

Unit 12: Management Practices and Problems in Nepal

Growth of business sector: The growth of business sectors can be explained in four stages. They are as follows:

Stage I:

- Company Act 1936
- Establishment of jute, cotton, cigarette, and oil mills.

Stage II:

- Planned industrial development started
- Industrial Policy 1957
- Industrial Policy 1962 motivated industrialists to establish manufacturing industries.
- Industrial Policy was revised in 1965 and 1967
- Priority for establishing import substituting and export promotion industries.

Stage III:

- Fully partially owned public enterprises were established during 1960s and 1970s.
- The largest numbers (29) of public enterprises were established in the manufacturing sector.
- The new industrial policy 1974 provided heavy incentives in the form of income tax, excise duty and sales tax holidays for newly established industries.
- In 1981 and 1987 government revised industrial policy to simplify bureaucratic hurdles.

Stage IV:

- With the restoration of democracy in 1990 a major policy reform was initiated.
- The new industrial policy 1992 was announced and emphasis was given to deregulation and encouragement of competition and reliance on market force.
- During 1991-1994 more than 3000 industries were registered.
- Measures were created to attract the Foreign Direct Investment (FDI).
- Private sector is attracted for investment.
- During 2002-03, 4475 private firms were registered.
- Nepal became member of the World Trade Organisation (WTO)
- The new industrial policy 2010.

Export Oriented Industries:

- a. Carpet Industry
- b. Garment Industry
- c. Leather Industry
- d. Handicraft Industry

Import Substituting Industries:

- a. Pharmaceutical Industries
- b. Electrical and Electronic Industries
- c. Cement Industry Tobacco Industry
- d. Sugar Industry
- e. Paper Industry

Services Industry:

- a. Tourism Industry
- b. Trade and Services Industry
- c. Transport Industry
- d. Construction Industry
- e. Financial and consultancy Services.

Existing Management Practices in Nepal:

- a. Planning and decision making: Nepalese organisation has centralized mechanism in planning and decision making process. Most of the decisions are made by top level management only. Middle and Lower level managers have to dependent on top level manager in making decision and even they have to wait for order to impart their duties.
- b. Authority delegation and responsibility: Nepalese organisations were structured in bureaucratic design, delegation of authority and responsibility are done at the influence of top level managers rather than, in a way to achieve organization's goals.
- c. Problems in integration: Planning, policies and programs are not properly integrated with the goals of organization. Most of the organization, there is no matching of people jobs and department needs.
- d. Organizational culture: Organization shared values and beliefs are rigid and traditional in nature. Employees always resist the organizational change and development.
- e. Business Culture: Majority of private sector business are family owned. They look for the family interest to make business decision rather than professionalism of their management.
- f. Working environment: Due to over influence of the politics and unnecessary interference of political parties nepotism and favoritism prevailing every level of organization. Similarly there is no discipline in the organization. Due to these reasons the productivity of organizations are degrading day by day.
- g. Lack of managerial skills: Managers are weak in leadership capabilities, employees are weak in communication and interpersonal skill, and workers are lack of vocational knowledge. Due to this there is always problem in organization.

Major problems facing business in Nepal:

1. No proper business environment
2. Lack of market.
3. Unhealthy competition.
4. Poor investment climate.
5. In adequate Government policies.
6. Frequent changes in Government policies.