

# **Chapter I**

## **Introduction**

### **1.1 Background**

Business Incubator is an organization that offers both space and clerical services to new businesses. The primary motivation in establishing incubators has been a desire to encourage entrepreneurship and thereby contribute economic development (Longnecker et. al., 2006:340). Individuals wishing to start a new business are deficient in pertinent knowledge and lacking in appropriate experience. In many cases, they need practical guidance in marketing, record keeping, management, and preparation of business plans. Business incubators offer new entrepreneurs on-site business expertise, counseling, credibility, business plan preparation support, low-cost space, computer, telephone and other administrative equipment.

For past few decades, there have been some isolated and uncoordinated activities experienced for enterprise promotion services in Nepal. Nepal (2006), notably mention that the activities targeted for enterprise development are under government programs or through donor assisted projects. Those programs can be ranges from technical and management training, counseling, information providing, various funds for credit facilitation to micro, cottage and small industries, technology transfer etc. through public sector.

Nepal (2006) finds that "Entrepreneurs' needs in Nepal are diverse and start from knowledge on potential business models, technical knowledge, logistic and administrative support, coordination with the government and local community and mentoring when they face a severe stress. Incubators nurture young entrepreneurs, helping them to survive and grow during the start-up period when they are most vulnerable. Incubation concept provides the complete process of incubation from moving a technical concept through to its commercialization through three phases namely, entrepreneurs, enterprise and market." (Nepal, 2006:1).

Nepal (2006) in his study has seen “a strong need of promotion of an integrated business development model in the country” to facilitate industrial growth. His study was related with possibilities of promotion of business incubation models in Nepal and was assisted by Ministry of Finance and Asian Development Bank.

It was in the year 2004-2005, with grant support of infoDev(a project of the World Bank), Information Technology Professional Forum (ITPF) conducted a study on ‘Business Incubation Initiative in Nepal’. The objective of the study was to conduct a feasibility study of establishment of Business Incubation Center and identify its possible stakeholders. The study has suggested establishment of a Business Incubation Center (BIC) under Ministry of Industry, Department of Cottage and Small Industry. It also prepared a business plan for running that Incubator. In Nepal, the concept of business incubation received a fresh currency in the year 2000, when groundwork was initiated to develop technology incubator center at Banepa (Nepal 2006).

Business Incubation Program (BIP) was established in the year 2007. It was administered by Development Board Act, 2013 B.S. ([moadwto.gov.np](http://moadwto.gov.np)) with a governing board comprising representation from the government, academic sector, business sector, technical and research center, I/NGOs and experts in the field of enterprise development. According to BIP-Nepal, objectives of the Business Incubation Program are:

- Improve an upgrade system and process in the areas of small and micro industries through innovation and new technology.
- Create demand for further business incubation services in other parts of Nepal through the demonstrative success of new enterprises.
- Create and enhance network of experts and mentor in management, marketing, finance, communication and other technical skills to be utilized by clients.

- Create and enhance network of resource (laboratories, libraries, incubating space, finance, etc.) in the country for possible use by its clients.
- Graduate successful enterprises providing incubation facilities when they reach into self-sustaining stage

Recent Industrial Policy 2010 has also strongly advocated for development of an integrated support mechanism to promote micro, cottage and small industries in the country. Learning from the past, there have been various exercises by Government of Nepal (GoN) along with relevant stakeholders to prepare the recent Industry Policy.

According to the Industrial Policy, it has a major focus on creating a reliable industry-friendly atmosphere along with realistic and practical plans and programmes. Various studies and researches that had been conducted in the past had revealed significant factors that obstruct the pace of industrial development in the country. They are law and order situation, Government policies, laws and procedures, working process and style, availability of market, feature of competitiveness, financial arrangement, labour-management relation and condition of labor productivity, condition of industrial infrastructure development, availability of required professional skills and competent labour force, use of latest technology, honour to and protection of innovative research and invention, availability and storage of required raw materials and ancillary-raw materials, identification of areas of comparative advantage, and compliance of the suitable industrial and trade policies, and studies on the impact likely to be caused by the trade policies of foreign countries.

According to Sapkota (2010), recent industrial policy is expected something good for economic policy front despite the never-ending political uncertainty. This policy has replaced the old policy of 1992. The main objectives of this policy are to promote industrial activity, increase employment generation, and boost per capita income. The government hopes to increase contribution of the industrial sector to the economy and expects a reduction in poverty.

Industrial policy has made provision for integrated support mechanism to Micro Cottage and Small Industries promotion in the country with various tools like collective marks and Gift Houses for marketing supports, funds, institutional supports for counseling and business development tools like Business Incubation and Business Development Services.

Among the various tools for industrial promotion, Business Incubation is implemented very earlier in foreign countries, whereas we are still new to apply this tool. Industrial policy regarded Business Incubation as one of important instrument for industrial development in the country, especially for the promotion of micro, cottage and small industries in the country with growth and higher sustainability. In this regard, this study aims to assess the effectiveness of this tool for enterprise growth and sustainability.

## **1.2 Statement of the Problem**

Department of Cottage and Small Industry is only an authorized institute to register micro, cottage and small industries. According to the data it has published, total of 229683 cottage & small industries were registered up to F/Y 2066/067 from F/Y 2051/052. Among them only 110761 industries are renewed till F/Y 2066/067. This shows 118922cottage and small industries were not renewed and were collapsed. In another word, it shows 51.77% of cottage & small industries were closed. In this light the sustainability of industries is critical concern from the economic development perspective.

According to Nepal (2006:3), “Government and some donor assisted projects are providing some level of enterprise support services but they are not capable of developing competitive enterprises with growth”.

According to SME Research and Statistics report (2013), in Canada, the survival rate of micro industries with 1-4 employees, is 68%, small industries with 5-99 employees is 86% and 1-499

employees is 71.7% ([www.ic.gc.ca](http://www.ic.gc.ca)). According to small business trend, the survival rate of manufacturing sector (more than 5 years) is 51.6%, services sectors is 52.4%, retailing sectors is 58.9%, finance and real states is 60.4% and transportation and communication sectors is 60.6%. (smallbiztrend.com). Keeping these rates in view, we must need to enhance the survival rates of our small industry sector.

“Entrepreneurship, commitment, dedication, ready to take risk, networking ability, market linkage, proper documentation, sound financial management, timely renewal etc. are the key factors for the success of a company or industry” (Khanka and Khanka,(2002:49)). Absence of any one of above mentioned element is harmful to a new and growing company in the sense of their growth. Similarly, for an enterprise, the retention or sustainability is another important factor since we have been continuously experiencing the lower retention ratio of industries in Nepal.

Nepalese industries are located in different parts of the country and are dispersed. The technology available and being used in one part is unknown in another parts of the country. It means access to information on available technology is lacking to entrepreneurs. Absence of technology impacts in economy of scale, production of competitive goods, productivity, quality and marketing.

According to Federation of Nepalese Cottage and Small Industry (FNCSI), the industrial sectors are continuously facing quality and uniformity problems. Most of Micro, Cottage and Small Industrial (MCSI) products do not sell with quality certification. MCSI takes occupational health and safety measures as a strange thing till date. They do not know about application of cleaner production and food safety system in their factories. Thus these are the basic reasons behind lower growth sustainability of our industries in their later stages. Therefore we can see growth and sustainability as a major problem of industrial promotion in the country.

According to FNCSI lack of information and counseling to entrepreneurs is basic problem for enterprise growth. Unavailability of an integrated mechanism for providing information, advices and counseling are the reasons behind the lack of industrial growth. Although, DCSI and other institutions are providing skill development training, entrepreneurship development training, technology transfer supports and other supportsto fresh and start up entrepreneurs, the failure rate of industries indicates that existing enterprise development services or modality are not sufficient. There is need of an effective integrated mechanism of enterprise promotion in the country.

According to Business Incubation Program (BIP), starting of a business is aimed for earning profit, achieving business growth and sustainability. Entrepreneurs just having an idea on enterprise creation may not know the techniques to materialize their idea. Similarly, such persons do not have proper resources to convert the idea into an enterprise. It takes sufficient time and resources, which is almost very hard to collect for a new start-ups. In this case, their idea must be supported with the experts' mentorship as well as other resources. The nurturing supports in the initial stage will certainly help them to bring their idea into reality.

After conversion of an idea into product or service, it should be placed to the market. It needs manufacturing of the product in sufficient quantity and marketing. For that, proper financing and marketing channels should be explored and connected. Patent registration of the idea is necessary to protect the inventor from the idea being pirated. Proper branding, trademark and packaging are important before launching the product and service in the market. Some seed fund in low interest rate, grants during research and development stage is also important. An office space is required during the product and service development phase. General administrative works like correspondence, office equipment, email and internet are also required during the product development phase as well as marketing and in the time of searching financial resources.

On the basis of background and statement of problem, the study is concerned with the assessment of industrial promotional tools that helps industries to grow and sustain longer. Therefore, this study has tried to find the answers of following research questions:

1. What are the operational process as well as services offered by Business Incubators in Nepal and its current status in the country?
2. Does Business Incubation model follow the business growth models?
4. Does Business Incubation model supports the strategic aim of Industrial Policy for promotion of enterprise in Nepal?
5. Does Business Incubation effective enough to support for business growth of its client enterprises?

### **1.3 Objective of the Study**

**General Objective of the Research:** The main objective of this research is to analyse the effectiveness of Business Incubation Model as an industrial promotion tool to support enterprises growth. The other specific objectives of the study are to:

- review the business incubator's operational modalities, business incubation practices and need in the country.
- assess the suitability of business incubation model in accordance with business growth models and industrial policy.
- analyse the effectiveness of business incubator services for business growth.

### **1.4 Rationale of the Study**

It has been found that most of the developing and developed countries have already implemented the incubation models in their countries so far, we are in the stage of initiating such models in the

country. Now, this model is recognized as important instruments by industrial policy. In this reality, the study will be very rationale to highlight and reveal the effectiveness of these tools, the similarities and differences between these models, challenges to promote these models in the country.

Since, we are in the stage of initializing incubator models in the country, it is very important for us to carry out a research in this sector for collecting the information on the suitable incubator modality, operational procedures, program and policy requirements and infrastructural needs. It is also necessary to examine the effectiveness of this tool for achieving enterprise growth. Therefore, I hope, this study will be highly rationale to contribute something in this regard.

Realizing the need to enhance enterprise growth and sustainability, exploration of relevant tools are very necessary. In this case, the integrated business creation and development models must be promoted in the country. On the basis of various researches, we can see that so many existing tools conducted by Government, NGOs and INGOs unable to achieve expected enterprise promotion in the country. Those tools have been found lack of integrated and customize enterprise growth modality. Some of them only provide seed fund, some of them provide short term training and some of them provide tools and equipment (Nepal, 2006:15). In this situation, we are in need of suitable enterprise growth models in the country.

This study, therefore, has tried to explore and describe the operation modalities of business incubation, its current status, compared this model with enterprise growth model and its compliance with the major provision of industrial policy. Finally, the enterprise growth data has been collected and analysed to measure the effectiveness of this tool. The outcome of this study can be regarded significant enough to provide knowledge and create interest in the prospective stakeholders for promotion of this tool in the country.

## **1.5 Scope of the Study**

Business incubation is still a new concept in the country. Fewer research and practices have been seen in this sector in Nepal. So, this study has tried to study and explore the subject area as much as possible and document the output in report. The main purpose of the research is to reveal the effectiveness of this tool for enterprise growth and collect data on the successes in enterprise growth.

The study is based on primary data, secondary data and observations. Documents, books, reports and previous research works have been collected and used as secondary data. Web sites of few renowned incubators have been collected and used as source of data. Sample incubator has been visited for observation and collection of data on their successes, operation modalities, targeted clients and service offered by them. The graduated companies were also visited and interviewed for collection of business growth data.

A major scope of work of this study is to compare the selected enterprise model with business growth model, see the compliance with the provision and strategies of industrial policy and interview of 14 graduated clients of selected incubator.

## **1.6 Limitations of the Study**

This research study has following limitations:

1. The enterprise sustainability and growth measurement data depends on the actual support provided by incubator and data given by the client companies.

2. Limited coverage: The research is going to be carried for academic purpose. There is only one sample available matching with the purpose of this study. Therefore, a single case of BIP-Nepal has been studied for case analysis.

## **1.7 Organization of the Study**

The total study has been organized in five chapters. Chapter one is composed of introductory part. Chapter two highlights the basic terms and theory related with the research through the means of various literatures. In chapter three, research methodology has been presented. Data analysis and presentation has been presented in chapter four. Summary, conclusion and recommendations have been presented in chapter five. The Annexes have been presented in the last pages of the report.

## **1.8 Chapter Summary**

In this chapter, background information on the need of effective tools for enterprise development supports, introduction to Business Incubation model and the problem our enterprises facing with the lack of effective enterprise promotion tools are presented. The section has raised the question on different aspects of business incubation that should be explored to assess the suitability of this model for enterprise growth. Finally this section has end up with setting objectives to select a case incubator “Business Incubation Program Nepal” for studying its effectiveness for enterprise growth and its suitability according to business growth theories and strategies of industrial policy.

## Chapter II

### **Theoretical Understandings**

*This section cover the review of different secondary sources required to understand the term incubator model, incubator services, business growth stages and policy supports for industrial promotion. Theoretical and conceptual frameworks have been presented and developed to show the interrelationship between the business growth and business incubation services.*

#### **2.1 Business Growth Models**

Freel (1999) as cited by Beaver, 2002 states that the person or entrepreneur that enters small business ownership can be classified as the one who go into self-employment to pursue their own interest and the one who go into small business ownership with desire to develop business, achieve growth, increase employment and grow into a medium sized for larger size form. The former are predominantly lifestyle businesses (Burns and Dewhurst, 1996). They don't display any aspiration to grow or develop beyond a certain size and complexion and mainly concerned with survival and maintenance of lifestyle. The latter type will be concerned with growth with expansion.

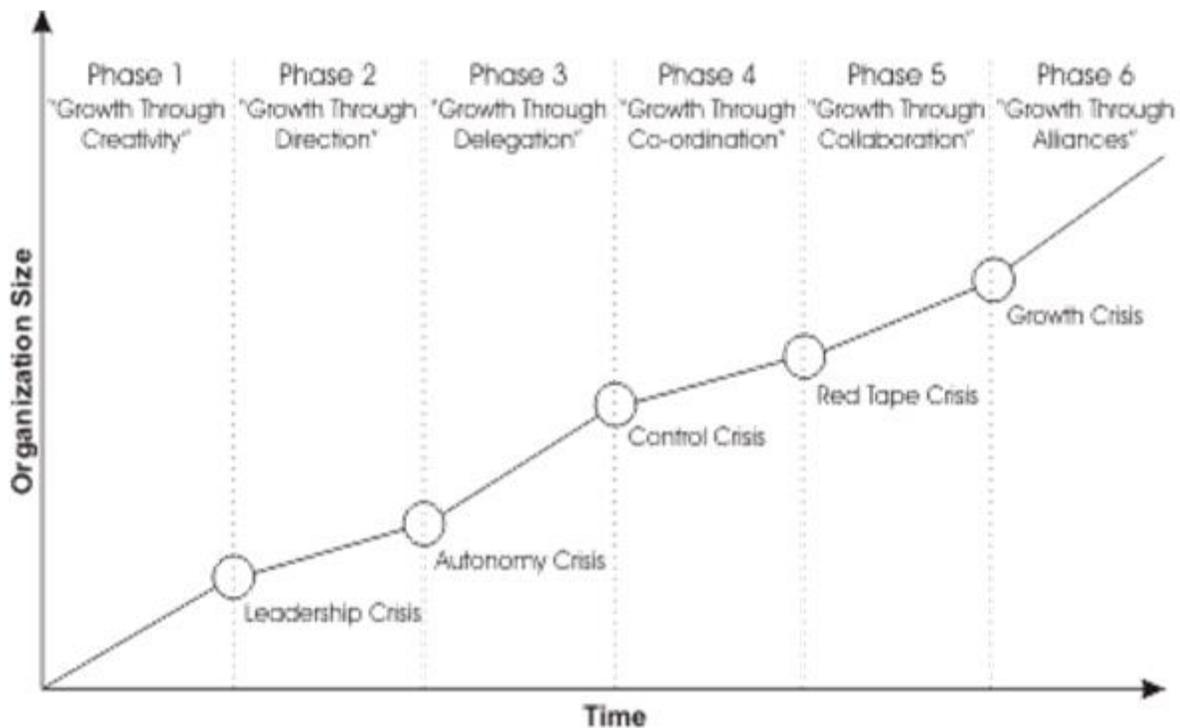
Those small firm desires to achieve growth and enterprise development will be affected by different factors related opportunity sets, managerial abilities and resources. Storey (1994) as cited in Beaver (2002) mentions the background and access to resources, nature of firm and strategic decisions taken by firm are three key influence on growth rate of small independent firms.

##### **2.1.1 Larry E. Greiner Growth Model**

Growth models are useful as a benchmark and draw lessons for survival growth of firms characterized by similar business features and operating in similar business climate (Poutziouris, Binks and Bruce, 1999). Much on early theoretical work on business growth and development of small firms are attempted in terms of stage or life cycle models of firms' growth. There are

common problems which arise at similar stages of business development. These common problems can be organized into a framework which helps to deeper understanding of nature and problems of business. The most commonly cited stage models of business growth are those developed by Greiner (1972) and Churchill and Lewis (1983). Greiner (1972) offers a Six stage framework of business development but considering the managerial changes faced by founder. Larry E. Greiner originally proposed this model in 1972 with five phases of growth. Later, he added a sixth phase (Harvard Business Review, May 1998). The phases are namely growth through creativity, direction, delegation, coordination, collaboration and alliances. An entrepreneur has to face the different in the different growth phase. The Greiner model is presented below:

**Figure 2.1: The Greiner Six Stage Model of Business Growth**



The above figures presents Greiner model of business growth phases followed by crisis in each phases of growth. If crisis could not be handled properly, business has a chance of failure. The

length of time is depends on the nature of firm and industry. The growth phases and different crisis on respective phases are described below:

### **Phase 1: Growth through Creativity**

The founder entrepreneurs are busy in creating products and opening up markets. There aren't many staff, so informal communication works fine. When more staffs join, production expands and capital is injected, there's a need for more formal communication. This phase ends with a Leadership Crisis, where professional management is needed. The founders may change their style and take on this role.

### **Phase 2: Growth through Direction**

Growth continues in an environment of more formal communications, budgets and focus on separate activities like marketing and production. Incentive schemes replace stock as a financial reward. However, there comes a point when the products and processes become so numerous that there are not enough hours in the day for one person to manage them all, and he or she can't possibly know as much about all these products or services as those lower down the hierarchy. This phase ends with an **Autonomy Crisis**: New structures based on delegation are called for.

### **Phase 3: Growth through Delegation**

With mid-level managers freed up to react fast to opportunities for new products or in new markets, the organization continues to grow, with top management just monitoring and dealing with the big issues (perhaps starting to look at merger or acquisition opportunities). Many businesses flounder at this stage, as the manager whose directive approach solved the problems at the end of Phase 1 finds it hard to let go, yet the mid-level manager struggle with their new roles as leaders. This phase ends with a **Control Crisis**: A much more sophisticated head office function is required, and the separate parts of the business need to work together.

### **Phase 4: Growth through Coordination and Monitoring**

Growth continues with the previously isolated business units re-organized into product groups or service practices. Investment finance is allocated centrally and managed according to Return on

Investment (ROI) and not just profits. Incentives are shared through company-wide profit share schemes aligned to corporate goals. Eventually, though, work becomes submerged under increasing amounts of bureaucracy, and growth may become stifled. This phase ends on a **Red-Tape Crisis**: A new culture and structure must be introduced.

### **Phase 5: Growth through Collaboration**

The formal controls of phases 2-4 are replaced by professional good sense as staff group and re-group flexibly in teams to deliver projects in a matrix structure supported by sophisticated information systems and team-based financial rewards. This phase ends with a crisis of **Internal Growth**: Further growth can only come by developing partnerships with complementary organizations.

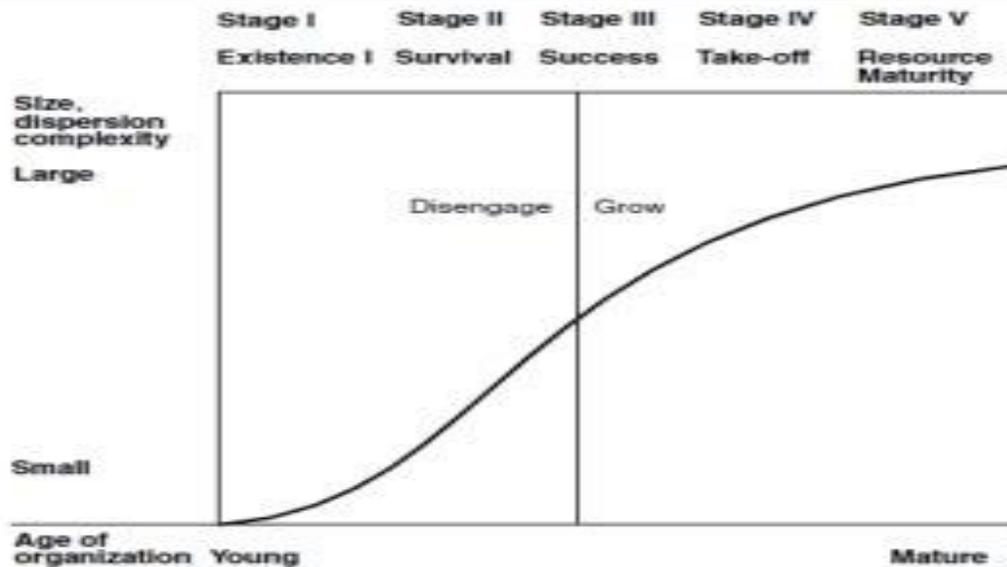
### **Phase 6: Growth through Alliances**

Greiner's recently added sixth phase suggests that growth may continue through merger, outsourcing, networks and other solutions involving other companies. Growth rates will vary between and even within phases. The duration of each phase depends almost totally on the rate of growth of the market in which the organization operates. The longer a phase lasts, though, the harder it will be to implement a transition.

#### **2.1.2 Churchill and Lewis Growth Model**

Such an understanding of growth pattern of small firms and the factors that trigger growth aspirations for conversely hamper growth can aid in assessing current challenges. It can help in anticipating the key requirements at various points, during the start-up period and the need for delegation and changes in their managerial roles (Churchill and Lewis, 2007).

#### **Figure 2.2 : Stages of Business Growth and Crisis (Churchill and Lewis, 2007)**



In Figure 2, Churchill and Lewis (2007) model link marketing, people and financial management issues. The Five stages are Existence, Survival, Success, Take-Off and Maturity. The key factor which affects the success or failure in different stages of its life is developed as attributes of Owner manager Resources.

### **Stage I: Existence Stage**

Company's first strategy is to remain alive. Their only problem in this stage is to obtain customer and deliver product. The company is entirely operated and handled a single owner. If company is unable to get sufficient customer acceptance or cannot deliver product, owner closes the business as capital runs out. Overcoming with success in this stage, company reaches into Survival business.

### **Stage II : Survival Stage**

Profitability is main concern in this stage than mere existence. Problems shifts to relationship between revenue and expenses. In this stage, the company is a workable business entity. The business provides and satisfies the customers sufficiently with products or service. Most of companies remain at survival stage, earns marginal returns on invested time and capital, and eventually leave business after the owner retires or gives up. But more growth of this stage makes the company to reach in Success stage.

### **Stage III: Success Stage**

There are alternative options for owner in this stage. The owner can either exploit the company's achievements and expand or keep the company stable and profitable. Thus, a key issue is whether to use the company as a platform for growth-a sub stage III-Growcompany-or as a means of support for the owners as they completely or partially disengage from the company-making it a sub stage III-Disengage company.

In this stage, the company has very good economic condition. The size and product market penetration is above average and earns profit. The company can stay in this stage for long time unless the external business environment changes, and reduce its competitive abilities.

If in success-growth sub stage or the stage III, the owner assesses the resources and decides for growth of company, he or she arranges cash using borrowing power and risks for financial growth. The owner is thus far more active in all phases of the company's affairs than in the disengagement aspect of this phase. Success of this lead the company to stage IV.If the owner is unsuccessful, it leads the company remain in the disengage stage or either goes to bankruptcy or close of business.

### **Stage IV: Take-off Stage**

In this stage the key problems are how to grow rapidly and how to finance that growth. One problem may be owner faces problem in delegating responsibility to other in a fast growing and increasingly complex enterprise, controlling the performance and managerial effectiveness. Other problem may be to satisfy the demand growth in cash and cash flow. There is need to be competent to handle organization. Divisions are created in a growing and complex business environment.

In most cases, the businesses who are in success stage finds hard to achieve success in stage IV. They find problems in cash management, or finds the growth rate was too fast. They are unable to delegate effectively.

### **Stage V: Resource Maturity Stage**

The priority of the company in this stage is to get control over the financial success due to rapid growth. It also gets advantage of small size with flexibility and entrepreneurial spirit. The need of professional services arises. The company can upgrade its motive by using tools like budgets, strategic planning. All changes should not stifle its entrepreneurial qualities (Churchill and Lewis, 2007).

Storey (1994) and Burns and Harrison (1996) has acknowledged some criticisms. Most small business experiences little or no growth and therefore never reaches stage 3,4,5 described in the models. Gray (1993) also states that these models do not provide an explanation of why the firm was founded in the first place and what relation there is between the founding motivation and objectives and subsequent development. The models do not allow for a backward movement along the continuum or for the skipping of stages depending on the operating context of firm. The models do not permit firms to exhibit characteristics from one or more stage to become hybrids. The classifications of various stages do not reflect the operational and strategic realities and capabilities of firms in relation its chosen market and sector. Although highly critical, Gray (1993) acknowledges that if they are used with some selectivity, they are capable of shedding some lights on aspects of the small business growth.

### **2.1.3 Small Enterprise Development Agency (SEDA) Growth Model**

SEDA has categorized the business growth in Three Phases and Six Stages i.e.

#### **Concept Phase**

Stage 1.investigation:

- I.technical analysis
- II.market needs assessment
- III.venture assessment
- IV.business structuring

#### **Development Phase**

Stage 2.Feasibility:

- I.Technical feasibility
- II.Market study
- III.Economic feasibility
- IV.Systems & policies

Stage 3.Development:

- I.Engineering prototype
- II.Strategic Market Plan
- III.Strategic Business Plan
- IV.HR capacity building

Stage4. Go-to-market:

- I.Pre-production prototype
- II.Market validation
- III.Funding & business leverage
- IV.Commercial capacity

**Commercial Phase**

Stage5. Growth:

- I.Production
- II.Sales & Distribution
- III.Business Growth Strategies
- IV.Management Systems

Stage6. Maturity:

- I.Production support
- II.Market Diversification
- III.Business maturity
- IV.Management systems

(Source: SEDA (Small Enterprise Development Agency) - 2<sup>nd</sup> Global Forum : Nov 2006.)

#### **2.1.4 Factors Related to Business Growth**

As the business grows and develop, there are several factors that lead ultimate success or failure to the business. Churchill and Lewis, (2007) has identified eight such factors. Four of them relate to the owner and four relates to the enterprise.

##### **Factors related to owner:**

- Owner's goal and priorities for business.
- Owner's abilities in management, marketing skills, technical skills, knowledge in production and manufacturing skills.
- Owner's managerial ability and skill for delegation.
- Owner's strategic abilities to think for future ability to assess business environments.

##### **Factors related to enterprise:**

- Financial resources mainly cash and access to finance.
- Personnel resources, mainly number of persons, capability of staffs.
- System resources in terms of expertise in financial management, budget control, technological sophistication etc.
- Business resources mainly capacity of marketing activities, knowledge in manufacturing and distribution process, customer relation, supplier relations etc.

Poutziouris, (1993) has pointed out as problems faced by small firms (growth constraints) are respectively, General management, Operations/Production, Finance and Marketing.

General managerial problem relate to factors which are poor time management, failure to realize the benefits of specialization, resistance to modern management practices and poor assembly and analysis of information.

Degree of disadvantage associated with the inability of small firm to capitalize on available scale economies is key consideration in operational and production related problems.

Financial problem ranges from narrow product orientation of small firms, absence of track record, and lack of expertise in articulating financial need for financial forecasts in dealing with potential financiers to non-existence of specialist financial managers.

Marketing constraints is due to neglect to longer-term strategic plan and focus in day to day survival, limited penetration of market information systems and research, limited awareness and capacity for marketing activities.

As we have already seen a Sixth stage in Churchill and Lewis model of business growth, the Sixth stages highly relates with expansion of network. Network is very important to acquire required resources and maintain the business which has already passed the Fifth stage of growth.

## **2.2 Business Sustainability**

According to SEED key indicators for business sustainability are business performance, social performance and environmental performance of an enterprise. The business performance can be measured through:

Indicator 1 : Business plan made, reviewed and updated regularly

Indicator 2: Marketing networks established and new opportunities investigated

Indicator 3: Livelihood provided for the enterprise manager

Business plan is said as a mirror of the business. Without a proper plan, the foundation of business is at risk. Similarly, as the business grows, the plan should be regularly re-visited, modified and updated regularly. It supports for the proper handling and managing the business.

The satisfaction of owner/manager is crucial thing in a business. To sustain a business a longer period, the owner/manager must be satisfied with the earning from the business and their reward so that they always keenly work for its survival.

## **2.3 Business Incubators**

Longenecker and Palich (2006:340) writes a business incubator is an organization that offers both space and managerial and clerical services to new business. Most of them involve the participation of government agencies and/or universities, although some have been launched as purely private endeavors. The primary motivation in establishing incubators has been a desire to encourage entrepreneurship and thereby contribute to economic development.

According to Longenecker and Palich (2006), an incubator provides a supportive atmosphere for a business during the early months of its existence, when it is most fragile and vulnerable to external dangers and internal errors. If the incubator works as it should, the fledgling business gains strength quickly and, within a year or so, leaves the incubator setting.

“Development of Business Incubation Centers therefore, calls for a close coordination and mobilization of multitude of development partners in the government sector, private sector, colleges and universities, banking and financial institutional sector and a combination of sponsors” (Nepal, 2006:5). Therefore, set-up of incubation centers needs policy supports from Government as well as they should be assisted from private sectors, banking and financial institutions.

Giving focus on the need of small enterprises Nepal (2006), says that small enterprises are managed mostly on intuitive basis without having required knowledge and proper business information, they, therefore, would need professional support and counsel in deciding what, where and how to manage the challenges, when to explore unexplored market segments and how to tap it, where and how to get need based training, information and services on technology, products, accessing finance, regulatory hurdles, enhancing networking for acquiring vital cooperation from other enterprises. The statement shows a clear importance of Business Incubation for establishment, growth and sustaining an enterprise in Nepal.

### **2.3.1 History of Business Incubation**

Business Incubators originated in the United States of America and have proliferated most rapidly there. The origins of the idea can be traced to 1942, when Student Agencies Inc., in

Ithaca, began incubating student companies. In 1946, the first incubator outside the student community was created by American Research Development (ARD), started by several MIT alumni, to supply risk capital to entrepreneurs. As of October 2006, there were more than 1400 incubators in North America, up from only 12 in 1980. Her Majesty's Treasury identified around 25 incubation environments in the UK in 1997, by 2005, UKBI identified around 270 incubation environments across the country. A study funded by the European Commission in 2002 identified around 900 incubation environments in Western Europe. In 2005 alone, North American Incubation Program assisted more than 27,000 companies that provided employment for more than 100,000 workers and generated annual revenues of \$17 billion. (First Status Report on TBI in India, (2009).

*infoDev* Asia global partnership program within the World Bank Group which works at the intersection of innovation, technology, and entrepreneurship to create opportunities for inclusive growth, job creation and poverty reduction. *infoDev* assists governments and technology-focused small and medium sized enterprises (SMEs) to grow jobs, improve capacity and skills, increase access to finance and markets, ensure the appropriate enabling policy and regulatory environment for business to flourish, and test out innovative solutions in developing country markets. We do this in partnership with other development programs, with World Bank/IFC colleagues, and with stakeholders from the public, private and civil society sectors in the developing world. ([www.infodev.org](http://www.infodev.org))

#### **2.4 Business Incubation (BI) : A Tool for Enterprise Development Support**

Business incubation models assume the philosophy that when there is guidance and support from fellow business experts and mentors, it creates positive environment for entrepreneurs to thrive their business. Like a real Incubator for hatching chicken from eggs, the business incubation houses can act as an incubator machine that provide essential environment to knowledge and resource constrain entrepreneurs for growth. (Nepal 2006).

McAdam and Marlow (2008) has emphasis that durability and growth of new small firms overcoming problems can be ensured via business incubators as they provide managed business facilities, attract external investors and professional support advisors.

Most researcher like Kuratko and LaFollette (1987); Lumpkin and Ireland (1988); Markely and McNamara (1995); rice (1992); as cited in Hackett and Dilts, (2004b) assumes that business incubation services can be appropriate tools for economic development which will help in job creation on one hand and less business failures on the other hand.

Lalkaka (1997) explains the government from both developed and developing countries has recognizing the mechanism of business incubation as way to support the development of micro, small and medium enterprises.

Monkman (2009) has reported that there are various motivations for establishing business incubation services around the world. It shows that the motivations have been:

- Creating local jobs
- Fostering entrepreneurial climate
- Commercializing technology
- Diversifying local economies
- Accelerating local industry growth
- Retaining firms in community to encourage minority or women entrepreneurship
- Generating revenue
- Identifying potential spins-ins or spin-outs
- Generating benefits for sponsors
- Revitalizing distressed neighborhood
- Moving people from welfare to work

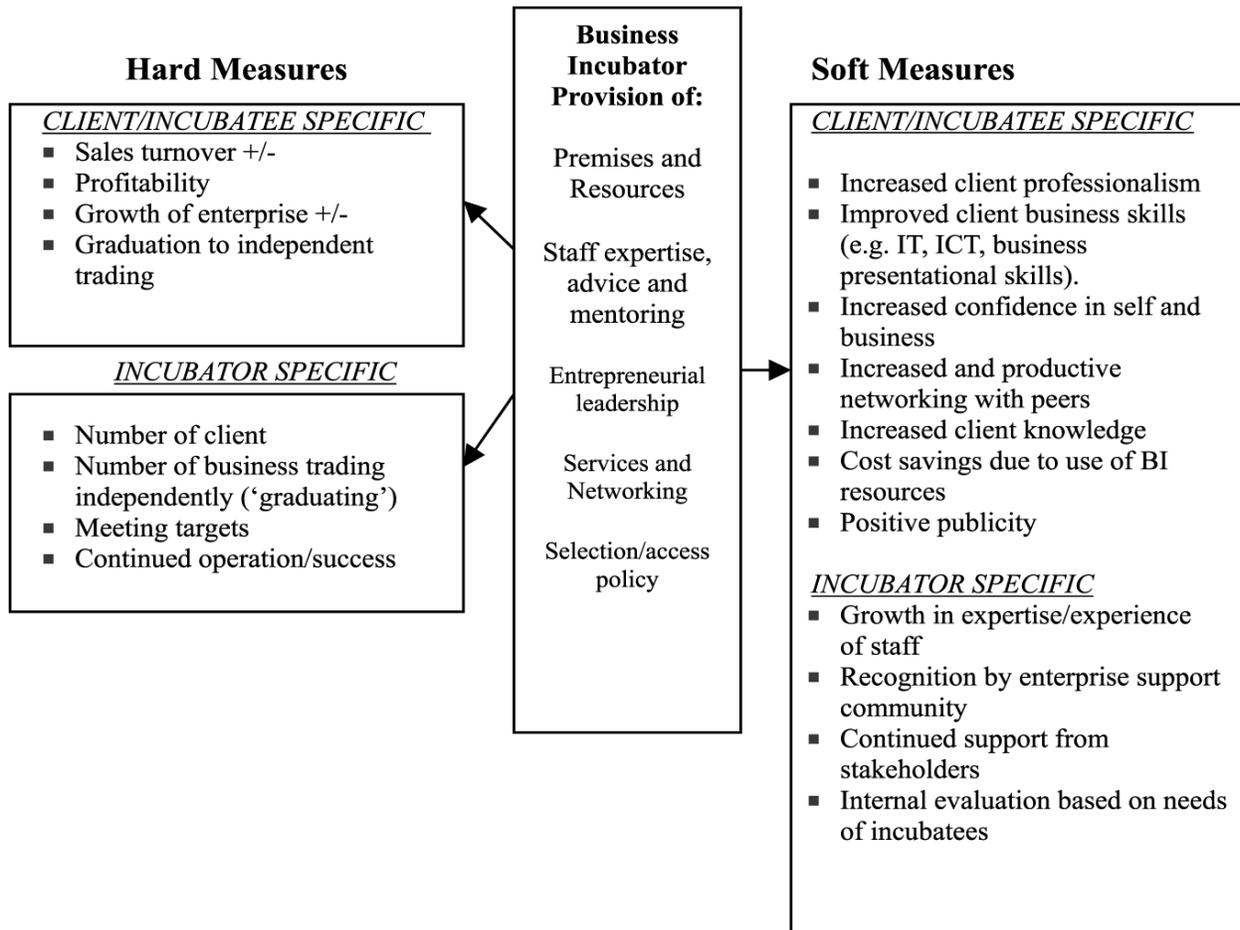
"Business Incubation catalyses the process of starting and growing companies, providing entrepreneurs with the expertise, network and tools they need to make their business successful. Incubation programs diversify economies, commercialize technologies, create jobs and build wealth." (NBIA, USA)

According to InfoDev, Worldbank Business incubation formally began in the US in the 1960s, and later developed in UK and Europe through various related forms (e.g. Innovation Centers, technopoles/science parks). It is recognized as a way of meeting a variety of economic and socio-economic policy needs which can include

- Employment and wealth creation
- Support for small firms with high growth potential
- Transfer of Technology
- Promoting innovation
- Enhancing links between universities, research institutions and the business community
- Industry cluster development
- Assessment of a company's risk profile.

From above, we can understand Business Incubation (BI) is a process designed for social and economical development. The inputs of BI are small start-up enterprises and viable business ideas. The process of BI refers to supporting services for entrepreneurs such as expert advices and comprehensive business development assistances like mentoring, supervision, office space, networking, trainings, office equipment facilities etc. The outcomes are graduated companies able to freely stand in the competitive market. Other outputs are job creation, revitalization of community, commercialization of technology and wealth creation at local and national level.

**Figure 2.3: Incubator and Client success measurement variables.**



(Source:www.emraldsight.com)

From the reviewed literature, Selection, Infrastructure, Business Support, Mediation, Graduation seems to be the main incubator model components (Hackett and Dilts, 2004b; Peters et al.,2004)

### 2.4.1 Selection

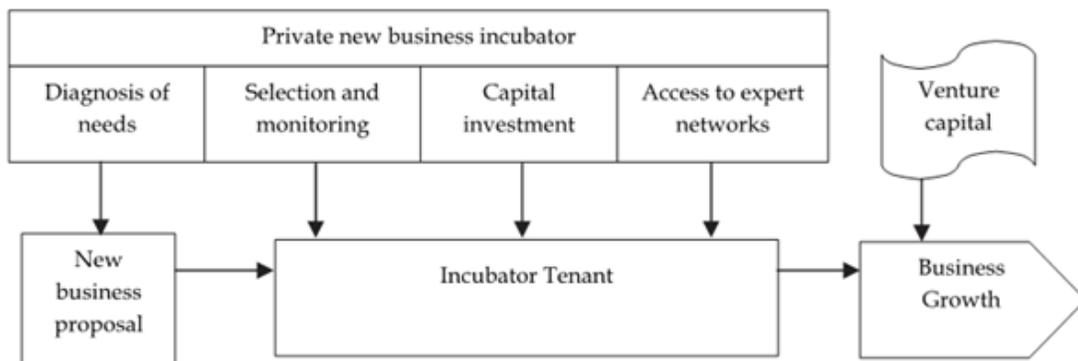
Selection refers to decisions concerning which ventures to accept for entry and which to reject. (Hackett and Dilts, 2004) describes it as challenge to differentiate firms which are promising and need business incubation. It requires good understanding of market and process of new business creation.

(Holovnia et al., 2008) states that incubator should have clear vision for screening of client. There should be early evaluation of company for prospective successful business. It is worth while to carefully consider about selection criteria as it may have later on effect upon the resources and reputation as well.

Campbell et al. (1985) as cited in Hackett and Dilts, 2004b emphasis the value of diagnosis of business needs and selection and monitoring application of business service important for provision of financing and access to incubation network as well. The effect can be seen ultimately in growth of business of tenant or incubate as shown in figure 4.

Figure 2.4-Campbell, Kendrick and Samuelson Framework (Campbell et al., 1985)

**Campbell, Kendrick & Samuelson's incubation model (1985)**



Business Incubation Blog, <http://worldbusinessincubation.wordpress.com/>, Ryzhonkov Vasily

Norman and Ana (2008) have suggested appropriate selection criteria as two approaches: Idea-focused approach and entrepreneur-focus approach.

For an Idea-Focus approach, incubator manager should be able to evaluate the viability and feasibility of idea. Relevant technological knowledge and knowledge regarding product, market and profit potential is a must.

For entrepreneur-focus approach, it is required to evaluate the experiences, skills, characteristics and driving forces of entrepreneurs. The ability to judge personality as well as knowledge of more general business development is also sought.

As discussed by Clarisse et al. (2005) cited in Norman and Anna (2008) other two approach: “Picking-the-winners” approach and “survival-of-the-fittest” approach are other selection criteria. In the “Picking-the-winner” approach, incubator manager try to identify a few potentially successful ventures. In the “Survival-of-the-fittest” approach, incubator manager apply less rigid selection criteria, take on a larger number of firms and rely on markets to provide the selection processes that over time will separate winners from losers.

Combination these two types of approaches of the selection component gives four “selection strategies”, which are likely to result in very different incubator “portfolios” of incubates or clients.

- *Survival of the fittest and idea.* This strategy will gather a large number of idea owners with immature ideas which may be from wide range of fields.
- *Survival of the fittest and entrepreneur.* This strategy will collect diverse ventures consisting of entrepreneurs/teams with strong driving forces.
- *Picking-the-winners and idea.* This strategy will select highly screened ideas mostly within a narrow technological area and are found commonly started from institutions.
- *Picking-the-winners and entrepreneur.* This strategy will gather handpicked and well evaluated entrepreneurs and generally the idea is linked with research.

#### **2.4.2 Infrastructure**

The infrastructure covers all the business premises, office facilities and administrative services that an incubator provides. Most incubators seems to supply or provide generally same set of administrative services including space, amenities, equipments as well as offices administrative supports like secretarial and reception services. (Rice, 2002); (Lalkaka, 1997)

#### **2.4.3 Business Development Supports**

Business support includes all coaching and training activities undertaken to provide to incubates. It has been seen that business support services generally provided are business development advices and general business matters. It ranges from leadership training, marketing and sales training, business planning, accounting, legal matters, financial matters etc. It is viewed that the

way these business supports are supplied are also crucial factors to consider rather than concentrating only on business support.

Hacket and Dilts (2004a) observed that business assistance approaches widely depend upon working hour devoted to developing incubates, the strategic and operation approach taken by incubator and degree of quality of services that incubator aims to deliver.

- Rice (2002) as cited in Norman and Anna (2008), provides following approach for different types of business counseling:
- Reactive and episodic counseling: Generally it is entrepreneur initiated. As the entrepreneur feels the crisis or problem, they request help in dealing with specific crisis or problem. The assistance is focused in solving the problem or crisis and is of limited duration.
- Proactive and episodic counseling: It is initiated by incubator. The manager of business incubation center generally engages directly with entrepreneurs in informal or ad hoc counseling.
- Continual and proactive counseling: It is initiated by incubator. The selected incubate venture is under constant review and can be seen intense-aggressive intervention by incubator managers. Incubator can define their role and boundary for interventions. The business services can be provided as a manager led, as an external facilitator, or even with a complete management team which can guide venture throughout the incubation process with help of staffs.

#### **2.4.4 Networking**

One of major role of incubator is to act as intermediary or mediator between the incubates and the business environment (Peters et al., 2004). Thus the incubator acts like a bridge between the incubate and its environment.

Collinson and Gregson (2003) as cited in Norman and Anna (2008) states that the information, knowledge and expertise gained through the mediation network are crucial for the survival of new company and reduces the uncertainties that business faces in different times. It is seen that

Mediation has help in building networking of incubates and external factors customers, partners, employees, financiers, researchers (Hackett and Dilts, 2004b).

(Collinson and Gregson, 2003) further states that through mediation, incubator and incubates can understand, interpret and even influence the institutional demands introduced by regulations, law and rules. The incubates can obtain legitimacy and social acceptance, and may also get credibility and understandability in eyes of external actors.

#### **2.4.5 Graduation**

Graduation is related to exit policies, i.e. decisions concerning under what circumstances incubates would leave the incubator. Most incubators have formal exit rules requiring incubates should leave incubator after 3-5 years selection. Monkman (2009) mentions that Graduation policies have become more sophisticated over the years. Graduation policies have been based on business related benchmarks rather than time limits. Clients achieving milestones, outgoing space, spending maximum time etc. have been some of factors guiding graduation policies.

#### **2.5 Measures of Inubatees Success**

One of simple measure of incubate success is graduation from incubator with developed sustainable business setup. The growth and development seen also can be applied as measure of incubate success. The growth measure may include increase number of jobs, increase in sales over time etc. One measure concern shown is while examining the incubate survival rate, it may not be meaningful to compare with non incubated ventures. The use of selection criteria over incubate result in selection bias. (Hackett and dilts., 2004b).

Business Incubation Program (BIP) has five stages of business growth measurement such as:

**Seed stage** : This is an idea level of business in which the entrepreneur will have an idea to which he wish to convert into an enterprise or he wish to commercialize his idea. According to BIP, the market viability of the Idea is basic concern for selection.

**Startup Stage :**In this stage, product or service proto-types are designed, factory or are opened, production or service schedules are programmed.

**Gate Stage:** In this stage, labour or manpower are hired, production or services are started in a larger volume.

**Take off stage:** The industries reaches in Break Even Level in this stage i.e. the revenue and expenses are equal and the profit is at zero level. BIP is Graduating their incubates in this stage.

**Bridge Stage:**This is an expansion stage. In this stage, more product and services are traded, customer satisfaction is achieved.

## **2.6 Conceptual Framework and Application of Growth Theory**

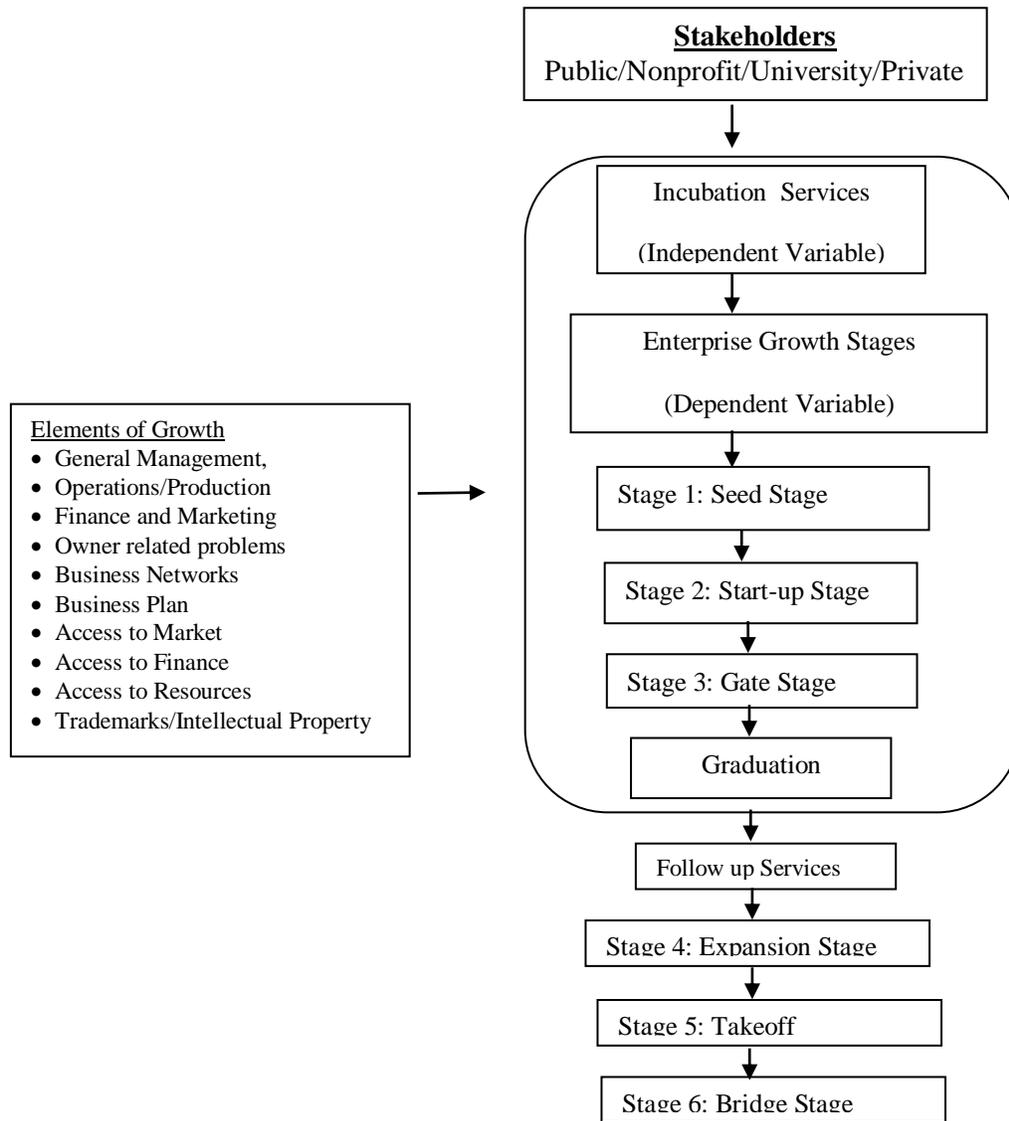
The literature review has found identification, selection, infrastructure, business support, mediation and graduation (Hackett and Dilts, 2004) as main incubator service components for business creation and growth. The incubatorshave customize service or each incubates as well as objective and goals depending upon the sponsors and stakeholder's interest. The ultimate goal of business incubator is to help the start ups to achieve its growth and result in more start-ups with fewer business failures. These supports can be very crucial for start up and growing a new business. The performance and success of different incubators is related to their service models, i.e. how they organize and manage the incubator service process, however the success of tenants is not only dependent on the nature of their services, but also on how they are supplied.

This research has evaluated effectiveness of incubation service from three sides. First of all, a review has been doneto explore operational modality of incubator and current practices of business incubation in the country. Secondly, the research has analyzed matching of this tool with the business growth theory and its compliance with industrial policy. Thirdly, it has gathered business growth data of all graduated client enterprises to measure the enterprise growth.

In different growth stages of a firm, there are several problems of growth which is developed as attributes of owner-manager and resources. General management, operations/productions,

finance and marketing are the known common growth constraints. Various authors have endorsed emphasis that overcoming of these problems can be ensured via business incubator and other business development service providers. They provide managed business infrastructure, business support and mediation and networking. Their success is depends upon the success of their clients.

**Figure 2.5 :Conceptual Framework on Growth Benchmarks of BIP-Nepal**



On the basis of above conceptual framework and dependent/independent variables, formulation of hypothesis for measuring effectiveness of incubator for enterprise growth has been presented here:

Null Hypothesis ( $H_0$ ) : There is no relationship between business incubator services and enterprise growth

Alternative Hypothesis ( $H_1$ ) : Business incubation services are effective to achieve enterprise growth

**2.7 Review of Industrial Policy 2010 (IP 2010)**

The much-awaited Industrial Policy 2067 was unveiled in May 2010, replacing the 18-year old outdated Industrial Policy 2049. The Industrial Policy 2067 has also introduced the international rule of 'No Work No Pay'. The Industrial Policy 2067 is more focused on development of micro, small and cottage industry. It has also guaranteed exemption of VAT and other taxes. Similarly, VAT and other taxes will be exempted for cottage industries established in least developed, developing and underdeveloped regions for 12 years, seven years and five years, respectively. Later, they will be charged only 75 per cent, 60 per cent and 50 per cent taxes, respectively.

The major traditional industries existing in Nepal are weaving of coarse clothes, tailoring, pottery, household utensils, making of farming tools, carving of Thankas and casting of god's statues. Saw mills, match factories, cotton and sugar mills, jute industries were started as modern industries in 1930. Industrial Promotion Board was formed in 1936 as well as Company Act and Nepal Patent Design and Trade Mark Act brought out in the same year.

The first industrial was brought out in 1957 and it was subsequently replaced in 1960, 1974, 1987, 1992 and now we have industrial policy 2010. License is required to establish and expand the industries. Foreign investment allowed up to 50 of equity. The focus of the Industrial Policy 1992 was to bring the private sector in the forefront of play for industrialization in the country. The policy has enhanced the activities of privatization of public enterprises, ensured private organization from being nationalized. It has also given attention in promoting competitiveness among private sector industries in quality and cost. Government was supposed to make joint investment with the private sector in the areas of such industries that are essential for the country.

- The major objective of the IP-2010 is to contribute poverty eradication program through promotion of public and private sector partnership and broad based industrial growth where the specific objectives of the IP-2010 are:
- Increase national income and employment by enhancing export of qualitative and competitive products.

- Enhance the contribution of industrial sector in national and regional development by increasing the use of local resources, raw materials and skills.
- Sustain industrial through application of new technology and environment friendly production process.
- Create and enable condition for Nepal to be an attractive destination in South Asia for investment with a focus on development of productive human resources and managerial competence.
- Protecting the intellectual property rights (IPR) of the industries.

### **2.7.1 Major features and facilities of Industrial Policy 2010**

The IP-2010 has facilitated the following things for the objectives of industrial development, i.e.:

- Entry and registration
- Classification of Industries
- Prioritization of Industries
- Incentives and facilities
- Special provisions for micro, cottage and small industries

Special Economic Zones (SEZ) with assistance for increase export contributing in foreign currency earning and balance of payment. Additional facilities and concession will be made available as incentives to export-oriented industries, industries established in SEZ, prioritized industries and industries established in least developed, undeveloped and under developed regions.

Promoting quality and competitiveness: priority have been given to develop and acquire new technology at national and industrial unit level

No work no pay principle : The IP-2010 has said to follow this principle as provided by the labour law with the objective of creating cordial relationship between employers and employees and to create additional employment opportunities and certainty by making the labour policy

flexible with a view to enhance productivity having accepted the strengthened industrial relationship as a strong basis of industrial development.

**Technology and Innovation Focused:** The IP-2010 is technology focused by encouraging research and development, industrial information and communication, appropriate technology and bio technology.

**Balance Development:** For the balanced development, policy has given emphasis to promote those industries that use local skills, raw materials, labours and technology. Areas of competitive benefits and comparative advantages have been given importance. The policy has also addressed the provision of purchase of local product by Government and Government industries that will help to protect local industries.

Establishment of Industrial Entrepreneurship : With the objective to establish industrial entrepreneurship as a sustainable and reliable sector, technical and financial assistance have been made available to the industries working in environment friendly and energy saving technology.

**Development of strong basis of investment with productive human resources and managerial capacity:** To achieve this objective, the IP-2010 has made provision for skill and entrepreneurship development of youths to be utilized in industrial sector. The policy has make aware to follow other relevant policy while making for reforming such as macro economic policy, revenue policy, local tax and other sectoral policies as well as take care in affording incentives to industries. The IP-2010 also has given high priority to industrial security as well as attraction to Non Residence Nepalese (NRNs) has been encouraged. The IP-2010 has made provision of different funds for industrial promotion such as Technology Promotion Fund, MCSI development Fund and Sick Industries Revival Fund that are to be operated in collaboration with private sectors.

**Institutional arrangements:**To make available protection, facilities and concessions to industries, the IP-2010 has made institutional support arrangements like Investment Board, One Stop Service Center, Industrial Promotion Board, Industrial District Management Authority, Industrial Human Resource Development Institution and Nepal Business Forum (NBF).

**Forward and Backward Linkages:**Through activities such as contract manufacturing, outsourcing, contracting out, franchising, ancillary and buy back systems are considered very useful in production process to promote industries in the country.

**Intellectual Property Right (IPR) Protection:** Industrial policy 2010 has announced to establish an effective body to protect IPR as well as it will encourage IPR registration with incentives.

**Special Policy Provision for Promotion of MCSIs:** IP-2010 has specially addressed the importance of promoting MCSIs in the country as a backbone of the economy. In this respect, various activities has been programmed to launch such as

- Creation of institutional structure and infrastructures along with making necessary legal provisions to promote, develop and expand MCSI
- Services of existing MCSI Development Fund to be expanded and made efficient to expand the competitive capacity of MCSIs.
- District entrepreneurship to be developed with planned coordination with DDC, VDC, Municipality on the basis of available natural and human resources.
- Industries based on market demand, available resources and means will be promoted in priority target areas prescribed by the government.
- Industrial clusters will be developed for making available of BDS services to production oriented industries of rural areas.
- Product Development Center will facilitate the One Village One Product concepts.
- Grant will be provided to local bodies that will support them to infrastructure development to MCSIs.

- Promotion through Collective Marks will be used to provide identity of the product of MCSIs.
- Integrated and competent institutional arrangement will be enhanced to protect IPR of MCSIs.
- The IP 2010 has specially provisioned for market promotion of the MCSI products.

The IP 2010 has mentioned relevant strategies to provide above mentioned facilities for industrial promotion in the country. Managerial capacity, creativity and promotion of knowledge and skills as well as adoption of appropriate technology are priority sectors of working strategy for export promotion through establishment of well facilitated SEZs to produce export oriented goods in PPP model. Product quality certification system and labour law will be equally made standardized and flexible for export promotional strategy.

For the strategy to achieve contribution in balanced development of the nation through industrial sectors, additional facilities and concession will be provided to the industries to be established in geographically and having less than the prescribed level of income industries to be established in SEZ export-promoting industries and the industries directly employing the prescribed or more number of employees. Preparation of Industrial profile of particular district will be prepared. Programs to assist in technology, market, skills and research shall be made available to the industries based on agriculture, non-timber forest products, animal husbandry, dairy industries, bird farming and industries based on fruits and herbs. Raw material-based industries shall be developed in the country having coordinated agro-industries and export.

Permission for establishment, registration, expansion and exit of an industry and to ensure the availability of services in simple and transparent manner within the specified period will be made easy through establishment of One Stop Service Centers strategy. Effective coordination shall be maintained among the agencies engaged in industrial promotion and administration and administrative procedures shall be simplified for which GoN will play a role of facilitator.

The industrial policies of Nepal since 1957 have focused on certain amount of incentives and concessions for running up the industries, like tax holiday, extra incentives to the industries established in the remote areas, concessions on customs duty and allowing accelerated

depreciation of the assets, as the common denominators. However, there has been a shift in the policy since 1992 as it has seen a transformation from the import substitution to export orientation with the pursuit of liberal economic policies.

The industrial policy of 2010 has redefined its objectives towards making contribution to the goal of poverty reduction through a broad based industrial growth facilitating the interplay of public, private and cooperative sectors. This is certainly a departure from the objectives laid in the policy of 1992 which focused on enhancement of production, productivity, export promotion and employment generation.

From the review of Industrial Policy 2010, we can find special policy provision for promotion of Micro, Cottage and Small Industries (MCSIs) in Nepal. IP-2010 has specially addressed the importance of promoting MCSIs in the country as a backbone of the economy. In this respect, various tools, techniques and program activities has been proposed to launch such as:

- Creation of institutional structure and infrastructures along with making necessary legal provisions to promote, develop and expand MCSI
- Services of existing MCSI Development Fund to be expanded and made efficient to expand the competitive capacity of MCSIs.
- District entrepreneurship to be developed with planned coordination with DDC, VDC, Municipality on the basis of available natural and human resources.
- Industries based on market demand, available resources and means will be promoted in priority target areas prescribed by the government.
- Industrial clusters will be developed for making available of BDS services to production oriented industries of rural areas.
- **Product Development Center** will facilitate the **One Village One Product** concepts.
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- Integrated and competent institutional arrangement will be enhanced to protect **IPR** of MCSIs.
- The IP 2010 has specially provisioned for **market promotion** of the MCSI products.

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It has proposed some strategic tools for industrial development in the country such as Business Special Economic Zone, Incubation, BDSPs, Collective Marks, Common Facility Centers, KoseliGhar, Institutional Support Arrangement, One Stop Service Centers etc. The industrial policy of 2010 has redefined its objectives towards making contribution to the goal of poverty reduction through a broad based industrial growth facilitating the interplay of public, private and cooperative sectors. This is certainly a departure from the objectives laid in the policy of 1992 which focused on enhancement of production, productivity, export promotion and employment generation (Industrial Policy 2010).

## **2.8 Brief Review of Political Environment in Nepal**

After the restoration of democracy in 1990, it has brought wide range of economic reforms in the country. The reform has led improvements in key sectors like trade, investment and foreign exchange. But due to political instability these reforms could not lead the country toward economic development. It caused slow down of development activities. It also contributed to increasing politicization of development issues, a weakening of administrative and institutional capacities. The governance became weaker with increasing problems. It also lead to a deterioration of law and order. The parliamentary monarchy continued through 1990 to 1996. Later, the country faced political insurgency for about 10 years.

In the year 2005 – 2007, there was suspension of parliamentary system and revolution for Loktantra has taken place. The first Nepali election was held for constituent assembly (CA) in 2008. As a result of this election, the Maoist became first party securing 220 seats in CA. The

second position was secured by Congress and the UML was in third position. The newly elected CA members exercised hard for making CA. The CA has originally elected for 2 years but it was extended for other 2 years. It has completed around 80% improvement to make new constituent but due to the political misunderstanding between three major parties. The first CA again dissolved in May 2012. The major cause behind the failure of first CA was uncooperative and selfish behavior of political parties.

The second CA election was held in 19 November 2013. People have given strong mandate on behalf of Nepali Congress this time as opposed to Maoist in first CA election. Again the second party (UML) secured the second position. The Maoist secured third position in this election. This result has shown a clear intention of people toward national development, political stability and peace. People of Nepal have given a clear direction this time to political parties in many ways. In one side they have majority voted to Nepali Congress whereas they have also given importance to such parties in supports of Nepal as a Hinduism Country. People of Nepal do not want to see unnecessary disputes between political parties now. They need developmental work rather than sweet words from political leaders. Finally, this time too, if political parties and leaders could not work according to the mandate of people, the political situation of Nepal seems unforeseeable. Due to a long political instability and Maoist insurgency, now many things have been rests upon political stability in Nepal for national development.

## **2.9 Previously Conducted Research Studies**

Nepal (2006) reveals that some governmental agencies and donor agencies funded projects are providing some level of SME promotional and extension services in Nepal. It has been commonly observed that these supports have not been effective to develop competitive entrepreneur and tap potential business opportunities. Business Incubation program are closely linked to delivery system. Business Incubation practice can be a successful mechanism to enhance networking between the big industry and SMEs. In Nepalese context, during initial phase public government should take initiation and management should be run by private sector. The study has given emphasis that to avoid bureaucratic hassles, private sector management will be an effective way to run the Business Incubation center successfully.

Shah, (2007) has written that entrepreneurs' needs in Nepal are diverse and start from knowledge on potential business models, technical knowledge, logistical and administrative support, coordination with the government and local community and mentoring when they face a severe stress. Incubators nurture young entrepreneurs, firms, helping them to survive and grow during the start-up period when they are most vulnerable. Incubation concept provides the complete process of incubation from moving a technical concept through to its commercialization through three phases namely, entrepreneurs, enterprise and market. This approach increases survival rates of business and benefits both the start-ups and the economy. Thus, a business incubator is an economic development tool and a dynamic process of business enterprise development. Therefore, according to Shah (2007), Nepal has need of BI as a tool for economic development through promotion of sustainable enterprises.

According to Joshi (2011), Business Incubation Program of DCSI should be strengthened through direct involvement and tie up with universities and corporate private sectors for expert advices and mentoring to incubates. Although Industrial Policy 2010 has given importance to BI, but serious and concrete steps are needed from planning authority. Awareness on BI is still not sufficient. The stakeholders like umbrella organization of trade and industries, technical institutions and universities must be linked through networking for creation of strong synergy.

## **2.10 Practical Aspect of Micro, Cottage and Small Industries Directives:2067**

This directive is much more relevant than the previous directives unveiled by DCSI. This directive has included many relevant aspects of MCSI development and promotion in the country. This directives say that trainings the DCSI and its district offices are providing must be relevant according to the present context. For example, the training to make Chalks may be not so relevance in the context of the present market demand than the training to produce paper plates and napkins. Therefore, it focus on the practical aspects of trainings it is delivering in districts of Nepal. This directive is an example that DCSI has now gain much experiences of promoting MCSI in Nepal. In another word, DCSI has brought this directive in proper time. The various practical aspects this directives covers can be bulleted as:

It is focused on the creation of industries based on local demand, need, prospective and industrial environment

It has given priority in the training effectiveness study by covering these important aspects such as availability of local raw material with value addition, priority to local skills, industrial profile (information collection) on the real situation of industries, production of goods according to market demand, collection of information on available institutional supports on the districts and collection of information on the sick industries. All these information are important to identify proper and demand oriented trainings for entrepreneurship and skill development. These information are equally important to set the proper training subject, plan, duration and budget. If these methods are applied efficiently, the trainings conducted in different districts will be really fruitful and will be industry oriented.

This directive has divided the programs of DCSI basically in 4 parts. The more important aspect of this directive is the targeted activities to conduct these programs effectively. The programs are really based on the experienced gained till date and according to timely manner. The programs are as follows:

1. Entrepreneurship Development Program : DCSI is conducting various training programs annually in 75 districts of Nepal with the purpose of creation of employment and self employment. If the process accorded by directives are followed 100%, the training programs conducted by DCSI will be very effective. In this part, the directive has focus on the different aspect of training programs such as identification of source of raw material, interaction with prospective trainees, institutions, proper mechanism of selection, proper way of budget expenditures, motivation to best entrepreneurs through prizes, awareness programs etc. This programs aims on creation of entrepreneurs and employment. It has also mentioned the to provide other facilities required by an entrepreneur after the completion of training. The model is very suitable in context of Nepal.

2. Industry Promotion Program :This program is focused on providing required skills to interested prospective entrepreneur, sick industry holders and start up industries. Therefore it is the skill development program to target groups. These types of group may need specialized type of training to overcome their problem. So, the Directive is very supportive in this aspect.
3. Promotion of industry friendly environment and trainee employment management program :This program involves the specialized technical advising and consultancy to entrepreneurs. DCSI has realized the need of this type of services to entrepreneurs from its past experiences. This programs aims on solving out the technical problems of MCSI from starting level so that their growth can be ensured. This program support to enhance quality of product and handle the business competent management ensuring the sustainability of the business.
4. KoseliGharProgram : DCSI has launched a program to support rural entrepreneurship development through KoseliGhar promotion in the country. KoseliGhar is a gift shop. DCSI has program of funding support to KoseliGhar. KoseliGhar should be a very effective way to promote MCSI in very systematic manner if the present operational model of KoseliGhar could be extended little more in BDS service modality.
5. Promotion of Appropriate Technology Transfer: The DCSI has launched a program of transfer of appropriate technology for the total benefit and business promotion of individual and group of entrepreneurs.
6. Coordination between district and central office: The districts offices are authorized to conduct evaluation and supervision works. The central will now play a role of facilitator to solve the problems identified in districts level.

## Chapter III

### **Research Methodology**

Research is a careful investigation or inquiry especially through search for new fact in any branch of knowledge. The main aim of research is to find out the truth which is hidden and which has not been discovered yet. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically (Bernard, 1994). Thus several techniques and methods have been used for the collection of various data and information required for this study.

Research methodology is the combination of theoretical assumption for generating scientific knowledge-verifications, falsification, explanations and interpretation. It is also aggregation of various research philosophies, strategies such as survey, case study, description and comparative study. Appropriate methodology is a basis for good result. In table below, research methodology and study objectives matrix has been presented:

**Table 3.1      Research Method – Study Objectives Matrix**

Objectives	Nature and Sources of Data	Research Method	Techniques
Explore the business incubator's operational modalities, business incubation practices and need in the country.	Secondary source and Journals, magazines, reports, books, internet websites, past researches and studies.	Review and present the incubator operation models, services it delivers, other incubator progress in the country and the previous study finding on the need of this tool	Content analysis
Assess the suitability of business incubation model in accordance	Secondary source and Journals, magazines, reports, books, internet	Study and review of business growth models, strategies of industrial policy	Theories and Content analysis

with business growth models and industrial policy.	websites etc.		
Analyse the effectiveness of business incubation model for business growth.	Primary source; graduated client companies	Questionnaires	Statistical analysis of Quantitative data qualitative factors of business growth

This study is a case study to analyze the effectiveness of the incubator service to support enterprise growth. Since the selected case or incubator is still new term in Nepal, it is an exploratory research. Both qualitative as well as quantitative data have been collected through primary and secondary sources, reviewed, analyzed and presented.

### 3.1 Research Philosophy

With purpose of finding a solution or answer to a specific problem, business research is conducted. It is organized, data based, critical and does a scientific inquiry or investigation of problem. (Sekran, 2003). Even the purpose is answering a specific problem; it is a development of new knowledge so research philosophy is associated with development of knowledge and nature of that knowledge.

There are some important assumptions about the way of viewing world which research philosophy adopts. These assumptions govern the research strategies and methods. There has to be some practical considerations of philosophy as well.

The major influencing factor is the relationship between knowledge and process of development of knowledge (Saunders, Lewis and Thornhill, 2007). The major ways of thinking about research philosophy are as follows:

- Epistemology
- Ontology
- Axiology

Epistemology is related with what is considered acceptable knowledge in field of study. The researcher who is more interested with finding facts is likely to have different approach and view on the way a research is to be performed than with the researcher who is interested with knowing feeling and attitudes. (Saunders, Lewis and Thornhill, 2007)

Ontology is more related with nature of reality. The questions of assumptions researches make about the way world operates and the commitment held to specific opinion. Axiology studies about the judgments about values. Heron (1996) (as cited in Saunders, Lewis and Thornhill, 2007) states that researcher can show axiological skill by being competent to demonstrate their values as foundation of making judgment about what research is being conducted; how they are doing it. There are mainly three branches of research philosophies in practice:

- Positivism
- Realism
- Phenomenology

Positivism is an approach based on philosophy of science also called positivist approach. Robson (1993) as cited in (Saunders, Lewis and Thronhill, 1997) has listed five sequential stages through which positivist research goes:

- Deducing a hypothesis from theory
- Expressing the hypothesis in operation terms
- Testing operational hypothesis
- Examining the specific outcome of the inquiry. It will either tend to confirm theory or indicate the need for modification.

- If necessary, modifying the theory in the light of findings.

Easterby-Smith et al. (1991) as cited in Saunders, Lewis and Thornhill, 1997 has listed eight features of positivism:

- Independence- the viewer is independent of what is being seen.
- Value-freedom- the objective criteria are more deciding factor rather than human beliefs and interests for choice of ways of studying.
- Causality-the motive of social science should be to find out the causal explanation and basic laws that explain regularities in human behavior.
- Hypothetico-deductive – the final outcome of observations will point out truth or falsify of hypothesis.
- Operationalization- the concepts are needed to be worked in such a way that enables the facts to be measured quantitatively.
- Reductionism-the problems can be well understood and can have better view if sufficient size of sample is selected.
- Cross sectional analysis- by making comparisons of difference across the sample regularities in human social behavior can be easily identified.

*Positivism research philosophy is not quite applicable for this study as this research focuses on the evaluation of which cannot be scientifically proved as this philosophy supports. This research deals with tangible and intangible services, policies, problems facing, measure of success in clients which are hard to prove by scientific basis. So, I reject this research philosophy.*

### **3.1.2 Realism**

Realism is another epistemological position which relates to scientific enquiry. Realism is branch of epistemology which is similar to positivism in that it assumes a scientific approach to the development of knowledge. This assumption underpins the collection of data and the

understanding of those data. The meaning becomes clearer when two forms of realism are contrasted. (Saunders, Lewis and Thornhill, 2007).

Direct realism and Critical realism are two parts of Realism. Critical realist views that the experiences we have are sensations, and points out that our senses often deceive us. The direct realist on the other hand views as illusion; they are actually due to insufficient information. In order to be able to understand what is going on social world, the social structures are to be understood which created the phenomena. Researcher can find what is not seen through practical and theoretical processes of social sciences.

Dobson (2002) cited in Saunders, Lewis and Thornhill, 2007 further clears the critical realist's position that knowledge of reality is a result of social conditioning and cannot be understood independently of the social actors involved in the knowledge derivation process. Another important point is direct realist perspective would suggest the world is relatively unchanging: that it operates in the business context. The critical realist on the other hand, would recognize the importance of multi-level study. Each of these levels has the capacity to change the researcher's understanding of that which is being studied (Saunders, Lweis and Thornhill, 2007).

This research is to explore and evaluate on business incubation model to assess their effectiveness for enterprise growth. It comprises of the various services that this tool offers to their client businesses. It is being conducted to measure the perceived effect of their clients about their services. Direct realism and critical approach will help this study to understand theoretical and real understanding on the topic deeper level. Both philosophies are of important for my research. So, I am going with this philosophy.

### **3.1.3 Phenomenology**

Phenomenology is an approach which is based on the way people experience social phenomenon in the world they live. (Saunders, Lewis and Thornhill, 1997). Phenomenology is characterized by a focus on the meaning that research subjects attach to social phenomena; an attempt by the researcher to understand what is happening and why it is happening. Easterby-smith et al., (1991) as cited in Saunders, Lewis and Thornhill, 1997 points out that researchers in this tradition are

more likely to work with qualitative data and use a variety of methods to collect these data in order to establish different views of phenomenon. Phenomenology approach is good at understanding social processes however researcher may have to live with the uncertainty that clear patterns may not emerge.

My research aims to have insight and evaluate a business incubation services. This also has to deal with connection to society, human behavior and experience for perfect understanding to the topic. The information to be derived from understanding the topic are fact basis and judgment basis as well. This approach will help this study in some part to assess perceived effect of incubation but not as a whole. So I accept this approach as my secondary approach for my research.

## **3.2 Purpose of Research**

Robson (1993) as cited in Saunders, Lewis and Thornhill, 1997 has classified the purpose of research as exploratory, descriptive and explanatory.

### **3.2.1 Exploratory studies**

Exploratory studies are valuable means to find out what is happening; to seek new insights; to ask questions and to assess phenomena in a new light (Robson, 1993:42). They are particularly useful to clarify understanding of a problem. Emory and cooper suggest three ways of conducting exploratory research:

- A search of literature
- Getting view from experts of subjects
- Having focus group interviews

This study has advantage of being flexible and adaptable to change. As new data emerges and new insights occurs, researcher must be willing to change direction of research. Adams and Schvaneveldt, 1991) further strength the argument by arguing that the flexibility inherent in exploratory research doesn't mean the direction of enquiry is vague. The focus in research is initially broad and it narrows down as there is progression in research.

### **3.2.2 Descriptive studies**

Robson (1993) as cited in Saunders, Lewis and Thornhill 1997, explains descriptive research portraying an accurate profile of person, events or situations. This may be an extension of, or a forerunner to, a piece of exploratory research. It is necessary to have a clear picture of phenomena on which data is to be collected. Description should be thought as a means to an end rather than an end in itself. It's always encouraged to go further and draw conclusions from data.

### **3.2.3 Explanatory studies**

Explanatory studies are the studies which establish causal relationships between variables. The study tries to focus in situation or a problem in order to explain the relationship between variables. Statistical tests such as correlation can be used with the data in order to get a clearer view of the relationship.

My purpose of research is to evaluate the business incubation services, find out perceived effect of Incubation, analyze collected quantitative and qualitative data and measure effectiveness of this tools for enterprise growth. The data obtained will be related and has to be understood. Descriptive study has helped me to describe services provided by Incubation model, its current practices and suitability. The explanatory study helps me to explain the relationship between enterprise growth and business incubation services. Therefore, my research is focused in combination of exploratory, descriptive and explanatory studies to get deeper understanding of the topic. In summary, this is a mixed type of search.

## **3.3 Research Strategy**

The research strategy is a general plan of how to answer research question set. It will contain clear objectives, derived from research question; specify the source from which data collection is intended; consider the constraints which will be inevitable. Crucially, it should reflect the fact for

employing particular strategy. (Saunders, Lewis and Thornhill, 1997). Each strategy can be used for exploratory, descriptive and explanatory research. Some of these clearly belong to the deductive approach, others to the inductive approach. (Yin 2003 as cited in Saunders, Lewis and Thornhill, 2007). Robson (1993) lists the three traditional research strategies as:

- Experiment
- Survey
- Case study

### **3.3.1 Experiment**

Experiment is a research which owes much to the natural science. It is also featured strongly for social science research, psychology as well. (Saunders, Lewis and Thornhill, 1997). In experiment, the link between variables can be studied, and the magnitude of effect of one independent variable can be studied upon another dependent variable. (Hakim 2000). Experiment typically involves:

- Definition of a theoretical hypothesis
- Selection of samples of individuals
- Allocation of samples to different experiments
- Introduction of planned change on variables
- Measurement on a small number of variables
- Control of variables

### **3.3.2 Survey**

Survey is tends to be used for exploratory and descriptive research. This strategy is common and popular strategy in business and management study. It is commonly used to answer who, what,

where, how much and how many questions. The data is collected by using a questionnaire. The data collected are standardized and easily comparable.

The data collected are quantitative data and can be analyzed quantitatively using descriptive statistics. In addition, the data collected can also be used to give suggestion about possible reasons for relationship between variables. However, there are other data collection techniques as well for survey strategy (Saunders, Lewis and Thornhill, 2007).

### **3.3.3 Case study**

Case study is a strategy for doing research which involves as empirical investigation of particular contemporary phenomenon within its real life context using multiple source of evidence. (Robson (2002:178). The case study strategy gives use good understanding of the context of research and processes that are going on. (Morris and Wood 1991).The case study strategy also can give answers to the what, how and why questions so it is also a common approach for research strategy.

Case study strategy is most often used in explanatory and exploratory research. The data collection techniques like interviews, observation, documentary analysis, questionnaire etc. and are likely to be used in combination. (Saunders, Lewis and Thornhill, 2007). In case study strategy it is also likely need to use and triangulate multiple sources of data.

*My research aims to evaluate the effectiveness of selected incubator for enterprise growth as well as its suitability as an industrial promotional tool. It has been compared with business growth models. A case BIP-Nepal an Incubator has been selected as judgmental sampling method. A study on a real practice in Nepal has helped me to observe and analyze the phenomenon and real perspective of this tool.*

## **3.4 Nature of Data**

Data collection is an important phase of any research. Data help to support researcher's view for finding of research. Data are classified into two types:

- Primary Data
- Secondary Data

### **3.4.1 Primary Data**

The first hand data are primary data. The purpose of data is to answer the research questions or meet objectives of research. The ways to collect primary data are observation, semi-structured interviews, in-depth interviews and questionnaires. The nature and area of research governs the selection of ways to collect data (Saunders, Lewis and Thornhill, 1997)

#### **Interview**

The discussion with a view of a purpose between two or more people is an interview. (Kahn and Cannell, 1957, cited on Saunders, Lewis and Thornhill, 1997). The interview helps to collect a reliable data which are relevant to research questions and obtain the objectives. In structured interview, the interview is based on predetermined and identical set of questions to sample interviewees. It is generally formal and standardized. The interviewer reads questions and answers from interviewee are recorded.

The non-standardized interviews are semi-structured and unstructured interviews. The questions vary and have different themes in interview. It is generally suitable for omitting some questions for particular interview owing to the context and circumstances. The orders of questions, way of conversations can be changed in semi-structured interview. There is also chance of adding new question according to necessity (Saunders, Lewis and Thornhill, 1997).

The unstructured interview doesn't have specific questions and time length and they are totally informal. This method is useful for exploring the depth of a general area of topic of interest so it is also called as in depth interview. While using this method even research doesn't have pre-

determined list of questions to ask but they have to be clear of area of topic to explore. (Saunders, Lewis and Thornhill, 1997).

## **Questionnaires**

One of best method to collect data is questionnaire method. There is room for being confident on same interpretation by respondents as it has standardized questions. (Robson, 1993, cited on Saunders, Lewis and Thornhill, 1997).

Self administered questionnaires are one of best ways to collect data from respondents as they feel free to complete at their convenience. Questionnaires are also cost effective than face to face interviews as there is not cost like travel and time (Bachrack and Scoble, 1967).

The self-administered questionnaires are sent by post or email and after it is completed by respondent, they return back by post, email or can also be delivered by hand and collected later at later time. I have used self administered questionnaires to collect primary data on business growth of client companies of selected incubator.

### **3.4.2 Secondary Data Collection**

The secondary data are the data which are collected by other for some purposes (Hakim, 1982, cited on Saunders, Lewis and Thornhill, 1997).

These data can be useful to answer the questions and research topic, so these data are also used by many researchers. The data may be in published or may be raw. It includes both quantitative and qualitative in nature.

One source is Documentary which can be records, information in websites, articles, journals publications and the books published with information about organizations. Bryman (1989) cited

on Saunders, Lewis and Thornhill, 1997). Other secondary data are non written data like taped interviews, recorded audio and videos are also authentic source for research. The survey data which are collected by organizations, government like consensus of population are also reliable data for research.

I have used web sites of renowned foreign incubators, collected books and journals for exploring the subject matters, relevant policies and research and study reports to collect secondary data for my study.

### **3.5 Reliability and Validity**

Pallant (2005) describes the reliability of a scale as how free it is from random error. Whereas Field (2009) describes validity as “whether an instrument measures what it was designed to measure”.

Although, it is practically impossible to remain totally neutral regarding the information provided by the respondents in the study, the researcher has been used careful planning for the collection of data through suitable approaches like questionnaire and interview to remove such biasness. Similarly, the researcher also has to be conscious about the measurement error or systematic error of the study. To reduce the systematic error, the researcher has been consulted with professors, research experts and research supervisor in the process of preparing questionnaire.

#### **Pilot Testing**

Pilot testing includes testing steps of checking the questionnaires with experts or friends before the questionnaires are handed to respondents. It is a vital step before the data collection takes place.

The pilot test helps to confirm unambiguous and refined questionnaire which are without flaws so that respondents would be easily understand questions and answer the questions easily. (Saunders, Lewis and Thurnhill, 1997).

In my research, I have chosen questionnaire and prepared it as a way of collecting data, so pilot tests has been done for validity and reliability of the collected data.

**Unit of Analysis:** There may be single unit of analysis, double (bi-variate) or multi variate units to be analysed according to the need of study. In my study, there are 2 units such as Incubator and Clients to be analyzed according to the aim of my study.

The study is based on analysis of primary data and secondary data. Field visit and observation are also the further requirements of data collection. Set of questionnaires have been prepared for collection of primary data from incubator and client companies. Lickert scale has been used to design questionnaires.

### **3.6 Universe and Sample**

All Nepalese Incubators are population of this study. Among them Business Incubation Program Nepal (BIP-Nepal) run by Department of Cottage & Small Industry, is selected as samples of the study as well as all the 14 graduated client companies of selected case have been also taken samples for the study to measure their growth.

#### **3.6.1 Sampling Techniques**

Judgmental sampling method is applied to select the case as well as for selecting entrepreneurs.

### **3.7 Data Analysis and Presentation Scheme**

The collected data has been analyzed under the following techniques:

1. Relevant information from the collected secondary and primary data has been stored systematically in computer.
2. By using excel sheet, the tabular data has been organized, analyzed and presented. Appropriate charts also have been used to present the data.

3. Use of various appropriate statistical tools such as descriptive statistics has been used for analyzing data.
4. From available information, general procedure for setting process of an incubation services offered, success and failures of their clients has been presented.
5. The collected data has been presented in Tabular, Graphical and other appropriate forms.

### **Applied Statistical Tools and Formulas**

$$\text{Mean Value} = \sum x/n$$

$$\text{Weighted Average Growth} = \sum w * T$$

Where w= weight of individual item at initial stage

T= Growth in Times

$$\text{Calculation of Weight of Each Item } w = \frac{\text{Sum of All Items at Initial Stage}}{\text{Value of Each Item at Initial Stage}}$$

$$\text{Calculation of Growth in Times } T = \frac{\text{Value at End}-\text{Value at Beginning}}{\text{Value at Beginning}} \text{ or}$$

$$\frac{\text{Value at End of Holding Period}}{\text{Value at Beginning of Holding Period}} - 1$$

(Source: Sharpe, Alexander and Bailey)

### **3.8 Research Variables and Hypothesis Testing**

Separation of different dimensions of concepts or constructs and identify which of them are relevant to the study are called variables (Pant and Chaudhary, (2009)). A variable is called dependent variable if its values depend upon the other variables. A variable is called independent variable if it is not influenced by any other variable under study (Pant and Chaudhary (2009)). Thus, in this study, the business incubation model has taken as independent variable and enterprise growth has taken as dependent variables. In this sense following hypotheses are formulated to prove the research theory.

Null Hypothesis (H<sub>0</sub>): There is no significant relationship between Business Incubation services and enterprise growth.

Alternative Hypothesis (H<sub>1</sub>): Business Incubation services are effective for enterprise growth.

## **Moderating variable**

According to Pant and Chaudhary, except one-on-one relationship, sometimes, another independent variable may exert significant contingent effect on the relationship between dependent and independent variable relationship. Thus a moderating variable appears in this sense. A moderating variable is defined as one that has a strong contingent effect on the dependent – independent variable relationship. A moderating variable is a second independent variable because it is believed to have a significant effect on the originally expected relationship.

## **Intervening Variables**

According to Pant and Chaudhary (2009), there are many social problems where one major variable of interest may depend upon the independent variables, provided the third variable i.e. intervening variables. It does not come into picture. If a variable influences the nature and degree of relationship between independent and dependent variable, then such variable is called intervening variable.

## **Parameters used to Measure Enterprise Growth**

**Quantitative factors:** Sales, investment, number of employees, profit, number of products.

**Qualitative factors:** Business Plan Making Ability, Market Network Development, Entrepreneurship Development, skill development, Labelling and Branding, Access to Finance, Access to Resources and the collected information from Key Informants

## **3.9 Methodological Limitation**

The study report is based on the review, observation and study of the sample spending units, and available official records. In case the researcher not properly guided during experts visit and field observations, the study can hardly come out with 100%. Similarly, the graduate client companies

may hesitate to provide actual sales and purchase data. Budget and time is also a major limitation since it is an academic research. The publication and books in Nepalese context is also very low in the subject matter. So, the researcher has to rely on special reports, magazines, journals etc. Nepal is new for application of both models. So, the study has to rely on few previous research and studies that will be available in Nepalese context.

### **3.10 Data Collection Tools**

- Questionnaires to Incubator.
- Questionnaire to graduate client companies for obtaining data on quantitative and qualitative factors of business growth.
- Published secondary data
- Field observation, structured and unstructured interview with relevant stakeholders.

### **3.11 Ethical Considerations**

In the course of conducting this study various aspects of ethical considerations have been taken into consideration and maintained as much as possible. Proper citation has been done where the secondary information has been used from various sources and has also been mentioned in the bibliography. The information and opinion collected from the respondents/ participants have been kept confidential. Opinion given by the participants, if used, are either only with the permission from them or in non-attributive way.

## **CHAPTER IV**

### **Data Presentation and Analysis**

#### **4.1 Business Incubation Practices in Nepal**

Business Incubation Program-Nepal (BIP-Nepal) is the first incubator operating from the year 2008 from Government Sector. After this, it has been found that it is able to create a positive impact to promote the incubator model in the country. Although, at the time of its establishment, the term incubation was strange, but the situation has been found changed now. The credit must go to BIP-Nepal for its attempts to promote this model so that Industrial Policy-2010 as well as other ministries have felt importance of this model. The detail on the spread and practice of this model in Nepal has been presented below:

##### **4.1.1 Incubators in Nepal**

**Lotus Holdings:** “Business incubation has been initially attempted by private sector in Nepal. Lotus Business Incubation Centre, established by Lotus Holdings failed in their attempt at a private incubator in 2003, largely because of an inappropriate model, that was too small, did not attract sufficient entrepreneurs, and was inadequately financed. At that time, the drivers of this effort also had insufficient understanding of incubation. Arguably the timing also was not right. (DCSI: Strategy of Business Incubation Promotion in Nepal, DCSI)

**Business Incubation Program Nepal (BIP-Nepal) :** The first board meeting of Business Incubation Program (BIP) was held on 7 June 2005 (Jestha 24, 2062). The program, however, started from the fiscal year 063/64, is the foremost existing Business Incubator in Nepal. Business Incubation Program (BIP) has started to offer its incubation services from January 2008. It is a program established under the lead role of the Department of Cottage & Small Industries (DCSI), Government of Nepal, in participation with the academia, professional organization and research institutions. BIP is a nonprofit program under the ownership of Government of Nepal but strictly operated using modern management tools. (DCSI: Study on Effectiveness of Business Incubation Program (BIP) from Inception till now)

**Fortune Cookie Ventures Pvt. Ltd.:** Was formed by Six private sector IT entrepreneurs as an ICT Business Incubation initiative in 2006 to incubate new ideas. It was an international joint venture setup in Nepal and Intelligent capital LLC; a US based international venture capital company. Due to not properly dedicated management, it could not be successful. (DCSI: Strategy to Promote Business Incubation in Nepal)

**Biruwa Ventures:** Established in 2011, providing office space, consulting services, mentoring and venture capital support to client companies. Physically located at Naxal, Kathmandu. (Biruwa.com)

**Agri-business Innovation Center (AIC):** Project for Agriculture Commercialization and Trade (PACT), under funding support of infoDev, World Bank has conducted and published a report on “Feasibility Assessment for an Agribusiness Innovation Center (AIC)”. PACT has taken responsibility to regionalize agriculture through the means of AIC. It has already started process to appoint on grant basis institutions to run AIC. After assignment of AIC, it will concentrate on commercialization of agriculture product supporting through incubation model. (pact.gov.np)

#### **4.1.2 Business Incubation in Industrial Policy 2010**

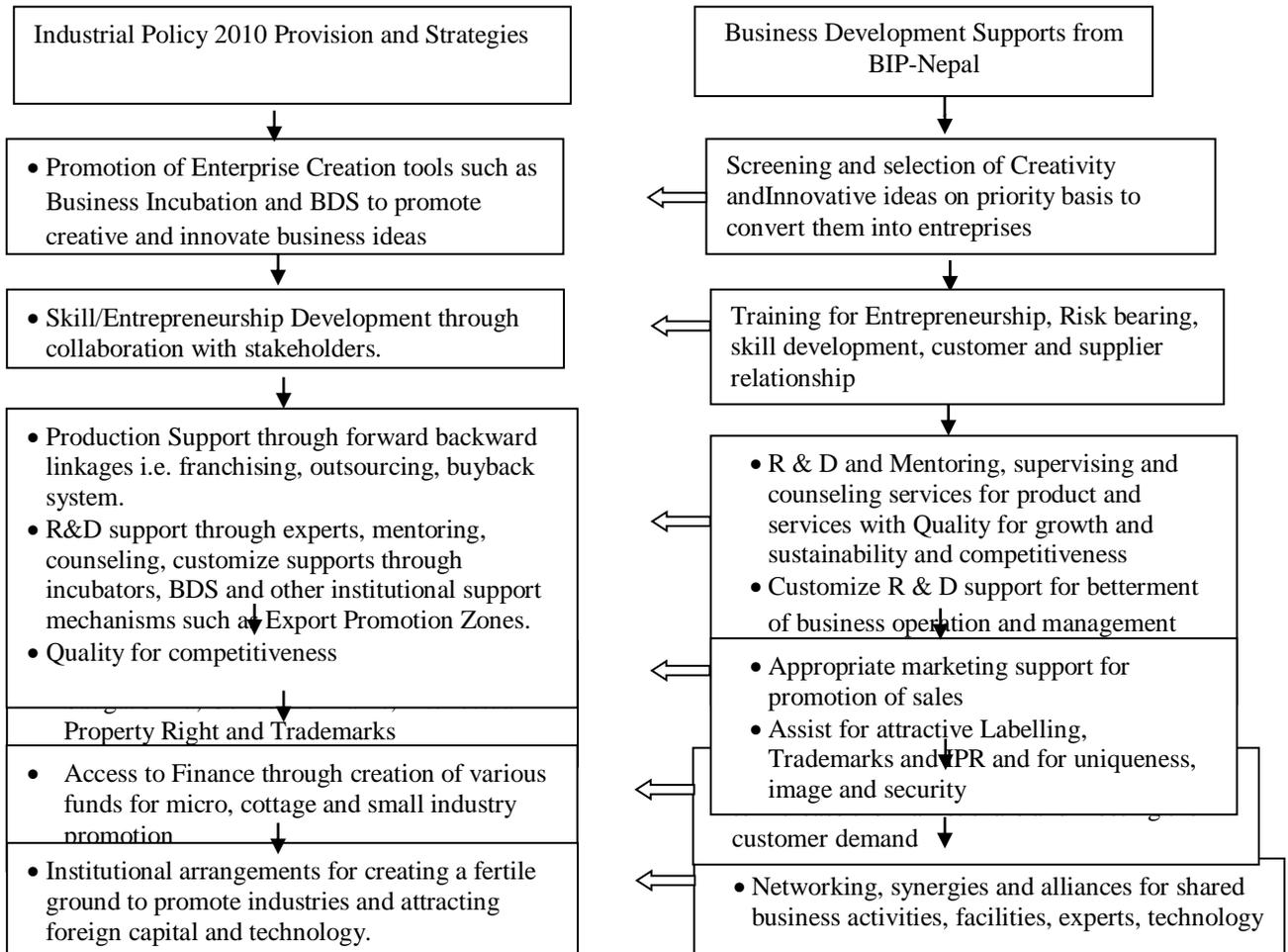
In section 11 of Industrial Policy 2010, special strategy on promoting Micro, Cottage and Small Industries in the country has been mentioned. The policy has mentioned that efforts will be taken to conduct agro and forest based Business Incubation (BI) centers in Nepal through private sector umbrella organization of trade and industries. Similarly special provision has been considered to attract creative, innovative and women in industrial sectors through BI services. The policy also has mentioned that special provision will be done to support graduated clients of incubators through the angel and venture capital fund services for the purpose of employment generation.

#### **4.1.3 Major provision of Industrial Policy 2010 for enterprise promotion**

Industrial Policy 2010 has special provision for creation and promotion of enterprise with the objective of generating employment, utilization of local based resources such as skills, raw materials and technology. This has a focus of indigenous development of the country with the development of micro, cottage and small industry, their growth and sustainability. Here, major

provisions and strategies of Industrial Policy 2010 to promote industries in the country has been presented in the figure below and linked them with the elements mentioned in growth models.

**Diagram4.1 : Major Provision for Industrial Promotion in Industrial Policy 2010**



From above figure, it can be understood that industrial policy 2010 has tried to make provisions for creating enterprise friendly environment through various tools, techniques and strategies where as such provisions are seen very suitable to achieve enterprise growth in the country.

## 4.2 Incubator Operational Modalities

### 4.2.1 Physical facilities available to client incubates

BIP Nepal has provided following physical facilities to their client companies.

**Table 4.1: Physical facilities Available at Incubator**

Name of Physical Facilities	Remarks
Office space	Used by in-house clients
Office Equipment	Used by in-house clients
Separate computer	Used by in-house clients
Separate telephone line	Used by in-house clients
R & D Facilities	Used by both in-house and virtual clients
Shared laboratories/libraries	Used by both in-house and virtual clients
Other specialized equipment	Not Provided to any clients

**Source: BIP-Nepal**

According to BIP-Nepal, only in-house (residual) incubates are using all of the facilities mentioned above whereas virtual clients are using R&D and Shared Laboratories/Libraries facilities. BIP-Nepal has not provided any specialized equipment to any client company till date.

### 4.2.2 Business Support Services Provided by BIP-Nepal

Various business support services are required to enhance the business as well as skill and capacity of entrepreneurs. Among them, most common business support services provided by incubators to their clients are presented in table below:

**Table 4.2: Various business support services provided to clients by BIP Nepal**

S.No.	Name of Physical Facilities
1	Assistance for Business Plan Making
2	Administrative and Secretarial Service Supports
3	Business Registration Support
4	Mentoring
5	Advising
6	Regular Monitoring, Supervision of Activities of Client Companies
7	Registration and Legal Services Counseling Support
8	Book Keeping Training
9	Product Proto-type Development R & D support
10	Support for Branding/Labeling/Designing
11	Entrepreneurship Development Trainings

12	Skill Development Trainings
13	Observational Industrial Tours
14	Marketing support
15	Business Networking Enhancement Support
16	Issue of Recommendation Letters on Various Issues

**Source: BIP-Nepal**

For all the supports mentioned above, BIP-Nepal sometimes outsource the experts and mentors whereas in many cases it is various providing supports to client companies with its own staffs, incubation managers, enterprise development officers and the offices located within the premises of DCSI such as company registrar’s office, DCSI-Kathmandu office etc. BIP-Nepal also has prepared a roster of mentors having different expertise with the purpose to support their client companies.

**4.2.3 Client Selection, Service Mechanism and Graduation Process of BIP Nepal.**

According to BIP-Nepal, it has a client selection committee of 3 persons including a private sector expert. BIP-Nepal does not support illegal business ideas or business ideas not supported by the rules and regulations of the country. The overall client selection and service mechanism of BIP-Nepal is presented in the figure below:

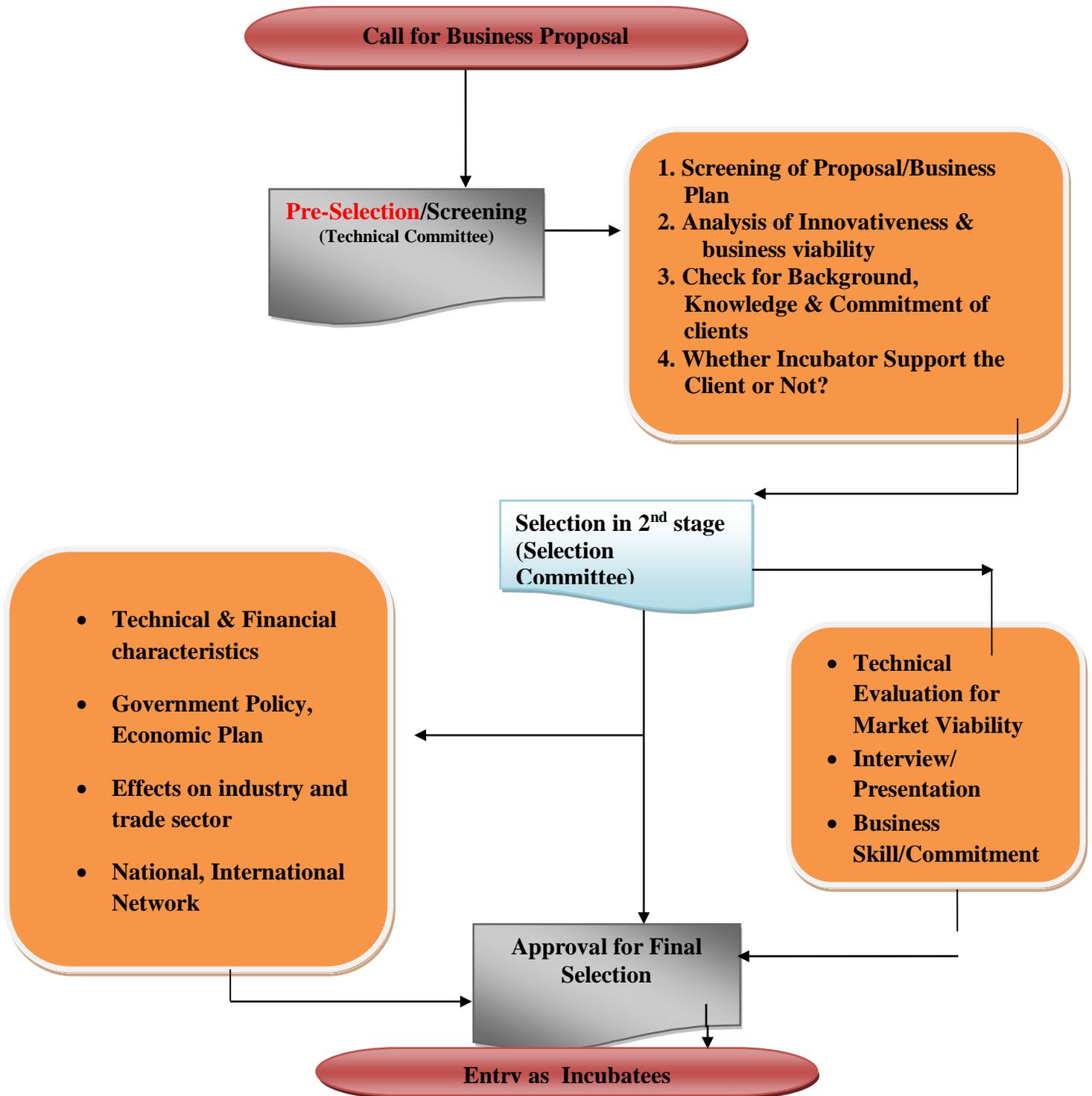
From the figure, we can see that first of all BIP-Nepal invite for innovative idea holders and start-ups to be affiliated with Business Incubation Programs. They usually call for proposal in persons, daily newspapers and through their web-sites.

Now the first stage of selection is Pre-selection/Screening the proposal. After the proposal deadline is over, BIP use to screening the submitted proposal forms. A technical committee is there for carrying out these tasks. They examine the submitted business plans, and other technical aspects like innovativeness and business viability of the proposed idea and specially see whether the incubator could support the interested client or not?

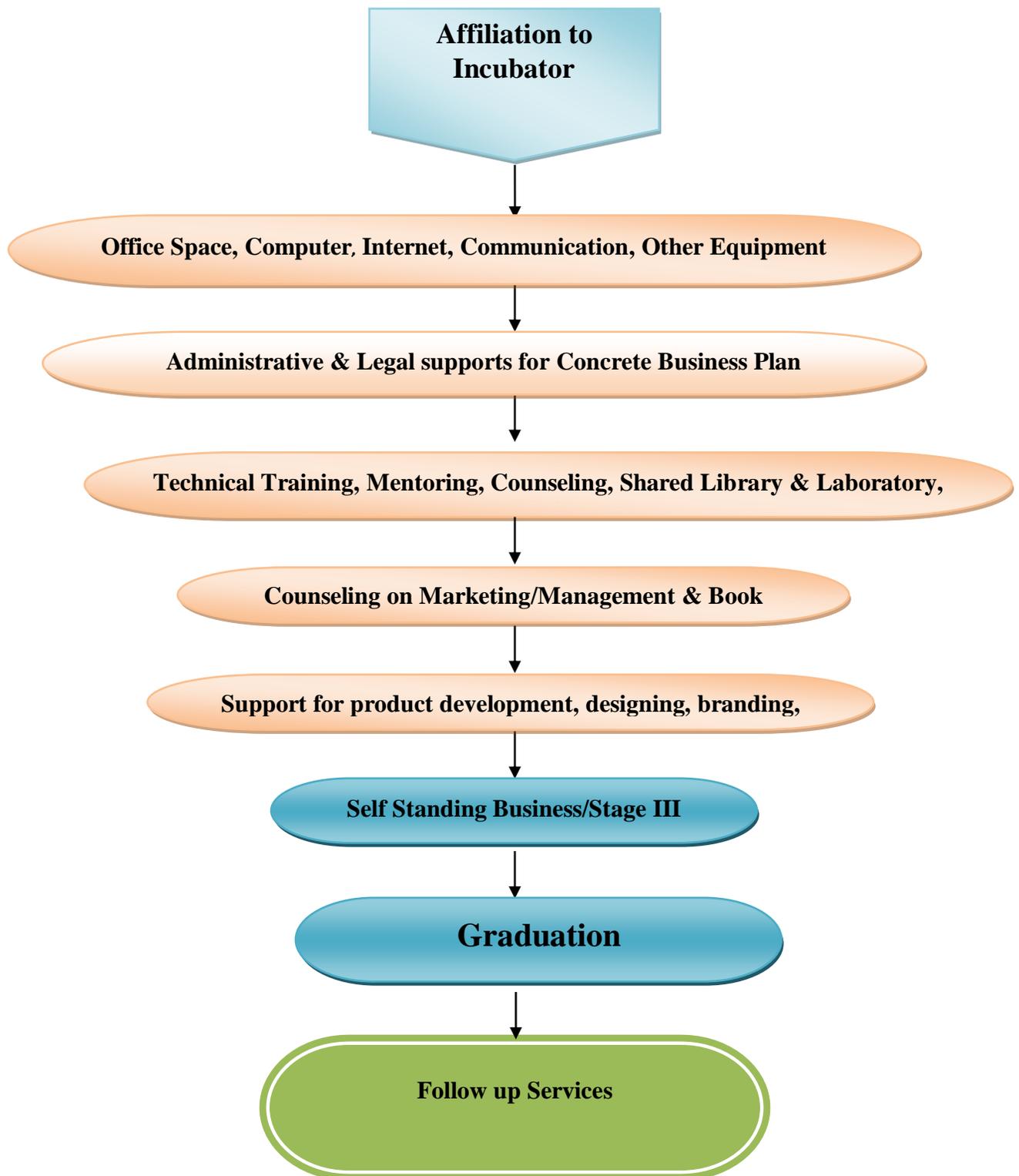
In stage II, again there is a selection committee. The technical committee present the analyzed proposals to selection committee. The selection committee again checks for clients commitments, innovativeness of the idea and compliance with the countries policies, legal issues, national and international networks, effects on industry and trade sector, financial requirements etc. In this stage, the clients are called for interview. It means the client must be

personally present their views, ideas and commitments towards doing business. After that they are to be selected according to the incubator’s priority basis.

**Diagram 4.2: Application and Selection Process of Clients at Incubators (BIP-Nepal)**



**Diagram 4.3: Services offered by Incubators to its clients after selection (BIP-Nepal)**



From above diagram, we can see that after enrollment as incubates or client of BIP, BIP-Nepal, offer series of business support services to their clients. After getting incubation services over time, BIP-Nepal also has mechanism to measure the growth level of client’s business. It has its own incubation manager and supporting staffs for such evaluation as well as every client business must submit periodic progress report to BIP-Nepal management. On the basis of both analyses, when the client’s business reaches in Stage III i.e. Gate Stage, BIP-Nepal Graduates them.

#### 4.2.4 Major Criteria for Selection

After getting information on the client selection process and service mechanism, incubators were requested to provide information according to their priority on those criteria. The result has been presented in the table below:

**Table 4.3 : Priority on Different Criteria of Client Selection**

<b>Client Selection Criteria of Incubators</b>	<b>Priority Level</b>
Innovativeness and Market Viability	High Priority
Commitments	High Priority
Proper Business Plan	High Priority
Willingness to Pay for Incubation Services	Low Priority

**Source: BIP-Nepal**

From the table above we can see that BIP Nepal gives high priority to innovative and market viable business ideas, commitments and their Business Plan. But it has put willingness to pay for incubator services in low priority compared to other selection criteria. According to BIP-Nepal, it is possible because due to a government funded incubator. It is charging very low cost to its incubator services. Comparative a private incubator charges high for the same services.

#### 4.2.5 Business Growth Measurement Benchmarks Adopted by BIP Nepal

In reference to the incubation centers around the world we see that there are no clear cut and a universal demarcation of when an enterprise is ready (should) for the graduation. The time frame of their stay in the incubation centers also varies from 14 to 33 months. However, BIP Nepal has divided the growth level of client business in six stages. During the growth evaluation, if it found a company has reached in 3<sup>rd</sup> stage (Gate Stage), it graduates the company.

After graduation, the company has no regular tie-up with BIP-Nepal. The graduated companies are then facilitated under follow-up services by BIP-Nepal to support their further growth stages.

The six stages of business growth adopted by BIP-Nepal has been presented below:

- I. **Seed stage:** the Research & Development phase when an idea or concept has been developed
- II. **Start-up stage:** A marketable product exists but no products of services have yet been sold.
- III. **Gate stage:** the company begins to see early signs of sales growth
- IV. **Expansion stage:** the company attempts to “ramp up” production and sales.
- V. **Take –off – stage:** the marked by break-even sales or profitability.
- VI. **Bridge stage:** the final stage of maturity in which financial stability exists through well-developed controls and systems.

**For Graduation the companies should, at a minimum, be at the Gate stage.**

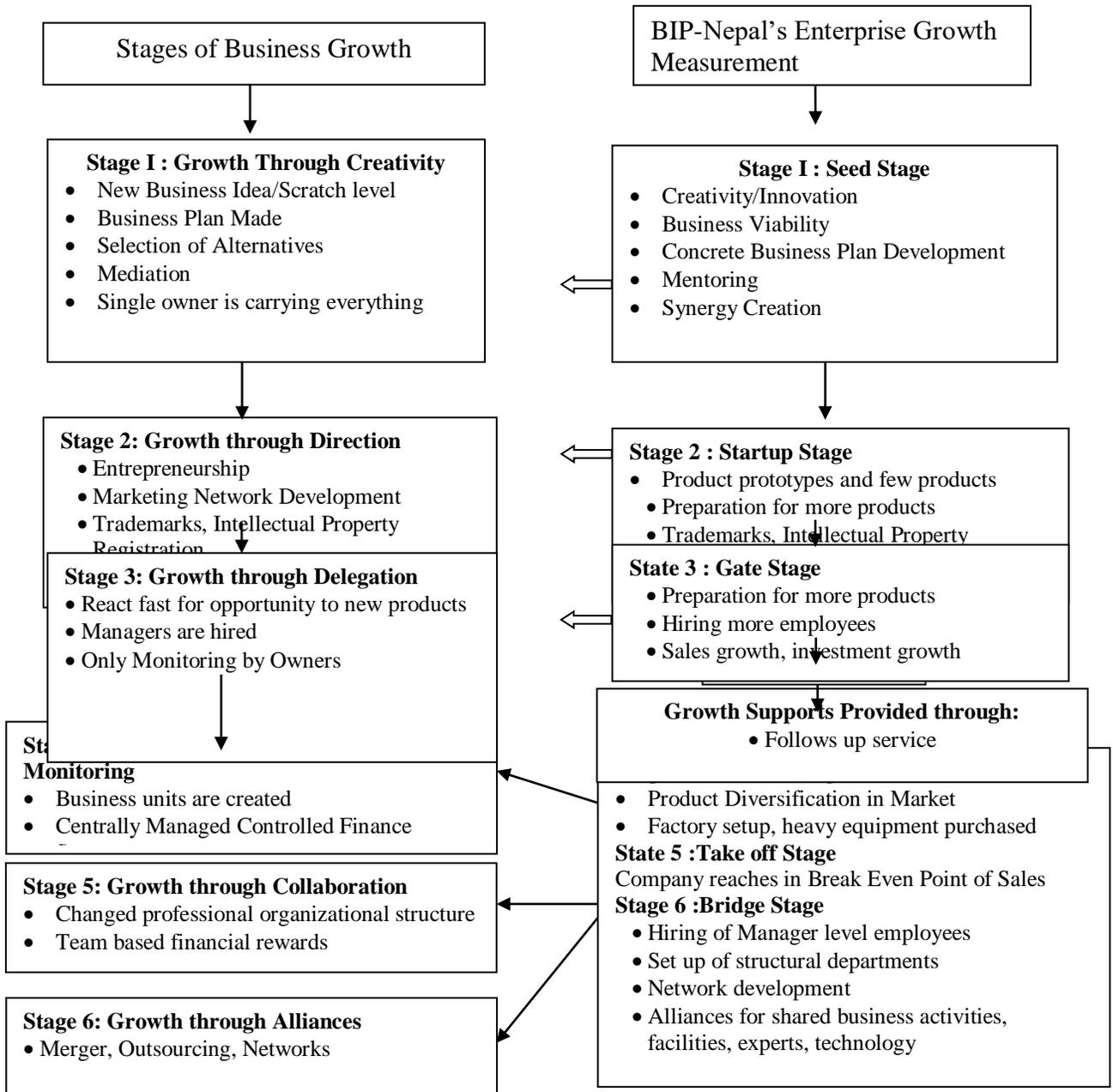
(“the main challenge is related to the definition of when the company graduates. There is a lack of clear-cut and precise criteria for this purpose.”IdISC.infodev.org)

#### **4.3 Comparison of Business Growth Benchmarks Adopted by BIP-Nepal with Business Growth Model**

The Six stage business growth benchmarks BIP-Nepal has adopted is compared here with business growth model. Among various growth models, here it has been compared with Lary E. Greiner business growth model. It is obvious to analyze that whether Business Incubation Services for business growth provided by BIP-Nepal matches with Growth theories or not?

The various stages of business growth mentioned in the Model by Greiner have been compared with the stages of growth adopted by BIP-Nepal. From the figure presented below, it is found that, the Business Incubation Model is based on the Business Growth Model.

**Diagram4.4 : Comparison of Growth Benchmarks Applied by Incubator with Growth Model of Larry E. Greiner**



From the figure, we can observe that the activities mentioned in Stage I:Growth through Creativity has been fulfilled by the services provided in the Seed stage to the client companies. Similarly, the Stage II: Growth through direction is achieved in start-up and Gate stage of the applied benchmark of BIP-Nepal. The Stage III: Growth through Delegation has been observed to be met in take-off and bridge stage of BIP Nepal.

BIP Nepal is Graduating its client companies at Gate Stage, in which early signs of sales growth is seen. Similarly, sufficient investment for producing goods/services according to the increased sales level is obvious in this stage. After Graduation, BIP-Nepal is providing follow up services to its Graduated clients with an aim of achieving the other stages of business growth according to the Business Growth Model.

#### 4.4 Business Growth Measures of Graduated Companies

Here, details of companies name and address has been collected from BIP-Nepal. For business growth data, they have been contacted individually with questionnaire schedule. The tentative average time for each client is 3 years with incubation program.

##### 4.4.1 Detail of Enrolled Client Companies from 1<sup>st</sup> to 3<sup>rd</sup> Batch at BIP-Nepal

In the table below, list of affiliated client companies and status of their business at time of Graduation has been presented. According to BIP-Nepal, the average graduation time from inception is around two and half years for all client companies.

**Table No. 4.4: Detail on Affiliated Client Companies at BIP Nepal**

<b>1<sup>st</sup> Batch All Graduated Period (2008-2011)</b>			
<b>Name of Incubates</b>	<b>Firm's Name</b>	<b>Approached process for interview</b>	<b>Business Status Observed</b>
Mr. Milan Dahal	Web Fusion Nepal P Ltd	Emailed for questionnaire filling and talk in internet and telephone.	Vishow Vijay Khanal is located in Dubai and trying for web marketing outsource business whereas PrashantaShrestha is in Kathmandu and doing web designing business. According to them, the project is successfully running at both places.
Mrs.	Susam Food	Interviewed by	A separate factory is set up near by their

SajinaPradhan	Products	visiting home and factory	house in 2 ropani land. Major production is done from factory and storage, packing and design is done at home.
Mr. Madukar K.C	MatribhoomiChulo JaadanUdhyog	Interviewed in BIP, Tripureshwor	He has partnered with an investor and now opened MatribhoomiUrja P. Ltd. and the factory is at Balaju. He has networked with many INGOs, NGOs and Government Institutions and selling his product. He is regarded most successful among other by BIP-Nepal.
Mr. HariGopalShrestha	Shri Himalayan AgarbattiUdhyog	Visited at Dhulikhel, Kabhre for interview and observed his factory.	During observation in time to time, his product is liked by all users. He still need finance for establishing his factory to produce incense sticks at large scale.
Ms. Anjana Sharma	Anima Visual & Research Service Centre	Interviewed in her home at Anamnagar	She is jointly working with Nepal Infopark, her colleague at BIP. She is best example of Synergy creation according to BIP-Nepal.

**2<sup>nd</sup> Batch (Graduated) (2009-2012)**

<b>Name of Incubates</b>	<b>Firm's Name</b>	<b>Approached process for interview</b>	<b>Business Status Observed</b>
SauravDhakal	www.nepalinfopark.com.np - a story video	Meeting with him in his office and interviewed	He has got good support at starting through the in-house space facility in BIP. This helped him to establish his office and product now.
TakkaBahadur Nepali	Invention of Electronic Products/sales	He is in Jumla now and could not be contacted via other means.	BIP has assisted him financially (around NRs. 80000) for his R & D works. His product is developed and demonstrated at BIP. Basically his concept was to charge dynamo with cycling pad and light the bulbs with the charged electricity.
Sangita Lama	One Piece Fashion House	He has been met in her fabric house at Kapan and interviewed.	At beginning she has nothing except her skill. But after enrolling BIP, she has been really motivated to be an entrepreneur. Now she has her own shop at Kapan and growing business.
Kashi Raj Marahattha	Jatropaplantation/sales	He has requested to meet at FNCSI office library and interviewed.	He has planted jatropa in some land as well as he has established a nursery. But since less awareness in this product, people of village are disturbing him in his business. So he needs a strong support from government to protect his corps of jatropa.

GopalKafle	Evergreen Herbal and Cosmetics Products Pvt.ltd.	Mr. Kafle was met at BIP office and interviewed.	Kafle's business is doing well at Biratnagar. He is now trying expand his business in Kathmandu too.
Shiva HariPrasai	National Macoroni Industries	Met at his office at Basundhara after so many attempts	His investment is about 65,00,000 from 10,00,000. BIP has motivated him to enhance his business. He has purchased a dryer machine by getting loan from Mega Bank costing NRs. 45,00000.
<b>3<sup>rd</sup> Batch Period (2010-2013)</b>			
<b>Name of Incubates</b>	<b>Firm's Name</b>	<b>Approached process for interview</b>	<b>Business Status observed</b>
Pasang Sherpa	Mountain Natural Herbal Products	Could not be contacted. Not interested in the study.	He did not continued with BIP-Nepal after being selected. He withdrew himself from taking incubation services.
SantiramanPaneru	PragatiHastakala Udhyog	Interviewed at New Baneshwor	He is doing his business very well and he usually in contact with BIP. BIP has facilitated him to travel in various perspective districts for his business networking with recommendation. He is very happy with the identification in market he has get due to the recommendation of BIP as incubates.
Man Bhadur Saud	AnamolJadibuti Udhyog	Met in FNCSI library and BIP office.	Doing good business. According to him, BIP must help him with expert mentors of his field. He is most successfully diversified his products in market.
KhanandaSivakoti	Shiwakoti Bag Udhyog	Visited at his home cum factory.	Doing very good business. Spread his factory and machinery than beginning. Demand is higher than supply. He needs BIP to support him with trained manpower.
Kushal K.C	Solar Car	Could not be contacted.	Withdrew himself from BIP-Nepal immediately after selection.

In third batch, 6 incubatees were enrolled in 2010. But Among them, Kushal K.C. of Solar Car and Mr. PasangSherpa of Mountain Natural Herbal Product have left over the BIP-Nepal from the Initial Period. Therefore, in this analysis, they are not counted. BIP-Nepal seems 100% successful in graduating all client companies within an average period of 3 years. All graduated companies are successfully running their business now.

#### **4.4.2 Business Growth Data of Client Companies**

To measure both type (Quantitative and Qualitative) factors of growth for measuring effectiveness of Business Incubation Services to the client companies, both type of data were collected through questionnaires and presented separately in the tables below:

#### 4.4.2.1 Quantitative Data Related to Business Growth

The variables like annual sales, profit, number of employees generated, Number of Products launched and Capital Investment were taken to measure Business Growth of Client companies of incubator. The available data has been presented separately in the table below:

**Table No. : 4.5 Sales Data of Client Companies from Inception to Graduation**

	Name of Industry	Sales at the Time of		Growth in Times
		Inception	Graduation	
Batch I	MatribhoomiChulo	250000	1500000	5.00
2008-11	Susam Food	350000	1100000	2.14
	Anima Visual & Research Service	50000	250000	4.00
	Web Fusion P. Ltd.	150000	1500000	9.00
	Himalaya Agarbatti	25000	250000	9.00
Batch II	One Piece Fashion	15000	150000	9.00
2009-12	Nepal Infopark	250000	1200000	3.80
	TakkaBahadur Nepali	100000	300000	2.00
	National Macaroni Industries	200000	1500000	6.50
	Evergreen Herbal & Cosmetics	1500000	3000000	1.00
	Jatropha Plantation	500000	1500000	2.00
Batch III	Shivakoti Bag Udhyog	1000000	4200000	3.20
2010-13	AnmolJadibutiUdhyog	1000000	6000000	5.00
	PragatiHastakala	30000	300000	9.00
	Total	5420000	22750000	70.64
	Weighted Average Growth in Times			3.20

From the above data analysis, it is found that the average sales have been increased to 3.20 times from inception to the time of Graduation. In this sense, we can observe that the business of every graduated company has been grown up satisfactorily.

**Table No. 4.6: Capital Investment from Inception to the time of Graduation by Client Companies**

Capital Investment Data				
	Name of Industry	At the Time of		Growth in Times
		Inception	Graduation	
Batch I	MatribhoomiChulo	50000	500000	9.00
2008-11	Susam Food Products	300000	1000000	2.33
	Anima Visual & Research Service	300000	800000	1.67
	Web Fusion P. Ltd.	250000	1000000	3.00
	Himalaya Agarbatti	75000	250000	2.33
Batch II	One Piece Fashion	15000	100000	5.67
2009-12	Nepal Infopark	100000	500000	4.00
	TakkaBahadur Nepali	150000	500000	2.33
	National Macaroni Industries	1000000	6500000	5.50
	Evergreen Herbal & Cosmetics	400000	1500000	2.75
	Jatropha Plantation	400000	1400000	2.50
Batch III	Shivakoti Bag Udhyog	500000	2200000	3.40
2010-13	AnmolJadibutiUdhyog	10000000	60000000	5.00
	PragatiHastakala	50000	350000	6.00
	Total	13590000	76600000	55.48
	Weighted Average Growth in Times			4.64

From analysis of above data, the average increase in Capital Investment has been observed 4.64 times compared to initial period to the time of graduation. According to the capital increment, it can be concluded that the graduated companies are getting grown up day by day which required them to invest additionally for meeting the growth need.

**Table No. 4.7: Number of Employee since time of Inception to Graduation**

No. of employee				
	Name of Industry	At the Time of		Growth in Times
		Inception	Graduation	
Batch I	MatribhoomiChulo	3	11	2.67
2008-11	Susam Food Products	3	15	4.00

	Anima Visual & Research Service	2	5	1.50
	Web Fusion P. Ltd.	3	11	2.67
	Himalaya Agarbatti	1	5	4.00
Batch II	One Piece Fashion	1	4	3.00
2009-12	Nepal Infopark	4	9	1.25
	TakkaBahadur Nepali	1	3	2.00
	National Macaroni Industries	3	15	4.00
	Evergreen Herbal & Cosmetics	2	9	3.50
	Jatropha Plantation	1	5	4.00
Batch III	Shivakoti Bag Udhyog	4	18	3.50
2010-13	AnmolJadibutiUdhyog	12	32	1.67
	PragatiHastakala	3	8	1.67
	Total	43.00	150.00	39.42
	Weighted Average Growth in Times			2.49

From the table above, we can observe that graduated companies have increased their number of employees 2.49 times from the date of their inception to the date of graduation. The increased number of employees is the symptom of their increased business growth.

From the table below, the average profit earned by graduate companies could be observed 8 times higher than the time of their inception. Increment in profit is possible due to higher sales and other cost efficiencies. This is a good sign of growth of companies.

**Table No. 4.8: Data on Profit Earned by Graduated Companies**

Profit in Rs.				
	Name of Industry	At the Time of		Growth in Times
		Inception	Graduation	
Batch I	MatribhoomiChulo	75000	600000	7.00
2008-11	Susam Food Products	70000	220000	2.14
	Anima Visual & Research Service	25000	125000	4.00
	Web Fusion P. Ltd.	25000	225000	8.00
	Himalaya Agarbatti	5000	55000	10.00
Batch II	One Piece Fashion	4500	45000	9.00
2009-12	Nepal Infopark	12000	120000	9.00
	TakkaBahadur Nepali	15000	50000	2.33
	National Macaroni Industries	100000	650000	5.50
	Evergreen Herbal & Cosmetics	150000	3000000	19.00
	Jatropha Plantation	14000	140000	9.00
Batch III	Shivakoti Bag Udhyog	100000	420000	3.20
2010-13	AnmolJadibutiUdhyog	100000	600000	5.00
	PragatiHastakala	10500	105000	9.00
	Total	706000	6355000	102.18
	Weighted Average Growth in Times			8

From the table below, we can observe 2.32 times increment in product varieties launched by graduated companies since their inception time. A company only can launch new products if there is sufficient demand of the existing product in market. It means companies are successful in the manner of selling and customer satisfaction which is a good sign of growth.

**Table No. 4.9: Number of Products Launched from the time of inception to Graduation**

Number of Products				
	Name of Industry	At the Time of		Growth in Times
		Inception	Graduation	
Batch I	MatribhoomiChulo	1	5	4.00
2008-11	Susam Food Products	3	12	3.00
	Anima Visual & Research Service	1	3	2.00
	Web Fusion P. Ltd.	1	5	4.00
	Himalaya Agarbatti	1	4	3.00
Batch II	One Piece Fashion	2	5	1.50
2009-12	Nepal Infopark	2	6	2.00
	TakkaBahadur Nepali	1	4	3.00
	National Macorony Industries	2	5	1.50
	Evergreen Herbal & Cosmetics	5	15	2.00
	Jatropha Plantation	1	3	2.00
Batch III	Shivakoti Bag Udhyog	3	8	1.67
2010-13	AnmolJadibutiUdhyog	4	15	2.75
	PragatiHastakala	1	3	2.00
	Total	28	93	34.42
	Weighted Average Growth in Times			2.32

**Table No. 4.10: Summary of Quantitative Factors for Business Growth**

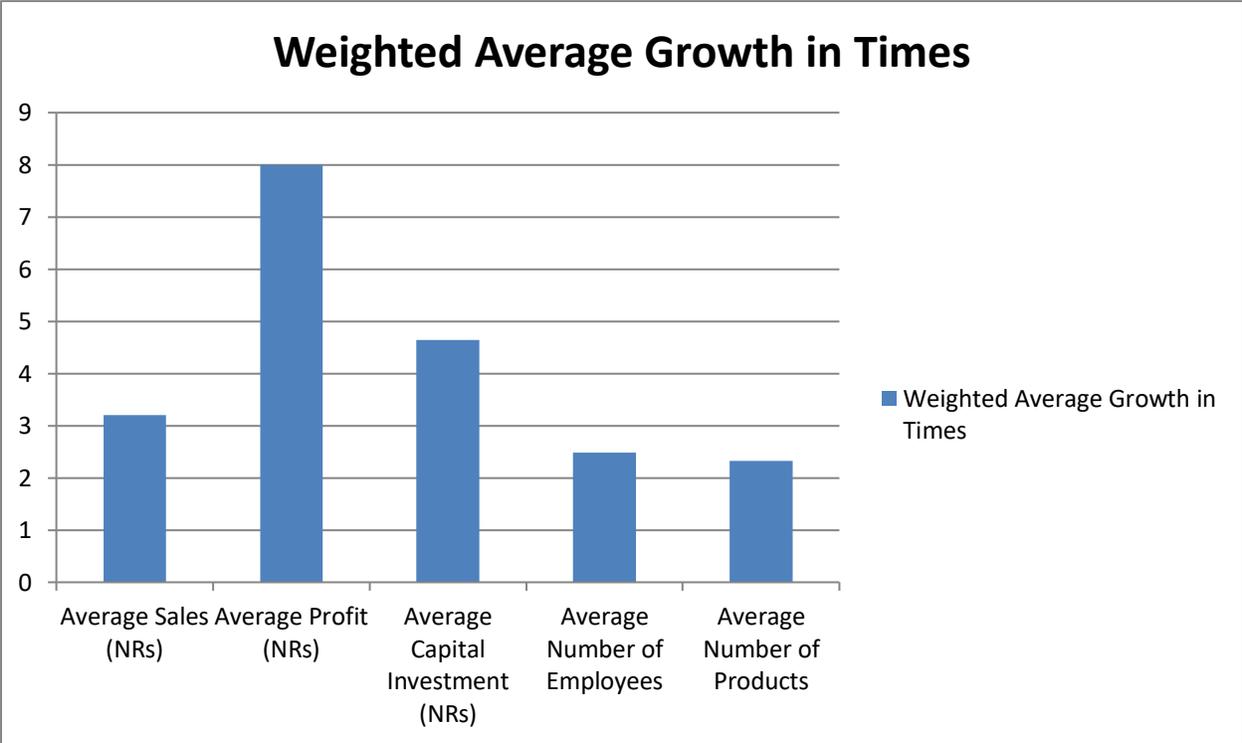
Quantitative Factor for Business Growth	Average Time Period = 3 Years		Weighted Average Growth in Times
	Inception	Graduation	
Average Annual Sales in NRs	387143	1625000	3.20
Average Annual Profit in NRs	50439	453928	8.00
Average Capital Investment in NRs	970714	5471428	4.64
Average Number of Employees	3.07	10.71	2.49
Average Number of Products	2.15	6.65	2.32

Almost every clients of BIP-Nepal were found working people and wishing to set-up their business. They were from micro, cottage and small industry sector. They joined BIP-Nepal for learning business, set-up and grow their enterprises in competitive market. The average sales per client before they join BIP-Nepal found NRs. 387143 and at the time of graduation, sales were grown to 16,25,000 with weighted average growth rate of 3.20 times. Since, the incubator services has helped to achieve business growth, it is significant and Alternative Hypothesis ( $H_1$ ) is accepted, i.e. Business Incubator Service is effective to achieve business growth.

The average profit was increased to NRs. 4,53,928 at time of graduation from initial NRs. 50,439 with growth rate of 8 times. Similarly, average number of employment was raised to 10.71 numbers at time of graduation from the 3.07 in numbers at initial stage with 2.49 times increment. The total average investment was reached to NRs. 54,71,428 from Initial Period NRs. 9,70,714 with an average increase of 4.64 times at time of graduation. The number of product diversification was increased to 6.65 at time of graduation from initial period of 2.07. The weighted average growth in product diversification is increased by 2.32 times.

The above data of business growth of client companies shows that incubator services are effective enough to business growth. The above data is also presented in figure below:

**Chart 4.1 : Quantitative Factors of Business Growth of Client Companies**



**4.4.2.2 Qualitative Factors of Business Growth**

In above part, we have analyzed the quantitative factors such as sales, investment, number of products, number of employee generated and profit earned by business entities to measure their

business growth. Here, again we have collected various qualitative factors that have been considered supportive for business growth. They are presented in table below:

**Table No. 4.11: Qualitative Factors for Business Growth in Client Companies**

Qualitative Factors	No Improvement	Good	Very Good	Excellent
Business Plan Making Ability	1	2	9	2
State of Access to Resources	2	1	8	3
Access to Finance		3	7	4
Market Network Development		3	11	
Labeling and Branding	2	5	6	
Entrepreneurship Development		4	6	4
Skill Development	1	2	8	3

**Business Plan:** There is no one correct definition of a business plan. After all, no one plan will work in all situations. But, in general, a business plan is a document that outlines the basic idea underlying a business and describes related startup considerations. A business plan is an entrepreneur’s game plan; it crystallizes the dreams and hopes that motivate an entrepreneur to take the startup plunge. The business plan should lay out your basic idea for the venture and include descriptions of where you are now, where you want to go and how you intend to get there. A business plan is used primarily in two ways (i) to provide a statement of goals and strategies for use by individuals within the firm and (ii) to aid in the development of relationships with outsiders who could help the company achieve its goals. The insiders group consists of the internal users of the plan; the new firm’s management and its employees. The second group consists of outsiders who are critical to the firm’s success: its prospective customers, suppliers, and investors.

For the entrepreneur starting a new venture, a business plan has three basic objectives:

1. To identify the nature and context of the business opportunity i.e. why does such an opportunity exist?
2. To present the approach the entrepreneur plans to take to exploit the opportunity
3. To recognize the factors that will determine whether the venture will be successful

(Longnecker; et. al.: 111)

According to BIP-Nepal, Business plan is a basic document to supervise, monitor and support to grow the business of their clients. At the time of proposal submission, incubates requires to fill up a form in detail about their business idea. When they will be affiliated with BIP-Nepal, its management staffs and outsourced experts supports its clients to prepare customize business scheme and business plan as a part of pre-incubation program. They provide few months to prepare concrete business plan to their clients after selection. A regular changes or update of business plan is also supported by incubator management. From above table, we can see that among 14 clients of BIP-Nepal, 10 clients says that they have gain the Very Good level of business plan making ability with the support of BIP-Nepal. Two of them have chosen excellent, one has chosen no improvement and 2 has chosen good in making business plan making ability.

**State of access to resources:** Start-up idea holders need various technical and other resources to materialize their idea as well as to convert their ideas into successful enterprise. In this respect, BIP-Nepal has supporting system such as library, information centers, laboratory centers etc. BIP-Nepal has internal Memorandum of Understanding with many resourceful organization. In case of client's need, it recommend it's network institutions to support their clients with their resources. So, resource sharing is a major benefit to clients of BIP-Nepal.

Among 14 client companies, 8 has addressed that they have got very good access to resources, 3 have got excellent access to resources, 2 of them have no improvement in this matter and 1 has got good access to resources during being affiliated with BIP-Nepal. Among all, the level of access to resources the clients companies has got seems effective through the incubator.

**Market Network Development :** Among 14 graduated clients, 11 of them have stated that they have grown market network development at very good level and 3 of them stated that they grew it up to a good level. Market is a major place to sell. So, we can say them incubator service has helped its client companies to grow their market effectively.

**Labeling and Branding:** Labeling and Branding such as trademark registration, good designing of level and brand, logo are very supportive to make the product and service attractive for market. In this regard, 6 client have acquired very good stage, 5 of them acquired good stage and 2 of them felt no improvement in labeling and branding of their products/services. Overall,

we can see an effective role of incubator service to improve labeling and branding to develop an effective marketing strategy.

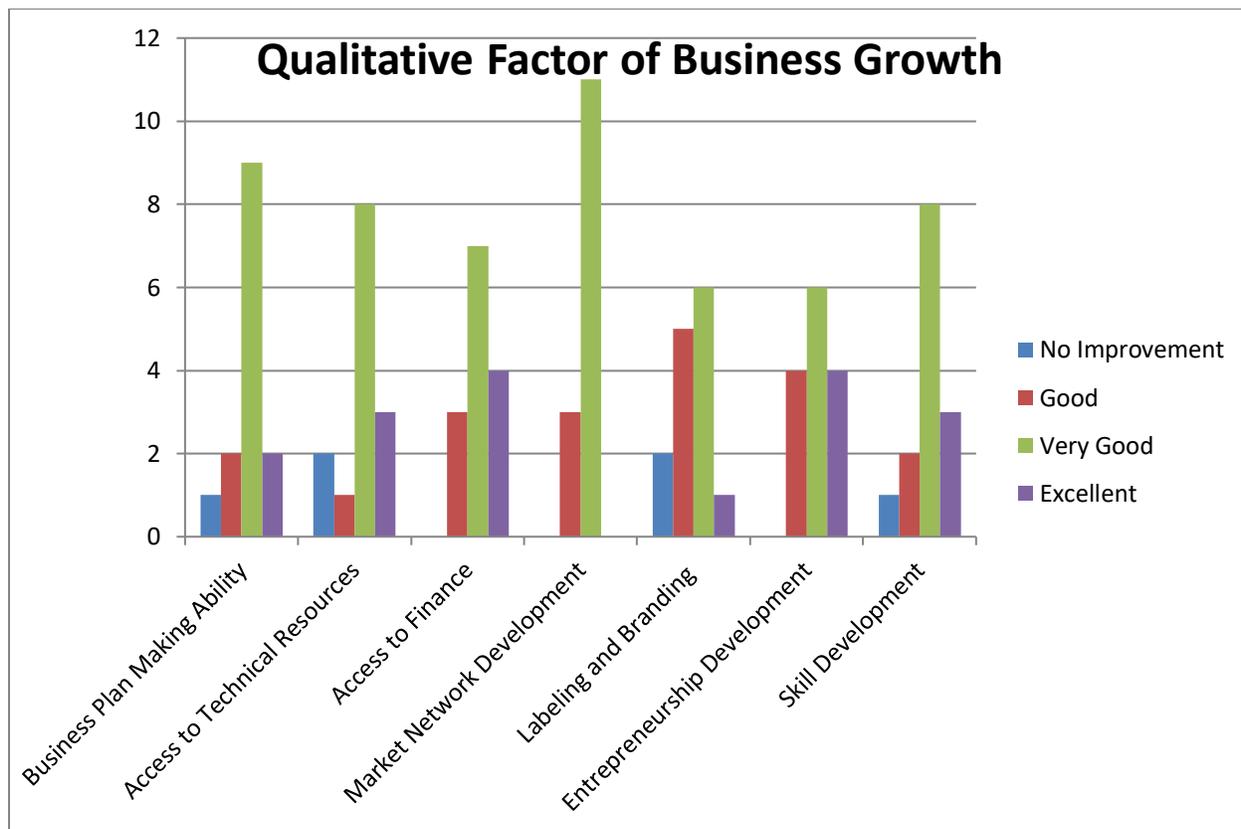
**Entrepreneurship Development :** Entrepreneurs are those individuals who discover market needs and launch new firms to meet those needs. They are risk takers who provide an impetus for change, innovation, and progress in economic life (Longenecker et. Al.: 23). It means developing ability to take risk, discover appropriate market need and bringing change with innovation as well as making profit is entrepreneurship development.

Four among 14 have found developed their entrepreneurship in excellent stage, 6 of them have found in very good stage where as 4 of them have found in good stage. Overall, we can say that BIP-Nepal has played an effective role for entrepreneurship development in their client companies.

**Skill Development:** In many respect and according to customize basis, BIP-Nepal is also serving its client business to develop the specific skills. For example, writing application letters, designing product prototypes, use of computer based resources, training to accounting and other specific skills are delivered to them through the regular staffs of BIP-Nepal management like incubation manager, enterprise development officer and administrative staffs, experts of DCSI, outsourced experts and mentors.

Among 14 incubatees, 8 have addressed that they have improved their skill in very good stage, 3 of them noticed it in excellent stage, 2 of them found it in good stage whereas 1 of them has seen no improvement in this respect. Overall, we can say them incubator has helped its client companies to skill development effectively.

**Chart 4.2 :Improvement in Qualitative Factors of Business Growth**



## 4.5 Major Findings

### 4.5.1 Finding on Business Incubation and Sample Incubator

Business incubation is basically enterprise creation and development model developed in US in 1960 and gradually it is practiced worldwide. In general, business incubation offers services to an innovative and market viable ideas and startups to be converted into a successful enterprise. The basic services offered by business incubators are consultancy services, offices space, other physical infrastructures and equipment in shared basis, supports to create synergy and business planning.

BIP Nepal is an incubator conducted by Ministry of Industry, Department of Cottage and Small Industries since December 2007. It is a mix type of incubator taking both in-house and virtual clients. It is the first incubator operated by Government of Nepal. BIP Nepal has graduated 14 clients till the year 2014. The average time taken to graduate a graduate company is 3 years. After its establishments, Industrial Policy 2010 has also regarded it as an effective means to promote growth oriented enterprises and has made provision to promote this tool in the country.

Similarly, the model is going to be launched by Ministry of Agriculture, Ministry of Environment, Science and Technology very soon. One private incubator namely “Vuruwa Venture” is also launched and running in the year 2011.

#### **4.5.2 Findings on Incubator Operation Modalities and Services Provided to Clients**

**Enrolment Process:** BIP-Nepal invites applications from creative idea holders or start-ups who are willing to take incubator services to develop their enterprise. A normal application form is provided to the applicants. A tentative business plan is requested to submit by interested applicants at the time of application. Their business plan or scheme is scrutinized in various stages by various experts of selection committee. Once, their application is passed and approved they became enrolled as “client” or “incubate”.

Apart from business plan, incubators also have been found considering commitment, willingness to pay and innovativeness and viability of the idea as other factors of client selection.

**Physical infrastructures:** Infrastructures like office space, communication, internet facilities, table, chairs, meeting rooms, computer, shared laboratories/libraries and conference room are normal physical infrastructures provided to client companies by incubator

**Advices, supervision and Mentoring:** Day to day supervision, advices and mentoring to clients is necessary during incubation period. For this service, incubator has provided Incubation Manager, Enterprise Development Officer and Specific mentors to their incubates. Incubator manager and other staffs carry out the regular monitoring, supervision and advices to the clients whereas for prototype development and other specific activities, they are supported through expert services as mentors.

**Administrative supports:** Incubator has offered administrative supports such as letter writing, recommendation letter providing, photocopies, courier, fax and proposal typing and printing. Generally, an incubator needs to provide these services for their clients. Book keeping and general training are also a regular services provided to clients by the incubator.

**Business plan support:** Business plan is a written document having plan of actions. It is mirror of a business. BIP-Nepal is supporting to prepare a concrete customize business plan of each incubate with its administrative staffs and mentors. It is also providing pre-incubation training in which it provides training to prepare business plan.

**Mentoring:** Service and continuous advices of mentors is required by clients in different stages of their business development. Normally, incubator has various experts willing to provide

mentorship to their clients in free of cost or with fee basis. For the specific mentoring needs, BIP-Nepal has provided its clients this opportunity.

**Business registration, legal and Intellectual Property Right support:** An incubator also supports its clients for business registration, legal formalities and take IPR on their product/services. Among 14 incubatees, only Mr. Madhukar KC of MatribhoomiChuloJadanUndhyog has registered his IPR.

**Product development support:**BIP-Nepal is providing product/service prototype development support to their clients through the expert advices within their network.

**Marketing support:**BIP-Nepalis providing marketing support to their clients. Labelling, packaging, branding, trademarks, access to market network etc. are general marketing supports provided by BIP-Nepal to their clients.

**Shared facilities:** An incubator supports their clients to have facilities available at another institution or with another client within their network. Library, laboratories are examples of such shared facilities BIP-Nepal is providing to their clients.

**Graduation :**Tentatively, it has found that BIP-Nepal is graduating its client companies in average 2 to 3 years. It has developed its own graduation benchmarks of six stages of business growth. It measures the growth of companies with the day to day monitoring, takes periodic progress reports from each clients and on the basis of such observations, it compares the progress with the benchmarks. When it finds the clients business is reached to Gate stage, the 3<sup>rd</sup> stage of business growth, it prepares to graduate the client.

**Follow-up services:** According to the benchmarks developed by BIP-Nepal, there are further stages of growth after the Gate stage (3<sup>rd</sup> stage). So, for further growth assistances, it is providing follow-up support services to the graduated client companies to help them achieve the further stages of business growth i.e. stages 4 to 6.

#### **4.5.3 Comparison of Incubator Model with Business Growth Model**

The incubator model has been compared with the business growth model. The BIP-Nepal's 6 stages growth benchmarks has been compared with the six stages business growth model of Larry E. Greiner. It has found that almost all the growth measures or elements mentioned in Greiner model has been found adopted by BIP-Nepal's benchmarks. So, it can be said that the incubator services and growth benchmarks is theoretically strong enough to let a business grow if

appropriately delivered to client. The matching stages of business growth model and incubators growth benchmarks has been presented in table below:

**Table 4.12 : Matching stages of business growth adopted by BIP-Nepal with Greiner GrowthModel**

Stages of Growth	Greiner Model	Growth Benchmarks of BIP-Nepal
1	Growth through creativity	Seed stage
2	Growth through direction	Start-up stage
3	Growth through delegation	Gate stage
4	Growth through coordination and monitoring	Expansion stage
5	Growth through collaboration	Take-off stage
6	Growth through alliances	Bridge stage

#### 4.5.4 Finding on Enterprise Growth

All the total 14 companies were interviewed and collected primary data on their business status. Five companies were enrolled in 1<sup>st</sup> batch and all of them were successfully graduated. Similarly, 6 companies were enrolled in 2<sup>nd</sup> batch and all of them were also graduated. In the 3<sup>rd</sup> batch, Five companies were enrolled but only 3 of them continued with incubator. All the 3 companies were graduated in the year 2014.

According to the business growth theory, the growth factors were divided into Two categories. Some of them were quantitative and others were qualitative. The summary of the data has been represented here:

#### Quantitative Factors for Business Growth

Quantitative Factor for Business Growth	Weighted Average Growth in Times
Average Annual Sales in NRs	3.20
Average Annual Profit in NRs	8.00
Average Capital Investment in NRs	4.64
Average Number of Employees	2.49
Average Number of Products	2.32

The average sales has been grown up by 3.2 times, annual profit by 8 times, capital investment by 4.64 times, employment generation increased by 2.49 times and product diversification is increased by 2.32 times. This is the average growth of quantitative factors of 14 companies. The growth has been achieved by each companies in an average 3 years. So, from the above growth data, we can say that the incubator service is effective enough to achieve enterprise growth.

### **Summary of Qualitative Factors for Business Growth**

<b>Qualitative Factors</b>	<b>No Improvement</b>	<b>Good</b>	<b>Very Good</b>	<b>Excellent</b>
Business Plan Making Ability	1	2	9	2
State of Access to Resources	2	1	8	3
Access to Finance		3	7	4
Market Network Development		3	11	
Labeling and Branding	2	5	6	
Entrepreneurship Development		4	6	4
Skill Development	1	2	8	3

All the above qualitative factors are considered important to grow and sustain a business. We can see that incubates has achieved a remarkable improvement in above listed factors. They have been able to achieve such improvements during a short time period due to the incubator service model. So, we can see that incubator service is effective for achieving qualitative factors of business growth.

## **Chapter V**

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

#### **5.1 Summary**

This case study is conducted as a partial fulfillment of Master of Philosophy in Public Administration, Tribhuvan University. The sample case is an incubator operated by Dept. of Cottage and Small Industry named Business Incubation Program Nepal (BIP-Nepal).

There have been experienced an isolated an uncoordinated activities in the enterprise promotion sector in Nepal. Although government, INGOs and NGOs have operated various trainings and entrepreneurship development programs as well as spent a lot of funds, but due to incompleteness in their modality they were not successful. In this respect, quest of complete business facilitation and development models with the aim of promoting growth oriented enterprise was felt in the country. The data of DCSI and previous researches have indicated the need of such models in the country.

On the above said scenario, the model of incubation program was introduced in the country with the support of InfoDev. InfoDev supported R&D funds to make a business plan for operating this model. Dept. of Cottage and Small Industry started to operate an incubation center in the year 2007. The model of this program is public-private management model.

Incubators are generally found operated by Government, Academic institutions and in some respect, from private sectors with the aim of facilitating to promote innovative business ideas and business skill development of start-ups enterprises. Incubators provide administrative supports, recommendations, enterprise development supports, counseling, monitoring, advising, physical infrastructures, equipment and mentors at a comparatively low cost.

Incubators also support their client companies to develop and upgrade their own business plan, access to equipment and experts advices from their own networks, develop product proto-types, access to material and finance, protect their ideas through Intellectual Property Rights registration, designing, labeling, packaging and support for access to market network. After a few years stay at incubator, while the incubator finds the client companies be able to handle their business themselves, they graduate them. After graduation, the client companies are not more be in regular touch with the incubator. BIP-Nepal is assisting its graduated client companies to grow further through follow-up services. BIP-Nepal is one of the first incubator in Nepal operated by

Government with the aim of employment and income generation through creation of growth oriented companies.

BIP-Nepal, an incubator was established and operated due to the need felt by the government to promote effective enterprise promotion tools in the country, it is very rationale to analyze its service modality to be compared with business growth theories. This analysis helps to see whether the model was in accordance with the objectives and aim of industrial policy. Its effectiveness to support a business growth by analyzing the status of business of its graduated client companies as also equally important here. Therefore, this case study was carried out with the objective of testing this tool's effectiveness from multiple aspects.

Since this tool is still new and very few practices and studies were carried out in this sector in Nepal, it is very necessary to conduct an explorative study for the purpose of reviewing various national and international literatures in the area of business incubation, incubators and their service modality, business growth models, factors of measuring business growth and sustainability and more. The study has also reviewed the available research literatures in Nepal as well as collected information on incubator development practices in Nepal from the history.

Exploring the related knowledge, review of various growth models of renowned writers such as Larry E. Greiner's Six stages business growth model, Churchill and Lewis's Five stages growth model, review of renowned enterprise development agencies such as SEDA's 3 categories and 6 stages of business growth, Greiner's factors related to business growth and sustainability and selected incubator's growth benchmarks have been studied. Then, a conceptual framework was constructed keeping business incubation services as independent variable and business growth as dependent variable on the basis of reviewed literatures.

On the basis of various incubators' process of measuring success of their clients, the measuring factors were identified into two categories. Hard measures or quantitative factors such as sales, profitability, investment, number of employment generated and number of products launched. Soft measures or qualitative factors were measured through increased client professionalism, improved business skills, confidence, product image, clients and networking, access to finance and marketing.

The literature review was also done for getting know how on incubators service components such as selection process, infrastructural facilities, business development supports, support for

networking and graduation. On the basis of such study, entire incubator service process is acknowledged.

A detail review of Industrial Policy 2010 has been also conducted to identify the provision of policy on enterprise growth systems and mechanism. On the basis of such study, it was found that the Industrial Policy has made special strategies to support micro, cottage and small industry development and growth in the country. The provisions consist of all necessary assistance to promote a business such as advising, counseling, one window service, raw materials, technology and other resources, quality, access to finance through various funds, marketing supports through KoseliGhar, SaugatGriha and Collective marks, institutional supports and production of export oriented products. These provisions can be considered very good to promote industries in the country. The incubator model was also seen whether it comply with Industrial Policy or not.

On the basis of previously conducted research studies, the strong need of incubator models were identified in the country. The literatures reviewed are policy papers, master's degree dissertations and the directives of micro, cottage and small industries support of DCSI. After getting acknowledged with all relevant know-hows and literatures, a methodology to test the selected case incubator's effectiveness was developed.

In the research methodology section, all the alternative elements of research design such as research philosophies, purposes of research and research strategies are presented and chosen few appropriate philosophies, purpose and strategies with giving the justification for getting chosen.

Natures of data and collection methodologies, tools applied to test the reliability and validity, sampling method, method of data presentation and analysis and statistical tools and formulas applied to analyze the data are presented with justification as requirement of the study area, objectives and conceptual framework.

Finally, appropriate tools were developed to collect data. For measurement of business growth, quantitative data such as sales, profit, investment, number of employment and number of product launched were collected. The qualitative data such as Business Plan Making ability, networking, accessto finance, access to resources were also collected through the questioner.

The collected data were presented in chapter four. The case incubators service components and current business incubator practices in the country as positive impact of this model are presented here. Similarly, this model was compared with business growth model and its compliance with

strategies of industrial policy is presented. Finally, the business growth data of all graduated companies are presented and analyzed.

On the basis of data analysis, it was found that the selected incubator has made a positive impact on incubator model promotion in the country. Recognizing incubator model as an effective tool to promote growth oriented industries in the country by Industrial Policy 2010, conduction of Agri-innovation centers by Ministry of Agriculture and operation of a private incubator namely “Biruwa Ventures” can be given as an example of its positive impacts on promoting this model or in another word, effectiveness of this case to promote incubator model in the country.

On the basis of study of business development supports provided by the selected incubator, it is compared with enterprise support strategies and provisions mentioned in Industrial Policy 2010. It has been found that it matches with almost all the components mentioned in the policy. This is a proof that the modality of this tool is effective enough for enterprise promotion and growth in the country.

The selected incubator’s operational modalities and its benchmarks for measuring enterprise growth are compared with business growth models. It was found that they are according to the principles of business growth models. So, here, we can say that, if appropriately delivered, the model itself is very sensitive with business growth models.

Finally, the data of business growth of each graduated clients were tested and analyzed. On the basis of the test result, each and every quantitative factors of business growth such as sales, profit, investment, number of employee and products have been increased by more than two times in average 3 years. This clearly indicates positive impact or effectiveness of incubator services for enterprise growth.

The qualitative factors of business growth such as ability to plan, improvement of skill and entrepreneurship development, access to resources and finance, enhanced market network and improved labeling and branding all shows a positive impact of incubator services to its clients companies for their business growth. In this respect, the study finds the model effective for business growth.

## **5.2 Conclusion**

In the context of lower effectiveness of existing skill development and entrepreneurship programs conducted by government, semi-government, NGOs and INGOs to promote enterprise, a quest for a complete package was initiated from government with the funding assistance of

donor agencies. In this respect, business incubation was found as one of appropriate tool. An incubator then started by DCSI under Ministry of Industry in December 2007.

Existing skill development programs were also not came in vacant. They were also regarded as important tools. But they found delivering just a single or few components of enterprise support. So they did not succeed as have been intended. Business incubator as a tool of enterprise creation and growth was found as a complete package having all elements to assist for enterprise creation and growth.

Various research, studies and international scenario also have proven it as an effective tool for enterprise creation, growth and sustainability. In this respect, the initiation taken by DCSI is really appreciating. In accordance with the services it should deliver to its client, the establishment of an incubator seems costly than compared to other training and skill development programs. One of the basic challenges to success this model in Nepal is we still need to create a fertile environment to make people ready to learn business from incubator and pay for the services that incubator delivers to them.

In this study, the appropriateness and effectiveness of this tool was tested from multiple dimensions. The dimensions were, appropriateness of the model according to business growth models, industrial policy and finally the growth status of its graduated clients. From all dimensions, this tool was found appropriate and effective to deliver enterprise growth, if delivered its services appropriately. So, we can conclude that this tool is effective enough to promote growth oriented enterprises.

### **5.3 Recommendations**

- Apart from being an effective model of business creation and growth, incubator run by DCSI under Ministry of Industry could not extend this program in other regions of the country till this date. Due to this reason, the prospective entrepreneurs are being unable to be benefitted from this model. So, Ministry of Industry must lunch this program in other regional sectors as soon as possible.
- The business incubation model is very tough in its operation. Highly skilled personnel such as incubation managers, enterprise development officer, strong supportive network is required to operate this program efficiently. So, before lunching this program, the above mentioned capabilities must be considered by interested institutions.

- The business incubation supports creative ideas and start-ups to be converted into successful enterprises. In this regard, Universities and campuses could be the strong sources of such ideas. Therefore, universities must plan to initiate their own incubators as soon as possible.
- Political stability is major concern for implementing policies and Acts. Political situation is still reluctant in the country even after the restoration of Loktantra in the country. Any political parties must commit to preserve industrial sectors because it is only a means of economic development.
- Even after 5 years of Industrial Policy 2010, the country is unable to pass Industrial Act. So, the government should be conscious to pass the Industrial Act as soon as possible. The Industrial Act must be in accordance to the norms of Industrial Policy. Otherwise both of them could not be successful to create industry friendly environment in the country.
- The government and other institutions delivering training and skill development program must modify and update their operation modality by learning from incubator modal so that they could also be as effective as they could be.
- Registration of an enterprise is not guarantee of its success. So, every entrepreneur must learn such skills, have sufficient knowledge, well plan and carry sufficient research works before they start a business. They must understand that the learning from business incubators is also one of the forms of their investment in enterprise for a minimum guarantee of success and sustainability.

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### **Materials available at Websites**

[www.emraldsight.com](http://www.emraldsight.com)

[www.idisc.net](http://www.idisc.net) : World Bank,InfoDev Incubator Support Center.

[www.incubation.gov.np](http://www.incubation.gov.np) :Business Incubation Program.

[www.medep.org.np](http://www.medep.org.np) : Micro Enterprise Development Program

[www.nbia.org](http://www.nbia.org) : National Business Incubation Association.

[www.incubationasia.com](http://www.incubationasia.com) : Asia Pacific Incubation Network

[www.undp.org](http://www.undp.org): United Nations Development Program

## Annex 1 :Questionnaire to the Incubator

These questions are prepared to collect data for carrying out a research on “**Effectiveness of Industry Promotional Tools for Enterprise Growth**”. This is an academic Research being conducted as a partial requirement of Master of Philosophy in Public Administration. I would like to request you to kindly support this study with your valuable data and opinions.

Rabindra Kumar Neupane

Student Researcher

**Name of Incubator :**

**Address:**

**Name of Authorized Person:**

### 1. What physical facilities are you providing to your clients

#### List of Facilities

#### Remarks/Users

- a. Office space
- b. Office Equipments
- c. Separate computer
- d. Separate telephone line
- e. R & D Facilities
- f. Shared laboratories/libraries
- g. Other specialized equipments

### 2. Please provide the lists of business support services you provide to your clients

Support Services	Remarks
Business plan assistance	
Business registration	
Legal services	
Book keeping/Training	
Product development	
Branding/Labeling/Designing	
Entrepreneurship development	
Skill development training	
Observational industrial tours	
Marketing support	
Secretarial support	
Other please specify	

3. Please provide information on your service mechanism, selection to graduation/growth benchmarks .....
4. What are the major criteria for client selection and their priorities

Range 1 = Lowest priorities, 4 = highest priorities, 2 = Normal, 3 = Medium

Name of Criteria	Priorities			

5. Provide a detail list of your clients of 1<sup>st</sup> to 3<sup>rd</sup> batch along with their address.

**Annex – II : Questionnaire for Enterprise Owners**

These questions are prepared to collect business growth data from individual enterprise owners for carrying out a research on “**Effectiveness of Industry Promotional Tools for Enterprise Growth**”. This is an academic Research being conducted as a partial requirement of Master of Philosophy in Public Administration. I would like to request you to kindly support this study with your valuable data and opinions.

Rabindra K. Neupane  
Student Researcher

**1. What is your product/service concept/ideas**

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**2. Please provide a brief information of your current business status starting with your expansion from the idea/start-up level**

**3. Please provide data on the following**

<b>Changes in</b>	<b>Time of Entry</b>	<b>Time of Graduation</b>
Sales		
Profit		
Capital Investment		
No. of Employees		
Number of Product Launched		

**4. How you find your improvement level in following skills/resources after graduation?**

<b>Particulars</b>	<b>Good</b>	<b>Better</b>	<b>Best</b>	<b>Excellent</b>
Entrepreneurship Development				
Skill Development				
Business Plan Making ability				
Product Development				
Access to Resources				
Branding/Labeling/Patent				
Access to Finance				
Market Size/Business Network				

