

**IMPACT OF MICRO CREDIT PROGRAMS ON STANDARD
OF LIVING OF THE PEOPLE OF TIKAPUR MUNICIPALITY**

A Thesis

Submitted to the Central Department of Economics

Faculty of Humanities and Social Sciences,

Tribhuvan University

In Partial Fulfillment of the Requirements

For the Degree of

MASTER OF ARTS

In

Economics

By

Submitted by

Anuja Bhattarai

Roll No.: 9620121/2067

TU Registration No.:7-2-25-294-2005

Central Department of Economics

Tribhuvan University

Kritipur, Kathmandu Nepal

March 2016

LETTER OF RECOMMENDATION

This is to certify that the thesis submitted by **ANUJA BHATTARAI** entitled **Impact of Micro Credit Programs on Standard of Living of the People of Tikapur Municipality** has been prepared as approved by the Central Department of Economics in the prescribed format. This thesis is forwarded for the further examination

.....

Prof. Dr. R. K. Shah

Thesis Supervisor

Date: 2072/11/21 B.S.

APPROVAL LETTER

We have conducted the viva-voce examination of the thesis submitted by **ANUJA BHATTARAI** entitled “**Impact of Micro Credit Programs on Standard of Living of the People of Tikapur Municipality**“ and found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for Masters of Arts in Economics.

Research Committee

.....
Prof. Dr. Ram Prasad Gyanwaly
(Head of the Department)

.....
Prof. Dr. Komal Dhital
External Examiner

.....
Prof. Dr. R. K. Shah
Thesis Supervisor

Date: 2072/12/08 B.S.

21/03/2016 A.D.

DECLARATION

I hereby declare that this thesis entitled “**Impact of Micro Credit Programs on Standard of Living of the People of Tikapur Municipality**” submitted to Central Department of Economics, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirements for the Masters of Arts in Economics under the supervision of my thesis supervisor Prof. Dr. R. K Shah, Tribhuvan University.

.....

Anuja Bhattarai

Researcher

Tribhuvan University

T.U. Regd. No.: **7-2-25-294-2005**

ACKNOWLEDGMENTS

This thesis, **“Impact of Micro Credit Programs on Standard of Living of the People of Tikapur Municipality”** has been prepared as a partial fulfillment of requirement for the Masters of Arts in Economics. In this research, I have tried to explore the living standards of the people before and after the introduction of micro credit programs in a small town of western Nepal.

This research has been made possible through the direct and indirect cooperation of various persons for whom I wish to express our appreciation and gratitude. First of all, I would like to express my sincere gratitude to respected teacher Prof. Dr. R. K. Shah for their direction and supervision to complete the research. I would also like to thank the staffs of Kishan Multi-purpose Co-operative Ltd, Lamki, Kailali for providing me valuable information and suggestions. I am indebted to all the authors whose books have been consulted during the research. Those books provided valuable guidelines to conduct the study.

At last, I would like to thank Mr. Dhiraj Raj Joshi and Mr. Mahendra Bhattarai for their suggestions and ideas that helped me to complete this research successfully. I would also like to thank all those persons whose direct and indirect help remained vital in the completion of this research.

Anuja Bhattarai

TABLE OF CONTENTS

	Page No.
LETTER OF RECOMMENDATION	
APPROVAL LETTER	
DECLARATION	
ACKNOWLEDGMENTS	
TABLE OF CONTENTS	
LIST OF TABLE	
LIST OF FIGURE	
ABBREVIATIONS/ACRONYMS	
CHAPTER - I: INTRODUCTION	1-6
1.1 Background of the Study	1
1.2 Statement of the Problem	4
1.3 Objectives of the Study	5
1.4 Significance of the Study	5
1.5 Limitations of the Study	5
1.6 Organization of the Study	6
CHAPTER - II: LITERATURE REVIEW	7-15
2.1 Conceptual/Theoretical Review	7
2.1.1 An Overview of Tikapur Municipality	7
2.1.2 Tharus and Dalits: An Introduction	8
2.1.3 Poverty in Nepal	9
2.1.4 Theoretical Review of Micro credit program	10
2.2 Empirical Review	13
CHAPTER - III: DATA AND METHODOLOGY	16-21
3.1 Background	16
3.2 Nature and Sources of Data	16
3.2.1 Primary Sources	17
3.2.2 Secondary Sources	17

3.3	Data Collection Procedures	17
3.3.1	Study Area Selection	18
3.3.2	Household Selection	18
3.3.3	Structured Interview	18
3.4	Population and Sample	19
3.4.1	Sampling Procedures	19
3.5	Data Processing and Analysis	20
CHAPTER - IV: DATA PRESENTATION AND ANALYSIS		22-52
4.1	Introduction	22
4.1.1	Socio-Economic Status of Respondents	22
4.1.2	Respondents by caste or ethnicity	22
4.1.3	Age Classification of Respondents	23
4.1.4	Family Size of Respondents	23
4.1.5	Religion Composition of Sampled Respondents	24
4.1.6	Educational Status of the Respondents	24
4.1.7	Respondents by Occupation	24
4.1.8	Ownership in Land and Food Sufficiency	25
4.2	Economic Empowerment	26
4.2.1	Measurement of Absolute Values	26
4.2.2	Measurement of Qualitative Value	40
4.3	Socio-Cultural Empowerment	45
4.3.1	Social Status	46
4.3.2	Ability to analyze socio-cultural factor	46
4.3.3	Influence in Decision-Making Process	48
4.3.4	Education Status of Children	49
4.3.5	Socio-Cultural Situation before Intervention of Micro Credit Program	50
4.4	Major Findings	51
4.4.1	Economic Empowerment	51
4.4.1.1	Findings from Numeric Value Analysis	51

4.4.1.2 Findings from Qualitative Value Analysis	53
4.4.2 Socio-Cultural Empowerment	54
CHAPTER - V: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS	56-60
5.1 Summary of Findings	56
5.2 Conclusion	58
5.3 Recommendations	59
REFERENCES	61-62
APPENDICES	63-72

TABLE OF CONTENTS ABBREVIATIONS/ACRONYMS

UN	- United Nations
NRB	- Nepal Rastra Bank
NGOs	- Non -Governmental Organizations
INGOs	- International Non- Governmental Organizations
FINGOs	- Financial Intermediary Non-Governmental Organizations
KBSS	-Kishan Bahuudesiya Sahakari Sanstha Limited
KMF	-Kishan Micro Finance
UNCDF	-United Nations Capital Development Fund
NLSS	- Nepal Living Standards Survey
GDP	-Gross Domestic Product
HDI	-Human Development Index
US	-United States
GBP	-Gramin Bank Project
BKB	-Bangladesh Krishi Bank
IFAD	-International Fund for Agricultural Development
UNICEF	-United Nations International Children's Emergency Fund
MFI	-Micro Financial Institutions
ADIE	- Association Pout Le Driot a Iinitiative Economique / Association for the Right for Economic Initiative
FINGOs	-Financial Intermediary Non-Governmental Organisations
CV	-Coefficient of Variation

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Microcredit is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral, steady employment and a verifiable credit history. It is designed not only to support entrepreneurship and alleviate poverty, but also in many cases to empower women and uplift entire communities by extension. In other words, it refers to small loans that are provided to the poor and rural people for small projects. In many communities, women lack the highly stable employment histories that traditional lenders tend to require. Many are illiterate, and therefore unable to complete paperwork required to get conventional loans.

Microcredit is a part of microfinance, which provides a wider range of financial services to the poor. Modern microcredit is generally considered to have originated with the Grameen Bank founded in Bangladesh in 1983. Many traditional banks subsequently introduced microcredit despite initial misgivings. The UN declared 2005 the International Year of Microcredit (<http://en.wikipedia.org/wiki/Microcredit>). MFIs are dependent on small savings from group members. Microfinance is a credit methodology, which employs effective collateral substitute for short term and working capital loans to micro-entrepreneurs (Hubka, A; Zaidi, R., 2005). As a definition Micro-finance is, as a part of development finance, rural or urban, targeted towards specific groups of people, male or female, falling in the lower bracket of society. Financial services include savings, credit and other services such as micro money transfer and micro-insurance. This service is differentiated by types of service employment and income orientated objectives, target group, target community, target area and credit at home. Grameen banking model in Nepal was started in 1992 (http://www.hotelnepal.com/nepal_news.php?id=2696).

The overall poverty rate for Nepal is estimated at around 25 per cent, this figure increases to 45 per cent in the Mid-Western region and 46 per cent in the Far-Western region. About 80 per cent of Nepal's people live in rural areas and depend on subsistence farming for their livelihoods (<http://www.ruralpovertyportal.org/country/home/tags/nepal>). Household food

insecurity and poor nutrition are major concerns in these areas, where about half of children under five years of age are undernourished. Most rural households have little or no access to primary health care, education, safe drinking water, sanitation or other basic services.

Poor rural people in Nepal generally have large families, very small landholdings or none at all, and high rates of illiteracy. They are also concentrated in specific ethnic, caste and marginalized groups, particularly those of the lowest caste (dalits), indigenous peoples (janajatis) and women. Almost 70 per cent of households have holdings of less than 1 hectare, and many depend on plots that are too small to meet their subsistence requirements (<http://www.ruralpovertyportal.org/country/home/tags/nepal>). Productivity levels remain low as a result of limited access to new farming technologies, inputs and extension services. On the other hand, social discrimination plays a significant role in keeping people poor and marginalized in rural Nepal. Members of the lowest caste are the most disadvantaged group. Most dalits work as wage labourers for higher-caste farmers (<http://www.ruralpovertyportal.org/country/home/tags/nepal>).

The rural poor in Nepal include:

-) Destitute people, such as those who are sick, disabled or displaced, and abandoned children.
-) Extremely poor people, such as illiterate or landless individuals, and those with very few assets.
-) Moderately poor people, such as those who have small farms but are heavily indebted.
-) The 'nearly poor' – including small farmers who are at risk of falling back into poverty as a result of factors such as conflict, debt and land degradation.

Because of poor growth in the agricultural sector, living standards in rural areas are deteriorating. The growing population has put heavy pressure on cultivable land, especially in the Terai region, where there are also many landless migrants from the hills.

Lack of economic opportunity and conflict has prompted many of the most productive members of rural households to migrate from Nepal in recent years. In fact, Nepal is

one of the world's highest recipients of remittances. Yet almost 80 per cent of remittance income is used for daily consumption, and 7 per cent is used for loan repayment. Less than 3 per cent of all remittances are used for capital formation (NRB, 2013).

Capital formation has been one of the hindrances for carrying out development activities where national budget itself is mostly spent on other operating activities. Due to limited and less effective poor-oriented programs channelized through budget, the real uplift of poor has become day dream for the state runners. On the other hand, micro credit programs are performing well in rural areas for generating employment opportunities at the door steps of the poor. Micro-finance institutions are the specialized types of institutions pursuing income generating activities to promote the interest of the poor by providing banking and financial services and thereby contributing in upgrading their economic and social standards.

There are 35 Micro Credit Development Banks in Nepal: 5 semi governments' rural development banks operating in five development regions of Nepal and 30 micro finance development banks in private sector, 31 FINGOS (financial intermediary non-governmental organizations listed with NRB). Besides, more than 5000 saving and credit co-operative are in operation in Nepal including 16 listed with NRB (NRB, 2013).

As per the provisions laid down by the Central Bank of Nepal (Nepal Rastra Bank), it is mandatory for financial institutions including commercial banks, development banks and finance companies to extend certain percentage of their lending under the designated deprived sector loans. As per prevailing NRB guidelines, review of total lending to deprived sector should be done on quarterly basis meeting the lending requirement with a time lag of 2 quarters (e.g. deprived sector lending at the end of Asadh 2071 should be 4.50% of total loan outstanding of previous quarter end of Poush 2070), otherwise penalty at the rate of highest published overdraft rate has to be paid to NRB for shortfall amount. It shall be increased by 0.50 % each year till it reaches to 5%. Deprived sector loans are supposed to be a measure used by the central bank to promote financial inclusion and establish the habit of formal banking in the rural and poor areas (NRB, 2014).

1.2 Statement of the Problem

Nepal has an experience of more than two decades in micro finance. Although many programs have been implemented for poverty lessening initiatives in Nepal, only micro-finance programs are seen as pro-poor and rural based. A variety of micro-finance development programs including deprived sector credit program as well as other donor supported micro-credit programs were launched during the period. Micro-finance has been particularly recognized as an effective development intervention for various reasons such as the services provided through micro-finance can be targeted specifically to the poor and poorest section of the society and these services can make a remarkable contribution to the socio-economic status of the targeted community as well as the institutions that deliver these services can develop within few years, into sustainable organizations with steady growing outreach.

Difficult topography, remoteness, heterogeneous groups and culture, etc. have hindered for the successful delivery of micro-finance in Nepal. Nevertheless, strength and number of micro-finance institutions in Nepal is in growing trend due to which, it can be believed that the hindrances in the ways of the delivery channel will be overcome in the days to come.

The study is based typically on small geographical area of Tikapur, Kailali, where various micro finance institutions are delivering their services targeting the poor segment of the community. The research will be focused on changing paradigm of the socio-economic standard of the targeted beneficiaries. The study will thus try to find out the answers to the following questions:

-) Is there any change in standard of living of the poor after their participation in micro-credit programs?
-) Is the sustainability of entrepreneurship of the poor of Tikapur Municipality ensured through micro-credit assistance?
-) What are the hindrances faced for effective implementation of micro-credit programs in Tikapur Municipality?
-) What are the mechanisms for better implementation of programs for uplifting the standard of living of the poor through micro credit?

1.3 Objectives of the Study

The general objective of this research study is to focus on the impact of micro credit programs in standard of living of the people of Tikapur Municipality. But the specific objectives of the study are as follows:

-) To analyze the impact on daily livelihood of poor of Tikapur Municipality due to financial assistant provided by micro credit institutions.
-) To examine the impact on sustainability of entrepreneurship of the poor of Tikapur Municipality who have availed micro credit facility.
-) To find out the difficulty in effective implementation of micro credit programs.
-) To suggest the mechanism for better implementation of programs for uplifting the standard of living of the poor through micro credit.

1.4 Significance of the Study

It is estimated that the poverty percentage in Nepal is around 25% which means that at least 15 lakhs of families are categorized below the poverty line (KMF, 2013). Such families are deprived from various recourses which are available to other classes of the society. National campaigns and other programs carried out by NGOs and INGOs are observed to be not more effective for uplifting the poorer. Meanwhile, micro credit programs are becoming successful in this respect in Nepal. It has not gone unnoticed that many poor families are now become able to sustain on their own due to their involvement in small enterprises, animal husbandry and other non-conventional farming activities. Though the study is focused on small geographical area of Tikapur, Kailali, it will be useful for others as well to understand the importance of micro credit in rural areas. As the poverty is prevalent throughout the country, the small picture of Tikapur may be useful for development agencies and researchers to figure out the opportunities and challenges of the implementation parts of the micro credit programs in Tikapur for carrying out similar activities on other parts of the country.

1.5 Limitations of the Study

The study is related to the impact of micro credit programs in standard of living of the people of Tikapur. However, the study is limited to the following points.

-) The study will cover the geographical area of Tikapur Municipality of Kailali district only.
-) The study will mostly be based on secondary data.
-) Only 30 households are considered as sample size.

1.6 Organization of the Study

This research study consists of five chapters only.

-) Chapter I includes general background of the study, statement of the problem, objectives of the study, significance of the study and limitations of the study.
-) Chapter II consists of review of literature. This is another way to describe the purpose of the study.
-) Chapter III describes about the research methodology. It has included research design and research tools.
-) Chapter IV describes about the data presentation and analysis.
-) Chapter V describes about the summary, conclusion and recommendations.

CHAPTER - II

LITERATURE REVIEW

2.1 Conceptual/Theoretical Review

2.1.1 An Overview of Tikapur Municipality

Tikapur is a municipality in Kailali District in the Seti Zone of western Nepal which is located at approximately 14 km South from East-West highway. It is bordered with Munuwa, Thapapur and Durgauli VDCs and Kauriwala River to the east. Dhangadhi is the major market of the district which is around 90 KM west from Tikapur. The municipality is linked by the pitched road further linking Lamki to the north (which is adjoining town of east-west highway) and Indian Boarder to the south. Tikapur is one of the very few planned cities of the country. Tikapur is mainly famous for Tikapur Brihat Park which was once a resting place of King Mahendra. Former minister late Khadag Bahadur Singh formally developed the city in 1973(CBS, 2011).

It had a population of 56,127 living in 11,630 individual households. The population is increasing day by day due to increasing number of migrants from hilly region. People from hilly districts such as Achham and Dailekh are the major migrants of the city. Similarly, people from lower caste groups (Dalits) such as Damai, Baadi, Tamatta, Kaami are also the other settlers of the city. However, Tharu community comprises nearly 40% of total population of the city (CBS, 2011).

Rice, wheat, maize, masuro and rahar (lentil) and vegetables are produced with commercial purpose. Further, Tikapur is also famous for banana harvesting and agro tourism. Similarly, poultry farming and animal husbandry for milk production is also quite common in the locality. On the other hand, agro industries are the major industries of the city which processes rice, flour and mustard oil. Previously, such industries were limited to their supply for local consumption only. However, nowadays, there are many middle and large scales of such industries are established which have been supplying their produce to other parts of the country as well.

Further, previously, Tikapur was also famous for its schools, especially schools run by Christian missionaries. It had imparted education to many students of neighboring districts as well.

2.1.2 Tharus and Dalits: An Introduction

The Tharus are the indigenous ethnic group who live in the northern part of Terai and inner Terai with a concentrated population in the middle and west. In other words, the Tharu people mainly live in the Surkhet Valley in the west mountain region, Chitwan Valley, Dang Valley, Deukhuri Valley, Sindhuli and Udyapur in Inner Terai Valleys of Nepal and the Terai plains on the border of Nepal. As of 2011, the Tharu population of Nepal was censused at 1,737,470, or 6.6% of the total population of the country. Further, the Tharus are recognized as an official nationality by the Governments of Nepal and India (CBS, 2009; CBS, 2011).

Most of the Tharus have Mongoloid features with dark and semi- dark colors. They are aboriginal Terai settlers. Some also believe that Tharus came to Nepal from India during the Muslim invasion in the 12th and 13th century. Hence, Tharus are considered to be the descendants of Rajputs who were evicted from Rajasthan by Muslim invaders, by some scholars/historians.

The Tharu people themselves say that they are a people of the forest. In Terai, they have lived in the forests for hundreds of years practicing a short fallow shifting cultivation. They plant rice, mustard, corn and lentils, but also collect forest products such as wild fruits, vegetables, medicinal plants and materials to build their houses; hunt deer, rabbit and wild boar, and go fishing in the rivers and oxbow lakes. In the past days, the Tharus never went abroad for employment – a life that kept them isolated in their own localities. In this isolation they developed a unique culture free from the influence of adjacent India, or from the mountain groups of Nepal. They basically involved in farming. Later, the migrated people from hilly areas started owning the deforested land and the Tharus remained their labor who works in the fields of landlords for growing food grains; especially in mid and far western regions. They used to get food and shelter from the landlord as remuneration for their hard work. For a very long period, the Kamaiya system- bonded labor stayed in practice. The Government of Nepal outlawed the practice of bonded labour prevalent under the Kamaiya system on July 17, 2000, which prohibits anyone from employing any person as a bonded labourer, and declared that the act of making one work as a bonded labourer is illegal.

Due to this, many Tharus (Kamaiyas) were freed from the bonded labour system. However, the question of their livelihood remained unanswered and they were bound to seek alternatives for their food and shelter. Many males of Tharus left for employment to India and some started working as labour under daily wage basis as well as some stayed in their locality as a small sized traders/entrepreneurs after the introduction of micro credit programs targeted to these groups.

According to the official 2011 census, they constitute 13.6 per cent of the total population (or appr. 3.6 million people), but researchers and Dalit organisations assess that this number could be above 20 per cent – or as many as five million people. Almost half of Nepal's Dalits live below the poverty line. They are landless and much poorer than the dominant caste population. Their life expectancy is lower than the national average, and so is their literacy rate. Dalits comprise the poorest community in Nepal, in terms of all poverty measures (income, consumption and human development). Their land holdings are small and landlessness is extreme among Dalits (15% Hill and 44% Madhesi Dalits). The Nepal Living Standards Survey (NLSS), 2004, estimated that almost half of Hill Dalits (48%) fall below the poverty line and incidence of poverty among the Tarai Dalits (46%), which is 15 percent higher than the national average (31%) (CBS, 2011).

The literacy rate among Dalits has grown in absolute terms but the gap between their literacy (33.8%) and the national average (54%) is still wide. The NLSS, 2004, reveals that only 12 percent of Brahmans, Chhetris and Newars have not been to school, compared to 52 percent of the Hill Dalits and 47 percent of the Tarai Dalits. The life expectancy of Dalits is lower (50.8 years) compared to the national average (59 years). On average Brahmans and Newars live 11 to 12 years longer than the Dalits. Infant mortality is much higher (116.5 per 1000 live births) compared to the national average of 75.2. Under-five mortality is also much higher (171.2 per 1000) than the national average (104.8 per 1000) (CBS, 2011).

2.1.3 Poverty in Nepal

Agriculture remains Nepal's principal economic activity, employing 70% of the population and providing 37% of GDP. Only about 20% of the total area is cultivable; another 33% is forested; most of the rest is mountainous. Almost 70 per cent of

households have holdings of less than 1 hectare, and many depend on plots that are too small to meet their subsistence requirements.

Nepal is ranked 145th in HDI (Human Development Index) in 2014 shows the 2015 Human Development Report launched by the United Nations. HDI scores and rankings are determined based on average achievement in three basic dimensions of human development — a long and healthy life, knowledge and a decent standard of living. Per capita gross national income of Nepalese, in terms of purchasing power parity, stood at \$2,311 in 2014, says the report. The report shows 44 percent of Nepalese are deprived of basic education, health and access to resources.

The overall poverty rate for Nepal is estimated at around 25 per cent, this figure increases to 45 per cent in the Mid-Western region and 46 per cent in the Far-Western region. About 80 per cent of Nepal's people live in rural areas and depend on subsistence farming for their livelihoods. Household food insecurity and poor nutrition are major concerns in these areas, where about half of children under five years of age are undernourished. Most rural households have little or no access to primary health care, education, safe drinking water, sanitation or other basic services.

Poor rural people in Nepal generally have large families, very small landholdings or none at all, and high rates of illiteracy. They are also concentrated in specific ethnic, caste and marginalized groups, particularly those of the lowest caste (dalits), indigenous peoples (janajatis) and women. Overall, Nepal has 6,588,664 number of poor people living below the poverty line (25.16% of 26,187,059 = 6.59 million). Kailali has the highest number of poor (257,204) (<http://sapkotac.blogspot.com/2013/07/poverty-by-district-in-nepal.html>).

2.1.4 Theoretical Review of Micro Credit Program

The idea of micro credit has been instrumental for uplifting the poor worldwide after its origin in 1983 in Bangladesh by Muhammad Yunus, Professor of Economics at Chittagong University. By then it was difficult to bring the poor in banking system as many of them do not have property to offer as collateral for the loan.

Bangladesh had a terrible famine in 1974. Professor Yunus struck from the problem and of the worse situation and tried to resolve this by offering loans from his own pocket. The first loans he provided total sum of US \$ 30 to 42 persons (Ghai, 1984). Later he thought of organizing this in a more institutional way. He, then, went to the

branch of a commercial bank located in the campus and persuaded them to offer loans to poor people in the village by offering himself as a guarantor.

Professor Yunus made continuous efforts to ensure that the borrowers had a sound repayment record. Later, Grameen Bank Project (GBP) by the team of Yunus was extended in two villages, and then five villages, and over an entire district (Yunus, 1982).

The GBP was launched in December, 1976 with the following objectives as stated by its originator:

1. To extend the banking facilities to the poor men and women.
2. To eliminate the exploitation of the moneylenders.
3. To create opportunities for self-employment for the vast unutilized and underutilized manpower resource.
4. To bring the disadvantaged people within the folds of some organizational format, which they can understand and operate, and can, find socio-political and economic strength in it through mutual support.
5. To reverse the age-old vicious circle of low income, low savings, low investment, into an expanding system 'low income, credit, investment' more income, more credit, more investment, more income.

The initial scheme was started in Jobra, a village neighbouring to the Chittagong University Campus. At first arrangements were made with Janata Bank to extend loans to the landless. The operational responsibility for the scheme rested with rural Economics Programme of the Chittagong University. Later at the request of Professor Yunus, the Bangladesh Krishi Bank (BKB) opened an experimental GB branch in Jobra in March, 1978 with the operational responsibility as before resting with the Rural Economics Programme of the University. After the functioning successfully in Jobra and other two villages, another bank - Sonali Bank- agreed to start similar operations in neighbouring village in January 1979. The experiment aroused a growing interest on the part of bankers and others, and in June, 1979, the nationalized commercial banks and BKB came together under the sponsorship of the Central Bank - the Bangladesh Bank - to extend GBP operations to a different part of the country - the Tangail District. Field operations in Tangail began in November, 1979 which also

became the headquarters of the project for two years until its move to Dhaka. The IFAD Board approved a loan of US \$ 3.4 million for the project in September, 1980. Other external agencies such as UNICEF and the Ford Foundation also provided support for the project. Finally, Grameen Bank, was formally established in October, 1983 (Yunus, 1987).

The concept of micro credit has been continuously gaining popularity since then. So far, many poor people have become able to sustain their improvised livelihood due to the help of micro credit throughout the globe. In Nepal as well, it has been influential to cut the graph of poor each year as the people have lifted their socio economic status with the help of such small loans.

According to the UNCDF there are approximately 10,000 MFIs in the world but they only reach four percent of potential clients, about 30 million people. Despite the lack of data on the sector, it is clear that a wide variety of implementation methods are employed by different MFIs. The Grameen Bank has identified fourteen different microfinance models, however, three models have been considered popular viz. Rotating Savings and Credit Association, the Grameen Solidarity Group Model and the Village Banking Model.

-) **Rotating Savings and Credit Associations:** These are formed when a group of people come together to make regular cyclical contributions to a common fund, which is then given as a lump sum to one member of the group in each cycle (Grameen Bank, 2000). This model is a very common form of savings and credit. The members of the group are usually neighbours and friends, and the group provides an opportunity for social interaction and is very popular with women.
-) **The Grameen Solidarity Group Model:** This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Berenbach and Guzman, 1994). Group members collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly. According to Berenbach and Guzman (1994), solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained

by organisations such as the Grameen Bank, who use this type of microfinance model.

) **Village Banking Model:** Village banks are community-managed credit and savings associations established by NGOs to provide access to financial services, build community self-help groups, and help members accumulate savings. They usually have 25 to 50 members who are low-income individuals seeking to improve their lives through self-employment activities. These members run the bank, elect their own officers, establish their own by-laws, distribute loans to individuals and collect payments and services (Grameen Bank, 2000). The sponsoring MFI lends loan capital to the village bank, who in turn lend to the members. All members sign a loan agreement with the village bank to offer a collective guarantee. Members are usually requested to save twenty percent of the loan amount per cycle (Ledgerwood, 1999). Members' savings are tied to loan amounts and are used to finance new loans or collective income generating activities and so they stay within the village bank. No interest is paid on savings but members receive a share of profits from the village bank's re-lending activities. Many village banks target women predominantly as the model anticipates that female participation in village banks will enhance social status and intra household bargaining power.

2.2 Empirical Review

Microfinance is the supply of loans, savings, and other basic financial services to the poor (<http://cgap.org>).

As these financial services usually involve small amounts of money - small loans, small savings, etc. - the term "microfinance" helps to differentiate these services from those which formal banks provide. Micro credit programme has the main objective to generate income through employment opportunities for the underutilized and unutilized labour force by undertaking economic activities on a self-employed basis.

There are many empirical evidences to support the importance of microfinance.

Arifujjaman and Mohammad Anisur Rahaman concluded their study that there is a significant impact of microcredit activities on the improvement of the living standard of the family not only in economic term but also in social term. They further concluded that there is a noticeable and positive impact of microfinance activities on

the living standards, empowerment and poverty alleviation among the poor people in the society (Arifujjaman and Anisur, 2007).

Africa and France encouraged to door to door banking programme. ADIE (Association Pour Le Droit a Initiative Economique / Association for the Right for Economic Initiative) a non-profit Paris based organization is lending up to 30,000 francs (equal to US\$ 5800) to unemployed people a Grameen Bank model to generate self-employment in France (Grameen Bank, 2000).

Later on Malawi Mudzi Fund (Grameen Bank, 2000) followed the Grameen Bank model in Africa, the trust provided credit to poor Malawians. The trust was guided by seven trustees, appointed by the President initially but was outside the government system. The government of Malawi examined Grameen Bank model. The Malawi Mudzi Fund (Yunus, 1982) in Malawi established with US\$ 900,000 is a pilot scheme with the initiative of the International Fund for Agricultural Development (IFAD) and now fully operational. Scheme is organizing the poorest people, the group registration and compulsory 7 days training have been recognized; now the non-beneficiaries have seen the fruits of those who have benefited. The loan is utilized in various income generating activities like small groceries, small butcheries, buying trees and selling firewood, timber and bi-products, buying and selling plastic containers, small restaurants etc. A lot of progress has been made and Malawi Mudzi Fund is able to reach the target group of beneficiaries. It became a suitable programme in high population densities where rural poverty is widely spread.

Poor people save all the time, although mostly in informal ways. They invest in assets such as gold, jewelry, domestic animals, building materials, and things that can be easily exchanged for cash. They may set aside corn from their harvest to sell at a later date. They bury cash in the garden or stash it under the mattress. They participate in informal savings groups where everyone contributes a small amount of cash each day, week, or month, and is successively awarded the pot on a rotating basis. Some of these groups allow members to borrow from the pot as well. The poor also give their money to neighbors to hold or pay local cash collectors to keep it safe.

However widely used, informal savings mechanisms have serious limitations. It is not possible, for example, to cut a leg off a goat when the family suddenly needs a small amount of cash. In-kind savings are subject to fluctuations in commodity prices,

destruction by insects, fire, thieves, or illness (in the case of livestock). Informal rotating savings groups tend to be small and rotate limited amounts of money. Moreover, these groups often require rigid amounts of money at set intervals and do not react to changes in their members' ability to save. Perhaps most importantly, the poor are more likely to lose their money through fraud or mismanagement in informal savings arrangements than are depositors in formal financial institutions (<http://cgap.org>).

CHAPTER - III

DATA AND METHODOLOGY

3.1 Background

This study covers the geographical area of Tikapur Municipality only. Tikapur is situated in Terai belt of Far Western Region. Although having no such long history of its existence, Tikapur is one of the oldest municipalities of the Far Western Region. Further, Tikapur is one of the oldest planned cities of the country having been formally recognized in national arena after 2024 B.S. even though the planning started much later (CBS, 2009). Having said all these, it has been in quite deprived condition from various national level development outlines for decades. Some of the regions behind this are the populace which basically comprises low income earners, squatters, forced labors (*Kamaiyas*), lower caste communities and migrant peoples from the hilly regions whose main source of income is remittance from India where they mainly serve as unskilled labor.

The general standard of living of the people could not improve even after launching various poverty alleviation programs from the government end as well as through working up by a number of NGOs and INGOs. However, through extensive activities carried out by micro finance institutions it has been observed that the entrepreneurship has been developed among the people however small be the size of the business. Due to this, the standard of living has also improved in the communities. Here, we study the impact part of micro credit institutions in the standard of living of lower segment of the society of Tikapur Municipality.

This study will be based on historical data and no variables are in control of researcher and no variables in this research will be manipulated during the study period.

3.2 Nature and Sources of Data

This study is descriptive and analytical in nature. This research basically depends on secondary sources of information available from various sources at the local, regional and national level. These sources of information include the reports issued by various NGOs and INGOs, local bodies like municipality, research papers of other researchers and the annual reports/journals of micro credit institutions. Other information/data has

been collected by conducting personal/group interviews with the people who have/had been in group for obtaining credit facility from micro credit institutions.

3.2.1 Primary Sources

The primary data are obtained through field study by way of conducting interviews with the borrowers. Further, the researcher held discussions with the officials of the institutions as well regarding their experience on effectiveness of the micro credit programs. Five out of nine wards (lower unit of municipality) of the Tikapur Municipality were selected purposively for the study including the ward pertains to town area.

3.2.2 Secondary Sources

Brochures, documents, annual reports of different micro credit lending institutions were consulted. Internal and external literatures were studied to establish the base for shaping general as well as specific background and strategies to assess the direction and coverage extent of primary data collection as per requirement. Official persons were also consulted for compiling and providing the institutional information and data as well as to share their views regarding the information obtained.

The main objective of collecting and compiling such information and data of various years was to trace out the potentiality of small financial resources, to calculate the trends of income generation, examine the sustainability of self-employment, analyze the effectiveness of micro credits on improvement of livelihood of poor; and to find out the difficulty in successful implementation of micro credit programs. The data available from the official reports and persons are compiled and calculated accordingly.

3.3 Data Collection Procedures

As the primary data are collected through the field surveys, various approaches have been adopted. As the beneficiary of the micro credit programs are mainly illiterate people coming from the lower strata of the society, there is seemingly no use of adopting questionnaire method. Hence, structured/unstructured interviews were carried out with the borrowers and the applicants who have availed and wish to avail credit from the micro credit lenders. Also, some focused discussions were held with the officials of some of the micro credit institutions to analyze the information and to share their understanding and experience.

3.3.1 Study Area Selection

The study has attempted to examine and analyze the impact on livelihood of poor of Tikapur and their sustainability of entrepreneurship due to financial assistance provided by micro credit institutions. To analyze the process of social transformation and temporal change variables related to social inclusion, access to education, sanitation and other aspects of better livelihood as well as demographic characteristics are also included under the study. An analytic and discursive method of analysis has been followed throughout the study. For this, various data were to be collected and analyzed.

Data collections were mainly based on the predetermined geographic areas of the municipality. Not all the nine wards were visited for data collection. Significant areas were purposively selected with the help of the officials of micro credit institutions, local people and considering the study of the Municipality's office.

3.3.2 Household Selection

Only 30 households with one borrower from each household of Tikapur were selected for carrying out the study. Five from each ward were selected for four wards and ten from ward no. 9 (main town area) were selected as the population of ward no. 9 is remarkably higher than any other ward. Further, the economic activities of the main town area are obviously more dynamic and dominant than other wards. The main criteria for selecting the respondents was their size of transactions with the micro credit lender for at least three years and involved in any of the entrepreneurship.

3.3.3 Structured Interview

In order to collect primary data different tools were used. One of them was structured interview. The structured interview (Appendix iv) was prepared with sufficient verification.

Various aspects such as occupation before and after micro credit, family size and types, food sufficiency, sources of their income, saving and expenditure, repayment of loan, changes in land/assets holding, school enrollment of children, general know how and sanitation at home, involvement in social activities. As well as other information are included in the interview schedule such as future plans for growth of the enterprises, profit margin and satisfaction due to business, problem faced while obtaining credit facility and other related problems; The main purpose to include all these aspects in the question was to find out the impact on beneficiaries' livelihood in the study areas as well as the role of micro finance in their income and employment

pattern and probable sustainability of the business. Finally, some open questions were also included to enable the respondents to express their views freely so that previous information could be verified.

3.4 Population and Sample

Currently, there are 35 Micro Credit Development Banks in Nepal: 5 semi governments' rural development banks operating in five development regions of Nepal and 30 micro finance development banks in private sector, 31 FINGOS (financial intermediary non-governmental organizations listed with NRB). Besides, more than 5000 saving and credit co-operative are in operation in Nepal including 16 listed with NRB. Out of total deposit in banking system, only 0.6% is represented by micro finance institutions and 2.4% of total lending is contributed by those institutions (<http://www.nrb.org.np>). Hence, in overall figure, the share of micro credit is quite at lower side both in terms of deposit and advances. However, the micro credit institutions have been playing vital role in upgrading the socio-economic status of poor in the country and their contribution can be regarded appreciable.

The total number of groups formed under micro credit is above three hundred thousand in the country making total number of borrowers around one and half million. The total respondents of Tikapur Municipality were 300 but only a tiny portion of them has been considered in the study as the study is based on only 30 such households with the number of borrowers being 30 (one from each household) Tikapur, Kailali. Moreover, the respondents have been further divided as per the ward on the basis of study criteria.

3.4.1 Sampling Procedures

Both the primary and the secondary information have been used in this study. Primary data are collected through structured interview comprising range of questions which fit to the objectives of the study. Similarly, secondary data are collected from various published documents and with the help of information available in internet.

The primary source includes field study, conduction of interview, personal contact, and focused group discussion with concerned people. The collected information are processed in various forms of table for the process of analysis.

Likewise, sampling procedure is followed as purposive sampling to some extent. It is a type of semi random sampling as well as judgement sampling. It helps to obtain desired results from the study.

3.5 Data Processing and Analysis

Various financial and statistical tools will be used to analyze the data. The change in income and expenditure level of the sample size will be evaluated by using different quantitative/mathematical tools. Further, the standard of living will be evaluated on the basis of facility they have been using before and after the use of credit facility. The data will be presented with the help of tables and graphs and analyzed by applying different tools like Arithmetic Mean, the Percentage, etc. and presented in pie-chart and multiple bar diagrams as per the requirement of the study. Indicators related to income and assets distribution system, organizational sub-system and institutional sub-system have been categorically selected and analyzed separately.

3.5.1 Methods of Analysis

The verities of tools and models used to present data generated from primary and secondary sources are as follows:

3.5.1.1 Mean/Average

For a data set, the terms arithmetic mean and average are used synonymously to refer to a central value of a discrete set of numbers. It is the sum of the values divided by the number of values. Mathematically,

$$\bar{x} = \frac{1}{n} \sum_{i=1}^n x_i$$

Where,

\bar{x} = Mean

x = No. of Variable

n = No. of Years

3.5.1.2 Standard Deviation

Standard deviation is a measure that is used to quantify the amount of variation of a set of data values. A low standard deviation indicates that the data points tend to be close to the mean of the set, while a high standard deviation indicates that the data points are spread out over a wider range of values. It is expressed in the same units as the data. Mathematically,

$$\sigma = \sqrt{\frac{\sum_{i=1}^n (x_i - \bar{x})^2}{n-1}}$$

3.5.1.3 Coefficient of Variation

The coefficient of variation is defined as the ratio of the standard deviation to the mean. The coefficient of variation is useful because the standard deviation of data must always be understood in the context of the mean of the data. In contrast, the actual value of the CV is independent of the unit in which the measurement has been taken. For comparison between data sets with different units or widely different means, we should use the coefficient of variation instead of the standard deviation. Mathematically,

$$CV = \frac{\text{Standard Deviation}}{\text{Mean Value}} \times 100 \%$$

3.5.1.4 Karl Pearson correlation coefficient

It is a measure of the linear correlation between two variables X and Y, giving a value between +1 and -1 inclusive, where 1 is total positive correlation, 0 is no correlation, and -1 is total negative correlation. It is widely used in the sciences as a measure of the degree of linear dependence between two variables.

3.5.1.5 Probable error

After the calculation of coefficient of correlation the next thing is to find out the extent to which feet is dependable. For this purpose the probable error of the coefficient of correlation is calculated. If the probable error is added to and subtracted from the coefficient of correlation it would give two such limits within which we can reasonably expect the value of coefficient of correlation to vary. Probable error as a measure for interpreting coefficient of correlation should be used only when a sample study is being made and the sample is unbiased and representative. With the help of sample studies, the correlation in the universe is estimated.

3.5.1.6 Bar Diagram

A bar diagram is a mathematical representation of data. It is a chart that uses bars to show comparisons between categories of data.

3.5.1.7 Pie Chart

A pie chart is a circular statistical graphic, which is divided into slices to illustrate numerical proportion. In a pie chart, the arc length of each slice is proportional to the quantity it represents.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

Primary data were collected from individual household survey and secondary data were collected from Kishan Bahuudesiya Sahakari Sanstha Ltd. The case study was conducted to find out the impact of micro credit program launched by various MFIs improvement of living standard of people of Tikapur Municipality of Kailali district. The living standard is measured on the basis of upliftment of economic and social status of the people residing in Tikapur Municipality. The data and information are collected through interviews, questionnaires, focus group discussions and key person's views. Collected data has been presented in this chapter precisely.

4.1.1 Socio-Economic Status of the Respondents

The social status of the respondents is categories by following points;

- Cast or ethnicity
- Age
- Marital status
- Education
- Religion
- Family size

Similarly, the economic status is analyzed by following points

- Occupation
- Ownership in land and Food sufficiency

4.1.2 Respondents by Caste or Ethnicity

Tikapur Municipality has multi-ethnic/caste communities where the lower strata of the society is dominated by Tharus and Dalits. Lower income group also comprises Brahmins and Chhetris who have been benefitting from the micro credit programs.

Table 4.1.

Respondents by Caste/Ethnicity

Ethnic Group	No. of the Respondents	Percentage
Tharus	15	50.00
Dalits	9	30.00
Others	6	20.00
Total	30	100.00

(Source: Field Survey, June 2015)

Table 4.1 shows ethnic composition of respondents. Table states that 50 percent are from Tharu community, 30 percent form Dalit community and 20 percent from Others.

4.1.3 Age Classification of Respondents

Age is one of the determining characteristics that affects every aspect of human activities. The age between 25 to 45 is considered to be most productive age of human life. The study was focused on the respondents of same age group. Classifications of the respondents on the basis of age are given below:

Table-4.2
Respondents by Age Group

S.N.	Age group (Years)	No. of the Respondents (n)	Percentage
1	25-35	17	56
2	36-45	13	44
Total		30	100

(Source: Field Survey, June 2015)

From the table 4.2, it can be observed that out of the 30 respondents, 17 (56%) of them are from the age group of 25-35 years. 13 (44%) of them are from the age group 36-45.

4.1.4 Family Size of the Respondents

Family size refers to the number of person in the family. The family size is determined by the type of family, education of couple, numbers of birth and living children, preference of male child, family planning users etc.

Table 4.3
Family size of the Respondents

Family type	No. of Households	Family Size	Percentage
Single	23	3-8	76
Joint	7	9-15	24
Total	30	-	100

(Source: Field Survey, June 2015)

Table 4.3 shows the family size of the respondents. It states that out of 30 respondents, 23 (76 %) of them have a family size consisting of 3 to 8 family members and 7 (24%) are from joint family. The majority size of family is small because the maximum families are separated from joint family to start their own business using the fund from KBSS's micro credit program. This also shows that micro credit program is lucrative for the people with small family size.

4.1.5 Religion Composition of Sampled Respondents

Tikapur Municipality has three different religion composition –Hindu, Muslim and Christian. Majorities are Hindus. Muslim and Christians are nominal. However, all the sampled respondents are from Hindu community. (*Source: Field Survey, June 2015*)

4.1.6 Educational Status of the Respondents

Literacy is one of the pre-requisite steps for the overall development of individuals as well as a community. Educational status of the respondents is presented below:

Table 4.4

Educational Status of the Respondents

S.N.	Educational Level	No. of Respondents	Percentage
1.	Illiterate	21	70
2.	Literate	9	30
Total		30	100

(*Source: Field Survey, June 2015*)

Table 4.4 shows that Literacy rate of respondents is very low, i.e. 30 percent and 70 percent of them are illiterate. Illiteracy is one of the major problems of tharu and dalit community in Terai region. Because of poverty and social assumption they were not able to study. This shows that micro credit program is supportive to illiterate people who don't have foundation knowledge about conducting business.

4.1.7 Respondents by Occupation

Mainly the respondents are found engaged in livestock (pig, buffaloes and hen) farming, agriculture and small businesses like vegetable and other daily need goods

selling in market and groceries. So, they are divided into two categories: Livestock farming & agriculture and Small business.

Table 4.5
Respondents by Occupation

Occupation	No. of Respondents	Percentage
Small Business	18	60
Livestock farming and agriculture	12	40
Total	30	100

(Source: Field Survey, June 2015)

The table 4.5 depicts two different occupation distributions of the respondents. It shows that majority of respondents, i.e., 60 percent are conducting small businesses and remaining 40 percent have assumed livestock farming & agriculture. Small business consists of grocery and vegetable sales in local markets. Previously, they have been fulfilling daily needs by working as wage labors but they changed their occupation after the interference of microcredit programs. On the basis of available data, it can be said that they are in better positions in terms of generating income from micro credit programs. The other fact is that small business is lucrative for majority of the respondents.

4.1.8 Ownership in Land and Food Sufficiency

The ownership in land and food sufficient of the respondents is presented in below table.

Table 4.6.
Ownership in Land and Food Sufficiency

Land Ownership	Respondents	%	Food Sufficiency	Respondents	%
Less than one <i>Kattha</i>	18	60	Up to two quarters	18	60
More than one <i>Kattha</i>	12	40	Throughout the year	12	40
Total	30	100	Total	30	100

(Source: Field Survey, June 2015)

Table 4.6 shows that most of the respondents (60%) have very less amount of land for farming. They are compelled to borrow lands from others grain and vegetable farming. That is why; they have food sufficiency of 6 months only. On the other hand, 40 percent of the respondents have sufficient food throughout the year. During the field observation phase, it was noticed that people with more than one kattha have adopted livestock and grain farming and remaining are doing small business and borrowed land farming.

4.2 Economic Empowerment

4.2.1 Measurement of Absolute Values

I. Loan/Credit Utilization

Loan is given to the people by forming groups and against the guarantee of the group itself. The products as well as the size of advances of the bank must be in line with the guidelines prescribed by NRB for deprived sector lending. However, it has some criteria for forming the group viz. the priority is given to the women entrepreneurs, the people must be the inhabitant of the locality at least for the last five years, only one person from a family is considered a member for making a group and the person must fall under the definition of deprived sector. Deprived sector include people with low income group and socially backward people like women, janajatis, dalits, deaf and dumb people, marginalized groups like tharus, labourers and landless families.

Deprived Sector lending can be done under the following conditions:

- i. To individuals (marginalized/deprived) not exceeding Rs. 1 Lakh per person and Rs. 3 Lakh to the individuals utilizing the loan from past 2 years & the loan fall under pass category.
- ii. To renewable energy technology not exceeding Rs. 1 Lakh per family and Rs. 1.5 Lakh per family who are utilizing the loan from past 2 years & the loan fall under pass category.
- iii. To deprived individuals for operating micro industries not exceeding Rs. 3.00 Lakh per person (Rs. 7 Lakh per person who are utilizing the loan from past 2 years & the loan fall under pass category) if covered by collateral security
- iv. To micro industries managed by females not exceeding Rs. 4.00 Lakh (Rs. 7.00 Lakh if loan is covered by collateral security of project itself).

- v. Foreign employment loan up to Rs. 1.50 Lakh per person.
- vi. To hospitals that do not distribute their profits up to Rs. 100 Lakh.
- vii. To individuals for Low Cost Housing up to Rs. 4.00 Lakh, if such a scheme is included in the loan policy of the Bank.
- viii. To individuals (marginalized/deprived) not exceeding Rs. 2.00 Lakh for housing loan without collateral security.
- ix. Lending to Yuva Tatha Sana Byawasayee Sworojgar Kosh (Youth & Small Entrepreneur Self Employment Fund).
- x. To individuals/groups (marginalized/deprived) involved in garment manufacturing from wool not exceeding Rs. 3.00 Lakh per person/group if covered by collateral security. (Rs. 4 Lakh per individuals/groups who are utilizing the loan from past 2 years & the loan fall under pass category)
- xi. To individuals/groups (marginalized/deprived) involved in cold storage, small irrigation projects, tube well not exceeding Rs. 3.00 Lakh per person/group if covered by collateral security.
- xii. Up to Rs. 100.00 Lakh for post harvest projects/services provided in rural areas.
- xiii. For purchase of rickshaws in Terai region by rickshaw drivers.
- xiv. Up to Rs. 100.00 Lakh for development of hydroelectric projects up to 500 Kw if developer's contribution to the project is 50% of the total cost of the project.
- xv. Education loan to students of marginalized/deprived community not exceeding Rs. 2.00 Lakh for Technical & Vocational courses.
- xvi. Loans to specialized cooperatives up to Rs. 100.00 Lakh with maximum of Rs. 90,000.00 per member for group farming and/or animal husbandry.

However, the above options are not feasible as the size of loan permitted to the individuals by KBSS is comparatively small.

The tharu and dalit people are solely dependent on the loan provided by KBSS. Livestock and grain farming and other small business are the income sources to fulfill their basic needs and they must return their loan with interest at time. To cover all the expenses credit should be utilize properly. If not, they would fail to return loan and subsequently they are ineligible for more fund to run the business. Proper utilization

of loan enhances the efficiency of business and ensures to return the credit in time with profit from the business. Utilization means investment of the loan amount in income generating activity. Unutilized portion of loan is secured by the borrowers for repayment and expenditure purpose. Credit and investment of the respondents are presented below:

Table 4.7

Loan Utilization

Year	Loan	% Change	Investment	% Change	Loan Utilization (%)	Unutilized Loan (%)
2010	38,500	-	20,800	-	54.03	45.97
2011	60,900	58.18	35,600	71.15	58.46	41.54
2012	73,960	21.44	46,300	30.05	62.60	37.40
2013	168,500	127.82	88,400	90.92	52.46	47.54
2014	188,800	12.04	95,240	7.73	50.44	49.56
Mean	106132	54.87	57268	49.96	55.60	44.40
S.D.	60628.09	-	29430.56	-	-	-
C.V.	57.13	-	51.39	-	-	-

(Source: Financials of KBSS, 2010-2015)

Table 4.7 shows that both loan and investment have been increasing over the period. But, credit has higher rate of growth. The mean increasing percentage of credit is 54.87 whereas investment has only 49.96 percentage average growth rate. Probably, unutilized portion of loan has been secured by the borrowers for timely repayment and expenditure purpose, which is quite consistent over the period.

The table presented above says that credit and investment both are highly fluctuating. Because of high coefficient of variance (57.13%), credit is more volatile than investment (51.39%). This fact has been clearly displayed in below graph.

Figure 4.1 Trend of Credit and investment

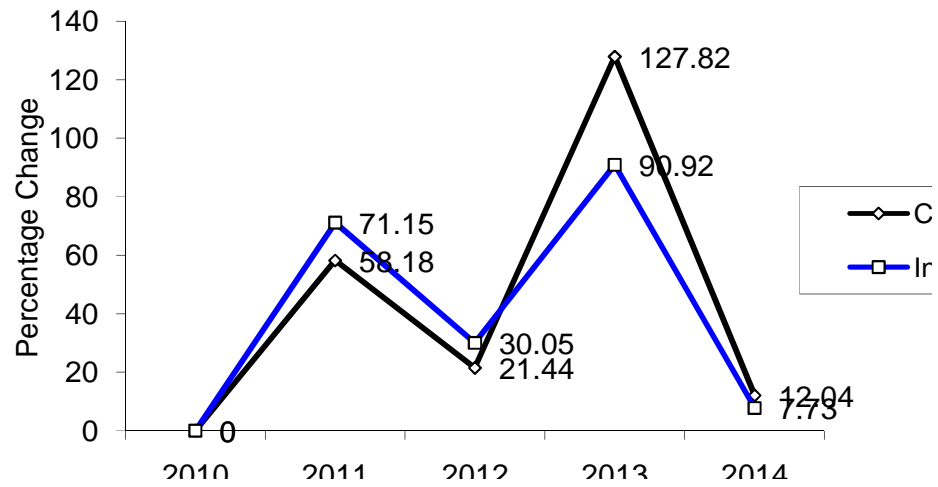


Figure 4.1 shows that percentage changes in credit and investment are dependent on each other. When credit is increased, investment does so and vice versa. In the year 2011, percentage changes in credit is 58 and percentage change in investment is 71. In 2012 both factors have same level of changes. But, this scenario changes in 2013, where again credit increased in high rate, investment does so. Year 2014 follows the trend of 2012, where credit and investment both fall, but, in higher rate compared with 2012. From the figure we can say that, micro-credit entrepreneurs take credit once in two year period and invest it throughout the period. Nominal percent increase in credit also supports this fact.

Data presented on table 4.7 indicates the average credit utilization rate is 55.6 percent. Similarly, it has average credit of Rs. 106,132 lacs and average investment amounts Rs. 57,268 lacs. These figure shows that people are not able to utilize their credit properly. So, they use some amount for repayment purpose. Credit utilization refers to use of credit as investment in business and other type of income generation investment.

Figure 4.2 Trend of Credit utilization

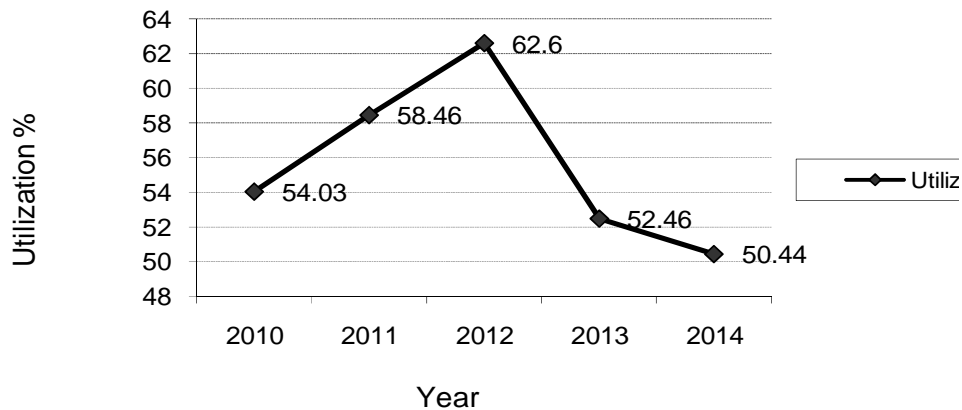


Figure 4.2 shows that credit utilization rate is quite stable. In the year 2012 utilization rate is 62.6 percent that is the highest one. Similarly, in the year 2014 only 50.44 percent of credit has been utilized. Table 4.7 indicates that average credit utilization rate is 55.6 percent, which indicates that more than 55 percent of the loan amount has been invested and remaining amount were reserved for repayment and other expenditure purpose.

Correlation between Credit and investment

The significance of the relations between two variables during the study period is tested by applying Karl Pearson's correlation coefficient (r). The formula to find out correlation coefficient (r) by using direct method is as follows.

$$r = \frac{N(\sum xy) - (\sum x) \cdot (\sum y)}{\sqrt{[N\sum x^2 - (\sum x)^2]} \sqrt{[N\sum y^2 - (\sum y)^2]}}$$

Where,

N= Number of Years

r= Correlation coefficient

x= Value of Expenditure/Investment

y= Value of Loan/credit

Statistical Significance of Correlation Coefficient

- If $r < P.E. (r)$, then the value of r is not significant
- If $r > 6 \times P.E. (r)$, then r is definitely significant
- In other situations, nothing can be calculated with certainty

- d. If 'r' lies between 0.7 and 0.999 (-0.7 to -0.999), there is a high degree of positive (or negative) correlation between the variable
- e. If 'r' lies between 0.5 and 0.699, there is a moderate degree of correlation between the variable
- f. When r is less than 0.5, there is low degree of correlation between the variable.

From the calculation, we have correlation (r) = 0.9953 (See Appendix II)

Then, Probable Error (r) = $0.6745(1-r^2/\sqrt{N}) = 0.0028$

again, $6 \times P.E.(r) = 6 \times 0.0028, = 0.017$

Since r is greater than 6 x PE(r) and the value of r is between 0.7 and 0.999. So, r is more significant and in the other aspect there is high degree of correlation between two variables. Hence, it can be said that there is high degree of positive correlation between credit and investment of the business. That signifies that if credit increases investment also increase.

II. Credit Repayment Ratio

The borrowers have to return the credit according to bank's rules and regulations. Repayment time begins after 15 days of the loan sanctioned date. The individual availing the loan deposit two vouchers at every 15 days at KBSS. One voucher is for the repayment of the loan and another voucher is for saving. Credit repayment ratio shows the performance of the borrowers. Regular repayment is very important to continue their credit and business. If not, they would not get further credit from KBSS. Credit repayment status of study period is presented below. The higher rate of repayment with higher rate of credit utilization rate indicates the good performance of business. The repayment amount is calculated only on principle amount. The table excludes the interest payment.

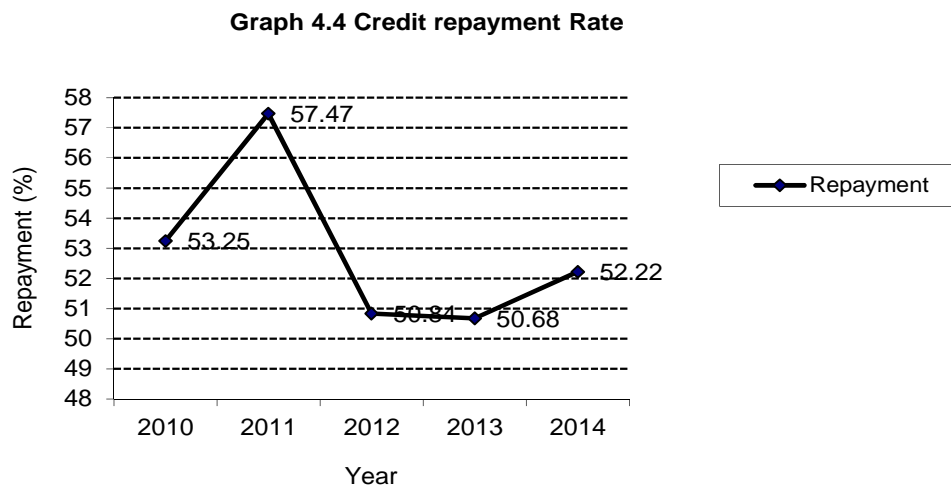
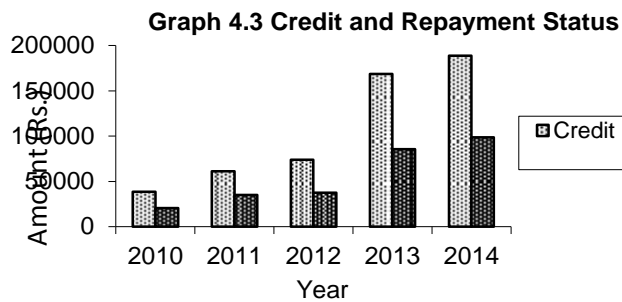
Table 4.8
Credit Repayment

Year	Credit	Repayment	Repayment Rate (%)
2010	38500	20500	53.25
2011	60900	35000	57.47
2012	73960	37600	50.84
2013	168500	85400	50.68
2014	188800	98600	52.22
Mean	106132.00	55420.00	52.89
S.D.	60628.09	30715.62	-
C.V.	57.13	55.42	-

(Source: Financials of KBSS, 2010-2015)

Table 4.8 states that the mean repayment rate during the period is 55.42% and it is above 50 in every year. The highest repayment rate is 57.47 percent in the year 2011.

Repayment rate has lower standard deviation which says that repayments are more consistent. Similarly, repayment has lower Coefficient of Variation (C.V.) than Credit which indicates that people are more consistent with repayment schedule than credit. Year wise Trend of credit and credit repayment amount is graphically presented in below figure.



Repayment percentage is shown in Y-axis and year in X-axis In the figure 4.4. The graph shows that repayment rates have been changing year by year except in two years: 2012 and 2013. The highest difference among payment is about 7 percent. This difference is because of unusual cash flow from their business and farming.

Correlation between Credit and Repayment

The significance of the relations between two variables is tested by applying Karl Pearson's correlation coefficient (r). The formula to find out correlation coefficient (r) by using direct method is as follows:

We have correlation (r) = 0.9986 (See Appendix II)

Then, Probable Error (P.E.) = $0.6745(1-r^2/\sqrt{N}) = 0.000844$,

$$\text{Again, } 6 \times \text{PE}(r) = 6 \times 0.000844 = 0.005064$$

Since ' r ' is greater than $6 \times \text{PE}(r)$ so, value of ' r ' is highly significant here. Thus, it can be concluded that there is highly positive correlation between credit and repayment, higher the credit higher the repayment rate.

III. Return on Investment/Expenditure Ratio

The respondents availing credit from KBSS have been wise investment in agro- based and cottage scale industries. They have been investing in

-) Vegetables farming and cash crops like banana
-) Flowers' nursery
-) Animal husbandry (hens, pigs, buffaloes)
-) Slaughter house
-) Hotels in small scale where tea and simple snacks are available.

Return on Investment/Expenditure ratio shows the relationship between net income and investment. It measures the net income earned on the investment, indicates the earning power of their business and shows how effectively the investments were made. The high ratio indicates high utilization of investment and vice versa.

Table 4.9

Return on Investment

Year	Investment	Increase (%)	Net Income	Return (%)
2010	20,800	-	19500	93.75
2011	35,600	71.15	40650	114.19
2012	46,300	30.06	57560	124.32
2013	88,400	90.93	135985	153.83
2014	95,240	7.74	175800	184.59
Mean	57268	49.97	85899	149.99
S.D.	29430.56	-	59749.80	-
C.V.	51.39	-	69.56	-

(Source: Financials of KBSS, 2010-2015)

Table 4.9 shows net income and investment both are increasing. However, net income has been growing in increasing trend with higher rate, but, investment is highly fluctuating. Another fact is that average increase in investment is about 50 percent but average return rate is about three-fold of investment. Picture 4.5 displays clear picture of the scenario.

Figure 4.5 Income and Investment graph

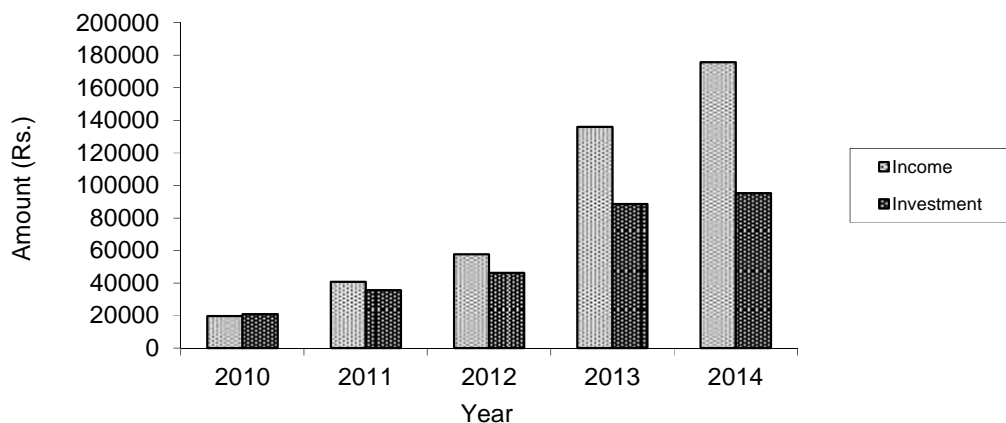
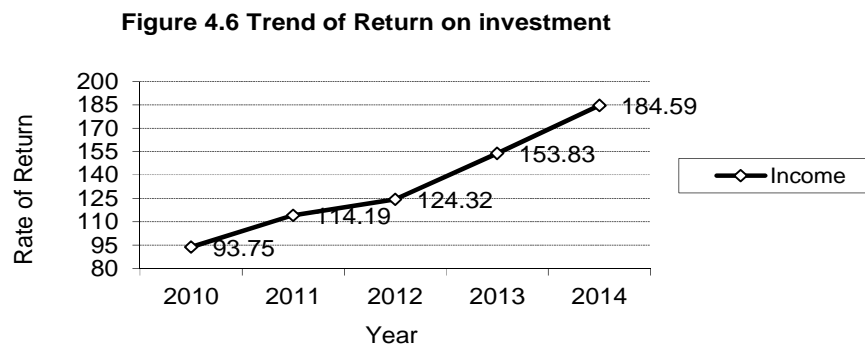


Figure 4.5 shows that income and investment both are increasing. But, income has higher growth rate over investment. This shows that the beneficiaries are getting very good return from their investment. This is mainly because of the initial subsidy amount. Initially bank provides subsidies to the borrower to lure them for credit. Similarly, regular skill enhancement and experience of the borrower is also contributing for the growth. When they generated some income from their investment, subsequently they would reinvest it, which also contributed for healthy growth. Investment return over the years is presented below:



According to figure 4.6 Return on investment is in increasing trend. It was increasing at moderate pace in initial years. But, from the year 2012, it is in increasing trend. That shows that for next few years borrowers are set to gain high profit, if they are able to maintain same increase in investments.

Relationship between Investment and Return

From the calculation (See Appendix II),

We have, Correlation Coefficient (r) = 0.9897

Now, Calculation of Probable Error (P.E.),

$$P.E. (r) = 0.6745(1-r^2 / N) = 0.0062$$

$$\text{Then, } 6 \times P.E. = 0.0371$$

Since Correlation (r) is greater than $6 \times PE(r)$ so, is value of ' r ' is highly significant here. Thus, it can be concluded that there is highly positive correlation between investment and income; that means higher the investment, higher the income.

IV. Return on Loan/Credit Ratio

During the moratorium period the respondents make small payments of loan that includes only interest payment. Moratorium period is assigned by the borrowing organization depending upon the nature of investment the borrower is willing to make. It is basically the time when the investment starts earning income. However, after the moratorium period is over they can make lump sum payment of loan or they can pay in installments that include principle amount and interest amount.

Return on credit ratio examines the condition of return on total credit provided to the client, how effectively returns were taken from the mobilization and utilization of credit. It also indicates overall performances and profit on business. This ratio is most important to identify whether the business is well efficient to utilize its total loan or not. The higher return indicates the higher return on the business.

Table 4.10
Return on Loan/Credit

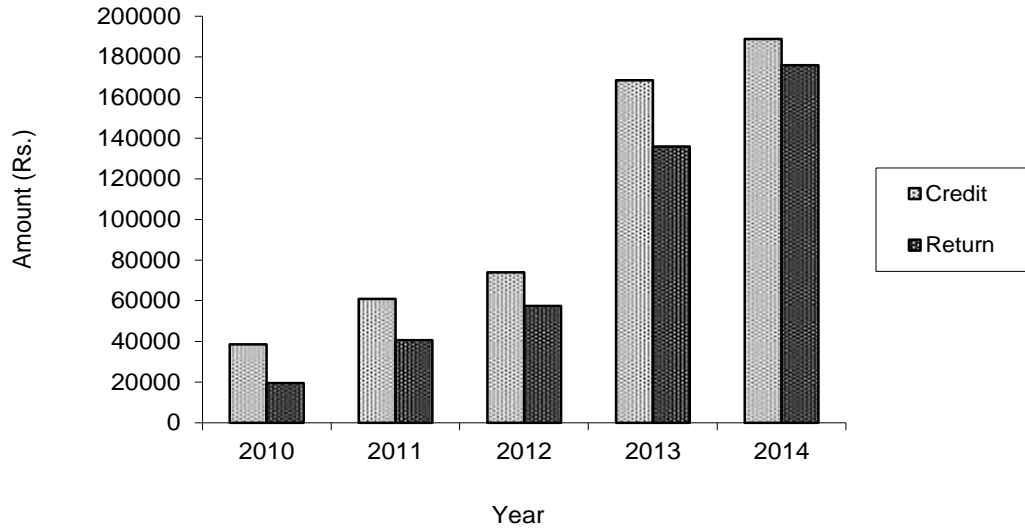
Year	Credit	Net Income	Return (%)
2010	38500	19500	50.65
2011	60900	40650	66.75
2012	73960	57560	77.83
2013	168500	135985	80.70
2014	188800	175800	93.11
Mean	106132	85899	80.94
S.D.	60628.1	59749.80	-
C.V.	57.13	69.56	-

(Source: Financials of KBSS, 2010-2015)

Table 4.10 shows that net income is growing in healthy rate over the year posting the highest rate of 93.11 percent in the year 2014. Because of experience and practice they have gained over the years, borrowers are able to make good profit every next year. Average return percentage for the period is 81 percent that is overwhelming for those investors. Because of the Increasing trend net income has higher C.V. (69.56%) than credit (57.13). By nature, profit increases in earlier but when it reaches at optimal level it becomes consistent. Contrary to C.V. Standard Deviation of investment is quite lower than credit which shows investments are little bit less fluctuating than credit. Figure 4.7 shows the level of credit and

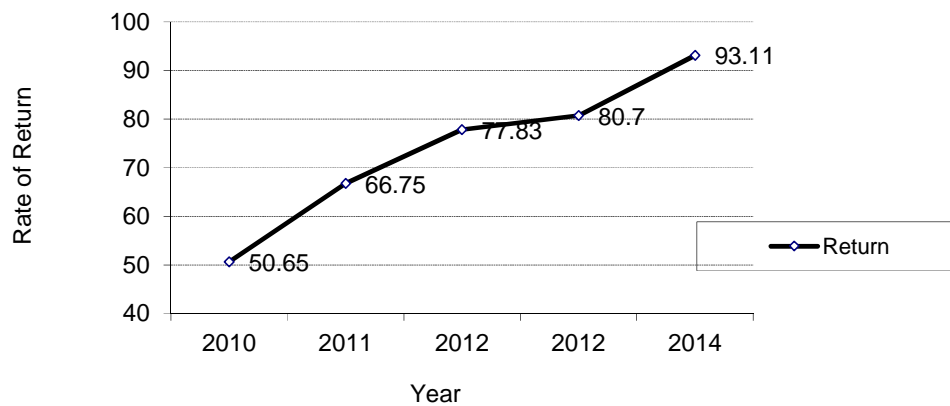
investment.

Figure 4.7 Credit and Return Status



According to figure 4.7, overall return is increasing over the years due to regular skill enhancement on farming and increasing awareness about credit utilization on business. According to table 4.10 mean ratio of return is 81% which is good. But, year wise analysis shows first two years have poor rate of return. Below figure shows the trend of return on credit over the period.

Figure 4.8 Return on credit trend



According to the figure 4.8 return in credit is in increasing trend with smooth rate. That indicates higher earning in next few years. Pace of return deemed in year 2013,

but, from the 2014 it is back in track. Growth rate of return varied because of unfavourable weather condition.

Relationship between Credit and Investment

The significance of the relations between two variables during the study period can be tested by applying Karl Pearson's correlation coefficient (r).

Now, we have Correlation(r) = 0.9941 (see appendix II)

Again, Calculation of Probable Error (P.E.),

$$P.E. = 0.6745(1-r^2/ N) = 0.0035$$

$$\text{Then, } 6 \times P.E. (r) = 6 \times 0.0035 = 0.0213$$

Since Correlation (r) is greater than 6 x PE(r) so, value of 'r' is highly significant here. Thus, it can be concluded that there is highly positive correlation between credit and Investment; that is higher the credit, higher the investment.

V. Savings on Income Ratio

This ratio examines how much money is saved for reinvestment or other purpose. The ratio shows the size of saving from income. It also shows whether the income has totally been expended. The lower ratio indicates lower reinvestment capacity and higher ratio indicates higher reinvestment capacity.

According to their business nature and financial status they have provision to withdraw saving after one year. So drawing amount is deducted from the following year. Thus mean saving rate is more appropriate than year wise rate.

Table 4.11
Saving on Income

Year	Net Income	Saving	Saving Rate
2010	19500	7600	38.97
2011	40650	18650	45.88
2012	57560	23600	41.00
2013	135985	53056	39.02
2014	175800	77900	44.31
Mean	85899	36161.2	41.84
S.D.	59749.80	25720.54	
C.V.	69.56	71.13	

(Source: Field survey, June 2015)

Table 4.11 shows mean saving percentage is 42%, which shows borrowers have sufficient amount for reinvestment. Saving rates are not in increasing or decrease trend. The higher saving rate is 46 percent in the year 2011 and the lower rate is 39 percent in 2010, so, saving is not consistent. From the data presented in the table, one normal assumption can be made that saving are volatile because probably the borrowers invested some of the income for domestic purpose. Figure 4.9 depicts the level of net income and saving comparatively on year to year basis.

Figure 4.9 Income and Saving Graph

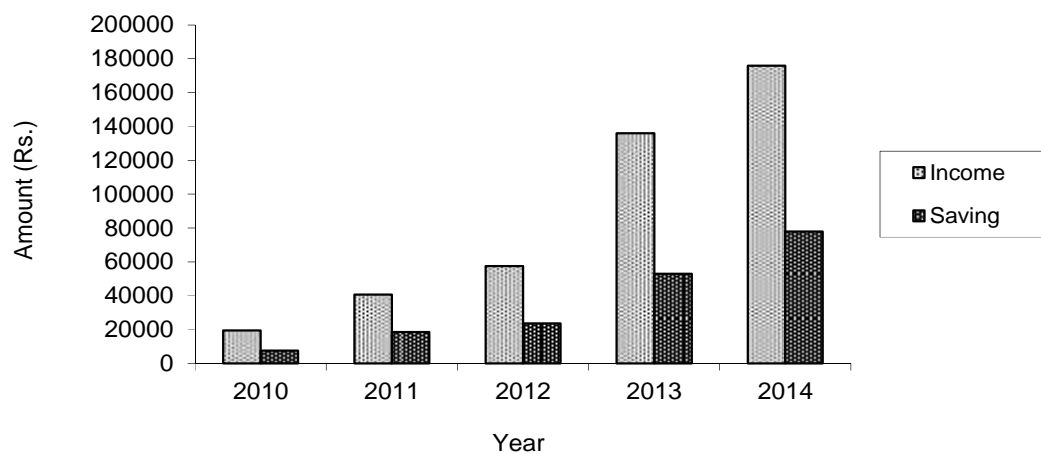
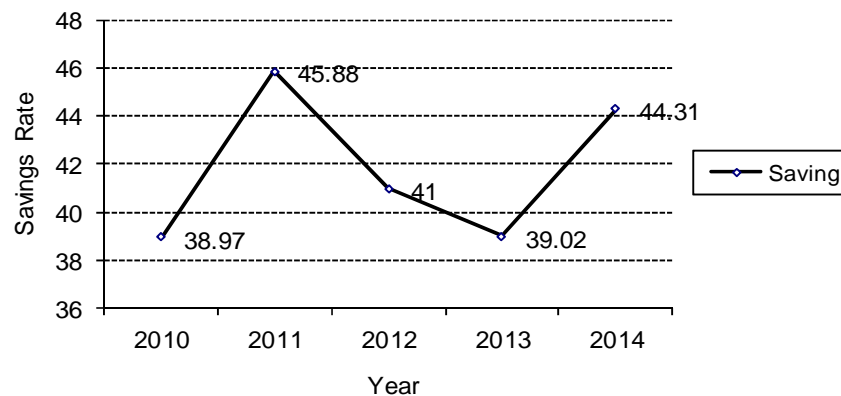


Figure 4.10 Saving Trend



Graph 4.10 shows that saving rate is fluctuating over the years with higher rate of 45.88 percent in year 2011 and lowest rate 38.97 in 2010. Saving rate depends on expenses, when there high expense saving rate decreases and vice versa. Here saving

rate is varying because of increased expenses of respondents, such as: increase in children education expenses, use of pesticides to protect grains from unfavorable environmental conditions and insects.

Relationship between Saving and Income

For this purpose, Karl Pearson's correlation coefficient (r) method has been applied. The formula to find out correlation coefficient (r) by using direct method is as follows.

From the calculation (appendix table II) we have, $r = 0.9947$

Now, calculation of Probable Error (P.E.) =

We have,

$P.E. = 0.00319$

Then, $6 \times P.E. = 0.0191$

Since Correlation (r) is greater than $6 \times PE(r)$ so, value of 'r' is highly significant here. Thus, it can be concluded that there is highly positive correlation between credit and Investment; that is higher the income, higher the saving.

Summary of Correlation between Different Variables

Table 4.12
Summary of Correlation between Variables

S.N	Variables	Correlation (r)	Significance
1.	Credit and Investment	0.9953	High degree of Positive Correlation
2.	Credit and Repayment	0.9986	High degree of Positive Correlation
3.	Income and Investment	0.9879	High degree of Positive Correlation
4.	Income and Credit	0.9941	High degree of Positive Correlation
5.	Income and Saving	0.9947	High degree of Positive Correlation

(Source: Field Survey, June 2015)

4.2.2 Measurement of Qualitative Value

Microfinance not only for economic improvement, it also contributes for quality improvement of people. In the study these values are studied as asset. Three aspects of

assets a) human assets, b) physical assets, c) financial assets of economic empowerment are analytically presented but natural asset is not included.

I. Human Assets/Capitals

Human capital /assets refer to the skills, knowledge, beliefs, attitudes, ability to labor, and good health. In the context of micro enterprises creation and management, an entrepreneur at least needs required skills of business handling, knowledge of overall management and marketing and good health to physically run the business. Indeed, skill, knowledge and good health may be perceived as critical parts of human assets and analyzed as below:

Table-4.13

Human Assets/Capitals

S.N.	Indicators	Improvement				Percentage (%)
		No	Little	High	Total	
1.	Business Skill and Knowledge (BS&K)	0	8	22	30	0:27:73
2.	Marketing and Management (M&M)	0	11	19	30	0:37:63
3.	Health	3	12	15	30	10:40:50

(Source: Field Survey, June 2015)

Business Skill and Knowledge

The table 4.13 shows that micro credit program is very effective for business skill and knowledge expansion. After the intervention of program 73 percent of the respondents were found having these qualities highly improved. They didn't have any business skill prior intervention of the program.

Marketing and Management

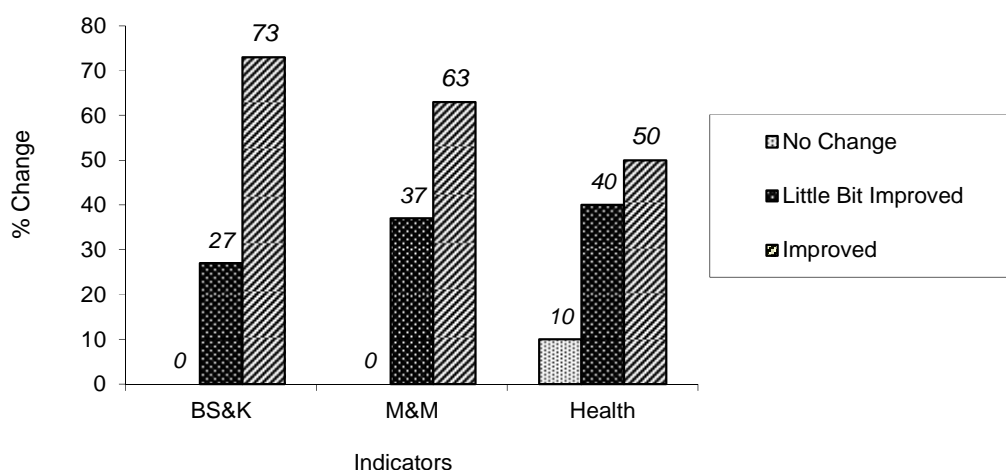
Marketing and Management skill are very important for the success of business. Without these skills no one can succeed in business. Above tables shows that 63 percentage of the respondents were able to improve these quality in high degree. Similarly, 37 percent of the respondents were found with little bit improvement on these skills.

Health

Good health is major for the success of business. To measure Improvement on heath condition health expenses of respondents were taken. The table shows that 50% of the

respondents have strong increment on health expenses. Similarly, 40 percent of respondents health expenses were little bit increased and 10 percent have not increased their health expenses. Below graph shows these all measurements comparatively.

Figure 4.11 Human Assets/Capital Status



II. Physical Assets/Capitals

Physical capital/asset refers to the basic infrastructure such as affordable transport, water supply and sanitation systems, shelter, energy services etc. Focal points for analysis are:

- I. Means of transportation
- II. Drinking Water facilities
- III. Improvement in shelter/Housing
- IV. Sources of energy

Table-4.14

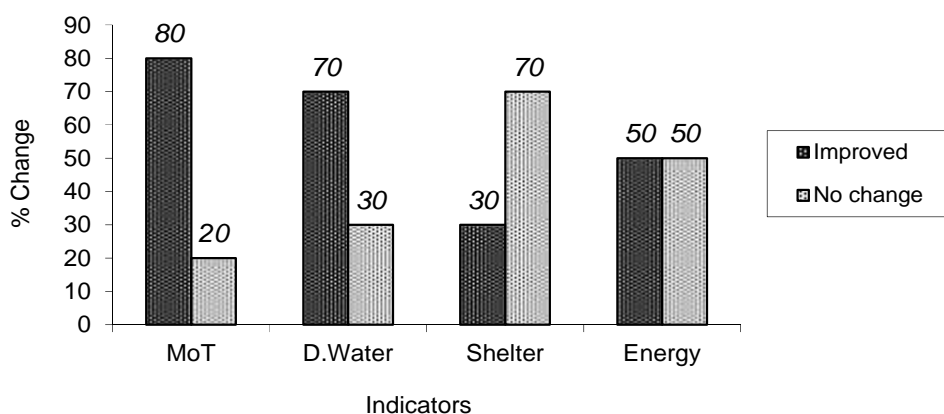
Physical Assets/Capitals

S.N.	Indicators	Effect			Percentage (%)
		Improved	No change	Total	
1.	Means of transportation	24	6	30	80:20
2.	Drinking water	21	9	30	70:30
3	Shelter	9	21	30	30:70
4.	Energy source	15	15	30	50:50

(Source: Field Survey, June 2015)

-) **Means of transportation:** Table 4.14 shows that 80% respondents' means of transportation was improved. Previously they are compelled to walk on foot to reach local market, but, now they have own bicycle. 20 percent of them are still compelled to walk on foot.
-) **Drinking Water facilities:** Table 4.14 also states that 70 percent respondents have built their own tube well for drinking water and remaining 30 percent are still using their neighbor's tube well.
-) **Improvement in shelter/Housing:** After the intervention of the micro credit program 30 percent of the respondents are able to build their own house. Previously, they were living in rented house. Similarly, 70 percent of the respondents already have their own house so, they don't need to build new one. But, after the intervention of program they are able to maintain their shelter timely.
-) **Access to energy source:** The table shows that 50 percent of respondents are able to improve energy sources. Previously they were not using electricity for lighting, now-a-days they have their own electricity meter.

Figure 4.12 Physical Assets/Capital



III. Financial Assets/Capitals

Financial capital/asset refers to the financial resources available to the poor such as saving/credit provision and regular inflows of money. To run the business, they should have access to credit provision for investment and access to saving provision

to accumulate the surplus earnings for future investment. Therefore only these two aspects of financial assets had been analyzed in this study.

Focus point of analysis

Access to credit provision

Access to saving provision

Table 4.15
Financial Assets/Capitals

S.N.	Indicator	Effect			Percentage (%)
		Yes	No	Total	
1.	Access to saving facilities	30	0	30	100:0
2.	Access to loan sources	30	0	30	100:0
	Loan from KBSS	-	-	24	80
	Additional loan from Local Creditors	-	-	6	20

(Source: Field Survey, June 2015)

The table shows that 100% respondents have access to saving and credit facilities. They also have the access to sources of loan and are able to make saving from business. Majority of respondents (80 percent) are taking credit only from KBSS. The study showed that the respondents had also availed loan from the local creditors at the higher rate. However, many of the respondents have paid to the local creditors and start seeking financial assistance from KBSS. The study showed that 20 percent of the respondents are still availing loans from the local creditors but at the same time they have started paying back them. The income generated from the micro credit program has become useful to clear the dues with local creditors. It signifies that respondents' creditworthiness has increased.

IV. Economic Situation of the participants before intervention of Micro credit program

During the course of data collection and field visit respondents were asked different type of questions to know about their economic condition. Major issues of them are described below:

) **Human Assets/Capitals:** Previously, Tharu and Dalit people of the Municipality had been fully dependent up on the other families (especially Thakuries and Brahmins). They worked as labor of the upper class society. They had been working as agricultural labor.

Business was very far to involve in when they were struggling hard to fulfill their hand to mouth necessity. In such situation they were more prone to health hazards. They were less aware about health and sanitation.

) **Physical Assets/Capitals:** Before the involvement in micro credit program, their living standard was very low. Houses were made by bamboo and dry grass. Even, some of them were living in landlord's house. Handfuls of them were able to manage drinking water. They had very few amount of land only for their settlement. Similarly, they didn't have own means of transportation, so they had to walk on bare foots.

) **Financial Assets/Capitals:** Previously, none of the programs targeted to uplift the financial status of the people of lower strata were implemented in Tikapur Municipality. Tharus and dalits used to work in the fields of Brahmins and thakuris to earn their livelihoods. Financial needs were fulfilled very rarely by these landlords who would charge heavy interest with compound effect.

The whole family had to work for the landlords to repay the loan. The loan would pass down to next generation in case of failure to pay back in the given time. This would compel the proceeding generations also to work for the landlords free of cost. As a result, these people would get poorer and poorer day by day and generation after generation.

In short, it can be said that before the introduction of micro credit program economic situation of these people in Tikapur Municipality was very poor. They had nominal assets, income and opportunities.

4.3 Socio-Cultural Empowerment

To measure socio-cultural empowerment four dimensions has been taken.

- a. Social status
- b. Skill to influences socio-cultural factors

- c. Influence in decision making process,
- d. Education status of respondent children

4.3.1 Social Status

Social status includes social recognition, respect and freedom in personal, family and community level: how is s/he recognized in the society? how other members of the family behave? These all define one’s social status.

Table 4.16

Changes in Social Status

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	30		30	100
2.	Family level	30		30	100
3.	Community level	30		30	100

(Source: Field Survey, September June 2015)

Table 4.16 represents respondents' social status in three levels. All respondents feel their social status has been increased in each level.

After the involvement in micro credit programs these people are now engaged in income generating activities as well as in different awareness program. That helped them to express their view in community. Subsequently, they became self-sufficient to fulfill their need. Then, people started accepting their presence. That signifies that micro credit program really helped to improve respondents’ social status.

4.3.2 Ability to Analyze Socio-Cultural Factor

This refers to the ability of respondents to analyze traditional socio cultural practices (such as: gender based discriminatory practices) and determine what is good and what is bad.

Skill to influence could be in three levels i.e. personal, family and community level that encourage poor to learn how they act individually and jointly to influence and control the dynamics of socio-cultural factors.

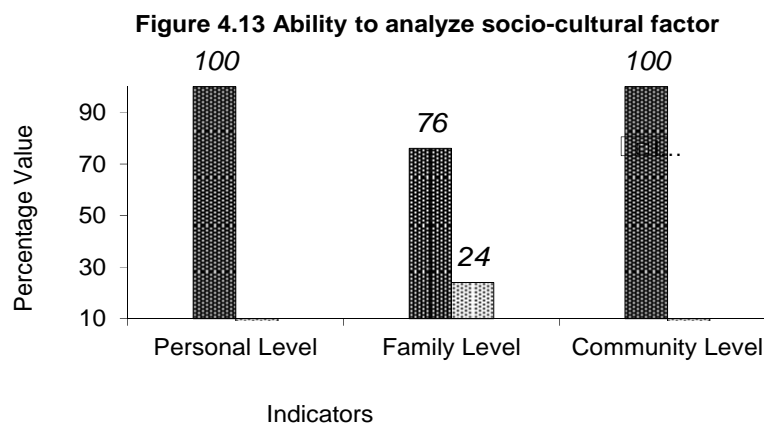
Table 4.17

Ability to Analyze Socio-Cultural Factor

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	30		30	100
2.	Family level	23	7	30	76:24
3.	Community level	30		30	100

(Source: Field Survey, June 2015)

Table 4.17 shows very high improvement in analytical capacity of the respondents. This is basically due to interactive and motivational workshops organized by KBSS. Initially, all the respondents were unaware about their social rights and norms. But, after the involvement they were able to discuss and analyze social practices. Values from the table are presented in figure 4.13:



Personal level and community level analyzing ability of the respondents has increased by 100 percent. But, family level analytical capacity is below that level (76). This is because of the rigid family structure. The elder generation is quite rigid to the changes. Contrary to this fact, most of the respondent told that now the family issues are sort out inside the family. Previously, decisions regarding their families were also dominated by the landlords.

4.3.3 Influence in Decision-Making Process

Role and influence of tharu and dalit in decision making process comprises of different level i.e. in household/family level, in community level and in development and Governmental level to make poor being instrumental in making the social entities socially from households through communities to public polity.

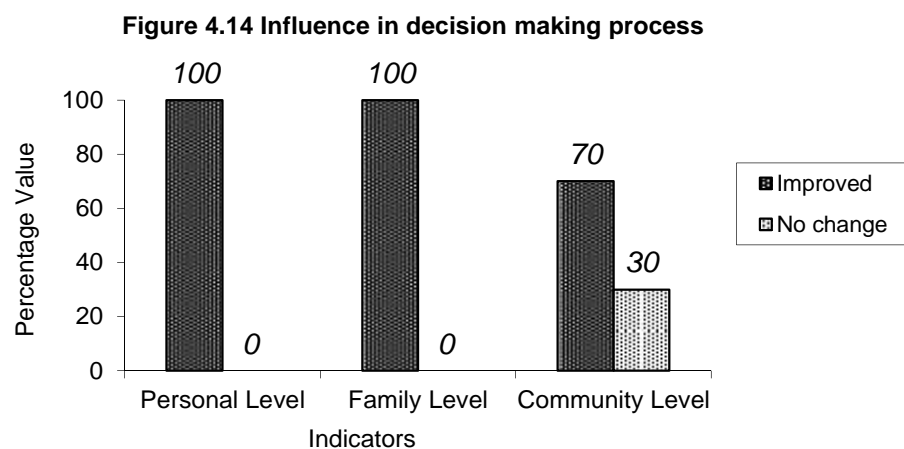
Table 4.18

Influence in Decision-Making Process

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	30		30	100
2.	Family level	30		30	100
3.	Community level	21	9	30	70:30

(Source: Field Survey, June 2015)

Table 4.18 shows the increment of role and influence of respondents in their family and person level by 100 percent. That is now they take decisions for their family themselves. But, they are still dominated in community level. 70 percent of the respondent felt they have ability to influence community. That shows people of higher strata have started considering their opinion in community level. Below graph shows comparative figures.



4.3.4 Education Status of Children

Education status of respondents' children signifies behavioral change for education. To measure awareness of the respondents for education two major aspects has been taken.

- a. Class standard of the children
- b. No. of respondents investing their earning for education

Table 4.19(a)

Educational Level of Children

S.N.	(Class)	Households	No. of Children	Household (%)
1.	Primary (up to 5 Class)	6	10	24
2.	Lower Secondary (6 to 8)	10	12	40
3.	Secondary Level (9 to S.L.C)	7	7	28
4.	Higher Secondary(+2)	2	2	8
Total		25	31	100

(Source: Field Survey, June 2015)

Table 4.19(b)

Expenses for Education of Children

S.N.	Education Expenses/Saving for Education	Households	Percent
1.	Yes	30	100
2.	No	0	0

(Source: Field Survey, June 2015)

From table 4.19(a) we figure out that 24 percent of the respondents' children are reading in primary level, 40 percent in lower secondary level, 28 percent in secondary level and very few 8 percent respondents' children are getting higher education. However, the remaining 5 households do have school going children.

The analysis shows the positive impact in the level of awareness regarding education. Another important fact is that none of the respondent is willing to discontinue study of children.

Table 4.19(b) shows all respondents have been saving for their children's education and those whose children are going to school they are spending some amount for their education. This shows that micro credit program is highly effective for changing people's attitude toward education. The other hidden fact is that none of the respondents' children is deprived from education.

4.3.5 Socio-Cultural Situation before Intervention of Micro Credit Program

Based on the discussion with respondent, questionnaire collection and baseline survey; the socio-cultural situation of the tharu and dalit of the Tikapur Municipality before the intervention of micro credit program is described below:

) **Social status:** Before the intervention of program the tharu and dalit people of Tikapur Municipality were dependent on the people of upper class families of Thakuries and Brahmins. They did not have their individual opinion. They did whatever their landlords wanted them to do. Generations after generations they were serving those families for the sake of fulfilling their basic needs. The community was fully dependent in wage labor, all of them used to work for local riches. This totally demoralized their personal confidence too. They never thought their advices and participation are useful. They had no access to accumulation of assets.

Social status and income level together with understanding and awareness level were definitely too low than current status. Any social organization didn't implemented programs targeting them, no groups were formed and none of them were involved in any social organization.

Awareness level of the women was very low. They only used to follow the traditional cultures. They are not aware about education and sanitation. They passed same culture and message to their children what they have been following. They have been discriminating their son and daughter unknowingly. They also followed culture of child marriage.

) **Ability to analyze socio-cultural factor:** Previously, Social status of these people was very poor. They were compelled to live within the boundary of their household work. They didn't get any opportunity to develop their personal skill and knowledge. Their participation in individual and family

level socio-cultural activities was just as helper. Their contribution were not considered to be significant in the society.

) **Education status of children:** Previously, education level of these people was very poor. They didn't have the knowledge of school education. Most of them didn't send their children to school. They thought schools are only for wealthy children. They did get opportunity to participate any awareness program.

To conclude, it can be said that before the intervention of program socio-cultural situation of the people of Tikapur Municipality was in miserable condition. These communities themselves are very poor and ethnic minority communities that are suppressed by the upper caste. They had no access on asset and income. They didn't have the exposure and knowledge of socio-cultural factors. They were not involved in any decision making process in the community.

4.4 Major Findings

The major findings are presented below.

4.4.1 Economic Empowerment

4.4.1.1 Findings from Numeric Value Analysis

Credit Utilization analysis: Credit and investment both have been increasing over the period. But, credit has higher growth rate. The mean increasing percentage of credit is 55 whereas investment has only 50 percentage average growth rate. Credit and investment both are highly fluctuating. But, because of high coefficient of variance (57.13%) credit is more volatile than investment (51.39%). Only 55.60 percent credit has been invested for the business and 44.44 percent portion of credit seems unutilized. Thus, it can be concluded that huge percentage of credit has been used for mainly two purposes: repayment and domestic expenses. This is particularly because of relatively short time span for repayment. According to Bank rule, they have to start repaying their credit amount within 15 days. In such case, if they invest in certain business, they won't be able to pay within 15 days. So, they use some amount for repayment purpose.

Similarly, correlation between credit and investment (r) is 0.9953. Hence, it can be said that there is high degree of positive correlation between credit and investment of the business. That signifies that if credit increases investment also increase.

Credit Repayment Ratio Analysis: Repayment is in good position. Mean repayment rate during the period is 55.89% and it is above 50 in every year. The highest repayment rate is 57.47 percent in the year 2004.

There is high positive correlation between credit and repayment. The trend of the repayment has fluctuated more than credit. Repayment rate in comparison with utilization rate shows the repayment is in higher position with higher utilization of credit. Thus it can be concluded that utilization of credit affects the repayment of credit. Repayment rate has lower standard deviation, which says repayments are more consistent than credit. Similarly, repayment has lower Coefficient of Variation (C.V.) than Credit which indicates that people are more consistent with repayment schedule.

Returns on Investment Ratio Analysis: Net Income and investment both are increasing. However, net income has been growing in increasing trend, but, Investment is highly fluctuating. Another fact is that average increase in investment is about 50 percent but average return rate is three times higher than investment.

The rate of return is in highly increasing trend with very strong growth rate. Beneficiaries are getting very good return from their investment. This is mainly because of the initial subsidy amount. Initially, bank provided subsidies to the borrower to lure them for credit. Similarly, regular skill enhancement and experience of the borrower is also contributing for the growth. When they made some income from their investment, subsequently they would reinvest it, which also contributed for healthy growth.

Since Correlation between investment and return is 0.9897. That shows high degree positive correlation between credit and repayment; that means higher the investment, higher the income.

Return on Credit Ratio: Net income is growing in healthy rate over the year posting the highest rate of 93.11 percent in the year 2007. Because of experience and practice, borrowers are able to make good profit every next year. Average return percentage for the period is 81 percent, which is outstanding. Because of the Increasing trend, net income has higher C.V. (69.56%) than credit (57.13). By nature, growth rate of profit increases in early years but when it reaches at optimal level it becomes quite constant. Contrary to C.V., Standard Deviation of investment is quite lower than credit which shows investments are less fluctuating than credit.

The overall return is increasing over the years that might be the cause of regular skill enhancement on farming and increasing awareness about credit utilization on business. Correlation between return and credit is 0.9942, that shows high degree of positive correlation between credit and Investment; that is higher the credit, higher the income.

Saving and Income Ratio: After the involvement in microcredit program, these people are able to save significant portion of income. Mean saving ratio is 42 percent that shows borrowers have sufficient amount for reinvestment. Saving rates are not in increasing or decrease trend. The higher saving rate is 46 percent in the year 2004 and the lower rate is 39 percent in 2003, so, saving is not consistent. From the data presented in the table, one normal assumption can be made that saving are volatile because borrower have to invest some of the income for domestic purpose.

Since Correlation between saving and income is 0.9947. That shows highly positive correlation between credit and Investment; that is higher the income, higher the saving.

4.4.1.2 Findings from Qualitative Value Analysis

Based on the analysis presented above, discussion with respondents and opinion; the following impacts after intervention of program on living standards of dalits and tharus are identified:

Human Assets/Capitals: The analysis shows their skill and knowledge were expanded from agriculture wage labor to different small businesses. Table 4-13 justifies that micro credit program is a best way to provide business skill and knowledge. After involvement in micro credit 100% these people are now business literate. Similarly, all of them have marketing and management knowledge. 64 percent of the respondents said that they their marketing and management knowledge was highly improved. Micro credit program of KBSS proved to be highly effective to aware them about health and sanitation issues

Physical Assets/Capitals: Analysis of table and figure 5.14 shows very strong improvement in respondents' physical facilities of. 80% respondents' means of transportation was improved. Previously they were compelled to walk on foot to reach local market, but, now they have own bicycle. But, 20 percent of them are still compelled to walk on foot. Similarly, 68 percent respondents have built their own

tube well for drinking water and remaining 32 percent are using their neighbor's tube well.

After the intervention of the microfinance program, 28 percent of the respondents are able to build their own house. Previously, they were living in rented house. Similarly, 72 percent of the respondents already have their own house. So, they don't need to build new one. But, after the intervention of program they are able to maintain their shelter timely. Similarly, 52 percent of respondents are able to improve energy sources. Previously they were not using electricity for lighting, now-a-days they have their own electricity meter.

Financial Assets/Capitals: 100% respondents have access to saving and credit facilities. They are saving certain amount from their income. Now, they have access to local banking and saving credit facilities in micro level They also have the access to sources of loan and are able to make saving from business. Majority of respondents (80 percent) are taking credit from KBSS but at the same time, some of them (20 percent) are compelled to take loan from the local creditors too. That is basically due to tight lending policy and procedural lengthiness that takes long time to get money. But, it was found that after the intervention of program those people who were not providing money are now ready to provide them loan. It signifies that respondents' creditworthiness has increased.

4.4.2 Socio-Cultural Empowerment

Based on analysis of collected questionnaires, discussion with stakeholder and respondents about socio-cultural situation of the dalit and tharus various facts were uncovered. They are presented below:

Social Status: Social status of dalits and tharus has been increased positively. After the involvement in micro credit programs women are now engaging in income generating activities as well as in different awareness program. That helped them to express their view in community. Subsequently, they became self-sufficient to fulfill their need. Then, people started accepting their presence. That signifies that micro credit program really helped to improve respondents' social status. Their level of confidence has boosted and they got recognition in community level. All of the respondents felt their confidence level boosted and similar percent felt that they are accepted as equal stakeholder of the family and society.

Ability to Analyze Socio-Cultural Factor: Analyzing ability of dalits and tharus were found to have increased substantially. This is basically due to interactive and motivational workshops organized by KBSS. Initially, all the respondents were unaware about their social rights and norms. But, after the involvement they were able to discuss and analyze social practices.

Personal level and community level analyzing ability of the respondents increased by cent percent. But, family level analytical capacity is below that level (72 percent). This is because of skeptical family tie ups. Some of the respondents found quite dominated at home. Contrary to this fact, most of the respondent told that now their husbands have started asking their view for any family matter. This symbolizes increasing involvement of female in decision making process.

Influence in Decision Making Process: Level of awareness, capabilities of these people has increased after the intervention of program. Now most of them have the capabilities to influence in socio-cultural factors that indicates their influence in decision making process also has been increased positively. Table 4.18 shows the increment of role and influence of respondents in their family and person level by 100 percent. Now they can influence each and every decision to be taken in family level. But, they are still dominated in community level. 80 percent of the respondent felt they have ability to influence community.

Education Status of Children: Their business income is supporting in their children's education, they became able to send their children continually in school. Table 5.18 shows positive changes on the awareness level about education. Majority of them are sending their children in school and moreover seems their regular continuity in schooling. Moreover the trend shows the awareness about education is increasing and together students are increasing in lower level enrollment.

CHAPTER - V

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

The research was conducted in Tikapur Municipality of Kailali district. Bhramins, Thakuris, Dalits and Tharus are the major races of Municipality. Chaudhary, Tamata, Dholi etc. are the major castes of Tharus and Dalits. The study was based on exploratory and descriptive research design. The data has been collected from both primary and secondary sources. Field study was conducted using structured questionnaires, checklist and group discussion. Qualitative information was collected through observation, individual discussion and focus group discussion.

Primary objective of the microcredit program in Tikapur Municipality is to improve the living standard of the people of the community economically and socially. This is, indeed, the core concept of microcredit program worldwide. This seems to be a sound strategy for the country like Nepal.

The micro credit programs launched by the different organizations including KBSS have proved to be very effective in improvising the life standard of the people. This has increased the self-esteem and self-confidence of people through personal saving, regular income, bi-monthly meetings, exposure, trainings and the frequent interaction with other women in the community. They are now in good position either economically or socially.

However, the limited mobility of women has also been observed to have direct relationship with decision-making ability in their family and community level. Repayment of loan is satisfactory. But there are some problems in utilization of credit. This was basically due to the insecurity regarding the repayment of loan. Because of the small scale business, they may not be able to generate regular cash-flow to payback the loan within the agreed schedule.

The people residing and availing the facilities from the micro credit programs are changing their identities as micro-entrepreneurs and generating regular income for their livelihood. This has also helped them to harness their potential. It has also brought them forward from their household premises and created an environment

conducive to interact with other community members. They have got an opportunity to discuss their problems in a greater community. Similarly, their leadership capacity has been nurtured to some extent.

The greatest challenge of micro-finance is expanding saving and credit services to the poor. Because they don't have any resources to use them, they don't have any idea to utilize them. But, KBSS's micro credit program proved itself very successful. After the intervention of program the people have started saving for future, which made them self-reliant and confident. Now, they have their own business, so, they needn't depend upon the local riches for their basic necessities. They have been developing business management skill and have increased their productivity of their limited assets.

The major findings are listed below:

) The living standard of the poor of Tikapur municipality has transformed from very lower level to financially and socially independent families. The loan availed by them has been increasing by an average of around 55% and investment by around 50% which shows that the respondents are actively involved in livelihood. The respondents who used to be the laborers and kamaiyas of higher class people of the society are now paying back the laon uniformly. The return on investment made by them is around three times of the investment, repayment rate and saving rate are at the average of around 53% and 42% respectively. This data shows that they are making wise investment and they have now become capable of making savings for their future use.

Further, they have become healthy and are more aware of the cleanliness and sanitation. More than 50% of the respondents have realized enhanced skills and are capable to run their business on their own. More than 70% have built their own tube well and have arranged some sort of transportation means like cycle and tricycle, 30% of the respondents have built their own house and now they have started using electricity as the source of energy.

) The lending amount and the investment amount have been increasing every year. The average increase in the lending is around 55% and investment is around 50%. At the same time, the repayment rate is observed to be uniform

throughout these five years which shows that the respondents are making fruitful investment. This trend has ensured the sustainability of the entrepreneurship of the respondents.

-) Data shows that 21 out of 30 are illiterate. This has created problem in in the better implementation of microcredit programs. Also, the repayment period is very less which starts from 15th day of loan sanctioned date. This has added insecurity among the respondents to invest the full credit amount availed from KBSS. As a result, the average unutilized loan is 44%. They have kept this loan amount with themselves to pay back the loan.
-) It has been observed that the lending organization should be more flexible regarding the repayment policy so that the investment rate can be increased from the average of around 50%. Training and skill development programs have to be conducted so that rate can increase above 70%.

5.2 Conclusion

Tharus and dalits are the deprived communities of Nepal. More often they are unaware from the basic facilities and opportunities provided by government.

The Micro saving and credit schemes are being popular in these communities. The financial analysis of business shows that their business is in profitable position. The communities have succeeded to utilize the saving and credit and generate profit. However still some efforts are needed to sustain these improvements and further financial soundness of the program.

The members of the communities were found satisfied with the program, although, they expect some improvement in process. The saving and small credit program is highly popular in the community basically for the economic reasons along with human and social development. Amount of loan distribution and collection procedures are not simple and easy, the significant chunk of loan is being used by borrowers for repayment. This is quite impractical.

Sustainability of the program is highly dependent on the qualitative and quantitative factors. In quantitative aspects the most of the indicator are showing financial soundness. But, qualitative factors are demanding some improvement.

The project has been playing a vital role to change socio-economic status of these people. Different groups were formed, strengthened and supported with training, counseling, necessary inputs and their skill, knowledge and capabilities has been increased to enhance their business handling ability, which indicates economic empowerment.

On the other hand the gender disparity has remarkably decreased; women's confidence level has been raised from their personal level to the community level. They are challenging their conservative tradition and trying to maintain their own social status. Micro credit program has increased the awareness in education, health and sanitation.

These all changes have contributing to their skill to influence the factors of decision-making process which indicates their social empowerment.

5.3. Recommendations

-) Because of the insecurity of financial loss in new business, lack of confidence in the beginning, and the tight repayment schedule, the borrowers are holding their money to repay in time. This provision compelled them to hold some money idle. So, it is recommended to maximize the repayment interval and enhance the flexibility according to the business nature and repayment track of client.
-) Improved provisions for repayment are necessary to reduce the gap between credit growths. There is big difference in credit growth every year.
-) Actual need identification, periodic meeting and monitoring mechanism should be regular and effective to pump up and alert them for optimum utilization of credit.
-) Return on investment ratio is very strong, but, return on credit ratio is just satisfactory. So, it is recommended to develop a mechanism to make investment from their credit, not to use credit for repayment and household expenses.
-) Saving rate is good, but maintaining it in long run may be difficult. So, different programs to develop entrepreneurial skill should be launched.

-) Members of KBSS are still taking loan from local money lender with high interest rate. This is because of the long procedure and delay in reimbursement. So, it is recommended to ease the procedure and reimburse as soon as possible.
-) To enhance their business they should be encouraged to regular monthly saving and reinvestment of capital.
-) The co-operative has been providing technical support in terms of market link and business management. Beside these support it should train them for business planning and expansion.
-) For the sustainable improvement of respondents' social and economic condition, it is recommended to transfer the technical skill and knowledge about business management, credit cycle, market identification and other aspects of the business to the members.
-) It is recommended that certain time of the women's forum should regularly conduct programs that make them aware about gender disparity, conservative social norms and attitude for social change.
-) Co-ordination, co-operation between member and bank should be further strengthened. Success of the program depends on mutual cooperation.

REFERENCES

- Arifujjaman, M., & Anisur, R., (2007). *Impact of microfinance on living standards, empowerment and poverty alleviation of poor people: A case study on microfinance in the Chittagong District of Bangladesh*. Stockholm: Umea School of Business.
- Berenbach, S., & Guzman, D. (1994). *The new world of microenterprise finance*. London: Intermediate Technology Publications.
- CBS/NPC (2009). *Nepal Living Standards Survey 2008/09*. Kathmandu: Central Bureau of Statistics (CBS)/National Planning Commission (NPC).
- CBS/NPC (2011). *Nepal Living Standards Survey 2010/11*. Kathmandu: Central Bureau of Statistics (CBS)/National Planning Commission (NPC).
- Christen, R. P. (1997). *Banking services for the poor: Managing for financial success*. Washington, DC: ACCION International.
- Fuglesang, A., & Chandler, D. (1996). *Participation as process – What we can learn from Grameen Bank of Bangladesh*. Dhaka: Grameen Bank.
- Ghai, D. (1984). *An evaluation of the impact of the Grameen Bank Project*. Dhaka: Grameen Bank.
- Grameen Bank (2000). *Annual Report*. Dhaka, Grameen Bank.
- Gupta, S.P. (1987). *Statistical method.*, New Delhi: Sultan Chand & Sons Publishers.
- Hubka, A., & Zaidi, R. (2005). *Impact of government regulation on microfinance: Improving the investment climate for growth and poverty reduction*. Cambridge, UK: Cambridge University Press.
- Kerlinger, F. N. (1978). *Foundation of behavioral research*. New Delhi: Surjit Publication.
- KBSS (2013). *19th Annual Report 2013*. Lamki, Kailali: Kisan Bahuudesiya Sahakari Sanstha Ltd.
- KBSS (2014). *20th Annual Report 2014*. Lamki, Kailali: Kisan Bahuudesiya Sahakari Sanstha Ltd.

- KBSS (2015). *21th Annual Report 2015*. Lamki, Kailali: Kisan Bahudesiya Sahakari Sanstha Ltd.
- KMF (2013). *1st Annual Report 2013*. Baliya, Kailali: Kisan Micro Finance Ltd.
- Ledgerwood, J. (1999). *Microfinance handbook: An institutional and financial perspective*. Washington, DC: Banco Mundial.
- Mathema, V. R. (2008). *Micro finance in Nepal*. Kathmandu: Padma Mathema.
- MoF/GoN (2014). *Economic Survey, (2013-14)*. Kathmandu: Ministry of Finance (MoF)/Government of Nepal (GoN).
- NRB (2013). *Banking and Financial Statistics*. Kathmandu: Nepal Rastra Bank (NRB).
- NRB (2014). *Unified Directives*. Kathmandu: Nepal Rastra Bank (NRB).
- Pant, P. R. (2002). *Research methodology*. Kathmandu: Buddha Academic Publishers and Distributors Pvt. Ltd.
- Yunus, M. (1982). *Grameen Bank Project in Bangladesh – A poverty focused rural development program*. Mirpur: Grameen Bank.
- Yunus, M. (1987). *Credit for self-employment: A fundamental human right*. Dhaka: Grameen Bank.
- Zeller, M., & Meyer, R. L. (2002). *The triangle of microfinance – Financial sustainability, outreach and impact*. Washington, DC: The International Food Policy Research Institute.
- <http://cgap.org>
- <http://en.wikipedia.org/wiki/Microcredit>
- <http://fmdb.com.np/Microfinance.php#jquerytabmicrofinance-page-2>
- http://www.hotelnepal.com/nepal_news.php?id=2696
- <http://www.nrb.org.np>
- <http://www.nrb.org.np/mfd/mfdindex.php?&vw=4>
- <http://www.rmdcnepal.com/uploads/financials/English%20Newsletter%202024,%20April%202014.pdf>
- <http://www.ruralpovertyportal.org/country/home/tags/nepal>
- <http://sapkotac.blogspot.com/2013/07/poverty-by-district-in-nepal.html>

APPENDIX - I

MICRO FINANCE SECTOR IN NEPAL

1. Institutional Sector

-) **Nepal Rastra Bank (NRB):** NRB is a central bank and an apex institution of the financial system. It has placed various efforts to develop the micro-finance system in Nepal. It introduced the priority sector (small sector) lending program in 1975 and the intensive banking program in 1981. Further, in 1992, NRB participated in equity and management to develop the Grameen Banking system by introducing regional rural banks as a replication of Bangladesh Grameen Banking model. NRB plays a vital role to develop the microfinance system in Nepal through introducing policy, systems and institutions as well.
-) **RSRF (Rural Self Reliance Fund):** In 1990, government of Nepal introduced a fund of NRs. 10 million to provide a wholesale fund for small cooperatives and rural based NGOs to on lend to micro entrepreneurs. Further in 1999, government provided additional support of NRs. 10 million to the RSRF. Since the beginning, the fund has been handled by NRB.
-) **Rural Micro-Finance Development Centre (RMDC):** Under the financial support of ADB/Manila, NRB, banks and financial institutions together injected equity to form the micro-finance apex institution Rural Micro-Finance Development Centre' (RMDC), incorporated in 1998 mainly to extend wholesale fund to the micro-finance institutions. Its mandate includes capacity building for MFIs and ultimate borrowers in addition to providing a fund for on lending to them. Being a micro-finance apex wholesale institution, it has provided wholesale loans to different MFIs (Grameen Bikash Bank, Development Bank, NGOs, SCOs).
-) **Commercial Banks (CB):** According to the NRB directive, commercial banks need to extend at least 5 percent of their total loan outstanding to the deprived sector. CBs are also investing in equity of micro finance institutions as well as providing wholesale loans to MFIs as per the instruction/directives of NRB. At present, all commercial banks are extending credit to the deprived sector if not under retail basis, as a wholesale lender.

-) **Small Farmer Development Bank (SFDB):** SFDB was established in 2002 under the development bank act of 1996 to provide wholesale funds to Small Farmer Co-operatives Ltd. (SFCLs). SFCLs were developed by the SFDP of ADB/N to make groups of small farmers self-reliant and sustained. Until now, the total number of SFCLs affiliated with the SFDB is 35 and the total number of groups within the SFCL is 3,434.
-) **Development Banks:** Some development banks formed under the development bank act 1996 are implementing micro-finance activities in rural areas. Prior to becoming development banks, some institutions were active as NGOs in the field of social development, as well as in micro-finance. Among these banks, 5 were regional rural development banks in the government sector which are now merged into one and became Nepal Grameen Bikash Bank Ltd.

2. Community Based Sector

-) **FINGO (Financial Intermediary Non-government Organization):** Those NGOs that are operating in financial services transactions and opting for an NRB license are referred to as FINGOs. NRB has initiated to NGOs providing license and a mechanism in financial intermediation activities to provide financial services such as micro finance services to address the lack of institution providing MF services in many areas of the country. Financial intermediation activities are defined as the borrowing and on-lending of funds, but do not include direct deposit taking from the public. The last session of parliament approved changes in the Financial Intermediary Act of 1998, which now allows FINGOs to collect savings from the members of groups.

As a replicator of Grameen Model, some NGOs were established to extend credit facility to the rural poor: Nirdhan (1991), CSD (1991), Chhimek, Deprosc (1994). In 1996, the development bank act came into existence and the above-mentioned NGOs became development banks. Since the financial intermediary act was implemented in 1998, 28 NGOs have received permission to extend credit and collect savings from the rural poor in group-based activities. The main objectives of these NGOs are to extend micro credit activities and help towards raising the living standard of the poor.

-) **Saving and Credit Co-operatives (SCOs):** SCOs are member owned, controlled and capitalized organizations, which provide financial services to members. There are more than 32,600 co-operatives as per the data published by Cooperative Department in Nepal and approximately 2,300 are a member of the national federation, NEFSCUN. The vast majority of these SCGs grew out of assorted development initiatives (literacy programs, water and forestry user groups, mother and child programs, etc.) into which a savings component had been introduced, if only to strengthen the livelihood that the group would continue to meet and be active, after the specific program intervention had been completed. Given that the limited prospects of such smaller groups and the problems that promoting agencies face in maintaining outreach to large numbers of scattered, small groups, considerable attention is being paid nowadays to mechanisms for federating and institutionalizing these groups.
-) **Traditional Savings and Credit Groups:** Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as a Rotating Savings and Credit Associations (ROSCAs), but known locally as Dhukuti or similar terms. These tend to be nonregistered, but quite formally structured in terms of membership rights and obligations, etc.

3. Regulation of MFIs

Micro credit institutions are regulated by various laws. These are: Nepal Rastra Bank Act (2002), Agriculture Development Act (1967), Cooperative Act (1972), Finance Company Act (1985), Development bank act 1996 Social Welfare Act (1991), Company Act (1947), Financial Intermediary Act (1998) and Insurance Act. There is some difficulty to regulate all micro-credit institutions because there are many MFIs established under different acts doing micro-finance activities. The ultimate responsibility to develop, regulate, monitor and supervise is of NRB. NRB issues different directives time to time to regulate development banks which are engaged in micro-finance. Similarly, it also regulates other MF institutions licensed by NRB by issuance of directives.

APPENDIX - II

INTRODUCTION TO STUDY AREA AND MF INSTITUTION

1. Kishan Bahuudesiya Sahakari Sanstha Ltd. (KBSS)

KBSS has its Central Office at Baliya VDC (Now, Lamki Chuha Municipality), Ward No. 8, Lamki, Kailali. It is registered with Department of Co-operatives under Regd. No.: 4/22/052-53 on B.S. 2052/07/17 (03.11.1995). The institution has also obtained license from Nepal Rastra Bank on B.S. 2054/09/11 (26.12.1997) for carrying out limited banking services which is one of the 16 co-operative institutions operating throughout the country having such license from NRB. The co-operative is considered as a leading micro-credit institution in the far western region. Currently, the organization has been operating in Kailali district (a Co-operative institution cannot expand its branch beyond the registered district), Two Municipalities, 27 VDCs with 9 branches. It has 17,075 members under micro credit and has extended total credit of Rs. 5,496.33 Lacs to 3,416 groups and has collected deposits of Rs. 3,002.58 Lacs till Aashad end 2071 (16.07.2014). The micro credit facilities are extended to the people by forming groups with security of the guarantee of group itself. The loan/investment of the organization is increasing as they are expanding their program each year. Currently, the institution has been carrying out its programs in co-operation with INGOs like USAID (under Kisan Project), Habitat for Humanity and NGO named Helping Hands for Social Welfare to help the deprived segment of the society for their sustainable uplift. Similarly, RMDC has also been conducting various programs in collaboration with the institution through micro credit lending. The co-operative has obtained best prize under Awash Nirman Abhiyan (Residence Campaign) conducted in association with an INGO, Habitat for Humanity throughout the country as one of the micro credit lending processes.

The institution has its own building at main market area of Lamki, Kailali. The total number of employees of the organization is 88.

Total number of shareholders of the institution is 3,017 as on Ashadh end 2071.

2. Introduction to Study Area

Tikapur Municipality, one of the municipalities of Kailali district is located at approximately 14 km South from East-West highway. It is bordered with Munuwa, Thapapur and Durgauli VDCs and Kauriwala River to the east. Dhangadhi is the major

market of the district which is around 90 KM west from Tikapur. The municipality is linked by the pitched road further linking Lamki to the north (which is adjoining town of east-west highway) and Indian Boarder to the south.

Rice, wheat, maize, masuro and rahar (lentil) and vegetables are produced with commercial purpose. Similarly, poultry farming and animal husbandry for milk production is also quite common in the locality.

APPENDIX - III

CALCULATION OF DIFFERENT STATISTICAL VALUES

To calculate different absolute values for analyzing data, Microsoft Excel programme has been used. And, these all values are calculated using different statistical formula. Short description of Calculation is presented below:

Statistical Measure	Formula
Mean(Average)	=Average(Cell Range)
Standard Deviation (S.D)	=STDVEP(Cell Range)
Coefficient of Variation	=Cell address of Average/Cell address of S.D.
Correlation(r)	=Correl(Cell Range of Variable 1, Cell Range of Variable 2)

CALCULATION OF PROBABLE ERROR

$$\text{Probable Error (r)} = 0.6745(1-r^2/\text{N})$$

Where,

r = Correlation

N = No. of observations (in this study = 5)

APPENDIX - IV

सर्वेक्षण प्रश्नावली (SURVEY QUESTIONNAIRE)

क. वैक्तिक विवरण (Personal Information)

- १) ऋणीको नाम: २) जात/जाति :.....
- ३) ऋणीको मुख्य पेशा : ४) घरमुलीको नाम :.....
- ५) परिवार सङ्ख्या: जम्मा () महिला () पुरुष ()
- ६) ठेगाना: गाविस : वडा नं :..... टोल :
- ७) उमेर : ८) धर्म :
- ९) परिवारको किसिम : () संयुक्त () एकल १०) परिवार संख्या.....
- ११) जग्गा स्वामित्व आफ्नै () मोहि () भाडामा () भएमा, कट्टा.....
- १२) शिक्षा : () साक्षर () निरक्षर () स्कुल पढ्दै गरेको परिवार संख्या
- १३) आम्दानीबाट कति समय खान पुग्छ ?
() ३ महिना () ६ महिना () ९ महिना () वर्षभरी
- १४) अति आवश्यक समयमा नगद कहाँबाट प्राप्त गर्नु हुन्छ ?
() बैंक () समुह () साहु
- १५) व्यवसाय/व्यावसायिक खेती कहिले देखि शुरु गर्नु भयो ?.....

ख. आर्थिक सशक्तिकरण (Economic Empowerment)

१) मानवीय सम्पत्ति/पूँजी (Human Asset/Capital)

- । व्यवसायिक ज्ञान तथा दक्षता (Business Skill & Knowledge) :
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()
- । बजारीकरण तथा व्यवस्थापना (Marketing & Management) :
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()
- । स्वास्थ्यमा सुधार र स्वास्थ्य सम्बन्धि चेतना :

अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()

२) व्यवसायको कमाईबाट भौतिक सम्पति/पूँजीमा पहुँच (*Access to asset/capital from business earning*)

। सुलभ यातायात (बस, ट्रक, रिक्सा, टाङ्गा, ट्रयाक्टर आदि)को पहुँचमा वृद्धि :
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()

। खानेपानी तथा सरसफाई सुविधामा वृद्धि :
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()

। आवास सुविधा
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()

। उर्जा (विजुली, शौर्य उर्जा, गोबरग्यास आदि)
अहिलेको जत्तिकै थियो () अहिलेको भन्दा कम थियो () छँदै थिएन ()

३) वित्तीय स्रोतमा पहुँच (*Access to Financial Source*)

। वचत गर्ने सुविधामा पहुँच : छ () छैन ()

। वचत गरेको छ? छ () छैन ()

। ऋणको स्रोतमा पहुँच छ? छ () छैन ()

। ऋण लिनु भएको छ? छ () छैन ()

लिएको भए, संस्थाको नाम :

ग) सामाजिक-सांस्कृतिक सशक्तिकरण (*Social-cultural Empowerment*)

१) सामाजिक प्रतिष्ठा (*Social status*) : यस अन्तरगत महिलाहरुको क्षमता, आत्मविश्वासको तह, व्यक्तित्व

र स्वतन्त्रताका विषयमा पहिचानको अनुभव समावेश गरिएको छ ।

। व्यक्तिगत तहमा वृद्धि : छ () छैन ()

। पारिवारिक तहमा वृद्धि : छ () छैन ()

। सामुहिक तहमा वृद्धि : छ () छैन ()

२) सामाजिक-सांस्कृतिक विषयहरूले प्रभाव विप्लेषण क्षमता (*Ability to analyze socio-cultural factor*) : यस अन्तर्गत लामो समय देखि निरन्तरता दिदै आएका सामाजिक सांस्कृतिक परम्पराहरूलाई विश्लेषण गर्न सक्ने र सामाजिक विकासको लागि सही वा गलत पहिचान गर्न सक्ने महिलाहरूको दक्षतालाई आधार भनिएको छ ।

। व्यक्तिगत तहमा वृद्धि : छ () छैन ()

। पारिवारिक तहमा वृद्धि : छ () छैन ()

। सामुहिक तहमा वृद्धि : छ () छैन ()

३) निर्णय प्रक्रियामा प्रभाव (*Influence in decision making process*) : यस अन्तर्गत

निर्णय प्रक्रियामा महिलाहरूको भुमिका तथा प्रभाव पार्नेसक्ने महिलाहरूको दक्षतालाई आधार मानिएको छ ।

। व्यक्तिगत तहमा वृद्धि : छ () छैन ()

। पारिवारिक तहमा वृद्धि : छ () छैन ()

। सामुहिक तहमा वृद्धि : छ () छैन ()

घ) बैंकबाट वित्तीय सुविधा लिएपछि तपाईंले कस्ता परिवर्तन अनुभव गर्नुभएको छ ?

क्र.सं	वित्तीय सुविधा लिनुअघि	वित्तीय सुविधा लिएपछि
१.		
२.		
३.		

ड) ऋण चक्र र वित्तीय तथा व्यावसायिक परामर्शसम्बन्धी कुनै सुझाव भए लेख्नुहोस्

१.	
२.	
३.	
४.	
५.	

APPENDIX - V

MAP OF STUDY AREA

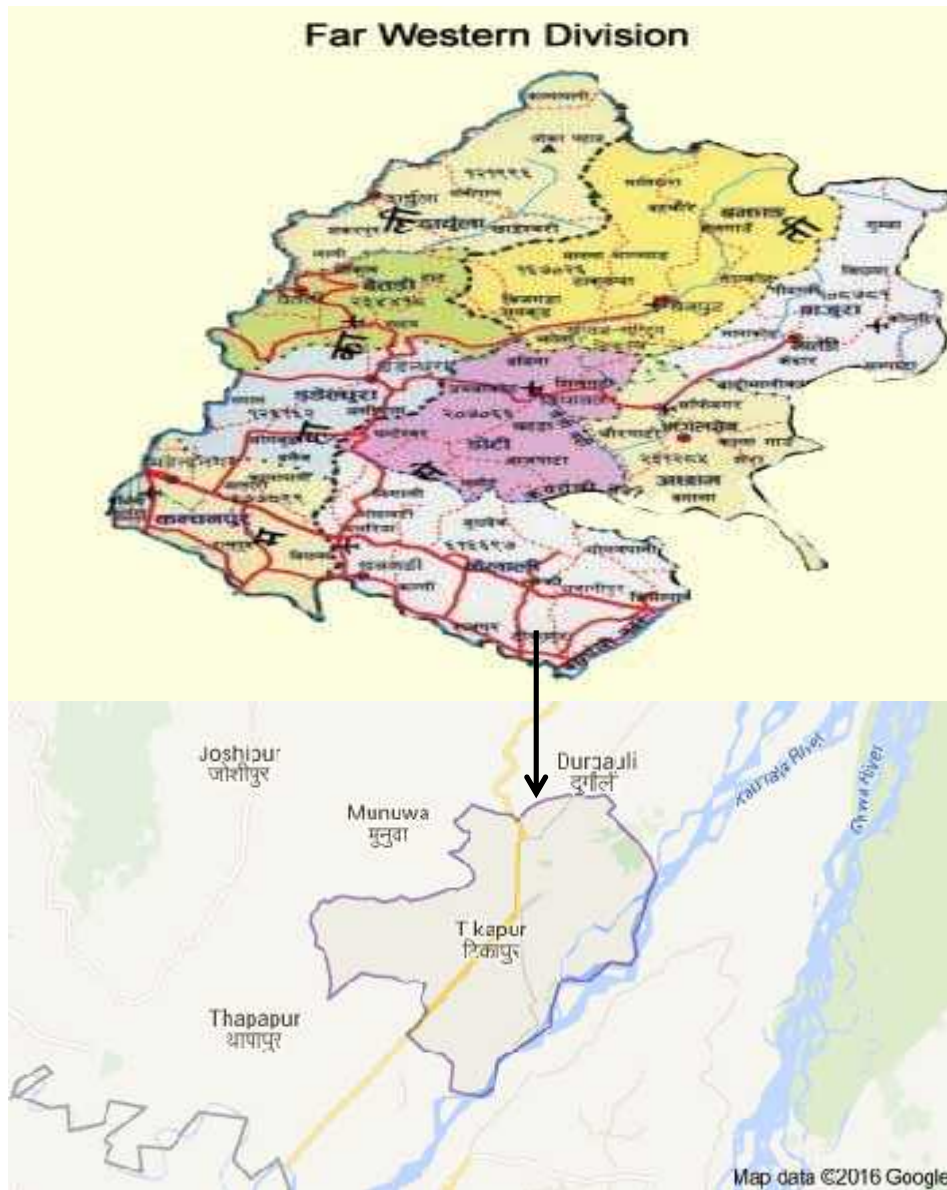


Fig: Tikapur municipality of Kailali district

Map Courtesy © Google.com