# **Mountain Enterprises & Infrastructure**



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Credit-based Micro-enterprise
Development Programmes
in Nepal

Shambhu P. Dhungana Bina Thapa

## Credit-based Micro-enterprise Development Programme in Nepal

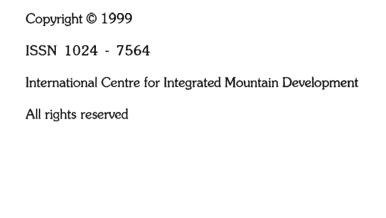
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#### **Preface**

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.

T. S. Papola Head Mountain Enterprises and Infrastructure Division (MEI)

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### Abstract

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.

## Acronyms/Abbreviations

ADB/M Asian Development Bank, Manila

ADB/N Agricultural Development Bank of Nepal

**BWTP** Banking with the Poor Programme

CDO Chief District Officer

CIDA Canadian International Development Agency
CRRDB Central Regional Rural Development Bank

CSD Centre for Self-help Development

**DDC** District Development Committee

**EEC** European Economic Council

**ERRDB** Eastern Regional Rural Development Bank

FWRRDB Far-Western Regional Rural Development Bank

FAO Food and Agriculture Organization

FY Fiscal Year

**GO** Group Organizer

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

Local Development Officer

MCPW Micro Credit Project for Women

MWRRDB Mid-Western Regional Rural Development Bank

**NBL** Nepal Bank Limited

NGO Non-Government Organization

NRB Nepal Rastra Bank

**PCRW** Production Credit for Rural Women

RBB Rastriya Banijya Bank

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

Western Regional Rural Development Bank

WRRDB

### **Table of Contents**

Preface

Flow of Credit and Follow-up

**Chapter 4: Impact Assessment** 

Creation of Employment

Income Generation

Sustainability and Institutionalisation of Groups

Greater Access to Institutional Credit

Increased Enterprise Development

Credit Mobilisation

Acknowledgements Abstract Acronyms/Abbreviations **Chapter 1: Introduction** 1 Background Objectives of the Study 3 Methodology 5 **Chapter 2: Review of Micro-enterprise Programmes** 5 Small Farmers' Development Programme 9 Production Credit for Rural Women 14 Banking with the Poor 16 Regional Rural Development Banks 20 Micro Credit Project for Women 22 Nirdhan 25 Centre for Self-help Development Savings and Credit (S & C) Mobilisation Credit Programmes 28 **Chapter 3: Comparative Analysis of Various Programmes** 29 Conceptual Framework 29 32 Organizational Aspects Coverage/Targets 33 35 Implementation Procedures Fund Management 37

39

40

42

45

45

46

46

48

Social Mobilisation	48
Geographic Location and Effectiveness	49
Chapter 5: Summary and Conclusions	53
Summary of Findings	53
Main Objectives and Differences in Focus	54
Contents of Programmes, Types and Sizes of Credit/Other	
Inputs and Aspects	55
Institutional Arrangements and Procedures	56
Results – Disbursement and Recovery	56
Impact – Promotion of Activities	57
Conclusion	58
References Abul 2 and 30 april 2	65