

**IMPACT OF MICRO FINANCE PROGRAM OF
SELECTED MICRO FINANCE INSTITUTIONS FOR
POVERTY REDUCTION**

A THESIS

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RECOMMENDATION

This is to certify that the thesis

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has been prepared as approved by thesis department in the prescribed format of the faculty of management. This thesis is forwarded for examination.

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DECLARATION

I hereby declare that the work reported in this thesis entitled, " Impact Of Micro Finance Program Of Selected Micro Finance Institutions For Poverty Reduction" submitted to Faculty of Management, Padma Kanya Multiple Campus, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree in Business Studies (MBS) under the supervision of Prof. Dr Manohar Krishna Shrestha and Associate Prof. Manik Ratna Tamrakar.

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ABBREVIATIONS

&	:	And
A.D	:	Anno Domini
ADB	:	Agriculture Development Bank
BOKMT	:	Bank of Kathmandu Money Transfer
B.S	:	Bikram Sambat
CMF	:	Centre for Micro Finance
CGAP	:	Consultative Group to Assist the Poor
CSIDP	:	Cottage and Small Industries Development Program
\$:	Dollar
FINGO	:	Financial Intermediary Non-Government Organization
GON	:	Government of Nepal
GBB	:	Grameen Bikash Bank
IBP	:	Intensive Banking Programme
ILO	:	International Labor Organization
IME	:	International Money Express
INGO	:	International Non-Government Organization
MIFAN	:	Micro Finance Association of Nepal
MADB	:	Myanma Agriculture Development Bank
MFIS	:	Micro Finance Institutions
MCPW	:	Micro Credit Project for Women
NGO	:	Non-Government Organization
NUBL	:	Nirdha Utthan Bank Limited
NRS.	:	Nepali Rupess
NSSC	:	Neighborhood Society Service Center
NRB	:	Nepal Rastra Bank
PCRW	:	Production Credit for Rural Women
PSLP	:	Priority Sector Lending Program
RMDC	:	Rural Micro-Finance Development Centre
RO	:	Regional Offices

RSF	:	Rural Self-Reliant Fund
SHGs.	:	Self-Help Groups
SFDP	:	Small Farmer Development Program
SACOSS	:	Savings and Credit co-Operatives
SCGS	:	Savings and Credit Groups
TSCG	:	Traditional Savings and Credit Groups

CHAPTER- I

INTRODUCTION

1.1 Background of the Study

Nepal is one of the least developed countries in the world with the population of about 25 million and land area of about 14 million hectares. Poverty is pervasive condition in the world especially in the Asian countries. Almost 38% of people living in this country are under poverty line, which means that they earn below \$1 per day. As already mentioned that poverty is pervasive in the world, the same situation exists in Nepal, where almost 38% of population living in this country, has faced the problem of malnutrition, sanitation, healthcare, education, economic, social status etc. Basically, the poverty in Nepal exists in rural and agrarian phenomenon. Annual GDP of Fiscal year 2009 was estimated only 4.0% reflecting the adverse effects of the conflict and political problems, particularly for manufacturing, transport, and communications. As per the economy survey of 2009, the annual per capita income is (GDP) \$471.

The population growth rate is around 1.281% (2009 estimated) per annum and almost 85% of the population living in rural based area with agriculture and agro-based profession. Although, Nepal is small country, it has various Natural and physical diversity of plain, mid hill, high snow capped mountains and terrain region. With this regard Nepal has also the cultural diversity where almost 60 casts and ethnic groups are living. More than 75% of this landlocked country is hilly region.

Although Nepal has various possibilities of development by using it's natural and cultural diversity but Nepal still facing the poverty very seriously. This is because due to the lack of infrastructure development and making awareness for people in regard of improving the living standard and apart from these things, lack of training programs to empower their living standard, information for income generation and its investment technique has played a great role. Hence development of this country is very difficult and challenging to empower the living standard of people. Also the main problem is we are taught as poor

people though we do have tremendous amount of resources and natural assets, in terms of this we need to be taught as, we are poorly managed country not a poor country.

Due to weak social infrastructure, evident in the UNDP human development index rank has meant that gender inequality, rural, urban and regional; disparities and poor health facilities continue to be the significant hindrance for the development. Distribution of income also plays the major role of increasing or decreasing poverty.

Nepal is the country where almost 80% of people are engaged in agricultural activities. So for the swift development of this country, government and stakeholders should give first priority towards the scientific development of agricultural sectors, rural tourism sector, research and energy sector so that the living standard of the poor people and farmers could be increased. If we upgrade the living standard of farmers then we can easily grow the economic condition of country. In order to improve the economic condition of the countries like Nepal, they should emphasize on the small scale saving and investment to empower low-level income holders.

With the discussion of above background, the best method of reducing poverty is micro finance. This method is very successive method although not a complete solution in the world since 30 years (ADB, 2005). Interest of micro finance has burgeoned. Multilateral and bilateral agencies, developing and developed countries, governments and Non-governmental organizations, all support the development of microfinance. Variety of private banking institutions, insurance companies have also joined on this group in the recent years.

Micro finance is closely related to the ultra-poor, low-income households and micro enterprises. It refers to small scale financial services- primarily credit and savings provided to those enterprises where goods are produced, recycled, repairs or sold; who provide services; who work for wages of commission, who work gain for income from renting out small amounts of land, vehicles, animals and to other individuals and groups at the local level of developing countries, both rural and urban. Therefore range of financial services such as deposit, loan, payment services, money transfers and insurance to poor and low-income households and their micro enterprises. However in the context

of Nepal, Nepal Rastra Bank has defined the loan mobilized to poor in absolute term. It has considered the loan up to Rs. 30000 as the loan provided too poor. In Nepalese context micro finance denotes the services of collection of saving from women, poor households and micro entrepreneurs, and shed money received from financial institutions providing the wholesale financial services of donor agencies.

In Nepal, Rural Development Banks, cooperatives, international non-government organizations and donor institutions-ADB, UNDP, and international funds for Agriculture Development through NGOs, local governments and Government of Nepal, are rendering micro finance services. In addition, informal institutions- Dhikuti association, user groups, indigenous bankers, and businessmen are providing micro finance services to low-income households, poor and micro enterprises.

Cooperative Organizations are very popular in people economic movement in the world, and large numbers of members are involved and are working in micro finance. Realizing the situation, government can take positive steps to eradicate poverty and create employment through the cooperative movement.

In overall, micro finance services can help low income people, reduce risk, improve management, raise productivity, obtain higher returns on investment, increase their incomes and improve the quality of their lives and those of their dependents.

In case of Nepal, micro finance program has been traced through the beginning of micro finance program by first five-year plan, which commenced with the establishment of co-operatives in 1956. However, official policy got reorganization of their sector is alleviating poverty in Forth five-year plan with the establishment of SFDP in 1975, which is known as the mother of all micro finance activity. However, rapidity of micro finance has made after the establishment of ADB/N, which transfer this program into, autonomous and member owned financial institution as part of overall reform program.

So, this paper attempts to shed light to the development of micro finance industry in Nepal and recent policy announcement of Governments of Nepal on micro finance industry. In Nepal there are 18 microfinance companies. Here I took 2 microfinance companies out of them.

1.2 Introduction of Microfinance institutions under study

1.2.1 Emergence (Nirdhan Utthan Bank Limited (NUBL)).

Like the Grameen Bank of Bangladesh, which it consciously replicates, NUBL's establishment in Nepal was the result of the effort of one person, Dr. Harihar Dev Pant, who left a senior position in Nepal Rastra Bank (Nepal's central bank) to register Nirdhan as a non-for-profit NGO with the Social Welfare Council of Nepal in 1991.

The founding of Nirdhan, in contrast, was based on the management paradigm which does not have any conflict between service provision to the needy and sound banking practices. The decision to replicate the Grameen methodology was a corollary to this paradigm, buttressed by the fact that socioeconomic conditions in southern Nepal, where Nirdhan limits its operations, are quite similar to that in Bangladesh. Financial sustainability was accorded a central role in Nirdhan's mission statement, which reads: The mission of Nirdhan Utthan Bank is to extend financial services and social awareness to the poor in underserved areas on Nepal in a sustainable manner. (NUBL; 2001: 2).

Nirdhan, then an NGO, started its microfinance operation in 1993, about two years after it was registered. In this period it mobilized two significant grants to support its two-year pilot effort: a \$25,000 grant from the Asian and Pacific Development Center and a \$35,000 soft loan from the Grameen Trust. By July 1993, Nirdhan, with a total staff of six, served 155 clients with an outstanding loan balance of \$8,750. The pilot program was placed in the Siktohan VDC situated in the densely populated Terai plains of Nepal that approximated quite well the conditions in Bangladesh where the Grameen concept had flourished. Nirdhan strategically chose Siddarthanagar, a small town in western Nepal, not Kathmandu, the national capital.

In 1994, Nirdhan obtained a limited banking license from Nepal's central bank. This license permitted Nirdhan to mobilize voluntary saving, though only from its members or clients. By 1995, the last year of pilot testing, Nirdhan covered 25 VDCs in two districts, serving 1,486 members.

Between 1995 and 1998, Nirdhan scaled up beyond its pilot phase, covering 118 VDCs in four districts. Expansion was partly funded by concession loans Nirdhan obtained from commercial banks in Nepal. The erstwhile regulation requiring regular commercial banks to invest at least 12 percent of their loan portfolio into "priority sectors" designated by the government has been a critical source of funds for Nirdhan.

1.2.2 Transformation into a Development Bank

Nirdhan struck another milestone in November 1998 when it registered as Development Bank. In April 1999, the central bank granted a license to Nirdhan to undertake banking activities under Nepal's Development Bank Act. Nirdhan, the NGO, transferred all microfinance operations, including overall infrastructure, staff, loan portfolio, and most assets to the NUBL. This strategic transformation was made for the following reasons:

- ❖ Development banks are supervised and regulated by the central bank, which enforces banking standards; this helps NUBL's institutional development.
- ❖ As a development bank, NUBL can eventually accept deposits from the general public. This was deemed important in providing needed capital for the bank in the near future.
- ❖ As a development bank, NUBL could provide wider range of clients, including micro entrepreneurs that graduate out of the bank's regular group-based clientele. Further, it could also accept collateral for potentially larger and diverse loan products.
- ❖ As a bank NUBL will have access for funding on commercial activities to satisfy growing needs of potential clients.
- ❖ Nirdhan's experience was that access to loans from commercial banks would improve after incorporation as a development bank. Commercial banks were hesitant to lend to NGOs even at commercial rates.

As the microfinance operations are transformed to NUBL, Nirdhan(NGO) continued working in plus activities like entrepreneurship training, primary health care services and vocational training mostly to NUBL clients.

1.2.2.1 Vision:

The vision of NUBL is to be a bank with a social conscience that enables poor to

- i. Contribute equally to a prosperous, self-reliant rural society through self-empowerment and social awareness, and
- ii. Help to reduce poverty in Nepal.

1.2.2.2 Mission:

The mission of NUBL is to extend financial services and social awareness to the poor under-served and un-served areas of Nepal in sustainable manner.

1.2.2.3 Goal:

- Reach a maximum number of poor households with potential financial viability
By adopting a proven delivery mechanism,
- Develop a well-managed institution with high staff morale,
 - Enhance women’s “self-respect” through social awareness, proper use and on-time repayments of loans, regular savings and provision of related microfinance services.

1.2.2.4 Target Group:

NUBL recruits new clients who fit the following targeting criteria for its group based financial services:

- Own less than 0.25 hectares of irrigated land or less than 0.5 hectares of un-irrigated land per five-person family.
- House must not have cemented walls of ceiling (pucca house).
- Permanent residents of area.
- No family members employed in the formal sector.
- No current loans from other financial service providers.

1.2.2.5 Strategic Alliances

Nirdhan Utthan Bank has established strategic alliances with the following international and national organizations:

- ❖ Grameen Trust, Bangladesh.

- ❖ Credit & Saving for Hard-core Poor in Asia & Pacific (CASHPOR) a Philippines based Network
- ❖ Save The Children Federation-USA working closely with Nirdhan/NUBL since July 1997.
- ❖ PLAN International began working with Nirdhan/NUBL in October 1998. The partnership continues in capacity building and outreach expansion areas
- ❖ Centre for Micro-Finance (CMF), Nepal
- ❖ The Micro-finance Association of Nepal (MIFAN)
- ❖ The Rural Micro-Finance Development Centre (RMDC), an apex second tier institution promoted by the Asian Development Bank.
- ❖ Nirdhan Utthan Bank contributes to the MicroBanking and a center for microfinance information exchange
- ❖ The consultative group to assist the poor (CGAP) began to work in April 2001 to strengthen internal capacity and systems of Nirdhan Utthan Bank.
- ❖ The International Labor Organization (ILO) and NUBL has recently entered in new partnership agreement for providing microfinance services to ex-Kamaiyas in Banke and Dang districts (Broachers and Annual report of NUBL)
- ❖ Mercy Corps and NUBL are working together for “Access to finance in the remote eastern hills of Nepal” and “Global food crisis response project in far western part of Nepal”

1.2.3.2 Service Delivery Structure

Core microfinance services are delivered strictly through groups, using the group center concept. Selected women form groups of five and elect a chairperson, who is primarily responsible for maintaining credit discipline and representing the group in its transactions with NUBL. Chairpersons are elected each year. NUBL experience has shown that care at the stage of group formation is of central importance in determining their sustainability. Hence, while individuals are encouraged to self-select into the group of their choice, the following guidelines are also used:

- ❖ Groups are encouraged to be economically homogenous.
- ❖ Members should live in the same village; they should not be close relatives.

- ❖ Group leadership should be changed regularly so that no person dominates.
- ❖ Their's acts only as a catalyst.

Once the groups are formed, 2-8 groups combine to establish a center. All transactions between bank and its clients take place at center meetings, where groups belonging to the center gather every fortnight. The center chief and deputy chief, elected from among the group chairs, conduct the meeting with facilitation from self staff. Credit disbursement, collection of savings, and payment of loan installments are all done at these meetings. Other member concerns are also discussed, and decisions are made on a consensual basis.

1.2.3.3 Management Structure

They have three-level structure consisting of branch offices, area offices, and a central office. Branch offices interact with clients directly and are staffed by a branch manager, loan officers, and a branch accountant. The branch manager supervises all activities, staff and report to area/regional manager. Regional offices manage 6 to 15 branch offices and are responsible for fund transfers to branch offices, loan approvals, verifying client loan utilization, compiling reports and accounts of each branch, supervising branch budgeting, and testing client group/centers for poverty targeting. The central office (headquarters) has five departments (planning, internal control, administration, accounts, and training). The deputy general manager is responsible for day-to-day operations and works closely with the CEO, who sets the vision and strategy and reviews operations carefully. Except for the direct interaction between branch-level staff and clients, there is no explicit representation of the clients at any management level.

1.2.4 General Loans

Group members take turns applying for 50-week loans at annual interest rates of 18 to 20 percent for general loan. However there are different rate of interest as per types of loan. Interest is charged from 10 to 20 percent depending on types of loan. While loans are not tied to specific projects, they are to be used for income-generating projects only. Because loan installments have to be repaid on two-week basis, there is a direct effect on the reuse of loan: projects with a long gestation lag are generally not compatible with such loans. The maximum limit for the first cycle of a loan is Rs 8, 000, increasing by about Rs 5,

000 in subsequent cycles. Loans are not secured with collateral, and the entire group is denied credit if any loan is not repaid on time. To obtain loans, a member, after group certification, makes an application that is approved by the group. The loan is discussed in a center meeting, and a recommendation is made to the branch loan officer present in the meeting. The loan officer, in turn, makes a recommendation to the branch manager, who provides a final recommendation to the area manager. The area manager is the final authority to approve and sanction the loan. Generally, it takes about 15 days to process a typical loan. Interest on loan is charged on diminishing method and client should complete her loan on 25 installments on a year. Although bank has a provision of taking fine by 2 percent if a client delay her installment payment, it is not implemented yet. Provision of making installment amount for fortnight is 4.4046 percent of loan amount.

1.2.5 Group Savings Fund

The group savings fund is compulsory saving collected from members by deducting 5 percent of the loan amount up-front on selected loan products and collecting Rs 4 per member per every fortnight which is defined as compulsory saving of clients. 6 percent interest is paid on the minimum balance of six month charging on daily basis. Members cannot withdraw from the group fund until they leave the institution but now new provision has made that a member can withdraw his group fund saving by fifty percent of his portion. Members are, however, allowed to borrow from their compulsory savings, subject to approval by the group. The branch requires a 2 percent processing fee up-front, and loans also have to be repaid on a fortnight basis.

1.2.6 Approach

NUBL uses the area development approach in making decisions on establishing new branches. The main considerations are

1. Availability of target group households,
2. Accessibility,
3. Security, and
4. Socioeconomic conditions that affect profitability of microenterprises.

Once an area is proposed, basic information is obtained from local government offices, the district and village development committees, respectively. Also participatory appraisal techniques are used to obtain the following information:

- ❖ Social physical map of the area,
- ❖ Demographic composition,
- ❖ Landholding patterns,
- ❖ Irrigation facility,
- ❖ Occupational patterns and income-generating activities,
- ❖ Marketing facility,
- ❖ Transportation and communication infrastructure,
- ❖ Schools and education,
- ❖ Financial and social institutions,
- ❖ Agriculture production and cropping patterns,
- ❖ Local skills,
- ❖ Socioeconomic status of women,
- ❖ Religion, caste, and languages, and
- ❖ Wage opportunity and prevailing wage rates.(Browsers and statement by staff member of NUBL)

1.2.7 Microfinance Operations Area

NUBL: Nirdhan Utthan Bank Limited currently operates in 25 districts of Nepal. These nineteen districts are: Pachthar, Ilam, Jhapa, Morang, Sunsari, Dhankuta, Sarlahi, Rautahat, Bara, Parsa, Makawanpur, Chitwan, Tanahu, Kaski, Syangja, Nawalparasi, Rupandehi, Palpa, Kapilvastu, Pyuthan, Dang, Banke, Bardia, Kailali and Dadeldhura. Targeted client groups of this bank are especially women. It only provides loans in the name of women and for women only. The total no of active members are 115174 from Ashad 2066. It has 21330 member groups in 4072 center in 75 branch offices and 4 Regional offices (RO). There are altogether 388 staffs in this organization

1.2.8 Loan Products

NUBL has tentatively twelve loan products on which loan is provided through groups of five members up to ten such groups forming a center, which will be the operational unit for the organization. Among various loan products general loan a group guaranteed product. Loan is the main product of NUBL. Loan is provided to eligible clients for any income generating activities and or to meet their social and emergency needs. General loan is the predominant product among the different kinds of loan products. In addition to general loans, there are also group fund loans, seasonal business and agricultural loans, sanitary loans, housing loans, and micro enterprise loans.

1.2.8.1 General Loan

NUBL: The general loan is a one-year loan with fortnightly or weekly repayments. Clients make payments mostly during fortnightly/weekly center meetings composed of up to 10 groups. A group is composed of five members. Loans are disbursed in a 2-2-1 pattern with the group leader receiving the last loan. The interest rate is 20% on declining basis, if the clients pay the installment in center meeting and 18% if installment paid in branch offices. Before women can become members of NUBL, and hence eligible for loans, they must complete the compulsory group training (lasting from 7-15 days) and pass the group recognition test. Maximum size of loan amount would be Rs. 40000 but this amount is not given in the first year of the involvement. First loan would be maximum amount of Rs 12000, however if the first

loan is for the purchase of a milking cow or buffalo, the maximum loan amount is increased to Rs. 15,000.

1.2.8.2 Livestock loan

Initial loan is Rs.18,000/-, loan is disbursed for one year without collateral. Loan needs to pay back in 10 monthly instalments with two months grace period. There is provision of insurance for every livestock financed by the bank linking with insurance company. The bank charges 18% interest per annum for loan and pay 7% on savings at declining balance. In addition, 1% documentation fee is charged on every disbursement for all loans.

1.2.8.3 Seasonal Agricultural Loan

This loan is used for purchasing chemical fertilizer, seeds and other agricultural inputs and this is accessible to clients who have repaid their loan in 6 months of the general loan with good repayment performance. This type of loan is given every year for one-year period with the interest rate of 18% to 20%. The maximum loan amount under this topic is Rs 5000. The loan installment would be paid either on fortnight/ weekly basis.

1.2.8.4 Seasonal Business Loan

This loan is used for seasonal opportunities like purchasing and selling of agricultural products and animals in festival seasons and is accessible to clients who have successfully completed one cycle of the general loan with good repayment performance. This type of seasonal loan is given for only 6 months period with the basic 18 to 20% annual interest with the amount of maximum Rs 10000. The installment should be paid on fortnight or weekly basis. There is a provision of providing this type of loan repeatedly for clients every year if clients desires.

1.2.8.5 Tube well and sanitary loan

To improve the health of clients and decrease default related to poor health, NUBL provides a loan to install tube-wells and toilets. It is available to clients who have successfully completed the first loan cycle of the general loan and is only available once for each member. With the maximum amount of Rs 5000 for Tubewell and

sanitary for 2 years period, these loan are given to its each client only at a time for those who wanted it. Both types of loan's interest are 18 to 20% per annum. Loan should be paid on weekly or fortnight installment basis. It is noted that these types of loan are given only one year after the involvement in this bank.

1.2.8.6 Housing Loan

NUBL uses a very specific targeting strategy to ensure that all first-time clients are very poor. As one of the targeting criteria is the absence of cement walls or ceiling in the client's house, there is a strong demand for various types of housing loans. To access the housing loans the clients must have maintained strong credit discipline in the previous years and the provisions are:

- ❖ belong to a center with no arrears for 2 years,
- ❖ have improved economic condition from previous loans and
- ❖ be willing to contribute at least 20 percent equity (10 percent cash and 10 percent in-kind).
- ❖ House Construction Loan: Available to clients who meet the above requirements and have completed the forth loan cycle of the general loan. Members generally construct a new house on their current property with this loan.
- ❖ House Repair Loan: Available to clients who meet the above requirements and have completed the second loan cycle of the general loan. This loan is used to make capital improvements like replacing a roof on a current house.
- ❖ Homestead Purchase Loan: Available to clients who meet the above requirements and have completed the second loan cycle of the general loan. This loan allows members to purchase a small amount of land.

Maximum size of housing loan is Rs. 150000 for House construction with 15% interest rate for 2-6 years. Maximum size of house repair loan is Rs.20000 with 18% interest rate and loan term is 2 years. Similarly Rs. 100000 is given for homestead purchases with 15% interest rate and loan term is 2 years. All of the sector interest is declining rate per annum and loans are paid as fortnightly/weekly installment basis.

1.2.8.7 Microenterprise Loan

NUBL: The microenterprise loan was introduced in mid-July 2000. This loan targets graduates of collateral free loans. The clients eligible for this loan must have completed the second loan cycle, maintained strong credit discipline, belong to a center with no arrears in past two years, have improved economic condition from previous loans, be willing to contribute at least 20 percent equity (10 percent cash and 10 percent in-kind), submit collateral, and demonstrate an ability to operate a micro-enterprise. The maximum loan size of this type of loan is Rs. 100000 with 18% declining interest rate per annum. Payment is made on weekly or fortnight basis. Maximum loan period would be 2 to 3 years. This type of loan is providing by keeping land, building or any suitable assets as security from clients.

Apart from above services of providing loan Bank also provides the following loan:

	Loan Products	Maximum loan Size (in Rs)	Annual Interest Rate
1	Emergency loan	15000	10%
2	Foreign employment loan	100000	15%
3	Education Loan	50000	15%
4	Biogas loan	20000	15%
5	Irrigation loan	4000	18%

1.3 Chhimek Bikash Bank Ltd.(CBBL)

Chhimek Bikas Bank Ltd. is a micro finance development bank. It provides microfinance services to the poor, the marginalized and the deprived, with main focus on woman living below the poverty line. It was registered with the company Registrar's Office in December 2001 under Company Act 2053. It obtained license in January 2002 from Nepal Rastra Bank as per Development Bank Act 2052. It got banking model from NSSC (Neighborhood Society Service center). When the government applied Intermediary Act, the bank started its micro credit program with the technical support of NSSC. Neighborhood Society Center (NSSC) had played a vital role in the establishment of

Chhimek Bikas Bank. The introduction of the Financial Intermediary Act in 1998 created a problem for the organization, as the collection of savings/deposits from members was not allowed under the act at that time. A plan was therefore made for establishing a development bank. Thus, as an initiative of NSSC, and with the help from different commercial banks and promoters, Chhimek Bikas Bank was established.

Micro Finance Operation Area:

Chhimek Bikas Bank has been expanding its micro finance program day by day. Mainly its operation areas includes Gaighat, Jaleswar, Janakpur, Lahan, Itahari, Biratnagar, Inaruwa, Dharan, Duhabi, Itahari, Birtamod, Damak, Katari, Ramgopalpur, Dudhauri, Hetauda, Chandranighapur, Birgunj, Jeetpur, Parwanipur, Kalaiya, Simara, Bindabashani, Sindhuli, Lalbandi, Dhalkewar, Jeetpur, Bhiman, Tandi, Bharatpur, Mangalapur, Butwal, Parasi, Kawasoti, Bardaghat, Chanauli, Arghakhanchi, Ghorahi, Tulsipur, Khohalpur, Surkhet, Pokhara, Gorkha, Damauli, Syanjha, Dhading, Banepa, Lumjung, TalChowk.

1.3.1 Vision:

The bank's vision is to be a bank with social conscience that enables poor to contribute equally to a prosperous, self-reliant rural society through self-employment and social awareness and to help reduce poverty in Nepal

1.3.2 Mission:

The bank's mission is to extend financial services and social awareness to poor in under-served and un-served areas of Nepal in a sustainable manner.

1.3.3 Objective:

To improve socio-economic condition of the poor, the landless, assets less and the deprived rural women through the microfinance service.

1.3.4 Capital Structure:

The authorized capital of the bank is Rs. 120 million, Issued Capital is 60 million and Paid up capital is 51 million.

1.3.5 Target Client:

The bank has made a target to such kind of woman who don't have more than 1.5 Bigha land, little house, and having per capita income of not more than Rs. 5500 yearly.

1.3.6 Product and Services:

Loan, Savings, Security Fund & Money Transfer are the major services provided by the bank

1.3.7 Loan Product:

Chhimek Bikas Bank has run mainly three types of loan product and other loan products under the micro credit program. Short descriptions of all loan products are mention below.

a) General Loan

The bank provides this loan to its group member for the first time up to Rs. 1,000/- to Rs. 25,000/- without collateral security.

b) Discipline Loan

Under this loan heading, the bank provides maximum up to Rs. 60,000/- including General loan only to its member who are disciplined and has completed the one loan cycle profitably.

c) Micro Enterprise loan

The bank provides from Rs.60000 to Rs. 1, 50,000/- to the member who have completed Micro Credit loan cycle fruitfully and who are willing to extend their business.

d) CGISP Loan

The bank provides this loan product to the Water User group & individual for the irrigation purpose under the Community Ground Irrigation Sector Project. Under this project, the bank invests upto 90% of total loan amount of the project.

e) Unit House Loan

Under this loan heading every unit can get from Rs. 1,000/- to 50,000/- loan amount in a very low rate of interest (10%).This loan product is created to make

easy for building the unit house which is very necessary to conduct the monthly meeting and to interact among the group member.

f) Consumer Loan

The bank finances the old and disciplined member up to Rs. 40,000 in 0% interest rate for purchasing television, Refrigerator, Computer to promote their business.

g) Alternative Energy

To help in the health of the member & environment, the bank started this loan product for Bio Gas Plant, Water Mill, Solar energy etc.

1.3.8 Saving Product:

The bank has offered five types of saving products. The bank pays 8% interest in daily balance method to four kinds of saving. They are followings:

a) Monthly saving

Compulsorily, every member have to save Rs. 30/- monthly. This fund is refundable if the saving is more than Rs. 5,000/- for the purpose of illness, maternity and for social and educational work but the remain balance should be minimum Rs. 2000 in this saving account.

b) Disaster saving

At the time of taking General Loan, loanees have to save 5% of the total loan amount. This fund will be provided at the time of disaster cases like flood, landslide, fire, snakebite, earthquake, thunder etc. Otherwise, they can withdraw the first saving only after 5 years of the savings or if the balance is more than 3000 keeping the remain ballance Rs.1500 in the account.

c) Optional saving

It is a type of current account of the members. To open the account, Rs. 100/- is necessary for minimum balance. Through this account, the members can deposit and withdraw the amount from their account. This fund helps very much at the time of recovery of the loan. In this saving , member can save from Rs. 1 to 1000 in the monthly meeting or up to the remain loan amount of the member and if they desire to withdraw their saving, they can withdraw from Rs. 5 to 5,000 at the time of monthly meeting or in the given time by the office.

d) Unit fund

This fund is created for helping the members to make Unit house, to afford necessary materials for the meeting & training and to do the social welfare work. It is compulsory to save Rs. 5/- per unit member in this fund monthly.

e) Pension Saving

This is a kind of volunteer saving program only for the member introduced by CBB in order to secure the future of the member. Under this saving program, the member of this bank can save Rs. 50 or 100 or 150, not more than 200. After nine years of the regular saving, the bank provides one and half amount, after 14 years double amount of the total saving and after sixteen years they get pension.

1.3.9 Security Fund:

The bank has managed two types of security fund.

a) Cattle security fund

When the clients take out the loan for big livestock, they have to pay 5% premium of loan in order to secure the loanee from the death of their livestock. If the animal died within the loan period, the clients will get 75% of loan amount instead of loss.

b) Loanee member security fund

In the time of taking the loan from the bank, compulsorily the program members should pay 1% of loan amount on loanee security fund. This fund operation compensates in the death of loanee, which provides 100% of loan amount or in the case of guardian's death, the loanee will get Rs. 1,500/- as compensation.

1.3.10 Remittance Services:

With the motive of making easy to receive the amount from abroad and different places of Nepal sent by the members' relatives in their doorstep, the bank has launched the remittance service too. The bank has provided the remittance service through the Western Union Money Transfer, Himal Remit, IME, Prabhu Money Transfer, Manakamana Money Transfer, Bok Money Transfer etc.

1.3.11 Disciplined member welfare fund

This fund is created for the disciplined unit. Every Unit can get Rs. 250/- monthly if there is 100% pre recovery, 100% loanee in unit, the unit evaluation number is not less than 80 in every monthly meeting, Unit with unit house, good utilization of loan, full unit, good disciplined record. This amount can be used in the work of their need by themselves such as education, health or in the other crisis etc. This fund is created according to the need of time and for the support of member future. The members have not to return this amount to the bank.

1.4 Statement of the problem:

Nepal is known as a poorly managed country despite of resources and potential that she has and that she can utilize. All most 38% people of this country are under the poverty level who earn below one dollar. The rate of poverty reduction is very low. High population growth rate and low capital income are the main cause of poverty. Although, almost 80 percent population of the country is living in rural sectors and basic job of people are agriculture. Government has given more emphasis on urban sectors apart from rural sector development. As a result average per capita income of rural people are very low than urban. Like wise life expectancy, access of health care facility and sanitation, and number of education institutions are very low rather than other developing countries. Due to the cause of poverty, infant mortality, malnutrition and immunization rates are also very serious cases in this country. It might be shame for us to forget that literacy rate is also very serious especially in case of women. These are some facts of our country.

In order to reduce these facts, Microfinance could be helpful to those people who have no collateral, but willingness, desire and capacity to work for the improvement of their living standard and generating income from small-scale business. Hence the study will be focused to access the performance and impact of microfinance programs on the capacity building on decision making power of women with special reference to Nirdhan Utthan Bank and Chhimek Bikas Bank Ltd.

There are many issues as mentioned below to which attention has to be provided. This study is expected to address these issues

1. To what extent the microfinance program contributes positively in social credibility, self-esteem and self-confidence to women and how additional opportunities provided from?
2. What are the problems faced by beneficiaries?
3. What remedies can be pointed out to overcome these performances?

1.5 Objectives of the study:

The basic objective of the study will be the analysis of impact of microfinance program on socio-economic status of women. Some other specific objectives are:

- To determine the impact of microfinance on women's economic and social empowerment.
- To investigate the problems faced by the beneficiaries.
- To point out suggestion and recommendation to the stakeholders.

1.6 Significance of the study:

The study involves the effective management of micro finance projects. As the present rural credit behavior in Nepal is highly unorganized in case of small micro-finance projects, therefore performance of existing organization need to be assessed while extending the service of micro finance projects. The significance of the study lies on that, it will try to explore the impact and service of micro financing project for small farmers.

1.7 Limitations of the Study:

There are different models of micro finance program in Nepal. The study will be limited to the study of Microfinance institutions. Following are the limitation of the present study:

- The overview of the study will take into consideration of NUBL and CBBL, so the study might not cover the whole microfinance institutions.
- Due to the illiteracy of respondents the statistical bias may exist.
- The study is based on the opinion expressed by microfinance clients, the reliability of the study depends upon the answer given by them
- Study is based on the sampling method.

- The study will focus to access the impact of microfinance activities carried out by NUBL.

The comprehensibility and accuracy of the study will be based on the data available from the concerned organization, and free response made by the respondents to the research questionnaire

1.8 Organization of the Study:

Chapter-I, Introduction

This chapter includes the introductory framework of the study that contains general background, introduction of the study, objectives of the study, statement of the problems, limitations of the study, overview of the NUBL and CBBL with activities and organization of the study.

Chapter-II, Review of Literature

This chapter deals with the review of previous research in the form of books, journals and unpublished materials. Apart from this various practices about microfinance in south Asia and program as well as some policies about microfinance will also be studied. Women's status and their economic as well as social background in Nepal will also be overviewed in this chapter. So, this is an independent research on the related field.

Chapter-III, Research Methodology

This chapter consists of the research design, procedure of data collection, data processing, technique of data analysis and hypothesis testing tools.

Chapter-IV, Data Presentation and Analysis

This chapter concern with the application of defined research method on the collected data information, the general results after the application of research method on the data were also analyzed and interpreted and finding of the study.

Chapter- V, Summary, Conclusion and Recommendations

This chapter is concerned with the discussion of Summary, Conclusion and Recommendations.

Finally, Bibliography and appendixes will be shown.

CHAPTER- II

REVIEW OF LITERATURE

2.1 Introduction

Micro-finance is an emerging important financial sub-sector in Asian transition countries. Its role is to improve financial access of the poor and small economic players and thus help them to build assets, thereby contribute to poverty alleviation.

The time has come to recognize microcredit as a powerful tool in the struggle to end poverty and dependence. We have assembled to launch a global movement to reach 100 million of the world's poorest families, with credit for self-employment and other financial and business services.

Approximately 75 percent of the world's poor reside in rural areas, and at current trends the global Percentage of poor in rural areas will not fall below 50 percent before 2035 (Ravallion 2000, Alderman 2000). Moreover, in most developing countries the likelihood of being poor and the severity of poverty are greater in rural than in urban areas.

These high poverty rates reflect, to a large extent, the significant and well-known challenges facing the rural population. These challenges stem from five broad characteristics of rural space:

- a) A strong reliance on the natural resource base to sustain livelihoods, which has led to:
 - (1) a high risk environment for households, given their vulnerability to climatic fluctuations, plant and animal disease, price fluctuations, and macroeconomic policy shifts (for example, devaluation, interest rates, and so forth);
 - (2) Seasonal incomes and food supply;
 - (3) Heterogeneous agricultural Production and investment strategies; and
 - (4) Limited growth opportunities, given the low and Relatively inelastic demand for food products as national incomes rise.

- b) low population density and geographic constraints, which have led to high transaction costs and reduced access to physical and social infrastructure.
- c) An informal economy, which makes it more difficult for policy makers to influence local labor markets and to provide targeted social protection or other support based on income criteria.
- d) Cultural and linguistic differences, which have often led to limited voice in national and even local decision making processes, especially in remote areas.
- e) An important role for women in the economy that is often not recognized in rural income generating programs or in women's access to social services.

To overcome these challenges and address the pressing problems of rural poverty, strategies focused on pro-poor growth of the rural sector must be devised and implemented. Both rural and urban poverty reduction can be accelerated by the growth of the rural sector, especially agriculture. Agricultural growth directly benefits agricultural households by raising incomes and food security. It also indirectly benefits urban and rural households by:

- (1) promoting higher wages;
- (2) lowering food prices;
- (3) increasing the demand for consumer and intermediate goods and services;
- (4) encouraging the development of agribusiness,
- (5) raising the returns to labor and capital; and,
- (6) improving the overall allocative efficiency of factor markets.(Volume 2 – Macroeconomic and Sectoral Approaches page 67 **Louise Cord**)

The non-farm rural economy also provides important direct and indirect benefits to rural households, mainly by providing entrepreneurial or wage income, by lowering the cost of locally produced goods and services, and by raising the demand for food products. Even a well-designed microfinance programme is unlikely to have a positive impact on the poorest unless it specifically seeks to reach them through appropriate product design and targeting (Wright 2000). Unless there is a targeting tool, the poorest will either be missed or they will tend to exclude themselves because they do not see the programs as being for them, do not have the “correct” clothes, etc

The impact of microfinance on poverty alleviation has recently gained a prominent position on the microfinance agenda. Donors, practitioners, and academics are realizing that microfinance institutions (MFIs) must concern themselves with more than their ability to reach institutional self-sufficiency. The ability to reach and to demonstrate a positive impact on the poorest is now becoming a core principal in poverty-focused financial institutions. The 1999 Microfinance Summit Meeting of Council set out a hard-hitting agenda, with key note papers calling on MFIs to meet the challenge of targeting and reaching the poorest and to develop systems for measuring their impact on their clients. (Jonathan Morduch and Barbara Haley 2001: PP 8)

Microfinance is an instrument that, under the right conditions, fits the needs of a broad range of the population—including the poorest—those in the bottom half of people living below the poverty line. While there will be people in this group who will not be suited for microfinance because of mental illness, etc., the exclusion of this small percentage of the population will likely not be a limiting operational issue for MFIs.

The poorest can benefit from microfinance from both an economic and social well-being point-of-view, and that this can be done without jeopardizing the financial sustainability of the MFI. If microfinance is to be used, specific targeting of the poorest will be necessary. Without this, MFIs are unlikely to create programs suitable for and focused on that group. (Jonathan Morduch and Barbara Haley 2001: PP 5)

The impact of growth on poverty reduction varies both by nation and across regions and households within countries. Rural sector growth (both from the farm and non-farm sectors) on poverty reduction depends upon initial conditions, such as the distribution of assets, access to social and physical goods and services, and geographic factors (Louise Cord: PP 68). Consequently, growth alone is not sufficient to successfully attack the high rates of rural poverty; strategies that redress the weak initial conditions facing many poor households are critical. Raising agricultural productivity, especially for smallholders, and expanding infrastructure and social spending in poor rural areas, can help to overcome weak initial conditions and improve the likelihood of pro-poor growth (Ravallion and Datt 2002). Thus, designing interventions to promote pro-poor growth in rural areas

means providing opportunities for the rural poor to increase not only their ownership of assets but also the productivity of assets already owned.

Most poverty reduction strategies identify rural development as a priority sector and identify many interventions for rural development. However, the impact of poverty reduction strategies can be improved through the inclusion of:

(1) a rural participation strategy to ensure that rural stakeholders are involved fully in the design, implementation and monitoring of the strategy;

(2) a diagnosis that not only assesses the rural poverty profile, correlates of poverty (including income sources and access to assets and markets) and key determinants of rural poverty, but also evaluates the overall performance and incentive framework of the rural sector and its impact on the poor; and

(3) Spatially differentiated poverty impact and intermediate monitoring indicators that help focus policy makers and national actors on rural poverty reduction (**Louise Cord: PP68**).

General features of microfinance are:

- a) It promotes credit as a human right.
- b) Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor, particularly poor women.
- c) Most distinctive feature of Grameencredit is that it is not based on any collateral or legally enforceable contracts. It is based on "trust", not on legal procedures and system.
- d) It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
- e) It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology.
- f) It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
- g) In order to obtain loans a borrower must join a group of borrowers.
- h) Loans can be received in a continuous sequence. New loan becomes available to a borrower if her previous loan is repaid.

- i) All loans are to be paid back in installments (weekly, or bi-weekly).
- j) Simultaneously more than one loan can be received by a borrower.
- k) It comes with both obligatory and voluntary savings programmes for the borrowers.

2.1.1 Overview of rural finance and micro-finance development in the world except south Asian countries:

Myanmar

Myanmar is an agriculture-based country in which more than 70% of the population resides in rural areas (total population: 48.3 million) and the agricultural sector (including livestock, fisheries, and forestry) accounts for 57% of GDP. In rural Myanmar, the Myanma Agricultural Development Bank (MADB), a state-owned bank established in 1953, is virtually the only major source of institutional credit, with the exception of financial co-operative societies; the Myanmar Economic Bank (state-owned) and private commercial banks are mostly confined to the urban areas. The MADB's mandate and funding priority have been for the benefit of farmers, but the scale of loans is severely limited, mainly due to funding constraints. Also, the mountainous geography and poor infrastructure in the rural area make provision of financial services very difficult. As a result, there is huge excess demand for capital in the countryside.

Micro-finance in Myanmar is an exogenous phenomenon brought to the country in 1997 by international NGOs (PACT, GRET, and Grameen Trust) contracted with the UNDP/UNOPS, who are interested in using micro-finance as part of an overall package for poverty alleviation in the three specially designated regions in the rural area. Although such micro-finance projects are yet at the early stage, the aggregate number of clients has grown quite rapidly; the estimated number of active borrowers exceeded 100 000 after only about four years' operation. However, the geographical coverage by those projects is yet very small (only a few per cent of the country's townships), which may be explained by the experimental or pilot nature of the UNDP/UNOPS project.

Thus, micro-finance in Myanmar is yet at an embryonic stage; it is only of *project status*, supported by international donors, although the quick growth in outreach provides encouraging evidence of potentials for future growth. The Myanmar government,

including the central bank, has insufficient exposure to micro-finance practices, though at least two sensitization seminars supported by donors have been held since 1999. The country lacks the policy framework, legal structure for registering micro-finance NGOs, and administrative structure that are needed for dealing with micro-finance undertakings. As for indigenous financial systems in Myanmar, savings and credit co-operative societies are run under the auspice of the Ministry of Co-operatives and small-scale economic players are a large part of their members. The number of such savings and credit societies in operation is said to be about 2 000 throughout the nation, which indicates that the co-operatives form a sector of some significant weight in rural financial activities in Myanmar. **(Ryu Fukui and Gilberto Llanto 2003:P6)**

2.1.1 Women and Society:

The social, cultural and religious discrimination against women is a major hurdle in the social development of women, in particular, and the development of Nepalese society. Women have become the victims of many forms of social and cultural discriminations that stemmed from patriarchy, fatalism and superstitious all nurtured by Hinduism for thousands of years. The social and cultural upbringing of women, the development of their status in society are directly influenced and shaped by the so called Hindu moral codes that gave raise to a strong patriarchal society that regarded women as not and independent individual human person but as a sub-husband category created for the protection and satisfaction of the needs of men. Various forms of the exploitation and discrimination against women exist in the prevailing society. These discriminatory treatments are not only irrational but are also cultural and dehumanizing which have severely constrained the social development of women.

The social development, in general, and the development of women's personalities and their human potential is severely constrained by the prevailing dehumanizing socio-cultural and religious environment. They are excluded not only from the educational opportunities but also from the social and economical opportunities that are essentials for the realization or productive human potential, the capacity for rational thinking and behavior. They are incapacitated and become the victims of age-old superstitious and irrational belief system created by the prevailing socio-cultural practices. So that

women's position in the society is highly marginalized. The religion, the so-called morality, the socio-economic and cultural practices of the society had degraded women's position to a sub-human category.

Recognizing the fact, the health profile of women has always remained different in socio-economic strata below that of men. Women are not only deprived in economic, social, cultural, religious and political dominates but also in terms health care services.

Women health status revealed that the general health of women is much lower than their male counterpart and is more acute in rural than in urban areas. The general economic status and income level seems to have a significant impact on health status of women besides literacy and education level.

The practice of dowry has made the lives of the women very miserable. The families that cannot pay the amount of the money demanded by the family of bridegroom cannot really marry their daughters, sisters. Even if women get married without satisfying the dowry demanded by bride family, the women would have to suffer ill treatments.

Women suffer unbearable inequalities and injustices. They suffer from malnutrition. Women are considered weak, on their rights, freedoms, desires, and wishes. These every thing is controlled by men. Women are considered inferior beings, servants. They are intellectually, morally, physically and psychologically, religious, traditions, custom, and cultural inferior.

Above every steps and things are facts and reality which cannot be hidden in our society and country, although government has every things equal rights and power with man. Aforementioned problems are not only of our country but also exist in south Asian countries. In order to eradicate these problems first of all we should have well consult for people so that they realized men an women have equal rights as well as have capacity as man have. Microfinance is on of the most rising program that could help to make understand and economically and socially empower to women.

2.1.2 Economic Status of Women:

Out of the 9.5 million people who are currently working in Nepal, only 1.5 million (16 per cent) are in paid employment. Out of this number, 1.2 million are men and less than 400,000 are women. Eight million people (about 84 per cent) of the economically active population are self-employed, with the proportion of self-employed women being much higher than that of men. Eighty-two per cent of employed women are self-employed vs. 12 per cent of those who are wage-employed. The figures for men are 69 per cent and 27 per cent respectively. In some ethnic communities, especially in the Newars and Tibeto-Burman highland groups such as the Sherpas, Gurungs or Thakalis, women entrepreneurs have traditionally been present, but the idea of women in business has only recently spread throughout the whole country. Women normally work more hours than men and rural women work more hours than women in urban areas. In 1981, women worked 10.8 hours and 10.9 hours a day in 1995 compared with the 7.8 hours per day for men. The most common business activities for women in the informal sector are vending, petty trade, liquor making and vegetable selling. (Maria Sabrina De Gobbi: 2005: p5)

Women's access to credit is limited because both formal and informal credit institutions cater to property owners who can provide collateral. All formal credit institutions seek tangible collateral for loans. Hence, women are effectively excluded from institutional credit since women have little access to inherited property. Village moneylenders are also more interested in earning high interest or in acquiring the debtor's property than in financing people in need. Women's access to institutional credit is further restricted by their confinement to household activities, their lack of mobility, and their lower level of awareness and educational attainment. They are more prone to fall prey to the exploitative conditions of village moneylenders than are men.

Women entrepreneurs who want to borrow money from formal institutions face significant problems with collateral requirements. In the Nepal, women suffer discrimination in dealing with property and land, and MFIs are trying to offer acceptable alternatives to physical collateral. However, a third of the women in Nepal claimed that an MFI rejected their first loan application because they could not offer collateral. (Maria Sabrina De Gobbi, 2005: p14)

Women are faced with unequal gender dynamics both in the domestic and the public sphere, involving lack of access to resources, education and economic opportunities as well as inequality and discrimination. Despite or perhaps because of these structural obstacles, as well as the high levels of gender-based violence often experienced by women during and after conflict, women can be the most active agents of peace building and reconciliation initiatives across conflict divides and in mobilizing their communities for peace. Moreover, they are critical economic actors in rebuilding post-conflict societies and can combine peace building and economic initiatives especially at the grassroots level in innovative ways. Peace building strategies need to target women entrepreneurs in order that this potential is reinforced. (International Alert: Local Business, Local Peace: p185)

Women often share similar experiences and priorities with women from the 'other' side and can find common ground as women to support social and economic peace building initiatives, which cut across conflict divides. Because women are at the heart of communities, economic cooperation and joint training activities can not only strengthen women's confidence in taking a pro-active role in the reconstruction of their communities' livelihoods, but also assist in initiating reconciliation of relations between divided communities and former enemy groups. We can definitely state that a woman faces difficulties in becoming economically active due to religious, cultural and social factors. When a woman has to go out of the house to earn money, the men of the household are perceived as incompetent and not masculine. Generally women are allowed to leave their homes only for wedding ceremonies and/or because of a death in the family. So that Nepalese society is also characterized by a patriarchal system. The decision-making power of Nepalese women is weak.

Businesses themselves need to ensure that their employment policies and practices in the workplace are inclusive and sensitive to gender dynamics, ensuring equal pay and opportunities, especially for those women who face double discrimination due to class, caste, ethnicity, race, religion, marital status etc. External actors can provide training and access to credit that offers opportunities for women to engage actively in the economic sphere. Micro-credit has played an important role economically, often seeing that the

entire family and community benefits; however, financing must be accompanied by women's social and political empowerment if structural gender dynamics are to be addressed. Failure to do so can place a double burden on women, who are forced to juggle both primary economic provisions in addition to familial and domestic responsibilities. In conflict-prone societies financial interventions to support women entrepreneurs should take account of conflict dynamics and seek not to reinforce them. (Local Business, Local Peace: p186)

Women's entitlement to own land can be limited by customary norms and practices, discriminatory statutes and regulations, the biases of government officials involved in land administration, or lack of awareness among women and men of their property rights. Land reform programs that are intended to be gender neutral can also disadvantage women if they are not carefully designed and implemented.

Women entrepreneurs face particular obstacles in obtaining credit (for example, bank requirements that their loan applications be endorsed by their husbands as well as bankers. The problem is perpetuated by the long complicated procedures for loan applications at bank and women's low level of self confidence, lack of skills and education.

2.3 SOUTH ASIAN MICROFINANCE

South Asian MFIs offer the global micro finance audience models of efficiency and outreach that continue to revolutionize the industry. The Grameen group models widely replicated around the globe, have given way to bank partnerships capable of leveraging the most local service delivery expertise with the vast national – and international-pool of commercial capital. Industry leaders continue to push down the cost of services delivery – in some cases reducing it to less than five cents on the dollar.

Significant challenges shackle the growth potential that such efficiency and productivity offer. Even as sectors from Afghanistan to India attracted increasing capital – local, global, public and private – profitability remains the reserve continue to plow year-on – year losses into capital bases. As a result, while leading profitable institutions reach the

majority of clients across the region, total outreach is significantly constrained. (Blaine Stephens and Hind Tazi 2006: PP26)

2.3.1 Bangladesh:

Growth exceeded expectations in FY2006, with GDP increasing by 6.7%, the highest rate in the past 10 years. Industry was the primary driver, though the manufacturing subsector still underperformed due to recurrent power disruptions. Recovery in agriculture also helped boost growth. Strong private consumption aided by workers' remittance inflows and rising private investment, were the main demand contributors to growth. (ADB Outlook, 2006: p32). The economy of Bangladesh has a large rural population engaged in agriculture on increasingly fragmented landholdings. Given the country's extensive landlessness and almost total dependence on agriculture as a source of raw materials, Bangladesh must look to agribusiness development as a generator of employment, as well as a means of adding value to its main economic resources. The agribusiness sector covers

- (i) commercial production of agricultural commodities, including crops, livestock, fisheries, and forestry;
- (ii) processing of agricultural commodities into products;
- (iii) provision of inputs for the production of agricultural commodities, including planting and genetic material, agro-chemicals, and equipment; and
- (iv) storage, marketing, and distribution of agricultural commodities and products.

Expanding agribusiness and increasing business opportunities in rural areas could create an important source of employment for a labor force that grows by about 2 million people each year. The overwhelming majority of employment generated by agribusinesses is in rural areas, where 53% of the population lives in poverty.(ADB; 2005: p1)

2.3.2 India

2.3.2.1. Introduction

Home to the largest population of poor in the world, India has been a natural candidate for experimenting with microfinance as a tool for poverty alleviation. Recent years have generated unprecedented interest in microcredit and microfinance in the form of group-lending without collateral. The performance of organizations like SEWA in Western India and SHARE and BASIX in Southern India have convinced many a sceptics that microfinance can indeed make a difference in India as well. Over the past decade, NABARD's "SHG-Bank Linkage Program" aimed at connecting self-help groups of poor people with banks, has, in fact, created the *largest microfinance network in the world*. The self-help group approach has won enthusiastic supporters among influential policymakers recognized the advantages of group lending and has adopted the approach in its battle against poverty.

Within India the microfinance movements in Western and Southern have received most attention, both in the media as well as in academic research. The poster boys among the Indian microfinance NGOs – SHARE, BASIX, SEWA, MYRADA and PRADAN, for instance – have deservedly received attention from academicians, media persons as well as the government. Andhra Pradesh has witnessed a remarkable growth in microfinance activities and its success stories have been widely reported as well. However Self-Help Groups (SHGs), usually at the behest of certain developmental non-government organizations (NGOs), have quietly mushroomed in most districts of India over the last few years. Millions of poor, predominantly women, are now members of thousands of SHGs. Given the lack of an easily accessible data source covering the operation and performance of multiple MFIs and SHGs spread out over a region, it is hardly surprising that much of the extant research on microfinance in India, as in most other countries, has focused on developing case studies, often covering the well-known success stories.

India's ICICI is one major bank that is already proving that microfinance is good business. ICICI was quick to recognize the microfinance market as a profitable investment, and eagerly seized the opportunity to expand its business while improving the lives of poor people. In just four years, ICICI's microfinance portfolio outstanding

has grown from US\$4.5 million to US\$227 million – a rapidly growing market indeed.(UNCDF: 2005)

2.3.3 Pakistan

2.3.3.1 Kashf:

The Kashf (“miracle” or “revelation”) Foundation commenced operations in 1996 as an action research program aimed at demonstrating the credibility and economic competence of impoverished women residing in the district of Lahore. Fifteen women utilised Kashf first round of microcredit to start small income generating activities. Since 1996 Kashf’s client base has rapidly expanded to encompass over 60 000 members. The Foundation addresses social needs of women through a creative and interactive economic empowerment strategy including non-financial and financial services, which are delivered in a financially and operationally sustainable manner. Kashf is now considered one of the leading microfinance providers in Pakistan, increasing rapidly its outreach and sustainability while maintaining a very low risk on its loan portfolio and constantly improving its services through innovation.

Kashf offers microfinance and capacity development services to low-income women. In microfinance, it offers access to small loans and micro deposit services to its customers. Four main products are available to clients: general loan, emergency loan, savings products and life insurance. Loans are extended without collateral or personal guarantee. Kashf utilizes the Solidarity Methodology to conduct its loan operations. Loan approval is subsequent to the formation of a ‘centre’, a group of 20 to 25 women who ensure that loan repayments are regularly made. Within a centre, in order to qualify for loans, a woman must belong to a group of five members, which is responsible for the good repayment of the loans. Kashf’s repeat clients are extended lower interest rates and have access to greater quantities of capital. (www.bwtp.org)

Kashf operates in the poorest urban slums and poverty-ridden areas in four districts of the Punjab province in Pakistan (Lahore, Kasur, Shiekupura and Gujranwala).

2.3.4 Sri Lanka:

National Development Bank (NDB):

The NDB of Sri Lanka began in 1999 as a government development bank. Its first operation was to create financing for small enterprises by building capacity and providing wholesale finance to banks. NDB has provided wholesale finance to over 10,000 small and medium enterprises in Sri Lanka. NDB also has been active in promoting microfinance by wholesaling funds to specialized MFIs, playing a leadership role in policy change, and hosting the May 2000 meeting of the GNBI. In the 1980s NDB developed strong investment and development banking financing arrangements for large scale private companies. In 1993, 61% of the government holdings were transferred to public ownership through one of the most successful public share offerings in Sri Lanka. In 1997, after further privatization of the NDB through convertible debentures, NDB became a private corporation. Despite political turbulence in Sri Lanka, NDB has an excellent lending portfolio, has been highly successful in mobilizing capital both domestically and internationally, and has floated a series of companies that enable NDB to engage in a range of financial services. Since its inception, NDB has invested US\$238.3 million in microfinance. (www.ndb.org)

2.4 Micro-Finance in Nepal

Nepal is one of the poorest country in the world and the poorest in the South Asia region. Its poverty reduction rate is low. The main reasons for this low poverty reduction rate are: (i) low per capital income, (ii) concentrated urban growth, and (iii) high population growth rate. Out of a population of 25 million, 38% are in below the poverty line. Most of the poor people live in rural areas and have little opportunity. Micro-finance could help poor people who have no collateral, but a willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income.

Although many programmes have been implemented for poverty alleviation in Nepal, only micro-finance programs are seen as a poor targeted and rural based.

In Nepal agriculture based co-operatives were initiated in the 1950s as a first step in micro-finance. Poverty alleviation rural based programs were initiated through the small

farmers development program (SFDP) on a pilot test basis in 1975 by the ADB/N. The success of the pilot tests in Dhanusa and Nuwakot districts encouraged policy makers to expand formal rural based micro-finance programs.

The SFDP is now being transformed into several autonomous, self-help organizations called Small Farmers Cooperatives Limited (SFCLs), which are managed by farmers themselves. Other micro-finance development programs, such as Priority Sector Lending Program (PSLP), Intensive Banking Programme (IBP), Production Credit for Rural Woman (MCPW) and Rural Self-Reliant Fund (RSF) have been implemented. After studying the pros and cons of various microfinance development programs, government began to rethink the delivery mechanisms of micro-finance.

In 1992 government set-up two Grameen Bikash Banks as a replication of the Bangladesh Grameen model of micro-finance delivery. Government also created a situation to encourage participation in the micro-finance by the private sector. Subsequently Nirdhan, CSD, Chhimek and other organizations came into existence. RMDC was also established to support micro-finance institutions by giving wholesale credit, initiating training and other necessary support to the MFIs. Some Government directed Programs (TLDP, Bishweshwor with poor, PAPWT, Community Ground water project, etc.) have been implemented in coordination with NRB.

A number of cooperatives evolved to provide the micro finance services. HMG/Nepal tried to replicate the *Grameen Bikash* Bank model of Bangladesh. As a result of this, five rural development banks came into existence in each development region. HMG/Nepal took the micro finance industry as a tool to achieve the national agenda of reducing poverty and liberalized the financial sector. As a result of this policy of HMG/Nepal, retail micro finance institutions grew like a mushroom. By Mid-January 2005, 11 rural micro development banks, 20 saving credits cooperative societies, 47 non-government organizations had received the license from Nepal Rastra Bank for micro finance industry (NRB 2005a, 44:51-52).

MFIs are dependent on small savings from group members. 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. Types of service employment differentiate this service and income orientated objectives, target group, target community, target area and credit at home.

In the past decade, micro-finance has been recognized as a particularly effective development intervention for three basic reasons:

- 1.The services provided can be targeted specifically at the poor and poorest of the poor.
- 2.These services can make a significant contribution to the socio-economic status of the targeted community.
- 3.The institutions that deliver these services can develop, within a few years, into sustainable organizations with steadily growing outreach.

In this context, it is important to make a couple of distinctions:

1. Micro-finance is more than the provision of credit. It involves the provision of other financial services (most usually savings and insurance) and recognizing that even the poor have a variety of needs, not just credit.
2. Securing sustainable access to micro-finances for low-income communities involves building (or reforming) micro-finance institutions- not just the delivery of time-bound micro-finance programs (such as offering short-term revolving funds)

2.5 The Regulatory Status

Various laws regulate Microcredit institutions. 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. It appears to be over regulated but in reality the situation is just the opposite. 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. On February 24, 2003, NRB issued regulations for the development banks, which are engaged in micro-finance, as a guideline to develop MFIs activities.

Policy Announcement of HMG/Nepal

HMG/Nepal adopted the concept of open, liberal, and market-oriented economy in 1984. It has taken micro finance as a major instrument of achieving the national agenda of reducing the poverty. It has to promote the micro finance industry to enable it as an effective instrument to improve the capabilities of backward sectors and communities, promote the interest of oppressed, deprived, helpless disabled citizens, and empower the women, and backward communities. Therefore, HMG/Nepal has made the following policy announcement to create the congenial financial environment for the growth of sustainable micro finance industry through the *Public Statement on Income and Expenditure Statement of the Fiscal Year 2005/06* (MOF 2005a, 25-26) :

Tax Relief to Small Depositors

The tax imposed on interest to the rural depositors with small savings in the micro finance institutions increases the overhead cost of these institutions and the government does not gain much from such tax. So, to facilitate the rural micro finance institutions to raise their resources and provide the some relief to the small depositors, HMG/Nepal has made an arrangement to provide relief to small depositors who have deposited their money in the rural micro finance institutions (MOF 2005a, 25). Accordingly, HMG/Nepal has exempted the tax on the interest income on the deposit up to Rs.10,000 for the fiscal year 2005/06 (MOF 2005b, 42). Previously, small depositors, who did not have any income tax liabilities at all, used to pay tax to the government. But this arrangement has provided the fiscal justice to the small depositors who do not have any tax liabilities on their income. This arrangement will relieve rural micro finance institutions from official hassles of accounting the tax deduction at source.

Exemption on the Collateral Registration Fee

Thousands of co-operatives are providing the micro finance services in both rural and urban areas. Cost of the micro finance institutions plays the important role in the pricing of their products and their sustainability. Most of the cooperatives are located in urban area and they are not interested to expand their services in rural area. So, to encourage the cooperatives to expand their micro finance services in the rural areas, HMG/Nepal announced the policy that made an arrangement to exempt the registration fees levied on

the mortgage deeds up to a certain amount lent among their members by cooperatives. This policy will minimize the costs of micro finance program in the rural areas (MOF 2005a, 9). According to this policy announcement, Finance Ordinance 2062 has exempted the registration fees imposed on the registration of collateral or mortgage deeds amounting up to Rs.100,000 (MOF 2005b, 178).

Limit of the Single Investor

HMG/Nepal should encourage the investors to invest in the micro finance development bank in order to develop the micro finance as a major measure of alleviation of poverty and expand its services to the rural area. It should either deregulate the maximum limit of an individual investment or increase the ceiling of investment in a micro finance development bank. In this vein, Nepal Rastra Bank has increased the maximum limit of an individual investor from 15 percent to 25 percent of paid up capital of the concerned micro finance institution (NRB 2005b, 24). We should take the dark side of this policy announcement also into consideration while analyzing the micro finance related policy of HMG/Nepal. This policy may work as a means of expropriation of money of poor for rich in the absence of the strong monitoring and supervision mechanism. So, there should be strong on site and off site supervision and monitoring mechanism to implement this policy on favor of poor and ultra poor. Nevertheless, rich will expropriate the money of the poor through micro finance institutions.

Micro Credit Policy

The Micro Finance Institutes are providing door-to-door micro credit services to those ultra poor families who have no collateral, guarantees to produce, and are not capable of fulfilling the banking requirements for credit eligibility. Even in the present conflict situation whereby the banks have closed or merged their branches, micro finance institutions have been constantly delivering door-to-door micro credit services to the ultra poor communities. Priority sector loan is against the liberal market economy policy. So, Nepal Rastra Bank is gradually reducing the priority sector loan program within 5 years (MOF 2005a, 25). In this context, role of micro finance institution will become more vital to deliver the micro credit to the poor and ultra poor. The number of financial institutions engaged in micro credit operations is increasing after the implementation of Financial

Intermediation Institutions Act (first Amendment), 1999. Various types of micro-credit programs are being implemented to develop micro credit as an instrument of self-employment and income generation through extending it to the deprived and subsistence class of people. The demand of micro credit is increasing in the rural area, the services of erstwhile micro finance institutions are not sufficient, and their services are not uniform. It is desirable to expand institutional micro finance services and to increase the access of poor and ultra poor to the institutional micro finance services, and unify their services. So, HMG/Nepal has announced to formulate the micro credit policy, 2052 and enact in the beginning of the current fiscal year (MOF 2005a, 25). But it has yet to formulate and enforce the said policy.

2.6 Challenges in Micro-Credit Delivery in Nepal

Nepal has a varied topography at varied development stages, a mix of different cultures and different ethnic groups, which challenges the successful delivery of micro-finance. The major challenges are:

1. Formulating a micro-credit delivery mechanism that is better suited to the people in hills and mountains.
2. Successfully extending the outreach to the hills and mountains.
3. Redesigning existing programs of the formal MFIs to better target the poorest.
4. Unsustainable delivery mechanisms of government initiated MFIs and programs.

2.7 Evolution of Micro-Finance

The earliest initiatives for establishing micro-finance in Nepal date back to the 1950s, when the first credit cooperatives were established. For providing rural financial services, this was the first step. These cooperatives primarily intended to provide credit only to the agriculture sector. The next milestone was SFDP in 1975 within ADB/N. This program covers the entire country and aims to organize farmers into small groups to provide credit without collateral.

In 1981, NRB introduced the Intensive Banking Program (IBP) and compelled to the

commercial bank to finance at least 7 percent on the priority sector, which was further increased to 12 percent in 1990. Now this compulsion is being phased out gradually.

In 1992, Grammen Bikash Banks were initiated by the government sector, crossing a milestone in rural micro-financing in Nepal and NGOs started grameen banking activities in certain areas.

- The evolution of the micro-finance sector in Nepal
- Credit co-operatives were established in the 1950s.
- Co-operative bank was established in 1963
- Small farmer groups were established under SFDP (1970s)
- SFDP was established under ADB/N (1975)
- Commercial banks began to follow priority sector lending directives (1974)
- The IBP program tries to involve commercial banks in micro-credit (1981)
- Gender based micro-credit - PCRW (1982)
- Gender programs refined - MCPW (1994)
- Replication of Grameen Banking model (1992)
- Co-operative act was established to support the credit cooperatives (1992)
- Government-run MF programs - Bisheswor with the Poor, Women's Awareness program, government peace movement, etc.

2.8 The MF Sector in Nepal

Within Nepal there are a wide range of institutions active in the micro-finance sector, each with its own way of going about the task of making financial services accessible to the poor. Some writers distinguish between the so-called informal and formal sectors, but given that many of the informal organizations are in fact registered societies, the preferred terms to use are community-based sector and institutional sector.

2.9 The Institutional Sector

2.9.1 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 micro-finance system in Nepal through introducing policy, systems and institutions as well.

2.9.2 Micro-finance Wholesale Apex Institutions

2.9.2.1 RSRF (Rural Self Reliance Fund)

In 1990, HMG/N 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. Up to mid July 2002, RSRF sanctioned loans to 48 NGOs and 129 cooperatives amounting to NRs. 18.15 million and 34.21 million respectively.

2.9.2.2 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. As of mid July 2002, RMDC had approved NRs. 204.8 million in loans to 17 MFIs and disbursed NRs. 107.8 million. Its mandate includes capacity building for MFIs and ultimate borrowers in addition to providing a fund for on lending to them. RMDC, a micro-finance apex wholesale institution, it has provided wholesale loans to MFIs as follows;

SN	Partner's Name	Approved Amount (Rs.)	Rate of Interest	Disbursed Amount (Rs.)	Amount Recovered (Rs.)	Outstanding Balance (Rs.)
1)	Grameen Bikash Bank	120,000	6.5%	80,000	27,800	52,200
2)	Development Bank	94,500	6.0-6.5%	76,100	30,010	46,090
3)	NGOs	80,360	1.0-6.5%	54,445	29,014	25,431
4)	SCO's	4,200	1.0-6.5%	4,200	1,885	2,315
	Total	299,060		214,745	88,709	126,036

2.9.2.3 Commercial Banks (CB)

According to the NRB directive, commercial banks need to extend at least 3 percent of their total loan outstanding to the deprived sector. CBs are extending the 3 percent fund in equity and also providing wholesale loans to MFIs. At present, 17 commercial banks are extending credit to the deprived sector, amounting to NRs. 3482.6 million.

1.9.2.4 Small Farmers cooperatives

Were also initiated under the Small Farmers Development Program of the Agricultural Development Bank of Nepal (ADBN), which was the first Nepali program to use a group-based methodology. The program has faced major difficulties in terms of portfolio quality and the dependency of groups towards ADBN loan capital. GTZ has supported methodological changes to the ADBN, which is also under restructuring phase, led by the ADB. Under a joint Nepali-German program, RUFIN, GTZ has provided technical assistance to the ADBN in transforming the groups into sustainable Small Farmers Development Cooperatives (SFCLs), now largely financed by an apex bank. Despite the recent successes in revitalizing the program, problems still persist such as decapitalization and sustainability issues

Table 1: Key Actors in Nepal's Rural Micro Finance and their outreach (July 2004)

Microfinance Institutions	No. of members	Savings mobilization (million NRS)	Outstanding loans (million NRS)
Eastern Rural Development Banks	48,000	196	509
Central Rural Development Banks	36,000	82	244
Western Rural Development Banks	37,000	83	345
Mid- western Rural Development Banks	14,000	51	137
Far- western Rural Development Banks	11,000	45	116
Nirdhan Utthan Bank (MF Bank)	45,000	80	263
Swabalamban Bank (MF Bank)	26,000	97	194
Deprosc Bank (MF Bank)	10,000	17	89
Chhimek Bank (MF Bank)	9,000	22	75
Small Farmer Cooperative Ltd (SFCL) Total SFCLs: 161 ²	90,000	290	1,317
Savings and Credit Cooperatives (SCC) Total SCC: 2300	180,000	2,500	2,200
Financial Intermediary NGOs Total NGOs: 43	29,000	31	127
Small Farmer Development Project	66,000	43	676
Deprived Sector Lending program of Commercial Banks	76,000	75	289

Sources: Website of GTZ-RUFIN Project

2.9.2.5 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. The total loans disbursed to the group members amounts to NRs 25.4 million.

2.9.2.6 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 are regional rural development banks in the government sector and 6 are micro finance development banks established by private sector.

2.9.3 The Community Based Sector

2.9.3 .1 FINGO (Financial Intermediary Non-government Organization)

Normally, NGOs in Nepal(at least those registered under the Societies Act) have not been entitled to undertake profit-oriented activities, such as financial intermediation. However, the rapidly growing engagement of NGOs in social development has created a need for extending some basic financial services such as micro-finance services. To address the lack of institutions providing MF services in many areas of the country, the Central Bank of Nepal (NRB) has provided a mechanism by which selected NGOs can engage in financial intermediation activities. These activities are defined as the borrowing and on-lending of funds, but do not include direct deposit taking from the public. Currently, a couple of dozen NGOs have already been licensed by NRB. 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. Those NGOs that are operating in financial services transactions and opting for an NRB license are referred to as FINGOs.

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, 37 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.

2.9.3 .2 Saving and Credit Co-operatives (SACCOS)

SACCOS are member owned, controlled and capitalized organizations, which provide financial services to members. There are more than 2,300 SACCOS registered with the Co-operative Department in Nepal and approximately 400 of these are a member of the national federation, NEFSCUN.

2.9.3 .3 Savings and Credit Groups (SCGs)

There are tens of thousands of unregistered SCGs in Nepal, some of which are quite large even though they are not registered either as NGOs or co-operatives. 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 likelihood that the group would continue to meet and be active, after the specific program intervention had been completed. Given 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.

2.9.3 .4 Production Credit for Rural Women (PCRW)

The Production Credit for Rural Women program (PCRW) was developed in 1982 with funding and technical assistance from UNICEF. It is currently implemented by the Ministry of Local Development (MLD) through the Women's Development Division (WDD) in association with NBL, RBB and ADB/N. Funds are provided by the commercial banks under the Intensive Banking Program (as a means to ensuring that some of the IBP funds go to women) and IFAD.

The main objectives of PCRW are to improve the social and economic position of women through the provision of credit, extension services, drinking water, health and various time and labor savings technologies and skills.(Joanna Ledgerwood :1997: pA1-4)

2.9.3.5 Cottage and Small Industries Development Program (CSIDP):

This program has been implemented by CSIDP Board in all 75 districts. Objective of the program is to empower women and men groups through self-income and employment generation program. Every year the cottage and small industries (CSI) district offices demand application from the interested people and they selected after they have passed examination taken by a committee comprising the chief of CSI, ADBN representatives and other concerning offers. Different types of training will be provided to the selected women and men. In the recommendation of CSI office, the ADBN extends credit to the

trainees to run their enterprises. In this program, credit is provided in individual responsibility, not in group liability basis. The enterprises include sewing and cutting, basket weaving, furniture, handmade paper, toys making etc. (ADBN 2058: B12)

2.9.3.6 Micro Credit Project for Women (MCPW)

The MCPW was initiated in 1994 by the ministry of local Development in close coordination with NRB, NBL and RBB and the assistance of Asian Development. It is a first Micro credit programme. It is also regarded as the improved extension of PCRW as beneficiaries of this programme are solely women. A loan amount per borrower not exceeding the thirty thousand for agriculture, forty thousand for micro enterprise and enterprise and twenty five thousand for urban based small business are liable to be disbursed under this program. (Gopal P. Acharya: P121)

2.9.3.4 Traditional Savings and Credit Groups (TSCG)

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 non-registered, but quite formally structured in terms of membership rights and obligations, etc.

2.9.3 .5 Village Bank:

The Village Bank model was also used in Nepal, with the Women Empowerment Program of Pact Nepal, between 1998 and 2001. Adapted from the model used in Latin America, village banks are community-managed credit and savings associations designed to provide financial services to members living in rural areas. This methodology focuses on empowering relatively large groups of people (20-40 in Nepal) in building their own financial institution, with a savings first approach. First, the village bank promoters, in this case local NGO partners of Pact Nepal, provided training to the village banks, focusing on building the capacity of membership and management committees. The promoters also lend fund capital to build up the 'external account' of the village bank, which is then lent to members. Repayments from members are collected by the village bank, which repay its main obligation to the promoters. In parallel, the village bank members build up their 'internal account' through savings and on lend internally this

fund. This model was successful in Nepal, as it combined training in literacy and business development with financial services and was able to obtain a large outreach at low cost. However, of the few weaknesses, was the dependency created by the financial links between village banks and promoters.

2.9.3.6 Grameen Bikash Bank (GBB)

Grameen Bikash Bank was established in with in an objective to alleviate the poverty in Nepal. It is working in five development regions of Nepal. The bank has three types of loan system i.e. general, seasonal and irrigation. The loan disbursed based on group guarantee. There are five members in each group. The bank provides initial general loan up to eight thousand. Based on performance of loan borrowers second additional loan is provide to the borrowers. The bank provides loan up to thirty thousand to individual borrowers based on their performance within five years.(Gopal P. Acharya: P120)

2.10 Outreach

In Nepal, traditionally there were many programs developed by government and government agencies in the formal micro-finance sector and by private organizations in the private and informal sector. The present status and estimated micro-finance outreach of various programs is as follows:

Status of Major Micro-Finance Service Outreach

S.No.	Institutions	Members (in '000)	Borrowers (in '000)	Cumulative disbursement (Rs. in '000)	Outstand- ing loan (Rs. in '000)	Group saving balance (Rs. in '000)	Repayment rate in (%)
1.	SFDP#	189	189	NA	890597	50388	40.42
2.	SFCL##	69	69	1829125	980431	N.A.	80.05
3.	PCRW###	67	67	360,000	168,000	N.A.	64.0
4.	EGB*	53	49	2895883	354172	125803	97.50
5.	CGB*	36	35	957597	220930	37873	100.00

6.	WGB*	40	39	1481506	271314	78954	99.70
7.	MWGB*	19	16	568250	92219	42195	93
8.	FWGB*	19	11	668351	101097	45859	75
9.	NUBL##	35	28	1184017	206900	56673	97.20
10.	CSD###	38	32	800,874	178,969	47,209	100.00
	DEPROSC#9	6	6	66570	30201	8561	100.00
12.	Chhimek Samaj##	4	3	40826	20121	5379	100.00
13.	NRDSC	3	2	4,410	3,724	392	100.00
14	Priority Sector lending (RBB and NBL)	130	130	N.A.	N.A.	N.A.	N.A.
	Total	711	676	10857409	3518675	499286	
15	Informal Groups (SHGs)	240	120	-	480000	400,000	95%
16	SCCs	320	160	-	320000	300000	95%
	Total	560	280	-	800000	700000	

Source: Upreti up dates and CMF estimates, NRB. ### Mid July 2001, # Mid July 2002, * Mid October 2002, ## Mid January 2003.

2.11 Main Issues

In rural financing and especially in providing microfinance services there are some major issues, which have emerged from the operation of existing MFIs in Nepal. Those issues are the following:

- Dominance of the government and its agencies in micro-credit.
- Need for restructuring and privatize the GBB to reduce the public sector dominance.
- Limited outreach in the hills areas.

- Diffused or not concentrated focus.
- Role of INGOs, MFIs, Apex wholesale institutions.
- Sustainability and interest rate.

2.12 Gender Equality and Empowerment of Women Project

This project was [Loan No. 2143], approved in late 2004, aims to improve the socioeconomic conditions of poor rural women in Nepal through interventions to promote:

- (i) economic empowerment,
- (ii) legal empowerment,
- (iii) social empowerment, and
- (iv) Strengthening of institutions for gender mainstreaming.

It is the first ADB-supported project in which a national focal agency on gender—the Department of Women Development—is the executing agency.

The project supports a number of gender-related legal reforms and policy changes. For example, one condition for loan effectiveness is the passage of legislation to eliminate several provisions in existing laws that discriminate against women. Under the project, the Government also committed itself to pass legislation on domestic violence and on the powers of the National Women's Commission and National Dalit Commission (initially by the cabinet). The legal empowerment component of the project supports (i) a large-scale awareness-raising campaign on legal issues related to gender, caste, and ethnicity; (ii) preparation of a specialized university law course on the rights of women and other vulnerable groups; (iii) training of judicial and local government officials and police officers on the rights of women and other vulnerable groups; (iv) establishment of alternative dispute resolution mechanisms and training of mediators and paralegals; and (v) legal aid to poor women in project districts. The institutional strengthening component supports an organizational audit of the Department of Women Development, to identify training and capacity-building needs of staff at the central and local levels. (Gender, Law, and Policy in ADB: 2006:p43)

2.13 Review of Some Articles and Journals

At its best, micro finance could provide a means for the poor to escape poverty and provide sufficient profits for financial institutions to survive. If on the other hand, this proves unachievable, then the program should be modified to help it succeed. Perhaps society would see the merit in further subsidizing the effort. By doing so the poor could be offered even lower interest rates to ensure their success and the micro financing institutions could get the financial backing they need. The cost probably would be high, but in the end it likely would be cost effective. After all, the poor would eventually become self-sufficient and eventually no longer depend on charities or government subsidies. Besides, the ultimate goal of helping the poor is the right thing to do and access to credit should be a fundamental right. The Grameen Bank realized early on that by providing credit to women not only improved the economic condition of the family but also greatly enhanced the social dimensions as well.

The time has come to recognize microcredit as a powerful tool in the struggle to end poverty and dependence. We have assembled to launch a global movement to reach 100 million of the world's poorest families, with credit for self-employment and other financial and business services by the year 2005 (Microcredit Summit, 2004). Microfinance institutions are not, however, the magic bullet that will solve all problems of poverty. Credit is an important but not the only constraint on raising incomes of the poor. Other constraints that keep the productivity of labour, hence incomes, low include a lack of human capital, material assets and access to inputs. The poorest people, in particular, have a low demand for credit because they have relatively low capacity to make profitable use of it and their capacity to service debt is virtually nil (United Nations, 1999: 205)

Microcredit programs extend small loans to very poor people, especially women, for generating income through self-employment. Although the program features differ from country to country, depending upon socio-economic conditions, the distinguishing criteria are the following (Grameen Bank, 2004). The fundamental premise of Grameen credit is that the poor have skills, which remain unutilized, or underutilized. It is not the lack of skills, which make poor people poor. People do not create poverty; institutions

and policies, which surround them, create poverty. Thus appropriate changes need to be made in the institutions and policies, and/or create new ones for eliminating poverty (Yunus, 2003). In Bangladesh, for instance, loans to the wealthy are often rolled over, or forgiven entirely, in order to make life easier for our so-called “entrepreneurs”. In developed countries, government bailouts of large corporations are often justified because of the social and economic dislocations that would result if they were to go bankrupt (Yunus, 1998, p54).

Micro Credit is based on the premise that the poor have skills, which remains unutilized or underutilized. It is definitely not the lack of skills, which make poor people poor. It is believe that the poor do not create the poverty; the institutions and policies, which surround them, create it. In order to eliminate poverty all we need to do to make appropriate changes in the institutions and policies, and /or create new ones. It is also believe that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individuals initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty (Yunus; 2004: 27).

We believe that poverty does not belong to a civilized human society. It belongs to museums. This summit is about creating a process, which will send poverty to the museum. Only sixty-five years after the 12-second flight of the Wright brothers, man went to the moon. Fifty-five years after this summit, we'll also go to our moon. We'll create a poverty-free world (Yunus, 1997: Micro credit Summit).

Being poor is morally, socially and physically painful, while being rich is pleasing in all these respects. This means that individuals cannot suffer poverty voluntarily; those who do must be treated as exceptions. In other words, the existence and continuation of poverty in any society is fundamentally involuntary. Therefore, sustainable solution to this inhuman problem must lie in removing the constraints that compel individuals suffer poverty involuntarily.(Khandakar Q. Elahi).

The importance of microfinance for social policy is that it potentially achieves three major policy objectives—reduced unemployment and poverty, development of local communities, and increased labour market flexibility—in a manner that pays for itself.

"The involvement of the private sector [in microfinance] has been very encouraging. Indeed microfinance offers an excellent platform for private-public partnerships in which everyone wins. Poor people gain new choices and a chance to increase their wealth. Societies benefit in their efforts to defeat hunger and achieve other development goals such as child education, better nutrition and gender equity. And private businesses profit from access to new markets and, not least, from the boon to their reputations that comes with offering services that have a positive social impact."

- UN Secretary-General Kofi Annan, Geneva Private Capital Symposium, October 10, 2005 most important step to end poverty is to create employment and income opportunity for the poor. But orthodox economic recognised only wage-employment. It has no room for self-employment. But self-employment is the quickest and easiest way to create employment for the poor (**Muhammad Yunus: 2003**). Credit should be accepted as a human right, because it is so important for a person who is looking for an income. Credit can create self-employment instantaneously.

Poor people are like bonsai trees. They could have grown into giant trees if the right environment for growth had supported them. It is the size of the pots on which they were made to grow that turned them into sad replicas of the real trees. In a similar way, poor people are sad replicas of the real persons hidden inside them. They cannot grow into their potential size because society does not offer them the social and economic base to grow on. Poor people are condemned to survive as Lilliputians in the land of super giants (**Muhammad Yunus: 2003**)

We should look at the emerging knowledge economy supported by the process of globalization as an unprecedented opportunity for the poor and the poor countries. Future of nations will no longer be decided by the size of wealth of a nation, but by the quality of human resource it has. Information technology and education will make a big impact on the capacity of the poor and the poor nations to change their economic situation (**Muhammad Yunus: 2003**).

2.14 Review of the previous Thesis

Khanal, Binod Raj (2001), topics of his thesis was, "Impact of Micro-Finance on Rural People: A case study of self-help Banking Program of Center For Self-help Development in Lahan Municipality". He concluded his thesis with finding that significant positive impacts on the field of income level, saving, entrepreneurship talent in poverty ridden people, employment opportunity, poverty alleviation, living standard of the rural poor women and their property. Finally he concludes that microfinance program helps to generate income and to uplift poor women's economic condition.

Gharana, E.(2001), conducted a research entitled "Microcredit for Women Poverty Reduction: A case study of the Ghaukhel VDC, Bhaktapur". The main objective of the study was to identify the role of women in microcredit program. He concluded the study on microcredit program for women on beneficiaries earning, living standard, social impacts in terms of child education, family planning, sanitation and other social reforms are positive in Ghaukhel VDC. The program empowers women as self-confidence, as well as increase in literacy and increase their skill to do their own interested income generating activities.

Soti, B. (2002), in his thesis, he concluded that the involvement in MCPW program has empowered women in varying degree. The program has offered various opportunities for poor women to open to extra outdoor activities apart from household limits. Extra outdoor activities means that they are organize themselves in groups and work in productive and social activities. The program focused on group activities and income generation has helped to enhance the self-confidence and increased right to spend.

Lamsal, T.S (2005), has done research work on "Impact of Microfinance Program For Women's Poverty Reduction: A case study of Chartare Youth Club Baglung District" The whole impact of microfinance program is to be associated in multi-dimensional ways. Although the impact of the microfinance program in the field of income generation and living standard is positive, but not satisfactory.

Aryal, Dhurba (2006), has concluded in his thesis that the level of women's self-confidence has increased, which implies that women are making more decisions on their

own. If women make decisions on financial resources, household well-being improves. Rural women spend a high proportion of their additional income on children's education, food quality and health care.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology describes the method and process applied in the entire aspects of the study focus of data, data gathering instrument and procedure, data tabulating and processing and methods of analysis. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. We study the various steps that are generally adopted by a researcher in studying his research problem along with the logic behind them.

3.2 Research design

As per the nature of the study, the study will follow case study, field study, descriptive and analytical research design. The case study research design describe about the present status, past experience of clients of microfinance program. It is expected to assimilate more detail about qualitative information from few experienced entrepreneurs and their unique experience. This study facilitated to talk with interesting clients and impact of microfinance to him/her. Field study research design, study about attitudes, values, perceptions and behaviors of the participants of the microfinance program. Descriptive research design is used to access the opinions, behaviors, or characteristics or a given beneficiaries and describe the situation and events occurring at present. This research tries to accumulate facts. Analytically study is trying to analyse the collected data and information more accurately and critically evaluation of those information and data.

3.3 Procedure of data collection

In order to achieve the real results of the research primary as well as secondary data will be collected from different reasonable sources. The primary sources of data will be questionnaire, field visit, and interaction with the different respondents that is directly related to the micro finance program. The secondary data for research will be collected

from the published annual reports of the NUBL and CBBL, articles and dissertations, Journals, books, websites etc on the concerned subject.

3.4 Data processing

The collected data will be edited, coded, classified and tabulated in accepted from Microsoft Excel. The processed data exhibit an appropriate situation of the performance related activities under micro finance program.

3.5 Population and Sample

Two microfinance beneficiaries of NUBL and CBBL will be considered out of the 18 microfinance.

3.6.1 Hypothesis of Study

1. Hypothesis-1:

H_0 : $P_1=P_2$ There is no significance change in proportion whose main occupation is agriculture before and after involving in microfinance program.

H_1 : $P_1 \neq P_2$ There is significance change in proportion whose main occupation is agriculture before and after involving in microfinance program.

2. Hypothesis-2

H_0 : $P_1=P_2$ There is no significance change in average income before and after join in microfinance program

H_1 : $P_1 \neq P_2$ There significance change in average income before and after join in microfinance program

3. Hypothesis-3

H_0 : $P_1=P_2$ There is no significant difference in proportion of sanitation (drinking water and toilet) facilities used by respondents before and after join in microfinance program

H_1 : $P_1 \neq P_2$ There is significance difference in proportion of sanitation (drinking water and toiled used) facilities used by respondents before and after join in microfinance

4. Hypothesis-4

H_0 : $P_1=P_2$ There is no significance difference in proportion of sending child in school before and after join in microfinance program.

H1: $P_1 \neq P_2$ There is significance difference in proportion of sending child in school before and after join in microfinance program.

3.7 Techniques of Data Analysis

The study will be based on both analytical and descriptive approach. Statistical analysis tools will be used. The following techniques will be followed in analyzing the data:

- ❖ Collection of relevant information
- ❖ Classification and tabulation of data
- ❖ Analyze and interpret the data various statistical tools will be used;
- ❖ Identification of data suited to fulfill purpose of the study;
- ❖ Derived conclusion based on analyzed data.

3.8 Statistical Tools

3.8.1 Hypothesis

Testing of hypothesis is one of the most important aspects of the theory of decision making. It consists of decision rules required for drawing probabilistic inference about the population parameters. It often involves deciding at any given point of time whether a given population parameter is the same as before, as claimed or has changed.

In this regard we can say that one of the most important applications of statistical inference is test of hypothesis. To test whether the assumption is right or not a sample is selected from population. Sample statistic will be observed, the difference between the sample mean and population will be hypothesized, and then test will be done whether the difference is significant or insignificant.

According to the data type used data used and research methodology different types of hypothesis test can be used. In regard of this research paper, mostly data are comparative analysis of testing the significance associated before and after joining microfinance program. In this contest the statistical tools such as Chi square (χ^2) , pair t-test, Test of Significance for difference of Two Proportion (Z-test) will be used as test of significance as per the data demanded.

3.8.1.1 Paired t-test for Difference of Means

When two samples are independent of each other then this types of test will be used. However, there are many situations where the samples are dependent in each other. For example, if we are testing the income generation of respondents, testing of socioeconomic empowerment of women before and after involving in microfinance program and so on then data under the microfinance program before and after involving on MF are related to each other. In such situation, we are concerned with the difference between the pair of related observations instead of the value individual observations. Pair t-test for difference of means can be applied under when (Sharma and Chaudhary; 2058:300)

- i. The sample size are equal. That is $n_1=n_2=n$ (say)
- ii. The same set of samples is treated twice on the same subject matter.
- iii. The sample observations (x_1, x_2, \dots, x_n) and (y_1, y_2, \dots, y_n) are pairly dependent by making the pairs of observations $(x_1, y_1), (x_2, y_2), \dots, (x_n, y_n)$ correspond to th 1st, 2nd, ..., nth unit respectively.

Steps:

Step-1

H_0 : There is no significant difference in the observations before and after involving in MF program

H_1 : There is significant difference in the observations before and after involving in MF program.

Step-2

Compute the test statistic: Under H_0 , test statistic is

$$t = \frac{\bar{d}}{\frac{S}{\sqrt{n}}} = \frac{\bar{d}}{\sqrt{\frac{S^2}{n}}}$$

Where $d=X-Y$ = Difference between two set of observations

$$\bar{d} = \frac{\sum d}{n} = \text{Mean of the difference}$$

and
$$S^2 = \frac{1}{n-1} \sum (d - \bar{d})^2$$

$$= \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum d)^2}{n} \right]$$

Step-3

Obtain the tabulated value of t for (n-1) d.f. at 5% level of significance according as whether the alternative hypothesis is one tailed and two tailed test.

Step-4

Decision: Make a decision by comparing the calculated value of t with the tabulated of t. if calculated value of $t \leq$ tabulated t, it is not significant and H_0 is accepted. Otherwise, it is rejected.

3.8.1.2 Chi-Square Test (χ^2)

Chi-square test is a non-parametric test because it depends only on the set of observed and expected frequencies and degree of freedom. Chi-square is a test, which describes the magnitude of difference between observed frequency and expected (theoretical) frequencies under certain assumptions. In other words, it describes the magnitude of the discrepancy between theory and observation. It is defined as.

$$\chi^2 = \frac{(\mathbf{O} - \mathbf{E})^2}{\mathbf{E}}$$

Where; O = Observed frequencies

E = Expected frequencies

This test is good for nominal or ordinal scale of measurement. Nominal scale of measurement deals with the data, which can only be classified into categories. Whereas the ordinal level of measurement assigns different ranks to above categorized data

3.8.1.3 Test of Significance for difference of Two Proportions (Z-test)

If we are interested for making comparisons and analyzing difference between two populations in terms of some categorical characteristic, then test of Z is used to test the difference between two populations based on the difference between the two sample proportion, whether it is significant or not.

Compute the test statistic:

$$Z = \frac{P_1 - P_2}{PQ \left(\frac{1}{n_1} + \frac{1}{n_2} \right)} \cong \mathbf{N(0, 1)}$$

Where p = the common population proportion under H_0 is unknown and we are its unbiased estimate provided by both samples taken together which is given by

$$\hat{P} = \frac{X_1 + X_2}{n_1 + n_2} = \frac{n_1 p_1 + n_2 p_2}{n_1 + n_2}$$

and $\hat{Q} = 1 - \hat{P}$

If P is unknown, then test statistic is

$$Z = \frac{P_1 - P_2}{\sqrt{\hat{P}\hat{Q} \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Decision: if $Z_{cal} \leq Z_{tab}$, then the hypothesis is insignificant so accept H_0 , otherwise rejected.

3.8.4 Average:

The average measures condense a huge unwieldy data into a single value which represents the entire data. Since an average represents the entire data, its value lies between the two extreme observations, i.e. the largest and the smallest items in case of this paper i.e income specifically represents. Hence Average represents the central value among large data. Average represents whole data in equal distribution although it is not actual value.

3.8.5 Standard Deviation

The standard Deviation is powerful and useful measuring tools in dispersion in order to measure the size of deviation from the average. Standard deviation is the positive square root of the average mean of the squares of the deviations of the given observations from their mean. It is denoted by sigma (σ). Thus if X_1, X_2, \dots, X_n is a set of n observations then the standard deviation is given by:

$$\dagger = \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}$$

Where n= Total number of observations (S.C. Gupta; 1998:380)

3.8.6 Coefficient of Variation (C.V.)

It is the relative measure of dispersion based on standard deviation. Since standard deviation is by far the best measure of dispersion, for comparing the homogeneity or heterogeneity of two or more distributions we generally compute coefficient of standard deviation. C.V. is defined as:

$$\text{C.V.} = \frac{\dagger}{\bar{X}}$$

For comparing the variability of two distributions we compute the coefficient of variation for each distribution. A distribution with smaller C.V. is said to be more homogenous or uniform or less variable than the other and the series with greater C.V. is said to be more heterogeneous or more variable than other.

CHAPTER -IV

DATA PRESENTATION AND ANALYSIS

4.1 Impact assessment of respondents from MF program:

International aid donors, governments, scholars, and other development experts have paid much attention to microfinance as a strategy capable of reaching women and involving them in the development process. The influence of society over the range and exercise of choice also means that if we seek to promote empowerment, we must also consider factors affecting women's status and rights as a group. microfinance programs promote social solidarity at some level, most microfinance organizations tend to focus their attention on promoting changes at an individual level—a woman who, for instance, is now able to send her children to school, negotiate lower prices for her raw materials, or even dream bigger dreams for herself, her family, and her business. The achievements of individual women can have a powerful impact on the way women are perceived and treated within their communities, but the levels of empowerment individual women may achieve are usually limited if women as a group are generally disempowered. For that reason many organizations also include elements designed to uplift women and communities as a collective rather than just as individuals

Any development process that are implemented has been measured their success or failure in their specific objectives. As same status microfinance program is also one of emerging revolution in the field of poverty reduction, especially on deprived and marginal groups i.e. women specialized sector. We know that MF program changes the lifestyle of people in economically and socially. Here socioeconomic status of sample respondents will be analyzed as per changes in various topics such economic, social as well other various indication with regarding to decision making capacity, education level, occupation and as far as possible topics has been studied .This study is expected to conclude with the changes real life style of women who are involving in MF program.

4.2 Age Composition of Respondents

Table-4.2

Age Composition of Respondents:

Age group of Respondents(in Year)	No of Respondents(f)	Mid Value(x)	fx	Percent Represent of age group (%)
20-30	64	25	1600	30.48
30-40	58	35	2030	27.62
40-50	66	45	2970	31.43
50-60	16	55	880	7.62
60 -70	6	65	390	2.86
Total	210		7870	100

Source: Field survey -2009

Calculation:

Mean age of sampled respondents who are involving in microfinance program:

$$\bar{X} = \frac{\sum fx}{f} = \frac{7870}{210} = 37.47 \text{ years} \cong 37 \text{ years}$$

Observing the age structure of sampled respondents, it was found that most of the respondents were in the age group of 40-50 years and followed by 20-30 years which represents 31.43% and 30.48% respondents respectively. In this regard we can say that the proportion of young group women's involvement in MF program is significantly. The age group 30-40 represents 27.621% respondents. in comparison of these three age group with the age group of 50-60 and 60-70 is negligible which represents only 7.62% and 2.86% respectively. In this respect of participation of respondents of old age group is negligible involvement in MF program. This might because of physical and economically incapability for income generating activities of these age group women. But, different age groups from 20 to 50 are almost equal proportion on involvement in MF program. According to the provision of bank only married women are involved in this program so that below the age of 16 might not be involved in this program. Accordingly it is also found that those women, whose age is 25 years, are involving in this program since seven

or eight years. In this regard it can be concluded that women who are 16 but married are involved in this program.

4.2.1 Marital Status of Respondents :

As we already discuss about the importance of microfinance program for the reduction of poverty and increment the social status of poor people. Most of the countries in the world are implemented the microfinance program, and use as a success and effective tools for poor women rather than men, Such as Grameen Bikash Bank of Bangladesh is also actually initiated for poor rural women. So most of the microfinance program in the world and with in our country is implemented for poor married women. Therefore member or clients of microfinance program of NUBL and CBBL are also 100 percent married women. By adopting this policy bank could not give the entrance of unmarried women. This is because bank feels that it might be increase the value of outstanding after the married of clients. Although 100% clients are married women, their status might be changed after marriage towards divorce, widow and living as separate. Hence, researchers try to identify the specific marital status of respondents on the following Table.

Table 4.3
Marital Status of Respondents

Marital Status	No. of Respondents	Percentage (%)
Married	190	90.05
Widow	16	7.583
Separate	4	1.896
Divorced		
Total	210	100

Source: Field Survey 2009

Table 4.3 Shows that 90.05% of sampled respondents were married women living with who have their husband similarly 7.58% respondents are living as widows and 1.89% women are living separate although they have their husbands and 0.0 % of respondent is divorced.

4.2.2 Distribution of Respondents according to Caste or ethnicity:

Caste and ethnicity is also one of the most important indication of the impact of microfinance program because by studying this we can some how identify how effectively women related to marginalized community are involved or not in microfinance program or whether they get benefit from microfinance program or not

Table 4.4

Distribution of Respondents according to Caste or ethnicity

S.NO.	Caste	No of Respondents	Percentage (%)
1	Brahmin	30	14.29
2	Chhetri	18	8.57
3	Tharu	34	16.19
4	Gurung	18	8.57
5	Magar	30	14.29
6	B.K./Ranpal	24	11.43
7	Damai	6	2.86
8	Muslim	10	4.76
9	Madhesi	18	8.57
10	Thakuri	2	0.95
11	Newar	2	0.95
13	Sarki	2	0.95
13	Chaudhary	16	7.62
	Total	210	100

Source: Field Survey -2009

From table 4.4 we can observed that 14.29% respondents are form Brahamns, 8.57% are from Chhetri. Similarly 15.19% respondents are from Tharu community, 8.57% are other caste of Madeshi such as Gupta, Yadav community, 7.62% are from Chaudhary community. Other community groups such as Muslim are 8.57%, Gurung are 4.29%,

from Magar community 14.29% respondents are engaged in this program apart from above indication 15.24% women are from dalit groups.

4.2.3 Education Level of Sampled Respondents:

Education plays key role for the empowerment of every people in society and helpful for the improvement of economic status. Educating and providing awareness among women is itself one of the most important programs. Hence before entering on microfinance program, bank provides the training about the methods of paying loan installment, compulsory saving, personal saving and how to invest the loan amount for profit making field. Not only has this bank provided very important knowledge at least writing her name by taking pen. This is the most valuable knowledge for those women who didn't know even writing her name by herself. This makes very significantly positive impact in society as well as in society. Writing her name they have known the importance of education which affects positively towards their children by sending their children to school.

Table 4.5
Education Level of Sampled Respondents

Level of Education	No of respondents	Percentage (%)
Illiterate	106	50.48
Literate	44	20.95
Below SLC(6 and Above)	46	21.9
S.L.C.	12	5.71
Intermediate	2	0.95
Total	210	100

Source: Field Survey- 2009

Table 4.2 Shows that the allocation of respondents according to the level of their education. It can be easily view in table that 50.48% of women are illiterate; however they can write their name after the involvement in microfinance program. Out of 210 respondents 20.95% are simply literate, 21.90% respondents are literate who had study at

least 6 class and but not more than 10 class, finally 5.71% and 0.95% respondents are literate fully literate who had pass SLC and intermediate level class respectively. Due illiteracy of clients majority respondents seems innocence and believe every activities even for knowing about how much saving in bank in her account is to ask for bank staffs. They believe that bank and staff of bank are god for them because they provide loan in required time but they didn't know how much interest is charged by bank and how much loan amount is remaining for paying.

4.2.4 Head of the Family Household:

Our society is male dominated society so male heads most of the families. This result that male are dominated for women in every field of activities even in the time of eating. In this regard we can easily understand that role of household head in family play very important role for the upgrade ness of women's status in the family as well as in society. This result that she can involve every steps of decision making role in family which makes very valuable experience for other works outside the house such as build up confidence. Hence researcher wanted to identify how many women are leading as a header of family member.

Table 4.6
Head of the Family Household

Head of Family	No of Respondents	Percentage (%)
Respondent herself	54	25.71
Husband	138	65.71
Others	18	8.57
Total	210	100.00

Source: Field Survey-2009

With the experience of direct questionnaire and interviewed out of 210 respondents majority number replied that their husband is the head of family member which replicate 65.71% respondents. Out of 210 respondents 25.71% respondents replied they themselves are the head of family. But 8.57% respondents replied that neither husband

nor herself be the family head. According to them father in law or son or daughter be the family head.

It is to be noted that family head related to respondents herself are mostly from hilly regions community group's family. So that terrain community group's women are more back ward than hilly region's women. Respondents from hilly region can take some how openly and confidently rather than terrain respondents.

4.2.5 Total number of economic active person and dependency person in respondents household:

Dependency level indicates to family members who are actively depends upon the other economic active person of a family. Here topic researcher tries to identify the number of economically active persons in each respondent's house. And total number of persons in sampled respondent's house.

Table 4.7
Total number of persons in respondent's households
and economically active person

Particulars	No of Persons in the sample respondents Households	Percentage%
Total no children 14 and below	386	32.01
Total no of adult 15 and above	820	67.99
Total No of person in the sample respondent's house	1206	100.00
Economically active person:	402	33.33
Overseas	44	3.65
Pension getting	4	0.33
Army	16	1.33
labour	56	4.64
Government job	10	0.83
Private job	36	2.99
others	236	19.57

Source: Field survey 2009

According to above table it is identify that there are 1206 members in 210 respondents households. It is also clearly view that only 33.33% are economically active person who earn income any way and feed their family. Similarly , only 10 persons are government salary job holder but in low grade of job. 44 persons are going for overseas, 16 persons are doing job in Nepal and Indian army job. From research we can find that there were no one in top class government job who are basically involved in planning and procedure holder, 10 person who are engaged in government jog are peon and that class level of job. Out of 1206 people 386 are below 14 and 14 years that represent 32.01% of total members. Other profession indicates that especially business, agriculture, households and other profession apart from above mentioned. Finally we can easily understand that there is large number of dependent person in sampled respondents households. Especially, terain community group's family members found that more people are dependent rather than of hilly region community group respondents household.

4.2.6 Size of respondent's family member:

The size of family impacts the economic state of the family. The greater the family no, more source of economy is required because it directly affects the expenditure level of the family. Also, the internal housework also increases by which a women of family needs to devote more time for household work. The size of family determines the socioeconomic condition and livelihood of the family. The bigger family needs higher financial contribution then the small family. In order to run family smoothly level of consumption is also high in compare with small size. In an overall context researcher is willing to show he size of family of sampled respondents.

Table 4.8
Size of respondent's family member

Family Size	No of Respondents	Percentage (%)
Up to 4 (small)	52	24.76
4 -9 (medium)	142	67.62
9 to 12 (large)	14	6.67
13 and above (very large)	2	0.95
Total	210	100.00

Source: Field survey 2009

Referencing the table 4.6 the sample beneficiary most of the respondents had medium class of families with the member size of 4 to 9 counting i.e. 67.62 %. In the same way 24.76% of respondents were found in the class of small size family. There were 6.67% respondents whose families were of large in size. Also there is 0.95% of respondent whose family size is in very large class.

4.2.7 Number of Children Going to School:

Table 4.9
Number of Children Going to School

Particulars	Before	After	Changed
Son	232	248	16
Daughter	188	198	10
Total	420	446	26

Field Survey- 2009

Hypothesis Test of daughter sending school by their parents:

Ho: $P_1 = P_2$ MF program doesn't affect to respondents sending for their daughter to school

H1: $P_1 < P_2$ MF program affect to respondents sending for their daughter to school

We have,

$$n_1 = 420 \quad n_2 = 446$$

$$X_1 = 188 \quad X_2 = 198$$

Where,

n_1 = Total number sample respondents who sent their daughter in school before involving in MF program.

n_2 = Total number sample respondents who send their daughter in school after involving in MF program.

X_1 and X_2 = Total number sample respondents who send their children in school involving in MF program before and after involving MF program respectively.

P_1 = Sample proportion of respondents who sent their daughter in school before involving in MF program = $\frac{X_1}{n_1}$

$$= \frac{188}{420} = 0.4476$$

P_2 = Sample proportion of respondents who sent their daughter in school after involving in MF program.

$$= \frac{X_2}{n_2}$$

$$= \frac{198}{446} = 0.4439$$

Test Statistic under $H_0 = P_1 = P_2 = P$, the test statistic is

$$Z = \frac{P_1 - P_2}{\sqrt{\hat{P} \hat{Q} \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Since P is unknown, we use its unbiased estimate \hat{P} and \hat{Q} instead of P and Q

Where $\hat{P} = \frac{n_1 P_1 + n_2 P_2}{n_1 + n_2}$

$$= \frac{X_1 + X_2}{n_1 + n_2} = \frac{188 + 198}{420 + 446}$$

$$= \frac{386}{866} = \mathbf{0.4457}$$

$$\hat{Q} = 1 - \hat{P} = 1 - \mathbf{0.4457} = 0.5543$$

$$Z = \frac{0.4476 - 0.4439}{\sqrt{0.4457 * 0.5543 \left(\frac{1}{420} + \frac{1}{446} \right)}} = \frac{0.0037}{\sqrt{0.2471 * 0.00925}} = \frac{0.0037}{\sqrt{0.002284}}$$

$$= \frac{0.0037}{0.04779} = \mathbf{0.0774}$$

Tabulated value of Z at 5% level of significance for Left tailed test is 1.64. That is, $Z_{0.05} = 1.64$

Conclusion: since $Z_{cal} < Z_{tab}$ i.e. $0.0774 < 1.64$ hence H_0 is accepted it means H_1 rejected. It indicates that there is no significance difference in sending daughter to school by their parents before and after the involvement in MF program. In other words, the pattern of sending school for daughter by their parents before and after the involvement in MF program is same.

4.2.8 Causes of changing the number of children going to school

Education for children by parents is most essential for children's bright future. Most respondents replied to researcher that although they are illiterate they will teach or provide study opportunity as much as possible until and unless their children desire to study. Although there is no significant difference in changing the level of going children in all together, but while going for direct interview, most of the respondents send their children to school after involvement at least primary level. Due to the long time involvement in microfinance program might affect the proportion of going and leaving school of children are almost equal proportion.

Same proportion of leaving and entering of children in school makes almost equal number of children going to school. Although this happens, I asked those respondents, why you sent your children and why your child leaving school. In that situation 25 respondents replied to researcher that respondents income level is increase not only this 15.24% or 16 respondents replied that they had known the importance of education because they are facing huge problem due to illiterate.

Table 4.10

Causes of changing the number of children going to school

Reasons	No of respondents Answered	Percentage
Due to age of children	50	23.81
Due to the increments of income	22	10.48
I have known importance of education	32	15.24
Due to marriage of child (Daughter)	32	15.24
Due to marriage of child (son)	6	2.86
Getting Job	4	1.90
Not interested by child	28	13.33
Due to Poverty of family	22	10.48
Due to illness of child or family	8	3.81
Overseas Job	6	2.86
Total	210	100.00

Source: Field Survey -2009

In an another part 15.24% or 32 respondents replied that their children leave school due to the marriage of their daughter where as 2.86% or 6 respondents replied that their children or son leaving their son due to marriage , 1.9% or 4 respondents replied their child leave school due getting job. 13.33% or 28 respondents replied leaving their children due to not interested of studying because of failed in class of older age rather than their friends studying in their same class. Similarly, 10.48% or 22 respondents replied that due to lower poverty level, their children leave going for school. They have to support their family for income generating work. 3.81% or 8 and 2.86% or 6 respondents replied due to the illness of family member and going children for overseas job respectively.

4.2.9 Pattern of paying loan:

As per the rules of Bank, respondents should pay their at least in 25 installment whatever the loan they get, it is basically implicated for general loan. So respondents should pay loan on fortnightly or weekly on installment basis.

Table 4.11
Pattern of paying loan

Types	No of Respondents	Percentage (%)
Paid Fully	22	10.48
Paid Partially	188	89.52
No Paid Yet	0	0.00
Total	210	100.00

Source: Field Survey 2009

In this regard researcher asked the question whether respondents pay their loan timely of not and regularly. Out of 210 respondents 22 (10.48%) respondents replied to researcher that they had already paid their loan fully and now they don't take any loan from bank and 188 (89.52%) respondents paid their loan partially and timely. Finally no respondents replied that they don't paid loan till now.

Most respondents replied that they had taken re-loan after completing first loan paying in one-year period. It is noted that clients could not get loan repeatedly in toilet, hand pump topics.

4.2.10 Sources of paying loan:

In order to take regular financial support (especially loan) from bank every respondents should pay their loan in time at any cost as per the rules and regulation of bank. Respondents take loan for various purposes, but sources of paying loan might be different such as income earned from investing loan, borrowing from friends of other institutions.

Table 4.12
Sources of paying loan

Sources	No. of Respondents	Percentage (%)
Income earned from Investing loan	140	66.67
Taking Loan From Other Institution	6	2.86
From Mutually income	6	2.86
Other Sources(other family's income/salary)	52	24.76
Doing labor	6	2.86
Total	210	100.00

Sources: Field Survey -2009

According to table 4.10 mostly 140 (66.67%), respondents replied that they paid loan installment from the income earned from investing loan and 2.86% replied that they paid loan by borrowing money form other Financial institution or friends. Similarly 2.86% respondents said that they had paid their loan from mutual income earned by husband and wife, 24.76% respondents stated that they didn't have sufficient money to pay for loan installment, so they had to beg money their husband or other economically active person of her family member.

4.2.11 Causes of Changes in Income of Respondents:

Most of the respondents replied for researcher that they had increased their level of income after the involvement. But due to the various causes such as increase in credit in business and death of cattle, some respondents faced loss. In the 9 year period of involving in microfinance program some had changes their economically condition dramatically and some faces loss after few years, however they increase their level of economic condition in their family after the involvement of microfinance rather the before involving in this program. But some did not improve their level economic condition even in 9 year period of involvement microfinance program.

Table 4.13
Causes of Changes in Income of Respondents

Reasons	Number of Respondents	Percentage (%)	Remarks
Business Expansion	46	21.90	Increased
New Business Estd.	42	20.00	Increased
Increasing in Production of Agriculture	32	15.24	Increased
Others/labour Rate increase	28	13.33	Increased
Getting job	42	20.00	Increased
Decrease In Sales	6	2.86	Decreased
Illness of Family Member	6	2.86	Decreased
leaving business due to loss	6	2.86	Decreased
Death of cattle	2	0.95	Decreased
Total	210	100.00	

Sources: Field Survey -2009

Researcher found that 21.9% respondents replied their income was increased due to the expansion of business and 20% respondents replied their business had established new business which was the reason of increasing income. Similarly 15.24% respondents income was increased due to the increment in agricultural production or cattle which is directly affected by microfinance programme operated by bank, 20% respondent's level of income was increased due to getting job by their family member such as overseas job. It is noted that bank has provided to their clients as foreign employment loan maximum of Rs.100000. but 13.33% of respondents replied that their level of income is decreased due to the increment of wages rates. This might be the unaffected for respondents from microfinance program. But some workers bought instruments by taking loan from bank and started to work so that their level of income was increased.

In spite of above answers 20 respondents replied that the level of was increased after joining on this program but now it is decreasing. On this scenario 2.80% respondent replied that their sales had been decreased so that their level of income was decreased, 2.80% respondents replied that causes of decreasing income is the illness of their family

members, and 2.80% replied that they leave their business due to loss on providing more credit, finally 1 respondents replied her cattle was resulted for death.

4.2.12 Income Generation of Sampled Respondents:

Women have been shown to spend more of their income on their households; therefore, when women are helped to increase their incomes, the welfare of the whole family is improved. Women's increased income benefits their children, particularly in education, diet, health care, and clothing. Apart from this; woman's role in the economy is an important determinant of her ability to provide health care services, education and safe housing for herself and her family. It also has an impact on her decision-making power, as well as her ability to speak and act against inequalities, injustice, and violence in her home as well as in the community. The ownership of working capital is a means to building a woman's confidence, self-respect, and the capacity to use her voice to shape her life and the lives of her family members. In this context, income generation makes significant role for the empowerment of women. So income generation of respondents before and after involvement in MF program of NUBL and CBBL has been presented in following table:

Table-4.14
Annual Income in view of respondents

Annual income	Mid value (x)	Before involvement			After involvement			Increment (Y-X)
		F ₁	F ₁ x=X	% of respondents	F ₂	F ₂ x=Y	% of respondents	
0-10	5	130	650	61.9	52	260	24.76	-390
10-20	15	34	510	16.19	36	540	17.14	30
20-30	25	16	400	7.62	22	550	10.48	150
30-40	35	4	140	1.9	10	350	4.76	210
40-50	45	4	180	1.9	14	630	6.67	450
50-60	55	4	220	1.9	8	440	3.81	220

60-70	65	2	130	0.95	6	390	2.86	260
70-80	75	2	150	0.95	6	450	2.86	300
80-90	85	0	0	0	4	340	1.9	340
90-100	95	4	380	1.9	14	1330	6.67	950
above 100	105	10	1050	4.76	38	3990	18.1	2940
Total		210	3810	100	210	9270	100	

Source: Field survey -2009

As depicted in the above table 130 (61.90%) respondents are below the annual income group of below Rs 10000 and 34 (16.19%) respondents were below the income group between Rs 10000 to Rs 20000 before joining in MF program. In this sense we can say that before involvement in MF program almost 83% of respondents are below the income level of 20000. Rests of them are above the income group of Rs 20000. This is however significantly decreased to 24.76% respondents on below Rs 10000 income earner group after involvement in MF program. In above only 130-50= 80 respondents decrease group of below Rs.10000 income earner. Member in this group is decreased because rest income group is increased. In this regard we can say that MF program operated by NUBL and CBBL has been significantly affected to for its clients in income earning. But even now almost 43% respondents are below the poverty line.

Table-4.15

Comparative Analysis of Income Generation of Respondents

Annual income	Mid value (x)	d=(x-55)/10	Before involvement			After Involvement		
			F ₁	F ₁ d	F ₁ d ²	F ₂	F ₂ d	F ₂ d ²
0-10	5	-5	130	-650	3250	52	-280	1400
10-20	15	-4	34	-136	544	36	-144	576

20-30	25	-3	16	-48	144	22	-66	198
30-40	35	-2	4	-8	16	10	-20	40
40-50	45	-1	4	-4	4	14	-14	14
50-60	55	0	4	0	0	8	0	0
60-70	65	1	2	2	2	6	6	6
70-80	75	2	2	4	8	6	12	24
80-90	85	3	0	0	0	4	12	36
90-100	95	4	4	16	64	14	56	224
above 100	105	5	10	50	250	38	190	950
Total			$\sum F_1$ 210	$\sum F_1 d$ -774	$\sum F_1 d^2$ 4282	$\sum F_2$ 210	$\sum F_2 d$ -228	$\sum F_2 d^2$ 3368

Before involving in MF program

1. Mean:

$$\bar{X}_1 = A + \frac{h \sum F_1 d}{N} = 55 + \left(\frac{-774}{210} \right) \times 10 = 18.14$$

2. Standard Deviation:

$$\begin{aligned} \sigma_1 &= \sqrt{\frac{F_1 d^2}{N} - \left(\frac{\sum F_1 d}{N} \right)^2} \times h = \sqrt{\frac{4282}{210} - \left(\frac{-774}{210} \right)^2} \times 10 \\ &= \sqrt{(20.39 - 13.59)} \times 10 = 26.09 \end{aligned}$$

3. Variance (σ_1^2) = $(26.09)^2 = 680.69$

4. Coefficient of Variance (C.V.₁) = $\frac{\sigma_1}{\bar{X}_1} = \frac{26.09}{18.14} = 1.44$

After Involvement:

1. Mean

$$\bar{X}_2 = A + \frac{h \sum F_2 d}{N} = 55 + \left(\frac{-228}{210} \right) \times 10 = 44.1$$

2. Standard Deviation (σ_2)

$$= \sqrt{\frac{F_2 d^2}{N} - \left(\frac{\sum F_2 d}{N}\right)^2} \times h = \sqrt{\frac{3368}{210} - \left(\frac{-228}{210}\right)^2} \times 10$$

$$= \sqrt{(16.04 - 1.18)} \times 10 = 38.5$$

3. Variance (σ_2^2) = $(38.5)^2$
= 1482.25

4. Coefficient of Variation (C.V.₂) = $\frac{\sigma_1}{\bar{X}_2} = \frac{38.5}{44.1} = 0.873$

Table-4.16
Statistic Summary

Statistic	Before involving	After Involving	Result
Mean	18.14	44.1	Increased
Standard Deviation	26.09	38.5	Increased
Variance	680.69	1482.25	Increased
C.V.	1.44	0.873	Decreased

From the above conclude table we find that the average annual income is increased by Rs.44.1-18.14=Rs25.96 thousand after the involvement in MF program. As the same way standard deviation of of income after involving in MF program is also increased which shows that the income level after involvement in MF program is more dispersed rather than of before involvement. In spite of high dispersion of income it is more homogenous or consistent or uniform in income after involving rather than of before involving in MF program this is because of decreasing in C.V. This indicates that members of NUBL's and CBBL's income are more consistent in after involving rather than of before involving in MF program.

Table-4.17
Hypothesis Test of Different classes of total income before and after
involvement in MF

X	Y	d=Y-X	d ²
650	260	-390	152100
510	540	30	900
400	550	150	22500
140	350	210	44100
180	630	450	202500
220	440	220	48400
130	390	260	67600
150	450	300	90000
0	340	340	115600
380	1330	950	902500
1050	3990	2940	8643600
Total		5460	10289800

Hypothesis:

H₀: $\bar{x} = \bar{y}$ that the average income level of households before and after the involvement in MF program is same.

H₁: $\bar{x} < \bar{y}$ that the average income level of households after the involvement in MF program is significantly increasing.

Test statistic: under H₀, the test statistic is:

$$T = \frac{\bar{d}}{\sqrt{\frac{S^2}{n}}}$$

Where, $\bar{d} = \frac{\sum d}{n}$ and $S^2 = \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum d)^2}{n} \right]$

$$\text{We have, } \bar{d} = \frac{\sum d}{n} = \frac{5460}{11} = 496.36$$

$$\text{And } S^2 = \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum d)^2}{n} \right]$$

$$S^2 = \frac{1}{11-1} \left[\sum 10289800 - \frac{(5460)^2}{11} \right]$$

$$= 378982.72$$

The test statistic is:

$$= \frac{\bar{d}}{\sqrt{\frac{S^2}{n}}} = \frac{496.36}{\sqrt{\frac{378982.72}{11}}} = \frac{496.36}{\sqrt{34452.98}} = \frac{496.36}{262.5} = 1.89$$

Hence $t = 1.8909$

Degree of freedom = $n - 1 = 11 - 1 = 10$

The tabulated value of t for 9 d.f. at 5% level of significance for left tailed test is 1.812

Hence $t_{\text{tab}} = 1.812$ and $t_{\text{cal}} = 1.8909$

That is $t_{0.05}(10) = 1.812$

Decision: since the calculated value of ' t ' is greater than the tabulated value of ' t ', it is significant and H_1 is accepted which means that the average income of sampled respondents after the involvement in MF program is significantly increasing.

4.2.13 Occupation of Respondents Before and After Involvement in Microfinance:

The relevant information shows regarding to the occupation of respondents before and after the involvement of microfinance. Here researcher tries to specify the relevant information regarding the occupation of respondents before and after the involvement of microfinance program.

Table 4.18**Occupation of Respondents Before and After Involvement in Microfinance**

Types of occupation	Before involvement		After Involvement	
	No. of Respondents	Percentage	No of Respondents	percentage
Trade, commerce and shop	16	7.62	50	23.81
Fruits shop	4	1.90	6	2.86
hotel	4	1.90	18	8.57
Tailoring	2	0.95	4	1.90
cosmetic	0	0.00	6	2.86
PCO	0	0.00	2	0.95
Cattle	18	8.57	74	35.24
Agriculture(landlord)	66	31.43	16	7.62
Household	78	37.14	12	5.71
vegetable production	0	0.00	4	1.90
Job	4	1.90	0	0.00
Furniture	2	0.95	2	0.95
wages/labour	14	6.67	12	5.71
Overseas	0	0.00	2	0.95
Child	2	0.95	0	0.00
Fisheries	0	0.00	2	0.95
Total	210	100	210	100.00

Source: Field Survey -2009

Table 4.12 shows, that there was significant change in the level of occupation of respondents before and after their involvement of microfinance program. Especially, income of the Women who are involved in household work without any payment is significantly decreasing. Tending cattle is significantly increasing apart from this other doing self-business is also significantly increasing after the involvement of microfinance program.

Household work is decreasing to 5.71% from 37.14% and tending cattle is significantly increasing to 35.24% from 8.57% after involvement on microfinance program. Not only has this self-business such as trade and business, fruits shopped, tailoring, hotel etc. are also memorably increasing to 42.15% from 12.37% in altogether. Other specific professions of respondents are also given in the table. Among them 6% respondents are labour worker.

Although professions of respondents are showing more specifically but while testing hypothesis, it is testing only related topics in two groups i.e. self business (i.e. Trade, commerce and shop, Fruits shop, hotel, Tailoring, and cosmetic) and Agricultural occupation which includes cattle, landlord and vegetable production in Agricultural sector .

Hypothesis testing of occupation regarding to respondents:

Table-4.19
Occupational changes in Respondents

Occupation	No of Respondents	
	Before Joining in MF	After Joining In MF
Trade, commerce, and shop and Fruits Shop	20	56
Agriculture(Livestock, Landlord)	112	96
Service business(Hotel, Tailoring, Parlor/cosmetic)	6	28
Total	138	180

Ho: $P_1 = P_2$ There is no significance difference in proportion agricultural occupation of respondents before and after joining microfinance program

H1: $P_1 \neq P_2$ There is significance difference in proportion agricultural occupation of respondents before and after joining microfinance program.

We have,

$$n_1 = 138$$

$$n_2 = 180$$

$$X_1 = 112$$

$$X_2 = 96$$

Where,

n_1 = Total number sample respondents whose occupation was trade and commerce, agriculture and service business before involving in MF program.

n_2 = Total number sample respondents whose occupation was trade and commerce, agriculture and service business after involving in MF program.

X_1 and X_2 = Total Number of respondents whose main occupation is related to agriculture before and after involving MF program respectively.

P_1 = Sample proportion of respondents whose occupation is agriculture before involving in Microfinance program = $\frac{X_1}{n_1}$

$$= \frac{112}{138} = 0.8116$$

P_2 = Sample proportion of respondents whose occupation is agriculture after involving in Microfinance program.

$$\begin{aligned} &= \frac{X_2}{n_2} \\ &= \frac{96}{180} = 0.5333 \end{aligned}$$

Test Statistic under $H_0 = P_1 = P_2 = P$, the test statistic is

$$Z = \frac{P_1 - P_2}{\sqrt{\hat{P} \hat{Q} \left(\frac{1}{n_1} + \frac{1}{n_2} \right)}}$$

Since P is unknown, we use its unbiased estimate \hat{P} and \hat{Q} instead of P and Q

Where $\hat{P} = \frac{n_1 P_1 + n_2 P_2}{n_1 + n_2}$

$$= \frac{X_1 + X_2}{n_1 + n_2} = \frac{112 + 96}{138 + 180}$$

$$= \frac{208}{318} = 0.6541$$

$$Q^{\wedge} = 1 - P^{\wedge} = 1 - 0.6541 = 0.3459$$

$$Z = \frac{0.8116 - 0.5333}{\sqrt{0.6541 * 0.3459 (\frac{1}{138} + \frac{1}{180})}}$$

$$= 3.6565$$

Tabulated value of Z at 5% level of significance for two tailed test is 1.96. That is, $Z_{0.05} = 1.96$

Conclusion:

Since the calculated value Z is greater than the tabulated value of Z, it is significant and H_0 is rejected and H_1 is accepted which means that there is significantly proportion change in respondents occupation in agriculture before and after the involvement of MF program.

4.2.14 Saving Pattern of Sampled Respondents:

Pattern of saving indicates that what the situation of saving condition of respondents before and after the involvement in Microfinance program. According answer replied by each respondent only 24 respondents out of 210 respondents were engaged in saving pattern in other various groups. After the involvement on microfinance program 83.82% respondents replied that they have saving in bank and 34 respondents replied that they don't have saving in bank. But those women who are involved in bank must have compulsory or group saving of Rs. 4 every fortnight and they have to keep Rs. 9 in every meeting also every client should keep 5% of loan amount in saving in her group fund saving account. In this sense, more of less every client have saving in their account in bank.

Table 4.20
Saving Pattern of Sampled Respondents

Particulars	Before Involvement		After Involvement	
	No of Respondents	Percentage (%)	No of Respondents	Percentage (%)
Saving	24	11.43	176	83.81
Not Saving	186	88.57	34	16.19
Total	210	100.00	210	100.00

4.2.15 Level of Satisfaction of Sampled Respondents:

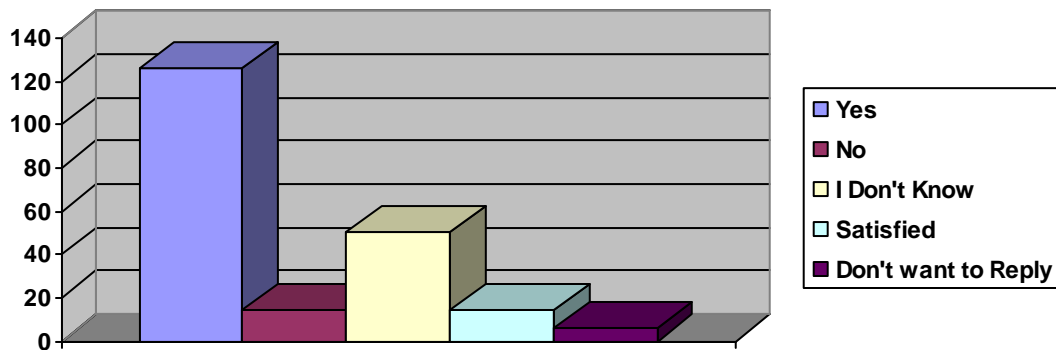
Satisfaction is the level of acceptance of value or services provided by the service provider. If a person purchases a cycle value Rs 4000 and thinks he is satisfied, but the next person can give higher value worth Rs. 5000 or lower value of Rs3000 for the same level of satisfaction from the same cycle.

Satisfaction is the measure of value of goods or services in terms of investment i.e having a Nepali food is a simple hotel costs Rs.50 where as the cost of same food could be more than Rs500 in luxurious restaurants, it depends upon the nature and economic status of the person where and how he will be satisfied.

Table 4.21
Level of Satisfaction of Sampled Respondents

Particular	No of respondents	Percentage (%)
Yes	126	60.00
No	14	6.67
I Don't Know	50	23.81
Satisfied	14	6.67
Don't want to Reply	6	2.86
Total	210	100.00

Figure 4.1
Level of Satisfaction of Sampled Respondents



Source: Field Study -2009

Looking upon the respondents response 60% of the respondents are satisfied by the services provided by the banks where as 6.67% respondents are not satisfied by the services provided and the return value generated from loan 23.81% respondents don't care about the services of the banks, this means that they do not like to measure the value of service they are satisfied because the other people are satisfied, where as there are 6.67% respondents are quite satisfied but not at all. There are very negligible respondents who don't well prepare for the expression of their satisfaction.

4.2.17 Pattern of spending income by Respondents:

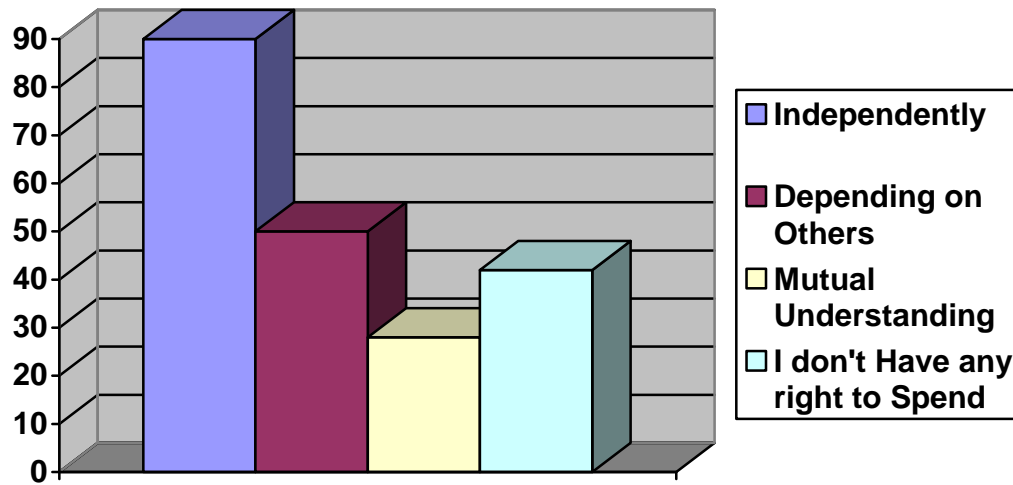
Level of power delegated in a family for the decision of purchase impacts for the responsibility of expenditure also; it depends upon the nature of work divided on the family member. Expenditure related to purchase of land is authorized only for the member who has full authority where as purchase of daily used goods like fruits, oil, spices, salt, sugar etc are normally done by the person who is responsible for kitchen works or in household works. Sometime expenditure is done only who is generating income. Generally person who is responsible for income is taken right for the expenses.

Table 4.22

Pattern of Spending income by Respondents

Particular	No of Respondents	Percentage (%)
Independently	90	42.86
Depending on Others	50	23.81
Mutual Understanding	28	13.33
I don't Have any right to Spend	42	20.00
Total	210	100.00

Figure 4.2
Pattern of Spending income by Respondents



Source: Field Survey -2009

Referring to table 4.17 there are 90 (42.86%) people who do expense independently this shows that if a person does income she independent for expenses. 50 (i.e.23.34%) respondents does their expenses by depending on others especially on their husband and other family members where as 28 (i.e.13.34%) respondents does their expenses on mutual understanding with their husband. This shows that 168 (i.e. 80%) respondent out of 210 has taken part on the decision on expenses that they earned. This proves that if you generate income you got the right for expenses. Though the social structure of hierarchy in a family has seen for the expense right, the above data shows that hierarchy was made because the first person in the hierarchy is responsible for income generation and financial portfolio management in a family. But when other member takes part in the income generation process, then he also takes right for the expenses.

From the analysis of this data we can say that the social hierarchy for expenses was due to their responsibility of income generation but it can be changed if other could generate in income.

Even 42 (20%) of respondents are now allowed to spend their income because of the social hierarchy and the power delegated to the individual member in the family.

4.2.18 Involvement on Cooperative Discussion

The definition of the concept of empowerment is highly contentious in the context of development and social movements around the world. In general, each definition strives to define and describe the ways in which power is expressed, both in social interaction and personal relationships. The concept of empowerment becomes extremely important in the context of sustainable development and how it is related to women. In many historically male-dominated, it is important to address the issues of women's status and rights in order to enable them to make the best uses of their resources. Gender equality and women's empowerment will have a large and positive impact on national, community, and household economies. It is also necessary to increase the well-being, self-confidence, and respect of women throughout their personal and social networks.

Discussing on a topic is a measure of confidence level of people with the content and power. Normally the cooperative discussion is made for the development of society, through infrastructure, like dig well, constructing road, improving society's education, sanitation, conserving forest etc. The confidence level can only increase if a person can involve in social activities.

Table 4.23
Involvement on Cooperative Discussion

Particulars	Number of Respondents			
	Before Involvement on MF Program		After Involvement on MF Program	
	No.	Percentage (%)	No.	Percentage (%)
Yes	12	5.71	56	26.67
No	198	94.29	154	73.33
Total	210	100.00	210	100.00

Source: Field Survey -2009

Referring table 4.18 women involving for the cooperative discussion before MF Program was 12 (i.e. 5.71%) where as after involvement the number of respondents involved in cooperative discussion is 56 (i.e. 26.27%). This shows that the confidence level of

respondents had increased after involving in the MF program for cooperative discussion but the increment level is not satisfaction.

4.2.19 Societies Attitudes towards Respondents:

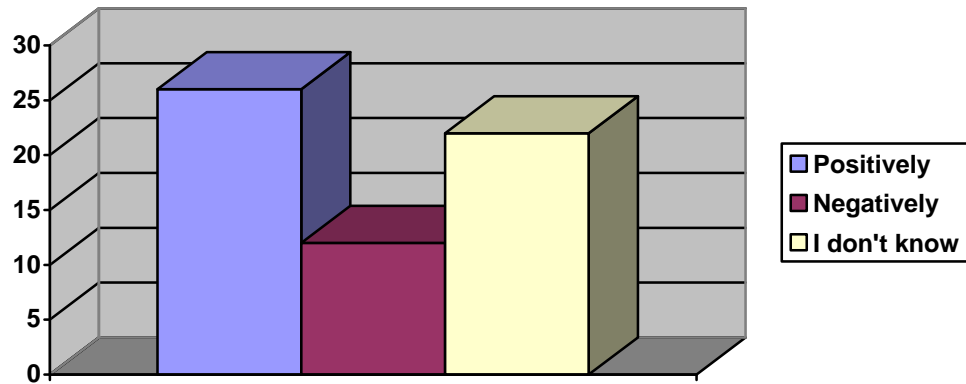
Women face numerous practical and structural obstacles in becoming active as economic actors, and when they succeed, they are underpaid compared to men and often locked into low-paid jobs. In most developing countries, women and girls have the highest illiteracy and poverty rates, and the lowest opportunities to acquire the education and skills necessary to fulfill their economic potential. Their economic activities, as a result, tend to orientate around unpaid or low-paid jobs. Gendered social norms and stereotypes about women’s conduct and lifestyle impose further constraints. Within the household, women are usually financially dependent on male family members and lack decision-making power and control over household assets. Structural barriers, such as women’s lack of legal rights to land or resources, are further barrier.

Table 4.24
Feeling of Society towards Society

Response	No of respondents
Positively	26
Negatively	12
I don't know	22
Total	60

Source: Field Survey -2009

Figure4.3
Feeling of Society towards Society



In this overview researcher asked those women who are mostly need to go outside for their various work purpose about the response of society towards her because of going outside many times and involving in various discussion activities . In this regard 26 women replied they society and her family is positive on her activities and they accept her activity of self –dependent activities, 12 respondents replied being a women going outside and involving in various activities alone is very tough society as well as family didn't support and they try to scold to those women. similarly 22 respondents replied that they don't care about society saying but family member providing full support on activities, replying I don't know means that some how acceptance of her activities on outside household activities.

4.2.20 Respondent's Sources of drinking Water:

Drinking water is heart of life we can have known that without pure drinking water human life would be in critical situation. From various health researchers and specialists stated that mostly diseases to human are transfer from drinking water. Apart form this every household activities are stopped with water, in this regard water every people should get to use water easy and efficiently. Finally we can say that water is the primary importance of human life. Although Nepal is the second largest country in the world in sources of water people of this country even now are suffering form getting drinking water. There are many place where the people are spending their time almost a day for single pot of drinking water. In this overview, NUBL and CBBL has provided loan for

digging hand pump for their clients so that they can get water easily in their own home and need not spent unnecessary time on water.

Table 4.25
Respondent's Sources of drinking Water

Sources of Water	Before joining MF Program		After Joining MF Program	
	No of Respondents	Percentage (%)	No of Respondents	Percentage (%)
Hand pump	122	58.10	144	68.57
Tap(Gov)	10	4.76	18	8.57
Public Tap	12	5.71	16	7.62
Nothing	54	25.71	18	8.57
Boring	12	4.76	14	5.71
Total	210	100.00	210	100.00

Source: Field survey 2009

Figure 4.4
Use of water Sources Before Involvement

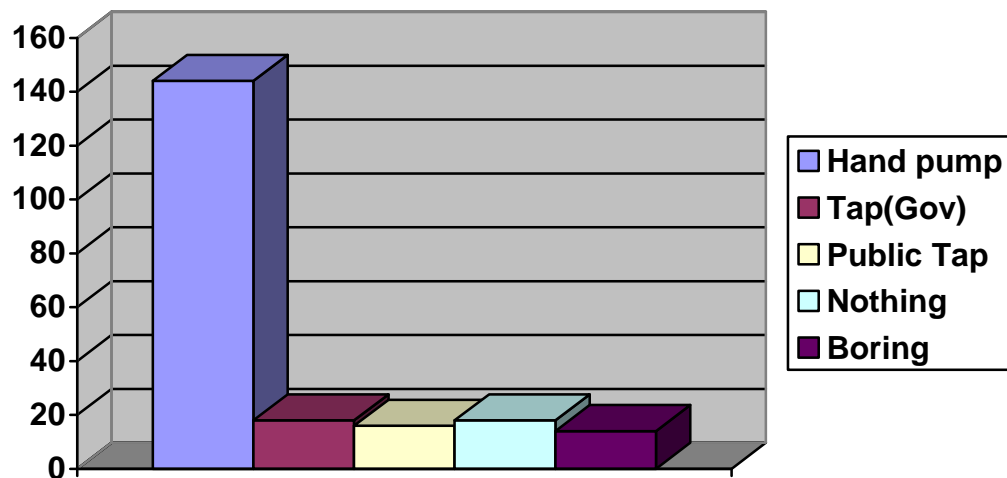
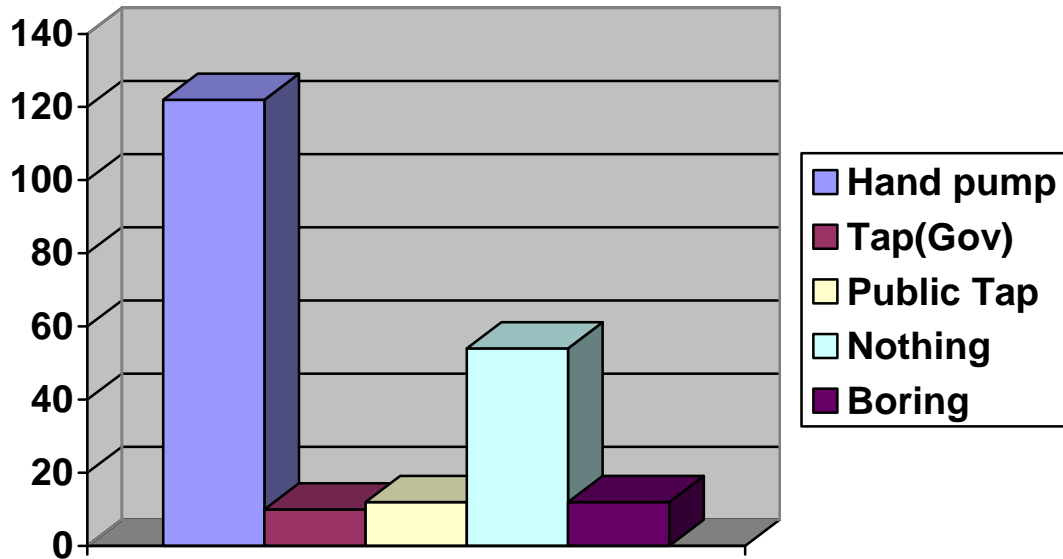


Figure 4.5
Use of water Sources After Involvement



As Referenced to the table, 122 respondents relied on Hand Pump before they involved in MF program and this number has been increased after involvement. Consequences of increment is due to the change of source of water by the people who did not used any source, from the table people who did not had fixed water source before involvement in MF program is 54 this has been reduced to 18. In the same way trend of using other different permanent source of water has been increased, it is because people who did not used fixed source started getting new source e.g $54-18=36$ respondents started using fixed water source after involving in MF program and this value has been divided in different source sector Handpump, tap, public tap and Boaring.

This shows that MF program has improved for good water system. Also referencing to the NUBL and CBBL loan system they provide loan to Handpups only, from the table $144-122=22$ people has started using Hand pumps as a new source of water. i.e 61% respondents who got the new permanent water source started using Handpumps. From this we can decide that MF program has improvised for having permanent water source.

Hypothesis:

H₀: there is not significantly change in sources of water used by respondents before and after the involvement in MF program.

H₁: there is significantly a change in the use of sources of water used by respondents before and after the involvement in MF program.

Test Statistic: under H₀, the test statistic is:

$$t^2 = \sum \frac{(O - E)^2}{E}$$

Where, O=Observed frequency

E= expected frequency

E can be calculated by using the following formula:

$$E = \frac{CT \times RT}{N}$$

The detail calculation of test has been shown in annex-

Result: Since the calculated value of t^2 is greater than critical value of tabulated value of t^2 i.e. t^2 cal (12.3532) > t^2 (9.4877). Hence H₁ is accepted which indicates that there is significance difference in sources of water used by respondents after involvement rather than before involvement of MF program. In regard we can say that level of using sources of water used by respondents is increasing trend.

Sanitation used by Respondents:**Table 4.26****Toilet Used by Respondents**

Particular	Before joining MF Program		After Joining MF Program	
	No of Respondents	Percentage (%)	No of Respondents	Percentage (%)
Only toilet	50	23.81	110	52.38
Toilet and Bathroom	38	18.10	46	21.91
Bathroom Only	0	0	4	1.90
Nothing	122	58.10	54	23.81
Total Sum	210	100.00	210	100.00

Source: Field Survey -2009

Viewing the above table 122(58.1%) respondents had no toilet and bathroom before involvement in MF program however the involvement in this program of bank respondents having no toilet has decreased to 50(23.81%) after the involvement . similarly before involvement in this program only 50 (23.81%) respondents used toilet only and 38(18.1%) respondents used both toilet and bathroom) . It means almost 42% respondents used toilet before involvement. Accordingly 110(52.38%) respondents replied that they used toilet only,46(21.9%) replied that they used both toilet and bathroom but 54(25.71%) respondents even replied they had no toilet although they are involving in MF program . It noted that after the one period completion of involvement in MF program can get toilet land if they desire and they had paid their loan timely. By studying the above table we can assume that MF program helps to control pollution in some extent which is existed from toilet.

Hypothesis:

H0: There is no significance difference in the number of user and not user of toilet before and after the involvement in MF program;

H1: there is significance difference in the number of respondent who are using toilet before and after involvement in AMF program

Test Statistic: under H₀, the test statistic is:

$$t^2 = \sum \frac{(O - E)^2}{E}$$

where, O=Observed frequency

E= expected frequency

E can be calculated by using the following formula:

$$E = \frac{CT \times RT}{N}$$

The detail test has been done in annex-

Result: since the calculated value of t^2 is greater than critical value of tabulated value of t^2 i.e. t^2 cal (26.6840) > t^2 (5.9915). Hence H1 is accepted which indicates that there is significance difference in the toilet user respondents after involvement rather than before involvement of MF program. In regard we can say that level of sanitation used by respondents is increasing trend.

4.2.21 Impact of Microfinance in Decision making:

Respondents were asked if their decision-making had increased in five key areas. While it would be expected that these changes would be greatest for the best educated and the better off, a remarkably large percentage of the poor and uneducated reported they had more authority in the household. After the involvement in MF program mostly decisions are made on mutual understanding and discussion. Majority group of respondents replied whatever the activities is going to happening or planning in house, after the involvement in MF program she would be called for discussion for those topics.

Table-4.27

Women's role in decision-making

Decision Making Areas	Before involving on MF Program		After Involving on MF Program	
	No of Respondents	Percentage(%)	No of respondents	Percentage (%)
Sending school for children	80	38.10	166	79.05
Going outside house	60	28.57	166	79.05
Selling and buying assets	56	26.67	138	65.71
Family Planning	98	46.67	172	81.90

Source: Field study -2009

The respondents were asked if their decision-making had increased in five key areas. While it would be expected that these changes would be greatest for the best educated and the better off, a remarkably large percentage of the poor and uneducated reported they had more authority in the household. After the involvement in MF program mostly decisions are made on mutual understanding and discussion. Majority group of respondents replied whatever the activities is going to happening or planning in house, after the involvement in MF program she would be called for discussion for those topics.

4.3 Major Findings

With representation to the 210 sampled respondents, average age of participants is 37, which shows that majority group of respondents are below the age of 40. Although MF program is for poor household and to improve for their economic and social status, bank has involved only those women who are only married. So that the clients of this bank are 100% married but their status might be changed after the marriage on marital status either divorced, or separate, or widows. It means the women should at least married for the eligibility of membership. If we discuss about the participants women's cast and their ethnicity, bank has involved every women in inclusive model in all castes and ethnicity from Brahmins to indigenous group women. So bank makes involvement of poor women whatever the caste, religion and ethnic background they have. Majority group of women are illiterate in case of education that means they only know to write their name after joining in MF program.

According to the patriarchy society, this rules has not been implemented here because almost 65.75% households are headed by respondents husband however it has been improved that female are found to be the head of the family member, almost 28% which is positive sign. In 210 respondents who are interviewed found that 1206 member are there in altogether. But only 402 are engaged in earning activities in different sectors. Middle class family member group is found as majority among 210 sampled respondents, which represents 5-9 members in a family.

It was found that, awareness towards educating for children although increased after joining in MF program in number but while testing hypothesis of Z test at 5% significant level there is no proportional change significantly sending school for respondent's children. Causes of changing the number of children sending to school was due to the age factor of child, importance of education known by respondents, only this due to the increment of income is also the cause of sending their children to school.

Most of the respondents changes their annual average income rather than before involving in MF program. This indicates that MF program provides direct benefits to its clients. Although majority group replied that they had increased their income after

involving in MF program, some respondents replied that they got loss due to the death of their cattle and loss on business. Annual average income of respondents was Rs. 18.14 and Rs. 44.1 before and after involving in MF program respectively, which shows that the level of income is significantly increasing. But in conclusion those people who are joining on business activities rather than agriculture (cattle, landlord) earns more income. It is also said that those respondents who commenced their business such as hotel, trade and commerce and other self-business holder changes their lifestyle very significantly.

Most of the respondents spend their income for the household purpose and education for their children so that most respondents due to these causes saving are not effective. They even replied due to these causes they are unable to save their income.

Most respondents replied that the causes of increment in level of income due to expansion of expansion of establishment of business or increment in agricultural production. Not only have these some replied that they had increased their laboured rate and getting job. In my opinion those respondents whose income was increased due to the increment in labour rate and getting job are not the impact of MF program. These types of respondents are 33.33%. 9.53% respondents replied that sampled respondents were improved rather than before joining MF program. Majority group of respondents were replied that they were involved in participation in household decision making after the involvement in MF program which shows that while the level of income increase then they were taken part in decision making role and they were respected by their family. Apart from this, 83.81% respondents replied that they had increased the pattern of saving after involving in MF program however only 11.43% respondents replied that they had the pattern of saving before involving in MF program. This is the significant stride of respondents in regard of saving pattern.

It is noted that after involving in MF program respondents changes their occupation very significantly. Especially those respondents who were engaged in household only are significantly decreasing in regard of this agricultural occupation such as cattle was significantly increasing trend. In spite of this occupation of self-business was also significantly increasing which made respondents drastically improvement in their economic status and their social respects. The hypothesis (Z) and chi-square test has

proved that there was significant change in proportion of agricultural occupation and overall occupation rather than before involving in MF program. The result implies that there had been decreased in proportion whose occupation was agriculture but increased in proportion of self-business.

In regard of water and sanitation, respondents have significantly strides in the point of using sources of water. In this topic more than 25% respondents had no conformed of sources of water before involvement in MAF program but this was significantly decreased in 8.75% which indicates that after involving in microfinance program respondents uses their fixed sources of water. This is the positive symptom of involving in MF program. Accordingly there was 122(58.1%) respondents had no toiled but after involving in MF program toilet not user were decreased to 54(23.841%) respondents which indicates that it is the positive impacts on using water and sanitation by respondents after the involvement in MF program. Chi Square on this both topics resulted that there is significantly changes in using of sources of water and user of toiled. In this regard we can say that loan provided by bank on these topics are in is successful.

Although there are few changes in the involvement in social discussion, which does not, implies there is significantly increment in this topics. Therefore we cannot say that those women who are involved in social and cooperative discussion are the cause of only the involvement in MF program.

In overall the field survey and calculation the tables numbers now that loan amount, occupation, income, saving pattern, spending of income, education level of children have been taken as variables and analysis and presentation of data on these show that there is significant positive impact of NUBL and CBBL on the income level, employment, poverty alleviation, entrepreneurship talent in poverty ridden people, saving, living standard of poor women and their property etc. however in case of education level there is no change before and after the involvement in MF program. So that NUBL and CBBL has saving an alternative chances to poverty ridden rural women through the credit resources. It surely helps to generate income and to uplift poor women's economic condition. In our country, women who were supposed to under productive and idle resource for the society at large, and the families in particular, became positive and

earning members, similarly, it has neglected many myths about development, about baking, and poor people.

CHAPTER -V

SUMMARY, CONSLUSIONS AND RECOMMENDATIONS

5.1 Summary and Conclusions:

About one billion people globally live in households with poor capital income of under one dollar per day. The policy maker and practitioners who have been trying to improve the lives of that billion face an uphill battle. The hope is that poverty can be alleviated and that economic and social structures can be transformed fundamentally by providing financial services to low income households. Poor people use loans, deposits, and other financial services to reduce their vulnerability, cash opportunities, and increase their earnings. Indirectly, microfinance improves schooling, health, and women's empowerment.

Microfinance programs have the potential to transform power relations and empower the poor-both men and women. In well-run microfinance programs, there is a relationship of respect between the provider and the client that is inherently empowering. As a consequence, microfinance has become a central component of many donor agencies' and national governments' gender, poverty alleviation, and community development strategies. However, that simply putting financial resource in the hands of poor women is not enough for empowering and improving.

Women's greater access to financial resources and services could provide greater decision-making power in terms of money and their households. Where this power lies may have significant implications for families and communities. Mostly women contribute their full financial resources for their families where as men rarely do so. When women are given decision-making power, they generally make decisions that will be optimal for their families. As a result, women will tend to make financial decisions that will promote nutrition, health and literacy within their families, whereas men may allocate some of their resources towards activities that are not helpful (and sometimes harmful) to the family.

Combination of women's increased economic activity and control over income due to the access to micro-finance has improved women's skills, mobility, access to knowledge and has supported for making them their own networks. Status of women within the community for decision support and idea generation has also been enhanced. These changes are reinforced by group formation, leading to wider movements for social and political change. The financial self-sustainability paradigm and the poverty alleviation paradigm assume that social and political empowerment will occur without specific interventions to change gender relations at the household, community or macro-levels. In contrast, the feminist empowerment paradigm advocates explicit strategies for supporting women's ability to protect their individual and collective gender interests at the household, community and macro-levels.

The main factors determining the level of women's economic and social empowerment in a country are its cultural and legal environment, and national policy on women's rights and poverty alleviation. Initiatives organized by micro-finance institutions for the provision of financial services and for policy and legal reforms are key elements for achieving greater economic and social empowerment.

A large number of poor people throughout the world are engaged in income generating activities in order to make ends meet for themselves and their families. Many others have established micro or small-scale businesses, but most of them operate within the informal economy where they lack any form of social protection, and where their livelihoods – and sometimes even their lives – may be at risk. Micro-finance can give tools to manage risk. It is also a valuable resource in enabling people to take their first steps in making items for sale, engaging in trading activities, or providing services within their local communities. However, little has been done to explore the potential synergies between the provision micro-finance and micro and small enterprise (MSE) development

Changing attitude of people is an important as the material achievement through community development during the initial stages of development. It is better to make more and more participation of women and indigenous community for the quick development of the country. Realizing this government has conducted many programs that are especially empowered those indigenous community and women through various

institutions. Regarding to this, Government has provided conducive environment to those institutions and NGOs, which are working in these groups of people. Microfinance program is the most successful program for the improvement of living standard and socially as well as economically empowered of these groups of people and women.

The Nepalese microfinance sector has one third of estimated demand for microfinance services and has build on external borrowings and client deposits to fund a steadily growing loan portfolio. Poverty alleviation is the main target of government in developing countries. In the process of development, Nepal has adopted a free market economy, especially after the restoration of democracy in 1990. Under the free market economy, NGOs are put forward for the development of country as a part of private sector. In Nepal the 8th plan emphasized the development. The 9th and 10th plans continue this emphasis on NGOs role in development. It is realized in many nations that the importance of women's participation in the development and need for their advancement.

The study of NUBL and CBBL has been found that there is some impact of microfinance, which has played a role for increasing the income of household after being participated on Microfinance program. Result of increasing income of client, their role has been found to be increased in decision making areas such as family planning, children's marriage, buying and selling property, and sending their daughters to school—all areas of decision making traditionally dominated by men. Not only economic empowerment but also self-confidence has been increased after the involvement in MF program. Their involvement in social discussion women's organization and political discussion has also been increased although it not so much rapidity. Similarly, women can invest and make expenses their income independently as per their desire.

5.6 Recommendation:

Analysis of various information regarding the program by primary as well as secondary sources, on the basis of the above findings, conclusion and researcher field survey experience, the following suggestions recommendation have been presented for the growth, may be made to implement the program more effectively and target oriented and well known for the best practice with new creation in Microfinance system.

- Although loans are provided in the name of women for their economic and social empowerment but in reality some respondents replied that loans are given for their husband's use purpose. If this is reality women will never be uplifted and they will not be self-dependent and could not generate their self-confidence. So that supervision should be done by bank either the loan amount is invested in purposed field of not and women who are taken loan are really benefited of not.
- From the field study and direct interviewed with 210 respondents most of them replied that they had taken loan for livestock and agriculture purpose like goat farming, pig farming, buffalo farming purposes. But the output regarding on these topics is very low due to the lack of specific knowledge of farming technique and improved varieties of crops. So that livestock sickness and death of them makes economic burden to borrowers rather than of getting profits. Due these problems, instead of getting economic empowerment they had faced economic as well as social problems. Not only these sectors new comer who want to establish self business also had got loss due to the lack of proper knowledge on the specific business which are going to do. Remaining on these investing problems of loan by respondents of clients bank should give proper care and training for them. So that they will not got loss from that loan. So that to solve those problems on livestock farming the following points are better to do:
 - a. Healthy livestock is supplied to burrowers.
 - b. Necessary vaccine should be arranged at appropriate time
 - c. Who can fully devote time to provide services?
 - d. Although there is a provision of insurance, most clients are not doing insurance. So that compulsory insurance policy should be implemented for those cattle that are bought by borrowing loan from bank.
- NUBL and CBBL should developed practical and varied training courses related to skill development, entrepreneurship development, income generation and business promotion as per the need of particular community.

- To supervise the use of loan and to provide effective skill to advice on the management of the loan, field staff should be trained regularly. So that the clients of the program received technical as well as managerial guidance to manage microfinance program. Direction should be give to that loan officer either the loan is invested on specific topics or not. Not only this either the loan amount is invested by other family member or not. This should seriously supervise because if other family member invests loan for their purpose then women will never upgrade her lifestyle. So that providing loan to women is not the complete solution of reducing poverty.
- There is needed to shift the program from agriculture based to small industry and other business promoted activities because these types of business are more effective than agricultural based occupation. As per the operational cost clients could not get benefit from agriculture.
- The credit facilities should conveniently be extended to the rural girls and women who are have genuine desire to obtain the financial assistance for undertaking the income generating activities to uplift social status. Such process of making girls economically independent will help to discourage the tradition of early marriage, multi-marriage and other social and economic discrimination and evils towards girls. However, the loan should be granted on the basis of guarantee of the other family member to avoid the problem of follow up after the marriage of the girls.
- Those communities who are especially socially backward such Muslim community's women, lower caste women are better enforce to involve under this program. It means it is not the mean of boycotting of other community group of women.
- There is the marketing problem, it was indeed observed that there were marketing constraints to solve the farm produce, mostly in vegetable farming. Women produce vegetable with expensive cost but in the time of sell of product there is the problem of market, which they are bound to sell in low price rate below their cost price of production, which must be solved. It means that the environment of selling women's product in effective price should make.

➤ It is desirable to create an appropriate legal framework for microfinance and microfinance institutions in general. Specific fiscal advantage could be granted to those microfinance institutions that have a stronger impact on the status of women.

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APPENDIX

Appendix-A

Field Questionnaire for the interview.

QUESTIONNAIRE

I'm studying Masters Program at Padma Kanya Multiple Campus, Tribhuvan University, Nepal. I have designed the following questionnaire for the study of the impact of Microfinance on the marginalized and unprivileged section of the society in Nepal and further scope of development, which required for my thesis work as an integral part of the study.

I would highly appreciate if you fill this **two-page** questionnaire. It will take approximately 10-15 minutes. I expect your kind cooperation in this respect.

1. What is your gender?

a. Male

b. Female

2. What is your age?

a. (20-30)

b. (30-40)

c. (40-50)

d. (50-60)

e. (60-70)

3. Do you have any educational experience?

a. Illiterate

b. Literate

c. Below SLC (6 and Above)

d. S.L.C.

e. Intermediate

4. How many family members do you have?

a. Up to 4 (small)

b. 4 to 9 (medium)

c. 9 to 12 (large)

d. 13 above (very large)

5. Did you have any business experience before entering this program?

a. Yes

b. No

6. What is the source of your initial capital?

a. Personal Savings

b. Friends and relatives

c. Loan from MFIs

d. Others

7. What amount of loan you have received as a help from any of the MFIs in Nepal (Amount in Nepalese Rupees)?

- a. Less than 5 thousand
- b. (5-10) thousand
- c. More than 10 thousand

8. What is your Marital Status?

- a. Married
- b. Widow
- c. Separate
- d. Divorced

9. In which of the following Caste or ethnic group you belong to?

- Brahmin
- Chhetri
- Tharu
- Gurung
- Magar
- B.K./Ranpal
- Damai Muslim
- Madhesi
- Thakuri
- Newar
- Sarki
- Chaudhary
- Other

10. Who is your Head of the Family in your Household?

- a. Myself
- b. Husband
- c. Others

11. What is the Total number of economically active person are there in your household?

- a. Overseas
- b. Pension getting
- c. Army
- d. Labor
- e. Government job
- f. Private Job
- g. Others

12. What is the Number of Children Going to School before and after your involvement in MF program?

Particulars	Before	After
Son		
Daughter		

13. What are the Causes of changing the number of children going to school?

Due to age of children	Due to the increments of income
I have known importance of education	Due to marriage of child (Daughter)
Due to marriage of child (son)	Getting Job
Not interested by child	Due to Poverty of family
Due to illness of child or family	Due to Overseas Job

14. Do you have paid your MF loan?

a. Not Paid Yet b. Paid Fully c. Paid Partially

15. What are your Sources of paying loan?

Income earned from investing loan	Taking Loan from Other Institution
From Mutually income	Other Sources (other family's
income/salary) Doing labor	

16. What are the Causes of Changes in your Income?

Business Expansion	New Business Estd.
Increasing in Production of Agriculture	others/labor Rate increase
Getting job	Decrease in Sales
Illness of Family Member	leaving business due to loss
Death of cattle	

17. In which of the following annual income group you belong to?

(0-10) (10-20) (20-30) (30-40) (40-50) (50-60) (60-70)
(70-80) (80-90) (90-100) (above 100)

18. In which of the following occupation you belong to?

Trade, commerce and shop	Fruits shop	hotel	tailoring cosmetic
PCO	Cattle	Agriculture	(landlord)
Household vegetable production	Job	Furniture	
wages/labor Child	Overseas	Fisheries	

19. Are you satisfied with the MF program from your chosen Bank?

- a. Yes b. No c. I Don't Know d. Satisfied
e. Don't want to Reply

20. How do you spend your income?

- Independently Depending on Others Mutual
Understanding
I don't have any right to Spend

21. Do you involve on Cooperative Discussion?

- a. Yes b. No

22. What is your attitude towards Society after involvement on MF program?

- a. Positively b. Negatively c. I don't know

23. What is your Sources of drinking Water?

- a. Hand pump b. Tap(Gov) e. Public Tap f. Nothing
g. Boring

24. What type of Sanitation system you used?

- a. Only toilet b. Toilet and Bathroom c. Bathroom Only
d. Nothing

25. Which of the following decision making role you play after involvement in MF program?

- a. Going outside house b. Sending school for children
c. Selling and buying assets d. Family Planning

