

Promoting Startups in Nepal

Research conducted as a part of Daayitwa Nepal Public Policy Fellowship 2024, in collaboration with the **Ministry of Industry, Commerce and Supplies (MoICS)**

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Acknowledgements

I would like to express my deepest gratitude to my mentors and colleagues at Daayitwa, my mentor Dr. Gnyawali and government partner, Mr. Umesh Kumar Gupta at the Industrial Enterprise Development Institute (IEDI). I have had the unique opportunity to learn from and think alongside brilliant entrepreneurial minds in Nepal and greatly appreciate the time, interest, and collaboration for this project. The insights I have gained are invaluable. Without the perseverance and dedication of market actors, enablers and supporters in Nepal, this effort towards the promotion of a prosperous startup environment would not be possible. I am extremely grateful for all the participants of this study, who provided me with a genuine chance to learn more about their businesses and mindsets. Special thank you to my colleagues, Ankshita Chaudhary and Sandesh Paudel for the guidance regarding next steps and collaborations for this project.

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Abstract

This study explores the emerging startup ecosystem in Nepal, focusing on several factors of entrepreneurship and the policies that support or hinder its growth. Despite global recognition of startups in favorable entrepreneurial environments as drivers of economic development, Nepal's startup landscape remains in its early stages, limited by infrastructural and institutional capacity. The government has made significant strides through the implementation of the National Entrepreneurship Policy 2073, the establishment of the Nepal Entrepreneurship Development Institute, and the creation of the Nepal Startup Fund. However, Nepali startups face substantial challenges, including regulatory gaps, limited capital, and weak infrastructure, which impede their scalability and sustainability. Where there are challenges, we can also find strong areas for opportunities, especially in the form of public-private collaborations, and sustained financial and nonfinancial investments in Nepal's entrepreneurial environment.

This qualitative research analyzes Nepal's entrepreneurial ecosystem by conducting semi-structured interviews with government, education, and market stakeholders, as well as focus group discussions with aspiring entrepreneurs enrolled in a university startup incubation program. The data collected is analyzed alongside the 2080 Startup Policy, and based on existing literature about entrepreneurship, analyses of other countries, and urban startup studies in Nepal. This study identifies key barriers and enablers across five dimensions: government policies and procedures, entrepreneurial skills, financial assistance, non-financial support, and socioeconomic conditions using Gnyawali and Fogel's (1994) framework for entrepreneurial environments. Findings suggest that although policy initiatives have been introduced, a lack of clarity in regulatory procedures, risk-averse cultural attitudes, and insufficient coordination among government bodies continue to hinder entrepreneurial growth.

The research recommends centralizing oversight of startup initiatives, creating an online platform for information and regulation clarifications, revising collateral requirements for loans, continuing to enable alternative sources of funding, and promoting a culture that supports risk-taking and innovation. The tangible solutions recommended echo a need for public-private partnerships and focused collaboration, that is coordinated alongside young people. By addressing these issues through a coordinated policy and cultural framework, Nepal can better leverage its youth potential, building a dynamic and sustainable startup ecosystem that contributes to national economic growth.

Chapter I - Introduction

Enabling a fruitful business environment is an essential path forwards towards development, as entrepreneurship stimulates innovation, employment and is integral to a nation's societal development and economic growth (Acs et. Al., 2008; Boudreaux & Caudill, 2019). Several international examples can show us the importance of startup development towards regional and national economic prosperity. In Nepal, policymakers have begun the process of a startup development strategy for the last two years and are working towards creating avenues for business growth for startup entrepreneurs, with an emphasis on young people. Since the formulation of the 2073 National Entrepreneurship Policy, establishment of the Nepal Entrepreneurship Development Institute and development of Special Economic Zones, and the establishment of the 2080 Startup Policy, the Ministry of Industry, Commerce and Supplies of Nepal (MoICS) is showing steady commitment towards adoption of state responsibility towards enterprise development. Coordinated efforts are carried out through the Industrial Enterprise Development Institute (IEDI). The recent establishment and disbursement of funds through the Nepal Startup Fund is another pivotal step forward, as access to finance is critical for venture creation (Becker 2013).

Startups are newly established businesses, typically characterized by their innovation, scalability, and problem-solving nature. Startups are considered drivers of the local and regional economies (Jonek-Kowalska & Wolniak 2021). The key focus is on growth potential. These companies often emerge in sectors like technology, e-commerce, and services, aiming to solve specific problems or address market gaps through novel solutions. Startups are known for their agility and ability to pivot quickly, making them valuable engines of economic growth. Globally, they contribute to job creation, foster competition, drive technological advancement, and stimulate overall economic activity. By attracting venture capital and fostering innovation ecosystems, startups can transform entire industries.

In Nepal, the startup ecosystem is still in its nascent stages, but it has been gaining momentum in recent years. Youth entrepreneurship is a strong contributor to this factor. Despite challenges such as limited access to capital, weak infrastructure, and regulatory barriers, Nepali startups have started emerging in sectors like fintech, e-commerce, tourism, and agriculture. The country's young labor force, increased internet accessibility, and a growing entrepreneurial culture are contributing to this rise. However, to fully capitalize on this potential, Nepal requires stronger support systems, including better policy frameworks and collaborations that effectively facilitate business growth and promote public private partnerships.

A 2020 report by the Organization for Economic Co-operation and Development (OECD) states that 53% of OECD countries that have active youth involvement and participation experience more democratic and sustainable policies being implemented. Nepal's macroeconomic landscape is shaped significantly by its population dynamics and labor force composition. With a population of approximately 30 million, Nepal enjoys a "youth bulge," where a large portion of its population is young. Over 60% of the population is under the age of 30, contributing to a labor force of around 17 million people. This youthful workforce presents both opportunities and challenges. On the one hand, a young labor force offers potential for economic growth, innovation, and entrepreneurship, especially in sectors like technology, tourism, and

manufacturing. The high percentage of working-age individuals can drive increased productivity and foster business development if properly harnessed.

However, the economy struggles to absorb this large labor force due to limited industrialization and infrastructure. As a result, many young Nepalis seek employment abroad, with remittances forming about a quarter of Nepal's GDP. The reliance on foreign employment, particularly in the Gulf states and Malaysia, underscores domestic limitations in job creation. It also becomes difficult to retain human capital, when foundational challenges prevent young people from seeing a larger vision for themselves in Nepal. Addressing these structural barriers and enhancing vocational training, access to capital, and market linkages are crucial to tapping the potential of Nepal's youth-dominated labor force for sustainable economic development. This demographic presents an opportunity to create a dynamic entrepreneurial ecosystem if supported by the right policies, investments, and culture.

Chapter II - Literature Review

2.1 Global Context of Entrepreneurial Environments

Globally, entrepreneurial environments function on the conditions of their institutions, skills, and resources. Entrepreneurs in developed regions around the world, particularly founders of digital startups, have been found to excel in identifying entrepreneurial opportunities through cognitive processes (Aruni et al. 2019). This theory is in line with traditional entrepreneurship literature, which largely focuses on the 'Schumpeterian' entrepreneur, emphasizing individual and firm-level characteristics while overlooking the broader contextual factors that shape entrepreneurial activity (Cavallo et al., 2018). Dodd and Anderson (2007) critique this narrow focus, advocating for a recognition of the social, cultural, and economic forces that significantly influence entrepreneurship. This perspective is reinforced by De Clercq and Vornov (2009), who argue for a more nuanced understanding of entrepreneurship that situates it within local and social contexts. Such a shift has given rise to the concept of the entrepreneurial ecosystem (EE), introduced by Mason and Brown (2014), which views entrepreneurship as a systemic phenomenon involving various interdependent actors within a region. In this type of interdependency, the role of Public-Private Partnerships (PPP) is crucial to creating innovative, collaborative undertakings in which the public and private sectors share the risks, responsibilities, and rewards of business development (Bloomfield, 2006).

2.2 Theoretical Frameworks on Entrepreneurial Ecosystems

The study of entrepreneurial ecosystems (EE) has garnered significant attention from scholars, particularly regarding the factors that influence the development and sustainability of new ventures.

Central to the EE framework is the established understanding of clusters and regional innovation systems, where the geographic concentration of interconnected companies and institutions facilitates specialization and knowledge spillover (Porter, 1998; Cooke et al., 1997). Moore's (1993) concept of the business ecosystem further emphasizes the importance of interactions among businesses, fostering supportive networks that drive value creation.

A key framework, which will be used in this study, is outlined by Gnyawali and Fogel (1994), who identify five essential dimensions that shape entrepreneurial environments: government policies and procedures, entrepreneurial and business skills, socioeconomic factors, financial assistance, and non-financial assistance. These dimensions affect the opportunity, propensity, and availability for new ventures at different stages of the entrepreneurial process, linking them to core elements of venture creation. Understanding these dimensions is crucial for fostering an environment where new enterprises can thrive, situated in the importance of public-private collaborations and working intently towards innovation.

2.3 Startup Ecosystems in Developing Countries

Building on the foundation of Gnyawali and Fogel's framework, Ali et al. (2021) analyzes the characteristics of Egypt's entrepreneurial ecosystem through the Global Entrepreneurship Index (GEI), emphasizing the importance of institutional and individual variables. They highlight the necessity of enabling entrepreneurial attitudes, particularly risk acceptance and networking, and

identify the aspirations pillar as a critical strength in Egypt's ecosystem. However, weaknesses in educational dimensions and institutional support were noted as major barriers, leading to a recommendation for increased venture capital and private funding initiatives. This analysis offers important lessons for developing economies like Nepal, where similar institutional weaknesses may hinder entrepreneurial growth.

Finegold (1999) explores the importance of skill development in entrepreneurial ecosystems, introducing the concept of high-skill ecosystems (HSEs) that require a catalyst for development, ongoing nourishment, a supportive host environment, and interdependence among actors. Finegold's research emphasizes the state's role in fostering these conditions, particularly through funding in research and development (R&D), supporting venture capital initiatives, and enhancing the supply of entrepreneurial skills. This is particularly relevant to Nepal's startup environment, where educational institutions could play a critical role in nurturing entrepreneurial talent through targeted training and mentorship.

The state's role in coordinating skill formation is further examined by Green (1999), who argues that in periods of rapid social and economic change, state intervention is necessary to manage uncertainty and ensure alignment between the supply and demand of skills. Through case studies of South Korea, Singapore, and Taiwan, Green shows how state-led strategies in education and economic planning were vital to these countries' entrepreneurial and economic successes. These examples offer valuable insights for Nepal, where skill mismatches and institutional weaknesses could be addressed through more coordinated, long-term state interventions.

Fogel and Zapalska (2001) extend the entrepreneurial environments framework to Central and Eastern Europe (CEE), analyzing the development of small and medium enterprises (SMEs) in Hungary and Poland. Their research focuses on the role of institutional reforms, socioeconomic conditions, and access to financial and non-financial support in enabling entrepreneurial success. They find that enhanced access to capital through long-term, low-cost credit and large-scale tax allowances were vital to fostering entrepreneurship in these transitioning economies. Their study underscores the importance of shared resources, such as incubation centers and industrial parks, in facilitating SME growth. These findings are applicable to Nepal, where similar challenges exist in terms of capital access and institutional support for SMEs.

Despite advancements in the EE literature, gaps remain. Cao and Shi (2021) highlight the fragmented nature of current studies, which often focus predominantly on high-technology clusters in advanced economies, neglecting the unique challenges faced by emerging economies. This is echoed by Chaudhry (2020), who points out the difficulties these economies encounter when attempting to replicate successful EE models without considering local conditions. In response, Stam and Spiegel (2016) call for a more nuanced approach that incorporates the diverse and specific characteristics of local ecosystems. By enhancing engagement with local actors, this approach aims to foster sustainable entrepreneurship and create more resilient entrepreneurial environments.

Across these studies, a common theme emerges: the development of a successful entrepreneurial ecosystem requires a multifaceted approach involving government support, skill development, institutional reforms, and access to both financial and non-financial resources. For Nepal, lessons

from these global contexts highlight the importance of strengthening education, enhancing financial support mechanisms, and creating a supportive policy environment that encourages innovation and risk-taking. By leveraging these insights, Nepal can better address the challenges faced by aspiring entrepreneurs and create a more dynamic and sustainable entrepreneurial ecosystem. The key is to contextualize learning to best fit our environment and avoid replication.

2.4 Nepal's Current Challenges

Nepal's current startup ecosystem is affected by the various factors that make up the country's overall economic conditions. In a 2021 study researching the challenges of Nepal's startups, Rijal. et al. found that human capital, finance, support systems, policy, and marketing were the most significant challenges in Nepal's start-up ecosystem. Authors used a scale rating system to emphasize the points of development of each factor.

Human capital, scoring 3.75/5, emerged as the most significant challenge. Entrepreneurs highlighted difficulties in attracting and retaining skilled personnel, as many talented individuals prefer the stability of established companies over the risk and instability of start-ups. Additionally, homogeneous teams often lacked diverse skill sets necessary for growth, and there were challenges in building cohesive teams due to conflicting priorities among members. Entrepreneurs also expressed concerns about partners leaving for better opportunities, causing operational disruptions.

Finance was identified as another critical challenge, scoring an average of 3.25/5. Access to venture capital, loans, and accelerator programs remained limited due to institutional preferences for specific sectors, such as agriculture. Moreover, the bureaucratic processes involved in accessing funds were deemed lengthy and costly. However, some entrepreneurs noted that financial constraints were less problematic when businesses focused on small-scale operations and prototypes initially. As one entrepreneur observed, "Finance is not the real issue, but how to commercialize the product is the real problem" (personal communication, 2021). The challenge of scaling operations remains significant due to higher capital requirements.

Cultural factors, with an average score of 2.35/5, influenced societal perceptions of entrepreneurship. Many families discouraged entrepreneurial ventures, favoring conventional careers for their children. The societal stigma surrounding entrepreneurial failure further exacerbated this issue. Entrepreneurs with prior experience or exposure to cultural barriers were more likely to navigate these challenges successfully.

Government policies and processes were rated 3.05/5, reflecting mixed perceptions. Entrepreneurs highlighted inefficiencies in registration, taxation, and regulatory frameworks. Issues such as middlemen in government agencies and the absence of a unified registration process contributed to corruption and inefficiencies. Entrepreneurs recommended clearer policies and tax exemptions for start-ups in their initial stages to ease entry barriers. One key informant stated that policies often lag the needs of the entrepreneurial ecosystem, delaying the establishment of supportive frameworks.

Support systems and marketing also presented challenges, scoring 3.05/5 and 2.7/5, respectively. Entrepreneurs emphasized the importance of mentorship, infrastructure, and networks for scaling

businesses. However, mismatches in mentorship and inadequate networks hindered progress. Marketing challenges arose from entrepreneurs' lack of practical knowledge about customer-centric strategies, as they often focused on technical jargon rather than value propositions. Many entrepreneurs across varied regions and sectors need the necessary support to develop their ideas into growing businesses (Lall et al., 2020)

Looking at the World Bank's Doing Business in Nepal report from 2020, we can see the clear significance of procedural issues, and difficulty of conducting business in Nepal. The score received in 63.2 out of 100, indicating the existence of challenges and barriers to entry or sustained business growth in Nepal.

2.5 Nepal's Startup Ecosystems Global Standing

In a comparative analysis by the Nepal Institute for Policy Research (NIPoRe), we can see where Nepal stands in relation to the U.S., Thailand, Bangladesh, and India. These countries employ diverse mechanisms to support startups financially. The United States, through programs like the SBIR grant and Build to Scale (B2S), emphasizes R&D collaboration and economic growth. India's Startup India Seed Fund Scheme (SISFS) focuses on early-stage financial aid for prototyping, product trials, and commercialization. Nepal's newly formed Startup Fund reflects its nascent ecosystem, providing early support to entrepreneurs (Shrestha, 2024).

Financial tools vary significantly between countries. The U.S. boasts a mature financial ecosystem with options like venture capital, angel investors, and crowdfunding, complementing its government grants. India enhances financial accessibility through tax remission schemes and credit guarantees. Nepal proposes tax subsidies and subsidized loans but remains less developed compared to Thailand, which uses SMART Visas to attract tech talent and tax incentives for angel investors. Similarly, Bangladesh provides tax exemptions and coworking hubs, nurturing youth-driven startups in underserved regions. Both policies foster competitive innovation. As Shrestha (2024) notes, Nepal must expand its range of financial instruments to attract both local and foreign investors effectively.

Promoting national and international investments is pivotal for a thriving ecosystem. The U.S. excels in leveraging its global influence, attracting significant foreign investment, and boosting startups' global competitiveness. India facilitates 100% Foreign Venture Capital Investments (FVCI) across sectors, while Thailand's reforms improved its global ranking for ease of doing business. Nepal and Bangladesh are catching up, with Nepal seeking to amend laws for easier capital market entry and Bangladesh creating attractive conditions like retained earnings treatment for foreign investment. However, as Shrestha (2024) points out, Nepal's startup ecosystem still faces hurdles in streamlining regulatory frameworks to foster seamless investment inflows.

Startup ecosystems in all countries contribute to job creation, though scales vary. In the U.S., startups support millions of jobs annually, fueled by robust entrepreneurial frameworks. India's financial instruments, such as the Pradhan Mantri Mudra Yojana, target micro-enterprises for employment generation. Nepal emphasizes creating jobs through regional and international studies but lacks practical implementation. Comparatively, Bangladesh's startups have created over 1.5 million jobs, leveraging targeted initiatives in fintech, edutech, and e-commerce sectors (Shrestha, 2024).

The U.S. remains a global leader with its well-established culture of risk-taking, innovation, and venture capital infrastructure. India supports diverse sectors, particularly agribusiness, through innovation-driven schemes like ASPIRE. Nepal, still in the early stages, must prioritize streamlined governance, early-stage funding, and research grants to grow its ecosystem. Thailand and Bangladesh demonstrate the effectiveness of combining incentives, investor engagement, and digital transformation efforts. Shrestha (2024) emphasizes the need for Nepal to integrate local governance, simplify compliance, and adopt global best practices to develop a more robust startup ecosystem.

Recent Nobel-prize winning economic research by David Acemoglu and James A. Robinson (2012), outlines the importance of institutions towards the success of a nation's economy. They argue that the prosperity of nations can be attributed to their political and economic institutions, highlighting the inherent links between public and private facets of economic life. The dynamics of entrepreneurship in a region overlaps between its institutions and level of economic development (Autio, 2007), making the quality and strength of institutions crucial to entrepreneurial growth. The availability of resources affects the scalability of startups. Though better institutions contribute to the overall development of a country, personal motivations and incentives might prevent stakeholders from taking on fairer initiatives that would threaten current power dynamics.

2.6 Startup Policy 2080

Nepal's startup policy aims to establish a robust entrepreneurial ecosystem by focusing on legal, institutional, and infrastructural frameworks to foster innovation, employment, and economic growth. Past efforts, such as the 15th periodic plan, emphasized subsidized loans, fiscal access, and the dissemination of knowledge, skills, and technology to young entrepreneurs. The current policy envisions promoting national and international investments, ensuring capital accessibility through initiatives like the startup development fund, and facilitating collaboration among the three tiers of government, academic institutions, and the private sector. Startups are defined as innovative businesses with scalable potential, registered within the last ten years, and operating without mergers with pre-existing businesses. Despite these provisions, implementation risks persist, including inadequate policy and legal reforms, ineffective ecosystem prioritization, and potential funding shortages. To attract foreign direct investment (FDI), the policy underscores the need for a clear and measurable framework with flexible institutional arrangements, such as the Nepal Startup Council and Board, to guide and monitor the entrepreneurial landscape.

Nepal's startup policy, while ambitious, faces numerous challenges in implementation, which can be better understood through a structured framework focusing on background analysis, clear objectives, stakeholder inclusion, institutional arrangements, and monitoring mechanisms. This approach provides a coherent lens to analyze how the policy's provisions align with or diverge from these critical components.

Foundational Efforts and Knowledge Dissemination

The government's earlier initiatives, such as the 15th periodic plan, focused on providing subsidized loans, ensuring fiscal access, and equipping young entrepreneurs with knowledge and technology. These measures have created a foundation but lack the sustainability and impact

required to address the growing needs of startups. For example, while training programs were introduced, their scalability and long-term effectiveness have not been sufficiently monitored. Using the **background and status quo analysis** from the framework, it is evident that Nepal needs to critically evaluate the gaps in these foundational efforts, ensuring that future programs address underlying inefficiencies and are measurable in terms of outcomes.

Startup Ecosystem Development

The policy outlines ambitious goals for creating a startup-friendly ecosystem through legal and infrastructural reforms. However, these reforms are yet to be realized in a comprehensive manner. Current efforts include limited incubation centers and fragmented support systems, which fail to achieve the desired scale or accessibility for startups nationwide. This aligns with the **vision and significance** segments of the framework, which emphasize identifying ecosystem gaps and establishing clear, measurable outcomes. For instance, while the policy mentions innovation and entrepreneurship as drivers of employment and productivity, a lack of targeted infrastructure hinders these goals. The framework's focus on setting measurable objectives, such as the number of functional incubation centers or startups scaled annually, can ensure that ecosystem development moves beyond aspirational statements.

Access to Capital and Financial Tools

Capital accessibility remains one of the most significant challenges for startups in Nepal. While the policy proposes initiatives like a startup development fund, crowdfunding mechanisms, and private equity provisions, these tools are underfunded and inconsistently implemented. Furthermore, startups often face bureaucratic hurdles and a lack of streamlined processes to access these financial resources. This situation underscores the importance of the **monitoring and evaluation** phase in the framework, where mechanisms are established to assess fund disbursement, usage efficiency, and barriers faced by startups. By incorporating regular feedback loops and data-driven adjustments, the framework could ensure that financial tools meet the actual needs of entrepreneurs, promoting equity and scalability.

Collaboration and Institutional Arrangements

Collaboration between the three tiers of government, academia, and the private sector is central to the policy's vision. However, existing partnerships are often ad hoc, lacking formal agreements or accountability structures. For example, academic institutions provide some technical training, but these initiatives are not integrated into a larger system of entrepreneurial development. The policy proposes the Nepal Startup Council and Board to formalize these collaborations, but their establishment remains incomplete. The **institutional arrangements** component of the framework, which emphasizes clear terms of reference (TOR) and accountability, offers a solution by ensuring that councils and boards operate with defined roles and measurable outputs. A well-functioning institutional framework could transform fragmented efforts into cohesive strategies.

Legal Framework and Startup Definition

The policy's definition of startups—focusing on innovation, scalability, and exclusion of older or merged businesses—provides a solid foundation. However, legal frameworks to simplify registration, ensure intellectual property (IP) protection, and incentivize innovation remain underdeveloped. Existing businesses face lengthy registration processes and lack access to

startup-specific regulatory support. The **policy and strategy** segment of the framework highlights the need for startup-friendly legal reforms, ensuring that definitions are supported by actionable policies. For example, creating fast-track registration processes or IP-protection schemes aligned with the policy's criteria could encourage more entrepreneurs to formalize their ventures.

Infrastructure and Ecosystem Prioritization

The policy includes plans for co-working spaces, incubation centers, and digital platforms but lacks a comprehensive strategy for scaling these efforts nationwide. Infrastructure remains concentrated in urban areas, limiting access for rural entrepreneurs. Using the **significance and objectives** sections of the framework, Nepal can prioritize equitable infrastructure development, setting measurable targets such as the establishment of regional incubation hubs or increased access to co-working spaces for underrepresented groups. This would ensure that infrastructure development aligns with the broader vision of an inclusive startup ecosystem.

Risks and Implementation Challenges

Despite the policy's ambitious provisions, risks such as insufficient political will, funding shortages, and weak prioritization threaten its success. For instance, the startup fund's current allocation is inadequate to meet demand, and legal reforms have stalled due to bureaucratic inertia. The framework's emphasis on **monitoring and evaluation** and **iterative improvements** is particularly relevant here. By instituting regular assessments of fund adequacy, policy impact, and implementation bottlenecks, Nepal can adapt its approach to address emerging challenges effectively. Flexible policy design, as suggested in the framework, would also allow for mid-course corrections to overcome these barriers.

By aligning Nepal's startup policy with this structured framework, the government can address implementation gaps, ensure measurable progress, and create a sustainable entrepreneurial ecosystem. This approach underscores the interconnectedness of policy provisions and the need for a holistic strategy to unlock the full potential of Nepal's startup landscape.

Chapter III - Methodology

3.1 Integrative Framework

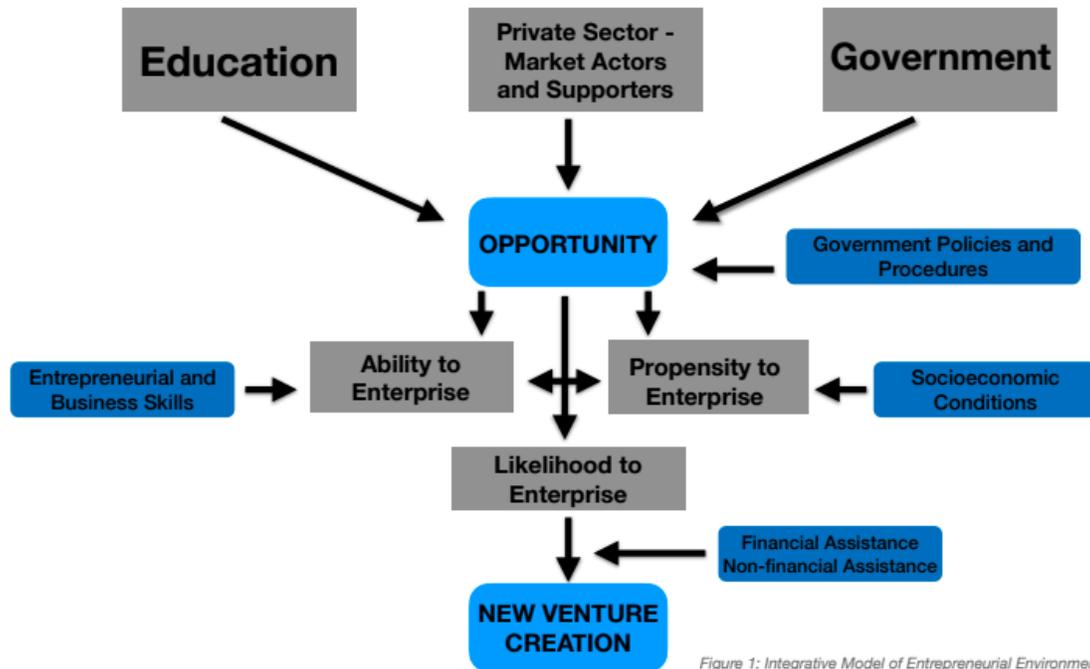


Figure 1: Integrative Model of Entrepreneurial Environments (Gnyawali and Fogel 1994) with additional linkages to the Triple Helix Model

This study employs a qualitative research approach by conducting thematic analysis. Semi-structured interviews with key informants from the government, education sector, and the market, as startup entrepreneurs, or enablers and supporters of market actors in Nepal are incorporated for analysis. This Triple Helix Model presents an analytical framework that synthesizes interactions between universities, industries, and governments into an integrated innovation system. It identifies key components, such as R&D and non-R&D innovators, single-sphere, and hybrid institutions, and both individual and institutional actors. Relationships within the system include technology transfer, collaboration, conflict moderation, leadership, substitution, and networking. Through dynamic interactions within knowledge, innovation, and consensus spaces, the system facilitates the generation, diffusion, and application of innovation, offering insights into optimizing knowledge flows and resource allocation for advancing innovation, particularly at regional levels (Ranga et al 2013).

Additionally, focus group discussions are conducted with aspiring entrepreneurs participating in a prominent business education institution's incubation program. There have been several successful business ventures that grew out of this institution.

The first phase of the study is grounded in the theoretical framework for entrepreneurial environments by Gnyawali and Fogel (1994), which examines five key components:

1. Government policies and procedures
2. Entrepreneurial and business skills
3. Financial assistance

4. Non-financial assistance
5. Socioeconomic conditions

This framework guides the analysis and provides a comprehensive understanding of the factors influencing the entrepreneurial ecosystem.

The interviews lasted between 30-60 minutes and were conducted mostly in-person and some over the phone. Two focus groups of 7-10 aspiring entrepreneurs lasted between 30-45 minutes each. Interviews were conducted in a combination of Nepali and English. The interviews were voluntary in nature, where both verbal and written consent were attained before the interviews. In accordance with the confidentiality clause of the consent form, interviewees are identified only by age and occupation, distinguishing them between education, market, and government actors.

3.2 Research Questions

How can the Government of Nepal optimize the National Startup Fund and other entrepreneurial support mechanisms to foster a vibrant startup ecosystem, overcoming existing challenges and promoting sustainable economic growth and job creation?

RQ 1: What aspects of entrepreneurial environmental conditions (ecosystem) are the most vs least developed in Nepal and how can these conditions be developed to foster new entrepreneurial ventures?

RQ2: What else (not addressed in the environmental conditions) exist in Nepal that facilitate (favorable) and hurt (or obstacles) startups in Nepal and what steps are to be taken?

This study adopts a qualitative research approach to explore the entrepreneurial ecosystem in Nepal, with a focus on aspiring entrepreneurs in the technology sector. The research seeks to understand the experiences, challenges, and opportunities faced by these individuals within a university startup incubation program. By using qualitative methods, the study aims to provide a deeper understanding of how the entrepreneurial ecosystem supports or hinders the aspirations of early-stage entrepreneurs.

3.3 Data Collection

Qualitative Analysis

In-Depth Interviews:

Semi-structured interviews will be conducted with key stakeholders in the entrepreneurial ecosystem, focusing on current entrepreneurship promoters and key actors within the university startup incubation program. These interviews will explore themes such as access to resources, business strategies, innovation, policy impacts, and personal challenges encountered during the entrepreneurial journey. This method allows for flexibility, enabling participants to share their experiences in detail and provide rich, context-specific data.

Focus Group Design:

Focus groups will be conducted with aspiring entrepreneurs currently enrolled in a university startup incubation program. These discussions will focus on participants' experiences within the program, including how it has shaped their entrepreneurial ambitions, the types of support received, and the challenges they face in scaling their ventures. The focus groups aim to capture a collective perspective on the incubation process and how it fits within Nepal's broader entrepreneurial ecosystem. Focus groups were conducted at incubation center at prominent business university based in Kathmandu.

3.4 Population Sample

The target population for the focus groups consists solely of aspiring entrepreneurs participating in a university startup incubation program. These individuals represent early-stage entrepreneurs who are actively engaging in the entrepreneurial process and seeking to establish technology-based startups. 18 market actors or enablers were interviewed, as well as 3 education sector partners and 1 government official who is directly involved in industrial and enterprise development in Nepal. For the focus groups,

Thematic Analysis:

The qualitative data gathered from the interviews will be analyzed using thematic coding. This method will identify recurring patterns, trends, and unique insights within the data, guided by a conceptual framework based on the five dimensions of the entrepreneurial ecosystem: access to finance, human capital, market access, policy environment, and culture. Through coding and categorizing the data, key themes will be identified to provide an in-depth understanding of the specific challenges and opportunities faced by aspiring entrepreneurs in Nepal.

FOCUS GROUP 1:

<u>Business Type</u>	<u>Characteristics</u>	<u>Age / Gender</u>	<u>Identifier</u>
Eco friendly products	1 year running	26 / M	P1
Eco friendly products	1 year running	24 / F	P2
IT company / Food Product	1 year running - product phase	23 / M	P3
Service Business	Ideation - product phase	21 / M	P4
Composting Enterprise	Pilot phase	26 / M	P5
Food Product	1 year running - product phase	25 / F	P6

FOCUS GROUP 2:

<u>Business Type</u>	<u>Characteristics</u>	<u>Age / Gender of Participant</u>	<u>Identifier</u>
Ecommerce	2 years running	25 / M	P1
Rental Service	Ideation phase, 6-7 months	24 / M	P2

Ecommerce	Ideation phase, 5 months	23 / F	P3
Service Business	Ideation phase	18 / F	P4
Ecommerce	2 years running	25 / F	P5
Education Service	12 years	21 / M	P6
Service Business	Ideation phase	18 / F	P7
Education Service	12 years	20 / M	P8

KEY INFORMANT INFORMATION (FOR INTERVIEWS):

<u>Participant Type</u>	<u>Participant / Company Profile</u>	<u>Age and Gender</u>	<u>Identifier</u>
Government Official - Ministry of Industry, Commerce and Supplies	Focused on industrial and enterprise development	M (40+)	E1
Private Sector Enabler: Fund Manager - Private Equity	Fund management and investment company	M (38)	E2
Private Sector Enabler: Operations Manager at Private Equity Association	Nepal Private Equity Association (NPEA)	F (27)	E3
Private Sector Enabler: Angel Investor	Early-stage investment company	M (36)	E4
Private Sector Enabler: Learning Chair	CNI	M (42)	E5
Private Sector Enabler: Startup Chair	CNI	F (36)	E6
Private Sector Enabler	CNI	F (30+)	E7
Private Sector Enabler	FNCCI	F (40+)	E8
Private Sector Enabler: Head of Programs	Startup Discovery School	F (30)	E9
Private Sector Enabler: Director General	Chamber of Commerce of Biratnagar, 5 years as DG	M (44)	E10
Private Sector Enabler: Youth Lead	NYEF	M (30+)	E11
Educational Sector: Previous Incubation Program Lead at Business University	Business University's Incubation Program	M (29)	E12
Educational Sector: President of Business University	Business University	M (40+)	E13
Educational Sector: Incubation Program Lead at Business University	Business University's Incubation Program	M (30+)	E14
Private Sector: Business Development Lead	Geospatial map company, 4 years running	M (22)	E15
Private Sector: Founder	Travel tech startup	M (24)	E16
Private Sector: Founder	Eco-friendly business	F (35+)	E17
Private Sector: Partnership and Outreach Community Lead	Education business, established business in Nepal	F (23)	E18
Private Sector: Cofounder	Education business, established business in Nepal	M (36)	E19
Private Sector: Assistant Vice President	Logistics business, established company in Nepal	M (29)	E20
Private Sector: Cofounder	Established tea company	M (32)	E21
Private Sector: Cofounder	Eco-friendly business	M (31)	E22

Cities Selected:

The study concentrates on two key cities that are significant to Nepal's entrepreneurial landscape:

1. **Kathmandu:** The capital city and primary hub for technology firms, startup accelerators, and investment.
2. **Biratnagar:** A key industrial city in eastern Nepal, providing a contrasting environment to Kathmandu and offering insights into entrepreneurship in more traditional economic settings.

Integration of Methods

The integration of semi-structured interviews and focus group discussions will provide a comprehensive qualitative understanding of the entrepreneurial ecosystem in Nepal. By focusing on aspiring entrepreneurs within a university setting, the study will reveal how institutional support, access to resources, and policy frameworks shape entrepreneurial development. This qualitative approach allows for a rich exploration of the factors that influence entrepreneurship and provides detailed insights into the barriers and enablers of success for early-stage ventures in Nepal.

Chapter IV - Analysis and Findings

Government Policies and Procedures	Financial Assistance	Non-Financial Assistance	Business and Entrepreneurial Skills	Socioeconomic Conditions
Restrictions on imports and exports	Venture Capital, alternative sources of financing	Local and international entrepreneurial and information networks	Technical and vocational education, business education	Public attitudes towards entrepreneurship
Entry barriers, procedural requirements for registration and licensing	Low cost loans, competition among financial institutions	Incubator Facilities and government procurement for small businesses	Availability of information and entrepreneurial training	Presence of experienced entrepreneurs and successful role models
Rules and regulations governing entrepreneurial activities	Willingness of financial institutions to finance small entrepreneurs	Government support for research and development, transport and communications facilities	Critical thinking and situation based learning	Diversity of economic activity and extent of economic growth
Provisions of bankruptcy laws	Credit guarantee programs for startups	Tax incentives and exemptions	Technical and vocational training programs	Existence of persons with entrepreneurial characteristics

Figure 2: Framework for Entrepreneurial Environments, factors listed from text and factors specific to Nepal, discovered based on interviews with key stakeholders

Thematic analysis, along the five identified metrics, is conducted to analyze interview and focus group data. Within each of the five major themes, there are 4 sub themes each, totaling 20 key aspects of policy and entrepreneurial conditions that explain the most and least developed aspects of Nepal’s entrepreneurial environment, and further insights disclose areas for improvement specific to Nepal that are not addressed within the framework.

4.1 Government Policies and Procedures

A key finding was that a lack of collaboration between government bodies significantly impedes business development. Entrepreneurs face challenges due to the absence of clear compliance guidelines and limited access to financial research, especially in the early stages of venture creation.

Furthermore, sustained growth necessitates a clear demarcation of responsibilities among the three tiers of government to ensure the development of infrastructure that supports entrepreneurial activities.

While government partners and public sector enablers of Nepal’s startup environment are eager to move forward processes of startup development, the focus needs to shift on public-private collaborations and most efficient techniques.

As interviewee E21 noted, *“I think it is evident that the government really wants to [enable the private sector]. Government wants to, they’re trying this, they’re trying that, and all of this is also*

part of government trying to now be there proactively. I think by now the government also knows what needs to be done, but how do we do that and by when do we do that [is the big question]”

A challenge particular to Nepal, however, is that with frequent changes in government, it becomes necessary to primarily ensure the effectiveness of bureaucracy, rather than a few individuals.

As noted by interviewee E2, *“There is no consistency in the government, so bureaucracy should be larger than or at least stronger than political parties”*

While compliance and regulatory issues were consistent problems faced by entrepreneurs, interviewees disagree on where to place the onus for understanding procedures. While some believe that it is up to individual entrepreneurs to understand and comply with government policies and procedures, others believe that the government can ease these processes and that many entrepreneurs struggle with legal and compliance knowledge, as existing policies often lack clarity and are not tailored to the specific needs of businesses.

As noted by interviewee E21, the government processes for venture creation are *“too cumbersome because many policies don't recognize the unique cases that could happen.”*

It is important to *“Stop looking at businesses from the same lens, create many policy lenses”* – Interviewee E19

Furthermore, the question of extralegal and new areas for legal development was a common point of discussion. Instead of adopting punitive measures towards businesses enabling innovation in Nepal, government partners can learn to operate within grey areas while developing favorable entrepreneurial policies.

As emphasized by interviewee E13, *“Innovation is something that always takes place in grey areas, so just because a business is operating under new conditions, if it is operating extralegally, we cannot accuse them of being liars and cheating the system, but rather recognize that their work has not fallen under the conditions of our current policies, and work in collaboration across ministries to ensure similar, supportive treatment of the ideas and innovation. I would say it is not just important to collaborate within government ministries, but also work towards public-private partnerships through an independent entity that has a unified vision.”*

While the above suggestion comes from a primary in Nepal's business education sector, private sector actors hold similar sentiments.

“A lot of the existing market operates under a grey area. There's no institutionalized market in so many industries, and the majority of our economic activity is operating under the grey area. It's not legally regulated or taxed, so they can focus on how to make these processes easier institutionally, and integrate initiatives to support fundamentals of good business” – Interviewee E15

The need for collaboration has been emphasized throughout.

A current problem is that everyone respects working in silos, and *“there must be more advocacy rather than just us working in silos, increase clarity and make use of monitoring.”* - Interviewee E9

Once clarity of processes, more policies and initiatives are implemented, it would be extremely beneficial to work the different tiers of government to collaborate towards entrepreneurial development.

Aside from just carrying out national initiatives and collaborations with the private sector, is it equally important to *“tap into local governments”* – interviewee E9

“Local governments like KMC, LMC, with all the municipalities that actually can segregate funds, since annually, they separate funds for different demographics. They have these systems in place that can be utilized towards entrepreneurship and innovation.” – Interviewee E9

Discussing what these initiatives can look like, interviewee E18 noted that providing opportunities, as their educational company, for young people to take on government internships aimed at increasing awareness, clarifying processes, and enabling the private sector, while simultaneously providing young people with an opportunity to work with government actors and build their own portfolios. Further, they emphasized that *“there should be a help line to just help with the registration process, for quick resolutions, initially for understanding tax systems, and understanding the process. I have noticed that local governments sometimes put out help lines, so I am sure larger government agencies can do the same to provide quick resolutions to entrepreneurs. What would happen if they had. YouTube channel per say?”*

Utilizing contemporary solutions, innovative ideas and increasing collaborations seem to be the best ways that the national and local governments can enable the entrepreneurial ecosystem, making them more favorable to startups. By ensuring that the demanded skills can be allocated efficiently within the economy, Nepal can work towards building stronger institutions.

4.2 Socioeconomic Conditions

Socioeconomic factors play a significant role in hindering venture creation, as many individuals exhibit high levels of risk aversion and an intolerance to failure. This cultural barrier often discourages potential entrepreneurs from pursuing new business opportunities.

While entrepreneurs who came from business backgrounds felt more supported, in general, aspiring, and current entrepreneurs denoted a lack of belief and support, paired with a strong pressure to go abroad to advance their careers, rather than pursue entrepreneurial success in Nepal.

The startup chair of a prominent private sector enabling organization in Nepal outlined this as a primary reason for a lack of youth involvement in the economy and new venture creation.

“I think that brain drain is one of the biggest reasons for actually hampering entrepreneurship. When we talk to youth over here, they don't have any other aspirations. There are no other role models that they can look up to, no plans, other than going abroad in the US” – Interviewee E6

Similarly, another leader in the private sector, enabling associations of businesses and lobbying for the government observed a similar trend in Nepal.

If young people go to Australia, US, UK, they will probably settle there and not come back and parents will prefer that as well, as a status symbol. People are really just concerned about sending their kids abroad, it is an obsession, does not matter what they are going to study” - Interviewee E8

Education sector lead, interviewee E13 notes that socioeconomic conditions are the biggest hindrance to successful venture creation in Nepal.

“Our overall society is not built for entrepreneurial support. The biggest roadblock is definitely the attitudes towards startups. More than just attitudes, it is also behavior. For an entrepreneurial spirit to thrive, more exploratory, experimental ideas need to be encouraged, beginning at home. There is no tolerance for failure in our society, and independent thinking is often stopped in its tracks at home. Knowing and doing are different, and in knowing, we might be great, but nobody wants to take a risk and actually do something here.” – interviewee E13

Early-stage investor, interviewee E4, further emphasized that *“we need to be careful about what we are celebrating and what we are punishing in our society. Our society glorifies fancy big things, but small meaningful actions are what drive long term success in business.”*

For these sentiments to be enabled, however, aspects of education and opportunity overall need to steadily change so that *“young people can see alternatives within the country instead of going abroad” – interviewee E15*

“The system needs to support founders and young people who have an idea to do something. Often, even someone who decides to do something here gets disenchanted and opts for leaving the country, which is a very common problem” – E15 ,

Private sector actors consistently described this tendency to be a result of our educational foundation in Nepal.

“I think our educational foundation is overall simply basic training for the workforce and I guess that is maybe why supporting venture creation is systematically rare. As a society, I think we are a little risk averse that risk adversity leads to a search for stable jobs, government jobs, pensions, long term stability, which overshadow innovation, pioneering, and venture creation” -E15

Additionally, findings suggest that business in Nepal is a relationship-driven process, which can either serve as a benefit or a barrier. Effective collaboration with relevant stakeholders is key to navigating this dynamic, as building trust and networks is crucial for success.

Some misunderstandings and misconceptions, as well as the status quo of Nepal's business environment create additional socioeconomic barriers. These barriers could come in the form of gender discrimination or a lack of self-selection towards entrepreneurship from women, or discouragement in founders with new ideas. As identified by interviewee E9,

“The business environment in Nepal is very male heavy, male driven, so when that is the case, some of the voices that actually go along with the policy, not just in terms of economic growth, but also other aspects like support for women and youth people, tyo voices, can lose representation and need to be better connected and be convincing. Additionally, whenever we discuss innovation, they talk about and relate it to science, mistaking it for simply invention, so these misconceptions and understandings at government and society level need to be clarified to encourage startups.” – Interviewee E9

4.3 Business and Entrepreneurial Skills

The development of entrepreneurial and business skills is essential for the creation and growth of ventures. Initial support in the form of incubation programs, access to technical and business education, and collaboration between these institutes are necessary for fostering entrepreneurship.

Many of these initiatives are carried out through the government as a part of an ongoing process to bring ideation and incubation centers throughout Nepal, extending to rural regions and outskirts of major cities.

Interviewees discussed the types of skills and areas for improvement among Nepali entrepreneurs and startup leaders. While many of these skills are technical and practical, some of the identified lacking areas suggest a need for changes in socioeconomic conditions and perceptions of most valuable skills.

Private sector actors recognize that Generation Z, although faced with inherent barriers to venture creation, are looking towards selling technical services abroad, and *“selling services skills to foreign companies and buyers, that’s a good indicator of a developing system here, because that gives access to capital, through their own initiative, in some senses.”* – Interviewee E15

Furthermore, the tendency to work around circumstantial barriers was identified as a strong skill among Nepali entrepreneurs.

“I think the ability to ideate, hustle, and leverage the network of people – these are common Nepali traits in aspiring entrepreneurs.” – Interviewee E21

The challenge entrepreneurs often face seems to be an attachment with ideas and the types of businesses that they are coming up with, intending to replicate foreign concepts that cannot effectively be carried out in Nepal. In the case that there is a great idea, practical considerations, such as human resources, finances, information technically, etc. are lacking.

“Aspiring entrepreneurs seem to have a mindset, which is a skills gap in itself, of “why do we need to document things or go through a standard procedure, but these are foundational, when we look at young people, they have digital access, but are using their mobile phones for TikTok.”
Interviewee E9

This type of factor was also noted by another private sector leader, who stated that aspiring entrepreneurs in Nepal *“lack the business acumen or fail to have all their ducks in a row to get proper investments.”* – Interviewee E5

If we can start to change and inspire better digital engagement, this would be a pivotal step forward in development of skills. Furthermore, other necessary soft skills are patience and grit.

“Where our skills really lack is our ability to put massive hard work in one thing for years to see the result. F1 software, it took them 9-10 years to be profitable, so there is eventually a light at the end of the tunnel, but the persistence to work hard is not there.” – Interviewee E21

“I think in a sense, it is important to enjoy failure and learn that strength lies in the ability to iterate processes. In today’s day and age, anyone could replicate our business model and work, but they need the skill, amount of feedback, experiences, and experiments that we have put into this company” – Interviewee E18

Many of these areas for improvement are directly correlated with Nepal’s education system and highlight an urgent need to introduce entrepreneurial mindsets at an early age, encouraging educational institutions to prioritize exploration and critical thinking.

“I think our education system has mainly taught us to pass the exam, right? So, after learning to pass an exam, we are only taught to get the results. Here too, everyone is looking at “how do I pass my entrepreneurship test? How do I get in the newspaper or meet an arbitrary success metric? But the process of long-term learning, working with rigor, these things need to be better taught” – Interviewee E21

“Nepal’s education system does not capture the need for patience in venture building.” – Interviewee E19

While working on individual skills and building grit, both systematically and personally, interviewees highlight the collaborative ways in which entrepreneurs can begin to think to carry out venture creation, and subsequently benefit the country’s overall conditions.

“Collaboration turns out to be a unique power - it is a simple yet powerful tool that is missing in terms of skills. The appetite to engage with people differently than yourself is minimal, initiative toward development of softer skills is less prevalent, even harder skills, like coding, Nepali youth are as good as anyone.” -interviewee E4

Continuing this assessment, education leader, interviewee E13 observed that *“to develop such soft skills is only possible in situational learning. You keep doing, you keep trying and our education system does not create many situations where these soft, transferable skills, can be*

promoted. Entrepreneurial skills are not hard skills – these are higher order skills like recognizing opportunity, patterns, trends and finding meaning in a plethora of information, finding data insights, these are the necessary skills. Learning by doing is the best way, through networks, exposure, and reflections.”

It is important that there is a consistent flow of skilled individuals across Nepal’s entrepreneurial environment and that we work towards fostering more collaborations because visions cannot be carried out without working hands. As noted by Biratnagar’s prominent private sector enabler, interviewee E10,

“There is no one to execute. Lack of human capital is an issue, who will carry out the support, what is the process? They cannot just receive funds without a plan or process in place. Even when there is willingness, skills, management and working hands are necessary to carry out a plan that leads to development of the country.” – Interviewee E10

It is especially insightful that this declaration comes from Biratnagar. As a border city close to India, the amount of migration out of Biratnagar is not even tracked at the same levels as overall national migration. We can conclude that, in areas where brain drain and emigration may be more prominent, developing a pipeline for skills is crucial.

“So, most of these settlements are turning into ghost towns, where we only see women or elderly people or children, which means that it is so important now, that brain drain is occurring, and it is important empower women too” – Interviewee E9

4.4 Financial Assistance

The timely disbursement and implementation of financial assistance are critical to ensuring the sustainability of entrepreneurship in Nepal. Entrepreneurs need targeted financial assistance, particularly in the early stages of venture creation, when resources are scarce, and risks are higher. Although the recent implementation of the Nepal Startup Fund and loan initiatives are promising, the results of these initiatives have not yet provided significant returns and discussing areas for improvement is important.

Data from the two focus groups conducted show that *“nobody is willing to invest in an idea at early stages in Nepal. They want numbers, which is not possible so early”* (F2, P2).

Unlike other countries, the venture capital and private equity scene in Nepal is still underdeveloped.

As noted by private equity specialist interviewee E3, *“I don't know if private equity co-fund players have sort of the risk appetite to sort of take that position [to fund startups with small ticket sizes]. The association itself, we do not involve ourselves that much with startups even though theoretically, there is a huge importance of venture capital. At this point, we are still setting ourselves up for success, so we can't set someone else up for success.”*

These insights speak great volumes about the overall macroeconomic conditions of Nepal, which directly affect how much support entrepreneurial, particularly risky ventures like startups, can realistically receive.

“We can see that investors in Nepal don’t yet have an appetite for investing in startups. The size of the investments that are generally made in Nepal are bigger and not inclined towards startups, and there is much more of an impact investing scene in terms of accessing private or NGO funds” – Interviewee E2

4.5 Non-Financial Assistance

Non-financial assistance, such as access to data, testing facilities, and networks, is crucial during the initial stages of venture creation.

Entrepreneurs benefit from collaboration between technical institutions and business schools, which can provide the necessary resources to validate ideas and develop products.

Additionally, networking and relationship-building are fundamental in Nepal's business landscape, highlighting the importance of having non-financial support structures in place to foster collaboration and open market opportunities.

An early-stage investor notes that, similar to funding, the most non-financial assistance is needed at early stages of venture creation.

“Support, funds, advice, mentorship in the beginning is crucial to ensuring that business ventures continue, and founders are not discouraged.” – Interviewee E4

To create effective businesses, founders need data insights, the lack of which poses a huge barrier to venture creation. Nobody can work off consumer data, nor project the possible success of their businesses in the Nepali market.

“Biggest area that needs funding is research. Then, seed funding at the bottom of the pyramid” – Interviewee E4

“The government needs to make data not only accessible, but also improve data collection, processing methods so that data can be usable to entrepreneurs. To make a business environment stable, the availability of basic abilities, finance, data support from the government and opportunities to collaborate are crucial infrastructure to create thriving and successful businesses.” -Interviewee E15

Both focus groups also consistently emphasized a need for reliable data. Furthermore, by creating opportunities for engagement, enablers can further support venture initiatives.

“It would be better if government was collaborating with private sector to support businesses. What happens in the government is that they might just bring people they know, and the programs may not reach those who need it. I think it would be good to have people to learn from who have started from the bottom up.” (F1, P5)

Due to a lack of space for experimentation and exploration, “young people may have good ideas, but no way to test them out of the ideation phase due to a lack of institutional resources.” – E14

“For startup programs, we lack a proper pipeline, so what we are trying to do is make this pipeline sustainable so that businesses, after incubation, are not lost.” E9

“Public-private partnership is the need of the hour. but everyone needs to think about how there can be government, private or education they really collaborate.” – E9

Along the lines of these findings, we can conclude the following:

Category	Least Developed	Developmental Opportunities	Ideal Conditions
Government Policies and Procedures	<ul style="list-style-type: none"> - Lack of collaboration between government bodies and frequent changes hinder clarity and consistency. - Bureaucratic processes are cumbersome, policies are unclear, and not tailored to entrepreneurial needs. - Compliance and regulatory challenges, especially in innovative ventures. - Lack of public-private collaboration and advocacy. 	<ul style="list-style-type: none"> - Streamline bureaucratic processes and create "policy lenses" for diverse entrepreneurial needs. - Enhance public-private partnerships and create independent entities with unified visions. - Improve legal frameworks to support innovation in grey areas. - Utilize local government resources for entrepreneurship (e.g., segregated funds, help lines). 	<ul style="list-style-type: none"> - Adopt laws and regulations protecting innovation (patents, copyrights). - Implement minimal regulations to reduce business costs. - Ensure broad scope of opportunities and a liberal economic policy.
Socioeconomic Conditions	<ul style="list-style-type: none"> - High risk aversion and societal pressure discourage entrepreneurship. - Brain drain and lack of role models reduce aspiration. - Gender discrimination and lack of inclusion for women and youth. 	<ul style="list-style-type: none"> - Promote entrepreneurial thinking and tolerance for failure. - Empower youth and women through targeted support. - Address misconceptions about innovation beyond science and invention. 	<ul style="list-style-type: none"> - Implement short-term programs (e.g., awards, trade fairs) to raise societal awareness of entrepreneurship. - Introduce entrepreneurial values in education for long-term cultural shift.

Business and Entrepreneurial Skills	<ul style="list-style-type: none"> - Lack of business acumen, documentation skills, and long-term focus. - Educational systems fail to teach critical entrepreneurial skills. 	<ul style="list-style-type: none"> - Introduce entrepreneurship-focused education early, with an emphasis on critical thinking, soft skills. - Encourage digital engagement and patience through structured learning. - Promote collaboration skills and networking. 	<ul style="list-style-type: none"> - Provide vocational training, entrepreneurship courses, and workshops to develop specific business skills. - Focus on enhancing business skills and technical training.
Financial Assistance	<ul style="list-style-type: none"> - Limited early-stage investment and venture capital. - Underdeveloped private equity and impact investment. 	<ul style="list-style-type: none"> - Increase early-stage funding through government and private sector collaborations. - Develop structured funding pipelines (seed funding, scale-up opportunities). 	<ul style="list-style-type: none"> - Provide financial assistance when propensity and ability to enterprise are high. - Target funding at entrepreneurs who have the potential to succeed.
Non-Financial Assistance	<ul style="list-style-type: none"> - Lack of access to data, testing facilities, and non-financial resources. - Few opportunities for mentorship and collaboration. 	<ul style="list-style-type: none"> - Enhance data collection, accessibility, and usability for entrepreneurs. - Strengthen incubation programs for long-term startup support. - Foster public-private partnerships for mentorship and networking. 	<ul style="list-style-type: none"> - Develop supporting institutions and provide mentorship and networking opportunities. - Create accessible data and foster collaboration spaces.

Facilitating Factors

- Strong individual traits like hustling, leveraging networks, and ideating, particularly among Generation Z.
- Emerging trends in selling technical services to foreign markets, leading to capital access.
- Local governments with resources to support entrepreneurship (e.g., segregated funds for youth initiatives).
- Private sector initiatives to promote skills development and collaboration.

Obstacles

- Brain drain and societal obsession with sending youth abroad for higher studies or stable careers.
- Cultural barriers discouraging risk-taking and entrepreneurial aspirations.
- Gender inequality and underrepresentation of women in entrepreneurship.
- Limited systematic collaboration across stakeholders, including government, private sector, and educational institutions.

Chapter V - Recommendations

To effectively implement the recommendations outlined below, it is crucial to plan them out along short- and long-term visions. This distinction will help clarify the immediate steps that can be taken to address key challenges. Further, collaborative decision-making processes and reflections can lead to identification of key actors that can best carry out the proposed recommendations.

5.1 Cultural and Educational Shifts

Short-term Recommendations:

1. **Media and Awareness Campaigns:** Launch a national media campaign that highlights successful entrepreneurs and showcases entrepreneurship as a viable career path. These campaigns can feature role models and share real-life success stories to inspire a shift in public perception.
2. **Curriculum Integration:** Bring established entrepreneurs into learning environments to motivate current students. Introduce basic entrepreneurship modules in primary and secondary schools to begin building an entrepreneurial mindset early. Focus on critical thinking, problem-solving, and innovation.

Long-term Recommendations:

1. **Full Integration into Higher Education:** Incorporate entrepreneurship as a core component across all academic disciplines, particularly in STEM programs. Over time, this will ensure that young innovators are well-prepared to think entrepreneurially regardless of their academic focus.
2. **Teacher Training:** Develop training programs for educators to equip them with the skills needed to foster entrepreneurial thinking and teach business skills across various subjects.

5.2 Policy and Procedural Improvements

Short-term Recommendations:

1. **Unified Startup Body:** Form a task force to quickly evaluate and propose the merging of the Startup Council and the Startup Board to create a unified body that simplifies decision-making and streamlines policies. Consider establishing this body under the Office of the Prime Minister.
2. **Simplified Compliance:** Introduce temporary regulatory exemptions for startups to ease entry, especially for businesses in their initial stages. These could be phased out as businesses grow.
3. **Information Dissemination Portal:** Create avenues for information dissemination to ease registration and business establishment processes. The creation of a website with relevant information and help line are some ways to begin facilitating this process.

Long-term Recommendations:

1. **E-commerce Bill Passage:** Expedite the passage of the e-commerce bill to provide legal clarity for online businesses, supporting digital entrepreneurship and facilitating international trade.
2. **Governance Structure Reorganization:** Work towards creating a transparent and efficient regulatory framework for startups, including clear demarcation of responsibilities across national, provincial, and local levels of government.

5.3 Non-Financial Infrastructure

Short-term Recommendations:

1. **One-Stop Digital Platform:** Develop and launch a digital platform that consolidates information on policies, procedures, and available resources for startups. This should be accessible to entrepreneurs nationwide, particularly in remote areas.
2. **Networking Events:** Organize regular symposiums and expos to provide networking opportunities for entrepreneurs, helping them gain visibility and market access.

Long-term Recommendations:

1. **Startup Ecosystem Pipeline:** Establish a structured support system that guides startups through each stage of their journey, from ideation to post-incubation. This pipeline should include access to mentorship, funding, and research.
2. **Research and Data Access:** Invest in research and data collection that supports entrepreneurs in testing and validating their ideas, creating a robust evidence base to inform business decisions.

5.4 Socioeconomic Empowerment

Short-term Recommendations:

1. **Targeted Initiatives for Women and Youth:** Launch short-term, focused programs that provide entrepreneurship training and mentorship specifically for women and youth in rural areas.
2. **AgriTech Projects for Smallholder Farmers:** Start pilot programs that support smallholder farmers in adopting agriTech solutions, providing the necessary infrastructure and training.

Long-term Recommendations:

1. **Inclusive Policy Development:** Create and implement policies that specifically support women and youth entrepreneurs, particularly in rural and marginalized communities.
2. **Sustainable Rural Development:** Develop long-term agricultural projects that integrate technology, education, and financing options for rural entrepreneurs, aiming for broader socioeconomic empowerment.

5.5 Talent Retention and Skill Development

Short-term Recommendations:

1. **Internship Programs:** Establishment of government and government facilitated private internship programs for university level students residing in Nepal
2. **Mentorship Programs:** Establish mentorship schemes for Non-Resident Nepalis (NRNs) and foreign-educated youth to facilitate knowledge transfer and integration into Nepal's startup ecosystem.
3. **Skill-building Workshops:** Launch practical skill-building workshops that focus on leadership, entrepreneurship, and innovation for emerging entrepreneurs.

Long-term Recommendations:

1. **Talent Retention Schemes:** Design policies and incentives aimed at retaining skilled professionals, particularly NRNs and youth educated abroad. These could include tax incentives or special visa programs.
2. **Entrepreneurship Ecosystem Development:** Foster a long-term environment that supports continuous learning and skill development, integrating both academic institutions and industry leaders into a thriving ecosystem.

5.6 Financial Innovations

Short-term Recommendations:

1. **Review of Collateral Requirements:** Initiate discussions with Banking and Financial Institutions (BFIs) to reconsider the collateral requirements for startups, allowing more access to capital in the early stages.
2. **Subsidized Loan Disbursement:** Expedite the disbursement of subsidized loans to new ventures, aiming for processing times of no more than three months.

Long-term Recommendations:

1. **Shift from Grants to Loans:** Gradually transition from grant-based funding to low-interest loans for startups, encouraging sustainable financial growth within the ecosystem.
2. **Financial Literacy Campaigns:** Launch nationwide financial literacy campaigns, in collaboration with academic institutions, to improve the financial management capabilities of entrepreneurs.
3. **Systematic support through PPP:** Enabling the private equity and venture capital space in Nepal, we can adopt a strategy similar to India, allowing for pools of private funds to be dispersed through government portals, with the public sector taking on financial risk, while creating a channel for private funding to be funneled into startups.

5.7 Legal and Infrastructural Support

Short-term Recommendations:

1. **Improve Contract Enforcement:** Strengthen legal frameworks to ensure timely enforcement of contracts, especially for cheque transactions, to enhance trust in the business environment.

2. **Infrastructure Investment:** Focus on building key physical infrastructure, such as coworking spaces, and digital infrastructure that supports e-commerce and technological ventures.

Long-term Recommendations:

1. **Legal Framework Reform:** Overhaul legal processes related to business registration, intellectual property rights, and dispute resolution to create a more entrepreneur-friendly legal environment.
2. **Sustainable Infrastructure Development:** Develop long-term infrastructure projects that support startup growth, including logistics networks, industrial parks, and tech hubs.

Chapter VI - Conclusion

This research highlights the critical role of startups in regional and national economic development. MoICS's current priority of promoting youth entrepreneurship in Nepal's economic transition, as the country aims to move from a least developed to a lower-middle-income nation by 2026, can be supplemented through the enhancement of Nepal's entrepreneurial ecosystem. Given the substantial 'youth bulge,' engaging young people in entrepreneurship is essential for driving sustainable development.

While government enablers have made strides with initiatives like the National Entrepreneurship Policy 2073 and the National Startup Fund, significant challenges persist. These include limited capital access, inadequate supportive policies, skills gaps, and weak market linkages. There is a large scope for Public-Private Partnerships that can expedite these initiatives.

Using the Integrative Model of Entrepreneurial Environments, this study assessed Nepal's regulatory landscape and identified barriers in key areas: government policies and procedures, entrepreneurial and business skills, financial and non-financial assistance, and socioeconomic conditions. Qualitative data from interviews and focus group discussions provided insights into these issues, indicating space for development across the five areas. The establishment of a more comprehensive framework to address these gaps, enabling procedural and cultural shifts, can promote startups in Nepal.

Implementing these recommendations requires a coordinated approach and a clear implementation roadmap, supported by a robust monitoring and evaluation framework. Addressing these areas will help Nepal build a vibrant startup ecosystem, harnessing the potential of its youth to drive national prosperity.

Entrepreneurial initiatives in Nepal should be rigorous, not punitive, and based in the understanding that allowing for innovation can sometimes involve innovative policy solutions and execution. The glaring challenges in Nepal's economy lie outside of just the startup and entrepreneurial ecosystem, and addressing these root causes can enable new businesses, while simultaneously promoting the environment for fruitful career building and national progress.

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Annex

Interview Questions for Government Officials (MoICS)

- What are the current policies in place to support startups in Nepal, and how effective have they been?
- Can you describe the main objectives of the National Entrepreneurship Policy 2073?
- What specific measures has MoICS taken to address the challenges faced by startups?
- How does the government plan to improve access to capital for startups?
- What kind of support does the National Startup Fund provide, and what are its key achievements so far?
- How is the government fostering collaboration between various stakeholders in the startup ecosystem?
- What monitoring and evaluation frameworks are in place to assess the impact of startup policies?

Interview Questions for Startup Founders / Collaborators

- What is your age and role at your business?
- Can you describe the type of business you conduct and what service or product you provide, describe the stage of business as well
- Where is your market and how was it determined?
- What motivated you to start your business in Nepal?
- What were the biggest challenges you faced during the startup phase in terms of government policies and procedures?
- How accessible was funding for your startup, and what sources did you use?
- What challenges do you see in the financial assistance aspect of Nepal's entrepreneurial ecosystem? How willing are financial institutions to fund startups?
- What kind of support or assistance did you receive from incubators or accelerators?
- How do you perceive the current regulatory environment for startups?
- What skills do you find most lacking in the entrepreneurial ecosystem?
- In which sectors do you see the most potential for startup growth in Nepal?
- How does modern infrastructure like transport and communication affect your business?
- What values do you hold when moving towards startup growth?
- How do you think the education system enables or disempowers entrepreneurship of this sort?
- How do you view socioeconomic conditions in Nepal around startups and how has this directly affected you?
- How is information accessibility for venture creation - both public and private sector

Interview Questions for Incubator / Accelerator Leaders

- What services and support do you offer to startups in Nepal?
- How do you select the startups you work with?
- What are the common challenges faced by startups in your program?

- How do you measure the success of the startups you support?
- What sectors do you think have the highest potential for startup success in Nepal?
- How do you collaborate with other stakeholders, such as the government and investors?
- What improvements would you suggest to enhance the startup ecosystem in Nepal?

Interview Questions for Investors and Financial Institutions

- What criteria do you use to evaluate potential startup investments?
- What sectors do you find most promising for investment in Nepal?
- How do you perceive the risk and return profile of investing in Nepali startups?
- What are the main challenges you face when investing in startups here?
- How do government policies influence your investment decisions?
- What kind of financial instruments and support mechanisms do you think are needed to boost startup investments?
- How do you ensure that your investments are contributing to sustainable development in Nepal?

4

Interview Questions for Educators and Training Institutions

- What entrepreneurial and business skills programs do you offer?
- How do you collaborate with the industry to ensure the relevance of your training programs?
- What skills gaps do you observe among aspiring entrepreneurs in Nepal?
- How do you support your graduates in starting their own businesses?
- What partnerships do you have with incubators, accelerators, or investors?
- How do you measure the impact of your entrepreneurial programs on the startup ecosystem?
- What additional resources or support do you think are needed to improve entrepreneurial education in Nepal?

Interview Questions for NGOs and Community Groups

- What initiatives do you have in place to support youth entrepreneurship?
- How do you identify and address the needs of young entrepreneurs in your community?
- What challenges do you face in promoting entrepreneurship at the grassroots level?
- How do you collaborate with other stakeholders to enhance the startup ecosystem?
- What success stories can you share from your entrepreneurship programs?
- How do you measure the impact of your initiatives on local economic development?
- What recommendations do you have for improving the startup ecosystem in Nepal?