

# Importance of Demography in Business Planning Regarding Nepal

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## Abstract

A business plan which has guided through several goals of the enterprise. The several elements of the business plan are directly linked with the demographic outputs of society. The objective of this study is to analyze the importance of demography in business planning. It also focused on the role of business statics in the business cycle. The information in this study has been gathered from secondary sources. They are based on various reports, manuals, and guidelines from various organizations. Published articles, books, and reports. Information was analyzed in the descriptive method.

Business demographic statistics help to identify the demographic outputs for the planning of the new business. It provides information on the creation, destruction, and survival of enterprises. The business demographic statistics provide information on the births and deaths of a business's plan. The growth of the country's population encourages competition in business activities. It further suggests expanding the market's potential. There is a fundamental relationship between population and economic development.

There was a fundamental relationship between the development and population, the demographic transition has a vital role in economic development. Therefore developed countries have relatively low fertility and mortality rates than developing countries. In the current year, Nepal is gaining its demographic dividend and is experiencing declining fertility, declining mortality rate, and increasing life expectancy. Nepal is passing with a bonus population which has a supportive role in expanding the national economy, new business, and finally national development of the country.

*Key Words:* business demography, demographic dividend, development, population

## Introduction

Demography is the scientific study of the human population. It primarily focuses on the size, structure, and distribution of the population at a certain place and time. Business demography includes site selection, sales forecasting, financial planning, and market assessment (Tragaki, 2012). Business owners can get demographic information from various demographic censuses and surveys. Demographic information can help business people to make a good business plan.

There are three types of demographers who actively participated to link demography with business study. The first group is analysts employed by private companies and they work for various companies and their business activities. They work in market analysis, customer profiles, and site selection. The second group creates demographic databases (e.g., population estimates, consumer spending, lifestyle clusters), develop proprietary software applications, and performs customized research (e.g., estimates and projections of the population residing within five miles of a supermarket) for various business companies. The third group is individual consultants and they work on specific projects for individual clients (Javorsek, 2016).

The measures of business demography focus primarily on various dimensions. The relevant measures of demography are population composition (age, sex, race, income), consumer units (individuals, families, households), and demographic events (births, deaths, marriage, migration). They are relevant to the distribution of demographic characteristics and events across geographic areas (e.g., counties, census tracts, and postal code areas). Business demographers have extended these measures by using consumer data. The major work of business demographers is geodemographic segmentation, updating recent census data, and projecting the future value of a business (Tragaki, 2012).

Demographers can provide fresh ideas to the business world. They can visualize different problems in business. They can suggest differently than business people to improve the business project (Pol & Thomas, 1997).

A business demographer can distinguish among age (period) and cohort effects of demography to reshape a market. They inform and advise, broaden perspectives, and serve as catalysts for organizational change. It

helps expose business people to new perspectives. A demographer can elevate management thinking from an operational to a strategic level to grow up a business plan (Smith & Morrison, 2003).

A business plan guides the new business by providing goals and details activities for a business. A good business plan has several elements. The company's description includes some basic information about the company and an overview of the products and services. A company's products or services have focused on sales and value for customers. A structure of a business depends on the type and size of the organization. A Business demographer provides an in-depth analysis of the company and marketing strategy. It has developed based on people, physical evidence, and the process of a company and SWOT analysis of the business. They produce a financial projection based on sales forecast, income statement, cash flow projection, and balance sheet of the business unit ([www.nrsnepal.com](http://www.nrsnepal.com)).

The business of a company depends on various demographic outcomes of a community or city. A business demographer made accurate sales forecasting depending on the changes in population size and composition. Business Company needs various information on human resource for the planning of the labor force. Companies require information on local populations of a particular geographic location for site analyses. The demographic changes in a city can affect cash flows and return on investment this information is important for financial planning. Therefore many business projects require population estimates and projections with detailed characteristics (e.g., age or income) for the success of a business plan. . The following illustrations suggest a range of business applications (Smith & Morrison, 2003).

### **Objectives of the Study**

The objective of the study is to discuss the role of demography in business planning. It also focused on the uses of statics in the business cycle and its uses in Nepal.

### **Data and Methods**

This study is based on secondary data, information gathered from reports of various GOs and NGOs, manuals, and guidelines of various software packages. This article mainly focuses on the United Nations publication and EU publication and guidelines on business demographic reports and guidelines. Information has been used from the census, economic survey of

Nepal, and their use and process. Secondary information has been analysed in descriptive form. This study has been focused on the analysis of business demography which is mainly business formation and evaluation. It analyses tools of various statistical methods in business planning.

## **Results and Discussion**

### **History of the Business Demography**

Demographic technique and data has been used in business since the late nineteenth century (Pol & Thomas, 1997; Smith & Morrison, 2003). The census data has been used as an electronic data form since 1970. There were about 70 competitors in data production for the company by the mid-1980s (Russell, 1984; Smith & Morrison, 2003). Data-producing companies focusing on marketing, survey research, trend analysis, mapping, and software development. It became routine for businesses to base decisions on the advice of consultants, and employees skilled in collecting, analysing, and interpreting demographic data. The Population Association of America formed a Committee in 1982 to support the business demography on state and local demography and launched applied demography in 1985. During that period, two magazines have launched. The magazines focused on demographic trends, data availability, technological advances, and business applications (Smith & Morrison, 2003).

### **The Relationships between the Demographic Events and Enterprises**

The manual of business registers recommends a general typology of demographic events. It covers various statistical units including the enterprise. Like demographic change variable birth and death, there are also changes in business enterprises (birth, death) being followed. An enterprise birth concept is one that has employment and/or turnover in the population of active enterprises. It shows the number of enterprises with one or more employees. The birth of enterprise is the creation of a new company. Where enterprise death is the dissolution of a combination of factors of production. A break-up event is a splitting of the production factors of an enterprise into two or more new enterprises (Eurostat-OECD, 2007)

### **Methods of Formulation of a Business Plan**

A business plan is a guide that helps to achieve the business's goals. There are several methods to write a business plan. A common method is described here for developing a business plan. A company's description is a key part

of a business plan which includes some basic information such as the official name, location, and size of the business. Products or services of a company focused on the business sales and the value it provides to customers. Organization and management focused on the structure, management, and key members of the organization. The structure of a business depends on the type and size of the organization. The market analysis section provides an in-depth analysis of the industry and marketing strategy and explains how to attract new customers and promote the products or services to increase sales volume. The strategy and Implementation section focus on the organization's strategy and how it will go about implementing it. <https://www.nrsnepal.com/how-to-create-a-business-plan>

### **Sources of Business Demographic Data**

There are several sources that can be used to compile business demography. The major sources are administrative data, economic censuses, and enterprise sample surveys. Governments have created administrative data for the purpose of regulating organizations. It is commonly used for the collection of tax from the company (Javorsek, 2016). The economic census provides complete coverage of all enterprises. It can be a useful way of identifying or populating key characteristics of industry and business. Sample surveys provide specific information on various businesses and companies. Survey data have a greater level of detail and flexibility. The survey provides more precise information on the circumstances of enterprise births and deaths. Statistical Business Registers (SBRs) are regularly updated, structured databases of economic units in a territorial area. It is maintained by a national statistical office and used for statistical purposes (UNECE, 2015; Javorsek, 2016).

### **Parameters of Business Demographic Statistics**

Business demography statistics are provided on the creation, instruction, and survival of enterprises in a specific place over a certain period of time. It aims to encompass information on the population of active enterprises, births, and deaths of enterprises, and survival of enterprises after creation (Eurostat, 2014). Basically, the business demographic statics provides information on the births and deaths of businesses which are used for the establishment of the new business project. A manual of the Eurostat – OECD has recommended using enterprise as the statistical unit for the compilation of business demographic statics (Eurostat and OECD, 2007)

## Use of Demography in Business

Demographic information are helpful to identifying, locating, and understanding the diverse consumer groups to provide goods and services. For example, newspaper publishers and editors recognize that they must adapt to the powerful demographic and societal changes that are transforming reading habits and readers' interests. Demographers can identify the changing demographics of newspaper readers, helping publishers cater to collections of small audiences with certain shared interests who constitute an increasingly segmented readership. Demographers also can devise and calibrate specialized tools for segmenting customers (Thornton, 2001).

The demography of a corporate workforce has long-term implications for the benefits, productivity, and profitability of a business. It was also useful in site selection and evaluation of a business. Productive retail sites generally are situated in the middle of dense consumer populations or are readily accessible to the potential users of a firm's goods and services. Locally availability of the labor force is critical for many businesses (Tragaki, 2012).

### Business Demographic Statistics

Business demography statistics provide highly policy-relevant information on the economic contribution of newly born enterprises, survival, and activity of enterprises. For each business demographic event, employment variables are available in order to quantify the importance. The major work to create demographic statics is data collection. Annual business demography data collection covers variables of the demography of the business population. The methodology allows for the production of data on the enterprise is births of enterprises. The birth is the creation of a new enterprise. In other words, enterprises created or closed solely as a result of e.g. restructuring, merging, or break-up of enterprises refer to enterprises that were growing fast in terms of employees. The data are drawn from business registers, although some countries improve the availability of data on employment and turnover by integrating other sources (<https://ec.europa.eu>).

### Demography and Economic Growth

There was a positive relationship between population growth and economic performance in developing countries. The demographic situation stimulates economic development which leads to a rise in living standards. A country's population growth is taken as the market's potential for a growing business

enterprise. The expansion of a new market encourages new entrepreneurs to set up new businesses. A prominent population has highlighted the positive side of population growth for the new development of business enterprises, and the growth of the population ultimately contributes to economic growth (Simon, 1996; Furuoka, 2010).

### Demographic Transition in Nepal

Theory of demographic transition has explained that a shift from high birth rates and high death rates to low birth and death status due to different socio-economic status of a country is called the status of demographic transition. In case of Nepal, total fertility rate (TFR) remained constant until the mid-80s around point 6.3. Since then it began to decline 2.3 to 2021. Nepal's total fertility rate decreased 6.3 to 2.3, the crude death rate decreased from 13.5 to 6.5, and life expectancy increased from 49.0 years to 69 years in early 2021 (NDHS 2022). It shows that over the last four decades, Nepal has experienced very rapid demographic changes. Due to the decline in fertility, mortality rate and increase in life expectancy, the young population under 15 is decreasing and working age population of age 15-59 years is increasing. A comparison of the population pyramid (1997-2017) of Nepal shows that the new cohorts in recent years are shrinking (Chalise, 2018). Therefore Nepal is in a demographic transition and stands to gain its demographic dividend.

### Nepal's Industrial Growth and Employment

**Table 1:** Industrial Growth and GDP Contribution

Fiscal Year	Industrial Production	Industrial Growth	Contribution in GDP
1990/91	12179	15.02	4.61
1995/96	21322	8.29	6.33
2000/01	38409	30.63	9.29
2005/06	38898	2	8.09
2010/11	41923	4.1	7.14
2015/16	44223	-8	6.36
2016/17	48510	9.7	6.47
2017/18	52957	9.17	6.65

(Source: MOF, 2018)

Table 1 shows that industrial production is continuously increasing during the year 1990 to 2018. However, the growth of the industrial sector itself became more than 30 percent and the contribution of the industrial sector to real GDP is less than 10 percent in 2000/01. Accordingly, real GDP is continuously increasing. Micro, Small and Medium Scale Enterprises (MSMEs) are the starting point of development in the economies towards industrialization. The contribution of MSMEs to employment, growth, and sustainable development is now widely acknowledged. (UNCTAD: 2001).

**Table 2:** Registration of Industry in Nepal, 2018

Scale of Industries	No. of Industries	Percent	No. of Employment	Per cent
Large	856	0.24	126974	4.44
Medium	1482	0.42	140873	4.93
Small	4186	1.17	253966	8.88
Cottage	348870	98.17	2337373	81.75
Total	355394	100	2859186	100

Source: MOIC, 2018

A report by the Ministry of Industry of Nepal, 2017/18 shows that cottage industries cover almost 98.17 percent, and it provides mass employment at 81.75 percent. Similarly, cottage and small industries have covered almost 99 percent out of total industries in low investment i.e. 34 percent, and provide mass employment i.e. 95 percent.

### Discussion

Research on social science shows that there is a fundamental relationship between population and development which can be explained by the inevitable demographic transition from a high fertility rate to a low fertility rate (Dyson 2010). Studies on population and economic development have shown that there is a noticeable relationship between population growth and economic performance. But some researchers have shown that population growth neither causes per capita income growth (Dawson and Tiffin 1998; Furuoka, 2010).

Bucci and La Torre (2007) has pointed out that population growth may have a ambiguous effect on economic development, when physical and

human capital are substitutes then population growth has a negative impact on economic performance. In order to analyze the relationship between population growth and per capita growth, Turnemaine (2007) has suggested a model for human capital and economic development. This model states that technical progress, human capital, and population interact endogenously. Population growth could have a positive or negative impact on economic development. Its outcomes would depend on the contribution of human capital to the economy. Studies by Klasen and Lawson (2007) suggested that there was a relationship between population growth and economic development. They indicated that population growth has a highly significant negative influence on per capita economic growth.

Dyson (2010) explained that there was a fundamental relationship between population and development. Dyson explained the predictable demographic transition from a high fertility rate to a low fertility rate in a country. A developed country (like Japan) with relatively low fertility rates may face a serious demographic issue with the shrinking population and a negative impact on economic development. On the other hand, a developing country with relatively high fertility rates (like the Philippines) may face a demographic problem of excessive population expansion (Fukuoka, 2010).

In the case of Nepal, the total fertility rate (TFR) rapidly decline from 6.3 to 2.3 during the last decades. The crude death rate has decreased and life expectancy has increased. Therefore, Nepal has experienced demographic changes (i.e. declines in total fertility rate, crude death rates, and a decrease in population growth). On the other hand, industrial production is continuously increasing during the last two decades in Nepal.

Nepal has experienced growth in the industrial sector by more than 30 percent in 2021. Similarly, the contribution of GDP is almost 10 percent, and real GDP is continuously increasing. The industry and business sectors are expanding significantly and the national economy is growing smoothly in Nepal. In other words, a country with a large active population is helpful for increasing the national economy.

## **Conclusion**

A good business plan was guided by demographic information of a certain place. A manual for business plan registers suggested that demographic events cover a range of statistical units. A change in a demographic variable (birth and death) may impact the success of business enterprises.

There are several sources of information in business demography. The major sources are economic censuses, administrative records, enterprise sample surveys, tax records, and the statistical business register. Business demographic statistics count the demographic events of business. Business demography provides information on the creation, destruction, and survival of enterprises. The business demographic statistics also provides information on the births and deaths of the business project.

The growth of the population encourages competition in business activities and is helpful to expand the market. Growth or expansion of the market encourages to set up of new businesses. Therefore population economists said that there is a positive relationship between population growth and economic growth. On the other hand, there is an important relationship between population and development. The demographic transition (a high fertility and mortality rate to a low fertility and mortality rate) has a relationship with economic growth. In the current year, Nepal is experiencing a declining fertility rate, a declining mortality rate increasing life expectancy, and an increasing active age population. Industrial production has continuously increased during the last decades. The growth of the industrial sector increased the national GDP. Finally, increasing the active population in national demography is very supportive of the national economy, new business and finally national development of the country.

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