



*Research Article/ Corporate Governance*

## Young Entrepreneurship for the Development of Sustainable Corporate Governance in Nepal

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### ABSTRACT

This paper aims to investigate the influence of young entrepreneurship on the evolution of sustainable corporate governance in Pokhara Metropolitan City, Nepal. The study employed a mixed-methods approach and analyzed the data from 36 young entrepreneurs through a survey and semi-structured interviews with six people to evaluate the awareness, practices, and difficulties related to the modern corporate governance principles. The findings of the study show that young entrepreneurs in Pokhara Metropolitan

City exhibit moderate levels of awareness of formal corporate governance principles (mean familiarity score: 3.47), with strong adherence to core operational practices. In particular, this study shows a predominant emphasis to specific area of tax compliance (mean: 4.58) and systematic financial record-keeping (mean: 4.42) and relatively less focus to the area of engagement with advanced methods, where regular stakeholder meetings (mean: 3.58) are presented. Interestingly, modernization occurs via digital tools such as significant barriers include administrative e-complications (mean: 3.75), lack of knowledge (mean: 3.25), and resource shortages (mean: 3.14). The qualitative data through interviews reveal a tension between traditional informal practices and professional models. The findings suggest a need for specific training, policy changes, and support. This study fills empirical gaps and offers implications for policymakers, educators, and business associations in creating accountable and innovative governance frameworks to enhance economic resilience and attract investors.

**KEYWORDS:** Young entrepreneurship, corporate governance, sustainable business, digital innovation, SME development

### INTRODUCTION

Nepal is a landlocked country in South Asia, which has a rich cultural background and natural beauty, but is currently

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encountering massive economic transformations due to the globalization, development of technology, high urbanization rate, and mass migration. Having a population of about 30 million, the country is experiencing severe socioeconomic issues, with the unemployment rate among young people (15-29 age group) being almost 19 percent (International Labour Organization, 2024). Since youths make up over 40 percent of the working-age population, they are a significant policy issue as well as a possible demographic dividend and as a major concern for policymaker (World Bank Group, 2025). In such a situation, entrepreneurship has become an extremely important instrument of job creation, innovation, poverty alleviation, and inclusive economic growth, particularly where formal job opportunities are limited. Pokhara Metropolitan City in Gandaki Province, a tourist attraction with its lakes, adventure tourism and trekking, has evolved into a young entrepreneurial center with young entrepreneurs age between 18 and 40 years. The entrepreneurs are active in the tourism, hospitality, retail, education, and information technology sectors using digital technologies, social media, e-commerce, and innovative business models to offer services locally and internationally (Chaudhary, 2025). The trend of young startups in the eco-tourism, online booking services, and IT solutions can be seen as the recovery of the post-COVID-19 and the adaptation to the market needs.

In addition to economic contributions, youth entrepreneurship is driving the change of the corporate governance practices. Corporate governance is understood as the mechanisms, principles, and processes that hold accountability, transparency, fairness, and ethical behavior (OECD, 2019). Although traditionally seen as a major issue in large corporations in Nepal, governance is now

being seen as a key to the small and medium-sized enterprises (SMEs) to meet the Sustainable Development Goals (SDG 8, 9, & 17). Digital literacy and the ability to see international best practices enable young entrepreneurs to transform the system of governance by introducing transparency in financial reporting, digital interaction of stakeholders and making ethical decisions that focus on the sustainability and social responsibility (Ratten & Jones, 2018). In general, embedding the concept of digital tools in ethical and sustainable governance practices will boost the transparency of the organization, contribute to the trust of its stakeholders.

Despite of the potentials, there are still serious challenges. Most informally run youth-based businesses in Pokhara Metropolitan City are ad hoc and informal, lowly documented, low levels of legal compliance, and are dependent on personal relations. The corporate governance policies in Nepal, including the Company Act 2006 and Nepal Rastra Bank rules, are focused on large corporations in the country and do not consider the specific requirements of SMEs (Rawat, 2025). This regulatory loophole increases risks to young business people which include stiff competition, financial uncertainties and unwillingness of investors because of poor governance. Although the empirical research confirms that governance reforms lead to better performance in commercial banks (Sapkota, 2020) but there is a lack of knowledge regarding how youth entrepreneurship drives similar evolutions in local contexts like Pokhara. The knowledge of the governance standards by young entrepreneurs, their role in bringing a change in governance within the firms, and financial, bureaucratic and knowledge barriers that they encounter when trying to adopt sustainable practices are critical research gaps.

In recent years, youth led business enterprises are rapidly growing in Pokhara Metropolitan City in many sectors such as such as tourism, hospitality, retail, education and information technology. Many young entrepreneurs are starting and managing the business are becoming the important key players in the economy. Ideally, these youth-run enterprises should follow modern principles of corporate governance clear roles and responsibilities, transparent financial records, compliance with regulations, and open communication with stakeholders—so that their businesses are accountable, sustainable and attractive to investors and lenders.

Youth led business enterprises are rapidly growing in Pokhara Metropolitan City, yet the majority of these small and family own firms operate informally. However, empirical studies on corporate governance in Nepal focus mainly on commercial banks and listed companies (Sapkota, 2020) and say little about youth-led business enterprises regional cities such as Pokhara Metropolitan City.

There is therefore insufficient evidence on three key issues: (a) how aware young entrepreneurs in Pokhara Metropolitan City are of modern corporate governance principles; (b) how, in practice, they are changing or reproducing governance norms within their enterprises; and (c) what constraints they face in moving from informal to more transparent and accountable governance. The main purpose of this study is to address those gaps by examining young entrepreneurs' awareness, practices, and challenges related to corporate governance in Pokhara Metropolitan City. To address this problem, the study will focus on the following research questions: 1) What is the -level of awareness and practical application of modern corporate governance principles among young entrepreneurs in Pokhara Metropolitan City? 2) How do young entrepreneurs contribute to changes in governance

practices within their enterprises? 3) What are the primary challenges and barriers do young entrepreneurs face in implementing modern governance in Pokhara Metropolitan City?

The Nepali economy is heavily depend on remittances (approximately 20% of GDP), farming, and tourism, and SMEs occupy more than 80% of the jobs and a significant portion of non-agricultural GDP (Bhattarai, 2025). Youth entrepreneurship can diversify this economy but without good governance systems, the possibility of corruption, mismanagement, environmental degradation, and social inequity may increase. The ecosystem of Pokhara Metropolitan City is exclusive and delicate to the extent that sustainability is essential. Empowering young entrepreneurs with green technologies, non-discriminatory hiring, and the transparency of their operations is consistent with the national strategies such as the Youth Vision-2025 that encourages youth empowerment via entrepreneurship skills and governance skills development (Ministry of youth and Sports, Nepal, 2015). The events of the recent years can be seen in the Nepal Youth Entrepreneurship Summit 2025, organized with the co-hosting of the National Youth Council and the Ministry of Youth and Sports, where the government is beginning to acknowledge the role of youth in the development of strong ecosystems. However, there are issues like limited access to finance, lack of mentorship, and insufficient policy support that remain (Nepal Youth Entrepreneurship Summit, 2025). In this way, the sound governance is the cornerstone for the resilient and sustainable business.

Corporate governance has developed in the early 2000s, no longer being concentrated on the maximization of shareholders value but becoming more inclusive of stakeholders and having a long-term perspective. Contemporary

structures are conscious of shareholders, employee, community, supplier, and environmental concerns in corporate decision-making (OECD, 2019). In less developed economies such as Nepal, where institutional frameworks are still in their early years, good governance between SMEs is important to economic resilience to shocks such as the COVID-19 pandemic and the 2015 earthquake (World Bank Group, 2025). Good governance also ensures property rights, lowers transaction costs and creates enabling environment amongst the stakeholders (World Bank Group, 2010). This inclusive approach of governance paradigm is ultimately essential for securing long-term societal and economic value.

The studies conducted after 2016 simple governance frameworks are quite beneficial to SMEs. Indicatively, a Nigerian research by Tsagem et al. (2019) established that clear separation of ownership and management, reliable financial reporting, and advisory board are linked to improved performance of the firm, increased innovation and access to external finance. These mechanisms mainly help to solve the agency problem of the three parties (owners, managers, and external agents) where better communication is created in that order so that not only the investor's confidence but also the operation's credibility is increased. Things are not however similarly practiced in developing nations because of legal restrictions, family owned companies, lack of management expertise, and culture of close relations rather than written agreements (Rawat, 2025). In a study of the corporate governance in Nepal commercial banks, Sapkota (2020) established that although stringent policies have resulted in slow progress in board independence, transparency, and accountability, some of the challenges such as insider dominance still remain. This implies that governance practices during the formal sectors are prone to

alteration under external regulatory pressure, but the processes of evolution of less-regulated SMEs, especially in areas beyond Kathmandu are under-studied.

The literature around youth entrepreneurship is quite optimistic, showing that young companies not only contribute significantly to the decrease in unemployment but also act as the main creators of new ideas (International Labour Organization, 2015) regards youth entrepreneurship as a global employment trend that is strategically dealt with, pointing at the youth's adaptability, technical skills, and openness to new ideas as their main attributes. A study conducted by (Baldegger et al., 2022) shows that young entrepreneurs in the developing countries are productively leading the digital technology adoption's advantages when compared to older colleagues as they are cutting across traditional business norms, social and/or environmental objectives, and are being motivated not only by profit but also by other reasons. Nevertheless, the abovementioned documents also highlight critical weaknesses in areas such as regulatory compliance, financial literacy, and risk assessment, which are foundational to sound governance practices.

Young people have the potential to be the driving force for spreading the new ideas of governance. According to their investigation, the companies that are headed by young entrepreneurs will not only choose the collaborative and network-based methods but also the ones that are socially responsible and can help bring about more participatory and inclusive governance structures (Czyżewska et al., 2025). The youth-led businesses could implement the aforementioned strategies and experiment with the governance practices, especially in the areas of technology deployment, stakeholder engagement, and environmental accountability. Thus, they could offer the new governance practices

as their laboratory and be the pioneers of the new methods. In the context of Nepal, (Chaudhary, 2025) analyses the situation of the municipal youth employment markets in terms of barriers and chances, coming up with the conclusion that tourism is the sector to be reckoned with while pointing out the pressing need for governance training as the only way out of informal practices and towards sustainability. Similarly, Nepal Youth Entrepreneurship Summit (2025) discussions assert young people's inevitable role in building sustainable business ecosystems but also mention the funding issues and policy inconsistencies as the major barriers that still exist.

Boarder international frameworks reinforce the necessity of capacity-building in governance for the youth. For instance, two studies advocate for customized educational programs and advisory support to convert abstract governance principles into practical tools suitable for underrepresented groups, including youth in SMEs (OECD, 2019; OECD & European Commission, 2021). Similarly, Asian Development Bank (2025) has conducted researches on SME development in Asia that provided supporting evidence for country like Timor where tech-friendly young entrepreneurs are using fintech applications and e-governance tools to enhance transparency. However, they are also facing bureaucratic barriers and having no institutional support. According to Wang et al. (2023), one of the aspects of good corporate governance has become the ecology and the quality of governance has been associated with sustainable performance through the mediators of green finance and environmental policies.

In Nepal, a study on SMEs primarily highlights corporate social responsibility (CSR) and eco-innovation. For instance, Raj Adhikari (2012) evaluates the state of CSR practices, reporting an overall moderate adoption with governance-

related dimensions, namely ethical conduct and stakeholder engagement, being the most widely practiced. K.C. et al. (2024) studies the sustainability of eco-innovation in Nepalese SMEs, positing that environmental aspects in governance frameworks can lead to corporate sustainability, particularly in tourism-dependent areas like Pokhara where natural resources are the main economic activity. Building inclusive entrepreneurship ecosystems in Kathmandu and Pokhara underscores the young entrepreneurs' potential but also points out the accessibility to finance, human capital, and bureaucracy as the main hurdles that slow down formalization (International Labour Organization, 2023). Timilsena (2025) focuses on entrepreneurs' mindsets among colleges in Pokhara Metropolitan City, observing a growing interest in business startups but also mentioning the practical difficulties like financial constraints and lack of mentorship that hold back the governance readiness.

The comparative insights are provided by global studies on corporate governance in emerging markets. Wang et al. (2023) analyze the impact of global financial development on governance and corporate performance in developing nations, highlighting through mechanisms such as board diversity and ESG integration. The institutional frameworks dictate the transition from family-oriented to professionalized forms take a very detailed global overview of business group governance (Aguilera et al., 2025). The International Labour Organization (2019) in its report discuss about the supportive condition for eco-friendly businesses in Nepal brings to light the necessity for the government to prioritize small and medium enterprises (SMEs), which can be the youth's gateway to innovation and formalization. These studies indicate that the integration of governance mechanisms, such as ESG, into the local corporate

environment is a must for the proper functioning of corporate governance in emerging markets.

The literature review is made more vibrant by the addition of fresh insights from trends. Digital technology like mobile accounting application is behind the transparency and efficiency that are not only real-time but also in line with the report by Global Entrepreneurship Monitor (2022) indicating that technology-driven entrepreneurs have been innovative. The authors also suggest that among the leaders of the SDG adoption in the South Asian SMEs, the factors such as shared vision and co-creation are the major supports to sustainable practices and these extremely valuable lessons can be imparted to the youth entrepreneurs of Nepal (Sharma et al., 2023). Together, these trends collectively indicate the strong merging of sustainability, technology, and collaborative leadership as the new resilient entrepreneurship drivers in Nepal.

The theoretical foundation of this study incorporates agency theory, stakeholder theory, and institutional theory. Governance mechanisms help to shed light on the conflicting relationship between the principals (shareholders) and the agents (managers) by bringing transparency and aligning their interests, which is especially important in family-dominated business of Nepal, where the role overlaps are not uncommon (Jensen & Michael C, 1976). Stakeholder theory (Ntiamoah et al., 2014) goes a step further by calling for balancing between the different interests: including both the environment and the society to create sustainable effects, as is done in the tourism sector of Pokhara Metropolitan City (Ntiamoah et al., 2014). Institutional theory (DiMaggio & Powell, 1983) provide an understanding of how external forces such as regulatory (coercive), normative, and mimetic forces shape the practices in an organization thereby

making young entrepreneurs themselves agents of change within the policy landscape in Nepal, which is also influenced by the Youth Vision-2025 initiative.

## RESEARCH METHODS

This study employs the exploratory nature and limited timeframe, adopting mixed-methods design, and combining quantitative surveys that provided statistical breadth and qualitative interviews that offered interpretative depth. The intended population was composed of youth entrepreneurs in the age range of 18-40 who are the founders or the active managers of legally registered companies in the Pokhara Metropolitan City. The sampling frame was obtained from the Pokhara Chamber of Commerce and Industry, which is a reliable source for local business registrations. Simple random sampling was used, and a random-number generator picked an initial target of 40 participants; however, the final survey sample was made up of 36 respondents due to limitations in response and logistical concerns, so a response rate of approximately 90% was attained.

The questionnaire was limited in length so that the respondent's burden would not be too much while still collecting necessary data on a total of the four areas: demographics (age, gender, level of education, business sector, years of operation, legal form, and number of employees), awareness of corporate governance (knowledge of the term, understanding in small business contexts, and desire to learn more), governance practices (keeping written records, using digital tools, separating personal and business finances, having written policies, holding regular meetings, sharing information, complying with taxes, taking external advice, and increasing perceived formality), and challenges (lack of knowledge, time, and financial constraints,

and government procedures as well as the need for external support). The instrument was based on a five-point Likert scale with a score of one indicating "strongly disagree" or "low" while a score of five denoted "strongly agree" or "high" and made possible the quantification of the data. Prior to implementation, the survey was piloted with a small group of entrepreneurs in order to determine clarity, cultural appropriateness, and reliability.

The short questionnaires were given out personally to the entrepreneurs at the places where they conducted their businesses or sent by email for a wider distribution, while the interviews were conducted face-to-face to create a good relationship and to be able to see the interviewee's body language. The quantitative data were inputted into SPSS and processed through descriptive statistics, which included frequencies, percentages, means, standard deviations, and cross-tabulations for comparisons between the different groups (e.g., by sector or training exposure). The qualitative data collected from the interviews were subjected to thematic analysis, where an iterative process was used starting from open coding to identify the initial patterns, then moving on to axial coding to refine the themes of awareness, practices, changes and challenges.

Data analysis was conducted using a mix model approach. The quantitative data was inputted into SPSS and analyzed with frequencies, percentages, means, standard deviations, and cross-tabulations to compare groups by presenting the average scores side by side, without conducting any statistical tests. The qualitative data were analyzed through simple thematic analysis. This researcher read all responses, identified recurring patterns, coded the data into initial labels, grouped codes into broader themes (awareness, practices, challenges, changes), and selected representative quotes. The quantitative and qualitative findings were

then compared during interpretation to provide a complete understanding of corporate governance among youth entrepreneurs.

Ethical aspects played the most important role in the considerations: the participants were informed about the study's goals, and they were also told that participation was voluntary and given the opportunity to sign a consent form in writing. The researcher kept the participants' identities anonymous by using pseudonyms and they also stored data securely on devices that were accessible only to the researcher and were password protected for academic purposes only and no identifying information was released. The limitations of the study include the small sample size, which might limit the generalizability of the results outside Pokhara Metropolitan City, and reliance on self-reported data, which could lead to the introduction of social desirability bias. To overcome such limitations, subsequent research ought to use bigger and representative samples. In addition, the data interpretation can be improved using visual aids like bar graphs. The quality of data was maintained in a number of ways. Through the pilot phase test, the internal consistency and clarity of the survey instrument was established and all the transcript of the interviews were cross-verified to ensure accuracy. Through the mixed-methods approach, methodological triangulation was attained through which the quantitative results were only reinforced and augmented by the qualitative analysis thus enhancing the overall validity and reliability of the study.

## RESULTS

The study has been carried out through the collection of survey data on 36 young entrepreneurs in Pokhara Metropolitan City, and the administration of semi-structured interviews to six of them to investigate the knowledge, practices, and issues related to corporate governance.

**Table 1**  
*Demographic Profile of Respondents (n=36)*

Characteristics	Category	Freq.	Percent (%)	
Age	18-24	25	69.4	
	25-29	6	16.7	
	30-34	5	13.9	
Gender	Male	30	83.3	
	Female	6	16.7	
Education	Bachelor's Degree	17	47.2	
	+2/ Higher	15	41.7	
	Secondary			
	Master's or Above	4	11.1	
Sector	Retail/ Wholesale/ Trading	15	41.7	
	Manufacturing/ Production	6	16.7	
	Hospitality	5	13.9	
	Information Technology	4	11.1	
	Education/ Training	3	8.3	
	Tourism/ Travel	2	5.6	
	Naturopathy	1	2.8	
	Operating Years	More than 6	17	47.2
		1-3 Years	9	25
		4-6 Years	6	16.7
Less than 1		4	11.1	
Legal Form	Sole Proprietorship	21	58.3	
	Private Limited	10	27.8	
	Partnership	5	13.9	
Employees	1-4	13	36.1	
	10 or more	12	33.3	
	9-5	10	27.8	
	Only me	1	2.8	

Source: Survey 2025

The analysis of quantitative data was based on descriptive statistics, such as means, standard deviations, frequencies and subgroup comparisons, and the analysis of the interview data was performed with the help of the coding of the data by the different themes to determine the common patterns. The findings show the moderate level of awareness, strong primary practices, innovative input, and strong impediments that differ depending on demographic features and industry sectors.

The sectoral composition was led by retail/wholesale/trading (41.7%), followed by manufacturing/production (16.7%), hospitality (13.9%), information

technology/online services (11.1%), education/training (8.3%), tourism/travel (5.6%), and naturopathy (2.8%). Nearly half (47.2%) of the business venture were established more than 6 years, while (25.0%) had operated 1-3 years, 16.7% for 4-6 years, and a minority (11.1%) for less than one-year legal forms comprised sole proprietorship (58.3%), private limited company (27.8%), and partnership (13.9%). Employee counts: 1-4 (36.1%), 10 or more (33.3%), 5-9 (27.8%), and only the owner (2.8%). Attendance at training on business law, taxation, accounting, or governance was reported by (61.1%), with (38.9%) having no such experience.

The sample is demographically illustrated by a majority of young and male demographic who operate mostly in small scale business. The age distribution is strongly skewed in the 18–24 year (69.4%), with the rest of the respondents in the 25-29 and 30-34 years age (16.7% and 13.9% respectively) contributing to the study theme of youthful entrepreneurship. There is a strong gender inequality, where male participants make up 83.3% of the sample in comparison to 16.7% of female participants, similar to larger gender inequality in entrepreneurship that has been recorded in Nepal by the Global Entrepreneurship Monitor (Baldegger et al., 2022). The levels of educational attainment differ with 47.2% having Bachelor's and higher secondary (41.7%), and smaller percentage having a master's degree or higher (11.1%). The findings indicate a moderately educated group that is able to adopt formal concepts of governance.

This demographic profile indicates a group largely engaged in small-scale, yet well-established ventures, with potential for governance improvements but constrained by sectoral informality and gender imbalances, as noted in the (International Labour Organization, 2023) analysis of entrepreneurship ecosystems in Nepal.

**Table 2**  
*Mean Scores for Selected Practices by Sector*

Sector	Digital Tools (Q13)	Finance Separation (Q14)	Written Policies (Q15)	Stakeholder Sharing (Q17)	Tax Compliance (Q18)	External Advice (Q19)
Education / Training	3.67	4.33	3.33	3.33	4	4.33
Information Technology / Online services	4.5	4.5	3.5	2.25	3.5	3.25
Manufacturing / Production	3.67	4	3.33	3.67	4.67	4.17
Naturopathy	5	5	5	5	5	3
Retail / Wholesale / Trading	4.33	4.4	4.07	3.87	4.87	3.87
Hospitality and Tourism	3.14	4.86	3.57	3.71	4.71	3.86

Source: Survey 2025

The sectoral variations provide insights into governance dynamics. Retail/trading (41.7%) showed informality, with lower written policies (mean 4.07) than naturopathy (5.00) but strong tax compliance (mean 4.87). Hospitality (13.9%) had high tax compliance (mean 4.80) due to regulations but weaker digital tools (mean 2.60). Manufacturing (16.7%) balanced practices, with high finance separation (mean 4.00). IT (11.1%) led in digital tools (mean 4.50) and external advice (mean 3.25). Education (8.3%) emphasized sharing (mean 3.33). One can learn from these differences how the different sectors of the economy influence the adoption of governance practices, e.g., the tourism sector underlines the need for sustainable measures by its environmental sensitivity.

The level of awareness was quite moderate; however, there was a strong interest in further learning. The average Respondent's knowledge about "corporate governance" or "good governance in business" was 3.47 (SD=1.03), while their

understanding for small businesses was 3.53 (SD=1.06), and desire to learn more was 4.50 (SD=0.88). Training exposure impacted with higher awareness; trained respondents reported a mean knowledge of 3.68, compared to 3.14 for untrained, suggesting that educational interventions could elevate knowledge of respondents.

**Table 3**  
*Mean and SD for Awareness Items*

Item	Mean	SD
Familiarity with term (Q8)	3.47	1.03
Understanding for small business (Q10)	3.53	1.06
Desire to learn more (Q11)	4.5	0.88

Source: Survey 2025

Subgroup analyses revealed more clarity about patterns. Among the respondents, those with Bachelor's or higher scored higher on understanding (mean 3.71) than secondary-level (3.27), indicating the influence of formal education. The sectoral differences were also existed with IT entrepreneurs

exhibited greater familiarity (mean 3.75) than retail (3.40), likely due to tech's global exposure. The gender differences were minimal, though females showed slightly higher learning desire (mean 4.67 vs. males 4.47), perhaps reflecting motivation amid barriers.

**Table 4**  
*Mean and SD for Governance Practices*

Practice	Mean	SD
Written records (Q12)	4.42	0.81
Digital tools (Q13)	3.97	1.34
Separate finances (Q14)	4.42	1
Written policies (Q15)	3.75	1.3
Regular meetings (Q16)	3.58	1.13
Share information (Q17)	3.61	1.34
Tax compliance (Q18)	4.58	0.84
External advice (Q19)	3.86	1.02
More formal now (Q20)	4.11	0.92
More formal than older owners (Q21)	3.75	0.94

Source: Survey 2025

The governance practices demonstrated strengths in core operational areas, but at the same time they have pointed out the collaboration and advisory mechanisms as their most significant problems. Among the major sources, the key means included written records of income and expenses (4.42, SD=0.81), use of digital tools for financial records (3.97, SD=1.34), clear separation of personal and business finances (4.44, SD=1.00), written rules or policies ( 3.75, SD=1.30), regular meetings with partners or key staff (3.58, SD=1.13), open sharing of business information (3.61, SD=1.34), timely tax payments and license renewals (.58, SD=0.84), and seeking external advice for major decisions (3.86, SD=1.02). The perceived increases in formality since business inception (4.11, SD=0.92) and compared to older business owners (3.75, SD=0.94) suggest an evolutionary path.

Many of the respondents were really good in using the digital tools from IT sector with 4.25 as mean score as compared to retail sector with 3.80, which in term reflects technological affinity. Similarly, the hospitality sector demonstrated high tax compliance with mean 4.80, driven by tourism regulations. The interviews have also been able to give tangible examples of contributions. According to Respondent 2, the researcher implemented digital billing and inventory management application. The researcher also established basic written rules of returns and responsibilities of the employees, which was a change of unorganized cash-based systems into organized systems. Respondent 4 explained, "We converted to digital payroll and came up with monthly performance evaluations. We also began to exchange simple sales reports among key personnel, an example of mixing traditional family business culture with professionalism." Respondent 6 has mentioned, "I adopted the digital inventory and weekly meeting of the teams to discuss targets and problems." Thus, it is found that they used a separate business bank account with an accent on the responsibility to the customers, employees, and the authorities.

Most of the challenges were pronounced, with complicated government procedures being the highest (mean 3.75, SD=0.97), followed by lack of knowledge (3.25, SD=1.27), time and money constraints (3.14, SD=1.05), and a strong desire for external support (4.14, SD=0.90).

Interviews elaborated in more details on these issues as Respondent 1 mentioned that "limited knowledge about legal compliance and insufficient funds to hire a professional accountant." Respondent 3 mentioned that "balancing rapid growth with compliance is tough... finding skilled legal advice for tech contracts in Pokhara is hard." Respondent 4 referred to "the

**Table 5**  
*Mean and SD for Challenges*

Challenge	Mean	SD
Lack of knowledge (Q22)	3.25	1.27
Lack of time/money (Q23)	3.14	1.05
Complicated procedures (Q24)	3.75	0.97
Desire for support (Q25)	4.14	0.9

Source: Survey 2025

opposition of the older family members who cling to the traditional ways... the costs of digital tools and accounting services are very high." Respondent 6 considered that "complex government regulations and lack of tailored guidance for small retailers... balancing daily operations with governance improvements." On the other hand, Respondent 2 pointed out the problem of "time and the complexity of the bureaucracy and said that it was difficult to manage the shop alone and that there was not much room to develop a formal system and that the government paperwork is not that simple." Similarly, Respondent 5 cited "a deficit in fundamental knowledge and support, stating that the lack of knowledge regarding the legal requirements, fear of committing errors in compliance, and the combination of having no time to go through training is a major obstacle." These reactions, among others, are a consistent demonstration that young entrepreneurs in Pokhara Metropolitan City have a threefold problem: they have few resources (financial and human), they encounter complicated regulations, and they are willing to alter the traditional ways of doing business not only on the part of the family members but also on their own.

## DISCUSSION

The findings of the study indicate that good governance awareness/practices and entrepreneurial successes have a positive association, thereby inferring that the

incorporation of such practices in the youth-led enterprises can render them more sustainable. This is consistent with the global trends where good governance is seen as a contributor to resilience (OECD, 2019). The medium level of awareness is due to the differences in education in Nepal where business training is usually not accessible especially in the countryside (International Labour Organization, 2015). The great interest in learning indicates openness to such measures as those suggested at the National Youth Conference 2025, which revolve around governance and SDGs (Nepal Youth Entrepreneurship Summit, 2025). Ethical practices in Pokhara Metropolitan City's economy, which is greatly enhanced by better awareness can result in a greater level of trust among all the involved parties and responsible care of the environment hence minimizing the effects of such vulnerabilities like climate change on the attractive sites of the destination. These findings correspond to Tsagem et al. (2019) on the performance benefits of governance mechanisms while Ratten and Jones (2018) indicated that youth preference for collaborative models. The high level of tax compliance observed indicates perceived risks associated with regulation, while the low scores in meetings and sharing suggest that informality is still present, which is in line with the (International Labour Organization, 2018) International Labour Organization's (2018) evaluation of Nepal's SME landscape. The practices of digital transformation of the companies can help to attain sustainability, e.g. the digital documentation enables the reduction of errors, the precision of reports and the ability to monitor the environmental impact in the tourism businesses case (K.C. et al., 2024). The fact that the self-image of the young entrepreneurs is more formal than that of the older one places them in the position of the potential norm spreaders, who are

slowly transforming the business landscape of the city of Pokhara Metropolitan City throughout the years.

### **Practices and Contributions to Governance Changes**

These barriers refer to Rawat (2025) on the emerging economy hurdles and the International Labour Organization (2023) on Pokhara Metropolitan City's ecosystems, exacerbated by Nepal's infrastructural weaknesses (World Bank Group, 2025). Bureaucratic complexities align with Bhattarai (2024) on entrepreneurial challenges, including mindset shifts and red tape. The high demand for support puts FNCCI-led seminars or programs similar to the Nepal Youth Entrepreneurship Summit (2025) as the most valuable avenues for opportunity. Removing these obstacles could lead to a major shift in governance, and consequently reduce the 40% GDP share of the informal sector (International Labour Organization, 2024) and, on the other hand, enhance eco-innovation (K.C. et al., 2024).

### **Thematic Analysis of Interviews**

Thematic analysis of the interviews extracted the four major themes to the qualitative data. First, awareness was characterized as both fundamental and shallow, meaning that the concepts were mainly about transparency and ethics but there was no deep understanding of the wider principles like stakeholder engagement or ESG integration. Secondly, practices were described as creative links between tradition and modernity, with the respondents claiming that the digital adoption was the means to professionalize the informal operations. Third, challenges were diverse, covering internal issues (e.g., family resistance, lack of skills) and external ones (e.g., complicated regulations, lack of resources). Fourth, the future vision was bright, with the youth considering themselves as the creators of a

more trusted and sustainable business environment in Pokhara Metropolitan City. An instance of this is the quote of Respondent 4, "We can bridge old and new-respecting traditional business values while introducing systematic governance for sustainability," which reflects this theme and is in line with institutional theory's focus on mimetic isomorphism.

### **Literature and Theoretical Integration**

The findings validate the re-emergence of young people as a source of innovation (Baldegger et al., 2022) while at the same time pointing out the disadvantages of inexperience (International Labour Organization, 2015). According to agency theory, the digitalization of certain practices leads to the elimination of information asymmetries. Stakeholder theory explains the altering of organizations through sharing of information and other inclusive practices. Theories of institutions interpret the aforementioned factors such as Coercive Regulatory Pressures that are applied unevenly to SMEs as part of the reasons that create barriers. Eco-friendly practices in Pokhara Metropolitan City's tourism and hospitality sectors, which are facing unique sustainability pressures from climate change and overdevelopment, can be facilitated through governance mechanisms, as per the discussion in (K.C. et al., 2024). The evolution of Nepal's governance can be compared with the pattern of governance changes in other emerging markets, where the development of the finance sector is leading the way to improvements via ESG (Alanazi, 2019), and it also gives an indication that the youth-led digitization might be a trigger for wider adoption of the technology.

### **Implications for Theory and Practice**

Theoretically, this study takes agency and stakeholder theories to a new level by showing their usefulness in youth-led SMEs of the developing world, where the

use of digital tools can serve as low-cost means to tackle agency problems and balance the interests of the stakeholders. It further strengthens institutional theory by showing how mimetic forces like youth copying of global digital practices can cause isomorphism in informal economies. On the practical side, the findings suggest that specific interventions could speed up the development of governance. For example, the addition of ESG training to youth programs could make tourism-dependent areas like Pokhara more sustainable because of the reduced environmental risks and augmented investor confidence.

#### CONCLUSION AND RECOMMENDATIONS

The study indicates that young entrepreneurs in Pokhara Metropolitan City are the main contributors to the change of sustainable corporate governance in the SME sector in Nepal. Nevertheless, they are performing excellently in the three main operational practices: financial record-keeping (mean 4.42), strict separation of business and personal finances (mean 4.44), and compliance with tax regulations (mean 4.58). Moreover, the young entrepreneurs are quickly incorporating digital tools (mean 3.97) and setting up systems that are in the forefront of innovation, which not only reduces mistakes but also increases accountability and enables stakeholder participation at a very low cost. Qualitative insights show that these young entrepreneurs are intentionally combining Nepal's old informal ways with modern professional standards, thereby forming hybrid models that are both local and global in terms of standards.

However, there are some challenges. They include the government procedures (mean 3.75), the lack of awareness, and the absence of sufficient financial means, which are the primary factors that prevent people using more sophisticated ways of using regular meetings with stakeholders or written policies. According to the

overwhelming response of the respondents on training and support (means above 4.1), it is a sign that they are not just aware of the need to make a change but also willing to do so.

The youthful entrepreneurs possess the supernatural ability to transform the corporate management of the small business in Nepal into the contemporary manner. The transition can be accelerated with the assistance of selective measures of action – light-hearted policies, pragmatic management, and the training of ESGs, the use of digital platforms to connect, and mentoring relying on the industry. The young-enhanced governance is not only needed to ensure the survival of the respective companies and to be a desirable destination by the investors but also the wider purposes of the country: economic diversification, decent employment creation, environmental care in the tourism-based Pokhara Metropolitan City and shocks resiliency.

Although Nepal is striving to meet the Sustainable Development Goals and its Youth Vision-2025 targets, the situation of Pokhara Metropolitan City is highly evident: when the young entrepreneurs are empowered to make the governance practices more accountable, transparent, and sustainable, it will not only help to transform the Nepal demographic youth bulge into a formidable demographic dividend but also transform the Nepal SME sector into an example of responsible and innovative development in developing world.

The FNCCI and National Youth Council will set localized compliance, digital governance and ESG principals training in the business spheres training, such as: Simplification of policies will be one of the areas of the governments work, such as awarding prizes or incentives in formalization of businesses operated by young people; The use of summits as collaborative platforms of sharing ideas

and developing partnerships will be the way to go.

When all these measures are implemented, the young generation can build up their potential and abilities therefore adding to the establishment of confidence in the non-governmental sector, economic diversification as well as establishing Pokhara Metropolitan City as a role model in terms of regional development.

The broader implications to the rest of the developing world are that in addition to stimulating the inclusive form of growth that will be created through the empowerment of the youth in governing, the empowerment will manage to lower the effects of crisis and an easier shift to ecologically sound development. It also introduces a chain of additional research issues in this study like it is possible to conduct comparative studies on the level of nations or impact assessment on the governance interventions.

#### CONFLICT OF INTEREST

*I hereby would like to declare that I do not have any conflict of interests. I declare that the manuscript has not been published before and is not being considered for publication elsewhere.*

#### AUTHOR CONTRIBUTIONS

*I declare that this manuscript is originally produced by me.*

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