

# CHAPTER ONE

## Introduction

### 1.1 Background:

Nepal has a population of 23.5 million with about one half of the population living in the terai and rest living in the hill and mountain. Parsa district is located in Narayani zone of the central region. Parsa district is touched by Bara district in east, Chitwan district in west, Bihar state of India in south and Makwanpur district in the north. Birgunj is the headquarter of Parsa district. Parsa district is also known as Gateway of Nepal. From Economic point of view, Bara and Parsa districts are prone economic development as well as for business transaction. Bara and Parsa districts are not only potential for big, medium and small factory it is also potential for micro enterprise development, inter-factory linkage activities as well as informal sector business development and self employment.

To grab the opportunities of micro enterprise development in Bara and Parsa Helvetas Nepal has been implementing a programme of Elam (An Informal Sector Enterprise Development and Employment Generation Programme) with the aim of poverty reduction and employment creation through micro enterprise development. Elam Helvetas has been providing basic and specific business services to

micro entrepreneurs through Enterprise Service Provider (ESPs) for sustainable and profitable enterprising in urban and village market center of Bara and Parsa district.

The promotion of micro scale enterprise, especially those in the informal sector, is viewed as viable approach to sustainable development because it suits the limited resources and fragmented domestic market in many economics like Nepal. As a least developed country with pervasive poverty and deprivation, Nepal's foremost development objective has been to achieve the prime goal of poverty reduction. Unemployment and under employment have been the major attributes of poverty of Nepal. With more than 50% of work force not getting any gainful employment followed by deprivation to basic consumption of goods and services. Economic and social development has lagged behind even among the least developed countries. Further, with gradual decay of micro enterprises, which creates self employment In this regard, sustainable micro enterprises have to look at as major employment providers and means to reduce poverty. Although, main issues are apply of marketing analysis and development tools for sustainable micro enterprising.

Market analysis and development has been playing vital role on profitable business run on long term.

## **1.2 Statement of problem**

There is no doubt, micro entrepreneurs creates employment at low level of investment per job, lead to increased participation of

indigenous people in the micro and macro economics, use mainly local resource, promote the creation local technologies, generate most technological innovations and product diversification and provide skills and entrepreneurship development training at a low cost to the society. Their role in the least developed countries like ours is, however subdued *inter alia by* the absence of entrepreneurship, which has bearing on the economic environment and external opportunities along with the social value system.

It is generally recognized that micro entrepreneurs face various problems, which affect their growth and profitability and, hence diminish their ability to contribute effectively to run sustainable. These problems include lack of entrepreneurship knowledge, lack of access of credit, inadequate managerial and technical skill, poor market and business information, low level of education, weak technology, lacking of marketing skill, and unavailability of Enterprise Services Provider (ESPs) to get various business services.

Nationally and internationally experience shows that micro enterprise can generate employment and contribute to uplift local economy. For this purpose, various supportive programme has been launching in Nepal by using public private partnership approach. However, expecting results are not coming in the sector of sustainable and profitable micro enterprise due to various causes, which are mentioned above.

For this study following problems are identified for sustainable and profitable micro enterprise development.

1. What are the best practices of market analysis and development for sustainable and profitable micro enterprise development?
2. What is the role and criteria of area and clients selection process?
3. Identify the basics and specifics business services of Enterprise service Provider (ESPs) to deliver the micro entrepreneurs for sustainable and profitable micro enterprise.

### **1.3 Objective of the study :**

The general objective of this is to identify market analysis and development for sustainable and profitable micro entrepreneurs. The specific objectives are:

- ) To analysis the marketing analysis and development for sustainable and profitable micro enterprise.
- ) To identify marketing analysis tools for sustainable and profitable micro enterprise creation and development.
- ) To identify specifics marketing services to micro entrepreneurs for sustainable and profitable micro enterprise.

### **1.4 Significance of the study**

Micro enterprising sector is vital overall growth and development of the Nepalese economy. Micro enterprising is important for various reasons such as, for an effective poverty reduction, foster regional development, generate additional

employment opportunities, acquire new technology to improve productivity, powerful way to assist and empower women development.

The less developed state of economy, the higher importance of micro enterprise play vital role as a means to achieve growth and interims of usage of resources in the country. In the Nepalese context, Nepal where the financial resources are limited, the level of human capital is low, and access to technology is limited. Micro enterprise plays a significant role in the development of local economy. Micro enterprise covers a wide range of activities e.g trading, vendoring, services, manufacturing, services etc. Micro entrepreneurs have helped the country to diversify product services, increase employment opportunities, increase export and bring technology. Specifics data on micro enterprise in Nepal is not available, it is estimated that more than 40000 micro entrepreneurs are engaged in micro business and Bara and Parsa.

In Bara and Parsa, most of the micro enterprises are family owned and established to complement the income of the owners. The owners provide necessary capital and rely on loans only occasionally. Ownership and control of the micro enterprise remain in the hands of same individual or group of individuals. The lack knowledge and competency to manage their enterprises efficiently and employee their close relatives to all major position in enterprise. Generally there is too much centralization of power with little delegation of authority to subordinates. Proper job descriptions seldom exist and expectation of personal loyalty from the employee is quite high. Professionalism in

management is rare in these enterprises. Exposure of the owners to the modern management concept and tools is limited. In micro enterprises very thin line of demarcation between the enterprise resources and personal resources of the owner and this sometimes even blurs the actual financial position of the enterprise. In Bara and Parsa, micro enterprises are mostly dependent on local technology, local market and local skill person.

Due to the above mentioned attribute micro entrepreneurs are unable to run sustainable.

The study is significantly important in terai's business context. There is no concert micro enterprise related market analysis and development study at field level. Therefore, this is useful for the micro entrepreneurs, government agency, private sector as well as non-government organization. There is government and micro entrepreneurs are investing huge amount in micro business for business start up, growth and poverty reduction through additional employment generation. However, micro entrepreneurs are not getting appropriate external and internal business environment as well as result of government is also very low in micro enterprising section comparison with investment. In these way micro entrepreneurs, practicnor are unknown on sustainable marketing analysis and development. Therefore, this study is significantly importance for micro entrepreneurs, government, Business member organizations (BMOs), Private sector, and Donor agency. This study is helpful for addressing for future coping strategy. It is suggestion is helpful for

future planning of micro business and marketing policies. It will be supported for marketing analysis and development.

This research study will be applicable for the future researchers. This study is more significant for the student who is doing there case study and research study. In fact, from this study is more effectively applicable and benefited the micro entrepreneur and Enterprise Services Provider (ESPs). It explores the new idea and issues for the future study for the detail and depth study in micro enterprising sectors.

#### **1. 5. Limitation of the study.**

It is not surprising that there are always some problems to be faced in the research carried in social science. Here are some limitations regarding these facts.

- ) This study will be limited in the clients of Elam Helvetas, clients of Enterprise Services Providers (ESPs) in Bara and parsa districts.
- ) Most of the data use in the study will be obtained from questionnaire, focus group discussion, interview, observations, so the data will be primary and time taking study.
- ) Sampling limit is very small size in comparison with total population.

#### **1.6. Research Methodology**

Research Methodology is the systematic way of solving research problems. It refers to the overall research process, which researcher conducts during his/her study. In this chapter research design,

population and sample, sources of data, data collection technique, data analysis tools are include. A research can be conducted on the basis of primary and secondary data. In this study all the data from secondary sources and the observed data is analyzed with using appropriate research tools.

### **1.7. Organization of the study**

The study work contents the following chapters.

**Introduction:** This chapter covers the background of the study, statement of problem, objectives, significance of study, limitation of the study.

**Literature review:** This chapter provides the relevant study, research and information regarding micro entrepreneurs related books, reports, journals, articles, case study etc.

**Research methodology:** This chapter covers the tools, techniques and methods applied for this study.

**Data Presentation and analysis:** In this chapter includes data presentation and interpretation of graphs and discussion.

**Summary:** Conclusion and recommendation.





# CHAPTER TWO

## Literature Review

### 2.1 Definition of micro Enterprise

Micro enterprises covering wide range of activities, is playing a pivotal role in employment and not only local also national economy development with low capital investment by individual and private sectors. The definition of micro enterprise is different in different country as level of economy and per capita income of people. In India, a definition that included both total investment and labor employment was used, but it is given up subsequently in favor of investment on plant and machinery alone. In Nepal, there is no any specific definition is published by any government in any government documents. But, Nepal government has run micro enterprise development project for poverty reduction and additional employment generation with taking of support from donor agency. In this way, we can found different definition of micro enterprise as per nature of projects. By attributes of micro enterprise, is defined as an economic activity carried out with the following characteristics:

- ) Fixed capital investment of up to Rs.200, 000.00 excluding land and building. (According to the definition given by cottage industry under the industrial enterprises ordinance, 1997)
- ) Self employment
- ) Employment up to 5 employee including self and family members.
- ) Used power machine not exceeding 5kw (according to the industrial enterprise Act, 1992).

) No licensing requirement (according to the industrial enterprise Act, 1992).

## **2.2 Informal Sector Micro Enterprise**

Non register business, full time or part time enterprising, quite substantial in nature, employing up to five people including self and family members specially road side vendor, petty producer and mobile service seller.

## **2.3 Importance and advantage of micro enterprises**

Nepal is under developed and land lacked country. Population and unemployment are growing day by day with high rate. Lacking of technology, lacking of high skill manpower, lacking of political commitments and vision, increasing dependency in foreign aid, export of natural resources in raw form, these are the basics attributes of Nepalese economy. Consequently, unemployment is increasing and agriculture productivity is decreasing because of high pressure in agriculture. A report shows that annually three lack unemployed are added in Nepal. Government has no specifics idea and vision to provide opportunity of job other hand private sector is also not sufficient and motivated to invest money in commerce and industries. Industrial relation is destroying due to conflict of workers and management so that, trend is increasing of industries shut down consequently jobs are reduced. Above this background, importance and advantage of micro enterprise is high. Importance and advantage of micro enterprises are mention under.



- )] **Upcoming of new business infrastructures (e.g. dry port), Export processing Zone etc.**
- )] **Rural-market linkages**
- )] **Emerging EBOs with local resources**

**Constraints:**

- )] **Less trust of big business houses to Nepali micro entrepreneurs**
- )] **Low desire and less service procurement practices**
- )] **Cut throat business competition Exploitation of informal money lenders**
- )] **Manipulating attitude of micro entrepreneurs and petty producer**  
**Low risk bearing capacity with high expectations of return**
- )] **Transitory nature of business**
- )] **Lack of institutionalized business information and negligence for micro enterprises**

**2.5 Meaning of Marketing:**

**Under the business dimension marketing is generally meant for selling and buying activities. However it involves a series of economics activities such as planning, investing, and manufacturing, pricing, distributing, promoting, providing after sale-services, and evaluating and controlling marketing activities. Marketing activities are quite affected by the dynamism of the environmental factors. These factors have direct hinge on marketing information, marketing research, social responsibility, and on other marketing program. The marketing opportunities may prevail if these environmental factors remain. Modern marketing forms put forward there commitments on behalf of customers so that they would enjoy these opportunities.**

Marketing, in this way, has become exciting and dynamic aspect of contemporary economic life, which encompasses a wide range of practices anticipation, simulation felicitation, regulation and satisfaction of demands.

Therefore, marketing can be defined as an on-going process of discovering and translating customer needs and wants into products/services through planning, producing and creating demand, serving customer demand through planned physical distribution system and expanding market in the face of keen competition under the umbrella of certain communities.

According to Philip Kotler *“Marketing is social process by which individuals and groups obtain what they need and want through creating and exchanging product and value with others.”*

H.Michal Hayas says that *“Marketing embrace is a faith that puts commitments to customer satisfaction equal to or ahead of profit that requires definition of customer satisfaction in customer terms, not the firms”.*

Similarly some other marketing expert define to marketing accordingly

***“Marketing is the application, management, and satisfaction of demand through the exchange process”.*** Joel R. Evans and Barry Burman.

Going through above discussion about definitions, we can conclude that marketing includes the following.

- ) Examination and evaluation of customer characteristics and needs marketing situation and other internal and external environmental factors that effect marketing practices of the enterprises.**
  
- ) Development and evaluation and implementation of attractive product strategies and using tactics to compete in the dynamism of marketing as well as maintaining quality and product innovation system.**
  
- ) Development, evaluation and implementation of competitive pricing strategies and using tactics as well as maintaing level and range of prices, credit availability and terms cash flow, cash downs and sales, budgeting methods of pricing and so on.**
  
- ) Development, evaluation and implementation of competitive pricing strategies and using tactics relating to ads, sales promotion, sales management, publicity, customer relations, dealer relations,**

warranties, public relations, displays, interaction with customers for business transactions.

) Conducting marketing research for obtaining and analyzing information in all the areas of marketing, as well as applying most suitable marketing control techniques in order to benefit from reinforcement of marketing practices.

Modern marketing embrace is a faith that puts commitments to customer satisfaction in customer terms, not to the firms, and that requires fundamental changes in values and benefits through the organizations.

In marketing terms, a market is made up of people with needs to satisfy, the money to spend, and the willingness to spend it. It does not simply mean a physical marketing place. There may be many different markets for a product each with different characteristics and a different purchasing power.

For the market demand for any given product, there are three factors to consider.

- ) People with product needs.
- ) There purchasing power.
- ) There buying behavior.



## **2.5 Marketing concept for Micro Enterprises.**

**Marketing is often defined as the movement of a product from where it is produced to the ultimate consumer or processor.**

**Micro Entrepreneurs -----<→----->Consumer.**

**Marketing, however, is not only the movement of goods, but also a process.**

**Marketing is the process of exploring which products potentials customers will purchase and then producing, processing, promoting and distributing them at a profit.**

**Marketing is just not selling in micro enterprises selling should be a part of marketing. Selling is trying to make the customer buy the available product. Marketing includes not only selling but also producing, processing, promoting and distributing products. The essential principle of marketing is that producers succeeded by producing what can be profitable sold rather then easily produced.**

## **2.7 The differences between selling and marketing concept in terms of micro enterprises.**

In selling concept list of following attributes are found in micro enterprise. Which are describes in box as follows.

- ) *Sell at any cost what you can make.*
- ) *Product orientated.*
- ) *Volume oriented.*
- ) *Looks for new opportunities to sell existing products.*
- ) *Promotes the way products are made.*
- ) *Marketing and customer services are secondary.*
- ) *Little marketing planning.*
- ) *Weak feedback and marketing research system due to inadequate recording system (MIS)*

In marketing concepts list of the following attributes are found in micro enterprises. Which are mentions under the box.

- ) *Make what you can sell.*
- ) *Customer oriented, customers satisfaction is prime goals.*
- ) *Profit oriented through satisfied customers.*
- ) *Focus on appropriate technology.*
- ) *Cost of making new improved products.*
- ) *Promote the way of products meet customer demands.*
- ) *Customer services are part of product.*
- ) *Integrated planning and feedback mechanism developed.*

## **2.8 Micro enterprises and Marketing Research.**

The exploration of potential market is the first step in establishing the sustainable and profitable micro enterprises. Before start businesses micro entrepreneurs determine who will need products or services and why they will wish to buy. More specifically, answers are needed for the following question,

- ) What are the characteristics of those customers who require products or services?
- ) Why will they give their business and buy products/services?
- ) Who is in competition with you? In which sectors and marketing components such as products, price, promotion, place?
- ) How will the external and internal environment affect your market as well as in business?

By answering these questions, entrepreneurs gain a better understanding of customers as well as competitors. Entrepreneurs can get following benefit of knowing and understanding customers and competitors.

- ) To ensure that there is a need for your goods and services.
- ) To make promotion of goods and services easier.
- ) To be able to estimate the level of revenues to generated from selling goods and services.
- ) To collect market information to formulate of marketing strategy.

The formulation of a marketing strategy is an important component in the planning of future business. What is market; identify characteristics of customers, competitors within a market and present

simple market research techniques for gathering information about market of micro entrepreneurs.

The above discussion about marketing research helps to micro entrepreneurs to determine followings:

- A. Existence of market for proposed business.
- B. How large is this potentials markets.
- C. How to identify market segments?

In order to do this, market research is essential to micro entrepreneurs as it will give the basic information relating to:

- A. The demographic attributes of potential customer and competitors.
- B. The attributes of these potentials customers, that is where, when, what, why do they buy.
- C. External and internal environment assessment of micro enterprises.
- D. There is identification of desirable quality for production.

In this way Marketing research play vital role to make profitable and sustainable micro enterprise.

## **2.9 Micro enterprises and Marketing plan.**

In order to make a success of the enterprise that intended taking up, need to have a good marketing plan. In the marketing plan the key factors to be considered are building up a image for the venture,

location, pricing, buying and channels of distribution of goods services, advertising and promotion, strategies and selling skill. Further a plan for the inventory credits should also form a part of the marketing plan in micro enterprises.

In marketing plan, Micro entrepreneurs have to decide on the best way to tell potential customers about services. In making that decision entrepreneurs will have to consider what and how will tell them about services. Marketing plans covers various market related information which support to micro entrepreneurs to make long term marketing strategy. Generally list of the following matter should be incorporate in marketing plan of micro entrepreneurs which are given bellow.

- A. Products description with specific attributes.**
- B. Descriptions of location, why this location is appropriate should be answering.**
- C. Products comparison with competitor products in price, quality, place, promotion for competition analysis.**
- D. Market converges.**
- E. Accessibility of raw materials, transportation, technology, labor and other business services for business operationalization.**
- F. Situation of Socio and political environments.**
- G. Promotion technique for products sales.**

Marketing plan helps to micro entrepreneurs to establish specific image of business in front of customers to make accessibility of market their own product or services.

Marketing plan has played a prime role to improve selling skill of entrepreneurs. During the selling period business person will make contact with clients, distributors, suppliers as for entrepreneurs have to be SMART in selling skill. For this purpose market plan has provided support to improve selling skill.

There is a lack of business literacy and awareness to micro entrepreneurs to make a marketing plan. Due to a lack of entrepreneurship knowledge, entrepreneurs are not motivated to make a marketing plan. The informal sector business has not in any strong association so that they are far from getting any types of business services to enhance business knowledge from the government and other development agencies.

## **2.10 Micro Enterprise and Marketing mix.**

Marketing mix can be understood as a set of products, price, place and promotions, which are used to pursue the firm's marketing objectives in the target market. It is used as a framework for planning strategies for an enterprise and monitoring the effect of the activities on an annual basis in micro enterprises.

An effect of combination of the four marketing variables can help the firm to be a winner in a competitive environment because all these variables are so interrelated and interdependent that decision in one area certainly affects action in another. Practically it so happen in micro business because of dynamic nature of market, environmental factors, technical, social, economical, and political so on. Similarly, it so happen because of lacking of entrepreneurship knowledge in entrepreneurs, low capacitate entrepreneurs, throat cut competition among the entrepreneurs.

Hence, An alternation in any area of marketing mix depends upon analysis of marketing conditions and environmental factors. The information about these changes can be obtained through marketing research and marketing information system. In order to formulate appropriate marketing mix strategy, such information need to be suitably analyzed and interpreted but micro entrepreneurs did not keep any business information properly. Due to this cause most of the micro enterprise cannot formulate marketing mix strategy in there own business consequently they cannot run profitably and sustain ably.

## **2.11 Micro Enterprise and Elam (An Informal Sector Enterprise Development and Employment Generation Program).**

### **2.11.1 ORIGIN OF ELAM**

After the successful implementation and learning from rural infrastructure development program (suspension bridge, rural roads and drinking water schemes), natural resource management program (agro forestry, soils improvement etc.) and education and culture (primarily vocational training, business promotion and skill upgrading program), Helvetas/Nepal realized the need of working in informal sector economy. In 1994, a short idea paper was prepared with a view to articulating a firm concept and program design.

### **2.11.2 RESULTS OF THE ELAM**

Elam Birgunj experiences shows that potentiality exist among business owners with apparently viable ideas for growth and expansion to develop and implement their plans, to assist employed and unemployed people with apparently sensible ideas for starting their own business. By following methodological and sequential process of identification of location, clients, their service needs, business support packages development and finally supporting them to an independent level of performance to seek the service delivery they need. The process of client generation and basic as well specific support services can help Growth of Enterprise Development (GED) clients to improve their business management and financial and marketing skill for growth, and Start Your Own Business (SYOB) clients to learn how to start and run a business. Counseling, Coaching and Consulting (CCC) are the major CCC delivery techniques guiding the clients for their business growth and starting new ones. The experiences also show that self help group (SHG) modality can assist poor, especially excluded women to organize into groups, develop saving habits and promote inter intra group lending for income generation (sub contracting employment) and micro enterprising activities (GED/SYOB) as well as to address consumption needs of household cores. These groups also have proved as potential for starting sub contracting business for special product items.



### **2.11.3 GED/ SYOB Business Model.**

**Elam provides business Counseling, Coaching, and Consulting and credit linkage support (CCCc) to the micro entrepreneurs either through Enterprise Service Providers (ESPs) or through Elam directly. The steps, process and approaches to provide service to GED/SYOB clients are developed and are in practice. Elam program provided business start-up services to the employed /unemployed people to start own business. The performance of business in terms the sales increase, profit margin increase, growth of business assets, retain earning, increase in employment and market expansion, CSR indicators are monitored continuously, through a established system called Learning through Monitoring System ( LTM).**

**Status of GED/ SYOB Clients served ( 2007, 2008 and 2009 by Gender and Ethnicity) in Bara and Parsa districts.**

Client By types		2007				2008				2009				
Enrolled Clients		GED	SYO B	Total	%	GED	SYO B	Total	%	GED	SYO B	Total	%	Sub Con
Dalits	F	0	1	1	0.18%	3	6	9	1%	6	55	61	7%	
	M	7	0	7	1.2%	10	2	12	2%	20	13	33	4%	
	T	7	1	8	1.5%	13	8	27	3%	26	68	94	11%	
Janjatis	F	6	14	20	4%	12	14	26	3%	0	46	46	6%	
	M	9	4	13	2%	28	10	38	5%	0	10	10	1%	
	T	15	18	33	6%	40	24	64	8%	0	56	56	7%	
SM	F	8	32	40	7%	15	59	74	10%	8	25	33	4%	
	M	32	7	39	7%	49	12	61	8%	11	13	24	3%	
	T	40	39	79	14%	64	71	135	18%	19	38	57	7%	
Others	F	26	175	201	37%	56	133	189	25%	46	290	336	41%	
	M	169	59	228	42%	285	66	351	46%	181	98	279	34%	
	T	195	234	429	78%	341	199	540	71%	227	388	615	75%	
Grand Total	F	40	222	262	48%	86	212	298	39%	60	416	476	58%	
	M	219	70	287	52%	372	90	462	61%	212	134	346	42%	
	T	259	292	549	100%	458	302	760	100%	272	550	882	100%	

Sources: MIS, Elam Helvetas, 2009<sup>1</sup>

<sup>1</sup> Unpublished data of Elam Helvetas, 2009 (Annual Report 2009)

## **2.12 Concept of Enterprise Service Providers (ESP)**

**Enterprise Service Providers are locally developed person/entrepreneurs and/or business organization to impart the required business skill, knowledge, technology and information to SYOB/GED/Sub Contracting clients through CCCc techniques in a commercial way as per their own business in a local level. Elam is supporting ESP for capacity building, risk sharing on new services, product developing and testing and marketing of ESPs services. Moreover, Elam is providing continuous coaching on CCC providing technique to clients.**

**Elam program recruited/selected intermediary called Enterprise Service Providers (ESPs). They are the business intermediaries, who in-turn enrolled/ select individual clients for CCCc service delivery, categorized under Growth Enterprise Development (GED), Start Your Own Business (SYOB) and Sub contracting clients by following Client generation process developed and conformed by Elam. ESPs are used as vehicles for providing the required business skill, knowledge, technology, information and credit linkages to these target cliental groups.**

**During the year 2001- 2003, Elam directly served the micro entrepreneurs by enrolling them as Elam clients for defined period. Since 2004 Elam professionally started to develop ESPs to localize the Elam CCC services and practiced generating and serving ESPs clients partially. From the year 2006, Elam started to serve the clients through ESPs to start and growth for the clientele business.**

Identification and development of ESPs is adopted as a continuous process in the year of 2004,2005,2006 and continues. Elam has capacitated total 22 ESPs out of which 5 are female. All the newly selected ESPs undergo capacity development process of two years, after which they are expected to be fully capable to serve the business CCC to the clients' independently or with minimum back support of Elam. All of the ESPs are guided by their individual/group business plan (BP) for providing business services to the clients and being viable in their ESP business.

### **2.12.1 Rationale of ESP development**

- ) To serve increasing number of micro-enterprises**
- ) To localise private business service practices**
- ) To ensure cost effective and timely CCC services**
- ) Scaling up the Elam activities and privatise CCC services at the local level**

### **2.12.2 ESP Development**

ESP development were carried with an objectives of providing reliable and quality local services to micro entrepreneurs to increase the operational capacity, access to markets, management skills, financial efficiency and access to networks and information, including sub-contracting for income and employment generation in the informal sector.

ESPs are expected to provide services for serving increasing number of micro-enterprises and petty producers, to localise private business service practices, to ensure cost effective and timely CCC services and to phase over Elam project and privatise CCC services at the local level.

### **2.12.3 ESP identification and Selection**

ESPs were identified from different sources like from among the graduated clients of Elam, ancillary service providers , brokers/ sub contractors (Who does not produce products, but purchase products from micro enterprises and sell them at a mark-up/ commission.), Marketing Service Provider (Marketing agents, suppliers, salesman, and vendors, Input output suppliers), Non-governmental Organisation , Linkage/ Credit Provider ESP etc.

### **2.12.4 Major criteria used for selection of ESP were as follows**

Personal business history (Name, address, needs to be local citizens, education (SLC up to IA), business track record/ family business background)

Competency Indicator (Entrepreneurial quality, Interest to add on new ESP products, as required, Financial status), Good interpersonal and negotiation Personal Entrepreneurial Competency (PEC), Critical success factors verification (Trustworthiness with the local entrepreneurs, No credit due of customer/ bank, Accepted

### **2.12.5 GOAL (DEVELOPMENT OBJECTIVE)**

Improved livelihoods of low income families (SLOW) in the selected market centers of the central development regions along

the East-West high way road corridors through viable and sustainable micro enterprises and employment generation.<sup>2</sup>

### **2.12.6 OPERATIONAL OBJECTIVES:**

Elam has been established under non-government sector for the development of micro enterprises in different districts. Its outcomes have been outlined in the following headings.

- ) Developed sustainable and viable micro enterprises
- ) Strengthened/localized demand led enterprise service providers' service system for enterprise development and employment generation.

### **2.12.7 OUTPUTS AND ACTIVITIES**

**Objective1: To Develop viable micro enterprise (GED/SYOB/Sub Contracting)**

Out put/Results	Activities	Milestones	MoV
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<sup>2</sup>. (Source: Updated LTM 007 Elam Phase 2)

<p>1.1 Developed existing business owner with apparently viable ideas for growth and expansion (GED)</p>	<ul style="list-style-type: none"> <li>-Conduct area potential survey , baseline survey in the selected areas</li> <li>-Organize ESP Service orientation workshop and enroll clients</li> <li>-Provide growth business orientation ( moving business and new business plan services etc.)</li> <li>-Organize selling/marketing skill improvement, book keeping training, layout/safety/ hygienic know-how , credit need assessment (working capital management) and linkage workshops / training etc. to the clients through ESPs</li> </ul>	<p>-15000 GED/SYOB clients will be generated with basic/specific CCC package.</p> <p>-60% of SYOB clients will start sustainable and viable micro enterprises.</p> <p>-80% of GED clients will growth their own business in term of capital, sales, market, employees, products etc.</p>	<ul style="list-style-type: none"> <li>-APS survey report</li> <li>-APS selection sheet</li> <li>-ESP service orientation report</li> <li>-Clients orientation card</li> <li>-Business/growth business orientation report</li> <li>-Business/growth business plan workshop report</li> <li>-Selling/marketing skill improvement report</li> <li>-Book keeping workshop report</li> <li>-Layout/safety, hygienic know how workshop report</li> <li>-Credit need assessment workshop report</li> <li>-CCC filled form</li> <li>-Market exposure report</li> <li>-Buyer seller interaction report</li> <li>-Trade fair participation report</li> <li>-Skill impartation training/linkage report.</li> <li>-Product development &amp; testing report.</li> <li>-Graduated clients MIS list</li> </ul>
<p>1.2 Created own business of employed or underemployed having apparently sensible ideas (SYOB)</p>	<ul style="list-style-type: none"> <li>-Provide regular clientele CCC and follow up</li> <li>-Organize other specialized service like market exposure visits, buyers-sellers interaction workshop (Local market),</li> <li>-facilitate participation in trade fares, skill impartation training/linkage, technology transfer , product development &amp; testing</li> <li>- certification/accreditation/organizational linkage for graduated client</li> </ul>		
<p>1.3 Develop sub contracting business</p>	<ul style="list-style-type: none"> <li>-Conduct area potential survey , baseline survey in the selected areas</li> <li>-Organize ESP Service orientation and clients' recording /registration workshop</li> <li>-Organize market exposure , buyers-sellers interaction workshop</li> <li>-Facilitate clients to participate in trade fares, skill impartation training/linkage, technology transfer support</li> <li>-Support for product development &amp; testing</li> <li>- certification/accreditation/organizational linkage to graduated client</li> <li>-Specific skill transfer and efficiency improvement training (including quality</li> </ul>	<p>1800 sub contracting clients will be generated with basic/specific CCC package</p>	<ul style="list-style-type: none"> <li>-APS survey report</li> <li>-APS selection sheet</li> <li>-ESP service orientation report</li> <li>-Clients record list</li> <li>Market exposure report</li> <li>-Buyer seller interaction report</li> <li>-Trade fair participation report</li> <li>-Skill impartation training/linkage report.</li> <li>-Technology transfer report</li> <li>-Product development &amp; testing report.</li> </ul>

	<p>inspection)</p> <ul style="list-style-type: none"> <li>-Provide regular follow up services up to 6 months</li> <li>-Organize HIV aids/ safety, health, hygiene and CSR related workshop</li> <li>-Facilitate clients to Trade fare, exposure visit for production and market (<i>Meths</i>, sub contractor, quality inspector) etc.</li> </ul>		<ul style="list-style-type: none"> <li>-Graduated clients MIS list</li> <li>-HIV aids/safety,health, hygiene and CSR workshop report</li> <li>-Tradefair participation report</li> <li>-Exposure visit report</li> </ul>
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## Objective 2 : To Strengthen Local Enterprising Services ( ESPs)<sup>3</sup>

Out put/Results	Activities	Indicators at end of Phase	MoV
2.1 ESP development	<ul style="list-style-type: none"> <li>-Explore/enroll /-Capacity building of new ESPs (as per guideline)</li> <li>-Coach ESPs to deliver service packages</li> <li>-Certification/accreditation of ESPs</li> <li>-Establish ESP Business network</li> <li>-ESP service/ package design and updating.</li> <li>-Output based ESP service delivery /financing/payment system in place</li> <li>-Review/monitoring/Verification of ESPs work.</li> <li>-Develop local facilitator/ organization to for replacing PMU role of ESP development/capacity building process.</li> </ul>	76 local ESPs will be developed and localize CCC packages at target locations	<ul style="list-style-type: none"> <li>-ESP enrollment List of MIS</li> <li>-Various reports</li> <li>-ESP certification</li> <li>-Meeting minutes</li> <li>-ESPs service packages.</li> <li>-Output based payment model and formats.</li> <li>- ESP development package</li> <li>-.ESP graduation packages.</li> </ul>
2.2 Established and operationalize enterprise development fund at local level	<ul style="list-style-type: none"> <li>-Services/product design/update for clients and ESPs</li> <li>-EDF Concept design and agreement</li> <li>-EDF System design and Operatonalize</li> <li>-Monitoring mechanism design/in place/ operationalize</li> <li>-Fund replenishment mechanism in place</li> <li>-Refinement of EDF system</li> <li>-Add on cliental packages services</li> <li>-Add on clients for acquiring ESP services packages</li> <li>-ESPs Development through third party/facilitators</li> <li>-Upgrading skills of ESP</li> </ul>	<ul style="list-style-type: none"> <li>-Elam CCC will be localized and continued at 7 districts through EDF with stakeholder collaboration</li> <li>-Enterprise Development Fund will be established in seven districts of Central Development Region of Nepal.</li> </ul>	<ul style="list-style-type: none"> <li>- clients service packages. (Basic and specific)</li> <li>- Agreement papers</li> <li>- MIS/ database system at EDF</li> <li>-Workshop/training reports</li> <li>-review/monitoring/verification reports</li> <li>-EDF replenishment mechanism will in place.</li> <li>-EDF refinement system in place.</li> </ul>

### 2.12.8 Target Clients/Main Component of Elam programme:<sup>4</sup>

<sup>3</sup> Annual Report of Elam Helvetas, 2009

<sup>4</sup> Project document and Brochure of Elam Helvetas 2009

Program component	Target group	Remarks
Growth Enterprise Development (GED)	<p><b>Micro entrepreneurs</b></p> <ul style="list-style-type: none"> <li>▪ <b>Up to 5 employment including family member</b></li> <li>▪ <b>Subsistence entrepreneurs</b></li> <li>▪ <b>Entrepreneurs/petty producer (skill based, and/or self employed)</b></li> <li>▪ <b>Group entrepreneurs e.g. production sub-contracting</b></li> </ul>	<ul style="list-style-type: none"> <li>) May or may not be registered with govt. office; may have permission from municipality only</li> <li>) Use of hand tools and semi-automatic machine (labor based)</li> <li>) Often operating from semi permanent location</li> </ul> <p>E.g. foreign land on open air.</p>
Start Your Own Business (SYOB)	<ul style="list-style-type: none"> <li>) Skilled/technical graduates</li> <li>) Occupational skilled person</li> <li>) Skill/paid worker of other business interested to start own business</li> <li>) Unemployed youth/people</li> </ul>	<ul style="list-style-type: none"> <li>) Successor of entrepreneurs</li> <li>) Stunt entrepreneurs</li> </ul>
Self Help Group (ShG)	<ul style="list-style-type: none"> <li>) Unemployed/ under employed women of poor community</li> </ul>	<ul style="list-style-type: none"> <li>) Women of slum area</li> </ul>
Enterprise Service Providers (ESPs)	<ul style="list-style-type: none"> <li>) Middle man entrepreneurs</li> <li>) Informal money lenders</li> <li>) Embodied service provider</li> <li>) Agency, Training provider, Producer's association etc</li> <li>) CCC service providers</li> </ul>	<ul style="list-style-type: none"> <li>) Entrepreneurs, work as part time</li> <li>) New service developer</li> </ul>
Sub — contracting linkage	<ul style="list-style-type: none"> <li>) Labour/ production linkage to the ShG members/ women of rural communities</li> </ul>	<ul style="list-style-type: none"> <li>) Part-time and/ or off —season income/employment generation</li> </ul>

## 2.12.9 WORKING APPROACH/MODALITIES<sup>5</sup>

Elam has been applying following approach to provide enterprising services to micro entrepreneurs.

<sup>5</sup> Brochure of Elam Helvetas 2009

### **2.12.9.1 Growth Enterprise Development (GED)**

**This programme component, in general, aims at assisting existing enterprises to enhance the skills required to develop their business growth plan, to improve the management practices and to access the required managerial, financial, marketing skills and financial services from within and outside sources. The GED programme component of Elam is designed to support existing enterprises with growth potential through business counseling, coaching and consulting (CCC) and, when necessary, with the training and provision of refurbishing obsolete tools and small machines. GED is a development process of enterprises (often it is a survival process), which helps to bring the enterprise to a satisfactory/sustainable/profitable level of business performance in terms of product and market development, sales, employment and profit margin. The major client groups of the component are petty producers, mobile vendor and service seller in the informal sector (especially not registered) run by a maximum number of five employees including the owner and family members.**

**The methodological aspect of the GED component is a sequential process involving identification of the location, clients, their service needs, business support package development and its delivery, and finally, to bring the client to an independent level of performance to seek the services they**

need. Achievement of this level will be the termination stage for GED client.

#### **2.12.9.2 Start Your Own Business (SYOB)**

The SYOB programme component is for assisting employed or unemployed people with apparently sensible ideas for starting their own business. The basic idea is to support them to learn how to start and run a business, including mobilization of finance.

#### **2.12.9.3 Identification and Selection**

The potential sources of client generation depicted for GED are also valid for SYOB. Initially SYOB clients were primarily generated through personal contact of Elam and through the referral of GED clients. Increasingly other sources are also being used for client generation. A preliminary form is filled-out for potential entrepreneurs contacting Elam office. A visitor book is also maintained to enlist all the visitors to Elam office. This book also serves as a means for client generation. Many of the visitors come to know about Elam, to share and validate their business ideas, to learn about sources of business information, easy access to credit/financial support, employment, training etc. A stepwise process for screening and enrolling the potential SYOB clients has been developed and is in use. The potential SYOB clients referred by GED clients are found highly receptive and are also relatively more successful to start their own business.

#### **2.12.9.4 Motivational and Business Planning Workshop**

**This workshop is conducted in two parts. A half-day first part is designed to inform the potential clients (who have been in contact with Elam) to orient them about it and its services, and collection and matching of their expectations and assessment to enrol them into subsequent motivational and business planning workshop. The client registration form is filled-out by the committed clients for enrolment in second workshop. The two-day second part (four hours a day) workshop is designed to cover: risk taking exercise (ring/ball toss) to explore risk taking behavior of the client and make them realize the need of taking moderate risk; goal setting (tower building) to make them realize the importance of setting a realistic and achievable goal; and the Jo-Harry window to help them develop feedback receiving practice. Other topics covered are short games for creativity, marketing plan, production plan, cost and expenses analysis, working capital management, accounts and record keeping, market survey guidelines and finally to help them prepare a business plan based on that information.**

#### **2.12.9.5 Termination of the GED/SYOB Clients**

**In general, Elam supports the enrolled entrepreneurs up to one service cycle, which GED client usually takes 12-18 months depending upon the pace of the clients and a follow up period of six to nine months. In a same way SYOB client usually takes 12 months service cycle to start and run their own new business. It is expected that after a cycle of CCC services, entrepreneurs will be able to manage their business support service requirement by themselves. SYOB client will be graduated after 12 months CCC cycle . Only those who start business during their 12 months CCC**

cycle and willing to grow their business get enrolled as new GED. GED client are graduated after 18 months of CCC cycle . They may receive additional special Enterprise Services (Post graduate support) for 6 months before completing graduation process.

Sub contracting client graduates after completing the 12 months cycle with basic and specific demand for basic service package. However, Elam is open to adjust the CCC service cycle period based on the learning.

## **CHAPTER THREE**

### **Research methodology of the study**

#### **3.1 Introduction.**

This section deals with the research methodology adopted for collecting the relevant data for this study and also analyzing them basically, the present study is based on primary data although the preceding chapters incorporates secondary data. Study is designed by formulating the questionnaires and designing samples as described in the following heading.

#### **3.2 Research design**

Basically this research is exploratory and descriptive in nature. The study is focused on finding the current marketing position of micro entrepreneurs in Bara and Parsa districts these clients are belong to Elam Programme of Helvetas Nepal. Opinions of micro entrepreneurs, Enterprise Service Providers (ESPs), Meth, have been collected on marketing practices of micro entrepreneurs, basically the discussion was focused on location identification, practices of marketing plan, Marketing information recording system in micro enterprises, Practices of marketing mix strategy in micro enterprises, quality, prices, packaging, labeling, availability and other aspects of the micro entrepreneurs under study with respect to relatively equivalent comparable brands. Therefore, the survey research design is adopted to collect raw data and applied for the study.

### **3.3 Nature and Sources of data.**

Most of the data used in this study are primary in nature. Some secondary data are collected. All the primary data are collected from micro entrepreneurs, Enterprise Service Providers of Bara and Parsa. The sample size is categorized in age, groups, areas, educational background and gender and so on. The secondary data have been taken from Elam Helvetas reports, programme documents available in books, journals magazines and progress reports. Similarly reports of

**Birgunj Chamber of Commerce, District Cottage and Small Industries have been taken for secondary data.**

<b>S.N</b>	<b>Districts</b>	<b>Name of Enterprise Service Providers who provides business services to micro entrepreneurs.</b>	<b>Types and number of micro entrepreneurs enrolled.</b>
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### **3.4 Sampling.**

**It is impossible to study all the population of Bara and Parsa districts of micro entrepreneurs because of time and cost of study. So instead of total population, definite sampling unit, size and method were designed taking consideration of the study.**

### **3.5 Population**

**The population of the study consists of clients of Elam/Helvetas and Enterprise Service Providers (ESPs) of Bara and Parsa districts. Total population is 4850 of Bara and Parsa districts. Detail types of clients are described in data analysis chapter.**

**Table 1**



			<b>SYOB</b>	<b>GED</b>	<b>Sub-contracting</b>
<b>1</b>	<b>Bara</b>	<b>Business Development and Consultancy Center, Jeetpur</b>	<b>300</b>	<b>350</b>	<b>200</b>
<b>2</b>	<b>Bara</b>	<b>Srijanshil Business Consultancy Center, Parbanipur.</b>	<b>270</b>	<b>325</b>	<b>150</b>
<b>3</b>	<b>Bara</b>	<b>Entrepreneurship Development Center, kaliaya.</b>	<b>200</b>	<b>150</b>	<b>170</b>
<b>4</b>	<b>Bara</b>	<b>Micro Enterprise development Center, Itihai, Bara</b>	<b>420</b>	<b>330</b>	<b>225</b>
<b>5</b>	<b>Bara</b>	<b>Simara entrepreneurship and employment Development Center, Siamra</b>	<b>220</b>	<b>225</b>	<b>50</b>
<b>6</b>	<b>Parsa</b>	<b>Creative Marketing Center, Birgunj</b>	<b>440</b>	<b>335</b>	<b>150</b>
<b>7</b>	<b>Parsa</b>	<b>Laghu Beabsayae Bikas Kendra, Dryport</b>	<b>280</b>	<b>300</b>	<b>150</b>
<b>8</b>	<b>Parsa</b>	<b>Women Business Development Center, Sripur, Birgunj</b>	<b>450</b>	<b>550</b>	<b>95</b>
		<b>Total</b>	<b>2580</b>	<b>2565</b>	<b>1190</b>

**Total population of the Study**

**Source: MIS report 2007 (Unpublished data)**

**Table 2**

**Types of Enterprise service providers (ESPs)**

Sources: MIS of Elam /Helvetas/Birgunj

S.N	Types of Enterprise service providers (ESPs)	Bara	Parsa
1	Marketing service providers	4	5
2	Entrepreneurship services providers	5	4
3	Legal and business registration, tax related service providers.	2	2
4	Credit providers (local credit agent)	2	2
	Total	13	13

**3.6 Sampling unit**

The sampling unit of the study micro entrepreneurs and Enterprise service providers (ESPs) located in Bara and Parsa districts.

**3.7 Sampling size**

The target population of the study is very large. Therefore only 10 percent of micro entrepreneurs from each Enterprise Service providers (ESPs) and 50 percent of ESPs of Bara and Parsa were taken as the sampling size in the study.

**Table. 3****Sampling data of Micro entrepreneurs from****Bara and Parsa districts research Study**

S.N	Districts	Name of Enterprise Service Providers who provides business services to micro entrepreneurs.	Types and number of micro entrepreneurs enrolled.		
			SYOB	GED	Sub-contracting
1	Bara	Business Development and Consultancy Center, Jeetpur	30	35	20
2	Bara	Srijanshil Business Consultancy Center, Parbanipur.	27	32	15
3	Bara	Entrepreneurship Development Center, kaliaya.	20	15	17
4	Bara	Micro Enterprise development Center, Itihai, Bara	42	33	22
5	Bara	Simara entrepreneurship and employment Development Center, Siamra	22	22	5
6	Parsa	Creative Marketing Center, Birgunj	44	33	15
7	Parsa	Laghu Beabsayae Bikas Kendra, Dryport	28	30	15
8	Parsa	Women Business Development Center, Sripur, Birgunj	45	55	9
		<b>Total</b>	<b>258</b>	<b>255</b>	<b>118</b>

**Table. 4**

**Sampling Data of Enterprise Services Providers from  
Bara and Parsa districts**

S.N	Types of Enterprise service providers (ESPs)	Bara	Parsa
1	Marketing service providers	2	2
2	Entrepreneurship services providers	2	1
3	Legal and business registration, tax related service providers.	1	1
4	Credit providers (local credit agent)	1	1
	<b>Total</b>	<b>6</b>	<b>6</b>

**3.8 Sampling method**

As the population of the study is large statistical judgment of the sample has been used to draw the required sample size.

**3.9 Data collection procedure**

To collect the required data, two separate sets of questionnaires were prepared. Those include one for micro entrepreneurs and one other for enterprise Service Providers. The questionnaires thus prepared were administered through personal interview at the time and place of responders. For the easy and convenience of interviewers

oral explanation and examples were provided where they were confused on the content of the questionnaires. The questionnaires were pre-tested to 10 micro entrepreneurs for survey.

### **3.10 Method of data processing and analysis**

All collected data have been clearly checked, compiled and presented into appropriate table for the analysis and interpretation. Analysis has been done descriptively as well as statistically by plotting graphs and charts whenever necessary. For statistical analysis, statistical tools such as percentage and bar diagrams have been used wherever felt appropriate and necessary.

## **CHAPTER FOUR**

### **Presentation and Data Analysis**

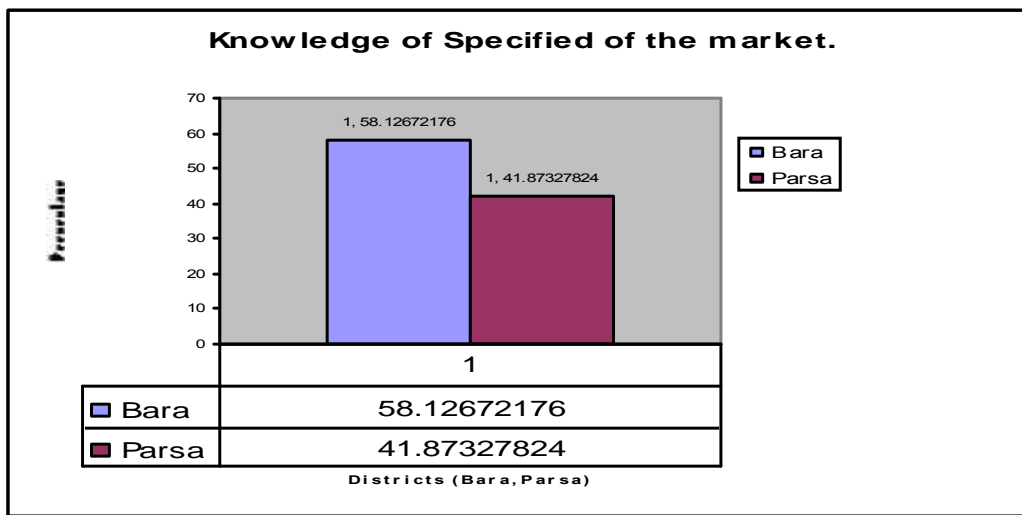
#### **4.1 Presentation and data analysis**

In this study questionnaire survey has been conducted among the micro entrepreneurs and Enterprise Service provider at field level in Bara and Parsa.

All the respondent operating micro enterprise to earn profit as well as ESPs has been providing business services to micro entrepreneurs for sustainable and profitable enterprises are taking enterprising services through coaching, counseling and consultancy (CCC) from ESPs for market analysis and development in local level.

In this chapter mainly issues are described how to conduct market analysis and development? Why it is important? How to identify target market? What are the marketing services? What is the best module and business practices for sustainable and profitable micro enterprise to run? What are the practices for market analysis and development?

## **4.2 Knowledge of Specified of the market.**



The above table shows that how many micro entrepreneurs have knowledge of specified market of their own product and services of Bara and Parsa districts. Those who are enrolled in ESPs center for enterprising services, it is shown that 58% and 41% of micro entrepreneurs have knowledge of specified market for their product sales in Bara and Parsa respectively due to marketing services taken from ESPs at local market center.

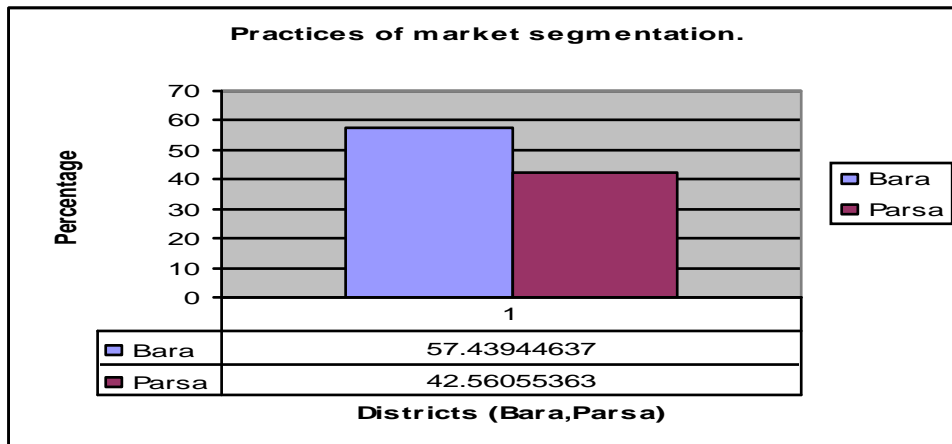
#### **4.3 Supply of product and services in defined market and customer**





Those who are enrolled in ESPs center for enterprising services, it is shown that only 59% and 40% of micro entrepreneurs are able to fulfill their products and services to defined market and customer in Bara and Parsa districts respectively. It was observed that micro entrepreneurs are aware of the market but they have been facing a problem of inadequate capital and technology in spite of sufficient entrepreneurship knowledge.

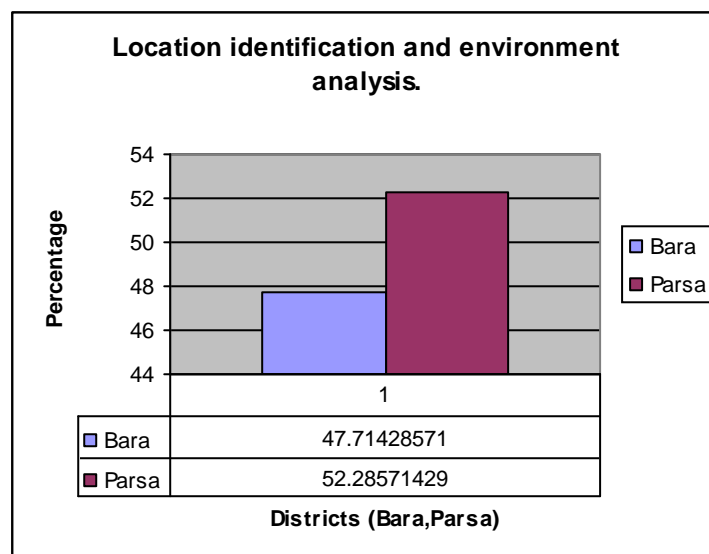
#### 4.4 Practices of market segmentation.



The table shows that only 40% and 30% of micro entrepreneurs of Bara and Parsa respectively used market segmentation tools for market analysis, those who are enrolled in ESPs center for enterprising services

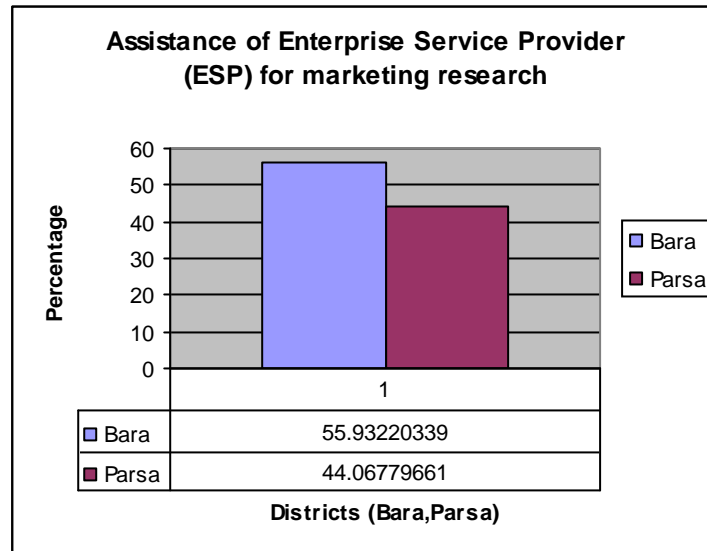
During our focus group discussion, it was observed that micro entrepreneurs have little knowledge of market segmentation process. They are backward to use specific segmentation tools in marketing analysis.

#### 4.5 Location identification and environment analysis.



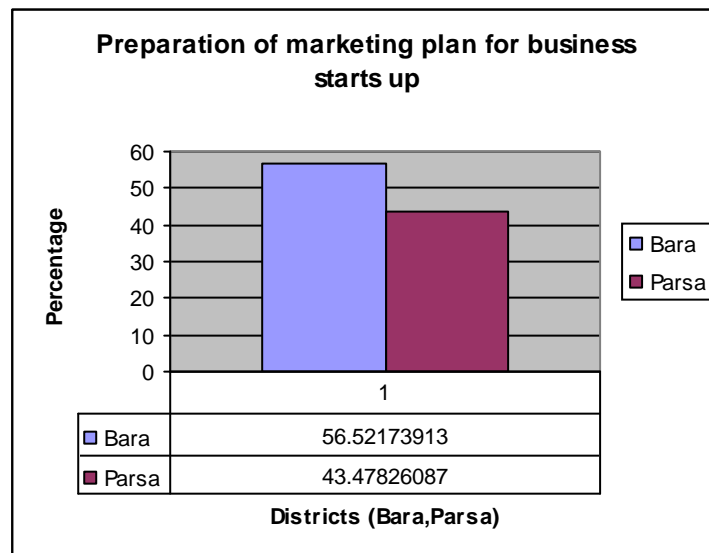
During the my research period, it was observed that 47% and 52% of micro entrepreneurs of Bara and Parsa respectively were conducted Aria Potential Survey (APS) and simply business environment assessment analysis by using simple format and business plan for micro enterprises start up and business growth by those who are enrolled in ESPs center for enterprising services.

#### 4.6 Assistance of Enterprise Service Provider (ESP) for marketing research.



It was found out that 55% and 44% of micro entrepreneurs of Bara and Parsa respectively were taken assistance of ESPs for effective marketing research by using tools of Coaching, Counseling, and Consultancy (CCC) by those who are enrolled in ESPs center for enterprising services.

#### 4.7 Preparation of marketing plan for business starts up.



It was found out that 56% and 43% of micro entrepreneurs of Bara and Parsa were made marketing plan before business starting. More than 75% MEr had believed that marketing plan is the best tools for market analysis so that they were making marketing plan before business starting by those who are enrolled in ESPs center for enterprising services.

#### 4.8 Sources of information for marketing research.

It was found out that through my research micro entrepreneurs have been using various means of information for market analysis. Such as ESPs, customer feedback, sales agents, publication from BMOs, related government offices, e.g DCSIO, Revenues offices as well as secondary sources from business related organization, persons,

programme etc by those who are enrolled in ESPs center for enterprising services.

#### **4.9 Considerable factor for sustainable market.**

It was found out that from my research these are the main considerable factor for sustainable market to run profitable enterprise. Details are mentioned bellows:

- Area potential Survey (APS) for business sector/location identification.
- Availability of local resources.
- Availability of local skill.
- Availability of local market.
- Access of appropriate technology.
- Entrepreneurship knowledge and skill of micro entrepreneurs.
- Access of micro credit.
- Business management skill of micro entrepreneurs.
- Knowledge of business plan.
- Financial discipline and character of micro entrepreneurs.
- Process of maintaining book keeping.
- Utilization of loan.

According to micro entrepreneurs, those who are enrolled in ESPs center for enterprising services were asked these above factors are most considerable factor to run sustainable and profitable micro enterprise and as well as market analysis.

#### **4.10 Constraint and challenge of market analysis and development to micro entrepreneurs.**

It was found out that from my research micro entrepreneurs have been facing certain constraint and challenge to perform market analysis and development. Constraint are given under,

- ) Lacking of entrepreneurship motivation know-how.
- ) Inadequate business knowledge.
- ) Low capacitate entrepreneurs.
- ) Unorganized business patterns.
- ) Lacking of Enterprise service provider to take enterprising services.
- ) Low risk bearing capacity.
- ) Inadequate of technology.
- ) Less practices of sub-contracting business modalities for inter-factory linkage.
- ) Less practices of marketing g research.
- ) Unmanaged data and data management system.
- ) Tradition marketing practices.

#### **4.11 Best business practices for micro enterprise and self employment.**

It was found that through Focus Group Discussion (FGD) with ESPs, it was experienced that, sub contracting business modalities for inter-factory linkage is the best appropriate for sustainable and profitable micro enterprises. Sub-contracting business module has secured to market, price, quality, quantity of micro entrepreneurs products or services. In sub-contracting module buyers are agreed to purchase finished product as per agreement. Sub-contracting business modality is mentioned in the box. So that, sub-contracting modalities is the best option for sustainable and profitable micro enterprises according to ESPs.

#### A case study of sub-contracting modalities

ESPs started assistance in production of Incense Sticks ( Agarbatti Kati) with 17 women group by negotiating with one ESP in 2003 with support from Elam. Two drop outs were observed due to less efficiency, low quality, nominal production and low earning. This problem still continues to some extent. However, there is better earning as the parameters developed by the prime contractor/producer, are met by the sub-contractors.

Sub-contracting is still under practice in many labor base works like wire brush, bamboo stick, incense sick (agarbatti kati), paper recycling, garments, wire-net making and papad making. There is need to expand sub-contracting to other beneficial labor oriented products to create wide work opportunity to disadvantaged groups in order to reduce poverty.

#### Importance of Sub-contracting.



The circumstances prevailing in the country is leading to increase the gap between the ‘Haves’ and ‘Have not’s’. Even small earners are left behind in due course of time due lack of money to invest to compete in the market. Moreover, almost the half of the population is not engaged in economic activities that tend to further marginalization. More and more money is required to run businesses in present scenario. Elam has tactfully and efficiently launched this process of sub-contracting by simplifying the tasks to be carried out in a business organization. Without fail, the process and the work will help and support a great extent to the people of this periphery to survive and to start up their own businesses in the long run. Keeping in view of all these, this study has been conducted. Apart from the above, its importance is outlined hereunder:-

- ) To expand the process to other VDCs.
- ) To highlight the achievement to attract buyers.
- ) To generate mass employment and convert in group enterprising.
- ) To support in additional earning of HH.
- ) To stimulate enterprise spirit.
- ) To cater information or sell the concept to DDC/ Municipality / VDCs / NGOs.
- ) To reduce overhead cost of production to win over competition.
- ) To use leisure hour in productive way.
- ) To create self motivation and self monitoring.
- ) No need of big business premises.
- ) No burden of mass labor dealing, only dealing with sub-contractor.

- ) Best way to scale up of production**
- ) To help to channelize urban money to the rural poor and social recognition of business establishment**
- ) Possibility of import substitution and value addition in local economy increment.**

# CHAPTER FIVE

## **Summary, Findings, Conclusion and Recommendation**

### **5.1 Summary**

#### **5.1.1 Market Analysis and Development (MA& D) for micro enterprise in Elam**

As part of the marketing strategy for micro-entrepreneurs, the programme has promoted the Market Analysis and Development (MA&D) approach which ensures that enterprise selection and development takes place through a methodical analysis of the business environment within which the enterprise will operate. This process aims to ensure sustainability through the selection of profitable enterprises.

Apart from considering only commercial aspects in conventional business planning, environmental, social, and gender aspects as well as existing institutions, the policy environment and potential technological linkages at the community, national and beyond are also assessed while conducting market analysis and development. It is a participatory process which analyzes the feasibility of all the enterprise from the view points of market, environment, society, institutions, and technology.

### **5.1.2 Primary Marketing Strategy**

**Primary marketing strategy is to focus on local/rural markets as entry markets to create immediate markets for micro-enterprise products. This creates immediate return on investment for micro-entrepreneurs and provides them assurance on sustenance through enterprise activity. The rural market focus also matches poor peoples' product for poor peoples' consumption.**

**Here the strategy is to penetrate in the market for micro-enterprise products and to see the possibility of import substitution through locally available resources and skills. This strategy has helped in creating awareness in rural population about enterprises as an effective means of self-employment and employment generation for sustainable livelihood as an alternative to employment seeking.**

### **5.1.3 Future Marketing strategy**

**As enterprises begin to grow, they require looking beyond local markets, more on to the regional, national and international markets, for market diversification and expansion. Comparative advantage of the enterprise, economies of scale, and backward and forward linkages including technology, raw materials and market linkage at different levels become important for sustaining growth and expansion.**

**This dynamics occurs through formation of co-operatives, private business units and enterprise villages of similar commodities or multi-products. Such focus provides a basis for rural industrialization which will ultimately lead to the structured growth of micro-enterprises into small and medium enterprises. The Programme is also promoting e-marketing to reach out global market for product dissemination, sales promotion, and for feed-back on the product for quality improvement.**

## **5.2. Findings and Conclusion:**

There are findings in each research and this research has also some finding which are as follows, which is in based on research topics.

### **5.2.1 Marketing in Micro-Enterprise Development.**

Marketing is the most crucial sub-system of any micro enterprise. It is a social and managerial process by which individual or groups obtain what they need and want through creating, offering and exchanging products and services with others. In Elam programme, marketing is demand-driven and customer focused. Customer satisfaction is the key in the marketing of micro-enterprises of the poor.

### **5.2.2 Marketing Strategy of EPSs for micro entrepreneurs.**

Marketing is one of the most important components required for the sustainable and profitable operation of micro-enterprises. An entrepreneur needs to have a 'market oriented approach' at all levels and stages in the lifecycle of enterprise development. Most of the programmes geared towards poverty alleviation through micro enterprise development and income generation basically focus on

credit or skills training or entrepreneurship development training, technology support, etc. Unfortunately, enough attention is rarely paid to the marketing needs of the business.

**The process of marketing involves three key steps.**

- ) In the first step, buyers, their needs, tastes, and preferences are identified.**
- ) In the second step, the needs, taste and preference, are converted into ` products.**
- ) 'The final step is that of delivering these ` products ' to the customers or buyers. Customer satisfaction is vital in marketing process.**

This whole process thus is enterprise, consumer or demand driven. Marketing strategy in Elam programme is demand-driven and customer focused. Under the demand-driven marketing strategy, the Program has been following marketing analysis and development, and step-wise gradual marketing expansion strategies for the selection, growth and sustainability of micro-enterprises.

### **5.2.3 Utilizing Local Resource**

One of the reasons that the programme chose to promote enterprises based on local resources was to optimally capitalize the local resources that were previously underutilized not utilized at all. The programme has focused in the utilization of these natural resources by processing local resources into semi-finished and finished products. The commercial utilization of natural resources has positive impact on the development of employment and income generation opportunities at the rural level. As a result, the community as a whole realized the

**importance and benefits of these natural resources. These resources were now used in a sustainable manner (regeneration, sustainable harvesting etc) for the future. Consequently, helped in the restoration and preservation of the resources and the environment.**

#### **5.2.4 Entrepreneurial Marketing**

**As entrepreneurs become capable and enterprises start to grow, the Elam Programme focuses more on the regional, national and international markets for market expansion and diversification. Considering the comparative advantages of the respective districts i.e. the geographical location, the population sizes, resource potentials, skills, accessibility etc., the enterprises with a competitive edge for vertical growth and integration with small and medium enterprises are developed.**

#### **5.2.5 Marketing research and sub-sector studies**

**Based on the resource potential of Elam working area, sub-sector focused and product specific market studies are also conducted as per programme needs. Objective oriented survey formats for market studies are designed based on the demand and needs of identified markets. Some such studies carried out by Elam are:**

- ) Inter-factory linkage modalities and product/service identification studies.**
- ) Exploration study on Sub-contracting business modalities.**
- ) Sub-contracting product identification based on local resource, market, and skill.**
- ) Study on value chain analysis of bamboo stick making process.**
- ) Study on market opportunity of incense Agarbatti rolling stick making**
- ) Study on Dairy sub sector analysis.**

- ) Study on viability of ESP's market and opportunity.**
- ) Food processing production and marketing study.**

**A sub sector specific technology and market study is necessary for some high value potential resources. A well planned and growth oriented vertically integrated resource-based enterprise could be highly potential in some areas benefiting the community as a whole.**

### **5.3 Conclusion**

**The conclusion of the study is as follows:**

- A. For sustainable and profitable micro enterprise creation and development list of the following four steps have to be following for market analysis and development.**

**Step 1: Evaluate the performance of the existing business system and select promising sectors of the economy and types of micro enterprise with in those sectors. For this purpose entrepreneurs should be knowledge of local resource, market, skill. To obtain these knowledge micro entrepreneurs should collection data from secondary and primary sources on the socio economy status of specifics location population, market opportunities, skill as well as constraints by using format of Area Potential Survey (APS).**

**Step 2: In these step micro entrepreneurs should collection the data for identify business opportunities and constraints for selection of most potential and viable enterprising by using tool of SWOT analysis.**

**Step 3: In these step micro entrepreneurs should collection the data for formulate the business plan for operationlization of the enterprise.**



**Step 4:** In these step micro entrepreneurs should implement the prepared plan and test the marketing strategy in field. In addition to that, micro entrepreneurs should prepare tolls for monitoring the implementation of the business and marketing plan periodically,

**B.** Marketing point of view sustainable and profitable micro enterprise creation and development is really very difficult task. Only micro entrepreneurs can not do any thing to run enterprise smoothly. Different external and internal actors should provide support to micro entrepreneurs for regular business transaction smoothly in following business activities.

- ) Skills know- how and up grading.
- ) Raw materials linkage.
- ) Quality improvement services.
- ) Market linkage.
- ) Regularly wages payment etc.

In order to achieve these objectives, sub-contracting business modalities could be one of the best business options for sustainable and profitable business operating to micro entrepreneurs. Detail is mentioned under about the sub contracting business modalities.

### **5.3.2 Sub Contracting Business Model**

Sub contracting is a production techniques for sub product/ancillary product not under the one business entity but providing sub contracting agreement (formal/informal) to others business/production group with benchmark in a given period with fixed price.

The concept of sub contracting in business emerged with a view to maintain business competitive position in the domestic and international market. Many manufactures are now a days not manufacturing all their components and ancillary requirements. They are now sub contracting the ancillaries, parts, components to other business/companies who can offer developing/ preparing assembling smaller items/components as per design, drawing and work norms provided to them. Quality and competitive prices are the bench marks for these items.. As a result, the market for sub contracting/sub assembling items is growing in size and demand for widening production base in diversified product per their given standards.

With the complexities of business, it is difficult to run business at micro-level since it is also troublesome to compete in respect of cost, quality and marketing. Also, it is not so easy to arrange all requisites to start up a business. A big investment is required to make available all factors of production that is land, capital, labor, machine and entrepreneur. However, in order to avoid complexity of business, the entire business job is simplified into simple small jobs for sub-contracting purpose. The main producer or contractor undertakes.

Guarantee to provide required raw materials and to buy the sub-contracted products. Sub-contract is prevalent in big and complex businesses as well as in small labor base businesses. Covering supply of parts to production of components, semi-finished products as per the parameters developed and adopted by the principal/ prime contractor/ producer.

Generally, works of small jobs to be carried out at home provide the client the opportunity to combine both their careers and family responsibility (Sue Shellenbarger, The Wall Street Journal, May8, 1996 p. B-1 ) and it also gives the organization an opportunity to save money as it reduces space cutting some overhead costs and offering a positive motivational effect on clients.

Since there is a flexible time of work, clients assume responsibility for completing a specific job, and that increases their feeling of self worth. It is consistent with the view that people are paid for producing work, not for being at their job stations for a set period of hours; hence its motivational aspects. For dual career couples it provides a better opportunity to balance work and family responsibilities and also reduces job fatigue.

It also works on the principle 'To earn more by performing more' which is self motivating factor in itself. However, it does not provide solution for the clients who work more than 40 hours a week and clients' ill health and lack of safety during the work.

### **5.3.2.1 Key Elements of Sub-contracting**

Though sub-contracting is a simplified job of a complex business, the success of sub-contracting depends upon the following elements:

- ) The products made under subcontracting are to be sold to the market and as there is acute competition, there should be big business house or the main contractor to buy the produced goods.
- ) Goods to be produced should be in conformity with the product parameters, leverage or bench mark provided by the main contractor.
- ) In order to operationalise the work smoothly and uninterruptedly, the price of the products, wages, mark up for middlemen are to be fixed mutually considering the prevailing price in the market in order to ensure sale of the products.
- ) The middleman or sub contractor or ESP will have to invest limited capital or simply organize producer groups or clients to carry out entrusted jobs.
- ) This work may be carried out through cooperatives, clubs and the like and margin obtained may be distributed to the clients on later date or in some other way.
- ) Transparency in wages should be maintained.
- ) The main contractor should undertake guarantee to buy the sub-contracted products.
- ) Required raw material should be arranged either by the main contractor or by the middleman or ESP.

### **5.3.2.2 Key Stakeholders of sub-contracting business modalities.**

**Complex business process is simplified in the sub-contracting process comprising different roles to be played by different stakeholders, without whom sub-contracting process cannot be completed. Big business or company is the prime contractor who develops and determines parameters of the product to be sub-contracted along with its comparative and competitive price negotiated with the service providers or clients. To ensure suitability of the product in the market, the prime contractor monitors the product quality tracking it in right order and advises for the improvement if required.**

**Another stakeholder is sub-contractor/ service providers. Initially, he works as a middleman but on later date may be converted into prime contractor. There is likelihood of service provider to start his own business. ESPs' main works are to identify the skill base sector, calculate the negotiable costs of the products to be produced, orient potential group, train them to use and produce products as per given parameters. For this purpose, to arrange required material, collect the products made and arrange for the delivery of products to prime contractor, to work for skill improvement and monitor the production work for the quality of product also fall under his responsibility. In a short, the sub-contractor arranges the production through clients/producer groups in specific term disadvantaged groups as per the parameters of the product at a negotiated mutually fixed.**

**The root or producer group is at bottom level who produces the product according to the need of the prime contractor as per the**

**parameters (benchmark) involving family members for cost/price given by the service providers/main contractor.**

## **5.4 Recommendations:**

**Standing system of sun-contracting practices in Elam, Marketing system and other relevant practices following recommendations have been forwarded for sustainable micro enterprises development.**

- ) MEs have needed enterprising services for business start up and growth. With out basics enterprising services MEs have felt difficulties and challenges in order to get business starting and growth.**
- ) Enterprise Service Provider (ESP) development modalities are appropriate concept to make conducive environment for enterprising activities. It was found out that, those MEs have been gotten enterprising services for business start up and growth by ESP. consequently, those micro entrepreneurs were found knowledgeable in basic enterprising development phenomenon comparatively then others who were not enrolled in ESPs centers. For example, costing pricing, risk taking capacity, macro and micro screening for business selection, business plan preparation, knowledge of market and marketing, selling skill development, layout management, product development and testing, market segmentation and competitor analysis etc.**
- ) From this research another point, it was found out that cumulative enterprising services are needed to create sustainable and profitable micro enterprising. It was noted that one kind of enterprising services in piecemeal approach cannot enhance the entrepreneurship knowledge of micro entrepreneurs as well as it should be inadequate to start up and growth of micro entrepreneurs. It was found out that integrated services begin from Area potential Survey (APS) to new marketing concept.**
- ) From said topic of research, it was identified that micro entrepreneurs should follows basic step of market analysis and**

**development to run sustainable and profitable micro enterprises accordingly.**

**Step 1: Evaluate the performance of the existing business system and select promising sectors of the economy and types of micro enterprise with in those sectors.**

**Step 2: In these step micro entrepreneurs should collection the data to identification of business opportunities and constraints for selection of most potential and viable enterprising by using tool of SWOT analysis.**

**Step 3: In these step micro entrepreneurs should collection the data for formulate the business plan for operationlization of the enterprise.**

**Step 4: In these step micro entrepreneurs should implement the prepared plan and test the marketing strategy in field. In addition to that, micro entrepreneurs should prepare tolls for monitoring the implementation of the business and marketing plan periodically,**

**) It is also recommended that sub-contracting business modalities is appropriate business modalities to create micro entrepreneurs and self employment because of foresaid attribute of micro entrepreneurs.**

**) For sustainable micro enterprise development marleting of product is a vital things for which linkage of large entrepreneurs is necessary initially to sell the products smoothly after having production of products**



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## Questionnaire

1. Have you specified what market your business will be attempting to serve?
2. Will your services or product fulfill the needs of specially defined group of customer?
3. Have you defined your market segments in terms of following characters? Income, age, sex, area, market
4. Have you defined market segment which is not well served by other forms?
5. Have you performed your market research for location identification?
6. In conducting your research have you taken help from enterprise providers?
7. Have you prepared marketing plan before starting your business?
8. In conducting marketing research which means do you applied?
9. According to you experience which is most considerable factors for profitable micro enterprises?
10. Do you believe that without marketing plan micro entrepreneurs can run business?
11. Could you ask how micro entrepreneurs can perform market analysis and development?
12. Could you describe what are the main problems of market analysis of micro entrepreneurs?
  - Low capacity, lacking of business awareness, unorganized business pattern, low investment.
13. What is the best business practices and modalities to generate sustainable and profitable micro enterprises?

## **Questionnaire to ESPs.**

1. More demanding services by micro entrepreneurs for business start up and growth?
2. What did you find main problem in micro enterprise?
3. What are the steps for market analysis and development?

APS

Customer analysis

Market analysis

Marketing plan

Financial plan

Competitor analysis.