

Impact of Small and Medium Scale Enterprises in the Generation of Employment in Nepal

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Abstract

For an underdeveloped and developing nation uplifting economy up to expectation is a challenge. Raising economy in such context must have accelerated growth and development that improves quality of life. Small and medium scale enterprises are provisions for fast growth and fulfillment of economic prosperity by any nation. The economy depends on its working population for economic growth and development. The economic reform in the early 1990s in Nepal pulled the attention of the private and joint investment to seek the financial sector. National and regional development strategies, the strategies towards poverty reduction of individual member countries

should underline the importance of private sector promotion. In this research A total of 200 copies of the questionnaires to be administered. The instruments to be used are gather information for this study includes questionnaires and interview. Two different statistical methods are to be employed to analyze data for the study; the tools are simple percentage and chi square test.

keywords: youths, employment, economic growth, small and medium enterprises, Nepal.

Introduction

Economies of developing and transition economies, harmony among policy makers, economists, development partners that of small and medium enterprises [SMEs] are a potent factor for the industrial growth and economic development. In advancement of new technologies in the competitive world the processes of globalizing to meet the standards internationally and liberalizing, both processes combined with fast growth advancement in information technology and communication techniques creating new variation of production, enterprise development and internationally competitive.

Evidences shows that in regions or economies where enterprises have been actively promoted the poverty rates have declined. This is especially applicable for Asia more precisely Indian sub-continent. Economic growth is fast in region of young confident population. It is thus believed that Nepal through its young population has great potential for economic growth. Nepal shares much in common with India in that they being supplied with a young energetic population. Youth entrepreneurship has become vitally important due to high rate of youth unemployment situation in Nepal. Recent experiences in Nepal with high rate of child labor, involvement in violent crimes such as armed robbery and political gang fights, drugs trafficking and human trafficking are all side effects of unemployment.

Definition of keywords

youths: Youth is the time of life when one is young, and often means the time between childhood and adulthood . It is also defined as "the appearance, freshness, vigor, spirit, etc., characteristic of one who is young".

employment: Employment is a relationship between two parties, usually based on a contract where work is paid for, where one party, which may be a corporation, for profit, not-for-profit organization, co-operative or other entity is the employer and the other is the employee. Employees work in return for payment, which may be in the form of an hourly wage, by piecework or an annual salary, depending on the type of work an employee does or which sector she or he is working.

Economic growth: Economic growth is an increase in the production of economic goods and services, compared from one period of time to another. It can be measured in nominal or real (adjusted for inflation) terms. Traditionally, aggregate economic growth is measured in terms of gross national product (GNP) or gross domestic product (GDP), although alternative metrics are sometimes used.

Small and medium enterprises: Small and medium-sized enterprises (SMEs) or small and medium-sized businesses (SMBs) are businesses whose personnel numbers fall below certain limits. The abbreviation "SME" is used by international organizations such as the World Bank, the European Union, the United Nations and the World Trade Organization (WTO).

Nepal: Nepal is a landlocked country in South Asia. It is located mainly in the Himalayas, but also includes parts of the Indo-Gangetic Plain. With an estimated population of 26.4 million, it is 48th largest country by population and 93rd largest country by area. It borders China in the north and India in the south, east, and west while Bangladesh is located within only 27 km (17 mi) of its southeastern tip and Bhutan is separated from it by the Indian state of Sikkim. Nepal has a diverse geography, including fertile plains, subalpine forested hills, and eight of the world's ten tallest mountains, including Mount Everest, the highest point on Earth. Kathmandu is the nation's capital and largest city. Nepal is a multiethnic nation with Nepali as the official language.

Background of nepal



Background of small and medium enterprises in Nepal

History of industrialization in Nepal dates back to 1936. Jute Mill in Biratnagar was established on this day with joint venture with Indian industrialist. In 1940 Thirty-Five new joint companies were established till 1951 but after that for one decade not companies were established due to the social and political unrest. In Rana regime (1836 to 1951) Cottage Skill Awareness Office (Gharelu Ilam Prachar Adda) was established in 1940. After formation of the elected government in 1958, new industrial policy was announced and government also realized that Nepal being a hilly topographic country, small and medium scale enterprises will have a play very important role in economy. For the promotion of these industries in private sector, in various district Training Centre were established. During 1970 to 1990, small scale industries development program initiated in different forms like industrial and technical service program, handicraft design program, village industries program, sales management program, training program. To promote and foster various kinds of cottage and small industries enhancing their industrial productivity increment along with making congenial environment for industrial investment in accordance with policy,

Department of Cottage and Small Industries (DCSI) have been constituted. During the Sixth Plan (1980-1985), emphasis has been given to cottage and small industries. The objective of this plan was to reduce the income inequality by helping the low-income people and increase the employment. The Eighth Plan had focused on export promoting and import substituting industries specially emphasizing the role of cottage and small industries. In Ninth Plan the contribution of industry sector in GDP was confined to 9.1% however the target was 14% set for the Ninth Plan. Tenth Plan (2002-2007) also emphasized the development of industrial sector. Present Industrial policy announced many more things to be improved in the industrial sector. Cottage and Small Industry sector is also kept on priority sector.

Methods

Design and setting of study

The primary objective of this study was to establish the impact of small and medium scale enterprises on employment creation and the role of this on sustainable development of the Nepalese economy. Sample survey research on unemployed youths of tokha municipality.

Sampling design and procedure

it is practically impossible to study all the unemployed youths and small and medium manufacturing and services enterprise owners in tokha municipality, the technique adopted is random sampling technique to select samples adopted for this study. A total number of 200 samples are to be selected for this study. 200 questionnaires are administered to them so as to solicit the needed data.

Nature and sources of data

Due to the nature of this study, primary data appropriate for this study. The source for data, both questionnaire and interview are adopted.

Impact of small and medium scale industries

Foreign Currency Earnings: small and medium scale industries are good means of foreign currency earnings. The amount of export is increasing constantly. So that we can say that it provides foreign currency in a reliable way. It earns foreign currencies and reduces the trade deficit. Export based form creates the employment opportunities.

Employment creation

There is no doubt that SMEs play vital role to create job opportunities.

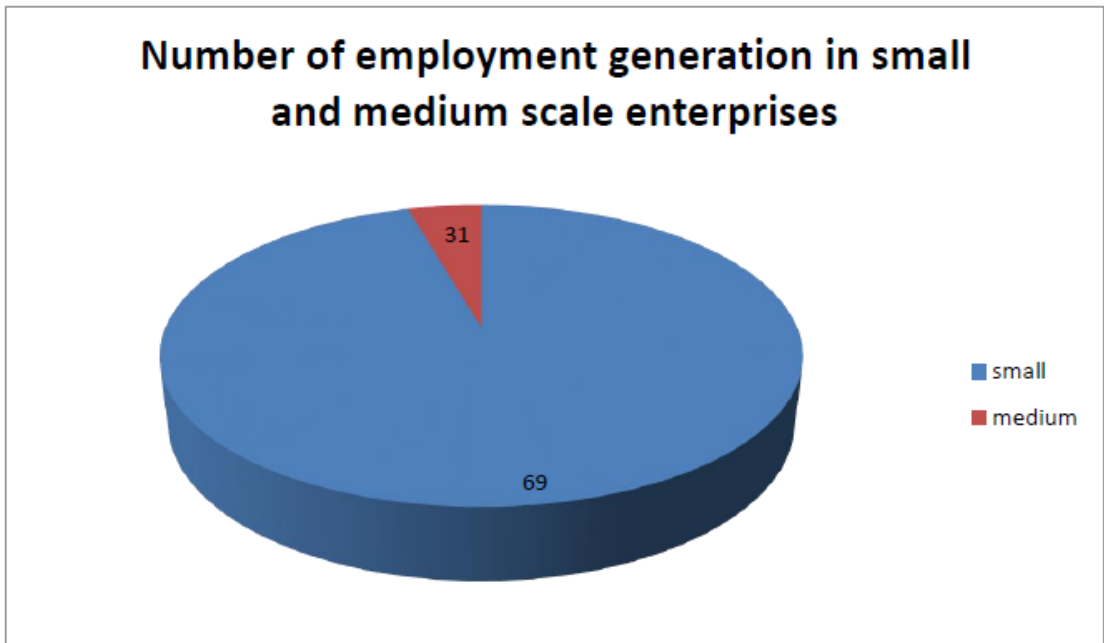
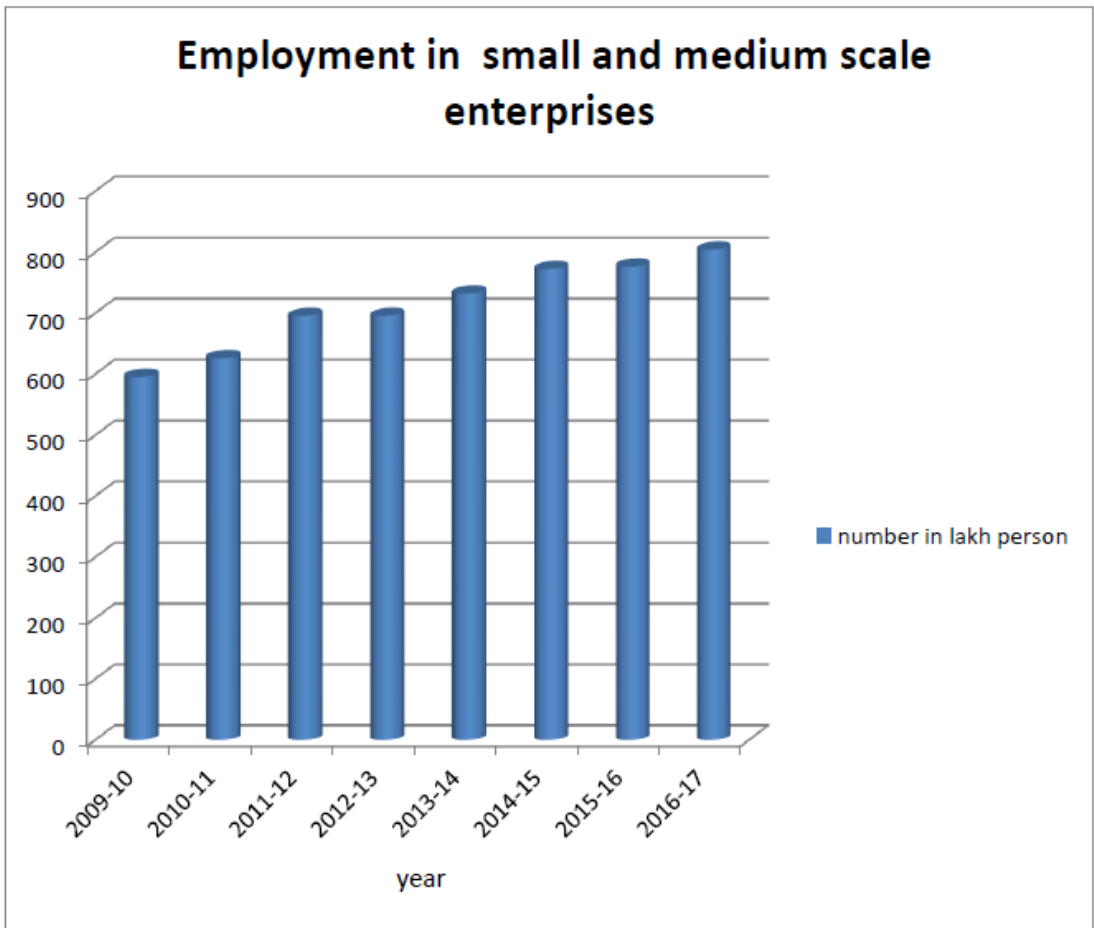
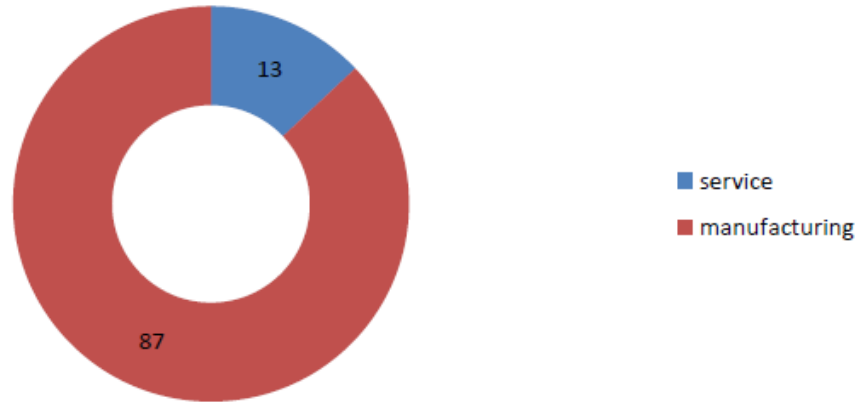


chart showing percentage of enterprises engaged in service and manufacturing sector



Challenges faced by small and medium scale industries	Opportunities in small and medium scale industries
<ul style="list-style-type: none"> •little developed markets for many products and high price fluctuations •many producers with small quantities of products receive only a small portion of the total revenue •lack of market information such as product prices and available volumes and projections of future supply and demand •lack of marketing knowledge and skills amongst traders •limited access to information and technology for product development •lack of marketing infrastructure •lack of branding, certification and recognized standards for Nepali products to ensure that products are produced organically, traded fairly, and environmentally sustainable 	<ul style="list-style-type: none"> •Growing international and domestic market demand •Income and employment opportunities. •Availability of external support. •Conducive forestry policies

Discussion

Analyses of the research statement reveal that small and medium scale enterprises are strategic to attainment of economic prosperity objective of nation. For an economy to live up to expectation in the committee of nation’s development wise, such economy must achieve accelerated economic growth and improves quality of life. The economic growth and development depend on its working population for economy in which the youths constitute greatest percentage and this further establishes the reason why the youth should be encouraged to be employed. The youth must be encouraged to develop and nurture entrepreneurial spirit since entrepreneurship reduces poverty and improve standard of living. The youth can

enhance sustainable development of the Nepalese economy. The hypotheses tested reveals that small and medium scale enterprises and development of the Nepalese economy.

Conclusions

Adequate and primarily attention must be given to wide spread of economic activities through entrepreneurship. Small and medium scale enterprise generation. The youth are the major contributor to all round economic growth and development. Security must be primary and paramount for greater process capability to move economically forward.

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