Enhancing Rural Enterprise Services: A Case of Small Enterprises in Khalanga Bazaar

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**ABSTRACT**

Concerns about policymakers and academics regarding the role of entrepreneurship in the socio-economic development is increasing around the world. People should be encouraged to pursue their careers in creating enterprises through practicable schemes for any societies to grow economically and sustain in the long run. Despite different components of socio-economic factors, this article is focused on ways of enhancing rural enterprise services. The method adopted was the observation and the interview and the design was descriptive. Data were collected in 2022. The findings show that education and training, access to finance, marketing and use of technology played a prominent in making an individual motivate towards entrepreneurship in rural hilly areas of Nepal. This research contributes to the academic discourse on rural enterprise development while offering actionable insights for policymakers, local communities, and entrepreneurs. By addressing the specific challenges faced by small enterprises in Khalanga Bazaar, the study aspires to inform strategies that can be extrapolated to similar rural contexts, ultimately fostering sustainable economic growth and community resilience.

**1. INTRODUCTION**

Situated at the latitude of 29.27520N and the longitude of 82.1830E, Khalanga Bazaar serves as the headquarters of Jumla District in Nepal. Jumla where Chhetri, Kami, Thakuri, Sarki, Damai, Tamang, Thakali and others live, is a Himalayan mountainous region remote from Kathmandu, the capital city of the nation. Small organizations that are operating in Jumla are: MT Organic, Khasraibar, Bhaktabadur Kostha Udyog, etc. The owners of these organizations have tried their best at the local level, but they lack education, training, marketing skills, access to finance, and basic strategies to manage the business. For the promotion of these small organizations, they should be given education, training, marketing opportunities, easy access to finances and skill development programs.

It is obvious that entrepreneurial activities play an active role in the socio-economic development of a society, and
any society which is oriented towards entrepreneurship has a better chance of growth in today's highly competitive world. Therefore, there is a growing interest among stakeholders such as government policy-makers, academicians, and entrepreneurs themselves to identify the factors affecting entrepreneurship in society. Entrepreneurship is an activity that comprises the discovery, assessment and exploitation of chances to introduce new merchandises and services, ways of organizing, markets process and raw material through unifying efforts that formerly had not existed (Venkataraman, 1997). Rural entrepreneurship is defined as central force of local economic growth with huge employment perspective, mainly for youth. It employs local and regional raw materials and resources, and decreases vulnerability of the rural economy to financial shocks. Rural entrepreneurship develops the countryside economically, socially and environmentally (Tyson et al., 1994).

The research adopted the observation and the interview methods that took place in 2022 for collecting the primary data. This article is based on that research, and the chief objective of this article is to suggest some ways of enhancing rural enterprise services in rural areas.

The study on "Enhancing Rural Enterprise Services: A Case of Small Enterprises in Khalanga Bazaar" holds significance as it provides valuable insights and practical recommendations for improving the economic landscape and viability of small enterprises in rural areas, contributing to sustainable development and poverty alleviation.

1.2 LITERATURE REVIEW

People of different skills are expected to be involved in entrepreneurial activities. Along with skills, education plays a crucial role in motivating people to involve in entrepreneurship. Hence, education and training have received increasing attention from universities in many countries (Bakotic & Kruzic, 2010). Though these small organizations of Jumla are operating but they faced some problems which required education and training. MT Organic had some reasons that might have led to declining in its profit margin, khasraibar media being recently established, the portal was yet to be known by the public, Bhaktabahadur Kasthya Udhhyog had neither proper marketing of his crafts nor showcasing it in any shop or set-ups. Kasthya did not have any formal campus or university degree regarding entrepreneurship. It is assumed that formal university education makes entrepreneurs ready for the strong market game. However, these rural enterprises being operated by their owners without any formal university education, it has been one of the hindrances that has made the market as the tough game.

For the business expansion and development of analytical and managerial abilities for defining strategy, planning and controlling systems, and screening for recruiting employees in the business to delegate task, education plays a crucial role (Casson, 1991). Lack of proper knowledge about entrepreneurship has created hindrances in these small enterprises relating to supply chain management, planning and controlling cost and revenue of the firm, peak hour of sales to prevent from out of stock, screening of the applicants to recruit the skilled employees so as to delegate the assigned task and manage the inventory; and all of such things are essential for business expansion. These small rural organizations were established because those entrepreneurs wanted to exploit an opportunity that was still untapped in Jumla along with their necessity as they were not able to find other better economic alternatives to have employment opportunities in their native area.

Nafukho and Muyia (2010) state that it is of utmost importance to invest in the education and training of entrepreneurship as it might empower human resources leading to the socio-economic development. Small and medium sized business organizations are important to develop the industrial sector in a nation.
They can increase the economic status of a community, so it is important to conserve their quality to protect them from the threat of rate loan failure. As these enterprises might improve the social and economic systems of a nation, it is valued globally (Sharma & Wadawan, 2009). Entrepreneur must identify and select the right possibilities, right market climate, adequate finance, right market for small firms to growth (Stevenson et al., 1985). In developing nations, small and medium sized business provides different benefits including market diversification, encouragement of innovation, forming numerous work opportunity. Yet, during financial crisis, these small firms are prone to credit restrictions leading to insufficient finance (Barth et al., 2011). Despite the importance of small enterprises; lack of finance in these firms restrains them from expansion as they were unaware of loans for small and rural enterprises and are hesitant to apply for loans since they do not know the procedure as well. Numerous studies are conducted to identify the requirements for and barriers to company success so as to support startups and their founders in the early stages (Teten et al., 2013).

Entrepreneurship is the process where an entrepreneur forms an enterprise identifying the opportunity in the market, handle risk through the help of effective innovative ideas and accumulate profit from their enterprise. Many researchers have defined entrepreneurship but could not accept its single definition (Gwija et al., 2014). Though small enterprises of Jumla have formed a venture by seeing the opportunity in the market, they are not able to undertake the risk through the help of effective innovative ideas and collect profit from the business.

In spite of differences in personal and behavioral approaches to grow as enterprising citizens, Oosterbeek et al. (2010) state that identification of purpose in individuals, encouraging entrepreneurial mindsets and skills, intentions and behaviors are necessary. Though these small rural enterprises have differences in both the personal and behavioral approaches, education can be a key factor to develop enterprising citizens by encouraging entrepreneurial mindsets and skills and entrepreneurial intentions and behaviors. Education and training based on solid learning theory promotes management knowledge along with psychological attributes and behaviors related with entrepreneurship (Lee et al., 2006). This might help in producing a new breed of entrepreneurs (Paco et al., 2013). Lack of education and training set back in increased management knowledge and lack of development of psychological attributes and behaviors associated with entrepreneurship in rural enterprise are the barriers to run the business. But the opportunity of education for these rural enterprises might generate new entrepreneurship.

Sluis et al. (2008) acclimate that there is an increasing trend to return to schooling over time. Education has gain value over the years to attain an expert business performance. This is as a result of dramatic shifts in industry and technological advances over the last two decades. These rural enterprises have felt the essence of education and wanted to pursue some business-related education as they believe these dramatic shifts in industry and technological advances over a decade needs to be adapted for their higher business performance and to enhance the skills.

Youth entrepreneurship is process where individuals are aware of business as an option, develop ideas for business, learn the process of becoming an entrepreneur and take the initiative to develop the business. It is the practice of using entrepreneur’s qualities like initiation, innovative ideas, and risk takers in the business environment through utilization of suitable skills that are essential for succeeding the enterprise in the business environment (Chigunta, 2002). Being young start-up, rural enterprises are initiated by some of the youths in Khlanga Bazar, and they developed the idea of business in their rural areas, learnt the process of becoming
an entrepreneur and undertook the initiation and development of business; and yet they need to build connections with its customers.

To decrease the youth non-involvement in the enterprising activities, the youths should be provided with the opportunity of entrepreneurship and skill development. Due to lack of opportunities and information and the presence of sociopolitical barriers, they are less interested in their community activities. This is further heightened by the lack of training opportunities, and presence of time and geographical barriers (Shrestha, 2011). To promote rural enterprises youths' involvement is essential. But rural areas like Jumla have very limited opportunities which even include the lack of basic information about the skills that are required to compete successfully in our globalized and free market economy.

For any enterprise to operate needs facilitating factors in the business environment which consists of training, mentoring, and exposure. To train, manage information, access mentors and resources networks and business associations are key factors for entrepreneurs (Sattar, 2012). Rural enterprises are underprivileged with regards to access to information, technology, mentor and exposure to the business environment. Rural enterprise is found to have good knowledge at identifying market gaps but have inadequate knowledge about the technology. Learning how to use something as simple of technology for instance, using excel to keep accounting record of enterprise can be ways for improving day to day efficiency.

In the periphery of developing countries like Nepal, it is the responsibility of an entrepreneur to play multiple roles (K.C, 2003). Entrepreneurship involves multiple functions; ranging from production, investment, enterprise organization, capital raising, resource management, technique innovation which rural enterprises are not capable to perform because of the fact that these enterprises are located in the rural areas of Nepal. Entrepreneurs need different interpersonal skills, such as career exploration, inspection about career, preparation of finance and budget, business plan, learning computer and multimedia skills, and leadership skills. These aspects need to be focused on promoting the rural enterprises. Different startups, social and commercial enterprises are emerging in the market. Concept of entrepreneurship has also been amalgamated into the education system along with incubation centers operated to run the business projects in different Nepalese colleges. These incubation centers provide training, mentoring, networking, and access to seed capital for establishing startups. Access to this service is only available in cities areas of Nepal and establishment of these incubation centers in rural areas is of utmost importance in promoting rural enterprises.

Carter and Evans (2000) remark that small firms are involved in tiny marketing activities since these firms have little resources to invest in marketing activities and most of the owner lacks experiences in marketing their business and hence dedicate most of their time and resources in those activities which they know to perform.

About 90% of employment opportunities are contributed by small and micro and medium enterprises in many countries which can provide support in revenue creation and poverty alleviation (UNCTAD, 2003). Hence, these small and medium firms should be supported by government and marketed in developing countries like Nepal to improve the socioeconomic status of people.

2. MATERIALS AND METHOD

The materials for the study involved rural enterprise services and problems faced by entrepreneurs in rural areas. Primary methods of data collection in that research included the observation of the enterprises run by the people of Khalanga Bazaar and the interview taken with the small entrepreneurs in 2022. In-depth formal interviewing was used as a main data collection method. Other data collection
techniques, such as participant observation, informal and conversations were also carried to supplement data. To avoid manipulation, the researcher gave participants equal opportunities to participate in the investigation.

3. RESULTS AND DISCUSSION

Educational qualification of an individual affects the choice of profession. It is believed that the nature of business chosen by entrepreneurs is also influenced by one’s educational qualification. Therefore, information on the educational qualification of entrepreneurs was collected. The majority of the entrepreneurs in the sample had a low educational background. Out of 20 respondents, 15 percent had completed their intermediate level of education which was equivalent to higher secondary level. Twenty percent of them had completed their secondary school education (SLC passed). 35 percent mentioned that they had attended schools but did not complete the degree (under SLC). 30 percent mentioned that they only could read and write. It was interesting to note that only one entrepreneur told that he was illiterate. This indicates that people could create ideas for the business but education helped those people in entrepreneurial venture creation. Training and development of skills plays a crucial role in promoting the enterprise. Out of three, one of the respondents mentioned that he had attended training and development of skills before starting their firm. The other two respondents mentioned that they had learnt some basic skills on own. While asking about the need of training and development of skill among the members of the firms, out of 20 respondents’ fifty percent of the respondent received the training while starting their firm and the fifty percent learnt it on their own. There was a general trend of entering any profession without proper training and education in rural areas in Nepal. There was limited exposure for training opportunity and education to do any business in rural areas. It was important to ask whether there was necessity of training and development of skills, on which out of 20 respondents all the respondents agreed with the necessity of training and development of skills as they believed it was one of the factors to motivate them to provide even better goods and services in the market. If appropriate training was provided to the people, many of them could use their skills to remain competitive in the market while delivering goods and services. Hence, firm owners were asked about how they thought about training as a motivational factor for them to provide knowledge to their employees and they all agreed that they wanted to provide training to their employees but there was no opportunity and resources needed for providing training and development of skills in their local area so as to learn basic skills for running their firms smoothly. Similar result has been identified in Jumla where lack of financial literacy has confronted firms in lack of business budgeting, uninformed about loan processing, short of financing skills which has impeded economic growth of their enterprises as analyzed by (Bhatta, 2022) in small and medium enterprises in Nepal.

Access to finance affects the expansion of business. The majority of entrepreneurs had a low access to finance. Out of 3 firms all the firms had low access to finance. This had created obstacles for them for expanding their business in other rural areas. Out of three firms, two firms had no idea about the low rate finance provided by the government, whereas the other one firm had knowledge about the low rate finance service for rural enterprise but was not able to use it as it was new firm in the area. It was generating less revenue and had less engagement of user in their service. All the firm owners agreed that they needed finance for the production, distribution and marketing of their products and service. Hence, easy access to finance promotes the rural enterprises. According to (Rai, 2020) Micro and Cottage Industries contributions in GDP is 22% and 1.7 million employment generation in Nepal which shows cottage industries has huge impact in Nepalese economy but investments is
micro and cottage enterprises is still low in the country. Similar situation is identified in Jumla’s small firms where financial institutions are skeptical to provide loan due to various factors: these small firms are risky to finance, has slow return, owner lacks financing skills. These firms opined small firms’ benefits are disrupted by the big firms.

Marketing activities affect the promotion of rural enterprises. Out of three enterprise firms; all the firms were not involved in marketing about their enterprise and their goods and services. Jumla is a very small area with low number of populations. Still the firms had not marketed about their firms in its own area. Out of three firms, two firms, despite being in the main area of Jumla, had not used any single technique to market them. The other firms had neither proper marketing of his crafts nor showcasing it in any shop or set-ups. His home itself was his workplace where his crafts were kept in a little corner of his home. These firms did not have hoarding board, or advertise themselves in any local or national newspaper. From the interview, it has been analyzed that for brand awareness among the people marketing activities played a crucial role in the promotion of the rural enterprises. For promoting the rural enterprise, it was essential to collaborate with the local authorities as it increases the visibility of the products in the area and increases the awareness about the product among the internal and external visitors in Jumla. To promote the rural enterprises, marketing of these firms at the national level was of utmost importance.

Similar to the observation made by (Lekhanya, 2010), owners of rural enterprises in Jumla had not used marketing but they think marketing is one of the factors for promoting their business as marketing helps to aware about the brand in the market.

Use of technology affects the promotion of rural enterprise. Out of three enterprises; one firm used the basic technology for production, but did not use any technology in its shop to keep the record about the business to track the sales, profit margin and the inventory level. The other firms still used rusty equipment for carving which increased the time to make even a single sculpture. The other firm used the basic technology but it the firm still needed to introduce the technology for its better reach among the customers. Jumla has poor transport infrastructure with not enough capacity to technological modernization of firms because of problems to gather information on new machinery as well as difficulty to maintain and repair sophisticated machine similar to result found in peripheries of rural area in Europe (North & Smallbone, 2006). Hence, in order to promote rural entrepreneurship; policies relating to develop the infrastructure is essential. Alike the analysis of Joshi (2016), the reasons for not investing in enterprise in Nepal included lack of business networking, complex legal and financial process, lack of startup capital for new entrepreneurs; similar factors are identified in Jumla which has hindered the promotion of rural enterprises in Nepal. Nepal has set a goal to reach middle-income status by 2030, for which sectoral enterprise development is a must (Lemma & Velde, 2017) and established Youth Vision 2025 (Ministry of Youth and Sports, 2015). Government should create a business atmosphere to assist business sector (Karki, 2011), and more people are motivated to become entrepreneurs in Nepal if government is successful in creating a favorable business conditions (Zwager & Sintov, 2017) which also play an important role in promoting rural enterprises in Nepal. In Nepal, small firms have low capital base, poor access to technology and inadequate knowledge about finance, marketing and technology (Pande, 2014). Small firms in Nepal are facing poor access to finance along with high interest rates, large collateral requirements, inconveniences related with process to acquire finance, lack of information about technological, financial and marketing skills (NRB, 2019). Small enterprises lack the capacity to train personnel and apply new technologies (Dagdilelis & Saratzemi, 2003) which can
be seen in rural enterprise in Nepal. Lack of skill development is one of the hurdles in developing and promoting small enterprises (McGrath, 2005).

4. CONCLUSION

The study on enhancing rural enterprise services in Khalanga Bazaar has illuminated critical aspects influencing the growth of small enterprises in rural areas. For enhancing the rural enterprise services, promoting the entrepreneurs is necessary. The entrepreneurs in rural areas faced diverse challenges. The major challenges faced by these enterprises, including limited financial resources, inadequate infrastructure, and market competition, underscore the necessity for targeted interventions. However, amidst these challenges, the study identified promising opportunities such as the increasing demand for local products, and supportive community networks. Training, financial support mechanisms, education about entrepreneurship infrastructure enhancement, and improved market linkages are essential for enhancing rural enterprise service. Encouraging community participation and building local capacities are underscored as crucial strategies for sustainable development. This study contributes not only to the understanding of the dynamics within Khalanga Bazar, but also offers broader implications for rural development initiatives globally. Emphasizing the importance of modifying interventions, policy adjustments, and community engagement promote rural enterprise services essential for fostering inclusive growth and enhancing the overall well-being of rural communities. These entrepreneurs should be trained to speak a foreign language, especially English for proper dealing with the foreigners to sell their products.

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