

Micro-Enterprises, Development for Poverty Alleviation

Volume I

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

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ISBN: 97899946-916-5-4

Published by:

Micro-Enterprise Development Programme (MEDEP)/UNDP
Ministry of Industry (MOI), Kathmandu, Nepal

Printed in Nepal at : Office Support Service Centre Chhapakhana P. Ltd.
Teku, Kathmandu
Tel.: 4240571
Email.: osscc@wlink.com.np

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.

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

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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CHAPTER V : EMPOWERMENT AND INCLUSION

Economic Empowerment of Women: An Impact Study of Micro-Enterprises in Nuwakot District

Babita Adhikari¹

This study is an attempt to analyze the level of economic and social empowerment of women in the family and society after undertaking of micro enterprises. Micro-enterprise has been a major agent in changing women's role from traditional work to modern work. Based on the results obtained from 100 sample women entrepreneurs carried out in Nuwakot district, it is found that the socio-economic condition of women has changed and women's access to and control over the resources has increased. As a result, the empowerment level in decision making and expenses on their own needs, their children's needs and family improved. Efforts to empower women through self reliance, entrepreneurship skills and management, awareness training require to be continued.

1. Background

In Nepal, women are generally poor in respect to income, asset holding and access to basic social services. Gender disparities in human development, especially literacy, school enrollment and life expectancy are the major problems. Gender discrimination and social exclusion remain serious issues in Nepal. However, since the last two decades, achievements in terms of social development indicators in both women and men have been observed.

According to 2001 census, women constitute more than half of Nepal's total population. They make up more than 48 percent of the labor force and 73 percent in agriculture and 27 percent in non-agriculture sectors. Women's proportion has increased almost in all occupations to some extent. Overall women earn about 80 percent of what men earn in agriculture (NLSS 1995/96). In the context of Nepal, women are categorized as vulnerable, poor and excluded group.

Statement of the Problem

Women in Nepal are much less empowered than men in the political, economic and professional domains. Women's share of earned income is about half of that of men, while their participation in the political process is only one-fourth. Women are the

¹ Ms Adhikari is a Master's degree student of Regional Development Planning and Management, South Asian Institute of Technology, Purbanchal University, 2007. The author is grateful to her thesis supervisor Dr Pradip Upadhyay.

poorest of the poor, a relatively more deprived segment even among the poor (World Bank 1991).

Women are marginalized from economic and social opportunities due to illiteracy, poverty and conservative social taboos. Over the past recent decades women's participation in economic activities has been moved beyond agriculture into the market economy. In search for wage employment, women are moving into small business and self employment ventures thereby creating many formal and informal opportunities for work. Women are increasingly migrating to urban areas for employments like carpet weaving, textiles and handicrafts.

Majority of women are earning incomes through Micro and Small Enterprise (MSE) activities. For example, 76 percent of women's urban employment in Nepal is in informal sector (ICT 2005). The number of women entrepreneurs in SME is estimated to be less than 10 percent of the economically active population. In spite of various credit programs, women's access to institutional credit remains marginal both at individual and household levels. Females' ownership of households' major assets like house, land and livestock is very low. Women get only half the earned income of what men get in terms of purchasing power parity (CBS 2002). It is argued that women require to be empowered, which is only possible through providing income earning opportunities. Given social, cultural and political conditions, micro-enterprise seems to be a best option to employ women in different economic activities. Information on this issue is extremely limited and therefore it is important to explore the insights of women's empowerment through micro-enterprises.

Rationale

Creation of employment situation and utilizing it as a major source of livelihood and revenue generation by women through micro-enterprises is a crucial issue. Though women entrepreneurship is a relatively new phenomenon in Nepal, certain ethnic communities especially Newars, Sherpas, Gurungs, Thakalis, etc are known to have a long tradition of women being involved in small business enterprises. For the last ten years, the concept of women entrepreneurship has progressively gaining moment within the Nepalese society.

Micro-enterprise in agriculturally predominant economy is crucial to generate income, reduce poverty, and empower women. Advancements in women's economic positions improve their social status, bring benefits to their families and enhance their role in community affairs.

Various studies have much focused on the analysis of socio-economic conditions and problems faced by women, but the studies on empowerment of women are extremely limited. Problems and potentials of women entrepreneurs in social and economic contexts virtually remain untouched.

2. Objectives

The objectives of this study are three-folds such as (i) to examine the effectiveness of micro-enterprises in creating employment among the women, (ii) to assess the magnitude of involvement of women in micro-enterprises, and (iii) to explore the level of economic empowerment of women before and after the involvement in micro-enterprises.

3. Methodology

Nuwakot, as one of the MEDEP districts, lies in the north of Kathmandu Valley. There were 1,143 micro-entrepreneurs, consisting of 667 women in the district. Of these, 100 women micro-entrepreneurs affiliated to MEDEP were selected, located in and around the district headquarters - Bidur town where transportation facilities were available. Those selected women entrepreneurs represented diverse socioeconomic features. Semi-structured questions were asked to the sampled women entrepreneurs on their socio-economic condition, education, access to and control over resources, income sources, decision-making power, social network etc.

Group discussion was conducted with the women entrepreneurs' committee members about women entrepreneurs and their status, major socio-economic changes due to support of micro-enterprise program and problems based on the checklist. Observation visits of the women entrepreneurs' activities, physical infrastructure, and management were also accomplished.

Secondary information was gathered from different sources like published and unpublished documents, literatures, etc.

4. Literature Review

Gender Perspective and Issues

Women's empowerment, gender equality and equity expedited since the UN Decade for women 1975-1985. The United Nations declared 1975 as the International Women Year with three broad objectives - equality, development, and peace and urged all its member states to develop national plan of action for the social, economical, political and overall development of women. At the end of the 1980's, women and development had become an institutionalized aspect of most of the international agencies and many national governments have made official programs for women advancement. The UN Nairobi Conference 1990 adopted 'Forward Looking Strategy' for the overall empowerment of the women. Since 1993, various international conferences have been held concerning the gender mainstreaming at national and international levels, elimination of all types of violence against women, rights to women to development, etc.

The inclusion of women in the development process is fairly a new phenomenon in Nepal. With the increase in the women's movement and awareness across different parts of the country, the women in development gathered momentum. In the recent years, gender issues have concerned with the sense of injustice in 'gender gaps', where society ascribed different social roles according to sex. Gender issue is also a political issue, since it involves the unequal distribution of resources between the two genders, arising out of male domination of political system which allows men to allocate to women the heavier burden of labour and the more menial tasks, but to men more leisure and the larger share of rewards and benefits. If the central issue in women's development is equality to men, then there is a need to spell out the different forms and levels of equality that constitute development. Much of the development literature on this subject has concerned with defining equality according to the convention sectors of the economy and society like equality in education, employment, law and so on. Five different levels of equality like control, participation, conscience, access and welfare are the bases to assess the level of women's development in any area.

The productive role of women has been recognized in actual term after the study of the Status of Women in Nepal carried out by the Centre for Economic Development and Administration in 1978. The study documented the extent of adult women's economic contribution in the family economy and made a milestone contribution to create awareness among planners, policymakers and the general public (Poudyal 2006).

Women in development were included in the national policy since the Sixth Plan. Since 1990, policy makers have given due importance to the improvement of women status and established a separate ministry of women. The enactment of the Local Self Governance Act 1999 has contributed to increasing women's participation in the local bodies. Yet another significant step has been the establishment of the National Women's Commission in 2002 to develop policies and programmes aimed for the advancement of women.

Empowerment, Women and Micro-Enterprises

Empowerment involves changes in power relations in three interlocking arenas: within society, within the state and between state and society (Lukes 1974). The core of the concept 'empowerment' lies in the ability of woman to control her own destiny. This implies that women must have not only equal capabilities (such as education and health) and access to resources and opportunities (such as land and employment), but also have the agency to use those rights, capabilities, resources, and opportunities to make strategic choices and decisions through leadership opportunities and participation in political institutions. Empowerment is the process of gaining power, both control over external resources and growth in inner self-confidence and capability (Sen 1997). Johnson (1999) further argues that empowerment also includes access to

knowledge, decision-making power, and raising awareness of participation in their communities and their ability to increase their control over their own environment.

Economic empowerment is fundamental to the achievement of gender equality. Women with economic power is defined as control of income and other key economic resources (land, animals) and gain more equality and control over their own lives (Blumberg 1984). Women's access to savings and credit gives them a greater economic role in decision-making through their decision about savings and credit. When women control decisions regarding credit and savings, they will optimize welfare of their own and household. Investment in women's economic activities will improve employment opportunities for women and thus have a 'trickle down and out' effect. Women's control over decision-making is also seen as benefiting men through preventing leakage of household income to unproductive and harmful sector.

It is estimated that, of the total registered cottage and small scale enterprises only about 2 percent are headed by women. According to the Central Bureau of Statistics about 18 percent in enterprises engaging 10 or more persons have women working as proprietors and family members. Nepalese women entrepreneurs have started enterprises like textile, garments, carpets, hosiery, handmade paper crafts, cane and bamboo products, handicrafts, boutique and fashion designing, tourism, banking and cooperatives, Dhaka fabric pashmina weaving etc. In 1999, the small manufacturing sector contributed 10 percent to GDP, provided employment to 5 percent of the total labour force (IIDS 2000).

The Federation of Nepal Cottage & Small Industries (FNCSI) was established in 1990, which registered about 100,000 cottage and small industries (CSI). Only 40 percent of CSIs were in operation. Since 1989, the Women Entrepreneurs Association of Nepal (WEAN) has been working to develop women entrepreneurs and to upgrade the capacity of women entrepreneurs. It provided training, marketing assistance, and access to credit, networking and other extension services to women entrepreneurs. Many UNDP assisted development programmes at local level have established women led enterprising activities.

Women have a big role to play in developing the micro-enterprise sector in the country. They will have the ability to develop other types of micro-enterprise products such as home-based food stuffs, handicrafts, garments, and many other. Women entrepreneurship is a cross-cultural phenomenon with culture-specific aspects.

5. Results and Discussions

Description of Study Area

Nuwakot is a hilly district of Nepal. It consists of high mountains (2.2 %) and hills (97.8 %). The altitude varies from 457 to 5,144 masl. The district has a total area of 1,121 km² and Bidur is its headquarters town, 70 km far from Kathmandu. The district's total

population is 288,478, with females (145,747) exceeding over males (142,731). Major castes/ethnic groups are Bahun, Chhetri, Newar, Tamangs and others. The gender ratio is 0.98. The population density is 257 per km². About 93 percent population lives in rural areas. The average literacy rate is 51.2%, with 62.1% male literacy and 40.1% female literacy.

The female economically active population is 47 percent as against 53 percent male. The female ownership of household assets like house, land and livestock in the district is very low, ranging from 0.11 percent of house and livestock to 9.8 percent of livestock.

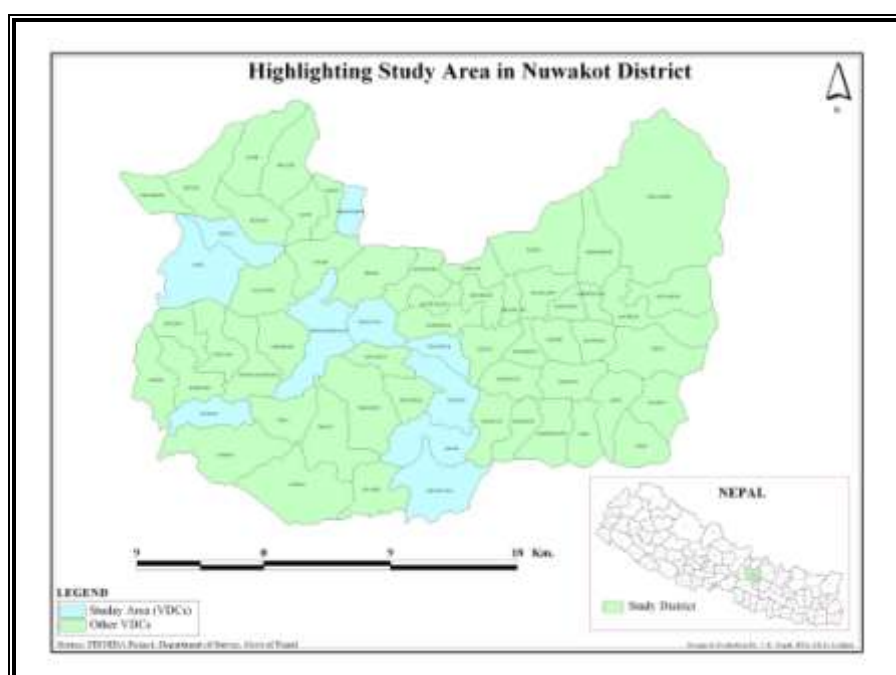


Figure 1: Sample VDCs, Nuwakot District, Nepal

Sample Characteristics

The entrepreneurs from the age group of 36 - 45 years were the largest (33 females). They were 22, 29, 14 and 2 from the age groups of 16-25, 26-35, 46-55 and over 55 respectively. The entrepreneurs with family size of 5 - 7 was the largest, i.e. 53. Twenty-nine entrepreneurs had family size with 4 and below and 18 fell into the family size of 8 -15. Forty-five women entrepreneurs each was from Bahun and Chhetri, and Janajati, while the rest 10 women from Dalits. Eighteen out of 100 women entrepreneurs were illiterate, which was 28 percent before the interventions of MEDEP. Eighty women entrepreneurs were engaged in agriculture, 6 in official work, 9 in business and cottage industry, and the rest 5 in other activities. Landholding distribution was that 36 entrepreneurs' families had over 0.58 ha of land, 27 had 0.26 -

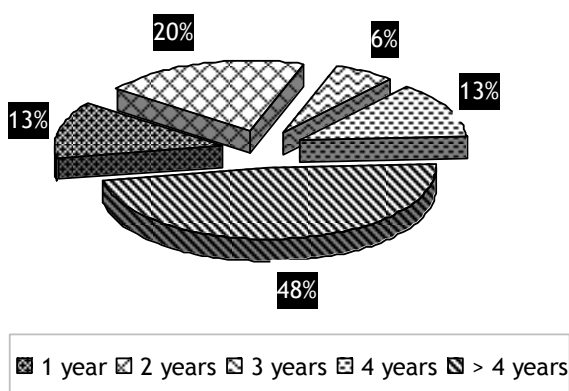
0.52 ha, and 20 had below 0.26 ha of land. Seventeen women were without landholding. It is interesting to note that some female entrepreneurs who had no landholding, but operated vegetables enterprises by taking land in rent.

Economic Impacts

(i) Employment Situation

MEDEP was initiated in Nuwakot in 1998. Since then, forty-eight women undertook enterprising activities and the number of women undertaking the enterprises increased slowly (Fig. 2)

Fig. 2 Undertakings of enterprises by year



Fully employed women with their enterprising activities accounted for 29 percent, which was 19 percent before the intervention of MEDEP. This means that number of women employed in other types such as seasonal and occasional employments has declined. The 100 women entrepreneurs were divided into two enterprising types such as mineral resources-based and agro-based in which there were 54 and 46 entrepreneurs respectively.

Table 1 shows that the annual earning of the women involved in tourism and catering services was highest, i.e. Rs 108,000, followed by vegetable outlets and fruit outlets and others. The sharing of those three enterprises was 21.1, 15.6 and 11.7 percent respectively. The least annual income was from tailoring, accounted for 2.4 percent.

Table 1: Annual income by micro-enterprise

Types of enterprise	Annual income	%
Vegetables	80,000	15.64
Fruit outlets	60,000	11.73
Dairy products	46,080	9.01
Poultry industry	44,200	8.64
Tailoring	12,400	2.42
Hosiery	57,600	11.26
Tourism & catering services	108,000	21.12
Earthenware & construction materials	28,800	5.63
Metal works	14,400	2.82
Other services	60,000	11.73
Total	511,480	100

Source: Field Survey, 2007

(ii) Saving

Saving system has been adopted among the women entrepreneurs. Twenty-eight percent of the total respondents used to save Rs 25 per month from the income earned by the micro-enterprise whereas 45 percent used to save Rs 50 per month.

(iii) Food Production and Sufficiency

Out of 83 entrepreneurs who had landholding for cultivation, 33 had sufficient and surplus production, while the rest 50 had not adequate production. Decision-making to sell the surplus production varied largely between men and women. Forty percent of the respondents' husbands (men) used to take decision in selling surplus production, while 11 percent was taken by women.

(iv) Expenses

Expenses derived from the income sources were being spent for fulfilling households' needs. Of the total 56 surplus entrepreneurs, 32 spent basically for livelihood needs, 23 percent on family health and education, and 1 percent on own health. About one-third of all households bought TV, kitchen utensils and ornaments. Forty women spent the earning money for their own needs and family without asking other family members and 80 women said that they were independent in spending money out of their income.

Women's Empowerment

(i) Access to Credit and Assets and Awareness

The study result showed that 24 women had accessed to bank loan, 21 to group saving and 19 to local money lenders. While provision of loans by the bank and group saving increased largely, loan from the private money lenders declined. They were 11 and 3 respectively before the Programme. The women's access to physical assets increased, for instance property entitlement on women increased from 22 to 25 percent. Yet a large proportion of the women did not have entitlement on house or land. Eighty-eight percent women found to have physical property in their name, but they could not sell their property without asking their family members. Seventy-nine entrepreneurs were unknown about their own rights, whereas 21 percent was found sufficiently aware about women's right.

(ii) Decision-Making Capacity

Capacity of decision making of the women has gradually been increased after undertaking of enterprising activities. Sixty-eight percent women took decision of better schools for their children, which was only 24 percent before. Still 32 percent women had not have such decision making power. The women entrepreneurs were found to be involved in most of decision making in their families. Sixteen percent women were involved in decision-making of household matter, which was only 2 percent before.

There were 28 women already engaged in local organizations before affiliated to MEDEP which increased to 72 later. They participated in meetings, trainings etc. The number of women holding positions in the group or organisations reached to 37 and the number of members listening to women during the meetings also increased to 33.

Problems

Major problems faced by the women micro-entrepreneurs included the lack of access to finance, markets, training and business networks. The women, who operated their enterprise two years before, had got problem of credit access. Due to poor education level and lack of experiences and inadequate training on skills and techniques, they were not so efficient in market management of their products. Denial of women's mobility and exposure to outside work by family members and society was still a major hindrance to involve more women in the enterprising activity.

6. Conclusion and Recommendation

Conclusion

This study made an attempt to analyze the level of economic and social empowerment of women in the family and society after undertaking of micro enterprises. Micro-enterprise has been a major agent in changing women's role from traditional work to non-traditional work. The socio-economic condition of women has changed and women's access to and control over the resources has increased. As a result, the empowerment level in decision making and expenses on their own needs, their children's needs and family improved. Empowerment of women through self reliance, entrepreneurship skills and management, awareness training requires to be continued. In addition, the followings suggestions are provided for further strengthening of women's role in the family, society and organisation.

- Mechanisms should be established so that women entrepreneurs will be aware with the basic information of enterprising activities
- Enterprising development and management including upgrading skills and technology, access to credit, market network information, etc. should be provided to the women entrepreneurs time and again in order to make them competitive.
- Some of the enterprises like Tika making, incense making and tailoring were stopped due to lack of raw materials, market demand, etc. Detailed study on these enterprising activities should be carried out.

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