

Entrepreneur = “Entreprendre”- derived from French word which means to undertake

Dictionary meaning: a person who sets up a business or businesses, taking on financial risks in the hope of profit.

synonyms: businessman, businesswoman, business executive, enterpriser, speculator, tycoon, magnate; More person, business

To be specific, entrepreneur is a person who tries to do something new, visualises a business opportunity, organises the necessary resources for setting up the business and bears the risk involved. Thus, an entrepreneur may be termed as an innovator, an organiser and a risk bearer. As an innovator, the entrepreneur introduces new products in the market; finds out new markets for existing products; introduces new production technology; launches new marketing strategy and so on. He bears the risk and uncertainties associated with the business activities. He organises all the factors of production like land, labour and capital and sets up the business to take advantage of the opportunity. Thus, an entrepreneur refers to a person who visualises a business opportunity, takes steps to promote a new enterprise, assembles resources in the form of men, materials and money to make the business venture successful and bears the risk and uncertainties involved.

So an Entrepreneur is one who:

- Develops his/her own business, due to its skill, innovative and wealth creator
- Moderate risk taker
- Person who sets up his or her own business in hope of profit
- An entrepreneur is a person who always searches for changes, responds to it and exploits it as an opportunity
- Entrepreneur is a professional manager who mobilises the resources and allocates them to make commercial profits

Depending upon various sense Entrepreneur are also defined as:

- **Entrepreneur is an innovator**
- **Entrepreneur is an organizer**
- **Entrepreneur is risk bearer**

Entrepreneurship:

The term ‘entrepreneurship’ refers to the functions performed by an entrepreneur. It is the process involving various actions to be undertaken by the entrepreneur in establishing a new enterprise. In fact, what an entrepreneur does is regarded as entrepreneurship. Thus, entrepreneurship can be viewed as a function of:

- (i) identifying and using the opportunities exist in the market;
- (ii) converting the ideas into action;
- (iii) undertaking promotional activities to launch an enterprise;
- (iv) striving for excellence in his/her field of work;
- (v) bearing the risk and uncertainties involved, and
- (vi) harmonising.

Entrepreneurships can be described as a creative and innovative response to the environment and the process of giving birth to a new enterprise. Such response can take place in any field of social endeavour, business, agriculture, education, social work etc.

“Entrepreneurship is the attempt to create value through recognition of business opportunity, the management of risk taking, and through the communicative and management skills to mobilize human, financial, and material resources necessary to bring a project to fruition.”

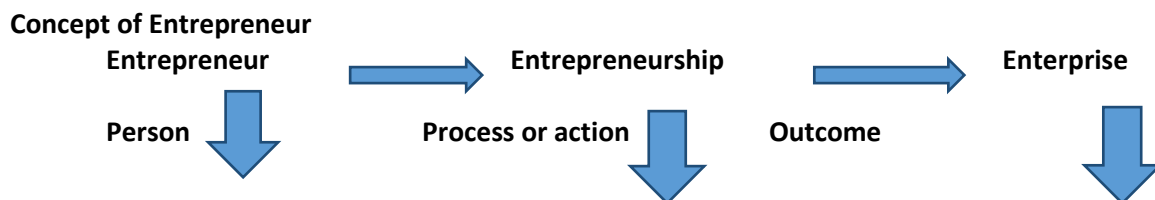
Any systematic innovations which consist of purposeful and organized search for change, and systematic analysis of the opportunities such that changes might offer for economic and social transformation is Entrepreneurship.

Entrepreneurship is defined as a dynamic process of creating incremental wealth by individual who assume the risks of equity, time and careers to infuse resources with value for society

- Entrepreneurship offers freedom to do what an individual like to do but also assume risk and profits.
- Defined by results not by attributes

Process of Entrepreneurship

- **Self discover** : Learning what they enjoy doing. Examining their strengths and weaknesses. Examining work experience and relating it to potential opportunities.
- **Identifying Opportunities**: Looking for need, wants, problems, and challenges that are not yet being met, or dealt effectively
- **Generating and evaluating ideas**: Using creativity and past experience devise new and innovative ways to solve a problem, or meet a need, and then narrowing the field to one best idea
- **Planning**: Business plan, forecasts, feasibility reports.
- **Raising Start-up Capital**: Speed investors, Investors, partners
- **Start-up**: Launching the ventures, Developing a customer base, marketing and operational phase.
- **Growing**: Growing the existing business, Following strategic plan.
- **Harvest**: Selling the business and harvesting the rewards, New ventures and challenges



IMPORTANCE OF ENTREPRENEURSHIP

It has been said that entrepreneurship is essential for economic development. In capitalistic economies, the entrepreneurs played an important role in their development. In socialist economies, the state played the role of the entrepreneur. But in a developing country like Nepal which followed the path of mixed economy, both the government and the private entrepreneurs played an equally important role. People have now begun to realise the crucial role the entrepreneurs have to play for achieving the goal of economic development. They are regarded as the prime movers of innovations and act as key figures in economic development of a country. Thus, entrepreneurship:

- (a) helps the formation of capital by bringing together the savings and investments of people;
- (b) provides large-scale employment opportunities and increases the purchasing power of the people;
- (c) promotes balanced regional development in the country;
- (d) helps in reducing concentration of economic power (power to own the factor of production in a few hands).

1.2 Wage Employment, Self Employment & Entrepreneurship

Wage Employment

- In wage employment, there are always two parties i.e. the employee who gets wage or salary from employer for his work
- Wage is usually fixed amount given to the employee on monthly or daily basis for his/her work

Characteristics of wage employment

- ❖ **Two Parties** In wage employment, there is always two parties. One is employee and another is employer.
- ❖ **Contractual Nature** Wage employment is always in contractual in nature. It is an agreement between two parties where one parties work for other under some specific terms and conditions.
- ❖ **Employer- Employee Relationship** The relationship between two parties in wage employment is an employer- employee relationship. Here both parties are interdependent and interrelated. Both operate under predetermined rule and regulation.
- ❖ **Terms and Condition of Employment** In case of wage employment the nature of work, working condition, rules concerning work relationship are decided in advanced.

Self Employment

- ✓ The self employment is that in which an individual is owner and employer
- ✓ Individual works for self
- ✓ Income is in form of profit
- ✓ Earning is unlimited. It depends upon capability and contribution of individual towards his/her own work
- ✓ The work involved is flexible i.e. there is no fix routine to work like that in wage employment
- ✓ Individual sets up his/her own rules and regulation for the work

Business

Business is the activity of making one's living or making by producing or buying and selling goods or services. Simply saying, it is an activity or enterprise entered into for profit.

Business is an organization or an economic system where goods and services are exchanged for one another or for money. Every Business requires some form of investment and sufficient customers to whom its output can be sold on a consistent basis in order to make profit.

- Anyone carrying on an activity that earns them a profit is doing business or running a business, and perhaps this is why there is a misconception that business and company is the same thing.
- A business name structure does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for all debts incurred by the business. If the business acquires debts, the creditor or creditors can go after your personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.
- A company on the other hand, is a separate legal entity and provides for limited liability as well as corporate tax rates. A company structure is more complicated and expensive to set up, but offers more protection and benefits for the owner

Characteristics of business

1. Economic activity
2. Buying and selling
3. Continuous process
4. Profit motive
5. Risk and uncertainties
6. Creative and dynamic
7. Customer satisfaction
8. Social Activity
9. Government control
10. Optimum utilization of resources

1.3 Enterprise

Enterprise is a word commonly used to refer to some businesses. It is common to hear or read the word being used for startups and established commercial setup, however the word is used more for individuals whose actions reflect an initiative involving risk. While it is the initiative and resourcefulness of an entrepreneur that makes a venture an enterprises, the word is used more in IT sector than in other industries of the economy. Thus we have enterprise solutions, enterprise architecture, enterprise computing system, and so on. In many economics, a small and medium enterprise (SME) is a phase that is applied to small industrial units irrespective of their nature and type.

Common types and forms of enterprises in business

People in a community have many interests and different needs and wants in their lives. It is the role of enterprising men and women to identify these interests, needs and wants and establish specific enterprises through which these interests, needs and wants can be satisfied. All enterprises provide satisfying rewards for those who successfully establish them. Terms used to classify enterprises include private, public, formal, informal, individual, community, local, foreign, small, large, business, social, manufacturing, and services, casual or industrial.

There are 4 types and forms of enterprises in business.

- **Sole proprietorship:**

Sole proprietorship is the most basic form, in which individuals can start and own a business. All the elements of business are borne by the sole owner. At its most rudimentary, a Sole proprietorship is a pseudo legal status. It rather refers to an individual that owns/runs the business and bears the full responsibility for its funding and whatever debts/liabilities the business incurs.

A sole proprietorship can operate under the name of its owner or choose a pseudo name, which can be viewed as a trade name. A Sole proprietorship enjoys huge popularity and patronage (power of appointment) due to the simplified registration, ease of startup and minimal cost of startup. An important disadvantage of Sole proprietorship is the owner is not distinguishable from the business and hence can be sued (legal proceedings) and made to pay for all the debts/liabilities incurred by the Sole proprietorship.

- **Partnership:**

A partnership is said to exist when two or more persons mutually agree to operate/run a business for profit. The enabling law for partnership goes thus: “the association or collaboration of two or more people to form, run and operate a business for profit will be deemed a partnership, irrespective of whether the involved parties intend to partner or not”. Partnership also enjoys greater attraction because it offers a certain degree of flexibility and ease in operations.

Although partnerships could be orally agreed and be recognized by law, it is expedient that the potential partners have written and signed contractual terms, usually subsumed in the Article or Deed of partnership. A big plus point of starting the business is its ease of establishment, with minimum startup cost. However, a major disadvantage is that partners face the risk of unlimited financial liabilities in cases where the business fails.

- **Limited Liability Company (LLC)**

A limited liability company (LLC) is a hybrid legal entity having certain characteristics of both a corporation and a partnership or sole proprietorship (depending on how many owners there are). An LLC is a type of unincorporated association distinct from a corporation. LLC confers on the founding partners, limited liability in times when the business experiences liquidation.

- **Corporation (PLC)**

The term corporation is a derivative of the Latin word corpus, which means “body”-an impersonal one, conferred with the right to own, buy and sell property, sue and be sued, take loans and undertaken any

other activity within the gambit of law. A most notable feature, which also doubles as an advantage, is that a body corporate protects its owners from the personal liabilities owed by it to the certain extent.

Another notable feature of a corporation is that its existence is perpetual; shareholders can give up or sell their holdings or shares in the corporation, to others, who then become part owners of the business. A corporation is owned by a body of shareholders, overseen by a body of directors and run by elected offices. In addition, corporations are directed by law to hold periodic share holders' meetings and to make filings of financial information at specified intervals.

Enterprises are classified as **Micro, Small and Medium**

Enterprises are classified into two class: a. Manufacturing Enterprise b. Service Enterprise

DIFFERENCES BETWEEN BUSINESS AND ENTERPRISE

Business	Enterprise
An enterprise can be business.	Not all businesses are enterprises.
Business is a type of occupation that reflects the fact that the owner is his own boss.	An enterprise is usually a venture that reflects an initiative or high risk taking ability of the entrepreneur.
It is an activity of selling goods and services which is profit oriented.	Enterprise is a concept that is used more often in terms of IT industry such as enterprise solutions, enterprise security, and so on.

1.4 Attitudes, Characteristics, & skills required to be an Entrepreneur

Attitude & Characteristics of successful entrepreneurs

1. Hard Work: Willingness to work hard separates a successful entrepreneur from unsuccessful one. Most of the successful entrepreneurs work hard endlessly, particularly in the beginning and which results in becoming their habit for the whole life. There is no substitute for the hard work and one should have great focus on his/her vision.

2. Desire for High Achievements: Entrepreneurs have a strong desire to achieve high goals in business. This high achievements goal encourage them to overcome the obstacles, suppress anxieties, repair misfortunes and set up and run a successful business.

3. Highly optimistic: The successful entrepreneurs have a positive approach towards things and they always sees the bright side of the things. They do not get disturbed by present problems faced by them. They become optimistic for the future that the situations will become favorable to business in future.

4. Independence: One of the common quantities of the successful entrepreneurs has been that they do not like to be guided by others and they do not follow rules. They resist to be pigeonholed. They like to be independent in the matters of their business.

5. Foresight: The entrepreneurs have a great foresight to know about future business environment. In other words they visualizes well about the probable changes taking place in the market, consumer attitude and their taste, technological developments, etc. and take necessary and timely actions accordingly.

6. Good organizer: Various resources required for the production are owned by different owners and it is the ability of the entrepreneur to bring together all required resources for setting up an enterprise and then produce goods.

7. Innovative: Production is meant to meet the customers' requirements. In view to meet the changing requirements of the customers from time to time, the entrepreneurs initiate research and innovative activities to produce goods to satisfy the customers' changing requirements and demands for the products.

8. Perseverance: One of the qualities of successful entrepreneurs is that they possess and exhibit tremendous perseverance in their pursuits. They do not give up their efforts even if they fail. They undergo lots and lots of failure, but they do not lose hope and continue their efforts until they get success. They take failure as a learning experience and make more dedicated and serious efforts on next time.

9. Team spirit: The word 'Team' refers to: **T** for **together**, **E** for **Everyone**, **A** for **Achieves** and **M** for **More**. Team results in synergy. Successful entrepreneurs build teams and work with teammates. In simple words, team is the group of individuals who work in a face-to-face relationship to achieve a common goal. They share collective accountability for the outcomes of the team's efforts. Working in team creates synergic effect and achieves success in its activities.

Golden Rules for a Successful Entrepreneur: (according to Azim Premji)

1. Dare to dream
2. Set clear Goals
3. Never lose your Zest and Curiosity for learning
4. Strive for excellence
5. Build self- Confidence
6. Learn to work in teams
7. Take care of yourself
8. Persevere
9. Have a broader social vision
10. Never let success go to your head

According to Dr. Kiran Mazumdar-Shaw, the essential qualities of a successful entrepreneur are listed below.

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|------------------------------|---|
| 1. Spirit of challenge | 6. Problem solving approach |
| 2. Sense of Conviction | 7. Ability to spot and pull opportunity |
| 3. Resourcefulness | 8. Building core competence and excellence |
| 4. Ethos of persistence | 9. Uncompromising work ethic |
| 5. Ability to manage failure | 10. Building a strong organizational Behavior |

Entrepreneurial Skills

As with any sport, having the right attitudes and characteristics can carry you only so far. You also need the skills that will help you succeed. However, unlike personal characteristics and attitudes—which can often be hard or impossible to change—entrepreneurs can acquire skills if they are willing to learn them. Additionally, they can hire people to work for them who have the needed skills. Either way, the following skills are important if the entrepreneur's business is to succeed.

1. Ability to Plan: The ability to plan is a key skill for entrepreneurs. They must be able to develop plans to meet goals in a variety of areas, including finance, marketing, production, sales and personnel (hiring and maintaining productive and satisfied employees).

2. Communication Skills: Entrepreneurs should be able to explain, discuss, sell and market their good or service. It is important to be able to interact effectively with your business team. Additionally, entrepreneurs need to be able to express themselves clearly both verbally and in writing. They also should have strong reading comprehension skills to understand contracts and other forms of written business communication.

3. Marketing Skills: A business's success or failure is very dependent on whether the business reaches the market (its potential customers), interests the market and results in those in the market deciding to

buy. Many entrepreneurs who failed started with an innovative good or service that with proper marketing could have been very successful. Good marketing skills—that result in people wanting to buy your good or service—are critical for entrepreneurial success.

4. Interpersonal Skills: Entrepreneurs constantly interact with people, including customers and clients, employees, financial lenders, investors, lawyers and accountants, to name a few. The ability to establish and maintain positive relationships is crucial to the success of the entrepreneur's business venture.

5. Basic Management Skills: The entrepreneur must be able to manage every component of a business. Even if entrepreneurs hire managers to attend to daily details, they must understand if their business has the right resources and if those resources are being used effectively. They must ensure that all the positions in their business are occupied by effective people.

6. Personal Effectiveness: In order to handle the pressures of their busy lifestyles, entrepreneurs must have the ability to manage time well and to take care of personal business efficiently. Because first impressions are so important, entrepreneurs must also pay attention to such things as personal appearance and telephone skills. Additionally, entrepreneurs benefit a great deal by being aware of their own strengths and weaknesses.

7. Team Building Skills: Because entrepreneurs usually assemble a team of skilled people who help them achieve business success, they must be able to effectively develop and manage the team

8. Leadership Skills: One of the most important leadership skills an entrepreneur must have is the ability to develop a vision for the company and to inspire the company employees to pursue that vision as a team. The expression "people would rather be led than managed" applies especially well to an entrepreneurial venture. Few entrepreneurs possess every skill needed to ensure business success. For example, they often look to outside experts for help in areas such as strategic planning, accounting and finances, contracts and legal issues, and specialized marketing.

FUNCTIONS OF AN ENTREPRENEUR

The functions of an entrepreneur can be summarised as follows.

(a) Conception of an idea: An entrepreneur is the person with a creative mind who can identify business opportunities and take steps for the conversion of ideas into successful business ventures, and give them a concrete shape.

(b) Promotion: It is felt that generally an entrepreneur undertakes the risk of setting up a small enterprise as a sole proprietor. But, now-a-days many entrepreneurs have assumed the role of promoters of large companies. In fact, promotion may be undertaken for setting up a new business, small or large expansion of an existing business or for combining two or more business firms. As a promoter, the entrepreneur has to conduct feasibility studies, decide to the form of organisation, assemble the required funds and people, and give a concrete shape to the business proposition.

(c) Innovation: An entrepreneur is also seen as an innovator who tries to develop new technology, products and markets. The entrepreneur uses his creative abilities to do new things and exploit opportunities in the market.

(d) Bearer of risks and uncertainty: You know that starting of a new business venture involves good amount of risk and uncertainty. To start with, it is the entrepreneur who assumes risks and is prepared for the losses that may arise because of unforeseen situations in future. In fact, it is his willingness to take risks that helps him to take initiatives in doing new things or trying new methods of production.

(e) Arranging necessary capital: Arranging funds is one of the biggest hurdles in setting up a new entrepreneur. It is he who has to provide the initial capital (otherwise known as 'risk capital' or 'seed capital') for starting the ventures and then make the necessary arrangements for raising additional funds required to carry on and expand the business.

(f) Staffing: An entrepreneur has to design the organisational structure and recruit suitable persons for various positions. He also makes an estimate for skilled and unskilled workers required and make arrangements for their recruitment.

1.5 Myths about Entrepreneurs

In his book, *How to Start and Operate a Business: Winning the Entrepreneurial Game*, which I published a number of years ago, author David Rye lists and debunks a number of these myths.

Myth No. 1: Entrepreneurs Are High Risk Takers: Entrepreneurs, are often thought of in terms of the risk they assume. Even the dictionary describes an entrepreneur as one who assumes business risks. However, like all prudent businesspeople, entrepreneurs know that taking high risks is a gamble. Entrepreneurs are neither high nor low risk takers. They prefer situations in which they can influence the outcome, and they like challenges if they believe the odds are in their favor. Entrepreneurs tend to carefully seek the best risk/reward action.

Myth No. 2: Entrepreneurs Are Born not Made: Many people, Rye says, believe that entrepreneurs possess innate, genetic talents. However, experts generally agree that most entrepreneurs were not born; they learned to become entrepreneurs. The recent proliferation of college and university courses on the subject supports this point. Entrepreneurship is currently being successfully taught.

Myth No. 3: Entrepreneurs Are Mainly Motivated to Get Rich Any successful entrepreneur, argues Rye, will tell you that starting a business is not a get-rich-quick alternative. New businesses usually take from one to three years to turn a profit. In the meantime, you're considered to be doing well if you break even. During the business start-up stage, entrepreneurs do not buy anything they do not need, such as fancy cars. Most drive junk cars and use their surplus money to pay off debt or reinvest it in the business. Their focus is on creating a company with a strong financial base for future expansion. Becoming an entrepreneur is not a get-rich-quick alternative.

Myth No. 4: Entrepreneurs Give Little Attention to Their Personal Life All successful entrepreneurs, Rye says, work long hours, which cuts into their personal life. However, long working hours are not unique to entrepreneurs. Many corporate managers and executives work well beyond the average 40-hour workweek. The primary difference between the entrepreneur and his or her corporate counterpart is schedule control. In the corporate world, you may not have control over your schedule. If some higher-level manager calls a Saturday meeting, you've got no choice but to be there. Entrepreneurs don't mind working 60- to 70-hour weeks, but they will do everything they can to preserve their private time. They schedule important meetings during the week so that they can have weekends off for their personal life, which is very important to them. Entrepreneurs are not afraid to work long hours, but they will do everything to preserve their private time and schedule control.

Myth No. 5: Entrepreneurs Are Often High-Tech Wizards We are all aware, says Rye, of a few high-tech entrepreneurial wizards who have made it. Media attention overplays the success of these few high-tech entrepreneurs. Only a small percentage of today's personal businesses are considered high tech, and what was considered high tech just a few years ago is not considered high tech by today's standards.

It takes high profit margins, not high tech, to make it as an entrepreneur. One has only to look at the recent problems that have plagued the computer industry to understand this basic principle. High-tech personal computers did very well when they made high profit margins. The industry then went into a nosedive when profits fell.

Myth No. 6: Entrepreneurs Are Loners and Introverts: Initially, Rye says, entrepreneurs might work alone on a business idea by tinkering in the solitude of their garage or den. On this myth, I don't totally agree with Rye. The astute entrepreneur knows that he or she must draw on the experience and ideas of others in order to succeed. Entrepreneurs will actively seek the advice of others and will make many business contacts to validate their business ideas. The entrepreneur who is a loner and will not talk to anybody will never start a successful business. Entrepreneurs need to seek the advice of others. A loner will find it difficult to start a successful business.

Myth No. 7: Entrepreneurs Are Job Hoppers A recent study of successful entrepreneurs, notes Rye, showed that most of them worked for a large corporation for a number of years before they started their own business. In every instance, they used the corporate structure to learn everything they could about the business they intended to establish before they started their own. Entrepreneurs are not job hoppers.

Myth No. 8: Entrepreneurs should be young and energetic: Entrepreneurial activity is fairly evenly spread out over age ranges. Although it is important to be energetic, investors often cite the strength of the entrepreneurs as their most important criterion in the decision to fund new ventures. What makes an entrepreneur strong in the eyes of an investor is experience in the area of the proposed business, skills and abilities that will help the business, a solid reputation, a track record of success, and passion about the business idea.

Myth No. 9: Entrepreneurs Are Often Ruthless or Deceptive Rye thinks that some people believe that to make it as an entrepreneur, you have to be deceptive and step on anybody who gets in your way. On the contrary, this mode of operation doesn't work for the entrepreneur. The truly ruthless or deceptive entrepreneur will often alienate others and be forced to waste time and energy repairing relationships with employees, customers, and suppliers, or simply fail.

Myth No. 10: Entrepreneurs Have Limited Dedication Rye says it is a myth that entrepreneurs are not dedicated to any one thing. But he adds that dedication is an attribute that all successful entrepreneurs exhibit. They are dedicated to becoming their own boss. To this end, they'll work like a dog to make their business succeed.

SME ENTERPRISE IN NEPAL

SME stands for Small and Medium Enterprise. The contribution of small and medium enterprise is very significant towards employment generation, poverty alleviation and overall economic development of nation. In developing countries like ours, SMEs play very important role in development of nation economically

SMEs in Nepal

Most of the Nepalese SMEs are involved in processing and manufacturing of food items, consumer and household goods, and textiles and related products, both for exports as well as the domestic market. Rice, pulses, oil and flour mills, dairy, aerated soft drinks, fruit juices and processed products, noodles, biscuits and light snack products, chocolates and candy, mineral water, dried vegetables, and some other household utilitarian and consumption goods have dominated SMEs activities in Nepal. Other areas of SMEs' involvement include forest fiber based industries, wooden and metal handicrafts, handmade paper and products, apparels and garments, woolen carpets, pashmina shawls and rugs and leather. SMEs' involvement is also high in metal and plastic household utensils, wooden, plastic and metal furniture, printing press, polythene pipes, utensils, jute products, poultry products, livestock products, wire drawing, nail and iron rod, sheet metal, gig and black pipes, rubber tires and tubes, plywood and boards, color paint products and zinc oxide. Agro-based industries like tea, vegetables and horticulture products, dairy and milk products, animal husbandry and floriculture are other areas where SMEs have started to invest. Due to the opening up of investment for infrastructure development to the private sector, investment in micro hydropower and tourism resorts and complexes have also been witnessed in some regions. At the micro, cottage and family level, a sizeable number of unregistered enterprises operate on a seasonal basis.

Common Features of SMEs

Nepal's SMEs share the characteristics that are usually common in SMEs of developing countries.

- SMEs are family-level enterprise set up with family savings and sometimes supported by kith and kin.
- The ownership and management is usually controlled by the same individual with powers over all decision issues of the enterprise.
- Since personal and family savings are the major sources of equity capital, credit worthiness of SMEs is low, which impedes their development.
- Managerial competence requirements are perceived as not important the enterprise relies on entrepreneurial skills and initiatives of the founder/s.
- Recruitment of staff is often carried out without a proper job analysis and a job description. Even when employees are deemed to be competent, they are rarely delegated with authority and power to decide on their own.
- The technology used is usually locally innovated, limited in capacity and efficiency with frequent breakdowns which causes high wastage.
- Most SMEs produce and cater only to the local markets and export oriented SMEs are few. Those that are export -oriented are not able to expand due to various inherent constraints like poor quality control, unable to meet timely delivery and limited production.
- Access to institutional credit for SMEs, despite provisions for the same, is limited due to individual entrepreneur's inability to contribute to equity capital and collateral security.

Problems and Challenges Faced by the Nepalese SMEs

In general, SMEs in Nepal have traditional management practice, undeveloped entrepreneurial culture, low capital base, outdated and less efficient production process and technology, and poor knowledge and information about business opportunities and marketing.

Marketing constraints is observed to be one of the major disadvantages faced by the Nepalese SMEs. Given their size and limited access to resources, their production capacity is limited are unable to execute large orders.

On the financial front, SMEs, more often than not, are unable to generate enough credit to carry out relatively larger volume of work. The lack of awareness on the part of entrepreneurs regarding financial institutions that may give them credit is one reason for their inability to raise financial resources.

On the product development and production front, SMEs require facilitation in the right choice of technology, as well as in acquiring technology suited to their specific needs and amenable to periodic upgrading

SMEs, when developed properly, can be one of the major exportable products and high foreign currency earners for the country. If this sector is developed, it would help to reduce trade balance and earn more foreign currency for the development of the country.

Globalization and liberalization are creating new dynamics of production, enterprise development and international competition. Nepal's existing enterprise development strategies may no longer be effective in the light of these changes.

Statistical records indicate that the Nepalese SMEs are finding it hard to survive in the new environment ushered in by increased competition.

Domestic firms have found themselves affected by increased competition from foreign goods and by rising costs of production.