



# Funding a Microcredit Revolution

A rural microcredit scheme is not only reducing poverty in rural Nepal, but also empowering women and breaking down gender barriers.



Lamadanda - Against the backdrop of the Himalayas, 50 members of the Lamadanda Women's Self-Help Centre - all in uniform blue saris and traditional ornaments - have gathered together at the homestead of a member for financial transactions.

As local officials and visitors to the picturesque Nepalese village in Bhaktapur district - 30 kilometers from the capital, Kathmandu - look on, the women recite their oath. They resolve, among others, not to discriminate against members of lower castes, to spend wisely, save, and abstain from tobacco or alcohol.

They then get down to business.

"Namaste, sisters," says 37-year-old Mana Kumari Shrestha, "I need to borrow 4,000 rupees (NRs) (about \$63). I need some money to pay my children's school fees," she explains, when asked by the coordinator why she needs additional funds after borrowing NRs18,000 (\$286) previously.

After a chorus of "yeas" from the assembled group, the funds are approved.

## Empowering Women

The scene is typical of rural microcredit schemes that have sprung up all over the countryside in recent years, with women at the forefront. Observers say they have been pivotal in empowering women, and breaking down gender barriers in Nepal's largely patriarchal rural society.

The Rural Microfinance Development Center Ltd. (RMDC), a private microfinance apex organization set up in 1999, says that 47 out of Nepal's 75 districts have microcredit program through its 60 partner organizations.

"Such programs are making good contributions to reducing both urban and rural poverty across Nepal," says RMDC Senior Manager Meghraj Gajurel.

"The microfinance programs also have a very good loan recovery rate of 99%-100%," he adds. Many commercial banks, by contrast, typically have high loan-default levels.

One key group at the forefront of the microcredit revolution is the Kathmandu-based Center for Self-Help Development (CSD), which is a nonprofit organization running programs in at least seven hill districts of Nepal, including Lamadanda in the adjoining Bhaktapur district - one of its first success stories.

Funded by ADB's Rural Microfinance Project, it now has over 22,000 members - all poor and needy women - in remote villages across the country, says CSD Executive Director Mukunda Bahadur Bista.

## High Repayment Rate

Microcredit is not a novel idea in Nepal's development history. There have been state-sponsored lending schemes in past decades, but the business was given a real spur in 1999 by a \$20-million loan under the Rural Microfinance Project.

Commercial bank shareholders in RMDC now lend their own funds through RMDC to target deprived sectors more efficiently. RMDC has a capital of NRs623.16 million (\$10 million), in addition to NRs1,421.20 million (\$22.5 million) of revolving funds, and NRs279.70 million (\$4.4 million) borrowed funds from commercial banks for on-lending to the microfinance institutions (MFIs). MFIs factor in their operational cost and other expenses (to cover their entire cost) and on lend to the ultimate borrower, says Gajurel.

"We have been encouraged by the microfinance success stories and the loan repayment rate of 99%. We should be able to replicate this model on a wider scale," says Shyamal Shrestha, a Kathmandu-based ADB officer responsible for the microfinance sector.

## Success Stories

Sanjamaya Lama is testimony to that success. The 41-year-old member of the Lamadanda Women's Self-Help Centre lost her husband nearly a year ago, but thanks to a loan, she is coping. "I took about 18,000 rupees and used some of it to rear goats and buffaloes, while the rest is invested in my children's education."

Like her fellow group members, she is clear about how she will pay the loan back. "We make some income. And I also got work at a construction site. No worries. I will have no problem saving so that I can pay it back."

"Being part of the group has not only honed our community, or team spirit, it has also trained me to speak before a group and deal with strangers properly. I feel good, more confident," says Sabita Lama who runs a café by the highway near Lamadanda. With the support of a loan and working with her husband, she now makes NRs1,000 (\$16) daily.

Sabita Lama and the other women of the Lamadanda group are just some of the 2,870 organized into 575 groups that the CSD branch in Sankhu village - a 3-hour walk down the hill from Lamadanda - now assists, branch manager Krishna Neupane says.

Despite the physical demands of her work, Neupane is heartened by the economic and personal empowerment she sees in the women she helps.

"My job is difficult; it requires a lot of climbing up and down our remote hills here. But I feel extremely satisfied with their progress, and with the fact that I am helping many women and families move out of poverty."

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