

## Chapter 2

# Review of Micro-enterprise Programmes

### **Small Farmers' Development Programme**

#### *Background*

Recognising the need to address the problem of poverty and to benefit the poor masses, ADB/N introduced the Small Farmers' Development Programme (SFDP) in 1975. The concept of SFDP culminated as a result of the FAO/UNDP regional project 'called 'Asian Survey on Agrarian Reform and Rural Development' (ASARDP). A workshop organized in 1974 recommended a new approach for reaching the farmers with a non-conventional banking approach (SFDP 1996).

#### *Objectives*

The objective of SFDP is to improve the well-being of the landless labourer through the provision of credit and related support services. In particular, the programme aims to:

- develop self-reliance among the disadvantaged groups in order to facilitate their organizing and planning to carry out activities for their own development and that of the community in which they live;
- adopt the local delivery mechanism of government agencies and other institutions to the needs of the rural poor; and
- enable small farmers to develop their own institutions and formulate village-level plans and programmes as per their choice and needs and implement them accordingly.

#### *Activities/Targets*

The SFDP has many components that cover group formation, credit, social and community development, community irrigation, environmental conservation, women's development, training, institutional development, savings' mobilisation, and collaboration with NGOs.

Initially, small farmers were operationally defined as those who owned less than 2.67 hectares of cultivated land in the *terai* region and less than one hectare of land in the hill region. However, this small farmers' identification criterion was later changed. Presently, the target beneficiaries (small farmers, tenants, share croppers, fishermen, landless labourers, and the disadvantaged) are defined as those having an annual per capita income of less than Rs 2,500\* and/or own less than 0.5 hectares of cultivable land per family.

Credit facilities to undertake income-generating activities are provided on a group guarantee basis with the primary aim of improving land productivity through the use of improved technologies for intensive cultivation practices. Credit is also provided for marketing farm products. The programme also undertakes social and community development activities such as adult education, population education, establishment of drinking water schemes, sanitation, health, child care and nutrition, and community irrigation.

In 1982, the Women's Development Programme (WDP) was introduced as an integral part of the SFDP. The WDP was established to provide basic services to poor women in order to enable them to contribute more significantly to the development of their communities as well as to undertake various farm and off-farm income-generating activities.

A training component is also built into the SFDP for raising social awareness and development of technical and managerial skills of the target groups. Training covers subjects such as crop production, horticulture, art and craft production, cottage and small industries, irrigation management, gender issues, and adult education. Training is carried out by the Agricultural Training and Research Institute at the centre and the Regional Training Centres in the five development regions of the country.

### *Implementation Process*

The district level Sub-Project Implementation Committee (SPIC) is the main body responsible for identifying the potential Sub-Project Office (SPO) site. The SPIC's comprised of members from various line agencies at the district level and is headed by the Chief District Officer and coordinated by the ADB/N district officer. Area surveys in recommended VDCs are carried out through the district office of ADB/N and the results are forwarded to the SFDP Division to facilitate the final selection of the project area.

After selecting the site, the Group Organizers (GOs) and key field staff of the programme carry out a detailed Benchmark Survey in the area. This survey provides detailed information on the status of each household. Information on available infrastructure and community resources is also collected in order to prepare a village

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\* There are Rs 67.35 to one US Dollar

profile that will identify the needs of the target groups and the types of intervention to be introduced.

A ward-wise list of potential farmers is prepared and the GOs motivate and encourage them to form a group of like-minded people. Then the GOs invite the potential farmers to the SPO office, and provide them with documents such as an 'intent' paper and application form for further processing.

Five to ten small farmers with homogeneous characteristics are organized into a group. The group leader and other functionaries are selected by the members. The group members are then given orientation on group dynamics and joint liability. They are also trained to identify their needs and to plan, implement, monitor, and evaluate their activities.

One of the fundamental characteristics of the SFDP has been the provision of group savings. The amount to be deposited is determined by the group itself. This savings' fund is used for loans to group members to meet emergency requirements.

#### *Programme Coverage*

The SFDP began in 1975, initially in Dhanusa district, it was then expanded to 53 sites, covering 118 VDCs, and 12,820 people (11,820 males and only 1,767 females) by the end of 1980 (experimental phase). This facility was then expanded to reach 95,948 people by the end of 1988 (expansion phase). By that time, at least one SPO in all 75 districts had been established. As of mid-April 1997, a total of 27,343 groups (21,373 males and 5,970 females) covering 195,061 members (151,089 males and 43,972 females) had received credit services through this programme (ADB/N 1997). Over a period of 22 years, on an average about 8,860 new beneficiaries had been added each year.

In terms of financial performance, the SFDP disbursed the cumulative loan amount of Rs 4.085 billion as of mid-April 1997. Out of this loan, Rs 2.576 billion had been repaid and the loan outstanding was Rs 1.515 billion. Apart from this, there is also a Small Farmers' (SF) group savings' fund to provide loans for emergency needs. About Rs 46 million of savings had been mobilised as of mid-1994.

#### *Institutional Development*

In order to promote self-reliance, the SFDP set up an Institutional Development Programme (IDP) in 1988. The main objectives of the programme were to develop local-level small farmers' organizations, to enhance the financial and managerial capabilities of grass roots' organizations by imparting knowledge and skills, to give legal status to those organizations in order to establish a long-term relationship between ADB/N and small farmers, and also to develop the Small Farmers' Cooperative Limited (SFCL) as an autonomous and self-reliant organization in order to empower small

and poor farmers through these organizations and to create confidence among small farmers to collect savings and mobilise rural savings.

Through this programme, the SFDP has handed over the lending scheme to the grass roots' small farmers' organizations. These small farmers' organizations receive wholesale credit from the bank and retail it to small farmers (individuals or groups) and carry out social and community development activities on their own with minimum support from SFDP functionaries.

The implementation procedures of institutional development of the Small Farmers' (SF) organizations are the following.

- Identifying promoters from within the SF-group members and mobilising them to motivate the creation and development of ward-level SF inter-group and VDC level SF-organizations (main committee)
- Selecting and employing Youth Workers and Women's Group Organizers from among the SF-group members, or their immediate relatives, who are educated and better informed
- Implementing social and community development programmes through the participation of SF-families with minimum support from other related agencies
- Providing credit to SF individual members or groups through VDC level SF-organizations to undertake various income-generating activities
- Registering SF organizations with the relevant government departments
- Handing over the management of the Sub-Project Office (SPO) to the respective SF organization

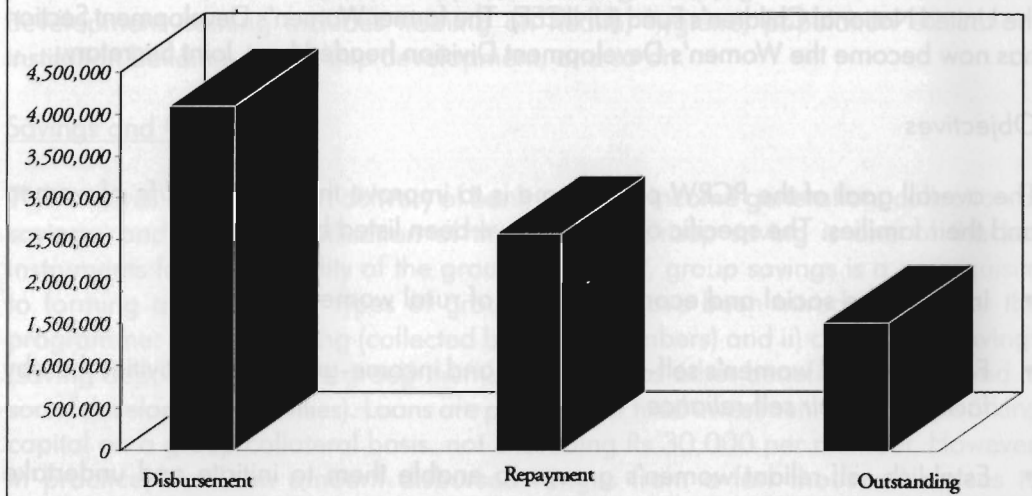
**Box 1**  
**SFDP at a Glance**  
*(as of mid-April 1997)*

Started in -	1,975
Districts covered	75
VDCs covered	649
No. of borrowers/members	195,061
No. of groups	27,343
No. of SPOs	48
Loan disbursed (in Rs)	4,085,300,000
Loan repaid (in Rs)	25,756,000,00
Loan outstanding (in Rs)	1,515,900,000
Group fund saving (in Rs)	68,130,000

In order to undertake institutional activities, a five-year based 'action research' project was implemented in a few SPOs in Dhading in 1987/88. The successful experience of Dhading district encouraged ADB/N to replicate the model in other parts of the country.

As of June 1997, some 48 potential SPOs had been identified where small farmers' organizations had advanced sufficiently to warrant the implementation of institutional

**Chart 1: Status of SFDP Loans**



development in the near future. There are 3,798 groups under these 48 'SPOs. Comparative figures of male and female groups show that there are 1,156 female groups and 2,642 male groups comprised of 8,098 female members and 18,550 male members.

#### *Sources of Funds*

Partners Supporting the establishment, expansion, and consolidation of the SFDP include a number of international aid agencies. Donor support to the programme began as early as 1975 when FAO/ASARRD contributed US\$ 30,000 as a guarantee-cum-risk fund to begin the experimental phase. Since 1981, the International Fund for Agricultural Development (IFAD) and the Asian Development Bank have been supporting ADB/N in providing credit support services to small farmers. The UNICEF, GTZ, EEC, Ford Foundation, USAID, UNFPA, ODA, KHARDEP, CIDA, CARE/Nepal, and many other INGOs have also supported the programme in implementing social and community development activities.

### **Production Credit for Rural Women**

#### *Background*

A series of studies on the 'Status of Women in Nepal' indicated that poor rural women had limited access to the services introduced by the government and donor agencies for rural development and a comprehensive programme was recommended that would respond to all the needs of poor women. The Sixth National Development Plan of Nepal also focussed on this and reinforced the recommendation. This resulted in the emergence of the Production Credit for Rural Women (PCRW) programme in 1982.

Initially, the programme was set up in five districts and implemented by the then Ministry of Panchayat and Local Development (Ministry of Local Development) with support from the United National Children's Fund (UNICEF). The former Women's Development Section has now become the Women's Development Division headed by a Joint Secretary.

### *Objectives*

The overall goal of the PCRW programme is to improve the quality of life of women and their families. The specific objectives have been listed below.

- Improve the social and economic status of rural women
- Facilitate rural women's self-employment and income-generating activities thereby facilitating their self-reliance
- Establish self-reliant women's groups to enable them to initiate and undertake productive activities
- Integrate women into the regular service system for credit, technology, and technical services
- Strengthen the organizational capabilities of rural women to enable them to develop their institutions/associations and manage group development
- Develop the capabilities of the Women's Development Officers (WDO) to ensure that women's needs and interests are duly reflected in the development policies of the country
- Advocate gender issues to the plan formulation committees of DDCs, VDCs, and line agencies and sensitise them about the Convention on the Elimination of Discrimination Against Women (CEDAW) and on the Convention on the Rights of the Child (CRC)

### *Activities and Targets*

The activities implemented within the PCRW programme can generally be classified into four categories. These are given below.

### Training

A series of training programmes are held based on the needs of the beneficiaries. Broadly, training provided under the PCRW can be classified into three categories, namely, basic training, income generating or skill development training, and community development training. The objectives of the basic training are to develop mutual trust amongst group members, to foster group cohesiveness, and to enable them to mobilise

savings and credit schemes. Similarly, in skill training, which is designed based on women's needs, the aim is to support income-generating activities. Community development training includes training on health, hygiene, population education, institution building, leadership development, and so on.

### Savings and Credit

This involves orientation on delivery of bank credit for income generation, collection of savings, and further mobilisation of the scheme. Group saving is one of the key instruments for sustainability of the groups. In PCRW, group savings is a prerequisite to forming a group. Two types of group savings have been introduced under the programme: i) group saving (collected by group members) and ii) community savings (saving deposited by credit group members as well as other beneficiaries involved in social development activities). Loans are provided for fixed investment and/or as working capital on a group collateral basis, not exceeding Rs 30,000 per member. However, in practice, the loan amount disbursed ranges from a few thousand rupees to Rs15,000. Group savings are also used to provide loans for emergency purposes upon the agreement of the group members.

### Community Development Activities

These are basically designed to raise literacy, reduce time spent on household chores, save labour, and provide technology for development efforts. Female literacy, child care, health and sanitation, population education, family welfare activities, forest plantation and protection, improved water mills, nurseries, environmental education, and construction of low cost toilets are some of the main components of community development.

### Institutional Development

Activities such as identification of target groups, group organization and formulation, strengthening linkages, local resource mobilisation, and organizational development of groups are undertaken. Women's groups can be organized into inter-groups and a federation or institution can be developed at different levels.

Target groups of rural women belonging to low income families are formed, low-income families are defined as having an annual per capita income of less than or equal to Rs 2,511. Alternatively, another criterion is to be defined in terms of food sufficiency status. Four categories are identified as those having food sufficiency for less than nine months, those that are just sufficient, those that can spare a little to sell, and those having fairly sufficient quantities. Women in categories one and two are prioritised for inclusion in this programme.

### *Implementation Process*

Implementation of the programme involves different steps that are taken through a number of line agencies and the local government.

At the district level, the PCRW is implemented by Women's Development Officers (WDOs), Supervisors, Chief Women Workers, and Women Workers. Credit is channelled through the Nepal Rastra Bank (Central Bank) using three participating banks (PBs), namely: the Rastriya Banijya Bank, the Nepal Bank Limited, and the Agricultural Development Bank of Nepal.

The activities of the PCRW commence with the identification and introduction of the programme in the VDCs with close coordination and representation from line agencies, PBs, and the selected DDC's approval. Once the site selection procedure is completed, WDS women workers carry out a household survey (complete enumeration).

The community is then briefed about the programme and the potential beneficiaries are given orientation to generate awareness/motivation. Similarly, local government members, community leaders, and line agencies are given orientation. Orientation is given at the site before organizing the beneficiaries identified into groups. The women beneficiaries identified meet on their own, discuss, and form themselves into a group comprised of from four to 20 women. They are provided with basic training on group dynamics, group cohesiveness, savings and credit management, and about the concept of women in development (WID). Finally, the groups that are interested in participating in the programme submit bank loan proposals along with the minutes of their meetings and completed household forms. Loans not exceeding Rs 30,000 per person are appraised by the WDS for recommendation to the bank concerned (i.e., NBL, RBB, and ADB/N). The Bank processes the application, followed by joint field observation, and approves the loan within seven days of receiving the application. Once the loan is received, the women have a period of two weeks to begin executing the project. The loan repayment schedule is made according to the nature of the project and a grace period is given for loan repayment. The loan repayment period ranges from one to a five years.

### *Programme Coverage*

The PCRW programme began with five sites and now there 139 sites spread throughout 55 districts of the country. The PCRW has been operating through 78 unit offices, 55 district offices (WDS), and one central office (WDD). As of mid-April 1997, the total number of women's groups stood at 11,745 with 55,959 women members. During this period, a total of Rs 29.58 million was disbursed to 41,696 borrowers. The programme work force had also increased to 786. However, 564 staff (72%) out of the total staff of 786 are still temporary (WDD 1997).

Most rural women take loans for livestock (66.5% of the total disbursed), services (14.8%), and agriculture (14.4%). The cottage industry loans' aggregate amount was only 4.3 per cent of the total.

The ultimate aim of the PCRW is to develop credit groups into viable women's community organizations. Such an institutional process has already begun. By mid-July 1996, a



total of 122 federated groups had been formed at the VDC level. Of the 122 federations, 20 were already registered as cooperatives and the rest were in the process of registration.

#### Sources of Fund

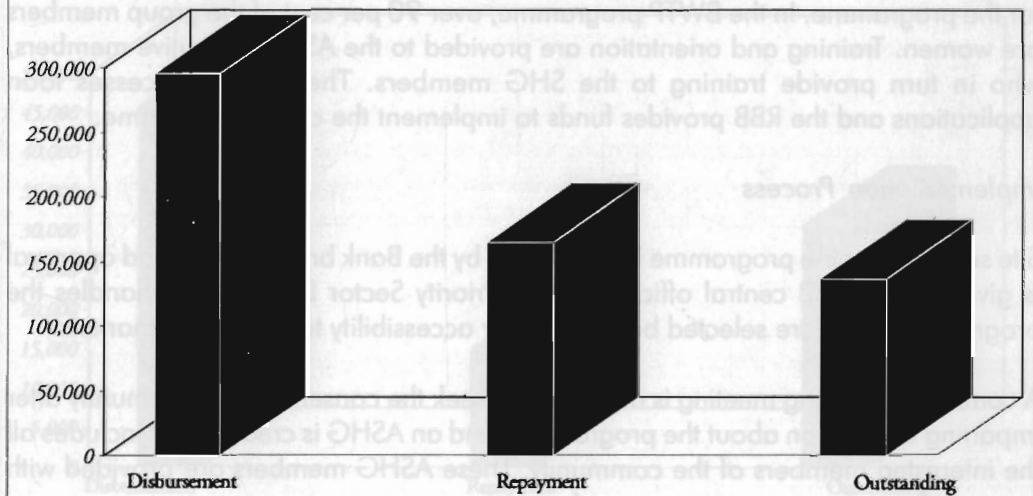
From the outset, the PCRW has received support from the donor community in the form of financial and technical assistance. Some donors support specific activities, while others concentrate their support in specific districts only.

Initially, the programme was introduced in five districts with implementational support from UNICEF. The programme expanded to 33 districts as of 1986/87. The International Fund for Agricultural Development (IFAD) and the Finnish International Development Authority (FINNIDA) provided additional funds to include 16 more districts during 1988 and 1989. Further expansion was carried out to cover additional districts during 1993 and 1994 with support from UNICEF and IFAD (WDD 1997). In addition to these, other agencies which have been involved in providing financial support to the programme are GTZ, UNFPA, World Bank, UNIFEM, and USAID.

### Box 2 PCRW at a Glance (as of April 1997)

Started in	1982
Districts covered	55
VDCs covered	
No. of active members	55,959
No. of active borrowers	41,696
No. of groups	11,745
No. of federations	122
No. of branch offices	55
Loan disbursed (in Rs)	295,850,000
Loan repaid (in Rs)	165,448,000
Loan outstanding (in Rs)	137,485,000
Loan overdue (in Rs)	17,507,000
Savings (in Rs)	18,486,000
<u>No. of participating Banks</u>	
Nepal Bank Limited	75
Rastra Banijiya Bank	76
Agricultural Development Bank	18

Chart 2: Status of PCRW Loans



## **Banking with the Poor**

### *Background*

The Banking with the Poor Scheme (BWTP) was launched on the initiative of the Foundation for Development Cooperation (FDC), Australia with RBB as the executing Bank. In the beginning, it was implemented in Gundu Village Development Committee of Bhaktapur district in 1991 as a poverty reduction programme to establish grass roots' level organizations of the poor as Self-Help Organizations (SHOs). Through these SHOs, services and financial resources were channelled on a sustainable basis to improve the living conditions of the poor.

### *Objectives*

- To develop autonomous and financially viable organizations that can channel services and resources to poor households
- To improve the conditions of the poor to become economically independent
- To provide credit to the poor on a sound commercial basis

### *Activities/Targets*

Under this programme, the Association of Self-Help Groups (ASHG) was formed as an NGO; this is similar to a Self-Help Organization (SHO). It seeks to provide guidance and support services against certain fees. The bank provides credit to SHOs at the market interest rate and SHOs handle the savings and credit programmes and explore various sources of income in order to become financially viable. The bank, NGO, and SHGs work together as a team and the costs and income are shared equally. The group also mobilises savings from its members to be used for the non-productive needs of the members. All women are considered 'poor', and they automatically qualify for the programme. In the BWTP programme, over 90 per cent of the group members are women. Training and orientation are provided to the ASGH executive members, who in turn provide training to the SHG members. The ASGH processes loan applications and the RBB provides funds to implement the credit programme.

### *Implementation Process*

Site selection for the programme is carried out by the Bank branch office and approval is given by the RBB central office, i.e., the Priority Sector Division that handles the programme. Sites are selected based on their accessibility to roads and markets.

A community briefing meeting is organized to seek the consent of the community after imparting orientation about the programme, and an ASHG is created that includes all the interested members of the community. These ASHG members are provided with

five to seven days' training before they form the SHG. Once the SHG is formed by the ASHG, it is given specific orientation about the programme and the loan application is completed and recommended by the ASHG to the Bank. The RBB provides the wholesale credit to the ASHG, which in turn disburses it to the SHG. Repayment is also collected in a similar order. Loans are provided on a group guarantee basis, as in many other programmes. Although the BWTP has been providing loans, as well as awareness and leadership development programmes, so far very few activities have been observed in entrepreneurship development or in business development aspects.

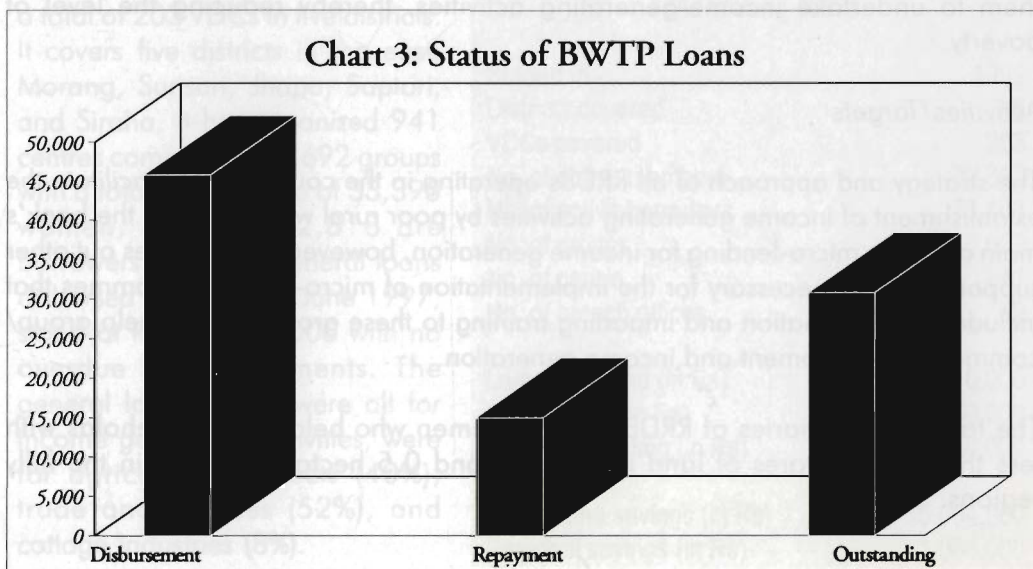
**Box 3**  
**BWTP at a Glance**  
 (as of mid-July 1997)

Started in	1991
Districts covered	18
VDCs covered	68
No. of borrowers	5,474
No. of groups	1,044
Loan disbursed (in Rs.)	45,792,800
Loan repaid (in Rs.)	30,187,000

*Programme Coverage*

During the last seven years, the BWTP programme has spread in 68 VDCs of 18 districts. As of mid-July 1997, there were 75 Association of Self-Help Groups (ASHGs) formed with over 1,044 SHGs. The programme had already disbursed loans of about Rs 45.8 million to 5,474 members (706 males and 4,768 females) of which loans amounting to Rs 30.8 million have been repaid. The repayment rate is over 95 per cent. Most of their loans are used for family businesses related to agriculture, livestock, and tea shops. The BWTP focusses more on providing the rural people with greater access to credit for their needs, rather than entrepreneurship development.

**Chart 3: Status of BWTP Loans**



## Sources of Funding

This programme generates funds through internal resources as well as through donor support. Internal sources of funding include membership fees, application form fees, interest from long-term savings, interest from short-term credit, two per cent margins refunded by the bank, service charges, rebates, and extra activities such as lotteries, sale of literature, and so on. External support includes the support of donor agencies in mobilisation and training. The Rastriya Banijya Bank provides the loans.

## Regional Rural Development Banks

### Background

Regional Rural Development Banks (RRDB) were created by HMG/NRB together with a consortium of banks at the end of 1992 in order to increase the access of the rural poor to financial services. In the beginning, there were two RRD Banks, one in the Far Western Region and the other in the Eastern Region. As of 1997, there were five RRDBs. The latest one is the Central Regional Rural Development Bank (CRRDB), established in 1996; the other two banks in the Mid-Western and the Western Regions were established in 1995. These banks, modelled on the Grameen Bank of Bangladesh, were established to provide institutional outreach to those sections of the society that remained outside the targetted credit programmes such as the Intensive Banking Programme (IBP) and the SFDP.

### Objectives

The basic objective of the RRDBs is to provide easy access to funds to the deprived sections of society, especially to women from poor rural households to enable them to undertake income-generating activities, thereby reducing the level of poverty.

### Activities/Targets

The strategy and approach of all RRDBs operating in the country are to facilitate the establishment of income generating activities by poor rural women. Thus, the bank's main activity is micro-lending for income generation, however, it also carries out other support activities necessary for the implementation of micro-credit programmes that include group formation and imparting training to these groups on self-help group/community development and income generation.

The target beneficiaries of RRDBs are all women who belong to households with less than 0.6 hectares of land in the *terai* and 0.5 hectares of land in the hilly regions.

## Implementation Process

RRDB's implementation approach for group organizations is the same for all the branches, i.e., five members make up a group, eight groups make up a centre, two to 50 centres form a branch, five branches on an average comprise an area. Loans are granted on the principle of 2+2+1, i.e., among the five members, two receive credit in the first time round, then the other two receive credit, and then it's the turn of the fifth member, the president. The first time loan amount is Rs 5,000; after the full payment of the first loan one can get a second loan of up to Rs 10,000.

The field staff give orientation to the community and help to organize the group. Each group has five members. The group members receive orientation/training and a group recognition test is carried out. During the training, they are familiarised with the 16 commandments of the *Grameen* banking philosophy and their duties, rights, and obligations (see under *Nirdhan*). Those who do not know how to read and write are taught to write their names. In case some members do not clear the group recognition test, training is extended for a few more days. Once they pass the test, the loan is processed. Once the loan is approved, disbursement is made by the field staff.

The loan repayment is arranged on a weekly basis by the field staff at the location where the group members meet regularly.

## Programme Coverage

### Eastern RRDB

After five years of operations, the bank has at present 39 branches with seven area offices and covering a total of 203 VDCs in five districts. It covers five districts in the east: Morang, Sunsari, Jhapa, Saptari, and Siraha. It has organized 941 centres composed of 6,692 groups with a total membership of 33,395 women, of which 32,818 are borrowers. The total general loans disbursed as of the 15 June 1997, stood at Rs 594,710,000 with no overdue loan repayments. The general loans, which were all for income generation activities, were for agricultural projects (40%), trade and services (52%), and cottage industries (8%).

#### Box 4 ERRDB at a Glance (As of June 1997)

Started in -	1992
Districts covered	5
VDCs covered	203
No. of active members	33,395
No. of active borrowers	33,163
No. of groups	6,692
No. of centre	941
No. of branch offices	39
Loan disbursed (in Rs)	594,710,000
Loan repaid (in Rs)	438,460,000
Loan outstanding (in Rs)	156,250,000
Group fund savings (in Rs)	35,004,000
Personal savings (in Rs)	1,068,000

**Box 5**  
**CRRDB at a Glance**  
*(as of mid-June 1997)*

Started in -	1996
Districts covered	4
VDCs covered	17
No. of active members	85
No. of active borrowers	69
No. of groups	17
No. of centre	5
No. of branch office	1
Loans disbursed (in Rs)	332,000
Loans repaid (in Rs)	73,000
Loans outstanding (in Rs)	259,000
Group fund savings (in Rs)	19,000
Personal savings (in Rs)	4,000

Central RRDB

The Central RRDB was established on June 1996. It has one branch covering a total of 17 VDCs in four districts: Dhanusa, Mahottari, Sarlahi, and Rautahat. It has organized five centres composed of 17 groups with a total membership of 85 women, of which 69 are borrowers. The total of general loans disbursed as of 15 June 1997 stood at NRs 332,000, of which an amount of Rs 73,000 has been repaid; the outstanding balance is Rs 259,000.

Western RRDB

The Western RRDB was established in 1995, it has 17 branches with one area office and covers a total of 67 VDCs in seven districts. The districts covered are Rupandehi, Nawalparasi, Kapilbastu, Palpa, Tanahu, Syangjiya, and Kaski. It has organized 193 centres composed of 907 groups with a total membership of 4,535 women, of which 3,919 are borrowers. The total of general loans disbursed as of 15 June 1997 stood at NRs 28.23 million, of which Rs 14.75 was repaid leaving an outstanding balance is Rs.13.49 million.

**Box 6**  
**WRRDB at a Glance**  
*(as of mid-June 1997)*

Started in	1995
Districts covered	7
VDCs covered	67
No. of active members	4,535
No. of active borrowers	3,919
No. of groups	907
No. of centres	193
No. of branch offices	17
Loans disbursed (in Rs)	28,238,000
Loans repaid (in Rs)	14,750,000
Loans outstanding (in Rs)	13,488,000
Group fund savings (in Rs)	1,686,000
Personal savings (in Rs)	680,000

Mid-Western Rural Regional Development Bank

Established in 1995, it has 17 branches covering a total of 55 VDCs in four districts. The districts in operation are Banke, Bardia, Dang, and Surkhet. It has organized 226 centres composed of 915 groups with a total membership of 4,575 women, of which 3,639 are borrowers. Total general loans disbursed as of 15 June 1997 stood at Rs

23.81 million. The general loans, which were all for income generation activities were for agricultural projects (Rs 11.9 million), trade and services (Rs 11.6 million), and micro-enterprises (Rs 145,000).

#### Far Western RRDB

This is one of the first banks established along with the one in the eastern region. It has 21 branches with three area offices covering a total of 69 VDCs in four districts: Kailali, Kanchanpur, Doti, and Dadeldhura. It has organized 445 centres composed of 2,324 groups with a total membership of

#### Box 7 MWRRDB at a Glance

Started in -	1995
Districts covered	4
VDCs covered	55
No. of active members	4,575
No. of active borrowers	3,639
No. of groups	915
No. of centres	226
No. of branch offices	17
Loans disbursed (in Rs)	23,817,000
Loans repaid (in Rs)	11,474,000
Loans outstanding (in Rs)	12,343,000
Group fund savings (in Rs)	1,477,000
Personal savings (in Rs)	535,000

#### Box 8 FWRRDB at a Glance

Started in -	1992
Districts covered	4
VDCs covered	69
No. of active members	11,514
No. of active borrowers	10,569
No. of groups	2,324
No. of centres	445
No. of branch office	21
Loans disbursed (in Rs)	185,247,000
Loans repaid (in Rs)	139,816,000
Loans outstanding (in Rs)	45,431,000
Group fund savings (in Rs)	13,376,000
Personal savings	1,665,000

11,514 women, of which 10,569 are borrowers. Total general loans disbursed as of 15 June 1997 stood at Rs 85,247,000 with Rs 139,816,000 repayment, and Rs 45,431,000 as outstanding.

These banks are also expanding their operations into the hill communities. The Far Western RD Bank has gone to Dadeldhura whereas the Western Rural Development Bank (WRDB) has extended services to Palpa, Syangja, and Kaski districts. All of these districts fall in the hill region, and the impacts of these programmes in these areas are still to be seen. However, according to the General Manager of the Western RDB, after successful operations in Palpa, a hilly area, operations in other hilly areas are being encouraged. The oldest and the largest RRDB in the Eastern Region is still in appraising the logistics of going into the hilly region.

*Sources of Fund*

#### *Sources of Fund*

The HMG/NRB provides 75 per cent of the paid-up capital of Rs 60 million each, the balance being subscribed by other banks and financial institutions (Sharma 1997).

The ERRDB fund is generated from the share capital, which in the beginning was Rs 60 million and which to date has doubled to Rs 120 million to be used as authorized capital – Rs 30 million before and now Rs 60 million is the issued capital and the paid up capital is Rs 60 million to date. Other funds are provided by the Nepal Rastra Bank (11% interest), Nepal Bank Limited (6% interest), and the Grindlays and Everest Banks (8% interest).

## **Micro Credit Project for Women**

### *Background*

Inspired by the experiences gained from the Production Credit for Rural Women (PCRW), the government, with the assistance of a consortium of donor institutions led by the Asian Development Bank, launched the Micro Credit Project for Women (MCPW) in December 1993 (WDD 1996). The basic features which distinguish this project from the other rural credit programmes are that it involved NGOs for the first time in the public sector credit programme of Nepal and provides services to urban women in addition to rural women.

### *Objectives*

The overall goal of the project is to improve the socioeconomic status of women in Nepal, to promote their participation and integration into national development, and to contribute towards poverty alleviation. Specifically, it aims to :

- increase credit access to 13,800 women during the project period;
- provide training to 20,000 women and assist them with other support;
- enable NGOs to expand their activities and improve the quality of their service delivery to poor women; and
- increase income and provide employment opportunities to poor women in selected urban and rural areas.

### *Activities/ Targets*

#### Group Formation and Training of Women Beneficiaries

Through the Women's Development Division (WDD) of the Ministry of Local Development, women beneficiaries are mobilised and organized into strong self-help groups in order to be able to access resources from outside, manage community development projects, and undertake viable income-generating activities on a group and individual basis.

#### Institutional Support to Non-Government Organizations

The main aim is to give support to improve the institutional capacities of the NGOs so that they can organize and/or strengthen self-help groups effectively; act as resource



institutions for the development and training of their NGOs; and act as self-help groups for savings' and credit management, enterprise promotion, and institution building; act as credit agents and/or financial intermediaries; provide consultancies to project beneficiaries for installing, maintaining, and expanding business enterprises; and expand their community development services and improve the quality of their service delivery.

### Provision of Credit to Women

With a US\$ 5,000,000 loan from the Asian Development Bank, two sets of credit delivery and recovery mechanisms are being implemented: (i) through the Nepal Rastra Bank (NRB) re-lending part of the ADB loan proceeds to public commercial banks (Rastriya Banijya Bank and Nepal Bank Ltd.) to on-lend directly to women beneficiaries; and (ii) through NRB re-lending a portion of the ADB loan proceeds to NGOs to lend to women beneficiaries. Credit is provided for fixed investment and/or working capital as individual or group loans. Three types of loans are available: for agricultural production up to Rs 30,000 with members of the self-help groups acting as co-worker, collateral in this case is not required; cottage and micro-enterprise loans for income generating activities with a ceiling of Rs 40,000; and small business loans of from Rs 50,000 to Rs 250,000.

### *Implementation Procedures*

The MCPW is being implemented by the WDD of the Ministry of Local Development. The site selection process is the same as in the PCRW programme. Information received from the complete household survey determines the target beneficiaries. Target beneficiaries are provided with information about the project as motivational inputs. Once the women are motivated, they form into groups ranging from four to 20 members. On an average there are six to eight members in a group.

Group members are provided with four types of training: basic training, skills' training, motivators' training and institutional development training. These training sessions are given according to their level of achievement. However, all the group members receive basic training.

All loan requests generated at the group level are recommended by the WDS to the participating banks (NBL and RRB). A participating bank approves the loan request and provides loans to women beneficiaries for areas of work specifically identified. The grace period is determined according to the nature of the project undertaken. The loanee has to start the project within 15 days of receiving the loan. The repayment schedule and the amount of repayment installment are determined by the bank in consultation with the borrower. The maximum loan amount is Rs 30,000 for the agricultural sector, Rs 40,000 for micro-enterprises, and Rs 50,000 to Rs 250,000 for small businesses.

The same procedures are applied in the case of NGOs to provide services to needy women. There are 55 NGOs operating under the MCPW programme.

**Box 9**  
**MCPW at a Glance**  
(as of April 1997)

<p>Started in -</p> <p>Districts covered</p> <p>VDCs/Municipalities</p> <p>No. of active members</p> <p>No. of active borrowers</p> <p>No. of groups</p> <p>Loans disbursed (in Rs)</p> <p>Loans repaid (in Rs)</p> <p>Loans outstanding (in Rs)</p> <p>Loans overdue (in Rs)</p> <p>Savings (in Rs)</p> <p>No. of NGOs selected</p> <p>No. of NGOs involved</p>	<p>End of 1994</p> <p>12</p> <p>98 VDCs and 10 Municipalities</p> <p>13,742</p> <p>7,545</p> <p>2,177</p> <p>88,838,000</p> <p>15,019,000</p> <p>35,046,000</p> <p>317,000</p> <p>5,966,000</p> <p>70</p> <p>55</p>
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**Programme Coverage**

Loan beneficiaries are from 12 districts and five urban areas and their repayment rate is reportedly 100 per cent. Most of these women have taken loans for the first time to undertake various income generation activities, micro-enterprises, and small business development.

In total, there are 98 VDCs and 10 municipalities covered by the MCPW programme. Of these, WDS is providing services directly to 50 VDCs in 12 districts and NGOs are working in 48 VDCs and 10 municipalities.

There are 2,177 groups of which WDS has formed 1,203 and the NGOs have formed 974 groups, with 13,742 group members (through WDS— 6,982 and through NGOs— 6760). A total of Rs 57,975,700 was disbursed to 5,964 women beneficiaries for various income-generating activities as of mid-June 1997.

**Sources of Fund**

The funds for the loan component are received as soft loans from the Asian Development Bank, whereas technical assistance is provided by the ADB with funding from the Norwegian Government and Special Funds from Japan.

**Nirdhan**

**Background**

The 1990s saw the entry of the private sector in the delivery of micro credit services to the disadvantaged. *Nirdhan*, a poverty alleviation, action research non-government organization, is a group that became actively involved in acting as a financial intermediary to administer loan funds to the disadvantaged, especially to women and the rural poor. *Nirdhan* was registered with HMG/Nepal in March 1991 and obtained a licence for 'Limited Banking Operations' from the Nepal Rastra Bank. It has been affiliated to the *Social Welfare Council*. Presently, the management is in the process of registering it as a *Nirdhan Bank* (Pokharel and Joshee 1997). *Nirdhan* operates according to the principles of the *Grameen Bank*, Bangladesh.

## Objectives

- To raise the standards of living of the people living below poverty line through credit as a medium of intervention
- To develop an effective credit delivery mechanism for people living below the poverty line
- To create financial discipline among the target beneficiaries through regular savings as well as proper use and repayment of loans
- To identify and develop an effective mechanism for providing training and technology support, supply of inputs, and marketing to facilitate income-generating activities among people living below the poverty line
- To undertake social and community development activities that help improve the levels of economic activity of the poor sections of the population

## Activities/Targets

As an operational strategy, *Nirdhan* follows the financial system of the *Grameen Trust* and *Grameen Bank* of Bangladesh. The target groups are exclusively poor women from households owning less than 0.6 hectares of unirrigated or 0.3 hectares of irrigated land and/or those poor women with household incomes falling below Rs 17,000 per family of five members. Its target group has been redefined with the aim of reaching the poorest of poor rural women. Currently, target groups are defined as those having less than 0.5 hectares of land.

Group formation, savings and credit, and training are the main features of the programme. There are four types of savings' fund in the programme. These are outlined below.

### Group Savings Fund

This fund consists of five per cent of any credit borrowed from *Nirdhan*, including credit from the group fund, Rs one per meeting, Rs 7 during training, and penalties and interest on group funds. Group savings can be borrowed to meet social activities expenditure and consumption costs, as well as for income generation purposes. All the members have the right to borrow the fund, but a member who leaves the group will only be able to receive the weekly savings that she has contributed.

### Emergency Fund

Members deposit an amount equivalent to 2.5 per cent of the total interest in the emergency fund. This is provided to members as partial insurance coverage in case of calamities. A member does not have to return the emergency fund.

## Livestock Insurance Fund

This scheme is new. Under this premium, 2.5 per cent of the purchase price of livestock is deposited in a livestock insurance fund. The premium will cover insurance for a year. Fifty per cent of the total purchase price is refunded if the insured livestock die. *Nirdhan* accepts the loss if the premium collected is insufficient to settle the insurance claim.

## Personal Voluntary Fund

Borrowers can deposit even as little as one rupee and can withdraw money voluntarily when needed.

## *Programme Coverage*

*Nirdhan* disbursed its first loan on 14 March 1993 in Siktan Village of Rupendehi district. At present, the programme operates in four *terai* districts: Rupendehi, Kapilbastu, Chitwan, and Nawalparasi. As of July 1996, *Nirdhan* had eight branches, 323 centres, and 1,213 groups with 5,836 active members. Groups consist of five members each and a federation of two to eight groups makes a centre (See RRDB). It has 37 permanent staff and 18 trainees at present. Among them 17 are women. The trainees become permanent staff after completing six months of on-the-job training.

Regarding the disbursement of loans, a total of Rs 52.9 million was disbursed to 4,481 borrowers. Rs 36.85 million was recovered, leaving an outstanding amount of 16.11 million. The cumulative Group Savings Fund stood at Rs 3.2 million

## *Implementation Process*

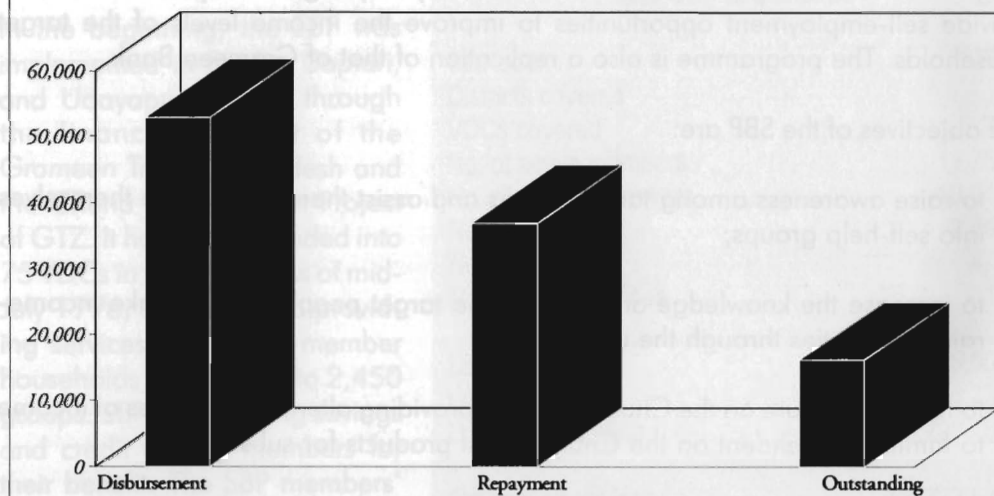
The policy-making body is the Board of Directors which is composed of eight members who are representatives of the private sector and bankers. Currently, there are seven branch offices and each branch office is headed by a Branch Manager and staffed with field assistants.

### Box 10 *Nirdhan at Glance*

Started in -	1993
District covered	4
VDCs covered	77
No. of active members	227
No. of active borrowers	4,481
No. of groups	1,213
No. of centres	15
No. of branch office	8
Group fund savings (in Rs)	3,293,919
Personal savings (in Rs)	1,026,594
Others (in Rs)	310,854

Other implementation procedures are similar to those of the RRDBs, except that the target groups under *Nirdhan* are those who have less than or equal to 0.5 hectares of land. The general steps in implementation of the *Grameen* Bank model programme can be summarised as follow.

Chart 4: Status of *Nirdhan* Loans



- Identification of target areas
  - Identification of target groups
  - Organization of pre-group training
  - Formation of centres
  - Organization of weekly meetings
- Collect loan demand
  - Collect weekly savings
  - Extend loans
  - Collect weekly loan installments
  - Review progress
  - Discuss problems and needs

### Sources of Funding

Through a loan-grant facility from the *Grameen* bank and a conditional grant from the Asia Pacific Development Centre, Malaysia, *Nirdhan* started its micro credit programme with loan disbursements in March 1993. Thereafter, *Nirdhan* had access to funds from various sources such as the *Grameen* Trust, Commercial Banks such as the Indo Suez, Nabil Bank, Himalayan Bank, Nepal Bangladesh Bank, and Nepal Bank Limited, some INGOs.

### Centre for Self-help Development

#### Background

The Centre for Self-help Development (CSD) is a non-government organization established in 1991. Community self-help development and micro-credit are its two

main areas of operation. CSD's Self-help Banking Programme (SBP), a micro financing programme for the deprived section of rural society only began in September 1991 to provide self-employment opportunities to improve the income levels of the target households. The programme is also a replication of that of *Grameen Bank*.

The objectives of the SBP are:

- to raise awareness among target groups and assist them to organize themselves into self-help groups;
- to increase the knowledge and skills of the target people to undertake income-raising activities through the use of credit;
- to reduce pressure on the Churia forest by providing alternative sources of income to families dependent on the Churia forest products for subsistence;
- to instill a savings' habit among the target people and promote personal as well as group savings as a mechanism of internal resource generation; and
- to raise the literacy level of women and improve the health and sanitation conditions of the target families by imparting orientation on primary health care and nutrition.

#### Activities/Targets

The main thrust of the programme is small credit delivery to the absolutely deprived; viz., the landless, marginal farmers, share croppers, and agricultural labourers who come from disadvantaged groups such as the *Mushar(s)*, *Sunar(s)*, *Teli(s)*, etc. Women are the exclusive target members of the programme. Members are organized into savings' and credit groups to mobilise local savings, to access loans, and to become involved in institution building and community development activities.

The target households of the districts are identified through the PRA technique. The potential target beneficiaries are provided with pre-group orientation to enable them to become involved in self-help development programmes. The target groups are organized into small groups or centres around which all other activities, such as savings and credit mobilisation, training, informal education, and skill development training, are implemented.

Similar to *Nirdhan*, CSD has introduced livestock insurance schemes into its micro-financing programme, but there are some variations on the premium system. A 10 per cent premium on the cost of the animal has to be paid by the borrower to SBP for livestock insurance, five per cent of which is borne by the organizer. In the case of death of the animal, members are paid 80 per cent of the insured value of the animal as compensation.

## Programme Coverage

In the beginning, the SBP was implemented in Siraha, Saptari, and Udayapur districts through the financial support of the Grameen Trust, Bangladesh and the Churia Development Project of GTZ. It has been extended into 75 VDCs in six districts. As of mid-July 1996, SBP has been providing services to 11,757 member households organized into 2,450 groups. SBP is promoting savings and credit among members for their benefit. The SBP members' group savings' balance stood at Rs 5,632,511. The cumulative loan disbursed as of July 1997 was Rs 63.36 million. Similarly cumulative loan repayment was Rs 40,154,738.

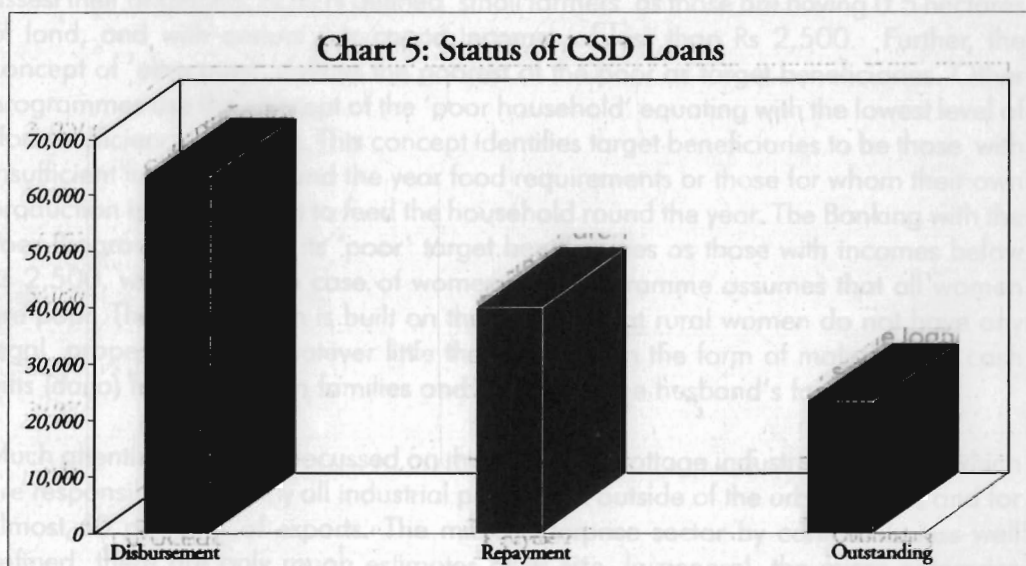
### Box 11 CSD-SBP at a Glance

Started in	1993
Districts covered	6
VDCs covered	75
No. of active members	11,757
No. of active borrowers	10,041
No. of groups	2,450
No. of centres	470
No. of branch offices	17
Loans disbursed	633,645,000
Loans repaid	40,154,738
Loans outstanding	23,209,762
Group fund savings	56,322,511
Personal savings	3,012,780

## Sources of Funding

The Centre for Self-Help Development (CSD) has been involved in the implementation of programmes and projects with support from international donor organizations such as CECI, DANIDA, IDRC, Grameen Trust, GTZ, Plan International, UNICEF, and USAID.

Chart 5: Status of CSD Loans



## **Savings and Credit (S & C) Mobilisation Credit Programmes**

During the past five years, several thousand community-based savings' and credit organizations (SCOs) have emerged in Nepal, largely in response to the promotional efforts of local and international NGOs. These SCOs differ in terms of size, level of operations, and financial status. These SCOs are community-based organizations, as they are owned and managed by local people. Their governance is characterized by a participatory decision-making style. These SCOs are also largely a response to a felt economic need within many communities for improved access to financial services, as well as an offshoot of the organized groups brought about by the massive basic literacy programmes across the country and other community-based programmes.

The primary source of capital for these SCOs is member's savings, although a few have access to external funds for on-lending. The rate of savings varies widely between SCOs, but most are characterized by compulsory monthly contributions. The sizes of loans vary according to the capital available, with stated loan recovery rates close to one hundred per cent.

A 1996 CECI study on the status and future prospects of these SCOs revealed that a majority of these SCOs did not have a clear vision or plan for the future. The study noted that the limited savings' capacity of the current membership is a constraint to future growth of the SCOs. As a result, the leadership of the SCOs tends to identify absence of improved access to external funds as the main constraint to continued growth.