

# Effectiveness of Business Development Services for Enterprise Growth and Sustainability in Kavre District

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## Abstract

*This article analyses the effectiveness of Business Development Services (BDS) to promote micro-enterprises in Kavre District of Nepal implemented by the Ministry of Industry's Micro Enterprise Development Program (MEDEP). Business Development Services generally composes various support services required by start-up entrepreneurs during the enterprise creation and growth stages. Opinion surveys of micro-entrepreneurs were conducted to assess the effectiveness of enterprise development services rendered to them on the growth and sustainability of their enterprises. All the six components of the BDS package have helped enhance the growth and sustainability of micro-enterprises in Kavre.*

**Keywords:** Business Development Services, Enterprise Growth, Sustainability, Micro-Enterprises

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## Introduction

In her study, Goldmark (1996), has identified that skills training, technology support, support to access the loan, marketing support, management supports, and information and regulatory advice are general components of the Business Development Services (BDS). These components are composed in a package and delivered to micro and small-scale entrepreneurs through BDS Centers. BDS centers are professional service providers of enterprise development (p.11). Although BDS is non-financial service, financial assistance is provided by means of helping make business plans and proposals for financial credit, forming cooperatives of entrepreneurs groups, raising seed funds from group savings, and supporting them to access technology grants.

BDS is a crucially important tool to support micro and small enterprise development for contributing to economic development. It helps in creating self-employment and income-generating activities especially, in remote and rural areas (UNDP, 2004, p. 5). The Committee of Donor Agencies for Small Enterprise Development [CDASED] has identified three key actors of BDS market i.e. entrepreneurs, BDS suppliers, and facilitators (CDASED, 2001). Entrepreneurs represent the demand side and BDS suppliers represent the supply side of the BDS market. Facilitators make programs and arrange funding as well as make suitable policies to promote the BDS market.

In Nepal, there was a lack of a holistic approach of enterprise development model like BDS before 1998 (Bajracharya et al., 2005). Their study has stated that Ministry of Industry has initiated BDS in Nepal in the name of 'Micro-Enterprise Development (MED)' model under the Micro Enterprise Development Program (MEDEP). Under this model, Business Development Service Providers (BDSPs) are contracted to deliver BDS services to

micro-entrepreneurs. MEDEP (2017) has stated that this model aims to support alleviating poverty by assisting income and employment generation in the country by promoting micro-enterprises. Therefore, this article presents an analysis of the effect of the BDS program on supporting the growth and sustainability of micro-enterprises created under the MED model in Kavre district of Nepal.

## Literature Review on Major Terms

### Concept of Business Development Services

A study by the International Labor Organization (ILO) has stated that BDS is generally composed of services that assist start-up enterprises to develop and sustain longer. Components of BDS services are designed and delivered in a way that matches the creation and growth stages of enterprises (Miehlbradt & McVay, 2003). General service descriptions under different categories in the form of training, infrastructure support, technology grants, policies, finance, and marketing networks offered under a BDS package are presented in Table 1.

Table 1

Main Categories of BDS Nonfinancial Services

Service Categories	Descriptions of Services
1. Market access and Network Enhancement	<ul style="list-style-type: none"> <li>• Market linkage enhancement</li> <li>• Participation in trade fairs and product exhibitions</li> <li>• Product sample development</li> <li>• Market information dissemination</li> <li>• Subcontracting and outsourcing</li> <li>• Arrangement of Showrooms</li> </ul>
2. Infrastructural Support	<ul style="list-style-type: none"> <li>• Assistance for improving packaging, labelling/Advertising</li> <li>• Storage and Warehousing</li> <li>• Transport and delivery</li> <li>• Business Incubators</li> <li>• Telecommunications/Information/internet</li> </ul>
3. Provision of Policy and advocacy support	<ul style="list-style-type: none"> <li>• Courier/Secretarial service, photocopier</li> <li>• Policy advocacy, studies, and analysis</li> <li>• Communication of policy constraints and opportunities</li> </ul>
4. Input supply	<ul style="list-style-type: none"> <li>• Conference sponsorship</li> <li>• Linkages to input suppliers</li> <li>• Improving suppliers' capacity for regular and quality supply</li> </ul>
5. Technology and product development Support	<ul style="list-style-type: none"> <li>• Information dissemination on input supply sources</li> <li>• Support for establishment of bulk purchase groups</li> <li>• Technology transfer/commercialization</li> <li>• Linking with technology suppliers</li> <li>• Facilitating technology procurement and quality assurance programs</li> </ul>
6. Access to finance Support	<ul style="list-style-type: none"> <li>• Design services, etc.</li> <li>• Factoring supports for working capital</li> <li>• Equity financing</li> <li>• Facilitating supplier credit</li> </ul>

*Note. Adapted from Developing Commercial Markets for Business Development Services: BDS Primer (2003), compiled by Miehlbradt, A.O. and McVay, M., ILO, Italy*

Many people adhere that BDS should be designed and delivered according to the demand of entrepreneurs which

will support them to respond to the many constraints they face (Eligmann, 2005). Therefore, demand based BDS should be provisioned rather than supply driven.

### **Enterprise Growth**

Roy (2011) states that growth indicates a sign of business success. He has also added that successful entrepreneurs have ability to do business with plan. They also face various challenges of growth while executing their business plan. Entrepreneurs' ability of increasing sales, product diversity, new invention, and innovation is counted as signs of growth. Businesses have five stages of growth (Churchill & Lewis, 2003).

Although there are various business growth theories prescribed by different authors, Larry E. Greiner's six stages of growth is one of the most acknowledged literature among them. According to him, business growth has been categorized into six stages i.e. stage of creation, stage of direction; stage of delegation; stage of coordination; stage of collaboration; and stage of making alliances. He has delineated various crises that probably occur in each of the growth crisis and suggested the role of owners in mitigating them (Greiner; 1998).

### **Enterprise Sustainability**

Growth is the most crucial thing to get success in business but being longer sustained in the business is much more crucial. Therefore, enterprise sustainability is one of the vital aspects of doing business. Literature has indicated various signs of longer sustainability of an enterprise. Stages of growth are benchmarks for the longer survival of a business. Therefore, enterprises able to reach higher stages of growth are considered to have higher sustainability. According to Boyer et al. financial viability is one of the major conditions for the growth of a business. Therefore, they have stated that enterprises having the ability to plan, review, and update; established market networks; and livelihood provided to owners are some criteria of longer sustainability (Boyer, Creech & Pass; 2008).

### **Methodology**

This research describes the outcome of the BDS program implemented in the Kavre district for the promotion of micro-enterprises. The parameters to measure growth and sustainability are based on the reviewed literature. Micro-entrepreneurs have been approached through field surveys for interviews. The shorter distance to visit, information availability, and availability of an experienced service provider are some reasons behind choosing the Kavre district as a sample. Therefore, the purposive sampling method was applied in selecting the district while a simple random sampling technique was used to select micro-entrepreneurs for the interview. Among a population of 3000 entrepreneurs, 400 were sampled for interview.

Opinions were collected in the Five Points Likert scale on the effectiveness of each of the BDS components delivered to entrepreneurs including the current status of their business growth and sustainability. The collected data was analyzed through SPSS. Descriptive as well as inferential statistical analysis techniques have been applied to describe the findings.

### **Results**

#### **BDS Model under Micro-Enterprise Development**

The BDS model under the Ministry of Industry is composed of a total Six components of support services holistically offered during creation and development to graduation time of micro-entrepreneurs as presented in Table 2.

Table 2

Business Development Service components to create and develop micro-enterprises

S.No.	BDS Support Components/ (Variables)	General Description of Services under Each Component
1	Selection and Group Formation (SP)	Selection of entrepreneurs, group formation, orientation for group saving and loan mobilization for seed funds
2	Entrepreneurship Development Training (EDT)	Business opportunity identification techniques, market identification techniques, knowledge of entrepreneurship
3	Skill Development Training (SDT)	Arrangement to skill training in interested profession
4	Appropriate Technology Support (APT)	After completion of skill training, support to obtain technology grants for enterprise operation
5	Group Savings and Financial Access Supports (GSFAS)	Training to mobilize group savings as a seed fund loan, supports in loan proposal making, support to link with cooperatives for access to finance.
6	Marketing Linkage Supports (MLS)	Marketing assistance like arrangement of and support in trade fairs, B2B and B2C linkages, Labelling, packaging, advertisement supports, arrangements of showrooms, formation of product associations, linkages with local suppliers
7	Enterprise Development/Sustainability (Entr_Devt_Sust)	To assess whether enterprise development/sustainability was supported by BDS service components or not.

Note: Researcher's construct. From Lesson Learnt Documentation of the MED Model Promoted by MEDEP/MEDPA in Nepal (p. 22), by Rai J.K., Chapagain S.P. and Shrestha A., 2018, UNDP

The BDS components from 1-6 are provided to entrepreneurs holistically in a package. They are supported with such services until they reach the resilience stage. When they reach the resilience stage, the program graduates them. After graduation, they are also provided follow-up services as and when they need them.

### Business Activity Status

The status of activeness in business is presented in Table 3.

Table 3

Business Activity Status (n=400)			
Activity Profile	Frequency	Percentage	Cum. %
Highly Active	234	58.5%	58.5
Active	67	16.8%	75.3
Partially Active	27	6.7%	82.0
Inactive	72	18.0%	100.0
Total	400		

Note: Field Survey, 2022

Table data shows that cumulatively, 82.0 percent of micro-enterprises survived. The majority of enterprises are highly active. This finding also matches with similar studies conducted by UNDP and MEDEP. Therefore, the BDS program is highly effective being able to develop enterprise with having 82% survival rate.

### Descriptive Summary of the Usefulness of Each BDS Component

Descriptive Statistics and Reliability of Study Variables

n=400

Variables	M	SD	Range	Cronbach's $\alpha$
Selection Process and Group Formation (SP)	4.05	0.83	2.0-5.0	0.903
Entrepreneurship Development Training (EDT)	3.39	1.02	1.0-5.0	0.967
Skill Development Training (SDT)	3.55	0.83	1.5-5.0	0.921
Appropriate Technology Support (APT)	4.11	0.79	2.0-5.0	0.943
Group Savings & Financial Access Supports (GSAFS)	2.98	0.80	1.0-4.5	0.901
Marketing Linkage Supports (MLS)	2.89	0.99	1.0-4.8	0.912
Enterprise Development/Sustainability	3.42	1.32	1.0-5.0	0.975

Note: Field Survey, 2022

From the data analysis, the selection process and appropriate technology supports having mean values 4.05 and 4.11 respectively. It indicates that entrepreneurs to 'a very large extent' agree that these components have helped them grow. Similarly, skill development training has helped their business grow to a large extent. Group savings & financial access supports and market linkage supports have mean value indicating that these components have helped their business grow to some extent. Overall, all the components of BDS have helped their enterprise grow. Similarly, the mean value 3.42 of enterprise development and sustainability variables indicates that to a large extent, entrepreneur agree on the survival status of their enterprise. Therefore, BDS is effective to enterprise growth and sustainability.

### Relationship between BDS Components and Enterprise Growth and Sustainability

Correlation tests help identifying relationships among variables. Therefore, the result of correlation tests presented in Table 4 shows the degree of association among BDS components and enterprise growth and sustainability.

Correlation Matrix between Dependent and Independent Variables

	Dev_Sust	SP	EDT	SDT	APT	GSFAS	MLS
Dev_Sust	1						
SP	.878	1					
EDT	.945	.876	1				
SDT	.902	.865	.890	1			
APT	.825	.828	.822	.846	1		
GSFAS	.848	.814	.845	.778	.726	1	
MLS	.796	.693	.798	.720	.673	.622	1

According to Stokemer (2019) the degree of correlation having  $\pm r \geq 0.6$  indicates strong association among variables. All the BDS components show strong associations with enterprise growth indicating the effectiveness BDS for enterprise growth and sustainability.

### Discussions

The scarcity of holistic approach to enterprise development in Nepal has focused the Ministry of Industry to apply an integrated BDS model. Therefore, it launched Micro-Enterprise Development Program (MEDEP) in the year 1998, The program was funded by UNDP. The program was successfully extended till 2018. Other countries also funded this program in its later phases. The MEDEP program has thus designed a BDS model to create and develop micro-enterprises in the county to support poverty alleviation. Being able to attract funding from different donor agencies itself tells the success of BDS project launched by MEDEP in Nepal. Similarly, it is one of the rare programs funded for such a long period of 20 years for enterprise development in Nepal. It also implies its effectiveness.

Apart from literature based evidence, the outcome from fact and field surveys also indicated the effectiveness

of the BDS model launched by MEDEP. The number of enterprise created all over the country itself a proof of the effectiveness of this Model. Similarly, from the findings of the field survey, all the components of BDS have opined contributed significantly for enterprise growth and sustainability by the entrepreneurs. This also indicates BDS's effectiveness for enterprise growth and sustainability.

## Conclusion

The BDS program launched by the Ministry of Industry in 1998 can be seen as an initiation to apply a new approach to enterprise promotion in the country. This initiation was necessary to fill the gap of traditional enterprise development models and approaches in the country. Similarly, it was equally necessary to adapt to the shift that appeared internationally in the decade of 1990s to keep attracting donor agencies in the area of enterprise promotion in Nepal.

From the findings of this research, it can be concluded that the BDS program is capable of justifying the funding availed from the donor countries. Similarly, it's effectiveness can also be counted for its proven ability to eliminate the inefficiencies of traditional training models, and successfully filling the gap existed in the skills and enterprise development sector in Nepal. Replication of similar model by many other public and private training providers in the country is also a sign of the effectiveness of this model. In conclusion, its effectiveness is also recognized by the government. Therefore, the model is fully internalized and being massively expanded in all the 753 local bodies of Nepal by the Ministry of Industry.

## Implications

There is still a dearth of literature on BDS in Nepal. This article is expected to support filling this gap to some extent. Many public and private training providers are still serving traditionally in Nepal. Going through this article, they can be influenced to apply an effective BDS approach in the future. Similarly, the findings of this article will attract start-up entrepreneurs toward joining the BDS program to ensure growth and longer sustainability of their enterprises.

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