

Moreover, the study includes micro, small, and medium enterprises that operate without receiving any government assistance. Entrepreneurs from these three categories will be randomly selected from 753 local levels across all seven provinces of Nepal. Data is collected from 1,200 entrepreneurs selected for this study at various stages. In addition, workshops and meetings are held with relevant stakeholders, local governments, provincial ministries, departments, and associations to gather feedback and support.

As part of the study, the project provides need-based support to 42 growth potential enterprises assessing the growth indicators: product development, market expansion, process improvement, sales growth, quality enhancement, employment generation, access to finance potentialities, entrepreneurial succession, and so on. The study conducts periodic follow-up with the 1200 enterprises along with 42 treatment group. A comparative analysis is carried out with the enterprises with the aim of identifying the factors contributing to their growth.

Methodology:

This study adopts both quantitative and qualitative methods. It utilizes secondary sources of information, along with questionnaires, interviews, and observation methods. The collected data will be analyzed to produce various reports and publications.

Key Activities of the Study:

The study is divided into six phases, each lasting six months, making up a total duration of three years. The phases and activities of the study are outlined as follows:

Phase 1 (March - August 2023)

- Exploratory Visit
- Inception Workshop

Phase 2 (September 2023 - February 2024)

- Baseline Survey
- In-depth Case Study

Phase 3 (March- August 2024)

- Innovation Support Program Implementation (Intervention)
- Follow-up Survey 1
- Provincial Workshops

Phase 4 (September 2024-February 2025)

- Workshops
- Innovation Support Program Implementation (Intervention)

Phase 5 (March-August 2025)

- Follow-up Survey 2
- Innovation Support Program Implementation (Intervention)

Phase 6 (September 2025- February 2026)

- Endline Survey
- National-Level Dissemination Workshop



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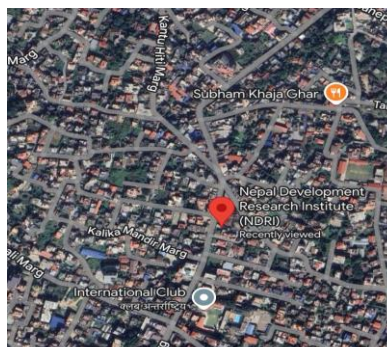
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Promoting Innovation and Inclusion in Growth Potential Enterprises



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About NDRI:

Nepal Development Research Institute (NDRI), established in 2004, is a non-governmental organization dedicated to studies and research based on evidence with a primary aim of addressing contemporary issues and policy challenges. Since its inception, it has also served as a bridge between policymakers, academic groups, and national and international organizations. The institute focuses on research-driven work, advocating for policy discussions, and implementing result-oriented and impactful programs across various sectors to support the country's development.

Context of entrepreneurship development in Nepal:

There is no doubt that entrepreneurship and craftsmanship have defined the identity of Nepal and Nepalese. Even before the unification of Nepal, during the Lichchhavi and Malla periods, as well as throughout the 104-year Rana regime, the spirit of entrepreneurship remained strong. After the Rana regime, particularly with the periodic five-year plans initiated in 1956, efforts to institutionalize entrepreneurship was evident. These plans consistently incorporated the promotion of entrepreneurship, employment generation, and import substitution as strategies for economic advancement.

Alongside the planned development of entrepreneurship in Nepal, various innovation support programs have also been implemented. In this context, the Micro Enterprise Development Programme (MEDEP), launched by the United Nations Development Programme (UNDP) in 1998, was later extended until 2018 with support from other donor agencies, creating numerous entrepreneurs and business owners. The government continued this program under the name Micro Enterprise Development Program for Poverty Alleviation (MEDPA) in 2018 expanding it to local levels across the nation. The program is now active in all local municipalities.

Similarly, the Youth and Small Entrepreneur Self-Employment Fund (YSEF), initiated in 2008, provides concessional loans and has provided interest subsidies to over 82,000 individuals, enabling self-employment. In addition to these efforts, the government and donor agencies have invested significant funds in programs aimed at fostering entrepreneurship and generating employment.

However, despite the creation of numerous entrepreneurs, the number of those achieving long-term sustainability remains notably low. Many enterprises, once program support ends, cease operations entirely, which is also a trend that continues persistently.

Rationale for the Study:

Over seven decades of planned efforts, more than half of the currently operating micro, cottage, and small industries have yet to even register formally. There has been a lack of satisfactory growth and progression among those that are registered and renewed. This raises a critical question: Why is there no growth in the development of businesses and industries? To explore this issue, in 2022, NDRI, under the leadership of Professor Dr. Raj Kumar Bhattarai (Principal Investigator) and with support from Canada's International Development Research Centre (IDRC), conducted a preliminary study. This study highlighted the absence of an "enterprising ecosystem" at the local level as a key reason for this stagnation. As a result, it recommended an experimental study to address the lack of need-based support and interdependence among entrepreneurs. Building on the study's findings, the Growth Potential Enterprises Promotion Program, Operational Guideline, 2022 launched by the Ministry of Industry, Commerce, and Supplies (MoICS), Government of Nepal as well as commitments under the Youth and Small Entrepreneur Self-Employment Fund, a second-phase study titled "Promoting Innovation and Inclusion in Growth Potential Enterprises: Evidence from Nepal" is currently underway from 2023 to 2026. This study aims to promote innovation and inclusivity within growth potential enterprises. This study also aims to promote equity, diversity, and inclusion (EDI) to encourage entrepreneurs across various sectors. It involves the selection of entrepreneurs from diverse backgrounds, encompassing different genders, ages, ethnicities, and geographical locations.

Objectives of the Study:

The primary objective of this study is to identify the main reasons why various innovative programs aimed at developing entrepreneurship and employment in the country have failed to achieve their goals, both in the past

and present, and to provide insights for policy formulation. To this end, an action research approach is employed. The specific objectives of this study are as follows:

(i) Assess the impacts of two interventions- Ministry of Industry, Commerce and Supplies (MOICS)'s Micro-Enterprise Development for Poverty Alleviation (MEDPA) and Youth and Small Entrepreneur Self-Employment Fund (YSEF)- to support the growth of the MSME sector in terms of employment generation, process improvement, product/market development, and sales growth.

(ii) implement a randomized controlled trial (causal comparative study) to assess the impact of intervention/ support services on growth potential MSMEs participating and/ or not participating in the MEDPA and YSEF programs.

(iii) determine if the interventions of the MEDPA and YSEF programs are reaching their intended beneficiaries (e.g., youth, women, entrepreneurs in low-income settings) and detail what could be done to bolster their equity, diversity, inclusion, and innovation outcomes; and

(iv) utilize the findings to inform the development of growth potential enterprises promotion (GPEP) policies and strategies for promotion of business innovation ecosystems that support the enterprises in Nepal.

Selection of Innovation Support Programs:

This study focuses on two innovation support programs that promotes entrepreneurship and generates self-employment. MEDPA program aims to enhance the capabilities of anyone wishing to become an entrepreneur through a six-phase process while also facilitating their financial needs. In addition, the study incorporates another innovative program- Youth and Small Entrepreneurs Self-Employment Fund, targeted at youth, which aims to prevent young people from migrating abroad by providing concessional loans to those who wish to engage in self-employment in their own communities. It offers concessional loans of up to NPR 200,000 through various cooperatives, banks, and financial institutions, along with providing interest subsidies.