

Chapter 4

Impact Assessment

Assessment of the impact of the credit-based programmes on beneficiaries was carried out at this site of the programmes selected.

Greater Access to Institutional Credit

There is no doubt that access to institutional credit has improved for poor people, particularly rural women, as a result of these programmes. A majority of these credit programmes are concentrated in the *terai*. Similarly placed poor people in the hilly regions have benefitted relatively less from these programmes.

One ERRDB official said that most of their activities are in commercial and also densely populated areas. In the hill region, population density is less than in the *terai* and business opportunities are also relatively few. From the programmatic point of view, overhead costs in the hill region are high and sustainability is difficult for the bank. Therefore, banks are primarily concentrated in the *terai* region.

During 1969/70, 18.1 per cent of the borrowing households were using institutional sources of credit which went up to 24 per cent in 1976/77. The 1991/92 data showed a drop to 20.3 per cent owing to some programme failures. The flow of institutional rural credit expanded after 1992, with the introduction of RRDBs. However, institutional credit is more accessible for urban and semi-urban people than for rural people, and those in accessible locations were able to benefit more from these credit programmes than those living further from the roads. The main reason is the limited opportunity in rural areas to generate money from the loans taken. Since most of the programme members have to repay their loans in weekly installments, poor women in rural areas are hesitant to take the risk of not having the cash to repay every week.

In addition to the differences between the *terai* and hills, there are also inter-regional differences in the flow of credit. The flow of funds in the eastern and central regions of Nepal is more than in the western, mid-western, and far-western regions of Nepal (where people are poor geographical terrain is rugged, there are more unemployment problems than in the east, and few development interventions). Other factors for such differences could be because of the limited supply network, low efficiency of staff, low

motivation, procedural hassles, poor business prospects, limited opportunities for investment, and so on.

One distinct impact is seen in the increased level of consciousness among the people in the context of taking advantage of institutional credit. The volume of credit and the number of borrowers have increased during the last decade with the addition of a number of new programmes such as the RRDBs, *Nirdhan*, the SBP/CSD, MCPW, and BWTP. Jointly, these programmes have disbursed over Rs 1.41 billion in credit to the poor women beneficiaries. This has also influenced the informal sector to reduce interest rate and has discouraged the malpractices of borrowing from moneylenders at high interest rates. Of 85 beneficiaries asked about their sources of credit before and after the introduction of these programmes, 65 were previously using moneylenders for their credit needs with interest rates varying from 48 - 72 per cent per annum; now only seven are using moneylenders and paying interest rates ranging from 30 - 48 per cent.

Creation of Employment

A majority of target beneficiaries being women, they are taking loans for home-based income-generating activities. Basically these activities are providing them with self-employment, mostly in the livestock and trade sectors.

These programmes were able to generate greater employment opportunities on two levels: i) at programme implementation level; ii) and at the beneficiaries' level at which women are self-employed in home-based income-generating activities. There are over 2,000 staff directly involved in implementing these micro-credit programmes. A majority of these are undergraduates.

At the beneficiaries' level, as of July 1997, there were over 315,000 poor, small farmers (men and women) who had taken loans from these programmes and who were involved in income-generating activities. In a country in which agricultural productivity is dwindling, alternative employment opportunities are very important for the family. These activities also play a crucial role in the development of Nepal. *Nirdhan's* evaluation report (Pokharel and Joshee 1997) revealed that, on an average, employment is generated at the rate of 1.3 adults and 0.1 children on a full-time basis and, additionally, 0.9 adults and 0.7 children on a part-time basis through the activities carried out by using the loan.

Increased Enterprise Development

With the exception of the MCPW, efforts to promote micro-enterprise activity are limited. For instance, the SFDP is giving loans mostly for farming and livestock activities, whereas the RRDBs and other *Grameen* type programmes are providing credit mostly for trading activities. The MCPW has a provision for financing micro-enterprise and small businesses by increasing credit amounts. During the last three years, MCPW's

investment in micro-enterprises was 25.87 per cent, in cottage industries, 2.47 per cent, and small businesses, 1.82 per cent; of the remaining, the bulk investment was in livestock and agriculture (69.84%). There is slow shift towards seeking off-farm activities by the MCPW but for the PCRW the livestock and agricultural sectors predominate (over 85% shares).

Members living near the market area are carrying out income-generating activities successfully. For example: Sita Devi Chaudhari, a member of the ERRDB, who had nothing before joining the programme, has established a new tailoring shop in the market with the first loan from the ERRDB. Thereafter, with subsequent loans, she expanded her business by adding sewing machines. Now, she is providing employment to four other women in her shop.

The greatest need of existing rural enterprises is market access for their products. Many members lack marketing knowhow. They know that they have to generate profit from the activities they are carrying out, but they lack the skills. Lack of guidance in terms of product design, marketing, and quality control is evident in most of the programmes. For example, over 65 per cent of beneficiaries observed reported that they do not know what enterprise to take up for which one would be beneficial other than what they were already doing. The other 25 per cent said they had very little knowledge about marketing aspects, hence, they are hesitant to diversify their existing businesses.

These credit programmes have given support in order to develop and expand two industries in the country, namely, the dairy industry and trading. With expansion in credit to the livestock sector, the dairy industry has benefitted substantially. Milk production has brought about many secondary impacts by generating a number of small and medium-level dairy enterprises. One milk powder processing plant has already been set-up and is now operational in Biratnagar. A similar establishment has been built in Chitwan district. Three medium-scale private sector dairies are bringing about more competition in terms of pricing in buying milk from farmers. More milk chilling centres have opened and there are more milk collection networks in rural areas. Increase in supply and decrease in demand would have been the worst scenario. However, the demand for milk and milk products is increasing concomitantly with the supply. These micro-credit programmes could be considered to be one of the factors in bringing about a positive impact on the dairy industry in Nepal. The chilling centre in Kanchanpur VDC of Saptari District can be taken as a case in point in which larger quantities of milk are collected from the members of these credit programmes. One of the officers at the Biratnagar dairy plant said that their milk is supplied by small farmers scattered throughout the accessible areas of the eastern region. He reiterated that milk production during the last ten years had increased substantially. This might have been directly influenced by the fact that over 1.5 billion rupees have been invested in the livestock sector through these programmes alone.

The other sector in which impact is seen is in small-scale trading and grocery retailing. Almost all those involved in buying and selling, e.g., running restaurants, tea shops, grocery shops, and cold stores, are doing well. Micro-credit programmes, in this sense deserve a special mention for encouraging the rural people of Nepal to enter into the trading sector.

Income Generation

In most of the districts, group members have started to mobilise group savings' funds to meet the immediate credit needs that could not be met through bank credit. Women receive loans of Rs 5,000 are making profits ranging from Rs 500 to Rs 1,500 depending upon the nature of their activities. Members living on the periphery of markets or district centres are generally investing in trade and services which give quick return and are less risky too. This has facilitated easy repayment of loans on a weekly basis. However, this is not the case with all members. Group members who are living away from markets are constrained by the lack of appropriate profitable business ventures.

Apart from exceptional cases in which reinvestment on income-generating activities, many women members were found to have spent their income on their children's education and household expenses. A woman member of *Nirdhan*, who lives in Basgadhi of Rupendehi district and owns a vegetable shop that set up with a loan of Rs 3,000, expressed her gratitude to *Nirdhan* for enabling her to earn more and enabling her to send her youngest son to the nearby 'boarding' school.

Field observation and case study findings show that these programmes in total are able to produce at least 20 per cent of value-added on an average loan. However, in some cases, a loan has over 200 per cent incremental value from investment. The livestock sector (for milk production) was one of the sectors with high returns on investment, followed by the service/business sector. In some cases, vegetable farming is also very profitable, but it has not been able to create secondary impact as, for example, in the dairy sector.

The impact evaluation study report (Pokharel and Joshee 1997) of *Nirdhan* revealed that trading loans yielded the most profit. They yielded an extra 95 paise to each rupee invested in every six-month period. The next rewarding activity was a vocational activity, i.e., vegetable farming, goats/pigs, mixed activities, shops, and buffalo raising.

Social Mobilisation

Social activities undertaken by these credit programmes are more or less similar in nature. Social activities under the SFDP include adult education, irrigation, community hall construction, pit latrine construction, distribution of composite packets of vegetable seeds, school improvement, construction of underground greenhouses, distribution of smokeless stoves, and tubewell installation.

In the PCRW programme, community development activities are incorporated in the programme basically to raise the literacy status, reduce work time, and so on. Community development activities are very important for developing confidence and managerial skills of women. Female literacy, early child development, drinking water and sanitation, community health, population education and family welfare, women's community forestry, and forage development activities are some of the main components under community development.

Besides awareness-raising activities, the SBP programme under the CSD emphasises the value of natural resource conservation to its members. It has been actively promoting forest as well as fodder tree plantations through its members. So far, as of the end of 1996, members have planted 34,065 forest trees. A study carried out on firewood collection by SBP members revealed that there has been a more than 50 per cent decline in the collection of firewood from the Churia hill forest. In addition, the health and hygiene component of the SBP emphasises food and nutrition, personal health, and mother and child care. Installation of smokeless stoves, vegetable gardening, and installation of safe drinking water facilities are some of the activities undertaken to achieve this end. Very little emphasis, however, has been given to skill training.

The programmes have increased the productive capacity of women with their direct involvement in these credit programmes. The programmes to date have involved over 166,000 women in various income-generating activities. Many of them still take support from their spouses in carrying out these activities directly or indirectly, but a majority of them have increased their decision-making abilities in the context of the credit programmes.

Out of 85 beneficiaries observed, more than 60 per cent have undergone literacy classes and at least learned to sign their names. According to the *Nirdhan* evaluation report (Pokharel and Joshee 1997), skills in signing have increased from 27.6 per cent to 99 per cent of the members of the programme. Over 80 per cent have been exposed to health and sanitation awareness programmes. They are now more vocal on the issues of women's rights and have begun to solve small problems through the collective action of the group.

Geographic Location and Effectiveness

Geographically, Nepal is divided into three regions: the lowland area called the *terai*, the mid-hills (the hill region), and the high altitude mountainous areas (called the mountain region). By region, the various programmes under review are spread as follow.

Though the number of districts covered by these programmes in hill areas is high, analysis of the number of beneficiaries and loan disbursement figures give a different scenario. For example, one of the fastest growing programmes, RRDBs, has covered 33.3 per cent of the hill region districts, whereas when it comes to the actual coverage

Table 5: Programme Districts by Geographic Regions

	<i>Terai</i>	Hill	Mountain	Total
SFDP	16	39	20	75
PCRW	13	24	18	55
RRDBs	17	7	-	24
MCPW*	4	11	-	15
BWTP	8	10	-	18
<i>Nirdhan</i>	4	-	-	4
CSD	4	3	1	8

* Including the urban sites of Nepalgunj, Dumre and Kathmandu

of VDCs, it is only covering 6.4 per cent compared to their total coverage. This figure decrease when it comes to the beneficiaries' coverage to 3.9 per cent and the loan amount disbursement further goes down to 1.6 per cent to its total figure in the hill region.

The RRDB and two other similar programmes, *Nirdhan* and SBP/CSD, are mostly concentrated in the *terai*. One senior ERRDB staff member says that this model is relatively effective in the *terai* region where markets are accessible and products are easily disposable. To bring this programme in the hill/mountain region means higher overhead costs due to scattered settlements in hill/mountain regions. Contrary to this notion the CSD says that the repayment rate of its first hill region is 100 per cent (CSD newsletter 5 Jan 1997). WRRDB's chief executive also said that they are greatly encouraged to expand their hill region operations because of a very satisfactory performance of their programme in Palpa district. Now they have expanded their credit programmes in Tanahu, Kaski, and Syangja districts. However, the most aggressive and the first RRDB in the eastern region still has reservations about venturing into this programme in the hill/mountain regions. Their concern is that the markets and marketable products' development in the hilly area are few. Therefore, quick investment and returns may not be possible. This argument is based on the cost of managing of the credit programme, which becomes relatively higher in hill and mountain areas compared to the plains. According to them, without any subsidy from the government, it will be difficult to manage the programme without incurring loss.

With regard to this issue, the field staff working in Palpa (hill area) under the MWRRDB felt that micro credit programmes would be more successful if implemented with some modifications in implementation procedures. More importantly, such modifications are suggested for loan repayment schedules, changes in centre's specifications (presently 2-8 groups form a centre), and flexibility in the size of the loan.

The views of the beneficiaries in this respect were also analysed for critical review. In terms of services received, there is no difference of opinion in both areas between (hill and *terai*) beneficiaries: they feel that it is a good programme. However, about 10 per

cent of the beneficiaries raised some issues on the management of the programme in both regions. The issues raised were more on the system of the RRDBs of five per cent savings deducted from their loan money. The most common query is to state the purpose. A majority of the women also question when they will get the money back. The ERRDB in the beginning told them that this money will be converted into bank shares, so that they would also be owners of the bank. One member of the field staff said that this explanation had been given to them for a long time, but that there is no sign of action from the management side. When and how this conversion into shares will be implemented is not yet known. According to this particular staff member, they have difficulty in convincing group members and their families. The management is still committed to the idea of converting savings into shares. But they also said that the policy still needs approval from the board, hoping that, in the near future, this will be approved and implemented. Until it is approved, the dissatisfaction of older members will spread slowly among other new members.

There was not much difference in the nature of investments between the hill and the *terai*. Small roadside shops (tea shops/eateries or grocery shops), trading, and livestock raising for milk or meat purposes are the activities mostly taken up. In some cases in the hilly regions, women have invested in vegetable gardening; and in the *terai*, they are engaged in producing and selling puffed rice or beaten rice. In terms of the size of loans and procedural matters, no changes or variations were found.

Most of the off-farm investments in the hilly region have taken place along the roadside where public transport services have created added business opportunities. In the *terai* also, most of the investments of the RRDB are near urban and semi-urban market centres.

Contrary to the RRDB, the PCRW and the MCPW are clustering programmes around the village or community concept. This difference could be due to a variation in basic orientation of these programmes. PCRW and MCPW give emphasis to production of goods whereas RRDB puts more emphasis on quick returns, which is mostly possible only through marketing products, not merely in manufacturing the product. The weekly payment is possible if trading or business activities are taken up, merely producing goods such as milk, vegetables, poultry, or goats for meat, that have a short shelf life, does not lead to quick return. This variation in concept has affected the nature of income-generating activities that women carry out. In the RRDBs, trade and services are the main areas in which the largest loans are utilised, and in the PCRW and MCPW livestock are the predominant sector.