



FNCCI **BCS**

BUSINESS
CLIMATE
SURVEY

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Foreword

A conducive business climate accelerates economic growth and contributes to the overall poverty reduction. The entrepreneurs and business persons are best suited to gauge the business climate situation. In order to get a picture of the business climate of all over the country especially from outside of capital and the business centers, a scientific assessment of the business climate is needed. As a pilot initiative, a business climate survey (BCS) was conducted in 5 districts of Mid-Western and Far-Western Nepal, namely, Dang, Pyuthan, Surkhet, Banke and Kailali. The objective of the BCS was to identify the issues and challenges faced in doing business in these districts from a representative sample of those involved and associated with business.

The survey was done in September–October 2012 and we are glad to bring out the report of the findings. More than 400 business units in each of the districts were covered from a list of the business units operating. The total units covered in the survey were 2,145. The survey findings were shared with the stakeholders in the validation workshops organized in all districts. The Public-Private Dialogue (PPDs) at district level were also conducted on the basis of the issues identified through the survey in each of the surveyed districts.

The survey was carried out with technical and financial support from the joint Nepali - German Inclusive Development of the Economy (INCLUDE) Programme. INCLUDE is implemented under the guidance of the Nepal Ministry of Industry (Mol) and with support from Deutsche Gesellschaft Für Internationale-Zusammenarbeit (GIZ) GmbH, acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). We would like to express our gratitude to the GIZ/INCLUDE team especially, Ms. Ellen Kallinowsky, Mr. Nibedan Baidya and Mr. Arun Rana who provided their inputs and suggestions at all stages of the survey. Ms. Banu Shrestha did provide her valuable inputs in questionnaire design, sample selection, data tabulation and analysis. Mr. Chakrapani Timalsina and Ms. Priyanka Shrestha were involved in the whole process of survey management to conducting workshops and PPDs. We are grateful to all of them.

The FNCCI president Mr. Suraj Vaidya and other office bearers provided the necessary guidance and encouragement to the secretariat on this initiative. We are grateful to them.

The entire survey would not have been possible without the active involvement and support of the District Chambers. We would like to thank presidents and office bearers of Pyuthan, Dang, Surkhet, Nepalgunj and Kailali Chambers of Commerce and Industry. The secretariats of these chambers were instrumental in data collection and processing.

I would like to thank all those who were directly involved in questionnaire design, data collection, processing, and report preparation. Mr. Ratish Basnyat and Mr. Anup Kumar Shrestha of the FNCCI have been involved in the process of the survey from conceptualizing the idea to preparing and finalizing the report to conducting PPDs in the districts. Mr. Udaya Bohara of FNCCI as trained statistician has contributed to the process especially in data processing, analysing and sampling.

The Secretariat Chiefs of the DCCI namely Mr. Dilli Raj Sharma (Kailali CCI), Mr. Jhabendra Sharma (Pyuthan CCI), and Mr. Khusal Ram Ghimire (Dang CCI) as well as officers namely Mr. Bikram B.K. (Nepalgunj CCI) and Mr. Nirmal Lamichhane (Surkhet CCI) acted as supervisors in the data collection and tabulation phases. The campus students from each of the district were involved as enumerators in the process. My heartfelt thanks go to all of them.

I also take this opportunity to thank the CDOs, LDOs, representatives of the local governmental agencies as well as other concerned stakeholders of the districts for their active participation in the workshops and PPDs organized during the survey period.

The survey would not have been possible without the active participation of the enterprises surveyed. We would like to express our gratitude to survey respondents for their time and also the information provided to us.

Last but not the least I thank the editors, graphic designers and printers for their excellent work done in relatively short span of time.

Hemant Dabadi, Ph.D

Director General

ABBREVIATIONS

BCS	Business Climate Survey
BFI	Banking and Financial Institutions
BIC	Business and Investment Climate
BIPPA	Bilateral Investment Protection and Promotion Agreement
BMZ	German Federal Ministry for Economic Cooperation and Development
CEO	Chief Executive Officer
DAG	Disadvantaged Groups
DDC	District Development committees
DTAA	Double Taxation Avoidance Agreement
EBA	Everything But Arms
FNCCI	Federation of Nepalese Chambers of Commerce and Industry
FY	Fiscal Year
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
HRM	Human Resource Management
IC	Indian Currency
INCLUDE	Inclusive Development of the Economy
IRD	Inland Revenue Department
ISIC	International Standard Industrial Code
IT	Information Technology
LDC	Least Developed Country
LED	Local Economic Development
NA	Not Available
NBF	National Business Forum
NEPSE	Nepal Stock Exchange Limited
NPR	Nepalese Rupees
OECD	Organization for Economic Co-operation and Development
PAN	Permanent Account Number
PPDs	Public-Private Dialogues
PSD	Private Sector Development
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
SLC	School leaving Certificate
SPSS	Statistical Package for Social Sciences
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
VDC	Village Development Committees

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INTRODUCTION

There is no denying that a good business and investment climate is critical for private sector led economic growth. A business friendly and conducive environment provides opportunities and incentives for private sector to invest and create jobs. The investment climate shapes the costs and risks of doing business. It also determines the rule of the game including that of the competition. They strongly influence the role and impact of the private sector in social and economic development, economic growth and poverty reduction.¹

Various studies and reports have suggested that one of the critical constraints for the economic growth of Nepal is its deteriorating business environment. Unless there is a good business and investment climate for development of private sector, no investment will come forth - be it local or foreign.

The World Bank Doing Business Report 2013 puts Nepal in the 108th position among 185 economies. Nepal fairs poorly in indicators such as trading across border (rank 171), enforcing contracts (rank 137) and resolving insolvency (rank 121). The Global Enabling Trade Index 2012, published by the World Economic Forum has ranked Nepal in 124th position out of 132 economies. Likewise, Nepal lies in 126th position in 'Business Environment sub-index', indicating that Nepal needs to do a lot to make its business climate investor friendly.

The Federation of Nepalese Chambers of Commerce and Industry (FNCCI), the umbrella organization of private sector and business enterprises in Nepal, has been advocating and working for creating a more conducive environment for the development of the private sector. Furthermore, FNCCI is working for the promotion of socio-economic development of the country through private sector led economic growth.

One of the major tools FNCCI uses for advocating policy formulation, implementation and reforms to create business friendly climate is the public-private dialogue (PPD). Since its establishment, FNCCI has been using various forms of PPDs for economic growth and private sector development, be it in the form of consultations, interactions or meetings. The structured PPD- known as the National Business Forum (NBF) is a recent initiative in Nepal. FNCCI is an integral part of the NBF and heads the private sector coordination unit and mobilizes the private sector organizations involved in this initiative.

PPDs help in advocating policy reforms effectively, more so if backed by evidence based study and scientific research. Scientific studies, like the Business Climate Survey (BCS), are inclusive of views of larger stakeholders and reinforces policy reform needs in a more pragmatic way in the dialogue process. The survey was conducted to not only identify priority needs but also to use these issues for meaningful dialogues between the private and public sectors in selected districts of the Mid and Far Western Development Regions of Nepal for local economic development.

In this backdrop, FNCCI, with the support from the Inclusive Development of the Economy (INCLUDE) Programme took an initiative to undertake the BCS in Nepal. INCLUDE is a joint Nepali-German program under the guidance of the Nepal Ministry of Industry (MoI). The programme is supported by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH, on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ).

¹ Making sense of investment climate surveys, Katja Silva-Leander, Investment, Competition & Enabling Environment Team, DFID, October 2005

BUSINESS CLIMATE SURVEY

A good investment climate is central to private sector led growth and investment, which in turn is essential for employment generation, income growth and poverty reduction. Effective policies to improve the investment climate require the development of a sound evidence base on the problems and constraints to private sector investment. Many tools and instruments are being used to measure the key components of the business and investment climate (BIC) around the world. Instruments like UNCTAD Investment Policy Review, Regulatory Impact Assessment, OECD Territorial Review, World Bank's Doing Business Report are some of the effective tools used to gauge the BIC.

Of late, Business Climate Survey (BCS) is being widely used as one of the instruments to identify the reform measures in the business climate. BCS is expected to identify the bottlenecks in private sector development in an easy-to-understand way than most other instruments.

BCS also directly captures the voices and perceptions of entrepreneurs and provides private sector organizations with a powerful policy advocacy tool.

Furthermore, BCS helps in allocating and prioritizing resources and the design of the policy reform process. Its results can also be used as a key input to a Public Private Dialogue process. Hence, its importance and uses have been increasing.

FNCCI, for the first time, has conducted this survey with the support of INCLUDE. GIZ, the implementation agency of the joint Nepali-German INCLUDE programme has supported such surveys in countries like South Africa, Ghana and Mozambique. The survey in Nepal was conducted in five districts of Mid and Far Western Development Region viz., Pyuthan, Dang, Banke, Surkhet and Kailali. FNCCI plans to replicate the exercise in other parts of the country on a regular basis.

FNCCI BCS covers business units from all sectors of the economy including informal sector (unregistered businesses) and cooperatives. It encompasses private sector's perspective in various business environment issues. FNCCI BCS would be useful for policy makers, business community, business membership organizations, analysts, and economists, among others.

The main objective of this survey is to identify priority needs for local economic development. The specific objectives of the study are:

OBJECTIVE

to identify issues constraining private sector development and economic growth

to help in creating conducive environment for local economic development

to conduct PPDs in the Mid and Far Western Development Region on the basis of the results of the survey

to provide a robust and detailed evidence based on areas where action is needed to improve the business environment

to strengthen capacity of the local chambers of commerce and industry to take up issues for advocacy

METHODOLOGY

FNCCI Business Climate Survey was conducted in the five districts of Mid and Far Western Development Region of Nepal, namely, Banke, Kailali, Surkhet, Dang and Pyuthan in 2012. These districts were purposely selected as pilot projects as the INCLUDE Programme, already had its presence in these districts. The survey covered the enterprises from the formal sector (enterprises which are registered with the government agencies) and informal sector (enterprises which are not registered with any governmental agencies) in the districts.

The sample size in each district constituted approximately 80 percent registered businesses and 20 percent unregistered businesses. For registered businesses the sampling frame comprised of all businesses registered with the local chambers of commerce & industry and the concerned line agencies in each of the districts. The 80 percent contribution to the sample size by registered businesses was determined using the following formula:

$$n = \frac{Z^2 PQNs}{e^2 Ns + Z^2 PQ}$$

where,

e	= acceptable error and let estimate should be within 5% of true value
Z	= 1.96 (95% confidence level)
Ns	= size of the strata (total number of district enterprises)
P=Q	= 50% (since there is no further information about the population)

This sample size was further stratified into the various business sectors (classification as per the International Standard Industrial Code (ISIC)) proportionate to the size of each business sector in the sampling frame. The 20 percent businesses from the informal sector were added to this.

While conducting the survey it was aimed to identify issues pertaining to disadvantaged/marginalized groups, namely, women, people with disability and marginalized caste and ethnic groups. So the responses collected from the sampled units belonging to these groups are especially mentioned whenever their response is significantly different from the general overall response.

QUESTIONNAIRE

A structured questionnaire was prepared with the help of experts. The questionnaire covered the issues relating to tax administration & legal issues, usage of information technology & modern management tools, finance, factors constraining business growth, employment & training, socio-economic status of the respondents, potential of the districts, among others. The questionnaire which was first formulated in English was translated into Nepali for administration. A pilot test was carried out and the questionnaire was fine-tuned before administering it in the field. The questionnaire is attached in Annex II.

FIELDWORK

Field supervisors and enumerators were selected from each district. As one of the objectives of this survey was to strengthen the capacity of the local chambers of commerce and industry, a competent staff member of the local chamber was employed as the survey supervisor. A sensitization and orientation workshop was conducted for the supervisors and the Presidents/ office bearers of the local chambers to make them well versed with the BCS and its importance for PPDs.

About 8-10 enumerators were mobilized in each district. The number of enumerators mobilized in each district was based on the sample size of the businesses there. The precondition for selecting enumerators was that s/he was a local person with qualification and knowledge on economic and management issues. An orientation program was conducted for the supervisors and enumerators before deploying them to the field. They were briefed about the questionnaire structure and the importance of the issues raised in the questionnaire; the research methodology; their roles and responsibilities and field operation plans. Name of the Supervisors and Enumerators is given in Annex I.

DATA PROCESSING AND ANALYSIS

An application for data entry was developed using MS Access. Each representative from the local chambers was trained on how to enter the data in the system. After the data entry was done in the respective districts, processing and analysis was done at the center using SPSS as well as MS Excel.

SCHEDULE

1. Sensitization and Orientation Workshop (12-13 July, 2012): Sensitization workshop was held in Nepalgunj for the field supervisor and the representative of the chambers. The questionnaire was also finalized during this workshop
2. The team then prepared the questionnaire in Nepali and pilot testing was conducted in Kathmandu
3. Enumerators' Orientation & Training Program (3-12 September, 2012): Training for enumerators and supervisors was conducted in each of the five districts
4. Immediately after the orientation program, the enumerators were deployed in the field
5. Data Operators' Training Program (11-17 October, 2012): Training was provided to the data operators in each district
6. Validation Workshop (15-25 January, 2013): Findings of the Survey were validated in each district
7. Public Private Dialogue (30 January - 13 February, 2013): PPDs were conducted in each district to prioritize the issues identified by the survey. The outcomes/prioritized issues of the PPDs were submitted to each DDC to put it in the planning process meeting

ANNUAL PLANNING PROCESS OF LOCAL BODIES

Every year National Planning Commission provides the budget ceiling and guidelines for the coming fiscal year to the local government for its social and local economic development activities. The local bodies like the DDCs and the municipalities prepare proposals through participatory and inclusive planning processes. One of the major steps in these processes is the DDC meeting, which is organized to discuss the preparations for the DDC Council, and review and classify the projects endorsed by the Integrated Plan Formulation Committee. The issues for LED and PSD identified by the FNCCI BCS and validated and prioritized by the PPDs are put forward in this meeting. The DDC meetings thus discuss on these proposals/issues and forward it to the DDC Council

for its endorsement. DDC documents of the projects approved by the Council. The projects which cannot be financed by the DDC are submitted to the Ministry of Federal Affairs and Local Development and other Central Government Ministries, which are then discussed in the National Planning Commission.



MACRO ECONOMIC OVERVIEW OF NEPAL

Nepal is located in South Asia between world's two huge and rapidly growing economies, China and India. It covers an area of 147,181 square kilometers with a population of approximately 26.6 million. Latest estimate suggests that the population is growing at 1.4 percent, a decline from 2.24 percent a decade earlier. The share of population below the age of 20 is almost 45 percent and the population of women is around 13.6 million. The country can be divided into three climatic/topographical regions, namely, the mountain occupying 35 percent, the hill occupying 42 percent and the terai occupying 23 percent of the total land area. The length of the country from East to West is around 885 kilometres and the breadth from North to South is around 200 kilometres.

The northern part of the country bordering the autonomous region of Tibet contains mostly high mountains with eight of the world's tallest peaks including the Mount Everest, the highest point on Earth. The Southern part of the country is a fertile flat land bordering West Bengal, Bihar and Uttar Pradesh states of India. The lowest point is only 70 meters above sea level. The majority of the population practice Hinduism (around 80 percent). It is followed by Buddhism, Islam, Christianity and other religions.

Administratively, the country is divided into five development regions, i.e., Eastern, Central, Western, Midwestern and Far Western. The regions are further divided into a total of 14 zones and 75 districts with a total of 3,915 village development committees (VDCs) and 58 municipalities. A VDC is the smallest administrative unit, which is further divided into wards. The municipalities are also divided into wards, which range from 9 - 35. The number of wards varies depending on the size of the population of the town.

Nepal has huge variation in topography and has altitude ranging from 70 meters above the sea level to the highest point on earth 8,848 meters. The weather and climate of the country also varies accordingly. The country has tropical, meso thermal, micro thermal, taiga and tundra type of climate. There are four climatic seasons in Nepal, namely, spring, summer, autumn and winter. Spring and autumn are the most pleasant seasons. The Terai is hot and humid in summer with temperature going above 40° C. The mid-mountain regions are pleasant all year round. The Northern Himalayan region has an alpine climate. In Kathmandu the maximum temperature in winter is normally 18°C to 20°C and in summer around 34°C.

On the social indicators, Nepal has made substantial progress in the past couple of decades. The life expectancy at birth was less than 30 years in 1950s. It has gone above 60 years in the new millennium. Adult literacy rate has gone up from 20 percent in 1980 to over 65 percent now. The share of population below poverty line has gone down from 31 percent in 2004 to about 25 percent.

The length of all types of road has increased more than 3 times in the last 20 years from 7,000 km in 1990 to over 21,000 km in 2011. The number of tourists arriving in the country has gone up from 272 thousand in 2002 to 736 thousand in 2011.

The total foreign exchange reserve of the country, as of mid-March 2013, is about NPR 453.61 billion which is sufficient for financing merchandise imports of 10.2 months and merchandise and service imports of 8.8 months. Nepalese working abroad sent home NPR 266.09 billion in the first eight months of the current fiscal year, up 22.2 percent from that of the same period last fiscal year. The Nepali fiscal year starts from mid-July. The remittance growth rate had stood at 34.7 percent in the same period last fiscal year.

The GDP growth rate of Nepal in the new millennium has remained very low. It is hovering at around 3.5 percent. Nepal has a low domestic saving rate of less than 10 percent. The gross capital

formation is about 20 percent of the GDP. The share of manufacturing in the GDP was around 6 percent in 2011. The export as percentage of the total trade is 14.1 percent in 2010. The share of agriculture to the GDP is around 38 percent and the share of services to the GDP has crossed 50 percent Table I shows the economic indicators of Nepal in the last five years.

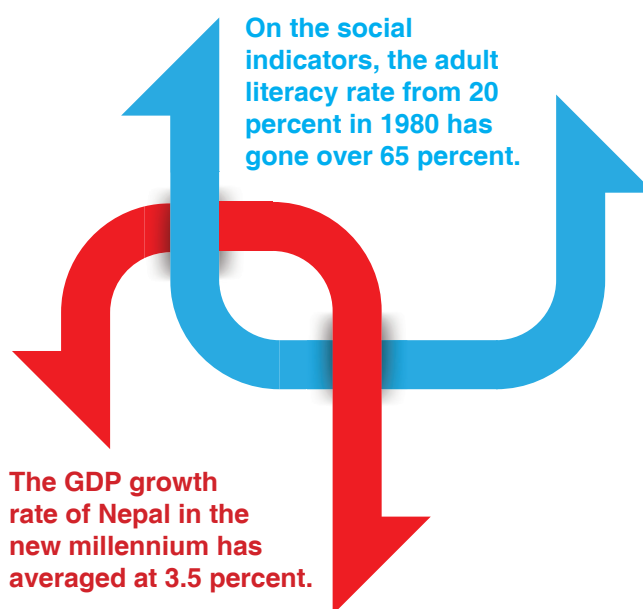


Table: I Economic indicators of Nepal

(NPR in million)

Indicator	2007/08	2008/09	2009/10	2010/11	2011/12
Gross Domestic Product (GDP)	815,663	988,053	1,171,905	1,369,430	1,558,174
Industrial gross output	1,264,605	1,508,850	1,772,696	2,038,975	2,328,576
GDP growth rate (at basic price)	5.8	3.8	4.0	3.8	4.6
Current account	23,680	41,437	-28,135	-12,936	75,979
Contribution of manufacturing sectors in GDP (%)	7.3	7.0	6.4	6.2	6.2
Export of goods and services as percentage of GDP	12.8	12.4	9.8	8.9	9.8
Annual inflation rate (based on national urban consumer price index)	6.7	12.6	9.6	9.6	8.3
Workers' remittances	142,683	209,699	231,725	253,552	359,554
Total export	58,474	68,597	60,950	64,562	74,089
Total import	237,030	291,001	375,606	397,536	498,161
Trade deficit	-178,556	-222,404	-314,656	-332,973	-424,072
Tourist arrival	526,705	500,277	509,956	602,867	736,215

As per the macro-economic report of the first eight months of 2012/13 published by Nepal Rastra Bank, the overall surplus in balance of payments (BoP) narrowed to NPR 11.78 billion in the first eight months of the current fiscal year due to widening trade deficit, shrinkage in remittance growth rate and fall in foreign direct investment.

The country's total trade deficit widened by 25.5 percent to NPR 309.55 billion in the eight-month period

The consumer price index went up by 10.2 per cent in mid-March 2013 compared to the same time last fiscal year. In the securities market, NEPSE index rose by 73.8 percent to 545.7 points during a one year period ending on mid-March 2013.

compared to an increase of 17.1 percent recorded in the same period last year, as the country's imports exceeded exports. Imports from India went up by 24.2 percent during the review period compared to an increase of 12 percent in the same period last year. Imports from other countries rose by 18.2 percent compared to an increase of 26.3 percent in the same period last year.

The merchandise exports went up by mere five percent to NPR 51.01 billion in the eight-month period. Exports had increased by 14.1 percent to NPR 48.56 billion in the same period last year. Of the total exports, exports to India increased by 2 percent in the review period as against growth of 14.5 percent recorded in the same period last year. Exports to other countries went up by 11.2 percent in the eight-month period, as against growth of 13.5 percent recorded in the same period last year.

The consumer price index went up by 10.2 per cent in mid-March 2013 compared to the same time last fiscal year. In the securities market, NEPSE index rose by 73.8 percent to 545.7 points during a one year period ending on mid-March 2013.

Nepal is well integrated to the international market. Nepal is the member of various multilateral, regional and bilateral trading agreements thus providing market access opportunities for Nepali products and services. Nepal became the 147th member of the World Trade Organisation in 2004. At the regional level, Nepal is a founding member of SAARC. At bilateral level, Nepal has a Treaty of Trade with India allowing duty free market access of Nepali products to Indian market. As a LDC, Nepal also enjoys a duty free market access to the European market through Everything But Arms (EBA) provision. In addition, China has also provided a duty free market access of the products of LDCs of which over 300 products are relevant for Nepal.

For investment promotion, Nepal has also recently signed a Bilateral Investment Protection and Promotion Agreement (BIPPA) and Double Taxation Avoidance Agreement (DTAA) with India. The government is working to sign similar agreements with other major countries with investment potentials.

HIGHLIGHTS OF THE SURVEY FINDINGS

RESPONDENTS INFORMATION

The business in Nepal is dominated by men. The current survey also proves it. The survey found that in all surveyed districts, number of women entrepreneurs is quite low compared to that of men. Among the five districts, Dang and Kailali have the lowest proportion of women entrepreneurs while Banke has the highest proportion of women entrepreneurs.

It is also noteworthy that most of the enterprises are being run by young individuals. All the districts have substantially young entrepreneurs within the age group of 20 to 40 years. However, the proportion of entrepreneurs who have an educational background of bachelor's level and above is quite low. Pyuthan, compared to other districts, has the lowest number of both youth entrepreneurs and graduate entrepreneurs.

Table II shows that Kailali has the highest proportion of youth entrepreneurs while Banke has the highest proportion of entrepreneurs who have received bachelor's level degree and above.

Table: II Comparison of respondents by gender, age group and education level

Districts	Gender (%)		Age group (20-40) (%)	Bachelor's level and above (%)
	F	M		
Surkhet	22.0	78.0	71.9	21.6
Pyuthan	17.0	83.0	57.9	9.0
Dang	15.0	85.0	64.1	13.9
Banke	27.0	73.0	59.6	27.2
Kailali	14.5	85.5	75.2	14.0

Overall in five districts, the survey also reveals that most of the entrepreneurs belong to Brahmin/Chhetri caste followed by Janajati except in Banke, where Madhesis are also involved in business in substantial number. Only small fractions of entrepreneurs are conflict victim and people with disability.

BUSINESS INFORMATION

One-fifth of the respondents in each of the districts consists of businesses from the informal sector. For practical purpose, any enterprise which is not registered in any of the government agencies is considered to be from informal sector. It is observed that lack of proper information about the registration process is one of the major reasons for their reluctance to register in government agencies. Nevertheless, more than half of the informal businesses indicated their willingness to register.

In Nepal, all businesses, have to be registered with the Inland Revenue Department (IRD) Office. The IRD office provides every enterprise with a unique PAN and depending upon the annual transaction value, they also have to obtain VAT number.

Surkhet has the highest percentage of enterprises registered in the IRD office followed by Banke. As Banke is one of the major business hubs and also known as the gateway to Mid and Far Western Region, it has most number of enterprises with VAT number. As Table III shows, Pyuthan has highest number of the enterprises with PAN.

Table: III Enterprises registered in IRD

Districts	Registered in IRD office (%)	Of those registered with IRD	
		Enterprise with PAN (%)	Enterprise with VAT (%)
Surkhet	79.0	80.0	20.0
Pyuthan	70.0	83.0	17.0
Dang	72.0	80.0	20.0
Banke	74.0	74.0	26.0
Kailali	70.0	80.0	20.0

Almost every entrepreneur felt that market demand had motivated them to establish their business in the respective district. Most of the businesses are involved in trading in the form of wholesale & retail types, implying the small scale of their business.

MANAGEMENT SYSTEM IN ENTERPRISES

The survey tried to find out the use of information technology (IT) by the enterprises in the respective districts. As expected, enterprises from Banke had more IT users while those from Pyuthan had few users as is also shown in Table IV.1. However, use of information technology in all districts is quite low when compared to its importance in modern day business practices.

Table: IV.1 Use of information technology in the enterprises

Districts	Enterprises with computer (%)	Enterprises with email/ internet service (%)
Surkhet	29.0	24.0
Pyuthan	13.7	9.9
Dang	17.0	12.0
Banke	42.0	36.0
Kailali	27.0	22.0

The survey found that most of the enterprises use rudimentary accounting system in their business, only few enterprises use computerized accounting system. Highest share of enterprises from Banke use computerized accounting system, as the district has highest number of computers in comparison with other districts. Table IV.2 shows that the user of simple accounting system and computerized accounting system is lower in Pyuthan than in other districts.

Table: IV.2 Use of accounting system in the enterprises

Districts	Enterprises with simple accounting system (%)	Enterprises with computerized accounting system (%)
Surkhet	69.0	16.0
Pyuthan	62.5	6.3
Dang	66.0	11.0
Banke	81.0	32.0
Kailali	78.0	17.0

As most of the enterprises are sole proprietorships and involved in the wholesale and retail business, it indicates low scale of businesses where entrepreneurs themselves are the employees. The survey showed that a very low percent of the enterprises are accustomed to the modern human resource management system in all districts.

BUSINESS PERFORMANCE

The survey, as shown in Table V, found that respondents from Kailali are more optimistic about overall economic growth of Nepal while those from Pyuthan are least optimistic about business performance. Meanwhile, respondents from Banke are least optimistic about the economic growth of Nepal.

Table: V Perception of entrepreneurs on business performance and country's economic growth

Districts	Enterprises expecting overall business performance to be better next year (%)	Enterprises expecting economic growth of the country to increase next year (%)
Surkhet	71.5	55.3
Pyuthan	47.0	48.0
Dang	48.6	66.0
Banke	49.0	42.0
Kailali	62.0	73.0

The second FNCCI Business Confidence Survey² conducted by the FNCCI in 2013 showed an increment in the confidence and expectation level of the private sector on country's economic growth. Consistent with this perception, the survey also showed high expectation regarding the economic growth of the country. The rise of the expectation in this survey may be attributed to the recent developments in Nepal on political front as economic growth is largely affected and connected to the political stability in Nepal.

However, the respondents highlighted bandha/strike, power shortage and political instability as the three major constraining factors for the business growth. Meanwhile, enterprises from Pyuthan also identified increase in price of raw materials and inputs, and decrease in demand as the major constraining factors their district. Nevertheless, the optimism of the respondents is worth appreciating.

TAX ADMINISTRATION AND LEGAL ISSUES

In terms of paying taxes, highest proportion of businesses pay income tax to the government, as compared to other taxes. The proportion of businesses which collect and deposit VAT and rental tax is much lower. In case of Pyuthan, businesses seemed to pay excise duty more than rental tax. As shown in Table VI, the survey found that larger proportion of businesses from Pyuthan paid income tax than in other districts while bigger proportion of businesses from Banke paid VAT and rental tax. This is in line with expectation as Banke is the market centre of the entire region and is likely to have bigger enterprises.

Majority of respondents said that the acts and regulations related to income tax and value added tax were unclear and inconsistent.

Table: VI Types of taxes paid by entrepreneurs

Districts	Income tax (%)	VAT (%)	Rental tax (%)	Excise duty (%)
Surkhet	74.0	17.0	27.0	4.0
Pyuthan	61.4	9.0	4.0	6.8
Dang	73.8	18.7	18.5	5.2
Banke	74.0	24.0	46.0	10.0
Kailali	66.7	9.2	16.5	7.4

ACCESS TO FINANCE AND SOURCE OF FINANCE

The survey found that majority of the businesses used internal funds/retained earnings as their main source of finance and regarded loans from BFIs and saving and credit cooperative as secondary source of finance.

Access to finance was not perceived as a major constraint to doing business in the pilot districts. Almost all the issues relating to access to finance were perceived as problems of moderate intensity or less, and interest rate appeared to top the list. The first two for each district is presented in table VII.

² The second FNCCI Business Confidence Index, Feb-Jul 2013 stands at 49.5, which is an increment of 9.8 points as compared to the last BCI.

Table: VII Major Factors constraining access to finance (Rating in a scale of 1 to 5, where 1: not a problem & 5: A major problem)

	Surkhet	Pyuthan	Dang	Banke	Kailali
Interest rate	3.3	2.6	2.7	2.4	2.9
Collateral	2.9	-	-	-	2.7
Loan processing time	-	2.7	2.7	-	-
Inadequate knowledge of financial products	-	-	-	2.2	-

STARTING A BUSINESS

It can be observed that market demand, possession of relevant skills and potential of market expansion are the most motivating factors to start a business. Most of the entrepreneurs were of the opinion that access to finance and cost of land or premises were the major constraining factors to start a business in the respective districts.

INFRASTRUCTURE

Across the five pilot districts, respondents identified electricity, waste disposal, roads and transportation as those that needed immediate an improvement for their businesses.

When asked what infrastructures were important for the district's overall economic growth, respondents in Surkhet, Banke and Kailali gave establishment of university topmost priority. Likewise, respondents from Pyuthan identified the establishment of technical/vocational training institute and those from Dang identified regular supply of power as most important in their respective districts.

The respondents were of the opinion that they were taking extra financial burden due to lack of power. Entrepreneurs from Banke have to bear additional average cost of NPR 34,160 per month for using backup generators. As power cut is rare in Pyuthan, entrepreneurs from that district have to bear relatively less extra cost for power. Table VIII shows the proportion of enterprises using backup generators and the additional cost they have to spend.

Table: VIII Enterprises with the captive energy and its average cost per month

Districts	Enterprises using backup generators (%)	Additional average cost/month (NPR)
Surkhet	15.0	16,568
Pyuthan	3.0	1,905
Dang	21.0	18,940
Banke	22.0	34,160
Kailali	15.0	9,147

OVERALL EMPLOYMENT SITUATION

The survey revealed that one in every four enterprises face difficulties in recruiting competent workforce as shown in Table IX.

Table: IX Proportion of enterprises facing difficulties in recruitment

Districts	Enterprises facing difficulties in recruiting competent workforce (%)
Surkhet	25.0
Pyuthan	14.0
Dang	27.0
Banke	35.0
Kailali	27.0

OVERALL SOCIO-ECONOMIC CONDITION

The survey revealed that despite difficulties, the socio economic condition of the people in the region is improving. Only a few indicators for socio-economic condition are presented here. Across the districts, a large number of respondents seemed to think that the number of students attending college/ schools has increased. Table X.1.

Table:X.1 Students attending college/school

Districts	Respondents who think that the number of students attending college is increasing (%)	Respondents who think that the number of children going to school is increasing (%)
Surkhet	98.9	97.9
Pyuthan	95.4	98.5
Dang	98.0	98.0
Banke	95.4	94.9
Kailali	96.3	97.4

Similarly respondents also viewed that women's role in decision making at home and in the community has improved over the years. However, among the five districts, lesser percentage of respondents from Banke opined that women's role in decision making at home as well as community level had increased.

Table: X.2 Women's role in decision making at home and at community level

Districts	Respondents who think that women's role in decision making at home has improved (%)	Respondents who think that women's role in decision making at community level has improved (%)
Surkhet	91.9	90.4
Pyuthan	86.3	87.5
Dang	91.7	92.4
Banke	81.6	78.9
Kailali	90.8	90.8

INTERNATIONAL AND NATIONAL TRADE

The number of respondents involved in import/export business in the districts were found to be very low. Majority of the respondents involved in trade stated that they mostly trade with India and used Nepalgunj customs as it is near to their businesses. When they were asked to identify the most constraining factors to trade across borders and within Nepal, most of the respondents identified access to finance from BFIs, unavailability of Indian currency or foreign exchange and lack of market information as the most important constraints.

POTENTIAL INVESTMENT SECTOR

Regarding the potential investment sectors in their respective districts, respondents from Dang and Kailali identified education; respondents from Pyuthan and Surkhet identified agriculture/forestry and those from Banke identified construction as the most promising.

DISTRICT WISE SURVEY FINDINGS



-  SURKHET
-  PYUTHAN
-  DANG
-  BANKE
-  KAILALI

Surkhet is the administrative centre of the Mid-Western development region of Nepal. The region lies within an altitude of 198 meters to 2,367 meters from the sea level. Surkhet has an area of 2,451 square kilometers with only 34 square kilometers of land in the urban area. It has a population of 350,804 as of 2011, out of which about 52 percent are female.

Surkhet shares its border with seven other districts namely Salyan, Doti, Achham, Kailali, Bardiya, Dailekh and Jajarkot. It is often called the gateway to the Karnali region of Nepal. Two major rivers of Nepal, Bheri and Karnali, pass through the district. Administratively, it is divided into 50 VDCs and has one Municipality, Birendranagar. The literacy rate of Surkhet is around 73 percent as per the 2011 census, which is higher than the national average. Surkhet airport has reopened and is now operational.

A total of 446 enterprises, both from formal and informal sector, participated in the FNCCI BCS. The survey findings reveal that the respondents in Surkhet are highly optimistic about the business condition and expect economic growth in the coming year. Energy crisis, bandha/ strikes were regarded as the major constraining factors for business growth in the district. The establishment of University in the district is expected to contribute the most to the local economic development. The survey findings follow.

1. RESPONDENTS INFORMATION

Of the total respondents in Surkhet, 90 percent were entrepreneurs themselves. The survey found that 22 percent of the total respondents in Surkhet were women.

As shown in Table 1.1.1, majority of the respondents in Surkhet were Brahmin/Chhetri followed by Janajati, a distant second. The representation of other social groups like Dalit, Madhesi, and Muslim in business is very low. This is also true of businesses run by women.

Table: 1.1.1 Respondents by social group

Social group	Total (%)	Of total	
		Male (%)	Female (%)
Brahmin/Chhetri	71.3	78.3	21.7
Janajati	16.1	77.8	22.2
Dalit	6.7	93.3	6.7
Madhesi	3.8	82.4	17.6
Muslim	1.3	50.0	50.0
Other	0.7	33.3	66.7

The survey found that there are very few entrepreneurs who are illiterate and most of them have acquired formal education. As per Table 1.1.2, about 88 percent entrepreneurs have acquired formal education. About 66 percent have an education of SLC and Intermediate level, while 22 percent have an education of Bachelor's Degree and above. In addition, the survey found out that most of the women entrepreneurs, from informal sector and other social groups have education qualification below the SLC level.

Table: 1.1.2 Level of education

Education level	Total (%)	Of total	
		Male (%)	Female (%)
Illiterate	1.1	80.0	20.0
Read & write	11.2	66.0	34.0
Below SLC	29.9	74.4	25.6
SLC & Intermediate	36.2	81.4	19.6
Bachelor's degree & above	21.6	86.5	13.5

The survey showed that most of the entrepreneurs (72 percent) in Surkhhet are young and fall in the age group of 20-40 years of age, while about 27 percent of the entrepreneurs are above 40. Refer to Table 1.1.3.

Table: 1.1.3 Respondents by age group

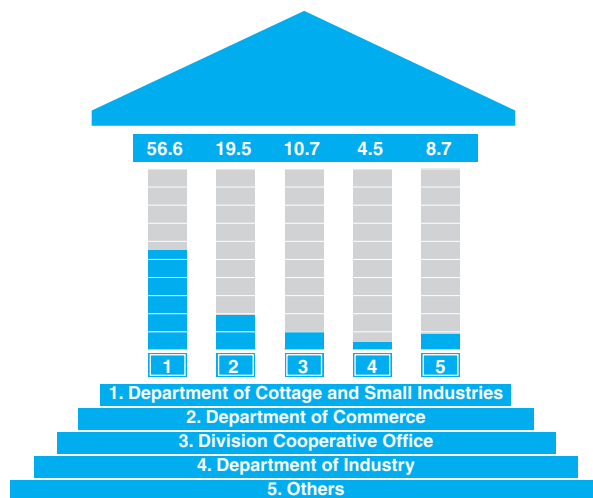
Age	Total (%)	Of total	
		Male (%)	Female (%)
Below 20	1.3	50.0	50.0
20-24	9.4	69.0	31.0
25-30	22.4	68.0	32.0
31-35	18.8	77.4	22.6
36-40	21.3	80.0	20.0
41-45	11.9	92.5	7.5
46 & above	14.8	92.4	7.6

2. BUSINESS INFORMATION

21 percent of businesses included in the survey were from the informal sector, i.e., businesses that are not registered with any government agency. Most of these unregistered businesses cited reasons such as small scale of business, and lack of knowledge & awareness regarding the registration process for not registering with the authorities. Out of them, about 69 percent have shown willingness to register.

Majority of the businesses in Surkhhet, as shown in Figure 1.2.a, are registered in the Department of Cottage and Small Industries followed by Department of Commerce.

Figure: 1.2.a Business registered with government agencies



Regarding the ownership structure of the businesses, as shown in Table 1.2.1, about 81 percent of the enterprises are sole proprietorship firms, implying that majority of the businesses are of small scale.

Table: 1.2.1 Ownership structure of the enterprises

Legal status	Total (%)	Of total	
		Male (%)	Female (%)
Sole proprietorship	80.8	87.8	12.2
Partnership	4.9	94.1	5.9
Cooperative	11.6	60.0	40.0
Private limited company	2.0	100.0	-
Public limited company	0.8	100.0	-

Most of the enterprises in Surkhhet are registered in the IRD office; 80 percent of these have the Permanent Account Number (PAN), whereas 20 percent are also registered in the VAT office.

Market demand and possession of relevant skills are the most motivating factors for starting a business. Factors such as it being a family occupation, availability of raw materials, and low start-up cost were reasons cited less as motivating factors to start a business. Refer to Figure 1.2.b.

Figure: 1.2.b Motivating factors to start business

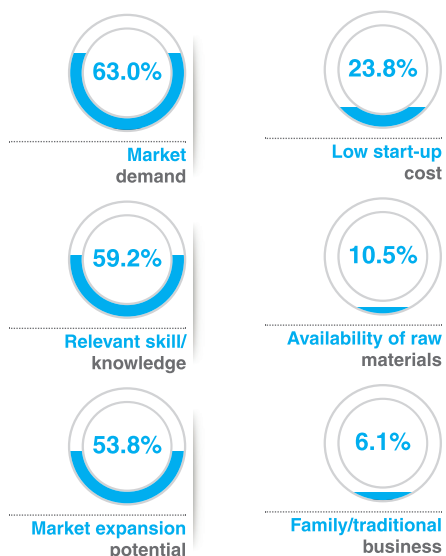


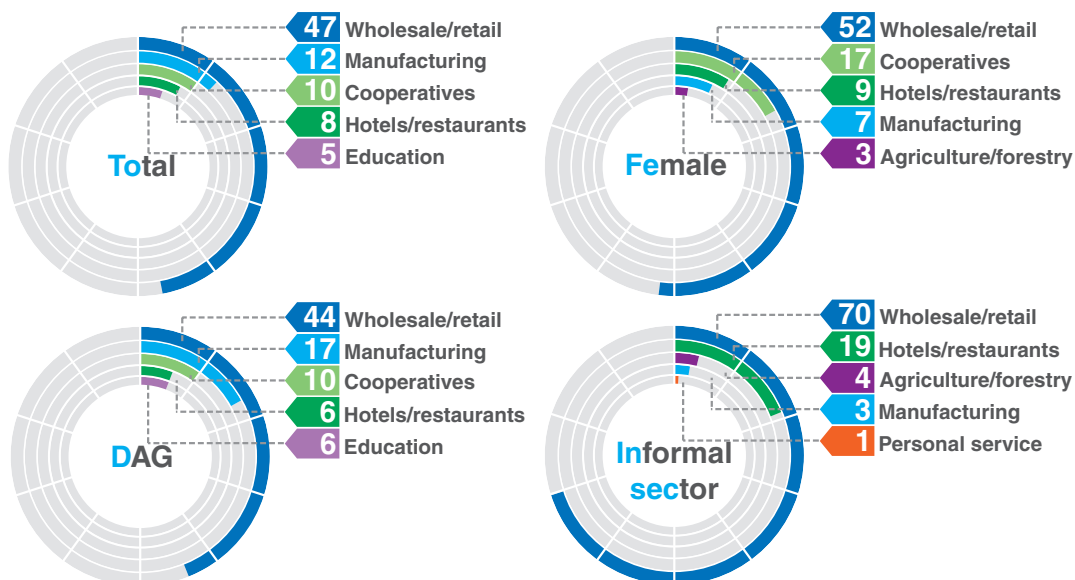
Table: 1.2.2 Business types

Business sector	Percent
Wholesale/retail trading	47.1
Manufacturing	12.3
Cooperative	10.3
Hotels & restaurants	8.3
Education	5.2
Construction	4.3
Agriculture/ forestry	3.1
Transport/ storage/ communication	2.7
Real estate/renting	1.6
Health	1.3
Financial intermediation	0.9
Personal service	0.9
Electricity/ gas/ water	0.7
Mining & minerals	0.0

The top five businesses that majority of the respondents are involved in Surkhet are, wholesale/retail trading, manufacturing cooperative, hotel/restaurants and the education sector. There were very few businesses in other sectors and none in mining and minerals. Table 1.2.2.

Where the involvement of marginalized groups in business is concerned, wholesale/retail, manufacturing and hotels/ restaurants are among their preferred sectors. Figure 1.2.c gives the first five businesses that each of the aforementioned groups are involved in.

Figure: 1.2.c Involvement in business types by women, DAG and the informal sector



Very few businesses (4percent), received support from outside agencies such as the local or central government and non-government organizations. The types of support received are of technical (trainings) and financial types (loan, fund, goods).

3. MANAGEMENT SYSTEM IN ENTERPRISES

Table: 1.3.1 Management tools

	Yes (%)	No (%)	NA (%)
Documented business plan	24.7	74.6	0.7
Computers	29.4	68.7	1.9
Email/ internet service	24.0	75.5	0.5

percent of the respondents said that they used documented strategic/business plan in their enterprises. It is observed that only a few businesses in Surkhhet use information technology. The survey found that 29 percent and 24 percent of the respondents have computers and email/internet services in their businesses respectively.

Table: 1.3.2 Accounting system

	Yes (%)	No (%)	NA (%)
Simple accounting system	69.3	30.7	-
Double entry book keeping	23.1	76.2	0.7
Manual (hand written)	92.8	6.7	0.5
Computerized	16.5	82.1	1.4

written). As the number of IT users in Surkhhet is low, only as many as 17 percent of the respondents use computerized accounting system in their businesses.

Table: 1.3.3 Human resource management system

	Yes (%)	No (%)	NA (%)
Training plan	26.0	72.8	1.2
Job description	48.8	50.7	0.5
Provision of appointment letter	17.8	81.4	0.8
Performance appraisal system	53.4	45.9	0.7

Surkhhet provided appointment letter to their employees, while 49 percent provided job description. The survey found that 53 percent of the enterprises had a performance appraisal system in their enterprises.

4. BUSINESS PERFORMANCE

All the enterprises, both from formal and informal sectors, were asked about their present business performance as well as their expectation about the future. Majority of the businesses expect their businesses to perform better in 2069/70 compared to the year before. This is indicated by the percentage of businesses who expect their sales and capital investment to grow next year. While staffing, that remained pretty much the same in businesses in 68/69 and 69/70, is also expected to grow in the future (refer to Figure 1.12.a, Future business plan).

Table: 1.4.1 Sales

	Lower (%)	About the same (%)	Higher (%)
Sales in 68/69 against 67/68	29.4	25.4	34.6
Expected sales in 69/70 against 68/69	10.6	10.6	72.4

Questions were asked to assess whether enterprises use any modern management tools, accounting system and information technology in their businesses. Around 25

About 69 percent of the respondents said that they use simple accounting system while 23 percent used double accounting system. 93 percent of the total respondents recorded their accounts manually (hand

26 percent of the respondents have said that they implemented a 'training plan' for the development of human resources in their enterprises. The survey found that 18 percent of the respondents in

Sales: About 35 percent of them said that their sales has increased in FY 2068/069 than the last year and about 72 percent expected it to increase in the next year also.

Table: 1.4.2 Staffing

	Lower (%)	About the same (%)	Higher (%)
No. of staff in 68/69 against 67/68	5.2	46.7	13.5

Staffing: About 47 percent of the respondents have said that number of employees in their businesses has not changed during the same period.

Table:1.4.3 Capital investment

	Lower (%)	About the same (%)	Higher (%)
Capital investment in 68/69 against 67/68	11.5	25.3	56.6
Expected capital investment in 69/70 against 68/69	4.7	22.0	67.0

Capital Investment: 57 percent of the respondents have said that capital investment in their businesses has increased in FY 2068/069 and 67 percent expected it to increase in the next year.

Table: 1.4.4 Business performance and economic growth

	Lower (%)	About the same (%)	Higher (%)
Expected overall business performance in 69/70 against to 68/69	9.0	12.4	71.5
Expected economic growth in 69/70 against to 68/69	8.1	10.6	55.3

Business Performance and Economic Growth: 72 percent of the respondents in Surkhet expected that their overall business performance would be better off in the next year and 55 percent expected the economic growth of the country would increase in the same period next year.

Table 1.4.5 presents the perception of the five major business sectors in Surkhet with regard to business performance against that of the overall business. Majority of the businesses in each of the sectors state that they expect sales, capital investment, overall business performance and economic growth to be higher in 2069/70 than the year before.

Table: 1.4.5 Perception on business performance by 5 major business sectors

Description	Total (%)	Wholesale/Retail (%)	Manu facturing (%)	Coope rative (%)	Hotels/Rest aurant (%)	Education (%)
Sales was higher in 68/69 than in 67/68	34.6	28.0	34.5	65.2	32.4	34.8
Expect sales to be higher in 69/70 than in 68/69	72.4	67.0	70.9	76.1	78.4	78.3
No. of staff was higher in 68/69 than in 67/68	13.5	7.0	14.5	23.9	21.6	34.8
Capital investment was higher in 68/69 than in 67/68	56.6	56.0	50.9	56.5	54.1	47.8
Expect capital investment to be higher in 69/70 than in 68/69	67.0	67.0	58.2	76.1	75.1	52.2
Export was higher in 68/69 than in 67/68	0.7	0.0	-	-	-	-
Expect export to be higher in 69/70 than in 68/69	0.4	-	-	-	-	-
Import was higher in 68/69 than in 67/68	1.1	1.0	-	-	-	-
Expect import to be higher in 69/70 than in 68/69	2.7	1.0	1.8	-	5.4	-
Expect overall business performance to be higher in 69/70 than in 68/69	71.5	67.0	65.5	82.6	67.6	78.3
Expect economic growth to be higher in 69/70 than in 68/69	55.3	49.0	45.5	76.1	45.9	65.2

Factors constraining business growth

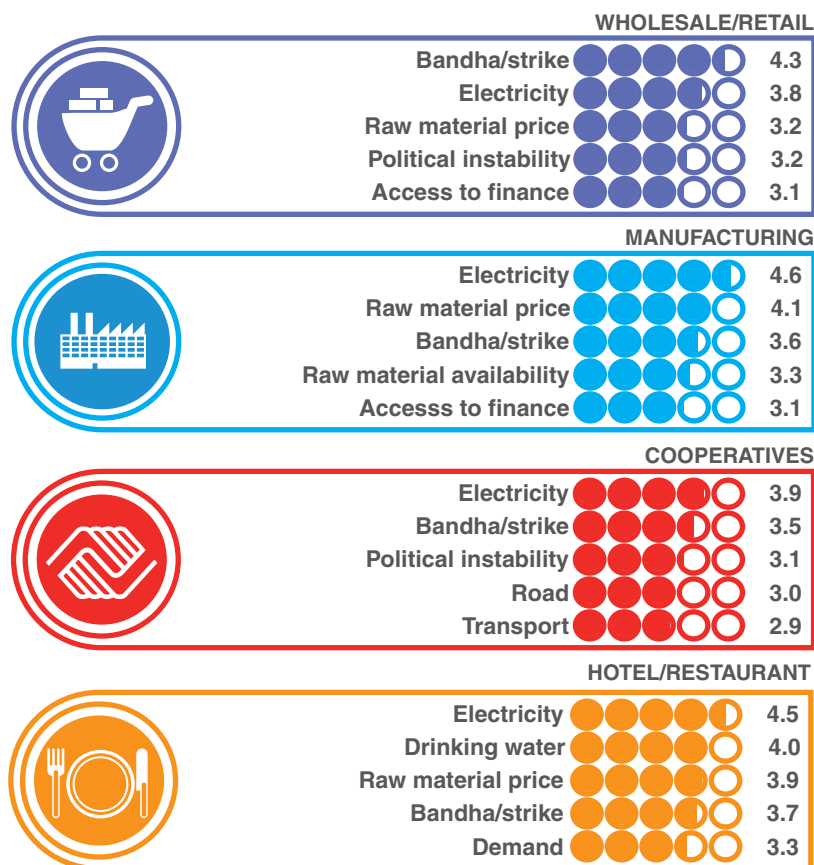
Table: 1.4.6 Factors constraining business growth (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

	Rating
Electricity	4.1
Bandha/strike	4.0
Increase in price of raw materials or input supplies	3.2
Political instability	3.1
Access to finance & cost of borrowing money	3.0
Road	2.9
Competition from unregistered business (illegal trade)	2.8
Donation	2.7
Cost of land or premise	2.7
Transportation	2.7

The three major constraining factors to business growth in Surkhet are electricity, bandha/ strike and increase in the price of raw materials and input supplies. Table 1.4.6 presents the constraining factors and their corresponding ratings.

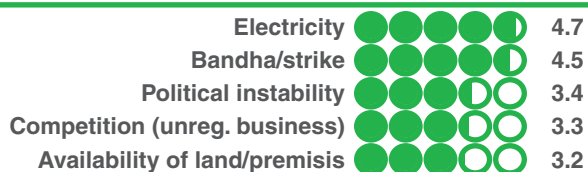
Electricity and bandha/strike presented themselves as major constraining factors to business growth across all five major business sectors. Figure 1.4.a presents the details of the constraints faced by the first five major business sectors in Surkhet.

Figure: 1.4.a Business constraints identified by 5 major industries





EDUCATION



5. TAX ADMINISTRATION AND LEGAL ISSUES

The survey revealed that 74 percent of the respondents in Surkhet pay income tax to the government while only 27 percent also deposit the rental tax and 17 percent deposit the VAT, which they collect from the consumers.

Table: 1.5.1 Percent of business paying each tax type

Type of tax	Percent
Income tax	74.2
Rental tax	27.4
VAT	17.0
Excise duty	4.3
Customs duty	2.2

About 67 percent of the respondents said that acts and regulations related to income tax are unclear and inconsistent. When asked to rate the tax and legal issues as problems to business, “lack of clear information on tax system” received the highest rating at 2.7. This suggests that though not a major problem to doing business, the issue however is the most important among all tax and legal issues posing as constraints to doing business.

Figure: 1.5.a Tax/ legal issues as constraints to doing business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)



6. ACCESS TO FINANCE AND SOURCE OF FINANCE

As shown in Table 1.6.1, interest rate is perceived as a constraint regarding access to finance in Surkhet.

Table: 1.6.1 Factors that constrain access to finance (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Description	Rating
Interest rate	3.3
Collateral	2.9
Loan processing time	2.6
Loan repayment period	2.5
Loan processing fee	2.5
Loan limit	2.5
Inadequate knowledge of financial products	2.2
Detail business/ investment plan	2.2
Inadequate understanding of the potential of business by financial institutions	2.2

47 percent entrepreneurs said that their total sales in the FY 2068/69 was less than five hundred thousand while 52 percent responded that their capital investment in the same period is less than five hundred thousand.

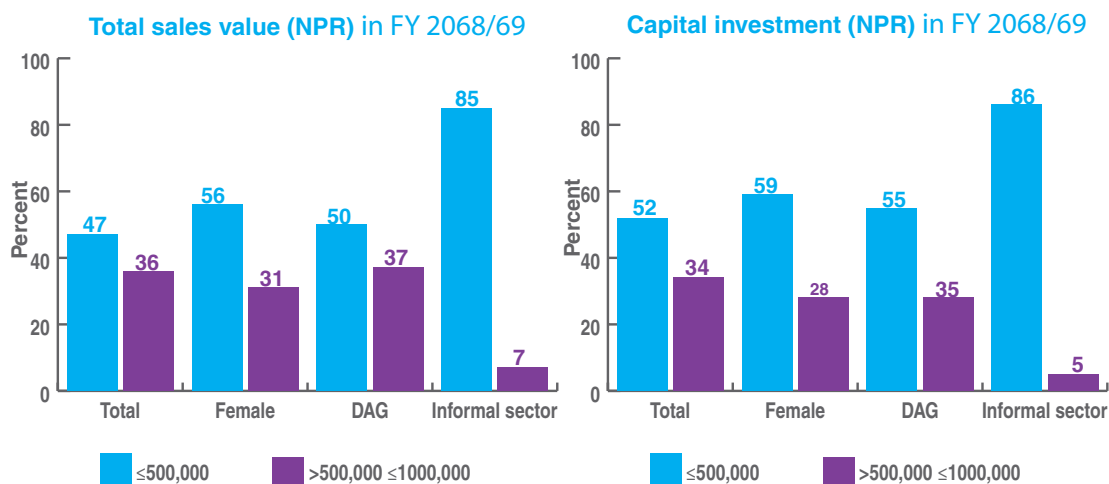
Table: 1.6.2 Level of activity w.r.t. revenue, capital investment and export value in FY 68/69 ('00,000 NPR)

Description	≤ 5 (%)	>5 ≤ 10 (%)	>10 ≤ 50 (%)	>50 ≤ 300 (%)	>300 ≤ 1000 (%)	>1000 (%)
Total sales	47.0	36.0	10.0	5.0	2.0	1.0
Capital investment	52.0	34.0	9.0	5.0	0.0	0.0
Value of export	33.0	-	33.0	-	33.0	-

As expected, the revenue as well as capital investment of unregistered businesses is substantially low for business in general. Not much difference is observed in the sales value and capital investment trend among businesses run by women, and DAG and the businesses in general in the district. Also, the sales value correlates with the capital investment in the same period. Figure 1.6.a & Figure 1.6.b.

Figure: 1.6.a

Figure: 1.6.b



The major source of business finance for majority of the businesses (84 percent) was internal funds/retained earnings, followed by BFIs (46 percent). Table 1.6.3 presents the source of finance for businesses in Surkhet.

Table: 1.6.3 Source of finance for businesses

Source of finance	Percent
Retained earnings	84.0
Banks/financial institutions	46.0
Saving and credit cooperatives	39.0
Trade credit	30.0
Family/friends	23.0
Informal sources (money lenders)	9.0

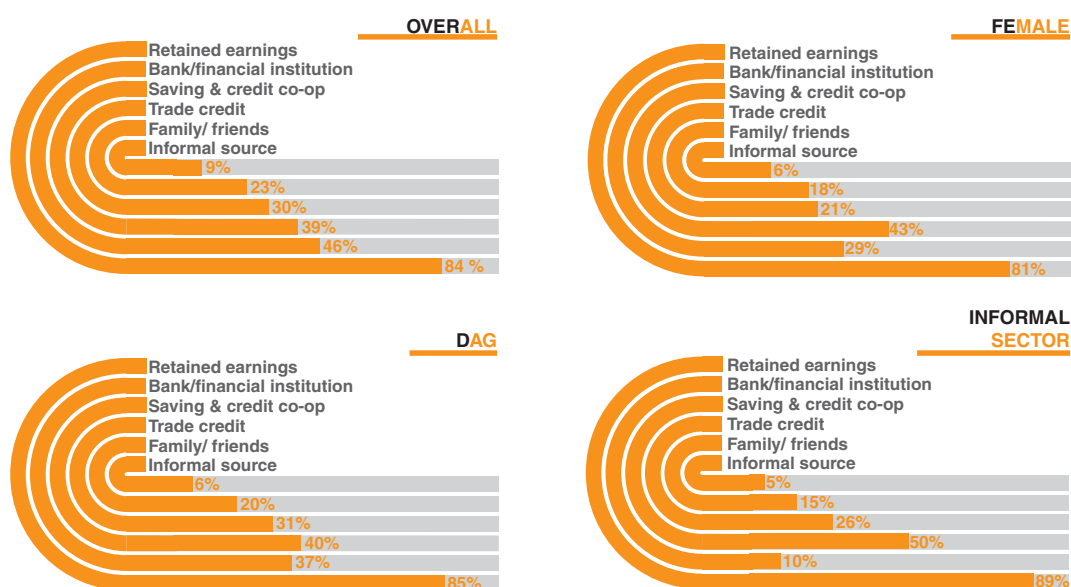
The following table 1.6.4, shows the average interest rate that the businesses have to pay for borrowing money from various sources. It is observed that businesses in Surkhet have to pay high average interest rate when they take trade credit.

Table: 1.6.4 Annual interest rate

Source of finance	Mean
Trade credit	26.3
Family/friends	18.6
Saving and credit cooperatives	16.7
Banks/financial institutions	15.1
Informal sources (money lenders)	14.4
Retained earnings	-

However, for businesses run by women, disadvantaged groups and those in the informal sector, the second largest source of funding is savings and credit cooperatives. Only as many as 10 percent of businesses in the informal sector use banks and financial institutions. Figure 1.6.c presents the source of finance for those groups.

Figure: 1.6.c Source of finance for businesses



7. STARTING A BUSINESS

Table: 1.7 Constraints to start a business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

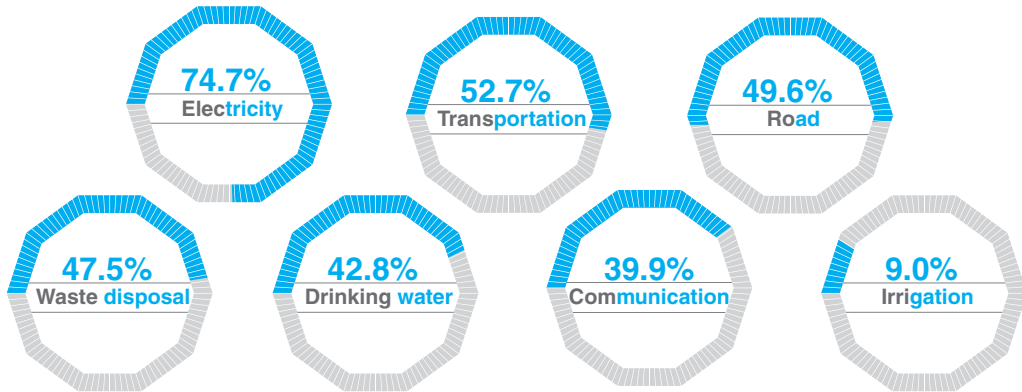
Constraining factors	Rating
Access to finance	2.9
Cost of land or premises	2.6
Registration and licensing procedure	2.5
Cost of obtaining licenses, certificate, permits	2.5
Availability of land or premises	2.5
Unavailability of adequately qualified workforce	2.4
Acquisition of tax certificate	2.3
Access to raw materials and input supplies	2.3

The issues relating to business start-up such as access to finance, property, license, labour, input supplies etc did not pose as major hindrances to starting a business in the district. All issues received a rating of less than 3, suggesting that these were problems of less than moderate intensity. Of the list, access to finance received the highest rating of 2.9. Table 1.7 presents the rating by the respondents.

8. INFRASTRUCTURE

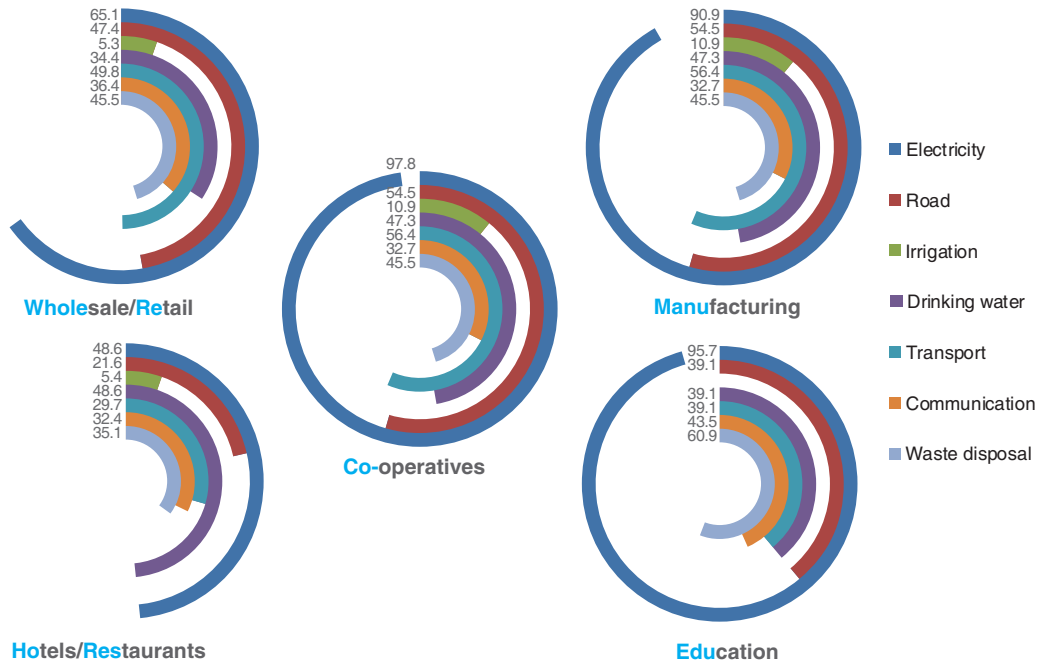
All the businesses were asked what needs to be improved urgently- in terms of infrastructure in Surkhet, for their business growth. As shown in Figure 1.8.a, most of them pointed that continuous supply of electricity should be ensured and problems regarding transportation, road and waste disposal should be solved.

Figure: 1.8.a Urgent improvement needs in infrastructure for business growth



The need for urgent improvement in infrastructure as identified by the major business sectors in the district is presented in the figure 1.8.b. It is observed that each of the business sectors regarded electricity, transportation, road, drinking water and waste disposal as the infrastructures to be improved urgently. Electricity got the highest rating across all business sectors.

Figure: 1.8.b Need for urgent improvement in infrastructure



22 percent of the respondents said that had there been a continuous supply of electricity, their production would have been increased by 10 percent.

15 percent respondents said that they have been using generator as a back-up for power and have been incurring an average additional cost of NPR. 16,568 per month.

9. EMPLOYMENT SITUATION

The availability of human resource as required by the business did not come across as a major problem in Surkhet.

Universities, electricity, cold storage, technical/vocational training institutes and hospitals were the first five requirements in infrastructure identified by respondents as important for the economic development of the district. Table 1.10.2 given below presents the ratings received by the infrastructure contributing to LED.

Table: 1.9.1 Constraints to maintaining competent workforce (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraints	Rating
Employee turnover	2.3
Availability of qualified work force	2.2
Salary, remuneration and other facilities	2.2
Availability of relevant trainings facilities at the local level	2.0
Following labour law regulations	1.7
Cost of trainings	1.6

The number of business employing staff at the managerial, technical and administrative level is relatively less than those that employed skilled and general workers. Unavailability, turnover and cost were not perceived as major problems associated with managerial level employees. For technical and administrative employees, cost of hiring was regarded a problem. While availability was not an issue with skilled and general workers, their turnover and cost of hiring were perceived as problems.

Table: 1.9.2 Problems in employee retention

Employee category	Total businesses (%)	Of total businesses		
		Unavailability (%)	Turnover (%)	Cost (%)
a. Managerial (CEO, department heads, managers, officers)	18.0	9.0	11.0	29.0
b. Technical (IT officers, designers, financial advisors, auditors etc.)	20.0	30.0	26.0	47.0
c. Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)	17.0	18.0	27.0	40.0
d. Skilled workers (electricians, mechanics, construction workers, printers, chefs, waiters etc.)	40.0	37.0	49.0	54.0
e. General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners etc.)	41.0	17.0	44.0	43.0

10. SOCIO-ECONOMIC CONDITION

Businesses in general perceive the socio-economic condition to have improved in the district. Among all the socio-economic indicators measured, most respondents agreed that there has been an increase in the number of school and college attendees. Compared to the other indicators, lesser number of respondents agreed with the statement that “ DAG’s participation in the decision making in the community” and “ access to resources by DAG’s” had improved. Table 1.10.1 compares the responses by gender and social groups. No substantial difference is observed on the defined socio-economic indicators across the different respondent groups.

Table: 1.10.1 Perception about the socio economic condition

	Total (%)	Men (%)	Women (%)	DAG (%)
People paying for healthcare service has increased	95.1	94.6	96.8	93.1
Children attending school has increased	98.0	97.7	98.9	97.7
Students attending college has increased	98.9	98.9	98.9	98.5
School dropout rate has decreased	81.4	81.8	80.0	79.2
Women's role in decision making at home has increased	91.9	92.0	91.6	93.1
Women's role in decision making in the community has increased	90.4	90.9	88.4	92.3
DAG's participation in decision making in the community	81.6	81.5	82.1	79.2
Access to resources by DAGs	81.3	81.4	82.1	79.2
Business/employment opportunities increased for women	93.7	94.3	89.5	95.4
Business/employment opportunities increased for DAGs	86.3	85.4	91.6	83.1

Important infrastructure and Local Economic Development (LED)

Table: 1.10.2 Important infrastructure contributing to the LED (Rating in scale of 1 to 5, where 1: less important and 5: highly important)

Infrastructure	Rating
University	4.9
Power	4.7
Cold storage	4.6
Technical school/ vocational training institute	4.6
Hospitals	4.6
Airport	4.5
Bus park	4.4
Road network	4.4
Agriculture training and research centre	4.4
Industrial area	4.4
Agriculture mandi	4.2
Accredited labs/ quarantine check post	4.1
Conference hall & exhibition centre	4.0
Branch of the Office of the Company Registrar	4.0
Banks/ financial institutions	3.4

Universities, electricity, cold storage, technical/vocational training institutes and hospitals were the first five requirements in infrastructure identified by respondents as important for the economic development of the district. Table 1.10.2 given below presents the ratings received by the infrastructure contributing to LED.

11. INTERNATIONAL AND NATIONAL TRADE

In Surkhet, only a handful of businesses are involved in import/export. Almost all of them stated that they do business with India and they mostly use Nepalgunj customs point owing to its proximity to their businesses.

When they were asked to identify the constraining factor to trade outside and within Nepal, most of them cited access to credit, exchange rate fluctuation, and lack of international market information.

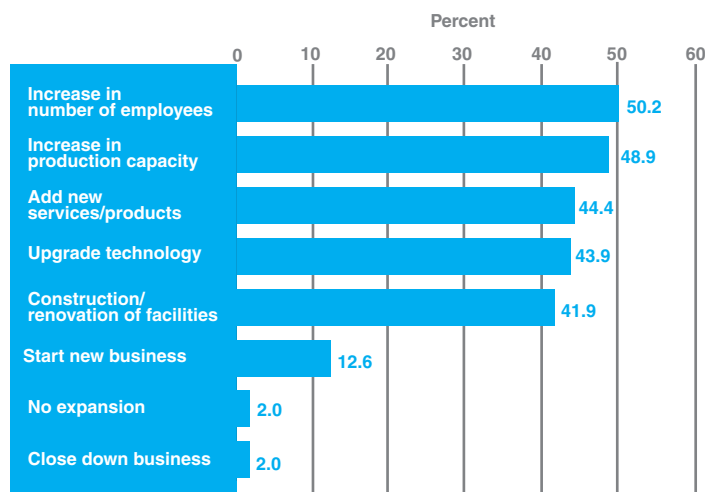
12. INVESTMENT BACKGROUND

99 percent of the respondents have stated that they are the local investors in their businesses. Likewise, about 34 percent of the enterprises have their own premises.

89 percent of the respondents stated that their decision to invest in Surkhet is not influenced by the incentives provided by the Government. It was also found that there were no particular incentives for people from disadvantaged group and women to start a business in the district.

When asked about their future business plans, around 50 percent of the respondents said that they have plans to invest in their business by increasing staff, adding production capacity, adding new products and services, and upgrading technology. Approximately 13 percent said that they would start a new business. Very few, 2 percent said that they would close down the business.

Figure: 1.12.a Future business plan



35 percent of the respondents said that their estimated capital investment for the next 3 years would be below NPR. 1 million while only 0.9 percent of the entrepreneurs said their investment would be above NPR. 100 million.

When asked to identify the potential investment sector in Surkhet, businesses gave the highest rating to agriculture & forestry, followed by education and health. The following Table 1.12.1 presents the corresponding ratings received by each of the sectors.

Table: 1.12.1 Potential investment sectors (Rating in scale of 1 to 5, where 1 is low potential and 5 is high potential)

Business sector	Rating
Agriculture & forestry	4.2
Education	3.7
Health	3.6
Wholesale & retail trade	3.2
Hotels & restaurants	3.1
Construction	3.1
Electricity/ gas/ water	3.0
Transport, storage & communication	2.9
Manufacturing	2.8
Financial intermediation	2.7
Mining/quarrying	2.7
Real estate, renting & business activities	2.6
Cooperatives	2.6
Personal service	2.2

There are observed similarities between the infrastructure perceived to contribute positively to the local economic development of Surkhet (table 1.10.2) and the potential investment (business) sectors in the district (table 1.12.1). While education presented itself as a good investment area for businesses, universities and technical/vocational training institutes was perceived as important infrastructure required for economic development of the district. Likewise, businesses regarded agriculture/forestry as sectors with good business prospects, the infrastructure that they have cited as important for LED is cold storage for agricultural produce.

Pyuthan, a district in Rapti zone has an area of 1,309 square kilometers. As of 2011, the population of the district was 228,102 of which 56 percent were female. Pyuthan shares its borders with five districts of Nepal, namely, Dang, Rolpa, Baglung, Gulmi and Arghakhachi. The altitude ranges from 305 meters to 3,659 meters from the sea level. Khalanga is the administrative center of the district. There are 49 VDCs in the district. The literacy rate of Pyuthan is around 67 percent, which is just above the national average.

A total of 399 enterprises, both from the formal and the informal sector, participated in the FNCCI BCS in Pyuthan. The survey findings reveal that the businesses in Pyuthan are somewhat optimistic with regard to the overall business performance and the economic growth. Nevertheless, bandha/ strikes came across as major hindrance to the business growth in the district. The agriculture / forestry sector was identified as that with the most investment potential. Currently this is the fifth largest business sector in pyuthan with regard to the number enterprises operational. Similarly, technical school and agricultural training/ research center were perceived important infrastructures for the districts local development. It was found that majority of the businesses of Pyuthan were of small scale and involved in local businesses and only a few of them used modern management tools. Survey findings follow :

1. RESPONDENTS INFORMATION

Of the total respondents in Pyuthan, 96 percent were entrepreneurs themselves. The survey found that only 17 percent of the total respondents in Pyuthan were female.

As shown in the Table 2.1.1, majority of the respondents in Pyuthan were Brahmin/Chhetri followed by Janajati. The representation of other social groups like Dalit, Madhesi and Muslims in the business sector is very low. This is also true of businesses run by women.

Table: 2.1.1 Respondents by social group

Social group	Total (%)	Of total	
		Male (%)	Female (%)
Brahmin/Chhetri	58.6	83.7	16.3
Janajati	28.3	79.7	20.3
Dalit	8.8	88.6	11.4
Madhesi	1.3	60.0	40.0
Muslims	1.0	100.0	0.0
Other	2.0	75.0	25.0

The survey found that there are very few entrepreneurs who are illiterate and most of them have acquired formal education. As per Table 2.1.2, about 82 percent of the respondents have acquired formal education. About 40 percent have an education of SLC and Intermediate level, while 9 percent have an education of Bachelor's Degree and above.

Table: 2.1.2 Level of education

Education level	Total (%)	Of total	
		Male (%)	Female (%)
Illiterate	1.5	33.3	66.7
Read & write	16.3	75.4	24.6
Below SLC	33.1	77.3	22.7
SLC & Intermediate	40.1	88.7	11.3
Bachelor's degree & above	9.0	97.2	2.8

The survey showed that about two third of the respondents (58 percent) in Pyuthan are youth and fall in the age group of 20-40 years while about 40 percent of the respondents are above the age of 40. Table 2.1.3

Table: 2.1.3 Respondents by age group

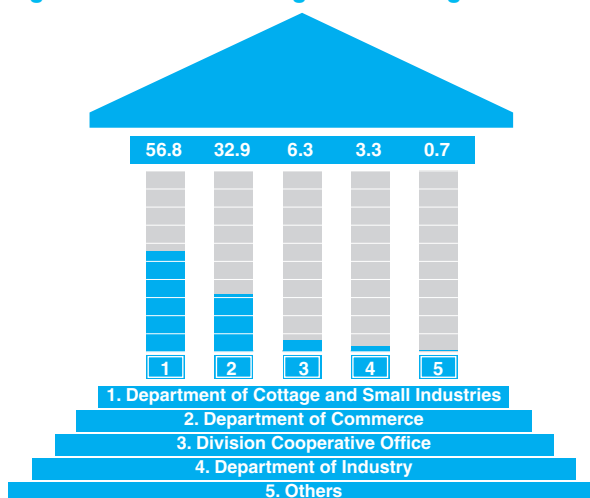
Age	Total (%)	Of total	
		Male (%)	Female (%)
Below 20	2.0	62.5	37.5
20-24	6.8	88.9	11.1
25-30	19.8	77.2	22.8
31-35	15.8	82.5	17.5
36-40	15.5	79.0	21.0
41-45	12.8	82.4	17.6
46 & above	27.3	89.9	10.1

2. BUSINESS INFORMATION

22 percent of businesses included in the survey were from the informal sector, i.e. businesses that are not registered with any government agency. When asked why they had not registered their businesses, most stated that they lacked information about the registration process. Of the unregistered businesses, about 65 percent have shown willingness to register.

Majority of the businesses, as shown in Figure 2.2.a, are registered in the Department of Cottage and Small Industries followed by Department of Commerce, where about 33 percent are registered.

Figure: 2.2.a Business registered with government agencies



Regarding their ownership structure, 89 percent of the enterprises are sole proprietorship firms.

Table: 2.2.1 Ownership structure of the enterprises

Legal status	Total (%)	Of total (%)	
		Male (%)	Female (%)
Sole Proprietorship	89.4	84.5	15.5
Partnership	3.8	71.4	28.6
Cooperative	5.2	63.2	36.8
Private Limited Company	0.5	50.0	50.0
Public Limited Company	1.1	100.0	-

Of the enterprises registered with the IRD office, 83 percent have the Permanent Account Number (PAN) whereas 17 percent are also registered in the VAT office.

When asked what motivated them to start business in the district, majority of the respondents cited market demand and possession of relevant skill and knowledge. Factors such as it being a family occupation, and low start-up costs were cited less as motivating factors to start a business. Figure 2.2.b

Figure: 2.2.b Motivating factors to start business

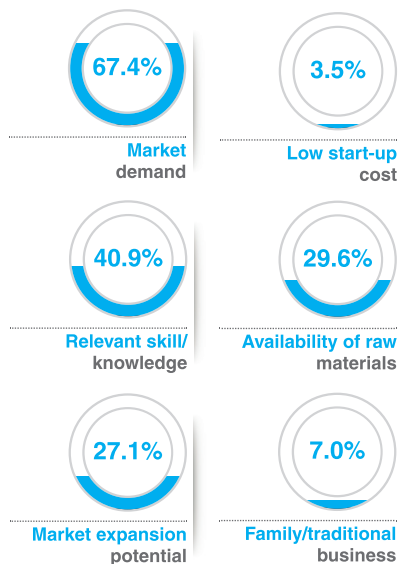


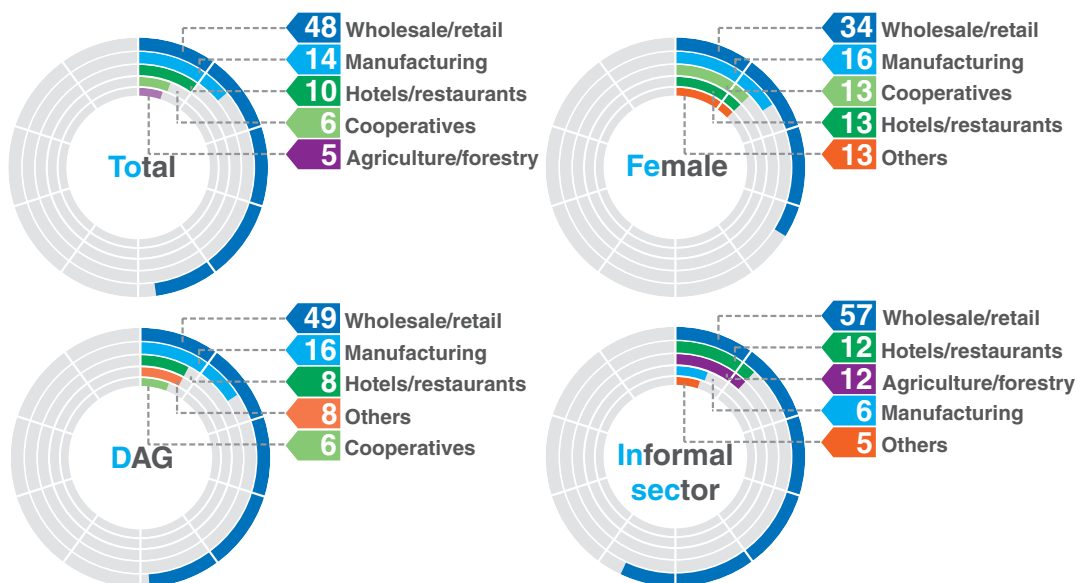
Table: 2.2.2 Business types

Business sector	Percent
Wholesale/retail trading	48.2
Manufacturing	13.6
Hotel/restaurant	9.8
Cooperative	6.3
Agriculture/forestry	5
Construction	4.5
Education	2.5
Financial intermediation	1.5
Real estate/renting	1.3
Personal services	1.3
Mining & minerals	1.3
Transportation/ storage/ communication	1
Health	0.8
Electricity/ gas/ water	0.3

The top five businesses that majority of the respondents are involved in Pyuthan are, wholesale/retail, trading, manufacturing, hotel/restaurants, cooperatives and agriculture/forestry sector. Table 2.2.2.

Where the involvement of the marginalized groups in business is concerned, wholesale/retail, manufacturing and hotel/restaurants were their most preferred business sectors.

Figure: 2.2.c Involvement in business types by women, DAG and the informal sector



Very few businesses (8 percent) stated that they had received support from outside agencies such as the local or central government and the non-government organizations. The types of support received are technical (trainings) and financial (loan, fund, goods) in nature.

3. MANAGEMENT SYSTEM IN ENTERPRISES

Table: 2.3.1 Management tools

	Yes (%)	No (%)	NA (%)
Documented business plan	13.5	81.5	5.0
Computers	13.7	86.3	-
Email/ internet service	9.9	89.1	1.0

Questions were asked to assess the use of modern management tools, accounting system and information technology in businesses. Very few businesses in Pyuthan were found to make use of information technology.

Only 13.7 percent and 10 percent of businesses had computers and email/internet services respectively. 13.5 percent of the respondents said that they use documented strategic/business plan in their enterprises.

Table: 2.3.2 Accounting system

	Yes (%)	No (%)	NA (%)
Simple accounting system	62.5	36.5	1.0
Double entry book keeping	13.9	85.1	1.0
Manual (hand written)	49.1	49.9	1.0
Computerized	6.3	91.7	2.0

About 63 percent of the respondent said that they used simple accounting system in their businesses while 13.9 percent and 49.1 percent used double entry book keeping system and manual accounting

system in their business respectively. Only 6.3 percent of the respondents said that they used a computerized accounting system in their businesses.

Table: 2.3.2 Human resource management system

	Yes (%)	No (%)	NA (%)
Training plan	17.5	82.5	-
Job description	6.8	92.2	1.0
Provision of appointment letter	7.6	91.4	1.0
Performance appraisal system	7.5	91.5	1.0

Majority of the businesses in Pyuthan do not have a proper human resource management system in place. Only about 18 percent of the respondents said that they had 'training plan' for human resource development in

their enterprises. 7.6 percent said that they provided appointment letters and 7.5 percent of the respondents said they provided job description to their employees. Similarly, about 8 percent of the respondents said that they had a performance appraisal system in their enterprises.

4. BUSINESS PERFORMANCE

All the enterprises, both from formal and informal sectors, were asked about their present business performance and expectation about the future.

Sales: Majority of the respondents said that their sales in FY 2068/69 was about the same as the year before. The outlook on sales appear rather positive for FY 2069/70. Majority of the respondents, 47 percent expect their sales to be higher in FY 2069/70 compared to a year before.

Table: 2.4.1 Sales

	Lower (%)	About the same (%)	Higher (%)
Sales in 68/69 against to 67/68	20.0	38.4	28.2
Expected sales in 69/70 against 68/69	14.2	18.2	47.1

Staffing: Majority (25 percent) of the enterprises said that the number of employees with them remain the same as year before.

Table: 2.4.2 Staffing

	Lower (%)	About the same (%)	Higher (%)
No. of staff in 68/69 against 67/68	4.1	25.1	5.3

Capital investment: Majority of the businesses were found to have been increasing their capital investment in recent years. 43 percent of them said that their capital investment had increased in FY 2068/69 against a year before. Similarly, 50 percent expected it to increase in FY 2069/70 as well.

Table: 2.4.3 Capital investment

	Lower (%)	About the same (%)	Higher (%)
Capital investment in 68/69 against 67/68	11.6	33.9	42.9
Expected capital investment in 69/70 against 68/69	6.3	26.1	50.0

Business performance and economic growth: Majority of the businesses of Pyuthan expect their overall business performance to be better in FY 2069/70 against a year before. Likewise, majority of the businesses expect the economic growth of the country to increase in the same period.

Table: 2.4.4 Business performance and economic growth

	Lower (%)	About the same (%)	Higher (%)
Expected overall business performance in 69/70 against 68/69	8.4	23.7	46.7
Expected economic growth in 69/70 against 68/69	3.7	10.4	47.9

Import/Export: The survey covered a very low number of exporters and importers in Pyuthan. Those who said that the import and export had increased in FY 2068/69 against a year before were only a handful. Only a few business expect situation to improve in FY 2069/70. Nevertheless, import situation is perceived to be better than export.

Table: 2.4.5 Import/export

	Lower (%)	About the same (%)	Higher (%)
Export in 68/69 against 67/68	6.1	9.2	4.2
Expected export in 69/70 against 68/69	4.2	5.8	6.1
Import in 68/69 against 67/68	6.4	17.2	10.9
Expected import in 69/70 against 68/69	3.2	11.5	15.2

Majority of the business in each of the sectors state that they expect sales, capital investment, overall business performance and economic growth to be higher in 2069/70 than a year before. Comparison of perception of sectors against that of the overall business sector is shown in Table 2.4.6.

Table: 2.4.6 Perception on business performance by 5 major business sectors

Description	Total (%)	Wholesale/ Retail (%)	Manufacturing (%)	Cooperative (%)	Agriculture/Forestry (%)	Hotels/Restaurant (%)
Sales was higher in 68/69 than in 67/68	28.2	25.7	28.3	37.5	15.8	23.7
Expect sales to be higher in 69/70 than in 68/69	47.1	44.3	39.6	37.5	52.6	52.6
No. of staff was higher in 68/69 than in 67/68	5.3	3.8	12.8	12.0	-	-
Capital investment was higher in 68/69 than in 67/68	42.9	41.7	50.0	62.5	31.6	31.6
Expect capital investment to be higher in 69/70 than in 68/69	50.0	45.1	52.8	68.0	63.2	31.6
Export was higher in 68/69 than in 67/68	4.2	5.4	3.9	4.3	-	3.0
Expect export to be higher in 69/70 than in 68/69	6.1	4.2	5.8	4.2	10.5	12.1
Import was higher in 68/69 than in 67/68	10.9	10.1	9.4	4.2	5.3	18.4
Expect import to be higher in 69/70 than in 68/69	15.2	15.8	11.3	68.0	15.8	15.8
Expect overall business performance to be higher in 69/70 than in 68/69	46.7	40.9	41.5	68.0	52.6	34.2
Expect economic growth to be higher in 69/70 than in 68/69	47.9	43.9	51.9	64.0	57.9	41.7

Factors constraining business growth

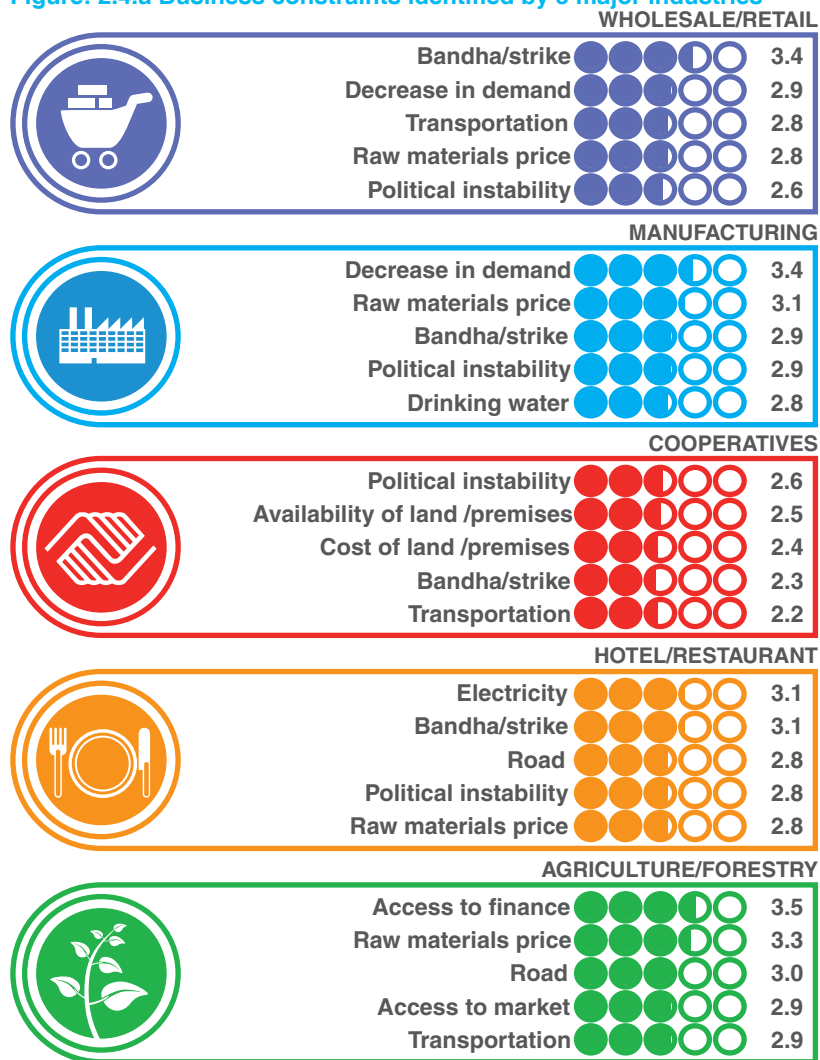
Bandha/ strike was identified as the major constraining factor for business growth in the district. Table 2.4.7 presents the first ten constraints to business growth and their corresponding rating.

Table: 2.4.7 Factors constraining business growth (Rating in scale of 1 to 5; where 1: not a problem & 5: a major problem)

	Rating
Bandha/strike	3.1
Political instability	2.7
Increase in price of raw materials or input supplies	2.7
Electricity	2.6
Transportation	2.6
Decrease in demand for products & services	2.6
Road	2.5
Cost of land or premises	2.3
Access to finance and cost of borrowing money	2.4
Competition from unregistered businesses (illegal trade)	2.3

The first five constraining factors for business growth as identified by the five major business sectors in the district are presented with Figure 2.4.a.

Figure: 2.4.a Business constraints identified by 5 major industries



5. TAX ADMINISTRATION AND LEGAL ISSUES

The survey revealed that around 61 percent enterprises in Pyuthan pay income tax to the government while 9 percent deposit the VAT.

Table 2.5.1: Percent of business paying each tax type

Type of tax	Percent
Income tax	61.4
VAT	9.0
Excise duty	6.8
Rental tax	4.0
Customs duty	1.0

Of the business act and regulations relating to an enterprise, majority of the respondents (42 percent) considered income tax to be unclear. 11 percent of the respondents regarded VAT acts and regulations to be unclear and inconsistent. However, when asked to rate the tax and legal issues as problems to doing business in the district, all received a rating of less than three, implying that these were not considered problems of serious nature.

Figure: 2.5.a Tax/legal issues as constraints to doing business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)



6. ACCESS TO FINANCE AND SOURCE OF FINANCE

Access to finance is not perceived as a major problem by businesses in Pyuthan. The possible constraining factors to it were rated as slight problems only, of which loan processing time topped the list. Table 2.6.1.

Table: 2.6.1 Factors that constrain access to finance (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Description	Rating
Loan processing time	2.7
Interest rate	2.6
Loan processing fee	2.5
Loan limit	2.4
Loan repayment period	2.4
Collateral	2.3
Detail business/ investment plan	2.3
Inadequate understanding of the potential of business by financial institutions	2.3
Inadequate knowledge of financial products	2.1

Majority of the businesses in Pyuthan are of small scale. 84 percent respondents said that their total sales in the FY 2068/69 was less than NPR 500,000 while 78 percent said that their capital investment in the same period was less than NPR 500,000. Table 2.6.2.

Table: 2.6.2 Level of activity w.r.t. revenue, capital investment and export value in FY 68/69 ('00,000 NPR)

Description	≤ 5 (%)	>5 ≤ 10 (%)	>10 ≤ 50 (%)	>50 ≤ 300 (%)	>300 ≤ 1000 (%)	>1000 (%)
Total sales	84.3	11.6	2.2	1.1	0.8	-
Capital investment	78.3	17.2	2.1	2.1	0.3	-
Value of export	85.7	10.7	1.8	-	1.8	-

As expected, the revenue as well as capital investment of businesses in the informal sector is substantially low than the rest. Figure 2.6.a & 2.6.b.

Figure: 2.6.a

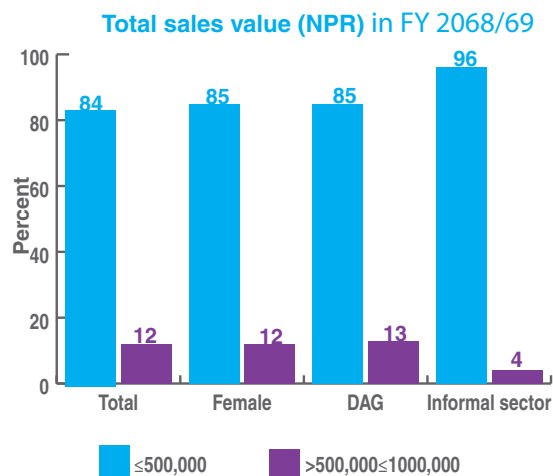
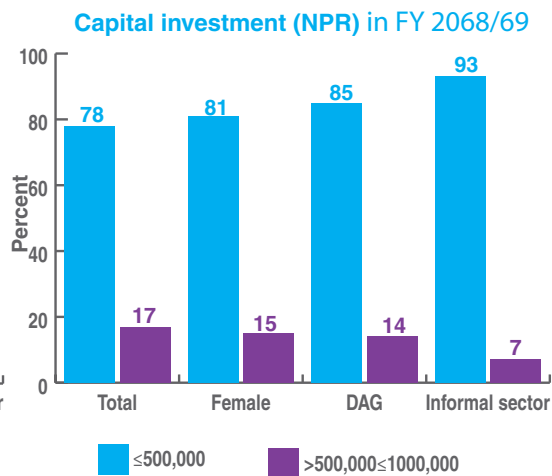


Figure: 2.6.b



The major source of finance for majority of the businesses (58 percent) was internal funds/retained earnings, followed by BFIs (26 percent). Table 2.6.3 presents the source of finance for businesses in Pyuthan.

Table: 2.6.3 Source of finance for businesses

Source of finance	Percent
Retained earnings	58
Bank/financial institutions	26
Savings & credit cooperatives	25
Family/friends	23
Informal source (money lenders)	12
Trade credit	5

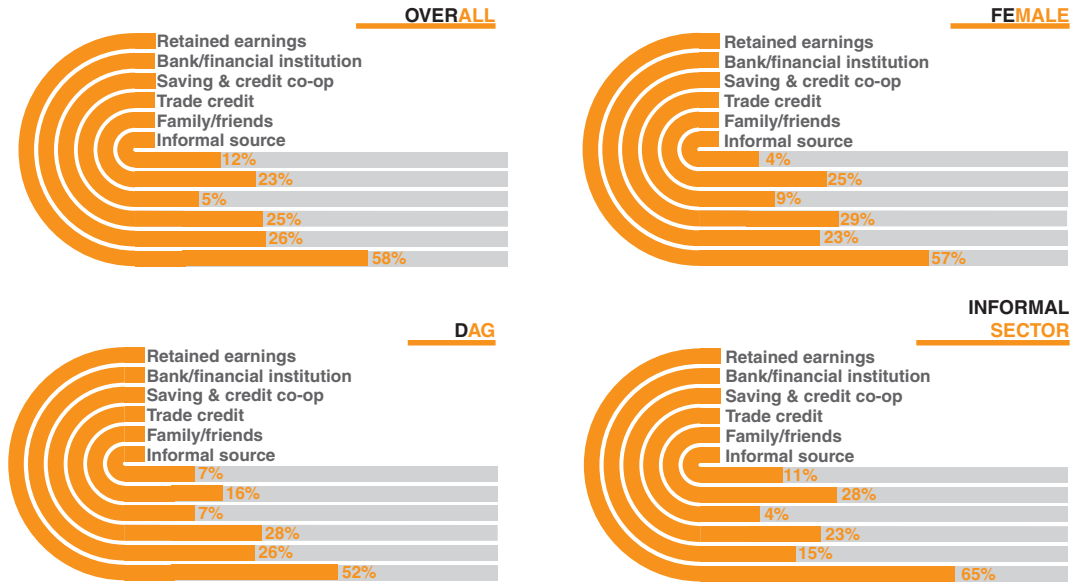
Table 2.6.4 shows the annual average interest rate associated with the various sources of financing. It is observed that businesses in Pyuthan have to pay high average interest rate when they obtain credit from family and friends.

Table: 2.6.4 Annual interest rate

Source of finance	Mean
Family/friends	18.6
Informal source (money lenders)	17.6
Banks/financial institutions	16
Trade credit	15.4
Savings & credit cooperatives	14.6
Retained earnings	-

However, for businesses such as those run by women and the disadvantaged group savings and credit cooperatives formed the second largest source of financing. Figure 2.6.c.

Figure: 2.6.c Source of finance for businesses



7. STARTING A BUSINESS

The issues relating to business start-up such as access to finance, property, license, labour, input supplies etc. did not pose as major hindrance to starting a business in Pyuthan. All issues received a rating of less than 3, suggesting that these were perceived as minor problems. Table 2.7.1.

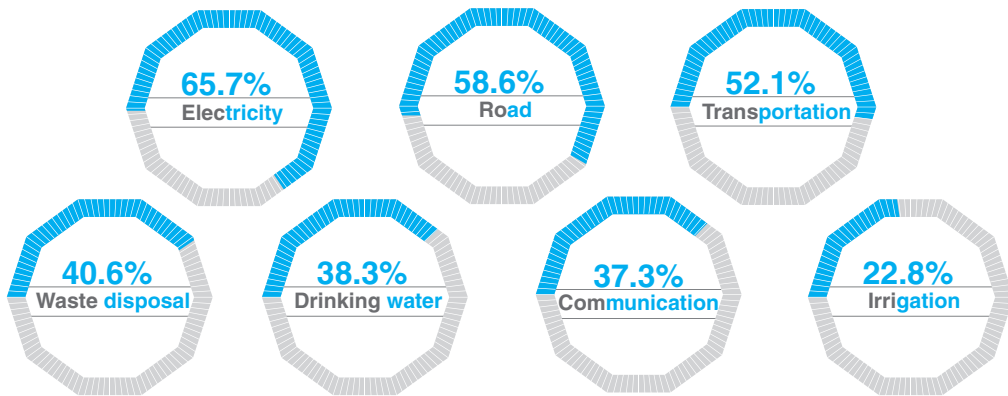
Table: 2.7.1 Constraints to start a business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraining factors	Rating
Access to finance	2.8
Registration and licensing procedure	2.6
Acquisition of tax certificate	2.6
Access to raw materials and input supplies	2.5
Cost of obtaining licenses, certificates, permits	2.5
Cost of land or premises	2.4
Unavailability of adequately qualified human resources	2.4
Availability of land or premises	2.3

8. INFRASTRUCTURE

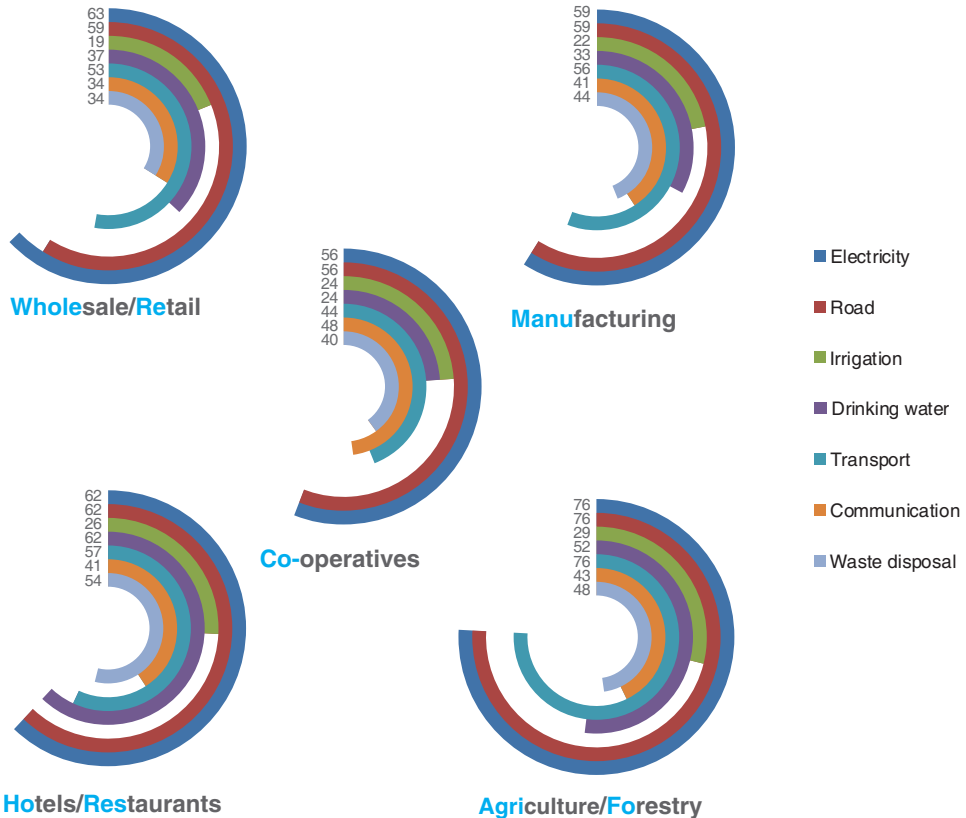
All the businesses were asked what needed to be improved urgently- in terms of infrastructure in Pyuthan, for their business growth. As shown in the Figure 2.8.a, most of them pointed that continuous supply of electricity should be ensured and problems regarding transportation and road should be solved immediately.

Figure: 2.8.a Urgent improvement needs in infrastructure for business growth



The need for urgent improvement in infrastructure for each of the five major business sectors is presented in Figure 2.8.b. It is observed that all regarded electricity and road as the infrastructures requiring urgent improvement.

Figure: 2.8.b Need for urgent improvement in infrastructure



About 16 percent of the respondents stated that had there been a continuous supply of electricity their production would have increased by 10 percent; 6 percent said that it would have increased by 20 percent. About 3 percent respondents said that they used generator as a back-up for power and incurred an additional average monthly cost of NPR 1,905.

9. EMPLOYMENT SITUATION

Generally, the businesses in Pyuthan did not consider issues relating to availability, turnover or cost of human resource in the business as a major problem.

About 86 percent of the respondents said that they did not face difficulties in recruiting a competent workforce and about 87.8 percent felt that there are good training services in Pyuthan for their workforce. Maintaining a competent workforce too was not seen as a major problem by businesses there.

Table: 2.9.1 Constraints to maintaining competent workforce (Rating in scale of 1 to 5; where 1: not a problem and 5: a major problem)

Constraints	Rating
Availability of relevant trainings facilities at the local level	1.8
Availability of qualified work force	1.7
Cost of trainings	1.7
Employee turnover	1.5
Salary, remuneration and other facilities	1.5
Following labour law regulations	1.3
Others	1.3

Majority of the businesses (46 percent) employed general workers. About 42 percent each had employees in the managerial, technical, administrative and skilled worker level. Most of the businesses did not consider unavailability, turnover and cost as problems associated with these employee categories. Table 2.9.2.

Table: 2.9.2 Problems in employee retention

Employee category	Total businesses (%)	Of the total businesses		
		Unavailability (%)	Turnover (%)	Cost (%)
a. Managerial (CEO, department heads, managers, officers)	42.0	16.0	20.0	8.0
b. Technical (IT officers, designers, financial advisors, auditors etc.)	42.0	23.0	13.0	9.0
c. Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)	42.0	17.0	14.0	8.0
d. Skilled workers (electricians, mechanics, construction workers, printers, chefs, waiters etc.)	42.0	20.0	19.0	8.0
e. General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners etc.)	46.0	15.0	24.0	11.0

10. SOCIO-ECONOMIC CONDITION

Businesses in general perceived the socio-economic condition to have improved in the district. However, compared to the rest of the indicators on socio-economic condition, nearly half as many respondents agreed with the statement, "school drop out rate has decreased in the district."

Table 2.10.1 compares the response by gender and social group. No substantial difference was observed on the defined socio-economic indicators across the different respondent groups.

Table: 2.10.1 Perception about the socio economic condition

	Total (%)	Men (%)	Women (%)	DAG (%)
People paying for healthcare service has increased	95.2	95.7	92.8	97.6
Children attending school has increased	98.5	98.8	97.1	99.4
Students attending college has increased	95.4	95.1	97.1	98.2
School dropout rate has decreased	46.9	48.0	42.0	40.6
Women's role in decision making at home has Increased	86.3	86.4	85.5	85.5
Women's role in decision making in the community has increased	87.5	88.3	84.1	84.8
DAG's participation in decision making in the community	85.0	84.9	85.5	80.0
Access to resources by DAGs	82.4	83.0	79.7	80.6
Business/employment opportunities increased for women	87.2	89.2	77.9	83.0
Business/employment opportunities increased for DAGs	83.8	85.4	76.8	79.9

Important infrastructure and Local Economic Development (LED)

Technical school/ vocational training institute, agriculture training and research centre, industrial area, agriculture mandi and university were among the first five important requirements in infrastructure for the economic development of the district. Table 2.10.2 presents the infrastructure and their corresponding ratings.

Table: 2.10.2 Important infrastructure contributing to the LED (Rating in a scale of 1 to 5; where 1: less important and 5: highly important)

Infrastructure	Rating
Technical school/vocational training institute	4.7
Agriculture training and research centre	4.5
Industrial area	4.4
Agriculture mandi	4.4
University	4.2
Airport	4.2
Cold storage	4.1
Accredited labs/quarantine check post	4.1
Road network	4.0
Hospitals	4.0
Branch of the office of the company registrar	3.9
Power	3.8
Conference hall & exhibition centre	3.7
Bus park	3.7
Banks/financial institutions	3.6

11. INTERNATIONAL AND NATIONAL TRADE

Only a handful of businesses in Pyuthan were found to be involved in import/export. Almost all of them did business with India and used Bhairahawa customs point owing to its proximity to their business location.

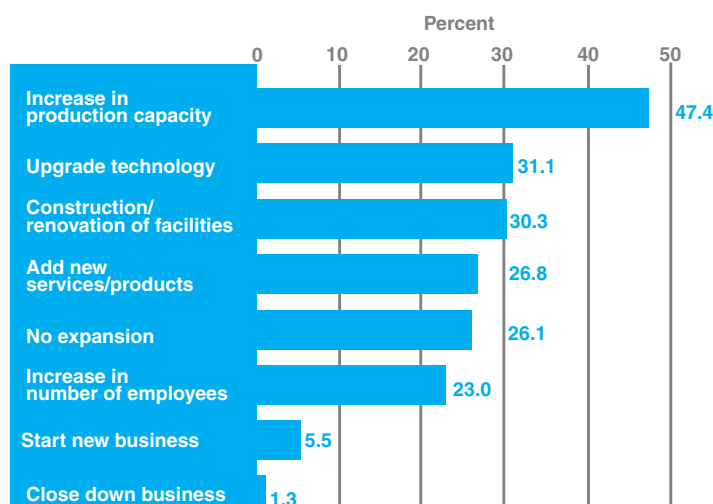
When they were asked to identify the constraining factors to trading outside and within Nepal, most of them cited access to credit from BFIs, difficulties in dealing with customs, timely unavailability of IC and foreign currencies and lack of international market information.

12. INVESTMENT BACKGROUND

97 percent of the respondents stated that they are the sole investors in their businesses. About 62 percent of them had title to their premises.

79 percent of the respondents stated that their decision to invest in Pyuthan was not influenced by incentives provided by the Government.

Figure: 2.12.a Future business plan



When asked about their future business plans, majority of the businesses disclosed that they had plans for expansion. Almost half of them stated that they would increase production capacity.

Table: 2.12.1 Potential investment sectors (Rating in scale of 1 to 5; where 1 is low potential and 5 is high potential)

Business sector	Rating
Agriculture & forestry	4.5
Hotels & restaurants	4.2
Health	4.1
Education	4.1
Wholesale & retail trade	4.0
Electricity/ gas/ water	3.9
Manufacturing	3.7
Transport, storages & communications	3.5
Mining/quarrying	3.5
Financial intermediation	3.5
Cooperatives	3.5
Construction	3.5
Personal services activities	3.5
Real estate, renting & business activities	3.0

85 percent of the respondents said that their estimated capital investment for the next 3 years would be below NPR. 1 million. When asked to identify the potential investment sectors in Pyuthan, the businesses gave the highest rating to Agriculture and Forestry.

Dang is one of the major districts in Rapti zone - Nepal's Far Western region in the Terai. It covers an area of 2,955 square kilometers. As of 2011, the population of Dang was 552,583, of which 53 percent were female. Dang shares its borders with six districts namely, Banke, Salyan, Rolpa, Pyuthan, Arghakhanchi and Kapilvastu. On its south, the district shares its border with Uttar Pradesh in India. Two major rivers - Rapti and Babai pass through the district. There are 39 VDCs and 2 municipalities namely Ghorahi and Tulsipur. The literacy rate of Dang at 70 percent is slightly higher than the national average.

A total of 465 enterprises from formal and informal sectors (unregistered businesses) participated in the FNCCI BCS in Dang.

The survey findings reveal that the businesses in Dang are quite optimistic about the economic condition of the country and expect it to grow in the future. Nevertheless, energy crisis, bandha/strikes and political instability were considered major constraining factors for business growth in the district. Education and agriculture/ forestry presented themselves as the two most attractive areas for business investment. Currently, agriculture/forestry is the fifth largest sector with regards to the number of enterprises operational and education is the eighth. The establishment of industrial area and uninterrupted power supply were expected to contribute the most to local economic development of the district. The use of modern management tools was limited to only a few businesses in the district. The findings of the survey are given below:

1. RESPONDENTS INFORMATION

Of the total respondents in Dang, 87 percent are entrepreneurs themselves. The survey found that 15 percent of the total respondents in Dang are woman. As shown in the Table 3.1.1, majority of the respondents in Dang are Brahmin/Chhetri followed by Janajati. The representation of marginalized groups like Dalit, Madhesi and Muslim is very low. This is also true of businesses run by women.

Table: 3.1.1 Respondents by social group

Social group	Total (%)	Of total	
		Male (%)	Female (%)
Brahmin/Chhetri	68.0	86.9	13.1
Janajati	20.1	78.5	21.5
Dalit	6.3	79.3	20.7
Madhesi	3.0	92.9	7.1
Muslims	1.9	88.9	11.1
Other	0.6	100.0	-

The survey found that there are very few entrepreneurs who are illiterate. About 80 percent have acquired formal education. The breakdown of the respondents by education level is presented in table 3.1.2

Table: 3.1.2 Level of education

Education level	Total (%)	Of total	
		Male (%)	Female (%)
Illiterate	5.2	45.8	54.2
Read & write	15.6	73.6	26.4
Below SLC	23.6	87.2	12.8
SLC & Intermediate	41.6	90.0	10.0
Bachelor's degree & above	13.9	93.8	6.2

The survey showed that two out of three entrepreneurs (64 percent) in Dang are youth and fall in the age group of 20-40 years while 35 percent of the respondents are above the age of 40.

Table: 3.1.3 Respondents by age group

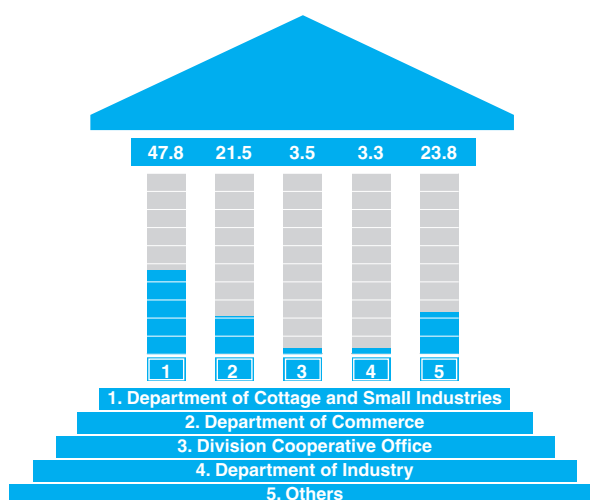
Age	Total (%)	Of total	
		Male (%)	Female (%)
Below 20	1.1	80.0	20.0
20-24	3.3	93.3	6.7
25-30	15.9	80.8	19.2
31-35	18.1	88.0	12.0
36-40	26.8	79.7	20.3
41-45	15.5	88.7	11.3
46 & above	19.4	88.8	11.2

2. BUSINESS INFORMATION

21 percent of the enterprises covered by the survey were businesses from the informal sector. Most of these businesses cited reasons such as small business scale and lack of knowledge about the registration procedure for not registering their business. Of the unregistered businesses, 65 percent have shown their willingness to register.

Majority of the businesses in Dang, as shown in Figure 3.2.a, are registered in the Department of Cottage and Small Industries followed by Department of Commerce.

Figure: 3.2.a Business registered with government agencies



As for their ownership structure, about 85 percent are sole proprietorship firms. Table 3.2.1.

Table: 3.2.1 Ownership structure of enterprises

Legal status	Total (%)	Of total	
		Male (%)	Female (%)
Sole proprietorship	84.6	89.6	10.4
Partnership	6.3	87.0	13.0
Cooperative	3.0	72.7	27.3
Private limited company	4.1	100.0	-
Public limited company	1.9	100.0	-

Of the enterprises registered with the IRD office, 80 percent have the Permanent Account Number (PAN) while 20 percent are also registered in the VAT office. When asked what motivated them to start business in the district, majority of the respondents cited market demand and possession of relevant skill and knowledge. Factors such as it being a family occupation or availability of raw materials were cited less as motivating factors to start a business.

Figure: 3.2.b Motivating factors to start business

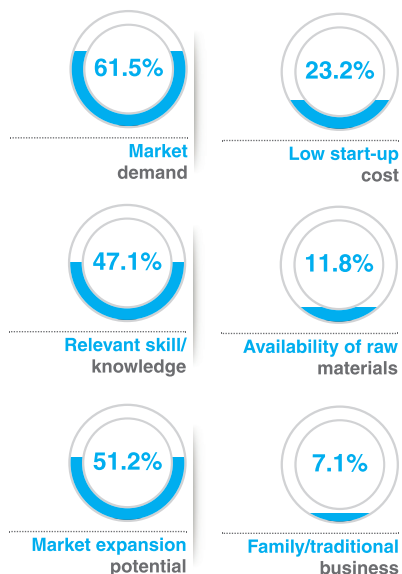


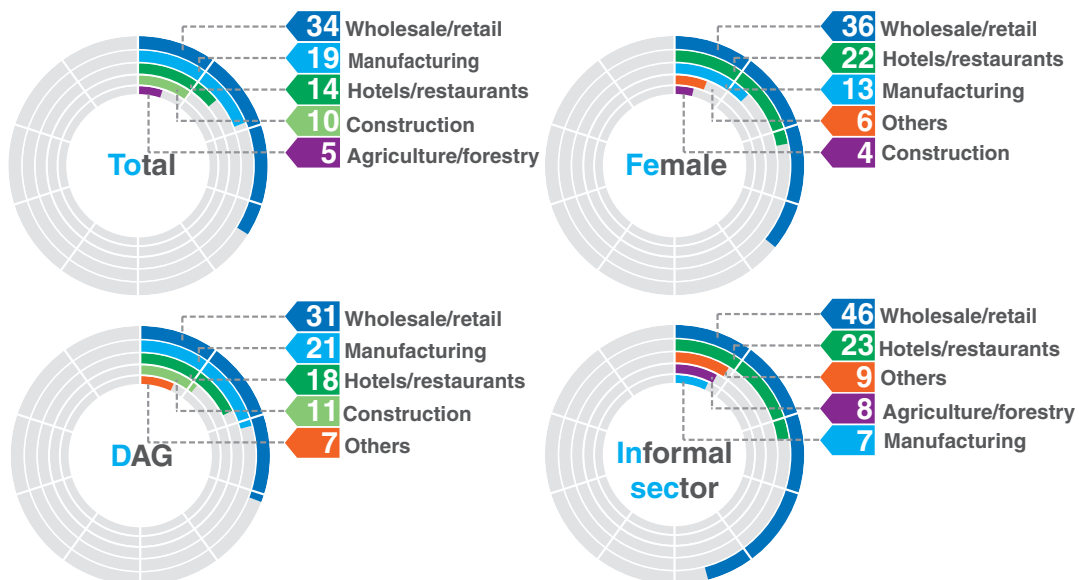
Table: 3.2.2 Business types

Business sector	Percent
Wholesale/ retail trading	34.0
Manufacturing	18.5
Hotel/ restaurant	13.5
Construction	9.9
Agriculture/ forestry	5.2
Cooperative	3.7
Personal service	2.6
Education	2.4
Financial intermediation	2.2
Health	1.7
Transportation/storage/communication	1.5
Mining/ minerals	1.1
Electricity/ gas/ water	0.4
Others	0.4

The top five businesses that most of the enterprises are involved in Dang are wholesale/retail trading, manufacturing, hotel/ restaurant, construction and agriculture/forestry. Refer Table 3.2.2 above.

It is also observed that wholesale/retail, manufacturing and hotel/restaurants are among the major businesses that most women, the disadvantaged groups (DAG), and informal sector are involved in. Figure 3.2.c.

Figure: 3.2.c Involvement of business types by women, DAG and informal sector



Very few businesses (3 percent) stated that they received support from outside agencies such as the local or central government and non-government organizations. The types of support received are of technical (trainings) and financial types (loan, fund, goods).

3. MANAGEMENT SYSTEM IN ENTERPRISES

Table: 3.3.1 Management tools

	Yes (%)	No (%)	NA (%)
Documented business plan	9.8	86.3	4.0
Computers	16.6	79.0	4.0
Email/ internet service	12.1	85.5	2.0

Questions were asked to assess the use of modern management tools, accounting system and information technology by businesses in the district. Very few of the businesses (9.8

percent) had a documented strategic/business plan. The use of information technology was also found to be limited to only a few businesses in the district. As many as 16.6 percent and 12.1 percent of the businesses used computers and email/internet services respectively. Table 3.3.1.

Table: 3.3.2 Accounting system

	Yes (%)	No (%)	NA (%)
Simple accounting	66.0	33.5	-
Double entry book keeping	32.9	63.0	4.0
Manual (hand written)	64.4	35.1	1.0
Computerized	10.7	83.1	6.0

Majority of the business (66 percent) used simple accounting system while about 33 percent used double entry book keeping system. Only a small percentage of the businesses (10.7 percent) used computerized accounting

system to keep their account record.

Table: 3.3.3 Human resource management system

	Yes (%)	No (%)	NA (%)
Training plan	13.9	81.9	4.0
Job description	24.3	73.8	2.0
Provision of appointment letter	11.8	87.3	1.0
Performance appraisal system	29.5	68.1	2.0

Majority of the businesses in Dang do not have proper Human Resource Management system. Very few organizations have training plan, job description, the system of providing appointment letters

to employees and performance appraisal system. However, of the aforementioned four tools for better HRM, performance appraisal system was being implemented by the highest number of businesses (29.5 percent).

4. BUSINESS PERFORMANCE

All the enterprises both from formal and informal sectors were asked questions on business performance and their expectations for the future. Most were of the opinion that the overall business performance would be higher in FY 2069/70 compared to the year before.

Table: 3.4.1 Sales

	Lower (%)	About the same(%)	Higher(%)
Sales in 68/69 against to 67/68	20.9	30.7	40.8
Expected sales in 69/70 against 68/69	11.0	21.1	62.1

Sales: The outlook on sales for FY 2069/70 appears to be positive. Majority of the respondents (62 percent) expect their sales to increase in FY 2069/70 from a year before. Sales in 2068/69 too was higher than the previous year for majority of the businesses.

Table: 3.4.2 Staffing

	Lower(%)	About the same(%)	Higher(%)
No. of staff in 68/69 against 67/68	6.8	47.9	18.3

Staffing: Majority of the enterprises said that the number of employees with them has remained the same as in FY 2067/68.

Table: 3.4.3 Capital investment

	Lower(%)	About the same(%)	Higher(%)
Capital investment in 68/69 against 67/68	2.3	43.2	47.8
Expected capital investment in 69/70 against 68/69	2.7	31.3	56.2

Capital investment: Majority of the businesses had increased their capital investment in FY 2068/69 from a year before and they expect it to increase in FY 2069/70 as well.

Table: 3.4.4 Business performance and economic growth

	Lower(%)	About the same(%)	Higher(%)
Expected overall business performance in 69/70 against 68/69	8.1	36.9	48.6
Expected economic growth in 69/70 against 68/69	7.2	16.7	66.0

Business performance and economic growth: Majority of the businesses in Dang expect the overall business performance to be better in FY 2069/70 than a year before. They also expected the economy to grow during this period.

Import/Export: The survey covered low number of exporters and importers in Dang. Less than 10 percent of the enterprises in this sector expected both export and import to grow in FY 2069/70.

Table 3.4.5 presents the perception of the five major businesses in Dang with regard to business performance. Majority of the businesses in each of the sectors state that they expect sales, capital investment, overall business performance and economic growth to be higher in 2069/70 than a year before.

Table: 3.4.5 Perception on business performance by 5 major business sectors

Description	Total (%)	Wholesale/Retail (%)	Manufacturing (%)	Hotels/Restaurants (%)	Agriculture/Forestry (%)	Construction (%)
Sales was higher in 68/69 than in 67/68	40.8	36.8	40.2	46.8	56.5	38.6
Expected sales to be higher in 69/70 than in 68/69	62.1	54.7	65.4	62.7	69.6	71.1
No. of staff was higher in 68/69 than in 67/68	18.3	9.2	24.1	15.1	22.7	27.9
Capital investment was higher in 68/69 than in 67/68	47.8	43.4	53.2	55.2	45.8	53.3
Expected capital investment to be higher in 69/70 than in 68/69	56.2	52.7	61.7	54.4	52.2	62.2
Export was higher in 68/69 than in 67/68	3.0	5.7	1.4	-	-	2.8
Expect export to be higher in 69/70 than in 68/69	5.0	6.7	4.1	-	-	2.8
Import was higher in 68/69 than in 67/68	7.0	13.7	4.0	4.5	4.8	8.3
Expect import to be higher in 69/70 than in 68/69	9.0	16.0	10.8	6.7	-	5.4
Expect overall business performance to be higher in 69/70 than in 68/69	48.6	39.9	51.9	51.7	45.8	56.5
Expect economic growth to be higher in 69/70 than in 68/69	66.0	56.7	70.4	61.0	50.0	80.0

Factors constraining business growth

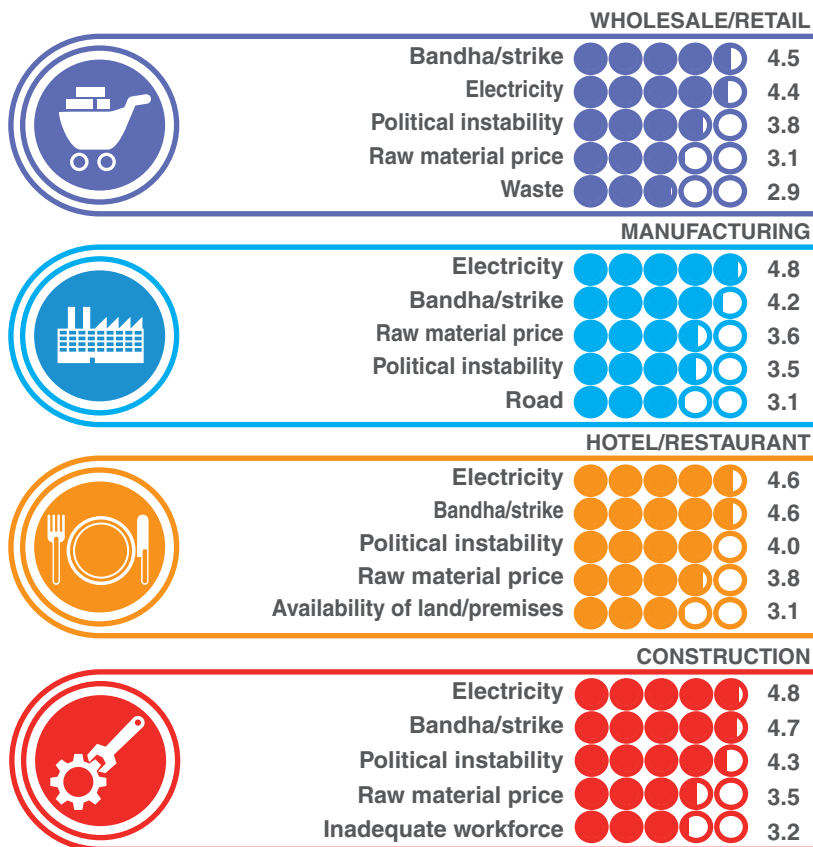
Table: 3.4.6 Factors constraining business growth (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

	Rating
Electricity	4.6
Bandha/ strike	4.4
Political instability	3.9
Increase in price of raw materials or input supplies	3.2
Availability of land or premises	2.9
Cost of land or premises	2.9
Waste disposal	2.7
Decrease in demand of products/service	2.7
Road	2.7
Competition from unregistered business	2.7

Power shortage, bandha/ strike and political instability were identified as the major constraining factors to business growth in the district. Table 3.4.6 presents the first 10.

Power shortage and bandha/ strike came across as the major constraints among others for business growth in all the five major business sectors in Dang. Figure 3.4.a.

Figure: 3.4.a Business constraints identified by 5 major industries





AGRICULTURE/FORESTRY

Electricity	●●●●●	4.5
Bandha/strike	●●●●○	3.9
Raw material price	●●●●○	3.4
Political instability	●●●○●	2.9
Availability of land/premises	●●●○●	2.8

5. TAX ADMINISTRATION AND LEGAL ISSUES

The survey revealed that 74 percent of the respondents in Dang pay income tax to the government while only 19 percent deposit the VAT. The businesses paying rental tax is also substantial in number. Table 3.5.1.

Table: 3.5.1 Percent of business paying each tax type

Type of tax	Percent
Income tax	73.8
VAT	18.7
Rental tax	18.5
Excise duty	5.2
Custom duty	1.3
Others	2.8

While acts and regulations relating to Income tax and VAT were considered unclear and inconsistent by majority of respondents, 41 percent and 19 percent respectively, these acts and regulations were not perceived as constraints to doing business in Dang. Figure 3.5.a.

Figure: 3.5.a Tax/legal issues as constraints to doing business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)



6. ACCESS TO FINANCE AND SOURCE OF FINANCE

Access to finance is not perceived as a major problem in Dang. The possible constraining factors to access to finance were rated as slight problems only, of which loan processing time topped the list.

Table: 3.6.1 Factors that constrain access to finance (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Description	Rating
Loan processing time	2.7
Interest rate	2.7
Loan processing fee	2.6
Inadequate knowledge of financial products	2.6
Loan limit	2.6
Collateral	2.5
Loan repayment period	2.5
Inadequate understanding of the potential of business by financial institutions	2.4
Detail business/ investment plan	2.1

Majority of the businesses in Dang are of small scale. 53 percent of the respondents said that their total sales in FY 2068/69 was less than five hundred thousand; 67 percent stated that their capital investment in the same period was less than five hundred thousand. Table 3.6.2

Table: 3.6.2 Level of activity w.r.t. revenue, capital investment and export value in FY 68/69 ('00,000 NPR)

Description	≤ 5 (%)	>5 ≤ 10 (%)	>10 ≤ 50 (%)	>50 ≤ 300 (%)	>300 ≤ 1000 (%)	>1000 (%)
Total sales	53.0	32.0	9.0	5.0	1.0	1.0
Capital investment	67.0	21.0	7.0	3.0	0.0	2.0
Value of export	32.0	47.0	11.0	11.0	-	-

Both sales and capital investment were less than five hundred thousand for majority of businesses across the different categories of respondents (women, DAG, informal sector) in FY 2068/69.

Figure: 3.6.a

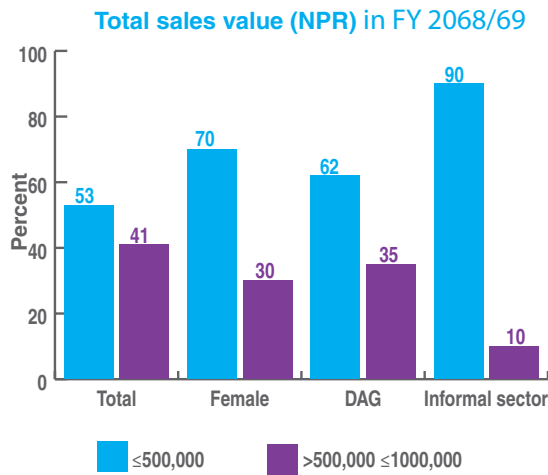


Figure: 3.6.b

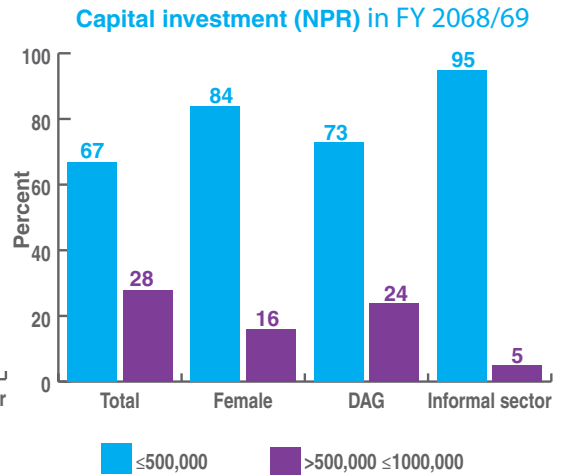


Table: 3.6.3 Source of finance for businesses

Source of finance	Percent
Retained earnings	73.8
Family/ Friends	41.7
Bank/ financial institutions	40.9
Savings & credit coop	12.5
Informal sources (money lenders)	9.7
Trade credit (supplier or customer credit)	5.6

Internal fund followed by loan from family/ friends and BFLs formed the major source of finance for most businesses in Dang. Table 3.6.3.

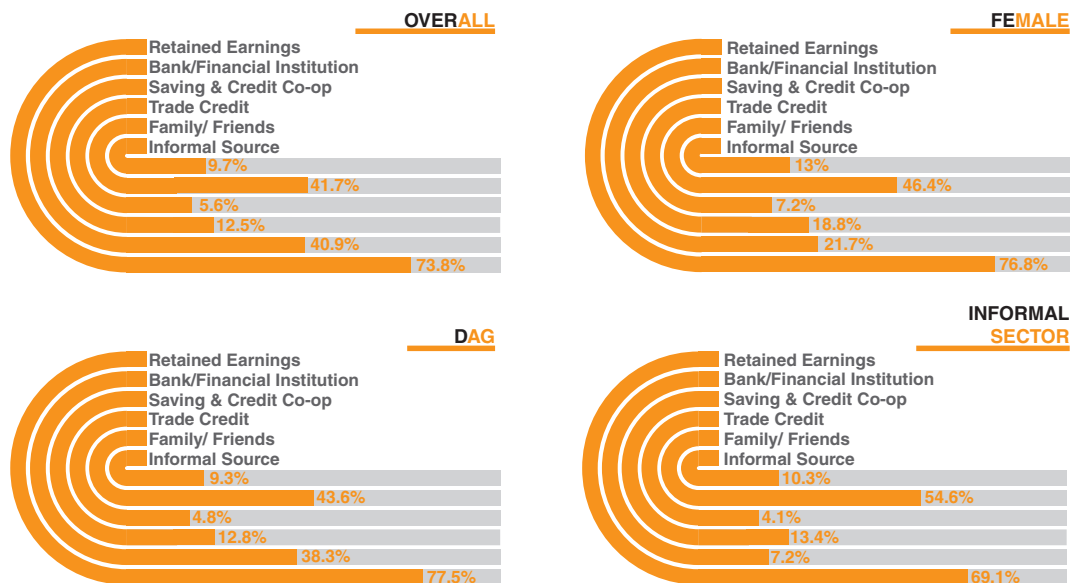
Table: 3.6.4 Annual interest rate

Source of finance	Mean
Family/ Friends	24.5
Saving and credit cooperatives	15.7
Banks and financial institutions	14.7
Trade credit (supplier or customer credit)	7.1
Internal funds/retained earnings	-

Table 3.6.4 presents the annual average interest rate associated with the various source of finance for businesses in Dang. Businesses pay higher annual average interest rate when they borrow from family/ friends.

Figure 3.6.c presents the source of finance used by women, DAG and the informal sector in their businesses. Majority used retained earnings followed by loan from family and friends.

Figure: 3.6.c Source of finance for businesses



7. STARTING A BUSINESS

The issues relating to access to finance, property, licensing, labour etc. were not perceived as serious constraints to starting a business in Dang. All such issues received a rating of less than 3 suggesting that these were only slight problems. Table 3.7.1 presents the possible constraints and their corresponding ratings.

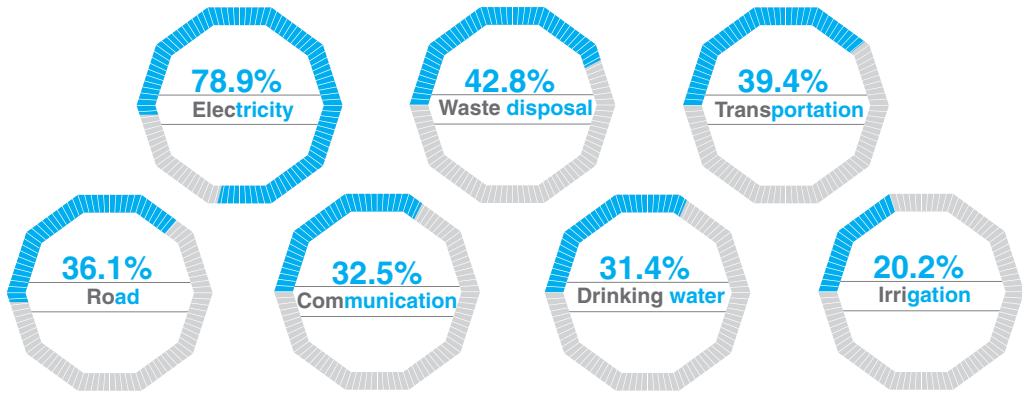
Table: 3.7.1 Constraints to start a business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraining factors	Rating
Cost of land or premises	2.9
Availability of land or premises	2.8
Unavailability of adequately qualified human resources	2.7
Access to finance	2.6
Access to raw materials and input supplies	2.5
Registration and licensing procedure	2.5
Cost of obtaining licenses, certificates, permits	2.2
Acquisition of tax certificate	2.2

8. INFRASTRUCTURE

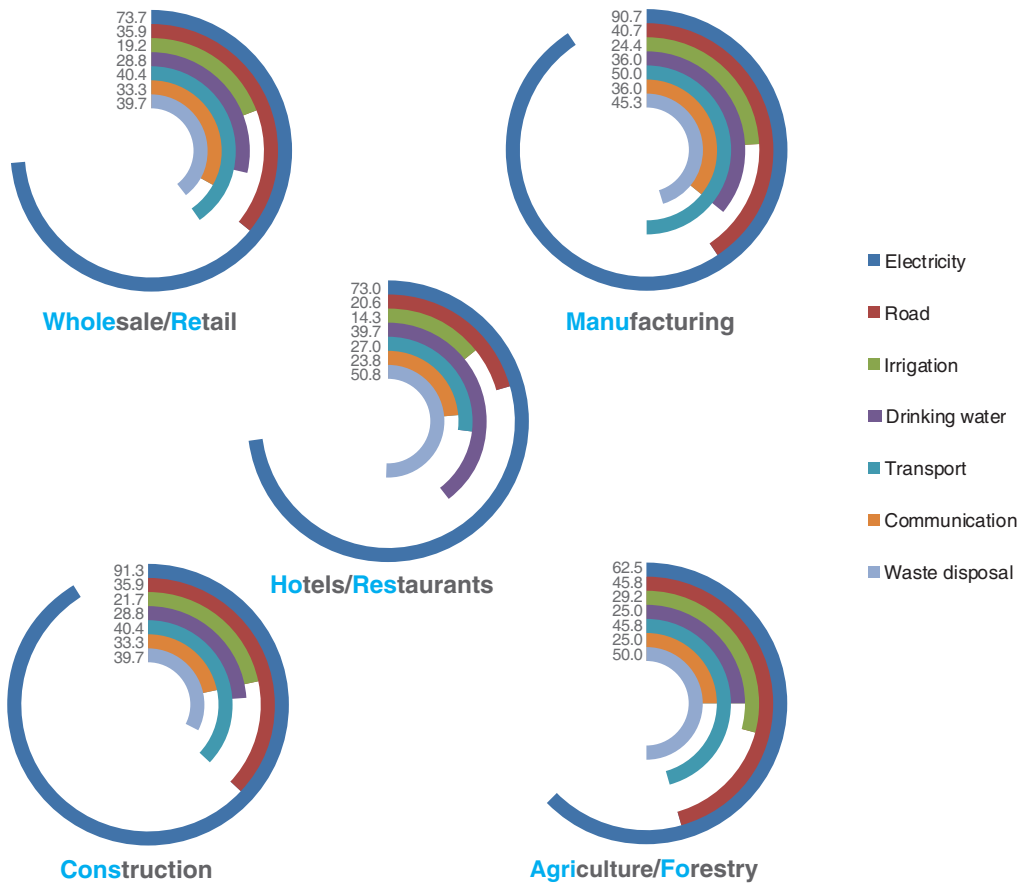
When asked what infrastructure needed urgent improvement for their business growth, most pointed to the need for continuous supply of electricity and problems regarding waste disposal to be addressed immediately.

Figure: 3.8.a Urgent improvement needs in infrastructure for business growth



About 18 percent of the respondents stated that if there had been a continuous supply of electricity, without any power cuts, their production would have increased by 10 percent. Another 22 percent said that it would have increased by 20 percent.

Figure: 3.8.b Need for urgent improvement in infrastructure



9. EMPLOYMENT SITUATION

Majority of the businesses in Dang were found to not consider issues relating to availability, turnover and cost of human resources as major problems.

Maintaining a competent workforce too was not a major problem for businesses in Dang. The average rating with respect to constraints in maintaining competent workforce is presented in Table 3.9.1

Table: 3.9.1 Constraints to maintaining competent workforce (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraints	Rating
Availability of relevant trainings facilities at the local level	2.6
Employee turnover	2.5
Availability of qualified work force	2.3
Salary, remuneration and other facilities	2.2
Cost of trainings	2.1
Following labour law regulations	1.9

The percentage of businesses employing staff at technical, administrative, and skill and general worker level is much higher than those employing staff at the managerial level. For majority of businesses with staff in these categories, unavailability and cost associated with hiring them or their turnover were not perceived as big problems. Table 3.9.2.

Table: 3.9.2 Problems in employee retention

Employee category	Total businesses (%)	Of total businesses		
		Unavailability (%)	Turnover (%)	Cost (%)
a. Managerial (CEO, department heads, managers, officers)	39.0	16.0	5.0	27.0
b. Technical (IT officers, designers, financial advisors, auditors etc.)	52.0	11.0	8.0	23.0
c. Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)	52.0	9.0	6.0	20.0
d. Skilled workers (electricians, mechanics, construction workers, printers, chefs, waiters etc.)	61.0	21.0	19.0	18.0
e. General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners etc.)	65.0	13.0	21.0	15.0

10. SOCIO-ECONOMIC CONDITION

Businesses in general perceived the socio-economic condition to have improved in the district. Compared to other indicators on socio-economic condition lesser number of respondents seem to agree that the school dropout rate has decreased and that the business opportunities for DAG has increased.

Table 3.10.1 compares the response by gender and social group. No substantial differences was observed on the defined socio-economic indicators across the different categories of respondents.

Table: 3.10.1 Perception about the socio economic condition

	Total (%)	Men (%)	Women (%)	DAG (%)
People paying for healthcare service has increased	96.1	96.9	91.3	96.0
Children attending school has increased	98.5	98.2	98.6	98.2
Students attending college has increased	98.0	98.0	95.7	98.7
School dropout rate has decreased	56.6	56.9	53.6	49.3
Women's role in decision making at home has increased	91.7	92.8	84.1	91.2
Women's role in decision making in the community has Increased	92.4	92.6	91.3	92.1
DAG's participation in decision making in the community	81.1	82.1	75.4	77.3
Access to resources by DAGs	82.7	84.5	71.0	78.3
Business/employment opportunities increased for women	85.9	87.0	79.7	88.5
Business/employment opportunities increased for DAGs	75.1	76.2	68.1	72.1

Important infrastructure and Local economic development (LED)

Table: 3.10.2 Important infrastructure contributing to the LED (Rating in scale of 1 to 5, where 1: less important and 5: highly important)

Infrastructure	Rating
Power	4.5
Industrial area	4.2
Agriculture training and research centre	4.2
Technical school/ vocational training institute	4.1
Hospitals	3.9
Agriculture mandi	3.9
Cold storage	3.9
Road network	3.8
Conference hall & exhibition centre	3.7
University	3.6
Airport	3.5
Bus park	3.4
Banks/ financial institutions	3.3
Branch of the office of the company registrar	3.1
Accredited labs/ quarantine check post	3.0

Electricity, industrial area, agriculture training and research centre, technical school/vocational training institute and hospitals were among the first five infrastructures considered most important for the local economic development of the district.

11. INTERNATIONAL AND NATIONAL TRADE

In Dang, only a handful of businesses are involved in import/export. Almost all of them stated that they did business with India and that they used Nepalgunj, Bhairahawa and Birgunj customs point due to their proximity to their business locations.

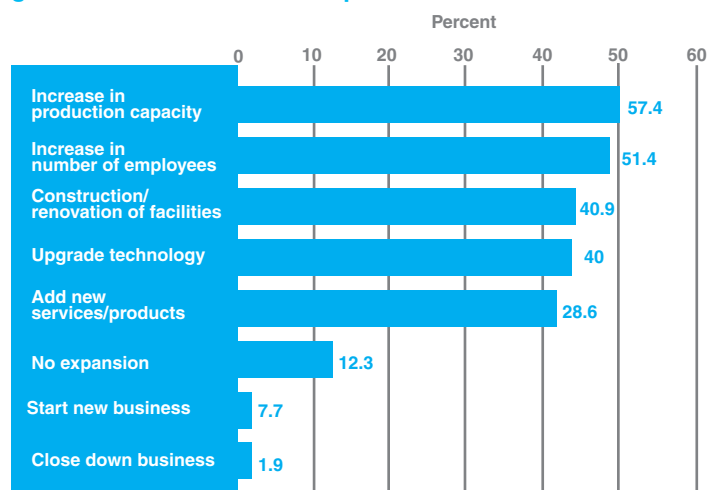
When they were asked to identify the constraining factors to trading across borders and within Nepal, most of them cited access to credit from BFIs, lack of international market information and tax imposed by DDC.

12. INVESTMENT BACKGROUND

Of the total respondents, only 1 percent stated have a foreign partner in their business. About 49 percent of the enterprises own their premises. 84 percent of the enterprises stated that their decision to invest in Dang was not influenced by the incentives provided by the Government.

When asked about their future business plans, majority of the respondents disclosed their plans to expand their current business. Only a few, 8 percent, said that they were considering starting a new business. Figure 3.12.a presents the future plans of the businesses in Dang.

Figure: 3.12.a Future business plan



61 percent of the entrepreneurs said that their estimated capital investment for the next 3 years would be below NPR. 1 million while only 2 percent of the entrepreneurs said their investment would be above NPR. 100 million.

When asked to identify the potential investment sectors in Dang, the respondents gave the highest rating to education, agricultures & forestry and health. Table 3.12.1 gives the total list and the corresponding ratings received.

Table: 3.12.1 Potential investment sectors (Rating in scale of 1 to 5, where 1 is low potential and 5 is high potential)

Business sector	Rating
Education	4.4
Agriculture & forestry	4.3
Health	4.3
Hotels & restaurants	3.8
Manufacturing	3.8
Financial intermediation	3.7
Cooperatives	3.7
Wholesale & retail trade	3.6
Construction	3.6
Transport, storages & communications	3.5
Mining/quarrying	3.3
Electricity/ gas/ water	3.2
Personal services activities	3.1
Real estate, renting & business activities	2.8
Others	2.0

Banke is an important district located in the Bheri zone in the Far Western region of Nepal. It covers an area of 2,337 square kilometers. As of 2011, the total population was 491,313 out of which 50 percent were female. Banke shares its borders with three districts of Nepal, namely, Bardiya, Salyan and Dang. On the southern side it borders with the districts in Uttar Pradesh of India. There are 46 VDCs and one municipality – Nepalgunj, which is also the district headquarters. The literacy rate of Banke at around 62 percent is lower than the national average.

A total of 371 enterprises - both from formal and informal sectors in Banke participated in the business climate survey. The survey findings reveal that majority of businesses in Banke are somewhat optimistic concerning the overall business performance and economic growth in the country. Nevertheless, bandha/strike, supply of electricity and political instability were considered factors that constrain business growth. The businesses in the district expressed an urgency for waste management . They feel that the district has the potential to grow into a major trading centre of the Mid and Far Western region. The wholesale/retail trade, education, construction, agriculture/forestry and health are considered sectors having the most investment potential in the district. Likewise, establishment of university, hospital, cold storage and uninterrupted electricity supply are seen as important infrastructures that will contribute to local economic development. Most of the businesses in Banke follow a very basic management system and have a major need to upgrade their Human Resource Management system. The survey findings follow.

1. RESPONDENTS INFORMATION

90 percent of the respondents in Banke were entrepreneurs themselves. The survey found that only 27 percent of the total respondents were woman. As shown in the table 4.1.1 majority of the respondents are Brahmin/Chhetri followed by Madhesi. This is also true of businesses run by women.

Table: 4.1.1 Respondents by social group

Social group	Total (%)	Of total	
		Male (%)	Female (%)
Brahmin/Chhetri	37.2	65.2	34.8
Madhesi	32.9	81.1	19.9
Janajati	14.0	57.7	42.3
Muslims	11.1	97.6	2.4
Dalit	2.4	33.3	66.7
Other	0.5	100.0	-

The survey found that 5 percent of the respondents were illiterate, 14 percent could read and write and 81 percent had received formal education. The breakdown of the respondents by education level is presented in Table 4.1.2

Table: 4.1.2 Level of education

Education level	Total (%)	Of total	
		Male (%)	Female (%)
Illiterate	5.4	35.0	65.0
Read & write	14.0	67.3	32.7
Below SLC	15.6	63.8	36.2
SLC & Intermediate	37.7	71.4	28.6
Bachelor's degree & above	27.2	91.0	9.0

The survey showed that most of the respondents (60 percent) in Banke are youth who fall in the age group of 20-40 years, while about 40 percent of the respondents are above the age of 40.

Table: 4.1.3 Respondents by age group

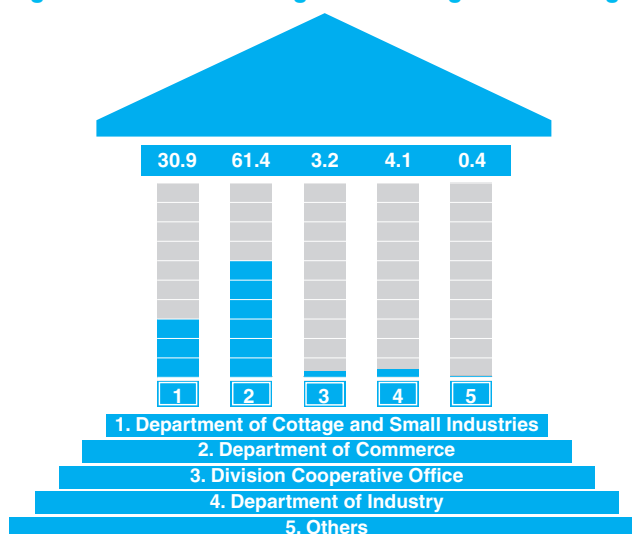
Age	Total (%)	Of total	
		Male (%)	Female (%)
Below 20	0.8	100.0	-
20-24	7.0	69.2	30.8
25-30	16.2	51.7	48.3
31-35	17.8	62.0	38.0
36-40	18.6	76.8	23.2
41-45	16.7	83.9	16.1
46 & above	22.9	85.9	14.1

2. BUSINESS INFORMATION

25 percent of the enterprises covered by the survey were from the informal sector, i.e., businesses not registered with any government agencies. Most of these businesses stated that they did not register either because they were small scaled or because they were established only recently. Of the unregistered businesses, about 51 percent showed willingness to register.

Majority of the businesses in Banke, as shown in the Figure 4.2.a were registered in the Department of Commerce followed by DCSI, where, about 31 percent were registered.

Figure: 4.2.a Business registered with government agencies



Regarding the ownership structure of the businesses, about 86 percent of the enterprises were found to be sole proprietorship firms.

Table: 4.2.1 Ownership structure of the enterprises

Legal status	Total (%)	Of total	
		Male (%)	Female (%)
Sole Proprietorship	85.6	85.3	14.7
Partnership	5.4	93.3	6.7
Cooperative	2.5	42.9	57.1
Private limited company	5.0	92.9	7.1
Public limited company	1.4	100.0	-

Of the enterprises registered in the IRD office, 74 percent have the Permanent Account Number (PAN) and 24 percent are also registered in the VAT office.

When asked what motivated them to start business in the district, majority of the respondents cited market demand and possession of relevant skills and knowledge. Factors such as it being a family occupation and

availability of raw materials were reasons cited less as motivating factors to start a business. The motivating factors and the corresponding percentage of respondents for each are shown in Figure 4.2.b.

Figure: 4.2.b Motivating factors to start business

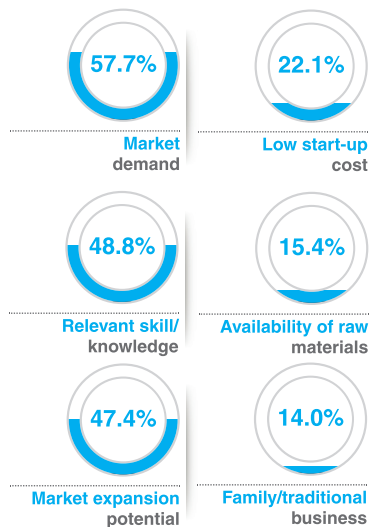


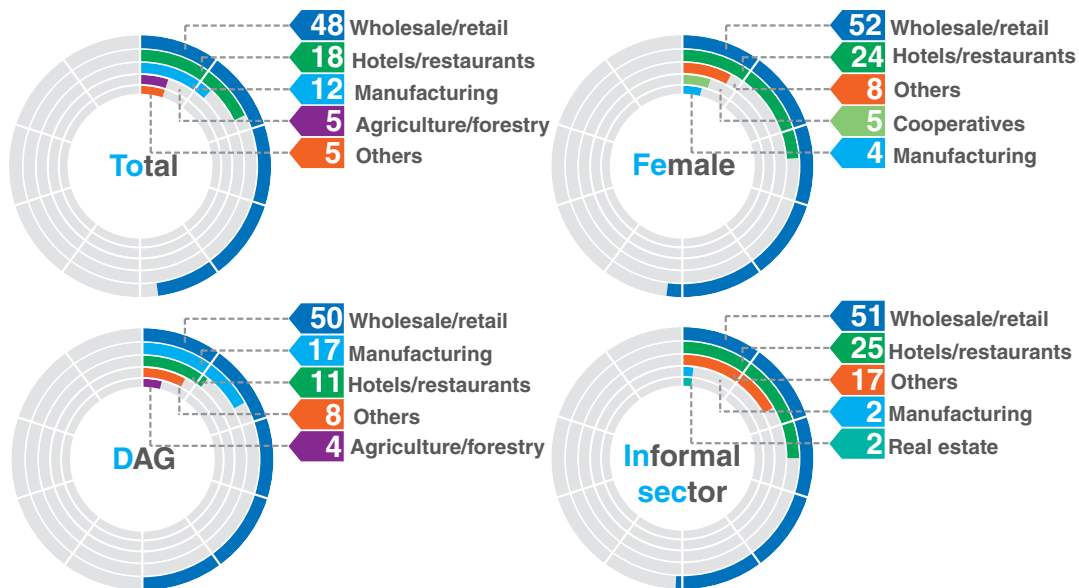
Table: 4.2.2 Business types

Business sector	Percent
Wholesale/ retail trading	48.1
Hotel/ restaurant business	17.5
Manufacturing	11.8
Others	5.1
Agriculture/ forestry	4.6
Cooperatives	2.2
Construction	2.2
Education	1.9
Financial intermediation	1.9
Real estate/ renting	1.6
Health	1.6
Transport/ storage/ communication	0.8
Personal service	0.5
Electricity/ gas/ water	0.5

The top five businesses that most of the respondents are involved in Banke are, wholesale/retail trading, hotel/restaurants, manufacturing, agriculture/forestry and construction sector. The types of businesses in “Others” category include beauty parlours, barber shops, tailoring shops, small repairing shops etc.

The figure 4.2.c shows the first five businesses that majority of women, the disadvantaged groups (DAG), and informal sector are involved in.

Figure 4.2.c Involvement of business types by women, DAG and informal sector



Very few businesses(2 percent) stated that they received support from outside agencies such as the local or central governmental or non-governmental organizations. The types of support received are technical (trainings) and financial types (loans, fund, goods).

3. MANAGEMENT SYSTEM IN ENTERPRISES

Enterprises were asked questions to understand their use of modern management tools, accounting system and information technology. Majority of them (51.6 percent) said that they had documented strategic or business plans. However, the use of IT was found to be quite low (36.1 percent).

Table: 4.3.1 Management tools

	Yes (%)	No (%)	NA (%)
Documented strategic/ business plan	51.6	26.2	22.2
Computers	41.7	48.1	10.2
Email/ internet service	36.1	60.2	3.7

Majority of the respondents (about 81 percent) said that they used simple accounting system while 60.2 percent and 91.5 percent said that they used double entry book keeping system and manual accounting system respectively. Only 32 percent of the entrepreneurs were found to use computerized accounting system in their businesses.

Table: 4.3.2 Accounting system

	Yes (%)	No (%)	NA (%)
Simple accounting system	81.4	18.2	0.4
Double Entry book keeping	60.2	39.2	0.6
Manual (hand written)	91.5	7.2	1.3
Computerized	32.1	61.4	6.5

Majority of the enterprises in Banke do not have proper Human Resource Management system in place. Very few organizations have training plan, job description, the system of providing appointment letters to employees and performance appraisal system. Nevertheless, 46.7 percent of the respondents said that they are considering developing job description for their employees.

Table: 4.3.3 Human resource management system

	Yes (%)	No (%)	NA (%)
Training plan	22.5	75.8	1.7
Job description	18.6	34.7	46.7
Provision of appointment letter	19.8	80.2	-
Performance appraisal system	25.0	74.1	0.9

4. BUSINESS PERFORMANCE

All the enterprises- both from formal and informal sectors, were asked about their present business performance and expectation about the future.

Table: 4.4.1 Sales

	Lower (%)	About the same (%)	Higher (%)
Sales in 68/69 against to 67/68	34.2	36.9	22.6
Expected sales in 69/70 against 68/69	17.8	22.6	53.4

Sales: Majority of the respondents said that their sales in FY 2068/69 stayed the same as the year before. The outlook on sales appears to be positive for FY 2069/70. Majority of the respondents (53.4 percent) expect it to be higher in FY 2069/70 than what it was in FY 2068/69.

Table: 4.4.2 Staffing

	Lower (%)	About the same (%)	Higher (%)
No. of Staff in 68/69 against 67/68	10.5	42.0	8.6

Staffing: Majority of the respondents (42 percent) said that the number of employees in their business had remained the same in FY 2068/69 as the year before.

Table: 4.4.3 Capital investment

	Lower (%)	About the same (%)	Higher (%)
Capital investment in 68/69 against 67/68	14.0	45.3	34.8
Expected capital investment in 69/70 against 68/69	7.3	36.4	49.3

Capital Investment: The outlook on capital investment is positive for FY 2069/70, with majority of respondents expecting it to be higher than in FY 2068/69.

Table: 4.4.4. Business performance and economic growth

	Lower (%)	About the same (%)	Higher (%)
Expected overall business performance in 69/70 against 68/69	12.4	30.5	49.5
Expected economic growth in 69/70 against 68/69	11.6	21.6	42.2

Business performance and economic growth: Majority of the respondents in Banke (about 50 percent) expect the overall business performance to be better in FY 2069/70 than in FY 2068/69. Likewise, 42 percent expected the economic growth of the country to increase in the same period.

Import/export: The survey covered low number of exporters and importers in Banke, less than 5 percent. They expect both export and import to grow in the next year.

Table 4.4.5 presents the perception of the five major businesses in Banke with regard to business performance. Majority of the business in each sector state that they expect sales, capital investment, overall business performance and economic growth to be higher in FY 2069/70 than in FY 2068/69.

Table: 4.4.5 Perception on business performance by 5 major business sectors

Description	Total (%)	Wholesale/ Retail (%)	Manufacturing (%)	Agriculture/ Forestry (%)	Hotels/ Restaurant (%)	Others (%)
Sales in 68/69 was higher than in 67/68	22.6	21.2	27.3	5.9	13.0	21.0
Expect sales in 69/70 to be higher than in 68/69	53.4	52.0	52.3	29.4	58.5	52.6
No. of staff was higher in 68/69 than in 67/68	8.6	5.0	13.6	-	6.2	5.3
Capital investment was higher in 68/69 than in 67/68	34.8	31.3	45.5	17.6	41.5	15.8
Expect capital investment to be higher in 69/70 than in 68/69	49.3	49.7	45.5	52.9	44.6	42.1
Export was higher in 68/69 than in 67/68	0.8	0.6	2.3	-	-	-
Expect export to be higher in 69/70 than in 68/69	1.1	-	-	11.8	-	-
Import was higher in 68/69 than in 67/68	4.6	6.1	11.4	-	-	-
Expect import to be higher in 69/70 than in 68/69	5.7	7.3	11.4	-	-	-
Expect overall business performance to be higher in 69/70 than in 68/69	49.5	48.6	54.5	23.55	49.2	52.6
Expect economic growth to be higher in 69/70 than in 68/69	42.2	41.3	36.4	29.5	46.2	57.9

Factors constraining the business growth

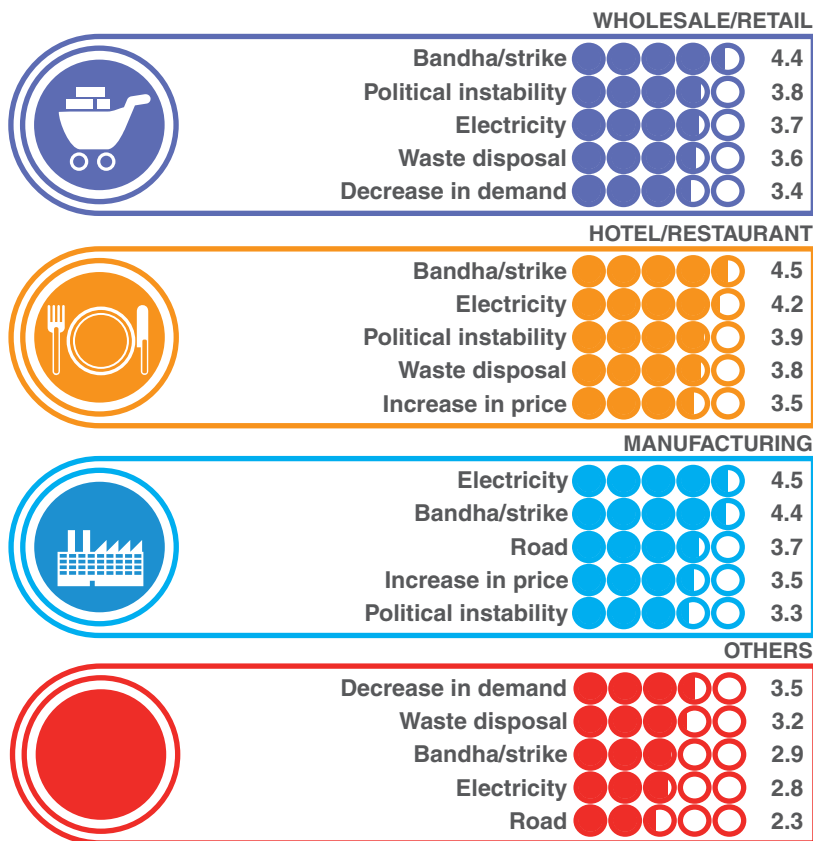
The major three constraining factors to business growth in Banke are bandha/strike, electricity and political instability. The first ten are presented in Table 4.4.6.

Table: 4.4.6 Factors constraining business growth (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

	Rating
Bandha/ strike	4.3
Electricity	3.8
Political instability	3.9
Waste disposal	3.5
Decrease in demand for products & services	3.2
Road	3.1
Increase in price of raw materials or input supplies	3.1
Public safety and security	3.0
Donation	2.9
Availability of land or premises	2.9

The major constraints to business growth in each of the five major business sectors in Banke are presented in Figure 4.4.a

Figure: 4.4.a Business constraints identified by 5 major industries





AGRICULTURE/FORESTRY

Bandha/strike	●●●●●○	4.6
Decrease in demand	●●●●○	3.9
Political instability	●●●●○	3.8
Electricity	●●●●○	3.4
Increase in price	●●●●○	3.3

5. TAX ADMINISTRATION AND LEGAL ISSUES

Table: 4.5.1 Percent of business paying each tax type

Type of tax	Percent
Income tax	73.9
Rental tax	45.6
VAT	24.3
Custom duty	19.1
Excise duty	10.0

The survey revealed that majority of the businesses (about 74 percent) in Banke pay income tax to the government while 45.6 percent deposit rental tax and 24.3 percent deposit the VAT.

While acts and regulations relating to Income tax was considered unclear and inconsistent by majority of respondents, these were however, not perceived as constraints to doing business in Dang. Figure 4.5.a.

Figure: 4.5.a Tax/legal issues as constraints to doing business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)



6. ACCESS TO FINANCE AND SOURCE OF FINANCE

Access to finance is not perceived as a major problem in Banke. The possible constraining factors to access to finance were rated as slight problems only, of which interest rate topped the list. Table 4.6.1.

Table: 4.6.1 Factors that constrain access to finance (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Description	Rating
Interest rate	2.4
Loan limit	2.2
Inadequate knowledge of financial products	2.2
Inadequate understanding of the potential of business by financial institutions	2.2
Loan processing time	2.2
Loan processing fee	2.2
Loan repayment period	2.1
Detail business/ investment plan	1.9
Collateral	1.8

Majority of the businesses in Banke are small scaled. 52 percent of the respondents said that their total sales in the FY 2068/69 was less than five hundred thousand while 66 percent said that their capital investment in the same period is less than five hundred. There are only a few with annual turnover of over one million annually. Table 4.6.2

Table: 4.6.2 Level of activity w.r.t. revenue, capital investment and export value in FY 68/69 ('00,000 NPR)

Description	≤ 5 (%)	>5 ≤ 10 (%)	>10 ≤ 50 (%)	>50 ≤ 300 (%)	>300 ≤ 1000 (%)	>1000 (%)
Total sales	52.0	29.0	10.0	6.0	2.0	2.0
Capital investment	66.0	22.0	6.0	4.0	1.0	1.0
Value of export	-	14.0	86.0	-	-	-

Both sales and capital investment were less than five hundred thousand for majority of respondents across the different categories (women, DAG and informal sector) in FY 2068/69. Figure 4.6.a and Figure 4.6.b

Figure: 4.6.a

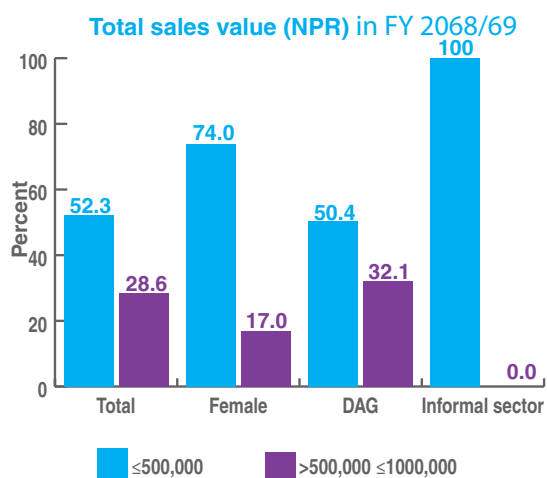
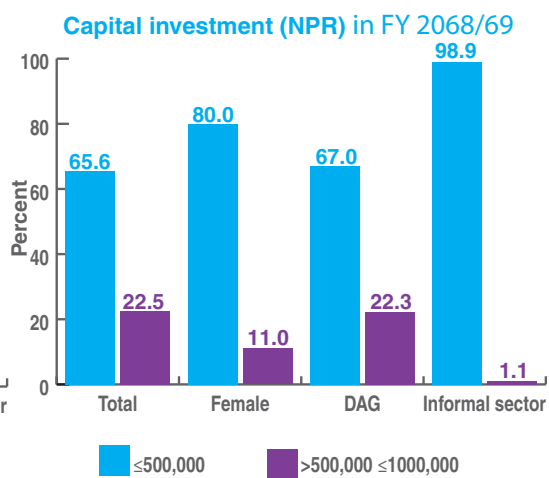


Figure: 4.6.a



Majority of the respondents said that they use retained earnings as major source of finance. It is interesting to note that the use of Trade credit is near to nil in Banke.

Table: 4.6.3 Source of finance for businesses

Source of finance	Percent
Retained earnings	65.3
Bank/financial institutions	42.5
Family/friends	23.4
Savings & credit coop	6.7
Informal source (money lenders)	1.4
Trade credit	0.3

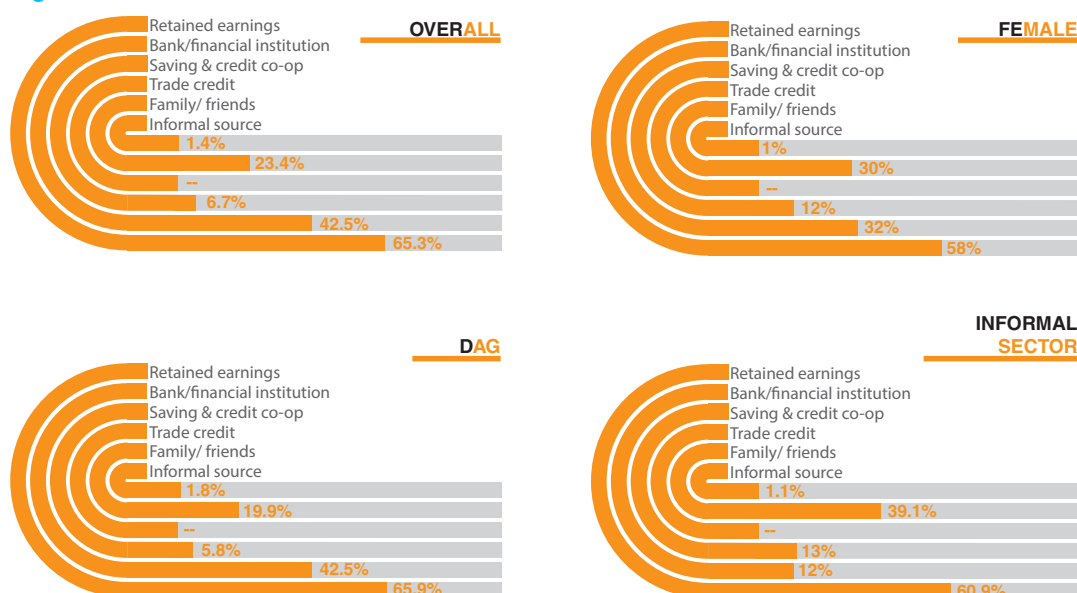
Table 4.6.4 shows the average annual interest rate associated with the various sources of finance. It is observed that businesses in Banke pay high interest rate when they avail of credits from banks.

Table: 4.6.4 Annual interest rate

Source of finance	Mean
Banks/financial institutions	14.8
Saving and credit cooperatives	14.1
Informal source (money lenders)	9.5
Trade credit	7.0
Family/friends	1.4
Retained earnings	-

Figure 4.6.c presents the source of finance used by women, DAG and the informal sector in their business. Next to retained earnings, the largest funding source for women and DAG was the BFIs; for informal sector it was family/ friends.

Figure: 4.6.c Source of finance for businesses



7. STARTING A BUSINESS

The issues relating to business startup such as access to finance, property, license, labour, input supplies etc. did not pose as a serious hindrance to starting a business in Banke. All issues received a rating of less than 3, suggesting that these were perceived as minor problems. Table 4.7.1 presents the rating by respondents.

Table: 4.7.1 Constraints to start a business (Rating in scale of 1 to 5, where 1: not a problem and 5: major problem)

Factors	Rating
Cost of land or premises	2.8
Availability of land or premises	2.7
Access to finance	2.4
Access to raw materials and input supplies	2.4
Unavailability of adequately qualified human resources	2.3
Cost of obtaining licenses, certificates, permits	2.0
Registration and licensing procedure	1.9
Acquisition of tax certificate	1.8

8. INFRASTRUCTURE

When asked what infrastructures needed urgent improvement for their business growth, most pointed to the need for continuous supply of electricity and for waste disposal problem to be addressed immediately. They also said that road conditions needed urgent improvement. Figure 4.8.a.

Figure: 4.8.a Urgent improvement needs in infrastructure for business growth

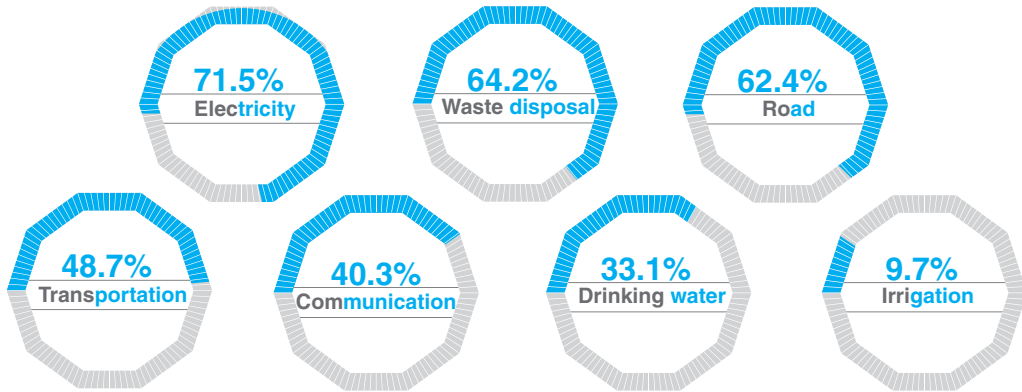
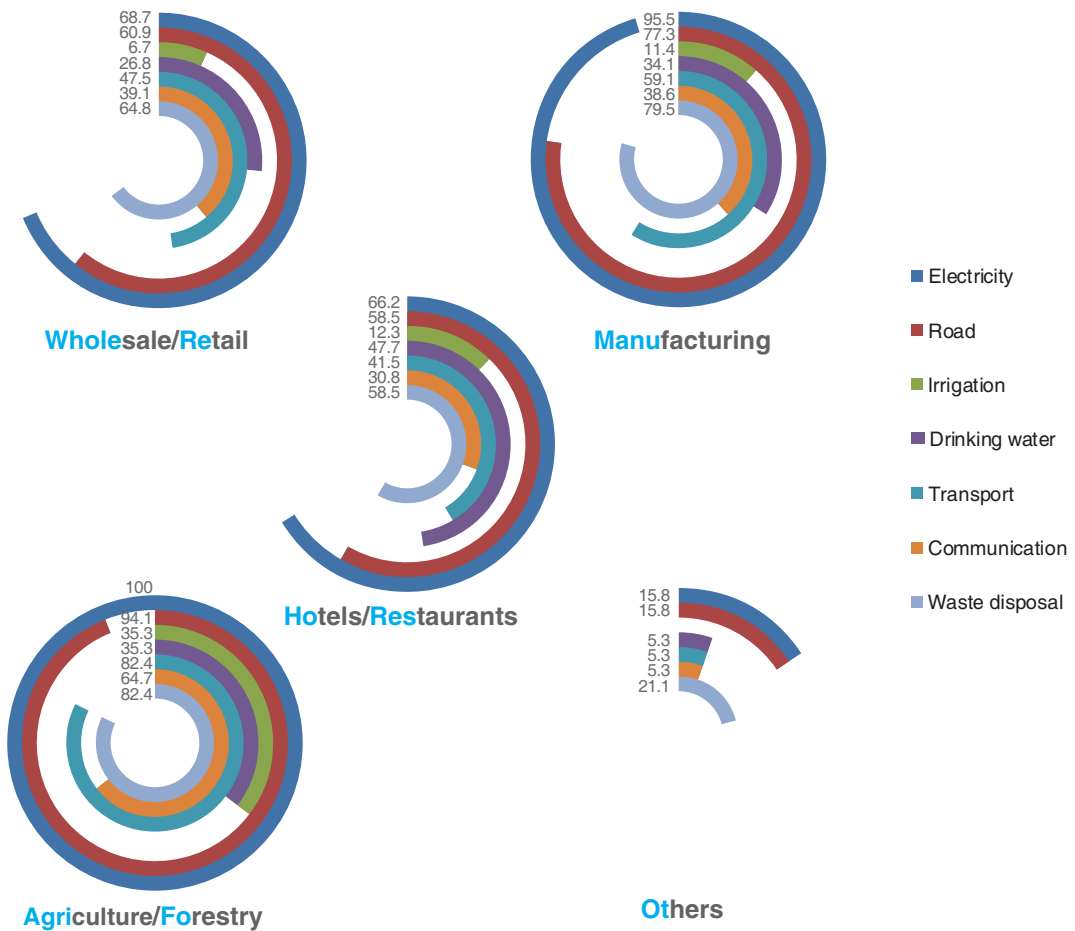


Figure: 4.8.b Need for urgent improvement in infrastructure



By major business sectors in Banke, the need for urgent improvement in infrastructure is presented in Figure 4.8.b . It is observed that all regarded electricity, road, and transportation as infrastructures requiring urgent improvement.

29 percent of the respondents stated that had there been a continuous supply of electricity, their production would have increased by 10 percent, while 31 percent said that it would have increased by 20 percent.

22 percent respondents said that they used generator as a back-up power and incurred an average additional cost of NPR. 34,160 per month.

9. EMPLOYMENT SITUATION

About 65 percent of the respondents said that they face no difficulties in recruiting a competent workforce in Banke and about 85 percent felt that there were good training services in Banke for their workforce.

Maintaining a competent workforce too was not perceived as a major problem for businesses in Banke. The average rating with respect to constraints in maintaining a competent workforce is presented in the table 4.9.1.

Table 4.9.1 Constraints to maintaining competent workforce (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraints	Rating
Availability of qualified work force	2.3
Employee turnover	2.1
Availability of relevant trainings facilities at the local level	1.8
Cost of trainings	1.7
Salary, remuneration and other facilities	1.7
Following labour law regulations	1.7
Others	1.0

Table 4.9.2 Businesses were found not to consider unavailability, turnover and cost a problem even across the employee category as presented in the table.

Table: 4.9.2 Problems in employee retention

Employee category	Total Businesses (%)	Of total businesses		
		Unavailability (%)	Turnover (%)	Cost (%)
a. Managerial (CEO, department heads, managers, officers)	32.0	8.0	8.0	17.0
b. Technical (IT officers, designers, financial advisors, auditors etc.)	25.0	8.0	8.0	18.0
c. Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)	26.0	9.0	13.0	9.0
d. Skilled workers (electricians, mechanics, construction workers, printers, chefs, waiters etc.)	29.0	19.0	28.0	23.0
e. General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners etc.)	33.0	14.0	36.0	16.0

10. SOCIO-ECONOMIC CONDITION

Majority of the respondents were of the opinion that the socio-economic condition of the district has improved in the recent years. However, compared to other indicators on the socio-economic condition, lesser number of respondents appeared to agree with the statement, “the school dropout rate has decreased,” “women’s role in decision making in the community has increased” and “ DAG’s and women’s participation in decision making in the community has increased.”

Table 4.10 .1 Perception about the socio economic condition

	Total (%)	Men (%)	Women (%)	DAG (%)
People paying for healthcare service has increased	89.8	88.6	93.0	87.6
Children attending school has increased	94.9	94.5	96.0	94.2
Students attending college has increased	95.4	95.2	96.0	94.2
School dropout rate has decreased	55.0	56.5	51.0	56.0
Women’s role in decision making at home has increased	81.6	80.4	85.0	76.4
Women’s role in decision making in the community has increased	78.9	80.1	76.0	74.3
DAG’s participation in decision making in the community	69.3	71.2	64.0	64.2
Access to resources by DAGs	63.9	64.2	63.0	60.2
Business/employment opportunities increased for women	84.3	84.4	84.0	81.4
Business/employment opportunities increased for DAGs	75.5	75.4	75.8	71.4

Important infrastructure and Local Economic Development (LED)

Table 4.10.2 Important infrastructure contributing to the LED (Rating in scale of 1 to 5, where 1: less important and 5: highly important)

Infrastructure	Rating
University	4.7
Power	4.6
Hospitals	4.4
Cold storage	4.4
Technical school/vocational training institute	4.3
Agriculture mandi	4.3
Agriculture training and research center	4.3
Road network	4.3
Accredited labs/quarantine check points	4.2
Conference hall & exhibition centre	3.9
Bus park	3.9
Industrial area	3.9
Airport	3.8
Branch of the office of the company registrar	3.7
Banks/financial institutions	3.4

University, power, hospitals, cold storage and technical school/ vocational training institute were among infrastructures identified as being important for the local economic development of the district. Table 4.10.2 presents the infrastructures and their corresponding ratings.

11. INTERNATIONAL AND NATIONAL TRADE

Among the entrepreneurs who are involved in import and export business with India, almost all of them said that they used Nepalgunj customs point due to its proximity to their business location. Only a few said that they imported goods from other countries like China, USA, Korea, Hong Kong, Qatar, Saudi Arabia and Thailand and exported to Pakistan.

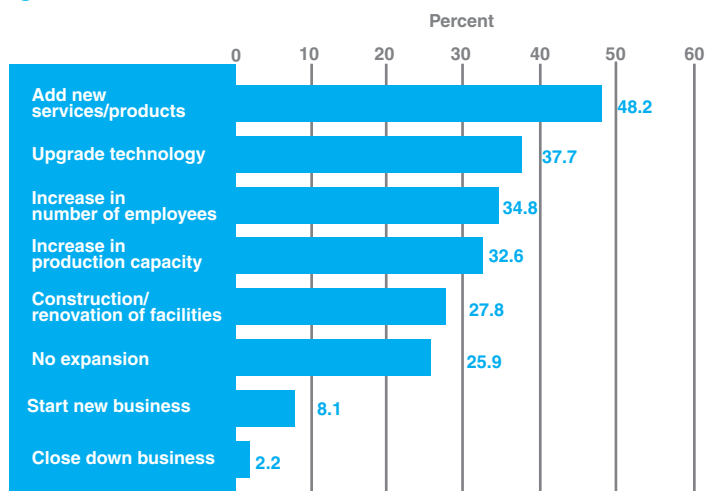
When they were asked to identify the constraints to trading across borders and within Nepal, most of them cited timely availability of Indian currency or foreign currencies, and exchange rate fluctuation. They also identified access to credit from BFIs, tax imposed by DDC and lack of information on international market as factors constraining trade.

12. INVESTMENT BACKGROUND

94 percent of the respondents stated that they are the sole investors in their business. About 47 percent of the enterprises have their own premises. 92 percent of the respondents stated that their decision to invest in Banke is not influenced by the incentives provided by the Government.

All the respondents were asked about their future business plans. 48 percent of them said they would add new products or services in their businesses, while 38 percent are contemplating to upgrade their technology. Only 8 percent said they are planning to start a new business and most of them are planning to invest in retail/wholesale business.

Figure: 4.12.a Future Business Plan



About 71 percent of the respondents said that their estimated capital investment for the next 3 years would be below NPR. 1 million while only 2 percent of the entrepreneurs said their investment would be above NPR. 100 million.

Table 4.12.1 Potential investment sectors (Rating in scale of 1 to 5, where 1 is low potential and 5 is high potential)

Business sector	Rating
Wholesale & retail trade	4.2
Education	4.2
Construction	4.2
Agriculture & forestry	4.2
Health	4.2
Hotels & restaurants	4.1
Manufacturing	3.9
Real estate, renting & business activities	3.6
Personal services activities	3.5
Transport, storages & communications	3.5
Cooperatives	3.2
Financial intermediaries	3.2
Electricity/gas /water	2.4
Others	2.0
Mining/quarrying	1.9

When asked to identify the potential investment sectors in Banke, the businesses gave wholesale, education and construction the highest ratings. Almost all sectors except electricity/gas/water, and mining were seen as sectors with good business prospects.

Kailali, a major district in the Seti zone lies in the far-western region of Nepal. It covers an area of 3,235 square kilometers. As of 2011, the population of the district was 775,709 of which 51 percent were female. The altitude ranges from 179 meters to 1,957 meters from the sea level. It borders with five districts of Nepal namely Kanchanpur, Surkhet, Bardiya, Doti and Dadeldhura. On the southern side it borders with Uttar Pradesh of India.

There are 42 VDCs and two Municipalities namely Tikapur and Dhangadhi. Dhangadhi is also the district headquarters. The literacy rate of Kailali at around 66 percent is higher than the national average of 65.9 percent as per the 2011 census.

In Kailali, a total of 464 enterprises, both from formal and informal sector, participated in the climate survey. The survey revealed that the respondents in Kailali are positive regarding the economic growth of the country. Bandha/strike is a major concern of businesses in the district. The survey shows that the establishment of a university in Kailali will contribute to local economic development in the long run. The findings of the survey are provided below:

1. RESPONDENTS INFORMATION

Of the total respondents in Kailali, 96 percent are entrepreneurs themselves. The survey found that only 15 percent of the total respondents in Kailali are women. The involvement of people belonging to disadvantaged group (Janajati, Dalit, Madhesi and Muslims) in business (as owners or in managerial position) was only 29 percent. This is also of true of business run by women.

Table: 5.1.1 Respondents by social group

Social group	Total (%)	Of total	
		Male (%)	Female (%)
Brahmin/Chhetri	63.1	85.5	14.5
Janajati	23.2	82.0	18.0
Dalit	6.4	92.6	7.4
Madhesi	4.0	88.9	11.1
Muslims	2.4	90.9	9.1
Other	0.9	60.0	40.0

The survey found that there are very few respondents who are illiterate. The breakdown of the respondents by education level is presented in table 5.1.2.

Table: 5.1.2 Level of education

Education level	Total (%)	Of total	
		Male (%)	Female (%)
Illiterate	5.2	91.3	8.7
Read & write	19.2	70.6	29.4
Below SLC	27.4	84.3	15.7
SLC & Intermediate	34.2	92.0	8.0
Bachelor's degree & above	14.0	90.3	9.7

The survey showed that most of the entrepreneurs (75 percent) in Kailali are young and fall in the age group of 20-40 years of age, while about 24 percent of the respondents are above 40.

Table: 5.1.3 Respondents by age group

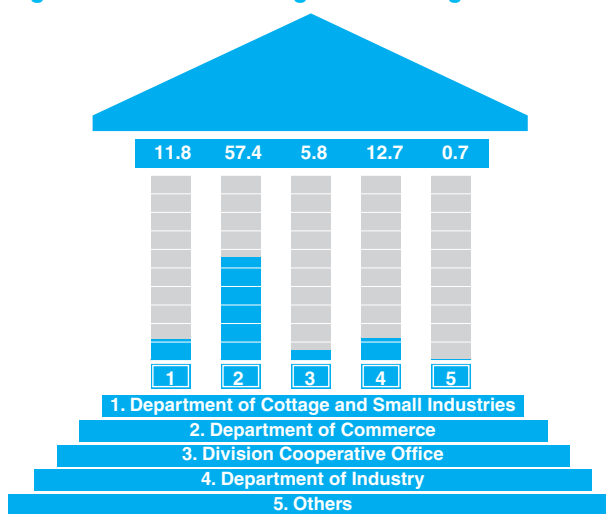
Age	Total (%)	Of total	
		Male (%)	Female (%)
Below 20	0.4	-	100
20-24	6.7	87.1	12.9
25-30	21.6	82.0	18.0
31-35	28.2	81.7	18.3
36-40	18.8	88.5	11.5
41-45	11.2	96.2	3.8
46 & above	13.1	91.8	8.2

2. BUSINESS INFORMATION

25 percent of the businesses covered by the survey were from the informal sector, i.e., businesses that are not registered with any government agencies. Most of the businesses that had not registered cited reasons such as small scale and lack of knowledge/awareness. Of the unregistered businesses, about 52 percent have shown willingness to register.

Majority of the registered businesses in Kailali, as shown in the Figure 5.2.a, are registered in the Department of Commerce followed by Department of Industry and Department of Cottage and Small Industries.

Figure: 5.2.a Business registered with government agencies



As for their ownership structure, about 90 percent of the enterprises are sole proprietorship firms.

Table: 5.2.1 Ownership structure of the enterprises

Legal status	Total (%)	Of total	
		Male (%)	Female (%)
Sole proprietorship	89.7	90.1	90.0
Partnership	3.3	2.8	5.0
Cooperative	6.4	6.4	5.0
Private limited company	0.3	0.4	-
Public limited company	0.3	0.4	-

Of the enterprises registered with the IRD office; 80 percent have the Permanent Account Number (PAN) whereas 20 percent are also registered in the VAT office.

It can be observed that market demand and possession of relevant skill are overriding factors for starting a business in Kailali. Factors such as it being a family occupation and availability of raw materials were reasons cited less as motivating factors to start a business.

The motivating factors and the corresponding percentage of total respondents for each is shown with figure 5.2.b.

Figure: 5.2.b Motivating factors to start business

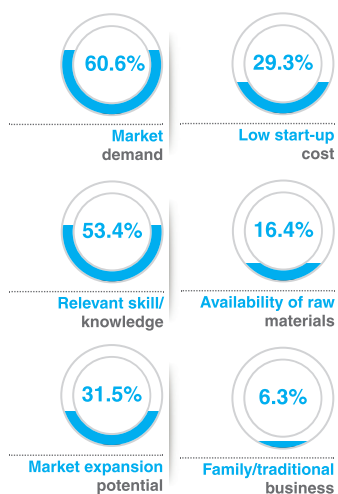


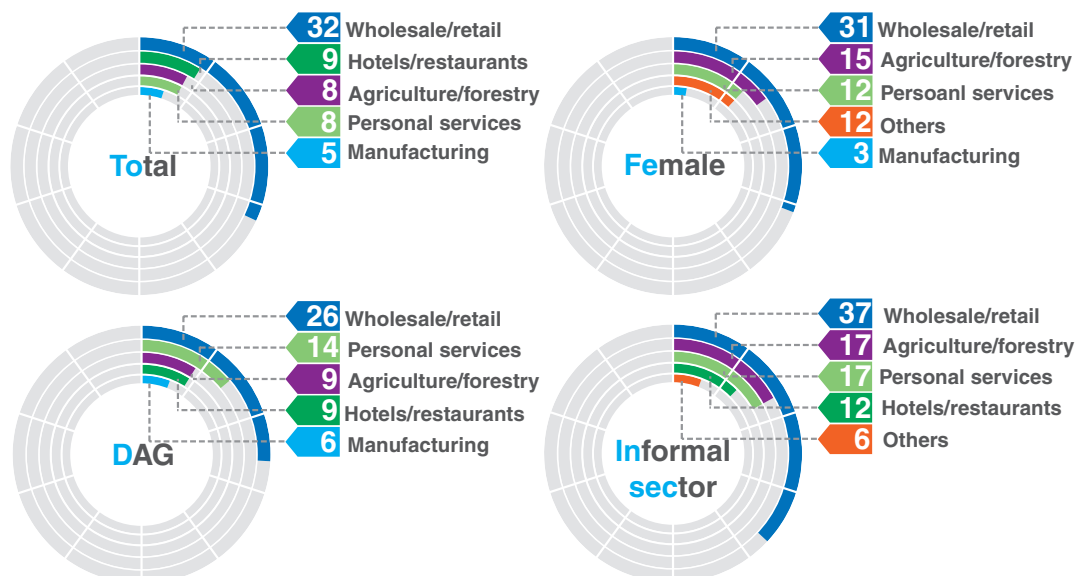
Table: 5.2.2 Business types

Sector	Percent
Wholesale/ retail trading	31.7
Hotel/ restaurant	9.2
Agriculture/ forestry	8.3
Personal service	8.0
Manufacturing	5.1
Others	4.0
Mining/ minerals	3.1
Cooperative	2.7
Health	2.5
Electricity/ gas/ water	1.8
Construction	1.6
Transportation/ storage/ mineral	1.3
Education	1.1
Financial intermediation	0.7
Real estate/ renting	0.0

Majority of the businesses in Kailali are involved in wholesale/retail trading followed by hotel/restaurant and agriculture/forestry. The types of businesses in “Others” include small repair shops, tailoring shops, beauty parlour and barber shops. Table 5.2.2.

The five business sectors popular among women, the disadvantaged groups (DAG) and informal sector are presented in the figure 5.2.c . From among the top five, wholesale/retail and personal services are the two major businesses common to the four groups of respondents.

Figure: 5.2.c Involvement of business types by women, DAG and informal sector



Very few businesses received support from outside agencies such as the local, central government and non-government organizations. The types of support received are of technical (trainings) and financial types (loan, fund, goods).

3. MANAGEMENT SYSTEM IN ENTERPRISES

Table: 5.3.1 Management tools

	Yes (%)	No (%)	NA (%)
Documented strategic/ business plan	29.0	62.3	8.7
Computers	26.9	64.3	8.8
Email/ internet service	22.1	68.6	9.3

It has been observed that the percentage of businesses using modern management tools, accounting system and information technology is very low.

Table: 5.3.2 Accounting system

	Yes (%)	No (%)	NA (%)
Simple accounting system	77.5	14.7	7.8
Double entry book keeping	27.2	58.1	14.7
Manual (hand written)	42.4	41.2	16.4
Computerized	17.3	64.4	18.3

About 78 percent respondents said that they used simple accounting system in their businesses while 27 percent and 42 percent use double entry book keeping system and manual accounting system respectively. Only 17 percent used computerized accounting system.

Table: 5.3.3 Human resource management system

	Yes (%)	No (%)	NA (%)
Training plan	29.1	60.0	10.9
Job description	19.6	66.2	14.2
Provision of appointment letter	18.8	66.7	14.6
Performance appraisal system	17.8	66.0	16.2

Despite being a major district in the far-west region, majority of the businesses in Kailali do not have a proper Human Resource Management system. Very few organizations have training plan, job description, provision of appointment letter to employees and performance appraisal

system. Only 29 percent of the respondents said that they have a 'training plan' in place.

4. BUSINESS PERFORMANCE

All the enterprises were asked about their present business performance and expectations about the future.

Table: 5.4.1 Sales

	Lower (%)	About the same (%)	Higher (%)
Sales in 68/69 against 67/68	15.2	25.3	50.6
Expected sales in 69/70 against 68/69	4.6	16.8	60.6

Sales: The outlook on sales for FY 69/70 appears to be positive. 61 percent of the respondents expect their sales to increase in FY 69/70 than that of a year before.

Table: 5.4.2 Staffing

	Lower (%)	About the same (%)	Higher (%)
No. of staff in 68/69 against 67/68	5.1	53.7	11.1

Staffing: About 47 percent of the entrepreneurs said that number of employees in their businesses has not changed in FY 67/68 and FY 68/69.

Table: 5.4.3 Capital investment

	Lower (%)	About the same (%)	Higher (%)
Capital investment in 68/69 against 67/68	6.0	21.9	58.9
Expected capital investment in 69/70 against 68/69	4.2	16.3	64.9

Capital investment: Majority of the businesses had increased their capital investment in FY 68/69 from a year before and they expect it to increase in FY 69/70 as well.

Table: 5.4.4 Business performance and economic growth

	Lower (%)	About the same (%)	Higher (%)
Expected overall business performance in 69/70 against 68/69	2.5	12.9	62.4
Expected economic growth in 69/70 against 68/69	2.5	6.7	72.6

Business Performance and Economic Growth: Most businesses in Kailali expect their business performance to be better in 69/70 from a year before. Respondents also expect economic growth to be better in FY 69/70.

Table: 5.4.5 Import/Export

	Lower (%)	About the same (%)	Higher (%)
Export in 68/69 against 67/68	3.5	13.4	27.1
Expected export in 69/70 against 68/69	5.4	10.8	23.7
Import in 68/69 against 67/68	4.2	13.5	33.6
Expected import in 69/70 against 68/69	4.9	11.5	34.7

Import/Export: Among the exporters and importers, about 24 percent expect export to be higher in 69/70 as compared to a year before. Around 35 percent of the respondents expect higher import in the coming year.

Table 5.4.6 presents the perception of the five major business sectors in Kailali with regards to business performance. Majority of the businesses in each of the sectors state that they expect sales, capital investment, overall business performance and economic growth to be higher in FY 69/70 than the year before.

Table: 5.4.6 Perception on business performance by five major business sectors

Description	Total (%)	Wholesale/ Retail (%)	Manufacturing (%)	Agriculture/ Forestry (%)	Hotels/ Restaurant (%)	Personal Services (%)
Sales was higher in 68/69 than in 67/68	50.6	50.0	54.5	61.1	47.4	39.4
Expect sales to be higher in 69/70 than in 68/69	60.6	69.7	68.2	62.9	65.8	24.2
No. of staff was higher in 68/69 than in 67/68	11.1	10.2	20.0	14.3	11.4	3.3
Capital investment was higher in 68/69 than in 67/68	58.9	62.2	66.7	61.8	57.9	45.5
Expect capital investment to be higher in 69/70 than in 68/69	64.9	70.2	61.9	68.6	75.7	54.5
Export was higher in 68/69 than in 67/68	27.1	22.3	52.9	16.7	21.1	20.8
Expect export to be higher in 69/70 than in 68/69	23.7	22.3	68.8	28.0	15.8	4.3
Import was higher in 68/69 than in 67/68	33.6	30.9	38.5	40.0	22.2	17.4
Expect import to be higher in 69/70 than in 68/69	34.7	36.8	46.2	42.3	17.6	4.5
Expect overall business performance to be higher in 69/70 than in 68/69	62.4	73.9	73.9	57.1	63.2	30.0
Expect economic growth to be higher in 69/70 than in 68/69	72.6	73.9	78.3	72.2	71.1	63.3

Factors constraining business growth

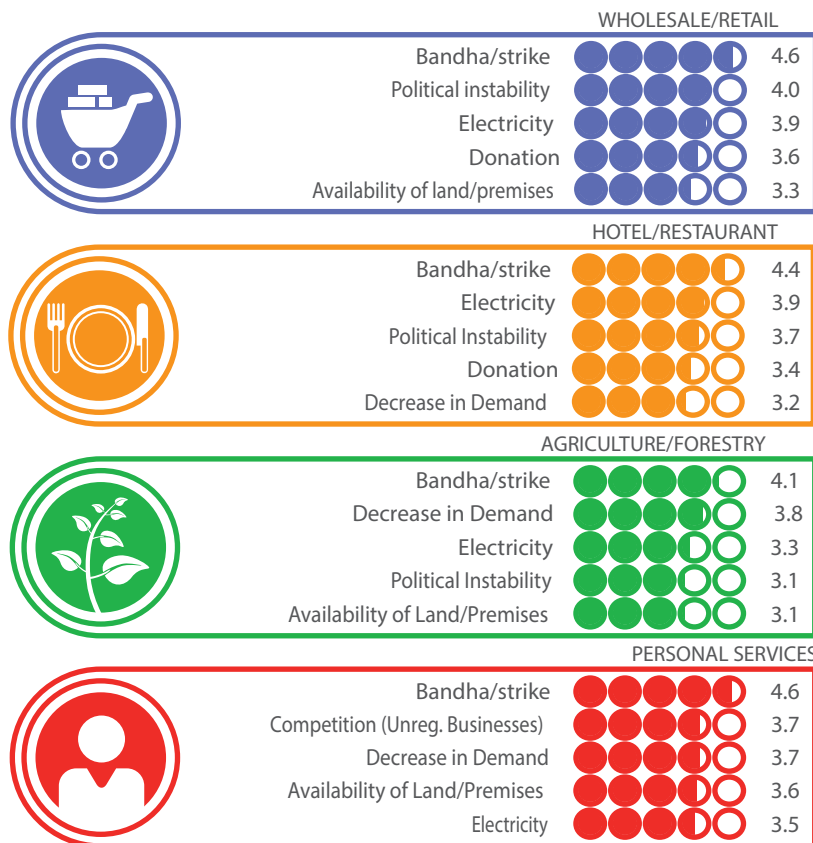
Table 5.4.7 Factors constraining business growth (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

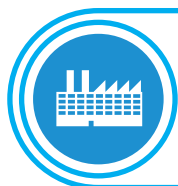
	Rating
Bandha/Strike	4.4
Electricity	3.8
Political stability	3.5
Decrease in demand for products and services	3.4
Donation	3.3
Availability of land or premises	3.1
Competition from unregistered businesses (illegal trade)	3.1
Road	3.0
Increase in price of raw materials or input supplies	2.9
Cost of land premises	2.9

Bandha/strike, power shortage and political instability were the major constraints to business growth as identified by enterprises in Kailali. Table 5.4.7 presents the major constraints and the corresponding ratings.

Regarding the business growth constraints, as faced by the top five industries in Kailali, bandha/ strike was considered the major hindrance. Figure 5.4.a presents the growth constraints as identified by the top industries.

Figure: 5.4.a Business constraints identified by 5 major industries





MANUFACTURING

Bandha/strike	●●●●●	4.9
Decrease in demand	●●●●○	4.0
Electricity	●●●●○	3.9
Donation	●●●●○	3.3
Competition (unreg. businesses)	●●●●○	3.3

5. TAX ADMINISTRATION AND LEGAL ISSUES

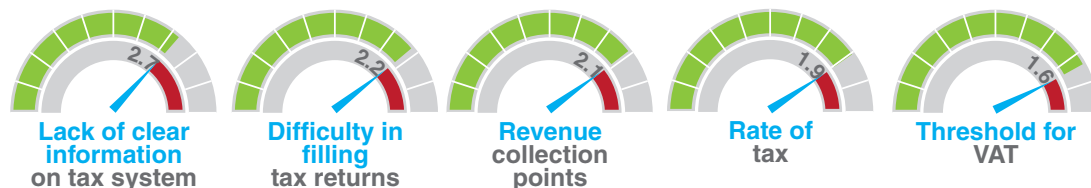
Table: 5.5.1 Percent of business paying each tax type

Type of Tax	Percent
Income tax	66.7
Rental tax	16.5
VAT	9.2
Excise duty	7.4
Custom duty	4.9

The survey revealed that 67 percent of the respondents in Kailali pay income tax to the government while 17 percent deposit the rental tax and 9 percent deposit the VAT.

Of the business acts and regulations relating to an enterprise, the ones on income tax was considered unclear by majority of the businesses. Among all the tax/legal issues that pose as constraints to doing business, 'lack of clear information on tax' received the highest rating of 2.7.

Figure: 5.5.a Tax/Legal issues as constraints to doing business (Rating in scale of 1 to 5, where 1: not a problem & 5: a major problem).



6. ACCESS TO THE FINANCE AND SOURCE OF FINANCE

Access to finance is not perceived as a major problem in Kailali. The constraining factors to access to finance received a rating of less than 3 implying they were problems of moderate intensity only. Of the factors listed as constraints, 'Interest rate' was rated the highest.

Table: 5.6.1 Factors that constrain access to finance (Rating in Scale of 1 to 5, where 1: not a problem and 5: a major problem)

Factors	Rating
Interest rate	2.9
Collateral	2.7
Inadequate understanding of the potential of business by financial institutions	2.6
Inadequate knowledge of financial products	2.6
Loan repayment period	2.6
Loan limit	2.5
Loan processing time	2.3
Loan processing fee	2.3
Detail business/ investment plan	1.9

63 percent entrepreneurs said that their total sales in the FY 2068/69 was less than five hundred thousand while 62 percent responded that their capital investment in the same period was less than five hundred thousand.

Table: 5.6.2 Level of activity w.r.t. revenue, capital investment and export value in FY 68/69 ('00,000 NPR)

Description	≤ 5 (%)	>5 ≤ 10 (%)	>10 ≤ 50 (%)	>50 ≤ 300 (%)	>300 ≤ 1000 (%)	>1000 (%)
Total Sales	63.0	29.0	3.0	3.0	1.0	1.0
Capital Investment	62.0	29.0	4.0	4.0	1.0	1.0
Value of Export	66.0	26.0	3.0	3.0	1.0	-

The revenue as well as capital investment of unregistered businesses is substantially low from business in general. Figure 5.6.a and b present the total sales value and capital investment for the categories of respondents.

Figure: 5.6.a

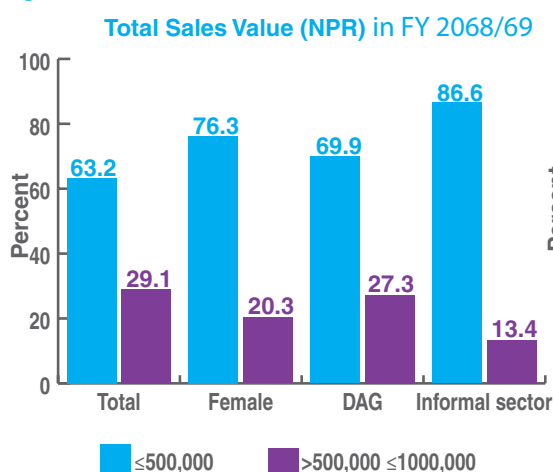
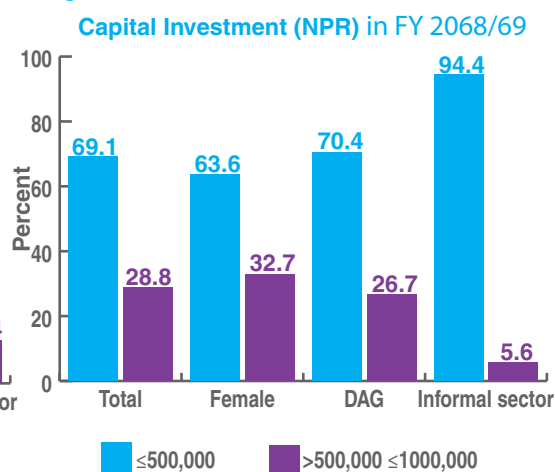


Figure: 5.6.b



The major source of finance in Kailali is Banks & Financial Institutions. Table 5.6.3

Table: 5.6.3 Source of finance for businesses

Source of finance	Percent
Banks/financial institutions	23.4
Family/friends	14.3
Retained earnings	8.3
Savings & credit cooperatives	5.4
Informal sources (money lenders)	3.3
Trade credit	2.0

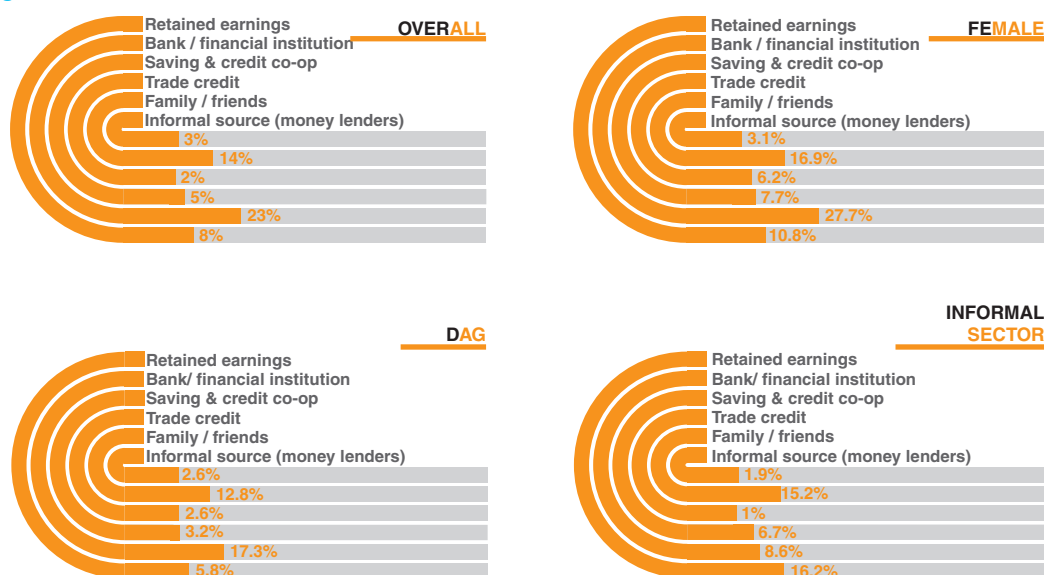
Table 5.6.4 shows the average interest rate that businesses have to pay as an interest for borrowing money from various sectors. It is observed that businesses in Kailali have to pay high average interest rate when they obtain credit from informal sources.

Table: 5.6.4 Annual interest rate

Source of finance	Mean
Informal sources (money lenders)	19.1
Banks/financial institutions	14.7
Saving and credit cooperatives	14.3
Family/friends	14.0
Trade credit	6.0
Retained Earnings	-

For businesses run by women and disadvantaged groups, banks and financial institutions are the main sources of finance whereas for the informal sector, retained earnings is the main source. Figure 5.6.c shows the sources of finance for the respondent groups.

Figure: 5.6.c Source of finance for businesses



7 . STARTING A BUSINESS

Most respondents in Kailali identified cost of land or premise and the availability of the same as the most constraining factor to starting a business. Refer to Table 5.7.1.

Table: 5.7.1 Constraints to start a business (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraining factors	Rating
Cost of land or premises	3.0
Availability of land or premises	3.0
Access to finance	2.8
Unavailability of adequately qualified human resources	2.6
Registration and licensing procedure	2.4
Cost of obtaining licenses, certificates, permits	2.2
Access to raw materials and input supplies	2.2
Acquisition of tax certificate	2.0

8. INFRASTRUCTURE

When asked what infrastructure needed urgent improvement for their business growth, most respondents pointed to the need for continuous supply of electricity and problems regarding road and waste disposal to be addressed immediately.

Figure: 5.8.a Urgent improvement needs in infrastructure for business growth

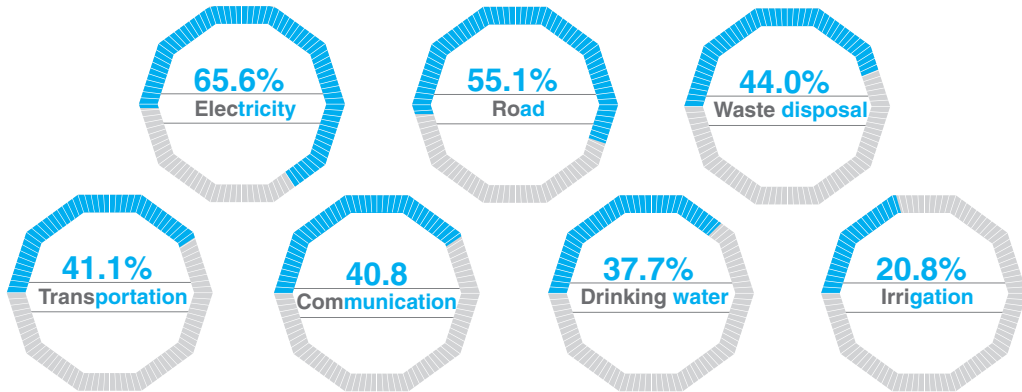
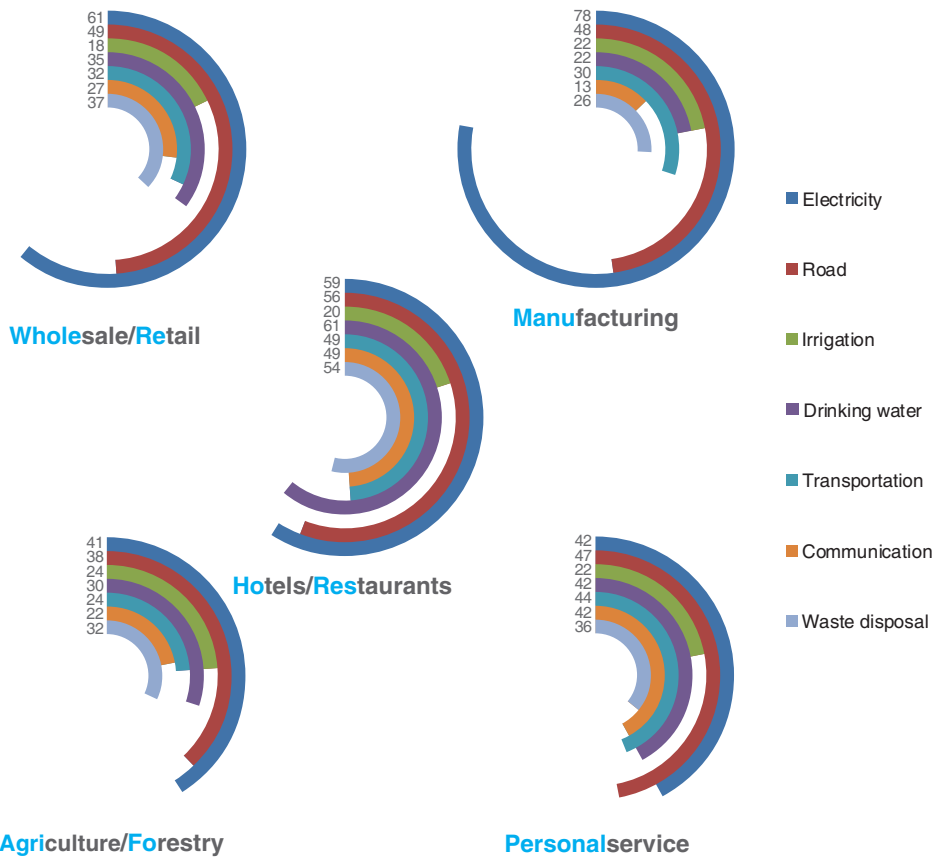


Fig 5.8.b presents the responses of the 5 major business sectors regarding the need for improvement in Infrastructure.

Figure: 5.8.b Need for urgent improvement in infrastructure



Entrepreneurs from Kailali stated that had there been any power interruption, their average production would have increased by 12 percent. About 15 percent entrepreneurs said that they have been using generator as a back-up for power and have been incurring additional average monthly cost of NPR. 9,147.

9. EMPLOYMENT SITUATION

Table: 5.9.1 Constraints to maintaining competent workforce (Rating in scale of 1 to 5, where 1: not a problem and 5: a major problem)

Constraints	Rating
Availability of qualified work force	2.4
Employee turnover	2.3
Salary, remuneration and other facilities	2.0
Cost of trainings	1.9
Availability of relevant trainings facilities at the local level	1.9
Following labour law regulations	1.5

About 73 percent of the entrepreneurs said that they do not face difficulties in recruiting a competent workforce in Kailali and about 77 percent felt that there are good training services in Kailali for their workforce.

The possible constraints to maintaining a competent workforce received a rating

of less than 3, suggesting that these were problems of moderate intensity.

The number of businesses hiring staff at the managerial, technical, administrative and workers (skilled and general) level is considerably high in Kailali. Unavailability, turnover and cost are not perceived as problems associated with the aforementioned employee categories in Kailali.

Table: 5.9.2 Problems in employee retention

Employee category	Total Businesses (%)	Of total businesses		
		Unavailability (%)	Turnover (%)	Cost (%)
a. Managerial (CEO, department heads, managers, officers)	76.5	2.3	0.8	1.1
b. Technical (IT officers, designers, financial advisors, auditors etc.)	77.2	2.0	0.6	1.4
c. Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)	76.5	2.3	1.4	1.1
d. Skilled workers (electricians, mechanics, construction workers, printers, chefs, waiters etc.)	76.9	4.8	3.6	3.4
e. General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners etc.)	81.7	6.1	6.9	5.3

10. SOCIO-ECONOMIC CONDITION

In general the businesses in the district perceive the socio-economic condition to have improved. Compared to other indicators on socio-economic condition, fewer respondents agreed with the statement, "School dropout rate has decreased" and "Business opportunities for women has increased". Refer to Table 5.10.1

Table: 5.10.1 Perception about the socio economic condition

	Total (%)	Men (%)	Women (%)	DAG (%)
People paying for healthcare service has increased	89.3	89.4	89.2	85.1
Children attending school has increased	97.4	97.6	98.5	99.4
Students attending college has increased	96.3	96.6	96.9	98.7
School dropout rate has decreased	73.0	71.8	80.0	70.6
Women's role in decision making at home has increased	90.8	90.7	92.3	90.2
Women's role in decision making in the community has increased	90.8	91.3	89.2	90.9
DAG's participation in decision making in the community	85.8	87.1	81.3	85.7
Access to resources by DAGs	84.1	85.3	78.5	80.5
Business/employment opportunities increased for women	78.0	78.4	83.1	71.4
Business/employment opportunities increased for DAGs	75.1	75.1	80.0	69.5

Important infrastructure and Local Economic Development (LED)

University, technical school/vocational training institute, hospitals, industrial area and electricity were the first five infrastructure identified by respondents that are important to the economic development of the district. Refer to Table 5.10.2.

Table: 5.10.2 Important infrastructure contributing to the LED (Rating in scale of 1 to 5, where 1: less important and 5: highly important)

Infrastructure	Ranking
University	4.9
Technical school/ vocational training institute	4.7
Hospitals	4.6
Industrial area	4.6
Power	4.6
Agriculture training and research centre	4.5
Banks/ financial institutions	4.3
Agriculture mandi	4.3
Cold storage	4.2
Airport	4.1
Road network	4.1
Branch of the office of the company registrar	4.0
Accredited labs/ quarantine check post	3.9
Bus park	3.8
Conference hall & exhibition centre	3.7

11. INTERNATIONAL AND NATIONAL TRADE

In Kailali, only a handful of exporters and importers were covered in the survey. Almost all of them stated that they did business with India and they mostly used Dhangadhi customs point owing to its proximity.

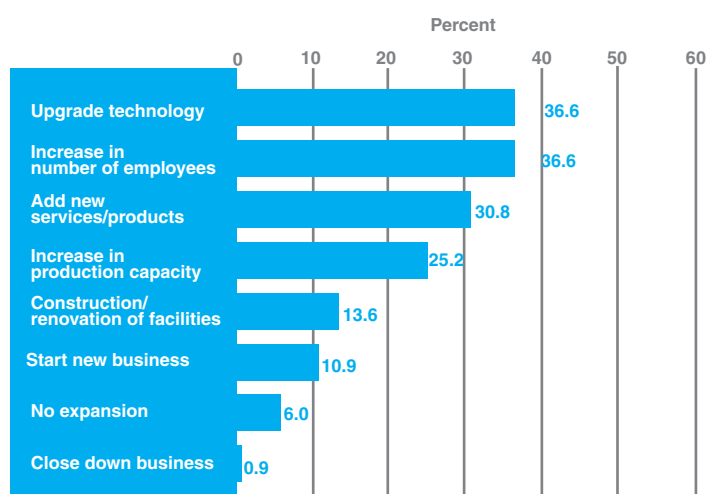
Most respondents in Kailali identified high customs duty, timely unavailability of the Indian Currency or foreign exchange, difficulty in dealing with customs and exchange rate fluctuation as the constraining factors for trade within and outside Nepal.

12. INVESTMENT BACKGROUND

96 percent of the respondents have stated that they are the sole investors in their businesses. About 46 percent of them have their own premises. 15 percent of the respondents stated that their decision to invest was influenced by the incentives provided by the government.

Regarding future business plans, about 37 percent of the respondents said that they would upgrade technology while 36 said that they would increase the number of employees. The percentage of respondents opting to close down their business was negligible. 11 percent said they are planning to start a new business and most of them are planning to invest in retail/wholesale business.

Figure: 5.12.a Future business plan



About 74 percent of the respondents said that their estimated capital investment for the next 3 years would be below NPR. 1 million while only 1 percent of the entrepreneurs said they would invest above NPR. 100 million.

Table: 5.12.1 Potential investment sectors (Rating in scale of 1 to 5; where 1 is low potential and 5 is high potential)

Business sector	Rating
Agriculture & forestry	4.7
Hotels & restaurants	4.6
Personal services activities	4.4
Education	4.3
Health	4.3
Wholesale & retail trade	4.3
Manufacturing	4.1
Cooperatives	4.0
Financial intermediation	3.8
Transport storages & communications	3.6
Real estate, renting & business activities	3.3
Construction	3.2
Electricity/ gas/ water	3.2
Mining/quarrying	2.5

When asked to identify the potential investment sector, the respondents gave the highest rating to agriculture/forestry, hotels & restaurants, personal service activities, education and health.

Annex I

LIST OF SURVEY SUPERVISORS AND ENUMERATORS

Kailali Chamber of Commerce and Industry		
1.	Dilli Raj Sharma	Survey Supervisor
2.	Sujata Pathak	Enumerator
3.	Janak Bhandari	Enumerator
4.	Dhannjaya Jaisi	Enumerator
5.	Bhuvan Sharma	Enumerator
6.	Puspa Sawod	Enumerator
7.	Bharat Bom	Enumerator
8.	Yam Bahadur Bom	Enumerator
9.	Birendra Bist	Enumerator
10.	Bimala Bhat	Enumerator
11.	Mahendra Shah	Enumerator
Surkhet Chamber of Commerce and Industry		
1.	Nirmal Lamichhane	Survey Supervisor
2.	Bidhya KC	Enumerator
3.	Ami Gurung	Enumerator
4.	Dhan Kumari Sunuwar	Enumerator
5.	Surendra Aryal	Enumerator
6.	Meena Kumari Singh	Enumerator
7.	Laxmi Prasad Devkota	Enumerator
8.	Bimal Lamichhane	Enumerator
9.	Deepak Chapagain	Enumerator
Nepalgunj Chamber of Commerce and Industry		
1.	Bikarm B.K.	Survey Supervisor
2.	Bhuvan Devkota	Enumerator
3.	Ashish Gyawali	Enumerator
4.	Deepak Oli	Enumerator
5.	Manoj Tiwari	Enumerator
6.	Kamachi Sharma	Enumerator
7.	Laxmi Bhusal	Enumerator
8.	Nikunj Bikram Shah	Enumerator
9.	Sonam Dahit	Enumerator

Pyuthan Chamber of Commerce and Industry		
1.	Jhabendra Sharma	Survey Supervisor
2.	Nirmala Pandey	Enumerator
3.	Nim Bahadur Thapa	Enumerator
4.	Arjun Sharma	Enumerator
5.	Hem Raj Sharma	Enumerator
6.	Bidya Laxmi Shrestha	Enumerator
7.	Sushmita Gautam	Enumerator
8.	Prajwol Pahadi	Enumerator
9.	Keshar Bahadur Roka	Enumerator
Dang Chamber of Commerce and Industry		
1.	Khusal Ram Ghimire	Survey Supervisor
2.	Prem Lal Neupane	Enumerator
3.	Sham Raja Budhathoki	Enumerator
4.	Kusmakar Lamichhane	Enumerator
5.	Bibek Devkota	Enumerator
6.	Shree ram Bhattarai	Enumerator
7.	Sharad Adhikari	Enumerator
8.	Nirmal Pandey	Enumerator
9.	Pratap Mahara	Enumerator
10.	Deepak KC	Enumerator

Annex II

QUESTIONNAIRE FOR FNCCI BUSINESS CLIMATE SURVEY

1. Respondent's Profile

- i. Designation in the company/firm:
- ii. Gender: 1) Male 2) Female
- iii. Social Group:
1) Brahmin/ Chhetri 2) Janajati 3) Dalit 4) Madhesi
5) Muslims 6) Others
- iv. Special condition:
1) Conflict victim 2) Differently abled 3) Ex-combatant 4) NA
- v. Education:
1) Illiterate 2) Read & Write 3) Below SLC 4) SLC & Intermediate
5) Bachelor's Degree & above
- vi. Age:
1) Below 20 2) 20-24 3) 25-30 4) 31-35
5) 36-40 6) 41-45 7) 46 & above
- vii. Location of business:
Tole/Village..... VDC/Municipality.....

2. Business Information

- i. Mention the year in which your business was established:
- ii. Is your business registered with any of the government agencies? 1) Yes 2) No
(If you answered 'yes' please go straight to question III of this section (2); if you answered 'no' please complete all questions of II and then go to VII, VIII, IX and X of this section).
- a. Please give reasons for not registering your business?
.....
- b. Would you like to have your business registered? 1) Yes 2) No
- iii. Which of the following agencies is your firm registered with?
- a. Department of Commerce 1) Yes 2) No
- b. Department of Cottage and Small Scale Industry 1) Yes 2) No
- c. Department of Industry 1) Yes 2) No
- d. Division Cooperative Office 1) Yes 2) No
- e. Others (please specify) :
- iv. Please tick if your business has the following: 1) PAN 2) VAT
- v. What is the current legal status of your business?
- a. Sole proprietorship 1) Yes 2) No
- b. Partnership 1) Yes 2) No
- c. Private limited company 1) Yes 2) No
- d. Public limited company 1) Yes 2) No
- e. Cooperative 1) Yes 2) No
- f. Others (please specify):

vi. Is your business affiliated with the following organizations? Please tick all that apply.

- a. Chamber of Commerce and Industry Name
- b. Commodity associations Name
- c. Federation of Nepal Cottage and Small Industries Name
- d. Cooperative Association Name
- e. Others (please specify).....

vii. What motivated you to start up business in the district? Please tick all relevant.

- a. Market demand
- b. Possess relevant skill and knowledge
- c. Low business startup cost
- d. Availability of raw materials
- e. Future potential for market expansion
- f. Family/Traditional business
- g. Others (please specify).....

viii. What kind of business do you operate? Tick all relevant. Also state the specific business for each.

Business Types	Specify what you manufacture, sell or services you offer
1. Agriculture and Forestry	
2. Mining and Minerals	
3. Manufacturing	
4. Energy, Gas and Water	
5. Construction	
6. Wholesale and Retail Business	
7. Hotel and Restaurant	
8. Transportation / Storage / Communication	
9. Financial Intermediation	
10. Cooperative	
11. Real Estate and Renting	
12. Education	
13. Health	
14. Personal Service	
15. Others	

ix. Does your business receive any type of support from governmental or non-governmental organization?

- 1) Yes 2) No

(If yes, please mention the name of the agency and the support types.)

a) Local Government (DDC, Municipality, Local level governmental agency)

Name	Type of Support
1	
2	
3	

b) Central Government

Name	Type of support
1	
2	
3	

c) NGO/International NGO/Donor Agency

Name	Type of support
1	
2	
3	

3. Systems in Place

Please tick in all the appropriate answer. (This section is not mandatory for informal sector)

Does your business have the following systems in place?	1)Yes	2) No	3) Considering	4) Don't know
1. Documented strategic/business plan				
2. Computers				
3. Email/internet services				
4. Accounting System				
i. Simple accounting system				
ii. Double entry book keeping				
iii. Manual (hand written)				
iv. Computerized				
5. Human resource management system				
i. Training plan				
ii. Job description				
iii. Provision of appointment letter				
iv. Performance appraisal system				
6. Others (please specify)				

4. Business Performance

a. Please answer the following questions related to the past, current and future performance of your business. Please tick (✓) in the appropriate answer.

	Lower	About the same	Higher	NA	Don't know
a. Compared to 2067/68, your sales in 2068/69 was					
b. Compared to 2068/69, you expect your sales in 2069/70 to be					
c. Compared to this time last, the number of employees in your firm is					
d. Compared to 2067/68, your capital investments in 2068/69 was					

e. Compared to 2068/69, you expect your capital investments in 2069/70 to be					
g. Compared to 2068/69, you expect the value of your total export in 2069/70 to be					
h. Compared to 2067/68, your total export value in 2068/69 was					
h. Compared to 2067/68, your total import value in 2068/69 was					
i. Compared to 2068/69, you expect your total import value in 2069/70 to be					
f. Compared to 2068/69, you expect the overall business performance in 2069/70 to be					
h. Compared to 2068/69, you expect the economic growth of the district in 2069/70 will be					

b. How big a problem are the following factors in constraining the growth of your business? For each statement, please circle a number on a scale of 1 to 5, where 1 = "Not a problem" and 5 = "A major problem".

	Not a Problem			Major Problem		
1. Decrease in demand for the product or services	1	2	3	4	5	
2. Competition from unregistered businesses (illegal trade)	1	2	3	4	5	
3. Difficulty in obtaining raw materials and inputs supplies	1	2	3	4	5	
4. Increase in price of raw materials or input supplies	1	2	3	4	5	
5. Access to markets	1	2	3	4	5	
6. Restrictive business regulations	1	2	3	4	5	
7. Restrictive tax rates	1	2	3	4	5	
8. Activities of trade union	1	2	3	4	5	
9. Inadequate number of qualified workforce	1	2	3	4	5	
10. Access to finance and cost of borrowing money	1	2	3	4	5	
11. Donation	1	2	3	4	5	
12. Public safety and security	1	2	3	4	5	
13. Corruption	1	2	3	4	5	
14. Political instability	1	2	3	4	5	
15. Bandha / Strike	1	2	3	4	5	
16. Inadequate infrastructure	1	2	3	4	5	
a. Electricity	1	2	3	4	5	
b. Road	1	2	3	4	5	
c Irrigation	1	2	3	4	5	
d Drinking Water	1	2	3	4	5	
e Transportation	1	2	3	4	5	
f Communication	1	2	3	4	5	
g Waste Disposal	1	2	3	4	5	
17. Cost of land or premises	1	2	3	4	5	
18. Availability of land or premises	1	2	3	4	5	

5. Tax Administration and Legal Issues (Only for registered business)

a. What are the types of taxes that your business pay to the Government ? Please tick all the relevant choices.

- a. Income tax
- b. VAT
- c. Excise Duty
- d. Custom Duty
- e. Rental tax
- f. Others (please specify):.....

b. Which of the business acts and regulations relating to your business have you found to be unclear or inconsistent?

- a. Income tax act and regulations
- b. VAT act and regulations
- c. Excise Duty act and regulations
- d. Custom act and regulations
- e. Labor law/ regulations
- f. Company act
- g. Others (please specify):

c. How much of a problem to your business are the following tax & legal issues? For each, please circle a number on a scale of 1 to 5, where 1 = "Not a problem" and 5 = "A major problem".

	Not a problem			Major Problem	
1. Difficulty in filing tax returns	1	2	3	4	5
2. Threshold for VAT	1	2	3	4	5
3. Rate of tax	1	2	3	4	5
4. Revenue collection points	1	2	3	4	5
5. Lack of clear information on tax system	1	2	3	4	5
6. Other (please specify).....	1	2	3	4	5

6. Finance

a. What was the level of your activity with regards to sales, investment and export in NRs. in 2068/69? Please tick the appropriate option.

	≤ 5 lakhs	>5 ≤ 10 lakhs	>10 ≤ 50 lakhs	>5 lakhs ≤ 3 crores	>3 ≤ 10 crores	>10 crores
a. Total Sales						
b. Capital Investment						
c. Value of Export						

b. How important are the following issues in constraining your access to finance? For each statement, please circle a number on a scale of 1 to 5, where 1 = "Not a problem" and 5 = "A major problem".

	Not a Problem			Major Problem	
1. Collateral	1	2	3	4	5
2. Interest rate	1	2	3	4	5
3. Loan repayment period	1	2	3	4	5
4. Loan limit	1	2	3	4	5
5. Loan processing fee	1	2	3	4	5
6. Loan processing time	1	2	3	4	5

7. Detail business/investment plan	1	2	3	4	5
8. Inadequate understanding of the potential of business by financial institutes	1	2	3	4	5
9. Inadequate knowledge of financial products	1	2	3	4	5
10. Others (please specify)	1	2	3	4	5

c. In the last fiscal year, did your establishment have its financial statements checked and certified by an external auditor? 1) Yes 2) No

d. From the following list, what sources of finance have you used for your business and where applicable please provide the rate of interest charged?

Source of finance	Annual interest rate
1. Internal funds/retained earnings	
2. Banks and financial institutions	
3. Saving and credit cooperatives	
4. Trade credit (Supplier or customer credit)	
5. Family, neighbors or friends	
6 Informal sources(e. g money lenders)	
7. Other (please specify)	

7. Business Start-up, Licensing and Property

a. How major a problem are the following in starting a business in your district? For each statement, please circle a number on a scale of 1 to 5, where 1 = “Not a problem”, and 5= “A major problem”.

Not a problem A major problem

1. Registration and licensing procedure	1	2	3	4	5
2. Cost of obtaining licenses, certificates, permits	1	2	3	4	5
3. Acquisition of Tax certificate	1	2	3	4	5
4. Availability of land or premises	1	2	3	4	5
5. Cost of land or premises	1	2	3	4	5
6. Access to finance	1	2	3	4	5
7. Access to raw materials and input supplies	1	2	3	4	5
8. Unavailability of adequately qualified human resources	1	2	3	4	5
9. Others (Please Specify).....	1	2	3	4	5

8. Infrastructure (For registered firm/company only)

a. Did your business face any power interruption in the last year?

1) Yes 2) No

If “yes”, had there been a continuous supply of power, by what percentage would your production have increased:%

b. Does your business have its own generator?

1) Yes 2) No

If “yes”, how much additional cost do you have to bear per month for running the generation:NPR/month

c. For your business, are there any urgent improvements needed in the following infrastructures?

i) Electricity 1) Yes 2) No

ii) Road 1) Yes 2) No

iii) Irrigation 1) Yes 2) No

iv) Drinking Water 1) Yes 2) No

v) Transportation 1) Yes 2) No

vi) Communication 1) Yes 2) No

vii) Waste Disposal 1) Yes 2) No

9. Employment and Training

a. Do you have difficulties recruiting a competent workforce?

1) Yes 2) No

b. Do you have difficulties in obtaining relevant training services for your workforce?

1) Yes 2) No

c. How much of a problem are the following factors for your business in maintaining a competent workforce? For each statement, please circle a number on a scale of 1 to 5, where 1 = "Not a problem" and 5 = "A major problem".

Not a Problem Major Problem

	1	2	3	4	5
1. Availability of qualified workforce					
2. Following labor law & regulations					
3. Salary, remuneration and other facilities					
4. Availability of relevant trainings facilities at the local level					
5 Cost of trainings					
6. Employee Turnover					
7. Others (please specify).....					

d. Do you feel that you have provided your employees with a good working environment?

1) Yes 2) No

e. For each employee category in your business, is their unavailability, turnover and cost a problem to your business?

	Unavailability		Turnover		Cost		N/A
	Yes	No	Yes	No	Yes	No	
1 Managerial (CEO, department heads, managers, officers)							
2 Technical (IT officers, designers, financial advisors, auditors, etc)							
3 Administrative (officers, secretaries, receptionists, personal assistants, clerks etc.)							
4 Skilled workers (electricians, mechanics, construction workers, printers, chefs, etc)							
5 General workers (process, plant and machine operatives, drivers, machine workers, packers, security guards, cleaners, etc							

10. General socio-economic condition of the district

a. Please tick on the appropriate choices.

In my view, there is an	Yes	No	Same as before	Don't Know
1. Increase in number of people that can pay for health care services in my area				
2. Increase in the number of children going to school				
3. Increase in the number of students attending college				
4. Decrease in drop out rate at schools				
5. Increase in women's role in decision making at home				

6. Increase in women's role in decision making at the community level				
7. Increased participation by those from disadvantaged group in decision making at community level				
8. Positive trend towards access to resources (natural and man made) by disadvantaged groups				
9. Increase in business and employment opportunities for women				
10. Increase in business and employment opportunities for disadvantaged group				

b. How important are the following infrastructures in contributing to the economic development of your district/ region? For each, please circle a number on a scale of 1 to 5, where 1 = "less important" and 5 = "very important".

	Less Important			Very Important	
1. University	1	2	3	4	5
2 Power	1	2	3	4	5
3 Hospitals	1	2	3	4	5
4 Cold Storage	1	2	3	4	5
5 Technical School/Vocational Training Institute	1	2	3	4	5
6 Agriculture Mandi	1	2	3	4	5
7 Agriculture Training and Research Centre	1	2	3	4	5
8 Road Network	1	2	3	4	5
9 Accredited Labs/Quarantine Check Post	1	2	3	4	5
10 Conference Hall & Exhibition Centre	1	2	3	4	5
11 Bus Park	1	2	3	4	5
12 Industrial Area	1	2	3	4	5
13 Airport	1	2	3	4	5
14 Branch of the Office of the Company Registrar	1	2	3	4	5
15 Banks/Financial Institutions	1	2	3	4	5
16 Others (Please Specify)	1	2	3	4	5

11. Trading across borders and within Nepal (only for registered companies)

a. Only for those businesses involved in IMPORT

1. Mention all countries you import from:

.....

2. Which borders in Nepal do you use for importing goods? Tick all relevant.

Dhangadi Mahendranagar Nepalgunj Bhairahawa Birgunj Biratnagar

Mechi Tatopani Tribhuvan International airport

Others (please specify).....

3. Why do you use these borders?

.....

b. Only for those businesses involved in EXPORT

1. Mention all countries that you export to:

.....

2. Which borders in Nepal do you use for exporting goods? Tick all relevant.
 Dhangadi Mahendranagar Nepalgunj Bhairahawa Birgunj Biratnagar
 Mechi Tatopani Tribhuvan International airport
 Others (please specify).....

3. Why do you use these borders?

- c. Only for those businesses that trade goods within Nepal

4. Do you involve in trading goods within the country?
 i) Yes ii) No

5. If 'yes' mention the name of the major cities where you trade in Nepal:

- d. How important are the following factors in constraining your trade across borders and within Nepal? For each statement, circle a number on a scale of 1 to 5, where 1 = "Not a problem" and 5 = "A major problem".

	Not a Problem			Major Problem	
1. Access to credit from bank for trade	1	2	3	4	5
2. Local tax collection system (tax imposed by DDC)	1	2	3	4	5
3. International market information	1	2	3	4	5
4. Meeting Standards (for export)	1	2	3	4	5
5. Difficulties in dealing with customs	1	2	3	4	5
6. Length of time taken for a business to be qualified for export	1	2	3	4	5
7. Length of import procedure	1	2	3	4	5
8. Length of export procedure	1	2	3	4	5
9. Lack of system to track cargo (modern tools)	1	2	3	4	5
10. High custom duty	1	2	3	4	5
11. Exchange rate fluctuations	1	2	3	4	5
12. Timely unavailability of enough IC or foreign currency	1	2	3	4	5
13. Affordability of transport by air	1	2	3	4	5
14 Length of Transit Time	1	2	3	4	5
15 Length of Clearance Time	1	2	3	4	5

12. Investment Background (Unregistered Businesses to Answer Questions d, e and f only)

- a. You classify your business as :

1. Domestic 2. Foreign 3. Joint Venture

- b. Does your business have title to the land it occupies?

1) Yes 2) No

- c. Were there any incentives like tax rebate, tax incentives, subsidy that influenced your decision to invest in the district?

1) Yes 2) No 3) Don't Know

- d. What are your future business plans?

1. Increase the number of employees
2. Construction/ renovation of facilities
3. Increase production capacity
4. Add new services/ products
5. Upgrade technology

6. Start new business

If you are planning to start a new business, please specify which type of business you are going to start?

.....
 No expansion

7. Close down the business

If you are planning to close your business, please give your reason for it.

.....
 Others (Please specify).....

e. What is the estimated new investment in NPR for the next 3 years?

- ≤ 5 lakhs >5 ≤10 lakhs >10 ≤ 50 lakhs >50 lakhs ≤3 crores
 >3 ≤10 crores >10 crores

f. In your opinion what may be the potential sectors for business start-ups in your district? For each statement, please circle a number on a scale of 1 to 5, where 1 = "less potential" and 5 = "high potential" ..

	Less potential			High Potential		Mention the potential
	1	2	3	4	5	
1 Construction	1	2	3	4	5	
2 Agriculture/Forestry	1	2	3	4	5	
3 Wholesale/Retail	1	2	3	4	5	
4 Education	1	2	3	4	5	
5 Health	1	2	3	4	5	
6 Manufacturing	1	2	3	4	5	
7 Hotel/Restaurant	1	2	3	4	5	
8 Transportation/ Storage/ Communication	1	2	3	4	5	
9 Real Estate/Renting	1	2	3	4	5	
10 Personal Service	1	2	3	4	5	
11 Financial Intermediation	1	2	3	4	5	
12 Cooperative	1	2	3	4	5	
13 Energy/Gas/Water	1	2	3	4	5	
14 Mining/Minerals	1	2	3	4	5	
15. Others	1	2	3	4	5	

13. Others

a. Are you involved in any social service?

- 1) Yes 2) No

If yes, please mention the name of the social service organization and activities.

- i.
 ii.
 iii.

b. Please mention any other problems that your business is facing.

c. Please mention any suggestions, and reactions.

Name of enumerator

Date

Name of the Supervisor

Date

Annex III

PUBLIC-PRIVATE DIALOGUE (PPD)

Public-private dialogue (PPD) is an effective tool to make the business and investment climate better and conducive for economic growth, which is fairly new and growing trend in the world. It is basically a consultation between the business community and the government to improve the government policies and laws.

Since its establishment in 1965, the FNCCI has been in constant dialogues, consultations and interactions with the governments in designing, formulating and implementing the acts, policies and laws related to the economic growth and private sector development. Policy advocacy is the main activity and objective of the FNCCI. Thus FNCCI has a long history of representing the private sector in the government policy making bodies from the micro level to the highest levels.

PPD, taken in the broad sense of interaction, can assume countless forms, from very informal (such as secret contacts involving the exchange of favours), to very formal (structured negotiations between government and professional associations, and even the adoption of a policy of entryism towards government and administration on the part of members of the business community).⁴ Nepal recently implemented the structured form of PPD in a form of Nepal Business Forum (NBF).

The FNCCI, as the umbrella body of private sector organizations is the integral part of the NBF and head the Private Sector Coordination Unit, through which the FNCCI interact with the public sector and provide suggestions and measures for economic reform.

One of the major objectives of the survey is to conduct the PPDs on the basis of the issues identified by the FNCCI BCS in each district. After the validation of the survey results was completed and the issues were prioritized, PPDs were conducted in each five districts from 30 January to 13 February 2013. In each PPD, the issues prioritized were further discussed among the representatives of the private sector and public sector. The issues identified and discussed in each district are provided in the annex.

⁴ Nicolas Pinaud, Public-Private Dialogue in Developing Countries: Opportunities and Risks, OECD Development Centre Studies, 2007

ISSUES TAKEN UP AT THE PPD IN SURKHET

No.	Issues discussed	Recommendations made
1.	Low participation of women, dalits, disabled and conflict victims in business.	<ul style="list-style-type: none"> • DDC to act as a coordinator to avoid duplication of programs. • Programmes need to be planned in a common forum. • Feasibility study for proposed programmes to be conducted by CCI.
2.	Problems faced by farmers due to lack of a cold storage in the district.	<ul style="list-style-type: none"> • With Surkhet CCI leading, a joint investment should be done with DDC, Municipality, Cooperatives and other stakeholders as partners. • The land required for the cold storage should be provided by the Valley Metropolitan Development Committee and the total value of the land can be converted into shares. • The establishment and management of the cold storage must be done in public-private partnership. • Regulations for sustainable operation must start immediately. • The necessary design estimate and overall technical to be provided by the Agriculture Development Office.
3.	Tax Related Problems	<ul style="list-style-type: none"> • A One Stop Service system to be created for simple and easy environment for tax payment. • Public awareness program to educate tax payers required • The provision for appreciation for taxpayers and punishment for tax defaulters to be implemented and publicized. • Training and orientation on taxes to be provided. • Tax rate to be reduced but tax net expanded. • Taxes to be determined considering the source of actual earning. • Anti Money Laundering Act to be implemented and taxes to be managed accordingly. • Provision of tax exemption to be made in production and employment based industry. • Provision of tax exemption to be made for the micro cottage industry. • Provision of tax exemption for industries that have registered but are yet to come into operation. • Bills to be computerized. • Industry registration process to be simple. • The standard for rental tax to be fixed. • Tax exemptions to be made for women, dalits, disabled and other disadvantaged groups.
4.	Operation of Muktishree Cement	<ul style="list-style-type: none"> • Surkhet CCI and DDC to take this agenda in the Nepal Business Forum and do the needful to reactive the contractors who have taken the license but not started the work since the last five years.
5.	Problem of relationship between Rural and Urban areas in the district.	<ul style="list-style-type: none"> • Establish community agriculture and animal service center/ cooperative initiated by the local residents in areas where the facility has not been provided by the government. • Increase subsidy in loan and provide tax exemption for the cottage and small industries. • Special transportation facility to be initiated to increase production of agro- products. • Establish cold storage.

6.	MAPs processing unit within district	<ul style="list-style-type: none"> • Government to foster a favourable environment for investment in herbal production and processing unit. • Government to develop the required infrastructure. • Commercialize the MAPs business. • Urban Development Committee to provide required land to establish processing area. • Operation process/ system to be clear (Business Plan). • Collectors of MAPS to be educated.
7.	Develop Surkhet District as Tourism Destination	<ul style="list-style-type: none"> • Tourism promoting activities to be implemented. E.g. declaring Destination Surkhet 2070.

ISSUES TAKEN UP AT THE PPD IN PYUTHAN

No.	Issues discussed	Recommendations made
1.	Low participation of women, dalits, differently-abled and conflict victims in business.	<ul style="list-style-type: none"> Existing laws to be reformed so as to encourage participation of disadvantaged groups.
2.	Tax-related problems (collected by the DDC)	<ul style="list-style-type: none"> One Stop Service (OSS) for registration and renewal of businesses. All facilities provided by the Inland Revenue Office (IRO) to be provided within the district Registration process to be simple and easy. Monitoring responsibility to be given to the registration authority. Small business entities to be given tax exemption for 5 years A system of rewarding regular taxpayers in districts to be established. Provision of business registration within district.
3.	Tax-related problems (collected by the DDC)	<ul style="list-style-type: none"> Efforts to be made to get businesses into the tax system. Need for the study of possible taxes that can be collected by the local authorities. The local taxpayers to be educated about the benefits of paying taxes (for the development of their own district). The method for paying taxes to be simple. Double taxation to be abolished. The provision for appreciation for taxpayers and punishment for tax defaulters to be implemented and publicized. Revenue collected by the tax to be utilized for local development. Local Autonomous Governance Act to be effectively implemented Overlapping laws to be scrapped.
4.	Swargadwari as a Tourism Destination	<ul style="list-style-type: none"> An integrated district tourism master plan to be created for the district. A separate website for Swargadwari Ashram to be created. Ashram management committee to be active and transparent.
5.	Lack of a Dumping Site in the district.	<ul style="list-style-type: none"> A site to be identified and managed by the joint efforts of DDC, CCI, political parties and stakeholders. Donor organisations and development partners to provide financial and technical support.
6.	Agro-products Collection Center	<ul style="list-style-type: none"> A collection center to be established in each VDC. A cold storage to be established in each constituency. Bigger collection centers to be established in Machhi, Bagdula, Chakchake, Baddada, Cherneta, Khalanga, Bahane to promote the export of local produce in external markets. The land area available in Jhimruk to be developed for vegetable farming. Agriculture sub-centers to be established.

ISSUES TAKEN UP AT THE PPD IN KAILALI

No.	Issues discussed	Recommendations made
1.	Low participation of women, dalits, differently-abled and conflict victims in business.	<ul style="list-style-type: none"> • Trainings to be given based on identification of needs of the beneficiaries. • Cooperatives to be formed as per the necessity. • Trainings to be provided to potential entrepreneurs. • Support to be provided for capacity development and monitoring & • Provision of easily available loans at minimum interest rate. • Loans to be provided on group guarantee without any collateral. • Provision of subsidy, insurance and tax exemption.
2.	Lack of skill development and entrepreneurship training.	<ul style="list-style-type: none"> • Loan to be made available at minimum interest rate • Easy and simple loan processing • Provide subsidy on the required industrial equipments • Create awareness on entrepreneurship to involve youth. • Provision of training to develop competitiveness.
3.	Tax-related problems	<ul style="list-style-type: none"> • All related policies must be streamlined and the general public should be educated on it. • Double taxation system to be removed. • Reward system for regular tax paying person or industry to be generated. • High taxpayers and regular tax payers should receive the government facilities without any difficulties.
4.	Lack of investment-friendly environment for investors.	<ul style="list-style-type: none"> • Stable government • Solution to the energy crisis • Industry friendly environment • Communication management • Proper management of transportation system.
5.	Promotion of business in the district	<ul style="list-style-type: none"> • Development of necessary policies for this sector • Development of investment friendly environment • Provision for tax exemption and minimum interest rates • Provision for long term loan • Registration process to be made simple. • The Central and local government should identify the potential investment sector and promote and develop them. • Transportation facility to be developed in the rural sector • • Investment in micro hydro power energy to be initiated • Subsidy for alternate energy to be provided • Partnership between public and private bodies for the development of tourism sector • Regular supply of energy to be ensured • Close coordination between public, government and private sector • Provision of insurance for agricultural industry • Exemption of tax in the raw materials of imports • Easy dissemination of Business information • Establishment of research center.

ISSUES TAKEN UP AT THE PPD IN BANKE

No.	Issues discussed	Recommendations made
1.	Low participation of women, dalits, differently-abled and conflict victims in business	<ul style="list-style-type: none"> • Effective implementation of existing laws and policies favouring the disadvantaged sector. • Women and disadvantaged group friendly environment at the workplace (distribution of identity cards and allowance on time)
2.	Unfair competition from Informal businesses	<ul style="list-style-type: none"> • Form joint monitoring team including representatives from various government agencies (District Commerce office, Tax office etc.) • Existing laws to be effectively implemented. • Defaulting companies to be fined or penalized on the basis of their capital for failing to pay the due taxes.
3.	Lack of waste management system in Nepalgunj	<ul style="list-style-type: none"> • Waste segregation (degradable and non-degradable) system to be designed. • Public awareness programmes to be conducted in coordination with stakeholders. • Establish a recycling plant in a public-private partnership model. • Provision of taxes/penalties for polluting industries on the basis of waste produced. • Municipality to coordinate and form an independent implementation and monitoring team with representatives from CCI, District Commerce office, District cottage office, Police and Civil society.
4.	Unfair competition from smuggling	<ul style="list-style-type: none"> • Strict custom inspection to be in place. • Custom evaluation system to be revised at regular intervals. • Awareness campaigns to be conducted to encourage legal trade. • Customers purchasing goods above NPR 1000 from outside Nepal's border to be taxed as per the law of the Nepal Government.
5.	Common Vision for Banke to be developed.	<ul style="list-style-type: none"> • Public and private sector to coordinate to create a common vision for the district. • I/NGO support (in coordination with DDC) is needed for developing a common vision. • Export oriented production of organic Aloe vera/Stevia should be promoted. • Nepalgunj should be developed as a tourism gateway to west Nepal. • Medicinal and Aromatic plant to be given more priority, by both the private and public sector. • Consolidated land holding in farming to be promoted. • A master plan to be developed that makes optimum use of land. • Strong regional networking to be created.
6.	Linkage between rural and urban area for economic development	<ul style="list-style-type: none"> • Cooperatives to be promoted. • Collection centres to be established to strengthen market linkages. • Insurance for agro-products and animals to be developed. • Breeding centre and cold storage to be established. • Skilled manpower to be developed. • Subsidy schemes to be developed to promote commercial farming.

ISSUES TAKEN UP AT THE PPD IN DANG

No.	Issues discussed	Recommendations made
1.	Low participation of women, dalits, differently-abled and conflict victims in business	<ul style="list-style-type: none"> • Loans to be made available at minimum interest rate. • Provision of rotational fund (cooperatives) • Need-based trainings to be given on skill development. • Priority and tax exemption to be given to industries using local raw materials.
2.	Unfair competition from Informal businesses.	<ul style="list-style-type: none"> • One stop service for business registration process to be established. • Proper classification system for businesses to be developed. • A mechanism to manage and avoid double taxation to be developed.
3.	Tax-related problems	<ul style="list-style-type: none"> • The current corporate/business tax imposed by municipality is impractical. The account taxes to be revised as per the local context. • Tax rate imposed by IRD to be decreased so as to encourage more businesses to join the tax net. • Tax education/training to be provided so that taxpayers won't have to pay penalties/ fines.
4.	Lack of collection centre for agro-products.	<ul style="list-style-type: none"> • Expansion of selling centers. • Irrigation facility to be developed and timely availability of hybrid seeds and fertilizers to be ensured. • Subsidy schemes for potential sectors and areas to be generated. • Proper insurance policy to be developed for agro-products. • Entrepreneurship trainings to be designed. • A proper mechanism for price determination to be designed. • Cold store to be developed as per the requirement. • Efforts to be made to develop agriculture roads.
5.	Common Vision for Dang to be developed.	<ul style="list-style-type: none"> • Subsidy schemes to be designed for commercial farming and animal husbandry. • 'District Entrepreneurship Development Fund' to be established for providing technical and financial support to marginalized groups. • DDC should effectively implement its role to avoid duplication of programmes in the district. • Develop master plan for the economic development of the district. (DDC should lead in the development the master plan with the permission of district council).



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