

Analysis on Market Promotion of Business Development Services in Nepal

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Abstract

Business Development Services (BDS) is an internationally recognized tool for achieving economic prosperity by developing Micro, Small, and Medium Enterprises (MSMEs). The BDS market comprises three major actors representing three major aspects i.e. entrepreneurs representing the demand side aspects, service suppliers representing the supply side aspects, and government and donors representing the facilitation aspects. Most developed and developing nations are promoting BDS for MSME development, income, and employment generation. This article evaluates the promotional efforts of the BDS market in Nepal. It is a case analysis of the approach applied by the Micro-Enterprise Development Program (MEDEP) under the Ministry of Industry for BDS market promotion. Before the MEDEP, standalone training service models were used for enterprise development in Nepal. The impact of such standalone models was criticized for their inefficiencies in many respects. The number and sustainability of the created enterprises by such standalone training models were also questioned. The Ministry of Industry launched project MEDEP in 1998 which designed and applied a holistic approach to business development and named it Micro-Enterprise Development (MED) model. Currently, the MEDEP program has been fully internalized by the Ministry of Industry as Micro-Enterprise Development for Poverty Alleviation (MED-PA). This article has analyzed the efforts of the Ministry to promote all aspects of BDS market in Nepal and concluded that the MEDEP had played a very effective role in this respect. The proven usefulness of the MED model has led to its expansion in 75 districts to being expanded in all 753 Local Bodies of Nepal and contributed for promotion of all aspects of the BDS market. Ultimately, the Ministry of Industry has played a vital role in the introduction, development, and growth of the BDS market in Nepal.

Keywords: BDS, Market Development Approach, Micro-enterprises, Micro-Enterprise Development (MED), Micro-Enterprise Development Program (MEDEP).

Study Background

In the year 2001, the Committee of Donor Agencies for Small Enterprise Development (CDASED) published guidelines on Business Development Services (BDS) which suggested an approach to promote the BDS market. It has identified entrepreneurs, service suppliers, and facilitators as major actors of the BDS market. It has been suggested to involve private sector individuals and consulting firms in a direct role to deliver services for an effective promotion of the BDS market. According to the guidelines, a holistic BDS model should include skill training, counseling, market expansion assistance, information-communication service, and technology support.

Bajracharya et al. (2005) have identified that various public and private institutions are delivering enterprise development skills and training in Nepal. Most of them have used a standalone approach i.e. those models were composed of only skill training components (p.27). Their study has indicated that besides having many training providers for skills and enterprise development in Nepal, they are lacking the needed components to be offered holistically.

Private sector enterprise development service providers are considered one of the important actors in delivering BDS professionally. In the past years, as Eligmann (2005) has stated that the delivery of BDS service components by funding agencies resulted in weak enterprise performance and lower sustainability. Therefore, in the late 1990s, private-sector enterprise development service providers are being prioritized to be involved in BDS supply (p.5). Study reports on BDS have admitted that the credit of this shift goes to the recommendations of the CDASED. This shift is termed as a *new paradigm for BDS market development*.

Nepal initiated a holistic approach of BDS for enterprise promotion through Micro-Enterprise Development Program (MEDEP) in 1998 launched by the Ministry of Industry (Thapa & Mathema; 2001). The Ministry's project MEDEP has gradually enhanced all the three aspects the BDS market i.e. demand side, supply side, and facilitation side by developing micro-enterprises, service providers, and necessary policies and guidelines. Based on this background information, the study is *objectively* aimed at analyzing the progress made in the promotion of BDS market in Nepal through the Ministry of Industry's project MEDEP.

Literature Review

A New Approach to BDS Market Development

During the decade of 1990s, as opposed to traditional enterprise development models, a new paradigm has emerged. This paradigm is about *who* should deliver BDS to the beneficiaries and *how* these services are to be provided. CDASED is considered the main contributor to this new paradigm of BDS market development (Altenberg & Stamm, 2004; p. 6).

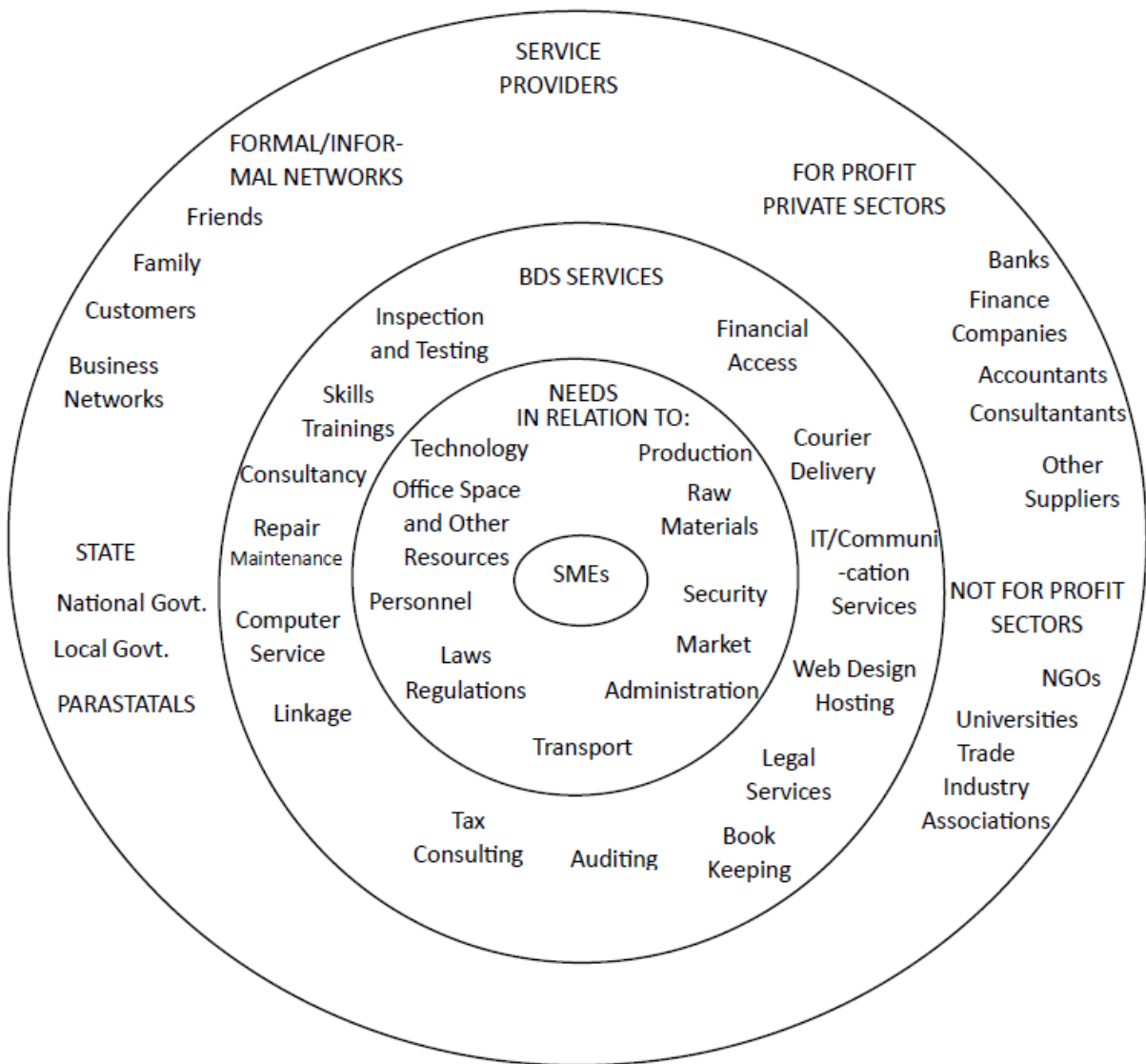
According to the ILO BDS Seminar Reader (2004; cited by Eiligmann, 2005), BDS projects are increasingly becoming part of broad development initiatives and are trending. According to Altenburg and Stamm (2004), various projects and programs implemented by the international donor community operate with a wide range of different BDS (p.11). BDS is generally regarded as non-financial support services to improve the performance of enterprises and competitive ability.

Knight (2001) and Zeng et al. (2010) cited by Goyal, Sergi, and Esposito (2015) identified an established importance of SMEs. SMEs generate employment and support economic growth. Therefore, countries are making continuous efforts to promote SMEs by making policies, promoting institutional set-ups as well as providing business development support services in the form of business advice, entrepreneurship development training, skill-building programs, and technology grant supports (p. 313). Their finding indicates that policies, programs, and institutional set-ups are major elements to develop a sustainable BDS market.

CDASED's guidelines and most other evaluation studies on BDS revealed a limited outcome to the growth and sustainability of SMEs of the traditional approach in which BDS services were directly intervened through facilitating agencies i.e. government and donors. Therefore, study reports have recommended applying a new market development approach by involving private sector actors to deliver BDS.

CDASED (2001) has advocated to applying a market development approach and identified three major aspects of the BDS market i.e. beneficiaries, service providers, and facilitators representing the demand side, supply side and funding side respectively. The market development paradigm has advocated that BDS should not be directly delivered by government agencies and donors. Their prescribed role is to facilitate making policies, programs, and allowing funds. SMEs face many constraints during their enterprise development. Therefore, BDS support makes them able to generate the required flexibility to respond to such problems. Since the late 1990s, the role of the private sectors has been considered important to promote commercially oriented markets for BDS supply. Therefore, the engagement of private sector actors in supplying BDS directly to SMEs is known as a paradigm shift (Eiligmann, 2005; p. 5). The major three aspects BDS market and service providing actors are shown in Figure 1.

Figure 1 Business Development Service (BDS) Market Actors and Aspects



Note. Adapted from *BDS Market Development: A Guide for Agencies-Discussion Paper* (p.4), by Development Alternatives Inc. (2000).

As in the figure, BDS services are recommended to be provided by private sector consulting firms and training institutions. Government and donors play the role of facilitators to the other two actors i.e.

service providers from private sectors and SMEs. SMEs needs are fulfilled through BDS providers. In this article, the progress made in micro-enterprise development, development of BDS suppliers along with institutional partners, and necessary policy and guidelines in Nepal by Ministry of Industry's MEDEP/MEDPA program has been examined. Therefore, government and donor; BDS suppliers; and entrepreneurs constitute the BDS market representing facilitation; supply side; and demand side aspects respectively.

Micro-Enterprise Development Program (MEDEP) was launched in 1998. It was started as a flagship poverty reduction program of UNDP and the Government of Nepal (UNDP, 2015). In the later stages of MEDEP, other international donors also came in front to fund this program. Nepal is also part of the global community. Therefore, the social changes appearing all over the world also affect Nepalese society. In this respect, MEDEP is a pioneer program to apply changes that appeared internationally in the enterprise development approach in Nepal.

Methodology

A descriptive research design has been applied in this research. Secondary data in the form of internationally and nationally published guidelines and evaluation studies on BDS market promotion have been analyzed to describe the phenomenon. MEDEP's evaluation studies are another source of secondary data used to describe the MED model and the contribution of MEDEP toward the adoption and expansion of the BDS market development in Nepal.

Results and Discussions

In Nepal, a variety of agencies are providing BDS to MSEs. DCSI, CSIDB, and CTEVT are providing BDS in the form of skill development training whereas MEDEP and few others are providing BDS components in an integrated manner (Bajracharya et al., 2005). They also have found that most BDS in Nepal focus on skill development, while only a few agencies assist MSEs in the marketing of their products and services. Financial services are not part of the BDS projects. Financing is available through different classes of banks in Nepal but most of the MSEs are found to rely on informal sources of finance. Shah (2007) found that BDS is a nurturing process that helps to move a technical concept to its commercialization through three phases namely, entrepreneurs, enterprise, and market.

Developed Number of Micro-Enterprises

Micro-Enterprise Development Program's BDS model is a package combined with different enterprise support services. It was designed and implemented in Nepal by the Ministry of Industry to render Business Development Services (BDS) with the aim of promoting micro-enterprises for supporting poverty alleviation (Thapa & Mathema; 2001). Micro-entrepreneurs represent the beneficiary aspects of BDS market. Implementing the BDS model, the Ministry of Industry is able to serve 172514 micro-entrepreneurs (UNDP, 2021) in creating and developing their enterprises as presented in Table 1.

According to Narma Consultancy Pvt. Ltd. (2010) there are six service components offered from creation stage of micro-enterprises to their resilience stage of development under the BDS package designed by Ministry of Industry. Initially, social mobilization activities are conducted to identify and select entrepreneurs followed by entrepreneurship development training. Selected entrepreneurs then provided technical skill development training followed by access to micro-credit and technology grant

support. The aim of this holistic approach is to produce self-sustaining micro-entrepreneurs and graduates.

Table 1 Number of Created Enterprises in Nepal under the MED model

Activity Profile	Number of Created Micro-enterprises	Percentage
Province 1	26911	16.0%
Province 2	17845	10.0%
Bagmati Province	35977	21.0%
Gandaki Province	19370	11.0%
Lumbini Province	31380	18.0%
Karnali Province	20438	12.0%
Sudur Paschim Province	20593	12.0%
Total	172514	

Note: From: Final Evaluation Report. UNDP, 2021

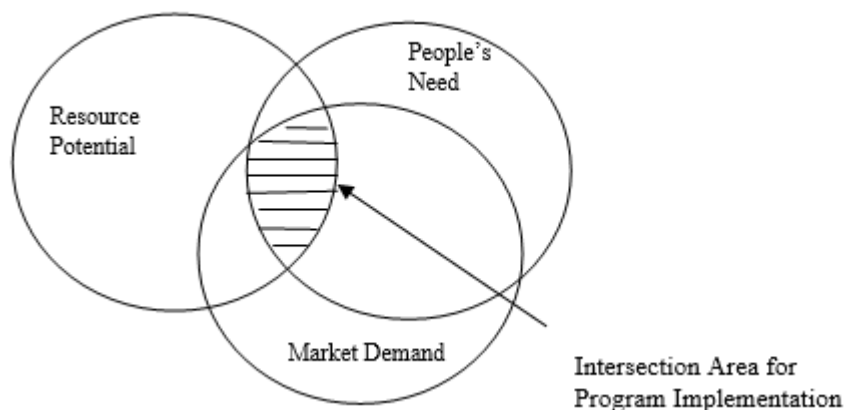
Contribution of MEDEP to BDS Market Development in Nepal

MEDEP has contributed the BDS market development in Nepal through (i) the demand-driven intervention approach; (ii) institutional development and partnership; and (iii) the creation of an enabling policy environment.

The Interventional Approach

Demand-driven strategy is found as an innovative approach to moving away from the short-term ‘gap-filling’ approach towards service introduction. Cantel, Romijn and De-Wildt (2003) have suggested an alternative model in which SMEs are no longer seen as mere buyers of BDS services. Ultimately, they act in partnership with BDS suppliers. In this way, they co-develop and co-produce new services. MEDEP’s intervention approach follows a similar strategy as presented in Figure 2. This intervention strategy is considered ‘a long-term visionary framework’ of MEDEP by UNDP (2018). This approach has been conceptualized for the effective use of available resources and optimal outcomes by MEDEP.

Figure 2 MEDEP’s Demand Driven Strategy for BDS Intervention



Note. The intersection area denotes a common area where resource feasibility backed by selected entrepreneurs' needs, and local to international market demands meet together for micro-enterprise development. From *Assessment of Effectiveness of Enterprise Development Facilitators (EDFs) in Service Delivery and Training Institutes in Conducting Training of EDF courses, 2018: (p.5)*, by Gandaki Bahudesiya Prabidhik Pratisthan, 2018, MEDEPs

Development of BDS Suppliers (BDSPs)

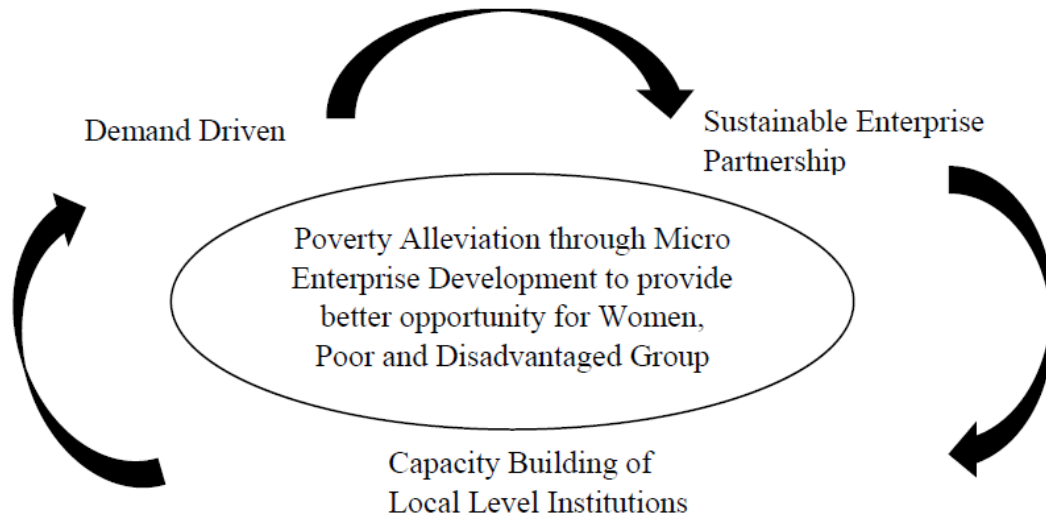
Business Development Service Providers (BDSPs) are consulting firms hired in an annual contract basis to directly deliver Business Development services to entrepreneurs (MEDEP, 2017). Training and experienced Enterprise Development Facilitators (EDFs) are very crucial to effectively deliver BDS. When MEDEP was initiated in 1998, there was a lack of skilled and experienced persons to deliver BDS. Therefore, MEDEP trained its regular employees as EDFs to execute the MED model in the implemented areas. Gradually, such trained persons developed themselves as expert EDFs and many of them evolved as institutional BDS providing consultants.

Huntington et al. (2006) have also appreciated MEDEP's efforts in the conversion of regular salaried employees into expert BDSPs. The credit for the production of capable BDSPs to serve the BDS market independently goes to MEDEP. Apart from MEDEP-produced BDSPs, the successful expansion of the MED model all over the country has also attracted other management consultants and training providers to enter the BDS markets. The Application of competitive hiring and a better performance evaluation system by MEDEP has also helped to make the BDS sector attractive for service providers (Rai et al.; 2018). MEDEP in collaboration with the Council of Technical Education and Vocational Training (CTEVT) and partnership with 26 private sector training providers has produced 1,234 EDFs as of December 2017 (Rai et al., 2018, p. 79). Attraction towards the profession of Enterprise Development Facilitator (EDF) is increasing. Academic courses of minimum 18 months to maximum 3-year diploma and skill tests are available to produce EDFs in collaboration with CTEVT in Nepal (GBPP, 2018).

Promotion of Partnering Institutions and Policy Development Supports

Eiligmann (2005) has mentioned that the public sector's service efficiency can be enhanced in a sustainable manner if partnered with competitive private sector actors. According to Khatiwada (2015), MEDEP's working modality by contracting with private sector service providers has been able to generate synergies. MEDEP assisted in the formation of ME groups from the local to the national level, product associations, and cooperatives. The program also supported the capacity development of such institutions. In this way, the program has developed capable working partners for BDS supply as shown in Figure 3.

Figure 3 MEDEP Partnership Development Strategy for BDS Implementation



Note. Overall implementation strategy of MED program. From *Consolidated Progress Report 1998-2003* (p. 9), by MEDEP, 2005

The above figure indicates that the service needs of micro-entrepreneurs vary according to their growth stages. There should be an availability of supporting institutions in the market capable of delivering the advanced level service demanded by entrepreneurs. Therefore, MEDEP has continuously assisted such institutions in their capacity development to fulfill future demands of grown-up enterprises. MEDEP supported creating an enhanced level partnership for each steps of the MED execution as shown in Table 2.

Table 2 Steps and Partners for MED Execution

Steps	Key Action/Sub-steps	Key Responsible Entities	Supporting Agencies	Participants
Identification of intersection area of resource potential, people’s need, and market demand	Resource Potential Survey	MEDEP	Consultants	DDC
	Triangulation of Findings	MEDEP	District stakeholders	District stakeholders
	Selection of market centers and program location	DEDC/DDC	MEDEP consultant	District stakeholders
Survey for Potential Entrepreneurs	Poverty Mapping	MEDEP	BDSPO, DDC, VDC	Local Communities (LCs)
	Surveys (Form A,B,C)	MEDEP	BDSPO	LCs
Establishment		MEDEP	BDSPO, DDC, VDC	LCs, Potential HHs

of micro-entrepreneurs				and Entrepreneurs
	Survey form D	MEDEP	BDSPO	Traders
	Orientation training	MEDEP	BDSPO	Potential Entrepreneurs (PEs)
	SIYB	MEDEP	BDSPO	PEs/Existing Entrepreneurs
Backup and Follow-up Support Services and Technology Grant Services	Group and Association Formation (Social Mobilization)	MEG/MEGA/DMEGA/NMEGA	MEDEP	Micro-entrepreneurs
	Skill Training	BDSPO	MEDEP/DCSI/DDC	
	Finance Services	MFIs/Banks	BDSPO/DMEGA	
	Technology Services	BDSPO	MEDEP/DDC/VDC/DCSI	
	Marketing linkages and business counseling	DMEGA	MEDEP/DCCI/FNCCI/BDSPO/ NMEGA	Micro-entrepreneurs traders

Note. From Impact Assessment of Micro-Enterprise Development Program by Narma Consultancy, 2010, MEDEP

Table data presents the support in various steps of micro-enterprise creation and development under the MED model till they graduate. Table data also shows developed partners with different roles like key partners, supporting agencies, and beneficiary participants.

The currently available formal definition of Micro-enterprise and its recognition as a separate category of industry in Nepal is backed by MEDEP’s support (Thapa and Mathema, 2001). MEDEP had successfully advocated policies and supported draft acts. The program prepared structural and executive guidelines for MED implementation. (UNDP, 2014). Such contributions have resulted in more than 30 policies, regulations, guidelines, and programs in Nepal for preparing a conducive policy environment to promote the BDS market.

Conclusion

The movements of the 1990s decade seem revolutionary in involving private sector actors to supply BDS and shifting the role of government and donors only as facilitators. Guidelines of DEDC (2001) and other studies of that decade have also been suggested accordingly. The Ministry of Industry up-fronted the international movement in Nepal by designing and implementing a holistic BDS approach as Micro Enterprise Development model. It also applied a suitable implementation strategy by structuring and developing individual and institutional supply side actors. The Ministry’s efforts under the MEDEP project have also resulted in provisioning a conducive policy environment for BDS market promotion. Overall, its support in the creation and development of micro-entrepreneurs, expansion of the MED

model in all districts of Nepal, develop supply side actors for partnership, prepare policies and guidelines for promotion of all three actors of the BDS market are credit-worthy. Ultimately it has helped to develop all three sides of the BDS market i.e. beneficiary, service suppliers, and facilitation in Nepal.

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