

Scaling Youth-Led Enterprises for Inclusive Prosperity: How can youth potential shape Nepal's growth?

A POLICY BRIEF

Sayeja Aryal
Daayitwa Nepal Public Policy Fellow 2025



ACCELERATING YOUTH-LED ENTERPRISES FOR EMPLOYMENT GENERATION AND LOCAL ECONOMIC DEVELOPMENT IN NEPAL

By: Sayeja Aryal, Daayitwa Nepal Public Policy Fellow 2025, Former Parliamentarian Gagan Thapa

Executive Summary

Nepal is experiencing a severe youth employment crisis. Despite rising literacy, domestic job opportunities remain limited, pushing young people abroad in search of work or education. According to the Labour Migration Report, over 2 million Nepalis are currently working overseas, representing a significant portion of the working-age population (MoLESS, 2022). Similarly, more than 400,000 students left the country for higher studies between 2008 and 2021 (MoEST, 2021; UNESCO, 2022). This persistent “Desh Chhodne” (leaving the country) mindset drains talent, erodes the skill base, and weakens local economies (World Bank, 2023; Nepal Rastra Bank, 2023).

Youth-led enterprises offer a promising alternative. They have the potential to generate employment, drive innovation, and stimulate community-level development. However, systemic barriers such as limited access to finance, weak market linkages, fragmented policies, and insufficient post-training support prevent young entrepreneurs from scaling their businesses.

This policy brief, aligned with Mission Rojgari 2025, draws on fieldwork in Sunsari District as well as national-level consultations with entrepreneurship related stakeholders in Bagmati, Gandaki, and Karnali Provinces. It examines the entrepreneurial ecosystem, identifies policy gaps, and proposes actionable reforms to strengthen youth-led enterprises as engines of employment and inclusive economic growth.

Background

Youth aged 16-40 constitute a substantial portion of Nepal’s population and play a critical role in the country’s economic potential (CBS, 2022). However, the domestic labor market cannot absorb the growing numbers of young job seekers. Migration has become a default livelihood strategy, with remittances sustaining households but leaving local economies underdeveloped (World Bank, 2023; Nepal Rastra Bank, 2023).

Municipalities and development partners run thousands of training programs annually, yet the conversion into sustainable enterprise creation and long-term employment remains limited (MoEST, 2021). Entrepreneurship, particularly growth-oriented ventures, can provide a sustainable alternative if supported with adequate finance, market linkages, institutional support, and coherent policies. By moving beyond survival-level activities, youth-led enterprises can generate employment for others, strengthen local value chains, and promote economic resilience at the community level.

Research Overview

Using a qualitative, policy-focused approach, the research was conducted across five local governments in Sunsari District: Itahari Sub-Metropolitan City, Inaruwa, Ramdhuni, Barahakshetra Municipality, and Koshi Rural Municipality.

To situate local findings within the national ecosystem, additional consultations were conducted with entrepreneurship coordinators, employment coordinators, and social enterprises in Bagmati, Gandaki, Lumbini and Karnali Provinces

Findings

- Income generation and livelihood security were the primary motivations for young people to start enterprises, with agriculture emerging as a natural choice. Returnee migrants often turned to entrepreneurship out of necessity, though sustaining businesses remained challenging.
- Finance was the main barrier, with limited capital, restrictive collateral, and weak municipal support. Short, outdated training poorly linked to markets meant few trainees—only 2 of 25 in Itahari—became self-employed after they received the training.
- Structural barriers such as competition from cheaper imports, high raw material costs, weak domestic demand, and regulatory hurdles further constrained growth. Awareness of local enterprise support programs was very low, and municipal approaches varied widely.
- Similarly, national-level consultations highlighted systemic challenges such as : complex and costly registration processes, high business closure rates, and duplication or discontinuity of programs across levels of government.

Policy Gaps

Despite initiatives like the Prime Minister's Employment Program (PMEP) and local youth self-employment funds, implementation is fragmented and underfunded. Municipalities lack systematic registries or labor-market information systems, making it difficult to track outcomes or design evidence-based policies. Financial systems exclude vulnerable youth, reintegration support for migrants is minimal, and market linkages remain weak. Registration and taxation processes are complex and costly, discouraging startups and contributing to closures.

Policy Recommendations

- 1. Redesign national employment programs:** PMEP should expand beyond short-term construction to actively promote entrepreneurship, agriculture, agro-industries, services, and production-based ventures, linking training to finance, markets, and post-training mentorship. Alignment between national and municipal programs is essential, with a 'one-door' approach to consolidate budgets and maximize results.
- 2. Expand access to finance:** Pilot equity funds, project based lending, scale collateral-free loans, provide interest subsidies in competitive sectors, and support women and marginalized youth. Encourage remittance investment in productive enterprises.
- 3. Simplify registration and taxation:** Develop a one-door digital system, turnover-based taxation for startups, and streamlined procedures to reduce hidden costs and duplication.
- 4. Strengthen market linkages:** Institutionalize inclusive and continuous local markets (Haat Bazaars) and weekends Bazar Initiatives, supported by investment in logistics, storage, branding, and mentorship.
- 5. Improve training and post-training support:** Localize and modernize curricula, extend training duration, provide mentorship, and integrate programs (MEDPA, SAMI, REMI) under a coordinated framework.
- 6. Reintegration of returnee migrants:** Create tailored programs with training, grants, peer networks, and a dedicated Returnee Skills Registry.