

# CHAPTER I

## INTRODUCTION

### 1. General Background

Nepal is a landlocked country in south Asia and it is the world's youngest republic. It is a country of highly diverse and rich geography, culture and religions. Nepal population has grown from 9 million people in 1950 to 29 million in 2011. Nepal gross domestic product GDP for 2008 was estimated over \$12 billion making it the 115<sup>th</sup>-largest economy in the world. Agricultural accounts for about 40% of Nepal's GDP services comprise 41% and industry 22%. Agricultural employs 76% of the workforce, services 18% and manufacturing craft based industry 6%,(www.adb.org).

Its workforce of about 10 million suffers from a severe shortage of skilled about half of the population live below the international poverty line of \$1.25 a day. The spectacular landscape and diverse, exotic cultures of Nepal represent considerable potential for tourism, but growth in this hospitality industry has been stifled by recent political events. The rate of unemployment and underemployment approaches half of the working –age population. Thus the many Nepali citizens move to another country in search of work; like gulf countries, Malaysia etc , (www. wikipedia.org/ Nepal).

After WTO membership in 2004, more responsibilities and challenges are added on national level. Nepal is in infrastructure development phase to activate WTO by 2010. After this, intense competition can be expected in the national economy. Among other things, it is high time Nepal pay its due attention to the ignored rural areas. In the rural areas also women workforce is the main stream of development. That is why Nepal's efforts for fulfilling the aspirations of its people are possible only by empowering rural women economically, socially and politically. In this context micro finance can be one of the effective medium to uplift the rural women.

#### 1.1.1 Meaning and Definition of Micro Finance

Microfinance means providing very poor families with very small loans to help them engage in productive activities grow their very small businesses. Like us, many poor people need and use financial services all the time. They save and borrow, invest in home

repairs and improvements and meet occasional and domestic expenses such as food and school fees.

In other words Microfinance is the provision of financial services to low-income clients or groups including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Those who promote microfinance generally believe that such access will help poor people out of poverty. Microfinance is a broad category of services, which includes microcredit. Microcredit is provision of credit services to poor clients. Although microcredit is one of the aspects of microfinance, conflation of the two terms is endemic in public discourse. Critics often attack microcredit while referring to it indiscriminately as either 'microcredit' or 'microfinance'. Due to the broad range of microfinance services, it is difficult to assess impact, and very few studies have tried to assess its full impact.

The history of micro financing can be traced back as long to the middle of the 1800s when the theorist Lysander Spooner was writing over the benefits from small credits to entrepreneurs and farmers as a way getting the people out of poverty. Independently to Spooner, Friedrich Wilhelm Raiffeisen founded the first cooperative lending banks to support farmers in rural Germany. The modern use of the expression "microfinancing" has roots in the 1970s when organizations, such as Grameen Bank of Bangladesh with the microfinance pioneer Muhammad Yunus, were starting and shaping the modern industry of micro financing. Another pioneer in this sector is Akhtar Hameed Khan. So that Microfinance is considered as a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

Microfinance has appeared as a powerful means to solve the above mentioned problems. It is one of the best alternatives to generate self employment and provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self employment and income generation. Micro financing activity only takes the country forward and slowly gets successful results. Micro finance helps very poor persons like small businessman,

farmers and the people of lower economic status of other sectors. It could help poor people who have a desire to do some business activities from which he/she will acquire employment as well as income. So, micro finance programs are seen as a poor targeted and rural based. The success of Micro-Finance in Bangladesh can be taken as an example. Bangladesh micro-finance program (Grameen model) is known a successful micro-finance program in world. This program achieved their target and poverty reduction in Bangladesh. This model was developed by Mohanmmad Yunus, who won Nobel Peace Prize 2006 ([www.adb.org](http://www.adb.org)) .

Similarly Micro finance can be defined as a provision of broad range of financial services such as deposit, loan money transfer and insurance to small enterprises and household. MF broadly is providing financial services to the poor under the premises that, they are marketable and if they get the opportunity they can earn and play- synthesis from different practices in public policy and MF. MF displays a small amount of short term working capital and in some case longer term investment loans and provides deposit facilities to small scale business and household.

Microfinance is financial services to the poor. This goes for the definition in Nepal too. As the government in Nepal has its whole national plan focused on poverty reduction Microfinance has a key role to play in achieving the goal of our government. Microfinance is definitely one of the tools of eradicating poverty and empowering poor people. However, it is also not a panacea. Poor people like rich have their financial needs therefore financial services be it savings, loan or insurance is a necessity of life for them. The major strength of microfinance is that it provides these services to the poor people and helps them to improve their livelihood.

Program which provide opportunity to those who are usually considered non bankable, to save small amount of savings, receive amount of loans at their doorsteps without or with collateral in a very simple way, receive or with collateral in a very simple way, receive insurance and other financial are micro finance program. Microfinance is considered as a tool for socio-economic development and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial institutions.

In Nepalese context Credit co-operatives, Co-operative bank, Small Farmer Development Program (SFDP) Small Farmer Credit Line (SFCL), Production credit for Rural Women (PCRW) and MCPW and RSDF Programs Republication of Grameen Banking Model are some of the programs in the field of microfinance.

### **1.1.2 Women Microfinance in Nepal**

Women in Nepal are extensively engaged in agricultural activities. Women constitute more than half the potential labour force in Nepal and contribute extensively to the Nepalese agricultural in terms of both labour input and decision-making roles. Women have to work either on their husband's farm or on their father's farm to be economically productive. They lack any other kind of productive assets (Sharma, S. R., 1997: p.63).

Because of these difficulties, when poor people borrow they often rely on relatives or a local moneylender, whose interest rates can be very high. An analysis of 28 studies of informal money lending rates in 14 countries in Asia, Latin America and Africa concluded that 76% of moneylender rates exceed 10% per month, including 22% that exceeded 100% per month. Moneylenders usually charge higher rates to poorer borrowers than to less poor ones. While moneylenders are often demonized and accused of usury, their services are convenient and fast, and they can be very flexible when borrowers run into problems. Hopes of quickly putting them out of business have proven unrealistic, even in places where microfinance institutions are active.

A large number of micro-credit programs have focused on expanding micro loans or support economic activities of the poor and disenfranchised groups in the society mostly women. It is generally an accepted fact that women are the poorest of the poor. The possibility of women development through microfinance program was realized and women's access to credit was given emphasis at the first international women's conference held in Mexico in 1975. Government of Nepal had no policy and objectives specifically directed to women development before the Sixth Plan (1980-1985). Few policy guidelines were effectively formulated in the Eighth plan (1992-1997) for maintaining women in economic development with the interpenetration of credit programs like the PCRW and SFDP and expansion of Grameen rural development banks. In 1992, the NPS created the Children and Women Development Section under the population division. In 1994, the National Council for Women and Child Development was formed, followed by the establishment of the Ministry of Women and Social Welfare in 1995 to coordinate and monitor all activities directed towards enhancing women's status. The plan also undertook

other important actions like elimination of discrimination against women and enforcement of the revised Muluki Ain (Inheritance law) to remove the legal constraints related to equitable access to resources. The Ninth Plan (1997-2000) as well as the Tenth Plan (2002-2007) also considered women as its major target group to fulfill the goals of human resources development and poverty alleviation in the country (Bashyal, 2008, p. 74-75).

Microfinance experts generally agree that women should be the primary focus of service delivery. Evidence shows that they are less likely to default on their loans than men. Industry data from 2006 for 704 MFIs reaching 52 million borrowers includes MFIs using the solidarity lending methodology (99.3% female clients) and MFIs using individual lending (51% female clients). The delinquency rate for solidarity lending was 0.9% after 30 days (individual lending—3.1%), while 0.3% of loans were written off (individual lending—0.9%). Because operating margins become tighter the smaller the loans delivered, many MFIs consider the risk of lending to men to be too high. This focus on women is questioned sometimes, however. A recent study of microentrepreneurs from Sri Lanka published by the World Bank found that the return on capital for male-owned businesses (half of the sample) averaged 11%, whereas the return for women-owned businesses was 0% or slightly negative ([www.rmdcnepal.com](http://www.rmdcnepal.com)).

Nepal being a mountainous country, microfinance services program needs to be designed according to topographical differences. In populated area, modified Grameen model through federated "Credit agent" is suggested as an appropriate model. The saving and credit organizations can be mobilized to provide door-to-door services to the poor people. There are many community-based organizations in the villages like "Aama Samunha". On the other hand, the self-help groups pay attention only for institutional development rather than the beneficiaries.

### **1.1.3 Introduction to Organization**

Pashchimanchal Grameen Bikas Bank limited (PGBB) was registered in 1994 as a public limited company under the company act 1974, currently, it is operating under the Bank and financial institution Act 2006. As a micro finance bank, the bank has been established to alleviate the hardship and sufferings of the rural people within the western region of Nepal.

The main objective of the bank is to poverty alleviation of the rural poor through credit delivery system of Nepal. The unique features of the bank are Area approached, well

defined target group, group guarantee landing approach, no physical collateral required, disbursement of loan at the centre.

The head office of the bank is situated at Butwal, Rupandehi. It has started its first operation on 15<sup>th</sup> July, 1995 from the Gorusinghe branch of Kapilvastu district. The bank has extended its service in 13 district of the western region of Nepal, modelled on the methodology of Grameen Bank Bangladesh; the bank operates 36 branches located in the hill and plain region within the western region, with a stronger presence in the hills.

PGBB operates mostly in hill regions, which is a more difficult environment for microfinance services. Under a recent restructuring and privatization process, PGBB is one of the most profitable RRDB.

#### **1.1.4 Operating Mechanism of PGBB**

##### **OPERATION AREA:**

The bank is operating in 273 VDCs including 12 municipalities of 13 districts of terai, inner-terai and hill of Nepal, namely, Rupandehi, Nawalparasi, Kapilbastu, Palpa, Arghakachi, Gulmi, Syanja, Kaski, Parbat, Baglung, Lamjung and Gorkha. PGBB has also planned to move into new Village Development Committees (VDCs) in the existing districts concurrent to the membership drive. In the base year, it is operating through 40 Area/Branches/Contact Office, which is envisaged to be increased to 67 by the last year of the plan.

##### **MANAGEMENT TEAM:**

The banks is headed by the Executive Chief who is responsible for day to day activities of the bank and to operate carefully.

The bank has Six departments at head office, which are:

Human Resource & General Service Department	Financial Management Department
Credit Management Department	Internal Audit Department
Planning, Budgeting & Research Department	Monitoring & Evaluation Department

At the field level, there are Area Offices headed by Area Manager. The branches are headed by the Branch Managers at the forefront. The area office supervises and monitors branch offices; this office is responsible for linking between the head office and branch offices.

The bank has adopted the following operational mechanism:

- ) Each group consists of 5 members of different household.
- ) Each group select a chair person and secretary who monitor its own group members' activities.
- ) Each group should take at least one week training at entry point where group member become familiarized with the basic components, policy and program of the bank.
- ) Each group member must be able to write their name to be qualified for the loan.
- ) There is a rule of 2+2+1 in PGBB i.e. two member can get loan on first week, another two member on third week and chairman gets loan on lastly i.e. in fifth week .Each member has to pay his/her instalment two weeks within a year.
- ) Member deposits compulsory saving of RS 5 and voluntary saving Re. 1 into the bank.

There is an area office of PGBB. This area office works as branch office. The branch office is located in Lekhanth Municipality-3, Argaun Chowk. In this branch office there are 53 centers, 343 groups and 1670 group members.

### **1.1.5 Introduction of Study Area**

Lekhanath is a municipality in Kaski district in the Gandaki zone of northern-central Nepal. It is located in the south western part of the Pokhara valley, about 10 km southwest part of the Pokhara valley, about 194 km west of Kathmandu. It a medium sized municipality established on 2053 by combining Rakhi, Shishuwa and Begnash VDC, s. It is 180km far from capital city Kathmandu. It is also called garden city of seven lakes. Lekhanath possesses many terrains and Mountain View sites. It is also becoming a famous destination among trekkers as some of the comfortable and short trekking routes in Pokhara valley begin here. Rightly called eastern gateway to Pokhara, Lekhanth is the place where you can catch the view of the whole Annapurna range including Machapuchhere (fishtail) and Dhaulagiri.

The total population of Lekhanth is 55105. Among them 27,721 are male and 27384 are female. There are 11.859 house hold and 4.6 person are in average per household. About the literary status 91.7% male are literate where the literacy rate of female is 76.1%. In average 84% people are literate in Lekhanath municipality.(socio-economic status of Lekhanath Municipality-2064,Lekhanth municipality Talchowck, kaski) Many microfinance institution including PGBB, Lekhanath co-operative ltd, Nirdharn utthan bank, Muktinath bikas bank etc are some example Most of them provide the facilities for saving, lending money for small business and other awareness program for the community.

#### **1.1.6 Women Microfinance in Lekhanath Municipality, Kaski**

The female population of Lekhanath is 27834 which are 50% of total population. Most of the women of this municipality are farmer. Few women work in school and offices. Who work in agricultural field they need economic support to do the own small business or to apply the new technology in their traditional farming system so that they can increase productivity. It is true that it will be beneficial for women if they save small amount of money in a group and invest that in same profitable sector for this purpose various NGOs, INGOs, banks and financial institution are working in Lekhanath. Some of them are rural urban partnership programme, Api Finance Limited, Kamana Bikas Bank, etc. Among the above institution PGBB is the most popular and strong financial institution in Lekhnath.

#### **1.1.7 Role of PGBB for Microfinance Programs in Lekhnath Municipality**

PGBB is playing a very important role to uplift the living and make financially support for women within this municipality. PGBB help the staff in the community to aware about the microfinance program and form a group of 5 members. Field staff conduct the meeting with groups in the center(Kendra)and provide services of saving and receiving loan from the centre .PGBB offer variety of saving program like Group Saving ,Individual Saving ,Center Fund. It also offers of loan products. Maximum loan amount is Rs. 60000.PGBB provide loans in yearly basis. The group's members get 20000 in first year and loan amount increased by Rs 20000 every next cycle. She gets Rs 60000 in last year .Interest rate on loan charged by PGBB to its members is 20%. Loan can be provided on agriculture, service, trade, retail business etc .If some women deny repaying loan on time then member of group will force them to repay loan within schedule date.

### **1.2 Focus of the Study**

In every society Poverty has become a burning problem. A country cannot achieve sustainable economic progress without tackling it. Since Nepal's 31 % of people are under poverty, government has also laid emphasis on poverty alleviation. In this context Microfinance is a major way out to address poverty. It is an effective tool in raising the standard of living of rural poor, especially the women and granting them socio-economic status in the society. However there is a need to undertake study on the condition of microfinance on women in raising their socio-economic status. For the purpose the role of PGBB in Lekhanth municipality Kaski, in alleviating Poverty among women has been studied as a case. The present study mainly concentrated on exploring how PGBB has helped mobilization of their saving, distribution of loan and its repayment policy. The study also incorporates to analyze the relationship between investment and income, and between loan disbursement and recovery and emphasis on poorest of poor women's financial condition through microfinance activities.

### **1.3 Statement of the Problem**

Women of Nepal are poorest than men because they lack access to health, education and economic resources. Most of the women of Nepal are involved in agriculture but not recognized as farmer due to triple burden of work. Majority of women in Nepal are suffering from hard work and have difficult social and economic condition. The most unprivileged class like women is to be especially targeted to effectively achieve overall poverty reduction in the country.

Different type of Programs is being launched for women development in Nepal. Some of them are Priority Sector Program (PSCP), Small Farmer Development Program (SFDP), Integrated Rural Development Program (IRDP), Production Credit For Rural Women (PCRW), Participatory District Development Program (PDDP) etc. These Programs are intended to uplift the rural poor, especially women. Government itself has also conducted Micro-Credit Project for Women (MCPW) in twelve districts and five urban areas.

Although Kaski is one of the educational district of Nepal, women of this district are still involved within household activities including agricultural. The ownership right over the family properties rests with males not the females.

Some common problems related to women such as not owning land, low level of education, limited scope to generate income and low social status are interconnected and

circular in nature. They are less conscious to save money and financial mobilization. It is thus, difficult for them to invest in business activities.

Women microfinance in Nepal has been facing many problems. Some issue may be poured. Problem in relation to the study within Lekhanth municipality, Kaski the following questions need to be addressed:

- ) How is saving and its mobilization pattern of women?
- ) How is the mode of loan, loan disbursement and repayment practice?
- ) What is the relationship exists in between investment and income?
- ) What is the effect of this program on the poorest of the poor women's financial condition?

Above questions are really pertinent if we are serious in helping poor women.

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

The objective of the study is to assess the performance analysis of pashchimanchal grameen bikas bank on women microfinance programme in lekhnath municipality Kaski. Specifically following objectives have been proposal.

- ) To analyse saving and its mobilization pattern of women.
- ) To explore mode of loan, loan disbursement and repayment practice.
- ) To analyze the relationship between investment and income of PGGB program.
- ) To assess the effects on the poorest of the poor women's financial condition.

To provide appropriate suggestion would be forwarded to make the program in Lekhanth municipality, Kaski effective, especially relating to poor women.

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

In Nepalese prospective, majority of people live in villages. They are suffering from malnutrition, lack of schooling and other human necessities. They are unable to start new venture due to lack of financial problem. They have no access to banking system; their economic condition is being poorer and poorer. It is believed that micro finance is a powerful tool to fight against the poverty. Its major achievements are considered as enhancing income of poor, increasing social awareness in regard to education, health and sanitation, social welfare, group mobilization etc. PGGB is the apex institution working for the rural poor through microfinance. So there is great importance of PGGB for smooth development of rural areas. Significant of the study is to find out problem and prospects in

near future. The present study has practical relevance. It attempts to find out the ways it is trying to find out women's condition in Nepalese society .t not only supports the economic condition of women but also has positive impacts on their social life through better standard of living with greater access to education and health facilities and empowerment to participate in decisions of the society.

## **1.6 Limitations of the Study**

Main objective of the study is to analyze effects of microfinance on women. It is also required to fulfill the academic requirement of Master of Business Studies Degree. No any research escapes from limitation. This study has the following limitations:

- ) This study is confined within Lekhanth Municipality-Kaski,
- ) The study covers PGBB's program for the last 5 years from 2007 to 2011data.
- ) The accuracy of this study is based on the true response and the data available from management of the PGBB.
- ) The study is confined to women only.
- ) Sample is taken from among the women involved in micro- enterprise program.

## **1.7 Organization of Study**

This study has been organized into five chapters:

- Chapter I: Introduction
- Chapter II: Literature Review
- Chapter III: Research Design

Chapter IV: Data presentation and analysis

Chapter V: Summary and Conclusion

Chapter I: Major issues to investigate along with the objective, significance, focus and limitation of the study and organization of the study have been presented in this chapter.

Chapter II: This chapter comprises review of the literature which consists of conceptual review and review of related studies. This provides a framework with the help of which this study has been conducted.

Chapter III: The methods followed by us in analyzing the objectives listed above have been outlined in the third chapter. It includes research design, sources of information, sample selection and the proper tools used for the purpose of analysis.

Chapter IV: Chapter four deals with the presentation and analysis of relevant data and applying various proper tools, table and figure are also interpreted and accomplish the objective of the study and major findings emanating from the study.

Chapter V: Summary, conclusion and recommendation have been presented in last chapter.

Bibliography, Appendix and other supporting documents have also been incorporated at the end of the study.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

Review of literature provides foundation to the study. The present study is done to define the impacts of microfinance on women in PGGB in Lekhnath Municipality. For this purpose, it needs to review related literature in concerned area which will help researcher to get clear ideas, opinions and other concepts. All related questions are reviewed which has provided useful inputs in this research work. This chapter emphasizes about the literatures which were concerned in this connections. Therefore, in this chapter conceptual frameworks by different authors and intellectuals of this area are incorporated. The sources of materials reviewed are from various books, articles, research papers, periodicals, booklets and concern websites.

## 2.1 Conceptual Review

Microfinance is the provision of financial services to low income clients, including consumer and self employment that traditionally lack access to banking and related services. Microfinance provides small loans to the works poorest communities means extending credit, usually in the form of small loans with no collateral, to non-traditional borrowers such as the poor in rural or undeveloped areas.

It is difficult to find and universal definition of micro finance due to its variation on the basis of implementing location, institution and program as well. In simplest term micro finance is defined as the financial service provided to the deprived group of people and small entrepreneurs to help them in developing, self employment opportunities and income generating activities small size loan, compulsory saving, small scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining characteristics of its definition. Micro finance comprises of three Cs. Character, Capacity, and capital. Micro finance as a program serves large number of clients focusing on women and whole world from the very grass roots level with financial sustainability. (ADBN, 2001: p 23)

The people who have lacking enough money to live comfortably in a society or inhabited by people without sufficient money are called poor. The group of people whose income cannot meet their minimum consumption requirement and suffer from malnutrition, starvation, diseases and live in the border of survival is conceptualized as situation of poverty. Also there are literatures that look upon poverty from the social point of view like education, health and other welfare indicators of the people. However, in most of the cases, it is observed that poverty is conceptualized taking into account of people's income, food intake and its distribution over the population. This may be the reason that minimum income required for survival in the dire situation commonly prevailing in the rural areas of developing countries is more important than fulfilling other requirement.

The concept of poverty includes different kinds of deprivation. In general it is the inability of people to meet economic, social and other standard of well being. The multi dimensionality of poverty is now widely accepted. It covers measure of absolute Poverty such as child and infant mortality rate and relative poverty is defined as the differing standard of each society (OECD,2001: p.14).

Micro credit refers to small-scale credit (up to Rs 30,000) targeted toward only rural poor people to increase their income level by fully utilizing their internal resources and skill. Generally it is short term credit and small in amount. Small scale financial services basically credit and saving along with essential social and community development activities are indicated by MFs. Generally it is provided to targeted people who invest the small amount for productive/ service motive projects like farm or fish or heard or small grocery (vegetable) vender, marketing of agricultural products and inputs and such other types project meeting the needs of local people. Over all MFs can help low income people, reduce risk improve management, raise productivity, obtain higher return on investment increase their incomes and increase the quality of their lives and those of their dependents (Thakur 2058: PP 52-53).

### **2.1.1 Evolution of Microfinance**

Microfinance arose in the 1980s as a response to doubts and research findings about state delivery of subsidized credit to poor farmers. In the 1970s government agencies were the predominant methods of providing productive credit to those with no previous access of credit facilities people who had been forced to pay usurious interest rates or were subject to rent seeking behaviour. Government and international donors assumed that the poor required cheap credit and saw this as a way of promoting agricultural production by small landholders.

These programs, first developed and initiated in Bangladesh in the late seventies and later replicated in many other countries including the south and Southeast Asian and some African countries, have now been recognized as useful instrument for poverty alleviation. The Grameen Bank is the pioneer among the MFIs to introduce microcredit programs. During the last two decades or so the number of such MFIs including government and non government organization operating at national or various local levels on Bangladesh has increased ([www.microfinance.com](http://www.microfinance.com)).

### **2.1.2 Historical Background of Microfinance in Nepal**

Nepal is one of the poorest country in the world and the poorest in the south Asia region. Its poverty reduction rate is low. The main reasons for this low poverty reduction rate are low per capital income, concentrated urban growth and high population growth rate. Out of a population of the poor people live in rural areas and have little opportunity. Micro-

finance could help poor people who have no collateral, but willingness to work and desire to do some employment as well as income. Although many programmes have been implemented for poverty improvement in Nepal, but only micro finance programs are seen as a poor targeted and rural based.

In Nepal agricultural based co-operative were initiated in 1950s as a first step in micro-finance. Poverty alleviation rural based programs were initiated through the small farmers development programs (SFDP) on a pilot test basis in 1975 by the ADB/N. The success of the pilot tests in Dhanusa and Nuwakot district encouraged policy makers to expand formal rural based micro-finance programmes.

In 1982, the Cottage and Small Industries Project and the Production Credit for Rural Women all provided new directions to priority sector lending, focusing on project viability rather than collateral, and therefore provided a financing window to the poor through commercial banks collaborating with local development organisations. The commercial banks perceived this program as more of an obligation towards the central bank than a business interest.

The Concept of Microfinance existed in its traditional form in Nepal as dhikuti and guthiyar. After the restoration of democracy in 1990, due to liberal policy of government, many MF institutions have come in existence.

The next main step is the development of microfinance in Nepal came in the form of the first gender-focused program, the production credit for Rural-women (PCRW). In 1992, the first two RRDBs-one for the eastern region and another for the Grameen Bank of Bangladesh came into the existence. Focusing on extremely poor women, RRDBs use a group lending approach and a weekly repayment system. By mid 1997, five RRDBs had been established.

The term of microfinance was not used in earlier part of the history of rural finance. It has been found used in Nepal only in the later part of 1990s. 1990s remains one of the most influencing decades in the history for microfinance in Nepal as well as number of donors, bi-lateral agencies, and international non-government organization (INGOs). More assertive and confident, they have increased mobility in society, and they are more visible in their communities and play stronger role in decision making.

Step toward creating a microfinance system ([www.adb.org/documents/books](http://www.adb.org/documents/books)) as follows:-

- ) Credit cooperatives set up in the 1950s.
- ) Cooperative bank established (1963).
- ) Small farmer groups established under the SFDP programme (1970s).
- ) Priority sector lending directives to commercial banks, from 1974.
- ) The IBP program tries to involve commercial bank banks in microcredit (1982).
- ) Gender-based microcredit-the –PCRW program (1982).
- ) RRDBs incorporated (from 1992).
- ) Gender programs refined (MCPW, from 1994).
- ) The cooperative act supports the credit cooperative (1992).
- ) Introduction of second tier institution (RSRF, later RMDC), 1990s.

### **2.1.3 Importance of Microfinance for women:**

Most of the Nepalese women are slave their households and fields day after day. In too many cases these women may be victims for both physical and mental abuse. Women are directly discriminated against in the job market. The majority of women are confined to the informal sector where wages are low, working hours are long, conditions poor and wage compensation non-existent.

There is greater importance of microfinance in Nepal. It is mostly important for women because they are inhabitant in rural areas. There is lack of financial assess in rural areas. To engage women in small fund raising program and making them self-department, microfinance is as effective tool.

Microfinance generally targets poor women because they have proven to be reliable credit risks and when they have the financial means, they invest that money back into their families, resulting in better health and education and stronger local eco-nomies. By providing access to financial services-loans and responsibility for repayment, maintaining saving account, providing insurance-microfinance programs sent a strong message to household and communities. Microfinance help to woman become more assertive and confident, they have increased mobility in society, and they are more visible in their communities and play stronger role in decision making. Majorities of women are not accessing the credit easily as due to lack of the collateral. In this respect, MFIs have been providing credit on the basis of group liabilities to such downtrodden people in income

generating activities such as vegetable production, livestock raising, tea and daily uses shop , marketing of goods (better rice, vegetables and fruits ) as per their experience an market potentialities.

According to Associate Prof. Dr Puspa Raj Sharma (2007), ‘The Journal of Nepalese Business Studies’ there is different important approaches to women from microfinance. They are:

Women’s involvement in decision-making will be improved and affects their lives and their future, self-confidence for women will increase women’s participation in income generating activities is assumed to strengthen women’s bargaining position it will help women to earn independent and contributes the household economy and social and political participation, women are more likely than man to invest increased income in the household and family well-being, microfinance program seems to be highly effective in uplifting the women’s economic and social condition, it will help to reduce domestic violence and family relationships appeared to have improved.

Microfinance has the provision of saving, credit and other financial services and product of very small amounts to the poor in rural, semi- urban or urban areas for enabling them to raise income levels and improve living standards. The objectives of micro financial services are to ensure the availability of these services to the doorsteps of the poor and low-income households. Microfinance framework, if properly designed and implemented, can thus attain the objectives of poverty alleviation in the developing countries like Nepal.

#### **2.1.4 Microfinance in Terms of Saving, Investment and Loan Distribution**

Microfinance is targeted to poor and low-income people. It includes loans, savings, insurance, transfer services and other financial services. Providers of microfinance include non-government organizations (NGOs), self-help groups, cooperatives, credit union, and commercial bank. Insurance and credit card companies and other points of sale (Sharma, 2005: p.87). The poor already save in ways that we may not consider as “normal” saving-investing in assets, for example, that can be easily exchanged to cash in the future. After all, they face the same series of sudden demands for cash we all face: illness, school fees, needs to expand the dwelling, burial, and weddings. It is hard to cut-off one leg of a goat that represents a family’s savings mechanism when the sudden need for a small amount of cash arises, or, if poor women has loaned her “saved” funds to a family member in order to

keep them safe from theft, there may not be already available when the women need them. The poor need savings services that are both safe and liquid. These savings services must be adapted to meet the Poor's particular demand and their cash flow cycle. Thus to maximize the savings propensity of the poor, institutions must provide flexible opportunities- both in terms of amounts deposited and the frequency of pay ins and pay outs. This represents important challenges for the microfinance industry that has not yet made a concerted attempt to profitably capture tiny deposits (<http://www.microfinancegateway.org>).

Saving and investment are two parts of same coin. If people save they are encourage investing also. Women in the rural village area are interested to invest in gold and other small profitable sector. They cannot invest in large area because their saving is low. The main objective to save is that either to invest or to provide service to poor people. So from the microfinance activities some women are saving and other poor women are getting benefit from loan services at low rate.

From newsletter of RMDC (2006), Prof. Yunus's long-term vision is to make the world free of poverty. He argued that loans to the poor without physical collateral had once appeared to be an impossible idea. He also showed that micro credit is a strong instrument to alleviate poverty in the developing countries. Loan clients are the most valuable agents in MFI operation. Income of MFI depends on loan client's willingness to receive financial services on continuous basis. For efficiency MFI requires that their entire client borrow and make disciplined transaction (Sharma, 2006: p.46). Mobilization and recovery of loan should be impartial. Loan can be in the form of individual loan, group loan etc. Individual loan should be mobilized on the collateral of real assets where as in group loan also more emphasis is given on group guarantee (Baral, 2004: p.54)

### **2.1.5 Microfinance Operational Model Used in Nepal**

#### **a) Cooperative Model**

In 1991, the government of Nepal enacted the cooperative act 11992. Under this Act, a group of 25 people from a community can form a cooperative by registering it with the department of cooperative, ministry of agriculture and cooperative. The saving and credit cooperatives (SCCs) do not come under the regulatory framework of the Nepal Rastra Bank (NRB). However some cooperatives that have been licensed from NRB for limited

Banking service have been providing services to non-members as well. They come under its regulation and supervision.

There are 11302 cooperative in operation as of April 2008. Out of this 4432 are saving and credit cooperatives and 2808 multipurpose cooperatives. These two make a total 7240 cooperative representing 64% of total numbers of cooperative. Total female membership is 608810 out of the total membership of 1791459.

#### **b) The Grammeen Bank Model**

The Grammeen model is popular in the microfinance world because of its specific characteristic i.e. targeted to serve the poor, services available through doorstep service, loans are collateral free, there is a good payment rate, lending focused n women, finance are managed by banking professional and the strong effect on marginalized groups.

Grameen which comes from the word village provides credit to poor women to acquire assets for self-empowerment. Muhammad Yunus propounded this model as a simple act of trust in lending with collateral with minimal conditions. The very poor clients often don't have the capacity to manage fund and to repay the loan resulting negative effects but these days, most of the Grameen type institutions have changed the weekly meeting arrangements into fortnightly transactions Grameen Bank Model is a unique model implemented separately by both the government and the local NGOs in Nepal. These banks have been replicating the Grameen Banking Model of Bangladesh which is an innovative outreach model. Nirdhan, Swabalamban Bikas Bank (SBB), Chhemeki Bikas Bank and Deprose Development Bank are the NGO-promoted microfinance development banks. Transformation of NGOs into development banks is the recent development in the Nepalese microfinance sector as in other developing countries. These banks carter the credit needs of the poor women in rural areas. The poor women had limited access to institutional credit services at their doorstep. Under this banking system a rural women with less than 0.6 hectare of land in the hills can participate in a group, which is comprised of five women. These banks /NGOs work to improve access of women to formal credit for income generating activities as a means to reduce their level of poverty.

The ten microfinance banks (five GBB plus five PMFBs) have together 344 branch offices of which 53% belongs to PMFBs and 47% to GBBs. These banks together have 484911 members and 394481 borrowers in mid July 2009.

### **c) Small Farmers Cooperative Ltd. (SFCL) Model**

The agriculture development bank (ADB) of Nepal in 1975 introduced the small farmer development project (SFDP), a poverty alleviation initiative where small farmer groups were formed and credit channelled through them to promote economic and social development self-help activities at the grassroots level. ADB\N has also set up Sana Kisan Bikas Bank (SKBB) in 2002 to meet wholesale credit requirement of SFCLs for on lending to small farmers. There are 219 SFCLs plus on NGO working as MFIs, which avail loan funds from Sana Kisan Bikas Bank Limited (SKBBL). The total members covered by 220 SFCLs are 139,368 in 220 VDCs. In total these SFCLs are providing financial services to 111, 494 small farmers with 55038 male and 58456 female members in 2009.

### **d) Self-Help Groups (SHGs)/ community Organizations (Cos) model**

In Nepal there are several forms of informal self-help groups such as ‘dhukuti’ mothers group and many other groups with specific objectives. These types of SGH needs not be pro poor focused. Mostly lower middle o middle class people are involved in this type SHGs.

Another most popular informal self-help group is aama samuha. Mothers group is mainly formed and activated by the local women with one or more objectives that could be related to income generation aspect and/ or removing social evils and bring about positive changes in the society.

Many rural development projects also do have microfinance component where the project authorities encourage local people for forming self-help groups to carry out project activities. Some examples include participatory district development project (PDDP), DLGSP, Sahakarya (CECI), PAF, AND PCRW. These projects encourage formation of informal or formal group and development of linkage with other services providing institution. They also mobilize saving and conduct credit activities among their member Some of them registered as SCO with the department of cooperatives and some are operating in informal manner.

### **e) Village Bank Model**

The village Bank (VB) model was evolved from Latin America and tried out in Nepal between 1998 and 2001 in USAID funded woman Empowerment project (WEP) through

PACT-Nepal village banks are grassroots level financial institution-community managed saving and credit association aimed at providing financial services to community woman through the mobilization of their own resources to achieve financial self-reliance. They have promoted by the PACT Nepal in collaboration with some local NGOs and cooperatives in the tarai region of Nepal.

#### **f) FINGO/INGO Model**

##### **i) Financial Intermediary NGO (FINGO)**

Two types of NGOs are operating-some are social intermediary NGOs known as SFINGOs, which do not perform any micro financing activities, and deal only with social intermediary task for micro entrepreneurs in rural areas. These are known as community based organizations (CBOs). Other financial intermediaries NGOs (FINGOs) registered by the District Administrative Office under the Society Registration Act 1978, and licensed from NRB under Financial Intermediary Act, are included in the formal MFIs in the Nepalese Microfinance sector. The number of such NGOs has reached to 44(NRB, 2004c). Actually, the FINGO cannot be identified as a Microfinance model in the same sense as cooperatives or GBRs can be identified. The FINGO is unique for Nepal; and it serves as an option for NGOs involved in Microfinance activities to become formal financial institutions out of more than 25000 NGOs registered in the country. Most of the authorized (sometimes non-authorized also) NGOs, FINGOs, and SCCs are working as a linkage programme between commercial banks and individual clients. Many FINGOs and Financial cooperatives (FINCOPs) are working as financial intermediaries in various NRB/government/donors-funded projects like MCPW, PCRW, TLDP, and PAPWT.

##### **ii) International Non-government Organizations (INGO)**

International non-government organizations (INGOs) are actively supporting local NGOs and cooperatives to provide microfinance (MF) in Nepal. Some INGOs operate their own programmes with other services deliveries such as literacy training, health, and education in collaboration with local and professional NGOs. Mostly, INGOs in Nepal are providing technical assistance including programme development, group formation, staff and clients training, and financial management. Sometimes they provide revolving funds in the form of social and consumption loans to meet the immediate needs of the clients, and provide grants to NGOs covering operating costs and other expenses

### **2.1.6 Microfinance Programs**

The three largest banking institutional of the country NBL, RBB and ADB/N has initiated several innovative microfinance programs since 1974/75. The Small Farmers Development Program (SFDP), the Intensive Banking Program (IBP), the production Credit for Rural Women (PCRW) program, the cottage and small Industries (CSI) project, the Educated Unemployment Credit Program, the Lead bank scheme, the Micro- credit Project for women, the Priority sector credit, and the deprived Sector Credit Program, the Rural Self-reliance Fund etc. are the different microfinance credit programs developed to the alleviation of the poverty in rural Nepal. The different microfinance program will be separately dealt in the following paragraph.

#### **A) Priority Sector Credit Program (PSCP)**

The two Nepalese commercial banks, NBL and RBB were directed by NRB to invest 5 % of their deposit liabilities in the “small sector” in 1974 which was redefined as the ‘Priority Sector’ in 1976 and lending target was raised to 7%. The objectives of NRB was to direct some portion of the farmers and entrepreneurs in the priority sector credit program, as this initial stage had to face several constraints and barriers. NBL, RBB and the Nepal Arab Bank Ltd. are financing their priority sector credit under the Intensive Banking Program and the remaining 10 commercial banks are financing the priority sector under their separate individual credit program. Since 1990, all the commercial banks are directed to finance at least 12% of their total loans and advances under the priority sector program out of which 3% is required to be financed in the deprived sector failing this mandatory requirement, the commercial banks are penalized for the shortfall amount.

#### **B) Intensive Banking Program**

Intensive Banking Program (IBP) is a redefined name of priority sector credit program mandated by Nepal Rastra Bank in 1974 for two state-owned and one joint venture bank- Rastriya Banijya Bank (RBB), Nepal Bank Ltd (NBL) and Nepal Arab Bank Ltd (NABIL) to deliver loan in priority sectors including three percent loan to deprived sectors (Bashyal, 2008: pp.48-49). Both the low income and lower middle-income clients are served under the program. The three sectors covered under IBP are the agriculture, cottage and small industries and service sector. Even the borrowers who cannot offer physical collateral can be availed credit by forming them into a group of 4 to 10 persons. IBP follows the ‘credit plus’ approach. It has integrated the credit program with the other support services. The community and social activities and group saving scheme are the other feature of IBP. The

recovery of loan is very poor because of the lack of proper monitoring and supervision, absence of reward and punishment and low participation of women borrowers in the program.

### **C) Production Credit for Rural Women**

Production Credit for Rural Women (PCRW) program is the first women target micro credit program of Nepal and also the first program launched by GON in coordination with the banking sector in 1982. The execution of the project was directly done through the women Development Division of the Ministry Of Local Development, GON.

The Women Target Group Development Division under the Ministry Of Local Development is the main government body to operate supervises and also implements the program under the PCRW program the credit is canalized by NRB and the loan is disbursed through the Participating Banks Nepal Bank Limited, Rastriya Banijya Bank and Agricultural Development Bank launched the production Credit for Rural Women (PCRW) in five districts with UNICEF support in 1982 and gradually increased its activities to cover 24 districts. The PCRW is the pioneer project for women empowerment which is conceptually based on empowering women through the micro credit support. The conceptual basis of the PCRW project lies with the findings of the studies on status of women empowerment through banks and financial institutions. The program is the strategic approach for women empowerment through access to resource, ([www.rmdcnepal.com](http://www.rmdcnepal.com)).

The main objectives of PCRW program are as follows:

- ) Improve economic and social status of rural women in the society. this would be done through a combination of credit for income generating activities, training and community development activities
- ) Establish self reliant women's group to enable them to initiate and undertake productive activities.
- ) Integrate women into regular service delivery system for credit and technical support service
- ) To develop the capacity of WDD to ensure that women's interest is fully reflected in the development policies of the country.

The effect evaluation study conducted by the Women Development Division of the ministry of Local Development has revealed that PCRW has greatly contributed for the socio-economic upliftment of the rural poor women of the project area in the following ways:

- ) Improvement in the role of women in the decision making process within and outside their household.
- ) Increase in income and thereby in consumption, saving and investment.
- ) Increase in group solidarity and cohesiveness.
- ) Improvement in the living conditions of children with an emphasis on school going children.
- ) Improvement in the social environment and status of women in the society and
- ) Improvement in social awareness among women.

The study has further revealed that some of the PCRW project credit groups have already graduated and converted their groups into viable savings and credit cooperatives (SCCs) and have started to manage on their SCCs effectively and efficiently. For this they have created a SCC out of a few credit groups. They have even registered these saving and credit to cooperatives and some of them are in the process of registration, ([www.rmdnepal.com](http://www.rmdnepal.com)).

#### **D) Banking with the Poor**

Banking with the Poor (BWTP) model, this came into existence at the first regional workshop in Manila in 1991. This model gives emphasis on domestic financial development by linking between self-help groups of the poor and commercial financial institutions with NGOs performing a range of intermediary functions.

#### **E) Micro Credit Project for Women**

With the success of PCRW program the micro credit project for women was launched with the loan agreement between GON and Asian Development Bank, Manila. Under this project, ADB provided a period up to July 2002 which later on was extended by two more years.

The main components of the project can be specified as group formation and training of women beneficiaries, institutional strengthening of selected NGOs and provision of credit to women. Out of these, department of women development was the executing agency for the former two and the third one is executed by NRB.

The objective of the project was to assist GON in improving and enhancing socioeconomic status of women and promote their participation and integrating in national development, thereby contributing toward poverty reduction in Nepal. In addition to this, the project aims to improve the income and employment of poor women in selected rural and urban areas.

#### **F) Sana Kisan Bikas Bank (SKBB)**

Sana Kisan Bikas Bank is a specialized wholesale microfinance development bank established with the aim of promoting and strengthening the gross-roots level Small Farmer Cooperative Ltd. (SFCLs) in particular a similar other MFIs in general. ADB/N is the major promoter and other two commercial banks i.e. NBL and Nabil Bank are other promoters. The banks also work in partnership with the NGOs, INGOs, and donor agencies for the socio-economic development of the rural poor. Mostly women are involved in Sana Kisan Bikas Bank, so the bank is effective for women's upliftment, ([www.rmdcnepal.com](http://www.rmdcnepal.com)).

#### **G) Rural self-Reliance Fund (RSRF)**

RSRF was initiated in 1991 for providing financial assistance to deprived people in rural areas. The fund has been managed by the NRB since its introduction and also managed by the govt. to meet long term capital requirements for the prioritized sectors in agriculture. It provides loans to that borrowers who have less than 10 ropani of land in plain and 10 ropani of land in the hills and mountains to those who cannot maintain his/her livelihood from owns on earning.

#### **H) Cooperative Societies and NGOs**

Cooperative societies in Nepal have a history of more than 42 years. Most of the credit cooperatives funds are missing managed and effective. Though the history of cooperatives goes back to 1953 with opening of cooperative Department, the savings and credit cooperatives (SCCs) have become more active. The total number of cooperatives registered under this union is 404 comprising 63585 members ( about 15000 female and about 63000 male) collecting total savings of RS 732.7 million with RS.83.3 million shares capital up to mid-July 2004 (Bashyal, 2008: p.60). So it seems that mostly women are involved in cooperative societies

#### **I) Rural Microfinance Development Center**

The Rural Microfinance Development Center (RMDC) is an apex MFI established in 2000 under the company Act 1995 with an authorized capital of RS 160 million issued and paid up capital RS 80 million. To implement this project the Rural Micro-macro Finance

Development Center (RMDC), the apex development banking institution, has already been established with the equity participation of NRB, all the Grameen Bank Replicates, SCCs and financial intermediary NGOs who fulfill its eligibility conditional ties for funding. It has partnered with 86 MFIs, which covering 58 out of 75 districts as of mid July 2010.

As of mid July 2010, RMDC had approved loan amounting to RS. 5.57 billion For 86 POs and disbursed RS 4.52 billion. Among the 86 partner MFIs, 7 are microfinance development banks, 9 development banks, 24 financial – intermediary NGOs and 46 saving and credit cooperatives. At the end of fiscal year the outstanding loan with RMDC was RS.1.92 billion. RMDC has maintained 100 percent loan recovery rate from the very beginning of its operation. Altogether the partner- MFIs of RMDC are providing microfinance services to about more than one million poor families through their 617 branch offices (RMDC annual report 2010).

### **2.1.7 Regulatory and Legal Environment of Nepal**

The law in Nepal doesn't actively restrict the foundation of microfinance for women. It is necessary, however to obtain an operating license from the central bank that coordinates the licensing with relevant government, ministers. Commercial banking institutions are also free to undertake microfinance lending. There is a lack of restrictive legislation when it comes to credit unions in Nepal. The 2004 bank and Finance ordinance are responsible for overseeing a regulating any issues pertaining to the microfinance sector in the country.

According to International Trade administration of the United States (ITA), the most significant foreign investment laws are the Foreign Investment and One window policy of 1992, the foreign Investment and Technology Transfer Acts of 1992 and 1996, the Finance Act of 2002 and most recent Finance Ordinance 2004 ( and annual budget act), the immigration Rules of 1994, the Customs Act of 1997, the Industrial Enterprises Act of 1997, the Electricity Act of 1992, and patent, Design and Trademark Act of 1965.

The government recently unveiled the national microfinance policy intended at enhancing the capacity for microfinance. The latest rural loan survey shows that only 20 % of the demand of loans from the rural areas is met. The research carried out by ADB states that there is a shortfall of Rs. 13 billion between the supply and demand of rural loans. Analysis said boosting microfinance could be a greater tool to cut poverty in Nepal (The Kathmandu post, 2008: p.7)

### 2.1.8 Outreach of Microfinance Services in Nepal as of (Mid July 09)

Currently, 13 Micro Finance Development Banks (5 Grameen Banks and 8 private sector Micro Finance Development banks), 45 Financial Intermediary NGO's (FINGO's), 225 Small Farmers Cooperative Ltd. (SFCL), 5161 Savings and Credit Co-operative provide microfinance services 1,788,762 (Female 1,387,043 Male 401,719 ) rural poor (mostly women) as of Mid-July 2009.

S.N	Microfinance Institutions	No of Institutions	No. of members	Savings mobilization in NRS. (Million)	Outstanding loan in NRS <sup>1</sup> .(Million)
1	Microfinance Development Banks	13	547,435	1766	5992
2	Financial Intermediary NGOs	45	381,392	1317	2394
3	Small Farmer Cooperative Ltd (SFCL)	225	145,419	1304	2302
4	Savings and Credit Cooperatives (SCC) <sup>3</sup>	5161	714,516	16247	13634
	<b>Total</b>	<b>5444</b>	<b>1,788,762</b>	<b>20,634</b>	<b>24,322</b>

Source: MIX Market data as of Mid-July 2009

It is estimated that about 10 million people in Nepal needs micro finance (MF) services. MF services have reached only 18% of target population. Therefore, there it is necessary to accelerate the pace of expansion of microfinance services to unreached households.

Terai region (plain of Nepal) is largely well served by MFIs, the remote and mountainous regions continue to lack MF services. Government and donor support should be mobilized to help expand MF services in these areas. The existing models and technologies available do not seem to be appropriate for these difficult regions. External support is required to conduct in depth research studies to discover appropriate and effective microfinance methodology. SFCLs and SCCs operate in a limited way in these regions. Expansion of SFCLs and SCCs services by providing wholesale funding for lending purposes and providing needed technical support has the potential of expanding MF services in these regions.

### 2.2 Review of Related Studies

"In Nepal, over half a dozen MFI has been in operating since the early 1990s. Although a lot of research has been done on microfinance, this financial effect of microfinance on women is new topic for MBS faculty. There are a lot of papers and views related to microfinance activities which were presented in different seminars and functions. Several research works has been collected through different books, dissertation, papers, journals, articles and electronic devices

### **2.2.1 Review of Major Journals and Articles**

This part includes the major related studies which are taken from articles, journals, electronic devices etc.

ADB (2000) organized a regional workshop program on bank's microfinance development strategy, in Philippines. A paper was presented by working group three on 'Researching the Poorest'. This paper describes that many MFIs have been successful in reaching the poor. Substantial challenges remain for researching more of the poorest with MF services. The challenges are great for areas such as resource poor, low population density, and are remote as marginal. So there remains a need for new cost effective methods of reaching the poorest. The requirements are:

- ) Conducting policy for removal of interest rate restrictions.
- ) Enabling financial infrastructure that will allow MFIs to raise resource for the poorest.
- ) Development of pro-poor innovations.
- ) Building of MFI capacities to reach the poor.

The requirements can be fulfilled by:

- ) ADB must enhance its own-house capacity in MF by, i.e. recruiting specialists, conducting training for staff, and creating specialized unit for MF.
- ) A conducive policy environment and in building an enabling financial infrastructure for reaching the poorest.
- ) ADB should provide technical assistance for developing effective targeting methodologies for reaching the poorest, women and disadvantaged groups in society.

- J) ADB could serve as financier and initiate the establishment of one or more special funds that could be used for equity participation in MFIs technical assistance and research.

Baumann (2001) published a research article on topic 'microfinance and poverty Alleviation in South Africa'. This paper stress microfinance starts from an observation that the poor lack access to financial services, credit and saving facilities. South Africa govt. has begun to emphasize the importance of saving as part of the nation's overall economic health. Finance minister, Trani Manuel, gave speech emphasizing the importance of saving facilities for low-income households not only for its own sake, but to increase the national saving rate. Collective savings and credit movements use group savings autonomous grassroots savings groups. The 'outputs' of active women's savings and credit collectives in poor communities include: social assets, leverage, reduced vulnerability saving and credit in the basic element in the development strategy, women who are interested in taking part are drawn into the training process and show how such crises credit funds work in other communities.

The conclusion drawn by this report is that MFI's expert contribution seems to consist not in assessing multi-faced goals, and the benefits thereof, but in demonstrating their own arithmetical competence. It is more an expression of frustration at the stage of discourse on microfinance and poverty alleviation in South Africa today. The technical finance skills employed by orthodox practitioners are highly valuable, and many alternative initiatives suffer for lack of them. Unless and until NGO put aside their fears, rivalries, and isolationism, they will probably fail to influence government policy effectively. They must do so not for themselves, but for the poorest of the poor whom they seek to serve. The poor simply cannot wait as long as it will take the formal sector, in the form of emergent small business to absorb them and their activities into the main stream economy. Govt. must acknowledge programs that use microfinance as a means to mobilize poor households and communities to create, reclaim, and harness social assets as part of a part of appropriate livelihood strategies. The micro credit orthodoxy in South Africa must be explored, critiqued, and challenged.

Baral (2004), published a research article in 'Baniyja Sansar' on microfinance: good portfolio and management of delinquency'. He has made some important improvements in the field of micro-finance. Quality portfolio refers to the loan recovered in time within or the due date. Loan recovery rate is a measure of quality of loan. Financial institutions

analyze the present financial condition while approving the loan, statistics of many countries shows that the loan recovery rate of micro- credit is higher than that of commercial banks and finance company loan. In Microfinance, the term delinquency is used to imply the situation when overdue loan remains institution does not have to face much more problem relating to delinquency. He identified two kinds of irregularities both MFIs and borrowers.

On the part of MFIs the irregularities were commonly found on selection of target area, identification of target group, irregularities in formation of group, mobilization of loan on the basis of securities and emphasis on investment and recovery of loan. Similarly following irregularities has been found from the side of borrowers such as misuse of loan, loan non-repayment of due instalment, and repayment of loan from different sources.

He has suggested and argued that target groups are not properly identified in remote areas borrowers may not be able to repay the loan in time due to same sources of the family. It is easily said that micro-credit is out of the access of the ultra-poor. NGO have not taken the use of loan for the very purpose into consideration. The considered institution doesn't create care about even through loan is misused. It has been also found that micro entrepreneur has shown the enterprise already in existence as a new one and decamped with the loan at cheaper interest rate and invested at higher rate to others borrowers. Borrowers could not repay the due instalment of loan because of the same income source of different borrowers. Micro-credit programs have protected the borrowers from the costly interest rate of indigenous bankers, but it has added more burden of loan. He suggested the target area should be selected according to priority of district development plan, an effective monitoring mechanism should be developed; loan should not be provided only on the securities both group and real assets. The concerned project and institution should not consider only the target of investment and recovery of loan.

A research article published by Sharma (2004), on 'The Journal of Nepalese Business Studies' about 'Microfinance: A Powerful Tool for Social Transformation, its Challenges, and Principles'. This research article attempts to explore the role and importance of microfinance in reducing poverty by generating the income of the poor. Microfinance has been emphasized for poverty reduction in developing countries through executing dual articles such as collection of domestic saving and investment of small loan. This article try to find out the answers of different claiming by institutions such as- Are these institutions

really delivering microfinance services to the poorest of the poor? Are they really sustainable in the long run? Are they financially efficient?

The conclusion drawn by this article is that the Nepalese MFIs aren't being able to reach the poorest due to inability of proper identification of the poor and lack of commitment and clear vision of their action. Expanding microfinance programs along with restructuring the whole financial system is essential so as to ensure financial system to better serve the rural economy. The time frame to reach or grant based on clients serving to reach financial self-sufficiency will be shorter for MFIs serving the economically active poor.

According to the article which was published by Collins D. (2008), on investigating the Financial Lives of the poor about financial diaries method which is downloaded from internet on 21th may, 2008. In this research article a case study of a 50 years old single women, Mambongo is shown. She lives with her three children and one grandchild in a crowded flat, in South Africa. Her main source of income is a small business cooking sheep intestines. Govt. also sponsored some grant. Her primary financial concern is making ends meet on a daily basis, and making sure her family enjoys a good Christmas in a year. How does Mambongo manage her money and try to meet these financial goals? The financial diaries, a data collection method answer such questions by tracking household's cash flows over the course of a year. With its rich set of data, the financial diaries aims to help policymakers, the financial industry and donor agencies understand financial management practices of the poor so they can strategize, on how to increase financial access for these household. The success or failure of financial management: this can only be assessed by observing a build up of savings or how quickly a loan is paid off overtime.

Sharma, (2008) published an article on 'The Journal of Nepalese Business Studies' on a topic 'Microfinance and Women Empowerment'. The studies paper aims to analyze the financial sustainability including operational and financial self-sufficiency. It also deals operating performance, staff productivity, portfolio quality and relation of financial sustainability with other variables. Nepalese MFIs are not strong from status of sustainability perspective at present. PI-MFIs are in better position than GI-MFIs. The data had collected from a special survey carried out in hill and terai in 2004-2006 of Nepal.

### **2.2.2 Review of Thesis /Dissertations**

Poudel, (2007) has done a research on 'Micro-credit in Lekhnath Municipality: A case study of Paschimanchal Grameen Bikas Bank (PGBB).' The main objective of this study is

to assess microcredit phenomenon of Paschimanchal Grameen Bikas Bank in Lekhnath Municipality. Other specific objectives of this study were; to identify the sectors and types of investment sustainability; to study the fruitfulness of microcredit in terms of income generation pursuing poverty alleviation; to study the bank's performance on target group identification and accessibility of micro credit to the target group. From the study he found that the investments were mainly of three types i.e. investment of loan to support existing business/occupation in new employment generation was from small business and lowest was from animal keeping sector. The highest amount of loan was borrowed for the purpose of small business. It is also seemed that investment of the bank loan to the members who have existing business/occupation is not fruitful for poverty alleviation. It is also proved that the performance of bank to identify target group is also poor.

Aryal (2007), who did research for MBS degree on the topic 'microfinance under rural development program; a case study of Khilung Deurali VDC Syangja'. The basic objective of the study is to examine the effective activities and effectiveness of rural development program and is to carry out the study of rural development program in Khilung Deurali VDC Syangja. The other specific objectives are; to know the activities operated under rural development program; to analyze the mode of loan disbursement, repayment, outstanding and overdue; to analyze the state of saving, deposit and its mobilization in terms of loan disbursement; to find out the problems faced by the women in obtaining the loan. From this study he found and concluded that the program has made positive effect of the women living standard by generating employment and increasing productivity. Most of the women's income is sufficient for one year living or less. The performance of the project in terms of achievement of loan disbursement and recovery has been found very well in study period. So the repayment of loan was very satisfactory encouragement and training of local leadership saving and its mobilization, loan disbursement and its recovery should be a basic objective in any program.

Acharya (2007), on her study on the "A case study of micro credit programme for women in Bhadayre, Tamangi VDC Kaski, the objective effects of microcredit programme on living standard of the people. She concludes that the volume of the investment and saving are positively increased in each year the result of the investment as found to be positive upon the earning of the respondent. Improvement in the facility of fooding, clothing and sheltering pattern show the significant improvement in the living standard of the people. Similarly, the study reveals that most of the women have repaid loan and interest in due time

and majoring of the participant has utilized their investment property. That overall effect of the programme is found to be positive their living standard has been improved satisfactory.

Sharma, (2009), carried out a study on “Impacts of Microfinance Programmes for woman poverty reduction for DCRDC on Baglung municipality. The objectives of his study were to access the financial sustainability of the programme and to examine the improvement of in the status of woman by the effect of the programme in contest of poverty reduction. He has found that the effect of this centre is positive. Most of the women borrower diverts their traditional business to other new economically profitable business after getting the microfinance loan. The positive correlation between investment and change in income level of women borrower shows that the capability of entrepreneurs for the repayment of the loan in due time is good. He suggested that the position of the program should be permanent so that they could perform their responsibility with confident and concentration and sustainability. For the variability and sustainability effectible government policy is also necessary. So interest rate must be reduced and cost must be minimized where the institution is viable.

Ghimire, (2010) has submitted a thesis in a partial fulfilment of the requirement of degree of master of business studies (MBS) on the topic of ‘Microfinance practices and its effect on women: A case study of Chimek Bikas Bank. The specific objectives of study were to analyze the saving and lending patterns of CBB another was to explore the area of investment and recovery status of CBB. The major conclusion address by researcher as follows;-mf is very much supportive to women have improved their economic condition after entering the CBB programme. The loan recovery condition is highly satisfactory. No any loan amount change in bad debts yes. Hence the recovery rate is sound which more than 90% in an average is. The overall study shows the programme has made the positive effect on woman living standard by gathering employment and increasing productivity most of the sample women are under farmer category, vegetable farming, poultry etc.

Finally he has suggest CBB that spread rate ( different between the interest of lending and deposit) is very high so it should better to reduce the interest rate gradually to uplift the poorest for the poor and priority should be given to very poor women also who have not involved in CBB programs now by delivering the awareness programmes.

Aacharya, (2011), has conducted the research for MBS on the topic of “Performance Analysis of Shreejana Development Centre Microfinance Program in Kaski District and

her main objective was to examine the state of the loan disbursement, repayment, outstanding and overdue and another one is show the relationship between investment and income of the SDC Microfinance Programs and she finds out the highest amount of loan disbursement is in General Loan and lowest amount is in Centre Fund. This shows that SDC is not providing more loan amount to its members from Centre Fund. The increasing loan disbursement rate shows that members are interested to take loan and invest it to earn from the investment. Monthly income of women is increasing after entering SDC programs. The number of less earning women is decreasing and the number of more earning women is increasing after involvement in the microfinance programs of SDC. It shows microfinance programs are effective to change the status of poor women.

### **2.3 Research Gap**

Research is a search of knowledge. From above the literature review it can be conducted that there are various study related in Nepal on the topic of Microfinance programme. All of the above research studies have identified about the effectiveness of Microfinance programme in different topic and different area of Nepal.

This research paper is different from others in the sense that it is trying to find out the Performance analysis of microfinance on women with reference of PGBB in Lekhanath municipality. This institution is working as a Financial Intermediary. This research is trying to discuss about the saving activities, loan disbursement and its recovery and outstanding as well as investment and income. It is trying to identifying the target group and providing the services to the poorest of the poor. It also gives the valuable guidelines to PGBB for its better performance in future. However this study will also be fruitful to these interested person, scholars, businessmen, government, civil society, stakeholder and students for academically as well as policy perspective.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

The study is mainly focused on performance analysis of microfinance on women in Lekhanth municipality, Kaski under Paschimanchal Grameen Bikas Bank (PGBB). So this chapter outlines the methodology followed for this purpose. Research Methodology is the most important part of the study which describes the method and process applied in the entire aspects of the study focus of data, data gathering and processing and methods of analysis. This chapter has been divided into six sections; research design, population and sample, nature and source of data, data collection techniques data analysis tools and limitation of the methodology.

#### **3.1 Research Design**

The research design is the specification of the method and procedure for acquiring the information needed to solve the problem. It presents a guide posts to enable to researcher to progress in the right direction in order to achieve goal. This study is mainly focused on micro finance program of PGBB. To conduct this study analytical and descriptive approach has been adopted. The descriptive research design used to assess the opinions, behaviours or characteristics of sample beneficiaries and to describe the situation and events occurring present. Analytical research design makes analysis of collected information and data & makes a critical evaluation of it.

#### **3.2 Population and Sample**

Population refers to the entire group of peoples, events or things of interest that the researcher wishes to investigate. A sample is a collection of items or elements from a population. Hence, a sample is only a portion of subset of the population. It comprises some observation selected from the population. This study covers some sample women members for the purpose of the study because of the limitation of area, budget and time. The study confined within Lekhnath municipality of Kaski district. There are 53 recognized centres with 343 groups formed by PGBB till 2010. Out of 1670 members only 75 women have been selected as sample for this study using a random sampling method which is as follows.

**Table 3.1**

**List of Sample Women Group of PGBB**

S.NO.	Centre Number	Number of Sampled Women
1	2	8
2	4	6
3	6	6
4	7	6
5	8	7
6	12	10
7	13	8
8	16	7
9	25	9
10	41	8
	Total Sample Women	75

### **3.3 Sources of the Data**

This study is based on the primary as well as secondary data. The necessary data for the study is gathered equally from primary data as well as secondary data. Primary data is collected from the field survey using structured questionnaire, focused group discussion and the observation method. The structured questionnaire and check list for focused group discussion are presented in Annex 1 respectively. Secondary data used in this study has been collected from Annual reports from PGBB in Lekhanth municipality of Kaski District

### **3.4 Data Collection Techniques**

This study is basically based on primary data. Primary data are collected using different primary data collection techniques.

### **a) Primary Data**

Primary data were collected from actual field, using;

#### **) Questionnaire:**

Questionnaire was used to get qualitative and quantitative information from the sampled women of PGBB.

#### **) Field Observation:**

In this technique direct observation on field is done. Women's condition about economy and other facilities were considered

#### **) Personal Interview:**

This is also called direct interview. It was used to collect the information related to investment, deposits, repayment rate and other essential queries related to PGBB with the official staff with unstructured questionnaires.

### **b) Secondary Data:**

Secondary information was collected from annual reports of PGBB.

## **3.5 Data Analysis Tools**

The collected data have been edited, classified and tabulated in appropriate form. Processing of data has been done by the computer using Microsoft excel 2007. Analysis is the careful study of available facts so that one can understand and draw conclusion on the basis of established principles and sound logic. Various analysis tools are used. The following techniques are followed in analyzing the data:

- )** Collection of relevant information.
- )** Identification of data suited to fulfill the purpose of the study.
- )** Classification and tabulation of data.
- )** Use of percentage changes, growth rate, average.

Mainly the various bar diagrams (simple, sub divided, percentage). Pie chart etc are used for data presentation and analysis of data.

## **3.6 Limitation of the Methodology**

It is difficult to illuminate the limitation of the descriptive research design. Therefore the study as well as the methodology is delimited. Impacts of microfinance on women in Lekhanth municipality are done on the basis of data provided from PGBB and from the members of PGBB's microfinance program by using questionnaires. The reliability of the analysis depends on the reliability of the information from concerned place. Therefore it also imposes to draw the line of limitation. The questionnaire used to analyze the collected data, which are based on certain assumptions. So reliability of the analysis depends on the circumstances on which the data based.

## **CHAPTER IV**

### **PRESENTATION AND ANALYSIS OF DATA**

#### **4.1 Presentation and Analysis of Data**

This chapter is aimed to display and evaluated the information received from the questionnaires, observations, case study, field survey and informal discussions with women. Especially analysis process and contents are determined as per set of objectives for the study. An attempt has been made to impacts of microfinance on women under PGBB. It in terms of saving and credit for women, savings, investments, repayment pattern of loan, income from loan, effecton income, changes in living standard, financial condition etc.

##### **4.1.1 Saving Activities of PGBB and Women**

Saving is postponement of present consumption for the future. People are required to save something for the future unforeseen contingences. Microfinance programme encourages women to deposit certain amount of money regularly. This programme increases self-reliance, strength and group cohesiveness among group members and it also helps to maintain sustainability of the programme. The saving is used by their members themselves to meet financial need of their business or occupation. The group members also fix the certain interest rate of their investment. PGBB provides saving services to the clients. The saving schemes include group saving, centre fund, emergency fund, personal saving and child education saving scheme. Group savings are compulsory savings of 3 percent of each loan disbursement, with additional contribution of one rupee each week. Centre fund saving programs, women have to save certain fixed money as centre fund collection. This

is a kind of compulsory saving. This is not big money. Generally women save Rs 1 as centre fund collection in every week. There is no compulsory to save for women in the individual saving program. In case of individual saving, they collect more than RS 100 exceptionally.

#### 4.1.1.1 Saving By Group Members under Saving Programs

The status of saving by women under different saving program is presented in table 4.1

**Table 4.1**

#### **Saving By Group Members in Differet Saving Program**

Fiscal year	Group saving		Individual saving		Centre fund saving		Total	
	Amount	%	Amount	%	Amount	%	Amount	%
2007	3914714	86.85	332088	7.37	260497	5.78	4507299	100
2008	3064841	81.77	374123	9.98	308993	8.25	3747957	100
2009	3071605	83.29	259857	7.05	356307	9.66	3687769	100
2010	3318852	78.99	472294	11.24	410044	9.77	4201190	100
2011	4010751	76.36	776729	14.79	464892	8.85	5252372	100
Total	17380763	81.23	2215091	10.35	1800733	8.42	21396587	100

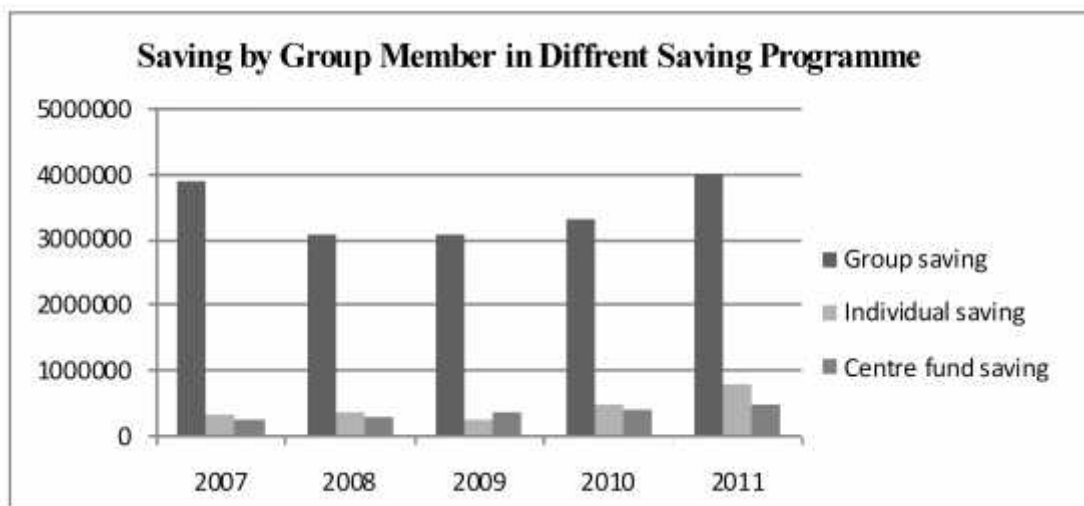
**Sources: PGBB, Lekhanth Branch**

Table 4.1 shows the saving of members of PGBB under different saving programs during the last five years. There are different saving amounts under different headings. The overall saving from different saving programs was Rs 21,396,587. Group saving stood at the highest percentage of 81.23 % followed by individual saving 10.35 % and centre fund saving 8.42 %. The highest amount of saving in group saving, individual saving and central fund are Rs 4010751, Rs 776729 and Rs 464892 and the percentage were 76.36,14.79,8.85

respectively in the fiscal year 2011. The table shows that the total saving was being increasing year 2010 and 2011. However women seem too attracted towards centre fund saving as a result it was increasing. Again except year 2009 individual saving also increased. We can conclude that group saving plays the vital role as a source of financing saving programs can be shown in the following figure also.

According to figure 4.1, fiscal year is shown in x-axis and saving in shown in Y axis. Height of the bars 2008 is decreased but after that the height of bars are increased year by year. It proves that saving is in upward trend. It also justifies the profitability progress and success of PGBB.

**Figure 4.1**



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**Table 4.2**  
**Growth Rate of Total Saving**

Year	Total Saving Amount	Growth Rate%
2007	4507299	
2008	3747957	(16.846)
2009	3687769	(1.605)
2010	4201190	13.922
2011	5252372	25.02

Sources: PGBB, Lekhantha Branch

Table 4.2 shows the growth rate of total saving from different saving programs. The highest growth rate took place in the fiscal year 2011 with 25.02 percent. Growth rate in

fiscal year 2008, 2009, and 2010 are -16.846, -1.605, 13.922 percentages respectively. There was no growth rate in fiscal year 2007 as that was a base year.

The trend line of growth of total saving from different programs can be presented in below chart.

**Figure 4.2**

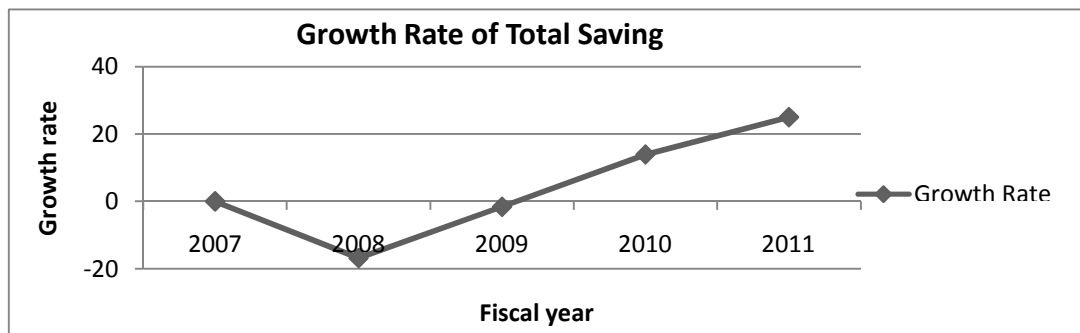


Figure 4.2 shows that the year 2008 and 2009 growth rate slightly decreases but after that it has increased gradually.

#### 4.1.1.3 Half Monthly Regular Saving of Sample Women

After involvement of PGBB the entire sample of women in saves small scale of money in half monthly regular saving programs. It indicates only individual saving. The regular saving of sample women is presented in table 4.3.

**Table 4.3**

#### Half Monthly Regular Saving of Sample Women

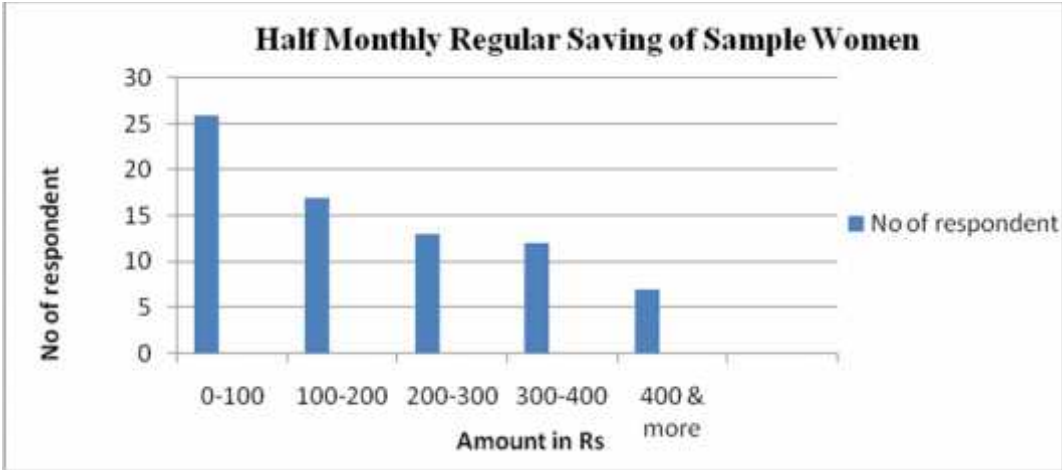
S.N	Amount in Rs	After involvement of PGBB	
		Numbers	%
1	None	26	34.67
2	100-200	17	22.67
3	200-300	13	17.33
4	300-400	12	16
5	400 & above	7	9.33
Total		75	100

Source: Field Survey, 2012

Table 4.3 shows the saving of sample women in both number and amounts. 26 women were not saving regularly after involvement of PGGB program. The highest number and percent of saving amount range was 100-200 with 17 numbers of respondents and 22.67 percent respectively. The least number and percent of saving amount range was Rs. 400 and above with 7 number of respondents and 9.33 percent. The number of women falling in saving amount range from, Rs.200-300 and Rs 300-400 are 13 and 12 respectively. Similarly percentages in saving 200-300,300-400 were 17.33 percent and 16 percent respectively. The study shows that PGGB can collect the large number of saving amount by providing effective microfinance service to the members and grow their saving to maximum amount.

The above half monthly income saving of the sampled women can be presented in the figure 4.3.

**Figure 4.3**



The half monthly regular saving indicates that all sample women were interested to save their small money in regular saving scheme.

**4.1.1.4 Interest Expenses on Savings**

GBB collects some small money from women in different saving programs.. For this saving amount members receive a certain percent of interest which is considered as a expenses of PGGB. The state of interest expenses in different saving programs is shown in table 4.4.

Table 4.4 shows the interest expenses on saving of group members of PGGB in last five years. The overall total interest expenses on different saving programs were Rs.1247311.

The greatest amount of total interest expenses was in fiscal year 2010 with amount 386400 and the least expenses was Rs 191178 in the year 2007. The interest expenses on different saving program in fiscal year 2008, 2009 and 2011 were Rs 198069, 203947 and 267717 respectively. The interest expenses on saving were slightly increasing except year 2011.

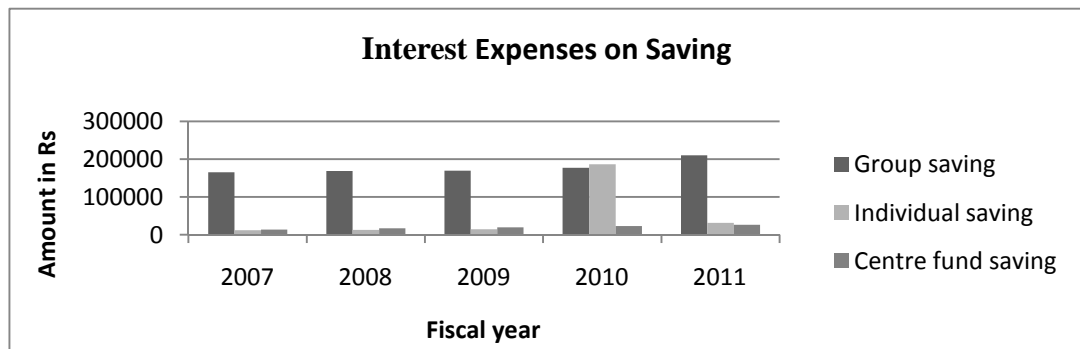
**Table 4.4**

**Interest Expenses on Different Savings Programs**

Fiscal Year	Group Saving		Individual Saving		Centre Fund		Total	
	Amount	%	Amount	%	Amount	%	amount	%
2007	165421	86.53	11781	6.16	13976	7.31	191178	100
2008	168368	85	12986	6.56	16715	8.44	198069	100
2009	169915	83.31	14438	7.08	19594	9.61	203947	100
2010	177302	45.89	186443	48.25	22655	5.86	386400	100
2011	209894	78.4	31769	11.87	26054	9.73	267717	100
<b>Total</b>	890900	71.43	257417	20.64	98994	7.93	1247311	100

Source: PGBB, Lekhnath Branch

**Figure 4.4**



The above figure shows that interest expenses saving on all programs were increasing trend. It indicates that that most of the client interested to save their money in different saving programs.

**4.1.2 Lending Activities**

Loan disbursement repayment, outstanding etc are related to lending activities of PGBB women's. Loan disbursement to the targeted women is significant for reaching aspect of

the livelihood uplift. The implementing PGBB selects an appropriate enterprise to the targeted women according to their choice and recommend them for loan on the basis of group decisions. The responsibility of operating business and repayment of loan with interest lies on the borrowers of PGBB. However the capacity of loan repayment depends on the performance of women and the income earning from the programs of PGBB.

The main loan activities of PGBB are micro business. Micro business loan encompasses loan provide for retail business, agriculture, like poultry farming, animal keeping, tailoring etc. Micro business loan is for small business activities which don't need collateral. But in micro enterprise loan collateral is needed. Micro-enterprises loan encompasses loan provided for small scale manufacturing industries such as food processing, furniture or micro-industry. The microenterprise loan is provided to members having graduated from the micro business loan

#### 4.1.2.1 Loan Disbursement in Different Programs

PGBB Kaski distributes loan on different programs. The state of the loan disbursement by PGBB Kaski in last five fiscal years is presented in table 4.5.

**Table 4.5**

#### **Loan Disbursement by GBB in Last 5 Fiscal Years**

<b>Fiscal Year</b>	<b>Micro Business Loan</b>		<b>Micro Enterprise Loan</b>		<b>Total</b>	
	Amount	%	Amount	%	Amount	%
2007	17979700	100	0	0	17979700	100
2008	17558000	98.7	23000	1.30	17581000	100
2009	18003500	95.04	940000	4.96	18943500	100
2010	23094000	94.03	1465000	5.97	24559000	100
2011	30216800	98.79	370000	1.21	30586800	100
<b>Total</b>	<b>106852000</b>	<b>97.45</b>	<b>2798000</b>	<b>2.55</b>	<b>109650000</b>	<b>100</b>

**Source: PGBB, Lekhnath Branch**

Table 4.5 shows the distribution of loan to the women of PGBB in fiscal years from 2007 to 2011. There are two kind of loan. They are micro business loan, micro enterprise loan. Collateral is needed for micro enterprise loan. The overall loan distribution in last five fiscal years was Rs 109650000. Out of this RS 106852000 was distributed for micro

business loan; Rs 2,798,000 was distributed for micro enterprise loan. The overall highest amount of loan distribution was Rs 30,586,800 in fiscal year 2011 and lowest amount of loan distribution was Rs 17,581,000 in fiscal year 2008. Loan disbursement rate is increased. It implies that women want more funds to invest in productive sectors. It is positive signalling for the program.

Following figure 4.5 also clear about the loan disbursement by PGGB Kaski in different years in different programs.

**Figure 4.5**

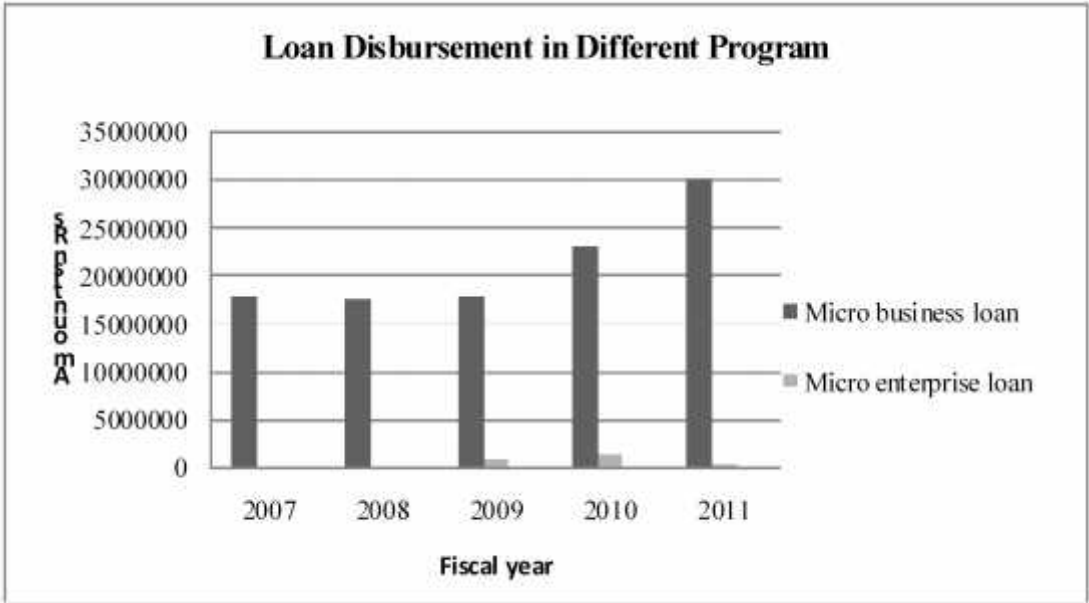


Figure 4.5 shows the loan disbursement

in different programme of PGGB. The heights of micro business loan are bigger than micro enterprise loan. It indicates that micro business loan disbursement amount more than micro enterprising loan.

**4.1.2.2 Total amount of Loan Disbursement, Repayment and Outstanding**

Since loan is distributed in different programs and recovery is also from different programs. But according to PGGB report overall recovery is shown. So the state of loan recovery and outstanding is shown in table.

**Table 4.6**

**Total Amount of Loan Disbursement, Repayment and Outstanding**

Year	Disbursement	Growth rate (DIS)	Repayment	Growth rate (REP)	Outstanding	Growth rate (OUT)
2007	17979700		17684390		11827760	
2008	17581000	-2.21	18126915	2.5	11281845	-4.61
2009	18943500	7.75	17838335	-1.59	12387010	9.79
2010	24559000	29.64	22327325	25.16	14618685	18.01
2011	30586800	24.54	26041095	16.63	19164390	31.09
Total	109650000		102018060		69279690	

**Sources: PGBB, Lekhnath Branch**

Table 4.6 shows the total loan disbursed, repayment and outstanding in different program in different fiscal year.. The highest loan disbursed amount was Rs.30586800 in the fiscal year 2011 and lowest was in the fiscal year 2008 amounting Rs.17581000. In fiscal year 2008 the repayment is higher than disbursement because due to investment of previous years the repayment of current year is higher. Similarly, the highest loan recovered and outstanding was in the fiscal year 2011 with amount Rs. 26041095 and Rs. 19164390 respectively. Growth rate of disbursement was negative in 2008 and all other years it is positive till 2011. Similarly growth rate of repayment was negative in the year 2009 and the Repayment rate was positive in all other years. Except year 2008 outstanding growth rate is positive.

The table 4.6 can also present by following graphical form:

**Figure-4.6**

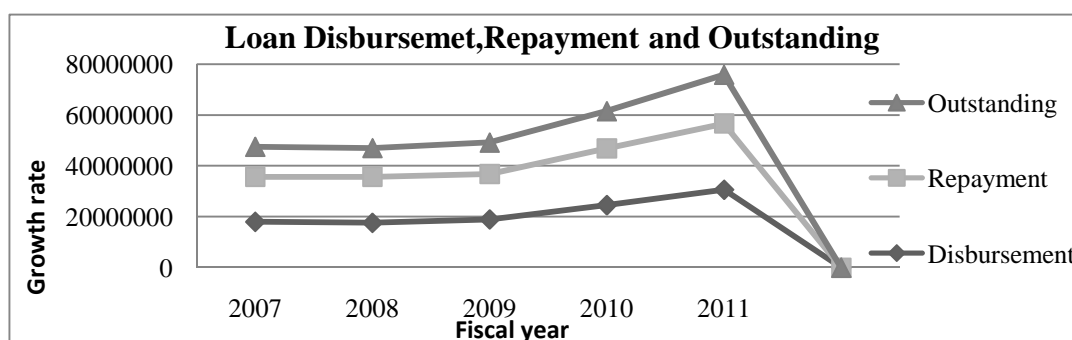


Figure 4.6 shows the Loan disbursement repayment and outstanding status of PGBB. The loan disbursement curve is upward and also the recovery curve is right upward which indicates the disbursement and outstanding are getting high year by year besides year 2008.

Similarly repayment is slightly decreases in year 2009 but after that it has increased gradually.

#### 4.1.2.3 Sectors of Loan Mobilization

There are various sectors of taking loan by women from PGBB programs. The following table shows the number and percentage of women involved in various sectors of PGBB while taking loan:

**Table 4.7**  
**Sectors of Loan Mobilization**

S.N	Sectors	Before		After	
		Number	%	Number	%
1	Agriculture	2	10.53	15	20
2	Buffalo keeping	0	0	6	6
3	Goat keeping	0	0	4	5.33
4	Retail Business	13	68.42	21	28
6	Poultry farming	1	5.26	12	16
7	Pig keeping	2	10.53	11	14.67
8	Tailoring business	1	5.26	6	8
Total		19	100	75	100

**Source: Field survey 2012**

Table 4.7 shows that the sample women involved in different types of economic activities before and after entering into PGBB programs. Out of 75 borrowers of sample survey, about 21 were involve in retail business and rest in other different programs.

After implementation of program women did not left their old business but they motivate to make that business success. Before entering PGBB, 2 women were involved in agriculture and no one were involved in goat keeping, buffalo keeping,1 wear tailoring which was lowest number of women borrower. But after involvement in PGBB programs 21 were in retail business, 15 women were in agriculture 11 in pig keeping and 6 in buffalo keeping. Women were interested to involve in poultry farming. The graphical representation of above table is below

**Figure 4.7**

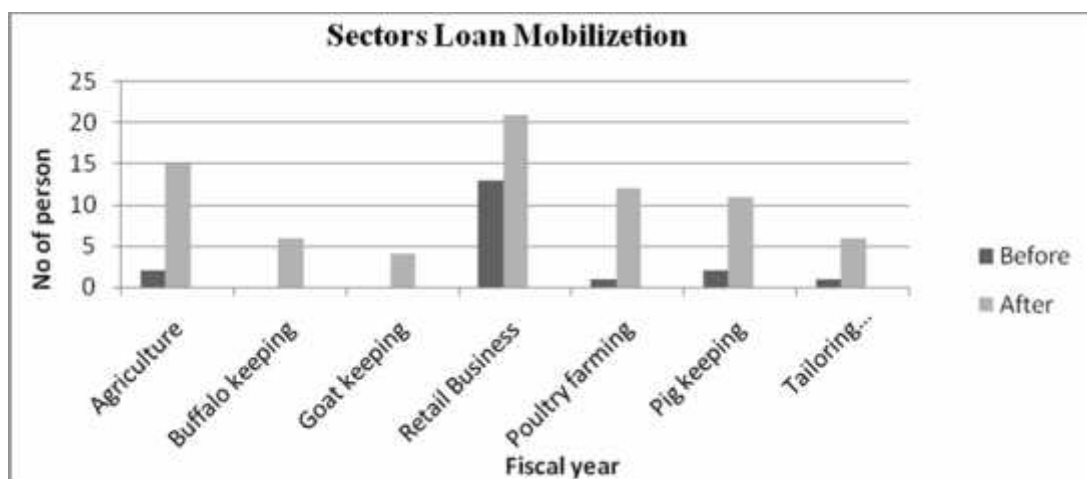


Figure 4.7 is known that the highest no of women was taking loan in retail business. The least no of women were involved in goat keeping after the involvement of PGBB program.

#### 4.1.2.4 Recovery status of Lending Fund

Recovery is necessary for lending amount. But sometimes due to different reasons it can be difficult to recover lend amount. The following table shows the status of recovery of lending amount.

**Table 4.8**  
**Recovery Status of Lending Fund**

S. N	Description	Before		After		% increase/decrease
		Numbers	%	Numbers	%	
1	On time	12	63.16	72	96	32.84
2	Beyond time	5	26.31	3	4	(22.31)
3	Not refunded	2	10.53	0	0	(10.53)
Total		19	100	75	100	

Source: Field Survey, 2012

Table 4.8 shown that recovery of money which was mobilized by women. The survey shows the satisfactory result of recovery of women's lending amount after entering into GBB's programs. Repayment of loan on time was in increasing 72 from 12 trends after entering PGBB and beyond time were decreased 3 from 5.

**Figure 4.8**

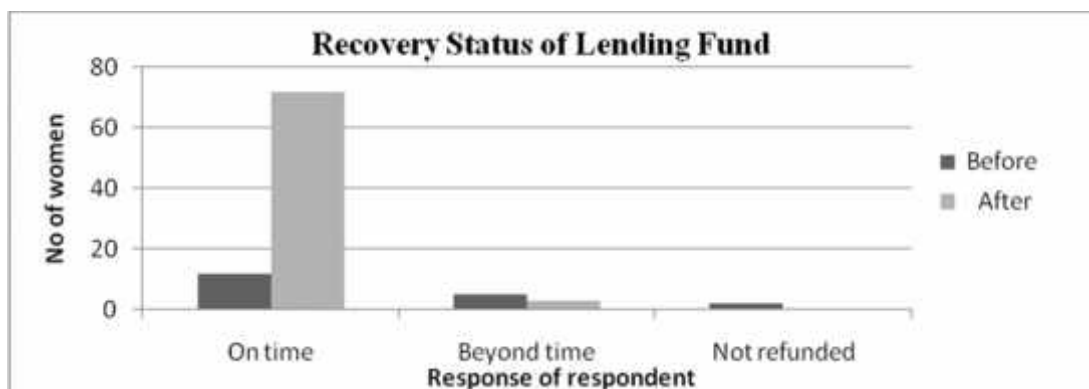


Figure 4.8 shows that recovery status of lending fund. The recovery status on time before was 12 but after the involvement of PGBB program it was increased in 72. It is clear from the figure that the loan recovery on time exceeded by wide margin.

### 4.1.3 Investment and Income

Investment is using fund to raise more funds. The fund which is generated from investment is income. So money is invested in the form of loan at certain percentage of interest. Loan is recovered with interest after certain period of time. Fund without investment is useless. This fund investment is playing greater role to increase the livelihood of PGBB women.

#### 4.1.3.1 Interest Income from Different Program

When there is investment there is income. PGBB invest its amount among members and generate income from there. Members take loan from PGBB to run their business and pay small amount of interest for the loan they receive and this is the interest income for PGBB.

The state of interest income from different lending program is shown in table 4.9

**Table 4.9**

#### **Interest Income from Different Programs**

Fiscal Year	Micro Business Loan		Micro Enterprising Loan		Total	
	Amount	%	Amount	%	Amount	%
2007	1820014	99.61	7091	0.39	1827105	15.81
2008	2004573	99.53	9364	0.47	2013937	17.43
2009	2094918	98.37	34686	1.63	2129604	18.43

2010	2456353	92.84	189387	7.16	2645740	22.9
2011	2806466	95.55	130713	4.45	2937179	25.43
Total	11182324	99.67	371241	0.33	11553565	100

**Sources: PGBB Lekhanth Branch**

Figure 4.9 shows the interest income on loan amount different fiscal years from micro business loan and micro enterprise loan. Total interest income from micro business loan is Rs 11182324 and from micro enterprise loan is Rs 371241 in last five years. The highest percentage of interest income from total loan micro was 25.43 % in fiscal year 2011. The greatest percent and amount of interest income on total loan was 2937179 in 2011 and the least interest income was 1827105 in 2007. Interest income from different was relatively favourable.

To make it clear, meaningful and understandable above data presented in the graphical form:

**Figure 4.9**

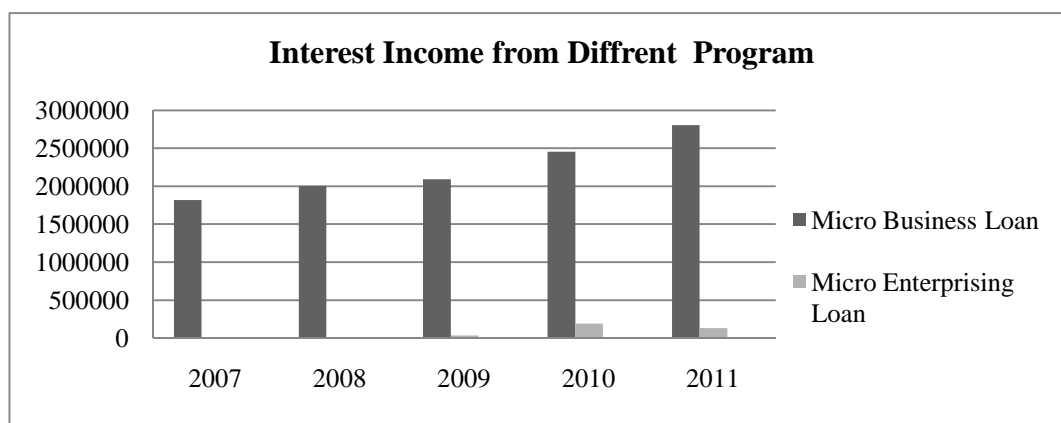


Figure 4.9 shows that the interest income status of PGBB. The interest income of micro business loan increased rapidly from 2007 to 2011, and micro enterprising loan was decreasing to 2011 from 2010.

#### **4.1.3.2 Amount Invested by Women**

Loan taken by women was invested in different sectors before and after entering in to PGBB programs. The following table shows the response of sample women who invest different amounts.

**Table 4.10**

### Amount Invested by Women

SN	Amt in Rs	Before		After		% increase/decrease
		Number	%	Number	%	
1	Below 10,000	4	21.05	2	2.67	(18.38)
2	10,000-20,000	3	15.79	13	17.33	1.54
3	20000-30000	4	21.02	14	18.66	(2.36)
4	30,000-40,000	1	5.25	20	26.67	21.42
5	40,000-50,000	4	21.5	11	14.67	(6.83)
6	50,000-60,000	3	15.79	15	20	4.21
Total		19	100	75	100	

**Sources Field Survey 2012**

Figure 4.10 shows the positive impact. Mean Investment by sample in different sectors after PGBB program the no of women were increased to 75 from 19 which gives positive result to us. It means increased investment was more than previous investment. Their economical condition was improving after PGBB program. This is because more women were involved in this program. They invest their money in different sectors and could earn a certain income after entering the program. It seems women were highly encouraged to mobilize their saving fund.

To make it clear, meaningful and understandable above data presented in the graphical form:

**Figure 4.10**

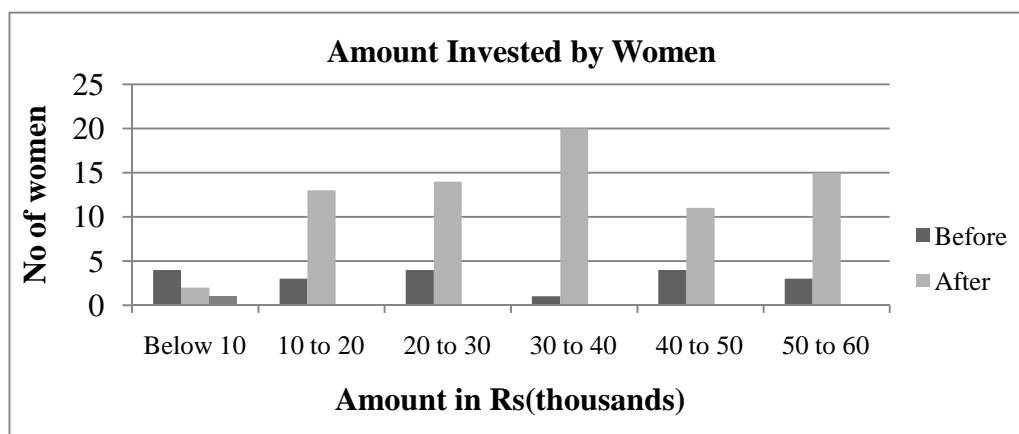


Figure 4.10 shows that the number of member earning below Rs.10000 was 4 whereas it decreased by 2 and fall up to 2 after joining PGBB microfinance programs. .Similarly investment between Rs10000-20000 and Rs.20000-30000 was also increased to 13 and 14 respectively than previous numbers 3 and 4 respectively. Likewise investment between Rs30000-40000and Rs40000-50000 was also increased by 20 and 11 than previous. From above chart is known that the out of 75, only 15 women invested Rs 50000-60000 after joining the PGBB program.

#### 4.1.3.3 Monthly Income of the Women

Income of women was varying in PGBB Kaski. Some women were rich and some were poor. The following table shows the monthly income of the women before and after involvement in PGBB.

**Table 4.11**  
**Monthly Income of Women**

SN	Income range in RS	Before		After		% Increase/ decrease
		Numbers	%	Numbers	%	
1	0-5,000	37	30.91	11	14.55	(16.36)
2	5,000-10,000	15	27.27	23	30.91	3.64
3	10,000-15,000	11	20	16	25.45	5.45
4	15,000-20,000	7	12.73	13	16.36	3.63
5	20,000 & more	5	9.09	12	12.73	3.64
Total		75	100	75	100	

**Source: Field Survey, 2012**

Table 4.11 shows the monthly income of women in different range before and after entering PGBB programs. The number of member earning Rs.0-5000 was 37 whereas it

decrease by 26 and fall up to 11 after joining PGBB microfinance programs. Earning between Rs.5000-10000 was increase in number before and after joining programs. Similarly earning between Rs.10000-15000 and Rs.15000-20000 was also increased to 16 and 13 respectively than previous numbers 11 and 7 respectively. Likewise earning between Rs20000 above was also increased 12 from 5.

**Figure 4.11**

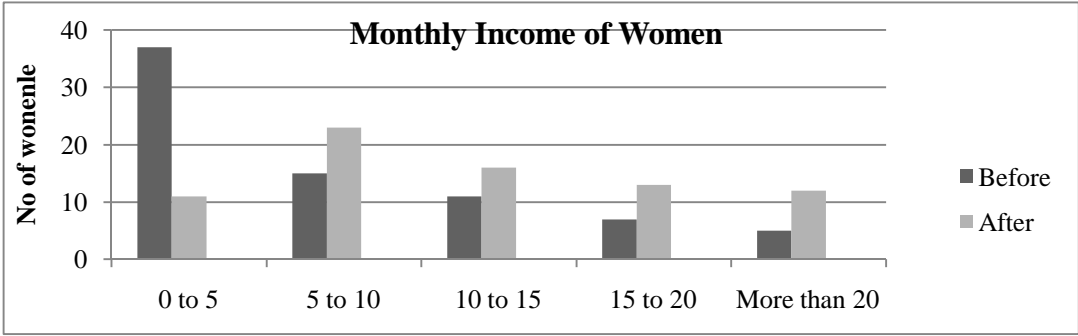


Figure 4.11 shows number of women monthly income were very low in the past and it has reversed now.

**4.1.4 Response of Poorest Women**

Poverty is deep-rooted in Nepalese society. Especially women are always doing household activities and are far from outdoor fund raising activities. So these activities of PGBB are benefited for the women to raise and save small money. Poor women who are lack of food, shelter and money will be benefited if they join PGBB programs. Because collateral is not necessary to take loan from PGBB. They should be in group members and can take loan. After investing that money they will be benefited.

**4.1.4.1 Category of Women**

There is different level of Women in every society. Some are very rich, some are very poor and some are medium range. In this research study the category of women are categorized on the basis of women’s response, field observation, asking questionnaire, observing their economic condition etc. Women who have few source of income, no land, no drinking water tap and toilets and less available of health service and monthly income is very low which is minimum amount to survival are categorized as very poor. Women who have a small block house and average monthly income are categorized as a poor. Women who have sufficient land and well house, more sources of income, high monthly income are

categorized as a rich. The field survey shows the following level of PGBB women in Kaski. But from survey the numbers of women which are very rich were not found. Following table shows the status of women in field survey.

**Table 4.12**  
**Category of Women**

S.N.	Description	No of women	Percentage
1	Very Poor	12	16
2	Poor	49	65.33
3	Rich	14	18.67
Total		75	100

**Source; Field Survey, 2012**

Table 4.12 shows the number of women have different economic status. Out of 75 sample women there were 12 women very poor, women poor and 14 women rich. But no women were found who said that they are very rich in sample survey. Majority of the sample women were poor. However PGBB program should focused on poorest of the poor women. To make it clear, meaningful and understandable above data presented in the graphical form:

**Figure 4.12**

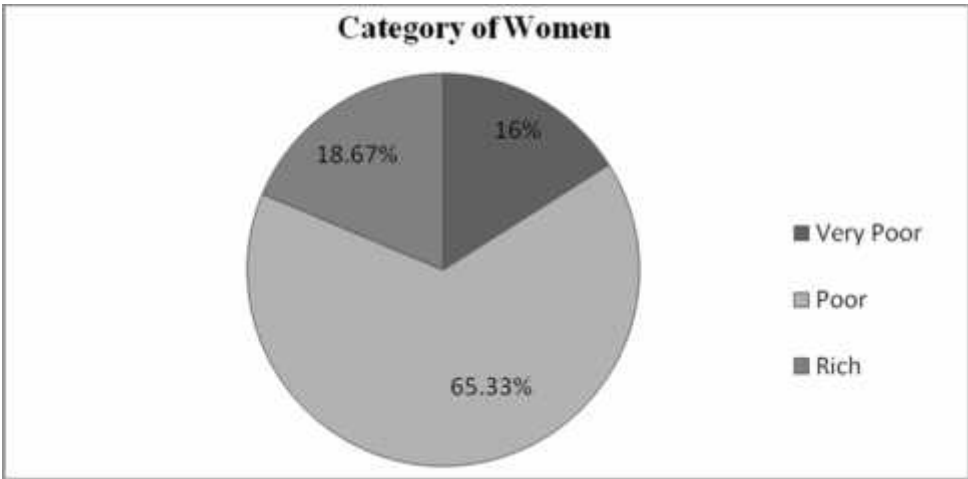


Figure 4.12 shows that 16% were very poor and 65.67% were poor in economic condition. To alleviate the poverty some special program should bring targeting them.

**4.1.4.2 Food Consumption Pattern of Respondent**

This heading deal with the foods pattern of respondent, the main significance of this heading is to whether MF is supporting to change then consumption pattern of respondent.

**Table 4.13**

**Food Consumption Pattern of Respondent**

Conditions	Before	After
Improved	31	56
Normal	44	19
Total	75	75

**Sources: Field Survey, 2012**

Table 4.13 shows that out of 75 women 44 had to struggle for improved food before the joined PGBB but after involvement of PGBB program had reduced by 19 women. They are able to eat nutritious food after their life easily had improved.

**Figure 4.13**

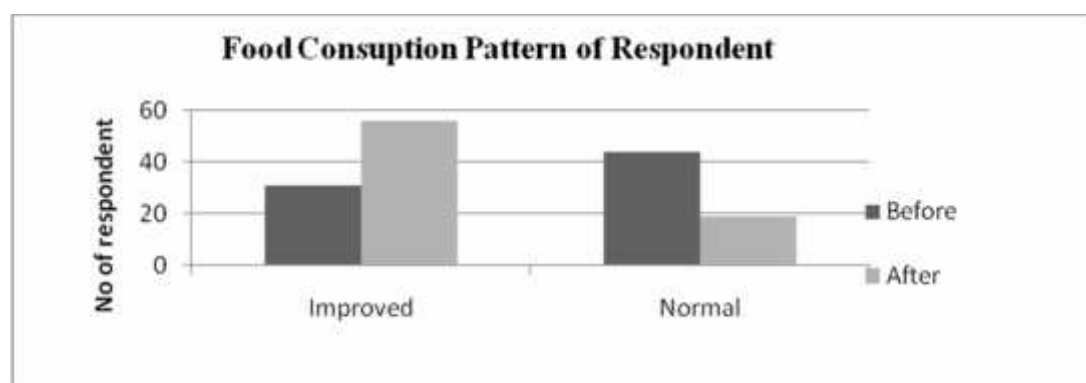


Figure 4.13 shows that after joining PGBB programs. The number of member improved consumption pattern increased by 31 to 56 after joining programs.

**4.1.4.3 Clothing Pattern of Respondent**

This heading deal with the clothing pattern of respondent, the main significance of this heading is to whether MF is supporting to change then clothing pattern of respondent.

**Table 4.14**

**Clothing Pattern of Respondent**

Conditions	Before	After
Improved	17	32

Normal	58	43
Total	75	75

**Source: Field survey 2012**

Table 4.14 shows the number women have clothing pattern is improved after joining the PGBB programme. After joining this programme is raise 17 to 32. Population proportion of women whose clothing pattern was normal before the arrival of PGBB program has decreased significantly.

**Figure 4.14**

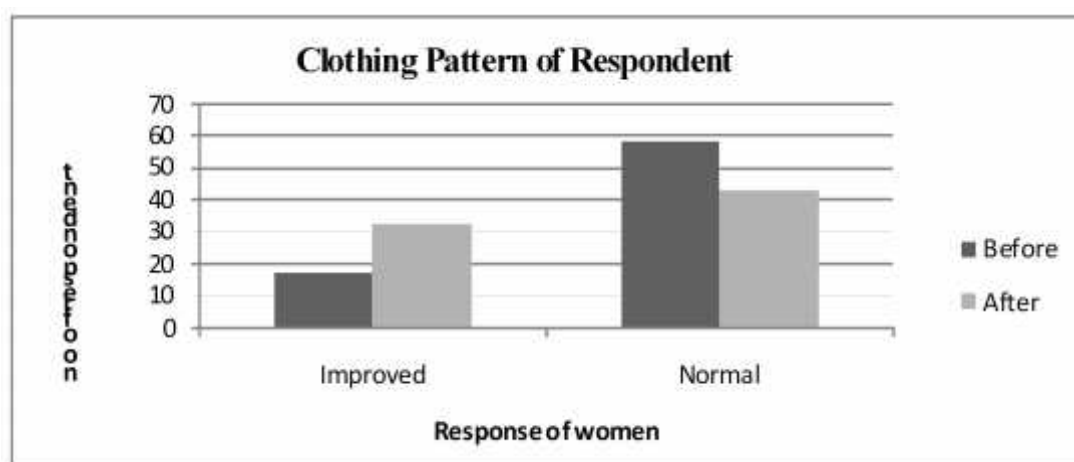


Figure 4.14 shows the output

of 75, 32 women clothing pattern are improved, 43 have normal clothing pattern after joining the PGBB program.

#### **4.1.4.4 Housing Pattern of Respondent**

Home to live poses higher value of anyone in other parts of country and world. PGBB does not provide loan for home repair and maintained. Among the sample of client after they involve the MF program they prefer to improve the quality of home by changing roof, plastering the walls, ground cemented etc.

This section deals with of respondent about condition of home structure after they are involving PGBB program.

**Table 4.15**  
**Housing Pattern**

Conditions	Before	After
Renovated	4	13
Not renovate/Normal	71	62

Total	75	75
-------	----	----

**Sources: Field Survey, 2012**

Among the sample clients nearly 4 have renovated their home prior joining the program but during the survey it revealed that only 13 women renovated their home. Above table reveals that in totality 13 respondent women renovated their home and 62 respondent have normal home or not renovated their home. It shows that after involvement of this programme the few women renovated the home.

**Figure 4.15**

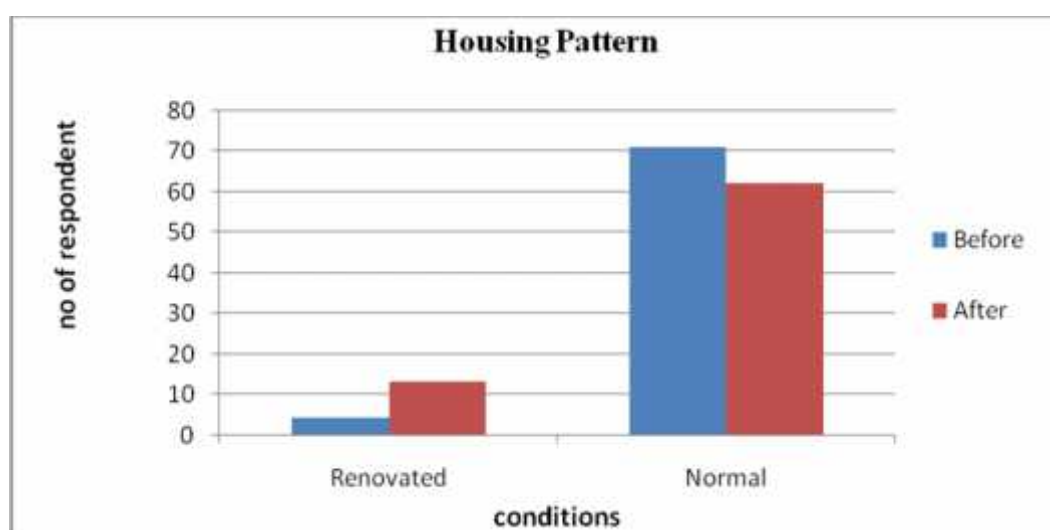


Figure 4.15 shows among the 13 client have renovated home. In the sense the microfinance program has been very much helpful in making them successful.

#### **4.1.4.5 Improvement in Living Standard of Women after Joining PGBB**

Table 4.17 shows the improvement in living standard of women after participating PGBB program activities.

**Table 4.16**

#### **Response on Improvement in Living Standard of Women**

S.N	Description	No of women	Percentage
1	Yes	69	92
2	No	6	8

Total	75	100
-------	----	-----

**Sources: Field Survey, 2012**

Table 4.16 reveals the response of participating women about their life standard after participating in PGBB program. In totality, 92 % of women said that their life standard has change after entering into PGBB program and 8% of women said that there was no change in their life style. Thus it seems that majority of sample women has improved their living standard after joining PGBB program.

To make it clear, meaningful and understandable above data presented in the graphical form:

**Figure 4.16**

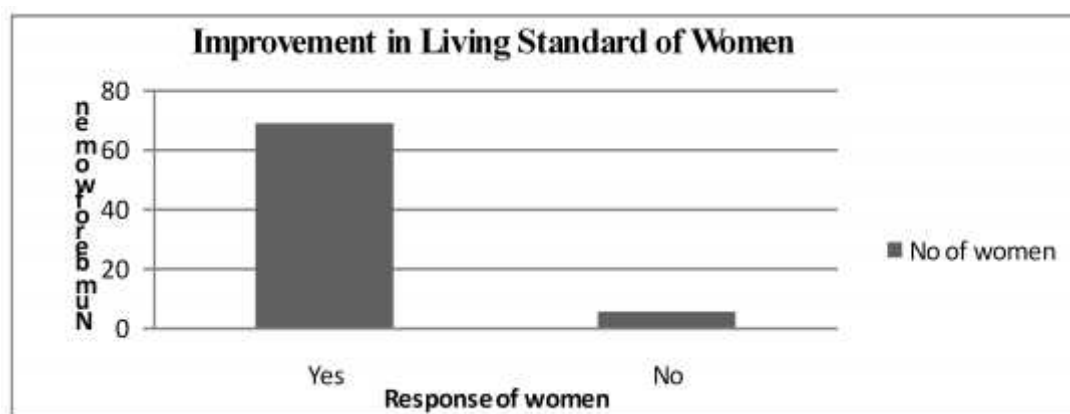


Figure 4.16 shows the majority of the client 69 has expressed the positive attitude towards the change in economic status and 6 members expressed no improvement in living standards.

#### **4.1.5 Profile of the Respondent**

From the profile of the respondent it has been found that the program has benefited to all the borrowers. For the purpose of study, this section consist various information of the sample women like as education, age structure, cast distribution, priority sector, etc are shown;

##### **4.1.5.1 Education Level**

Education is most important thing all over the world. Therefore it is lamp of the world. Women are especially less educated as compared to men, and the situation is still worst in

rural areas. The allocation of respondents according to their education has been presented in Table 4.17

**Table 4.17**  
**Education Level of Women**

SN	Educational level	Total member	Percentage
1	Illiterate	22	29.33
2	Literate	24	32
3	Under SLC	18	24
4	SLC pass	7	9.33
5	Intermediate	4	5.33
	Total	75	100

**Sources: Field Survey, 2012**

Table 4.17 shows the pitiable educational condition of the women even in the PGBB of Lekhanath municipality. 29.33 percentages of the members surveyed were illiterate. 32 percentages of these without formal education had joined adult literacy classes mean literate. Only 5.33 percentages reached the Intermediate level. Large number of literate women participating in microfinance program shows that PGBB is showing good performance by helping needy women to uplift their status. The above table 4.17 can be shown in graphical figure.

**Figure 4.17**

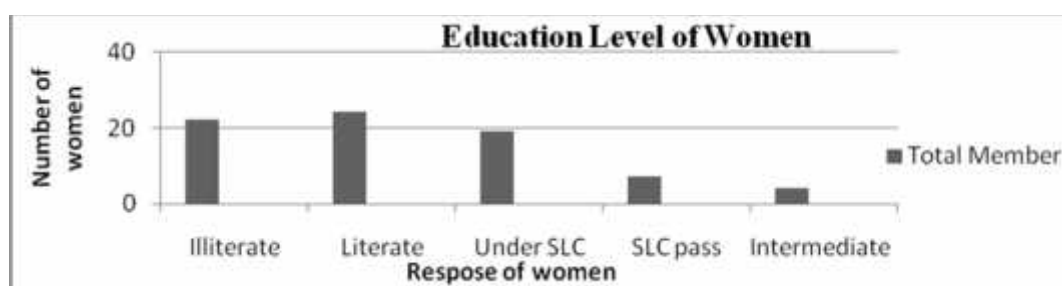


Figure 4.17 shows the education status of the participating women the majority of the client literate because 22 women were illiterate and 4 women have qualification above the SLC.

#### **4.1.5.2 Age Structure**

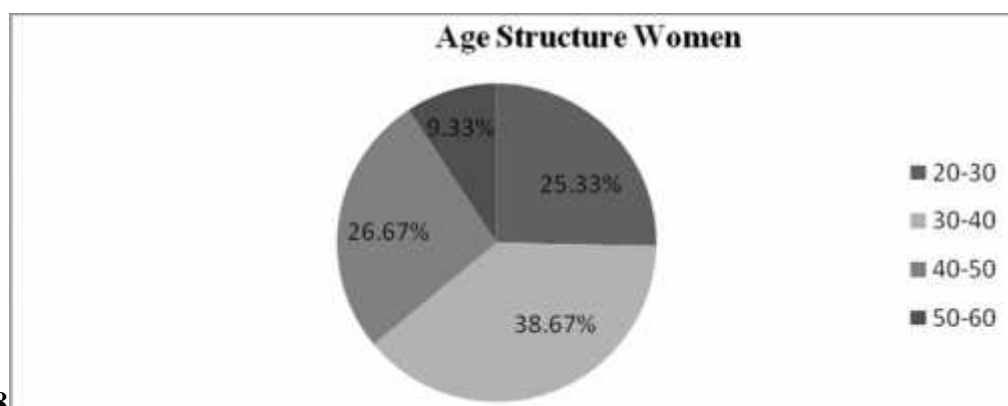
In the research study it has been found that the age structure of women was in between 20 to 60 years and all were married. It has been shown in the following table.

**Table 4.18**  
**Age Structure of Women**

SN	Age Group	No of Respondents	Percentage
1	20-30	19	25.33
2	30-40	29	38.67
3	40-50	20	26.67
4	50-60	7	9.33
	Total	75	100.00

**Source: Field Survey, 2012**

The youngest among the members surveyed was 23 years old while the oldest was 59 years old. We found very little women only 9.33 percent who had age between 50-60 years. Table shows that more than half percentage of the women members were between 30 to 50 years who had heavy financial load for their survival and other social responsibilities such as giving education, marriage of their children. 38.67 percentage of respondents' age was between 30-40 years which shows middle aged members attraction towards microfinance services.



**Figure 4.18**

Figure 4.18 shows that out of 75 respondents the majority of 36.67% were in 30-40 year class. Normally 20-60 year class women were involved in economic activities. PGBB program seems satisfactory:

#### **4.1.5.3 Cast Distribution of Respondents**

**Table 4.19**  
**Cast Distribution of Respondents**

SN	Caste	Total Member	Percentage
1	Brahmin and Chhetri	15	20
2	Gurung and Magar	32	42.67
3	Damai and Kami	7	9.33
4	Sunuwar and Kumal	12	16
5	Others (Tamang, Lama, Newar)	9	12
	Total	75	100.00

Sources: Field Survey, 2012

Table 4.19 shows that in the study area majority of members belonged to Gurung and Magar. 42.67 percent of member came from Gurung and Magar. 20 percent were 5.46 Brahmin and Chetri, 9.33 percentages from Damai and Kami, 16 percentage are Sunuwar and Kumal and rest 12 percentage were from other cast which includes Tamang, Lama, Newar . Thus the study shows that PGBB is able to involve lower caste also successfully which presents that poor lower caste people are in reach of microfinance services.

Figure 4.19

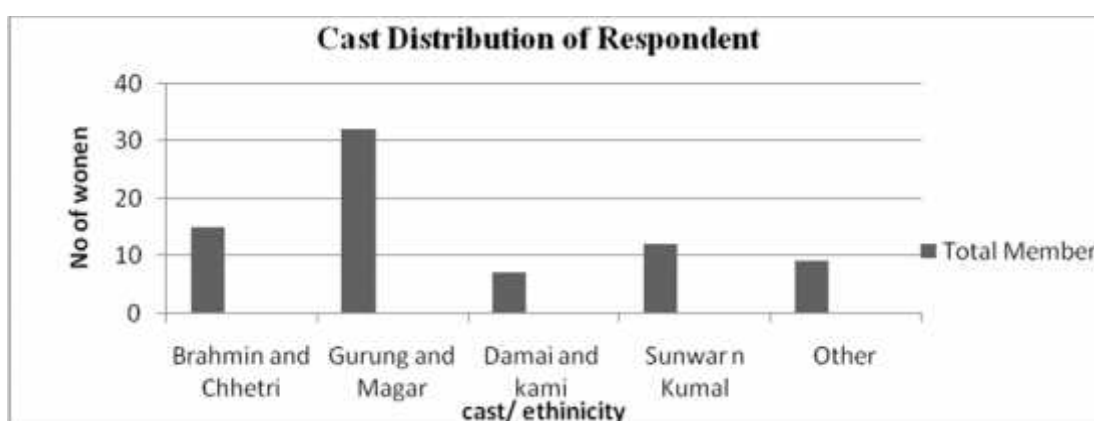


Figure 4.19 shows that the number of Gurung and Magar cover the high share in the Mf of PGBB. Tamang, Lama and Newar have least involvement in these MFPs.

#### 4.1.5.4 Priority Sector After Improvement in Economic Condition

Every people have their own interests and future plan. Like this, these PGBB women also have their own future plan to give priority in different sectors after improvement in their economic condition which is shown in the following table 4.20

**Table 4.20**  
**Priority Sector after Improvement in Economic Condition**

S.N	Description	Number of women	Percentage
1	Education	35	46.67
2	Health	4	5.33
3	Fooding	9	12
4	Saving	27	36
Total		75	100

**Source: Field Survey, 2012**

Table 4.20 shows the priority sector of participatory women. Main priority sector of women were education, health, fooding, saving. Out of 75 respondents 35 preferred education, 4 prefer health, 9 preferred fooding, and 27 preferred saving after improvement in their economic condition, in percentage, higher perception of women preferred saving i.e. 46.67 % and lower perception of women preferred health i.e.5.33 %. It shows majority of the respondents given high perception to saving pattern after the improvement on their economic activities.

To make it clear, meaningful and understandable above data presented in the graphical form:

**Figure 4.20**

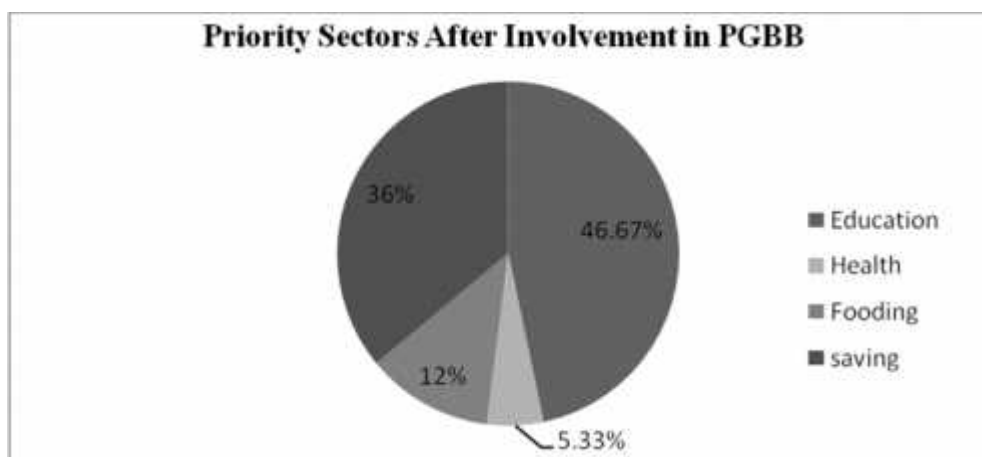


Figure shows majority of the client priority sectors were education after that saving, fooding and health.

#### **4.1.5.5 Feedback from Sampled Women to PGBB**

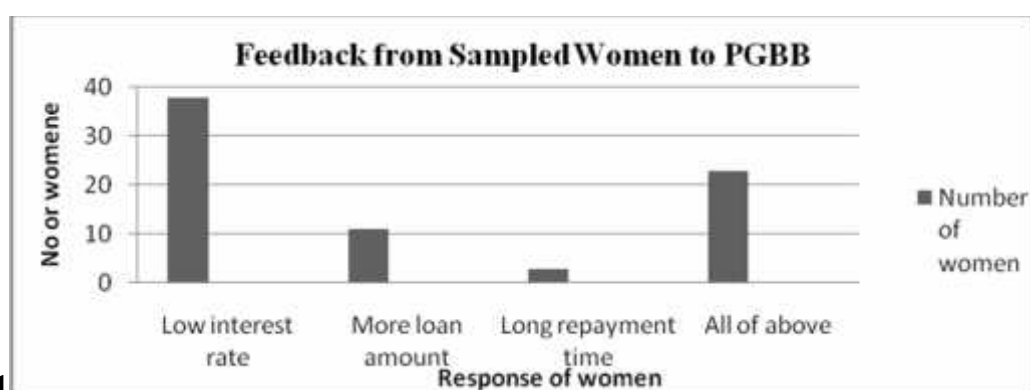
There are some programs which are needed to uplift the livelihood of poor women. There are different perceptions of women about different programs which are needed for them. Following table 4.22 shows the different facilities needed for poor women

**Table 4.21**  
**Feedback from Sampled Women to PGBB**

SN	Description	Number of women	Percentage
1	Low interest rate	38	61.81
2	More loan amount	11	9.91
3	Long repayment time	3	5.45
4	All of above	23	32.63
Total		75	100

**Sources: Field Survey, 2012**

Table 4.21 shows the number and percentage of women which have needed different facilities from PGBB to run their livelihood. Out of 75 sample women there were 38 women prefer low interest rate, 11 women prefer more loan amount, 3 women prefer long repayment time and 23 women prefer all of above. Similarly the percentage of women who prefer low interest rate was 61.81%, more loan amount was 9.91 %, long repayment time was 5.45 % and all of above was 32.63 %. So the women who prefer low interest rate programs were more than 50 %.To makes it clear, meaningful and understandable above data presented in the graphical form.



**Figure4.21**

The above bar diagram shows the 38 respondent prefer rate of interest should be reduce and maintained to reasonable rate and 23 prefer all of above.

#### **4.2 Major Findings of the Overall Study**

The major findings of the study are as follows:

- J PGBB has been facilitating the women in areas of agriculture, buffalo keeping, and goat keeping, retail business poultry farming, pig keeping etc.
- J Saving in the bank under the microfinance program is categorized in to group saving, individual saving and central fund. Among them group saving in average contributes 81.23% whereas individual saving and central fund contribute 10.35% and 8.42% respectively.
- J The total saving of last 5 years was Rs 21,396,587 in different saving programs. The highest saving was in group saving with amounting Rs 40, 10,751 which was 76.36 % in year 2011. In later years centre fund saving is increasing.
- J Most of the sample women were involved in half monthly saving program. The highest of saving amount of sample of women range is 100-200 and least number and amount range is 400 and above women after entering into PGBB program.
- J PGBB have to pay some interest expenses to women who save money. The overall interest expense on different saving programs in last five years was Rs 1247311. The interest expenses were increasing in every year except in year 2011. The reason behind increasing interest expenses is increase in saving deposit
- J Loan disbursement headings are micro business, micro enterprise. The overall loan disbursement in last five year was Rs 109650000. The highest loan disbursed in micro business loan was Rs 106852000 in last five years. Micro enterprising loan was not disbursed in 2007. The overall micro enterprising loan was Rs 2798000. Loan disbursed rate was increasing in every year excepting year 2008. Highest loan disbursed was in year 2011 and lowest was in year 2008.
- J Loan repayment is also increased in every year except year 2009. The overall repayment is 102018060. The highest repayment amount was in fiscal year 2011 with Rs 26041095 and lowest was in fiscal year 2007 with Rs 17684390. The overall loan outstanding is Rs.69279690 from fiscal year 2007 to 2011. The lowest outstanding amount was in fiscal year 2008 with Rs 11287010 and highest in fiscal year 2011 with Rs 19164390.
- J Loan repayment trend was in increasing starts up to fiscal year 2010 and outstanding trend was start up fiscal year 2009.
- J There was big change in sectors of taking loan before and after entering PGBB program. More women were taking loan for retail business purpose and fewer women for goat keeping.

- ) More women were paying the lending amount on time. It was increased by 66.67% after entering PGBB program. But it was in decreasing trend in women which weren't paying in time and paying beyond time.
- ) Interest income in loan was increasing. The overall interest income on loan was 11553565. The highest interest income in fiscal year 2011 was 2937179 and lowest was 1827105 in fiscal year 2007.
- ) More women were invested loan between RS 30000-40000. There was increase in number of women who were investing big loan amount after entering GBB programs except in below Rs 10,000.
- ) Women were earning more after entering GBB program. The number and percentage of women who are earning high amount were in increase after entering GBB programs.
- ) On the field survey 12 women found very poor and 49 respondent found poor and 14 found rich.
- ) Food pattern, clothing pattern and housing pattern is better than previous, which proves that women are getting awareness through MF as well.
- ) 75 sample women i.e. 92% of women said that there is improvement in their living standard after joining PGBB.
- ) All of the participating women were married and the age structure of sample women were in range of 20 to 60 years.
- ) Literate and well educated women were found more than illiterate. There were all of the women who are benefited from GBB in case of education level.
- ) After improving their economic condition, more than 46.67 % of women preferred education as priority sector then other sector.
- ) More women i.e. 38 sample women said that they preferred low interest rate, after that all of above, more loan amount and long repayment time to uplift their livelihood from poor women.
- ) The overall performance of implementing PGBB program signify that the record of household survey, group formulation, women participation, loan disbursement, repayment, outstanding and saving and its mobilization shows a good achievement of women development program.

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

Nepal is the one the poorest countries into the south Asia region and in the world. Poverty is the main challenge of economic development in Nepal. The people living below the absolute poverty line Poverty alleviation has been the major concern of debate in developing world. In Nepal, the women comprising of the total population are relatively back warded in terms of opportunities to participate in the mainstream of development. Man and woman are said to be two wheels of a cart. But proportion of women as parliament, autocrats and professional are quite small. Majority of women are illiterate and engaged in agriculture for their livelihood. In recent years, there has been a growing realization of the importance of women's participation in the development.

Kaski is hilly district of Nepal. There are two municipalities and 43 VDCs. Lekhanth municipalities is the one of the most. There are 15 wards within this municipality. Women of this Lekhanth are unprivileged and low socio-economically background and poverty among the women population is high. To reduce this poverty and make women self-dependent, economically strong different microfinance institutions are working here. Grameen Bikas Bank is one of them. Paschimanchal Grameen Bikas Bank was established in 2055 B.S. in Lekhanath municipality as branch office. The general objectives of the study are to analyze the effectof microfinance on women in Lekhanth municipality. This

study focuses only activities of saving (deposit), loan disbursement and its recovery as well as effect on women etc.

Under the literature reviews, the theoretical and research reviews have been done. In theoretical reviews the origin and activities has been lunch by the NGOs and INGOs which are still working in rural areas. The other programs lunched by that organization and several books related to poverty reduction, rural development and microfinance is shown. Another part of the chapter is research review. The study is related to several article, newspapers and dissertations. Analytical research design has been used in this study. This study is based on primary and secondary data. Most of the data are collected from field survey.

On the basis of discussions stated in chapter four presentations and analysis of data, the summary of findings of the study is presented in the following points

- ) The highest amount of saving is in the in group saving and the lowest amount of saving was in centre fund saving program in last five years. The total saving amount is rapidly decreasing with remarkable amount in the fiscal year 2008 and gradually increasing up to fiscal year 2010 and again it increased in the fiscal year 2011.
- ) The growth rate is decreases up to the fiscal year 2008 and 2009, but after that it has increased gradually.
- ) The main sectors of lending by women are agriculture, buffalo keeping, goat keeping, retail business, tailoring , poultry farming, pig keeping etc.
- ) The interest expenses on saving were slightly increased in fiscal year 2008 to 2010 and rapidly decreased in fiscal year 2011. This shows that savings of the members is decreased.
- ) The loan disbursement rate of PGBB is in increasing in every next year. The highest amount of loan disbursement is micro business loan and lowest amount is in micro enterprising loan. This shows that PGBB is providing more loan amount to its members from micro business. The increasing loan disbursement rate shows that members are interested to take loan and invest it to earn from the investment.
- ) Repayment of loan on time was in increasing trend after entering PGBB programs.
- ) Loan outstanding was decreasing up to year 2008 rapidly but after that it has increased gradually. In all years recovery is more than outstanding.

- ) Majority of women are interested to pay loan on time, so more loan repayment rate is satisfactory after entering PGBB.
- ) Monthly income of women is increasing after entering PGBB programs.
- ) Category of poor women is substantially higher.
- ) Most of the women have improved food consumption, clothing and housing pattern increased after the involvement of PGBB program.
- ) The Most of the women are found in middle aged. PGBB is able to involve productive age group and benefit them highly from PGBB's microfinance programs.
- ) The sample women are mixed in castes. PGBB is able to involve lower caste poor women also successfully.
- ) PGBB is able to involve member from every educational status. More illiterate women are benefited. This shows good performance of PGBB in identifying group and benefits them from microfinance services.

## **5.2 Conclusions**

Some of the conclusion can be derived about the program as implemented the study area of Lekhnath Municipality. On the basis of the finding of this study, the following conclusions are drawn.

- ) PGBB, Lekhanth Branch is a women participating MF institution. It has been lunching saving and lending program.
- ) Saving capacity and habit has increased after the program intervention.
- ) Group saving plays the vital role as sources of financing.
- ) Majority of clients have interested in retail business.
- ) Loan recovery pattern seems sound. The outstanding amount has increased in later year. Majority of women are interested to pay loan on time.
- ) Monthly Income of women is also satisfactory and is earning slowly higher with the involvement of PGBB microfinance programs.
- ) Because of housing, consumption and clothing facility the economic condition of most participating respondent were found well.
- ) Majority of the client has improved their living standard and they have shown the full commitment over the program.

- ) Participants in PGBB MF program are from different status, different age, different cast, and different education level.

The overall study shows the program has made the positive effecton women living standard by generating employment and increasing productivity.

### **5.3 Recommendation**

On the basis of above conclusion the following recommendation are presented as follows:

- ) PGBB should regular supervise the saving activities of groups and gives those essential direction and suggestion.
- ) From the side of PGBB effective follow up, supervision and monitoring are essential to participants for proper utilization and mobilization of saving.
- ) Due to competition of bank, interest rate on loan is decreasing. So interest on loan should be managed as per the capacity of the client.
- ) The lending should be made on the basis of the requirement of the stated project not on the basis of achieving target.
- ) If the borrower did not recover the loan in due time, they should be motivated to repay on time. It could be introduce fine and penalties to be motivated to pay on time.
- ) The expansions of program in the poorest of the poor have to introduce.

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## APPENDIX I

पश्चिमाञ्चल ग्रामिण विकास बैंक

लेखनाथ शाखा

प्रश्नावली (व्यक्तिगत सदस्यहरूको लागि)

प्रश्नावली नं :

मिति:

क. व्यक्तिगत विवरण

१. नाम:

२. ठेगाना :

३. उमेर:

४. वैवाहिक अवस्था: विवाहित/ अविवाहित/ एकल

५. पेशा:

६. शैक्षिक योग्यता:

७. परिवारको जम्मा संख्या.

महिला:

पुरुष:



उद्देश्य	समुहमा आवद्ध हुनु अघि	समुहमा आवद्ध भए पश्चात्
कृषि		
खुद्रा व्यापार		
भैसीपालन		
बाखापालन		
उद्योग		
अन्य		

७. लिएको ऋण तिर्नुभएको छ ?

	सावाँ/व्याज	साँवामात्र	व्याज मात्र	कुनै पनि तिरेको छैन।
समुहमा आवद्ध हुनु अघि				
समुहमा आवद्ध भएपछि				

८. तपाईंले आफ्नो किस्ता कतिकति समयमा बुझाउनुहुन्छ ?

क. साप्ताहिक ख. पाक्षिक ग. मासिक घ. त्रैमासिक

९. लिएको ऋण समयमा नै तिर्नुभएको छ ?

	ठिक समयमा	भाखा नाघेको	नतिरेको
समुहमा आवद्ध हुनु अघि			
समुहमा आवद्ध भएपछि			

११. यदि तिर्नु भएको छैन भने त्यसको कारण के होला ?

घ आर्थिक सामाजिक अवस्थामा परिवर्तन:

१. तपाईंले व्यवसायमा कति रकम लगानी गर्नु भएको छ

स्रोत	समुहमा आवद्ध हुनु अघि	समुहमा आवद्ध भए पश्चात्
सम्बन्धित व्यवसायमा लगानी रकम		

२. तपाईं समूहमा आवद्ध हुनु अघि र पछाडिको मासिक आम्दानी कति जति छ ?

आम्दानी	समुहमा आवद्ध हुनु अघि	समुहमा आवद्ध भए पश्चात्
0-5000		
5000-10000		
10000-15000		
15000-20000		
20000		

३. यस लगानीलाई निरन्तरता दिएर अझ बढि लगानी गर्ने उद्देश्य छ ?

छ                      छैन

४. तपाईं आफूलाई कुन वर्गको महिलाको रूपमा वर्गीकरण गर्न चाहनुहुन्छ ?

क) अति गरिव    ख) गरिव    ग) धनि

५. तपाईंको आधारभूत आवश्यकतामा सुधार भएको छ ?

स्रोत	समुहमा आवद्ध हुनु अघि		समुहमा आवद्ध भए पश्चात्	
	साधारण	राम्रो	साधारण	राम्रो
तपाईंले खाने खाना				
तपाईंले लगाउने लुगा				

६. तपाईं यस संस्थामा आवद्ध भएपछिका के परिवर्तन पाउनु भयो ?

	छ	छैन
तपाईंको आर्थिक अवस्थामा सुधार		
व्यवसाय विस्तार भएको		

७. तपाईंको घरको बनावटमा परिवर्तन आएको छ कि छैन ?

	समुहमा आवद्ध हुनु अघि		समुहमा आवद्ध भए पश्चात्	
	छ	छैन	छ	छैन
घर मर्मत संभार गरिएको				

७. तपाईंको आर्थिक अवस्थामा सुधार भएपछि कुन क्षेत्रलाई बढी प्राथमिकता दिनुहुन्छ ?

क) शिक्षा    ख) स्वास्थ्य    ग) खाना    घ) बचत    ङ) अन्य

८. अति गरिव महिलाको आर्थिक अवस्था सुधारको लागि ग्रामीण विकास बैकले के गर्नुपर्ला ?

क) कम व्याजदर

ख) बढी ऋण रकम प्रदान गर्नु

ग) लामो समयको लागि ऋण प्रदान गर्नु

घ) माथिका सबै

९. तपाईं यस संस्थामा आवद्ध भएपछिको अनुभव कस्तो रह्यो ?

धन्यवाद

<b>S.N</b>	<b>Name of Respondents</b>	<b>Address</b>	<b>Centre Number</b>	<b>Group</b>
1	Sima Pariyar	Lekhnath-4, Taalbesi	6	Taalbesi Mahila Samuha
2	Sanumaya Thapa		6	
3	Sita Pariyar		6	
4	Maya Baral		6	
5	Bhimmaya Gurung		6	
6	Mithu Sunar		6	
7	Punimaya Sreastha	Lekhanath-2, Argau	16	Narijagaran Mahila Samuha
8	Manamaya Pariyar		16	
9	Goma kumari Kumal		16	
10	Devrupa Paudel		16	
11	Dilmaya Gurung		16	
12	Sanashree Gurung		16	
13	Sanju Poudel		16	
14	Bhagwati KC	Lekhnath-3, Sangam Nagar	2	Bhawani Mahila Samuha
15	Anjana Gurung		2	
16	Sima Gurung		2	
17	Jamuna Gurung		2	
18	NaraMya Gurung		2	
19	Parwati Kuwar		2	
20	Hema Gurung		2	
21	Kalpana KC		2	

22	Sita Devi Gurung	Lekhnath-7, Dada Nak	7	Taal chowck Mahila Saumaha
23	Savitri Pariyar		7	
24	Girimaya Gurung		7	
25	Nilkumari Gurung		7	
26	Manika Magra		7	
27	Shreemaya Thapa		7	
28	Gaumaya Kumal	Lekhanth -1, bhaati	4	Annapurna Mahila Samuha
29	Radha kumal		4	
30	Durga Kumal		4	
31	Rama Kumal		4	
32	Mina Kumal		4	
33	Sumitra Kumal		4	
34	Sanumaya Sunuwar	Lekhnath-13, Gagangauda	13	Siddharth Aama Samuha
35	Devi Gurung		13	
37	Nauli Lama		13	
38	Sommaya Timilsena		13	
39	Indramaya Gurung		13	
40	Lalumaya Sunuwar		13	
41	Devisara Gurung		13	
42	Bhojkumari Tiwari	Lekhnath-1 Aadarsh Chowck	8	Aadarsh Mahila Samuha
43	Sita Nepali		8	
44	Dhana Paudel		8	

45	Manadevi Gurung		8	
46	Rama Gurung		8	
47	Devi Gurung		8	
48	Anita Sunuwar		8	
49	Tulmaya Gurung	Lekhnath-12, Gagangauda	12	Janakalyan Mahila Samuha
50	Sukmaya Tamang		12	
51	Dhanshree Gurung		12	
52	Yamkumari Gurung		12	
53	Bina Gurung		12	
54	Mana Khadaka		12	
55	Indra Gurung		12	
56	Krishna Gurung		12	
57	Tulsi Kumari Gurung		12	
58	Barma Gurung		12	
59	Rita Tamang	Lekhnth-1, Naya Basti	25	Lali Guras Aama Samuha
60	Vida Tamang		25	
61	Shreemaya Pariyar		25	
62	Mina Gurung		25	
63	Shova Gurung		25	
64	Jasmaya Gurung		25	
65	Sarita Pun		25	
66	Samkumari Gurung		25	
67	Khajana Gurung		25	
68	Sangita Gurung	Lekhnath-12, Gagangauda	41	Radha Krishna Mahila

				Samuha
69	Ganga Gurung		41	
70	Sumina Devi Sharma		41	
71	Lila Thapa		41	
72	Kabita Adhikari		41	
73	Lalmaya Pariyar		41	
74	Belkumari Shreshtha		41	
75	Sita Lama		41	