

# Micro-Enterprises, Development for Poverty Alleviation

## Volume I

Micro-Enterprise Development Programme (MEDEP)/UNDP  
Ministry of Industry (MOI)  
2010

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## About the Book

### Introduction

Micro-Enterprise refers to any economic unit engaged in the production and distribution of goods and services at household level. It is primarily of self-employed nature, employing him/her in the enterprise and sometimes some family members. The enterprise runs on little amount of capital investment at a fixed market centre or mobile business locations. This sector is identified with features like reliance on indigenous resources, family ownership of enterprises, small scale of operation, labour-intensive, adapted technology, and minimum skill. Micro-enterprise, therefore, is particularly suitable for poor communities.

Micro economic enterprises play a vital role in poverty reduction in both rural and urban areas, and reinforce urban-rural linkages for economic and social development in Nepal. The linkages are essential not only for utilization of local resources but also in acting as agents for the flow of goods and services between urban and rural areas. Their roles are important since they possess the features like self employment generation, employment to poor and women, use of local resources, meeting basic needs of the poor, traditional enterprise/skill and craftsmanship, labour intensive, self satisfaction on the job, entrepreneurship and innovative (skill learned through apprenticeship method), and fair income distribution among the poor.

However, development and promotion of Micro-Enterprises in Nepal has been hindered due to some major factors: First, lack of easy access to micro-credit is the most crucial constraint and, therefore, Micro-Enterprises are unable to utilize the economic opportunities available in the local area in sustainable and successful manner. Promotion of micro informal enterprises is required in their overall productivity enhancement considering resource allocation, i.e. credit facility. Secondly, Micro-Enterprises lack knowledge and skills to produce the items as per market demand. Therefore, promotion-based training is next important component, which should be poor community -friendly and it should be provided to potential and interested individuals to upgrade their knowledge and management of enterprising skill. Excellent entrepreneurs will be produced only if trainings are provided at different stages and levels. Monitoring is essential for validating and use of trainings. Thirdly, labour and capital productivity and rate of surplus are other measures to promote Micro-Enterprises. These include the considerations of skill up-gradation, management, and technological improvement. Lastly, other constraints of micro enterprising development include (i) limited backward and forward linkages, (ii) lack of market chains and price chains of the products, and (iii) lack of market places for selling within the cities. These necessitate due considerations.

The government agencies should play a crucial role to promote safeguard and manage the micro economic activities. If managed properly, it will be one of the crucial income sources for the local government units.

Micro-Enterprise Development Programme (MEDEP) is thus established to address all the issues, problems and measures related to micro-enterprises. As a part of dissemination, skill development, knowledge sharing, operational research development, and constructive recommendations for further development of the Programme, MEDEP since its inception in 1998 has initiated to assist students from universities and campuses with scholarships to complete their research theses. This volume intends to draw papers out of the theses and research reports duly submitted to MEDEP.

### **Methods**

Altogether 23 internship reports, theses and research reports this volume embraces. These papers are prepared based on the standard formats that include components like (i) abstract, (ii) introduction (rationale and problems statement), (iii) objectives, (iv) review of literature, (v) materials and methods, (vi) results and discussions, and (vii) conclusion and recommendations.

The theses and research reports integrate different academic levels. They include, for instance, 12 Master's level, 2 Post-Graduate Diploma, 3 Bachelor level, 5 Internships, and 1 in project report. They cover different fields of studies like regional development and management, rural development, sociology and anthropology, gender and development, women studies, development studies, forestry, business administration, and population. Researchers represent different universities and development agencies like Tribhuvan University and its affiliated campuses, Kathmandu University, Pokhara University, Purbanchal University, and Manchester College, USA and MEDEP. They deal with the Micro-Enterprises of different fields of studies, comprising NTFPs, women empowerment, impacts, local resources based-products (beekeeping, Dhaka, ginger, and off-season vegetables), water resource, market outlets, and social inclusion. These research works have been completed from 1991 to 2007. Fifteen researchers are female and eight males. There are 17 full-fledged papers containing all components as stated above and remaining six are short-note papers that do not contain literature review and references.

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## Acknowledgements

This book contains theses and research reports contributed by the students of respective universities, colleges and other academic institutions. MEDEP owns all these theses and research reports. Effort in this book has been made to produce research papers out of those theses and research reports. All the papers contain the data gathered and generated from the field surveys conducted by the authors across different parts of Nepal. In broader term, the papers deal with concepts, issues, contemporary theories and models, problems, prospects and policy measures of micro-enterprises. These serve as complements and contribute to the development of micro-enterprises. This book will be useful to development practitioners, policy designers, students and researchers interested particularly in the roles of micro-enterprises in improving livelihoods of the poor people and local economic development.

MEDEP management would like to express sincere gratitude to all the students, their supervisors and head of the Universities, colleges and other academic institutions for their interest in MEDEP particularly in Poverty Alleviation through Micro-Enterprise Development. MEDEP management also expresses its heartfelt gratitude to Dr. (Prof.) Pushkar Pradhan, Head, Central Department of Geography, Tribhuvan University for his support in technical editing of this compilation and including this publication as one of the reference books for the students studying Master Degree in Geography specialising in Micro-Enterprises and Livelihoods in Urban Planning and Management. Finally, all the entrepreneurs who provided the first hand information to the students and professionals to make their research agenda successful also deserve high appreciation.

MEDEP Management



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## FOREWORD

To address the dire need of a proven tool that could fight poverty in the county by sustainably promoting entrepreneurship culture, particularly in the population living below the poverty line, Micro-enterprise Development programme (MEDEP) was launched as piloting phase in 1998.

Since then, MEDEP's interventions in the activities of the target poor people, imparting them need based training, skills and knowledge, access to micro-finance, access to appropriate technology, shoring up startup support, establishing resource and market linkage and research work support for scientific investigation and evaluation of the process, impact, and lesson learnt have been continuously refurbishing MEDEP and its tools, intervention process and methodologies rationalized in every phase, suitable to the need and the demand.

Poverty reduction and achievement of Millennium Goal is not simply the tasks set forth by the world governments and global communities, it is also the challenge facing the local, regional, the central governments in the world map as well.

The United Nations, World Community and the donor agencies have been supporting the least developed countries in their fights against the poverty. Many such projects were funded and implemented in Nepal as well. Tremendous numbers of immediate and long term researches, data collection and compilation of the important and relevant information have already been conducted while implementing such different development programmes. However, the researches and data collection is lost along with termination of the programmes, hampering the free share and better utilization of the valued information when needed for policy formulation, academic studies, specialization and proper knowledge based management.

Learning lessons of the many of Multi-donor supported projects in Nepal, MEDEP came up with a solution and initiated institutionalization of the knowledge management after the MEDEP Project Board decided that huge data and information generated by the project should be converted into knowledge management through academic research and the cost effective way of doing so is by involving students of different Universities, Colleges and Institution in Nepal and abroad to conduct their internships, theses and dissertation. This decision opened the door for students studying in academic institutions and started conducting their researches in the MEDEP related fields through institutional linkages between MEDEP and academic institutions. By now since 2006 more than 40 students have benefited with this knowledge management mechanism and this is the first effort of MEDEP to compile the internship reports,

theses and dissertation based extracted from articles and publish them in Volume I which will follow publication of Volume II.

I am confident; MEDEP's initiation to bring about positive changes in the lives of hardcore poor can have tremendous support and invaluable inputs from many stakeholders, sectors, and academia. The collection of research papers prepared by the promising university students will certainly contribute much to enhance the knowledge of the resources and demand of the people living below the poverty line in rock hard geographic, socio-economic, and political situation in Nepal.

The conclusions deduced by some of the theses and study reports presented in this book are anticipated to be useful to all those who have a burning desire to understand the prospects and challenges Nepal has been facing for its poverty alleviation and economic development. Fortitude with natural and human resources, Nepal is still known as one of the poorest countries in global map. Poverty begets adversities; attributing to economic, social, and political anomalies, the poor countries are facing. Consorted efforts to shatter the vicious circle of poverty for achieving prosperity through micro-enterprise development may be the panacea the country is in need for its holistic development. This book is just the beginning.

Dhundi Raj Pokharel  
Joint Secretary, Ministry of Industry  
And National Programme Director, MEDEP

24 December 2010



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# Impact of Micro-Enterprises on Poverty Alleviation in Nawalparasi District, Nepal

Chakra Bandhu Pandey<sup>1</sup>

This study has made an attempt to analyze the impact of micro enterprises on poverty alleviation in Nawalparasi district, where MEDEP was initiated in 1998. The entrepreneurs were trained by MEDEP in enterprise development, skill, market, and others. Altogether 70 entrepreneurs, mostly women and poor and landless, representing three important types of enterprises such as fiber, textile and bamboo products were selected randomly. The data were collected by using questionnaire, checklists and observation sheet during the field.

The findings reveal that there are seen impacts of the micro-enterprises on improving livelihoods of the entrepreneurs' households. The average monthly income reached to Rs 4,841 and with this income, most of them have been able to buy basic needs like foods, education, health, and festivities. The trend of production of the enterprises, as well as investment and income has been increased tremendously, which meant that there are great potentials for further development of the enterprises based on locally available resources in the district. If the programmes like MEDEP are initiated to attract more local people to undertake enterprising activities, as well as to support sustaining of the existing ones by means of different awareness training on improved skill, knowledge, technology and enterprises, poverty alleviation can take place in rural Nepal.

## 1. Introduction

Nepal is one of the least developed and poorest countries in the world. Thirty-one percent of the population lives below the poverty line in Nepal. The gross national per capita income was US\$ 240 in fiscal year 2004/05 with the country ranking 136 out of 177 countries (NRB 2006).

Nepal is facing significant challenges in poverty reduction due to alarming population growth and the sluggish nature of its economy. Its socio-economic condition is badly affected by the lack of employment opportunities. Over 80 percent of the economically active population depends on subsistence agriculture. The demand for agriculture labour is highly seasonal, creating a need for combining agriculture with other jobs. These all have resulted in the under utilization of adult working force

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<sup>1</sup> Mr. Chakra B Pandey is a Master's student at the Central Department of Rural Development, Tribhuvan University, Kirtipur, 2006 and is grateful to his thesis advisor Dr. Uma Kant Silwal.

between 40 to 60 percent, making poverty alleviation a difficult job. In simple word, poverty is a social phenomenon in which a section of the society is unable to fulfill even its basic necessities of life. However, when a substantial segment of a society is deprived of the minimum level of living and continues at a bare subsistence level, that society is called to be plagued with mass poverty.

Nepal is an agricultural country where majority of its population lives in rural areas. Both urban and rural people are suffering badly by this problem. Thus, it is needless to say that development of rural areas and agriculture helps to boost the country's economy and hence alleviate poverty to a greater extent. In the rural areas, the average income is much lower than that in the urban areas and the incidence of poverty is also much higher in rural area.

In Nepal, study on poverty incidence has not a long history. The level of incidence of poverty has shown decreased by different agencies surveyed during different periods. In 1983, according to the National Planning Commission, about 33 percent population was below the poverty line, which has for the first time been quantified with the help of minimum subsistence level of income and consumption (NPC 1983). The Multiple Household Survey conducted by the Nepal Rastra Bank in 1984 indicated that 41.4 percent population was below the poverty line, which was 43 percent in the rural areas as compared to 39 percent in the urban areas (NRB 1988). The Nepal Living Standard Survey estimated the poverty line at 42 percent in 1996, which declined to 31 percent in 2003/2004 (CBS 1996; 2004).

Small and micro enterprises (SMEs) are an important vehicle for the economic development of poor developing countries like Nepal. Therefore, if the pace of economic development is to accelerate, Nepal should promote and develop technically and economically viable small micro enterprises. Government agencies, NGOs and INGOs should be substantially involved in promoting micro-enterprises with a view to developing human resources whose contribution can play a vital role in the national economy (MOF 2003). They can help modernize the economy and bring regional balance in development scenario in the country. Further, they are essential not only for the utilization of local resources, but also for acting as agents for the flows of goods and services. The less developed the economy the more significant is the SMEs contribution (Maskey 2001). SMEs have contributed 40-60 percent of the total output or value added to the national economy.

## **2. Statement of the Problem**

Poverty is one of the major problems in Nepal and the country is trapped in vicious circle of poverty. Nepal has adopted different approaches to alleviate poverty. Poverty in the country is due to low opportunity for employment, insufficient education, low skill and lack of appropriate technology for utilizing resources. The main goal of development efforts in Nepal should be to create employment. Micro-enterprises are one of the crucial sources of employment.

Micro-enterprises are often owned or controlled by a single entrepreneur or by family member. The most important challenge is how to promote indigenous enterprises, which are in many cases not productive and cost effective, though they are environment friendly. They lack skills, capitals, credit and others to adapt to new enterprising concept. Further, access to market for most of the products of traditional micro enterprises is a problem.

Technological change in the existing micro-enterprises is essential. In the MEDEP districts including Nawalparasi, many micro-enterprise programmes such as bee-keeping, bamboo products, chemical and chemical related, food and beverage, shoes making and leather, metal and engineering, repairing, fiber and textile, wood and timber products, sewing and tailoring etc. have been launched to deal with poverty alleviation. But no research or information documentation on the impacts of such programmes in poverty reduction is available. Along with this issue, this research is an attempt to examine the impacts of micro-enterprise programmes supported by MEDEP on poverty reduction.

### **3. Objective of the Study**

The main objective of this study is to analyze the impact of micro-enterprise on poverty alleviation in Nawalparasi district. The specific objectives are to: (i) assess the economic impacts on the micro entrepreneurs after the operation of micro-enterprise programme, (ii) analyze the trend of micro-enterprises development, and (iii) find out the appropriate technology for further improving micro enterprises production system at local level.

### **4. Literature Review**

#### *Concepts*

An enterprise is broadly defined to include any economic unit engaged in the production and distribution of goods and services whether it employs only one person (the proprietor) or more, whether or not it uses fixed capital, whether or not it has fixed location for conduction business (Harper 1984). Thus, a self employed construction worker, a self employed transport worker such as driver of three wheel rickshaw and self-employed service worker such as shoeshine boy, for example are all treated as constituting an individual enterprise even though they do not hire any employees; own little or no capital; have no fixed business location and produce only services (Pradhan 2004).

Poverty has been defined in various ways. The concepts and measurements of poverty are linked to the way poverty is perceived and defined. In developing countries, different kinds of parameters are used to define poverty. Poverty is defined to include socio-economic condition, education, health, nutrition, marital status and livelihoods of people etc. Poverty is a relative term and may be defined as an economic condition

that is inadequate to meet basic needs of a person (Kunwar 2003). Many efforts have been made to conceptualize poverty and also tried to identify reasons for poverty phenomenon. Unlike in previous efforts, when poverty was defined in terms of inadequate earning level for meeting basic needs, culture of the poor, etc, the recent explanations to poverty tend to be more comprehensive. It is related to a wide range of factors including income, health, education, geographical location, services access, gender, ethnic origin and family circumstances. According to Human Development Report, "more than three-fourths of the World's population live in the developing countries, but they enjoy only 16 percent of the world's income; while the richest 20 percent have 84 percent of the global income". Poverty contributes to physical weakness of people through lack of food, small/weak body, malnutrition leading to low immune response; inability to pay for health service, isolation because of the inability to pay the cost of schooling, inability to powerlessness due to the lack of wealth (Chamber 1983). Three types of poverty such as *absolute poverty*, which refers to the people when they fail to receive sufficient resources to support a minimum level of physical health expressed in terms of calories or nutritional values, *relative poverty*, which refers to general standard of living in different societies culturally stated as being poor rather than some absolute level of deprivation, and lastly, *hardcore or ultra poverty*, which is the group below the absolute poverty line. Poverty is a relationship between the essential needs of the people for survival and physical efficiently and their ability of satisfying them. Those who can not satisfying basic needs such as food, clothing and shelter are called poor (HDR 2005).

#### ***Poverty Alleviation Programme in Nepal***

The government since undertaken its planning efforts in 1956 has been concerned with the poverty alleviation in Nepal. The policy measures and programmes on poverty reduction are reflected on its different periodic plans. The Sixth Plan focused on meeting basic needs of the majority of poor people on the assumption that they were poor due to lack of basic needs and likewise the Tenth Plan had focused basically on poverty reduction, which received highest priority. The plan prepared "Poverty Reduction Strategy Paper (PRSP)", consisting of four major pillars such as broad based sustainable economic development, social development, targeted programs and good governance. The PRSP has given a birth of Poverty Alleviation Fund (PAF) programme to work for the poor. PAF has been working to improve the living condition of the poorest of the poor people through income generating activities, awareness, etc in the poverty stricken districts. The Millennium Development Goals (MDG) introduced in 2001 by UN has set targets for making progress in varied dimensions, including extreme poverty, putting all children into primary school and stemming the spread of infectious diseases all by 2015 (HDR 2005). Nepal Rasta Bank (NRB) began working with the poor through establishing the Gramin Bikas Kendra (Rural Bank Centre) in 52 VDCs across the country. The Bank has defined poor for lending loan, as the people with below 1 ha (1.5 bigha) farm land in the Tarai and 20 ropanis in the hill. For poverty alleviation, the bank has initiated varieties of programmes, including the provision of loan, credit

revolving fund, loan repayment, monitoring and evaluation, auditing, and training (NRB 1998).

#### ***Industrial and Enterprises Development***

The industrial base of Nepal is very poor. The manufacturing sector contributes about 10 percent to GDP and provides employment to slightly over 15 percent of the labour force in urban areas and about 8 percent in rural areas (CBS 2003). Large industries create just one job on average for an investment of not less than Rs 3,000,000. Small and cottage industries are on the other hand generating one job on average for an investment of not more than Rs 10,000. This means that for an employment in industrial sector, promotion of small and medium industries is beneficial (Maskay 2001). Cottage and small industries are estimated to contribute around 30 percent of the total industrial production. In terms of employment generation, the World Bank estimates that 95 percent of the total industrial employments are created by this sector. In addition, small and medium enterprises sector provides several benefits like equitable distribution of income, feeder to large enterprises, dispersed location, local resources based, low and cheap technologies, etc.

The micro enterprises are defined in terms of number of employees, sales turnover, assets, capital used, etc in developing countries (UNDP 1988). However, the quantitative definition of the parameters for the micro enterprise varies from country to country depending on the purpose of the study (Pradhan 2004). In Nepal, according to Industrial Enterprise Act 1992 and Industrial Enterprises Act 2000, "the traditional industries utilizing specific skill, local raw materials/resources, labour intensive and related with national tradition art and culture are defined as cottage industries. Furniture making, curio goods making, oil pressing, dyeing and printing, dairy and juice making, etc, are some of the most important small industries and micro enterprises in Nepal (Kharel 2006).

### **5. Methodology**

This study has been based mainly on primary data collected by micro-enterprise survey, focus group discussion and key informant survey in Nawalparasi district. By December 2002, there were altogether 749 entrepreneurs, forming into 191 groups, which have been classified into the following categories such as beekeeping, bamboo products, chemical related, food and beverage, footwear and leather, metal and engineering, printing services, fiber, textile, and timber products. Of these, 70 enterprises from three categories like bamboo, fiber and textile were selected randomly and questionnaires were administered to them. Each of these sample enterprises was visited and observed their activities directly. In addition, key informant survey was used to collect information about the impact of MEDEP on poverty alleviation. Focus group discussion was also held in the enterprises' areas and acquired data on the impact of the enterprising activities on their living condition, technical and social problems, etc. Checklist was used in both informant and FGD

surveys. Secondary information sources including reports, documents, profiles, etc were also used.

## **6. Findings and Analysis**

### ***Introduction to the Study Area***

Nawalparasi district, which lies in western Tarai region, has population of 562,870 and population density of 260 per km<sup>2</sup>. The district has literacy rate of 47 percent (CBS 2003). Agriculture is the main occupation. The economic condition of the district is largely affected by long open border with India. Easy access to Indian manufacturing products has severely hampered the industrial development in the district. There is a huge competition for local micro-enterprise with the Indian products. However, the district provides profitable opportunities for micro-enterprise based on locally available raw materials such as sugarcane, mustard, bee-keeping, sericulture, vegetables, fruits, pulses, spices, timber, bamboo, stones, etc. The district products are readily marketed at major cities like Narayanghat, Butwal, Bhairahawa, Pokhara, Kathmandu and others within the country. The village economy still relies on the local artisans and handicrafts for most of the local needs.

MEDEP was launched in Nawalparasi in November 1998. The Programme has launched its activities in 27 Village Development Committees (VDC) and their 40 localities across the district. The Programme had initially targeted to promote and support 600 entrepreneurs out of 3,482 households. Due to large demand, the number of micro-entrepreneurs reached to 749, including 417 women by the mid-2003. The woman micro entrepreneurs have provided employment to 498 males and 684 females. The programme is being implemented at 12 market centers like Arunkhola, Ashnaiya, Bardaghat, Deurali, Dumkibas, Gaidakot, Gopiganj, Kawasoti, Parasi, Rajhar, Sunwal and Tribeni. The Programme has provided training on Micro-Enterprises Creation and Development (MECD) to the entrepreneurs to undertake and run enterprises efficiently. The Programme on the whole appears to be effective in improving the social and economic status of the targeted participants.

### ***Characteristics of the Sample Enterprises***

The 70 sample entrepreneurs accounted for 27.3 percent of the total entrepreneurs created by MEDEP. They represented 55.7 percent related to bamboo products, 25.7 percent to bag weaving, and 18.6 percent to fiber textile. They were located in Daunnedevi, Sunwal, and Gaidakot VDCs of Nawalparasi district.

Of the 70 enterprises, 21 were already established and 49 were newly created enterprises after the intervention of the Programme. The sharing of these entrepreneurs by women and men was 70 and 30 percent respectively. The age of the entrepreneurs ranged from 10 to over 70 years, of which two age groups such as 30-40 and 20-30 accounted for 33 and 30 percent respectively. Figure 1 shows that the number of entrepreneurs has risen sharply from 20 to 50 years of age. Sixty-five



respondents were married and five were unmarried; all of them belonged to bag weaving enterprises. The entrepreneurs composed mainly of hill and mountain ethnic groups with about 43 percent, Dalits (Biswokarma, Damai, Sunar, etc) with 34 percent and the rest by other castes (Tarain, Bahun and Chhetri). The largest share with 41.4 percent was from the family size of 3 and 4, followed by family size of 5 and 6 (35.7%).

The illiteracy rate of the entrepreneurs was 24 percent. Of the literate entrepreneurs, just literate and primary education together accounted for the largest, 61 percent and the rest 15 percent by entrepreneurs with secondary and higher education levels. The ratio between girls and boys attending schools was not so varied.

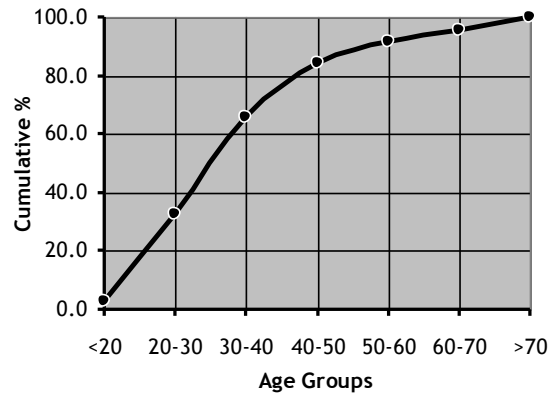


Fig. 1: Age groups of sample entrepreneurs

The entrepreneurs were mostly poor and landless. Almost 36 percent entrepreneurs were without land for cultivation and likewise 54.3 percent were without land parcel for housing. The latter meant rented households or living in squatter settlements. Among those entrepreneurs having landholding, 19 had owned land below 0.34 ha, 16 had owned from 0.34 to 0.68 ha, and 7 had owned over 0.68 ha.

Income of the entrepreneurs found to be varied considerably. The Bamboo product enterprises earned higher monthly average income of Rs 9,573 than the other two enterprises - fibre with Rs 6,500 and bag weaving with Rs 1,142. In terms of total investment, bag weaving enterprises had the lowest with Rs 1,752 among the three enterprises. The investment of the bamboo product enterprise was Rs 2,908, which was smaller than the fiber enterprise with Rs 5,569.

#### ***Water and Sanitation Facilities of the Sample Households***

The sample entrepreneurs' households have accessed to tube well and tap sources for drinking water; with the former source to 55 households and with the latter to 15 households. In case of sanitation, not all of them have accessed to toilet type; yet 17 households (24%) have used open defecation in near by jungle.

#### ***Income and Expenditure Patterns of the Entrepreneurs***

A total of 226 persons have been employed by the sample enterprises, with average employees of 3 per enterprise. Of the total, 76 percent has been run by the entrepreneurs with the support of their own family members and the rest 24 percent

by hired workers. The entrepreneurs have derived their income from six major employment sources like agriculture, livestock, wage labour, services, business and micro enterprise, and agriculture and micro enterprise. Of these, the business + micro-enterprise have shared the largest with 54.3 percent of the total income, followed by wage labour and agriculture and micro-enterprise; each of the latter two shared 28.6 percent. The entrepreneurs have owned livestock for the selling like live animals, meat, and milk. Except wage labour, all other employment types have shown improved. For instance, the income of the business enterprise has increased from 16 percent to 54.3 percent before and after the undertaking of MEDEP supported enterprises. In case of agricultural enterprise, the income rose from 14 percent to 28.6 percent after undertaking of the enterprise.

Table 1 shows that over 71 percent entrepreneurs have mean monthly income below Rs 4,841 (average of all total). Greater income group with Rs 10,000 and over accounted for 7 percent, and some of these entrepreneurs have earned as much as Rs 30,000 per month.

Table 1: Distribution of Entrepreneurs by income group

Income groups (Rs)	Entrepreneurs		Income (Rs) per month		
	No.	%	Min.	Max.	Mean
<2,000	11	15.71	1,200	1,600	1,400
2,000-4,000	29	41.42	2,000	3,500	2,471
4,000-6,000	10	14.28	4,000	5,000	4,550
6,000-8,000	11	15.71	6,000	7,000	6,209
8,000-10,000	4	5.71	8,000	9,000	8,250
10,000-12,000	1	1.42	10,000	10,000	10,000
>12,000	4	5.71	15,000	30,000	23,750
Total/mean	70	100	1,200	30,000	4,841

Source: Field Survey, 2006

The entrepreneurs' income pattern determines their consumption level. The expenditure (consumption) pattern of the entrepreneurs being made on five important items like foods, cloths, education, health, festivals and others is shown in Table 2. While transpose the table data into other way round (consumption items by income groups), relatively larger proportion of the income group <2000 found to be spent on health, while that of 4000-6000 on cloths and festivity activities; that of 6000-8000 on three items in equal terms like foods, cloths and health, and that of >8,000 on foods.

Table 2: Consumption Pattern of the Sample Entrepreneurs

Income groups (Rs)	Foods		Clothing		Education		Health		Festivals		Others	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
<2,000	9	12.9	19	27.1	22	31.4	35	50.0	22	31.4	10	14.3
2,000-4,000	29	41.4	19	27.1	25	35.7	23	32.9	27	38.6	44	62.9
4,000-6,000	13	18.6	21	30.0	10	14.3	4	5.7	21	30.0	12	17.1

6,000-8,000	8	11.4	8	11.4	6	8.6	8	11.4	-	-	4	5.7
> 8,000	11	15.7	3	4.3	7	10.0	-	-	-	-	-	-
Total	70	100	70	100	70	100	70	100	70	100	70	100

Source: Field Survey, 2006

#### **Saving Pattern of Entrepreneurs**

Out of 70 sampled entrepreneurs, the survey result indicates that 10 had no saving at all. Among the saving groups, i.e. 60 entrepreneurs, the largest number with 32 entrepreneurs had saving of Rs 5,000 and below. The number of the entrepreneurs gradually decreased as the amount of saving increased, except in the saving of Rs over 40,000 that belonged to 5 entrepreneurs. While in other saving groups, the number ranged from 3 to 8. These saving patterns reflect the income size of the entrepreneurs relative to their family size, i.e. smaller the family size, the greater is the income and saving.

Of the total, three entrepreneurs had run their enterprising activities on their own money or without borrowing loan. Out of those (67) who borrowed loan, 11 entrepreneurs had due loan. Fifty-nine female entrepreneurs had obtained loan as compared to 18 males. Mostly the loan size borrowed by the females ranged from Rs 10,000 - 20,000 and one female borrowed loan above Rs 70,000.

#### **Impacts of Micro Enterprises**

The entrepreneurs were largely inspired by MEDEP and its enterprising training to undertake enterprises. Fifty entrepreneurs inspired by MEDEP. Other sources of inspiration to undertake enterprises included their parents, other entrepreneurs and relatives. Training of enterprising development to the entrepreneurs through providing knowledge, attitude and skills has been crucial component. The MEDEP training package, "Start and Improve Your Business" (SIYB) provided to all sample entrepreneurs.

According to the survey results, about 96 percent of the respondents got improved in skill development and likewise

Mr. Balaram Ghimire, a resident of Suryanagar tol, Daunnedevi-2 of Nawalparasi district, had worked as a wage labour in the Bardaghat Fiber Industry and earned Rs 2,000 per month. He had difficult time and hard life working as wage labour. Mr. Ghimire was inspired by MEDEP and its activities. He got an opportunity to participate in the training on Fiber production and SIYB package by MEDEP and began the fibre production enterprise with the initial loan of Rs 3,000. With his hard and sincere working, he could earn profit of Rs 2,000, purchased machines and hired employees within six months. He has been able to expand his enterprising activity through obtaining loans during different cycles and the last time he got loan of Rs 50,000 and repaid. During the survey time, Mr. Ghimire had hired 13 employees and purchased six machines for his fiber enterprises and earned Rs. 7,000 per month. Beginning from wage labour and living in squatter area, he built his own house and bought small piece of house yard. He bought a bicycle for making effective his enterprising activity. He has got time to be involved in community development works. He wanted to have further training to strengthen his enterprise. Mr. Ghimire has been a successful entrepreneur and a role model to inspire others to undertake enterprising activities.

90 percent got improved in their economic situation. Further, about 47 percent of the respondents was being able to send their children to schools for education, but only 4 percent responded improvement in their health status and likewise only 20 percent entrepreneurs found to have improved in the consumption of adequate foods and 80 percent have not improved their food status due to lack of awareness. Eight entrepreneurs were able to buy land for buildings or cultivation purposes.

Satisfaction over the enterprising activities that supported fully their livelihoods has been crucial for the entrepreneurs. While one-third of the entrepreneurs were fully satisfied with their enterprises, two-thirds were somehow satisfied with the amount of income they earned. The entrepreneurs have been benefited largely from skills and appropriate technologies, particularly in the fields of soap making, blending of wood and bamboo, etc to support locally available resources. However, still about 73 percent entrepreneurs have used traditional and obsolete technologies. About 23 percent entrepreneurs have used improved technology. In bamboo products enterprises, bamboo splitting tools and other traditional cutting tools were used, whereas the fiber and textile products enterprises had used automatic looms, double/single shuttle jacquard looms, warping drum, and machines of carding, interlock, and spinning, etc.

#### ***Marketing of Local Products***

The micro-entrepreneurs found to have selling their products through different channels and agents like selling directly by entrepreneurs, delivering at local markets, wholesaler, and cooperative. Of these, wholesaling agents were the largest, shared about 67 percent. This was followed by the selling at local market and selling by the enterprises themselves. The products were available in Butwal, Narayanghat, Kathmandu, etc by marketing link.

Before the intervention of MEDEP, there were two major problems like access to formal credit source and marketing of the products and as a result, not many entrepreneurs were encouraged or involved in enterprising activities. These problems have been reduced to lower level after inception of MEDEP in the district. The survey shows that 60 entrepreneurs did not have any problems. Out of 10 who still faced problems included few bamboo and bag weaving enterprises. The problems faced by those bamboo entrepreneurs comprised market competition and low market price, while those by the bag weaving entrepreneurs included the problems of market and raw materials supply.

#### ***Productions Trend of the Micro-Enterprises***

The production trend of the three enterprises has been analyzed in three time periods with reference to MEDEP like starting, mid-time and end or phase out time. MEDEP took place in the district in 1998, i.e. starting time, the Programme was phased out in 2003, and the mid-time indicates the period between the beginning and the phase out

years. The monthly sales of fibre, bag and bamboo products were Rs 8,000, 1,400 and 6,000 respectively during the initial phase, which increased to Rs 10,000, 2,000 and 12,000 by the mid-time and to over Rs 16,000, 4,500 and 16,000 by the end. The ratios of increase in production were 25, 43 and 100 percents for the fibre, bag and bamboo products respectively between initial and mid-time periods, which increased by 100, 221 and 167 percents respectively by the phasing out period. By the same way there was also increased in the investment and income for all three enterprises but with different ratios.

## **7. Conclusions and Recommendations**

The three types of enterprises like fibre, bag weaving, and bamboo products covered in this study have been operated by the entrepreneurs upon receiving enterprising and other trainings from MEDEP. The entrepreneurs of bamboo products have been based on locally available raw material, whereas for other two enterprises, some raw materials are to be bought from distant large markets. Most of the sample micro-entrepreneurs were new, poor and landless, and majority of them were women. The micro-enterprise has been the main income source for about 45 percent of the total 70 sample entrepreneurs while majority of them also derived income from other sources, in addition to micro-enterprise.

There has been improved in the livelihoods of the sample households. The enterprising activities have shown growing trend, measured in terms of production, investment and income. The average income of the sample entrepreneurs was Rs 4,847 per month, and the monthly income ranged from Rs. 1,200 to maximum of Rs. 30,000. The enterprises have employed not only the entrepreneurs themselves and some of their family members, but also other people outside of their families. The average employment ratio was 3 persons per enterprise. With these incomes, the entrepreneurs were able to spend on meeting their basic needs like foods, cloths, children education, health, and festivities. In most cases, the enterprises have not faced any marketing problems for their products.

To sustain the micro enterprising activities however, the entrepreneurs require training programme regularly to upgrade the knowledge, skills, and technology. The training would also be essential to attract more new entrepreneurs. Also observed is that the size of micro-credit requires to be increased as to meet the nature and type of the enterprises. Support programs such as use and dissemination of technology, skills, exhibitions and extension services at local level should also be a priority focus of the micro-enterprise development. There should be a proper network for the flows of industrial information, raw materials, technology, market and enhancement of management, quality of the products, etc.

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