

# Commercial Banks and Rural Development in Nepal

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Banking institutions can play a significant role in bringing about rural development. This article starts with a discussion of the rural economy of Nepal. Next, it highlights the experiences of banking institutions in rural development. Finally, the lessons learnt from these experiences and the potential for greater involvement of commercial banks in rural development, are discussed.

## RURAL ECONOMY

Nepal is predominantly a rural and agricultural country where 93 percent of the population live in rural areas. Agriculture provides the major source of livelihood for 94 percent of the population. The average per capita income is \$ 160 in 1983 dollars and accordingly, Nepal ranks as the fourth poorest country in the world. It is well known, however, that the per capita income as an index of development completely ignores the distribution aspect and hides the acute poverty that may exist. Therefore, the uneven distribution of productive assets in general and land in particular, can be taken as a proxy for the prevalence of poverty in the country.

### Ownership of Land Holdings

Land distribution in Nepal is extremely skewed. Approximately 50 percent of households have holdings of less than one-half hectare, which accounts for only 6.6 percent of the total cultivated area. Conversely, 47 percent of the total cultivated land, covered by holdings of more than 3 hectares is owned by only nine percent of all households. Two-thirds of the total households have holdings less than one hectare and account for 17.4 percent of the total cultivated land (Table 1).

Land distribution is more skewed in the Tarai than in the hills. Among the households owning less than one-half hectare of cultivated land, 45.6 percent of households own only 3 percent of total cultivable land in Tarai as compared to 54 percent of households owning 12 percent of cultivated land in the hills. Similarly among the households owning more than 3 hectares of cultivated land, 58 percent of land is owned by 14 percent of households in the Tarai, whereas 33.4 percent of land is owned by only 5 percent of households in the hills (Table 1).

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Table 1  
Farm Size and Distribution of Cultivated Land Holding in 1981

Size of Holdings	Number of Households	Percent	Total Hectares	Percent	Avg. Hectare per holding
NEPAL					
Less than 0.5 hectares	1,107,902	50.5	161,987	6.6	0.15
0.5 - 1.0 hectares	355,420	16.2	264,522	10.8	0.74
1.0 - 3.0 hectares	535,964	24.4	868,201	35.3	1.62
Above 3.0 hectares	194,623	8.9	1,160,628	47.3	5.96
Total	2,193,909	100.0	2,455,338	100.0	1.12
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TARAI					
Less than 0.5 hectares	434,210	45.6	38,705	2.8	0.90
0.5 - 1.0 hectares	123,250	13.0	91,367	6.5	0.74
1.0 - 3.0 hectares	262,336	27.6	463,521	33.1	1.77
Above 3.0 hectares	131, 312	13.8	807.833	57.6	6.15
Total	951,108	100.0	1,401,426	100.0	1.47
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HILLS AND MOUNTAINS					
Less than 0.5 hectares	673,692	54.2	123,282	11.7	0.18
0.5 - 1.0 hectares	232,170	18.7	173,155	16.4	0.75
1.0 - 3.0 hectares	273,628	22.0	404,680	38.4	1.48
Above 3.0 hectares	63,311	5.1	352,795	33.5	5.57
Total	1,242,801	100.0	1,053,912	100.0	0.85
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Source: HMG of Nepal, Central Bureau of Statistics, Sample Census of Agriculture, Kathmandu, 1981, Nepal.

A comparison of the landholding distribution in Nepal between 1961 and 1981 in Table 2 shows that the number of households with landholdings less than one-half hectare increased from 8.5 lakhs to 11 lakhs, and their share of the total cultivated land declined from 11.8 percent to 6.6 percent. This increase in the number of marginal farmers on the one hand and their declining share in the total cultivated land, on the other clearly indicates that the holdings of the lower 50 percent of the households have lessened over the last two decades.

Data on landlessness is inadequate; however, there are general indications that over 10 percent of the households in Nepal are landless.<sup>1</sup> The ARTEP Study in 1974 indicates that 23 percent of households in Tarai were landless.<sup>2</sup>

Table 2  
Farm Size and Distribution of Holding in Hills and Mountains

Size of Holding	Number of Households	Percent	Total Hectares	Percent	Avg. Hectare per holding
<u>1961</u>					
Less than 0.5 hectares	748,437	70.6	174,008	33.7	0.23
0.5 - 1.0 hectares	209,547	19.8	141,344	27.4	0.67
1.0 - 3.0 hectares	91,575	8.6	139,216	27.0	1.52
Above 3.0 hectares	10,283	1.0	55,083	10.7	5.36
Total	1,059,738	100.0	516,040	100.0	0.49
<u>1981</u>					
Less than 0.5 hectares	673,692	54.2	123,282	11.7	0.18
0.5 - 1.0 hectares	232,170	18.7	173,155	16.4	0.75
1.0 - 3.0 hectares	273,628	22.0	404,680	38.4	1.48
Above 3.0 hectares	63,311	5.1	352,795	33.5	5.57
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Source: HMG of Nepal, Central Bureau of Statistics, Sample Census of Agriculture, Kathmandu, 1968 and 1981, Nepal.

Population

Between 1961 and 1971 the population of Nepal grew at a rate of 2.05 percent per annum. This was followed by high rate of growth of 2.67 percent per annum during the period of 1971-81. On July 11, 1987 when the estimated world population reached 5 billion, Nepal recorded its estimated population to be about 17.5 million and the forecast is that the population will reach to 22.5 million by the year 2000.<sup>3</sup>

The consequence of this rapid population growth on limited cultivated land is deterioration of the man/land ratio and the rapid increase in the density of the population (Table 3)

Table 3  
Area and Population Density by Ecological Zones, Nepal Census Year  
1952/54 - 1981

<u>Content</u>	<u>Unit</u>	<u>Mountain</u>	<u>Hill</u>	<u>Mountain &amp; Hill</u>	<u>Tarai</u>	<u>Total</u>
Area (Total)	Sq.km.	51,817	61,345	113,162	43,019	147,181
Cultivated land	Hectare	122,587	939,704	1,062,291	1,401,426	2,463,717
Population Density with respect to						
<u>Total Land</u>						
1952/54	People/sq.km.	-	-	47	85	56
1961	"	-	-	53	101	64
1871	"	22	99	64	128	79
1981	"	25	117	75	193	102
Population Density with respect to						
<u>Cultivated Land</u>						
1952/54	People/hectare	-	-	5.0	2.1	3.4
1961	"	-	-	5.6	2.4	3.8
1971	"	9.3	6.5	6.8	3.1	4.7
1981	"	10.6	7.6	8.0	4.7	6.1
District	Number	16	39	55	20	75

Source: HMG of Nepal, Central Bureau of Statistics, Population Monograph of Nepal, Kathmandu 1981, p. 15.

The population density per square kilometre of the surface area increased from 56 persons in 1952-54 to 102 persons in 1981. This is still one of the lowest in the world and does not seem to be a major problem. However, when density is measured in terms of population per hectare of cultivable land the picture is alarming. There were only 3 persons per hectare of cultivated land in 1952/54 and this has increased to 6 in 1981, despite more area being brought under cultivation. It has doubled during the last 28 years and it is estimated that it will be 9 persons per hectare of cultivable land by the year 2000.

The population growth structure is such that the dependency ratio<sup>4</sup> in Nepal has increased from 77.3 in 1952/54 to 88.8 in 1981.<sup>5</sup> This implies that the burden on the labour force (productive adults) supporting the young and old has increased considerably over the years.

The high growth rate of the population also implies high growth in the labour force. Apparently this increase in the labour force is more pronounced in the agriculture sector in Nepal. The data on labour force structure in Nepal indicates that the proportion of labour force between the agricultural and non-agricultural sector has remained unchanged from 1961 to 1981. Non-agricultural labour force accounted for 6 percent of the total labour force in 1961, which increased to 7 percent in 1981 (Table 4).

Table 4

Distribution of Labour Force (15 Years and Above) by Agricultural and Non-Agricultural Occupation, Nepal, Census Year 1961-1981

	1961		1981		Growth Rate per year
	Number (000)	%	Number (000)	%	
Total labour force	4,307	100.0	5,878	100.0	1.8%
Agricultural labour force	4,039	94.8	5,314	90.4	1.6%
Non-agricultural labour force	236	5.5	417	7.1	3.8%
Unspecified	32	0.7	148	2.5	18.0%

Source: HMG of Nepal, Central Bureau of Statistics, Population Census.

This Table indicates that the total labour force has increased during two decades at the rate of 1.8 percent while the agricultural labour force increased at the rate of 1.6 percent. The non-agricultural labour force and unspecified group increased at the rates of 3.8 percent and 18.0 percent respectively. In the last two decades the proportion of agricultural labour to the total labour force declined from 93.8 percent in 1961 to 90.4 percent in 1981. On the other hand, the share of non-agricultural labour increased from 5.5 percent in 1961 to 7.1 in 1981.

The projection of the labour force, made by the Central Bureau of Statistics, HMG, for the year 1981-2000 indicate that "the working population of Nepal, enumerated at 6.85 million (10 years and above) in 1981, will increase to 11.22 million or by 64 percent by the beginning of the twenty-first century. At least 4 million new jobs must be created to provide employment at the 1981 level to the growing labour force during the period 1981-2001.<sup>6</sup>"

Thus the above discussion clearly indicates that in view of this increasing poverty, unemployment and underemployment, the challenge facing Nepal is enormous. Greatly disturbed and consequently concerned by this gloomy economic situation of the majority of people in the country, His Majesty King Birendra made an appeal to the nation on December 16, 1985, "Let us pledge that we in the remaining years of this century, will be able to shake off the poverty imposed on us by our least developed economy and that by the year 2000 A.D. we will be able to achieve a standard of living which is adequate to lead a life of human dignity by Asian standard."

It is in this context that this article examines the role of commercial banks in the alleviation of poverty in rural Nepal. The commercial bank's first and foremost goal is to achieve commercial viability and therefore, they generally prefer financing trade and commerce activities rather than agricultural, small cottage industries and services sectors which they find both risky and costly. However, in view of national needs, they should be prepared to meet the very challenging objective of uplifting the weaker but important section of our society. Also there is a high pay-off for social credit programmes in the long run because by improving the economic levels of the poor, the bank creates more eligible clients for its future commercial lending.

#### COMMERCIAL BANKS' EXPERIENCES IN RURAL DEVELOPMENT IN NEPAL

The entry of commercial banks into rural development is a recent phenomenon in Nepal. It was only in 1974 that Nepal Rastra Bank gave a directive to the commercial banks (Nepal Bank Limited and Rastriya Banijya Bank) to invest at least 5 percent of their total deposit liability in "small sectors". The small sector was redefined in 1976 and was renamed the "priority sector". In the same year commercial banks were again instructed by the Nepal Rastra Bank to invest 7 percent of their deposit liability in the priority sector. The priority sector includes agriculture, cottage and small scale industries and services. The progress of lending to the priority sector was found unsatisfactory until 1980. In other words, the priority sector activities did not receive priority from banks. The reasons, are succinctly spelled out in the Priority Sector Credit Manual: "The target could not be achieved because of the traditional tendency of banks to emphasize collateral security rather than the viability of a project and due to a lack of prerequisites, such as a well planned programme, trained personnel and coordination between banks and sectoral line agencies. Thus only individuals who were astute, influential and able to provide collateral, benefitted from this program. Furthermore, investments were geographically scattered making supervision difficult. Due to this lack of effective supervision the major portion of loans was misused, loan

repayments were minimal and the underprivileged sections of society were denied credit for lack of collateral."7

With the strong leadership of the Nepal Rastra Bank, the "Intensive Banking Program" (IBP) was introduced from 1981 by publishing a manual on IBP for priority sector credit to guide such investment. The main objectives of IBP are to help increase the production, employment and income of the households of specified geographical areas through the provision of credit and support services in the field of agriculture, cottage industry and services sectors. The Intensive Banking Program stress "area development, project viability, regular supervision and the principle of extending credit on a group guarantee basis to low income families who are unable to offer collateral."8

The priority sector scheme is based on intensive supervision by bank staff. Each participating branch office is responsible for a small area covering about 400 households with special provision that 60 percent of the total loan disbursed should go to the poorer section of the society. Under this programme, households with 5 members with annual income less than Rs. 6490 are identified as small/poor households.

There is a high level Priority Sector Coordination Committee under chairmanship of the Governor of the Nepal Rastra Bank. The other members of this Committee are secretaries to the Ministries of Finance, Agriculture, Industry, Panchayat and Local Development and National Planning Commission, the Deputy Governor of Nepal Rastra Bank, General Managers of Nepal Bank Limited, Rastriya Banijya Bank, Agriculture Development Bank and Nepal Industrial Development Corporation, an economist from the Centre for Economic Development and Administration (CEDA) of Tribhuvan University, and a representative from the private sector. The Chief Manager of the Banking Development and Credit Department of the Nepal Rastra Bank is the Secretary of the Committee and the secretariat of the Committee is in the Nepal Rastra Bank. This Committee guides, reviews progress, determines activities under the priority sector and assists in bringing about coordination between banking institutions and sectoral development ministries.

Similarly, the priority Sector Coordination Committee is formed at the district level to solicit coordination and cooperation from various sectoral agencies. Presently this programme is being carried out through 201 branches/sub-branches of the commercial banks in 67 districts of the Kingdom.

This programme is not only limited to economic activities but has also supported various types of social activities such as adult literacy, family planning and women development. Table 5 summarizes some of the measurable achievements from 1981/82 to 1985-86.

Table 5 indicates a significant increase in total amount in the rate of disbursement from the year 1981/82 to 1985/86. It is but natural that in the beginning of the program, the efforts went more on disbursement of the loans to meet the targets, rather than on collection. Since commercial banks are required to spend at least 7 percent of their total

deposit liability in the priority sector; so the emphasis was on expansion of credit supplies. Also, loan repayment requires vigorous efforts both for supervision and collection, requiring more staff. The ongoing evaluation of the Intensive Banking programme by Agricultural Projects Services Centre (APROSC) in 1985 clearly indicates an acute shortage of bank staff. The APROSC finding was that a unit on an average had only 1.7 staff while 5 were required as per the prescribed policies. At the same time, many loans were not due for repayment also. Thus the collection aspect of the credit activity in the Table looks bleak.

Table 5  
Achievement of the Commercial Banks in Priority Sector Credit Under  
Intensive Banking Programme

Total Credit Activities of three sectors (In thousand rupees)						
Fiscal Year	Disbursement		Collection		Outstanding	
	No. of Loan	Amount	No. of Loan	Amount	No. of Loan	Amount
1981/82	815	4,624	56	220	750	4,305
1982/83	2,018	11,789	444	2,036	2,333	14,148
1983/84	4,539	35,294	989	6,204	5,883	43,238
1984/85 <sup>1</sup>	8,771	71,799	2,208	17,885	12,356	97,152
1985/86 <sup>2</sup>	8,459	98,891	2,945	24,562	17,870	171,481
Total	24,602	222,397	6,732	50,916	17,870	171,481

Source: Nepal Rastra Bank, Development Finance Department, Priority Sector Credit Section.

1. Information from some of the branches/sub-branches not available.
2. Tentative; up to Mid April 1986 only.

Table 6 presents the number of loans, total amounts and amount per loan in three sectors.

Table 6 indicates that the commercial banks have disbursed about 323 million rupees until mid-January 1987 to finance about 32 thousand projects. The average amount per project (loan) is about 10 thousand rupees. More than 50 percent of the loans were disbursed to cottage and small industry, and the average amount per loan is about 36 thousand rupees which is almost 8 times more than average agricultural loan and four and half times larger than average services loan. From the supervision and collection point of view, it is natural for commercial banks to disburse a few big loans rather than a large number of small loans. However, objective of rural development is to improve the well-being of a majority of poor households, which implies that commercial banks should try to reach as many poor households as possible by increasing the number of loans, rather than limiting it to only a few.



Table 6  
Cumulative Loan Disbursement in Agriculture, Cottage and Services Sector  
from 1981/82 to January 15, 1987

Sectors	Number of loans	%	Amount (000)	%	Amount per loan
Agriculture	20,088	63.3	85,060	26.3	4,234
Cottage & Small Industries	5,125	16.1	185,978	57.6	36,288
Services	6,547	20.6	52,143	16.1	7,964
Total	31,760	100.0	323,181	100.0	48.486

Source: Nepal Rastra Bank, Development Finance Department, Priority Sector Credit Section; also published in Gorkhapatra, August 8, 1987.

#### Production Credit for Rural Women

The Production Credit for Rural Women, a highly innovative project, deserves special mention. This project is jointly undertaken by the Ministry of Panchayat and Local Development and commercial banks. UNICEF has played a significant role in promoting this program through the UNICEF-assisted "Basic services for local development programme."

Studies on the status of women in Nepal have clearly indicated that "increases in women's earning capacity serve not only to enhance women's status and economic security, but also to improve the living standard of their families - particularly their children."<sup>9</sup> So the central purpose of this project is to enhance women's status by increasing their earning capacity. The Women's Development Section of the Ministry of Panchayat and Local Development (MPLD) is the lead agency for the implementation of this project, where the commercial banks under their Intensive Banking Programme give vital support to this project. This project is commonly known among rural women as 'Pewa Badhowne' programme.

Under this programme, the Ministry of Panchayat and Local Development has appointed Women Development Officers (WDO) in selected districts where the Intensive Banking Programme is in operation. The WDO works together with the Branch Bank Manager, the Bank Field Assistant and specially trained women volunteer to organize women into groups, help them identify and plan income generation activities and secure the necessary credit and inputs to carry out those activities.

This programme primarily focuses on three activities:

- (1) Credit supply for income generating activities related to agriculture, cottage industries and services.

- (2) Support of community development projects such as drinking water, child care centres, trail/bridge construction, adult literacy, family planning and so on.
- (3) Skill development through a wide variety of training in economic as well as community activities.

This programme seems to have been highly successful and has received support from several bilateral and multilateral international agencies. In addition women volunteers from various expatriate Volunteer Agencies are engaged in supporting MPLD personnel at several project sites. Recently the International Fund for Agriculture Development (IFAD) formulated a project to provide loan to His Majesty's Government in order to expand this project.

The project has emphasized a group approach similar to the Small Farmer Development Project implemented by the Agricultural Development Bank. There is now complete realization that individually poor people are weak but that by organization into groups they have bargaining power and can take advantage of marketing their products jointly in bulk.

Some of the measureable achievements in terms of number of women credit groups, total number of loans, credit disbursed and community development and training activities undertaken are quite significant. Until June 1985, there were 82 women's credit groups, 410 women credit clients and Rs. 751,050 total credit disbursed. During this period 101 community development projects had been started, the beneficiaries of which were about 27,000 men, women and children. Similarly the number of training courses conducted was 99 where 1037 women were trained.<sup>10</sup>

Table 7 indicates total credit disbursed, total dues and payment and repayment rate in different sections.

Table 7  
Credit Disbursed by Sectors Until June 1985

Sectors	Total Credit Disbursed	Percent	Total Due	(In rupees)	
				Total Collection	Repayment Rate
Agriculture	61,380	8.2	1,306	5,070	3.88
Livestock	643,694	85.7	116,288	51,624	0.44
Cottage Industries	18,900	2.5	6,590	6,478	0.98
Services	27,076	3.6	5,381	2,522	0.49
Total	751,050	100.0	129,565	65,694	0.51

Out of the total disbursement of credit for economic activities, the livestock lending alone has accounted for 85.7 percent, while only 8.2 percent loans went to agriculture, 3.6 percent to services and 2.5 percent to cottage industry. This indicates a significant demand for credit for livestock, particularly goats, pigs and poultry. This is an area where women have experience and feel comfortable. However, it could be a risky investment for poor women, without good veterinary services and inadequate fodder.

The average repayment rate is 51 percent which is not very satisfactory. Also the repayment rate in livestock lending is the lowest. It would be highly desirable to encourage lending in areas other than livestock alone.

#### Small Farmer Development Programme

It seems appropriate to present the experiences of Agricultural Development Bank in implementing another innovative credit programme known as Small Farmer Development Programme (SFDP). The broad objective of SFDP is to improve the conditions of rural poor with an integrated programme of supervised credit through group work plans. The specific objectives are:

- i) to improve the standard of living of the low income of small farmers, landless labourers and disadvantaged rural poor by utilizing their skill, labour and mobilizing the locally available resources;
- ii) to develop self reliance in the target group through constructive group action, so that they are able to organize themselves to plan and carry out the development programme launched for their welfare;
- iii) to adapt the local delivery mechanisms to suit the needs of the small farmers and develop the small farmers to make them capable of utilizing the services of the delivery agencies; and
- iv) to promote the locally available technology for their best use in favour of the small farmers.

A small farmer is defined as one, who depends on the profession of agriculture and cottage industries, whose land holding is less than 0.5 hectares in the hills and 1.5 hectares in the Tarai, who is the tenant, sharecropper, landless labourers, labour engaged in rural cottage industries and other skilled labourers and whose annual income does not exceed Rs. 1200 per person at 1983 constant price.

The SFDP is implemented following group approach. Small farmers are organized into homogeneous groups. No outside pressure is imposed with regard to membership in the formation of these groups. Farmers on their own choose the members of their group. Thus only those who can work together will join together to form small groups. This brings great cohesiveness and durability of the group. The membership in groups should be in the range of 10-25. Bigger groups more than 25 members are dis-

couraged as there are not conducive to the group cohesiveness. Each group elects a group leader and assistant group leader who also acts as secretary of the group.

People do not organize into groups themselves, unless they are talked to and convinced of the benefits to be derived from such organisation. In case of SFDP, group organizers (GO) are employed by Agricultural Development Bank to organize such groups. The overall responsibility for the successful implementation of each SFDP rests upon the GO. The GO has the responsibility of identifying the small farmers, assisting them to form homogeneous groups and assisting them in the preparation of the group's plans.

A group saving scheme is another important aspect of group activities in SFDP. The members of the group regularly contribute some amount (about five rupees) every month to the fund called Emergency-cum-Development Fund for group use. The fund is used to help the needy members to meet their emergency and subsistence needs, thereby reducing their dependency on money lenders or landlords. This fund is also used to meet or supplement the expenses for enterprises undertaken jointly by the group members. In the past 10 years from 1975/76 to 1984/85 an amount of about 2.34 million rupees has been collected under the group saving scheme by small farmers.

The SFDP, starting from two field projects in 1975/76 has increased to 162 in 10 years. The programme has covered 248 panchayats in 50 districts in all the 14 zones of the Kingdom by 1984/85.

With the expansion of the programme, the volume of loan investment, collection and outstanding have increased significantly in the last ten years.

Table 8 indicates that the total credit disbursement in the last ten years was about 167 million rupees. The delinquency percentage has varied from 4.5 percent to 26.6 percent in different years. In 1984/85, it was 17.5 percent. Livestock lending has been found to be highly delinquent. This is most likely due to lack of veterinary facilities in most areas of small farm development projects.

Livestock, crop production and farm mechanisation loans comprise the major areas of lending activity, each getting about 45.0, 19.1 and 15.3 percent of the total investment respectively.<sup>11</sup>

Various social and community level activities have also been undertaken in this programme. Most of them have been carried out with the help of agencies like UNICEF, UNFPA and other agencies of HMG.<sup>12</sup>

Table 8  
Achievements on Credit Activities From 1975/76 to 1984/1985

(Rs. in '000)

Fiscal Yrs.	Investment	Collection	Outstanding	Dilinquency	Deliq. %
1975/76	453	9	444	-	-
1976/77	1120	124	1440	-	-
1977/78	2515	624	3331	152	4.56
1978/79	3357	1189	5499	891	16.2
1979/80	3865	1566	7798	1962	25.16
1980/81	4953	2548	10203	2716	26.61
1981/82	12467	3460	19210	3228	16.80
1982/83	25580	6879	37911	4943	13.03
1983/84	42469	14914	65366	8952	13.67
1984/85	70363	25284	110545	19352*	17.50
Total	167142	56597			

\*Provisional

Source: Agricultural Development Bank, Small Farmers Development Division, A Decade of Small Farmers Development Programme in Nepal, Kathmandu, 1986.

## CONCLUSION

Commercial banks can greatly help to enlarge the productive asset base of small and marginal farmers and enable them to participate in the new technology by providing access to credit and input supplies. Lending in the priority sector requires an altogether different capability than lending in commercial sectors of trade and commerce. As discussed earlier, the efforts made by commercial banks in rural development are commendable. However, in view of the magnitude of the poverty in Nepal, these attempts by commercial banks and agricultural development banks are very scant. By 1984/85, Agricultural Development Bank had covered about 42 thousand households in the kingdom with SFDP Programme. Similarly, the Nepal Bank and Rastriya Banijya Bank had covered about 16 thousand households (assuming that one family received only one loan). If we assume that only 60 percent of 16 thousand households were small/poor households, then only 9.6 thousand of small/poor household were served by commercial banks under the Intensive Banking Programme. Thus the total number of households reached by the specialised anti-poverty credit programmes was about 52 thousand only.

We assume that households owning less than 0.5 hectares of cultivated land fall below the poverty level; this implies that 1.1 million households will come under the category of rural poor, of which hardly 5 percent had been covered under these innovative programmes by the year 1984/85. It is difficult to predict the future. I may leave you here to ponder on how long it will take to reach the majority of the rural poor and remove poverty from the Nepalese scene!

The Intensive Banking Programme along with production credit for Rural Women Project launched by the Commercial Banks and the Small Farmer Development Project launched by the Agricultural Development Bank are most innovative programmes in ameliorating poverty in rural Nepal. The real issue is how fast they can be expanded without any loss in their quality (efficiency and effectiveness) in the shortest possible time. Three factors, among others, seem to be most important for rapid expansion. First, a massive training programme for Bank staff (old and new) to conduct the programme efficiently and effectively and for bank clients (small/poor farmers and entrepreneurs) to improve their absorptive capacity for better utilization of credit. Second, the need for building research capability for continuous generation and adaptation of new technology, since the lack of appropriate suitable technology becomes limiting factor as soon as the programme gains some momentum. And finally, the development of marketing of their products is important to gradually transform them from subsistence-oriented development to market-oriented development and make their investment to be profitable. There may be other aspects as well. However, the challenge before commercial banks is to maintain their commercial viability while simultaneously giving rural development vital impetus.

#### FOOTNOTES

1. R.B. Singh, "A Review of Nepal's Efforts in Poverty Alleviation," FAO in Depth Studies, Series No. 13, 1983.
2. Asian Regional Team for Employment Promotion, The Challenge for Nepal: Growth with Employment, a Mission Report (Bangkok, 1974).
3. The Rising Nepal, July 11, 1987.
4. Dependency ratio is defined as the ratio of the population in the 0-14 age group and those 60 years and above to the population in the production age group, i.e. 15-19 years.
5. HMG, CBS, Population Minograph of Nepal (Nepal, 1987), p. 14.
6. HMG, CBS, Population Projections of Nepal.
7. Nepal Rastra Bank, Priority Sector Manual Banking Development and Credit Department (Kathmandu, 1981), p. 8.
8. Ibid.

9. Meena Acharya and Lynn Bennett, "The Rural Women of Nepal: An Aggregate Analysis and Summary of Eight Village Studies", Status of Women Field Studies, Vol. I, Part 9 (CEDA), 1981.
10. Production Credit for Rural Women, Annual Report, prepared by UNICEF, July 1984 - June 1985.
11. Agricultural Development Bank, Small Farmers Development Division, A Decade of Small Farmers Development Programme in Nepal (Kathmandu, 1986).
12. Ibid.