredient in entrepreneurship development and most of the business ventures were established with their own initiation. It may be concluded that family business can be taken as training ground for prospective youngsters to learn something about the business games.

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