Chapter 5
Summary and Conclusions

Summary of Findings

Historical Development, Expansion and Coverage

The ADB/N started the Small Farmers' Development Programme in 1975, initially in Dhanusa district in the central development region. To date, the SFDP covers 649 VDCs in 75 districts. In 1982, the Women's Development Programme was also started as an integral part of the SFDP to give help to deprived women. While it was the first to be set up, and on a collateral-free group guarantee basis, the SFDP's rapid expansion is seen tohave been too rapid and over influenced by political decisions. For this reason, its expansion was more spatial and a corresponding focus on other areas seemed wanting, e.g., the proper identification and preparation of beneficiaries for various programme activities. Unlike SFDP, PCRW, which followed the SFDP in 1982, put more emphasis on identification and preparation of beneficiaries. The programme, however, heavily concentrates on community development activities, thus comparatively less beneficiaries are covered for income-generating activities, but many for community development and training.

PCRW, which started in five sites in 1982, has expanded to cover 139 sites in 55 districts to date. This expansion was largely prompted by the results and strong recommendation of a series of studies on the 'Status of Women in Nepal', indicating the need for a comprehensive programme for poor women. Further, the Sixth National Development Plan of Nepal also reinforced this recommendation.

Starting with two institutions in 1992, the RRDB has now expanded its coverage and institutional base from two to five, representing one each in five development regions. The successful operation of the ERRDB, considered the seniormost and a leading role model organization, has led to the establishment of three other RRDBs in the central, western, and mid-western regions. There are now five RRDBs covering 24 districts which include 411 VDCs; 93.6 per cent from the *terai* and 6.4 per cent from the hilly regions of Nepal. The RRDB's organizational structure, starting from groups, centre, to branch, has a strong monitoring mechanism with regular weekly meetings in a centre. The Banking with the Poor (BWTP) scheme was launched on the initiation of the Foundation for Development Cooperation of Australia with the Rastriya Banijya Bank as the executing bank. The programme started in 1991 from Gundu VDC of Bhaktapur district and has now expanded to cover 68 VDCs of 18 districts as of July 1997.

The Micro-credit Project for Women (MCPW) was launched in 1994 in 12 districts and five towns of Nepal with support from the Asian Development Bank, and it was implemented by the Women's Development Division of the Ministry of Local Development of His Majesty's Government of Nepal. To date, it is covering 98 VDCs and 10 municipalities, using both the WDD and the NGOs for service delivery mechanism.

Nirdhan, a private sector initiative was organized in 1990 and registered with HMG of Nepal in March 1991. *Nirdhan* operates on the *Grameen* Bank model from Bangladesh and started providing credit services from March 1993 in Rupandehi district. To date, it has expanded to cover four *terai* districts: Rupandehi, Kapilbastu, Chitwan, and Nawalparasi. The Centre for Self-Help Development (CSD), another private sector initiative, started in 1991, has a Special Banking Programme component also based on the Bangladesh *Grameen* Bank model. At present, its area coverage has spread to 75 VDCs in six districts.

Main Objectives and Differences in Focus

All the programmes reviewed for this study aim to support the poor sector of rural communities for their economic upliftment by strengthening their income-generating capacities.

The SFDP aims to improve the wellbeing of small farmers through the provision of credit and related support services. The project covers group formation, credit, social and community development, community irrigation, environmental conservation, women's development, training, institutional development, and savings' mobilisation. The SFDP is a credit programme for the overall poor, with largely men and very few females. The PCRW and MCPW are, as the project names suggest, only for female beneficiaries, so are the RRDB, SBP of CSD, and *Nirdhan*. The BWTP caters mostly to women, though a few men also participate in the programme.

In practice, the SFDP deviates from other programmes in terms of group guarantees by taking additional tangible collateral over and above group guarantees. The RRDBs have one basic objective – that is to make institutional credit accessible to poor women; it does not specifically look into how this credits is being used. The other programmes, the PCRW and MCPW in particular, focus more on the income-generating aspect

Though both PCRW and MCPW are being implemented by the WDD of MLD, they differ somewhat in focus and operational modality. Unlike PCRW, MCPW has urban programmes that cater to the urban poor and women entrepreneurs. For programme implementation, the MCPW has included NGOs as partners, apart from the WDD itself. This new approach has been used for the first time, as far as partnership implementation with HMG/Nepal is concerned. Its credit component is also executed by commercial banks. This system allows for double checking in credit disbursement and use.

Contents of Programmes, Types and Sizes of Credit/Other Inputs and Aspects

Most of the programmes are rural-based, and almost automatically the sector they cover and influence is in the field of agriculture for which the main investments are in farming and livestock. The latter programmes, viz, RRDB and MCPW, have attempted to diversify, though still limited in scale, the coverage to other non-farming business sectors such as running tea stalls and grocery shops and buy-and-sell trading. A majority of loans are for livestock, agriculture, and trading/business in this order.

Credit size has also increased since the earlier programmes – from Rs 5,000 to over Rs 10,000. PCRW's average loan amounts are under Rs 8,000, whereas MCPW's are a little over Rs 11,000 and RRDB's within Rs 6-7,000 range. Both PCRW and MCPW are increasing the loan amounts for the second and the subsequent loan cycles, but such increases are based on the nature of the project as assessed by the WDD and PBs. The RRDB's increase their loan amounts to 10,000 for the second term and to Rs. 15,000 for the third cycle without taking into consideration the type of project to be undertaken, as long as the previous credit is repaid regularly.

MCPW varies from other programmes in maximum credit available: up to Rs 40,000 for micro-enterprises and from Rs 50,000 to Rs 250,000 for small business investments. PCRW has a maximum of Rs 30,000 in loan amount. The RRDB, on the other hand, has a flat system of disbursing loans of Rs 5,000 for the first time and doubling the amount in the second cycle, further increasing the amount for the third time and so on. However, this approach is used only by programmes introduced through *Nirdhan* and CSD.

The risk minimisation mechanism of all these programmes is only in livestock (cattle, buffaloes, pigs, and goats) provided through the Credit Guarantee Corporation (CGC). However, there are several problems faced at the field level regarding the successful implementation of this risk minimisation scheme, which guarantees loans of up to 80 per cent. Some group members were unable to maximise the benefits from income generation activities in the livestock sector, this was largely because of the lack of reliable veterinary services, improved breeds, and insurance system. The insurance scheme provides security for credit, not necessarily security for the animal that is insured. CGC's insurance policy ends once the loan is repaid, even if the maturity date of the policy is for a longer period. The SBP of CSD provides insurance package on their own, covering 80 per cent of the risk.

Institutional Arrangements and Procedures

PCRW is being implemented by the Ministry of Local Development in coordination with commercial banks, ADB/N, UNICEF, and other line agencies. MCPW is likewise an undertaking through the MLD's Women's Development Division which is responsible for programme planning, monitoring, coordination, and implementation. For both of these programmes, the credit component is executed through commercial banks. MCPW's credit component is being executed by the Nepal Rastra Bank using two commercial banks as implementing organs: the Nepal Bank Limited and the Rastriya Banijya Bank. PCRW's, on the other hand, is being implemented by the three commercial banks (NBL, RRB, and Nabil) and the government's ADB/N.

MCPW is using a two-way channel to reach the poor women through NGOs and through using its own staff BWTP also uses NGOs or community organizations as channels for local delivery and recovery; while others use their own staff to implement programmes. The BWTP promotes the community organizations to implement its programmes. SFDP also started using community organizations as channels for credit delivery and recovery, in line with the policy of institutionalisation of credit management through beneficiaries.

Programme implementation involves various steps: from site selection, identification of target groups, motivation, group formation, and training on loan disbursement and repayment. Though these processes are all invariably adopted by these programmes, the extent of use and depth of preparation vary. The RRDBs can complete the process in two to three weeks' time, while PCRW and MCPW require two to four months to complete these processes.

One good feature of the RRDB, *Nirdhan*, and CSD programmes is the weekly group meeting, in comparison to the monthly group meeting prescribed under the PCRW and MCPW. The weekly group meetings organized by the RRDB provide more consistent opportunities for members to become united, to be further motivated, and to meet to repay their loans. On the other hand, most of the PCRW and MCPW meetings are used to discuss their problems and prospects and to provide a venue for collecting savings.

Results – Disbursement and Recovery

SFDP has disbursed a cumulative loan amount of Rs 4.085 billion as of mid-April 1997. Of this, Rs 2.56 billion have been repaid, with the remaining Rs 1.515 billion outstanding. The small farmers' group savings fund is also being loaned out for emergency needs. As of mid-1994, about Rs 46 million in savings' funds have been mobilised. The recovery rate of the SFDP is about 58 per cent, which is lowest among all the programmes, despite the double cushion in its collateral approach.

PCRW has disbursed loans of Rs.296 million, of which Rs165 million have been repaid as of April 1997. The recovery rate of this programme is around 85 – 90 per cent. Under MCPW, Rs.89 million has been disbursed with a recovery rate of almost 100 per cent. The RRDBs cumulative loan disbursement is Rs 863 million with a loan recovery rate of almost 100 per cent. The NGO sector programme of *Nirdhan* and CSD has disbursed loans of Rs 53 and 63 million respectively with a loan recovery rate of almost 100 per cent. The BWTP programme has disbursed loans of about Rs 46 million with a recovery rate of over 95 per cent.

SFDP has provided credit services to over 195,000 men and women, the RRDBs to over 54,000 women, PCRW to over 41,500 women, MCPW to over 7,500 women, *Nirdhan* to over 4,000 women, CSD to over 10,000 women, and the BWTP to over 5,000 women and men.

Impact – Promotion of Activities

All programmes that were under review have expanded rapidly, covering more and more of the geographic area and increasing the number of beneficiaries. In a few cases, programmes do overlap since most of the credit is for the agricultural sector, especially livestock. One main impact that these programme has had is to increase the institutional credit access to over 20 per cent of the poor population of the country. With the addition of RRDBs, *Nirdhan*, CSD, and MCPW, this figure has probably gone up during the last four to five years. However, the entry of RRDBs has catered more to the *terai* than to the hilly region, and more to the eastern than to the western region of Nepal.

One clear impact of these programmes is the increased level of consciousness among the people about institutional credit. Therefore, the demand for credit in rural areas has increased in terms of the number of beneficiaries and loan amounts. This can be considered a positive sign in terms of increasing productive sector investment in rural areas.

These programmes are able to generate greater employment opportunities at two levels: at the programme implementation level (expanded programmes means that more programme staff are involved); as well as at the beneficiaries' level whereby women beneficiaries become self-employed in home-based income-generating activities. There are over 2,000 staff providing services to over 315,000 beneficiaries to date. At the enterprise creation level, two sectors benefitting more from these programmes are the livestock and the trading sectors. With most of the investments in livestock, the dairy industry has benefitted more distinctly. Another sector with a growing positive impact is the small-scale trading/businesses, to which previously people were less inclined.

Field observations and case study reports show that, in general, these programmes are able to produce at least 20 per cent of value-added on an average. Secondary impact is seen in terms of increased social consciousness and greater economic capacity to be able to continuously send their children to schools; and this includes girls. Many beneficiaries interviewed felt that the economic empowerment brought about by these programmes enabled many of them to send their children to schools, a few even to boarding schools.

Conclusion

Emergence and Expansion of Different Programmes

The SFDP is the pioneer programme in Nepal in providing the poor with institutional access to credit. On the other hand, its main drawback is its focus on covering all the 75 districts, but at the expense of adequate and effective preparations for implementation. The SFDP is seen to be quite static and not too dynamic, since it has not made significant improvement nor changes in its original design during the last 21 years of operation. Using such an implementing structure as the ADB/N which in itself is beset with problems of political pressure, the SFDP's has lost a huge amount of loans because of the poor recovery rate, not to mention high delivery costs.

The latter programmes such as the PCRW and MCPW, have gained headway since their establishment, following the SFDP. With the PCRW and MCPW combined, their implementing agency the MLD's WDD now covers a total of 67 districts. The PCRW is considered the first women's focussed programme with social and economic activities that have had a considerable positive impact on poor women. The programme has relatively high mobilisation costs, and these need to be reduced by increasing its performance. The bad debt loss is also decreasing and could be minimised with better training for the staff, providing job security, and minimising the political influences in its operations. Building on the lessons of PCRW, MCPW is now in its third year of operation. MCPW's focus, however, is on credit and all other services are supportive of increasing women's involvement in income generating activities through credit. PCRW, on the other hand, puts more emphasis on community development activities, and credit is not a regular 'programme', but remains a 'project'. While no impact assessment has yet been made, the MCPW seems to have no major issues, apart from one, that is the sustainability of activities through the NGOs after support ceases. There are 55 NGOs presently providing credit delivery support services under the project. The MCPW will carry on up to the year 2000. Initial discussions for further expansion of the MCPW has already begun.

The two programmes under the private NGO sector, *Nirdhan* and CSD, have, over the last three years been serving about .34 per cent of the target population (using 1991 census figure a total population of 18.49 million). Managed in more professional ways than the government's RRDBs and with no adverse political influence, these private sector programmes have been maintaining high recovery rates to date. They, however, have problems of shortage of lending funds and lack conducive legal and regulatory frameworks. Under the Nepal Rastra Bank Act, *Nirdhan* and CSD are presently permitted to deliver credit.

In general, the above rural credit programmes still cover a limited proportion of the Nepalese rural population. Moreover, despite the benefits so far derived by their beneficiaries, the availability of these credit support services has not significantly met the needs of the rural people. Though these programmes under review are the first five major credit programmes in Nepal within the last two decades, to date they have only covered about seven per cent of the targetted population. There were also problems of high lending costs due to low loan recovery rates, which in turn are largely due to the poorly trained and ill motivated staff, and partly due to more fundamental, structural problems of interest rates and procedures.

Relative Importance of Credit vis-à-vis Other Conditions and Inputs

Providing credit to rural women group members has paved the way for a variety of positive changes in their lives. A large majority of group members are now able to deposit and mobilise their savings, borrow and repay the loans. In addition, they are also very conscious of the fact that they can demand and initiate action on issues and problems affecting them and their community, with most of them now able to manage some community development activities by themselves. The available literature and actual observations with women members also indicate significant improvement in the decision-making roles within and outside the households of these women group members.

With the entry of the RRBDs, the MCPW, *Nirdhan*, SBP/CSD, and BWTP, the credit flow to women has increased to such an extent that over 52 per cent of their beneficiaries to date are women. Further, over Rs 2.5 billion in credit funds have been invested in these women group members. Various programme reports noted that women have comparatively higher loan recovery rates than their male counterparts.

On the other hand, it is felt that these positive changes could have increased further had the following limitations been addressed more effectively: lack of adequate skills, low motivation and an opportunities for women, and lack of marketing services.

Multiplicity of Objectives

Most of the programmes analysed seem to be multi-pronged in approaches, with credit delivery, institution building, and community development built into the programme. Such multiple objectives are meant to be complementary instruments for more effective credit management – delivery, use, recovery, and programme sustainability. Various reports and studies have supported the fact that packages of various exposure activities under these programmes have increased the self-confidence of women members. It has also increased their absorptive capacity. Literacy programmes, for example, have helped women to be able to sign their names, keep minutes of meetings, maintain simple records of their savings' and credit status, and carry on simple numeration. Drinking water projects have eased the labour and time spent by women members and have also encouraged other productive activities such as kitchen gardens, and improved health and environmental (sanitation) conditions.

Installation of water mills, biogas, smokeless cooking stoves, availability of tools, child care centres, and fodder and forest development programmes have all made positive improvement in the lives of the women group members. However, the cumulative effect of these community development programmes seems not to have helped much in strengthening and institutionalising the credit programmes. For example, SFDP, which has strong community development programmes, is trailing far behind in its recovery rates. Similarly, PCRW is second in rank in low recovery rates despite high inputs into community development activities. The RRDBs, which put very little into community development activities, so far has the best results in loan disbursement and loan recovery rates.

The multiplicity of objectives of these programmes seems to equate to a 'welfare' concept, thus dividing the crucial attention needed to address the basic objectives of credit servicing. Therefore, in some cases the multiplicity of objectives of programmes is found to be not very supportive of the increased effectiveness of credit programmes.

Coordinating with respective line agencies for other packages of complementary activities are, however, often the bottlenecks faced by these programmes. Technical backstopping is often lacking, and coordination is inefficient.

Target Group Approach

The target groups of all the programmes reviewed are poor and underprivileged men and women. Some programmes are specifically catering to women, whereas others cater to mixed groups of men and women. All of these programmes have used a group approach to reach these target groups. Data show that programmes catering to poor women's groups have shown better result in terms of loan utilisation and recovery rates. These programmes, which focus mainly on women's groups, are the PCRW, MCPW, RRDBs, *Nirdhan*, and CSD. The SFDP and BWTP programmes target mixed groups of men and women.

Identification of target groups is carried out either in terms of income or assets. A per capita income of Rs 2,511 is most commonly taken as the accepted demarcation point to identify the poor. Similarly, those who are using asset criteria to identify target groups use the following definitions: land ownership of 0.5 hectares of cultivable land per family in the case of SFDP; and 0.6 hectares of land in the *terai* and 0.5 hectares of land in the hilly region in the case of RRDBs. The BWTP programme considers all 'women' as poor.

Geographical and Locational Dispersal of Programmes

Most of the programmes reviewed in this study cover the thickly populated *terai* region of Nepal. The poor coverage of the hills and mountains, as well as the off-the-road and distant-from-market locations can be said to be prompted by the problems of administering the programmes in these areas, as well as a safe play on the part of the organizations involved. Most of those concerned with these programmes felt that the hill and mountain regions required much more investment, perhaps with little returns, considering the lack of market facilities and other support structures to enhance production and marketing of products and services brought about by the availability of credit.

Especially in the case of government-led programmes such as the SFDP and PCRW, their problems include lack of effective supervision and monitoring from the central and regional offices; field staff not making sufficient field visits due to lack of incentives; and lack of reward and incentives for superior performance. Some pilot programmes in the hills, e.g., in Palpa, have shown good results according to their programme proponents. The extent to which this experience can be replicated successfully in other hill and mountain areas is still to be explored.

It has already been thoroughly documented that the problem in rural lending thus seems not to be the lack of resources but that of extending the outreach. The low institutional access clearly indicates some sort of deficiency in the existing institutional credit system. Sharma and Nepal (1997) outlined the reasons indicating low institutional access as follow.

- The number of formal credit institutions itself is inadequate.
- Whatever were the formal institutions involved in rural lending, they also lacked focus and orientation and suffered from deficiencies such as lack of appropriate loan policies; delivery mechanisms; and inadequate numbers of motivated, dedicated, disciplined, and well-trained personnel.
- Poor loan supervision resulting in high overdue/loan losses and poor recovery rates.
- High delivery costs
- The formal credit institutions were inefficient and non-responsive to the needs of the rural poor.
- There iis too much political interference in bank management and pressure for loan approvals.
- There is too much involvement of bank personnel in politics.

Enterprise Development

Selection of an enterprise is not only dependent on the beneficiaries but is also influenced by many other factors such as the ability and/or capacity of the programme implementers to advise them on what is best for them, to identify the necessary skills for such IGAs, and to provide skill development training, analysis of markets in relation to the demand for products and services, and so on. On the other hand, enterprise development is found to be a weak link in all the programmes reviewed, owing to a variety of reasons: orientation of the programmes (poverty alleviation, women, etc.), small scale of financing; and in addition lack of other necessary inputs and services such as technology, markets, trained, and dedicated staff to conduct skill development and enterprise development training, etc.

All the programmes in Nepal are expanding with a very low profitability margin – just enough to provide work opportunities. The result is still heavy dependence on agricultural activities and very little, in a true sense, 'enterprise creation'. Therefore, one of the keys to diversifying enterprise development is to have good manpower training for the field staff. In turn these staff will effectively support the beneficiaries to diversify their activities.

On an average, off-farm activities are undertaken by about 10 per cent of the beneficiaries – which can be considered as enterprise creation. Some changes have also been observed in the increase of loan amount with positive variation in the scale of operations. Despite such business activities being mostly family-managed, providing self-employment to family members, management experiences broaden. As the volume of loans and the businesses these loans are used for increase, so does opportunity for improving the managerial capacities of the borrowers.

Loan Recovery

The loan recovery rates of older programmes seems to be lower than those of newer programmes. For example, for SFDP, the oldest programme the repayment rate is 58 per cent, whereas the second programme, PCRW, has a rate of about 85 - 90 per cent. Compared to these older programmes, new programmes such as RRDBs, *Nirdhan,* and SBP/CSD and MCPW have almost a 100 per cent repayment rate. Further, the loan recovery rates of women-focussed programmes are seen to be better than the mixed or male focussed programmes.

Higher recovery rates appear to be equated with the degree of independence in decision-making in key aspects of the programme. Where there is more political interference as with the government-managed programmes, there is more room for inefficiency and lack of sound management decisions which reduces their loan recovery rates, among other adverse results.

Sustainability

There are two aspects to sustaining the programme: sustaining the group members for continuity and sustaining the programme, i.e., poverty alleviation through access to credit for income-generating activities.

In terms of institutionalising groups, steps taken by some of the programmes and organizations are appreciable features of the credit-based programmes. But the process should not stop just by creating organizations and cooperatives.

A most common approach used and found effective in sustaining groups is collective group savings. However, this present movement of savings and credit may not be able to sustain the group unless an additional approach in using group funds is employed. The older groups in many cases are found less active and enthusiastic, contrary to what is envisaged. The reason behind this is the lack of gradual upgrading activities to strengthen groups and no further sound institutionalisation plans in place. Some have tried forming cooperatives combining a few groups together, but the experience is not yet successful enough to replicate. Some also tried registering the groups under the Social Welfare Act (at the CDO's Office) as NGOs. But it is difficult to find one good organization that can be called successful in a true sense. The SFDP, however, can take some credit since its beneficiaries are active and are encouraged to take more responsibility. The PCRW and MCPW initiatives are yet in the early stages and are, therefore, too early to be assessed.

The capacity and capabilities in terms of sustainability of most micro-credit programmes in Nepal are yet to be developed. Most of their resources are decreasing, and their replenishment is dependent on the financial commitment of external donor institutions. Moreover, the quality of programme management and staff efficiency is yet to be developed to a satisfactory level. With the exception of the *Grameen* Bank replicators and MCPW, recycling of micro-credit funds have been ineffective due to low repayment rates. Lastly, almost all of the micro-credit costs of delivery are so high that these do not enable the banks to make profits.

On the issue of activity sustainability, unless the funds for credit are made available in a sustained manner, programme activities are not viable at the moment. Savings mobilised at the grass roots' level are mostly fulfilling the need for petty cash demands and are grossly inadequate to meet credit demands, even if the institution building plans and processes of these programmes are absolutely successful. Therefore, alternative mechanisms for sustained micro-finance schemes, which can support various programmes, are seen to be essential. This will need action at the central level.

Implications

Considering the duplication of areas of operation in many cases, these various micro-credit programmes should coordinate better in terms of selecting sites and target groups. If these programmes can strictly coordinate to take specific VDCs within the districts, avoiding duplication of work, the coverage in terms of area and the number of people to be served will increase, at the same time, reducing the cost of operations.

The selection of districts can be coordinated at the central level by the Nepal Rastra Bank, whereas the Local Development Officer (LDO) at the District Development Committee (DDC) office can coordinate at the district level while selecting the VDCs. With good records and a sound database, the Nepal Rastra Bank can also coordinate at the central level by selecting and assigning VDCs to the respective programmes.

Most credit programmes that have clear objectives and sound programme design, focussing mainly on credit delivery services, perform better and achieve greater impact among the beneficiaries served. Programmes therefore should learn from this experience and should design supportive programmes around the credit delivery component more directly, rather than diversifying too thinly around many community development activities.

While designing credit programmes, the locational variation should be given careful consideration. In the *terai* area, for example, where there are more commercial activities, the RRDB approach – including the practice of weekly repayments, can be applicable. However, in the hill and mountain areas, where ready markets remain very limited, the more flexible repayment schemes of the PCRW/MCPW may be more appropriate, but should equally increase the emphasis on market development and skill training for off-farm enterprise promotion.

The analysis of various credit-based programmes indicates that the present situation is still more of a 'supply-push' scenario. However, some changes have been observed in the increased size of loans and the slow shift in off-farm activities. Strategic support in skill training, identification of enterprises, and marketing can bring about positive changes in micro-enterprise creation.

Rather than spreading the programme thinly, which entails higher programme operational costs and often results in poor monitoring and supervision, credit-based programmes should, as much as possible, concentrate the increase in a given area first, before horizontally expanding any further. Not only will this approach help to reduce the programme's overhead costs, but it will also strengthen the institutionalisation of groups through mass support and greater involvement.

Nirdhan and CSD's active involvement as NGO financial intermediaries administering funds to lend to the disadvantaged, especially to women and the rural poor, shows the crucial role that the private sector/ NGOs and INGOs can play in the credit sector. Development of the formal sector in the financial system, especially the credit cooperatives, as well as the entry of the joint venture commercial banks have also shown that there is much room for private sector participation in the provision of financial services to the disadvantaged. To create a conducive environment, the government needs to develop a proper legal framework to systematise and encourage the private sector/NGOs/INGOs.