Small Business in Developing Economies: A Study of Entrepreneurship in Nepal

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Principal Topic
The role of entrepreneurship in economic growth of a country is often accepted as a truism. Scholars are also in agreement that there is a need to adjust development programs to local need. Thus, there is a need to study entrepreneurship in the cultural context. Fairbairn (1988), based on his Pacific experience, argued that Schumpeter’s concept of the innovating entrepreneur appears to have a limited value in understanding entrepreneurship in many developing countries where the entrepreneurial ask lies in applying, modifying, and adapting existing knowledge rather than in implementing ideas based on new discoveries. He further noted that large closely integrated families or kinship groups continue to persist in many developing countries, which means that the focus should be on the family as entrepreneurial unit rather than on the individual.

Peterson (1988) categorically states that 'entrepreneurship’s true believers often fail to appreciate the degree to which effective entrepreneurship is enmeshed with culture' and that 'gradually it is becoming clear that each country/culture must develop its own brand of entrepreneurship and raise its own champions to promote entrepreneurial behavior that fits the prevailing societal mores’. There has been some research examining entrepreneurship in its cultural context in Norway and Ireland (Hornaday, 1986; Hisrich, 1988). However, there is a dearth of coverage of Asian entrepreneurs. It is in this context that the present survey of Nepali entrepreneurs was carried out.

Methodology/Key Propositions
In this paper we present the findings of two studies in which we examined similarities and differences between male and female entrepreneurs and also how entrepreneurship develops over a period of time. Small business owners were surveyed from eight locations in Nepal, and 119 entrepreneurs (65 men and 54 women) responded in study one. To examine developmental patterns of entrepreneurship, 151 entrepreneurs from a previous study were contacted of which 89 returned the survey. It was found that significantly more male entrepreneurs live in joint families. Also, compared to men, women receive less support in the household work from the extended family. It was found that almost three fourths of both the male and female entrepreneurs do not desire to move their business to another location. There may be exit costs involved with relocation that may be unique to a small developing country. This area has not received much attention in the research literature, and examining industry specific and cross-cultural differences in such costs may be useful. Further, the myth that entrepreneurs would readily relocate if an opportunity came up should be examined closely for cross-national variations.

Results and Implications
There is some evidence that in the Western cultures the most influential person for entrepreneurs happens to be their fathers. We found that there are other people who also influence entrepreneurs in Nepal. It is also interesting to note that women are influenced by their spouses more so than men. This aspect should be further studied to understand gender differences in entrepreneurship development. About three fourths of the entrepreneurs have no one in the family who are involved in business, thus indicating that prior family exposure to entrepreneurship is not a necessary condition for entrepreneurship development. This aspect should be further analyzed by using case studies to identify the factors beyond family that lead to entrepreneurship development. There is no significant gender difference in early profitability of the new enterprise. Women entrepreneurs are as smart in selecting, creating, and running a new business. A longitudinal study should be
carried out to determine if there are differences in the profitability of organizations run by male versus female entrepreneurs over five or more years.

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