

Micro-Enterprises Development for Poverty Alleviation

Volume II



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**Socio-cultural and Economic Effect of Micro-Enterprise
Development Programme¹
A Case Study of Byangdhunga Community Shoe Production
Entrepreneurs of
Tukucha Nala - 2 of Kavrepalanchok District**

Abstract

Though MEDEP has shown that micro-enterprise development is a good tool for poverty alleviation, it has not been widely adopted in the country. It indicates that people do not know much about it and its impacts on poverty reduction. This study was undertaken to provide this information by finding out the social, cultural and economic effects of micro-enterprises among the entrepreneurs. The analysis was carried for before and after MEDEP interventions in shoe-making enterprise. This study has concluded that MEDEP has achieved its goal of improving socio-economic status of low-income families. Furthermore, this study has confirmed that MEDEP's model of creating and developing micro-enterprise is a good tool for diversifying livelihoods and increasing earning of low-income families in rural areas. In view of the low participation of women, it is hereby recommended that MEDEP should focus more on women in its future activities. Though the study was limited to one type of enterprise (shoe-making) only, it has shown that skill development training is an essential tool for the promotion of micro-enterprise.

1. Introduction

1.1 Background to the Study

Poverty is a state in which resources are lacking to meet the necessities for living. The causes of poverty vary over time and life cycle due to unemployment, old age, low pay, loss of bread-earner, ill health, etc. One important means of fighting poverty including others in developing countries would be to create work and generate income. Generally, income at the base is the only means to stimulate the local economy. In this regard, the development of micro-enterprises can play a great role for sustainable economic growth of the poor. Since micro-enterprises aim to diversify livelihoods and increase the earnings of low-income families, it has a great support to the poor households. Development of micro-enterprises makes the optimum use of local resources and decreases the rate of unemployment in rural areas.

¹ MA Thesis 2008 by Shanti Ram Bhandari - Nepal: Tribhuvan University, Trichandra College, Department of Sociology/Anthropology

Statement of the Problem

Around 40 percent of the population still lives in poverty in Nepal. The incidence of poverty is high in rural areas where agriculture is the main source of livelihoods. The slow growth of agriculture is the cause of high poverty in Nepal (SAPEE, 2003). Though MEDEP has shown that micro-enterprise development is a good tool for poverty alleviation, it has not been widely adopted in the country. This is because either these poor people do not have the knowledge about micro-enterprises or they lack skill or financial capital to start and run an enterprise. It indicates that there is a need to show the importance of micro-enterprise in poverty reduction. This study was undertaken to provide this information.

1.2 Objectives of the Study

The objectives of this study were to:

- find out the social, cultural and economic effect of micro-enterprises among the entrepreneurs, and
- identify the possible sector(s) for micro-enterprise development in the study area.

2. Literature Review

2.1 Poverty

The Oxford Dictionary of Sociology defines poverty as a state in which resources, usually material but sometimes cultural, are lacking. Absolute poverty refers to a state in which the individuals lack the resources necessary for subsistence; whereas the relative poverty refers to a situation in which the individuals lack resources when compared with that of other members of the society. Anthropologists refer "culture of poverty" as a source of poverty (Henslin). In poor families, they stick to tried and true traditional ways. This is because, for them, it could lead to hunger if the new technique tried fails. Such families need orientation to entrepreneurship and exposure to successful enterprise.

2.2 Poverty Reduction Policies

Poverty is the creation of human mind and thus is not an economic issue alone. Its formation is closely linked with geopolitical dimensions, socio-cultural issues and the development process and practices of the past. Hence, poverty eradication is not as simple as it sounds, yet the task is not impossible if the resources available today are properly mobilised by those responsible authorities (SAPEE, 2003). The GoN has been focusing on poverty alleviation as a national policy since the first five-year plan in 2013 B.S. The Three-Year Interim Plan (2008-10), has also emphasised on poverty alleviation. The plan aims to establish peace and reduce unemployment, poverty and inequality (NPC, 2008).

2.3 Micro-Enterprise Development Policy 2007

The objective of the policy is (Mol, 2007):

- to provide opportunities of self-employment by way of micro-enterprise and entrepreneurship to the hard core poor people, and
- to encourage the maximum use of local resources, means technologies and skills, while improving modernising and diversifying the traditional occupation or sector.

2.4 Overview of MEDEP

MEDEP is a joint initiative of the GoN and the UNDP to address poverty through the development and promotion of micro-enterprises. Under the first phase of this initiative, the programme was implemented in 10 districts in 1998 for a period of five years. Entrepreneurship development, technical skill development, market research and product diversification, technology transfer, enhancing access to micro-credit and business counselling were the major services provided by the programme. The MEDEP model is presented in Figure 1. In its first phase (1998-2003), MEDEP successfully established 6,690 micro-enterprises (11.5% above the target). Based on this success and the lessons learned, the programme was further expanded to another 10 new districts in its Second Phase (2004-08).

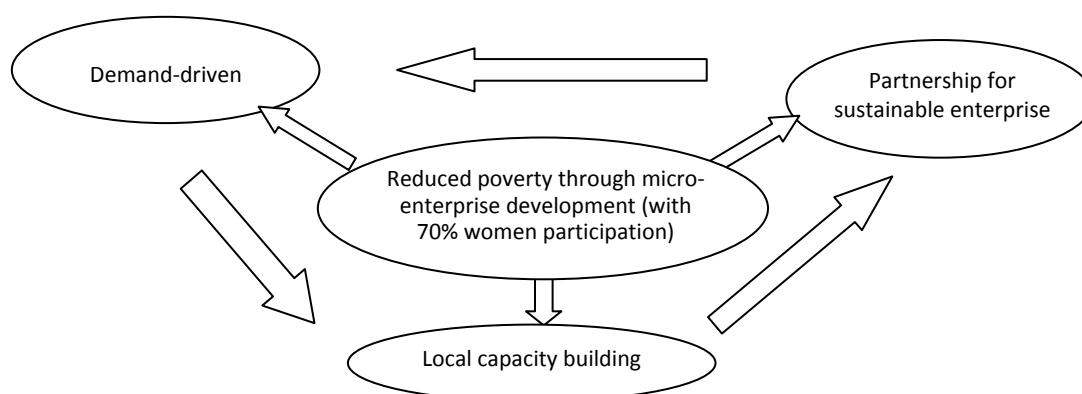


Figure 1: Micro-enterprise development model

3. Research Methodology

3.1 Conceptual Framework

Poverty has manifold dimensions and many roots. Since it is a state in which resources are lacking in day to day lives, it has a strong correlation with geographical locations, socio-economic variables and demographic variables. As an alternative source of employment, thousands of youths are working in the Gulf supporting their families to come out of poverty. However, this does not seem sustainable as the impact of global changes such as the economic recession of 2008-10 affects such labour market. In addition, there are many Nepali labours being cheated. In light of these facts, the

development of micro-enterprises can become the best supportive means to reduce poverty in general and more specifically of women and other disadvantaged groups.

3.2 Analytical Framework

In order to analyse the impact of the micro-enterprise development on poverty reduction, this study has arranged the related variables into four strata namely social effect, cultural effect, economic effect, and selecting other possible sectors for future intervention in line with the envisaged objectives of the study. The analysis was carried for before and after MEDEP intervention in three points scale. To avoid ambiguity in the interpretation of the results, this study has adopted the following definition of the important variables:

Poverty: A state in which resources, usually material but sometimes cultural, are lacking.

Micro-enterprise: A development and economic means to address the needs of rural consumers and employment markets in the developing world.

Poverty alleviation: The action of reducing poverty level.

Socio-cultural and economic effect: The positive changes caused by micro-enterprise development programme in the community.

Entrepreneurs: People who are involved in micro-enterprises.

3.3 The Data

The Byangdhunga Community Shoe Production Enterprise of Tukucha Nala-2 of Kavrepalanchok was purposively selected for this study as this enterprise was supported by MEDEP. There were 24 households involved in this community enterprise. All 24 households involved were included in this study. Hence, the study was limited to the information got from the group of entrepreneurs if one micro-enterprise only. The required primary information was collected by conducting a household survey. Some key informants were also interviewed to get in-depth information about the enterprise.

4. Results and Discussions

4.1 Demographic Characteristics of the Studied Entrepreneurs

Since the studied enterprise was a community shoe-making enterprise, all the entrepreneurs were taking up one enterprise - shoe-making. The entrepreneurs were from the same ethnic group (Magrati). There were 29 percent women entrepreneurs. The average family size was 5.17. None of the entrepreneurs were much educated; they were either just literate or had only the basic education. The results showed that the entrepreneurs meet MEDEP's all criteria of participant selection except women (29 against the target of 70%).

4.2 Effect of MEDEP

Social Effect: The social effect was judged on the basis of some related factors which were taken as the major affective areas. It was observed through 18 close-ended and

six open-ended questions. The summary of the result is presented in Table 1. The results showed that believing in group effect was the most affected area and attending social meetings as the least one. On the other hand, three areas namely respect from the family, and respect from relatives, and schooling of the children was found as the non-effective areas.

Table 1: Summary of social effect before and after MEDEP intervention

Position	Affected area in question	Status before intervention	Status after intervention	Difference
Most affected area from MEDEP intervention	Believing in group effect	42%	100%	58%
Least affected area from MEDEP intervention	Attending social meetings	69%	76%	7%
Area not affected by MEDEP intervention	Respect in - family, relatives; and schooling of children	-	-	-

Cultural Effect: Cultural effect in this study was analysed by making subjective judgement of the effect of intervention. The effects were observed on the basis of 12 close-ended and six open-ended questions. The way of using language was found as the highly affected area whereas using material objects in the family was found as the least affected area (Table 2). The result showed that the way of using language was the highly affected area while material objects in the family were the least affected area. Importance given to festivals, following family rituals, wearing traditional ornaments, knowledge about cultural values, language spoken in the family, and knowledge about religious codes were the non-effective areas.

Table 2: Summary of cultural effect before and after MEDEP intervention

Position	Affected area in question	Status before intervention	Status after intervention	Difference
Most affected area from MEDEP intervention	Ways of using language	58%	78%	20%
Least affected area from MEDEP intervention	Buying and using materials	61%	67%	6%
Area not affected by MEDEP intervention	Importance given to festivals, following family rituals, wearing traditional ornaments, knowledge about cultural values, language spoken in the family, and knowledge about religious codes	-	-	-

Economic Effect: The effects were judged on the basis of household survey focusing on the economically effective areas. It was done with the help of 11 close-ended questions. The results revealed that self-respect economically was the most affected area and the extracting raw materials, manufacturing goods and selling finished products were the second most affected areas, while Knowledge about capitalism, globalisation, communism, industrialisation were the least affected areas. The income made by these 24 entrepreneurs was Rs 239,447 (191% increase) as compared to Rs 82,131 before the MEDEP intervention.

Table 3: Summary of economic effect before and after MEDEP intervention

Position	Affected area in question	Status before intervention	Status after intervention	Difference
Most affected area from MEDEP intervention	Self-respect economically	53%	91%	38%
Second most affected area from MEDEP intervention	Extracting raw materials, manufacturing goods and selling finished products	33%	67%	34%
Least affected area from MEDEP intervention	Knowledge about capitalism, globalisation, communism, industrialisation	33%	42%	9%

4.3 Identification of other Possible Sector(s)

In order to find out other possible sectors for micro-enterprise development, a question "what is the most possible enterprise that can be started easier than others" was asked. Almost all the responses were focused on women-oriented enterprise like sewing, embroidery, candle-making, hair cutting and dressing, etc.

5. Conclusions and Recommendations

5.1 Conclusions

Based on the results and the major findings of this study, it can be concluded that MEDEP has improved the social, cultural and economic status of the entrepreneurs involved in shoe-making community enterprise in Byangdhunga. It indicates that MEDEP's goal of improving socio-economic status of low-income families was achieved. The objective of diversifying livelihoods (shoe-making was a new livelihoods area for Magrati ethnic group) and increasing income by 50 percent (there was 191% increase in income) was also achieved.

Recommendations

Though the MEDEP model and interventions were found effective in improving the socio-economic conditions of the participating entrepreneurs' families, the participation of women (29%) in the enterprise was much lower than MEDEP's target (70%). Hence, it is recommended that MEDEP should focus more on women in its future activities. Women-oriented enterprises like sewing, embroidery, candle-making, hair cutting/dressing were found other possible sectors for micro-enterprise development. MEDEP should focus on these sectors to enhance women's participation. It was also found that the entrepreneurs having previous skill were benefiting more from the enterprise. MEDEP should consider this and emphasise more on skill development training for those who have no previous skill to operate the enterprise.

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