

# GENERATING YOUTH EMPLOYMENT INITIATIVE

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## ABSTRACT

Decade long Maoist 'people's war' in Nepal ended with Comprehensive Peace Agreement on November 25th, 2006. The civil conflict began from highly underdeveloped rural areas of Nepal and spread across the Nepal within few years. After 6 years, Maoist claimed to control 80 percent of the territory. Among others poverty and unemployment is identified one of the major causes of conflict. So with peace agreement one of the biggest challenges was to meet these expectations. And in post-conflict context not only government but also international nongovernmental organization initiated several employment generation initiation targeting youth, marginalized people as well as rural Nepal.

The first objective of this study is to analyze the first post-conflict government initiative for generating employment program named 'Nepal Youth and Self Entrepreneur and Self-Employment Fund' and review its implementation model.

The second objective is to assess the employment generation opportunity in the village affected with conflict and which is marginalized community (Taklung VDC, Gorkha District). Under this objective the study explores the current employment opportunities, its challenges and opportunity of generating employment within the community. To understand the successful initiative at community level for income generation, the study uses the case of Madanpokhara village, Gorkha which is known for its community based cooperative to commercialize its products.

The study use qualitative methodology and uses tools like in-depth and semi-structured interview, focus group discussion, and review of report. Total 10 in-depth interviews and two focus group discussions were conducted. Participant of the study were locale youth, women group, locale leaders, local government officials, financial cooperative heads, NGO/INGO officials.

The study concludes that NYSEF is suffering from lack of ownership from new governments as well as it had failed to scale up from mere total 25,000 borrower to national level program; its objective has been partially materialized as the intermediate cooperative asserts that giving loan to starter business is risky as well as the percentage of borrower from marginalized is still very low. Another challenge is lack of coordination with other ministry since NYSEF only provides financial assistance but no training for skill development or does not assist in business model. For second objective it is concluded that most of the initiative for employment generation in rural community is limited to training as well as they are supply-driven which failed to transform individual initiative to commercial activity. Need for community cooperation coupled with financial assistance and market skills in close coordination with government, NGO and private sector can make the employment generation activity sustainable and can be commercialize into profit generating model.

## NOTES

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# 1. INTRODUCTION

## 1. 1. NEPAL YOUTH POLICY AND ITS IMPORTANCE FOR DEVELOPMENT

National Youth Policy defines youth as a men, women and third gender of age group between 16-40 (National Youth Policy , 2010, p. 3). In Nepal, population of 16-40 age groups in accounts for 38.8 percent of the total population while the age group 15 – 29 accounts for 27 percent (2001 census). With Population of 26.6 million<sup>1</sup> , Nepal is relatively young country with 40 percent of population below 15 years of age, and 56 percent of people between 20-40 years<sup>2</sup>. (International Labour Organization, 2013) Present this large percentage of youth as great opportunity as well as challenge. International Labor Organization assert that in response to huge, growing youth population as well as post-conflict contest, nepal has to ensure the economic growth which is both employment-centric and inclusive development (International Labour Organization, 2013, p. 5).

To address the post-conflict expectation as well as to carter large population of youth first Post-conflict government introduce first National youth Policy in 2010. The Policy identify this group as the change agent for economic, political, social and cultural transformation (National Youth Policy , 2010). In this policy, youth is consider to be the backbone and main source of nation building and they recognize the need to bring the youth in the mainstream of nation building. Even in Interim Constitution of Nepal, 2007 it directs the state to bring special policy to mobiles youth for development of country. It define its long term vision is to “to prepare capable, entrepreneur, creative and competent youths with scientific and positive vision and establish the youths of the country in the leadership role.”

And for employment it has formulates employment working policy of (National Youth Policy, 2010, pp. 13-17), in which it emphasized on following issues:

- Development of rural and agro-industry shall be focused on, by providing entrepreneurship and other vocational training, in order to enhance employment.
- Establish and develop financial institutions, as required.
- Generation of youth human resources according to the need of labor market shall be focused on.
- Encouraged to establish cooperatives in rural and urban areas for economic and social transformation.
- Encouraged to engage in employment of the agriculture sector by providing, inter alia, agricultural inputs and seeds, and loans as required for the modernization and professionalization of that sector.
- Local level in a coordinated manner by establishing the “youth employment promotion center.”

## 1. 2. INITIATIVE BY GOVERNMENT TO ADDRESS THE ISSUE OF EMPLOYMENT

Nepal has been suffering from unemployment and political conflicts for many years not being able to use the energy of the youths in a productive task. Addressing this issue and to promote youth employment in the country, the Government of Nepal (GoN) announced

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<sup>1</sup> Central Bureau of Statistics. 2011. “National Population Census 2011: Preliminary Results,” CBS/National Planning Commission Secretariat, Kathmandu, Nepal.

<sup>2</sup> Ministry of Health and Population. 2012. Nepal Demographic and Health Survey 2011. Government of Nepal/ USAID/ New Era, Kathmandu, Nepal.

the Youth Self-Employment and Small Enterprise Fund (YSESEF) programme on 5 February 2009. The vision of this programme is to develop the entrepreneurship skills of unemployed youth and small business people in order to provide employment and achieve optimum utilisation of productive labour and local resources, alleviate rural poverty, relieve rural unemployment, minimize the increasing trend in rural-urban migration, contribute towards the development of peace and lessening of social injustice. To attain its vision, the government's strategy was to make use of banks and other financial institutions to provide short-term collateral-free loans up to 200,000 rupees. at low interest rates. For this, the government initiated a Youth and Small Enterprise Self-Employment Fund of NRs. 500 million. It is envisaged in the Self-Employment Fund Regulation 2065 to subsidize 60% of the total paid interest rate to the applicants who return back the money in time. FNCCI, the umbrella organisation of Chambers of Commerce and Industry in Nepal, is the main partner of MoF in the implementation of the YSESEF programme. FNCCI assisted in registering the applicants through different CCIs. 628,303 people applied for this programme all over Nepal. Moreover, the CCIs conducted a three days orientation programme on small business and entrepreneurship for the applicants of the YSESEF programme.

### 1. 3. COORDINATION BETWEEN GOVERNMENT AND INGO TO ADDRESS THE ISSUE OF EMPLOYMENT

Micro-Enterprise Development Program (MEDEP) is a flagship enterprise development program of the Government of Nepal (GON) and United Nations Development Program (UNDP). The goal of the program is to alleviate poverty by incubating micro-enterprises and helping them become self-sustainable. The program was initiated in July 1998 in 10 districts of Nepal. As it completes its third phase of implementation in 2013 it has spread its work area to 38 districts and has successfully incubated more than 60,000 entrepreneurs. MEDEP's target population consists of the poor and ultra-poor individuals and families who are below the poverty line according to the Nepal Living Standard Survey (NLSS-III). Unemployed youths, women, and socially marginalized groups from the target population are prioritized for the program. Apart from UNDP, Australian Government Overseas Aid Program (AUSAID) and Canadian International Development Agency (CIDA) are the major supporters for this program. Its major implementing agency is the Ministry of Industry (MOI) and the co-implementing agencies are Ministry of Forest and Soil Conservation (MOFSC), Ministry of Federal Affairs and Local Development (MOFALD) and Ministry of Agriculture Development (MOAD) (MEDEP, 2010).

The provision of Common Facility Centers (CFC) is one of the interventions of MEDEP for nurturing entrepreneurship. A CFC is a place where entrepreneurs can get together and share the building space and appropriate technology available there in order to produce goods or provide services, which become a source of income for them. A CFC can also be used as a marketing venue, raw material collection center, training center, meeting room or as a networking platform for the entrepreneurs. The non-bankable ultra-poor beneficiaries who cannot afford to have a space and technology to begin their enterprise are provided with these CFCs (MEDEP, 2010).

## 2. RESEARCH DESIGN

### 2. 1. PROBLEM STATEMENT

Stagnant economy and lack of employment opportunity in rural Nepal had led to huge migration among youth of Nepal. Even though for short run the economy of Nepal is sustained by the remittance, it has huge socio-economic cost on the society in long run. And to address this problem one of the biggest challenge for Nepal government is create job or encourage entrepreneurial initiatives. Another issue is that beside large number of non-governmental organization as well as government ministries working in employment sector, its success rate is too low. Even the government initiative of YSESEF failed to scale up and in five years it is successful to provide loan to approx. 25,000 people only.

### 2. 2. RESEARCH OBJECTIVE AND RESEARCH QUESTIONS

The main objective of the study is to understand the Opportunity and Challenges for Youth Employment and Entrepreneurship Development in Rural Nepal. For that two sub research question has be developed followed by sub-research question.

- Research Objective: To understand the Opportunity and Challenges for Youth Employment and Entrepreneurship Development in Rural Nepal.
- Research Question 1: What are the initiatives taken by government and non government organization to address the youth employment in rural Nepal?
- Research Question 2: What are the employment opportunities available in Taklung VDC, Gorkha?
- Research Question 3: To develop a framework for creating income generating opportunities in Taklung VDC, Gorkha.

### 2. 3. RESEARCH METHODOLOGY

#### STUDY AREA AND JUSTIFICATION

For the study three district were selected based on convenience sampling based on access as well as personal contact of researcher to locale district volunteer for NYSEF. They were: Gorkha, Palpa and Kaverpalnchowk. For objective one Palpa and Kaverplanchowk district were used where as for second objective Taklung VDC, Gorkha and Madanpokhara VDC, Palpa were used.

For Second Objective, Gorkha district was selected as it was one of the few district which was conflict affected in early period of 'Peoples war' and consider to be Maoist strong hold regions. From Gorkha for in-depth study I have selected Taklung VDC where Seventy percent residence are Dalit household, twenty percent Magar household and remaining ten percent Brahamin and Chhetri household. Here, according to the interview almost eighty percent youth are migrated for employment in foreign countries ranging from India, Malaysia, Gulf countries and only handful of youth are in USA or European countries. However, from interview it was found that most of them are engaged in unskilled labor jobs with salary ranging from 4,000 to 40,000 NRs. Its socio-economic status makes it ideal for the study for employment opportunity in marginalized community.

Selection of Madanpohara VDC, Palpa for community based income generation initiative was based on its successful attempts from cooperative based income generation model which include: Home stay program, Cooperative based vegetable business as well as several other initiatives. From interview it was known that there annual turnover is Four Crore in Vegetable business which includes forty-six household of Madanpokhara VDC.

## QUALITATIVE METHODOLOGY

Since the objective of the study is exploring the implementation model of Nepal Youth Self entrepreneur and self-employment Fund as well as require analyzing the opportunity and challenges for community level income generating initiation (employment), I have chosen Qualitative methodology which is best suitable for exploring and understanding the complex interdependent system (REF) where the dependency and link between each component determine the final outcome.

## DATA COLLECTION

To collect primary data, I have used in-depth and semi-structured interview, focus group discussion. Here, the data collection was guided by the research question for in-depth interview and focus group discussion basic theme were developed around the research question whereas for semi-structured interview I have developed set of open ended questions. Total 10 in-depth interviews were carried out and two focus group discussions was done. Participant of the study were locale youth, women group, locale leaders, local government officials, financial cooperative heads, NGO/INGO officials. For secondary data I had used report and research paper to supplement my primary data.

## SAMPLE SIZE AND SAMPLE SELECTION PROCEDURE

As provided earlier sites were selected based on convenience sampling. However, Taklung and Madanpohara VDC selection was based on purposive sampling. Using my personal contacts I had identified Key-informant for interview as well as focus group discussion

## DATA ANALYSIS

The process of analyzing data already started during the collection of data in the field. Key reflections and issues were continuously noted down to systemize interesting information to follow-up on in later interviews. The coding of data in qualitative research can be explained as sorting data into different categories .The data collected was analyzed with descriptive analysis.

## LIMITATIONS OF THE RESEARCH

The primary limitation of a study like this one is time. Depending on the amount of time spent in the village, the data collected through observation might vary significantly. Due to the limitations of time and budget, this research was mainly based on the information provided by the participant and the secondary data collected. Since, For NYSEF I had taken interviews at head office as well as only two out of seventy-three district, the generalization may not be appropriate based on my result. Similarly, the community based cooperative model can have its one limitation as the model village which I have taken is far different from my study village as Madanpokhara VDC is Brahamin and Chetri based community which is historically known for its entrepreneurial skills and consider to be affluent community. However, the Taklung VDC is marginalized community not only socially but economically as well. It also lack access to physical infrastructure which is one of the strongest point for Madanpokhara district.

### 3. RESULTS

Data Collected from the respondent is used to answer each research questions.

#### 3. 1. GOVERNMENT INITIATIVE: NEPAL YOUTH SELF ENTREPRENEURSHIP AND SELF-EMPLOYMENT FUND, SECRETARIAT

Even though NYSESEF is one of the unique initiative, its earlier year saw limited success benefiting only 4000 borrower but in 2011 with CPN (M) government which adopted locale cooperative to provide services it grows to 25,000. But the NYSESEF still failed to scale up where number of issues has been identified as the barrier for it to grow.

- Lack of ownership from other government and known as Maoist program

NYSESEF was launched by in our first government where we used banks to give loan to unemployed youth and marginalized people. However, our government was toppled and we did not have any chance to review the model. After that lack of ownership from other government has crippled the program and in our second government we review the model and instead of banks we used locale cooperatives as a result I think from only 4,000 borrower in first three years now it has grown to 25,000.”

- Former Finance Minister Barshaman Pun

- Lack of government interest and creation of counter programs

“In past few years we are unable to sit for our regular board meeting whose head is finance minister. I think in 2069 when we adopted cooperative model it enable us to reach more number of borrower. However, we are still unable to scale it up and we are disparately waiting for our board meeting so that we can review our model to address the gaps in NYSESEF.”

- Dr. Punya Prasad Regmi, Vice President of NYSESEF

- Administrative limitations, lack of strong monitoring and evaluation team and incentive for performance

District volunteer is one of the key personal to ensure the effectiveness of NYSESEF. He/ she is responsible for overall coordination in district and crucial member of Monitoring and Evaluation District committee of which District FNCCI president, Chief District Officer and district volunteer. District volunteer is responsible for monitoring functioning of cooperative and borrower and to ensure that they follow NYSESEF policies, where as other member of monitoring and evaluation committee support and provide suggestion to district volunteer. He/ she is also responsible to assist the Borrower in their loan claim which is complex task.

“I join NYSESEF as a district volunteer because I was interested in social work and being locale of Palpa it gave me unique opportunity to help locale entrepreneur. However, incentive and support mechanism for us is very poor. On my own initiative I had coordinated with district health office and locale doctors to help our borrower to have some training as well as regular follow up check for their animals and farm. I wish NYSESEF has coordinated in national level itself as it would have much easier for us to get benefit from government training as well as other facilities like getting aid and technical assistance. As I am only volunteer and not officially recognized my personal channels to get the support from government officials which is difficult.”

- Krishna Darnal, District Volunteer for Palpa

“I am frustrated with this job, we paid only 5,000 rupees monthly and asked to look after whole district. Our job description requires us to visit all the borrower at least once in three month, so for Kavre we have more 700 borrower. According to which I am required to visit 6-9 places everyday which is not possible and for travel allowance we are paid only 500 NRs per month. So it's impossible for us to do what is asked from us. On the top of this our job is contract basis and renew every year. So there is no job security with

no proper remuneration and incentive to do the job.”

- Srijana Dhakal, District Volunteer for Kavreplanchowk

- Lack of incentive for Locale cooperative and risk is high

“The incentive for us is too low. As the margin is five percent as we get loan in six percent and can only give loan at twelve percent, where we are not able to take collateral which makes it too risky. Where by mobilizing our locale shareholder we get loan at eight percent and can give loan with collateral at interest rate of sixteen percent. So for us its not very lucrative as well as we are not getting the amount we were demanding. Like we asked for fifty lakh but got only thirty lakh.”

- District Volunteer, Cooperative of Kavreplanchowk

NYSESEF is only providing financial loan but there is no link with the market or need based training for borrower especially first timer entrepreneur. Due to overload of district volunteer they even did not had information about the benefit provide by the NYSESEF itself.

“It took fifty thousand Nrs one year ago from NYSESEF. However, in mid of the year seven of my pig died. Since it was night time, I was afraid of it smell and buried it. However, later I found that I needed to take photos, police report and recommendation from VDC chief and district volunteer to claim the insurance. So, I lost almost Forty thousand Nrs as I did not knew about the insurance claims. Similarly, my pigs died of sickness, I would have much appreciated if I could have access to training and support from locale medical officer, district volunteer help us but there visit is so limited and in emergency we don't have access to medical officer all the time.”

- Manita Tamang, Pig Farmer, Panauti, Kaverpalnchowk

### 3. 2. GOVERNMENT AND INTERNATIONAL NON-GOVERNMENTAL ORGANIZATION INITIATIVE FOR EMPLOYMENT

**Entrepreneurial Bottleneck:** Undoubtedly, the interventions of MEDEP via CFCs have brought the MEs to a much better social and economic status compared to their past. MEs of the CFCs, given their current success in enterprising, feel that there is much room for scaling up their enterprises. With enough access to finance, technological capability building, and marketing skills MEs see the opportunity for scaling up of their business. However, the MEs still feel incapable of independently fulfilling these aspirations.

**Dependency Syndrome:** The MEs of the CFCs, from the very first step of their entrepreneurial sensitization to the point where they are able to operate independently, are immensely dependent on MEDEP. Even when the enterprises have reached the point of being self-sustainable or becoming “the graduates” the MEs do not want to give up on the free service of MEDEP. This has made them extremely risk averse and even when there are obvious profits and scaling up opportunities the MEs expect financial and service aids from MEDEP or other institutions for exploring such opportunities. The MEs are not taught with the knack of risk taking required to succeed as entrepreneurs. The result is the dependency syndrome. Since MEDEP acts as a guardian institution in the entrepreneurship development process it is, to some extent, natural for MEs to be dependent on it.

**Weak Saugat:** As an official sales and promotional wing of National Micro-Entrepreneurs Federation of Nepal (NMEFN) that represents more than 60,000 MEs across the nation, Saugat Micro-Promotional Pvt Ltd (SMPPL) is in a sense a signature national brand of Nepal. Its sole mission is “to promote the sales of the MEs’ products at national and international level while helping them to scale up production and improve quality” (Saugat, 2013). However, the observations of this study show that Saugat is not able to do full justice to its assumed role and expectations of the MEs. Some of the reasons for such weakness of Saugat are: Lack of proper business model; NGO Culture, Location and Number.

### 3. 3. EMPLOYMENT OPPORTUNITIES IN RURAL AREA: TAKLUNG VDC, GORKHA

The key challenges and quotes from different stakeholders and agents are presented below:

- Lack of access to finances
- Lack of physical infrastructure
- Lack of Market access

“Most of our youth are working in low paying jobs in India, Malaysia and Middle east. By farming, it’s possible to sustain our family for 6-7 month and only option for us is foreign employment. We have only people left in our village who were either incapable to go to physical disability or some family responsibility or who were not able to have money to pay to go for foreign employment. In our village it is normal to get loan from personal contacts at interest rate of 36 percent in some cases many people even have to borrow loan at high as 50 percent too. We don’t see how to start any income generation activity here as the finance we need is too high for us even locale cooperative charge as high as 16 percent. Similarly, we did not have access to market as the only road we have is not charcoaled so most of the time it’s not possible to use vehicle on the road as well as supply of water is irregular and access to raw material is also difficult. Only one possibility we can see is catering locale market which is not very big also”.

- Conclusion of Youth Focus Group Discussion, Taklung VDC, Gorkha

- Supply-based Training and skills, incentive for trainee is limited daily allowance, lunch offered in training session
- No focus on business model to commercialize the training product and no back channel to support the commercialization of product

“We have number of training provided by the NGO and government agency. But they never ask us about what training we want. We got training on bamboo furniture building, agarbati, vegetable farming. Most of the people go to these training for daily allowance and lunch. One of the case the training from EDWON NGO got cancelled because they only gave rice and vegetable curry instead of Non-Vegetarian lunch. Only handfuls of us are interested in training. However, we realized that even with training we were not able to convert that into income generating activity as the training focus on product but never into business perspective.”

- Conclusion of Women Group Focus Group Discussion, Taklung VDC, Gorkha

- High business operation cost to have sustainable livelihood options

“I spent six years I in Qatar as construction work I made 18,000 NRs, but the work was too difficult and dangerous as I was working in ground where there was always risk of materials falling from top floor where construction was taking place. Luckily in our company we did not had any accident in worksite but two my fellow worker died while in sleep. After that I got little afraid but stayed for three more year as I wanted to save money and I planned to start my own tailoring shop. I did not had any formal training but as it was my family job I learned while growing up. Now its almost 4 years and I have my own shop in manakamna, using my own money I bought machines , took land on lease and built a small shop. But in four year I was able to earn only 8,000-9,000 per month in average after covering all the cost, which is very less. Now I am expecting my first child and its not sufficient to run my family. So I am deciding to go to Malaysia for which I am taking loan at interest of 36 percent. I would have stayed if my business could have earn atleast 20,000 NRs but the biggest barrier for me is finances which is very high and the cost of lease for land is too high.”

- Ram Pariya, Lcoale tailor, Taklung VDC, Gorkha

- Lack of manpower as well as entrepreneurial instinct

“I don’t want to go back. I stayed in India for three years and earned only 3,000 IRs. It was lots of hardship and I did not save anything. I decided to come back and borrowed 60,000 NRs from local business man at interest rate of 36 percent to go to Malaysia. There I earned 16,000 NRs, compare to other people working in manufacturing it was easy but it was humiliating. Even when I was sick they asked me to work and said that they had paid 600 Malaysian Rupees to my manpower and they will make me work until they earn profit on me. At the same time I had my daughter and my family separated from my parents. So I decided to come back after 5 years. I saved 8 lakh Rupees at that

and I wanted to start my own business. Initially I started my own shop and wanted to start chicken farm with my friend. But two of my friends backed out as it was risky. I have started my own small chicken farm, however to scale up I am bit nervous as in village the demand is not high, and road connecting to main road is not accessible all the time and on the top I don't have training on this area. So I am little bit afraid to invest all my saving to start my own farm. I wish I could have some supportive group of friend with whom I could materialize my dream.”

- Shyam Tamang, Taklung Village, Gorkha

- Importance of community cooperation and building market access.
- Cooperative initiative to bridge the gap of technology, access to knowledge and finances
- Initiative to link the cooperative initiative with government as well as Non governmental initiative

“We are known for our entrepreneurial skills and what makes us different from other villages is that we have culture of respect to job. Even principle of our school is not hesitant to carry bag of vegetables to market on his way to attend meetings at district headquarters. Ninety-nine percent of household in Madanpokhara are of Brahmin and Chetri with few Magar who are more inclined to army. I will not say that our cooperative community business model was the outcome of one day but it was gradual movement which developed from experience and hardship. We started Cooperative for Vegetable production because we saw broker making large profit margin by just collecting our goods and reselling at same market. Now by using this community cooperative, we have increase our access to market for us as well as we establish link with other NGO and INGO as well as government to bring necessary aids as well as training to our cooperative. Similarly, we have our own member forming specific committee taking responsibility for marketing, supporting farmers by bridging gap of technology, access to raw material as well as proper suggestion from experts regarding their product.”

- Dhanapati Gayera, Madanpokhara VDC, Palpa

## 4. CONCLUSION

The study finds that NYSEF is suffering from lack of ownership from new governments as well as it had failed to scale up from mere total 25,000 borrower to national level program; its objective has been partially materialized as the intermediate cooperative asserts that giving loan to starter business is risky as well as the percentage of borrower from marginalized is still very low. Another challenge is lack of coordination with other ministry since NYSEF only provides financial assistance but no training for skill development or does not assist in business model. For second objective it is concluded that most of the initiative for employment generation in rural community is limited to training as well as they are supply-driven which failed to transform individual initiative to commercial activity. Need for community cooperation coupled with financial assistance and market skills in close coordination with government, NGO and private sector can make the employment generation activity sustainable and can be commercialize into profit generating model.



