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### Capitalism, Economic Sociology, and Entrepreneurship in Nepal<sup>1</sup>

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#### Abstract

*Entrepreneurial activities are central to the evolution of capitalist societies because new businesses drive economic and employment growth. In capitalist societies, continued economic growth depends on the extent to which potential entrepreneurs can obtain and effectively utilize the social and economic resources they need. “Entrepreneur” and “entrepreneurship” constitute somewhat contested terms, especially outside of the community of scholars who regularly publish in entrepreneurship journals. Debates over the meaning of the terms became a regular feature of conference presentations and journal articles in the 1970s, as the field struggled for academic legitimacy. Some of the debates reflected the field’s attempt to distinguish the field of “entrepreneurship” from the field of “small business studies,” which had been the traditional home of people studying business startups. The debate also reflected disciplinary disputes over units and levels of analysis, period, methods, and theoretical perspectives. In this context, this paper, based on secondary data, obtained from published academic books and journals including newspapers argues that the notion of entrepreneurship varies from discipline to discipline and gains its authenticity and familiarity within the disciplinary context. This kind of debate widely exists within economic sociology as well. Moreover, the sociological works in the areas of entrepreneurship are gradually increasing all over the world including in Nepal. However, the social context of entrepreneurship widely differs from one country to another or one society to another based on the social structure of contemporary society.*

*The entrepreneur and entrepreneurship practiced in the context of Nepal can be understood from a different perspective. Neo-classical economists claimed that individual human capital attainment, captured through education and work experience, determined self-employment outcomes. Nepalese entrepreneurs of the new generation are running their entrepreneurship with their individual human capital attained through education and training. More importantly, in many countries of the world, given that many immigrants brought technological, managerial, and professional skills acquired in the homeland, they were in a better position than those groups without these assets to start a business. This framework explained immigrants’ self-employment rates primarily on individualist grounds. Thus, the entrepreneurial activities in Nepal seem quite different from primitive capitalist societies; mostly engaged in service sectors, in which entrepreneurship drives economic and employment growth.*

**Keywords:** Capitalism, Economic Sociology, Entrepreneurship, Goods and Services, Nepal

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## 1. Introduction

I would like to begin this paper with what Drucker (1984), an author of management, who defines the basic concept of entrepreneur and entrepreneurship. “The entrepreneur,” said the French economist, J. B. Say around 1800, “shifts economic resources out of an area of lower and into an area of higher productivity and greater yield.” But Say’s definition does not tell us who this “entrepreneur” is. And since Say coined the term almost two hundred years ago, there has been total confusion over the definitions of “entrepreneur” and “entrepreneurship” (Drucker, 1984, p. 1). However, there are a number of definitions on the concept of entrepreneur and entrepreneurship today.

Lippmann, Davis, and Aldrich (2005) have offered a number of “definitions of “entrepreneur” and “entrepreneurship.” They defined the concept in the context of the USA and write, “In the United States, for instance, the entrepreneur is often defined as one who starts his own, new and small business. Indeed, the courses in “Entrepreneurship” that have become popular of late in American business schools are the linear descendants of the course in starting one’s own small business that was offered thirty years ago (around 1950s), and in many cases, not very different. But not every new small business is entrepreneurial or represents entrepreneurship” (p.7). Thus, the meaning of entrepreneur and entrepreneurship is different from what was defined earlier and depends upon how an individual or group initiates any new or old kind of business that gains familiarity among people in any society with a noticeable increase and change in economy and employment.

Entrepreneurial activities are central to the evolution of capitalist societies because new businesses drive economic and employment growth. In capitalist societies, continued economic growth depends on the extent to which potential entrepreneurs can obtain and effectively utilize the social and economic resources they need. Moreover, new firms’ foundings and disbanding generate a great deal of employment volatility through job creation and destruction. For example, between 1992 and 1996, newly founded organizations created about 28 million jobs in the United States (Birch 1997). In the first years of the 21st century, fewer new businesses were founded and the rate of job creation slowed. (Lippmann, Davis, and Aldrich, 2005, p. 7). Thus, new business activity which contributes in economic growth and increase in the number of employment opportunities remain at the core of the concept of entrepreneurship.

## 2. Entrepreneurship at the Level of Individuals and Teams

“Entrepreneur” and “entrepreneurship” constitute somewhat contested terms, especially outside of the community of scholars who regularly publish in entrepreneurship journals (Gartner, 1985). Debates over the meaning of the terms became a regular feature of conference presentations and journal articles in the 1970s, as the field struggled for academic legitimacy. Some of the debates reflected the field’s

attempt to distinguish the field of “entrepreneurship” from the field of “small business studies,” which had been the traditional home of people studying business startups. The debate also reflected disciplinary disputes over units and levels of analysis, period, methods, and theoretical perspectives (Aldrich, 2004). This is how the concept and field of entrepreneurship can be understood in terms of a number of features in a particular socio-cultural context. Therefore, the concept and theory of entrepreneurship can only be understood locating it in a particular social-cultural context.

## 3. Theorizing Entrepreneurship

Studies on entrepreneurship are new in all disciplines including sociology. However, there are some interesting explanations on entrepreneurship. While going through the literature on entrepreneurs and entrepreneurship one can find various concepts, theories, empirics, and methods. It is also necessary to understand all these four components in relation to entrepreneurship for the scientific explanation of entrepreneur and entrepreneurship; theory on entrepreneurship. It would therefore be to acknowledge Verdaguer (2009) who summarizes the theories on entrepreneurship to develop a theoretical framework. His theoretical summary includes theories on both classical and new economic sociology. Let’s discuss them in detail on the basis of what Verdaguer (2009, p. 13) summarizes on theorizing entrepreneurship.

## 4. The Classical and the New Economic Sociology

Verdaguer (2009, P. 13) writes, “Classical economic sociology traces its origin back to the turn of the twentieth century when its founding thinkers sought to explain the economy as a historical social system. Underlying this grand theoretical project, focused on unveiling the origin and nature of modern capitalism, laid the assumption that any economic model was a reflection of its social system”. In other words, Verdaguer (2009, P. 13) writes, the economic structure had been significantly shaped by culturally based elements of the social system. Variations of such lines of thought were most notably advanced by Weber (1958, 1978), Marx (1956, 1965), Sombart (1951), and Schumpeter (1934, 1988) who believed that modern capitalism emerged from and superseded a primitive ethnic ancestor. Classical economic sociologists, thus, were among the first ethnic entrepreneurship scholars. In his 1957 essay “The Economy as Instituted Process,” economic anthropologist Karl Polanyi provided the theoretical insight that would fuel the latest iteration of economic sociology studies. Challenging the ahistorical and universalistic approach of economics—which conflated economy, markets, society, and polity—Polanyi argued that the understanding of economic systems necessitated a conceptual shift. Such reconceptualization, he sustained, entailed a comprehension of the “human economy as an instituted process . . . embedded and enmeshed in economic and non-economic institutions such as religion and government” (Polanyi, 1957, p. 250). Like Weber, Sombart,

and Schumpeter, Polanyi's work also suggested that, with the advance of modernization, economic exchanges would eventually be freed from constraining social relations (Verdaguer, 2009, P. 13).

Decades later, in the 1980s, a new economic sociology body of work emerged to contest the influence of neoclassical economics in the social sciences. Despite their common intellectual tradition, the classical and new economic sociology differ in that the latter does not seek to advance a grand theory of economic development within a historical social system. Instead, the new economic sociology attempts to unveil the relationship between social structures and economic behavior. In fact, responding to Polanyi's argument, Granovetter (1990) postulated that modernization, on the contrary, would lead to a proliferation of sociability in economic transactions. Hence, Granovetter's spin on Polanyi's model paved the way for what now amounts to a copious body of literature on the effect of social relations on economic action (Smelser and Swedberg 1994; Swedberg 2002, 2003; Guillen et al. 2002; Granovetter 1985, 1990, 1995, 2002). Three key theoretical and methodological concepts are the cornerstone of the new economic sociology: social embeddedness, social networks, and social capital (Verdaguer, 2009, P. 14). Thus, entrepreneurship is linked to large networks with embeddedness.

## 5. Social Embeddedness and Social Networks

Verdaguer (2009, P. 14) highlights on Polanyi's concept of embeddedness, rediscovered by Granovetter decades later, has become a central conceptual framework in studying the role of social expectations in market transactions within firms. Paramount to the concept of embeddedness is the notion that social expectations play a key role in determining market (as well as non-contractual) transactions (Granovetter 1985). Granovetter distinguishes between "relational" and "structural" embeddedness and gives primacy to the latter since it is the "larger social world of which all transactions are a part which becomes the prime source of expectations guiding individual action" (1995: 8). In understanding entrepreneurship, both forms of social embeddedness are important.

Relational embeddedness refers to behavior induced by reciprocity expectations arising from economic actors' personal relations with one another, while structural embeddedness refers to the broader network of social relations to which economic actors belong. Embedded transactions, therefore, encompass qualitatively distinct economic exchanges which, in turn, are inserted into overarching social structures (networks) (Verdaguer, 2009, P. 14). Therefore, for economic sociology scholars, the relationship between sociability and economic behavior is mediated through social networks. This paper is thus focused on the nature of capitalism and its role in shaping business and entrepreneurship.

## 6. Objectives and Methods

Studies on different dimensions of business and entrepreneurship has become important in the present day Nepal. The attention of academician and politician is also drawn towards this theme. Academic research and activities are continuously going on in different fields within and beyond Nepal. It is also taking place in policy documents and other initiatives. This paper aims to examine the history of entrepreneurship from sociological perspective and to describe the current status of entrepreneurship in Nepal.

This paper is primarily based on data gathered from literatures, both hardy and soft copies, which are focused on sociology, entrepreneurship, and its status in Nepal. To gather relevant literatures on entrepreneurship e-library was visited. Other relevant readings were collected through googling google scholar and downloading from jstor and other accesses available at the Department and Library. Based on the literatures, themes under three broad concepts; Capitalism, Economic Sociology, and Entrepreneurship were insert in the search engine of Google Scholar including jstor. Magazines, newspapers including online media were searched and consulted for data while preparing this article. Qualitative content analysis was the method of data analysis followed to in this article.

## 7. Social Capital and Entrepreneurship

Social capital emerges as a direct product of embeddedness (Granovetter 1985; Portes 1995). First theorized by Bourdieu (1977) and Coleman (1988), social capital has become the focus of substantial theoretical debate among sociologists and political scientists (Edwards, Foley, and Diani 2001; Putnam 1993). More intangible than other types of resources, social capital does not inhere in the individual but accrues to him/her by virtue of his/ her set of relationships with others. In other words, it accrues to individuals through their membership in particular social networks (Verdaguer, 2009, P. 15). It expands and enhances the social capital of individuals and group.

The classical economic sociologists' predictions on the demise of traditional capitalism implied that small businesses and entrepreneurs, on whom traditional capitalism relied, would also vanish into oblivion. This school of thought had such intellectual weight that it would take until the mid-1970s for research on immigrant entrepreneurship to eventually reemerge (Verdaguer, 2009, P. 20). The scholarly discussion on the nature and form of entrepreneurship and perspectives are found gradually changing and improving.

From a different perspective, neo-classical economists claimed that individual human capital attainment, captured through education and work experience, determined self-employment outcomes (Becker 1975; Borjas 1990; Chiswick 1985). Given that many immigrants brought technological, managerial, and professional skills acquired in the homeland, they were in a better position than those groups without these assets to start a business. Thus, this framework explained immigrants' self-employment rates primarily on individualist grounds (Verdaguer, 2009, P. 21). Many immigrants therefore

may begin new entrepreneurship in the place of destination. Also, the emigrants returning home destination are also engaged in individual and group-level entrepreneurship in many countries including Nepal.

Further, building on Bourdieu's notion of cultural capital, Light and Gold later refined the resources theory of entrepreneurship perspective to include class-derived "bourgeois occupational culture" or the occupational culture of entrepreneurship. A form of class-based cultural capital, they define it as "the skills, knowledge, attitudes, and values that bourgeoisies need to run the market economy" (Light and Gold 2000: 92–3). Likewise, they differentiate class-derived social capital from ethnic-derived social capital. Whereas the former entails "ownership of class-derived social relationships that facilitate entrepreneurship" (2000: 94), the latter consists of ownership of ethnic-derived social relationships, that is relationships acquired through common membership in ethnic groups (Verdaguer, 2009, P. 22). Such common membership could also be in ethnicity like NRN and returnee migrants who reflect the culture of ethnic entrepreneurship.

## 8. Capitalism and Entrepreneurship in Nepal

Many scholars discuss the nature of mode of production of Nepal is capitalist in nature. In the context of capitalist mode of production, a World Bank report [(2013) (cited from Kunwar, 2018, p.7) shows that:

- i) Nearly half of the Nepali youth surveyed had either invested in or were thinking of investing in business (new or existing).
- ii) After returning to Nepal from external labour migration, entrepreneurship was more of an economic necessity for them given the lack of jobs available in Nepal, rather than their desire to find new opportunities to use the skills they had learnt overseas.
- iii) Because of their age, limited resources, and limited life-work experiences, the youth, especially young migrant returnees, face unique constraints in starting new businesses.
- iv) The majority of respondents who had/were thinking of investing in a business did not believe that the skills they had learnt while working overseas were relevant/applicable in Nepal.
- v) Lack of access to business information, credit, trainings, technical support, and organizations linking skills with prospects were seen by these youth migrant returnees as major hindrances to their own entrepreneurship possibilities in Nepal.
- vi) In this regard, most returning migrants stated that investing in either existing businesses and/or starting a new business would require additional sources of business management advice and investment capital, either from the GoN or the private sector.

## 9. Development of Entrepreneurship Culture in Nepal

It is reported, in ESABDA (2022), that the trend of entrepreneurship was introduced in Nepal by Thakalis of Marpha as a culture of possessing powerful impetus towards trade. The entrepreneurial ecosystem in Nepal became prominent around the early 2010s. Small and medium enterprises (SMEs) have a significant contribution to Nation's economy. In Nepal, SMEs contribute around 22 percent of GDP and generate around 17 lakhs (1.7million) jobs.

According to data from the fiscal year 2074/75 there were around 275433 registered SMEs in Nepal. Also, according to Industrial Act 2016, any business having capital up to Rs 100 million is categorized as a small enterprise whereas a business having fixed capital between Rs 100 million to Rs 250 million is categorized as a medium enterprise.

And, according to World Bank's- Doing Business Survey, Nepal ranks 135 out of 190 for starting a business. This demonstrates how miserable enterprises are in Nepal. Top 10 Entrepreneurs of Nepal are: 1) Binod Chaudhary, 2) Min Bahadur Gurung, 3) Ambika Shrestha, 4) Upendra Mahata, 5) Shesh Ghale, 6) Anil Shah, 7) Birendra Basnet, 8) Ichhya Bahadur Tamang, 9) Yukesh Chaudhary, and Karna Shakya. These top 10 entrepreneurs in Nepal List (2022) can be briefly introduced as follows: 1. Anil Shah: He is the CEO and founder of Mega Bank in Nepal. Anil Shah is a well-known and prosperous Nepalese businessman. 2. Binod Chaudhary: When you think of a Nepalese entrepreneur, the first name that springs to mind is Binod Chaudhary. Forbes magazine dubbed him Nepal's first billionaire, making him the first Nepalese to do so. 3. Yukesh Chaudhary: Yukesh Chaudhary, the founder of Niriv.com, is a Nepalese entrepreneur. Yukesh Chaudhary has launched a number of internet businesses in recent years. Yukesh Chaudhary is a Nepalese internet entrepreneur who has built digital services in the country. He comes from the Eastern Region of Nepal. 4. Ichhya Bahadur Tamang: He is the founder and chairman of the Civil Group. One of Nepal's largest and fastest-growing commercial institutions is the Civil Group. It manages civil dwellings, the civil merchant Bittiya Sanstha, the civil business complex, the civil bank, and the civil international consultant.

Similarly, others in the list can be introduced as follows: 5. Karna Shakya: Karna Shakya is a Nepalese entrepreneur who is both encouraging and motivating. He's worked as an environmentalist, a conservationist, a hotelier, an author, and a philanthropist, among other things. 6. Aaditya Jha: Aaditya Jha is a philanthropist, entrepreneur, and social activist who is Nepalese-Canadian. His commercial enterprise portfolio includes numerous startups and business turnarounds with interests in Canada, India, Thailand, and Nepal. He has a \$1 million net worth, is a globetrotter, and his commercial enterprise portfolio includes numerous startups and business turnarounds with interests in Canada, India, Thailand, and Nepal. 7. Shamsheer Rana: Pashupati Shamsheer Rana was formerly regarded as Nepal's richest man, even wealthier than the King. He revealed in an interview that his wife, the

princess of the then-Indian Kingdom, brought a dowry worth 25000 million rupees in today's money. 8. Ajeya Sumargi: Ajeya Sumargi is a well-known name in Nepal. He founded the Muktishree group of companies and serves as its chairman. He was one of the founders of Mero Mobile, which is now Ncell. He is now the executive director of Hello Nepal, a program that started in the Midwest and has since extended to the Pacific Northwest. He is a pioneering businessman, an industrialist, and the ambassador of Belarus to Nepal. He's even authored a book, Ajeya Raj Sumargi, in which he recounts his trials and tribulations. Nepal's most successful entrepreneurs 9. Shesh Ghale: Sesh Ghale is a successful entrepreneur from Lamjung, Nepal, who now resides in Australia. He was ranked as the 99th richest person in Australia. He is the current CEO of the Melbourne Institute of Technology, as well as its founder. He is also the National Rifle Association's president. 10. Birendra Basnet: Only a few people are familiar with Birendra Basnet's name, but if you dig deep enough, you'll find out who he is. He is the managing director of Buddha Air. His family was from a farming background, and he was the first in his family to go against the grain.

Almost all entrepreneurs (except Binod Chaudhary and Shesh Ghale) are running service-focused entrepreneurship rather than productivity and product/yield-centric. Their entrepreneurship is contributing through service by increasing employment opportunity rather than productivity and product/yield.

As mentioned in Onlinekhabar. (March 9, 2021) seven young Nepali women entrepreneurs who are breaking patriarchal stereotypes. These women entrepreneurs and their entrepreneurship are as follows:

1. Nikita Acharya is the CEO and co-founder of the e-commerce platform Urban Girl/ UG Cakes/ UG Bazaar. Acharya was just 19 when she first started her business. Acharya, along with her business partner, started Urban Girl in 2012 that sells female jewellery and accessories.
2. Miss Nepal 2019 Anushka Shrestha came up with a local dessert brand 'Makkuse' in 2020 that would reflect her roots. Makkuse, a word from Nepal Bhasa, roughly translates to something scrumptious in English, and this company makes and sells traditional Nepali sweets like gundpak and pustakari.
3. Priya Sigdel is the co-founder and president of HattiHatti Nepal, a non-profit organisation that recycles clothes or fabrics into beautiful garments and accessories. Started with an aim of empowering women from marginalised groups, HattiHatti educates those women through their classes in subjects like English, maths, business economy along with practical advanced tailoring training.
4. Prakriti Mainali started Shakti Milan Nepali in 2014, with a vision to economically empower the women of marginalised and underprivileged groups, meanwhile caring for environmental sustainability.

5. Rewati Gurung is the founder of Kokroma, which produces and sells Nepali-design baby clothes. She initiated Kokroma in 2018 after being inspired by the idea of a Finnish baby box (a maternity care package that includes a cradle, clothes uniquely designed for new mothers and their babies after World War II) during her summer school days in Finland.
6. Sajal Pradhan is the CEO and co-founder of a social enterprise Best Paani that provides rainwater harvesting system, water filtration systems, wastewater recycling, and groundwater recharge services to Nepali households.
7. Nisha Tadjale KC is the co-founder of the online grocery store Kathmandu Organics, which sells local, organic, pesticide-free, and homemade products, mainly grocery items of Nepal by collaborating with farmers, cooperatives, and entrepreneurs from 40 districts. She founded this startup in 2017.

Almost all the women entrepreneurs are also contributing in service sector rather than production of goods sector which contributes in economic growth. Besides, there some other entrepreneurs who are investing in agriculture (vegetables, fruits, etc.) livestock (buffalo/cow farms, dairy farms, goat keeping, etc.), poultry farming, fish farming, hotel, and tourism. They are run mainly by returnee migrants and some by educated and trained entrepreneurs in Nepal. All the entrepreneurs are struggling for their existence even today.

## 10. Conclusions

From the analysis of entrepreneurs involved and entrepreneurship operated in the socio-cultural context of Nepal seems following the approach that the classical economic sociologists' predictions on the demise of traditional capitalism implied that small businesses and entrepreneurs, on whom traditional capitalism relied, would also vanish into oblivion. The individuals, groups and state-level entrepreneurship operated around 1970s are now almost vanished in the Nepalese context.

The entrepreneurs and entrepreneurship practiced in the context of Nepal can be understood from a different perspective, neo-classical economists claimed that individual human capital attainment, captured through education and work experience, determined self-employment outcomes (Becker 1975; Borjas 1990; Chiswick 1985). Nepalese entrepreneurs of new generation got the ideas and inspirations on entrepreneurship through education and training within and beyond Nepal.

Given that many immigrants brought technological, managerial, and professional skills acquired in the homeland, they were in a better position than those groups without these assets to start a business. Thus, this framework explained immigrants' self-employment rates primarily on individualist grounds (Verdaguer, 2009, P. 21). The modern entrepreneurship operated by younger generation individuals and groups either in agriculture, horticulture, livestock,

poultry, fishery, small business, and other kind of entrepreneurship are mostly run by returnee migrants and educated and trained individuals. The entrepreneurships operated by them are basically the demand of social structure which shaped particular nature of economic behavior as argued by new economic sociology. It is also closer to the notion of social embeddedness, social networks and social capital proposed by Verdaguer (2009).

The entrepreneurial activities are central to the evolution of capitalist societies because new business drive economic and employment growth. However, the entrepreneurships running in Nepal are different from the entrepreneurial activities in traditional capitalism. Because they are contributing in service sector productivity and economic growth and employment growth rather than trade and industry. Except in a very few cases, the top ten entrepreneurs, seven young women entrepreneurs, and other entrepreneurs are based on human capital formed through education and training. It has thus more contribution in increasing service sector productivity and employment growth rather than productivity and product/yield in trade and industry.

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