

MSR NEPAL CASE STUDY 3

CONNECTIVITY AMONG SMALL RETAILERS



Key Takeaways

- **Digitalization works when the system is starting to develop trust**, as it allows more efficient arms-length transactions. But it does not happen unless the wider environment has already engendered some trust, such that a transaction can be relied upon.
- While influenced by many forces, **USAID activities are catalyzing improved connectivity, especially between commercially grounded relationships** outside traditional identity-related, friend, and family groups.
- Activities **catalyzing roads and mobile communications networks are an excellent example of sequencing that is paying off in USAID programming**, as these reach into remote communities, transaction costs for markets to engage those communities decreases significantly.
- This case study explores these themes through the lens of USAID-funded programming in Nepal, such as BHAKARI Activity.



Laxmi Devi Amai, Retailer, Sahajpur. Photo Credit: Prasanna KC

Introduction

Connectivity is burgeoning across the Feed the Future Zone of Influence in Nepal, with examples surfacing around mobile phone penetration, data services, digital financial services, and rapidly improving roads. Being a key driver of market systems resilience (MSR), these swift and distinct changes in connectivity – stemming from both the public (road construction) and private (telecommunications) sectors – are creating a trend towards more connectivity in the Nepali market system.

This case study is one of three from a recent assessment on drivers of Market Systems Resilience (MSR) in Nepal. The assessment (conducted in early 2022 and available at www.agrilinks.org/msp) explored the market system's structure, which is understood by looking at various domains including the connectivity between actors, the diversity of market channels or business models, and power/rule of law concerns. The assessment also explored predominant behavioral norm domains which include a healthy balance of cooperation and competition, decision making processes, and business strategies. This domain analysis highlights the state MSR, or the ability of

a system to respond to and manage shocks and stresses in a way that allows the market system to function sustainably, which in turn, supports household resilience.

USAID activity programming that can investigate and understand connectivity trends within Nepali society will be able to design and implement interventions that complement and accelerate these developments for improved resilience.

Connectivity in far west Nepal

In western Nepal, a small fruit seller named Laxmi Devi Amai neatly outlines the impact and the intersection of these various advances in connectivity.

In Sahajpur, fresh, locally grown oranges are highly valued by traders and customers alike. However, most do not invest in orange production due to unstable pricing caused by inconsistencies in harvesting and weak coordination along supply chains. Because of this, Mrs. Amai would usually have only operated her stall during the brief orange season (4-5 months) and solely concentrated her sales to her local region, before closing up to look for alternative means of income for the remainder of the year. Today, through improved market functions and advances in connectivity, traders like Mrs. Amai are able to operate their stalls during the off-season by capitalizing on the sale of imported goods from India and China as well as expanding the range of sales of local oranges during the growing season.

Road improvements have dramatically reduced the cost of selling her oranges beyond her local market during peak season, and reduced the cost of the imported produce she needs to operate profitably during the off season. These road improvements have led to increased traffic of those coming across her stall as freight companies, tourists, and local residents are now new customers, increasing profits for business in the near and medium term.

At the same time, Mrs. Amai is one of the 60 percent of Nepalis with access to a feature phone, with total mobile phone penetration rates now reaching 131 percent nationwide. As a result, she is connected to her regular customers and her suppliers traversing from India and China with the produce she needs. When buying locally, she engages with farmers who are referring to mobile applications to get information on weather and prices. In her supply chain, weather forecasts are having an impact

on yields and post-harvest losses, while information on market prices are offering them new insight into market trends and enabling more informed decision-making strategies.

In addition, Mrs. Amai is now managing her year-round business and income through cashless, mobile-based transactions. Her customers are paying with QR codes and she is able to purchase her goods digitally. She now has the opportunity to manage her finances through mobile banking, with increased security, better analytics, and reduced transaction costs.

“During COVID-19, my contactless trade model allowed for safe transactions, and I didn’t even experience a dip in sales.”

Laxmi Devi Amai, Sahajpur, Small Retailer

Connectivity in USAID programming

USAID programming that can understand these connectivity advances and the impact they are having on the function of the market system will be best placed to apply programming approaches that engage with and accelerate these endemic changes for improved resilience outcomes. Programming that applies this analysis could, for example, focus on areas where connectivity is still moving outward and there are still underserved populations, and what kinds of short-term incentives the private sector might need to broaden their services to these populations.

One such programming example, from the USAID-funded Food for Peace Building Hope Along the Karnali River Basin (BHAKARI) Activity, did build on these connectivity trends and adapted to emerging needs during COVID-19. The impact of mobile connectivity on emergency response has been valuable during the COVID-19 crisis. During the beginning of the crisis, Viamo, a social, digital technology company, started collecting information from the public through a mobile phone short code information platform.

When people dialed the short code, they could obtain information on COVID-19 and be engaged by playing mobile phone games. Through this process, general data of the respondents could also be collected. With this system in place, development activities like BHAKARI were able to use the data platform to better implement and monitor cash-for-work voucher programs.

Leveraging this connectivity opportunity, BHAKARI was able to reach those on the fringes of food security without duplication by successfully identifying the targeted beneficiaries using their profiles and location data.

Conclusion

Increased connectivity helps small retailers, such as produce vendors and agri-machinery businesses, connect with more rural customers and deliver services in more rural areas.

Digitalization works when the system is starting to develop trust, as it allows more efficient arms-length transactions. But it does not happen unless the wider environment has already engendered some trust, such that a transaction can be relied upon. While influenced by many forces, USAID activities are catalyzing improved connectivity, especially between commercially grounded relationships.



Yogesh Agro Machinery Retailer, Nepalgunj. Photo Credit: Prasanna KC