

## **Challenges of Social Enterprises in Developing Country: Evidence from Nepal**

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### **ABSTRACT**

*This paper explores the challenges of social enterprises (SEs) in Nepal. The study is qualitative in nature and uses case studies, open-ended questionnaires and interviews of social entrepreneurs and experts. The Nepalese social enterprises are driven by social*

*motives and social value creation rather than profit. They focus on bringing positive social impact. Absence of legal and other policies create confusions, thus poses challenges in sustaining social enterprises. Specific social enterprises promotion acts, financing policies, and business support services are some of the shortcomings for the sustainability and growth of social enterprises in Nepal. Comprehensive government policies and related regulations would be instrumental in promoting social enterprises in Nepal.*

**Keywords:** Social Enterprises, Legal Policy, Financial Policy, Social Mission, Social Impact

## INTRODUCTION

Definition of social enterprise varies in different regions and it may be country specific; American models suggest that organization should have social goals, whereas European model includes associations and cooperatives as social enterprises (Kerlin, 2006). The European model suggests that there should be three dimensions in any social enterprise; they are (i) entrepreneurial (revenue generation from business transaction); (ii) social (the pursuit of a social mission and delivery of goods and services to contribute in that mission); and (iii) governance (accountability, participation and transparency) (OECD, 2013). Most importantly, social enterprises should be able to integrate the social welfare and market, and add social values (OECD, 2013). In Nepalese context, there is no specific definition of social enterprise and social

entrepreneur. Social enterprises in Nepal are operating without clarity of definition, recognition and without policies to promote it.

Legal, financing, resources constrain, access to markets, business support, and training and development are some of the challenges faced by social enterprises in general. Hence, there is a need to examine social entrepreneurship policies Terjesen (2017). Park and Wilding (2013) observed that government in UK and South Korea are very proactive in providing policies for social entrepreneurship. In the UK government has prioritized enhance efficiency and effectiveness of public service deliveries to priority sectors where as in South Korea, the government emphasize in generating employment opportunities for marginalized communities. Additionally, Terjesen (2017) opined that the government should provide conducive policies that provides economic freedom while attaining social missions by the social enterprises. Governments must provide policy frameworks that would offer guidelines and would also serve to measure the performances of those social enterprises. Similarly, Robinson and Stubberud (2009) highlighted that the business women entrepreneurs are benefitted by business incubations and networking assistance. Mohapatra (2008) emphasized benefits of technology for self-sustaining their business with earning maximum profit. It shows that the government should be focused on support system policies including technology and incubation center.

Only well-articulated policies help establish a common understanding on the definition of a social enterprise among the policy makers and practitioners. It will enable policy formulation that will provide consistency in definitions, dimensions and measurement of social enterprises. Furthermore, it would provide policies for the promotion of social enterprises. With this

understanding this study aims to explore the policy needs for the creation and promotion of social enterprises in Nepalese context.

## LITERATURE REVIEW

### Social enterprises and policies

Haugh (2007) classified social enterprises into four categories, namely, for-profit, charitable, social and community-led ventures. Social enterprises have diverse activities, however the major activities are the economic, social, environment, and cultural. Canadian social enterprises focus on employment and activities to generate income for their parent organization (Elson & Hall, 2012). Yet, they are more social mission oriented. This is also common among Nepalese non-governmental organizations (NGOs) and international non-government organizations (INGOs) as their primary objectives are social welfare. Gawell (2014) opined that the public sector and social enterprise create social values and innovation as they address different social issues which are not easily translated into any service or product and not addressed by private sectors. The third sector, i.e., NGOs and INGOs play a pivotal role in transforming social changes particularly where government and private sectors fail to address. Considering this significance, there should be clear policies to facilitate these sectors to act as social enterprises. Berkes and Davidson-Hunt (2007) argued that rural communities have taken social enterprises as a tool to negotiate with global actors in the midst of globalization. The social enterprise provides a mechanism for rural people to secure resources and allow them to engage effectively in issues pertaining to their societies. Social Enterprises play a greater role in addressing social, economic and environmental challenges and create more jobs. They also address the issues, such as, governments have failed to address effectively due to resource,

efficiency constraints and reach. This emphasizes the need for SE and the government should envisage policies that support social enterprise creation and development.

In Lithuania a national law recognizes SEs and mandates them to serve to the communities or a specific group of people, mainly, disabled and SEs can distribute limited profit and pay at least minimum wages to their target employees (Moskvina, 2013). Likewise, in South Korea, government subsidies have helped promote social enterprise in South Korean and that helped enhance their social and economic performances (Kim and Moon, 2017). The study showed that social enterprises are able to generate sustainable employment for disadvantaged people by pooling public funds, corporate donations and with the help of government subsidies. Government subsidies to social enterprises have helped them sustain their social and economic performances.

In the context of India, Satar (2016) argued that the majority of the developing countries including India has little or no concerns for the social enterprise policy framework. Additionally, author claimed that there is absence of a regulatory framework, lack of sartorial recognition and uniform understanding of the concept of social enterprise. Ladeira and Machado (2013) argued that public policy is important to define social enterprise and political support is needed to formulate those policies. They also recommend the creation of a centralized agency for policy support of social entrepreneurship in Brazil. Likewise, Wu, Wu, and Wu (2018) recommended for formulating the legal system, policy, and overall development environment for the social enterprises in Taiwan. These policies would be instrumental in creating entrepreneurship ecosystem and build the public movement.

There are three key challenges namely, (i). institutional and operational (related to limited access to funding, technical, qualified employees, support for social enterprises); (ii) cultural

and educational (related to limited recognition of social entrepreneurship, the absence of social entrepreneurship education at schools and universities); and (iii) policy making and government related challenges (related to the new NGO law, taxation, tight monitoring and supervision) (Seda and Ismail, 2020). They have recommended many policies including one to establish an entrepreneurship committee in the Egyptian parliament for SMEs and social enterprises and also suggested to develop models and tools to measure social value creation in Egypt.

Similarly, Abramson and Billings (2019) identified six major challenges of social enterprises in the United States namely ill-fitting legal forms, obstacles to effective governance, difficulties in measuring and evaluating impact, weak supportive networks, difficulties in accessing funding, and management tensions. Lack of a clear legal identity is a serious issue. Hence, there is a need for strong public policies and support mechanisms to promote social enterprises. Social enterprise promotion Act 2019 in Thailand intends to promote social enterprise through taxation and other policy interventions. The government encourages private sectors' participation. Chunsuparerk and Thitiluck (2021) have recommended for tax exemption, social enterprise supporting mechanism, social enterprise promotion fund, and performance monitoring system as policies to promote social enterprises. Additionally, the authors suggested that there should be leadership, awareness and participation wider sectors to make those mechanisms and systems work effectively. British Council (2021) identified some notable progress in policy development in the region of South East Asia, namely, in Indonesia, Malaysia, Philippines, Vietnam, Singapore, Hong Kong, China and Thailand. The policy measures include from social enterprise acts, entrepreneurial ecosystems, investment incentives, institutional supports, recognition and promotion. Bhatta et al. (2016)

suggested that the government need to be serious about the identification and promotion of social enterprises, and provide either tax or subsidy mechanisms, which helps to promote the social entrepreneurs. They also suggested for good eco-system between social business organizations and education institutions for developing business model, business plan and other necessary special training packages need to initiate social enterprises. All the above studies show that under-developing country like Nepal need policy proposal for promoting social enterprise.

### **Concept of commercial and social business model**

Table 1 presents the comparison between commercial (for-profit) and social businesses. Haugh (2007) highlighted the market driven action, economic value creation and financial surplus are the mission of the for-profit business venture. Commercial business ventures always target their market as per market demand and individual benefit. Generating profit from trading is the major entrepreneurial activity. Governance structure is closed and selective and mostly top down. The commercial business is always accountable to their board\ of directors and shareholders (Haugh, 2007). On the contrary, in social enterprises, the economic value creation, social and/or environmental issues are the major thrust. Social business ventures always target the disadvantaged individuals and/or community as the main target market. Collective benefits, generating surplus from economic activities to achieve the social missions are the major entrepreneurial activities. Governance is more open and many have board of trustees to whom they are accountable with (Haugh, 2007). The inclusive governance, social accountability, mission driven, profit sharing, and sustainability are some of key features of the social enterprises.

Table 1. Commercial Vs. Social Business

	Commercial (for-profit) Business	Social Business
Mission	Market driven, economic value, financial surplus	Economic, social, and/or environmental value
Target market	Market demand	Disadvantaged individuals, community, and/or society
Benefits	Individual benefit	Collective benefits
Source of capital	Equity, commercial debt, venture capital, retained profit	Commercial debt, philanthropy, donations, grants, sponsorship, retained surplus
Entrepreneurial activities	Trading to generate profit	Trading to achieve mission and generate surplus
Human resources	Employees	Employees and volunteers
Other resources	Purchases at market price	Purchases at market price, or below market rate, donations
Governance structure	Owners, executive board	Board of trustees
Accountability	Board of directors, shareholders	Board of trustees, stakeholders

Source: (Haugh, 2007)

According to Schott (2009), there are good number of social enterprises in Denmark as the government has pro social enterprise policies. It has encouraged Danish enterprises to be more socially oriented and environment friendly. Williams and Nadin (2011) critically assessed the social orientation and found that entrepreneurs, who are living in deprived and rural populations are more socially-oriented, than relatively wealthy and urban populations who are more commercially-driven. This provides a critical thought in Nepalese context. Despite the fact that Nepal is in process of graduating from least developing countries it still faces challenges of poverty, climate crisis, poor

infrastructure, unemployment, quality education, poor health, food insecurity and so forth. Government and NGO sector have been trying their level best. The role of private sectors has not been effective as their primary focus is on profit making. This amplifies the role of social enterprise and there are already good examples that social enterprises are contributing in addressing those challenges. Policy interventions would be instrumental in promoting social enterprises that aims to transform the society positively.

## METHODOLOGY

### **Research design**

The area of this paper is to explore the challenges of social enterprises and to identify what kind of policy needs for the creation and promotion of social enterprises in Nepal. An exploratory research design has been used in this study. There were two main components to this study: (1) case studies of social enterprises in Nepal; and (2) interviews with social entrepreneurs and scholars.

### **Population and sample size**

Numbers of social enterprises are not well documented in the context of Nepal. In this regard, the convenient sampling technique was used. Five social enterprises were selected for short case analysis and seven prospective respondents from top level management, with significant knowledge and experience in their respective social businesses.

### **Data collection**

The primary data collected using semi-structured open-ended questionnaires followed by telephone interview. The prospective

respondents were identified and approached individually with brief introduction and purpose of the study then they were requested for their voluntary participation. With their consents, semi-structured open-ended questionnaires were sent to the respondents using google form. Follow up calls were made after 3-days of first email sent. The telephone interview was taken to verify and validate their responses. The interview focused on the respondents' enterprise status, social problem and their social impact in the society. It covered following issues:

- Definition of social enterprises in the Nepalese context
- Social issues and problems addressed
- Legal issues
- Financial policy
- Business Support Policy
- Developing social entrepreneurship eco-system in Nepal
- Strengthen management expertise in the Nepalese social enterprises
- The role of government on policy for promotion of social enterprise in Nepal

### **Data analysis**

The responses from the open-ended questionnaires and the answers from the interview were quoted. For the qualitative research the quotes are organized to synthesize the results as suggested by Berg (2001). A qualitative content analysis approach was used to analyze the contents of the discussion. Background information of the respondents are presented in Annex 1. All the respondents are from top management, with significant knowledge and experience in their respective businesses. Thus, their views

should offer thoughtful insights on challenges and the policy proposal of social enterprises promotion in the context of Nepal. This regards, five case stories has been developed and analyzed. Interview data were used as narrative method of qualitative method.

## RESULTS

The data from the questionnaires were analyzed and synthesized. The information from the case studies and interviews were analyzed and presented in following segments.

### **Case analysis of Nepalese social enterprise**

Five social enterprises were chosen for case analysis and tabulated with key issues. Brief introduction of the enterprises, their business models and key features are presented in this case analysis as below;

#### **Himalayan Life Foundation**

The Himalayan Life Foundation (HLF) is a Profit-Not-Distributing Company that works in the field of plastic waste recycling. It primarily addresses social and ecological issues (i) recycling plastic bottles (ii) creating employment to marginalized communities (iii) rescue and rehabilitate street children.

HLF runs different projects and programs for street children and local communities along with its plastic recycling business. It works in vocational training, job creation, education, environmental campaigns. It aims of social transformation

addressing on poverty, employment, and ecology for the marginalized youth and children. It has two major domains, an NGO that runs social programs and a business entity that runs plastic recycling. The income from the business and fund raising has been used for social causes.

The organization practices good governance. Board of trustees and professional team runs the NGO and the business. The impact is multi-faceted. Rescued children are integrated into the society that not just addresses poverty, homelessness but also crime and injustice. Plastic pet bottles collected using existing informal sector helps grassroots people into economic network. It contributes in circular economy, ecology and social wellbeing of people.

### **Association for Craft Producers**

The Association Craft Producers (ACP) is a Fair Trade organization registered as NGO. Since its establishment in 1984, it has been providing employment and income generating opportunities for artisans specially women. It works to improve the social and economic condition of grassroots artisans via capacity building, skill enhancement training and employment opportunities to vulnerable, marginalized and underprivileged groups. ACP has unique business model as it adds value in entire supply chain. It engages in produce innovation, design, technology up-gradation, capacity building and market access for small artisans. It is guaranteed Fair Trade certified by World Fair Trade Organization and it contributes sustainable development goals such as Zero Hunger, No Poverty, Gender Equality and others. It

pays living wages to its staffs, producers and artisans and also provides services to improve quality of life.

ACP has witnessed gender transformation as women earn decent living. Besides economic wellbeing, the communities are empowered and able to afford better health care, education for children and overall quality of life. Besides, it also helped transformed traditional skills into contemporary lifestyle by product innovation and design and successfully mainstreaming of traditional skills and crafts in Nepal and foreign markets. ACP operates under eleven members Executive Board with credentials in marketing and women and development. The Executive Board comprises of 7 women and 4 men. Organizational structure includes Executive Director as the head of the organization, followed by Operation Director who oversees HR, Production, Marketing followed by Department Heads Membership. ACP is founding member of Fair-Trade Group Nepal since 1993, member of World Fair Trade Organization since 2003, member of World Fair Trade Organization - Asia since 2000, member of different trade associations in Nepal and abroad.

### **Mahaguthi Craft with Conscience**

Mahaguthi Craft with Conscience (MCWC) is another Fair Trade accredited company as a profit-not-distributing company with eighty full-time workers and around 1,000 producers and artisans in various parts of Nepal; 85% of whom are women. It envisions economic and social progress for equity, justice and peace and has mission to establish Mahaguthi as a sustainable Fair

Trade brands that promotes economic and social wellbeing of producers, artisans and disadvantaged communities.

It has its own production units as well as works with small artisans in various parts of Nepal. It proactively identifies needs of artisans and provides supports to make local resources and skills marketable. It provides market linkages, product design and development and business support services to small producers and community. It has developed networks with grassroots producer community, and it offers buy-back guarantee to small producers. It has helped transformed traditional skills and products into lifestyle products that caters the need of domestic and international markets.

Abide by the Fair Trade Principles, Mahaguthi as values of transparency, good governance, plurality, inclusion and participatory approach while running the business. Board of trustees (directors) are elected from members, who engage in policy matters. Professional management team operates daily operations. The target beneficiaries are mostly women and from marginalized ethnic groups from 15 districts of Nepal. The main revenue is from its business operations such as retail, wholesale and export. All profit reinvested in business and community projects, community development and scale up.

### **DOT Glasses Nepal Pvt. Ltd.**

The DOT Glasses Nepal (DOT) is registered under private limited company with 23 full-time employees. DOT Glasses provides sustainable solution to the world's vision problem, adjustable one-size-fits-all eyeglasses, a transformational lens

concept, simple proprietary vision testing tools, easy 60-minute training to prepare anyone to provide basic vision care. The DOT Glasses approach is fairly radical. Apart from adjustable, one-size-fits all frames (designed by a subsidiary of Mercedes-Benz), DOT developed a transformational lens concept and proprietary vision tests. DOT approach to testing vision doesn't require trained optometrists, and our customized prescription eyeglasses are delivered immediately on site within 5 minutes, at extremely low cost (including the vision test).

DOT is solving problems of eye vision, one of the world's largest health issues. As per WHO record nearly one billion people who struggle to see but can't afford eyeglasses or simply have no access to them. DOT target beneficiaries are resident of rural poor and marginalized people who have no access to eye care. DOT is already spread in 11 countries. Its market is all over the world specially developing countries like Nepal. Their key partners and stakeholders in Nepal are Eye hospitals (Tilganga), Communities (Netra Jyoti Sang), rural municipalities and INGO.

### **The Himalayan Rabbit Farm**

The Himalayan Rabbit farm (HRF) is registered under Department of Cottage and Small Industry, under Ministry of Industry, Commerce and Supplies, Nepal. This farm works closely with the low-income farmers and equips them with required skills required to sustain their production and helps them find market locally or through buy-back assurance. It utilizes locally available resources and work consciously in such a way that its activities don't harm the environment.

It is working with 200 rabbit farmers in 20 districts. HRF is trying to solve the problems of unemployment in the rural communities, resource conservation, poverty of marginalize peoples, and malnutrition due to poverty. HRF offer rabbit breed, training and monitoring support to rabbit farmers, rabbit meat to customers and manure to agricultural farmers in rural area. They supply highly nutritious white rabbit meat to their customers, mainly, high-end and middle-class restaurants in city centers. The partners and stakeholders are feed industry, veterinary doctors, meat stores, farmers, and restaurants. Table 2 presents summary of the case analysis of the five selected Nepalese social enterprises. The registration of the enterprises is different legal entity, such as, limited liabilities with not-for-profit distributed company, NGO and private limited company. It is greater evidence of need a separate law for the social enterprises. The social mission, beneficiaries and social impacts are more intact with the norms of social enterprises practices all over the globe.

Table 2. Case Summary of Nepalese Social Enterprises

Organizations	Legal Status/Business	Social Mission	Beneficiaries	Social Impact
Himalayan Life Foundation	Profit-not-distributing Company Recycle plastic bottles, sales r-PET granules to bottle manufacturing company and	Caring planet and peoples through recycling plastic bottles	Marginal and disadvantage groups of peoples, street children	Reduce environment pollution, job opportunities to marginalize and disadvantaged group including bottle collectors, provide safe shelter,

	oil processing company			education to street children
Association of Craft Producers	NGO Selling handmade products	Improve the social and economic condition of grassroots artisans via capacity building and skill enhancement training and providing employment opportunities to vulnerable, marginalized and underprivileged group of peoples	In-house small women producers and artisans	Enhance living standard of vulnerable and marginalize peoples via employment opportunities to 750 artisans, 33 in-house producers, 48 employees
Mahaguthi Craft with Conscience	Profit-not-distributing Company Sales craft products	To empower women through Fair Trade, good governance structure, and creating value for the society	Marginalized women ethnic groups from 15 districts	Sustainable livelihood for marginalized producers through Fair Trade, 1,000 producers, 80 employees
DOT Glasses Nepal Pvt. Ltd.	Limited liability company, Sell Eye vision glasses	Sustainable solution to the world's eye vision problem	Poor and marginalized rural people who have no access to eye care	Eye care facilities to marginalized and poor rural people with low cost
Himalayan Rabbit Farm	Department of Cottage and Small Industry	A low cost, high impact way to increase	Rabbit farmer community	Improve livelihood of poor farmers

	Sales rabbit meat, breed and training to local farmers	household income and nutrition in communities	through generating income opportunities, utilization local resource and ensure resource conservation
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Source: Authors, based on open-ended questionnaire and interview

## POLICY PROPOSAL

This section presents findings of the study under different segments namely definition of SE, legal framework, financial, business support, entrepreneurial ecosystem, management and role of government.

### Definition of social enterprise

When asked the respondents for the definition of social enterprises in the Nepalese context, most of them opined that SE is an enterprise that aims to address problems of societies for positive social impact through an entrepreneurial approach. In a similar line, one of the respondents argued that social enterprise is one which has a clear mission to address social issues, has a business model and has an impact on society/community; a business that delivers social impact and operates in a sustainable manner. It indicates that the social enterprise should have a sustainable business model with a clear social mission and be able to create positive social impact. Additionally, a respondent explained social enterprises as an organization with a strategy in practice used in balancing the social and economic objectives in order to achieve sustained social, economic and environmental

outcomes. It highlights the importance of organizational strategies and approaches that have social and economic objectives.

One another respondent argued from different perspectives, such as business register and model. In Nepal, a large number of SEs follow an NGO model. They are promoting products or services that have clear social goals in mind, such as solving social issues, enhancing people's lives, or bringing about social transformation. Considering these opinions, the important aspect of SE is identification of social issues and initiates an action social change through business and organizational strategies. Thus, the national definition of social enterprise is needed to give recognition and provide clear policy framework for the operation of SEs in Nepal.

### **Legal Policy**

Chunsuparerk and Thitiluck (2021) has cited that the tax incentives provided under Thailand's Social Enterprise Promotion Act 2019 encourages private sectors to fund to social enterprises and social missions. Under this act, the SEs do not pay dividends to stakeholders and, the companies that donate to SEs receive 100% tax exemption on their donations. It motivates individuals to start SE and also private sectors to contribute in promoting SEs and has contributed in social innovations. On the contrary, Satar (2016) explained that India doesn't have specific laws and regulations to support social enterprises. But one can register their organization in different legal forms, mainly, non-profit or charitable organizations under Indian Trusts Act (1882); companies act (1956) and for-profit company as sole proprietorship, partnership, limited liability partnership, private firm and co-operative.

Nepal doesn't have any specific acts or policies for SE. The Company Act 2006 provides a provision to register a profit not-distributing company however it doesn't provide much idea in terms of definition and other aspects of SE. One can register their

organization under NGO registration act 1977 (Sangstha Darta Act) but that NGOs are not allowed to engage in any commercial activities. The Company Act 2006 allows organizations with NGO nature to operate their commercial ventures and complying with other commercial required laws. This has led to the establishment of some public hospitals, educational institutes and other social organizations to register under this act and operate their business transactions. However, there have been whole lots of issues still persist in Nepalese context as this act has not been able to address those.

Respondents are perplexed when we discuss legal issues, particularly the registration of social enterprises in Nepal. For social enterprise, there is a confusion and collision between profit-not-distributing company through Company act 2006 and NGO registration act (Sanstha Darta act) 1977 due to which Social Welfare Council finds difficult to differentiate between company and organization and coming business solving social issues has brought confusion only therefore these two acts need some detail clarification. Probably different wings under the Social Welfare Council can handle profit-not-distributing companies and other entities to monitor organizations that exist to solve social issues only. Similarly, social enterprises are registered as NGO, they are not allowed to export and currently there is an NGO bill which prohibits NGOs from producing and selling. This puts us in jeopardy. In this regard, respondents demand for allowing commercial activities to those social enterprises which are registered under NGO.

Some of the respondents have been operating their business over decades even though they are NGOs in nature and NGOs in Nepal are doing many income generating activities in small scale. However, some of the provisions for registering NGOs prohibits NGOs to engage in any commercial activities except grants and

interest incomes. This has created a whole lot of issues of identity, sustainability and other legal challenges to existing SEs in Nepal. In absence of SE policies further jeopardize the good deeds of many SEs already in operation and one coming in future. In this regard, there is needed establish a definition, define criteria to identify social enterprises, establish an accreditation process and link with incentives, tax and appropriate VAT exemptions policies. The respondents are expecting a clear legal and policy framework to sustain their social enterprises and also expecting tax subsidies or exemption on their operations.

### **Financial Policy**

Elson and Hall (2012) found that the Canadian Social Enterprises were financially supported by the government, followed by individuals and foundations. They emphasized the provision of venture funds, easy access to finance, and low interest rate for social enterprises. Additionally, they expect government supports especially for improving the productivity and development of innovative products. One respondent believe that the concept of profit-not-distributing companies should come into practice many companies whose prime focus is to solve social issue through business. They have the idea of a trustee in a business that doesn't distribute profits, and they differ from shareholders. Some shareholders have the option to invest in the business as social shareholders, expecting no returns on their initial investments. Majority of the respondents have suggested there should be tax holidays for SEs and suggested that the government should create public sector as big market by special public procurement policies encouraging SEs to supply public offices. SEs mobilize local resources and create local jobs, hence should be encouraged through tax policies. They seek more role of Social Welfare Council for compliances and monitoring.

### **Business Support Policy**

Business support services contribute in entrepreneurship development including SEs. The business associations, NGOs and government and private sectors offer programs for capacity building, skill development and enterprise promotion. Yet, there are not much professional service provider for the services such as quality assurances, support services and so forth. Absence of specific policies for SEs even hinders registering new SEs. Respondents emphasize establishing incubation centers and business acceleration services to the social impact-oriented businesses. Respondents seek for the separate policies and acts for registering SE, which encourage many social organizations to scale up their best practices and sustain through business activities. It shows that the government should develop a separate legal entity for the social enterprises and formulate policies to promote and support them. Another respondent explained that the government's existing institutions such as Social Welfare Council can play a role in monitoring business activities, evaluating their work and progress, and developing support systems. One respondent talked about the objective of national budget very critically. The 2022–2023 budget's primary goal is to expand the production-oriented economy. The Industrial Enterprise Act 2020 should apply to any social enterprise that produces exportable goods. In order to create a favorable environment and ensure the long-term viability of social enterprises, all facilities such as duty reductions, excise duty, incentives, tax, and other fiscal facilities under this Act must be made available to social enterprises. There is a greater need of clear policies for registration, tax and business compliances. It would affect the promotion of social enterprises. The majority of the respondents have suggested that developing a support system for technical and other assistance would encourage such ventures. Availability of support services encourages start-

ups and aspiring youths towards social entrepreneurship. Social recognition will also help entrepreneurs as incentives of being SE and encourages others to follow.

## POLICY ISSUES FOR PROMOTING SOCIAL ENTERPRISES

This section presents the respondents' opinions on the challenges for social enterprises.

### **Constructing eco-system**

Business eco-system includes policy makers, enablers and capacity builders, business networks, platforms and facilitators, fund providers, education institutes, and media and their programs and policies to facilitate enterprise creation, development and promotion. According to British Council (2021), governments developed required policies and strategies to support the development of social enterprise across Asia. It includes specialist units or offices, legislation, incentives, awards and much more. Report also highlighted that the support ecosystem is relatively mature, while often dynamic, complex and growing in some country.

The majority of the respondents have emphasized establishing incubation centers and providing business development and technical support for research and development, business creation, sustainability and growth. Then after establishment of social enterprises, there should be separate unit to help them to identify their target customers and branding products and services. Respondents stressed for helping the more disadvantaged young people belonging to the age group of 18 to 29 years with the objective of improving the subjective and objective well being of young people in Nepal. This viewpoint of considering youth and disadvantaged engagement should overcome the narrow definition

of employment as only a means of generating income. It emphasized the need for initiative for youth employment as youth being one of the vulnerable groups in Nepalese context. Majority of youths don't have access to finance, limited skills and experiences and cannot find jobs easily. Hence, employment creation for these youths would contribute in promoting social wellbeing not just for those youths but to their families and society at large. They need technical and skill-based education, establishment of special units or offices for supporting them from idea generation to starting business, market access and access to finance.

### **Strengthen management expertise**

Chunsuparerk and Thitiluck (2021) opined that leadership vision and execution of those visions are key to success of social enterprise. Strong personal commitments and empathy towards society with vision for social transformation are key features of social entrepreneurs. Backed by the social mission, personal commitments and strong leadership, social enterprise should adopt business orientation while operating. Business skills and strategies need different skill sets other than social empathy and social skills. Social innovations need to scale up, hence need business models and business skills which can be acquired through different service providers including educational institutes. The social entrepreneur and people in any SE need to enhance their knowledge and skill and on the other hand inspire themselves to continue in the mission.

Social enterprises and entrepreneurs should demonstrate high values, beliefs, and growth mindsets, while running the business (Chunsuparerk & Thitiluck, 2021). Social enterprise engages different individuals and groups such as social entrepreneurs, management experts, technical teams, support staff and other employees, volunteers (paid and unpaid), members, service seekers,

community people and so forth (Elson and Hall, 2012). Effective assimilation, integrating and managing different skill sets and managing their different expectations are daunting, hence social entrepreneur need strong people management skills. In this regard, the majority of the respondents agreed that the visionary leadership, professional management team, and complete business approach with social mission are key features of the Nepalese social enterprises. Hence, the appropriate support services and institutions are needed to provide entrepreneurs with relevant skills, knowledge and support for business growth and sustainability. One of the respondents emphasizes involving experts in management to develop skills of entrepreneurs from within the country and abroad as well.

Additionally, respondents emphasized the specific drivers of social changes to strengthen the management expertise could be strengthening the following areas: (1) the social objectives; (2) the role played by the social leaders; (3) the resource generation strategies; (3) the social innovation-related activities; (4) the organizations becoming market-oriented; (5) the organization moving towards achieving financial self-sufficiency; and (6) policy changes within the organization to achieve the above strategies. It mentions the importance of strengthening the management team including lower-level staffs. Continuous learning and improvement should be the organizational strategy for sustainable growth hence organization-wide human resource development should be considered in social enterprises. The government should provide some support to encourage people to engage in social work and social ventures.

### **Government role**

The role of government is very important to promote social enterprises. The majority of the respondents opined that the

government should propagate social enterprises by formulating separate acts, policies and regulations. The policy and law should include creation of social enterprises, management and promotion of social enterprises including incentives for people who demonstrate their commitments for social work. It is inevitable the role of enterprise in creating jobs, solving problems through innovative products and services and adding value to the society. Hence, the government should encourage SEs through its policy interventions.

According to the respondents, there should be a clear policy that distinguishes between profit-making businesses, private businesses, and non-profit organizations. Businesses that use social innovation to address social issues and the environment disaster should be granted some tax exemptions. The government should promote youth entrepreneurship through a variety of initiatives, including startups, social grants, and funding from other government programs. The government of Nepal recently created programs to encourage local manufacturing and consumption through budgetary measures. The government should also encourage the use of local items for gifts and decorations in the private sector, including hotels, restaurants, and banks. The government should encourage the planning of regional and national exhibits of MSMEs' products. It is important to establish a Handicraft Emporium to promote local business and serve as a destination for tourists looking to buy gifts. The municipality or local government should initially contribute Seed Money for activities. Additionally, respondents from the craft-based organization suggested that the government should play a role in support for cotton farming and sheep farming, establishment of processing units, establishment of design institutions and recognize artisans to motivate them to continue in their traditional skills.

## CONCLUSION

There are a good number of organizations that have been engaged in solving different social problems. Quite a number of them are successful in pivoting social issues into a business opportunity and are able to generate sustainable returns for their enterprises as well as for the society. However, there are growing concerns about the legitimacy of their deeds as there is legal void and policy gaps in present acts, rules and regulations related to trade, investment, social development, resource acquisition and tax. Government has yet to acknowledge the significance of this sector and its impact in social transformation. There are tremendous opportunities for SEs to flourish provided by the support available to them such as access to finance, market, technology and clear legal framework. In conclusion, the policy is the main barrier to promote social enterprise in Nepal. Thus, the following policies are recommended:

- Define national definition of social enterprise
- Develop and implement separate social enterprise promotion act;
- There should be clarity among the actors on monitoring and evaluation of social enterprises;
- Create incubation centers for promoting and supporting social enterprises from idea generations to business and social change;
- Government should formulate clear policies for social enterprises on sourcing finance, tax, profit sharing and other financial issues;

- Develop the supporting eco-system for building the capacity of social entrepreneurs to equip them with right skills, and raising awareness.

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