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## **Credit-based Micro-enterprise Development Programmes in Nepal**

Shambhu P. Dhungana  
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*MEI Series No. 99/1*

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Shambhu P. Dhungana and Bina Thapa worked for the Development Communication and Research Consultancy Group (DECORE) while carrying out this research.

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# Preface

Development experiences in most of the mountain areas of the Hindu Kush-Himalayan Region, over the past decades, have shown that the prevailing predominant mode of their economies – subsistence agriculture – is becoming increasingly unsustainable both economically and ecologically. Diversification of economic activities into products and services, for which these areas offer a comparative advantage, through enterprise-based production for the market, is considered necessary for sustaining livelihoods and alleviating the poverty of the rapidly increasing population. It is in this context that ICIMOD established a programme on 'Development of Micro-enterprises in Mountain Areas' with the objectives of identifying constraints and opportunities and developing policy, programme, and training guidelines for enterprise development in hill and mountain areas of the HKH region. As part of this programme, the Centre has commissioned a number of studies in different countries and areas of the HKH region with a view to documenting experiences of development and functioning of enterprises covering different aspects such as comparative advantages of products, processes, and factors in enterprise development, technology, credit, marketing, and development of entrepreneurial skills as well policies and programmes by government and non-government agencies for promotion of enterprises.

The present paper 'Credit-based Micro-enterprise Development Programmes in Nepal' by Shambhu P. Dhungana and Bina Thapa is one in this series of studies. It is being published with the hope that it will be found useful by those engaged in research and development, policy-making, programme formulation, and implementation for the promotion of enterprises, as well as by the present and potential entrepreneurs in their respective activities.

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**ADB/M** Asian Development Bank, Manila

This study presents a review of credit-based micro-enterprise development programmes in Nepal and discusses the important issues related to credit, micro-enterprises and development. It provides a comparative perspective on the coverage, methodologies, implementation process and sustainability aspects of seven important micro-credit programmes in Nepal, and it also attempts to identify the impact and factors of their relative performance and effectiveness, particularly their contribution to the promotion of micro-enterprises in mountain areas. The study concludes that, even though the total coverage of all the programmes together has been small given the needs of the poor and the entrepreneurs, they have nevertheless led to improvement in the access of the rural people, particularly women, to credit. With the focus being mainly on self-help and poverty reduction. However, the programmes have not been very effective in the promotion of the development of micro-enterprises. The study finally makes some suggestions and recommendations on ways to make the credit programmes more effective in promotion of micro-enterprises, particularly in mountain areas.

**FWERD** Far-Western Regional Rural Development Bank

**FAO** Food and Agriculture Organization

**FY** Fiscal Year

**GO** Group Organizer

**GTZ** German Technical Cooperation

**HMG/N** His Majesty's Government of Nepal

**IDP** Institutional Development Programme

**IFAD** International Fund for Agricultural Development

**INGO** International Non-Government Organization

**LDO** Local Development Officer

**MCPW** Micro Credit Project for Women

**MWRD/B** Mid-Western Regional Rural Development Bank

**NBL** Nepal Bank Limited

**NGO** Non-Government Organization

**NRB** Nepal Rastra Bank

**PCRW** Production Credit for Rural Women

**RSB** Rastriya Banijya Bank

# Acronyms/Abbreviations

<b>ADB/M</b>	Asian Development Bank, Manila
<b>ADB/N</b>	Agricultural Development Bank of Nepal
<b>BWTP</b>	Banking with the Poor Programme
<b>CDO</b>	Chief District Officer
<b>CIDA</b>	Canadian International Development Agency
<b>CRRDB</b>	Central Regional Rural Development Bank
<b>CSD</b>	Centre for Self-help Development
<b>DDC</b>	District Development Committee
<b>EEC</b>	European Economic Council
<b>ERRDB</b>	Eastern Regional Rural Development Bank
<b>FWRRDB</b>	Far-Western Regional Rural Development Bank
<b>FAO</b>	Food and Agriculture Organization
<b>FY</b>	Fiscal Year
<b>GO</b>	Group Organizer
<b>GTZ</b>	German Technical Cooperation
<b>HMG/N</b>	His Majesty's Government of Nepal
<b>IDP</b>	Institutional Development Programme
<b>IFAD</b>	International Fund for Agricultural Development
<b>INGO</b>	International Non-Government Organization
<b>LDO</b>	Local Development Officer
<b>MCPW</b>	Micro Credit Project for Women
<b>MWRRDB</b>	Mid-Western Regional Rural Development Bank
<b>NBL</b>	Nepal Bank Limited
<b>NGO</b>	Non-Government Organization
<b>NRB</b>	Nepal Rastra Bank
<b>PCRW</b>	Production Credit for Rural Women
<b>RBB</b>	Rastriya Banijya Bank

<b>RRDB</b>	Regional Rural Development Bank	
<b>SBP</b>	Self-help Banking Programme	
<b>SFCL</b>	Small Farmers' Cooperative Limited	
<b>SFDP</b>	Small Farmers' Development Programme/Project	
<b>SPIC</b>	Sub-Project Implementation Committee	
<b>SPO</b>	Sub-Project Office	
<b>UNDP</b>	United Nations Development Programme	
<b>UNFPA</b>	United Nations Fund for Population Activity	
<b>UNICEF</b>	United Nations Children's Fund	
<b>USAID</b>	United States Agency for International Development	
<b>UNIFEM</b>	United Nations Development Fund for Women	
<b>VDC</b>	Village Development Committee	
<b>WDD</b>	Women's Development Division	
<b>WDS</b>	Women's Development Section	
<b>WRRDB</b>	Western Regional Rural Development Bank	



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