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FINAL REPORT

IMPACT STUDY OF MICRO FINANCE IN MEDEP (NEP/08/006)

Prepared by
Centre for Empowerment and Development (CED-Nepal)
Sainbu-8, Lalitpur, Nepal
Phone: +977-1-5548143
Email:ncednepal@yahoo.com

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EXECUTIVE SUMMARY

This document assesses the impact of microfinance in Microenterprise Development Programme (MEDEP) for uplifting the livelihood of microentrepreneurs. This study was undertaken by undertaking the field studies in four districts namely: Sunsari, Udayapur, Nawalparasi and Nuwakot of Nepal. The study uncovered that access to finance has been quite effective to enable microentrepreneurs to manage finance required for enterprise establishment and development.

MEDEP has adopted two modalities of enhancing access to financial services for enterprise development to microentrepreneurs. To start with, UNDP/MEDEP signed a MOU with ADBL for the creation, operation and management of credit fund amounting Rs. 15.0 millions in a proportion of 30% (UNDP) and 70% (ADBL) in 1998. On-time repayment rate was more than 90%. The scheme operated in a fully decentralized framework. The scheme was relatively efficient to enhance access to financial services to microentrepreneurs developed by MEDEP. With the phase-out of the microfinance scheme by ADBL with the advent of the restructuring exercises in 2004, MEDEP was required to explore alternative arrangements for enhancing access to financial services to microentrepreneurs it has developed. Closing the credit scheme established in 1998 under MOU signed between UNDP/MEDEP and ADBL is a matter of great concern.

ADBL has recovered over 90% of loan disbursed to MEDEP developed microentrepreneurs as a result of loan and interest waiver scheme introduced by the government last year (2007/08) and loan less than Rs. 30,000 was completely recovered due to loan waiver scheme last year. Following the review of the scheme in early 2006, ADBL returned Rs. 1.5 million to MEDEP/UNDP in 2006/07. At present, ADBL is willing to settle and professionally close this scheme while returning the balance un-used capital consistent to one time loan and interest waiver policy introduced by the government last year. There is however lack of proper calculation system. It should be noted that the Memorandum of Understanding (MOU) signed between UNDP/MEDEP and ADBL is salient on final use of credit fund. UNDP/MEDEP and ADBL should work jointly to technically close the scheme and settle the due following the implementation of the loan and interest waiver scheme announced by the government. Upon recovery of credit fund, UNDP/MEDEP can use this fund for entrepreneurship development of the poor and dis-advantaged groups in remote areas.

At present, MEDEP/UNDP has signed MOU with 5 GBBs, 4 MDBs, 5 FI-NGOs and more than 30 SCCs to enhance access to financial services to microentrepreneurs. Though, at present coordination with such a large number of FSPs is a challenge, MEDEP has handled challenges efficiently due to its decentralized service delivery system as well as involvement of BDSPOs and D-MEGA with coordination responsibilities. The focus has been towards developing sustainable business linkages of the microentrepreneurs with FSPs. Most FSPs has acknowledged microentrepreneurs developed by MEDEP to be high credit risk and are quite confident to extend larger loan size to these microentrepreneurs. As a consequence, about 52% of microentrepreneurs in these districts have access to financial services and FSPs are quite successful to maintain high depth and breadth of outreach, good portfolio quality (above 98% on-time repayment rate) and attain both operational and financial self-sufficiency out of their operation.

MEDEP lacks vision on institution development of microentrepreneurs and future role of different institutional structures such as MEGs, MEGAs and D-MEGAs. Over 60% MEGs still depend on field assistants of MEDEP/BDSPOs for their operation. This is partly due to lack of numeric, business and institutional literacy among MEG members. About 62% MEGs surveyed are involved on savings mobilisation while members remaining MEGs either save in MEGA which are later transformed into SCCs or save in FSPs. In cognizance to this reality, MEDEP should have renewed focus on MEGs' capacity development and

strengthening. Findings of this study indicate that about 52% microentrepreneurs developed by MEDEP have access to financial services from different FSPs. The client level impact of microfinance services is quite vivid and significant. There are cases where over 95% borrowing microentrepreneurs have improved their livelihood through their enhanced access to financial services while less than 60% non-borrowing microentrepreneurs have demonstrated such an impact. Borrowing microentrepreneurs have earned incremental income of over Rs. 100,000 per year, improved their livelihood and used incremental income for asset creation (land purchase, house improvement, purchases of consumer durables, increase the number of livestock head), sending children to school, health care, clothing, household consumption and buying ornaments which is about 25-50% higher than non-borrowing entrepreneurs. Despite potential, MEGA and D-MEGA have not been able to contribute significantly on enhancing access to finance to microentrepreneurs by fostering linkages and networking with FSPs. Further, role of BDSPOs on increasing credit absorptive capacity of the microentrepreneurs is far from optimum and there should be renewed focus on the future role of the BDSPOs.

Based on the assessment findings, the study has recommended MEDEP for proper programme packaging, phase-out/closing of the credit scheme with ADBL, revisit the MOU with FSPs, promoting various options related to MEGs led banking consistent to existing financial market, MEGs strengthening, enhancing access to financial services to microentrepreneurs using the best available options, be it linkage banking or formation of community based FSPs or linkages with commercial oriented FSPs and devise strategy to use the MEGA, D-MEGA and BDSPOs at full potential to foster linkages and networking with FSPs and increase the credit absorptive capacity of microentrepreneurs.

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ACRONYMS AND ABBREVIATIONS

ADBL	Agriculture Development Bank Limited
BDSPO	Business Development Service Providers
CBs	Commercial Banks
CBOs	Community Based Organizations
CRT	Centre for Rural Technology
CSIDB	Cottage and Small Industries Development Board
DBs	Development Banks
DCSI	Department of Cottage and Small Industries
DDC	District Development Committee
DEDC	District Enterprise Development Committee
DEDO	District Enterprise Development Office
DMEGA	District Microenterprise Group Association
FI-NGOs	Financial Intermediary NGOs
FGD	Focus Group Discussion
FNCCI	Federation of Nepal Chamber of Commerce and Industries
FNCSI	Federation of Nepal Cottage and Small Industries
FSP	Financial Service Provider
GBB	Grameen Bikas Bank
GDP	Gross Domestic Product

GON	Government of Nepal
GRT	Group Recognition Test
HH	Households
IEDI	Industrial Enterprise Development Institute
MED	Microenterprise Development
MEDEP	Microenterprise Development Programme
MEG	Microentrepreneurs Groups
MEGA	Microentrepreneurs Groups Association
MFI	Micro-finance Institution
MIS	Management Information System
MOU	Memorandum of Understanding
NGO	Non Government Organization
MEDEP	Nirdhan Uthan Bank Limited
MDB	Microfinance Development Bank
PRA	Participatory Rural Appraisal
SCCs	Savings and Credit Cooperatives
SFCLs	Small Farmers' Cooperatives Limited
UNDP	United Nations Development Programme
VDC	Village Development Committee

STUDY TEAM

Mr. Nara Hari Dhakal	Team Leader
Mr. Tirtha Raj Ghimire	Microfinance Specialist
Mr. Ramesh Adhikari	Research Associate
Mr. Diniesh Ghimire	Research Assistant
Mr. Krishna Dhakal	Research Assistant

1. INTRODUCTION

1.1 Background

Access on financial services is one of the services required for poverty reduction which is required in different phases for microenterprise development (MED) starting financing initial start-up capital to microenterprise establishment to managing required working capital for the enterprises. Microenterprises are established by the poor to generate self-employment opportunities and there is always a need for access to finance in the form of fixed investment and working capital finance. In general, poor microentrepreneurs rely on informal sources to address their financial needs, which is more costly and unreliable.

Microenterprise Development Program (MEDEP) is a multi-lateral donor funded poverty reduction initiative supported by the Government of Nepal (GON) and the United Nations Development Programme (UNDP). The programme has been working with poor people, especially women and those from backward communities since 1998. The programme focuses on translating the broader vision of the government's Ninth Five Year Plan on addressing the poverty through the support for the creation and development of microenterprises among low income families. The Programme has successfully completed its two consecutive phases and the third phase is currently underway[1].

Ensuring access to finance to the microentrepreneurs developed under the project has remained to be the primary focus of MEDEP's support for MED to develop entrepreneurship among the disadvantaged communities. MEDEP has adopted the approach to organize potential microentrepreneurs into the microenterprise groups (MEGs) to facilitate MED at grassroots level. Members of the MEGs participate in the saving scheme and use the accumulated savings for internal lending among members to promote feasible microenterprises.

MEDEP has piloted different approaches and strategies for ensuring access to financial services to microentrepreneurs it have developed. The Programme worked in partnership with different financial service providers (FSPs). To start with MEDEP/UNDP and the Agricultural Development Bank Limited (ADBL)[2] signed a Memorandum of Understanding (MOU) to establish the microenterprise credit fund to provide financial services to microentrepreneurs develop by MEDEP. In response to phasing out of microfinance operation by ADBL as part of its restructuring initiatives and apparent inefficiencies in the arrangements[3], in the second phase, MEDEP established partnership with difference financial service providers (FSPs) to meet the demand for financial services of the microentrepreneurs. The arrangement worked with mixed success. In order to provide further impetus on enhancing access to finance to microentrepreneurs, since 2008, MEDEP is supporting the District Microentrepreneurs Group Associations (DMEGAs) to sign MOU with the FSPs to empower them further and explore the possibilities of enhancing access to financial services to microentrepreneurs locally. Further, a significant number of cooperatives of the microentrepreneurs are promoted under MEDEP to open further avenue on addressing issues related to access to financial services to microentrepreneurs.

In order to address immediate financial need of the potential microentrepreneurs by building up the internal financial resources, MEDEP has supported MEGs to mobilize savings among

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1 The program was implemented in 10 districts in the first phase (1998-2003) while it was extended in 25 districts during the second phase (2004-2007). The program is being implemented in 31 districts in the third phase (2008-2010).

2 The then Agricultural Development Bank, Nepal (ADBN).

3 Owing to mounting conflict situation leading to merger of branches of the ADBL in district headquarter, many limitations were noted in UNDP-ADBL partnership provide access to finance to micro-entrepreneurs for access to financial service.

their members. In fact, saving mobilization is the critical element of the overall activities undertaken by MEGs promoted by MEDEP for internal resources generation and mobilization. Amount of saving mobilized by member of the MEGs has been estimated at NRs. 16.95 million. In general, MEG has used the amount of savings mobilized from the members for internal lending. It has, however, been uncovered that the savings mobilized has not been used properly for internal lending among their members and there has been serious concern on the efficiency, reliability and accuracy of the book keeping and accounting system maintained by some MEGs. Need to review saving mobilized by MEGs has been felt to streamline the process and identify strategies to ensure proper mobilization of saving to meet financial needs of MEGs members.

Further, some of the MEDEP assisted microentrepreneurs are accessing financial services from different FSPs (commercial banks, development banks, MFIs and cooperatives) and there are many who have yet to establish business linkages with these FSPs. A need to assess the impact of financial schemes piloted by MEDEP to ensure access to financial services among microentrepreneurs are felt so as to estimate proportion of microentrepreneurs receiving financial services, contribution of access to financial services to start and up-scale microenterprise and their impact on generating income, employment and empowerment of microentrepreneurs developed by MEDEP. Further, such an assessment should identify emerging best practices on blending of financial and non-financial services for empowerment and improvement of the livelihood of microentrepreneurs.

1.2 Objectives of the Study

The main objective of the study is to assess the impact of various microfinance schemes on establishment, operation scale–up and growth of microenterprise as well as generation of income and employment and empowerment of microentrepreneurs. The specific objectives of this study are the following.

- Evaluate partnership of UNDP/MEDEP with (i) ADBL and (ii) FSPs on enhancing access to finance to microentrepreneurs.
- Undertake the mapping of microfinance market accessed by the microentrepreneurs.
- Assess the impact of micro finance services on enterprise creation, development, income, employment, empowerment of target beneficiaries and scale–up and growth of enterprise.
- Document the status of savings mobilization by the MEGs and use of accumulated savings for promoting income and employment opportunities to microentrepreneurs.
- Provide recommendations on the improving efficiency and effectiveness of the various credit piloted by MEDEP for enterprise development.

1.3 Scope of Work

Among others, scope of work of this study is the following.

Partnership with ADBL

- Review of partnership agreement
- Analyze the status of outstanding loan remaining with ADBL.
- Assess the possibilities and explore the ways out to recover the credit fund from Agricultural Development Bank.
- Assess the possibilities to use the credit fund recovered from ADBL to the benefit of microentrepreneurs at optimum level.
- Analyze and categorize the existing status of loan remaining with microentrepreneurs.

- Assess the portfolio quality of loan especially remained under the agreement between ADBL and MEDEP.

Linkage with Financial Service Providers

- Analyze the typology of the FSPs involved in enhancing financial services to MEDEP promoted microentrepreneurs.
- Evaluate the partnership between MEDEP and partner FSPs.
- Evaluate the operational and financial performance of FSPs in terms of their outreach, portfolio quality, operational and financial self-sufficiency.

Impact of Access to Finance on Enterprise Development

- Assess the benefits microentrepreneurs are getting from micro finance services.
- Analyze the category of microentrepreneurs in terms of their scale of enterprises benefited from micro finance services.
- Analyze the category of microentrepreneurs in terms of their scale of enterprises benefited from micro finance services.
- Figure out two specific categories of entrepreneurs, i.e. recipients and non recipients and non-recipients of MF services according to the scale of their microenterprises.
- Develop a clear mapping of the micro finance service providing institutions in line with the categories of microentrepreneurs receiving services from these institutions.
- Assess the impact of microfinance services made in the sectors of microenterprise.
- Assess the impact of micro finance services towards the life of microentrepreneurs and their family.
- Assess the changes in the ME's life before and after the establishment of linkages with FSPs.

Role of MEGs on Savings Mobilization

- Assess the status of savings deposited by the microentrepreneurs in the MEGs.
- Assess the quality of savings being mobilized by the microentrepreneurs and scrutinize the size of savings deposited vs. the size of savings mobilized by them.
- Analyze the status of capacity of MEGs for loan management and operational and financial performance.

Potential Role of Other Organizational Structure for Enhancing Access to Finance to Microentrepreneurs

- Assess the current and potential role of other organizational structures such as MEGAs, D-MEGA and BDSPOs to enhance access to finance among MEDEP promoted microentrepreneurs.

1.4 Methodology of Study

The following methodology was used while undertaking this study.

1.4.1. Data Sources

The study used both primary and secondary sources to gather the required information. The primary information was gathered by conducting field visit and surveys. Set of checklists were developed and tested before undertaking field visit. Extensive review of relevant documents, project documents, progress reports and other published and unpublished documents related to MEDEP that exist in UNDP/MEDEP office and annual reports of ADBL were used to gather secondary information.

1.4.2. Data Collection Methods

The study used different methods of data collections that includes review of relevant documents, focus group discussion, organizational assessment, key informant interview (MEDEP and ADBL officials, MEGA's chairpersons, BDSPO's staffs, etc.), organizational assessment, performance review and field visit. The details of data collection methods used for specific areas of study are presented in Annex 1.

1.4.3. Study Area

This study was conducted in four MEDEP districts covering the districts in the hills and Tarai considering status of MEDEP implementation and level of efforts done to ensure access to financial services to MEDEP promoted microentrepreneurs. The districts selected for the study are Nuwakot, Nawalparasi, Sunsari and Udayapur. Field survey schedule are provided in Annex 2.

1.4.4. Field Study Methodology

During field study survey of Business Development Service Provider Organization (BDSPO), District Microentrepreneurs Group Association (DMEGA), Microentrepreneurs Group Association (MEGA) and Microentrepreneurs Group (MEG) and borrowing and non-borrowing microentrepreneurs was done using checklists and questionnaires designed for this purpose.

1.4.4.1. DMEGA Survey

Opinions of DMEGA of each district to enhance access to financial service to MEDEP supported microentrepreneurs were gathered and their current status and future plan were assessed. Information was collected using Checklist 1 included in the Annex III.

1.4.4.2. Financial Service Provider Survey

Status on various dimensions of outreach, challenges on provision of financial service to MEDEP promoted microentrepreneurs, repayment performance, etc. related to FSPs providing access to financial services to members of the MEGs in the study districts were assessed and analyzed using checklist 2 included in the Annex III.

1.4.4.3. BDSPO Survey

The study assessed the potential role of BDSPO on enhancing access to financial service to MEDEP promoted microentrepreneurs. Scope of the services provided by concerned BDSPO in terms of enhancing access to financial service was assessed in addition to review of scope of their services to microentrepreneurs and their technical and financial dependence on MEDEP. Further, institutional, operational and financial assessment was carried out to identify sustainability and prospect for growth. There is one BDSPO in each district and assessment was done in a meeting of the key official of BDSPOs including their office bearers using checklist 3 included in Annex III.

1.4.4.4. MEGA Survey

MEGAs of the study districts were stratified into three (excellent, better and good) based on their success on ensuring access to financial services to MEDEP promoted microentrepreneurs. From each stratum, one MEGA was purposively selected in consultation with DMEGA for in-depth assessment. The MEGA selected for study are both

from accessible and inaccessible areas and represents a mix of VDCs with more number of microentrepreneurs and less number of microentrepreneurs. Opinion of the MEGA of each district to enhance access to financial service to MEDEP supported microentrepreneurs was gathered and their current status and future plan was assessed. A total of 12 MEGAs were surveyed in this study using Checklist 4 included in the Annex III.

1.4.4.5. MEG Survey

A list of all the MEGs within each MEGA selected for in-depth study was prepared and these MEGs were stratified into three (excellent, better and good) based on their performance on enterprise creation and development. Three MEGs were purposively selected in consultation with concerned MEGA. A total of 48 MEGs (@ of 12 MEGs per district) were surveyed using the Checklist 5 included in the Annex III that coveres aspects such as membership, equity and access, governance and responsibilities, savings mobilization, loan transaction, income statement, balance sheet, growth plan, etc. was collected from each MEG.

1.4.4.6. Microentrepreneurs Survey

Name and address of microentrepreneurs in each MEG was prepared using the information provided by executives of MEG. These microentrepreneurs were stratified into two viz. borrowing and non-borrowing microentrepreneurs. From each stratum, at least three microentrepreneurs were surveyed. Thus, at least six microentrepreneurs were surveyed from each MEG selected for in-depth study using questionnaire 1 and 2 included in Annex III that enabled an assessment of impact of access to finance on poverty reduction, entrepreneurship development, coping with vulnerability and empowerment. A total of 121 borrowing and 113 non-borrowing microentrepreneurs were surveyed in this study.

1.4.4.7. Survey of ADBL Head Office and Branch Offices

In this study, MOU between (i) MEDEP/UNDP and ADBL and (ii) MEDEP/UNDP and FSPs were reviewed. The review of MEDEP/UNDP and ADBL's MOU focused on assessing the status of outstanding loan remaining with ADBL and exploring the possibilities to recover credit fund from ADBL and suggest the best way to use the credit fund for the growth and development of microentrepreneurs at optimum level. During field studies, existing status of loan remaining with microentrepreneurs were analyzed and categorized. Further, portfolio quality of loan especially remained under the agreement between ADBL and MEDEP. Rather than using the pre-structured format, information was collected from the concerned ADBL office as maintained by them and compiled for presentable way. On the other hand, review of MEDEP/UNDP and FSPs MOU focused on assessing the sustainability and liability (if any) of the arrangement as far as enhancing access to finance is concerned.

1.4.5. Information Processing and Analysis

The information collected from different sources were compiled, consolidated and analyzed. Analysis was done under both quantitative and qualitative assessment framework. The impact of poverty as well as other social impacts of microfinance services was assessed considering situation before and after the project by identifying and defining appropriate proxies such as income, employment generation and asset creation. Mix of methodologies was used to establish relationship between microfinance and poverty reduction.

1.5 Report Organization

The report is organized into nine chapters. After this introductory chapter, overview of MEDEP is provided in Chapter two. Chapter three provides an account of the state of the art on related policies on microenterprise development while chapter four evaluates the

UNDP/MEDEP partnership with ADBL. Chapter five evaluates the UNDP/MEDEP partnership with FSPs while the impact of access to finance on enterprise development under MEDEP. Chapter seven assesses the performance of MEGs and performance of other organizational structures of MEDEP such as MEGAs, DMEGAs and BDSPOs has been assessed in chapter eight. The conclusions and recommendations of this study are provided in chapter nine.

2. MICROENTERPRISE DEVELOPMENT PROGRAMME: AN OVERVIEW

The Microenterprise Development Programme (MEDEP) is a multi-lateral donor funded poverty reduction initiative of the Ministry of Industry and Commerce of the GON and the UNDP. The target group of the programme are (i) hardcore poor families or ultra-poor (those having annual income of less than 4,000), (ii) poor scheduled caste (Dalit - there are 26 different scheduled castes in Nepal), (iii) poor indigenous groups (there are 59 different indigenous groups of which 12 are ethnic minority groups amongst which 8 are listed as endangered ethnic groups), (iv) differently-able (physically and mentally challenged) and deprived women (divorced women and women headed households).

2.1 Approach

MEDEP has taken an integrated and market oriented approach to MED, providing and coordinating entrepreneurship training, technical skill training, and access to financial services for potential microentrepreneurs. MEDEP stresses the areas surrounding local market centers for identifying, training and assisting selected poor men and women to initiate and grow their microenterprises. MEDEP uses demand driven, social mobilization, market driven, technology driven, credit driven, training driven and infrastructure development approaches on its intervention areas.

2.2 Strategies

MEDEP takes a longitudinal approach while supporting MED for the poor. The longitudinal approach implies the delivery of a package of services needed by microentrepreneurs in a sequential order leading upto the establishment of sustainable enterprises operated and managed by the poor. The foundation of the MED model promoted by MEDEP is therefore based on the programme's strategic approach to inter-link and coordinate local resources, low-income people's interest in MED and entrepreneur's access to local and national markets. The approach taken has been quite innovative and has opened up new debate in the development and private sector on the effectiveness of microenterprises to promote local economies, utilize natural resources, create economic and employment opportunities in partnership with the private sector.

2.2.1. Partnership Approach

Many government institutions and NGOs have been providing services necessary for microentrepreneurs and their enterprises such as skills, micro-credit and business development. However, the services provided by state institutions are either provided in isolation or independent of other services needed by microentrepreneurs. For instance, FSPs providing micro-credit to an entrepreneur does not ensure the success of an enterprise or the skills provided by a government department do not ensure that the skills gained are eventually transform an individual into an entrepreneur. Similarly, the product or service of an entrepreneur does not necessarily mean they are consumed in the market even though an NGO has helped an entrepreneur to produce a product. In order to ensure coordination on services provided by different government and non-government institutions, the programme has set up partnerships with local governments, state institutions and private sector. The program insists to capitalize on existing resources and not build new institutions for MED service delivery.

The MEDEP's partnership strategy comprises of two tiers, one at the central level and the other at the district level. At the national level, the programme's thrust is towards improving the policy and regulatory framework for the development and promotion of micro and small enterprises in addition to ensuring that departments and institutions of the government at the

district level are directed by central level institutions. At the district level the programme is managed and implemented by District Enterprise Development Committee (DEDC) which involves district level government and semi-government institutions that are the foundations of the implementation process. Thus MEDEP promoted MED model has provided a new perspective to addressing poverty and the foundation is based on the programme's strategic approach to inter-link and coordinate local resources, low-income people's interest in MED and entrepreneur's access to local and national markets. This has been achieved by defining the role of each partner. Although services provided by respective institutions are autonomous and independent of MEDEP, their services for programme's target groups are coordinated by MEDEP, most of which are on a cost sharing basis.

Table 1: Stakeholders Programme Partners

1	Department of Cottage and Small Industries (DCSI)	Skill Development Training
2	Cottage and Small Industries Department Board (CSIDB)	Skill Development Training
3	Agricultural Development Bank of Nepal (ADB/N)	Access to finance
4	Federation of Nepalese Chamber of Commerce and Industries (FNCCI)	Business counseling and follow up support
5	Federation of Nepal Cottage and Small Business Industries (FNCSI)	counseling and follow up support
6	Industrial Enterprise Development Institute (IEDI)	Entrepreneurship development training / business counseling
7	District Development Committees (local Governments)	Microenterprise planning and coordination
8	Local Development Fund Board/DDC	Enterprise development, access to finance, social mobilization

The district level partnership approach is effective in utilizing existing institutional resources to deliver MEDEP's components. Despite the challenges of coordinating the activities of a diverse set of institutions, these public and private sector district-level organisations, under co-coordinated guidance of DDC, are delivering required services to would be microentrepreneurs. The model developed by the MEDEP has not been of its own making, but as a result of partnership between national institutions and local government authorities and cooperation between the public and private sector.

Table 2: Networking Programme Partners

1	RECAST (Tribhuvan University)	Appropriate technology
2	Centre for Rural Technology (CRT)	Appropriate technology
3	Financial Service Providers including Savings and Credit Cooperatives	Micro finance

2.2.2. Demand Driven Approach

The MEDEP has taken market-led, integrated approach to promote microenterprises. The demand-driven approach is central to implementing MEDEP strategy where all activities are embedded on potential and needs of microentrepreneurs and their markets. The starting point for implementation is based on demand of low income families (target group) to improve their sources of income and market demand for their products. Programme intervention and entry are based on thorough understanding and study of resource potential, people's need and market demand for products and services. MEDEP intervention is focused on the intersection of these three broad areas as shown in the figure in the next page.

The demand-driven strategy has, thus, two-pronged demand strategies, i.e. interest / potential of the community to acquire skills for MED as reflected by the demand / needs of the target groups, market opportunity based on district potential and market demand /

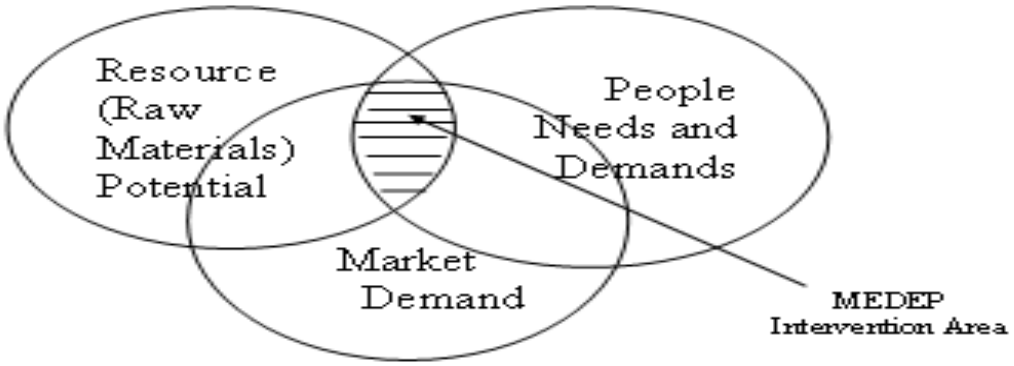
resource potential including natural, financial, skills, etc. Along the line of demand-driven strategy, the program has adopted area potential, socio-economic and market survey approach and selection of programme centers and programme locations. The selection of programme centers and locations focused on spatial development approaches.

More specifically, the foregoing discussion implies that MEDEP has considered the following issues.

Growth Corridor Approach: The alignment of road has encouraged corridor development concentrating population along roadside. Concentration of population in these corridors has created demographic potential for MED.

Rural Growth Centre Approach: The rural growth centers encourage rural industrialization due to rural-urban linkages, demographic movements and changes in the nature of demand and markets.

Resource Area Approach: Location varies in terms of nature, quantity and quality of locally available natural and human resources.



Demand driven model MEDEP

Similarly, four main selection criteria are looked into while identifying programme location, which is as follows:

Resource Potential: Development potential of microenterprise sector is increased when the sector utilizes local resources not only in terms of employment but also in terms of mobilizing other inputs like raw material and dormant capital. Generally, rural regions export surplus agriculture and forest produce in raw form with little value addition and import finished product. The MED tends to reverse the process thereby benefiting rural regions. Therefore, the resource potential of the selected area is assessed in terms of its agriculture, forest, mineral and human resources.

Level of Functions: Settlements of different sizes and functions help diffuse innovations, generate new economic activities and stimulate social changes. Economic efficiency increases with increase of urban population. If there are no urban places near to rural areas, certain articulated settlements, in general, offer urban functions to their hinterlands. Range of services and concentration of economic activities in a settlement show its level of specialization. As goods produced in one community are assembled at some local collection points for distribution to consumers through markets, spatial centrality of selected rural centers are assessed in terms of the degree of presence of such functions for the MED.

Demographic Potentials: Population size, its consumption pattern and effective demand are keys to the success of microenterprises. The occupational caste groups having traditional skills in rural areas are mostly engaged in traditional off farm activities. Existing traditional skills of such groups and their concentrated settlements in certain locations provide opportunities for MED. Therefore, feasible centers are assessed in terms of population size and concentration of occupational cast groups.

Physical Integration: Better integration into existing transportation system lowers cost of production and facilitates efficient movement of goods, services, information and technology. Therefore, feasible centers are assessed in terms of their proximity to transport network and access to next higher urban center.

2.2.3.Service Delivery Mechanism

In Nepal, MED initiatives are implemented under different service delivery modalities. Some of these modalities are discussed hereunder.

Credit Driven: This approach relies exclusively on provision of micro-credit. In this approach, credit provision works out on feasible projects. This approach assumes that credit is the most powerful stimulant for microenterprise creation and thus a very little attention is given to subsequent technical assistance to the borrower.

Training Driven: Even though training is a necessary condition to start a microenterprise, it is not sufficient to take-up microenterprise as a business. There ware needs of subsequent services on non-technical matters like financial management, access to raw materials and credit, and so forth.

Social Mobilization: This approach relies more on social mobilization for the creation of microenterprise.

The above modalities work if they are connected with the rural market system. From the lessons learned form different approaches of MED, it has been proven in many parts of the developing world that market-led approach to MED combined with the sequent delivery of an integrated package of training and services is the most effective way to create enterprises. MEDEP is a pilot programme to test applicability of this methodology in rural Nepal. MEDEP has adopted a well-integrated approach in sequencing a set of services in microenterprise creation and demonstrated that the approach works to create microenterprise.

The sequencing of activities and services promoted as part of its strategy are (i) market analysis, (ii) entrepreneurship training and entrepreneurial competency development, (iii) skill training and technology transfer, (iv) access to finance (credit), (v) appropriate technology and product development, (vi) quality control and compliance to rules and regulations, (vii) market promotion and business counseling, (viii) regular follow-up and (ix) monitoring and evaluation. The key features of the MEDEP in delivering its services are as follows.

Community Mobilisation: This includes activities such as community sensitization (information sharing - PRA), target participant selection, group formation (potential microentrepreneurs) and institutional development of the groups.

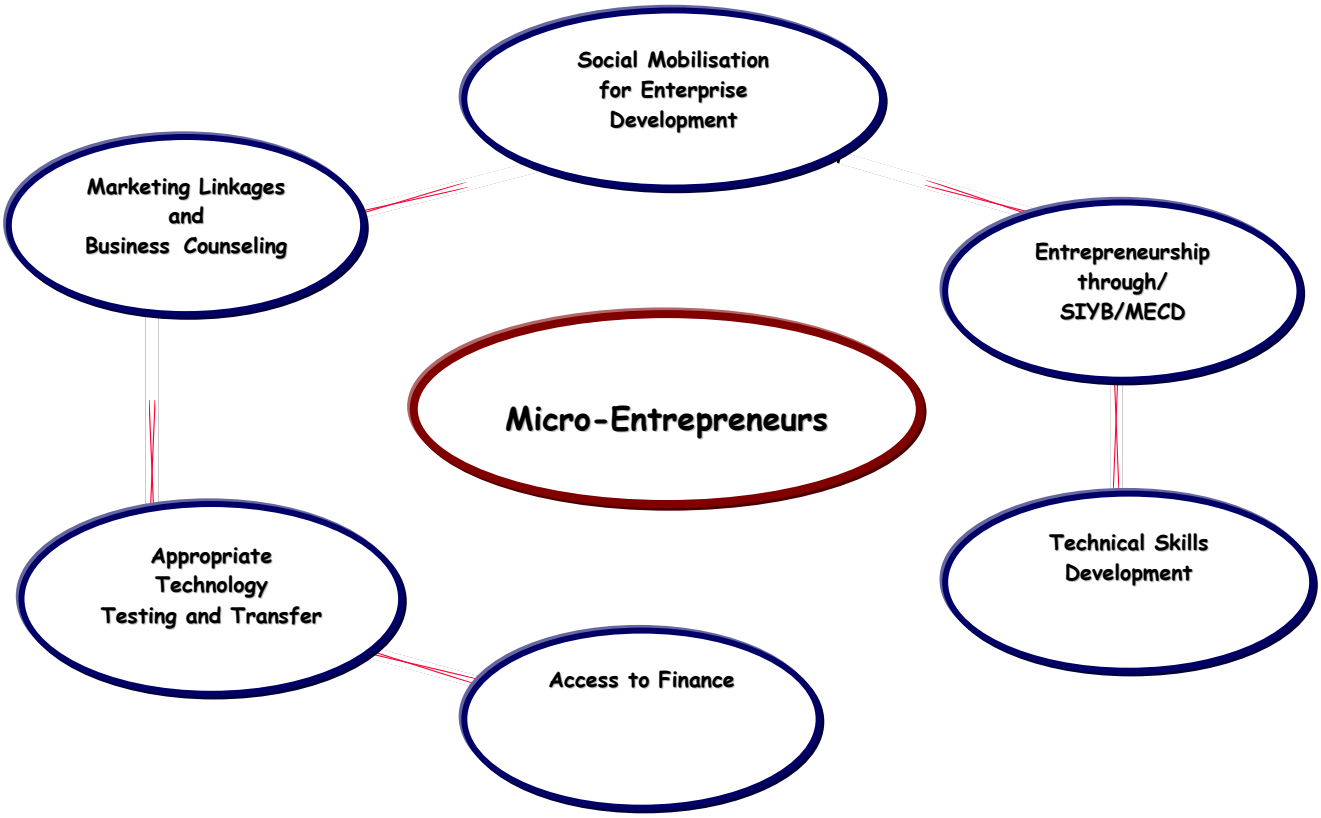
Enterprise Creation Methodology: The approach to MED is based on the needs of the market combined with sequenced delivery of different components such as community mobilization, entrepreneurship development, skill training, access to finance, appropriate technology and marketing linkages.

Entry Point Activities: The programme's point of entry is focused on districts where the DDCs have already instituted a district planning and development process with the support of successful decentralization programmes. The DDCs have a compelling interest in ensuring that MED support activities are continued within the jurisdiction and framework of the Local Self-Governance Act 1999.

Institutional Delivery Mechanism: The programme has avoided creating new institutions but rather seeks to make maximum use of available national institutions, public and private, that already exist to demonstrate that district level partnership approach can be effective in utilizing existing institutional resources to deliver components necessary for MED.

2.3 Components

The components of MEDEP include: social/community mobilization, entrepreneurship skill, technical skill, appropriate technology, access to finance, and marketing as depicted in following chart.



2.4 Access to finance Component in MEDEP

Strategies adopted by MEDEP on ensuring access to finance differ in terms of modalities and their implications for promoting MED differ across three phases that it has undergone. During the first phase MEDEP had developed the partnership with ADBL by creating a Micro Credit Fund with the joint contribution of ADBL and MEDP. This credit fund was used to provide credit to the microentrepreneurs through the branches of ADBL in MEDEP project areas. However, it could not happen once the ADBL phased out the microfinance component from its overall service delivery packages. In this phase, MEDEP established a credit fund within ADBL with a joint contribution ADB/L (70%) and MEDEP/UNDP (30%). The total fund available for ten districts was approximately NRs. 15,000,000 which was allocated to the program districts. The strategy helped to ensure access to finance for

microentrepreneurs. The partnership however could not go long as ADBL phased-out its involvement on microfinance sector and decided to discontinue partnership with MEDEP. During the period of collaboration between MEDEP and ADBL, NRs. 39.19 million was disbursed to microentrepreneurs. Around NRs. 7.8 million of credit capital seems to be still as outstanding loan remaining with microentrepreneurs. The credit capital repaid by the microentrepreneurs is in the credit fund created in ADBL. Concern has been raised among UNDP/MEDEP stakeholders to recover the UNDP/MEDEP contribution from ADB/L. This study has evaluated the partnership arrangement and recommended the way forward.

After ADB/N changed its policy of not to continue providing microfinance services to microenterprise MEDEP developed other strategy by collaborating with different FSPs, development banks and cooperatives. MEDEP strategically outsourced a number of FSPs working in MEDEP districts. There are now more than 40 FSPs providing access to finance to microentrepreneurs in MEDEP districts. For this, MEDEP developed and signed MOU with these FSPs in the understanding that MEDEP will provide all non-financial services to create microentrepreneurs and MFIs will provide financial services. However, during MEDEP II, MEDEP promoted microentrepreneurs faced a number of problems and challenges such as lack of credit fund with FSPs, sparse coverage of VDCs within the districts, different policies and rule of FSPs, and different interest rate charged by different FSPs. Due to these problems, all microentrepreneurs could not access financial services as per their demand.

Based on the learning of first and second phase, under third phase (2008-2010) MEDEP is applying series of strategies to ensure access to financial services to microentrepreneurs. Wherever possible MEDEP is promoting savings and credit or multipurpose cooperatives and exploring to link DMEGA with these cooperatives and FSPs operating in the districts. MEDEP is assisting potential cooperatives to access wholesale loan from RSRF of NRB.

2.5 Achievements

As of June 2009, MEDEP have developed more than 38,300 microentrepreneurs in 31 districts of Nepal. All these microentrepreneurs are organized into 4,281 MEGs and established more than 350 MEGAs. Similarly, more than 100 cooperatives and product associations are functioning in 20 districts. Likewise, MEGAs within a district are federated into 25 DMEGA and in general there is one D-MEGA per district. Process is underway to establish D-MEGA in 6 new districts. Generally, if there is common interest and need of microentrepreneurs and if they are more than 25 members in a particular geographical area, MEDEP encouraged them to establish and run a cooperative. In addition, if there are similar nature of enterprises are run by the large number of microentrepreneurs (e.g. ginger, honey, Dhaka) they are being organized into product association. Most of the product associations are not registered but they are informally functioning and working as advocacy groups. MEDEP provides advisory support to these associations which themselves decides whether to register as cooperatives or not.

Similarly, there are 10 BDSPOs established in 10 MEDEP's phase I districts which are engaged in providing business development services to microentrepreneurs. Local staff from other 10 districts is also in a position to get their private organizations registered with a minimal advisories support from MEDEP. The demand for the services of BDSPO's is found to be good and some of Terai based BDSPOs are fully utilizing their expertise by selling their services to different organizations demanding such services.

2.6 Effect and Impact

MEDEP’s interventions have brought significant changes on enterprise development, employment creation and income generation of the target groups. By the end of 2008,

MEDEP has promoted 27,532 microentrepreneurs and generated employment opportunities to 31,288 persons. The results have been encouraging with an average per capita income growth of 287% of the microentrepreneurs. In terms of the overall economic impact, almost 9000 families (53000) persons) have been upgraded above the poverty line. Similarly more than 3,000 families (18000 persons) have been alleviated from hard core poverty. Additionally 3,700 household have benefited from employment opportunities generated by these microenterprises and subsequently improving their livelihood.[4]

2.7 Challenges for MEDEP

MEDEP has been facing severe challenges to the core elements of its implementation strategy and such challenges has delayed the programme's effective start-up, hampered the delivery of programme services, and raised additional barriers facing new microentrepreneurs. These challenges are: (i) political and administrative changes and uncertainties at the district level; (ii) sudden withdrawal of the MEDEP partner FSP i.e. ADBL from the sector; (iii) conflict-related disruptions and dangers; and (iv) reaching the hard-core poor and disadvantaged.

[4] Scoping Study for MEDEP Phase III, 2008.

3. RELATED POLICIES FOR MICROENTERPRISE DEVELOPMENT

3.1 Microenterprise Policy 2064

Government of Nepal announced National Microenterprise Policy 2064. Prior to that government used to have various policy on MED as an effective tools for income generation and poverty reduction that was scattered or informal. Microenterprise Policy 2006 provided

Vision

Contribute to the consolidation of national economy by creating and widening (grassroots level) the foundation for industrial development in the country.

Objectives

The objectives of Microenterprise Policy 2064 are:

- Providing opportunities of self and wage employment by way of the microenterprise and entrepreneurship to the hard core poor people, people below poverty line, women, dalit, indigenous nationalities, madheshi or classes who are backward economically, socially or culturally, the disabled, oppressed, marginalized class and communities specified by the Government of Nepal as the targeted class and thereby improved their level of income.
- Encourage the maximum use of local resources, means, technologies and skills, while improving, modernizing and diversifying traditional occupation or sector.

Policy

- To make and build legal and institutional mechanism and infrastructures as required for inclusion of microenterprise in the formal sector of economy of the country.
- To simplify, facilitate and systematize establishment, management and operation of microenterprises.
- To establish MED fund to enhance market access and expansion by increasing competitive capacity of microenterprise.
- To get the microenterprise promotion program to be included by the local bodies (DDCs, Municipalities and VDCs) in their respective plans and operated with priority.
- To accord special priority to targeted group specified by the GON, while promoting and operating the microenterprise.
- To build the capacity of targeted group to select and promote appropriate enterprises based on feasibility of means and resources, demand and interest of the targeted group and demand of the market, through the availability of training, technology and capital and motivation.
- To render support to identify and promote the products of microenterprise through the use of collective marks.

Working Policy

- The district, area, VDC and targeted group will be identified through social mobilization in operating the microenterprise program.
- To provide integrated services including those for selection of technology, availability of raw materials, market and product management, technical assistance, availability of capital and management service, by forming microentrepreneurs into group and providing entrepreneurship and skills development training to them.
- To make microentrepreneurs vigilant about operation of enterprises based on market system.
- To arrange for establishment of a MED fund in commercial, development and rural banks for the purpose of extending easy loan and financial service to the microenterprise

- To identify means and resources which seem to be most feasible at the local level and encourage producing new exportable goods and other import substituting goods based on such means and resources.
- To encourage promotion of market through the use of collective marks for the distinct identity of goods produced by the microenterprises.
- The microentrepreneurs will be motivated to be associated and well-organized with multi-purpose cooperatives, by encouraging them to make saving for the building of capital.
- Made the necessary coordination to provide the incubator service and the service of Enterprise Development Common Facility Center (EDCFC), based on the concept of "one village one product" in potential places.
- Involve the representative institutions of microentrepreneurs in the process of providing technical and consultancy services.
- Make the provisions for facilities and concessions required for the proper market and marketing of goods or services produced by the microenterprises. Sales depot shall be established for the sale of such products with the participations of private sector.
- Motivate the government to provide concessions on the fees chargeable in the protection of intellectual property of the microenterprise.
- Delegate the authority to register and review the microenterprise to the local bodies.
- Make the provisions for additional facilities and concessions to the microenterprise based on the local raw materials, technologies and skills in order to promote such enterprise.
- Make the provisions to exempt the raw materials, subsidiary raw materials and packaging materials which are used in the production of exportable goods by any promotion zone by subcontracting with the microenterprises from customs duty, excise duty and value added tax.
- Encourage the microentrepreneurs once registered as a microenterprise achieves upgrading in the criteria set forth in the definition of microenterprise that enterprise will no longer remain in the category of microenterprise.
- Make the provisions for industrial and finance related acts to the industry sector that are applicable to microenterprise.
- Provisions relating to initial environmental examination and environmental impact assessment will not apply to the microenterprises other than those microenterprises which cause adverse impacts on the environment.
- No foreign direct investment will be allowed in the microenterprises. Provided that nothing will bar the provision of foreign technology and marketing services to the groups of such enterprises.
- Encourage the governmental and non-governmental bodies to procure the products of the microenterprise.
- With a view to promoting the microenterprises based on agriculture, forest, tourism and mines, provisions relating to the collection or excavation and supply of raw materials will be simplified.
- Launch the programs in partnership with the governmental and private sectors as well for the development and promotion of the microenterprise.
- Encourage the participation of local, regional, national and international trade fairs for the promotion of goods and services of the microenterprise and provisions will also be made for the exhibition and sales promotion counters.
- Introduce a separate commodity specific working policy on microenterprise as required.

Institutional structure

- Promote a central level MED unit in the Ministry of Industries, Commerce and Suppliers and a district MED unit under the DDC for the development and promotion of the microenterprise.
- There will be formed a district MED committee under the chairpersonship of the president of the DDC and the district level based cottage and small industry development office/board will serve as the secretariat of that committee.

3.2 Microfinance Policy 2008

Government of Nepal announced National Microfinance policy 2064 on May 4, 2008 and prior to that there was no formal policy as such. But informally or in scattered way government and NRB used to have various policy that governs microfinance operation such as DSL promoting MF by government itself by way of establishing Grameen Banks or emphasis on co-operative development, etc.

Goal

The goal of national Microfinance policy 2064 will be to assist in poverty reduction through sustainable, simplified and access oriented micro finance services.

Objectives

The objectives of Microfinance Policy 2064 are:

- Increasing the access of microfinance services for poor and weak financial status family and women group and conducting income generating and employment generation work.
- Making the microfinance service reliable and accessible through microfinance institutions.
- Helping micro finance service supplying organizations to develop required capacity to be established in sustainable and self capable manner.
- Formulating required law related to microfinance.
- Developing appropriate institutional mechanism to increase the microfinance service and to make such service disciplined.

Policy

In order to achieve above mentioned broader objectives, the Microfinance policy 2064 emphasizes to implement following policy.

- Simplifying the flow of service targeting poor communities according to the economic and social diversity of geographical and rural and urban sector.
- Developing clear standards for identification of beneficiary poor people of microfinance services and strengthening the mechanism of providing microfinance service with or without collateral (collective guarantee).
- Providing necessary help for the social mobilization and empowerment ,institutional development and restructuring and encourage financial institutions that provide wholesale credit established or establishing firm ,private and public sector in this work.
- Affiliating various poverty alleviation related programs and projects with this policy and operating it in a coordinated approach.
- Helping to develop target group's professionalism by coordinating with reputed agencies to develop professionalism.
- Formulating the provision of establishing relationship with microfinance service provider institutions with the provision of getting accreditation to local level existing community institutions, saving and credit group, institutions involved in micro finance transaction easily.
- Increasing the access of microfinance to poor communities and motivate such communities on saving mobilization.
- Formulating a separate agency in the direct supervision of Nepal Rastra Bank to timely regulate, supervise, monitor and evaluate by making service provider self-disciplined managing necessary institutional and legal provision to provide micro-finance service in sustainable and simplified manner.
- Establishing National Microfinance Development Fund to make resource available for easy supply of micro finance service in long-term manner. Also mobilize resources and tools through this National Microfinance Development Fund that obtain from various national and international agencies.
- Carrying out the survey with regards to information concerning existing co-operative and microfinance institutions number, service delivery and access.

- Managing the provision of training regarding microfinance for the capacity increment of the people working in microfinance sector.
- Carrying out loose policy in deposit collection on the basis of service provided by microfinance institutions and their share capital.
- Taking flexible policy with regards to corporate tax that has been applied to the institutional income tax of microfinance institutions and interest obtained from deposit kept in such institutions by poor communities.

Institutional Structure
A separate agency shall be formulated to regulate and supervise in timely manner for the institutional development of microfinance provider organizations.

Economic Part
Encourage the establishment and program of microfinance service provider institutions in private sector.

Legal provision
Necessary act, rules will be formulated for the implementation on the basis of National Microfinance Policy 2064.

4. EVALUATION OF UNDP/MEDEP PARTNERSHIP WITH AGRICULTURE DEVELOPMENT BANK LIMITED

During the first phase, MEDEP had developed partnerships with ADBL creating a joint micro-credit fund. Microentrepreneurs had easy access to loan due to three reasons: MEDEP's local resources has been used to facilitate access financial services from nearest branches of ADBL, its wide branch networks throughout the country and its willingness to undergo for special credit scheme to enhance access to finance MEDEP promoted microentrepreneurs in all project districts. This chapter evaluates the UNDP/MEDEP partnership with ADBL to enhance access to finance for microentrepreneurs.

4.1 Review of Partnership Agreement

A MOU was signed between MEDEP/UNDP and the ADBL on 21 January, 1998 in order to enhance access to financial services to microentrepreneurs developed by MEDEP. As per the understanding, a credit fund amounting approximately Rs. 15.0 million was established in ADBL and 70% of this fund was be provided by ADBL and 30 % was matched by DSCL/CSIDB and UNDP/MEDEP. The agreement has specified the functions and tasks of both MEDEP and ADB/N.

As per the MOU, UNDP/MEDEP was responsible for

- identifying microentrepreneurs and develop their entrepreneurial competency,
- developing capacity of the microentrepreneurs on enterprise management,
- establishing cooperation between other microentrepreneurs to create a strong client base for ADBL,
- developing/maintaining microentrepreneurs having capabilities to arrange and implement business plan for enterprise development, establish direct contact with sources of capital, manage and benefit from borrowed fund and assist them in their graduation process for larger loan,
- cooperating with other organizations/institutions including CBOs to develop and facilitate the self reliance and microenterprise expansion of microentrepreneurs,
- increasing capabilities of management of MEDEP at all levels,
- producing implementation guidelines and give directions for MEDEP programme implementation,
- coordinating with ADB/N in implementing mutually agreed regulations and
- supporting with the credit fund of US $100,000.

Similarly, as per the MOU, ADBL was responsible for disbursement and recovery of credits to selected microentrepreneurs and was responsible for

- expediting appraisal of loan application submitted by the microentrepreneurs developed by MEDEP,
- providing complete information on rights and responsibilities of debtors in accordance with the signed contracts,
- receiving and administering credits given to microentrepreneurs,
- receiving and enrolling the new customers of ADB/L, those that graduate from MEDEP providing they fulfill the existing credit conditions,
- supervising, managing and controlling credit and facilitating implementation and settlement of loans by microentrepreneurs,
- sending copies of circulars and the other letters concerning MEDEP credits to MEDEP
- delivering regularly reports and information to MEDEP management teams,
- coordinating with Ministry of Industry in implementing the agreed conditions related to enhancing access to financial services to MEDEP promoted microentrepreneurs, and
- supporting enterprise development, expansion and growth for sustained livelihood of the microentrepreneurs developed by MEDEP

4.2 Operational Procedure of the Partnership Agreement

4.2.1. Selection of Low-income families

The target beneficiaries of MEDEP are low-income families below poverty line. Members of such families are surveyed, screened and finally selected by giving priority to unemployed female members having potentials to develop as microentrepreneurs. In cognizance of the mechanism for access to finance without physical collateral, high importance are provided to include members of low-income families who are really poor and have no significant physical collateral to submit. The arrangement has firmly believed that poor families who are really in need to establish and operate microenterprises to improve their livelihood are more credible as micro-credit borrowers.

4.2.2. Formation of Micro-Entrepreneur's Groups

Microentrepreneurs that have gone through entrepreneurship development training and that are finally ready to operate microenterprise in a new way are then encouraged to form groups called as MEGs comprising at least 5 persons. Efforts was made to integrate the concept of homogeneity and joint liability while forming the MEGs thereby making them eligible for access to finance from FSPs including ADBL. MEGs are socially mobilize on basic concept of homogeneity and joint liability including their potential to have access to finance from ADBL if they demonstrate themselves as creditworthy for borrowing.

4.2.3. Recommendation for Micro-credit

Microentrepreneurs organized into MEG conduct group meeting and take various decisions required for successful operation of their enterprises including decision related to assessing the credit need of the microentrepreneur in-group. Mechanism was made for appraisal and disbursement of loan to microentrepreneurs.

4.2.4. Operational Mechanism

MOU has made special provisions regarding to credit regulations and amount of maximum credit for four stages was fixed Rs. 5,000, Rs. 10,000, Rs. 15,000 and Rs. 20,000 respectively. Credits were provided on the recommendation of the district programme implementation committee. The agreement has also given flexibility for microentrepreneurs requiring higher investment after satisfactory repayment performance are maintained. The duration of credit was fixed 6 or 12 months, excluding a grace period of maximum 6 months. The grace period was given to microentrepreneurs managing microenterprise with gestation period in terms of cash flow management. According to the agreement, credit was extended to MEGs members with the principle of official collateral, handed through the chairman or secretary of MEG selected and agreed at mutual meeting of microentrepreneur members. The business plan proposed by microentrepreneurs from EDF was used by ADBL as a consideration to decode on credit and ADBL was not bound to agree to micro-entrepreneur’s proposal.

Based on proposal and technical recommendation from EDF, ADBL staff will undertake pre-loan supervision and appraise loan application. For each approved credit proposals, the ADBL branch office immediately informed microentrepreneurs through EDF or MEDEP staff assigned. All the documents of credit contract were prepared by ADBL and at the signing of the credit contract all members of the group were to be presented. In case all members were not present, contract should be represented minimally by chairperson or secretary/treasurer of MEG and EDF. Repayment or installment of microentrepreneur credit was directly paid by microentrepreneurs through ADBL village service unit or ADBL branch office. ADBL staffs

were responsible to remind microentrepreneur the timing and amount of loan repayment through EDF.

The agreement has also make provisions on controlling arrears. ADBL branch office was responsible to manage and monitor proper credit scheme actions. ADBL and MEDEP district office organized regular meetings, both at central and districts level to discuss activities on control and mutual steps to overcome arising problems. Review of this agreement shows that no provision has been made with regards to refunding of loan.

4.3 Outstanding Loan Remaining with ADBL

The ADBL system does not provide accurate information on outstanding loan balance with the microentrepreneurs developed under MEDEP. The budget speech of the Finance Minister on 2007/08 announced waiver of all the loans less then Rs. 30,000 to the clients and interest waiver on all the loans less then Rs. 100,000 which enabled the ADBL to recover the loan. Discussion with concerned ADBL staff in head office as well as four MEDEP districts surveyed revealed their lack of awareness on amount of outstanding loan balance with clients under this arrangement and inability of their system to disaggregate such information. It has been found that ADBL has collected all the loan balance with microentrepreneurs.

4.4 Portfolio Quality of Loan under the Agreement between ADBL and MEDEP

With the waiver of loan size less than Rs. 30,000 and with the interest waiver for the loan size less than Rs. 100,000 and credit scheme being practically ineffective from 2005, it has been estimated that all the loan less that Rs. 30,000 has been recovered and only a few loans more than Rs. 30,000 is due. Thus, at present only negligible amount of loan portfolio is balance with ADBL.

4.5 Recovery of Credit Fund from ADBL

Technically speaking, MEDEP/UNDP can recover the loan fund currently not used by ADBL for on-lending to microentrepreneurs. The outstanding loan to MEDEP borrowers will be difficult to collect in present context of ADBL withdrawing from financing MEG members and with the notion that client receiving loans without collateral will pay it on the expectation of getting the repeat loans. The portion of credit fund yet to be mobilized by ADBL to extend credit to MEDEP clients can be recovered sharing such an amount between ADBL and MEDEP in a proportion of 70 percent and 30 percent respectively. Following the review of the scheme in early 2006, ADBL returned Rs. 1.5 million to MEDEP/UNDP in 2006/07. At present, ADBL is willing to settle and professionally close this scheme while returning the balance un-used capital consistent to one time loan and interest waiver policy introduced by the government last year. There is however lack of proper calculation system. It should be noted that the MOU signed between UNDP/MEDEP and ADBL is salient on final use of credit fund. UNDP/MEDEP and ADBL should work jointly to technically close the scheme and settle the due following implementation of loan and interest waiver scheme announced by the government.

The foregoing analysis implies that recovery of credit fund from ADBL is possible but requires serious effort to establish the accurate information base on loan transaction. Further, in this process the fact that problem will be more complex and complicated over the passage of time should not be overlooked.

4.6 Possibilities of Use Credit Fund for Enterprise Promotion

The pool of credit fund was created jointly under an agreement between UNDP/MEDEP and ADBL with the objective of providing continued access to finance to microentrepreneurs developed by MEDEP. Given that ADBL practically stopped extending financial services to microentrepreneurs, there is no point of keeping such fund in ADBL. There is virtually no interest within ADBL to keep this fund. MEDEP/UNDP should expedite the process to recover the loan as soon as possible and use the fund thus available for enterprise promotion in its project districts.

5. UNDP/MEDEP'S PARTNERSHIP WITH FINANCIAL SERVICE PROVIDERS

5.1 Overview

With the phase-out of the microfinance component by ADBL in 2004, new MEDEP promoted microentrepreneurs faced difficulties in financing their microenterprises. As a result of UNDP/MEDEP and ADBL partnership, MEDEP has learned that especial provision for short span of time will no longer be effective to provide sustainable micro-credit services to microentrepreneurs. Nevertheless, it is very hard to get the reliable MFIs and therefore MEDEP is contributing to enhance the capacity development of smaller MFIs. MEDEP has taken the changed policy of ADBL not as a problem but as an opportunity to diversify its partnerships with more number of MFIs.

Pursuant to this, MEDEP signed MOUs with a number of FSPs to enhance access to financial services to the microentrepreneurs that it has developed. Access to finance is especially difficult in hill districts and for highly disadvantaged microentrepreneurs who lack citizenship certificates. As this change from a single established FSP partner to multiple FSPs is recent, the situation is gradually improving overtime. One consequence of having multiple MFIs is that it is at present difficult to monitor how many MEDEP microentrepreneurs have loans, what their status is, and so forth.

Altogether, MEDEP records show that MEDEP microentrepreneurs have borrowed at least Rs. 41.4 million in Phase I, more men borrowed than women; but in Phase II situation has reversed with many more women borrowers as the most of the partner FSPs targets to women as their clients. This may be due to increased female microentrepreneurs in the second phase and FSPs targeting to women for financial services. Borrowers are relatively more among indigenous nationalities. Dalit women had lesser access to finance than other categories. In totality, however, credit access in Phase II remains a serious constraint, despite efforts to explore more number of local FSPs. In view of this, MEDEP focused on all the potential alternative sources and means of financing microenterprises such as GBBs, MDBs, FI-NGOs, SCCs and SFCLs. MEDEP's targets related to access to finance have not been achieved and there is continued demand for such access at proper interest rates across all segments of the microentrepreneurs.

The basic issue for access to finance component of MEDEP remains one of limited access. Linkage to multiple number of MFIs operating on a commercial basis, however, is expected to provide better access in the medium term, but, for the most part at higher interest rates than were charged by the ADBL. The new MFI's tend to charge interest of between 18% and 24%. The present micro-finance policy 2008 opened up avenues for delivering micro-finance services through FSPs, as a result number of FSPs have increased significantly in these districts. This has provided opportunity for MEDEP to find suitable partner FSPs in the programme districts.

5.2 Typology of Financial Service Providers

In order to enhance the access to financial services to the microentrepreneurs promoted, MEDEP has undergone with partnership agreement with different types of FSPs. As of August 2009, there are over 40 FSPs that are providing access to finance to microentrepreneurs developed by MEDEP. Typology of the FSPs involved in providing financial services to the microentrepreneurs is provided in following Table.

Table 3: Typology of FSPs working for Microentrepreneurs as of September 2009

District	Type of FSPs						
	CBs	DBs	GBBs	MDBs	FI-NGOs	SCCs	Total
Sunsari	-	-	√	√	√	-	3
Udayapur	-	-	√	√	√	-	3
Saptari	-	-	√	-	-	-	1
Siraha	-	-	√	-	-	-	1
Terhathum	-	-	-	√	-	-	1
Dhanusha	-	-	√	√	√	-	3
Sindhuli	-	-	-	√	-	-	1
Nuwakot	-	-	√	-	-	√	2
Rasuwa	-	-	-	-	-	√	1
Ramechhap	-	-	-	-	-	√	1
Kavre	-	-	√	√	√	√	4
Sindhupalchowk	-	-	-	-	√	-	1
Parbat	-	-	-	-	√	-	1
Baglung	-	-	-	-	√	-	1
Myagdi	-	-	-	-	√	-	1
Nawalparasi	-	-	√	√	-	-	2
Dang	-	-	√	-	√	-	2
Dadeldhura	-	-	√	-	-	-	1
Baitadi	-	-	√	-	-	-	1
Darchula	-	-	√	-	-	-	1
Total	0	0	12	7	9	4	20

Source: Field Survey, August-September 2009
Note: CBs = Commercial Banks, DBs = Development Bank, GBBs = Grameen Bikas Bank, MDBs = Microfinance Development Bank, FI-NGOs = Financial Intermediary NGOs, SCCs = Savings and Credit Cooperatives

The information presented in above table indicates that MEDEP had undergone partnership with various GBBs, MDBs, FI-NGOs and SCCs. The list of these FSPs is provided in following table.

Table 4: Name of the FSPs Providing Access to Finance to Microentrepreneurs as of September 2009

FSP type	Name of FSPs	Working districts	Districts (No)
GBBs	Purbanchal Grameen Bikas Bank	Sunsari, Udayapur, Saptari, Siraha	4
	Madhayamanchal Grameen Bikas Bank	Dhanusha, Nuwakot, Kavre,	3
	Paschimanchal Grameen Bikas Bank	Nawalparasi	1
	Madhya Paschimanchal Grameen Bikas Bank	Dang	1
	Sudur Paschimanchal Grameen Bikas bank	Dadeldhura, Baitadi, Darchula	3
MDBs	NRDSC	Sunsari	1
	Shawalamban Bikas Bank	Udayapur, Terhathum, Dhanusha, Sindhuli	4
	Cheemak Bikas Bank	Dhanusha, Sindhuli	2
	Nirdhan	Nawalparasi	1
FI-NGOs	FORWARD	Sunsari	1
	Women Development	Dhanusha	1
	Centre for Self-help Development	Kavre, Sindhupalchowk, Dang	3
	NESDO	Parbat	1
	DCRDC	Parbat, Baglung, Myagdi	3
SCCs	Kalika Multipurpose Cooperative	Rasuwa	1
	Tamakoshi Savings and Credit Cooperative	Ramechhap	1
	Bindhyabashina Savings and Credit Cooperatives	Kavre	1

Source: Field Survey, August-September 2009
Note: GBBs = Grameen Bikas Bank, MDBs = Microfinance Development Bank, FI-NGOs = Financial Intermediary NGOs, SCCs = Savings and Credit Cooperatives

The above information indicates that MEDEP is currently working with 5 GBBs, 4 MDBs, 5 FI-NGOs and more than 30 SCCs. Coordination with many FSPs is a challenge to MEDEP, however, its decentralized service delivery mechanism and involvement of BDSPOs and D-MEGA with coordination responsibilities has enhanced the effectiveness of the scheme and simplified the operation. This has been instrumental to facilitate more sustainable business relationship between microentrepreneurs and FSPs.

5.3 Partnership between MEDEP and Partner Financial Service Providers

MEDEP and FSPs have signed in MOU with an objective to provide the easy access to the microentrepreneurs of MEDEP districts. The MOU had explained functions and responsibilities of both MEDEP and FSPs. As per MOU MEDEP's functions were the following.

- Assist microentrepreneurs for developing and expanding their business through skill development and provision of finance.
- Develop working efficiency of MEDEP's and partner organization's staffs working in concerned districts and VDCs.
- Take initiation to provide credit in easy manner to successful microentrepreneurs and potential new microentrepreneurs.
- Participate jointly in planning, monitoring and evaluation.
- Coordinate with other community based organizations and NGOs to increase the income of targeted groups.
- Develop transparent information system for improving the quality of programme.
- Assist in developing the institutional capacity of the partner organizations.

The District Programme Implementation Office (DPIO) was made responsible for the followings.

- Fix the roles and responsibilities of District Program Implementation Committee (DPIC) members.
- Coordinate with concerned organizations and district branch for implementing the agreed decisions through mutual discussion.
- Provide trainings to the staffs of financial institutions selected on the basis of MEDEP's principles and process.
- Select microentrepreneurs and involve partner organizations for entrepreneurship development.
- Assist microentrepreneurs to become good clients of financial institutions
- Enable microentrepreneurs for implementing the business plan, establish direct linkage with investors, get direct benefit from investment and increase their self confidence.
- Increase the capacity in all levels for the management of MEDEP.
- Organize participatory planning and evaluation workshop and select VDCs and market centers.
- Encourage the microentrepreneurs for regular payment of principal and interest of the loan borrowed from the FSPs.
- Arrange daily and travel allowances for the staff of financial institutions for undertaking monitoring of microentrepreneurs of MEDEP.
- Provide necessary services to the clients for microenterprise development.

Similarly, the key responsibilities of FSPs were the following.

- Comply with the responsibility in accordance with the agreement signed with MEDEP.
- Collect, investigate and evaluate loan application from microentrepreneurs and provide the loan to them.
- Provide complete information to credit borrowers about their rights and duties.
- Collect and manage savings of microentrepreneurs.

- Register microentrepreneurs of MEDEP as the client of FSP completing terms and conditions of credit.
- Supervise, manage and control the credit disbursed to the microentrepreneurs to control the misuse and for timely repayment.
- Participate in review meeting organized by DPIO and submit the report to MEDEP management.
- Coordinate with the DPIO for the implementation of agreed decisions.
- Provide regular credit to Microentrepreneurs.

MOU signed with FSPs specified amount of credit ceiling according to loan cycle of Rs. 8,000, Rs. 10,000, Rs. 15,000, Rs. 20,000 and Rs. 25,000 in first, second, third, fourth and fifth cycle. The duration of loan was fixed at one year in most cases with or without grace period. The grace period was given to microentrepreneurs who really need such a facility to achieve their business objectives. The FSPs were free to charge interest rate based on their operational and financial policy and savings in MEGs, private business of entrepreneur were taken as collateral. Business plan prepared by microentrepreneurs was used by FSPs as a basis for their financing. FSPs on-lend only in case they are convinced with business plan of microentrepreneurs and cash flow situation of the enterprise. As an executing agency, all the rights related loan approval was reserved with FSPs and loan was disbursed from their branch offices. Repayment or installment of loan was directly paid by microentrepreneurs through FSP branch office. FSP staff was responsible to remind microentrepreneurs about loan term and repayment schedule. FSP was made responsible to manage and monitor the use of credit.

6. IMPACT OF ACCESS TO FINANCE ON ENTERPRISE DEVELOPMENT UNDER MEDEP

6.1 Overview

Access to financial services is considered to be a powerful tool for poverty reduction and the case of microfinance as a mechanism for poverty reduction is simple. If access to financial services is improved, it is argued, poor can participate in productive activities that allows income growth, provided there are no other binding constraints. In order to assess the impact of microfinance services on microentrepreneurs, a simple household survey questionnaire was administered to 234 (121 borrowings and 113 non-borrowings) microentrepreneurs representing 48 MEGs promoted by MEDEP. This section assesses the impact of access to financial services to microentrepreneurs promoted under MEDEP.

6.2 Socio-economic Characteristics

In general MEDEP have effective outreach to almost all age groups across economically active people. The age of sample microentrepreneur ranges between 23 and 53 years and the average age of these microentrepreneurs is 40 years. Average years of schooling of these microentrepreneurs were 4 years while their average family size ranges between 3 and 8 with an average of 5.8 members. Number of male members is 3.0 persons and that of female members are 2.8 persons.

Table 5: Socio-economic Characteristics of Microentrepreneurs Surveyed

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	Age	Year	42	39	40
2	Education	Years of Schooling	3.6	3.2	3.4
3	Family size	No	5.9	5.8	5.8
4	Family composition	No	5.9	5.8	5.8
	< 16 yrs	No	2.0	2.1	2.0
	16-60 yrs	No	3.6	3.3	3.5
	> 60 yrs	No	0.3	0.4	0.3
5	Literate family members	No	4.3	3.9	4.0
	< 16 yrs	No	1.7	1.7	1.7
	16-60 yrs	No	2.6	2.1	2.3
	> 60 yrs	No	0.0	0.1	0.0
6	Literacy rate	%	72.9	67.2	69.0
	< 16 yrs	%	85.0	81.0	85.0
	16-60 yrs	%	72.2	63.6	65.7
	> 60 yrs	%	0.0	25.0	0.0
7	Family size	No	5.9	5.8	5.8
	Male	No	3.0	3.0	3.0
	Female	No	2.9	2.8	2.8
8	Literate family members	No	4.3	3.9	4.0
	Male	No	2.3	2.3	2.2
	Female	No	2.0	1.6	1.8

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
9	Literacy rate	%	72.9	67.2	69.0
	Male	%	76.7	76.7	73.3
	Female	%	69.0	57.1	64.3
10	Sample size	No.	121	113	234

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

About 40% members in the surveyed microentrepreneurs' household are dependents (i.e. age < 16 years and > 60 years). The average literacy rate of family members in the HHs surveyed is 69% (73% for male and 64% for female). About 7% microentrepreneurs surveyed are landless, 60% own land between 0.01 and 0.25 ha; 20% own land between 0.26 and 0.50 ha while 9% own land between 0.51 and 0.75 ha and about 5% of them own land more than 0.76 ha. Average land holding size is 0.33 ha per microentrepreneur household. In general, average farm size is higher for borrowing microentrepreneurs (0.35 ha) than non-borrowing microentrepreneurs (0.30 ha).

Table 6: Land Ownership Status of the Microentrepreneurs Surveyed

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Percent of Total		
						Borrowing MEs	Non-borrowing MEs	Total
1	Landless	No	7	10	17	5.8	8.8	7.3
2	0.01 - 0.25 ha	No	71	69	140	58.7	61.1	59.8
3	0.26 - 0.50 ha	No	24	22	46	19.8	19.5	19.7
4	0.51 - 0.75 ha	No	14	6	20	11.6	5.3	8.5
5	> 0.76 ha	No	5	6	11	4.1	5.3	4.7
	Average farm size	Ha.	0.35	0.30	0.33			
	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

6.3 Savings and Loan Operation from MEGs/MEDEP

MEDEP has a stated policy that only one member per family can be MEG member and only eligible MEG member can participate in savings and loan operation. All 234 sample microentrepreneurs surveyed have savings with MEG and 121 of them have access to financial services from FSPs. All these members are socially mobilized to build social capital and prepare them for microenterprise development.

Table 7: Savings and Loan Operation from MEGs/MEDEP

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	**Savings mobilized in MEG**				
	Total savings	Rs.	1969.7	1041	1523.9
	…. Compulsory savings	Rs.	1968	1041	1523
	….. Voluntary savings	Rs.	1.7	0	0.9
	….. Other savings	Rs.	0	0	0
	Savings rate	Rs.	47.4	32.1	39.9
	Savings interval		121	113	234
	…. No savings	No	16	27	43

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
	…. Monthly	No	105	86	191
2	**Loan transactions from MEGs**				
	Total borrowing	Rs.	2935	2205	2584
	Total recovery	Rs.	2092	1035	1582
	Loan outstanding	Rs.	843	1170	1002
	Total loan overdue	Rs.	8	21	14
3	**Loan Transaction from FSPs**				
	Total borrowing	Rs.	42500	0	21998
	Total recovery	Rs.	33169	0	17305
	Loan outstanding	Rs.	9331	0	4693
	Total loan overdue	Rs.	662	0	345
C	**Savings and Loan Operation from MEGs**				
1	**Savings mobilized in MEG**				
	Total savings	Rs.	1969.7	1041	1523.9
	…. Compulsory savings	Rs.	1968	1041	1523
	…..Voluntary savings	Rs.	1.7	0	0.9

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

Microentrepreneurs are involved on savings mobilisation. They save either in MEGs or cooperatives/MEGAs or FSPs. Their average savings balance was Rs. 1,523 and most of this was compulsory savings. They meet every month and their savings rate is Rs. 40 (Rs. 47 among borrowing microentrepreneurs and Rs. 32 among non-borrowing microentrepreneurs). Amount saved in MEGs has been used for internal lending among MEG members. Average outstanding loan balance of the microentrepreneurs was Rs. 1002 (Rs. 843 among borrowing microentrepreneurs and Rs. 1170 among non-borrowing microentrepreneurs). Some microentrepreneurs have also borrowed from FSPs (i.e. borrowing microentrepreneurs) and average outstanding loan balance of these microentrepreneurs with FSPs was Rs. 4,693 (Rs. 9,331 among borrowing microentrepreneurs and Rs. 0/- among non-borrowing microentrepreneurs). Savings mobilized by borrowing microentrepreneurs (Rs. 1969) was higher than non-borrowing microentrepreneurs (Rs. 1041) with an average savings balance of Rs. 1523. The savings mobilized was compulsory savings.

6.4 Microenterprise Development

All the microentrepreneurs surveyed have established microenterprise for income and employment generation. There are varying types of enterprises promoted by the microentrepreneurs surveyed. Financial services received from FSPs have been used to finance both fixed investment and working capital finance.

Table 8: List of Micro-credit Financed IG/MEA

S.N.	Type of enterprises	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Babiyo (Rope Making)	No	1	4	5	0.8	3.5	2.1
2	Bamboo works	No	10	1	11	8.3	0.9	4.7
3	Bee keeping	No	4	4	8	3.3	3.5	3.4
4	Bhujiya making	No	2	0	2	1.7	0.0	0.9
5	Bitten rice	No	0	1	1	0.0	0.9	0.4
6	Briquettes	No	0	17	17	0.0	15.0	7.3
7	Candle making	No	0	1	1	0.0	0.9	0.4

S.N.	Type of enterprises	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
8	Ceramics	No	0	1	1	0.0	0.9	0.4
9	Chalk making	No	1	0	1	0.8	0.0	0.4
10	Cosmetic shop	No	2	0	2	1.7	0.0	0.9
11	Dairy cattle farming	No	9	2	11	7.4	1.8	4.7
12	Dalmoth	No	5	3	8	4.1	2.7	3.4
13	Dhaka weaving	No	6	2	8	5.0	1.8	3.4
14	Dhakiya	No	2	0	2	1.7	0.0	0.9
15	Doll Making	No	1	2	3	0.8	1.8	1.3
16	Electric shop	No	1	0	1	0.8	0.0	0.4
17	Fishery	No	1	0	1	0.8	0.0	0.4
18	Fruit processing	No	3	0	3	2.5	0.0	1.3
19	Fruit shop	No	1	2	3	0.8	1.8	1.3
20	Furniture works	No	7	0	7	5.8	0.0	3.0
21	Goat raising	No	3	3	6	2.5	2.7	2.6
22	Grocery store	No	7	7	14	5.8	6.2	6.0
23	Herb plantation (giner and turmeric)	No	0	1	1	0.0	0.9	0.4
24	Incense stick	No	8	11	19	6.6	9.7	8.1
25	Iron work	No	6	1	7	5.0	0.9	3.0
26	Jhalla (Jute)	No	0	8	8	0.0	7.1	3.4
27	Leaf Plate Making	No	0	1	1	0.0	0.9	0.4
28	Mushroom	No	1	0	1	0.8	0.0	0.4
29	Pater (Mat making)	No	3	2	5	2.5	1.8	2.1
30	Piggery	No	2	2	4	1.7	1.8	1.7
31	Poultry	No	6	4	10	5.0	3.5	4.3
32	Rickshaw	No	1	0	1	0.8	0.0	0.4
33	River bank farming	No	4	3	7	3.3	2.7	3.0
34	Selling rice	No	2	0	2	1.7	0.0	0.9
35	Sewing/cutting	No	3	12	15	2.5	10.6	6.4
36	Strawberry	No	3	6	9	2.5	5.3	3.8
37	Tea shop	No	2	4	6	1.7	3.5	2.6
38	Thresher	No	1	0	1	0.8	0.0	0.4
39	Tika making	No	1	0	1	0.8	0.0	0.4
40	TV/Mobile shop	No	1	0	1	0.8	0.0	0.4
41	Vegetable farming	No	3	2	5	2.5	1.8	2.1
42	Vegetable shop	No	3	6	9	2.5	5.3	3.8
43	Weaving (woolen works)	No	5	0	5	4.1	0.0	2.1
	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

Access to financial and non-financial services under the technical, financial and managerial support MEDEP has been instrumental in restarting some enterprises that had earlier been closed down. These were mainly business that had lapsed due to shortage (or diversion) of working capital and required level of risk bearing capacity for enterprise promotion and development. There is significant difference in average amount invested by the borrowing and non-borrowing microentrepreneurs for enterprise establishment. Amount invested by the microentrepreneurs for enterprise development has been estimated at Rs. 28,613 (Rs. 39,808 among borrowing microentrepreneurs and Rs. 16,626 among non-borrowing microentrepreneurs). While non-borrowing microentrepreneurs have managed part of the finance through borrowing from informal sector and use of the accumulated savings,

borrowing microentrepreneurs have managed such capital using accumulated savings as well as borrowing from informal and formal sector. Survey information reveals that these microentrepreneurs have used the most of the finance required for microenterprise establishment using the accumulated savings. Borrowing from formal and informal sector has complemented the finance required for microenterprise establishment.

The borrowing microentrepreneurs have obtained access to finance for enterprise development from different FSPs namely ADBL (18%), GBB (6%), MFDB (2%), FI-NGOs (11%), SCCs (11%) and combination of FSPs (4%). The microentrepreneurs have repaid loan borrowed from FSPs and outstanding loan balance have estimated at Rs. 6,498.

Table 9: Investment and Source of Finance for Enterprise Development

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	Total Investment	Rs.	39808	16626	28613
	Fixed capital	Rs.	12727	5597	9284
	Working capital	Rs.	27081	11029	19329
2	Sources of investment capital	Rs.	39808	16626	28613
	Accumulated savings	Rs.	27938	15262	21817
	Loan from informal sector	Rs.	1317	1364	1814
	Loan from formal sector	Rs.	10553	0	4982
4	Name of the formal sector institution	%	100.0	100.0	100.0
	No borrowing	%	0.0	100.0	48.3
	ADBL	%	33.9	0.0	17.5
	GBB	%	12.4	0.0	6.4
	MFDB	%	4.1	0.0	2.1
	FI-NGOs	%	20.7	0.0	10.7
	SCCs	%	20.7	0.0	10.7
	More than one	%	8.3	0.0	4.3
5	Repayment of loans	Rs.	5372	1081	3300
6	Outstanding loan balance	Rs.	6498	283	3496

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

Microentrepreneurs have earned substantial income from enterprises they have managed under the technical backstopping support of MEDEP. Some activities like bamboo works (mat making, rack making, etc.), dalmoth/bhujiya, briquettes, poultry and vegetable farming, goat trading, buffalo trading, hotel/restaurants, etc. are highly profitable while doll making, strawberry, roap (babiyo) making, etc. are less remunerative compared to those business activities. Average annual income of the microentrepreneurs was estimated at Rs. 42,392 (Rs. 53,151 in case of borrowing microentrepreneurs and Rs. 30,870 among non-borrowing microentrepreneurs) per year.

Table 10: Profitability of Microenterprise

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	Average gross income	Rs.	133902	56371	96462
2	Average gross expenses	Rs.	80751	25501	54070
3	Net income	Rs.	53151	30870	42392

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

Microentrepreneurs have adopted very simple and practical marketing arrangement to sale various products produced. Since most of the products produced by these

microentrepreneurs are focused on ensuring local self-sufficiency for supply of products and services, they have taken initiatives to address marketing problems (82.5%). This approach has been quite effective to ensure sustainability on solving market problems.

Table 5.1: Marketing Arrangement for Microenterprise Development

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Self	No	104	89	193	86.0	78.8	82.5
2	MEGs	No	12	29	41	9.9	25.7	17.5
3	Middleman	No	11	21	32	9.1	18.6	13.7
	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

There are cases where MEGs of the concerned microentrepreneurs has supported for marketing their products through an approach of group marketing using the channel of Saughat Ghar and any other organized efforts on activities like dairy products, poultry, furniture, etc. There are cases where middlemen (13.7%) are also involved to handle the marketing of their products that in general assemble the products produced by the microentrepreneurs to sale it to wholesaler located in nearest market centres. Trading the incense sticks prepared by microentrepreneurs are usually assembled by the middlemen and sold to wholesaler in nearest market centre like Janakpur, Biratnagar, Dharan, Kathmandu, etc.

Microenterprises are susceptible to a variety of risks relating to both endogenous and exogenous factors. Some of these problems are: cash crunch, health/hygiene, raw materials, marketing and others.

Cash crunch is a common problem (76%) to the microentrepreneurs surveyed who usually have to pay for their supplies up front, but they can try to build relations with their customers by providing goods on credit. Competition affects small service and trading units when they compete against each other for a limited market. The clustering of too many petty shops in small urban centers following success of a few is the characteristic feature of the area. In rural areas, too, the habit of purchasing services is not established like in urban areas – though some microentrepreneurs have been able to reach a wider market by locating their establishments on highways just outside their villages. In urban areas, especially in slums, microentrepreneurs face wider competition from bigger traders in same or nearby areas and limited purchasing power in their immediate area.

Table 11: Problems Encountered for Operation and Management of Microenterprises

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Problems on microenterprise management	No	121	113	234	100.0	100.0	100.0
	Cash crunch	No	95	82	177	78.5	72.6	75.6
	Health/Hygiene	No	42	38	80	34.7	33.6	34.2
	Raw materials	No	34	40	74	28.1	35.4	31.6
	Marketing	No	25	30	55	20.7	26.5	23.5
	Others	No	11	35	46	9.1	31.0	19.7
2	Solution Measures for Enterprise Management		121	113	234	100.0	100.0	100.0
	Dialogue with MEDEP	No	90	73	163	74.4	64.6	69.7

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
	Request to MEG	No	60	67	127	49.6	59.3	54.3
	Provision of micro-insurance	No	42	38	80	34.7	33.6	34.2
	Focus on local raw materials	No	34	40	74	28.1	35.4	31.6

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

A seasonal marketing problem (24%) is another problem encountered by microentrepreneurs managing the enterprises. It is quite serious in case of animal husbandry. In general, milk marketing is quite active in many clusters whether through private collection agents who collect from door step for urban sale or through direct sales to local HHs. However, animal productivity depends critically on quality of animal and feed. Poor HHs, especially when starting animal units for the first time, may not be successful in selecting good quality animals (poultry, goats, milch animal) as they can be vulnerable to illness. There are cases of loss or injury of goats while grazing. Similarly, if a dairy animal needs treatment, vets may not be available or HHs may lack resources to pay for their fees and treatment costs. Availability of raw materials such as animal feed, stock in grocery store, etc., is other problem faced by microentrepreneurs (32%). Sickness of the family members is the problem (34%) encountered by one out of 56 microentrepreneurs surveyed in this assessment.

Microentrepreneurs surveyed have adopted solution measures to address different problems outlined above. MEDEP official and its institutional structure is the immediate solution measure adopted by these microentrepreneurs (69.7%) in order to find-out solutions to their problems. In general they have high dependence on MEDEP and are confident to MEDEP providing proper guidance to address these problems. MEDEP has cultured a self-help feeling to microentrepreneurs and mobilized them properly enabling them addressing their problems by themselves through mobilisation of their own MEGs (54.3%). Considering the vulnerability related to the protection against health/hygiene related risk, there is growing demand for access to micro-insurance services by microentrepreneurs (34.2%). Access to micro-insurance services is yet a challenge in Nepalese financial market and this is an area requiring renewed focus of FSPs on providing full packages of financial services to microentrepreneurs. Finally, in order to address the problems of raw materials, there has been greater focus to promote the enterprises using the locally available raw materials (31.6%) rather then enterprise using imported raw materials thereby ensuring local sufficiency on enterprise promoted at local level. The above discussion indicates that microentrepreneurs have identified local and sustainable solutions to problems encountered.

6.5 Impact of Microfinance Services

Access to loan services has contributed to increase capital/asset formation among surveyed microentrepreneurs. Capital formed in microentrepreneurs HH can be broadly grouped into three categories viz. financial capital, productive as well as physical capital and human capital. Each of these capital leads to subsequent empowerment of microentrepreneurs at individual, HH, and community level.

Financial capital formation
Savings is a form of capital accumulation carried out by all microentrepreneurs by setting aside a part of their current income for future use. Under social mobilisation initiatives, BDSPOs have provided an option for compulsory savings, voluntary savings and other savings on regular intervals. Microentrepreneurs value greatly the ability to save in their concerned MEGs. The social mobilisation initiatives of MEDEP provide microentrepreneurs with an opportunity to save small amounts on a regular basis.

Productive and physical capital formation

Loan microentrepreneurs surveyed have generated productive and physical assets out of income earned from microenterprises established either under credit financing or self-financing. These assets represent an economic opportunity to improve income. Improved housing (white wash, roof repairs and additional room) and purchase of HH assets (small tools, fans, gas-stoves, animals, push carts, handloom, gold, TV, radio, cycle, rickshaw, etc.) are frequent cases and this reflects consumption to enhance the quality of life. There are cases where microentrepreneurs have invested additional income on land purchase as well.

Table 12: Impact of Access to Microfinance Services

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	Farm size - Before	Ha.	0.33	0.28	0.31
	Irrigated	Ha.	0.29	0.22	0.25
	Un-irrigated	Ha.	0.04	0.06	0.06
2	Farm size - At present	Ha.	0.35	0.30	0.33
	Irrigated	Ha.	0.30	0.23	0.26
	Un-irrigated	Ha.	0.05	0.07	0.07
3	Changes	Ha.	0.02	0.02	0.02
	Irrigated	Ha.	0.01	0.01	0.01
	Un-irrigated	Ha.	0.01	0.01	0.01
4	Livestock holding - Before				
	Cattle	No	0.5	0.5	0.5
	Buffalo	No	0.4	0.3	0.3
	Ox	No	0.4	0.5	0.5
	Heifers	No	0	0	0
	Goat	No	1.7	2.1	1.9
	Pig	No	0.1	0.3	0.2
	Chicken	No	1.8	3.9	2.8
	Duck	No	1.3	0.2	0.7
	Other	No	0	0.1	0
5	Livestock holding - At present				
	Cattle	No	0.6	0.6	0.6
	Buffalo	No	0.5	0.4	0.4
	Ox	No	0.4	0.5	0.4
	Heifers	No	0	0	0
	Goat	No	1.8	2.2	2.0
	Pig	No	0.4	0.5	0.5
	Chicken	No	32.2	6.8	19.9
	Duck	No	0.9	0.2	0.6
	Other	No	0	0	0
6	Changes in Livestock holding				
	Cattle	No	0.1	0.1	0.1
	Buffalo	No	0.1	0.1	0.1
	Ox	No	0	0	-0.1
	Heifers	No	0	0	0
	Goat	No	0.1	0.1	0.1
	Pig	No	0.3	0.2	0.3
	Chicken	No	30.4	2.9	17.1
	Duck	No	-0.4	0	-0.1

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
	Other	No	0	-0.1	0

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

There are cases where microentrepreneurs have invested the additional income for the purchase of land and average land holding has been increased before joining the programme and as of July 2009. Size of farm size increase has been more in case of borrowing microentrepreneurs compared to non-borrowing microentrepreneurs due to their ability to establish; operate and manage the relatively larger microenterprises.

There also exist evidences that loan microentrepreneurs surveyed have invested the income saved to increase livestock head depending on their capacity and preference. There are cases where increase on number of cattle, buffalo, goat, pig and chicken while number of ox and duck has been decreased. This indicates that microentrepreneurs have a tendency to increase number of head of livestock of economic significances than the non-economic one.

Human capital formation
Contribution of access to financial services on human capital formation was evident in terms of increased investment on education and increased evidence of sending children to school. A small contribution of access to finance (e.g. internal group loans from MEG and MFIs) in meeting schooling costs exist. One of the first things poor people do with new income from microenterprise is to invest in their children's education. Greater access to financial services and increased incomes has enabled the poor entrepreneurs to invest in their children's education. To support this priority, most of the MEDEP packages provide additional focus on educated people compared to the non-educated one.

The survey findings reveal that about 52% borrowing MEs and 71% non-borrowing MEs have not created any other assets. The assets created by them are land purchase (5% borrowing MEs and 5.3% non-borrowing MEs), home improvement (5.8% borrowing MEs and 0.9% non-borrowing MEs), enterprise expansion (23.1% borrowing MEs and 5.3% non-borrowing MEs), ornament (0.8% borrowing MEs), increase in livestock heads (10.7% borrowing MEs and 15% non-borrowing MEs), etc.

Table 13: Other Assets Created by the Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	None	No	63	80	143	52.1	70.8	61.1
2	Land	No	6	6	12	5.0	5.3	5.1
3	Home improvement	No	7	1	8	5.8	0.9	3.4
4	Enterprise expansion	No	28	6	34	23.1	5.3	14.5
5	Ornament	No	1	0	1	0.8	0.0	0.4
6	Livestock	No	13	17	30	10.7	15.0	12.8
7	Other	No	3	3	6	2.5	2.7	2.6
8	Total		121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs survey, August-September 2009
Note: MEs = Microentrepreneurs

Due to assurance of repeat loan and confidence on access to financial services from FSPs, borrowing MEs are found in relatively better position invest net income from microenterprise for the creation of other asset for their improved livelihood. Creation of such asset has been instrumental to microentrepreneurs protect against any external sucks and enable them mange their likely vulnerability in future.

Overall use of increased income

An analysis of general trend on use of incremental income earned from microentrepreneurs revealed that there is clear difference on pattern to use incremental income across borrowing and non-borrowing microentrepreneurs.

Table 14: Use of Incremental Income Earned from Microenterprise by Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Asset creation	Rs.	8443	2580	5612	15.9	8.4	13.2
2	Children education	Rs.	7560	4881	6266	14.2	15.8	14.8
3	Health care	Rs.	2074	1384	1741	3.9	4.5	4.1
4	Clothing	Rs.	3951	3340	3657	7.4	10.8	8.6
5	Household consumption	Rs.	20335	16885	20089	38.3	54.7	47.4
6	Buying ornaments	Rs.	1858	566	1231	3.5	1.8	2.9
7	Others	Rs.	8930	1234	3796	16.8	4.0	9.0
	Total	Rs.	53151	30870	42392	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

While non-borrowing microentrepreneurs use most of the incremental income for consumption purpose, the borrowing microentrepreneurs use such an income for other activities such as asset creation, children education, health care, clothing and buying ornaments. The survey findings reveals that microentrepreneurs have used incremental income mainly on household consumption (47.4%, 38.3% borrowing microentrepreneurs and 54.7% non-borrowing microentrepreneurs), followed by children education (14.8%, 14.2% borrowing and 15.8% non-borrowing microentrepreneurs), asset creation (13.2%, 15.9% borrowing and 8.4% non-borrowing microentrepreneurs), clothing (8.6%, 7.4% borrowing and 10.8% non-borrowing microentrepreneurs), health care (4.1%, 3.9% borrowing and 4.5% non-borrowing microentrepreneurs) and buying ornaments (2.9%, 3.5% borrowing and 1.8% non-borrowing microentrepreneurs).

The enterprise managed by the microentrepreneurs surveyed under this study has generated full time and part time employment to men, women and children. There is difference on number of employment generated by enterprises managed by borrowing and non-borrowing microentrepreneurs.

Table 15: Contribution of Microenterprise Development on Employment Generation

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total
1	Full time	No	0.8	0.5	0.7
	Men	No	0.3	0.2	0.3
	Women	No	0.5	0.3	0.4
	Children	No	0	0	0
2	Part-time	No	1.5	1.2	1.3
	Men	No	0.4	0.2	0.3
	Women	No	0.6	0.6	0.6
	Children	No	0.5	0.4	0.4
3	Total	No	1.6	1.1	1.4

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

Survey findings reveals that number of full-time employment generated by borrowing microentrepreneurs is 0.8 person year and that of non-borrowing microentrepreneurs is 0.5

person year. Similarly, number of part-time employment generated by borrowing microentrepreneurs is 1.5 person year and that of non-borrowing microentrepreneurs is 1.2 person year. Using the conversion factor that one part-time employment equals 50% of the fulltime employment, total employment generated by one average microenterprise has been estimated at 1.4 (1.6 among borrowing microentrepreneurs and 1.1 among non-borrowing microentrepreneurs) person year.

6.6 Empowerment

It is quite visible that access to financial services has eases people in their process to be entrepreneur that has enabled them to become more confident, more assertive, increase in family and community decisions, and better able to confront systemic gender inequities. During a series of focus group discussion and individual interactions, microentrepreneurs were not easily able to identify what it was that made them feel good about themselves and gave them power. This initially appeared to be a matter of shyness and a lack of recognition of their skills. Most of them defined an empowered person as as:

> *One that has choices, similar to those available to men, and one that actively decides to develop both individual and family well-being and empowering experiences are those, which widen a woman's choices and help her to achieve her well-being.*

Drawing on FGDs and case studies, the following summarizes the indicators of empowerment through access to financial services and being an entrepreneur.

- Ability to save and access loans;
- Opportunity to undertake economic activity;
- Mobility i.e. opportunity to visit nearby villages and towns;
- Awareness on local issues, banking procedures and banking transactions,
- Skill for enterprise creation and management;
- Decision making within HH;
- Group mobilization in support of individual microentrepreneurs: action on social issues,
- Role in community development activities,

Empowerment through enterprise development and management takes different forms such as economic empowerment, social empowerment, political empowerment and legal empowerment. These are briefly discussed hereunder.

Economic Empowerment: About 97% microentrepreneurs surveyed are involved in managing microenterprise; this is followed by husband/wide (2%) and other family members (0.9%). On the other hand, 90% microentrepreneurs surveyed make borrowing decision by themselves; this is followed by husband/wife (6%) and other family members (3%). Control of income/expenses is the most important factor deciding level of economic empowerment. About 91% microentrepreneurs surveyed control income/expenses of microentrepreneurs by themselves; this is followed by husband/wife (4%) and other family members (5). In general, economic empowerment level is quite satisfactory among microentrepreneurs surveyed.

Table 16: Economic Empowerment of Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	IGA/ME management	No						
	Self	No	117	110	227	96.7	97.3	97.0
	Husband/wife	No	3	2	5	2.5	1.8	2.1
	Other family members	No	1	1	2	0.8	0.9	0.9

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
2	Borrowing decision	No						
	Self	No	107	104	211	88.4	92.0	90.2
	Husband/wife	No	11	4	15	9.1	3.5	6.4
	Other family members	No	3	5	8	2.5	4.4	3.4
3	Control of income and expenses	No						
	Self	No	109	104	213	90.1	92.0	91.0
	Husband/wife	No	6	4	10	5.0	3.5	4.3
	Other family members	No	6	5	11	5.0	4.4	4.7
4	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

Social Empowerment: Social empowerment relates to changes in position of women microentrepreneurs in households and society, including increase in mobility and social capital formation. Survey findings revealed that loan microentrepreneurs has felt change in their position in HHs (96%), change in their status in society (93%), increase in mobility (92%) and increase in social capital (86%). In general, status of social empowerment is quite subjective and depends on feelings of microentrepreneurs in households and society. There is greater need to increase awareness of household members on type of services these microentrepreneurs has received from their involvement in MEDEP to ensure access to financial services.

Table 17: Social Empowerment of the Loan Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Change in position in HHs	No	121	103	224	100.0	91.2	95.7
2	Change in status in society	No	120	98	218	99.2	86.7	93.2
3	Increase in mobility	No	116	99	215	95.9	87.6	91.9
4	Increase in social capital	No	108	94	202	89.3	83.2	86.3
			121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

Political Empowerment: Level of political empowerment among loan microentrepreneurs surveyed has been quite low. Only 48% of women microentrepreneurs participated in political process in the community and express their opinion the type of leadership required for their personal and community development. On the other hand 46% women microentrepreneurs surveyed expressed that they selected political leader in more informed way including an understanding of election manifesto and agenda of the party concerned. These microentrepreneurs expressed that MEG meeting and their involvement on MEG operation provided them a platform to discuss on agenda and related details about political process in their community.

Table 18: Political Empowerment of the Loan Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Participation in political process	No	67	46	113	55.4	40.7	48.3
2	Selection of leader in more informed way	No	62	46	108	51.2	40.7	46.2
			121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

Legal Empowerment: Legal empowerment is quite complex agenda among microentrepreneurs surveyed. Most of them have felt that they have been legally empowered. Only 71% microentrepreneurs felt some increase in legal awareness level while only 4% were able to file a case against exploitation/harassment in VDC and local court. By being MEG member, 72% microentrepreneurs surveyed are feeling more secured now as solidarity among them is very much increased and microentrepreneurs are also involved in social reform process.

Table 19: Legal Empowerment of the Loan Microentrepreneurs

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	Increase in legal empowerment level	No	92	75	167	76.0	66.4	71.4
2	Filling case against exploitation or harassment	No	6	3	9	5.0	2.7	3.8
3	Feeling more secured	No	91	77	168	75.2	68.1	71.8
	Total		121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

Other indicators through which women microentrepreneurs feel themselves empowered include their ability to save and access loans from MEG that act as a safety net at the time of emergency, opportunity to undertake economic activity that has enabled them to earn and get themselves self-employed to use their spare time more productively. Further, compared to their fellow non-member counterparts, they feel more aware on local issues, banking procedures and increased confidence on banking transactions. They also see their potential role to involve in community development activities.

6.7 Constraints/Problems on Receiving Microfinance Services

During the microentrepreneurs survey they were inquired to provide type of constraints / problems they faced on access to financial services. The constraints/problems mentioned by them include conducting MEG meeting (94%), overall MEG operation (92%), savings mobilisation (72%), borrowing from MEG (61%), borrowing from FSPs (85%), loan repayment (43%), enforcement of joint liability (7%), maintaining group discipline (62%), market (75%), investment finance (65%). raw materials (64%), skill/technology (40%). There exist clear variation on type and intensity of problems across borrowing and non-borrowing MEs and these constraints / problems are quite valid for long-term viability and future growth of MEs promoted under MEDEP modality.

Table 20: Constraints/Problems on Enterprise Development

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	MEG meeting	No	117	102	219	96.7	90.3	93.6
2	MEG operation	No	113	102	215	93.4	90.3	91.9
3	Savings mobilisation	No	94	75	169	77.7	66.4	72.2
4	Borrowing from MEG	No	82	61	143	67.8	54.0	61.1
5	Borrowing from MFI	No	117	81	198	96.7	71.7	84.6
6	Loan repayment	No	68	33	101	56.2	29.2	43.2
7	Enforcement of joint liability	No	6	11	17	5.0	9.7	7.3
8	Maintaining group decision	No	90	55	145	74.4	48.7	62.0
9	Market	No	114	61	175	94.2	54.0	74.8
10	Investment finance	No	88	64	152	72.7	56.6	65.0
11	Raw materials	No	105	45	150	86.8	39.8	64.1
12	Skill/Technology	No	63	31	94	52.1	27.4	40.2
13	Others	No	3	5	8	2.5	4.4	3.4
	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

It takes about 2-3 hours or even more to MEG for conducting their meeting and there is a need to reduce duration of the meeting into 1-2 hours. Longer time required to conduct meeting creates frustration among microentrepreneurs to participate in meeting and eventually affecting overall MEG operation. The root cause of these constraints/problems lies on these basic weaknesses inherent with the MEG formation and operation.

There are instances wherein microentrepreneurs have adopted various strategies and measures to address problems faced on microenterprise development. Some of these measures are introduction of rewards and punishment system, proper recording, motivation on different issues, revising savings rate, introducing rotation system and personal guarantee system to ensure quality for internal lending, linkages with other FSPs, use of business expansion plan, use of household cash flow, use of other services, increase awareness on joint liability, increase self-help feeling, maintaining group decision, review of meeting decision and introduce the incentive of applying decision, promote market linkages and introduce promotional services, replacement of asset and exploring alternative FSPs, lobbying, bulk purchase and increased group cohesiveness, promote linkage and networking, lobbying with district line agencies, use of MEG and MEGA's support, growth management and quality assurance. These measures have worked in most areas to address the constraints outlined above. The following table provides an overview of the measures adopted by the microentrepreneurs for addressing the constraints/problems on enterprise development.

Table 21: Measures Adopted for Addressing the Constraints/Problems on Enterprise Development

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
1	MEG meeting							
	None applicable	No	4	11	15	3.3	9.7	6.4
	Fine system	No	43	57	100	35.5	50.4	42.7
	Proper recording	No	74	45	119	61.2	39.8	50.9
2	MEG operation							
	None applicable	No	8	11	19	6.6	9.7	8.1
	Motivation	No	65	49	114	53.7	43.4	48.7

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
	Fine system	No	48	53	101	39.7	46.9	43.2
3	Savings mobilisation							
	None applicable	No	27	38	65	22.3	33.6	27.8
	Revise savings rate	No	39	46	85	32.2	40.7	36.3
	Fine system	No	55	29	84	45.5	25.7	35.9
4	Borrowing from MEG							
	None applicable	No	39	52	91	32.2	46.0	38.9
	Rotation system	No	48	32	80	39.7	28.3	34.2
	Personal guarantee	No	23	17	40	19.0	15.0	17.1
	Penal interest	No	11	12	23	9.1	10.6	9.8
5	Borrowing from MFI							
	None applicable	No	4	32	36	3.3	28.3	15.4
	Linkages with other FSPs	No	78	45	123	64.5	39.8	52.6
	Use of business expansion plan	No	39	36	75	32.2	31.9	32.1
6	Loan repayment							
	None applicable	No	53	80	133	43.8	70.8	56.8
	Use of household cash flow	No	39	26	65	32.2	23.0	27.8
	Use of other services	No	29	7	36	24.0	6.2	15.4
7	Enforcement of joint liability							
	None applicable	No	115	102	217	95.0	90.3	92.7
	Increase awareness	No	4	7	11	3.3	6.2	4.7
	Increase self-help feeling	No	2	4	6	1.7	3.5	2.6
8	Maintaining group decision							
	None applicable	No	31	58	89	25.6	51.3	38.0
	Minute taking	No	39	31	70	32.2	27.4	29.9
	Review of meeting decision	No	28	19	47	23.1	16.8	20.1
	Incentive of applying decision	No	23	5	28	19.0	4.4	12.0
9	Market							
	None applicable	No	7	52	59	5.8	46.0	25.2
	Market linkages	No	81	57	138	66.9	50.4	59.0
	Promotional services	No	33	4	37	27.3	3.5	15.8
10	Investment finance	No						
	None applicable	No	33	49	82	27.3	43.4	35.0
	Replacement of asset	No	65	46	111	53.7	40.7	47.4
	Exploring alternative FSPs	No	23	18	41	19.0	15.9	17.5
11	Raw materials	No						
	None applicable	No	16	68	84	13.2	60.2	35.9
	Lubbying	No	50	22	72	41.3	19.5	30.8
	Bulk purchase	No	23	15	38	19.0	13.3	16.2
	Increased group cohesiveness	No	32	8	40	26.4	7.1	17.1
12	Skill/Technology	No						
	None applicable	No	58	82	140	47.9	72.6	59.8
	Linkage and networking	No	30	19	49	24.8	16.8	20.9
	Lubbying with district line agencies	No	17	8	25	14.0	7.1	10.7
	Use of MEG and MEGA's support	No	16	4	20	13.2	3.5	8.5
13	Others	No						
	None applicable	No	118	108	226	97.5	95.6	96.6

S.N.	Particulars	Unit	Borrowing MEs	Non-borrowing MEs	Total	Borrowing MEs	Non-borrowing MEs	Total
	Growth management	No	1	4	5	0.8	3.5	2.1
	Quality assurance	No	2	1	3	1.7	0.9	1.3
14	Total	No	121	113	234	100.0	100.0	100.0

Source: Microentrepreneurs Survey, August-September 2009
Note: MEs = Microentrepreneurs

In general, these problems/constraints are quite serious as far as principles and practices of sustainable access to financial services and sustainability of MEG is concerned. This requires that each MEG/MEGAs possesses (i) mutually agreed code of conduct for MEG operation and management and its strict enforcement, (ii) savings policy, (iii) loan policy and (iv) financial and portfolio management policy. At present there is MEG/MEGAs policy based on words of mouth rather them consolidated and written form. MEG can't function properly as envisaged on the absence of these policy documents and capacity of MEG/MEGA executives to enforce these policies / rules. In this context, FSPs should facilitate MEG / MEGAs to prepare their policies in a participatory way and ensure that all microentrepreneurs own these policies. Further, once these policies will be in place, there is a need to enhance capacity of MEG/MEGA executive to enforce those policies and rules. Unless MEG/MEGA executives' capacity on these aspects are enhanced, problems / constraints like savings mobilisation, borrowing from MEG, borrowing from FSPs, loan repayment, enforcement of joint liability and maintaining group discipline could not be solved and this will eventually jeopardized the entire efforts for enterprise development.

7. PERFORMANCE OF MICROENTREPRENEURS GROUPS

7.1 Overview

7.2 Overview

As of June 2009, MEDEP has supported to establish more than 38,300 microentrepreneurs in 31 districts and all these microentrepreneurs are organized into 4,281 Microentrepreneurs Groups (MEGs). The programme seeks to enhance the capacity of MEGs so that they can coordinate and create the foundation for enterprise development at grassroots level. In this chapter, operational and financial performance of the MEGs are analyzed with the objectives to assess the extent to they can be developed as an intermediary to enhance access to financial services at grassroots level.

In order to assess MEGs' operational and financial performance, a total of 48 MEGs (@ 12 MEGs per district) were surveyed from these four districts. An in-depth analysis of these MEGs was undertaken covering aspects such as membership, equity and access, governance and responsibilities, savings mobilisation, loan transaction with MEDEP and loan operation with MEG members, income statement, balance sheet, growth plan and overall operation and management system.

7.3 Characteristics of MEGs

The MEGs surveyed in this study represents diversity in terms of their formation. The There were MEGs formed last year and some of them were as old as more than 9 years. Of the total MEGs surveyed, 21% were <= 3 years of old, 27% were 4-6 yrs old and 52% were > 7 years of old. MEGs are formed as a part of the social mobilisation component of MEDEP. In general, these MEGs are formed by BDSPO working for MEDEP.

Table 22: Basic Information of the MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Age (year of formation)	No	12	12	12	12	48
	<= 3 yrs	%	50.0	16.7	0.0	16.7	20.8
	4-6 yrs	%	8.3	0.0	16.7	83.3	27.1
	> 7 yrs	%	41.7	83.3	83.3	0.0	52.1
2	Membership						
	Households	No	161	88	68	87	404
	Members	No	165	89	71	91	416
	Borrowing members	No	114	52	37	49	252
	New Entrant (last year)	No	20	13	9	7	49
3	Average per MEGs						
	Households	No	13.4	7.3	5.7	7.3	8.4
	Members	No	13.8	7.4	5.9	7.6	8.7
	Borrowing members	No	9.5	4.3	3.1	4.1	5.3
	Access to financial service	%	69.1	58.4	52.1	53.8	60.6
	New Entrant (last year)	No	1.7	1.1	0.8	0.6	1.0
4	Sample size	No	12.0	12.0	12.0	12.0	48.0

Source: Microentrepreneurs Survey, August-September 2009

Number of members in MEGs surveyed ranges between 5 and 25 members with an average of 14 members per MEG. In general, one member per household participate in the MEGs surveyed with an exception in few MEGs. Numbers in households in the MEGs surveyed ranges between 5 and 24 households with an average of members of the 13 HHs representing in one MEG. General members of the MEGs are both men and women. A majority of them are women and they represent all social groups (Dalit and Janajaties) in their locality. In general, these MEGs expressed their interest to include as many Dalits and Janajaties as possible, however, there was instances where some Dalits and Janajaties expressed their reluctance to be general member of MEGs. In all the 14 MEGs surveyed, on an average there are 11% Dalits, 31% Janajaties and 58% other ethnic groups. This is fairly good composition as far as ethnic composition of the communities where these MEGs resides.

Not all the members in the MEG surveyed has access to financial services from the FSPs. Number of members with access to financial services from different FSPs ranges between 3 and 10 members with an average of 5 members per MEGs with access to financial services from FSPs. Remaining members have managed required finance for enterprise creation and management either using their own accumulated savings or borrowing from informal sector. Number of MEG members with access to financial services in these districts has been estimated at 61% (69% in Nuwakot, 58% in Nawalparasi, 52% in Sunsari and 54% in Udayapur district). Such an access is significantly higher compared to national average access to finance rate of 35%. There are cases where microentrepreneurs involved in incense stick enterprises are already linked with FSPs as bankable client of FSPs which is a great matter for MEDEP if we talk about MEDEP contribution in empowering microentrepreneurs to increase their credit absorption capacity and grow their enterprises.

Drop-out of existing members and joining of new members are common phenomenon in the MEGs and number of members entered in MEGs over the last one year range between 0 and 5 with an average of 1 member joining per MEGs.

7.4 Equity and Access

Each MEG has executive committee members. Their executive committee comprises of positions such as chairperson, secretary, treasurers and members. MEGs surveyed have attempted to elect relatively matured person with leadership quality as chairperson while they have provided special attempt to include more educated member as secretary and treasurer. There is a provision for vice-chairperson in some MEGs. While chairperson chairs meeting and counts amount deposited as loan and interest payments and savings by members, secretary maintains minutes and treasurer make entry in savings and loan ledgers including making an entry in pass-book of members.

Table 23: Equity and Access in the MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Executive Committee members	No	100.0	100.0	100.0	100.0	100.0
	…. Women	No	61.9	84.2	72.3	93.2	76.9
	…. Dalit	No	4.1	19.7	9.2	16.2	11.9
	…..Janajaties	No	53.6	65.8	76.9	77.0	67.0
2	Women executive committee members	No	61.9	84.2	72.3	93.2	76.9
	…. Dalit	No	4.1	15.8	6.2	4.1	7.4
	….. Janajaties	No	52.6	56.6	50.8	68.9	57.1

Source: Microentrepreneurs Survey, August-September 2009

Considering the important role to be played, MEGs have attempted to make executive committee as inclusive as possible. About 77% executive committee members are women in these MEGs. Both Dalits and Janajaties have been represented in executive committee. In 48 MEGs surveyed, on an average there are 11% Dalits and 67% Janajaties and 22% other ethnic groups. Further, proportion of women dalits and Janajaties women participating MEGs are 7% and 57% respectively. This implies that formation of MEGs is highly inclusive in terms of representation and access. There is different story as far as control is concerned.

7.5 Book Keeping and Accounting System

MEGs have a very simple book keeping and accounting system. A typical MEG promoted by MEDEP has meeting register, main ledger, savings ledger, and loan ledger. They however neither has inventory register nor have a system of getting receipts or providing payments slip, chart of accounts of transactions and maintain voucher of their transaction. The best part of their operation is that most MEGs have distributed pass-book to their members.

Quality of book keeping and accounting system in MEGs was below standards. Of the 48 MEGs surveyed, less than 50% can conduct group meeting on their own as they can calculate and collect amount to be recovered from members and make entry in savings and long pass book while remaining 50% MEGs still require involvement of field assistant of BDSPO to conduct meeting, calculate and collect amount to be recovered from members and make entry in savings and long pass book. It is less likely that some of these MEGs can perform duties and responsibilities envisaged for their sustainability in the immediate future.

Table 24: Overview of Book Keeping and Accounting System in MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Record keeping system	No	12.0	12.0	12.0	12.0	48.0
	Meeting register	%	75.0	83.3	66.7	91.7	79.2
	Main ledger	%	83.3	8.3	16.7	41.7	37.5
	Savings ledger	%	16.7	58.3	33.3	91.7	50.0
	Loan ledger	%	8.3	25.0	25.0	91.7	37.5
	Inventory register	%	0.0	0.0	0.0	16.7	4.2
	Pass book distribution	%	8.3	16.7	8.3	50.0	20.8
2	Up-date situation	No	12.0	12.0	12.0	12.0	48.0
	Meeting register	%	33.3	66.7	41.7	91.7	58.3
	Main ledger	%	8.3	8.3	16.7	25.0	14.6
	Savings ledger	%	8.3	33.3	33.3	75.0	37.5
	Loan ledger	%	8.3	16.7	25.0	66.7	29.2
	Inventory register	%	0.0	0.0	0.0	16.7	4.2
	Member's pass-book	%	8.3	41.7	50.0	75.0	43.8

Source: Microentrepreneurs Survey, August-September 2009

Irrespective of whether book keeping and accounting was done by MEG executives and field assistant of BDSPOs, book keeping and accounting is not upto date in most MEGs. The good part is that meeting register and members' savings and credit pass book was up-to-date in most MEGs surveyed. While inventory register was not maintained in all MEGs surveyed, situation of maintaining main ledger and savings ledger was quite mixed. Strictly speaking none of the MEGs surveyed have maintained main ledger up-to date, however, savings and loan ledger have been up-to-date in 37% and 29% of the MEGs surveyed during the field study.

Building the capacity is MEGs to maintain books of account is one of the challenges that BDSPOs/MEDEP should address. There are three issues to be addressed: first book keeping and accounting system is incomplete and unscientific; second even MEG with relatively qualified executives (SLC or intermediate level education) have not maintained books of account up-to-date due to inadequate training and lack of motivation to do so and programme has formed MEGs involving members who are less likely to enhance their capacity to maintain book of accounts in immediate future. These are the areas where BDSPOs/MEDEP has to draw its attention immediately considering that MEGs are the foundation under which success of entire institutional development framework of MEDEP depends on.

7.6 Governance and Responsibilities

In the context of governance and responsibilities of MEGs, review of the following standard definition of the MEG is relevant.

> *MEGs are voluntary, small group structures for mutual aid and the accomplishment of a special purpose. They are usually formed by peers who have come together for mutual assistance in satisfying a common need, overcoming a common handicap or life-disrupting problem and bringing about desired social and/or personal change. The initiators of such groups emphasize face-to-face social interactions and assumption of personal responsibility by members. They often provide material assistance, as well as emotional support; they are frequently "cause" oriented, and promulgate an ideology or values through which members may attain an enhanced sense of personal identity.*

Hence, the key components to be included in the definition of MEG are: voluntary, small group structures, mutual assistance and accomplishment of special purposes, formed by peers, satisfying a common need, overcoming a handicap or life-disrupting problem, bringing about social and/or personal change, emphasis on face-to-face interactions, assumption of personal responsibility by members, provide material assistance along with emotional support and frequently "cause" oriented and driven by an ideology. This implies that governance and responsibilities is the most fundamental basis of MEG operation.

Field survey information revealed that MEGs are operating on ad-hoc basis. They are operating based on simple operating rules and regulations agreed, decided and recorded in meeting register. All the MEGs surveyed lack operational policy such as code of conduct for MEG operation, MEG operational rules and regulations, savings policy, loan policy and financial management policy.

Table 25: Governance and Responsibilities in the MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Operation system						
	Written code of conduct	%	8.3	16.7	8.3	8.3	10.4
	Operational rules and regulations	%	25.0	0.0	16.7	25.0	16.7
	Written policies	%	8.3	0.0	0.0	8.3	4.2
2	Capacity of MEGs' management						
	Loan management	%	8.3	58.3	16.7	66.7	37.5
	Book keeping and accounting	%	8.3	8.3	16.7	25.0	14.6
	Savings mobilisation	%	25.0	41.7	58.3	66.7	47.9
3	Extent of application of meetings decision						
	Poor	%	41.7	50.0	41.7	33.3	41.7
	Fair	%	25.0	16.7	41.7	33.3	29.2
	Good	%	25.0	25.0	8.3	25.0	20.8
	Excellent	%	8.3	8.3	8.3	8.3	8.3
4	Business Plan						

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
	Existence of business plan	%	8.3	0.0	0.0	8.3	4.2
	Sharing of business pan	%	8.3	0.0	0.0	8.3	4.2
	Status of implementation of business plan	%	0.0	0.0	0.0	0.0	0.0
5	Sample size	No	12.0	12.0	12.0	12.0	48.0

Source: Microentrepreneurs Survey, August-September 2009

Executives of 37%, 14% and 48% MEGs have skill for loan management, book keeping and accounting and savings mobilisation respectively. Lack of education and technical capacity has constrained remaining MEGs to build capacity on loan management, book keeping and accounting and savings management. None of the MEGs have paid book keeper. They lack aptitude and interest to recruit a paid book keeper. BDSPOs/MEDEP should revisit its policy to enhance capacity of MEGs, orient them to recruit paid book keeper for long term viability and enhance capacity of MEG executives on monitoring duties performed by paid book keeper. Further, MEGs have made series of decisions in their meeting and recorded it in their meeting register. Extent of application of meeting's decision is poor, fair, good and excellent respectively in 42%, 29%, 21% and 8% of MEGs. There are two issues regarding the ways in which MEG meetings are conducted and decisions are concentrated. First, most of the decisions are focused on loan operation and management and second, in most MEGs meeting's decisions are not fully applied on operational management.

7.7 Savings Mobilisation

Savings mobilisation is one of the important activities undertaken by MEG among their members. BDSPO/MEDEP has motivated microentrepreneurs to participate in savings mobilisation activities. Survey findings revealed that 37% MEGs have not participated in savings mobilisation and only 63% are actively involved in savings mobilisation among their members. Members of these MEGs have participated in monthly compulsory savings scheme. MEGs has not offered voluntary and other savings scheme to their members.

Table 26: Savings Mobilisation in the MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Compulsory savings	Rs.	27,914	12,331	15,616	16,522	18,096
2	Voluntary savings	Rs.	-	-	-	-	-
3	Other savings	Rs.	-	-	-	-	-
	Total savings	Rs.	27,914	12,331	15,616	16,522	18,096
4	Savings Rate	No					
	No savings	%	25.0	66.7	41.7	16.7	37.5
	Rs. 10	%	0.0	0.0	8.3	16.7	6.3
	Rs. 20	%	0.0	0.0	0.0	25.0	6.3
	Rs. 25	%	16.7	8.3	25.0	0.0	12.5
	Rs. 50	%	25.0	16.7	16.7	8.3	16.7
	Rs. 100	%	33.3	0.0	8.3	0.0	10.4
	Rs. 120	%	0.0	0.0	0.0	8.3	2.1
	Rs. 140	%	0.0	0.0	0.0	8.3	2.1
	Rs. 160	%	0.0	0.0	0.0	8.3	2.1
	Rs. 175	%	0.0	0.0	0.0	8.3	2.1
	Rs. 200	%	0.0	8.3	0.0	0.0	2.1
5	Savings interval						

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
	No savings	No	25.0	66.7	41.7	16.7	37.5
	Monthly	No	75.0	33.3	58.3	83.3	62.5
6	Average savings balance per member	Rs.	2,030	1,663	2,639	2,179	2,088

Source: Microentrepreneurs Survey, August-September 2009

Total savings balance of the MEG surveyed by ranges between Rs. 13,751 and Rs. 90,969 with an average of Rs. 18,096 per MEG and that of average savings balance per member range between Rs. 560 and Rs. 3,750 with an average of Rs. 2,088. Savings rate of the MEG member range between Rs. 10 and Rs. 200 with an average monthly savings of Rs. 47. It has been found that members are not regular on saving mobilisation and there are cases where MEG members have also deposited savings in groups promoted by other agencies in their communities. This is an aspect that BDSPOs/MEDEP should focus as far as their contribution on savings mobilisation in MEGs is concerned. It need to make policy decision on whether savings mobilisation is mandatory at MEG level and proper use of accumulated savings for internal lending under credible and trusted system. There are cases where MEGs have distributed savings collected and again started fresh savings mobilisation.

7.8 Loan Operation

Loan operation in MEGs starts with internal lending of savings collected from members. Members have deposited as savings in concerned MEGs to be eligible for borrowing. Each MEG has used the savings for on-lending to their members.

Table 27: Loan Operation by an Average MEG Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Loan disbursement	Rs.	231,150	148,733	199,513	263,317	210,678
2	Loan collection	Rs.	211,992	140,745	189,914	249,850	198,125
3	Loan outstanding	Rs.	19,158	7,988	9,600	13,467	12,553
4	Loan overdue	Rs.	2,448	1,518	1,785	1,794	1,886
5	Loan clients	No	5	3	3	3	3
6	Average outstanding loan balance per client	Rs.	3,832	2,995	3,716	4,144	3,719
7	Overdue rate	%	12.8	19.0	18.6	13.3	15.0
8	Repayment rate	%	98.9	98.9	99.1	99.3	99.1
9	Capital mobilisation rate	%	68.6	64.8	61.5	81.5	69.4

Source: Microentrepreneurs Survey, August-September 2009

Outstanding loan of MEGs with members ranges between Rs. 7,580 and Rs. 28,100 with an average of Rs. 12,553. Average outstanding loan balance per loan client ranges between Rs. 2,250 and Rs. 7,025 with an average of Rs. 3,719. Overdue rate of loan disbursed was 15% and repayment rate was 99%. The MEGs surveyed were not very efficient for capital mobilisation. Their capital mobilisation rate in the MEGs ranges between 62% and 82% with an average of 69%. This is another area where the role of BDSPOs/MEDEP comes through increased awareness on capital mobilisation and ensuring high level of portfolio quality.

7.9 Income Statement

Record keeping system almost all the MEGs does not provide required information for preparing the income statement. In this study an effort was made to prepare the income statement of the MEGs surveyed.

Table 28: Income Statement of the Average MEG Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
A	**Operating Income**	Rs.	3,894	1,653	2,073	2,462	5,041
1	Interest income	Rs.	3,698	1,521	1,895	2,257	4,686
2	Other income	Rs.	195	132	179	204	355
B	**Operating Expenses**	Rs.	2,906	1,140	1,603	1,701	3,675
1	Interest expenses	Rs.	2,150	820	1,166	1,238	2,687
2	Administrative expenses	Rs.	422	172	250	264	554
3	Other expenses	Rs.	335	148	187	198	434
C	**Net income**	Rs.	988	513	470	761	1,365

Source: Microentrepreneurs Survey, August-September 2009

Operating income of a typical MEG includes interest income and other income and operating expenses include interest expenses, administrative expenses and other expenses. The operating income, expenses and net income of an average MEG surveyed in this study has been estimated at Rs. 5,041, Rs. 3,675 and Rs. 1,365 respectively.

7.10 Balance Sheet

Main ledger provided by BDSPO/MEDEP to each MEG enables them to prepare balance sheet of their transaction. But this is an area that needs to be carefully reviewed. While doing analysis of the balance sheet of the MEGs from main ledger, an effort has been made to first separate components of the income statement as discussed in previous section and differentiates between assets, liabilities, and equity.

Table 29: Balance Sheet of the Average MEG Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	**Assets**	Rs.	29,099	12,947	16,180	17,435	18,915
	Cash balance	Rs.	7,004	3,474	4,813	2,444	4,434
	Outstanding loan	Rs.	19,158	7,988	9,600	13,467	12,553
	Fixed assets	Rs.	2,092	1,285	1,535	1,277	1,547
	Other	Rs.	845	199	233	247	381
2	**Liabilities**	Rs.	27,914	12,331	15,616	16,522	18,096
	Savings balance	Rs.	27,914	12,331	15,616	16,522	18,096
3	**Equity**	Rs.	1,185	615	564	913	819
	Retained earning	Rs.	988	513	470	761	683
	Other capital	Rs.	198	103	94	153	137
4	**Liabilities and Equity**	Rs.	29,099	12,947	16,180	17,435	18,915

Source: Microentrepreneurs Survey, August-September 2009

Total assets, liabilities and equity of an average MEG surveyed have been estimated at Rs. 18,915, Rs. 18,096 and Rs. 819 respectively. This is relatively low considering the maturity of the MEGs surveyed and indicates the need to institutionalize the financial operation at MEG level.

7.11 Services, Support, Linkages, Networking and Problems

During field study, intensive FGD was conducted with MEG members to assess their contribution on microenterprise development, support that they have received and their ability to promote linkages and networking and problems that they have faced for their efficient operation.

A typical MEG is providing marketing, training, finance, raw materials management and enhancing access to technology in their community for enhanced enterprise development, however, their contribution on enterprise development through enhanced support to microentrepreneurs depend on awareness and educational level of the MEG executives on different facets of enterprise development. There are hardly any MEG that has been involved on providing all these services and they are involved in providing few services. In fact, concerned BDSPOs have not realized the potential role of MEGs for enterprise development and social mobilisation packages currently used to mobilise MEGs is more of the traditional type that focuses on their organization development rather than development of social, financial and human capital among MEG members. This indicates that current social mobilization strategies of MEDEP lacks dynamism and has not been able to meet the expectation of the MEG members.

Table 30: Services, Support, Linkages, Networking and Problems in MEGs Surveyed

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	**Area of services**						
	Marketing	No	25.0	0.0	8.3	16.7	12.5
	Training	No	50.0	8.3	0.0	8.3	16.7
	Finance	No	75.0	16.7	16.7	33.3	35.4
	Raw materials	No	8.3	16.7	8.3	16.7	12.5
	Technology	No	0.0	8.3	0.0	0.0	2.1
	Others	No	0.0	33.3	0.0	0.0	8.3
2	**Support received**						
	MEDEP	No	100.0	33.3	25.0	50.0	52.1
	District line agencies	No	50.0	0.0	0.0	0.0	12.5
	Central level line agencies	No	8.3	0.0	0.0	0.0	2.1
	Others	No	8.3	0.0	0.0	0.0	2.1
3	**Linkages and Networking**						
	District Line agencies	No	91.7	0.0	16.7	0.0	27.1
	INGOs	No	0.0	0.0	0.0	0.0	0.0
	Central level line agencies	No	0.0	0.0	0.0	0.0	0.0
	Financial service providers	No	41.7	16.7	16.7	25.0	25.0
4	**Problems Faced**						
	Marketing	No	41.7	16.7	16.7	100.0	43.8
	Training	No	91.7	50.0	41.7	58.3	60.4
	Office management	No	83.3	75.0	91.7	91.7	85.4
	Monitoring	No	83.3	50.0	66.7	41.7	60.4
	Service to members	No	83.3	0.0	0.0	41.7	31.3

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
5	**Future Plan**						
	Membership growth	No	25.0	25.0	16.7	25.0	22.9
	Outreach of programs and services	No	8.3	8.3	0.0	0.0	4.2
	Linkages and networking	No	33.3	8.3	25.0	58.3	31.3
	Increasing access to financial services	No	25.0	8.3	25.0	33.3	22.9
6	**Sample size**	No.	12	12.0	12.0	12.0	48.0

Source: Microentrepreneurs Survey, August-September 2009

As a matter of fact MEGs surveyed are promoted by BDSPO/MEDEP and they have received services from them to the extent possible. They have also received services from other line agencies at district level for agriculture, livestock, forestry, cottage and village industries and women development. There are cases where MEGs have also received services from central level agencies and other government projects implemented by bi-lateral and multilateral agencies. The Community Livestock Development Project (Nawalparasi), Agriculture Perspective Plan Support Programme (Udayapur), etc. are the some bilateral and multilateral projects that have acknowledged the role of the MEGs for microenterprise development and livelihood promotion at local level.

Due to institutional structure promoted by MEDEP, a member of MEGs has got an opportunity to represent in D-MEGA and N-MEGA, which has enabled them to establish linkages and create network with various forum at district and national level. Though these networks are operating perfectly at district and national level, benefits of linkages and networking are yet to be trickled down to grassroots level for improved livelihood development through enhanced enterprise development.

The problems faced by MEGs are more of the generic type that can be grouped into those related to marketing, training, office management, monitoring and service to members. Most MEGs are quite serious on creating enabling environment for microenterprise development through better marketing arrangements, linkages and networking with different service providers working at village, district and even at national level. Role of some MEGs to enhance access to financial services to their members has quite effective through their influence to bring these members under their service delivery system.

Most MEGs are very inactive and lack seriousness on creating enabling environment for microenterprise development at local level and most are yet to be fully aware on their potential role on microenterprise development. This is evidenced by the fact that very few MEGs possess future plan for membership growth, increase outreach of services, linkages and networking and increase access to financial services. There is a need to re-orient them on their potential future role.

7.12 Growth Plan for Next Year

During field study, MEGs surveyed were inquired if they have growth plan on aspects related to growth in membership, savings mobilisation, and borrowing from FSPs, increase in loan disbursement and diversification of products/services for next year.

Table 31: Growth Plan of MEGs for Next Year

S.N.	Particulars	Unit	Nuwakot	Nawalparasi	Sunsari	Udayapur	Total
1	Growth plan for next year	%	16.7	8.3	16.7	33.3	18.8
2	Plan for Membership growth	%	16.7	0.0	8.3	8.3	8.3
	….. Plan for membership growth (member)	No	22	0	2	2	26
3	Plan for savings mobilisation	%	75.0	33.3	58.3	83.3	62.5
4	Plan for increased loan disbursement	%	75.0	33.3	58.3	83.3	62.5
	Sample size	No.	12	12.0	12.0	12.0	48.0

Source: Microentrepreneurs Survey, August-September 2009

The survey findings revealed that most MEGs do not have growth plan even for next year. These are the basic requisites for the sustainable growth of the MEGs and increase their role on microenterprise development. This is another area that the capacity building plan of MEDEP should focus if these groups are to be made self-reliant in their operation.

7.13 Issues on MEG's Operational and Financial Performance for Enhanced Enterprise Development

BDSPO/MEDEP should be clear on the potential role of MEGs as financial or social intermediary. Most of them are located in the strategic location and have potential to develop as a financial intermediary. The findings on operational and financial performance of MEGs indicate that there should be renewed focus on strengthening their capacity for microenterprise development and act as a financial intermediary at local level. Such an strategy should focus on up-grading current status of these MEGs towards their empowerment and ensuring that each possess a documented operational policy, transparent decision making process, double entry system of book-keeping and accounting, simple financial management and reporting system so as to make them creditworthy with formal financial services providers. Further, their capacity should be enhanced in implementing these activities.

The measures to be followed to strengthen the operational and financial performance of these MEGs are outlined hereunder.

- *MEG benchmarking*: There is a need to establish the benchmark on current status and performance of MEGs.

- *Upgrading booking and accounting system*: In view that existing book keeping and accounting system are below standard, there is a need to upgrade their book keeping and accounting system by introducing double entry accounting system and introducing (i) chart of accounts, (ii) journaling of transactions, (iii) main ledgers, (iv) side ledgers – savings and loans, (v) preparing financial statement (balance sheet and income statement) at least every six months.

- *MEG operation policy*: Each MEGs must have their operational policy and there is a need to introduce written code of conduct for MEG operation, savings policy, loan policy and financial management policy.

- *Simple financial management system*: The financial management system in MEGs should be simplified and effort should be made to ensure that efficiency on loanable fund use be increased with capital utilization rate to exceed 90%.

- *Transparent decision-making process*: The decision making system in MEGs should be transparent and it should be based on MEGs' operational policy and introduce a system of compliance audit every six months.

- *Improvement on portfolio quality*: There is tendency on overdue on savings mobilized by MEGs. There is a need to enhance the capacity of MEG to assess their portfolio quality using simple but effective portfolio tracking system at MEG level.

- *MEG rating*: Rating of MEGs should be done using rating tool to assess their status, and support packages to strengthen MEG capacity at different rating standard.

- *Auditing of MEG operation by external auditor*: There is no system of auditing the transaction of MEGs by external auditors. This system need to be instituted for the capacity enhancement of the MEGs.

8. PERFORMANCE OF OTHER ORGANIZATIONAL STRUCTURES

MEDEP has facilitated to federate MEGs of a particular market centre or VDCs into Microentrepreneurs Associations (MEGAs) and as of June 2009, MEDEP has supported for the emergence and growth of over 350 MEGAs. There are more than 100 cooperatives and product associations in twenty districts. The MEGAs are federated into district level organisations named District Microentrepreneurs Association (D-MEGA). The non-financial services required for microenterprise development and support to promote and develop institutional networks for grassroots to district level are facilitated by BDSPOs which are involved to support the emergence and growth of microenteprrise in the district. MEGAs, D-MEGA and BDSPO has paramount role to enhance access to financial services to microentrepreneurs. This section provides an assessment of existing and potential role of MEGAs, D-MEGA and BDSPO to enhance access to financial services to microentrepreneurs promoted under MEDEP.

8.1 MICROENTREPRENEURS GROUP ASSOCIATIONS

With one MEGA in each market centre, MEDEP has directly or indirectly supported the promotion of over 400 MEGAs in the form of associations or cooperatives or product associations. In this report such associations are named as MEGAs. A total 16 MEGs were surveyed in this study. Name and address of the 16 MEGs surveyed in this study are provided in Table below.

Table 32: Name and Address of the MEGs Surveyed in the Study

Q.N.	Name	Address			
		District	**VDC / Municipality**	**Ward**	**Tole**
1	Dharan	Sunsari	Dharan	8	Dharan
2	Pakali	Sunsari	Pakali	3	Pakali
3	Duhabi	Sunsari	Duhabi	3	Duhabi
4	Mahendranagar	Sunsari	Mahendranager	4	Mahendranagar
5	Namuna	Udayapur	Triyuga	3	Gaighat
6	Himshikhar	Udayapur	Triyuga	11	Uddhami
7	Gagasagar	Udayapur	Hadiya	7	Bakaniya
8	Basanta	Udayapur	Rauta	9	Murkuchi
9	Apraha	Nuwakot	Narjamandap	2	Bahunbesi
10	Sachit	Nuwakot	Khanigaun	5	Lable
11	Srijansil	Nuwakot	Bidur	4	Battar
12	Naba Bihani (Coops)	Nuwakot	Okharpauwa	3	kakani
13	Triveni	Nawalparasi	Triveni	3	Triveni
14	Agrani	Nawalparasi	Gaidakot	1	Botetole
15	Sunwol	Nawalparasi	Adarsha	6	Sunwol
16	Pragati	Nawalparasi	Jamuniya	4	Gopiganj

Current status and future role of MEGAs to enhance access to finance to microentrepreneurs are outlined hereunder.

8.1.1. Current Status

General members of the MEGAs are all the MEGs within the market centre. Number of MEGs representing in the MEGAs surveyed ranges between 10 MEGs and 30 MEGs with

an average of 19 MEGs. MEGs representing in MEGAs are either active[5] or inactive. Number of active MEGs in MEGA ranges between 5 MEGs and 27 MEGs with an average of 14 MEGs and that of inactive MEGs ranges between 0 MEGs and 10 MEGs with an average of 5 MEGs.

Table 33: Membership in MEGAs (Number of MEGs)

S.N.	Name of MEGAs	Membership (No of MEGs)		
		Active	Inactive	Total
1	Dharan	5	5	10
2	Pakali	9	6	15
3	Duhabi	10	3	13
4	Mahendranagar	18	10	28
5	Namuna	22	7	29
6	Himshikhar	13	8	21
7	Gagasagar	16	4	20
8	Basanta	12	8	20
9	Apraha	13	0	13
10	Sachit	10	3	13
11	Srijansil	13	0	13
12	Naba Bihani (Coops)	13	0	13
13	Triveni	27	3	30
14	Agrani	14	8	22
15	Sunwol	12	5	17
16	Pragati	20	10	30
	Mean	14	5	19
	Standard Deviation	5	3	7

Source: Field Survey, August-September 2009

Each MEG has executive committee members. MEGAs surveyed have attempted to elect relatively matured person with leadership quality as chairperson while they have provided special attempt to include more educated women as secretary, treasurer and alternative treasurer. Women, Dalits and Janajaties have been represented in executive committee. In 16 MEGAs surveyed, on an average there are 9% Dalits, 64% Janajaties and 25% other ethnic groups. This is fairly good representation.

Table 34: Executive Committee Members in the MEGAs

S.N.	Name of MEGAs	Executive Committee Members (No)		Dalit (No)		Janajaties (No)		Others (No)	
		Total	Female	Total	Female	Total	Female	Total	Female
1	Dharan	9	8	0	0	7	6	2	2
2	Pakali	11	2	0	0	11	2	0	0
3	Duhabi	11	11	0	0	11	11	0	0
4	Mahendranagar	11	5	0	1	5	0	5	4
5	Namuna	9	3	0	0	6	3	3	0
6	Himshikhar	13	12	2	2	9	8	2	2
7	Gagasagar	17	14	1	0	16	14	0	0
8	Basanta	9	7	0	0	9	7	0	0
9	Apraha	9	4	1	1	3	3	1	1
10	Sachit	13	6	2	1	5	2	6	3
11	Srijansil	13	13	2	2	5	5	6	6

[5]An active MEG is characterized by conducting meeting, savings mobilisation, loan management and enterprise development and vice-versa in case of inactive MEGs.

S.N.	Name of MEGAs	Executive Committee Members (No)		Dalit (No)		Janajaties (No)		Others (No)	
		Total	Female	Total	Female	Total	Female	Total	Female
12	Naba Bihani (Coops)	9	3	1	1	8	2	0	0
13	Triveni	27	14	7	3	9	3	11	7
14	Agrani	15	9	0	0	13	9	2	0
15	Sunwol	7	6	0	0	1	0	6	6
16	Pragati	4	2	0	0	2	1	2	1
	Mean	11.7	7.4	1.0	0.7	7.5	4.8	2.9	2.0
	Percent	100	64	9	6	64	41	25	17

Source: Field Survey, August-September 2009

Women also have fair representation in executive committee of MEGAs. Overall participation of women in executive committee is 64%. Participation of women from Dalit, Janajaties and other ethnic groups are 6%, 41% and 17% respectively. Any decision on MEGA takes place in a participatory way and in their meeting. Basic features of decision making in MEGA is outlined below.

Table 35: Decision Making in the MEGAs

S.N.	Name	Regularity on Meeting	Frequency of Meeting	Meeting in Last Year	Minute of Decisions	Attendance in Meeting (%)
1	Dharan	Y	Monthly	12	Y	67
2	Pakali	Y	Monthly	12	Y	73
3	Duhabi	Y	Monthly	12	Y	64
4	Mahendranagar	Y	Monthly	12	Y	64
5	Namuna	Y	Monthly	12	Y	56
6	Himshikhar	Y	Monthly	12	Y	69
7	Gagasagar	Y	Monthly	12	Y	65
8	Basanta	Y	Monthly	12	Y	67
9	Apraha	Y	Monthly	13	Y	56
10	Sachit	Y	Monthly	14	Y	69
11	Srijansil	Y	Monthly	12	Y	62
12	Naba Bihani (Coops)	Y	Monthly	13	Y	67
13	Triveni	Y	Monthly	12	Y	70
14	Agrani	Y	Monthly	12	Y	80
15	Sunwol	Y	Monthly	12	Y	71
16	Pragati	Y	Monthly	12	Y	75
	Mean					67.0

Source: Field Survey, August-September 2009
Note: Y = Yes

All the 16 MEGAs conduct meeting on a regular basis and in general executive committee members of MEGA meets on monthly meeting. Number of meeting held in these MEGAs ranges between 12 and 14 meetings, in general one meeting per month. All the MEGAs' have maintained minutes of their meeting. Average attendance in monthly meeting ranges between 56% and 80% with an average of 67% and this is relatively better members' participation in decision making process.

In general, MEDEP assisted BDSPO of concerned district is expected to assist MEGAs to prepare business plan of their operation, share it with concerned line agencies and implement their activities based on their business plan. Survey findings reveal that five out of 16 MEGAs have their own business plan and all five MEGAs have shared the business plan with concerned agencies to obtain support services for expanding their business. Four

MEGAs witness that they have implemented activities included in business plan. The quality of business plan and developing the capacity of the MEGAs to understand and implement business plan is a matter of great concern for improved efficiency and effectiveness.

MEGAs are involved in providing services in areas such as marketing of products produced by MEG member, coordinating training and access to technology to microentrepreneurs under market centre, linkages with FSPs to enhance access to finance to microentrepreneurs, supply and management of locally available raw materials and training on skill development. Thirteen out of 16 MEGAs surveyed are involved on providing either of these services to their members. There are three MEGAs which are quite inactive and are not involved to provide these services to their members.

MEGAs have received support from MEDEP and district line agencies for their improved operational performance. MEDEP has provided materials, logistic, financial and technical support for improved operational and financial performance of MEGAs. There are instances where district level line agencies such as cottage industries, agriculture, animal health, forestry, district level bilateral and multilateral projects have worked with MEGAs as a service delivery agency to channel their support at local level. The linkages and networking efforts of MEGAs are mainly confined at different agencies working at district and local level. The linkages and networking of MEGAs was found to be the function of leadership capacity of executive members leading MEGAs. In general, they are able to establish linkages with DDC, DADO, Small and Cottage Industry Development Committee and FSPs such as cooperatives, ADBL, MFDB and FINGO that are currently working in the district.

Marketing, training, office management, monitoring and services to member of the MEGs are the typical problems faced by MEGAs for their improved operation and management. While the problems on marketing faced by MEGAs are related to lack of market, maintaining quality and quality assurance, pricing of products/services and inability to establish sustainable market linkages, problems on training are related to lack of fund and lack of support for skill development consistent to dynamics on market and change in taste and preferences of the consumers. Some MEGAs has expectation to properly maintain their office but are unable to do so due to lack of finance, skill human resources, proper system and procedure for technical support to microentrepreneurs and monitoring support to microenterprises. Further, most MEGAs are unable to provide services to concerned MEGs due to lack of resources and limited capacity.

8.1.2. Future Plan

The MEGAs surveyed in this study have clearly visualized their role on membership growth, outreach of programme and services, linkages and networking and increasing access to financial services. Mostly, they have realized the need to change their role from social services federation of MEGs to financial services agencies through their transformation on single purpose savings and credit cooperatives or multipurpose cooperatives with specialization on enhancing access to financial services. Most MEGAs have realized their role to expand membership growth through their involvement on identification of potential microentrepreneurs and organizing potential microentrepreneurs into MEGs as well as expanding the outreach of their services on aspects such as increased access to technology, finance, raw materials, market and business consultancy services through improved linkages and networking initiatives. Most of the MEGAs foresee the potential role for increasing the access to financial services to microentrepreneurs.

8.1.3.Financial Services

There are cases where MEGAs are involved for enhanced access to financial services to microentrepreneurs in a capacity of saving and credit cooperatives (SCCs) in cognizance to their realization of the critical issues on enhancing access to financial services such as absence of financial services providers, unfavorable lending terms and conditions, interest rate, loan products and services and lending methodologies. Apparently, it seems that MEGAs possess the proven capacity to work as a financial service provider if they are transformed into SCCs and their capacity on enhancing access to finance is enhanced in aspects related to book keeping/accounting, financial management, savings mobilisation, loan management, operational risk management, management information system and linkages with apex FSPs.

As mentioned already, there are cases where MEGs have ceased savings mobilization, loan management, book keeping, accounting and financial management and handed-over this responsibility to MEGAs for improved efficiency and effectiveness. Considering the lack of capacity of most MEGs on money management, MEGA has potential to act as an alternative financial service delivery agency at local level.

8.2 DISTRICT MICROENTREPRENEURS ASSOCIATION

There are 25 D-MEGA in 25 MEDEP districts and process is underway to form D-MEGA in remaining six project districts. This section outlines current status and future role of D-MEGA to enhance access to finance to microentrepreneurs.

8.2.1.Current Status

General members of D-MEGA include representative from all MEGAs in the district. There is one D-MEGA in each district and the D-MEGA studied were established either in 2062 or 2063. Number of member MEGAs representing in D-MEGA surveyed ranges between 10 MEGAs and 18 MEGAs and on an average there are 14 MEGAs per D-MEGA. Each D-MEGA has executive committee members which include women, Dalits and Janajaties. The executive committee members in the D-MEGA are highly inclusive with 12% Dalits, 51% Janajaties and 35% other ethnic groups. There is also fair representation of women in D-MEGA's executive committee. The overall women's participation is 33% in D-MEGA. Participation of women from Dalit, Janajaties and other ethnic groups are 6%, 29% and 10% respectively.

Table 36: Membership and Executive Committee in D-MEGA

S.N.	D-MEGA	Establishment (year)	Member MEGAs (No)	Executive Members							
				Executive Members		Dalit		Janajati		Others	
				Total	Women	Total	Women	Total	Women	Total	Women
1	Nuwakot	2062	10	13	6	1	1	5	3	7	1
2	Sunsari	2063	18	11	5	0	0	8	5	3	0
3	Udayapur	2063	10	11	0	2	1	7	5	2	1
4	Nawalparasi	2062	18	16	6	3	1	6	2	6	3
	Percentage			100	33	12	6	51	29	35	10

Source: Field Survey, August-September 2009

Any decision on MEGA takes place in a participatory way in their meeting. All the 4 D-MEGAs conduct meeting on a regular basis and usually they meet once a month. Number of

meeting held in these D-MEGAs per year ranges between 12 and 16 meetings indicating at least one meeting conducted every month.

Table 37: Decision Making in the MEGAs

S.N.	D-MEGA	Regularity on Meeting	Frequency of Meeting	Meeting in Last Year	Minute of the Meeting Decision	Attendance in Meeting (%)
1	Nuwakot	Y	Monthly	16	Y	84.6
2	Sunsari	Y	Monthly	12	Y	81.8
3	Udayapur	Y	Monthly	12	Y	90.9
4	Nawalparasi	Y	Monthly	12	Y	81.3
						84.3

Source: Field Survey, August-September 2009

D-MEGAs are involved in providing services in areas such as marketing of products produced by member of MEGAs, coordinating training and access to technology to microentrepreneurs under market centre, linkages with FSPs to enhance access to finance to microentrepreneurs, supply and management of locally available raw materials and training on skill development. These D-MEGAs are involved on providing either of these services to members of MEGAs. These D-MEGAs are quite inactive and are not involved to provide these services to MEGAs.

D-MEGAs have received support from MEDEP and district line agencies to perform their envisaged roles for lobbying and networking. MEDEP has provided materials and logistic, financial and technical support and there are cases where district level line agencies such as cottage industries, agriculture, animal health, forestry, district level bilateral and multilateral projects have worked with D-MEGAs as a service delivery agency to channel their support through their networks. The linkages and networking efforts of D-MEGAs are mainly confined at different agencies working at district and local level. The linkages and networking of D-MEGAs was found to be the function of leadership capacity of executive members. In general, they are been able to establish linkages with DDC, DADO, Small and Cottage Industry Development Committee and FSPs such as cooperatives ADBL, MFDB and FINGO that are currently working in district.

Marketing, training, office management, monitoring and services to member are typical problems faced by D-MEGAs for their enhanced operation. While problems on marketing faced by D-MEGAs are related to lack of market, maintaining quality and quality assurance, pricing of products/services and inability to establish sustainable market linkages, problems on training are related to lack of fund and lack of support for skill development consistent dynamics on market and change in taste and preferences. Some D-MEGAs has expectation to maintain a proper office but are unable to do so due to lack of finance, skill human resources, proper system and procedure for technical support to microentrepreneurs and monitoring support to enterprises. Further, most D-MEGAs are unable to provide services to concerned MEGAs due to lack of resources and limited capacity.

8.2.2. Future Plan

D-MEGAs have clearly visualized their role on membership growth, outreach of programme and services, linkages and networking and increasing access to financial services. Most of them have realized need to expand their role from lobbying and networking to enhancing linkages with financial and non-financial service providers. They have realized the complicacies behind establishing linkages of the microentrepreneurs with FSPs and tried to position themselves on activities related to enhancing access to financial services to microentrepreneurs. D-MEGAs have realized their role to expand membership growth through their involvement on identification of potential microentrepreneurs and organizing

potential microentrepreneurs into MEGs, supporting federative process to support the emergence and formation of MEGs at market centre level and assist them to act as a FSPs at local level and enhance access to other non-financial services such as increased access to technology, finance, raw materials, market and business consultancy services through improved linkages and networking initiatives.

8.2.3. Financial Services

Some D-MEGAs are involved for enhanced access to financial services to microentrepreneurs by supporting MEGs to establish itself as a SCCs and assist them to obtain required services to enhance their capacity on book keeping/accounting, financial management, savings mobilisation, loan management, operational risk management, management information system and linkages with apex FSPs. D-MEGA can play an important role on increasing access to financial services to microentrepreneurs through their active involvement on lobbying, networking and coordinating with FSPs that works at district level.

8.3 BUSINESS DEVELOPMENT SERVICE PROVIDERS

There is one BDSPO in each district and they are mainly responsible either to provide or coordinate with other business development service providers to existing and potential microentrepreneurs in the district and support for creation and growth of microenterprises in the potential locations in the district.

8.3.1. Current Status

The oldest BDSPOs in these districts were registered in 2059, followed by 2060 and the last one in 2063. In general, these BDSPOs have one district as their working areas, but some of them are working in more than one district (like BDSPO in Nuwakot district).

Table 38: Overview of BDSPO in Four Study District

S. N.	Name of BDSPO	Address	Establishment and Partnership with MEDEP (years)	Working Area	Human Resources (No)
1	COBDEPS	Bidur-3,Nuwakot	2060	All over the Nepal	11
2	FACEBUD	Inaruwa-5,Sunsari	2059	Sunsari District	12
3	RCED-Nepal	Ramgram-2, Parasi	2059	Nawalparasi District	24
4	DEFAN	Triuga -2, Gaighat , Udayapur	2063	Udayapur District	18

Source: Field Survey, August-September 2009

These BDSPOs consist of stock of trained human resources and number of workforce in these BDSPOs ranges between 11 (Nuwakot) and 24 (Nawalparasi). These BDSPOs are registered as a local NGO in District Administration Office and are supporting for the emergence and growth of microenterprise in their working areas adopting MEDEP model.

8.3.2. Working Partners

In general BDSPO are working for district line agencies, VDCs and NGOs/INGOs. Some of them are also selling services to larger bilateral and multilateral projects for microenterprise creation and development.

Role of BDSPO on microenterprise creation and development as well as MEDEP modality to microenterprise development has been quite encouraging in these districts. They are quite

instrumental to promote MEDEP modality to microenterprise development for poverty reduction within and outside UNDP system and among agencies engaged in microenterprise development in these districts.

8.3.3. Contribution on Enterprise Development

BDSPOs have contributed for microenterprise development through the promotion of MEDEP modality to microenterprise development. They are been involved in activities such as selection of potential microentrepreneurs, promotion of microenterprises, promotion of MEGs and MEGAs and conducting training for microenterprise development.

Table 39: Contribution of BDSPO on Enterprise Development in Four Districts

S.N.	Name of BDSPO	Potential Microentrepreneurs Selection (No)	Enterprise Promotion (No)	MEGs Promotion (No)	MEGAs Promotion (No)	Trainings (No)
1	COBDEPS	2600	1667	167	10	3
2	FACEBUD	2900	1924	326	18	3
3	RCED - Nepal	1907	1826	264	18	3
4	DEFAN	2028	1651	155	10	3
		2359	1767	228	14	

Source: Field Survey, August-September 2009

During their involvement on providing business development services in the district, number of potential microentrepreneurs selected by BDSPO ranges between 1907 and 2900 with an average of 2359 microentrepreneurs. Likewise, the number of microenterprises promoted these BDSPOs ranges between 1651 and 1924 with an average of 1767 microentrepreneurs. Further, they are been involved to organize microentrepreneurs into MEGs and number of MEGs formed by these BDSPOs ranges between 155 and 326 with an average of 228 MEGs. Further, they are also been involved to federate MEGs within the particular market centre into MEGAs and number of MEGAs promoted by these BDSPO ranges between 10 and 18 with an average of 14 MEGAs. This indicates an active and positive contribution of BDSPO in enterprise development in the district.

8.3.4. Problems Encountered

BDSPO's are nascent institutional structures involved on microenterprise creation and development in the district. In view that microenterprise development is not straightforward and it requires delivery of packages of services, most BDSPOs are unable to deliver their services as anticipated owing to series of technical and management problems. During field studies, BDSPOs were inquired on type of problems they have faced for providing services for microenterprise development and the types of problems encountered by them can be broadly grouped in areas such as (i) fund raising, (ii) retention of human resources, (iii) program implementation and (iv) support to enterprise development.

Fund raising and retention of the trained human resources is the main problems faced by the BDSPOs in these districts to use their full potential for enterprise promotion and management. In general, enterprise development is relatively costly venture and requires substantial capital for training and enhancing access to different types of business development services. But fund raising is an arduous task in the district context and on the absence of adequate funding, most BDSPOs are unable to expand their operation in the district and this has implications towards retention of the trained workforce by the BDSPOs.

8.3.5. Comments on MEDEP Support

Despite that BDSPOs are promoted under the MEDEP's technical and financial support, they still have some concern on the type and level of technical, financial and managerial support provided by MEDEP of their growth and development. During field studies, BDSPOs were inquired on type of comments that they have on MEDEP support to them and their comments are broadly grouped in areas such as (i) planning, (ii) use of service providers, (iii) quality of services, (iv) amount of support, (v) working strategy, (vi) linkages and networking and (viii) sustainability of support.

8.3.6. Potential Future Role

The BDSPOs have paramount role for the provision of business development services to the microentrepreneurs in these districts. They have tremendous role to play on enterprise development in the district which much go beyond MEDEP packages of services. Potential future role of BDSPOs should revolve around creating enabling environment for the creation and development of microenterprises in the district. It has been found that at present BDSPOs are involved on conducting management and enterprise development training rather than involving themselves on different facets of enterprise development such as social mobilisation, linkages with financial services providers, marketing and support to market linkages, management of raw materials, provision of business consultancy services and other support services required for enterprise development.

9. CONCLUSIONS AND RECOMMENDATIONS

This study aimed at assessing the impact of microfinance in MEDEP for establishment and operation of microenterprise, generation of income, employment and empowerment as well as scale–up and growth of microenterprise. Conclusions and recommendations of the study follow hereunder.

9.1 Conclusions of the Study

MEDEP has adopted two modalities of enhancing access to financial services for enterprise development to the microentrepreneurs. To start with, UNDP/MEDEP signed a MOU with ADBL for the creation, operation and management of credit fund amounting Rs. 49.6 million (approximately US$ 600,000) in a proportion of 30% (UNDP) and 70% (ADBL) in 1998. The scheme operated in a fully decentralized framework. The scheme was relatively efficient to enhance access to financial services to microentrepreneurs developed by MEDEP. With the phase-out of the microfinance scheme by ADBL with the advent of the restructuring exercises in 2004, MEDEP was required to explore the alternative arrangements for the enhancing access to financial services to microentrepreneurs it has developed. Closing the credit scheme established in 1998 under MOU signed between UNDP/MEDEP and ADBL is a matter of great concern.

ADBL has recovered over 80% of loan disbursed to MEDEP developed microentrepreneurs as a result of loan and interest waiver scheme introduced by the government last year (2007/08). The 20% outstanding loan balance is in the state of chronic in nature and ADBL is less likely to recover it due to lack of provision for repeat loans and wide spread feeling rumor that this is the grant money provided by UNDP/MEDEP through ADBL. At present about Rs. 39.6 million loan fund is idle in ADBL and UNDP/MEDEP is entitled for refund of about 30% (i.e. 11.90 million) of this fund. UNDP/MEDEP can recover this fund but this requires that it should undergo serious and continuous dialogue with ADBL as the MOU signed between UNDP/MEDEP and ADBL is salient on final use of the credit fund. Upon recovery of the credit fund, UNDP/MEDEP can use this fund for the entrepreneurship development of the poor and dis-advantaged groups in remote areas.

At present, MEDEP/UNDP has signed MOU with 5 GBBs, 4 MDBs, 5 FI-NGOs and more than 30 SCCs to enhance access to financial services to microentrepreneurs. Though, at present coordination with such a large number of FSPs is a challenge, MEDEP has handled the challenges efficiently due to its decentralized service delivery system as well as involvement of BDSPOs and D-MEGA with coordination responsibilities. The focus has been towards developing sustainable business linkages of the microentrepreneurs with FSPs. Most FSPs has acknowledged the microentrepreneurs developed by MEDEP to be high credit risk and are quite confident to extend larger loan size to these microentrepreneurs. As a consequence, about 61% of microentrepreneurs in these districts have access to financial services and FSPs are quite successful to maintain high depth and breadth of outreach, good portfolio quality (above 98% on-time repayment rate) and attained both operational and financial self-sufficiency out of their operation. Such an access is significantly higher compared to national average access to finance rate of 35%.

MEDEP lacks vision on institution development of microentrepreneurs and clarity on future role of different institutional structures such as MEGs, MEGAs and D-MEGAs. For instance, current role of MEGs is mixed either as social intermediary or financial intermediary or both. Over 60% MEGs still depend on field assistants of MEDEP/BDSPOs for their operation. This is partly due to lack of business literacy among MEG members. About 62% MEGs surveyed are involved on savings mobilisation while members remaining MEGs either save in MEGA which are later transformed into SCCs or save in FSPs. In view of this, there should be renewed focus on strengthening capacity of these MEGs. Such a strategy should focus on

up-grading current status of these MEGs towards their empowerment and ensuring that each possess a documented operational policy, transparent decision making process, double entry system of book-keeping and accounting, simple financial management and reporting system to make them creditworthy with formal financial services providers. Further, their capacity should be enhanced in implementing these activities. There are some MEGs whose capacity is less likely to be enhanced in foreseeable future due to lack of capable members and self-help feeling. Some alternatives strategies should be developed to support these MEGs in their operation and management independent of support of field assistants of MEDEP/BDSPOs.

Findings of this study indicate that about 61% MEG members promoted by MEDEP in these districts have access to financial services from different FSPs. The client level impact of microfinance services is quite vivid and significant. There are cases where over 95% borrowing microentrepreneurs have improved their livelihood through their enhanced access to financial services while less than 60% non-borrowing microentrepreneurs have experiences such impact. Borrowing microentrepreneurs have earned incremental income of over Rs. 100,000 per year, improved their livelihood and used incremental income for asset creation (land purchase, house improvement, purchases of consumer durables, increase the number of livestock head), sending children to school, health care, clothing, household consumption and buying ornaments which is about 25-50% higher than non-borrowing microentrepreneurs. More importantly, impact of access to finance on self-employment generation is quite high. Borrowing microentrepreneurs are more empowered in terms of economic, social, political and legal empowerment than the non-borrowing ones.

MEGA and D-MEGA are playing a paramount role for enhancing access to finance to microentrepreneurs by fostering linkages and networking with FSPs while role of BDSPOs could be on increasing the credit absorptive capacity of the microentrepreneurs.

9.2 Recommendations of the Study

Programme Packaging: In order to ensure sustainable access to financial services to microentrepreneurs, MEDEP should include relatively more advanced level of social mobilisation in its package and provide extra focus on social and human capital formation. Considering the paramount role of BDSPO on social mobilization, their capacity should be enhanced on formation and capacity development of MEG, MEGA and D-MEGA vis-a-vis enhancing access to financial services to the microentrepreneurs.

Recovery of loan fund from ADBL: In view that ADBL has already phased-out its microfinance operation, UNDP/MEDEP should immediately initiate dialogue with ADBL to recover loan fund it has created to enhance access to financial services to the microentrepreneurs.

Revisit the MOU with FSPs*:* MEDEP has still continued working within the framework of MOU signed with different FSPs which has raised expectation among them and created a complex situation. In view of this MEDEP should revisit the MOU with FSPs and provide extra focus on promoting linkages and networking.

MEGs and Financial Market: Considering the current status of MEGs and financial market, it has been recommended to adopt the strategy to ensure access to sustainable microfinance services to existing member of MEGs that range from federations of MEGs into SCCs (MEGAs) to MEGs' linkages with existing SCC/MEGAs nearby their vicinity and/or FSPs with prudent technical support. Thus, there could be four different strategies for enhancing access to finance through proper use of the potentials of MEGs.

Sub-strategy 1: MEG Banking
This strategy promotes financial transactions between FSPs and MEGs. MEG banking through MEGs and existing decentralized formal banking network including several organizations in formal and non-formal sectors as banking partners allow for large-scale outreach of financial services to the poor. These banking services (depositing savings, taking loans) made available at low cost are easily accessible and flexible enough to meet poor people's needs. This scheme helps to promote financial transactions between formal rural banking systems with informal MEGs as clients. In this scheme, MEGs act as financial intermediaries. Once MEG demonstrates mature financial behavior, banks are encouraged to make loans to MEG in certain multiples of their accumulated savings.

Sub-strategy 2: Linkages of MEGs with SCCs
There are districts or areas within a district where sub-strategy 1 can't be applied due to access and lack of basic infrastructures. However, by virtue of cooperative movements started with the enactment of Cooperative Act 1991, there are VDCs/areas with SCCs in which most MEG members are also shareholders. The case of one member depositing savings in 2-3 informal or formal places is quite common in most areas. In those areas, strategies to be pursued will be ensuring linkages of MEG members with existing SCCs. MEDEP should recognize these SCCs as its partner and assist them to enhance their capacity on aspects such as promotion and management, loan operation, accounting/book keeping, financial management and linkages with apex[6] institutions. This strategy requires close scrutiny and assessment of SCCs that exist within a VDC where MEG exists. Further, the strategy is to enhance the capacity of SCCs using packages of services that ensures upgrading them to a level where apex institutions will find them creditworthy to provide wholesale loans.

Sub-strategy 3: Promotion of Savings and Credit Cooperatives
There are VDCs within a district where existing FSPs are reluctant to extend their services and/or SCCs do not exist, but there exist proven local capacity (education level and leadership) to promote SCCs. In such areas strategy will be to support the promotion of SCCs. In those areas, MEG will be assisted to promote SCCs either through (i) federation of the MEGs within a VDC or (ii) using on lead MEGs to register the SCC with responsibility to increase shareholders over time and keeping the status of the MEGs intact. This strategy demands complete packaging of services to support emergence and growth of SCCs as well as enhance their capacity on aspects such as promotion and management, loan operation, accounting/book keeping, financial management and linkages with apex institutions[7]. Support packages should be flexible that assists their graduation to a level where they will be creditworthy to the apex body for wholesale loans.

Sub-strategy 4: Strengthening of MEGs
There are districts or VDCs within a district where (i) FSPs are less likely to extend their services over next 5-6 years due to technology and market constraints, (ii) SCCs do not exist and (iii) local capacity limits emergence, growth and development of new SCCs. Such areas lack options to ensure access of existing clients to sustainable micro-finance services except refining existing arrangements. In these areas, emphasis will be towards enhancing the capacity of MEGs of on aspects such as promotion and management, loan operation, accounting/book keeping, financial management, etc. In such areas, possibilities of providing revolving loan funds needs to be explored.

MEGs Strengthening: MEDEP should revisit the strategy on MEG formation and strengthening. Such a strategy should focus on up-grading their current status towards their

[6]The apex institutions providing wholesale loans to SCCs are RSRF, RMDC, Cooperative Banks and SKDB.
[7]Ibid

empowerment and ensuring that each possess a documented operational policy, transparent decision making process, double entry system of book-keeping and accounting, simple financial management and reporting system so as to make them creditworthy with formal financial services providers. Further their capacity should be enhanced in implementing these activities. To start with these MEGs should be rated and tailor made capacity development support should be provided based on their current status. A system of auditing MEGs' transaction by external auditors should be instituted.

Impact at Microentrepreneur Level: There exists difference on scale, operation and management of the enterprises by the borrowing and non-borrowing microentrepreneurs. In view of this, MEDEP should assist the microentrepreneurs to ensure access to financial services using the best available options, be it linkage banking or formation of community based FSPs or linkages with commercial oriented FSPs.

ANNEXES

Annex I: Scope of Assessment, Information Source and Methodology/Tools

Areas	Information Source	Methodology	Tools
Partnership with ADBL			
Review of partnership contract document	Contract document	Review the conditions for final use of credit capital	One to one consultation, Consultative meetings to be hosted by MEDEP
Status of outstanding loan remaining with ADBL	ADBL and its branch offices	Review of report	Interview with ADBL officials
Assess the possibilities and explore the ways out to recover the credit fund from ADBL	ADBL and MEDEP	Organize joint Meeting with ADBL and MEDEP Officials	Review of agreement between ADBL and MEDEP
Assess the possibilities to use the credit recovered from ADBL to the benefit of microentrepreneurs at optimum level	BSPO, DMEGA and Microentrepreneurs	Capacity assessment/SWOT analysis	Face to face interview with Microentrepreneurs
Analyze and categorize the existing status of loan remaining with microentrepreneurs	ADBL and Microentrepreneurs	Loan categorization and Aging schedule	Study of Loan register and Check List
Assess the portfolio quality of loan especially remain under the agreement between ADBL and MEDEP	ADBL	Review of report ,	Interview with ADBL officials
2. Linkages with Financial Service providers			
Analyze the typology of financial service providers involved in enhancing financial services to MEDEP promoted microentrepreneurs	MEDEP, BSPO and FSPs	Field visit	Check list
Evaluate the partnership between MEDEP and partner FSPs	MEDEP and FSPs	Performance review, problems and constraints analysis	Interaction meeting with FSPs
Evaluate the operational and financial performance of FSPs in terms of outreach, portfolio quality, operational and financial self sufficiency	Concerned FSPs	Sustainability assessment	Check list and Financial ratios calculation
3. Impact of Access to Finance on Enterprise Development			
Assess the benefits microentrepreneurs are getting from the micro finance service	Sample microentrepreneurs	Field survey	Check list and Questionnaire
Analyze the category of microentrepreneurs in terms of their scale of enterprises benefited from micro finance services	Concerned service providers and sample microentrepreneurs	Field survey	Interview with BSPO officials and microentrepreneurs
Figure out two specific categories of entrepreneur's i.e. recipients and non recipients of service according to the scale of their microenterprises	Sample microentrepreneurs	Field visit and interview	Interview with sample recipient and non recipients and
Develop the clear mapping	BSPO and FSPs	Context Analysis	Field survey

Areas	Information Source	Methodology	Tools
of the micro finance service providing institutions in line with the categories of microentrepreneurs receiving service from these institutions			
Assess the impact of micro finance service made in the sectors of microenterprises	Microentrepreneurs	With –without project analysis	Interview and check list
	Microentrepreneurs	With-without project analysis	Interview and check list
Assess the changes in the MEs life before and after the establishment of linkage with FSPs	Microentrepreneurs	Before and after as well as with-without project analysis	Interview and check list
4. Saving mobilization			
Assess the status of savings deposited inside and outside by microentrepreneurs	MEGs	Review of records	Attend group meeting and focus group discussion
Savings mobilized by them assess the quality of savings being mobilized by the microentrepreneurs and scrutinize amount of savings deposited versus amount of savings mobilized	MEGs	Review of savings and loan register	Attend group meting/Focus group discussion

Annex II: Field Visit Schedule

Field visit of this study was conducted in the last week of August and first and second week of September. Two teams comprising of research associate and surveyor will undertake the field work. The field visit schedule is provided below.

Date	Place	Activity	Team members
26.08.2009	Sunsari	Travel	Ramesh + Dinesh
27.08.2009 – 2.09.2009	Sunsari	Survey of DMEGA, MEGA, MEGs and microentrepreneurs	Ramesh + Dinesh
3.09.2009	Udayapur	Travel	Ramesh + Dinesh
4.09-2009-9.09.2009	Udayapur	Survey of DMEGA, MEGA, MEGs and microentrepreneurs	Ramesh + Dinesh
10.09.2009	Nawalparasi	Travel	Ramesh + Dinesh
11.09.2009-16.09.2009	Nawalparasi	Survey of DMEGA, MEGA, MEGs and microentrepreneurs	Ramesh + Dinesh
24.08.2009	Nuwakot	Travel	Tirtha - Kirshna
25.09.2009 – 31.09.2009	Nuwakot	Survey of DMEGA, MEGA, MEGs and microentrepreneurs	Tirtha – Kirshna

Note: MEDEP is requested for the logistic arrangement during the field visit.

Annex III: Survey Tools Used in the Study

Checklist 1
Checklist for District Microentrepreneurs Association (DMEGA)
(to be completed with DMEGA in each sample district)

Name of Interviewer: ……

Respondents:

S.N.	Name	Position	Contact No.
1.			
2.			
3.			
4.			
5.			
6.			

Date of Interview: / / / 2009

A. General Information:

Name of the DMEGA: ……..
Address: ……..
Date of Formation: ……

B. Current Status of DMEGA

S.N.	Particulars	Unit	Figures
1	Membership	No	
	Active	No	
	Inactive	No	
2	Executive Members	No	
	..... Female	No	
	Dalit	No	
	.... Female	No	
	Janajati	No	
	..... Female	No	
	Others	No	
	..... Female	No	
3	Meeting		
	Regularity on meeting	Y/N	
	Frequency of meeting	Specify	
	Meeting in last year	No	
	Minute of the meeting decision	Y/N	
	Attendance in meeting	Y/N	
4	Business plan exist	Y/N	
	Sharing of business plan	Y/N	
	Status of implementation of business plan	Specify	
5	Area of services		Specify
	Marketing	Y/N	
	Training	Y/N	
	Finance	Y/N	

S.N.	Particulars	Unit	Figures
	Raw Materials	Y/N	
	Technology	Y/N	
	Other	Y/N	
6	Support received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
7	Type of service received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
8	Linkages and networking	Name	Specify the type of linkages and networking
	District line agency		
	INGOs		
	National level government institutions		
	Financial service providers		
9	Problems Faced		
	Marketing		
	Training		
	Office Management		
	Monitoring		
	Services to member MEGs		

C. Future Plan

Membership growth	
Outreach of program and services	
Linkages and networking	
Increasing access to financial services	

D. Financial Services

1. Is access to financial service a limiting factor for the promotion of microenterprise in the district (Y/N).

2. If yes, how access to financial service can be ensured among the microentrepreneurs in the district?
   a) Linkages with commercial banks (specify name): ……
   b) Linkages with GBBs (specify name): ……
   c) Linkages with MDBs (specify name): ……
   d) Linkages with FI-NGOs (specify name): ……
   e) Linkages with cooperatives ((specify name): ……..
   f) Others (specify): ……
3. What are critical issues on enhancing access to financial services to microentrepreneurs?
   a. Absence of FSPs
   b. Lending terms and conditions
   c. Interest rate
   d. Lending methodology
   e. Others (specify)

4. Is there any difference between the enterprises created by (i) borrowing and (ii) non-borrowing microentrepreneurs (Y/N)
   If yes, how (specify) ……..
   ……
   ……
   ……
   ……
   ……

G. Suggestion to improve access to finance to microentrepreneurs in the district:

……
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Thank You

Checklist 2
Checklist for Financial Service Providers (FSPs)
(to be completed with MEDEP's partner FSPs)

Name of Interviewer: ……
Respondents:

S.N.	Name	Position	Contact No.
1.			
2.			
3.			
4.			
5.			
6.			

Date of Interview: …… /……. / 2009

A. General Information:

Name of FSP: ……
Address: District : …… VDC: ……..Ward No: …….....

Working Area: ……
……
……
……

B. Outreach:

Particulars	Unit	Amount
Clients/Members		
…… Women	No.	
Savings clients	No.	
…… Women	No.	
Loan clients	No.	
…… Women	No.	
Loan disbursement	Rs. '000	
Loan collection	Rs. '000	
Outstanding loan balance	Rs. '000	
Overdue	Rs. '000	

C. Outreach to MEDEP Promoted Microentrepreneurs:

Particulars	Unit	Amount
Savings clients	No.	
…… Women	No.	
Loan clients	No.	
…… Women	No.	
Loan disbursement	Rs. '000	
Loan collection	Rs. '000	
Outstanding loan balance	Rs. '000	
Overdue	Rs. '000	

D. Financial Services

1. Has your MFI been able to provide financial services to all the microentrepreneurs promoted by MEDEP? (Y/N)

2. If no, how financial service can be ensured among MEDEP promoted microentrepreneurs in the district?

……
……
……
……..

3. Is repayment an issues on enhancing access to financial services to microentrepreneurs in the district (Y/N), If yes, how this issue can be addressed?
……
……..
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……
……

E. Suggestion to improve access to finance to MEDEP promoted entrepreneurs in the district:
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……

Thank You

Checklist 3
Checklist for Business Development Service Provider Organizations (BDSPOs)
(to be completed with DMEGA in each sample district)

Name of Interviewer: ……
Respondents:

S.N.	Name	Position	Contact No.
1.			
2.			
3.			
4.			
5.			
6.			
7.			

Date of Interview: / / / 2009

A. General Information

Name of service Provider: ……..

Address: ……

Date of Establishment: ……

Working Area: …….

B. Partnership relation Established with MEDEP (Date): ……

C. Status of BDSPO

1. Human Resources

S.N	Name	Position	Education	Experience (Years)	Field of Expertise
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					

2. Office Arrangement

S.N	**Particulars**	**Unit**	**Total**
1.	Own Building	Yes/No	
2.	Office Rooms	No.	
3.	**Office Furniture**		
	Office Table	No.	
	Office Cabinet	No.	
	Office chairs	No.	
4.	**Office Equipment**		
	Telephone set	No.	
	Computers	set	
	Fax	No.	
	Photocopy Machine	No.	
	Printers	No.	
	Office Vehicle		
	Others		

D. Working Partners

S.N.	Partners	Areas of Working	Experience (in Years)
1.			
2.			
3.			
4.			
5.			
6.			

E. Details on services provided to microentrepreneurs:

Types of Service	**Qty**	**No of Participants**
Selection of potential Microentrepreneurs		
No. of Enterprise Promoted		
No of MEGs Promoted		
No. of MEGAs Promoted		
Trainings:		
Others		

F. Problems Faced

Areas	**Types of Problem**
Fund raising	
Retention of human resources	
Implementation of program	
Support to enterprise development	

G. Comments on MEDEP's Support

Aspects	Comments
Planning	
Use of service providers	
Quality of Service	
Amount of support	
Working strategy	
Linkage and networking	
Sustainability of support	
Others	

H. Financial Services

1. Is access to financial service a limiting factor for the promotion of microenterprise in the district (Y/N)?

2. If yes, how access to financial service can be ensured among the microentrepreneurs in the district?
   a) Linkages with commercial banks (specify name): ……
   b) Linkages with GBBs (specify name): ……..
   c) Linkages with MDBs (specify name): ……
   d) Linkages with FI-NGOs (specify name): ……

e) Linkages with cooperatives ((specify name): ……..
f) Others (specify): ……..

3. What are critical issues on enhancing access to financial services to microentrepreneurs?
   a) Absence of FSPs (Y/N) ……
   b) Lending terms and conditions (Y/N) : ……
   c) Interest rate (Y/N): ……
   d) Lending methodology (Y/N): ……
   e) Others (Y/N) (specify) : ……..

4. Is there any difference between the enterprises created by (i) borrowing and (ii) non-borrowing microentrepreneurs (Y/N)
   If yes, how (specify) ……..
   ……
   ……
   ……
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   ……

G. Suggestion to improve access to finance to microentrepreneurs in the district:

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Thank You

Checklist 4
Checklist for Microentrepreneurs Association (MEGA)
(to be completed to selected MEGA)

Name of Interviewer: ……

Respondents:

S.N.	Name	Position	Contact No.
1.			
2.			
3.			
4.			
5.			
6.			

Date of Interview: / / / 2009

A. General Information:

Name of the MEGA: ……..
Address: …….
Date of Formation: …….

B. Current Status of MEGA

S.N.	Particulars	Unit	Figures
1	Membership	No	
	Active	No	
	Inactive	No	
2	Executive Members	No	
	..... Female	No	
	Dalit	No	
	.... Female	No	
	Janajati	No	
	..... Female	No	
	Others	No	
	..... Female	No	
3	Meeting		
	Regularity on meeting	Y/N	
	Frequency of meeting	Specify	
	Meeting in last year	No	
	Minute of the meeting decision	Y/N	
	Attendance in meeting	Y/N	
4	Business plan exist	Y/N	
	Sharing of business plan	Y/N	
	Status of implementation of business plan	Specify	
5	Area of services		Specify
	Marketing	Y/N	
	Training	Y/N	
	Finance	Y/N	
	Raw Materials	Y/N	
	Technology	Y/N	

S.N.	Particulars	Unit	Figures
	Other	Y/N	
6	Support received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
7	Type of service received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
8	Linkages and networking	Name	Specify the type of linkages and networking
	District line agency		
	INGOs		
	National level government institutions		
	Financial service providers		
9	Problems Faced		
	Marketing		
	Training		
	Office Management		
	Monitoring		
	Services to member MEGs		

C. Future Plan

Membership growth	
Outreach of program and services	
Linkages and networking	
Increasing access to financial services	

D. Financial Services

1. Is access to financial service a limiting factor for the promotion of microenterprise in the district (Y/N).

2. If yes, how access to financial service can be ensured among the microentrepreneurs in the district?
   a) Linkages with commercial banks (specify name): …… ……
   b) Linkages with GBBs (specify name): ……..
   c) Linkages with MDBs (specify name): …….
   d) Linkages with FI-NGOs (specify name): ……
   e) Linkages with cooperatives ((specify name): ……..
   f) Others (specify): ……..

3. What are critical issues on enhancing access to financial services to microentrepreneurs?
   a. Absence of FSPs (Y/N) ……
   b. Lending terms and conditions (Y/N) : ……
   c. Interest rate (Y/N): ……
   d. Lending methodology (Y/N): …….
   e. Others (Y/N) (specify) ……..

4. Is there any difference between the enterprises created by (i) borrowing and (ii) non-borrowing microentrepreneurs (Y/N)
   If yes, how (specify) ……..
   ……
   ……
   ……
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   ……

E. Suggestion to improve access to finance to microentrepreneurs in the district:

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Thank You

Checklist 5
Checklist for Microentrepreneurs Groups (MEGs)
(to be completed for Selected MEGs)

Name of the MEG:.....

Address: District: .....VDC .....Ward No:.....Tole: .....

Date of MEG formation: ...../...../..... Date of Reporting: ...../...../.....

Name of the surveyor: .....

S.N.	Particulars	Unit	Amount
1	**Area/Membership**		
	Households in MEG	No	
	Members in MEG	No	
	…….Borrowing members		
	New member entered over the last one year in MEG	No	
	Executive committee members	No	
	.....Dalits members	No	
	.....Janajati members	No	
2	**Equity and Access**		
	Women general members in MEG	No	
	.....Dalits members	No	
	.....Janajati members	No	
	Women executive committee members in MEG	No	
	.....Dalits members	No	
	.....Janajati members	No	
3	**Governance and responsibilities**		
	MEG have meeting register	Y/N	
	.....main ledger	Y/N	
	..... Savings ledger	Y/N	
	..... Loan ledger	Y/N	
	..... Inventory register	Y/N	
	MEG distribute savings and credit pass-book to members	Y/N	
	Meeting register up-to date	Y/N	
	Main ledger up-to-date	Y/N	
	Savings ledger up-to-date	Y/N	
	Loan ledger up-to-date	Y/N	
	Inventory register up-to-date	Y/N	
	Members' pass-book up-to-date	Y/N	
	MEG have written code of conduct of operation	Y/N	
	MEG have written MEG operation rules and regulations	Y/N	
	MEG have written savings, loan and financial management policy	Y/N	
	MEG executives have book keeping and accounting skill	Y/N	
	MEG executives have loan management skill	Y/N	
	MEG has paid book keeper	Y/N	
	If yes, amount of salary to the paid book keeper	NRs.	
	Extent of application of MEG's meetings decision in operational management	Degree	
4	**Savings mobilization**		
	Total savings mobilized		
	..... Compulsory savings	Rs.	
	..... Voluntary savings	Rs.	
	..... Other savings	Rs.	

S.N.	Particulars	Unit	Amount
	Savings rate	Rs.	
	Savings intervals	Time	
5	**Loan transactions by MEG to members**		
	Total loan disbursement	Rs.	
	Total loan collection	Rs.	
	Total loan outstanding	No.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	
6	**Income Statement**		
6.1	**Operating Income**	**Rs.**	
	Interest income	Rs.	
	Other income	Rs.	
6.2	**Operating expenses**	**Rs.**	
	Interest expenses - borrowed fund	Rs.	
	Interest expenses - deposits/savings	Rs.	
	Salary and allowances	Rs.	
	Administrative expenses	Rs.	
	Loan loss provisions	Rs.	
	Other expenses	Rs.	
6.3	**Net operating income**	**Rs.**	
6.4	**Non-operating income**	**Rs.**	
6.5	**Non-operating expenses**	**Rs.**	
6.6	**Net income**	**Rs.**	
7	**Balance sheet**		
7.1	**Assets**	**Rs.**	
	Cash balance	Rs.	
	Bank balance	Rs.	
	Outstanding loan	Rs.	
	Receivables	Rs.	
	Fixed assets	Rs.	
	Other	Rs.	
7.2	**Liabilities**	**Rs.**	
	Savings balance	Rs.	
	Loan from outside	Rs.	
	Other payables	Rs.	
	Other liabilities	Rs.	
7.3	**Equity**	**Rs.**	
	Capital grant	Rs.	
	Undistributed profit	Rs.	
	Loan loss reserves	Rs.	
	Other reserves	Rs.	
	Other capital	Rs.	
7.4	**Liabilities + Equity**	**Rs.**	
8	**Growth plan for next year**		
	Do you have growth plan for next year	Y/N	

S.N.	Particulars	Unit	Amount
	If yes,		
	..... Plan for membership growth	No	
	..... Plan for savings mobilization	Rs.	
	..... Plan for increase on loan disbursement	No.	
	..... Plan for increase on loan disbursement	Rs.	
9	Business plan exist	Y/N	
	Sharing of business plan	Y/N	
	Status of implementation of business plan	Specify	
10	Area of services		
	Marketing	Y/N	
	Training	Y/N	
	Finance	Y/N	
	Raw Materials	Y/N	
	Technology	Y/N	
	Other	Y/N	
11	Support received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
12	Type of service received		
	MEDEP	Specify	
	District line agencies	Specify	
	Central level line agencies	Specify	
	Other	Specify	
13	Linkages and networking	Name	
	District line agency		
	INGOs		
	National level government institutions		
	Financial service providers		
14	Problems Faced		
	Marketing		
	Training		
	Office Management		
	Monitoring		
	Services to member MEGs		
15	**Future Plan**		
	Membership growth		
	Outreach of program and services		
	Linkages and networking		
	Increasing access to financial services		

Financial Services

16. Is access to financial service a limiting factor for the promotion of microenterprise in the district (Y/N)?

17. If yes, how access to financial service can be ensured among the microentrepreneurs in the district?
    a) Linkages with commercial banks (specify name): ……
    b) Linkages with GBBs (specify name): ……..
    c) Linkages with MDBs (specify name): ……
    d) Linkages with FI-NGOs (specify name): ……
    e) Linkages with cooperatives ((specify name): ……..
    f) Others (specify): ……..

18. What are critical issues on enhancing access to financial services to microentrepreneurs?
    a) Absence of FSPs (Y/N) ……
    b) Lending terms and conditions (Y/N) : ……
    c) Interest rate (Y/N): ……
    d) Lending methodology (Y/N): ……
    e) Others (Y/N) (specify) : ……..

19. Is there any difference between the enterprises created by (i) borrowing and (ii) non-borrowing microentrepreneurs (Y/N)
    If yes, how (specify) ……..
    ……
    ……
    ……
    ……
    ……

Suggestion to improve access to finance to microentrepreneurs in the district:

……
……
……
……
……
……
……
……

Thank You

Questionnaire 1
Questionnaire for Selected Borrowing Microentrepreneurs

1. Overview:

Name of the Client: Mr./Ms: .....

Age: .....years Education: .....years of schooling

Name of the MEG: .....

Address: .....VDC ward number: ..... Tole: .....

Date of joining MEG: ...../...../..... Date of survey: ...../...../.....

2. Family size:

Sex	< 16 years		16-60 years		> 60 years	
	Literate	Illiterate	Literate	Illiterate	Literate	Illiterate
Male						
Female						

3. Basic Features of the microenterprise

Type of enterprise:..... Year of establishment: .....

	2061	2062	2063	2064	2065
Total investment (Rs.)					
Fixed Capital (Rs.)					
Working Capital (Rs.)					
Source of investment capital					
Accumulated savings (Rs.)					
Loan from informal sector (Rs.)					
Loan from formal sector (Rs.)					
If loan from formal sector, name of financial institution					
Repayment of loan (Rs.)					
Outstanding loan balance (Rs.)					
Gross income per week/month/year (Rs)					
Gross expenses per week/month/year (Rs.)					
Net income per year (Rs.)					
Use of net income (Rs.)					
▪ Asset creation (Rs.)					
▪ Children education (Rs.)					
▪ Health care (Rs.)					
▪ Clothing (Rs.)					
▪ Household consumption (Rs.)					
▪ Buying ornaments (Rs.)					
▪ Other (Rs.)					
Problems on microenterprise management					
▪ Cash crunch (Y/N)					
▪ Marketing (Y/N)					
▪ Raw materials (Y/N)					
▪ Sickness of family members (Y/N)					

	2061	2062	2063	2064	2065
▪ Other (Y/N)					
Measures adopted on solving problems on microenterprise management					
Marketing arrangement					
▪ Self					
▪ MEGs					
▪ Middleman					
Employment Generation					
Full time (No)					
▪ Men					
▪ Women					
▪ Children					
Part time (No)					
▪ Men					
▪ Women					
▪ Children					

4. Savings and loan operation from MEGs

a	**Savings mobilized in MEG**		
	Total savings	Rs.	
	..... Compulsory savings	Rs.	
	..... Voluntary savings	Rs.	
	..... Other savings	Rs.	
	Savings rate	Rs.	
	Savings intervals	Time	
b	**Loan transactions from MEG**		
	Total loan borrowing	Rs.	
	Total loan recovery	Rs.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	
c	**Loan transactions from MFI**		
	Total loan borrowing	Rs.	
	Total loan recovery	Rs.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	

5. Impact on livelihood:

5.1 Land holding:

	Total			Irrigated			Un-irrigated		
	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out
Before joining MFI									
Now									

5.2 Livestock holding

	Cattle	Buffalo	Ox	Heifers	Goat	Pig	Chicken	Duck	Other
Before joining MFI									
Now									

5.3. Other asset creation after being the member of MEG (specify):.....

6. Empowerment

Economic empowerment:

1. Who manage the IGA/ME (i) self, (ii) husband, (iii) other family members
2. Who make the borrowing decisions: (i) self, (ii) husband, (iii) other family members
3. Who control the income and expanses from IGA/ME: (i) self, (ii) husband, (iii) other family members

Social empowerment:

1. Is there any change on your position in the households? (i) yes, (ii) No
2. Is there any change on your status on the society? (i) yes, (ii) No
3. Has your mobility been increased (i) yes, (ii) No
4. Is there increase on your social capital (i) yes, (ii) No

Political empowerment:

1. Did you participated in the political process in your community (i) yes, (ii) No
2. Did you been able to select you leader in more informed way (i) yes, (ii) No

Legal empowerment:

1. Is there increase in your legal awareness level? (i) yes, (ii) No
2. Have you ever filed a case against exploitation or harassment (i) yes, (ii) No
3. Do you feel more secured now (i) yes, (ii) No

7. Constraints/problems related to receiving microfinance services?

S.N.	Constraints/Problems	Description
1	MEG meeting	
2	MEG operation	
3	Savings mobilization	
4	Borrowing from MEG	
5	Borrowing from MFI	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	
9	Market	
10	Investment/Finance	

S.N.	Constraints/Problems	Description
11	Raw Material	
12	Skill/Technology	
13	Other (specify)	

8. Measures adopted for solving above constraints/problems?

S.N.	Constraints/Problems	Measures adopted
1	MEG meeting	
2	MEG operation	
3	Savings mobilization	
4	Borrowing from MEG	
5	Borrowing from MFI	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	
9	Market	
10	Investment/Finance	
11	Raw Material	
12	Skill/Technology	
13	Other (specify)	

9. Any other remarks

.....
.....
.....
.....

Thank you

Questionnaire 2
Questionnaire for Selected Non-Borrowing Microentrepreneurs

1. Overview:

Name of the Client: Mr./Ms: .....

Age: .....years Education: .....years of schooling

Name of the MEG: .....

Address: .....VDC ward number: ..... Tole: .....

Date of joining MEG: ...../...../..... Date of survey: ...../...../.....

2. Family size:

Sex	< 16 years		16-60 years		> 60 years	
	Literate	Illiterate	Literate	Illiterate	Literate	Illiterate
Male						
Female						

3. Basic Features of the microenterprise

Type of enterprise:..... year of establishment: .....

	2061	2062	2063	2064	2065
Total investment (Rs.)					
Fixed Capital (Rs.)					
Working Capital (Rs.)					
Source of investment capital					
Accumulated savings (Rs.)					
Loan from informal sector (Rs.)					
If loan from informal sector,					
▪ Repayment of loan (Rs.)					
▪ Outstanding loan balance (Rs.)					
Gross income per week/month/year (Rs)					
Gross expenses per week/month/year (Rs.)					
Net income per year (Rs.)					
Use of net income (Rs.)					
▪ Asset creation (Rs.)					
▪ Children education (Rs.)					
▪ Health care (Rs.)					
▪ Clothing (Rs.)					
▪ Household consumption (Rs.)					
▪ Buying ornaments (Rs.)					
▪ Other (Rs.)					
Problems on microenterprise management					
▪ Cash crunch (Y/N)					
▪ Marketing (Y/N)					
▪ Raw materials (Y/N)					
▪ Sickness of family members (Y/N)					
▪ Other (Y/N)					

	2061	2062	2063	2064	2065
Measures adopted on solving problems on microenterprise management					
Marketing arrangement					
▪ Self					
▪ MEGs					
▪ Middleman					
Employment Generation					
Full time (No)					
▪ Men					
▪ Women					
▪ Children					
Part time (No)					
▪ Men					
▪ Women					
▪ Children					

4. Savings and Loan Operation from MEGs

a	**Savings mobilized in MEG**		
	Total savings	Rs.	
	..... Compulsory savings	Rs.	
	..... Voluntary savings	Rs.	
	..... Other savings	Rs.	
	Savings rate	Rs.	
	Savings intervals	Time	
b	**Loan transactions from MEG**		
	Total loan borrowing	Rs.	
	Total loan recovery	Rs.	
	Total loan outstanding	Rs.	
	Total loan overdue	Rs.	

5. Impact on Livelihood

5.1 Land holding

	Total			Irrigated			Un-irrigated		
	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out	Owned	Rented-in	Rented-out
Before joining MFI									
Now									

5.2 Livestock holding

	Cattle	Buffalo	Ox	Heifers	Goat	Pig	Chicken	Duck	Other
Before joining MFI									
Now									

5.3. Other asset creation after being the member of MEG (specify):.....

6. Empowerment

Economic empowerment

1. Who manage the IGA/ME (i) self, (ii) husband, (iii) other family members

2. Who make the borrowing decisions: (i) self, (ii) husband, (iii) other family members
3. Who control the income and expanses from IGA/ME: (i) self, (ii) husband, (iii) other family members

Social empowerment

1. Is there any change on your position in the households? (i) yes, (ii) No
2. Is there any change on your status on the society? (i) yes, (ii) No
3. Has your mobility been increased (i) yes, (ii) No
4. Is there increase on your social capital (i) yes, (ii) No

Political empowerment

1. Did you participated in the political process in your community (i) yes, (ii) No
2. Did you been able to select you leader in more informed way (i) yes, (ii) No

Legal empowerment:

1. Is there increase in your legal awareness level? (i) yes, (ii) No
2. Have you ever filed a case against exploitation or harassment (i) yes, (ii) No
3. Do you feel more secured now (i) yes, (ii) No

7. Constraints/problems related to receiving microfinance services?

S.N.	Constraints/Problems	Description
1	MEG meeting	
2	MEG operation	
3	Savings mobilisation	
4	Borrowing from MEG	
5	Borrowing from MFI	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	
9	Market	
10	Investment/Finance	
11	Raw Material	
12	Skill/Technology	
13	Other (specify)	

8. Measures adopted for solving above constraints/problems?

S.N.	Constraints/Problems	Measures adopted
1	MEG meeting	
2	MEG operation	
3	Savings mobilisation	
4	Borrowing from MEG	
5	Borrowing from MFI	
6	Loan repayment	
7	Enforcement of joint liability	
8	Maintaining group discipline	

9	Market	
10	Investment/Finance	
11	Raw Material	
12	Skill/Technology	
13	Other (specify)	

9. Any other remarks

.....
.....
.....
.....

Thank you

Annex IV: Tables Highlighting the Status of MEDEP Implementation in Districts Selected for Study

Table A4.1: Details of MEGs and Microentrepreneurs in Districts proposed for Study

S.N.	Particulars	Dalit			Janajati			Others			Grand Total		
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
A	**MEGs**												
1	Nuwakot	6	11	17	32	60	92	17	41	58	55	112	167
2	Nawalparasi	21	25	46	34	59	93	47	72	119	102	156	258
3	Udayapur	14	27	41	26	78	104	15	32	47	55	137	192
4	Sunsari	20	28	48	50	101	151	51	76	127	121	205	326
	Total	61	91	152	142	298	440	130	221	351	333	610	943
B	**Microentrepreneurs**												
1	Nuwakot	60	79	139	347	659	1006	210	356	566	617	1094	1711
2	Nawalparasi	133	240	373	357	550	907	213	414	627	703	1204	1907
3	Udayapur	80	285	365	184	722	906	84	267	351	348	1274	1622
4	Sunsari	92	185	277	292	710	1002	228	417	645	612	1312	1924
	Total	365	789	1154	1180	2641	3821	735	1454	2189	2280	4884	7164

Source: MIS of MEDEP

Table A4.2: Status of Access to Microfinance Services from ADBL and other MFIs in Districts Selected for Study

Nuwakot	Dalit Male	Dalit Female	Dalit Total	Janajati Male	Janajati Female	Janajati Total	Other Male	Other Female	Other Total	Total Male	Total Female	Grand Total
Borrowers (No)	41	35	76	79	76	155	104	149	253	224	260	484
Borrowing from ADBL (Rs.)	897000	559500	1456500	1532500	1671000	3203500	2074100	2459500	4533600	4503600	4690000	9193600
Borrowing from other MFIs (Rs.)	0	138000	138000	0	105000	105000	0	338000	338000	0	581000	581000
Total borrowing (Rs.)	897000	697500	1594500	1532500	1776000	3308500	2074100	2797500	4871600	4503600	5271000	9774600
Nawalparasi												
Borrowers (No)	41	35	76	79	76	155	104	149	253	224	260	484
Borrowing from ADBL (Rs.)	897000	559500	1456500	1532500	1671000	3203500	2074100	2459500	4533600	4503600	4690000	9193600
Borrowing from other MFIs (Rs.)	0	138000	138000	0	105000	105000	0	338000	338000	0	581000	581000
Total borrowing (Rs.)	897000	697500	1594500	1532500	1776000	3308500	2074100	2797500	4871600	4503600	5271000	9774600
Udayapur												
Borrowers (No)	20	29	49	28	67	95	18	17	35	66	113	179
Borrowing from ADBL (Rs.)	0	0	0	0	10000	10000	0	0	0	0	10000	10000
Borrowing from other MFIs (Rs.)	143500	158500	302000	207500	660100	867600	154500	158700	313200	505500	977300	1482800
Total borrowing (Rs.)	143500	158500	302000	207500	670100	877600	154500	158700	313200	505500	987300	1492800
Sunsari												
Borrowers (No)	27	29	56	120	184	304	147	162	309	294	375	669
Borrowing from ADBL (Rs.)	338000	138000	476000	1439700	1297300	2737000	1806500	953000	2759500	3584200	2388300	5972500
Borrowing from other MFIs (Rs.)	0	88000	88000	0	916000	916000	10000	968000	978000	10000	1972000	1982000
Total borrowing (Rs.)	338000	226000	564000	1439700	2213300	3653000	1816500	1921000	3737500	3594200	4360300	7954500
Total												
Borrowers (No)	129	128	257	306	403	709	373	477	850	808	1008	1816
Borrowing from ADBL (Rs.)	2132000	1257000	3389000	4504700	4649300	9154000	5954700	5872000	1.2E+07	1.3E+07	1.2E+07	24369700
Borrowing from other MFIs (Rs.)	143500	522500	666000	207500	1786100	1993600	164500	1802700	1967200	515500	4111300	4626800
Total borrowing (Rs.)	2275500	1779500	4055000	4712200	6435400	1.1E+07	6119200	7674700	1.4E+07	1.3E+07	1.6E+07	28996500

Source: MIS of MEDEP

Table A4.3: Details of Loan Repayment, Outstanding and Overdue Amount

S.N.	Districts	Dalit Male	Dalit Female	Dalit Total	Janajati Male	Janajati Female	Janajati Total	Other Male	Other Female	Other Total	Total Male	Total Female	Grand Total
1	**Nuwakot**												
	Principal Paid – ADBL (Rs.)	710708	501577	1212285	1445272	1558407	3003679	1890840	2172139	4062979	4046820	4232123	8278943
	Principal Paid – Others (Rs.)	0	138000	138000	0	110000	110000	0	338000	338000	0	586000	586000
	Total Principal Paid (Rs.)	710708	639577	1350285	1445272	1668407	3113679	1890840	2510139	4400979	4046820	4818123	8864943
	Interest Paid – ADBL (Rs.)	114984	57648	172632	167817	188522	356339	242788	258384	501172	525589	504554	1030143
	Interest Paid – Others (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Total Interest Paid (Rs.)	114984	57648	172632	167817	188522	356339	242788	258384	501172	525589	504554	1030143
	Outstanding Amount – ADBL (Rs.)	186292	57923	244215	107228	452593	559821	203260	372361	575621	496780	882877	1379657
	Outstanding Amount – Others (Rs.)	0	0	0	0	-5000	-5000	0	0	0	0	-5000	-5000
	Total Outstanding Amount (Rs.)	186292	57923	244215	107228	447593	554821	203260	372361	575621	496780	877877	1374657
	Overdue Amount – ADBL (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Overdue Amount – Others (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Total Overdue Amount (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
2	**Nawalparasi**												
	Principal Paid – ADBL (Rs.)	710708	501577	1212285	1445272	1558407	3003679	1890840	2172139	4062979	4046820	4232123	8278943
	Principal Paid – Others (Rs.)	0	138000	138000	0	110000	110000	0	338000	338000	0	586000	586000
	Total Principal Paid (Rs.)	710708	639577	1350285	1445272	1668407	3113679	1890840	2510139	4400979	4046820	4818123	8864943
	Interest Paid – ADBL (Rs.)	114984	57648	172632	167817	188522	356339	242788	258384	501172	525589	504554	1030143
	Interest Paid – Others (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Total Interest Paid (Rs.)	114984	57648	172632	167817	188522	356339	242788	258384	501172	525589	504554	1030143
	Outstanding Amount – ADBL (Rs.)	186292	57923	244215	107228	452593	559821	203260	372361	575621	496780	882877	1379657
	Outstanding Amount – Others (Rs.)	0	0	0	0	-5000	-5000	0	0	0	0	-5000	-5000
	Total Outstanding Amount (Rs.)	186292	57923	244215	107228	447593	554821	203260	372361	575621	496780	877877	1374657
	Overdue Amount – ADBL (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Overdue Amount – Others (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Total Overdue Amount (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
3	**Udayapur**												
	Principal Paid – ADBL (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Principal Paid – Others (Rs.)	42024	30406	72430	72567	283913	356480	60109	62187	122296	174700	376506	551206
	Total Principal Paid (Rs.)	42024	30406	72430	72567	283913	356480	60109	62187	122296	174700	376506	551206
	Interest Paid – ADBL (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Interest Paid – Others (Rs.)	8804	6112	14916	10038	33156	43194	8635	6825	15460	27477	46093	73570
	Total Interest Paid (Rs.)	8804	6112	14916	10038	33156	43194	8635	6825	15460	27477	46093	73570
	Outstanding Amount – ADBL	0	0	0	0	10000	10000	0	0	0	0	10000	10000

S.N.	Districts	Dalit Male	Dalit Female	Dalit Total	Janajati Male	Janajati Female	Janajati Total	Other Male	Other Female	Other Total	Total Male	Total Female	Grand Total
	(Rs.)												
	Outstanding Amount – Others (Rs.)	101476	128094	229570	134933	376187	511120	94391	96513	190904	330800	600794	931594
	Total Outstanding Amount (Rs.)	101476	128094	229570	134933	386187	521120	94391	96513	190904	330800	610794	941594
	Overdue Amount – ADBL (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Overdue Amount – Others (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
	Total Overdue Amount (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
4	**Sunsari**												
	Principal Paid – ADBL	267428	97906	365334	903658	1048572	1952230	1269638	709461	1979099	2440724	1855939	4296663
	Principal Paid – Others	0	85360	85360	0	844116	844116	10000	919616	929616	10000	1849092	1859092
	Total Principal Paid	267428	183266	450694	903658	1892688	2796346	1279638	1629077	2908715	2450724	3705031	6155755
	Interest Paid – ADBL	36760	12759	49519	144997	160723	305720	204502	105058	309560	386259	278540	664799
	Interest Paid – Others	0	11795	11795	0	133869	133869	1800	140582	142382	1800	286246	288046
	Total Interest Paid	36760	24554	61314	144997	294592	439589	206302	245640	451942	388059	564786	952845
	Outstanding Amount – ADBL	70572	40094	110666	536042	248728	784770	536862	243539	780401	1143476	532361	1675837
	Outstanding Amount – Others	0	2640	2640	0	71884	71884	0	48384	48384	0	122908	122908
	Total Outstanding Amount	70572	42734	113306	536042	320612	856654	536862	291923	828785	1143476	655269	1798745
	Overdue Amount – ADBL	0	0	0	0	0	0	0	0	0	0	0	0
	Overdue Amount – Others	0	0	0	0	0	0	0	0	0	0	0	0
	Total Overdue (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0
5	**Total**												
	Principal Paid – ADBL	1688844	1101060	2789904	3794202	4165386	7959588	5051318	5053739	10105057	10534364	10320185	20854549
	Principal Paid – Others	42024	391766	433790	72567	1348029	1420596	70109	1657803	1727912	184700	3397598	3582298
	Total Principal Paid	1730868	1492826	3223694	3866769	5513415	9380184	5121427	6711542	11832969	10719064	13717783	24436847
	Interest Paid – ADBL	266728	128055	394783	480631	537767	1018398	690078	621826	1311904	1437437	1287648	2725085
	Interest Paid – Others	8804	17907	26711	10038	167025	177063	10435	147407	157842	29277	332339	361616
	Total Interest Paid	275532	145962	421494	490669	704792	1195461	700513	769233	1469746	1466714	1619987	3086701
	Outstanding Amount – ADBL	443156	155940	599096	750498	1163914	1914412	943382	988261	1931643	2137036	2308115	4445151
	Outstanding Amount – Others	101476	130734	232210	134933	438071	573004	94391	144897	239288	330800	713702	1044502
	Total Outstanding Amount	544632	286674	831306	885431	1601985	2487416	1037773	1133158	2170931	2467836	3021817	5489653
	Overdue Amount – ADBL	0	0	0	0	0	0	0	0	0	0	0	0
	Overdue Amount – Others	0	0	0	0	0	0	0	0	0	0	0	0
	Total Overdue (Rs.)	0	0	0	0	0	0	0	0	0	0	0	0

Source: MIS of MEDEP

Table A4.4: Details of Saving Collection and Mobilization Among MEGs by Districts

S.N.	Districts	Dalit Male	Dalit Female	Dalit Total	Janajati Male	Janajati Female	Janajati Total	Other Male	Other Female	Other Total	Total Male	Total Female	Grand Total
1	**Nuwakot**												
	Amount of Savings (Rs.)	29920	69223	99143	225758	371108	596866	94373	324787	419160	350051	765118	1115169
	Savings Mobilization (Rs.)	1410	16000	17410	25070	114005	139075	13850	96880	110730	40330	226885	267215
2	**Nawalparasi**												
	Amount of Savings (Rs.)	148276	104099	252375	361020	528858	889878	385437	780523	1165960	894733	1413480	2308213
	Savings Mobilization (Rs.)	59310	41640	100950	144408	211543	355951	154175	312209.2	466384	357893	565392	923285
3	**Udayapur**												
	Amount of Savings (Rs.)	53635	94563	148198	140529	369910	510439	41807	85014	126821	235971	549487	785458
	Savings Mobilization (Rs.)	4300	18525	22825	27800	88444	116244	26595	10764	37359	58695	117733	176428
4	**Sunsari**												
	Amount of Savings (Rs.)	163104	114509	277613	397122	581744	978866	423981	858575.3	1282556	984206	1554828	2539034
	Savings Mobilization (Rs.)	53635	94563	148198	140529	369910	510439	41807	85014	126821	235971	549487	785458
5	**Total**												
	Amount of Savings (Rs.)	394935	382394	777329	1124429	1851620	2976049	945598	2048899	2994497	2464961	4282913	6747874
	Savings Mobilization (Rs.)	118655	170728	289383	337807	783902	1121709	236427	504867.2	741294	692889	1459497	2152386

Source: MIS of MEDEP

Table A4.5: Details of Employment Generation, Production and Sales by Study Districts

S.N.	Districts	Dalit Male	Dalit Female	Dalit Total	Janajati Male	Janajati Female	Janajati Total	Other Male	Other Female	Other Total	Total Male	Total Female	Grand Total
1	**Nuwakot**												
	Employment Generation	66	86	152	406	662	1068	243	388	631	715	1136	1851
	Total Production (Rs.)	8363003	8568849	16931852	33501730	46130381	79632111	27406828	36729396	64136224	69271561	91428626	160700187
	Total Sales (Rs.)	13157142	13002233	26159375	67237232	65599643	132836875	38649928	50513275	89163203	119044302	129115151	248159453
2	**Nawalparasi**												
	Employment Generation	168	277	445	436	622	1058	322	593	915	926	1492	2418
	Total Production (Rs.)	9230842	7897583	17128425	15925213	29042023	44967236	36034967	43424967	79459934	61191022	80364573	141555595
	Total Sales (Rs.)	17573354	15096388	32669742	32177355	52488536	84665891	70991376	87446877	158438253	120742085	155031801	275773886
3	**Udayapur**												
	Employment Generation	99	311	410	267	751	1018	93	284	377	459	1346	1805
	Total Production (Rs.)	2315739	3663115	5978854	6312062	14768066	21080128	3505117	5744710	9249827	12132918	24175891	36308809
	Total Sales (Rs.)	4742884	6688455	11431339	9593833	23197177	32791010	5583509	8126542	13710051	19920226	38012174	57932400
4	**Sunsari**												
	Employment Generation	267	588	855	703	1373	2076	415	877	1292	1385	2838	4223
	Total Production (Rs.)	11546581	11560698	23107279	22237275	43810089	66047364	39540084	49169677	88709761	73323940	104540464	177864404
	Total Sales (Rs.)	22316238	21784843	44101081	41771188	75685713	117456901	76574885	95573419	172148304	140662311	193043975	333706286
4	**Total**												
	Employment Generation	600	1262	1862	1812	3408	5220	1073	2142	3215	3485	6812	10297
	Total Production (Rs.)	31456165	31690245	63146410	77976280	1.34E+08	211726839	1.06E+08	1.35E+08	241555746	215919441	300509554	516428995
	Total Sales (Rs.)	57789618	56571919	1.14E+08	1.51E+08	2.17E+08	367750677	1.92E+08	2.42E+08	433459811	400368924	515203101	915572025

Source: MIS of MEDEP