



# Exploring the landscape of Social Entrepreneurial Policies in Nepal

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*The policy brief has been prepared by Social Lab. Social Lab is a Nepalese think-tank established to address existing social and environmental issues through social entrepreneurship and innovation. Social Lab collaborates with social entrepreneurs, academia, civil societies, corporations, policy researchers, and activists to research and develop innovative solutions in bringing social and environmental reform.*

## I. Introduction

Social entrepreneurs are defined as an entrepreneurship model that creatively fosters and uses entrepreneurial knowledge, skills, and abilities to address protracted social problems like homelessness, poverty, violence, and so on.<sup>1</sup> Similarly, Mohammad Yunus (2020), often known as a father of modern time Social Business Model has defined Social Business as a cause-driven business. In a social business, the founders can gradually recoup the money invested, but cannot take any dividend beyond that point. The purpose of social entrepreneurship is purely inherited to achieve one or more social objectives.<sup>2</sup>

Social Entrepreneurship has become a hot topic of discussion for myriad global change agents. Be it a developed nation, developing or least developed country, the facets of Social Entrepreneurship have been touched upon once or often in recent times. Nepal has not been left behind by many civil society organizations and development agencies to explore the prospects of Social Entrepreneurship. The unparalleled prosperity in terms of natural resources, vegetation, exquisite traditions, and historical artisanship are some of the uncompromised and astounding features of Nepal. The country has been acknowledged from very ancient times in terms of its traditional arts, culture, and craftsmanship. From the fifth-century Chinese travelers Wanghunshe and Huansang to the present times of economic trade, Nepalese crafts, and products are highly appreciated and recognized globally (Ghimire, 2011)<sup>3</sup>.

As majority of social enterprises in Nepal fall under the category of SMEs. Reflecting some of the key highlights of SME-related policy is imperative to measure the gaps in social entrepreneurship development in Nepal. Nepal Economic Survey 2020/21 shows that there is more than a 60% share of SMEs in Nepal. The government has also planned for policy, legal, and structural reform and to make investment in industries having a competitive potential and comparative advantage for the development of the industrial sector. But despite all of the efforts demonstrated by small entrepreneurs, the share of investments in SMEs is still low in the country.

<sup>1</sup> Wayne State University, 2018. Extracted from: <https://socialwork.wayne.edu/socialentrepreneurship>

<sup>2</sup> Extracted From: <https://www.muhammadyunus.org/post/2113/social-business>

<sup>3</sup> Extracted from: <https://elibrary.tucl.edu.np/bitstream/123456789/10368/2/chapter%281%29.pdf>

## II. Problems

While several acts and policies have been designed that address the issues of SMEs, the Government has not yet designed a single policy solely for SME development in Nepal. For instance - Nepalese handicrafts and crafted products have an abundance of opportunities to glow in the global market and boost the national economy. Surprisingly, many of such crafted products resonate with the essence of social entrepreneurship. The Federation of Handicraft Associations of Nepal (FHAN), which was established as an NGO in 1972 has been working rigorously to promote handicrafts- related products in the global market. The practice of using local resources, cruelty-free production, sustainable, women-led businesses, environment-friendly materials, and child-labor-free production is some of the integral components that FHAN has been promoting. These are some of the most significant values that a Social Entrepreneurship Model incorporates. The problem here is in the localization of these values.

An analytical report by CBS in 2018 reports that the share of small and micro businesses (also many social businesses) in Nepal is bigger in the case of Women. The Federation of Small and Medium Enterprises Nepal says despite women owning 60 percent of Nepal's small and medium-sized enterprises, their limited access to finance and financial literacy has caused a massive barrier to the growth of SMEs (NRB, 2018)<sup>4</sup>.

Some of the identified gaps of social businesses are highlighted below:

Access to Finance	Trust issues among financial institutions, only symbolic representation of financial accessibility, limited provision of grant opportunity for social business model
Access to Training	Limited or no knowledge of loan processing, lack of financing and digital skills, unable to navigate digital technology, and little or no knowledge about government provisions
Policy and Structural Provision	Failure to execute the one-window policy, No SME Policy, and No provision for Social Entrepreneurship
Access to information	Information Gap, Access to updated data and information is missing
Market Penetration	A challenge in tapping the local and international markets, unnatural regulation by government

<sup>4</sup> Extracted from: <https://kathmandupost.com/columns/2021/09/05/enhancing-access-to-finance-for-women>

### III. Policy Options and Opportunities

<i>Theme</i>	<i>Intervention</i>	<i>Description</i>
Market Development	Connecting Local and Global market	Local Governments to localize the use of locally produced resources whereas the Federal Government could apply strategies in promoting the products in the international market through global branding and networking.
Cooperatives	Loan Facilitation	Facilitation of loan availability and promotion of the social entrepreneurial center
Blended Financing	Merging public and private financing	Blended Finance can be instrumental through government financing by providing grants at the first phase and following up with the capital investment where the investor seeks a return on low risk.
SME Policy	Drafting the first SME Policy	Develop an inclusive SME policy that is centered around women, the environment, and the economy
Resource Mapping	Identification of resources	Bridging the local resources and connecting them with the investors and potential stakeholders
Promotion	Promotion of social business model	Localization of product and service-based social entrepreneurial practices

## IV. Discussion

Enough research and study have not been conducted in line with Social Business or Social Entrepreneurship in Nepal. This gives an imperative edge for why the research has become dire in the domain of social entrepreneurship in Nepal. The least attention towards the revival, growth and development of SMEs in Nepal puts the status of social enterprises under the shadow. About Atleast 70% of SMEs working in the sectors of handmade accessories, pashmina, handicrafts, or related business carry the value of social enterprise. But plethora of such enterprises are jeopardized in the recent times. The traditional model of balancing the triple bottom line; people, planet, and profit by the social entrepreneurs in Nepal have been obscured. This has not only hindered the importance of local resources and economic capability, but also underestimated the essence of traditional tools and technology, indigenous accessories, traditions, and local innovation.

Some important reflections from this paper can be highlighted as:

- Introduction of SME policy; keeping women, environment and social innovation at the Centre
- Promotion and localization of social entrepreneurship at the local government level
- Cooperatives to play vital role in promotion social business model among the local people
- Concept of blended financing can be essential to boost the presence of social business in Nepal
- Social Enterprises should have access to skill development and incubation platform
- Public-Private partnership should be strengthened to define an ecosystem for Social Business in Nepal
- Investment in research and development should be the top-most priority to identify the potential resources that are available locally or regionally
- Special provisions and priorities of financial access for enterprises with social business model