

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Nepal is one of the poorest countries in the world. Nepalese economy is characterized by its poverty with low per capita income. Approximately 31 percent population of the country is below poverty line (CBS, 2008). During a recent program, former vice-president of National Planning Commission stressed that poverty rate has come down to 25-26 percent but this is not an official figure.

Generally, poverty is understood as income poverty. But, poverty is much more than income poverty. People are poor not only because of low income, but also because of their low access to opportunities or their participation in them. From the human development perspective, poverty is regarded as a state in which the opportunities and choices that are most basic to human development are denied. Human poverty therefore expands from income deprivation to capability deprivation into impaired human functioning (Nepal Human Development Report, 2009).

According to National Living Standard Survey 2003/04, poverty is high in the rural areas as compared to the urban areas. Approximately 35% people of rural areas are in below the poverty line whereas it is only 10% in urban areas. Over the period of three decades (from 1976/77 to 2003/04), overall poverty only has been decreased by 5.3%, rural poverty by 2.6% and urban poverty by 7.4%. UN has also prioritized poverty reduction in millennium development goals. Main objective of the current Three Year Interim Plan (2007/08 – 2009/10) is also to reduce unemployment, poverty and inequality in the country. (Three Year Interim Plan, 2007; p.26)

The government has been determining goals and targets for long time, but failing to get them. That can be attained by making easier access of resources

to the poor community, marginalized groups and the people living in remote areas.

Micro-credit is one of the solid ways to simplify access of financial resources to poor (18 March, 2009, [www.worldbank.org](http://www.worldbank.org)). It is also considered as an unbeatable means to fight with poverty if applied in prescribed manner. Generally, micro-credit services are rendered by formal/informal institutions and individuals. In Nepal, Rural Development Banks, Saving and Credit Cooperatives, INGOs, donor institutions and some other organizations are rendering micro-credit services through GOs, NGOs and CBOs. Similarly, Community based informal institutions like: Dhukuti, community saving groups and local businessmen are providing micro-credit services to low income households, poor and people living in remote areas.

There are several types of formal microfinance institutions (MFIs) such as Regional Rural Development Banks, financial intermediary Non-Governmental Organizations, and saving and credit Cooperatives etc

This study aims to find out and analyze the impacts of Nirdhan Utthan Bank in terms of micro-credit and relevant other service provisions for economic (financial) and socio-cultural empowerment of local poor. It is believed that micro-credit not only contributes to the economic improvement of the poor but also helps to reduce the vulnerability, powerlessness, social exclusion and increase their access to basic services.

For example, it brings unorganized and diverse groups of poor into one umbrella. It encourages them to be united and utilize available means and resources within the group members in order to fulfill their economic, social and environmental needs. It encourages commercializing their skills and sources to get benefits from them (economic empowerment). Formation of groups minimizes their helplessness, powerlessness and social exclusion that ultimately makes them capable to live in the society with dignity (social empowerment). The increased social bargaining power makes them accessible

to basic services such as education, health, water, sanitation, finance and others. Thus, theoretically, there is close relation between micro-credit and empowerment of the poor.

## **1.2 Focus area of the study**

Micro-credit services are considered as major instrument to fight against poverty. However, only few studies have been conducted so far in Nepal in this connection. Santapur (M.) VDC is one among those VDCs in Nepal where no such studies have been conducted so far. It means global proven fact is still to be tested in the local context.

This study is a step towards it. Furthermore, keeping in mind the above reality, this study, therefore, has focused on the impacts of micro-credit programs with particular focus on Dalit communities giving equal importance on economic and socio-cultural dimensions.

This study has tried to measure both 'absolute' and 'perceived' value of economic empowerment in order to substantiate the 'numerical' achievement by 'non-numerical' achievements. Social empowerments were analyzed by using generally accepted indicators. This study has also identified the underlying problems/issues relating to effective utilization of Micro-credit so that it can really be helpful for fighting against poverty.

## **1.3 Statement of the Problem**

As a tool of empowerment of women, many MFIs are providing Micro-credit services to women with the objectives to empower them financially as well as socially. There is no need of research whether micro-credit services economically empower the women or not. As many researchers have already shown that micro-credit services have positive impacts on the empowerment of women and other poor groups. However, it is yet to be systematically examined

whether economic and social empowerment can go hand in hand in the context of poor and Dalit women living in rural areas of Terai in Nepal.

How is economic empowerment stimulating social empowerment of Dalit women in Terai?

What are the major impacts of social empowerment that are driven by financial improvement? These questions are still to be answered evaluating both quantitative and qualitative information at a time.

Different MFIs are providing micro-credit services to the poor communities especially women, marginalized group, Dalit and deprived groups in different parts of the country. One of them is Santapur (M.), which is a small VDC of Rautahat district having 2469 household, 9 wards and 18,000 populations (Field survey, 2008). Nirdhan Utthan Bank has been providing micro-credit for different group members. The noticeable fact is that all the groups are women groups. Some of them are totally poor and Dalit women. Dalit are the most deprived group of our society. They are mostly backward both socially and economically. Because of our social norms, values and practices, our society puts women in lower position than men and that is the key factor for marginalization of women from every aspect of social and individual life. It is equally applicable to both rich and poor communities.

Terai Dalit are mostly marginalized group. Among them too, Dalit women are more marginalized than Dalit men (NHDR, 2009). So, researchers have various reasons to conduct studies from different point of view such as enterprise management, marketing and social perspectives. Analysis of the impacts of efforts made by women groups from empowerment (economic and social) dimension may be one of the important areas of study among them. In this respect, the study is reasonable and has tried to answer systematically to the following research problem.

- ) Are the businesses run by Dalit women are providing tangible and intangible benefits to them?
- ) Have they been able to make profits from the investment?
- ) How effectively the loan has been used?
- ) Are their business activities are having positive impact to overcome the social barriers?

#### **1.4 Objectives of the Study**

The overall objective of this study is to analyze the impacts of micro-credit on economic and socio-cultural empowerment of poor Dalit women of Santapur (M.) VDC of Rauthat. It will fulfill the main objective by way of meeting the following specific objectives:

- ) Analyze the impact of micro-credit on financial (economic) empowerment of the poor Dalit women.
- ) Analyze the impact of micro-credit on socio-cultural empowerment of the poor Dalit women.
- ) Identify problems/issues for effective utilization of micro credit.

#### **1.5 Significance of the Study**

The significance of the study is summarized as under:

- ) Most of the studies on micro-credit programs are related to economic or social improvement of poor, vulnerable and socially excluded groups in terms of income generation. This study has evaluated one of such programs from empowerment dimension namely economic and socio-cultural dimensions. It may help micro-credit institutions, supporting agencies, development professionals and academics to realize the importance of micro-credit programs beyond the boundary of mere income generation. Especially they may understand how it is effective

on economic and socio-cultural empowerment of Dalit women living in Terai Nepal.

- ) Analysis is based on both quantitative and qualitative information. Qualitative information is based 'feelings' or 'perception' of the respondents. In other words this study is based on the 'perceptions' of Dalit women and 'statistics' of economic achievements reported by the respondents. It gives economic and social picture of the achievements gained from micro-credit programs.
- ) Among the poor families too, women are poorer than men because of gender biased socially constructed values, norms and standards. Thus, no doubt, women are the most important target group which must be empowered first. This study has analyzed the cases of Dalit women micro-entrepreneurs. Thus, it is indeed an important exercise in the area of women empowerment.
- ) This study also suggests recommendations to overcome the problems and difficulties faced by respondents. This may give insight to the MF institution for the improvement of the program.
- ) The findings of the study provide clear message to policy makers, planners, professionals, academics, development institutions and empowering agencies to realize the fact that empowering Dalit women is not an isolated exercise but that is an indispensable component of each program which is strongly associated with every human development initiatives.

## 1.6 Limitations of the Study

The assumptions and limitations of the study are follows:

- ) The study is mainly focused on financial empowerment. It also examines social and cultural empowerment assuming that they automatically come with financial empowerment.
- ) The conceptual framework of the study is based on the definitions of empowerment set by Nepal Human Development Report (NHDR, 2004) for more reliability because, as it has claimed, it has explored the meaning in the context of life in Nepal today.
- ) This study is totally based on the female Dalit micro-entrepreneurs of Santapur (M.) VDC of Rauthat District. Thus, it may not equally reflect the situation of other VDCs of Nepal which are economically, socio-culturally and ecologically different from Santapur (M.) VDC.
- ) This study is only related to micro-enterprises run by Dalit women. So, the findings and recommendations may not be equally applicable to microenterprises run by male and other groups.
- ) The study aims at measuring the impacts of empowerment through micro-enterprise interventions. Thus, the conceptual, analytical and methodological perspective may be different in the context of measuring impacts of empowerment rendered by other type of interventions.
- ) The study is centered only on the economic and socio-cultural dimensions of empowerment. It means it will omit other dimensions of empowerment such as political, spiritual and others.
- ) For the analysis of qualitative information 'YES/NO' criteria has been applied.
- ) Basically this research is done for the partial fulfillment of academic Study of MBS degree.
- ) The study period is five years from FY 2004 to 2007.

## **1.7 Organization of the Study**

The information contained in this report has been grouped and placed in five chapters.

Chapter one provides broad introduction of the study i.e. background, focus area, problem statement, objectives, significance, limitations and outline of the report.

Chapter two provides review of information collected from available literature related to the study. Summary of information on micro-credit, poverty and women empowerment has been assembled in this chapter.

Chapter three deals with methodological part of the study i.e. conceptual framework; analytical framework; sources of data; sampling process; fieldwork methods; data processing and presentation.

Chapter four is all about presentation and analysis of data followed by summary, conclusion and recommendations of the study in chapter five.

## CHAPTER II

### REVIEW OF LITERATURE

#### 2.1 Conceptual/Theoretical Review

##### 2.1.1 Terai-Dalit Women: An Overview

Nepali Brihat Shabdakosh [Nepali Dictionary] published by Nepal Academy has defined 'Dalit' as a race or group of people deprived of equal rights and dignity in the society or people exploited or marginalized by unequal social systems. 'Depressed' is often used as synonym to 'Dalit' in contemporary literature. (Jan Utthan Pratisthan, 2061; p. 8)

The American Heritage Dictionary of the English Language has defined 'depressed' as lower in amount, degree, position and suffering from social and economic hardship. Rastriya Dalit Aayog (2006), a government agency that handles issue related to Dalit defines Dalit as socially excluded cast or ethnic group, who are treated as untouchable and unaccepted in social events by so-called upper cast of the society.

Both dictionaries have given more or less similar meaning of 'Dalit'. According to the dictionary meaning, all socially and economically backward and deprived communities such as Chepang and Raute may be considered as 'Dalit'. But, in social practices they are not 'Dalit' although backwarded. According to Dalit NGO Federation, Dalit are the craftsman caste group of Nepal and they are considered as untouchables in orthodox Hindu-Buddhist socio-cultural model in Nepal.

According to Dahal and others the term Dalit refers to "*Pani Nachalne*" and "*Chhoi Chito Halnu Parne*" group or caste from whom water is not accepted and their touch requires sprinkling of holy water. In other words, they are "*untouchable castes*" in Nepal. (Dahal, Gurung, Acharya, Hemchuri, Swarnakar, 2002; p. 8)

Definitions adopted by Dalit NGO federation and Dahal and others seem more specific definition of 'Dalit' which is very close to Nepali social practice.

) *Dalit in Terai region*

In Nepal, Dalit as a whole is not a homogenous group. Within the 'Dalit' community, some are 'more dalit' and some are relatively 'dalit' both from horizontally and vertically. Their different cultural practices and occupations have made them heterogeneous group. Like other ethnic/caste groups in Nepal, their population is equally divided and their heterogeneity extends to language, religion and culture. Dahal and others (2002, p. 9) have categorized them into three broad regional groups as follow:

- Dalits in the Hill Community
- Dalits in the Newari Community
- Dalits in Terai Community.

Kami (Blacksmith or Ironworkers), Sarki (Cobblers or leather workers) and Damai (Tailors and traditional musicians), Gaine (singers and musicians) and Badi (dancers) are normally considered as hill-dalit. Similarly Kusule, Khadgi (butcher), Pode (sanitary workers), Chyame or Chyamkhala, and Halahalu are generally considered as Newar-dalits. But Kusule and Khadki do not consider themselves as 'dalit'. National Dalit Commission has removed these groups from the list of dalit.

Traditionally, the Dalits or untouchable groups in the Tarai are Tatma, Khatwe (Mandal), Paswan (Dushad), Mushahar, Batar, Dhobi (Baitha), Chamar (Ram, Mochi), Dom, and Halkhor. By tradition, they are Hindus and employ their own priest to perform rituals. The total population sizes of Tarai Dalits were 880,767 according to the 2001 census, which is 3.89 per cent of the total population of Nepal. Among the Tarai Dalits, the population of Chamar is highest (30.62%), followed by Mushahar (19.58%) and Dushad (18%). The Tarai Dalits with more than 20,000 populations is noted in 13 districts.

**Table 2.1**  
**Population Distribution of Terai Dalit**

<b>Cast</b>	<b>Population</b>	<b>% in total</b>	<b>% in Dalits</b>
Chamar, Harijan, Ram	269,661	1.19	30.62
MUSAHAR	172,434	0.76	19.58
Dusad, Paswan, Pasi	158,525	0.7	18
Halkhor	76,512	0.34	8.68
Tatma	74,972	0.33	8.51
Khatwe	73,413	0.32	8.34
Dhobi	42,698	0.19	4.85
Satar	8,931	0.04	1.01
Dom	3,621	0.02	0.41
<b>Total</b>	<b>880,767</b>	<b>3.89</b>	<b>100</b>

**Table 2.2**

**Distribution of Dalit in Terai region**

<b>S.N</b>	<b>District</b>	<b>Dalit</b>	<b>Percent of District Populaiton</b>
1.	Saptari	107647	18
2.	Siraha	104811	17.8
3.	Dhanusha	97893	14.2
4.	Mahottari	91914	16.1
5.	Bara	86153	16.5
6.	Parsa	79374	16.8
7.	Sarlahi	77658	12.4
8.	Rauthat	73076	13.9
9.	Morang	37193	4.3
10.	Rupandehi	36363	5.5
11.	Sunsari	35348	5.9
12.	Nawalparasi	28193	5.1

13.	Kapilwastu	25144	5.4
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*Source: CBS (2001)*

### *) Dalit Women in Terai*

More or less, most of Nepali women regardless of economic and social status, language, culture and region are suffering from society as well as family. Status of Terai-Dalit women is not different from the overall situation of the country. Because of heterogeneity, cultural and regional disparities, like Hill-Dalit, Terai-Dalit are also adopting diverse occupations to sustain their lives. Like most hill-dalit, both men and women Terai Dalit are engaged in economic and social activities. A study conducted jointly by Dilli Ram Dahal, Yogendra Bahadur Gurung, Bidhan Acharya, Kamala Hemchuri and Dharma Swarnakar (2002) describes economic and social life of Terai Dalit women. Excrepts are presented below:

**A. Economic Life:** Traditionally, Tatmas or Tantis are weavers and thus weaving cloth in the handlooms is considered as their occupation. The Tatma-women are also involved in this work. Usually they support their male counterpart to produce and market the products or sale their skills. Over time, they could not survive in modern market competition. And as a result, these days they are involved in agriculture as their main occupation. Many of them are landless thus they labor for land owners. Both men and women are equally involved in this job.

Same is the case of the Khatwe-women. They do not have caste specific occupation. But mainly they do soil-cutting and other farm works. Many of them are landless and work as tenant farmer and agricultural labor for landlords. The Batars have no traditional occupations as such. As a means of livelihood, the Batars are farmers, tenant farmers as well as agricultural laborers. Like Tatma and Khatwe-women they are also equally involved in this profession.

In terms of traditional caste occupation, Chamars (Ram, Mochi) are cobblers, skimmers of dead animals, tanners, shoe -makers and

scavengers. In addition, Chamars, also play musical instruments and drums during marriages as their profession. Currently most of them are involved in agriculture as tenant farmer, agriculture labourers and marginal farmers. Chamer-women fully support their male counterparts in agricultural activities.

Earth-work and catching rats are considered Musahar's traditional occupation. Traditionally, they also used to be collecting leaves and medicinal herbs from the forests and sale them in the market. They also collect omitted grains (Seela) from field. Musahars are mostly landless or marginal land holders. Like their male counterparts, Musahar-women are also equally involved in their traditional occupations.

Traditional occupation of Paswan (Dushad) is to sell fermented juice of Khajur and Tadi trees. They also claim to do the work as Chowkidar or watchman, but most of them do farming these days. The Dushads are mostly the landless people in the Tarai, who make their living either as tenants or agricultural wage laborers. Mostly Paswan-women are involved in agricultural activities.

Making a variety of baskets from the bamboo is the traditional caste occupation of Dom community. In addition, grave -digging and cremating dead bodies are also considered their traditional occupation. This is their main source of livelihood. These days, many of them are also employed as sweepers in the municipality. Mostly Dom-women are involved in weaving and selling of bamboo baskets as well as municipal waste sweeping. Dhobis are washer-men by tradition. Not only men but also women are equally involved in this profession.

Halkhor is one of the lowest Hindu untouchable groups in the Terai. They are also properly known as Mehtar or sweepers. Traditionally, the Halkhor people are engaged in agriculture. They are indeed considered as slaves in the household of other high caste people. Now-a-days,

mostly Halkhor-women are involved in municipal waste sweeping and agricultural activities as agriculture labourers, tenant farmers and marginal farmers. As explained above, Terai-dalit women are equally involved in their traditional as well as new jobs as their means of livelihood. However, like other poor women, they do not have control over the income.

**B. Social Life:** Terai-dalit women have dual responsibilities: I) equal involvement in economic activities and II) daily household work with childcare. Lack of control over household income and other resources, they are fully dependent on their male Counterparts. In comparison to hill-dalit women, Terai dalit women are more voiceless and powerless within household and society. This has further marginalized them.

Majority of women are illiterate and significant numbers of children, majority of the girls do not go to school till date. Lack of land or land ownership, citizenship and migration certificates, they are deprived of basic service like water, sanitation and health services. They are still unable to get free of cost services due to lack of information and knowledge about state provided services. Significant number of widowed and aged-women are not getting government provided widow and senior citizen allowance. Adolescent and reproductive health problems are not clearly reported. Use of liquor is very common among the dalit community. It has contributed to increase in domestic and gender-based violence. Dowry system has severely affected the life of women and girls. Several cases are reported every year on this issue. Recently, male members of the family started to go to India and different parts of the county in search of job for their livelihoods. This trend has put pressure on the role and workload of women. Still women and girls are mostly suffering from traditional cultural practices and beliefs. They have to sit apart from the family during monthly periods. Being a woman, they are not allowed to take part in social activities.

These are few examples but there are various social arrangements that are prohibited for women.

## **2.1.2 Poverty: An overview**

### **2.1.2.1 Introduction to Poverty**

#### *) Concepts of Poverty*

Poverty is many things to many people depending on the context. For some people, it is hunger and lack of shelter. For others it is being sick and not being able to see a doctor or go for treatment. Illiteracy and lack of access to schools is also considered as poverty. Poverty is lack of power, being powerless, representation and freedom. Poverty has many dimensions. The basic thing of poverty is that it is a situation from which everybody wants to escape.

Narayan et.al. (2002) stressed that poverty should be perceived from the 'feelings' of the poor.

These views of the poor man have suggested us to think poverty beyond the material well-being. Poverty is more than a lack of income. Poverty exist when an individual's or household's access to income, jobs or infrastructure is inadequate or sufficiently unequal to prohibit full access to opportunities. Social, spatial and political isolation or environmental degradation exacerbates the condition of poverty

In conclusion, poverty has five major aspects.

First, many factors converge to make poverty a complex, multidimensional phenomenon. Second, as expected, poverty is routinely defined as the lack of what is necessary for material well-being — especially food but also housing, land and other assets.

Third, poor people's definitions reveal important psychological aspects of poverty. Poor people are acutely aware of their lack of voice, power, and independence, which subject them to exploitation. Their poverty also leaves them vulnerable to rudeness, humiliation, and inhumane treatment by both private and public agents of the state from whom they seek help.

Fourth, the absence of basic infrastructure particularly, roads, transport, water and health facilities.

Narayan et.al. (2000) stresses that poor people focus on assets rather than income and link their lack of physical, human, social, and environmental assets to their vulnerability and exposure to risk

### *) Causes (determinants) of poverty*

World Bank's flagship report World Development Report (2000/2001) has explained three major causes of poverty (p.34).

- Lack of income and assets to attain basic necessities—food, shelter, clothing, and acceptable levels of health and education.
- Sense of voicelessness and powerlessness in the institutions of state and society.
- Vulnerability to adverse shocks, linked to an inability to cope with them.

National Planning Commission of Nepal (2002) has explained following points as causes of

- Low per capita income due to low economic growth
- Dependency on agriculture which is dependent on rainfall
- Lack of production of non-agriculture products
- Poor have very less access to control over the resources and to use or their development.
- Poor have no access to private sector services.
- Lack of good governance, centralized decision process, corruption and non-supportive institutional structure.

- Instable political situation. All policies and working modalities are changing with the change of government Social discrimination/exclusion etc.

From these two views on the causes of poverty, we can say that there is no single but multiple causes of poverty. Causes of poverty also depend on the context. Some of major underlying causes of poverty are presented below:

- Lack of employment and access to productive assets to earn sufficient income for livelihoods;
- Lack of human capabilities such as poor health, education, skill, social networks and exclusionary social, economic and political practices;
- Vulnerability to adverse shocks such as war, natural disaster, famine, economic crisis, political instability etc.
- Lack of sufficient government investment and good governance for poverty reduction.

### *) Dimensions of poverty*

Traditionally poverty is perceived from single dimension i.e. income dimension. Although income is very important dimension, there are several other dimensions of poverty. Major dimensions of poverty are: I) income, II) productive assets, III) education, IV) health, V) security and VI). powerlessness

World Development Report (2000/2001) has focused on I) income, II) assets, III) education, IV) health, V) voicelessness and powerlessness and VI) security/vulnerability dimensions.

UNFPA (2002) has focused on I) health, II) education, II) social exclusion/powerlessness and IV) gender dimensions. It has highlighted I) income/employment II) productive assets, III) social safety nets, IV) education, V) health, VI) basic services and infrastructure, VII) participation and VIII) dignity and respect dimensions of poverty.

Numbers of dimension of poverty stated above shows that poor suffer from multiple deprivations. Each dimension has its own level of impact on the poor. Addressing poverty from one dimension is impossible unless other dimensions are given equal priority. From above discussion we may say that income, human capability, security, basic services, social inclusion and gender are the key dimensions of poverty. Brief of each is presented below:

*a. Income:* Income is a basic and fundamental factor contributing the poor escaping from poverty and vice versa. Income is closely associated with employment and access to productive assets or resources. Income is the primary factor to maintain minimum level of expenditure on food and non-food items.

*b. Human Capability:* Human capability is important from two perspectives for addressing poverty –i) minimum human capability such as basic education, health condition, knowledge, skills and social networks are necessary to earn minimum level of income and ii) the minimum level of income may not be sufficient or sustainable if human capability is not at required level. For example, one may loss the job any time due to poor health condition. A typist may loss the job if the type writer is replaced by computer. In this competitive world, social network can play the vital role in getting the job.

*c. Security:* Human being has to suffer from natural disaster such as earthquake, floods, landslides, drought, famine, epidemic and human-made crisis such as war, economic crisis, political crisis, social breakdowns and violence etc. Although everyone has to suffer from it but poor are mostly and severely affected by these incidences. Effective security measures such as social safety nets, health insurance, and micro-insurance and disaster preparedness are essential to minimize the losses.

*d. Basic Service and Infrastructure:* Water, sanitation, energy, communication, road, market places and community infrastructure are some examples of necessary services and infrastructure for both poor and non-poor people. Basically these services provide 'foundations' for other dimensions of poverty such as income, human capability, security etc.

*e. Social Inclusion:* Social exclusion is considered as one of the key characteristic of poverty. Empirical evidence shows that poor are systematically marginalized or excluded from social, economic and political life of human society. Discrimination in the name of caste, color, class, religion, region, sex and disability etc is common in our society too. It increases voiceless ness and powerlessness among the poor community. Hence social inclusion or integration is an essential measure to address poverty from social dimension.

*f. Gender:* Our society is a male dominated society. In some societies, women and girls are still considered as citizens of second grade. They do not have access to productive assets, resources and decision of family and society. Even if they have little access, they don not have control over assets, recourses and decisions. Poverty is not only the matter of family it is also a matter of individuals both men and women. Hence, due consideration of gender dimension is very important in our society.

### ) *Measuring poverty*

Defining and measuring poverty are difficult tasks. Both monetary and non-monetary indicators are frequently used to measure the level of poverty. Traditionally poverty is measured in monetary term based on minimum level of per capita income or consumption expenditure on food and non-food items. Participatory tools are also used to measure poverty based on wealth. Poverty alleviation fund is adopting this tool to measure poverty in

Nepal. Some organizations, particularly development organizations, are using very simple tools to measure the poverty based on living condition of the people. Micro-finance and sector based projects such as water and sanitation, agriculture promotion etc. are using these tools to measure poverty in Nepal. Apart from these tools, there are many other tools such as human development index, gender empowerment index, and human poverty index but these tools of measuring poverty can only give relative picture not absolute picture. As explained above, globally, there are three major tools or methods to measure poverty (Chhetry, 2004).

***I. Monetary Method:*** Under this method, a poverty line is developed based on minimum level of per capita income or expenditure on food and non-food items. People who are below the poverty line are considered as poor and above the line are considered non-poor. Centre Bureau of Statistics has used this method to measure poverty in Nepal.

***II. Participatory Wealth Assessment Method:*** By its nature, local community itself assesses the wealth of the people residing in the locality. They set cut-off lines themselves building consensus among them through participatory process. People who are below the cut-off line are considered as poor and above the line are considered non-poor. Under poor category too, they often classify poor, middle poor and ultra poor. As explained earlier, World Bank funded and Government of Nepal executed Poverty Alleviation Fund is adopting this method in Nepal.

***III. Rapid Assessment of Living Condition Method:*** Under this method, a rapid assessment tools such as transect walk, rapid survey etc are used to assess the living condition of the people living in certain settlement. Types of house, roof or wall of house, occupancy rate of the room, cooking fuel, access and quality of drinking water, types of toilets etc are accounted. Like in wealth assessment method a common cut-off line

is defined through discussion. People living below the cut-off line are considered as poor. Some NGOs and INGOs working in rural areas are using this method to measure rural poverty in Nepal.

### 2.1.2.2 Poverty in Nepal

- *Poverty Trend in Nepal*

Currently 31% (approx.) populations of the Nepal are below poverty line (NLSS, 2003/04). According to National Life standard survey (2003/2004), incidence of poverty is high in the rural areas as compared to the urban areas. Approximately 35% people of rural areas are in below the poverty line whereas it is only 10% in urban areas.

**Table 2.3**

**Poverty in Nepal**

<b>Survey Year</b>	<b>1976/77</b>	<b>1984/85</b>	<b>1995/96</b>	<b>2003/04</b>
Nepal	36.2	41.4	42.0	30.9
Rural	37.2	43.1	44.0	34.6
Urban	17.0	19.2	23.0	9.6

*Source: National Living Standard Survey 2003/04, NRB*

That's why poverty is perceived as rural phenomenon in Nepal. Over the period of three decades (from 1976/77 to 2003/04), overall poverty only has been decreased by 5.3%, rural poverty by 2.6% and urban poverty by 7.4%. It means there is no satisfactory achievement in poverty reduction efforts in Nepal. Very less achievement can be seen in the rural area (2.6%) which may not be regarded as significant for the period of three decades. Table 2.3 shows the trend of poverty in Nepal.

- *Women In poverty*

Available statistics show the greater inequality between men and women in Nepal and this stark reality is still exposing women to physically vulnerable situation and psychosocially intolerable professions. For instance, as affirmed by the census report 2001, literacy rate for women of 15 or above years is only 34.9 whereas it is 62.7 for men, which is nearly two times higher than women's literacy rate. There are only approximately 2 % unpaid men family workers whereas the percentage for women for the same category is 6%, which is three times higher than men's percentage. In addition, the share of women in wage employment in non-agriculture sector is 17.5% while it is 82.5% for men, which is approximately five times higher than women's share.

**Table 2.3**  
**Status of female and male in Nepal**

<b>Indicators</b>	<b>Female</b>	<b>Male</b>	<b>Nepal</b>
Literacy rate for 15 and above years (%)	34.9	62.7	48.6
Unpaid family workers (%)	5.9	1.9	3.6
Share of Wage employment in Non-agriculture sector (%) [10 and above years)	17.5	82.5	-
Mean years of first marriage	21.35	18.01	19.54

*Source: Women in Nepal some statistical facts, 2004, CBS*

### 2.1.3 Micro-Credit: An Overview

#### **2.1.3.1 Concept and Evolution of Micro-credit**

From the early 1970s, women's movement in various countries identified credit as a major constraint in women's ability to earn to improve their socio-economic position within household and society. Since then women focused micro-credit programs were designed and implemented to change the lives of the poor women of developing countries.

Micro credit is a small amount of money loaned to an individual or

through group lending to the poor families by formal financial institutions (e.g., commercial and development banks); semi-formal bodies such as non-governmental organizations and Cooperatives; other informal savings and credit organizations without offering any collateral. It reduces the high interest rate of local money lender. It is used as seed money to the poor to start their small business and they have to repay their loans in certain period like fortnightly, monthly, half-yearly and so on. The word "micro credit" was not existed before the seventies. Now it has become a buzz-word among the development practitioners. In the process, the word has been imputed to mean everything to everybody. No one now gets shocked if somebody uses the term "micro credit" to mean agricultural credit, or rural credit, or cooperative credit, or consumer credit, credit from the savings and loan associations, or from credit unions, or from money lenders. The earliest initiatives for establishing micro-finance in Nepal date back to the 1950s, when the first credit cooperatives were established. This was the first step for providing rural financial services. 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 commercial bank to finance at least 7 percent of total loan to the priority sector, which was further increased to 12 percent in 1990. Now this compulsion has been phased out gradually. In 1992, Grameen Bikash Banks were initiated by the government sector, crossing a milestone in rural micro-financing in Nepal and NGOs started grameen banking activities in different areas. CMF Nepal (2002) outlines 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 priority sector lending directives (1974)
- Involvement of commercial banks in IBP program (1981)
- Gender based micro-credit – PCRW(1982)
- Gender programs refined - MCPW (1994)
- Replication of Grameen Banking model (1992)
- Established of Cooperative Act (1992)
- Government-run MF programs - Garibsanga Bisheswor (Bisheswor with the Poor), Women's Awareness program, government peace movement etc.

The global repayment rate for micro credit loans is higher than 95 percent that allows MFIs to re-lend these funds to even more clients. By giving the world's poor a hand up, not a handout, microfinance can help to break the cycle of poverty in as little as a single generation.

### **2.1.3.2 Role of Micro-credit in Poverty Reduction**

According to the poverty survey made by Central Bureau of Statistics 31 percent Nepali families are poor and majority of them are living below the absolute poverty line (CBS, 2005). From this fact, we can easily understand that Nepalese women are in desperately underprivileged situation. Only around twenty five percent of the women are literate and are often malnourished or in poor health condition. (*Ujjwal Raj Pokharel, The Himalayan Times October, 2003*).

Since early 90s numerous activities are being implemented in Nepal to address the issue of poverty. Various programs executed by the government, semi-government, non-government and international non-government organizations. Micro-credit is increasingly attracting attention of many development organizations. An example of this can be seen by the estimated statistics of more than 700,000 members currently

being engaged in micro enterprise activities in Nepal (CMF Nepal). It emphasizes on the economic improvement or strengthening financial capabilities of the targeted beneficiaries.

Micro credit is one of the tools of poverty reduction. it provides saving and credit facilities to poor families without collateral that helps them to reduce need to borrow from money lenders at high interest rate, increase saving, greater capacity for self investment, capacity to invest in better technology, enhance ability to face external shocks etc.

**Table 2.5**

**Relationship between Micro-credit poverty reductions (ADB, 2003)**

<b>Financial service</b>	<b>Results</b>	<b>Impact on poverty</b>
Facilities of microfinance institutions (MFIs)	<ul style="list-style-type: none"> <li>▪ More financial savings</li> <li>▪ Income from savings</li> <li>▪ Greater capacity for self-investments</li> <li>▪ Capacity to invest in better technology</li> <li>▪ Enable consumption smoothening</li> <li>▪ Enhance ability to face external shocks</li> <li>▪ Reduce need to borrow from money lenders at high interest rates</li> <li>▪ Enable purchase of productive assets</li> <li>▪ Reduce distress selling of assets</li> <li>▪ Improve allocation of resources</li> </ul> <p>Increase economic growth</p>	<ul style="list-style-type: none"> <li>▪ Reduce household vulnerability to risks/external shocks</li> <li>▪ Less volatility in household consumption</li> <li>▪ Greater income</li> <li>▪ Severity of poverty is reduced</li> <li>▪ Empowerment</li> <li>▪ Reduce social exclusion</li> </ul>
Credit Facilities	<ul style="list-style-type: none"> <li>▪ Enable taking advantage of profitable investment opportunities</li> <li>▪ Lead to adoption of</li> </ul>	<ul style="list-style-type: none"> <li>▪ Higher income</li> <li>▪ More diversified income</li> <li>▪ sources</li> </ul>

Financial service	Results	Impact on poverty
	better technology <ul style="list-style-type: none"> <li>▪ Enable expansion of micro enterprises</li> <li>▪ Diversification of economic activities</li> <li>▪ Enable consumption smoothening</li> <li>▪ Promote risk taking</li> <li>▪ Reduce reliance on expensive informal sources</li> <li>▪ Enhance ability to face external shocks</li> <li>▪ Improve profitability of investments</li> <li>▪ Reduce distress selling of assets</li> <li>▪ Increase economic growth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Less volatile income</li> <li>▪ Less volatility in household consumption</li> <li>▪ increase household consumption</li> <li>▪ Better education for children</li> <li>▪ Severity of poverty is reduced</li> <li>▪ Empowerment</li> <li>▪ Reduce social exclusion</li> </ul>

*Source: Finance for the Poor: MF Development Strategy, ADB 2000*

### **2.1.3.3 Micro-financing Institutions and Approaches 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. 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 programs 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 toward microfinance. 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.

Success of these 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 Program (IBP), Production Credit for Rural Woman (PCRW) and Rural Self-Reliant Fund (RSF) have been implemented.

After the study on 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.

#### **2.1.3.4 The Micro Finance 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. The preferred terms to use to

cover the all institutions are community-based sector and institutional sector.

**Figure-2.1**  
**MF Sector in Nepal**

*Source: www.cmfnepal.org (For more details see Appendix I)*

#### 2.1.4 Empowerment: An overview

##### **2.1.4.1 Concept of Empowerment**

Empowerment has different meanings in different contexts. the terms include self-strength, control, self-power, self-reliance, own choice, life of dignity in accordance with one's values, capable of fighting for one's rights, independence, own decision making, being free, awakening, and capability to mention.

"Empowerment is the process of transforming existing power relation and of gaining greater control over the sources of power; It builds people's capacity to gain understanding and control over personal, social, economical and political forces to act individually as well as collectively to make choices about the way they want to be and do things in their best interest to improve their life situation." (*Nepal human development report, 2004*)

"Empowerment is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes." (*World Bank website, Retrieved on December 29, 2008 form www.worldbank.org*)

"Empowerment is of intrinsic value; it also has instrumental value. Empowerment is relevant at the individual and collective level, and can be economic, social, or political. The term can be used to characterize relations within households or between poor people and other actors at the global level." (World Bank, 2002, p.10)

In broader sense, empowerment is the expansion of freedom of choice and action. It means increasing one's authority and control over the resources and decisions that affect one's life.

However, perceptions of being empowered vary across time, culture and domains of a person's life: in India, a low caste woman feels empowered when she is given a fair hearing in a public meeting, which is comprised of men and women from different social and economic groups; in Porto Alegre of Brazil, citizens – both men and women feel empowered if they are able to engage in decisions on budget allocations; in Ethiopia, citizens and civil society groups report feeling empowered by consultations undertaken during the preparation of the poverty reduction support program; in the USA, immigrant workers feel empowered through unionization which has allowed them to negotiate working conditions with employers; and in the UK, a battered woman feels empowered when she is freed from the threat of violence and becomes able to make decisions about her own life. All these things are only can by the freedom in own self to decide to live their life. It is a cross-cutting issue. From education and health care to governance and economic policy, activities which seek to empower poor people are expected to increase development opportunities, enhance development outcomes and improve people's quality of life.

Empowerment is defined as the process of transforming existing power relation and gaining greater control over the sources of power, it builds people's capacity to gain understanding and control over personal, social, economic and political forces to act individually as well as collectively to

make choices about the way they want to be and do things in their best interest to improve their life situation. This description captures the spirit of human development that creates an environment in which people can develop their full potential to live with their needs and interest.

The four key elements of empowerment that must underline institutional reforms are:

**a. Access to information:** Information is power; informed citizens are better equipped to take advantage of opportunities, access services, exercise their rights, negotiate effectively and hold state and non-state actors accountable. Without information it is impossible to take action, timely and effectively. It can disseminate by different formal and informal way. It different media including radio, TV, internet, newspaper, workshop, meeting, seminar etc.. Disclosure of information about the performance of institution promotes transparency in government, public services and the private sector. Access to information in local languages from independent sources at the local level is particularly important.

**b. Inclusion and participation:** Inclusion means involvement of peoples from diversified group and ethnicity. Participation addresses how they are included and the role they play once included. Opportunities for poor people and other excluded groups to participate in decision-making are critical to ensure that the use of limited public resources builds on local knowledge and priorities and bring about commitment to change. However, sustaining inclusion and informed participation usually requires changing the rules to create space for people to debate on different issues. Similarly, participate in local and national priority-setting and to bring them on the mainstreaming of development.

*c. Accountability:* Accountability refers to the ability to call public officials, private employers or service providers to account, requiring that they be answerable for their policies, actions and use of funds. Mainly there are three type of accountability mechanism: political, administrative and public Political accountability of political parties and representatives in increasingly through elections, administrative accountability of government agencies through internal accountability mechanisms, both horizontal and vertical within and between agencies public and social accountability mechanism. It can hold providers accountable, control and power shift to other.

*d. Local organizational capacity:* Local organizational capacity refers to the ability of people to work together organize themselves, and mobilize resources to solve problems for common interest. Organized community are more likely to have their voices heard and their demands met then communities which little organizational but its effectiveness depends upon the capacity of organization. It is only when groups connect with each other across communities and form networks or associations- eventually becoming large federations with a regional or national presence that they begin to influence government decision making and gain collective bargaining power.

These four elements are closely interlinked and can be successfully applied to four critical development objectives: ensuring the provision of basic services, enhancing local and national governance, broadening access to market and guaranteeing access to justice.

#### **2.1.4.2 Dimensions of Empowerment**

Empowerment has three fundamental dimensions<sup>22</sup>- Economic, Socio-cultural Political.

*a. Economic empowerment:* Most of us are most familiar with this dimension of empowerment. Economic empowerment means the access of

people to control over the resources and economic activities for the expansion of their business as per their interest. It concerns the expansion of access to production assets, including physical and financial opportunities, it involves the distribution of capital and income generating opportunities, ensuring the working of market and relative prices can enhance the economic agency of citizens.

Economic empowerment can serve as a way of lessening the discriminatory gap between men and women or between poor and rich. Women's access to savings and credit gives them a greater decision-making role. A woman optimizes her and her household's welfare when she makes decisions pertaining to credit and savings. Investment in a woman's economic activity will improve her employment opportunities and thus have a 'trickle down and out' effect.

***b. Socio-cultural empowerment:*** Socio-cultural empowerment is the process through which people and groups become aware of the societal and cultural forces at work in their lives and learn how to influence their dynamics particularly those of deep rooted social inequality and exclusion. It provides strength the social fabric by augmenting a complex network of human qualities –both individual and collective –whose sum and synergies we call "social capital". It is the process through which people and groups become aware of the interplay of societal and cultural forces at work in their lives and learn how they can act individually and jointly to influence and eventually control the dynamics of these factors. Socio-cultural empowerment therefore spans a broad spectrum of human development parameters, from access to safe water, primary health care and basic education through skill acquisition, including the ability to use communications media.

It encompasses social status, cultural expression and the sense of belonging to social entities that range from households through youth clubs and

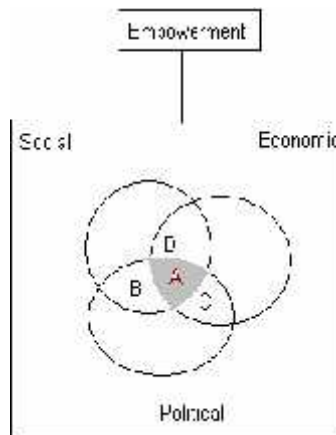
religious congregation to ethnic groups and a national polity. if we understand the term "culture" in the widely accepted sense of all the capabilities and habits acquired by human beings as members of societies we can begin to appreciate the weight of Nepal's deeply hierarchical social structure with their interlocking systems of cast and ethnicity. A woman gains more respect and plays a more active role in the family and community through micro-finance and micro-enterprise development; it provides her with greater economic empowerment and increased self-confidence. A woman becomes more involved in society as a member of women's organizations, professional associations and political parties, adding her contribution to collective decision making.

*c. Political empowerment:* Democracy and freedom are the two main pillars of political empowerment. Basic political and liberal rights strengthen human capabilities and facilitate people's abilities to define their needs constructively. Democracy enables citizens to draw attention to their needs and to demand appropriate public action. It means to be aware about their rights and freely can raise voice for meaningful participation in decision making process. It involves enlarging the capabilities associated with democratic self-governance. it ensures not only respect for the fundamental dignity of the human person and the basic rights asset out by international norms, but equitable representation in decision making process and institution especially those that can demand accountability from public servants and the private sector bodies entrusted with public resources. It includes freedom to participate in political dialogue, to dissent from majority or accepted views, and to mobilize for change. Political empowerment also comprises legal empowerment, generally understood as the process of acquiring the knowledge essential to protect one's rights and to assert them under the law.

These three dimensions are closely interlinked each other. Improvement in one dimension of empowerment can play a catalytic role in bringing change

in the other two. Sustainable empowerment is defined as a situation where people are empowered socially, economically and politically. The Figure 1.1 shows the interactions between these three dimensions. Without economic empowerment makes people empowerment unsustainable (area B). Likewise area C represents a situation where a lack of social empowerment will make political and economic empowerment unsustainable. Hence promoting the sustainable empowerment (area A) requires an integrated empowerment led strategy for poverty reduction and human development.

**Figure-2.2**  
**Components of empowerment**



Out of these three components of Empowerment, economic empowerment has major influence. Economic empowerment is the key for other empowerment.

#### **2.1.4.3 Need of empowerment of poor women**

Social inequality is a general phenomenon, but the degree of social inequality is a main concern. Nepal is one of the socially unequal countries in terms of

gender inequality in social, economic and political rights and status of women. One review showed that 38 of 61 woman headed families are over-represented among the poor. Women are responsible for agricultural production and market work as well as unpaid non-market work. Unpaid work ranges from care for the children, other family member and domestic chores.

Surveys show that at least half of women's total work time is spent on unpaid work. Data from nine developing countries showed even larger differences, with women spending on average 34 per cent of their time on paid market work and 66 per cent on non-market work, compared to 76 per cent and 24 per cent, respectively, for men.

In rural Nepal, men spend eight hours a day on market work and only two hours on home production, but women work 7.4 hours for out of the household work, and five hours on home production. Women also overlap activities such as taking care of children while working in the home or in the fields. They often earn less than men for the same work, and have less opportunity to improve their skills. Many decisions about the distribution of resources between men and women are made within families. This is not a straightforward process; it involves negotiation and the use of power, which are in turn strongly shaped by social context. Control of resources is determined in part by what an individual brings into the household—physical assets, wages or other income, transfer payments or welfare receipts that may affect their ability to bargain. The threat of withdrawing from the household adds bargaining power, providing the threat is credible. It is a threat most commonly used by men in relation to wives, daughters and other female relatives. (UNFPA, 2002, p.26)

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 and 12 per cent of those who are wage-employed. The figures for men are 69 per cent and 27 per cent respectively. Nepalese society is characterized by a patriarchal system in which men have control over women's sexuality, and women's mobility is subject to heavy restrictions. The decision-making power of Nepalese women is weak.

Their level of self-esteem and confidence remains low. The caste system in Nepal has an impact on gender, placing poor women in a more advantageous position than those in a higher caste. Women of the low caste are ritually impure. They cannot achieve high status in Hinduism's prestige system, yet they possess social autonomy and economic power. The Constitutions of Nepal contain Articles stipulating equal rights for men and women. Since the new Constitution was adopted in 1992, the Government of Nepal has emphasized the need to amend discriminatory legislation. Nepalese law follows the patriarchal transmission of property and reflects the discriminatory conception of women. Nevertheless, some improvement has been seen over time. In 1976, the Civil Code was amended to establish equal rights for men and women on property law and inheritance. Some limitations on equality between men and women still exist, and control over the acquired property remains under male authority (father, brother or son). At present, these laws are still under revision: some changes to the National Code (11th Amendment Bill and Women's Rights) are being considered. The suggested changes include provisions that are likely to have a positive economic impact on women.

Daughters and sons are equally entitled to inherit the ancestral property. Previously, only unmarried daughters over 35 had this right. However, under the newly proposed provisions, at a certain point in time, daughters are requested to return their share of property to their brothers, because women are now entitled to inherit their husband's property. Inheritance

rights are now granted to divorce women as well. Although these changes improve women's legal situation, some discriminatory clauses are still in place.

Moreover, the Lower House of Parliament passed the new amendments, but so far, the National Assembly has rejected them. Women are economically dependent on men, mainly as a result of the lack of property and inheritance rights. Women do not dispose of any capital to start a business and cannot offer collateral to financial institutions in order to obtain a loan. Although women are theoretically equal to men in access to credit, in practice there are many social and cultural barriers to their financial activities. Due to mistrust of women entrepreneurs, bankers ask for additional guarantees of male guardians even when women offer adequate collateral. The problem is perpetuated by the long and complicated procedures for loan applications at banks and the women's low level of self-confidence, lack of skills and education. Moreover, working women are perceived as a negative factor for the status of the family. Therefore, women tend to work only when it is absolutely necessary for household subsistence. (Gobbi, Sabrina De Maria, 2005, p.5)

Need of empowerment of poor women are outlined below:

- Most of time, women are engaged in unpaid work than men.
- Women have less access and control over to resources.
- Women are dominated by the conservative traditions.
- Percentage of women's poverty is high than men
- Even they are excluded from their human rights and in different level of decision making.
- Women's voices and lived experience whether as member of family or workers (paid and unpaid) or citizens or consumers are still largely missing and have low bargaining power.
- Due to less opportunity, their intrinsic factors are very low than men, such as education, knowledge, self-confidence etc.

## **2.2 Review of Related Studies**

### **2.2.1. Review of Journal and Articles**

There is abundance of literatures available on poverty, micro-credit and empowerment. World Development Institutions such as UN agencies (UNDP, UNICEF, WFP, and ILO etc.), The World Bank and Asian Development Bank etc. have a good wealth of literature which is sufficient to grasp the fundamental knowledge on poverty, micro-credit and empowerment of poor, vulnerable and socially excluded groups.

Poverty Report (2000), Nepal Human Development Report (1998, 2001 and 2004), Microfinance Program Impact Assessment (UNCDF 2003), Voices of the Poor Volume I (Can Anyone Hear Us?, 1999), Crying out for Change (2000 Volume II and Volume III) and World Development Reports of different years, Empowerment and Poverty Reduction: A Sourcebook of The World Bank, Finance for the Poor: Microfinance Development Strategy of Asian Development Bank are some examples in this respect. Many institutions and individuals have worked on these subjects in the context of developing countries including Nepal. A brief survey of the past works has been done to substantiate the research. A summary of review of the literature relevant to the research topic is presented below.

Latest survey report 'Worldwide Women's Poll and Empowerment Index' published by Avon Foundation states that everywhere in the world, the financially independent Woman entrepreneur has the potential to be a locus for success for the individual, her family, and her community (Avon, 2007, p.3). This report has measured women's views on empowerment considering six interrelated dimensions: i) Family Decision Making & Support, ii) Social & Civic Participation, iii) Financial Independence; iv) Health & Safety; v) Educational Opportunity; and vi) Work & Career Opportunity. According to the report, women of the world have given third importance to financial independence index as a women empowerment index while family decision

making and support and social and civic participation are first and second in order of importance respectively. It clearly indicates that both income and non-income indicators are important to develop the sense of empowerment among women (Avon, 2007, p.10). United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP)'s discussion paper "Microfinance for Poverty Reduction: Policy Issues and Challenges" (2007), emphasizes that instead of depending entirely on trickle-down effects for economic growth, target-oriented programmes are used to benefit the poor directly.

One effective way of generating income for the poor is by providing micro-credit for self-employment programs. Microfinance is a powerful tool for fighting poverty. There are numbers of innovations in microfinance in Asian countries such as Grameen Bikas Bank Model of Bangladesh, Self-help groups in India and Bank Rakyat Indonesia. The discussion paper has highlighted the need of scaling up availability of microfinance, increasing the access of poorest of the poor and linking the earlier microfinance beneficiaries to formal finance sector.

Maria Sabrina De Gobbi with other contributions Nara Hari Dhakal and Syed Tahir Hijazi (ILO, 2005, p.5) has conducted a research entitled "Nepal and Pakistan Micro-finance and micro enterprise development: Their contribution to the economic empowerment of women".

Based on the case studies of Sitalnagar branch of Nirdhan Uthan Bank and Shankarnagar Small Farmers Cooperatives Limited (Rupandehi) and Adharsa Savings and Credit Cooperatives and Mahila Sagan Bikas Kendra, a financial intermediary NGO (Chitwan), they concluded that microfinance can contribute in economic and social empowerment of the poor women (op. cit., p. 23).

NHDR (2004) has explained the direct correlation between empowerment and poverty. According to the report, poverty reduction is impossible without empowerment of the poor. It has analyzed three dimensions of empowerment namely, 1) economic empowerment, 2) socio-cultural empowerment; and 3)

political empowerment (UNDP, 2007, p. 12). Since long time, many government, non-government and donor programs have been using microfinance as a tool of empowering poor women in Nepal (Nepal Country Profile, BWTP).

Based on the case studies of Nepal, Bangladesh, Philippines, Bolivia and Ghana, Syed M. Hashemi and Esther Rojas-Garcia have mentioned that micro-credit program participants [both men and women] were more empowered than non participants due to their physical mobility, ownership and control of assets, involvement in decision making, and political and legal awareness (Syed and Esther, 2004).

Similarly, from the case studies in Haiti, Kenya, Malawi and Nigeria United Nations Capital Development Fund (UNCDF) has published a report "Microfinance Program Impact Assessment" (2004). This report has clearly assessed the positive impacts of microfinance at individual, household and enterprise levels. Microfinance has enabled poor people to acquire more assets, increase household welfare, and to better cope with vulnerability. The report has also found the remarkable impact of microfinance on empowerment of women. According to the report, women are more likely than men to spend their profits on household and family needs. Targeting women not only empowers them, but generates a multiplier effect that can enlarge microfinance impact.

Graham Dwyer in his article, "Pawnshops Seen in New Light" published in ADB Review (2003) argue to see pawning as a tool for providing microfinance services to the poor especially in Indonesian and Sri Lankan context. Pawning is probably the oldest method of lending, dating from the days of Babylon, the Bible, and ancient China. It is not so different from exploitative traditional money lending practices, hence, today many policymakers would like to see it curtailed. He urged that yet the prejudices against pawning are usually based on unrealistic or incorrect assumptions. The clients are able to convert their non-

financial assets quickly into cash for short periods, whenever needed. Lender and client both benefits from minimum transaction costs.

People having low income and assets profiles and those who do not have easy access to formal micro-credit services can take the quickest service from pawning shops. Although pawning is also traditional money lending practice but it is less exploitative than other traditional practices and can be seen as an option for financing for the low income earners. Hence he urges to give a fresh look at this activity.

Asian Development Bank have explained women empowerment from six dimensions namely i) economic, ii) socio-cultural, iii) familial/interpersonal, iv) legal, v) political and vi) psychological dimensions at three levels such as i) household, ii) community and iii) broader arenas in its document "Finance for the Poor: Microfinance Development Strategy" (2000). It has clearly pointed out the importance of microfinance for poverty alleviation. At the same time the Bank believes that microfinance alone can improve the livelihood of the poor in isolation without linking it to overall poverty alleviation programs. To increase the access of poor in microfinance services as well as to achieve sustainable development impacts, the strategy suggested improving the outreach of the microfinance institutions through community mobilizations.

DEPROSC-NEPAL and Micro Finance International, Canada in their study report "Critical Issues in Nepal's Micro-finance Circumstances" (1997) has examined the effectiveness and outreach of microfinance organizations in Nepal and identified the critical issues currently faced by these organizations. The major critical issues identified by the study are –i) financial viability of microfinance institutions including financial self-sufficiency, financial reporting and subsidies; ii) transformation of government programs from retail banking to wholesale banking; iii) expansion of the provision of financial services to the Hills; iv) encroachment or unfair competition between microfinance institutions; and v) lack of appropriate institutional structures and

the inability to form a federation of microfinance institutions. The study has provided recommendations to government, donors and microfinance institutions separately to consider above critical issues while designing and implementing microfinance schemes and products.

Mayoux (2003) has summarized the current debate on micro-finance and gender in three 'paradigms' namely i) financial self-sustainability, ii) Poverty alleviation and iii) Feminist empowerment paradigms.

### 2.2.2. Review of unpublished Thesis/Dissertations

*Khadka (1998)* carried out a study on "Micro Credit Project for women: A Case study of Pokhara". Objectives of his study were to find out sector of investment and loan. The major finding of his study is group loan is more effective than individual, the share of retail shop sector is significant. Similarly the study concluded that participant's monthly income and employment level have been increased after the implementation of the project, loan distribution varied in different ward, and employment and income is generated significantly. He has suggested that loan should be provided in the production sector, time and area of the program should be extended, loan should be provided in equal proportion in each ward and to the lower caste to raise their living standard.

*Maskey (1998)* conducted a study on the topic of "Empowerment of women through income generating program in Dhankuta District". To examine the status of women in relation to decision making process was the major objectives of her studies. She has conducted that the program like PDDP was found to be essential for development in all the villages of Nepal, Women were actively participate in all the activities, they have good co-operation among themselves, people earned a lot of money by their business etc. The recommendations made on the basis of her study are: Monitoring and evaluation of the program should be done regularly, Literacy program should be expanded, and Women should be involved in different training provided by the program.

*Pokharel (1999)* conducted a study entitled “Impact of Micro Finance on deprived class: A case study of self help banking program of Self Help banking development in Lahan Municipality”. His major objective was to find out the financial effectiveness of self-help banking program. He found the program has increased the literacy rate, reduced the social embarrassed and increased income level of women. He had recommended that repayment should be judged according to the investment and production low and have to focus on the provision of financial service only and it is better not to mix social welfare services with the delivery of financial service. Social service should be provided separately form the financial services.

*Mahat (2001)* conducted a study entitled “The Role of Micro Finance Program of Mahila Jagriti Multiple Co-operative to improve the socioeconomic status of women: A Case Study Bhimphedi VDC of Makwanpur”. The major objective of his study was to examine the role of micro finance program to improve the socioeconomic status of women. Major findings were 78% of women has used loan from saving scheme initiating the income generating activities to enhance their households' income, the micro-credit program is considered as a powerful weapon for reducing poverty and also increasing the better participation of women groups in the social and economic development process that ultimately support for socio economic upgrade of women.

*Parajuli (2002)* conducted a study entitled “A study of the socio-economic impact of the saving credit project of women’s group saving on capital formation in Nibuwatar VDC, Makawanpur”. The major objective was to examine socio-economic impact brought by saving/credit project in women and he concluded saving credit scheme has been effective tools for addressing their need at the time and it supports to upgrade the socio-economic status of women.

*Regmi (2003)* conducted the study on “Socio-Economic Status of women: A case study of Mahandevsthan VDC, Kathmandu District”. The major objective

of her study was to draw the socio-economic profile of the women and to examine the nature of women's poverty. The study reveals that 75% women of the VDC were found to be literate, agriculture and household work is the main occupation of the women and agriculture is the main source of family income, women involvement in decision making process is very low. She has recommended that women should be trained in cottage industries such as weaving, handicraft, production and sewing, compulsory primary education to girls.

*Dargi (2003)* carried out a study entitled "women's economic participation to their household management in Terhantum District". The main objective of his study was: to study the socio-economic condition of women and their role to support in the family economy, women's participation in the household activities and decision making process. Findings of his study reveal that the women are found to have concentrated mainly on household and kitchen chores, they are backward, and they have nominal share in property ownership, decision making role. He has suggested that the overall literacy rate should be increased, employment opportunities should be made available for the educated girls and women, Government should launch various poverty alleviation programmes with special focus on the poor and disadvantaged women.

*Ghimire (2005)* conducted a study with main objective to make assessment of impact of micro-credit program in Kahun VDC in his Master's Thesis entitled "Impact of Microfinance: A case study of micro-credit program for women in Kahun VDC, Kaski". Its major findings is small business started by micro credit has economically profitable, their mobility, capabilities, living standard has been increased and found they are very loyal in repayment that 85% women repaid the loan within due time. The study concluded that micro-credit program is effective for empowering women from both social and economic dimensions.

*Joshi (2005)* conducted a study entitled “Women empowerment through micro-finance: A case study of Women Development Section program in Yutuki, Dakshinkali, and Kathmandu.” The overall objective of the study is to assess the role of MF services of WDS on women empowerment. The major findings were they have increased their personal, in family as well as in the community, financial independency as well as mobility has been increased. He has concluded the program has been making the women socially, economically and politically empowered but it’s not enough further education, capacity building training should provide to the women and national level strict rules have to make participation in lower to upper decision level.

Some other studies conducted on impacts of micro-credit on women have revealed similar results. More or less, most of the studies have concluded that micro-credit have positive impacts on socio-economic empowerment of women in Nepal.

### 2.2.3 Gap Analysis

These studies represent the contemporary views and status of financial empowerment of poor women through microfinance services. Most of the studies have concluded that microfinance can substantially contribute in economic and social empowerment of women. Nevertheless, the studies done so far have following limitations:

- Previous studies were specific on special issues of financial empowerment like: loan utilization, credit repayment and others. This study differs from those studies as different aspects such as credit utilization, repayment aspect of financial empowerment have been taken.

- Most of the studies are related to empowerment of microfinance on 'poor' in general and 'women' in particular. However, this study aims to analyze empowerment of Dalit women.
- Till date more focus has been given to social empowerment and less focus on financial or economic empowerment. But, this study more focuses on financial empowerment.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

According to Kerlinger (2000), research design is the plan, structure and strategy of investigation conceived so that to obtain answers to research questions and to control variance. Similarly, Wolf and Pant (2000) says research design refers to the entire process of planning and carrying out a research study.

To conduct the study descriptive, cross-sectional and analytical approach has been adopted. Descriptive approach has been used mainly for conceptualization of the problem. Cross sectional approach has been used to identify the changes before and after the microfinance intervention. Analytical approach has been adopted mainly to analyze the relationship among credit, return, income, investment, saving, repayment and other variables of social behavior changes.

#### **3.2 Conceptual Framework**

'Empowerment' may be defined from various perspectives in the development field. NHDR 2004 (Empowerment and Poverty Reduction) has explored the meaning of empowerment in the Nepalese context. According to NHDR, empowerment is the process of transforming existing power relations (economic, political and socio-cultural) and of gaining greater control over the sources of power. There may be various components of empowerment; however, the report has identified three critical components, namely a) Economic empowerment, b) political empowerment and c) socio-cultural empowerment. These three dimensions to empowerment help the people, especially the poor and socially excluded groups such as women and Dalit, to be able to influence decision-making process of households, community and state institutions.

This study revealed the concept of empowerment set by the NHDR 2004 as it has been defined and agreed by group of experts e.g. economists, sociologists, political scientists and development workers. To meet the objective of the study, this study does not consider political dimension of empowerment has only considered other two dimensions of empowerment such as a) economic and b) socio-cultural empowerment.

### **3.3 Analytical Framework**

Major financial ratios have been used to get 'absolute' value of economic empowerment. Some measures derived from Nepal Human Development Report 2004 have been used. According to NHDR (2004), economic dimension is basically related to the 'expansion of access to productive assets, including physical and financial opportunities, to pursue economic gains'.

*Financial Ratios include:*

- Loan/Credit Utilization ratio
- Return on Investment/Expenditure ratio
- Saving on income ratio
- Credit Repayment Ratio
- Return on Loan/Credit ratio

According to the world bank, productive assets normally include human assets such as job skills, physical assets such as access to basic infrastructure, financial assets such as savings and access to credit, natural assets such as forest, river etc and social assets such as networks of contacts and reciprocal obligations that can be called on in time of need and influence over resources. Each type of asset can play a critical role in economic improvement of the poor. Social assets are mostly related to social empowerment. Therefore a) human assets, b) physical assets, c) financial assets and d) natural assets can play more direct and immediate role in the economic gains of the poor (UNDP, 2006/2007). Productive natural assets are not present in the study areas. Thus, this study will analyze the 'expansion of access to productive assets' in terms of human assets, physical assets and financial assets.

John Ambler (1999; p. 4) has more clearly defined these assets as capital. According to him human capital [assets] refers to the skills, knowledge, beliefs, attitudes, ability to labor, and good health. In the context of micro enterprises creation and management, an entrepreneur at least needs required skills of business handling, knowledge of overall management and marketing and good health to physically run the business. Indeed, skill, knowledge and good health may be perceived as critical parts of human assets.

Therefore, these three aspects of human assets will be analyzed in this study. Similarly, physical capital [assets] refers to the basic infrastructure such as affordable transport, water supply and sanitation systems, shelter, energy services etc. Thus impacts on these aspects of physical assets will be analyzed in this study. Similarly, financial capital [assets] refers to the financial resources available to the poor such as stocks (e.g., savings and credit provision) and regular inflows of money (e.g., wage labor, remittances, subsidies, transfer payments, other entitlements). To run the business one should have access to credit provision for investment and access to saving provision to accumulate the surplus earnings for future investment. Therefore only these two aspects of financial assets will be analyzed in this study.

NHDR (2004) has defined socio-cultural empowerment as: "It is the process through which people and groups become aware of the interplay of societal and cultural forces at work in their lives and learn how they can act individually and jointly to influence and eventually control the dynamics of these [socio-cultural] factors. It encompasses social status and sense of belonging to social entities that range from households to national policy"

Three conclusions can be drawn from this definition, i.e. socio-cultural empowerment: a) increases social status of poor, b) encourages poor to learn how they act individually and jointly to influence and control the dynamics of socio-cultural factors and c) make poor being instrumental in making the social entities socially just from households through communities to public polity d)

education status of their children. This study has analyzed these four aspects of social empowerment.

### **3.4 Sources of Data**

Mainly primary data & information collected through a questionnaire survey and on-the-spot interactions (focus group discussion, observations, key informants survey etc) have been used for study. Beside this, secondary data and information have also been used where they are necessary. Concerned Bank, library and information/resource are the sources for secondary information.

### **3.5 Population and Sample**

This study is conducted on Dalit women of Terai region. According to population census 2001, there are 880,767 Dalits in 22 districts of Terai region (Table 2.1). Out of them 52.56 percent (462,931) are women. So, the Population for the Study is total number of Terai Dalit women (i.e. 462,931). To make the research more significant, districts which have more than 25,000 Dalit populations have been short listed, out of the 13 district Rauthat has been selected using convenience sampling technique. Convenience sampling suggests selecting the sample according to convenience and accessibility of the researcher (Pant and wolf, 2006, p. 175).

There are 96 VDCs in Rauthat district and different MF institutions have been providing micro credit facility. Out of the different MF institutions, Nirdhan Utthan Bank is selected, because this is the first and leading MF institution of the district. Until the date of study, it has implemented MF program in 15 VDCs of Rauthat. Among these VDCs, Santapur (M.) is chosen because of the higher participation of Chamar, Mushahar and Dusad community in MF programs. These casts represent more than 68 percent population of Terai Dalit (Table 2.2). Chamar, Musahar and Dusad are considered as least developed and deprived caste in Terai Dalit. In this particular VDC different women has been

utilizing micro credit facility provide by NUBL. The study is concerned with Dalit women, so, 100% Dalit women have been taken as sample size.

### **3.5.1 Sampling process**

Enterprises running for five years were considered as eligible MF enterprise for study. Assuming those running less than the period cannot make changes in empowerment level in general. Following steps were followed to select the representative samples from the population:

*Step 1:* To make the samples more representative, population of selected location were divided into Dalit and non-Dalit group.

*Step 2:* Dalit Cluster were selected

*Step 3:* 100% samples were selected due to small size of population

### **3.6 Field work methods**

Following field work methods has been used for detail data and information collection:

- a. Household survey through structured questionnaire
- b. Field observation
- c. Interview & Interaction meeting with service providers

Household survey through structured questionnaire has been conducted to obtain key data & information from selected households (please refer ANNEX I for questionnaire). It was backed up by focus group discussion and field observation that were carried out to get hold of the real picture of physical situation and also get impression of it. Interview & interaction meeting with concerned authorities of Nirdhan Utthan Bank were organized to get their views and to make clarity on implicit issues, data and information. Checklists have been used to keep the interaction on right track. Similarly, the social leaders of the community who have good knowledge of micro-credit supports and the changes seen within the households and community was consulted to

obtain those data & information that can't be collected from other methods used this study.

### 3.7 Data analysis procedure

Following steps were followed for data processing and presentation:

Step 1: All the data were complied on the basis of the indicators of economic and Socio-cultural empowerment

Step 2: Numerical data has been classified, tabulated and analysis through the financial tool ratio and statistical tools like Arithmetic Mean, Percentage, Coefficient of Variance, Standard Deviation, Correlation, Probable Error, Pie Chart, Bar Chart, Time series. A brief explanation of statistical tools employed in this study is as below:

- **Arithmetic Mean ( $\bar{X}$ )**

Mean is the central value on an average. A Simple arithmetic mean is determined by dividing the sum of values by number of the observations.

$$(\bar{X}) = \frac{\text{Sum of Values}}{\text{No of Observations}}$$

$$= \frac{X_1+X_2+\dots\dots\dots +X_n}{N}$$

Where,

N= No. of Observation

$X_n$ = Individual value for n number

- **Standard Deviation ( $\sigma$ )**

The standard deviation of a series of value is defined as the square root of the mean of the distribution. It measures the absolute variability of the

distribution. A small value of standard deviation indicates a high degree of uniformity of the observation as well as homogeneity of a series and vice versa. It can be calculated by using the given equation.

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

▪ **The Coefficient of Variance (C.V.)**

The coefficient of variance is the relative measure of dispersion comparable across distribution that is defined as the ratio of standard deviation to the mean expressed in percent.

$$\text{Coefficient of Variance (C.V.)} = \text{S.D.} / \text{Mean}$$

▪ **Karl Pearson’s Coefficient of Correlation(r)**

It is the statistical tools that can measure the intensity or magnitude for the linear relationship between two variables. A Great British Biometrician and statistician Karl Pearson propounded this theory which is known as Karl Pearson’s coefficient of correlation. Higher the positive value indicates higher the relationship between variables and vice versa. The value of ‘r’ should lies between +1. Where +1 denotes the perfect positive correlation between two variables and -1 denotes vice versa. When value is 0, that denotes no correlation between the variables, both are independent.

Where,

N= Number of Years

r= Correlation coefficient

x= Value of X Variables

y= Value of Y Variables

▪ ***Probable Error***

The probable error of the correlation co-efficient is computed to interpret the value and to measure the reliability of the coefficient of correlation. The probable of error is computed by using following formula.

Where,

N= Number of Years      r= Correlation coefficient

▪ **Financial Ratios:**

1. Loan Utilization Ratio = Investment / Loan or Credit
2. Credit Repayment Ration = Loan Repayment / Loan Taken
3. Return on Investment = Net Income / Investment
4. Return on Loan or credit Ratio = Net Income/ Loan Amount
5. Saving Income Ratio = Saving/ Net Income

Step 3: Non-numerical impacts has been accounted/calculated based on the indicators by applying 'YES/NO' criteria for each cluster and category. At the same time critical issues were also be noted down,

Step 4: Based on the facts of impacts and identification of critical issues, conclusion was drawn,

Step 5: Draft report was Prepared based on the conclusion, suitable recommendations have been made,

Step 6: Final report has been prepared by incorporating comments and suggestions received from the joint meeting.

## CHAPTER IV

### DATA PRESENTATION AND ANALYSIS

#### *Introduction*

The study has been conducted in September 2008. Primary data were collected from Individual house hold survey and secondary data were from Nirdhan Utthan Bank. The case study was done to find out the role of MF program launched by NUBL for improvement of economic and social status of Dalit women of Santapur (M.) VDC of Rauthat district. This study also gives emphasis on capacity building of individuals and institutions, which ultimately enhances decision making capacity over households as well as in communities. Therefore, in another word, the single factor would not be effective for the empowerment of individuals. The data and information are collected by interviews, questionnaires, focus group discussion and key person's views. In this study only two dimensions of empowerment were analyzed i.e. Economic and social empowerment. Collected data has been presented in this chapter precisely.

#### **4.1 Socio-economic status of respondents:**

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

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

Similarly, the economic status is analyzed by following points

- Occupation            ▪ Ownership in land and Food sufficiency

##### **4.1.1 Respondents by caste or ethnicity**

Santapur (M.) VDC has multi-ethnic/caste communities consisting about 14 ethnic groups/castes (Baseline Survey, 2008). Out of 14, only three castes from untouchable (Dalit) women have Micro-credit funded business.

**Table 4.1.**  
**Respondents by caste or ethnicity**

<b>Ethnic Group</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Chamar	11	44
Mushahar	8	32
Dushad	6	24
<b>Total</b>	<b>25</b>	<b>100</b>

*Source: Field Survey, September 2008*

Table 4.1 shows ethnic composition of respondents. Table states that 44 percent women are from Chamar community, 32 percent form Mushahar community and 24 percent from Dushad Community. This shows MF program is lucrative to lower level Dalit women.

#### **4.1.2 Age classification of respondents**

Age is the basic characteristic, which affect every aspect of human activities. It is generally accepted fact that people from the age group 25-45 are more productive. From the range people from 25 to 35 are even more productive. Age classifications of the respondents are given below:

**Table-4.2**  
**Respondents by Age**

<b>S.N.</b>	<b>Age group (Years)</b>	<b>No. of respondents (n)</b>	<b>Percentage</b>
1	25-35	14	56
2	36-45	11	44
<b>Total</b>		<b>25</b>	<b>100</b>

*Source: Field Survey, September 2008*

From the table 4.2, it can be observed that out of the 25 respondents, 14 (56%) of them are from the age group of 25-35 years. 11 (44%) of them are from the age group 36-45. The table states that participants, who are highly productive (56%), are keen to participate in MF program, which makes these programs more effective to get its objectives.

#### **4.1.3 Family Size of sampled respondents:**

Family size refers to the number of person in the family. The family size depends upon numerous factors i.e. type of family, education of couple, numbers of birth and living children, preference of male child, family

planning users etc. Family size is an important factor for effective utilization of the fund. More the member, more productivity and involvement makes it easy to do any task.

**Table 4.3**

**Family size of Respondents**

<b>Family type</b>	<b>No of households</b>	<b>Family size</b>	<b>Percentage</b>
Single	19	3-8	76
Joint	6	9-15	24
<b>Total</b>	<b>25</b>	<b>-</b>	<b>100</b>

*Source: Field Survey, September 2008*

Table 4.3 shows the family size of the respondents. It states that out of 25 respondents, 19 (76 %) of them have a family size consisting of 3 to 8 family members and 6 (24%) are from joint family. The majority size of family is small because the maximum families are separated from joint family to start their own business using the fund from NUBL's MF program. This also shows that MF program is lucrative for the people with small family size.

**4.1.4 Religion Composition of Sampled Respondents**

Santapur (M.) VDC has the different three religion composition that is Muslim, Hindu and Christian. Majorities are Hindu, Muslim and Christians are nominal. All the sampled respondents are from Hindu community. From the data it is concluded that people with different religion are financially sound. So, they needn't to depend on MF program for financial improvement. (*Source: Field Survey, September 2008*)

**4.1.5 Educational status of the respondents**

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

**Table 4.4**  
**Educational status of the respondents**

<b>S.N.</b>	<b>Educational Level</b>	<b>No. of respondents</b>	<b>Percentage</b>
1.	Illiterate	18	72
2.	Literate	7	28

*(Source: Field Survey, September 2008)*

Table 4.4 shows that Literacy rate of respondents is very low, i.e. 28 percent and 72 percent of them are illiterate. Illiteracy is one of the major problems of dalit community in Terai region. Because of poverty and social assumption they were not able to study. This shows that MF program is supportive to illiterate people who don't have foundation knowledge about conduction business.

#### **4.1.6 Respondents by Occupation**

Mainly the respondents are found engaged in livestock (pig and hen) farming, agriculture and small businesses like vegetable and other daily need goods selling in market and groceries. So, they are divided into two categories: Livestock farming & agriculture and Small business

**Table 4.5**  
**Respondents by Occupation**

<b>Occupation</b>	<b>No. of Respondents</b>	<b>Percentage</b>
Small Business	<b>15</b>	<b>60</b>
Livestock farming and agriculture	<b>10</b>	<b>40</b>
Total	<b>25</b>	<b>100</b>

*(Source: Field Survey, September 2008)*

The table 4.5 represents two occupation distributions of the respondents. It shows that majority of respondents (60%) percent are conducting small businesses and remaining 40 percent have assumed livestock farming & agriculture. Small business consists of grocery and vegetable sales in local

markets. Previously, they have been fulfilling daily needs by wage laboring but after they engaged in MF program, they are able to change their profession. On the basis of available data, it can be said that they are in better positions in terms of generating income from MF program. The other Fact is that small business is lucrative for majority of the respondents.

#### 4.1.7 Ownership in land and Food sufficiency

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

**Table 4.6.**  
**Ownership in land and Food sufficiency**

<b>Land Ownership</b>	<b>Respondents</b>	<b>%</b>	<b>Food Sufficiency</b>	<b>Rrespondents</b>	<b>%</b>
Less than one <i>Kathha</i>	15	60	Up to two quarters	15	60
More than one <i>Kattha</i>	10	40	Throughout the year	10	40
Total	25	100	Total	25	100

(Source: Field Survey, September 2008)

Table 4.6 shows that most of the respondents (60%) have very less amount of land for farming. They are compelled to borrow lands from others grain and vegetable farming. That is why; they have food sufficiency of 6 months only. On the other hand, 40 percent of the respondents have sufficient food throughout the year. Only, 3 of them have sufficient food available for a year. During the field observation phase, it is noticed that people with more than one kattha have adopted livestock and grain farming and remaining are doing small business and borrowed land farming.

## 4.2 Economic empowerment

### 4.2.1 Measurement of Absolute Values

#### I. Loan or Credit Utilization

The Dalit women are solely dependent on the loan provided by NUBL. Livestock and grain farming and other small business are the income sources to fulfill their basic needs and they must return their loan with interest at time. To cover all the expenses credit should be utilize properly. If not, they would fail to return loan and subsequently they are ineligible for more fund to run the business. Proper utilization of loan enhances the efficiency of business and ensures to return the credit in time with profit from the business. Utilization means investment of the loan amount in income generating activity. Unutilized portion of loan is secured by the borrowers for repayment and expenditure purpose. Credit and investment of the respondents are presented below:

**Table 4.7**  
**Loan Utilization**

<b>Year</b>	<b>Loan</b>	<b>% Change</b>	<b>Investment</b>	<b>% Change</b>	<b>Loan Utilization (%)</b>	<b>Unutilized Loan (%)</b>
2003	38,500	-	20,800	-	54.03	45.97
2004	60,900	58	35,600	71	58.46	41.54
2005	73,960	21	46,300	30	62.60	37.40
2006	168,500	128	88,400	91	52.46	47.54
2007	188,800	12	95,240	8	50.44	49.56
Mean	106132	55	57268	50	55.60	44.40
S.D.	60628.09	-	29430.56	-	-	-
C.V.	57.13	-	51.39	-	-	-

Table 4.7 shows that both loan and investment have been increasing over the period. But, credit has higher rate of growth. The mean increasing percentage of credit is 55 whereas investment has only 50 percentage average growth rate. Probably, unutilized portion of loan has been secured by the borrowers for timely repayment and expenditure purpose, which is quite consistent over the period.

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

**Figure 4.1 Trend of Credit and investment**

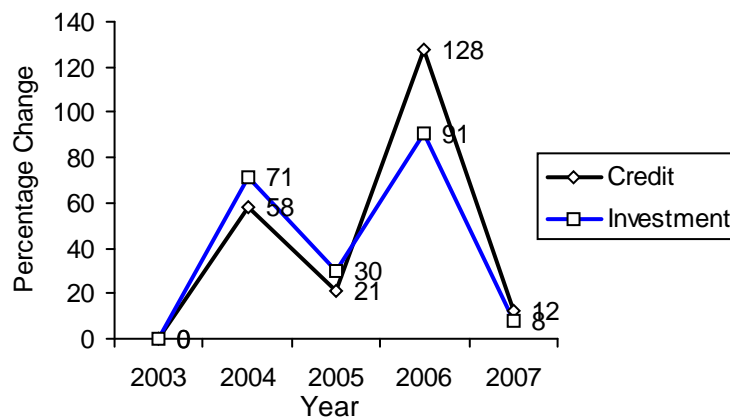


Figure 4.1 shows that percentage changes in credit and investment are dependent on each other. When credit is increased, investment does so and vice versa. In the year 2004, Percentage Changes in credit is 58 and percentage change in investment is 71, i.e. almost twice than change in credit. But, in 2005, scenario is different where both factors have same level of changes. But, this scenario changes in 2006, where again credit increased in high rate, investment does so. But, this time there is not huge difference as in 2004. Year 2007 follows the trend of 2005, where credit and investment both fall, but, in higher rate compared with 2005. From the figure we can say that, micro-credit entrepreneurs take credit once in two

year period and invest it throughout the period. Nominal percent increase in credit also supports this fact.

Data presented on table 4.7 indicates the average credit utilization rate is 55.6 percent. Similarly, it has average credit of 106,132 and average investment amounts 57,268. These figure shows that people are not able to utilize their credit properly. This is particularly because of short time span for repayment. According to Bank rule, they have to repay their credit amount within 15 days. In such case, if they invest certain in business they won't be able to pay within 15 days. So, they use some amount for repayment purpose. Credit utilization refers to use of credit as investment in business and other type of income generation investment.

**Figure 4.2 Trend of Credit utilization**

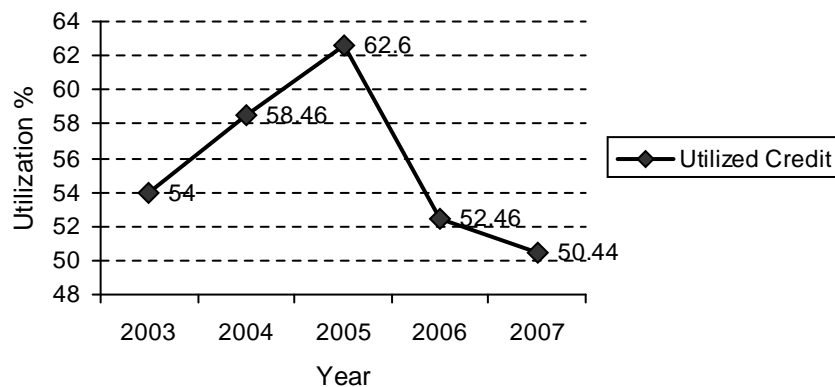


Figure 4.2 shows that credit utilization rate is quite stable. In the year 2005 utilization rate is 62.6 percent that is the highest one. Similarly, in the year 2007 only 50.44 percent of credit has been utilized. Table 4.7 indicates that average credit utilization rate is 55.6 percent, which indicates that more than 55 percent of the loan amount has been invested and remaining amount were reserved for repayment and other expenditure purpose.

### **Correlation between Credit and investment**

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

formula to find out correlation coefficient (r) by using direct method is as follows.

Where,

N= Number of Years

r= Correlation coefficient

x= Value of Expenditure/Investment

y= Value of Loan/credit

### **Statistical significance of correlation coefficient**

- a. If  $r < P.E. (r)$ , then the value of r is not significant
- b. If  $r > 6 \times P.E. (r)$ , then r is definitely significant
- c. In other situations, nothing can be calculated with certainty.
- d. If 'r' lies between 0.7 and 0.999 (-0.7 to -0.999), there is a high degree of positive (or negative) correlation between the variable.
- e. If 'r' lies between 0.5 and 0.699, there is a moderate degree of correlation between the variable.
- f. When r is less than 0.5, there is low degree of correlation between the variable.

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

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

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

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

## **II. Credit Repayment Ratio**

The clients (Dalit women) have to return the credit according to bank's rules and regulations. Credit repayment ratio shows the performance of the client.

Regular repayment is very important to continue their credit and business. If not, they would not get further credit from NUBL. Credit repayment status of study period is presented below. The higher rate of repayment with higher rate of credit utilization rate indicates the good performance of business. The repayment amount calculated only on principle return amount. i.e. interest payment is not excluded here.

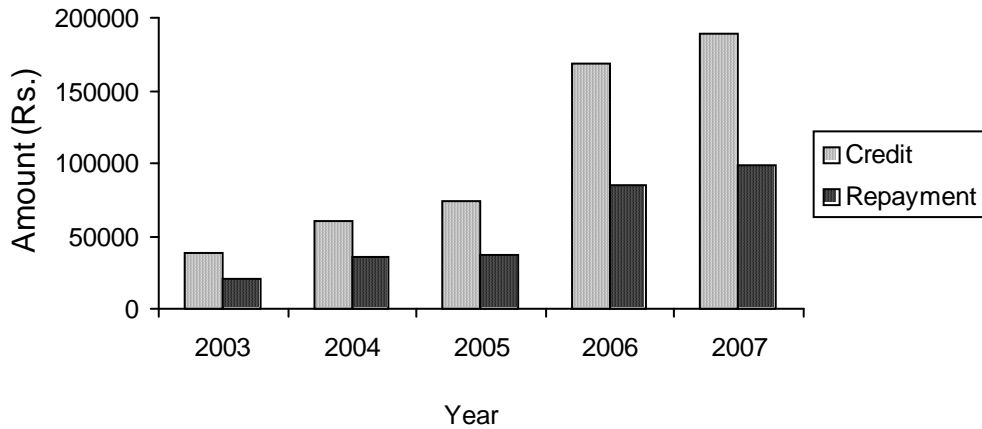
**Table 4.8**  
**Credit Repayment**

<b>Year</b>	<b>Credit</b>	<b>Repayment</b>	<b>Repayment Rate (%)</b>
2003	38500	20500	53.25
2004	60900	35000	57.47
2005	73960	37600	50.84
2006	168500	85400	50.68
2007	188800	98600	52.22
Average	106132.00	55420.00	52.89
S.D.	60628.09	30715.62	-
C.V.	57.13	55.42	-

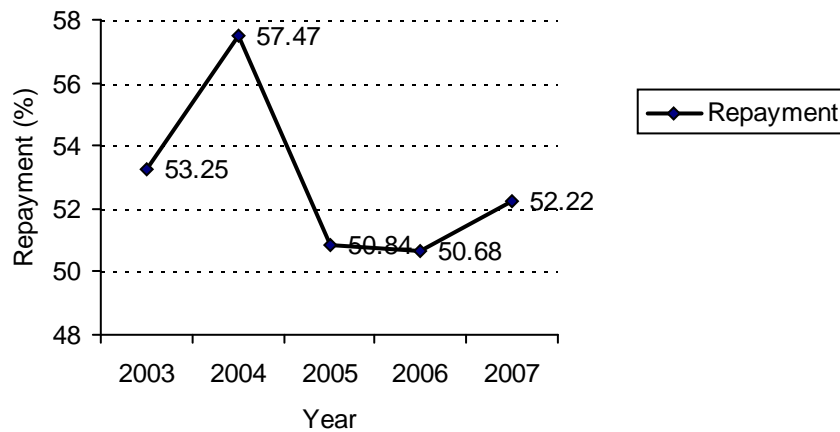
Table 4.8 states that the mean repayment rate during the period is 55.42% and it is above 50 in every year. The highest repayment rate is 57.47 percent in the year 2004.

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

**Graph 4.3 Credit and Repayment Status**



**Graph 4.4 Credit repayment Rate**



Repayment percentage is shown in Y-axis and year in X-axis In the figure 4.4. The graph shows that repayment rates have been changing year by year except in two years: 2005 and 2006. The highest difference among payment is about 7 percent. This different is because of unusual cash flow from their business and farming.

▪ ***Correlation between credit and repayment***

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

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

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

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

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

### III. Return on Investment/Expenditure ratio

This ratio shows the relationship between net income and investment. In other words, It measures the net income earned on the investment, indicates the earning power of their business and shows how effectively the investments were made. The high ratio indicates high utilization of investment and vice versa.

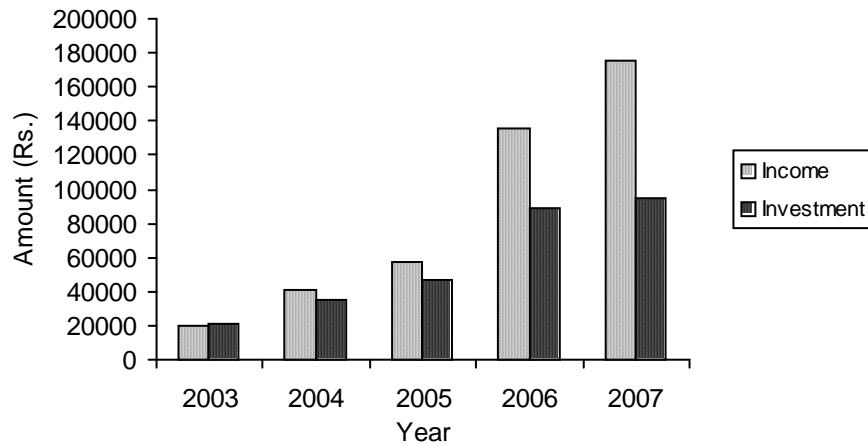
**Table 4.9**  
**Return on Investment**

Year	Investment	Increase (%)	Net Income	Return (%)
2003	20,800	-	19500	93.75
2004	35,600	71.15	40650	114.19
2005	46,300	30.06	57560	124.32
2006	88,400	90.93	135985	153.83
2007	95,240	7.74	175800	184.59
Average	57268	49.97	85899	149.99
S.D.	29430.56	-	59749.80	-
C.V.	51.39	-	69.56	-

*Source: Nirdhan Bank*

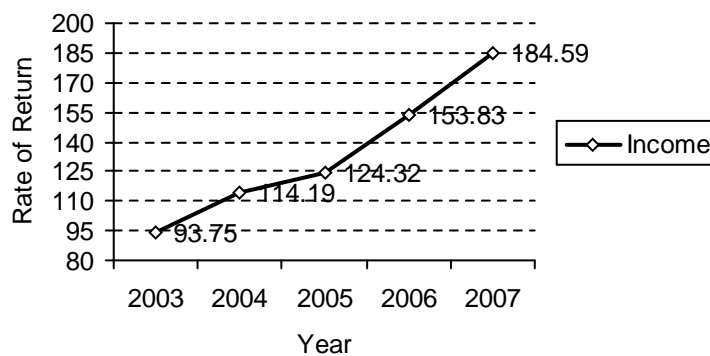
Table 4.9 shows net income and investment both are increasing. However, net income has been growing in increasing trend with higher rate, but, Investment is highly fluctuating. Another fact is that average increase in investment is about 50 percent but average return rate is about three-fold of investment.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

**Figure 4.5 Income and Investment graph**



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

**Figure 4.6 Trend of Return on investment**



According to figure 4.6 Return on investment is in increasing trend. It was increasing at moderate pace in initial years. But, from the year 2005, it is in

increasing trend. That shows that for next few years borrowers are set to gain high profit, if they are able to maintain same increase in investments.

▪ ***Relationship between Investment and Return***

From the calculation (See Appendix II),

we have, Correlation Coefficient (r) = 0.9897

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

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

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

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

**IV. Return on Loan/Credit ratio**

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

**Table 4.10**  
**Return on Loan/Credit**

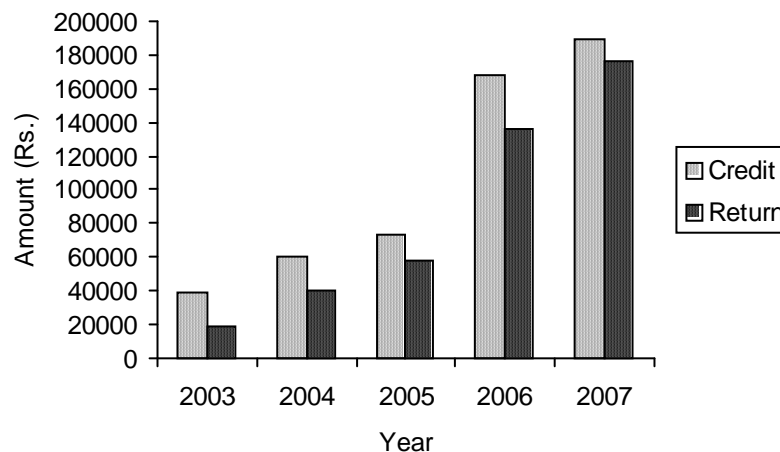
<b>Year</b>	<b>Credit</b>	<b>Net Income</b>	<b>Return (%)</b>
2003	38500	19500	50.65
2004	60900	40650	66.75
2005	73960	57560	77.83
2006	168500	135985	80.70
2007	188800	175800	93.11
Average	106132	85899	80.94

S.D.	60628.1	59749.80	-
C.V.	57.13	69.56	-

Source: Nirdhan Bank

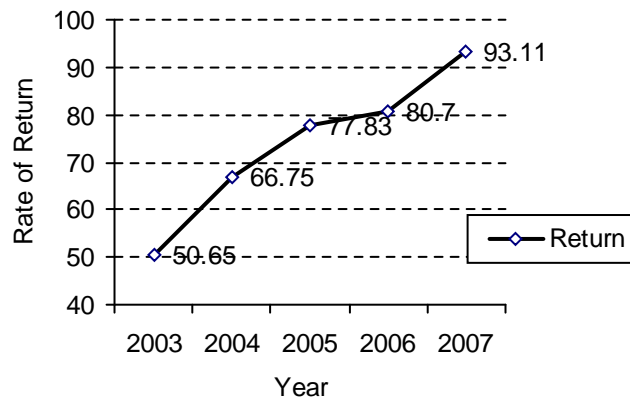
Table 4.10 shows that net income is growing in healthy rate over the year posting the highest rate of 93.11 percent in the year 2007. Because of experience and practice they have gained over the years, borrowers are able to make good profit every next year. Average return percentage for the period is 81 percent that is overwhelming for those investors. Because of the Increasing trend net income has higher C.V. (69.56%) than credit (57.13). By nature, profit increases in earlier but when it reaches at optimal level it becomes consistent. Contrary to C.V. Standard Deviation of investment is quite lower than credit which shows investments are little bit less fluctuating than credit. Figure 4.7 shows the level of credit and investment

Figure 4.7 Credit and Return Status



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

**Figure 4.8 Return on credit trend**



According to the figure 4.8 Return in credit is in increasing trend with smooth rate. That indicates higher earning next few years. Pace of return deemed in year 2006, but, from the 2007 it is back in track. Growth rate of return varied because of unfavourable weather condition.

#### ▪ **Relationship Between Credit and Investment**

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

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

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

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

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

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

#### **V. Savings on income ratio**

This ratio examines how much money is saved for reinvestment or other purpose. The ratio shows the size of saving from income. It also shows whether the income has totally been expended or not? The lower ratio

indicates lower reinvestment capacity and higher ratio indicates higher reinvestment capacity.

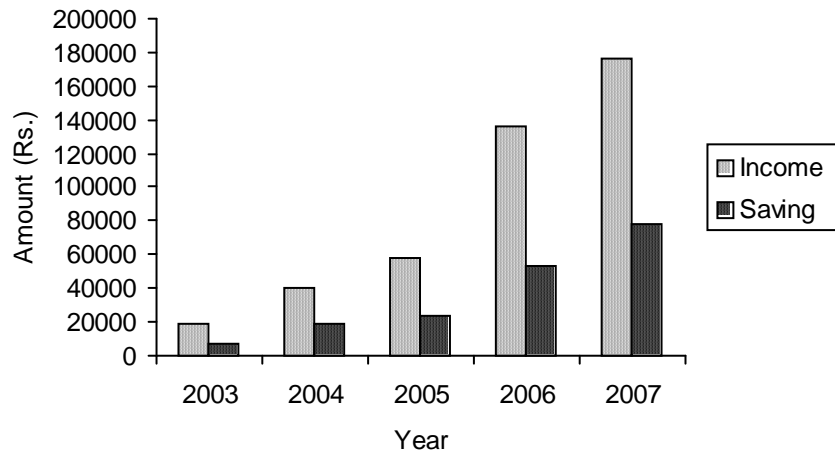
According to their business nature and financial status they have provision to withdraw saving after one year. So drawing amount is deducted from the following year. Thus mean saving rate is more appropriate than year wise rate. Women were forced to save certain amount from the monthly income in the beginning.

**Table 4.11**  
**Saving on income**

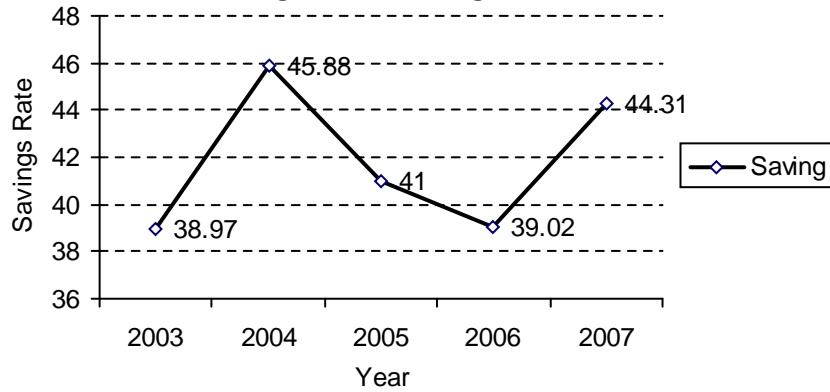
<b>Year</b>	<b>Net Income</b>	<b>Saving</b>	<b>Saving Rate</b>
2003	19500	7600	38.97
2004	40650	18650	45.88
2005	57560	23600	41.00
2006	135985	53056	39.02
2007	175800	77900	44.31
Average	85899	36161.2	41.84
S.D.	59749.80	25720.54	
C.V.	69.56	71.13	

Table 4.11 shows mean saving percentage is 42%, which shows borrowers have sufficient amount for reinvestment. Saving rates are not in increasing or decrease trend. The higher saving rate is 46 percent in the year 2004 and the lower rate is 39 percent in 2003, so, saving is not consistent. From the data presented in the table, one normal assumption can be made that saving are volatile because probably the borrowers invested some of the income for domestic purpose. Figure 4.9 depicts the level of net income and saving comparatively on year to year basis.

**Figure 4.9 Income and Saving Graph**



**Figure 4.10 Saving Trend**



Graph 4.10 shows that saving rate is fluctuating over the years with higher rate of 44.88 percent in year 2004 and lowest rate 98.97 in 2003. Saving rate depends on expenses, when there high expense saving rate decreases and vice versa. Here saving rate is varying because of increased expenses of respondents, such as: increase in children education expenses, use of pesticides to protect grains from unfavorable environmental conditions and insects.

**Relationship between Saving and Income**

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

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

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

We have,

$$P.E. = 0.00319$$

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

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

▪ **Summary of Correlation between Different Variables**

**Table 4.12**  
**Summary of Correlation between variables**

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

**4.2.2 Measurement of qualitative value**

Microfinance not only for economic improvement, it also contributes for quality improvement of people. In the study these values are studied as asset. Three aspects of assets a) human assets, b) physical assets, c) financial assets of economic empowerment are analytically presented but natural asset is not included.

**I. Human Assets/Capitals**

Human capital /assets refer to the skills, knowledge, beliefs, attitudes, ability to labor, and good health. In the context of micro enterprises creation and management, an entrepreneur at least needs required skills of business

handling, knowledge of overall management and marketing and good health to physically run the business. Indeed, skill, knowledge and good health may be perceived as critical parts of human assets and analyzed as below:

**Table-4.13**

**Human Assets/Capitals**

S.N.	Indicators	Improvement				Percentage (%)
		No	Little bit	High	Total	
1.	Business Skill and Knowledge(BS&K)	0	6	19	25	0:24:76
2.	Marketing and Management(M&M)	0	9	16	25	0:36:64
3.	Health	3	10	12	25	12:40:48

(Source: Field Survey, September 2008)

▪ *Business Skill and Knowledge*

The table 4.13 shows that microfinance program is very effective for business skill and knowledge expansion. After the intervention of program 76 percent of the respondents were found having these qualities highly improved. They don't have any business skill prior intervention of the program. Similarly, 24 of the respondent were found having little bit business skill and knowledge improved.

▪ *Marketing and Management*

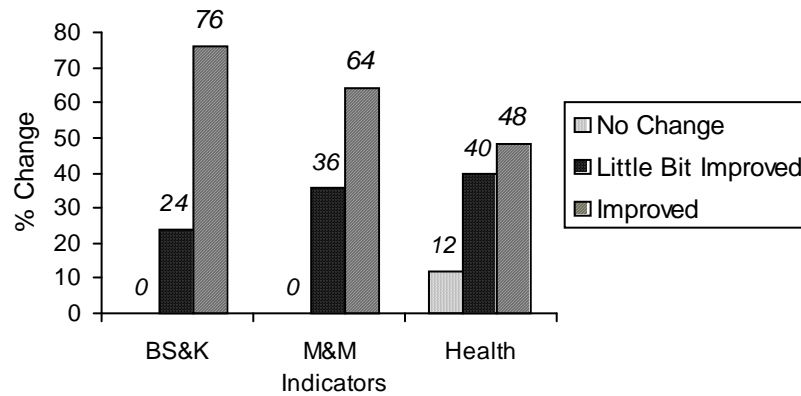
Marketing and Management skill is very important for the success of business. Without these skills no one can succeed in business. Above tables shows that 64 percentage of the respondents were able to improve these quality in high degree. Similarly, 36 percent of the respondents were found with little bit improvement on these skills.

▪ *Health*

Good health is major for the success of business. To measure Improvement on heath condition health expenses of respondents were taken. The table shows that 48% of the respondents have strong increment on health expenses. Similarly, 40 percent of respondents health expenses were little

bit increased and 12 percent have not increased their health expenses. Below graph shows these all measurements comparatively.

**Figure 4.11 Human Assets/Capital Status**



## II. Physical Assets/Capitals

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

Focal points for analysis are:

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

**Table-4.14**

### Physical Assets/Capitals

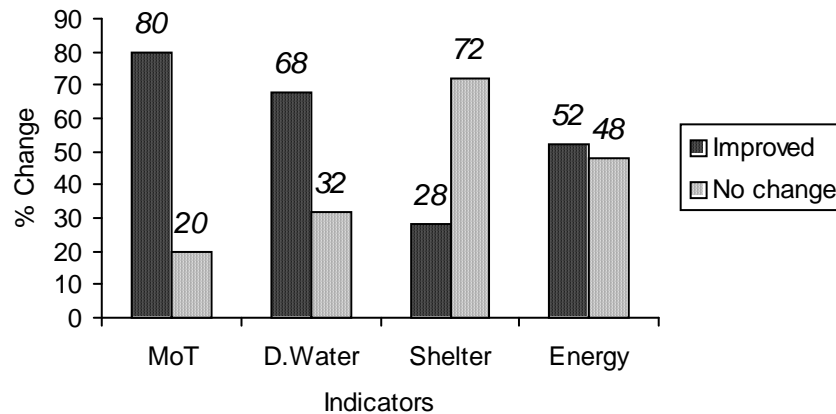
S.N.	Indicators	Effect			Percentage (%)
		<i>Improved</i>	<i>No change</i>	<i>Total</i>	
1.	Means of transportation	20	5	25	80:20

2.	Drinking water	17	8	25	68:32
3	Shelter	7	18	25	28:72
4.	Energy source	13	12	20	52:48

(Source: Field Survey, September 2008)

- *Means of transportation:* Table 4.14 shows that 80% respondents' means of transportation was improved. Previously they are compelled to walk on foot to reach local market, but, now they have own bicycle. 20 percent of them are still compelled to walk on foot.
- *Drinking Water facilities:* Table 4.14 also states that 68 percent respondents have built their own tube well for drinking water and remaining 32 percent are still using their neighbor's tube well.
- *Improvement in shelter/Housing:* After the intervention of the microfinance program 28 percent of the respondents are able to build their own house. Previously, they were living in rented house. Similarly, 72 percent of the respondents already have their own house so, they don't need to build new one. But, after the intervention of program they are able to maintain their shelter timely.
- *Access to energy source:* The table shows that 52 percent of respondents are able to improve energy sources. Previously they were not using electricity for lighting, now-a-days they have their own electricity meter.

**Figure 4.12 Physical Assets/Capital**



### III. Financial Assets/Capitals

Financial capital/asset refers to the financial resources available to the poor such as saving/credit provision and regular inflows of money. To run the business, they should have access to credit provision for investment and access to saving provision to accumulate the surplus earnings for future investment. Therefore only these two aspects of financial assets had been analyzed in this study.

Focus point of analysis:

- Access to credit provision
- Access to saving provision

**Table 4.15**

#### Financial Assets/Capitals

S.N.	Indicator	Effect			Percentage (%)
		Yes	No	Total	
1.	<i>Access to saving facilities</i>	25	0	25	100:0
2.	<i>Access to loan sources</i>	25	0	25	100:0
	Loan from Nirdhan Bank	-	-	20	80
	Local Creditors	-	-	5	20

(Source: Field Survey, September 2008)

The table shows that 100% respondents have access to saving and credit facilities. They also have the access to sources of loan and are able to make saving from business. Majority of respondents (80 percent) are taking credit from Nirdhan Utthan Bank but at the same time, some of them (20 percent) respondent are compelled to take loan from the local creditors too. That is basically due to tight lending policy and procedural lengthiness that takes long time to get money. But, it was found that after the intervention of program those people who were not providing money are ready to provide them loan. It signifies that respondents' creditworthiness has increased.

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

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

- **Human Assets/Capitals:**

Previously, Dalit women of the VDC had been fully dependent up on the family (especially husband). Similarly, their family was also dependent of wage labor. They had been working as agricultural labor. Beside agriculture labor they also used to go for other labor work.

They only have skill and knowledge about wage labor so, they kept business quite apart. They thought that to run business it needs lot of money. They have to work to fulfill their hand to mouth necessity, so, they were totally careless about health hazards. They used to stool in open place nearby the house and wouldn't keep surroundings clean.

- **Physical Assets/Capitals:**

Before the involvement in MF program, their living standard was very low. Houses were made by bamboo and dry grass. Even, some of them were living in landlord's house. Handfuls of them were able to manage drinking water. They had very few amount of land only for their settlement.

Similarly, they didn't have own means of transportation, so they had to walk on bare feet.

▪ **Financial Assets/Capitals:**

Previously, none of the NGOs or INGOs had been implementing development activities in that VDC targeting Dalits. So, none of them were involved in financial activities. If they need credit need they had to depend on local creditors and pay high interest. Only few of them were able to get money from local creditors with limitations. The maximum limit was two thousands.

If they failed to pay loan in time, they would face mental torture from creditors. In addition, creditors would compell them to work for free. Even small amount of loan were getting bigger day by day because of high and compounded interest rate. Sometimes they have to work for them for long time in their agricultural and household work to reduce their loan. They didn't have the sufficient income to fulfill daily basic needs so saving was extremely rare.

In short, it can be said that before the MF program economic situation of Dalit women in Santapur (M.) VDC was very poor. They have nominal assets, income and opportunities.

### **4.3 Socio-cultural empowerment**

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

- a) Social status
- b) Skill to influences socio-cultural factors
- c) Influence in decision making process,
- d) Education status of respondent children

### 4.3.1 Social Status

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

**Table 4.16**  
**Changes in Social Status**

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	25		25	100
2.	Family level	25		25	100
3.	Community level	25		25	100

*(Source: Field Survey, September 2008)*

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

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

### 4.3.2 Ability to analyze socio-cultural factor

This refers to the ability of respondents to analyze traditional socio cultural practices (such as: gender based discriminatory practices) and determine what is good and what is bad. Particular focus has been given to the practices that drive women backward.

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

**Table 4.17**

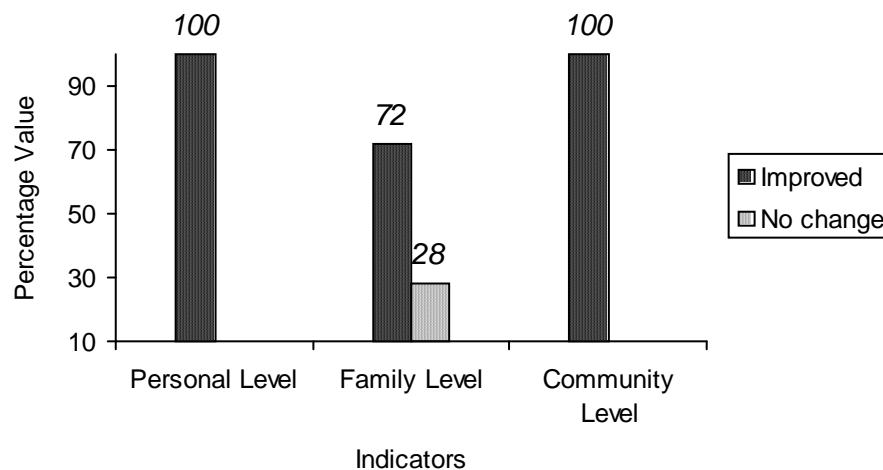
**Ability to analyze socio-cultural factor**

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	25		25	100
2.	Family level	18	7	25	72:28
3.	Community level	25		25	100

(Source: Field Survey, September 2008)

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

**Figure 4.13 Ability to analyze socio-cultural factor**



Personal level and community level analyzing ability of the respondents increased by cent percent. But, family level analytical capacity is below that level (72). That is because of skeptical family tie ups. Some of the respondents found quite dominated at home. Contrary to this fact, most of

the respondent told that now their husbands have started asking their view for any family matter. This symbolizes increasing involvement of female in decision making process.

### 4.3.3 Influence in decision making process

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

**Table 4.18**

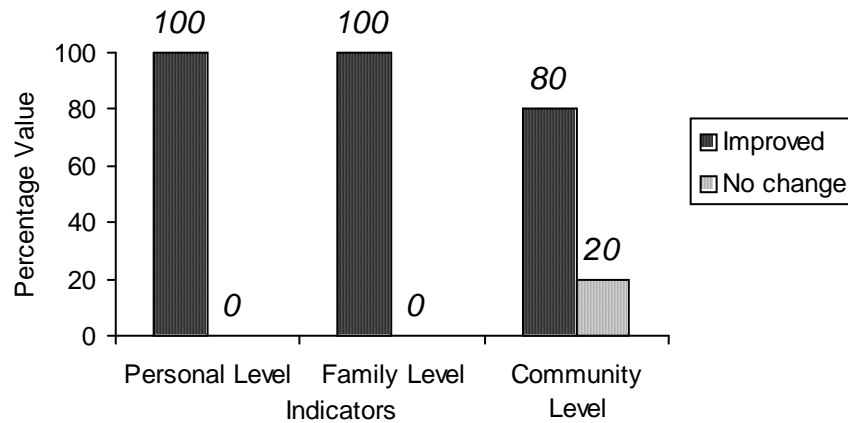
#### **Influence in decision making process**

S.N.	Indicators	Effect			Percentage (%)
		Yes	No	Total	
1.	Personal level	25		25	100
2.	Family level	25		25	100
3.	Community level	20	5	25	100

*(Source: Field Survey, September 2008)*

Table 4.18 shows the increment of role and influence of respondents in their family and person level by 100 percent. That is now they can influence each and every decision to be taken in family level. But, they are still dominated in community level. 80 percent of the respondent felt they have ability to influence community. That shows male has started hearing women's' advice in family and community level. Below graph shows comparative figures.

**Figure 4.14 Influence in decision making process**



#### 4.3.4 Education status of children

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

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

**Table 4.19(a)**

#### Educational level of children

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

**Table 4.19(b)**

#### Expenses for education of children

S.N.	Education Expenses	Households	Percent
1.	Yes	25	100
2.	No	0	0

(Source: Field Survey, September 2008)

If we look table 4.19(a) we found that 24 percent of the respondents' children are reading in primary level, 40 percent in lower secondary level, 28 percent in secondary level and very few 8 percent respondents' children are getting higher education. These figures show continuity in schooling and increasing new enrollment too. The analysis shows the positive changes in the level of awareness on education. Another important fact is that none of the respondent is willing to discontinue study of children.

Table 4.19(b) shows all respondents have been spending some amount for children's education. This shows that MF program is highly effective for changing people's attitude toward education. The other hidden fact is that none of the respondents' children is deprived from education.

#### **4.3.5 Socio-cultural situation before intervention of MF program**

Based on the discussion with respondent, questionnaire collection and baseline survey; the socio-cultural situation of the dalit women of the Santapur (M.) VDC before the intervention of MF program is described below:

- ***Social status***

Before the intervention of program dalit women of the Santapur (M.) had been fully directed by the family for everything - their basic need to freedom. The community was fully dependent in wage labor, all of them used to work for local riches. In addition to this, women had been doing household work too. Male members of the family used to decide everything. Women could not go any where besides wage laboring.

Family member never felt the need of advice and participant of women in family level. This totally demoralized their personal confidence too. Women themselves never thought their advices and participation are useful. Women's have less access in fixed and cash assets as well. So, they were fully dependent upon male member. Household economy was led by the male, they directed for everything

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

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

▪ **Ability to analyze socio-cultural factor**

Previously, Social status of the women was very poor. They were compelled to live within the boundary of their household work. They didn't get any opportunity to develop their personal skill and knowledge.

Their participation in individual and family level socio-cultural activities was just as helper. They were not allowed to participate in community level social and cultural activities. So, they were unable to play significant role in socio-cultural factors. Only male were the actor of socio-cultural factors.

▪ **Education status of children**

Previously, Education level of the women as well as community was very poor. They didn't have the knowledge of school education. Most of them didn't send their children to school. They thought schools are only for wealthy children. They did got opportunity to participate any awareness program.

To conclude, it can be said that before the intervention of program socio-cultural situation of the women of Santapur (M.) VDC was in miserable condition. Dalit community itself is very poor and ethnic minority community that is suppressed by the upper caste. In addition, women were suppressed by male dominated system of family. They had no access on

asset and income. Women were closed within household and livelihood work. They didn't have the exposure and knowledge of socio-cultural factors. They were not involved in any decision making process from family level to community. They were being treated as dumping site of traditional social culture and values.

## **4.4 Major Findings**

The major findings are presented below.

### **4.4.1 Economic Empowerment**

#### **4.4.1.1 Findings from numeric value analysis**

- **Credit Utilization analysis:** Credit and investment both have been increasing over the period. But, credit has higher growth rate. The mean increasing percentage of credit is 55 whereas investment has only 50 percentage average growth rate. Credit and investment both are highly fluctuating. But, because of high coefficient of variance (57.13%) credit is more volatile than investment (51.39%). Only 55.60 percent credit has been invested for the business and 44.44 percent portion of credit seems unutilized. Thus, it can be concluded that huge percentage of credit has been used for mainly two purposes: repayment and domestic expenses. This is particularly because of short time span for repayment. According to Bank rule, they have to repay their credit amount within 15 days. In such case, if they invest in certain business, they won't be able to pay within 15 days. So, they use some amount for repayment purpose. Similarly, correlation between credit and investment ( $r$ ) is 0.9953. Hence, it can be said that there is high degree of positive correlation between credit and investment of the business. That signifies that if credit increases investment also increase.

- **Credit repayment ratio analysis:** Repayment is in good position. Mean repayment rate during the period is 55.42% and it is above 50 in every year. The highest repayment rate is 57.47 percent in the year 2004.

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

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

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

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

- **Return on credit ratio:** Net income is growing in healthy rate over the year posting the highest rate of 93.11 percent in the year 2007. Because

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

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

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

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

#### **4.4.1.2 Findings from qualitative value analysis**

Based on the analysis presented above, discussion with respondents and opinion; the impacts after intervention of program on economic situation of dalit women of Santapur (M.) VDC following listings are identified:

- **Human Assets/Capitals:** The analysis shows their skill and knowledge were expanded from agriculture wage labor to different small businesses. Table 4-13 justifies that MF program is a best way to provide business skill and knowledge. After involvement in MF 100% dalit women are now business literate. Similarly, all of them have marketing and management knowledge. 64 percent of the respondents said that they their marketing and management knowledge was highly improved. MF program of Nirdhan Bank proved to be highly effective to aware them about health and sanitation issues
- **Physical Assets/Capitals:** Analysis of table and figure 5.14 shows very strong improvement in respondents' physical facilities of. 80% respondents' means of transportation was improved. Previously they were compelled to walk on foot to reach local market, but, now they have own bicycle. But, 20 percent of them are still compelled to walk on foot. Similarly, 68 percent respondents have built their own tube well for drinking water and remaining 32 percent are using their neighbor's tube well.

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

- **Financial Assets/Capitals:** 100% respondents have access to saving and credit facilities. They are saving certain amount from their income. Now, they have access to local banking and saving credit facilities in micro level They also have the access to sources of loan and are able to make saving from business. Majority of respondents (80 percent) are

taking credit from Nirdhan Utthan Bank but at the same time, some of them (20 percent) are compelled to take loan from the local creditors too. That is basically due to tight lending policy and procedural lengthiness that takes long time to get money. But, it was found that after the intervention of program those people who were not providing money are now ready to provide them loan. It signifies that respondents' creditworthiness has increased.

#### **4.4.2 Socio-Cultural Empowerment**

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

- **Social Status:** Social status of dalit women has been increased positively. After the involvement in MF programs women are now engaging in income generating activities as well as in different awareness program. That helped them to express their view in community. Subsequently, they became self-sufficient to fulfill their need. Then, people started accepting their presence. That signifies that MF program really helped to improve respondents' social status. Their level of confidence has boosted and they got recognizant in family as well as in community level. All of the respondents felt their confidence level boosted and similar percent felt that they are accepted as equal stakeholder of the family and society. They have already formed women group within a cluster in their own leadership.
- **Ability to analyze socio-cultural factor:** Analyzing ability of dalit women were found increased substantially. This is basically due to interactive and motivational workshops organized by NUBL. Initially, all the respondents were unaware about their social rights and norms. But, after the involvement they were able to discuss and analyze social practices.

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

- **Influence in decision making process:** Level of awareness, capabilities of the women has increased after the intervention of program. Now most of them have the capabilities to influence in socio-cultural factors that indicates their influence in decision making process also has been increased positively. Table 4.18 shows the increment of role and influence of respondents in their family and person level by 100 percent. Now they can influence each and every decision to be taken in family level. But, they are still dominated in community level. 80 percent of the respondent felt they have ability to influence community. That shows male has started hearing womens' advice in family and community level.
- **Education status of children:** Their business income is supporting in their children's education, they became able to send their children continually in school. Table 5.18 shows positive changes on the awareness level about education. Majority of them are sending their children in school and moreover seems their regular continuity in schooling. Moreover the trend shows the awareness about education is increasing and together students are increasing in lower level enrollment.

## CHAPTER V

### SUMMARY, CONCLUSION & RECOMMENDATION

#### 5.1 Summary

- ) The research was conducted in Santapur (M.) VDC of Rauthat district, located 4 kilometers south from East-West highway on the way to Gaur, district headquarters. Bhramins and Tharus are the major caste of Santapur (M.). Mushahar, Dushad and Chamar have majority among lower-caste (Dalit). The study was based on exploratory and descriptive research design. The data has been collected by primary and secondary both sources. Field study was conducted using structure questionnaires, checklist and discussion. 100 per cent Dalit women involved in MF program of Nirdhan Bank were taken as sample. Qualitative information was collected through observation, individual discussion and focus group discussion.
- ) Primary objective of the MF program in Santapur (M.) is to empower deprived and low-cast community economically and socially. This is the core concept of MF program worldwide. This seems to be a sound strategy for the country like Nepal.
- ) Nirdhan Bank's MF program has proved itself as successful strategy for Dalit women empowerment in Santapur (M.) VDC. After the intervention of program Dalit women's asses to micro credit has increased substantially, because of collateral free loan. The program has been able to increase the self-esteem and self-confidence to women through personal saving, regular income, bi-monthly meetings, exposure, trainings and the frequent interaction with other women in the community. They are now in good position either economically or socially.

- ) However, the limited mobility of women has also been observed to have direct relationship with decision making ability in their family and community level. Repayment of loan is satisfactory. But there are some problems in utilization of credit. That was basically because of the short repayment period. 15 days interval repayment provision is the main problem for full credit utilization. Because of the small scale business, they couldn't generate regular cash-flow to payback the loan within the agreed schedule.
- ) MF program has enabled Dalit women as micro-entrepreneur to generate income and greatly helped them to harness their potential. It has also brought them forward from their household premises and created an environment conducive to interact with other community members. They have got an opportunity to discuss their problems in a greater community. Similarly, their leadership capacity has been nurtured to the extent.
- ) The greatest challenge of micro-finance is expanding saving and credit services to the poor. Because they don't have any resources to use them, they don't have any idea to utilize them. But, NUBL's MF program proved itself very successful. After the intervention of program women have started saving for future, which made them self-reliant and confident. Now, they have their own business, so, they needn't to beg with their family member. They have good business management skill. They have increased their productivity of their limited assets as well as increased financial status.

**The major findings are listed below**

- ) Women are being empowered financially as well as socially.
- ) Dalit Women are mobilizing credit, getting regular income and acting as a helping hand to meet the family need.

- ) Women have regular income and they could get credit in low interest rate without collateral in emergency.
- ) They have good business and financial management skill.
- ) They have developed the self-confidence and leadership skill.
- ) Dalit women started engaging themselves in social works.
- ) Involvement in decision making process from family to community.
- ) Ability to analyze and determine which social practices are good and bad.
- ) More social exposures and training.
- ) Significant changes in socio-economic status of Dalit women.
- ) They are more aware about education, sanitation and health.
- ) Although they are now self-sufficient and are able to feed their family, different social traditions pushing them back to the hell of social jeopardy. But, there is significant difference after the intervention of MF program. Still, there are social and traditional restrictions that are acting as barriers for women only. Because of these so called social barriers, they are not free to speak and behave comfortably with outsiders. In, addition they are bounded by traditional social norms.
- ) Literacy is one of the pre-requisite steps for the overall development of individuals and community as well. It is well known fact that female literacy rate is lower than male in the broader context of Nepal. Social norms and values discourage women for decision-making especially for rural women. They have less power in decision-making in all spheres of life; gender inequality is a main problem. The study found that Dalit women of Santapur (M.) VDC have been facing same problems.

## 5.2 Conclusion

- ) Selected community is one of deprived community of Nepal. People hate them saying untouchable. More often they are excluded from the basic facilities and opportunities provided by government.
- ) The Micro saving and credit scheme is being popular in this community. The financial analysis of business shows that their business is in profitable position. The community has succeeded to utilize the saving and credit and generate profit. However still some efforts are needed to sustain these improvements and further financial soundness of the program.
- ) All community members were found satisfied with the program, although, they expect some improvement in process. The saving and small credit program is highly popular in the community basically for the economic reasons along with human and social development. Amount of loan distribution and collection procedures are not simple and easy, the significant chunk of loan is being used by borrowers for repayment. This is quite impractical.
- ) Sustainability of the program is highly dependent on the qualitative and quantitative factors. In quantitative aspects the most of the indicator are showing financial soundness. But, qualitative factors are demanding some improvement.
- ) The project has been playing a vital role to change women's socio-economic status. The women's groups were formed, strengthened and supported with training, counseling, necessary inputs and their skill,

knowledge and capabilities has been increased to enhance their business handling ability, which indicates economic empowerment.

- ) On the other hand the gender disparity has remarkably decreased; women's confidence level has been raised from their personal level to the community level. They are challenging their conservative tradition and trying to maintain their own social status. MF program has increased the awareness in education, health and sanitation.
- ) These all changes have contributing to their skill to influence the factors of decision making process which indicates their social empowerment.

### **5.3. Recommendations**

- ) Because of 15 days interval repayment schedule all the borrower are holding their money to repay in time. This provision compelled them to hold some money idle. So, it is recommended to maximize the repayment interval to at least one month. That will definitely improve credit utilization rate and increased income. Similarly, repayment schedule should have flexibility according to the business nature and repayment track of client.
- ) Improved provisions for repayment are necessary to reduce the gap between credit growths. There is big difference in credit growth every year.
- ) Actual need identification, periodic meeting and monitoring mechanism should be regular and effective to pump up and alert them for optimum utilization of credit.
- ) Return on investment ratio is very strong, but, return on credit ratio is just satisfactory. So, it is recommended to develop a mechanism to make investment from their credit, not to use credit for repayment and household expenses.

- ) Saving rate is good, but maintaining it in long run may be difficult. So, different programs to develop entrepreneurial skill should be launched.
- ) Members of Nirdhan Bank are still taking loan from local money lender with high interest rate. This is because of the long procedure and delay in reimbursement. So, it is recommended to ease the procedure and reimburse as soon as possible.
- ) To enhance their business they should be encouraged to regular monthly saving and reinvestment of capital.
- ) The Bank has been providing technical support in terms of market link and business management. Beside these support it should train them for business planning and expansion.
- ) For the sustainable improvement of respondents' social and economic condition, it is recommended to transfer the technical skill and knowledge about business management, credit cycle, market identification and other aspects of the business to the member.
- ) It is recommended that certain time of the women's forum should regularly conduct programs that make them aware about gender disparity, conservative social norms and attitude for social change.
- ) Financial status of Dalit women increased substantially after the intervention of MF program but, there is still need of social empowerment. So, there should be focus on social empowerment too, especially, in education, sanitation and health.
- ) Co-ordination, co-operation between member and bank should be further strengthened. Success of the program depends on mutual cooperation.

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## APPENDIX I

### Part I: Micro Finance Sector in Nepal

#### 1. Institutional Sector

- ) **Nepal Rastra Bank (NRB):** NRB is a central bank and an apex institution of the financial system. It has placed various efforts to develop the micro-finance system in Nepal. It introduced the priority sector (small sector) lending program in 1975 and the intensive banking program in 1981. Further, in 1992, NRB participated in equity and management to develop the Grameen Banking system by introducing regional rural banks as a replication of Bangladesh Grameen Banking model. NRB plays a vital role to develop the microfinance system in Nepal through introducing policy, systems and institutions as well.
- ) **RSRF (Rural Self Reliance Fund):** In 1990, government of Nepal introduced a fund of NRs. 10 million to provide a wholesale fund for small cooperatives and rural based NGOs to on lend to micro entrepreneurs. Further in 1999, government provided additional support of NRs. 10 million to the RSRF. Since the beginning, the fund has been handled by NRB. Up to mid July 2008, RSRF sanctioned loans to 52 NGOs and 150 cooperatives amounting to NRs. 22.25 million and 40.46 million respectively.
- ) **Rural Micro-Finance Development Centre (RMDC):** Under the financial support of ADB/Manila, NRB, banks and financial institutions together injected equity to form the micro-finance apex institution Rural Micro-Finance Development Centre' (RMDC), incorporated in 1998 mainly to extend wholesale fund to the micro-finance institutions. Its mandate includes capacity building for MFIs and ultimate borrowers in addition to providing a fund for on lending to them. Being a micro-finance apex

wholesale institution, it has provided wholesale loans to different MFIs (Grameen Bikash Bank, Development Bank, NGOs, SCOs).

- ) **Commercial Banks (CB):** According to the NRB directive, commercial banks need to extend at least 7 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, all commercial banks are extending credit to the deprived sector.
- ) **Small Farmer Development Bank (SFDB):** SFDB was established in 2002 under the development bank act of 1996 to provide wholesale funds to Small Farmer Co-operatives Ltd. (SFCLs). SFCLs were developed by the SFDP of ADB/N to make groups of small farmers self-reliant and sustained. Until now, the total number of SFCLs affiliated with the SFDB is 35 and the total number of groups within the SFCL is 3,434.
- ) **Development Banks:** Some development banks formed under the development bank act 1996 are implementing micro-finance activities in rural areas. Prior to becoming development banks, some institutions were active as NGOs in the field of social development, as well as in micro-finance. Among these banks, 5 are regional rural development banks in the government sector and 6 are micro finance development banks established by private sector.

## 2. Community Based Sector

- ) **FINGO (Financial Intermediary Non-government Organization):** Those NGOs that are operating in financial services transactions and opting for an NRB license are referred to as FINGOs. NRB has initiated to NGOs providing license and a mechanism in financial intermediation activities to provide financial services such as micro finance services to address the lack of institution providing MF services in many areas of the country. Financial intermediation activities are defined as the

borrowing and on-lending of funds, but do not include direct deposit taking from the public. The last session of parliament approved changes in the Financial Intermediary Act of 1998, which now allows FINGOs to collect savings from the members of groups.

As a replicator of Grameen Model, some NGOs were established to extend credit facility to the rural poor: Nirdhan (1991), CSD (1991), Chhimek, Deprosc (1994). In 1996, the development bank act came into existence and the above-mentioned NGOs became development banks. Since the financial intermediary act was implemented in 1998, 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.

) **Saving and Credit Co-operatives (SCOs):** SCOs are member owned, controlled and capitalized organizations, which provide financial services to members. There are more than 2,300 SCOs registered with the Cooperative Department in Nepal and approximately 400 of these are a member of the national federation, NEFSCUN. Savings and Credit Groups 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 livelihood that the group would continue to meet and be active, after the specific program intervention had been completed. Given that the limited prospects of such smaller groups and the problems that promoting agencies face in maintaining outreach to large numbers of

scattered, small groups, considerable attention is being paid nowadays to mechanisms for federating and institutionalizing these groups.

) **Traditional Savings and Credit Groups:** Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as a Rotating Savings and Credit Associations (ROSCAs), but known locally as Dhukuti or similar terms. These tend to be nonregistered, but quite formally structured in terms of membership rights and obligations, etc.

### **Regulation of MFIs**

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

## **Part II: Introduction to Study Area and MF institution.**

### **1. About Nirdhan Utthan Bank Ltd. (NUBL)**

Nirdhan (NGO) is a parent organization of Nirdhan Utthan Bank Ltd., Nirdhan (NGO) transferred all microfinance operations to Nirdhan Utthan Bank from July 1999. Nirdhan Utthan Bank Ltd "*the bank for upliftment of the poor*" obtained a limited Banking license from the central bank of Nepal in 1994, this enabled Nirdhan to mobilize voluntary saving from its members/clients. By July 1996, Nirdhan had established 8 branch offices with 79 employees serving 4481 active loan clients. Three years later, in July 1999, Nirdhan expanded its network to three regions offices and 21 branch offices with 170 staff serving 15382 active loan clients and in November 1998, it was registered as a company. In April 1999, The Central Bank granted a license for Nirdhan Utthan Bank to undertake banking activities under the development Bank Act 1996.

Shareholders of the Nirdhan Utthan Bank are :

- Nirdhan (the parent organization)
- Himalayan Bank limited
- Nabil Bank Limited
- The Grameen Trust
- Private individuals and the bank employees.

#### ***Vision of NUBL***

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 help to reduce poverty in Nepal.

#### ***Mission***

The Bank's mission is to extend financial services and social awareness to poor, especially rural poor women, in under-served and un-served area of Nepal in a sustainable manner.

#### ***Goals***

The major goals of the bank are:

- Reach maximum number of poor households with potential and financial viability by adopting proven financial services delivery mechanism.
- To develop a well managed institution with high staff morality.
- To enhance women's "self-respect" through social awareness, proper use and ontime repayments of loans, regular savings and provision of related micro-finance services.

## **2. About Study Area**

Santapur Matiyaun is located at approximately 30 km South from Gaur, headquarter of the district. It is bordered with Chandranigahpur VDC. Chandranigahpur is major market of the south of the district, through which East-West highway runs. Santapur (M.) is 3.5km far from Chandranigahpur. Dumariya (Matiyaun) VDC and Simra Bhawanipur VDC are linked with northern part of the VDC. Similarly, Bishrampur is linked with eastern and Rangpur VDC with Western part of Santapur (M.). Birendra Highway (black topped) connects it with Gaur and Chandranigahpur.

Rice, wheat, maize, masuro (lentil), sugarcane, maize, wheat and vegetables like: cauliflower, cucumber, potato, cabbage, tomato are produced with commercial purpose. Similarly, other seasonal vegetables are produced for local market. Chandranigahpur is the main market of Santapur (M.).

The majority of the settlements are spread over the VDC and the settlements are easily linked with each other by 75% gravel road and 25% narrow road.

There are two higher secondary schools. One of them runs bachelors degree courses affiliated with Tribhuvan University. Few primary schools and two secondary level boarding schools are operating in the VDC.

Small Farmers Cooperative is serving the residents with saving and credit facility. Beside this, Community Based Saving groups are operating for economic support of the members. Nirdhan Bank is serving people of Santapur from its Chandranigahpur branch.

Santapur VDC has one Sub-health Post. The sole health post is distributing medicines all over the VDC and providing limited health services. Nine Female health volunteers are working here in community level under the sub-health post. Beside these, few medicals are providing health services.

## APPENDIX II

### J Calculation Different Statistical Values

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

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

#### *Calculation of Probable Error*

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

Where,

r = Correlation

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