

# **Nepalese Business Environment**

**(A Perceptual Study of Small and Medium Enterprises)**

**A Thesis**

**Submitted to:**

**The Faculty of Management**

**For the Partial Fulfillment of the Requirement for the  
Master's in Business Study**



**By:**

**SANAM SHRESTHA**

**TU Registration No: -**

**Campus Roll No:- 313/064**

**Department of Management**

**Post Graduate Campus**

**Biratnagar**

**Nepal**



# Tribhuvan University

Post Graduate Campus  
Biratnagar, Nepal

Ref no:

021-441041, 441042

## RECOMMENDATION

This is to certify that the thesis:

Submitted by

**SANAM SHRESTHA**

Entitled

**Nepalese Business Environment**

*(A perceptual study of Small and Medium Enterprises)*

has been prepared as appeared by this department in the prescribed format of faculty of Management. This thesis is forwarded for examination

.....  
**Prof. Dr. Yadav Raj Koirala**  
(Thesis Supervisor)

.....  
**Prof. Dr. Khagendra Acharya**  
Head, Research Department

.....  
**Mr. Ballav Prasad Poudel**  
(Campus Chief)



# Tribhuvan University

Post Graduate Campus  
Biratnagar, Nepal

Ref no:

021-441041, 441042

## VIVA VOCE SHEET

We have conducted the viva voce examination of the thesis presented by

**SANAM SHRESTHA**

Entitled

**Nepalese Business Environment**

*(A Perceptual study of Small and Medium Enterprises)*

and found the thesis to be original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirement for Master's Degree in Business Studies (M.B.S.)

### Viva Voce Committee

<u>Status</u>	<u>Name</u>	<u>Signature</u>
Head of the Research Department:	Prof. Dr. Khagendra Acharya	.....
Member (Thesis Supervisor)	Prof. Dr. Yadav Raj Koirala	.....
Member (External Export):	.....	.....

## **ACKNOWLEDGEMENTS**

The credits for the successful completion of this thesis go to all those individuals who have given their company and helped me in their respective ways to accomplish my objective in time. I offer my sincere gratitude to them.

I would like to express my deep gratitude to my respected supervisor Prof. Yadav Raj Koirala who provided me essential guidelines at every step of my attempt without which I could never accomplish this task. I would also like to thank all the participants while collecting the data and my special thanks goes to Ms. Rashmi Upadhyaya who guided me to prepare questionnaire.

I am thankful to all my friends: Trishala Pokharel, Lila Gautam, Prashant Karki, for their constant support and encouragement throughout the preparation of the thesis.

Words in fact cannot fully express my deepest thanks to all those people who directly or indirectly helped us to make this report a success and supported us in this endeavor. Their recognition will remain in our heart with respect and long lasting memory.

Thanking you very much for your valuable participation.

**SANAM SHRESTHA**

**December, 2012**

## **CERTIFICATE OF AUTHORSHIP**

I hereby declare that this submission is my own work and that to the best of my knowledge and belief, it contains no material previously published or written by others, nor materials which to a substantial extent has been accepted for the award of any other degree of a University or their institution of higher learning expect where due acknowledgement is made in the acknowledgements.

---

**Date**

---

**Sanam Shrestha**

## Table of Content

	<b>Page No</b>
<b>Chapter-I</b>	
1.1 Background of the Study	1
1.1.1 Industrial Policies and Facilities	4
1.1.2 Classification of Industries	5
1.1.3 Investment Facilities and Incentives	6
1.1.4 Trade Policy	7
1.1.5 Problems and Constraints	7
1.1.6 Policy and Legal Issues	8
1.2 Focus of the Study	8
1.3 Statement of Problem	9
1.4 Objective of the Study	18
1.5 Rationale of the Study	18
1.6 Hypothesis of the Study	19
1.7 Limitations of the Study	19
1.8 Organization of the Study	20
<b>Chapter-II</b>	
2.1 Business Environment	21
2.2 Changing External Environment	22
2.3 Business and Competition	22
2.4 Nepalese Business Environment	23
2.5 Small and Medium Enterprises	24
2.6 Small and Medium Enterprises in Nepal	26
2.7 Current Situation of SMEs in Nepal	27
2.8 Review of Related Studies and Articles	28
2.8.1 Review of Articles	28
2.8.2 Review of Studies	30
2.8.3 International Issues in SMEs	38
<b>Chapter-III</b>	
3.1 Research Design	47

3.2 Sample of the Study	48
3.3 Nature and Sources of Data	48
3.4 Data Collection Procedure	48
3.5 Statistical Analysis	49
3.6 Research Variables	49

## **Chapter-IV**

4.1 Presentation and Analysis of Secondary Data	52
4.1.1 Statement of Permission Granted to Small Industries by DOCSI	52
4.1.2 Statement of Registration of Small Industries	53
4.1.3 Statement of Registration of Small Industries on the Basis of Region	54
4.1.4 Classification of Small Scale Industries in terms of Type of Firm	55
4.1.5 Statement of Employment Created by Small Industries	56
4.2 Presentation and Analysis of Primary Data	57
4.2.1 Respondents Profile	57
4.2.1.1 Nature of the Company	57
4.2.1.2 Length of Time of the Company	58
4.2.2 Environment and the Nature of the Company	59
4.2.2.1 Economic Environment	59
4.2.2.2 Technological Environment	60
4.2.2.3 Socio-Cultural Environment	61
4.2.2.4 Political Legal Environment	62
4.2.2.5 Global Environment	63
4.2.3 Environment of the Age of the Company	64
4.2.3.1 Economic Environment	64
4.2.3.2 Technological Environment	66
4.2.3.3 Socio-Cultural Environment	68
4.2.3.4 Political-Legal Environment	70
4.2.3.5 Global Environment	72

## **Chapter-IV**

5.1 Summary	75
5.2 Conclusion	79
5.3 Recommendation	81

## **Bibliography**

## **Annex**

## List of Table and Figure

<b>List of Table</b>	<b>Page No</b>
Table 2.1: Weight of Obstacle	10
Table 4.1: Permission Granted by DOSCI	52
Table 4.2: Nature of the Industry	53
Table 4.3: Small Industries on Regional Basis	54
Table 4.4: Small Industries in Terms of Types of Firm	55
Table 4.5: Employment Created by Small Industry	56
Table 4.6: Sample Number of Nature of Company	57
Table 4.7: Age of the Company	58
Table 4.8: Environment Dimensions	59
Table 4.9: Economic Environment	59
Table 4.10 Technological Environment and Nature of the Company	60
Table 4.11 Socio-cultural environment and Nature of the Company	61
Table 4.12 Political-Legal Environment and Nature of the Company	62
Table 4.13: Global Environment and Nature of the Company	63
Table 4.14: Mean and Standard Deviation: Economic Environment and Age of the Company	65
Table 4.15: ANOVA: Economic Environment and Age of the Company	66
Table 4.16: Mean and Standard Deviation: Technological Environment and Age of the Company	67
Table 4.17: AVOVA: Technological Environment and Age of the Company	68
Table 4.18: Mean and Standard Deviation: Socio-Cultural Environment and Age of the Company	69
Table 4.19: AVOVA: Socio-Cultural Environment and Age of the Company	70
Table 4.20: Mean and Standard Deviation: Political-Legal environment and Age of the Company	71
Table 4.21: AVOVA: Political-Legal Environment and Age of the Company	72
Table 4.22: Mean and Standard Deviation: Global Environment and Age of the Company	73
Table 4.23: AVOVA: Global Environment and Age of the Company	73
 <b>List of Figure</b>	
Figure 2.1: Model of Latin American Business Environment	42
Figure 4.1: Permission Granted by DOSCI	53
Figure 4.2: Nature of the Company	54
Figure 4.3: Small Industries on Small Basis	55
Figure 4.5: Nature of the Company	57
Figure 4.6: Age of the Company	58