

Production Credit for Rural Women in Nepal

LAYA PRASAD UPRETY*

INTRODUCTION

Women constitute nearly half (48 percent) of Nepal's total population, and traditionally play a significant role in subsistence farming in this overwhelmingly agrarian society. The Status of Women in Nepal study published in 1981 showed that women work an average of 10.81 hours per day, while men work 7.51 hours per day. Women were shown to contribute more to household income than men (50 percent versus 44 percent by men and 6 percent by children). Despite being the backbone of farm and household activities, women's contributions, being mainly in the subsistence sector, are not given due recognition. Women lack access and exposure to most formal institutions, including banks as these are outside the household sphere. Thus rural women are disadvantaged relative to their equally poor male counterparts.

Until quite recently, development plans and programmes ignored gender inequalities, and thus failed to harness Nepalese women's potential for contributing to national development. The impact of the International Decade for women (1975-85) was felt in Nepal. However, in the Sixth Five Year Plan (1980-85) targets were set at the national policy level for the first time for women's participation in development. In the seventh Five Year Plan (1985-90) as well, emphasis is given to enhancing the rate of economic development through the active participation of women.

The Status of Women in Nepal (1981) study was another milestone for women in development in Nepal. Extensive field work in eight communities showed a clear link between women's ability to generate income and their status in the family and community. The study further demonstrated that in communities which encouraged female participation in market activities and women's entrepreneurial abilities, women had a greater say in the use and distribution of family resources than women in other communities. The study indicated that an increase in women's earning capacity plays a role in increasing women's status and security as well as improving their families standard of living.

Nevertheless, most institutional support services have been aimed at men. Women's role in subsistence agriculture and market economy including their considerable decision making responsibilities are not

*Mr. Uprety is an Assistant Lecturer at Central Department of Anthropology/Sociology, Tribhuvan University, Kirtipur, Kathmandu, Nepal.

reflected in any development agency strategies for extension, training, credit, employment, etc. Instead these strategies are targetted almost exclusively toward men, resulting not only failure to mobilize the fully productive potential of women, but in the tendency to actually lower their relative status by not reaching through the inside outside dichotomy to draw women into the highly complex and increasingly important structures of the development process and the wider spheres of society (Acharya and Bennett 1981). Similarly, it was observed that women have received less than 0.2 percent of the institutional credit provided to the agricultural sector (IF AD 1987). In light of such a situation the production credit for rural women (PCRW) programme was introduced in 1982. The programme, originally launched in 5 districts, has now expanded to 44 of Nepal's 75 districts.

In 1974, Nepal Rastra Bank (Central Bank of Nepal) issued directives to commercial banks to invest a portion of their loans in small sector agricultural, livestock, cottage industry and service activities. Amendments made in 1981 allowed the resource-poor to take loans on the basis of group guarantee, without the need to pledge collateral. PCRW aims to make this legislation work for women as well as men. PCRW female field staff motivate women and help them form credit groups. In addition, PCRW assists with a number of community development activities aimed at reducing women's household work burden, improving community living conditions, and providing women with skills necessary for income generation. Needs and priorities are determined locally, but projects undertaken include drinking water supply, adult literacy courses, establishment of child care centres, various skill development training programmes, and health, nutrition and sanitation programmes.

UNICEF was the original donor agency for the implementation of PCRW, and though support has expanded considerably, remains a major donor. The specific objectives of PCRW are:

- To increase the income of low-income rural families by drawing women into the market economy;
- To encourage the development of small scale production enterprises for women;
- To establish self-reliant groups of village women to use these groups as an entry point for initiating a broad range of services;
- To develop a delivery system ... to channel input ... in support of income generation projects; and
- To develop the capacity of the women's development section for the design and implementation of income generation and community development projects.

The target population of PCRW are landless women, migrant women, female-headed households, socially and ethnically disadvantaged women (i.e. low-caste and untouchable) and women from subsistence households.

OBSERVATIONS FROM THE IMPACT EVALUATION STUDY OF PRODUCTION CREDIT FOR RURAL WOMEN (PCRW)

The Women's Development Section (WDS) of the Ministry of Local Development is the implementing agency for PCRW. Major funding agents include HMG/N, and foreign donors such as UNICEF, FAO, ILO, USAID, CIDA and SNV. At the programmes inception in 1982, UNICEF was the only international supporting agency. UNICEF continues to support the programme in 24 districts. The observations in this paper are based on a recent impact evaluation study of UNICEF-supported PCRW sites in which the author was one of research team leaders (CWD, 1989).

A GLIMPSE OF CREDIT PROGRAMME ACHIEVEMENTS GROUP FORMATION

Field level WDS offices are staffed by one Women Development Officer (WDO) and several Women Development Assistants (WDAs). These women are responsible for educating village women about the credit opportunities available. WDS staff motivate women in the target population to form small groups (4 to 10 women). Group members generally come from similar socio-economic backgrounds and mutual understanding, cooperation, friendship and blood relationship were found to be the factors most commonly aiding group formation. Group members select a leader who can articulate their needs.

WDS staff use a survey to confirm that group members belong to low-income families, then recommends the group members to the local commercial bank branch. Loans are disbursed on the basis of group guarantee. The commercial bank conducts its own investigation into group members' socio-economic status. The field investigation showed, however, that this is usually a more formality and that the bank staff normally grant loans on the basis of the WDS recommendation. Credit groups hold regular meetings, and in some cases members fine absentees. In many sites groups are also required to maintain savings accounts in the bank. These savings are sometime used for family welfare and sometime for further investment. WDS staff and bank officials meet frequently with groups to monitor loan use and ensure there is no misappropriation of funds.

PRODUCTION CREDIT, INCOME GENERATING ACTIVITIES AND REPAYMENT

In order to draw women into the mainstream economy rather than segregate them in limited women's programmes, PCRW operates through the existing commercial banking system. Thus so far loans have been invested in four sectors, agriculture, livestock, cottage industry and services. In the sample survey 73 percent of the loans were disbursed for livestock, 18 percent for agriculture, 5 percent for services, and 4 percent for cottage industries. Since the project's inception 1,320 women's credit groups have been formed. Recently mixed groups of men and women have also been formed. Livestock loans are encouraged by the banks because such investments begin generating income relatively quickly and commercial banks are seeking a quick return. In addition, resource poor women prefer livestock loans because they require little adjustment to the women's daily routine, and livestock are easily tended at home.

Survey data revealed that 83.4 percent of women credit clients had never participated in income-generating activities prior to PCRW. Those women who had taken loans prior to the introduction of PCRW had taken them from local money lenders at yearly interest rates as high as 40 percent. Under PCRW, loans are available at the bank rate of 16 percent per year.

The repayment rate has been excellent. Among survey respondents, 87.2 percent had repaid their loans in full. Of the remaining 12.8 percent had taken loans recently and these amounts were not yet due. Defaults have occurred only in instances of livestock dealt and the lack of marketing facilities for agricultural or cottage industry production. A livestock insurance scheme was initiated in 1987 and has expanded to cover 33 districts, including a number of PCRW districts. Within 3 years this programme is expected to be implemented in all 75 districts of the kingdom. Under this scheme, if an animal dies a post-mortem is conducted by a livestock expert. After the death is certified, the insurance company will pay 80 percent of the loan amount while the debtor pays the remaining 20 percent. This will certainly minimize the risk of livestock loans for women. Even in cases where income-generating efforts are not successful, there is a great deal of pressure on women to repay their loans. No group member may take a second loan until all members have paid their loans in full, and thus the social pressure to repay is high. Because the default rate is so low, banks are increasingly willing to extend credit to women on group guarantee.

In addition to quantifiable benefits from income-generating activities, respondents reported having increased confidence in their abilities and skills for income-generating and dealing with bureaucracy.

COMMUNITY DEVELOPMENT ACTIVITIES UNDER PCRW

As mentioned above, within the PCRW programme community development activities function to support and complement credit activities. In the implementation of the PCRW programme, community development activities often function as an entry point through which the credit programme is introduced to villages. The oppressive work burden of Nepalese women has already been noted. A number of community development projects aim to reduce women's work burden to allow them to more easily undertake income-generating activities. In addition, the process of needs-identification and priority setting at the village level brings women together and empowers them to make significant improvements in community life. Community development activities also help the local WDS staff develop a rapport with village women and educate them over time about the credit programme. In such ways community development activities provide a foundation for credit activities.

The provision of drinking water is a common activity in PCRW sites. Collecting water is often one of women's most toilsome burdens. Following the installation of PCRW water systems women in the evaluation sample reported spending 10-15 minutes fetching water which once took 2 hours to fetch. Similarly, the establishment of child care centres has freed both mothers and elder siblings from child care responsibilities. Such

centres are staffed by one teacher and one attendant, whose salaries are paid by UNICEF. Hours, and ages of children accepted vary from site to site, but the centres generally care for children aged 3 to 6 and feed the children one nutritious meal each day. Among the benefits noted by mothers are a release from child care responsibilities, the freeing of older sisters to attend school, and improved health of children who attend the centres. For younger children aged 2 to 3, home-based centres have been established at some sites. Five to seven mothers form a group, are trained by WDS staff, and look after children on a rotation basis. The mothers provide food. Women reported using the time saved by both water systems and child care centres to tend livestock, work in their fields and attend to domestic chores.

Skill development to support income-generating activities and family welfare is yet another aspect of PCRW community development activities. Women who have attended PCRW adult education courses can now sign their names on bank documents rather than having to use their thumbprint. They have also acquired basic reading and mathematics skills. Trainings in kitchen gardening have provided families with a more diverse diet as well as given women a new source of income. Other trainings on fodder plantation, livestock health and various agricultural topics have supported women's credit activities. Other trainings have raised women's awareness of family planning, oral rehydration therapy, sanitation, health, hygiene and nutrition.

The attention given to involving village women in identifying community needs and working towards their fulfillment has led to significant improvements in community welfare in PCRW sites. In the process, village women have gained confidence and new skills and their work burden has been reduced. This, in turn, has provided necessary support for women to participate in income-generating activities aided by access to institutional credit.

CHANGES IN HOUSEHOLD ECONOMIC CONDITIONS

Not surprisingly, agriculture was found to be the most important activity of sampled PCRW households. Ninety percent of sampled households are marginal land holders. Following the introduction of PCRW, agricultural production has risen 15.05 percent. The reasons given are the availability of improved inputs and, accessibility of agricultural extension workers through the local WDS offices. WDS staff offer advice to beneficiaries regarding the use of chemical fertilizers. The significance of the increase in agricultural production is shown by a decrease in households with a foodgrain deficit from 62.7 percent prior to PCRW to 56.96 percent currently.

Livestock holdings among PCRW beneficiaries increased, again not surprisingly given the credit-programme emphasis on livestock. Income from livestock has increased by 72.2 percent among beneficiaries since project inception.

Traditionally women-oriented development projects have been heavily focussed on cottage industries, but cottage industry makes up only a small part of PCRW income-generating activities. Prior to PCRW, 11.9 percent of the sampled households were engaged in some form of cottage industry. Participation in cottage industries has increased slightly under PCRW, and 17 percent of sampled households now engage in such activities. Only 4 percent of loans disbursed were for cottage industries. Nevertheless, income from cottage industries has increased by 110.02 percent. Income from the service sector, which accounts for 5 percent of loans disbursed, has increased by 48.51 percent under PCRW. Service-sector loans are generally given for tea-shops or small retail shops.

All of the sectors showed an overall increase in income since the introduction of PCRW. Households which are not self-sufficient in food-grain production use income earned to purchase food. Another important use of income is investment in assets. The profit from PCRW activities was used by 3.2 percent of women beneficiaries to purchase land. Case studies conducted by the author underscore the importance of asset creation as a lasting benefit of participation in the PCRW programme. One untouchable, landless migrant woman had no property prior to her participation in PCRW. Through credit activities she now owns livestock valued at Rs. 17,000. Another untouchable woman who is separated from her husband had only one goat prior to PCRW participation. She now has livestock worth Rs. 11,900. Another woman from a subsistence household took a loan for Rs. 2500 for goat raising. She used the Rs. 3,000 profit from this enterprise to purchase a young buffalo. A fourth woman, also from a sub-subsistence household used Rs. 6,000 of the profit from her credit financed grocery shop to build a small house. She is also able to send her son to an English-Medium School which costs Rs. 120 per month in fees. Especially in rural areas access to such education is viewed as the prerogative of the wealthy. Such examples show that the extension of credit to women through such programmes as PCRW can be an effective route to rural poverty alleviation.

ATTITUDE CHANGES AMONG FEMALE BENEFICIARIES AND COMMUNITY MEMBERS

In addition to easily quantifiable changes in income and assets, the study revealed changes in individual and community attitudes towards women as a result of PCRW activities. Improvements in relationships with family members, relatives and members of the community were noted by 58.6 percent of respondents. Participants reported that other family members were taking on a greater share of household chores in order to enable the participants to engage in PCRW activities. Friends, neighbours, and relatives now look to PCRW participants for advice and introductions to the WDS staff. Such findings indicate that PCRW has the potential to raise the status of women in their home and communities.

LIMITATIONS OF THE PCRW PROGRAMME

While the study found that the PCRW programme has made significant achievements, it is not without limitations. Among the most striking of these is the heavy emphasis on livestock. While loans for livestock

BOOK REVIEW

P.L. Sankhayan, "Introduction to the Economics of Agricultural Production", Prentice-Hall of India Pvt. Ltd., New Delhi, 1988, (Rs. 39/-), pp. 135.

As the author P.L. Sankhayan opines about his book, the captioned subject for the review, it is an agricultural production economics dealing with production approach for analysing various economic problems in agricultural production. He claims the book to be of use both for students of high elevation and also for researchers. Besides many other things, the book focuses on a relatively new approach of profit function the production environment under influence of risk and uncertainty.

Economics of agricultural production is a branch of economics dealing with production in the farming industry. Economics of agricultural production deals with various aspects of resource use, viz., (a) factor shares (relative income shares of different factors of production), (b) returns to scale (dealing with what happens when all factors of production are increased simultaneously), (c) factor substitution (degree of substitutability between factors of production keeping on changing over time), (d) factor shares and returns to scale (factor shares with change in scale), (e) technical change (to be studied in agricultural production and growth process, and (g) efficiency (including allocative efficiency).

The Approach

The approach used to achieve the stated objectives of economics of agricultural production is that of the neoclassical or marginal analysis which is true for the general discipline of Economics. This approach to production theory is believed to have originated with the work of Von Thunen during 1826 the principle that the total product gets maximized when resources are allocated equimarginally. But there was no explicit statement of a production function until the year 1894 when Wicksteed used a production function with continuous substitution between all factors of production. During the year 1901, Wickcell became one of the first economists who treated the production function explicitly. It, however, goes to the credit of J.R. Hicks for having developed in 1939 a production function for a multiproduct, multifactor firm, which is the standard textbook example of neoclassical production theory.

Production function is the mathematical counterpart of the applied term input-output relationship. The author has described different forms of production functions and their characteristics. Among them, Cobb-Douglas and CES production functions are the most popular and widely used in agricultural research. But Translog Production Function is becoming quite popular in recent times with the agricultural economists, particularly as the use of profit function is becoming more frequent. A profit (or cost) function relates maximized profits (or minimized costs) to the prices of product(s) and input(s), as also to other exogenous variables such as fixed inputs, or agro-climatic and social variables. The parameters of a profit function contain all the information about the underlying production function.

Central Department of Economics
Tribhuvan University
Kirtipur, Kathmandu

Aishwarya Lal Pradhanang
and
Dev Ratna Kansakar

capitalize on women's existing skills and knowledge and require little in the way of landholdings, livestock death is by far the most common reason for loan default. There is a lack of adequate support services at the field level. District-level veterinary and livestock line agencies operate under acute manpower constraints and may be located far from PCRW sites. To date, the livestock insurance programme has covered only a few of the PCRW sites.

Another limitation to the success of PCRW is the lack of marketing facilities. Unless storage and transportation facilities are easily available, concentration should be on activities for which there is a ready local market.

Community development efforts often suffer due to difficulties in getting budgeted funds released in time. Should such problems be overcome, the PCRW programme will be a truly outstanding example of what women's development can achieve.

CONCLUSION

Women's potential for contributing to national development has only lately been recognized, but current development plans and policies emphasize women's participation. The traditional bias towards men in the provision of support services remains, however. It is in this context that PCRW is working through the existing banking and bureaucratic structures to provide poor rural women with access to credit and support facilities. Thus the programme is attempting to draw women into the mainstream of development efforts. PCRW, with its dual emphasis on income-generation and community development, may accurately be termed an integrated development approach. At the household level, the credit programme directly addresses women's need for economic self-reliance. At the community level, the programme addresses locally-identified social concerns. The findings of the impact evaluation suggest that the programme should be extended throughout the Kingdom to bring its benefits within reach of all poor women in the country.

SELECTED REFERENCES

- Acharya, Meena and Bennett, Lynn (1981), The Status of Women in Nepal: An Aggregate Analysis and Summary of 8 Village Studies, Vol. II, CEDA, Tribhuvan University, Kathmandu, Nepal.
- Centre for Women and Development (1989), A Draft on the Impact Evaluation Study of Production Credit for Rural Women, Kathmandu, Nepal.
- International Fund for Agricultural Development (1987), Nepal Production Credit for Rural Women Project, Appraisal Report, Asia Division Project Management Development, Report No. 0074-NE.