

Women in Rural Micro Finance Programme in the Western Hills of Nepal: Reflection from *Sahakarya* Project Area

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Abstract

The main objective of rural finance is to increase access of rural people to financial services to undertake income generating activities and improve their livelihoods. With a view to facilitate this process, both government and non-government organisations have launched various programmes. Among them, the Centre for International Studies and Cooperation (CECI) has been a leading figure in the western hills of Nepal. This paper has attempted to analyse the impact of rural finance programme in empowering women by using data from the *Sahakarya* Project, implemented by CECI in five hill districts of Mid and Far Western Nepal.

The findings of this small study indicate that rural micro finance programme has empowered women and disadvantaged group (DAG) people to access credit services in rural area. It has also shown that their representation in working committee is determined by their general membership in the organisation. These two factors play a vital role in the approval of loan application and interest to be charged to the borrower. Increasing the number of women and DAG members in savings and credit organisations and their working committee can be enhanced by adopting more favourable policies and positive discrimination strategies.

The findings of this study indicate that *Sahakarya* project approach in promoting rural micro finance to enhance access of women and other DAG people to financial services in rural area is effective and thus can be replicated.

1. Introduction

Formal microfinance services in Nepal started in the Rapti valley of Chitwan district in 1956 with the establishment of 13 credit cooperatives. The objective was to provide credit to the resettlers in the valley. To give further impetus to microfinance programme, Nepal Rastra Bank (NRB) directed the commercial banks (CBs) in 1974 to invest at least five percent of their deposits in the "small sector". These initiatives were a first in rural lending in Nepal.

Literature shows that about 39 percent of the rural households had borrowed from different sources of funding and of them only 20.29 percent had borrowed from formal sources (NRB: 1994). Access to formal financial services for the poor in mid and far western hills are relatively low as compared to the national figure. Prior to 1996, access to financial services from formal sources in Dadeldhura was 12 percent and in Jumla it was 10 percent.

Since early 1990s, the government, private sector and NGOs/INGOs promoted several microfinance institutions. As a result, more than 2,900 microfinance institutions (MFIs) (development banks, financial intermediary NGOs and savings and credit cooperatives (SCOs)) have emerged in this industry including in the western hills of Nepal. Among them, CECI has been promoting microfinance services in Jumla, Dailekh, Surkhet, Dadeldhura and Baitadi, through its Support to Self-Help Organisations in Productive Sector (1993-97), Community-Based Economic Development - CBED project (1996-2002), Market Access for Rural Development Project - MARD project (1997-2002), and *Sahakarya* Project (2003-2008).

By March 2007, CECI has promoted 176 Savings and Credit Cooperatives (SCOs). These cooperatives have mobilised 27,961 members, generated assets of more than Rs 113 million and a loanable fund of more than Rs 103 million. In order to enhance women's and people from disadvantaged groups (DAG) access to microfinance services, CECI has adopted a gender and social inclusion policy in all its projects. This paper attempts to analyse women's and other disadvantaged peoples' (DAP) participation in savings and credit cooperative movement and their access to these services in *Sahakarya* project districts.

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2. Objective

The general objective of this paper is to analyse the situation of women in micro finance in the western hills of Nepal. The specific objectives are to:

- Analyse the participation of women and DAG in savings and credit cooperatives
- Analyse their access to credit services, and
- Examine the effectiveness of micro finance programme in empowering women

3. Methodology

This is a review study of secondary information. It has used information generated by *Sahakarya* project in its project districts (Jumla, Dailekh, Surkhet, Dadeldhura and Biatadi) for the period of 2004-07.

4. Participation of Women and DAG in Savings and Credit Organisations (SCOs)

4.1 Coverage by SCOs

Despite 12-years of armed conflict in the *Sahakarya* project districts, SCOs have worked satisfactorily. One of the reasons for this success has been the reaching of the women and DAG people by the programme. In terms of total coverage, the programme has reached 6.2 percent (21,659) households (Table 1).

Description	Unit	Jumla	Dailekh	Surkhet	Dadeldhura	Baitadi	Total
Number of SCOs	No	34	32	30	35	45	176
Households	No	3,009	2,754	5,177	5,711	5,008	21,659
SCO members	No	3,938	4,059	5,864	7,066	7,034	27,961
Members per SCO	No	116	127	195	202	156	159

Source: CECI, 2007

4.2 Membership Pattern

Of the total members, 54 percent were women. Since one needs to be a member of SCO to access the credit services provided by SCOs, it shows that the programme has increased women's access to rural micro finance as compared with their proportion in population. The programme has reached Janajatis and Dalits too. Participation of Janajatis was seven percent against their population in the baseline survey (7%). However, though Dalits participation is also increasing (17%), it is still below their proportion in the population (24%) (Table 2).

General Members	Unit	Jumla	Dailekh	Surkhet	Dadeldhura	Baitadi	Total	Percentage in the baseline (2003)
Total	Male	1,665	2,017	2,220	3,465	3,426	12,793	
	Female	2,273	2,042	3,644	3,601	3,608	15,168	
	Fem %	58	50	62	51	51	54	50
	Total	3,938	4,059	5,864	7,066	7,034	27,961	
Bhramin-Chhetri	Total	3,123	2,927	3,508	5,523	5,842	20,923	
	Percent	79	72	60	78	83	75	67
Janajati	Total	171	536	1,181	62	143	2,093	
	Percent	4	13	20	1	2	7	7
Dalit	Total	628	519	1,075	1,477	1,049	4,748	
	Percent	16	13	18	21	15	17	24
Others	Total	16	77	100	4	0	197	
	Percent	0	2	2	0	0	1	2

Source: CECI, 2007

Participation of Dalits in the SCOs has further supported to create ownership of the programme. Increased ownership has favoured the programme to be demand driven. It has improved the process of activity planning, implementation and monitoring, thereby increasing transparency of the project activities. It also motivated dalits to participate in the programme, as well as encouraged programme people to provide equal access to dalits in regard to decision-making (Box 1).

Box 1: CBOs are motivated to provide equal access

"CECI's approach in supporting CBO and its capacity building is very inclusive. It motivates CBOs to provide equal access for women, Dalits and Janajatis in CBO general membership . It also encourages people to have their say in community decision making".

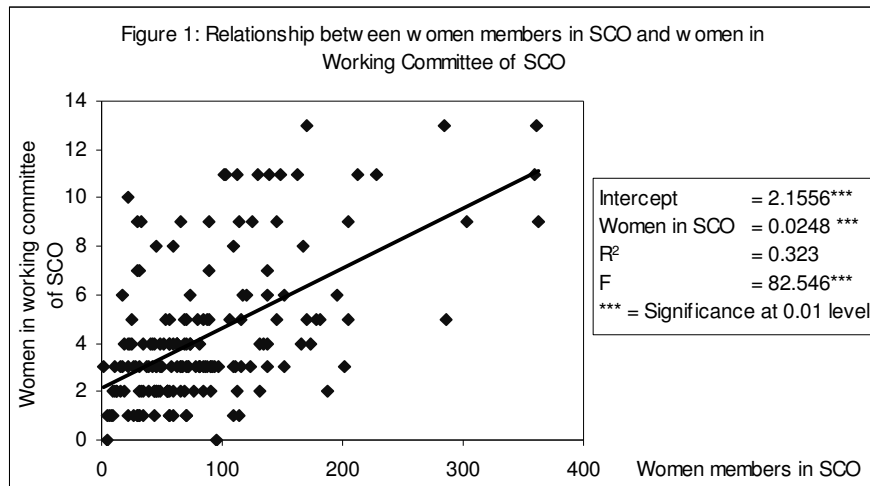
*Ganesh Tamrakar, Manager
District Savings and Credit Cooperative Union, Dadeldhura*

The objective of linking women and DAG people to rural micro finance has further reinforced their capacity to make decision within the organisation. Participation of more women and DAG in SCOs can be ensured when they have women and DAG people in the decision making bodies, which is a working committee in case of SCOs. In the project area, it was found that there were only 45 percent women and 16 percent Dalits (Table 3) in the working committee despite their proportion of 50 percent and 24 percent, respectively in the population. Although the percentage of women and Dalits is lower relative to their proportion in population, their percentage has been increasing satisfactorily overtime (Figure 3). This was achieved through various efforts such as positive discrimination in trainings, visits, infrastructure development support, etc. made by the project to enhance their participation.

Table 3: Participation in decision making							
Working Committee Members	Unit	Jumla	Dailekh	Surkhet	Dadeldhura	Baitadi	Total
Total	Male	177	173	128	219	287	984
	Female	162	144	186	132	186	810
	Fem %	48	45	59	38	39	45
	Total	339	317	314	351	473	1,794
Bhramin-Chhetri	Total	298	220	176	285	386	1,365
	Percent	88	69	56	81	82	76
Janajati	Total	2	38	74	2	10	126
	Percent	1	12	24	1	2	7
Dalit	Total	38	55	60	64	77	294
	Percent	11	17	19	18	16	16
Others	Total	1	4	4	0	0	9
	Percent	0	1	1	0	0	1

Source: CECI, 2007

Increasing Janajatis and Dalits membership in SCOs may be determined by their population in the community. Regarding women, it is not the case. There are almost 50 percent women in every community. Hence, increasing number of women in the SCOs is a matter of motivating both women and men. But in working committee, presence of women as general members can influence the number of women in decision making. As shown in Figure 1, number of women in working committee has a positively significant relationship with the number of women in SCOs. It indicates that promoters should give due emphasis to increasing number of women in SCOs to influence women's representation in working committees of SCOs and thus increase their decision making to address their specific issues.



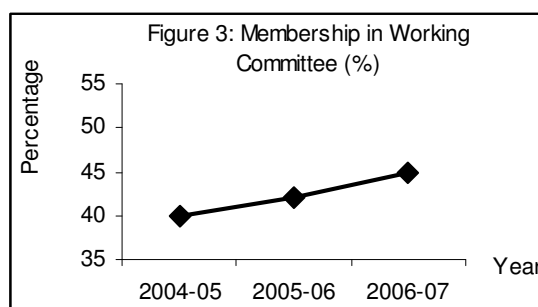
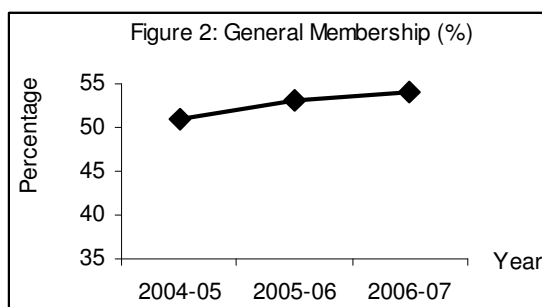
4.3 *Sahakarya* Efforts and Its Effectiveness in Increasing Membership

Sahakarya has adopted various policies to increase women's participation in general as well as in working committees. *Sahakarya* has adopted various gender equality and social inclusion policies to enhance women's participation in project activities and enhance their capacity. The followings are some relevant policies to enhance women's participation in community activities and decision making process.

- Pregnant and lactating women had problems moving far and thus their participation was low in trainings and workshops. In order to address this issue, *Sahakarya* adopted two approaches:
 - conduct community level training to make it feasible for pregnant women to attend
 - when trainee needs to stay away from home during training, provide additional 75 percent food allowance to lactating mothers (having a child of less than two years) in such trainings/workshops
- Even at the community level, when trainings/workshops were of longer duration, more than two days, women had a problem in managing fodder and litter for animals. Hence, their participation was either low or of low quality due to their diverted attention towards such problems at home. To address this issue, *Sahakarya* opted a policy of not conducting community level training for more than two days. If it was felt required, then *Sahakarya* conducted it only few hours a day but for longer period; or broke the training into more numbers with each not requiring more than two days.
- *Sahakarya* also opted a policy to enhance women's participation by relieving them from other pressing burdens at home. Women were found hauling project supported materials and equipments. In order to relieve women from this burden, *Sahakarya* provided Rs 500 as transportation cost to carry construction materials for geographically excluded households.
- In order to encourage women to take up cash earning activity, *Sahakarya* provided Rs 1,500 per household taking up micro enterprise.
- With a view to encourage CBOs to increase women's participation in the CBOs and their decision making bodies, *Sahakarya* made a provision of Rs 100,000 as a CBO office building construction support provided that CBO meets the minimum criteria that it has at least 50 percent women general member; and it has at least 40 percent members of decision making body like working committee represented by women and dalits.
- With a view to expose community people to outside environment and marketing opportunities, *Sahakarya* supported study tours. In order to ensure women's participation in such opportunity, *Sahakarya* required at least 50 percent women to get the tour programme approved.

- Sahakarya provided specific trainings like leadership development, organisational management, loan management, gender equity and social inclusion, etc. for women to improve the quality of their participation in SCOs and working committees.

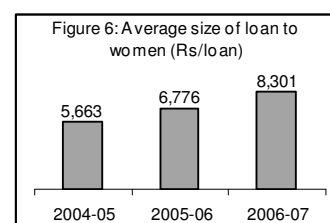
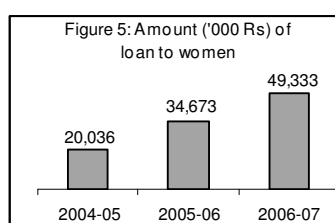
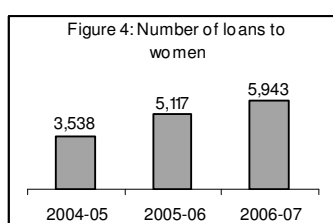
These efforts have been effective in enhancing women members in SCOs to 54 percent in 2007 from 51 percent in 2004-05. Likewise, percentage of women in working committee has increased to 45 percent in 2007 from 40 percent in 2004-05 (Figures 2 and 3). Though Figure 1 indicated that percentage of women in decision making committee is positively related with the number of women in SCOs, Figure 3 indicates that it is not enough to enhance women's positioning in decision making. There is a need to have more positive discrimination strategies to foster women's participation in working committees.



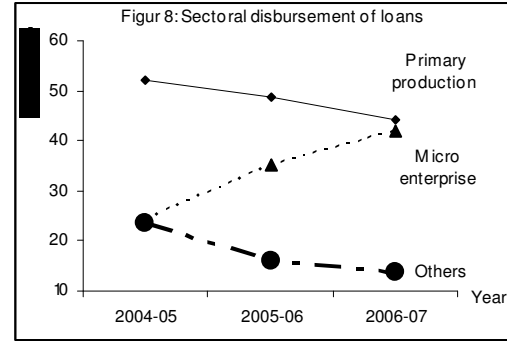
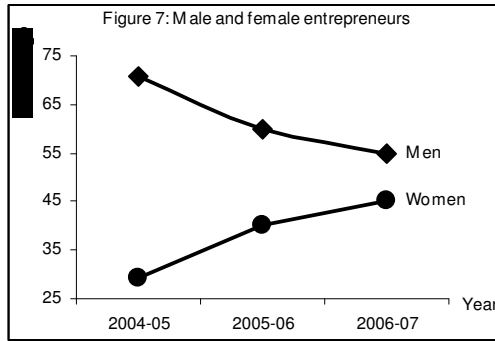
Data source: CECI, 2005, 2006, 2007

4.4 Access to Loan Services

One of the objectives of rural micro finance programme was to enhance women's and DAG peoples' accesses to rural credit services and protect them from the exploitative interest rates of local money lenders. As shown in Figures 4-6, the increased membership of women in SCOs and increased number of women in working committees is found to have also enhanced the access to credit services provided by SCOs. Results show that there was 41 percent increase in number of loans, 59 percent in amount of loan and 32 percent in average loan size. Lower increase in average loan size as compared with increase in number of loans indicates that the increased number of loans have reached poorer section of the SCO members.



The loan granted was usually for primary production, value addition enterprise or other sectors such as education, social functions, foreign employment, etc. As shown in Figure 8, it was found that the percentage of loan disbursed in enterprise sector is increasing while that of primary production and other sectors is decreasing. In Figure 7, the results on micro enterprise development pattern show that there has been a sharp increase in the number of women taking-up micro enterprise as compared to men. Thus the results in these two figures confirm that increasing loan disbursement in micro enterprise sector has benefited more women than men.



Micro credit service from SCOs have not only supported women to take up enterprises but also empowered them through their exposure to outside environment, education and technology. Many of such successful entrepreneurs then become a source of inspiration to others (Box 2).

As a general rule of savings and credit organisations, one has to be a member of the organisation to be eligible to get loan. In approving a loan, women in working committee can influence the application in women's favour. Women members in SCOs in general and women in working committee can also influence the rate of interest charged to loan. More specifically, there are many SCOs who have lower rates for women borrowers. These relations can be expressed as follows.

$$Y = \alpha + \beta_1 WS + \beta_2 NC + \beta_3 IC + \epsilon$$

where;

Y = number of loans lent by SCOs to women borrowers;

WS = number of women in SCOs;

NC = number of women in working committee;

IC = interest charged;

α and β_i are coefficients to be estimated and ϵ is a random disturbance term assumed to be independently distributed.

The regression results of this relation are presented in Table 4.

Constant	2.23014	(5.79181)
Number of women in SCOs	0.14270***	(0.0182)
Number of women in WC	1.20643***	(0.3983)
Interest charged	-0.10324	(0.3131)
R-squared	0.41	
F-statistics	39.60***	
Number of observation	176	
Note: Figures in parentheses indicate standard errors		
*** indicate significance at 0.01 level		

Box 2: Successful entrepreneurs become source of inspiration

Though Ms. Bishnu has 10 years of schooling, she had no exposure to urban activities and financial institutions. She got married at the age of 18 and has two daughters. Ms. Bishnu joined the Mahila Samudayik SCO in Chhinchu in 1999. She easily got loan from the SCO and invested it for vegetable farming. She made income from it and paid off her loans within due date. This proved her credit worthiness. She has now become a source of inspiration to other women in the neighbourhood. Her fellow members now consult her quite often.. As such she emerged as a successful entrepreneur from her past submissive housewife background.

Bishnu Kumari Thapa
Mashina Village Chhinchu, Surkhet

5. Conclusions and Recommendations

The findings of this small study indicate that rural micro finance programme has empowered women and DAG people to access credit services. It has also shown that their representation in working committee is determined by their general membership in the organisation. These two factors play role in the approval of loan application and interest to be charged to the borrower. Increasing number of women and DAG members in SCOs and their working committee may be enhanced by opting favourable policies and positive discrimination strategies.

The findings of this study have also indicated that *Sahakarya* project approach in promoting rural micro finance to enhance access of women and other DAG to financial services in rural area has been effective and thus can be replicated to other areas.

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