

CHAPTER I

INTRODUCTION

1.1 Introduction

We are the people of 21st Century; the age of the globalization and the age of the trade & industry. We are in this position only because of the human desires & needs. Trade and Industry is the pillar of the economic development of the country and it is the base of people's life standards.

Trade & industrialization is an important factor for achieving the basic objective of a country's economic and social progress. Industrialization not only provides goods and services but also creates employment opportunities. It facilitates an effective mobilization of resources of capital and skill, which might otherwise remain unutilized. It also acts as a vehicle for fostering innovation and technological improvement. Industrial development, thus, has a multiplier effect on the economy. (Panta, 2008:250)

We can generally point out the following steps on the evolution of developments of the world trade & industry: This is the first stage of human development when the human beings have limited needs & wants and they can get or make these by themselves. This is the age of Stone and age of Agriculture. Slowly human needs & wants increases knowledge & culture. They knew about various products & foods. But they could make only certain products and foods. For the need fulfillment they started the barter system and fulfilled the needs of one another. We can say that by this system marketing & trade concept originated. (Shrestha, 2056:6) It is believed that world trade is as old as human civilization and existed some 5000 years ago in the form of inner city trade. When trade concept started, there is -development of towns & trade started between two small cities Le. Inter-city trade. With an increase in the volume & transaction of trade, big trading cities developed and trade between them started. It is assumed that up to 1500 A.D. is the Ancient Trade era.

Exchange of goods that must be transported from one place to another. In ancient times, transporting commodities over any significant distance was an expensive and risky enterprise. This restricted commerce mainly to local markets. As transportation networks improved, commerce expanded considerably. This is the post industrial revolution era. It is between 1821-1890 A.D. "Between 1821 and 1860 the Industrial Revolution developed in many European countries such as Belgium, France, Germany, Australia, Russia and Sweden. After the end of the Napoleonic Wars industrial development could take place under more normal conditions. There was an excellent market at that time for British goods in this part of the Continent. Certain specialized branches of manufacture on the Continent were, for example, the woolen goods of Germany; the linen, woolen and silk goods of Russia; and the luxury industries of France.

It is between 1900-1994 A.D. The political competition developed among the countries converted into military competition, so many countries started to produce war weapons and ammunitions. After all, this situation pushed the western countries into the flame of First World War (1914-1918). In 1918 an agreement made between the war participating countries to stop war and involve in economic and reconstruction of the war devastating countries. Despite the peace agreement, they were still afraid of each other and secretly involved in the production of war weapons and ammunitions instead of producing essential goods.

This situation developed scarcity of essential goods in the region, As a result Great Depression of 1930's appeared. Economic and political conflicts increased among the nations and this situation again pushed them into the Second World War (1939-1945). In 1945 an agreement of piece signed between the war participating countries.

1.1.1 History of Trade & Industry in Nepal

a. Ancient History

As per Boudha mythology, in 'Treta Yuga', 'Manjushree Bodhisatwa' came to Nepal from Great-China to see the 'Swayambhu Jyoti' and cut the pond in Chovar with her 'Khadga' and made the way of water, then Nepal became the suitable place to live and she made the Dharmakar as a first king of Nepal.

As per Hindu Mythology, in 'Dwapar Yuga', 'Shreekrishna' came to Nepal with a group of Gopal Bamshi from Dwaraka, cut the pond, made the way of water and killed 'Danasur'. After that Gopal Bamshi ruled around 491-521 years in Nepal with the business of Cow farming. (Sharma Ruprekha, Krishnakumari, 2033: 55)

After the Gopal Bamshi, the Abhir Bamshi (Mahish Bamshi) ruled in Nepal with the business of Buffalos farming.

In the base of above mentioned facts of the human culture, we can generally predict that there was the existence of trade" may be in any form e.g. in the form of barter system, in Nepal from very ancient time, the time of 'God'.

b. Period after Democracy

Industrial development in Nepal however started getting regular attention of the government under the aegis of development plans after the dawn of democracy in 1951.

The first elected Government in 1958 made efforts to speed up the activities in various projects included in the plan. Industrial Development Corporation (IDC) was established and later converted into NIDC in 1959 to assist private industries and encourage small industries. The Timber Corporation was also established with a view to utilizing the forest products in most scientific way. An Industrial Estate was set up in Balaju through Indian aid.

In the Second Plan (1962-1965), preferences being given to such industries as are designed to reduce unemployment through utilization of raw materials available in the country and to build up foreign exchange reserve by lessening imports and promoting exports.

Under the Third Plan (1970-1975) facilities such as exemptions of income tax, export duty, import duty, provision of foreign exchange for the priority sector industries, repatriation of certain percentage of profits and capital were to be provided. The private sector- both foreign and indigenous-: could not come up, in spite of a number of facilities provided to the industries from

time to time. The industries, particularly running in the public sector, incurred heavy losses every year.

The Fourth Plan (1970-1975) emphasized significantly on encouragement to the establishment of industries mainly in the private sector. Priority was also given to labour intensive industries.

The objective of the Fifth Plan (1975-1980) was to increase the output of the industries already established and set up some new industries." (Dahal, 2004:528)

By the end of 1979, the country had a total of 3528 industrial units in the private and public sector with an employment of 51336 workers. With the rise of Industry, the problem of industrial relations also gained prominence.

"Several industries were established in the public sector mostly with the financial and technical assistance of the then USSR and China.

This process continued till the end of the Sixth plan (1980-1985). As a result, Nepal witnessed the development of quite a large number of manufacturing industries in the public sector, particularly in areas like leather, sugar, paper, cigarette, brick and tiles, agricultural tools and, textiles. Also, the Government on its investment set up factories in sectors like cement and sugar.

The industrial development strategy of the Government, however, changed after mid-1980s. The Government then shifted its development strategy from state-led development to market-led open economy. As a result, many of the public sector industrial units were privatized in the early 1990s during seventh plan (1985-1990).

The public sector in Nepal is a post-democracy phenomenon. There has been a vast expansion of public undertakings in the form of manufacturing, mining, trading, banking, insurance, transport, communications, and electric power systems. In fact, the tempo of industrialization in Nepal started with the establishment of these public enterprises. Some public enterprises are Birgunj Sugar Factory (B.S.2021), Janakpur Cigarette Factory (B.S.2021), Himal Cement Company (B.S.2023), Dairy Development Corporation (B.S.2026), Agro-Lime Industry (B.S.2030),

Hetauda Textile Industry (B.S.2032), Hetauda Cement Industry (B.S.2033), Herbs Production & Processing Corporation (B.S.2038), Lumbini Sugar Factory (B.S.2039), Nepal Rosin & Turpentine Ltd. (B.S.2043), Udaypur Cement Industry (B.S.2044).

The trade and service sector in Nepal has been playing a very influential role in imports, exports, and the domestic markets. The trade sector has grown tremendously between 1974 and 1995.

In the Eighth plan(1992-1997), the following Acts and policies contributing to industrial development were formulated: Industrial Policy(1992) , Industrial Enterprise Act(1992), Foreign Investment Policy(1992), Foreign Investment and Technology Transfer: Act(1992) , Company Act(1996). Similarly, in comparison to the base year FY 1991/92 of the Eighth Plan, the industrial production of sugar, flour, noodles, stainless steel utensils, synthetic cloths and paper (except news print) had increased substantially in the final year of the eighth plan.

In the same period, the production of vegetable ghee, edible oil, pasteurized milk, tea, animal food, soft drink, beer, alcohol(rectified), cigarette, cotton clothes, jute goods, ready-made garments, timber, tooth paste, powder, matches, soap, slippers, plastic goods, polyphone pipes, bricks, cement, iron rods, billet, GIHB wire, zinc footing , electric wire and battery has nominally increased. But the production of biscuits, bidi, woolen carpet, woolen thread, leather shoes and processed leather has decreased.

In the Ninth Plan (1997-2002), industrial production index decreased and remained only growth rate of 2% in the F.Y.2058/059 because of decreasing industrial safety. In this period 151000 of additional employment opportunity created in industrial sector.

During Tenth Plan (2002-2007) period the annual average growth rate is expected to grow by 7.8%, while total industrial investment is projected to level Rs.40.0 billion. The 10th plan also aims at creating additional 250000 employment opportunities in the industrial sector.

Nepal has also entered in the WTO and participating in the trade of Globalization. Which has given Nepal, the big opportunity as well as threats in the field of economic development of the country depends on the development of trade & industries in Nepal.

"In Nepal, enterprises and business houses are organized into their respective district-wise chambers of Commerce and Industry which in turn are affiliated to the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) at the national level. Through this organization, the employers are consulted in the formulation of economic and social policies of the government. They are also given due participation in various bodies at the national level. Their pre-occupations have thus been to watch over their members commercial and financial interests.

1.1.2 Organizational Overview of the FNCCI

Introduction

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI) is an umbrella organization of the Nepalese Private Sector. It was established in 1965 with the aim of promoting business and industry while protecting the rights and interests of business and industrial communities, FNCCI has been playing a key role in promoting business & industry in the country. It provides information, advisory, consultative, promotional and representative services to business and government and organizes training / workshop / seminar on a regular basis. It's Vision and Mission statements are "Leading the Nation's Economic Progress" and "Facilitating Nepalese Business Become Globally competitive" respectively.

Objectives

FNCCI has the following objectives:

1. Play a catalytic role in the business, industrial development and establish sound industrial relations in the country.
2. Reinforce business community's commitment to the society.
3. Provide advisory services to government, lobby as and when required in formulation and execution of business and industry related policies, acts and programmes.
4. Foster co-operation with -related national and foreign organizations.

5. Provide up-to-date information services to business and government and the community at large.
6. Create awareness and support for business and industry efforts on issues affecting business like quality, social's responsibility, corporate governance, HIV/ AIDS, Child labor, environment etc.

Because of the above objectives, the study of the "Role of FNCCI in Promotion of Trade & Industry in Nepal" is seems very effective and valuable to the business students, researchers and Professionals.

Functional Principles

FNCCI- activities are underpinned by the following principles.

1. Professionalism in operation.
2. Partnership approach in working with government, international organizations.
3. Presentation of total business and industry view.
4. Commitment to fairness, transparent, deregulation, decentralization and de-licensing.
5. Confidence in fair competition and private initiative.
6. Extensive consultations in deciding industry and business views.
7. Close cooperation with foreign federations/ Chambers.
8. Pro-active role, i.e., initiating ideas and proposals.

1.2 Statement of the Problems

As we know Nepal is a land locked, small and developing country. It has many more challenges and threats regarding development. In one hand it has limited resources and capital and in another hand it has limited skilled manpower to mobilize these limited resources. Un-education, un-employment and, constraint resources are the major limitations for the development of the trade & industry in Nepal. Similarly political conflicts and un-stability, un-established and fluctuating trade policies, lack of information / knowledge, skills regarding businesses are also the major problems in economic and business development of Nepal.

To fulfill these kinds of problems FNCCI has been established and working in the field of business & industry and trying promoting them. This study tries to find out either FNCCI has

being successful or not in solving the problems like:

1. Finding of real problems of the corporate houses, organizations regarding their businesses?
2. Can advise the government to make better policy regarding business rules and regulations?
3. How is it helping to reduce unemployment problem?
4. What kinds of trainings / workshops / seminars have being conducting by FNCCI to expand skills of the business organizations?
5. How FNCCI is addressing the real problems of Investments?
6. How FNCCI is evaluating the External & Internal environment of its member organizations?
7. Is it towards the solving problems regarding government tax policies, import-export policies, availability of raw materials, skilled & unskilled human resources, technologies, loan policies, labor problems?
8. How is it helpful in marketing the products and services of the organization in the internal & external markets?

This study tries to answer the above questions and address many more other findings during the study.

1.3 Objectives of the Study

This study will proceed with the following major objectives:

1. To evaluate the organization of FNCCI and its policies.
2. To analyze the role of FNCCI in promotion of trade & industry in Nepal.
3. To measure the role of FNCCI to the society.
4. To review the past and present works and to assess future plans of FNCCI.
5. To suggest and recommend on the basis of major findings.

1.4 Limitations of the Study

We know the country Nepal and its people Nepali, all are surrounded any where with many more limitations and constraints. They always have to choose better alternatives between many more constraints. Likewise this study also has some limitations as follows:

1. This study is going to be conducted between limited time, cost and other resources.
2. This study mainly focused on FNCCI. Hence the data provided by FNCCI staffs and their library may be insufficient.
3. Because of this study will be conducted only in the Kathmandu valley; it will not cover the opinions of each and every people and member organizations of FNCCI over the country.

1.5 Significance of the study

This era is the era of trade & industry and globalization. Hence not a single people of the world have untouched with this sector. As this study focuses on the role of FNCCI in promotion of trade & industry in Nepal. The researcher, students and the business professionals will be more significant by this study. This study helps to understand the FNCCI and its contributions towards business-economic development of the people and the country. This study will be significant for consumer, businessmen "& industrialists, organizations and the government.

Consumer - Trade & Industrial Organizations - FNCCI – Government

This study also helps to understand our present achievement, trend of business and trade development and will highlight the scope of the study.

1.6 Organization of the study

This study will be organized under five chapters. The first Introduction chapter contains; Introduction, Statement of the problems, Objectives of the study, Limitation of the study and Significance of the study.

The second chapter has designed to examine the review of literature which was obtained during the library searches.

The third chapter describes the Research Methodology. This explains Research design, sources of data collection, sampling plan, tools & techniques of data analysis.

The fourth chapter is the core part of the study in which data presentation and analysis is included.

The fifth and final chapter is the summary, conclusion and recommendation chapter. And the bibliography and appendices are presented at the end.

CHAPTER II

RESEARCH METHODOLOGY

2.1 Introduction

Research Methodology is the research method used for systematically solving the research problems. It makes the research work easier and gives a step plan to success the research. The methodology employed in this study has been given below.

2.2 Research Design

As we know, "the research design which refers to the entire process of planning and carrying out a research study. The research design asks what approach to the problem should be taken. What methods will be used? What strategies will be most effective?" (Walff and Panta, 2007:32)

Our study mainly concentrates on the contribution of FNCCI in promotion of trade & industry in Nepal. Hence it needed search of past contributions and present working of FNCCI. Therefore the suitable research design is the Historical research design and Descriptive research design. Similarly to generate the primary data, a survey research design is also applied in the study.

2.3 Sources of Data

For the research, both secondary as well as primary data will be collected. Brochures, newspapers, booklets, journals published by CBS, Ministries and FNCCI are the major sources of secondary data. The primary sources of data are interview, questionnaire, observations, visits etc.

2.4 Sample and Population

The total organizations and people involved in the trade & industry sectors are the population of the study. As we know, trade & industry is the very broad sector which is the pillar of socio-economical development of the country. And there are many more people, organizations & companies, directly related to this population.

Since, the population of the study is very large, the judgmental and convenience sampling will be done. FNCCI have its 367 associate members all over the country. Hence for this study, total of 40 i.e. above 10 % associate member companies of FNCCI situated in Kathmandu will be taken into considerations.

2.5 Data Presentation Analysis Techniques

The collected primary and secondary data have been thoroughly checked, compiled and presented in a appropriate table to facilitate analysis and interpretation. Analyses have been done both descriptively as well as statistically. Statistical tools such as Percentage, Bar Diagram, Trend Analysis, Chi-square test, ANOV A test etc. have been used and summarized the major findings of the study. Various clear tables, figures and graphs have been used to analyze, interpret and conclude the result of the study.

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**ROLE OF FEDERATION OF NEPALESE CHAMBERS OF
COMMERCE AND INDUSTRY IN PROMOTION OF
TRADE AND INDUSTRY IN NEPAL**

A THESIS PROPOSAL

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