

## CHAPTER - ONE

### INTRODUCTION

#### 1.1 Background of the stud

“The poor do not need charity they need the tools necessary to help them out of poverty.” -Dr. Mohammed Yunus.

Micro-financing is the tool Dr. Yunus refers to in the quote above. It is a catalyst for economic growth and social change, in particular for developing countries. Micro-financing is a growing method for alleviating poverty. The benefits for this methodology are many. It creates self-employment opportunities for thousands of unemployed people, by making capital tangible as an aid to start and/or sustain a small business and acquire a fixed income. These programs are empowering people that would otherwise never be given the opportunity to move up the social ladder, especially women. In general, micro-financing is “reversing the age-old vicious cycle of "low income, low saving & low investment", into the virtuous cycle of "low income, injection of credit, investment, more income, more savings, more investment, more income (www.grameen.org) ”.

Despite urbanization, a large proportion of the population of developing and transition economy countries and three-quarters of the developing world's poor people live in rural areas. Sustainable livelihood development in rural communities is, thus, an important process and requires efforts to help people improve their social and financial assets. Financial assets enable households to make better use of other assets, such as their land, labour and skills. Financial services help people to build their financial assets and can also help to facilitate their transactions, solve cash flow problems and manage risk. Rural finance is, therefore, about the development of financial services in rural areas (FAO).

It is often argued that the financial sector in low-income countries has failed to serve the poor. With respect to the formal sector, banks and other financial institutions generally require significant collateral, have a preference for high-

income and high-loan clients, and have lengthy and bureaucratic application procedures. With respect to the informal sector, money-lenders usually charge excessively high interest rates, tend to undervalue collateral, and often allow racist and/or sexist attitudes to guide lending decisions.

The failure of the formal and informal financial sectors to provide affordable credit to the poor is often viewed as one of the main factors that reinforce the vicious circle of economic, social and demographic structures that ultimately cause poverty. As a partial response to this failure, there has been significant growth in what can be termed 'micro-credit' over the past two decades. Micro-credit is essentially the dispersion of small collateral-free loans to groups of jointly liable borrowers in order to foster income generation and poverty reduction through enhancing self-employment. Perhaps the best-known micro-credit institution is the pioneering Grameen Bank in Bangladesh. However, the Grameen model has been replicated in many countries (including high-income countries such as the USA) (Chowdhury, et al: 2005).

Micro-finance literature has already established that people of very different persuasions work together, talk together, plan and act together, and learn from each other (Mayoux: 2000). This group interaction is to be encouraged, although at the same time one should not give up one's critical faculties. The notion of schools of thought is a useful one in development studies which enhances our critical faculties while encouraging cross-school bridging communications.

Micro-finance seems to have earned an almost mythical reputation as the panacea for the problems of underdevelopment. In microfinance schemes it presented with the acceptable face of entrepreneurial capitalism. Money made available at "competitive" rates is lent to collectives of the poor and landless, typically referred to as Self-Help Groups (SHGs) or Thrift groups. In many countries Non-Governmental Organizations (NGOs) manage micro-loans, but in India the banking system itself has also taken on this role. Individually, the

members of the self-help groups would not normally be able to access loans at all. These are poor people who could not provide collateral as a guarantee. As a result, the most economically disadvantaged members of developing communities are normally denied access to the finance that they could use to lift themselves out of their poverty. Micro-finance aims to break this cycle of entrapment (Gulli, 1998). To do this, it relies heavily on the fact that, when individuals form into cohesive and durable groups, the risk of repayment default by individual members is substantially reduced. The mutuality of the group rests on a policy of the lender: future loans will only be given if the group has a good repayment history. Therefore, group members can be relied upon to pressure any defaulting individuals or to make alternative arrangements in case of sickness or disappearance (Olsen 1996). By agreeing to allow loan repayment deferral during drought (and conducting occasional debt write-offs), the Indian government has effectively created a moral hazard situation. Loans are being taken out in the expectation that in due course politicians will compel banks to write off some of the debts. Government at state or national level will prevent the banks from exercising their collateral guarantees. In such a situation, from the lenders' perspective, the lower costs and risks of lending to groups can be sufficient to justify making collateral-free loans. Micro-finance therefore provides a way for banks to lend small sums of capital to the poor and landless people, thus enabling them to participate in economic activities that would otherwise be denied to them. In doing so, the more disadvantaged members of society are enabled to engage in entrepreneurial activities, increasing their own incomes to reduce poverty while at the same time loosening their dependence on traditional money-lenders; the poor therefore are empowered to escape from exploitative business relationships (Versluysen 1999). However, there is also a gendered dimension to microfinance, mainly because, in Nepal as elsewhere, most SHGs have been formed by women and exclusively for women. Examples such as Sri Lankan women's schemes (Albee and Gamage 1996; Albee and Reid 1992) and the Bangladesh

experience of Grameen Bank illustrate the female orientation of much micro-finance. Two factors appear to underlie this gender bias. First, there is a widespread perception that women are more responsible than men. With a greater awareness of the needs of family, women are thought to be less likely to squander loans on unproductive consumption, whereas men are reckoned to be likely to waste their money on, for example, alcohol and “other” women. Women are also thought to be less likely to default on their personal loans because they value their honor highly (Rose:1992). Second, a belief that poor women are doubly oppressed by virtue of both their poverty and their subordinate status to men in their households is perceived to mean that women have reason have reason to want to see their groups succeed (Johnson and Rogaly, 1996). This collective success can become a way to realize greater empowerment and emancipation of women from traditional social structures (Mayoux: 1988, 1989, 1993, 1995, 1998; Jhabvala, 1994).

Nepal is the under developed, land-locked country of the world, it lies between India and China. The total area of the country is 147181 sq. km. having a landmass of progressively increasing altitude from below 100 to 8848 meter high and large diversities in topography, weather and climate from region to region. The main income source of Nepalese people is agriculture and per capita income of a Nepalese is US \$ 270. Its rank is 144 out of 174 countries. Most indicators reflect a dismal performance on gender aspect of human development. The literacy rate of women is 34.6 percent as compared to 62.2 percent of men, Participation of women in council of ministers is 5.55 percent as compared to 94.45 percent of men and participation of women in civil Service is 8.55 percent as compared to 91.45 percent of men (Census, 2001).

In Nepal female lives extensively involved on agricultural activities having triple work responsibilities i.e. Reproduction, Household chores and Employment. However household chores and working in the field are not considered productive jobs. Due to limited educational skill and lack of

opportunity, majority of women are self employed in manual agricultural activities in their areas.

Gender disparity against women has further worsened the living condition of half of the population represented by women. An Intra household distributive consequence, which is often based against women doesn't provide the women their fair share. It has been growingly recognized that credit plays an important role in the development of agriculture. As the institutional sources of credit are lacking, non-institutional sources such as village moneylenders, traders, relatives and friends provided most of credit used by farmers in Nepal with high rate of interest especially in rural area of the country.

Nepalese women who constitute half of the population of the country have always been involved in national development, although deprived of control over economic resources as property income and employment as well as other recourses. Nepalese women are underprivileged and disadvantaged in terms of their socio-economic status as compare to their male counterparts. Microfinance is a very powerful tool that can be used effectively to address poverty, empower the socially marginalized poor and strengthen the social fabric. Especially when directed at women, the benefits of microfinance multiply many folds. Through microfinance, it is believes that, it can enhance human as well as financial capital. Viewed in this perspective, the study has been devoted to the role of micro finance to uplift the socio-economic condition of rural poor women.

## **1.2 Introduction of Nirdhan Utthan Bank Limited (NUBL)**

Nirdhan Utthan Bank Limited (NUBL), "the bank for upliftment of the poor" is the largest Microfinance Institution (MFI) in Nepal. It was established on 29th October 1998 under company act of Nepal. Nepal Rastra Bank, the central bank of Nepal, granted a license in April 1999 to undertake banking activities under the Development Bank Act 1996. It started its formal operation from July 1999. Now, operated under Bank and Financial Institution Ordinance

2012, NUBL provides microfinance services such as Loans, Deposits, Microinsurance and Remittance services to rural poor of Nepal. NUBL is one of the very few MFIs in Nepal that provides such variety of microfinance services. NUBL provides both group and individual loans. Its individual loans were less than five percent of its total loan portfolio as of January 2013.

As of the above date NUBL is providing microfinance services to more than 187382 clients in 49 districts of Nepal through its 118 branch networks, 5 regional networks, and its headquarter. In addition NUBL is again among few MFIs that adheres best practices in the field of microfinance including writing off its bad loans.

NUBL has following vision, missions and goals:

### **Vision**

NUBL's vision is "To be a bank with a social conscience that enables poor to:

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

### **Mission**

Extend financial services to and raise social awareness among the poor in under-served and un-served areas of Nepal in a sustainable manner.

### **Goals**

The primary goals of NUBL are to:

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

The quantitative growth in terms of outreach resulting in to substantial growth in revenue has helped NUBL to attain self-sufficiency. However, the impact of its program on the rural poor women has not been studied. Hence, this study devoted to study the role of micro finance to uplift the socio-economic condition of rural poor women.

### **1.3 Statement of the problem:**

About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the “Vicious Cycle of Poverty” (Robinson:2002, ). If the people of LDCs have a limited capacity to invest in capital, productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for entrepreneurs in LDCs to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustainable (existing for continuing future use). Microfinance serves as a means to empower the poor, and provides a valuable tool to assist the economic development process. However, unavoidably, various barriers and obstacles limit the roles of microfinance, entrepreneurship and sustainability in reducing poverty in LDCs around the world.

The idea of micro financing has evolved over the past decades as a method to alleviate global poverty. Micro financing provides services such as small loans to finance self-employment (micro loans), micro credit, savings, payment transfers, micro insurance, and other financial services. These are focused on helping people who traditionally do not have access to such capital or services, making possible investments in small businesses that will generate income and make the populace self-sufficient (Ledgerwood: 1999).

Micro-financing is considered a development tool because it helps people at the bottom of the economic ladder to have more control over their local economy.

Also, it provides a long-term solution to some harsh characteristics of poverty, such as malnutrition, illiteracy, and inadequate housing. It is geared, but not limited to women in the poorest areas of the world. One reason for this is that women constitute of the largest share of the population (along with infants) suffering from poverty. It was calculated by the United Nations Fund for Women (UNIFEM) that absolute poverty among women in the developing world, has grown by 50 percent in the past two decades. Granting micro-loans is a source of empowerment that gives women an opportunity to be active outside traditional household obligations.

Nepal is one of the poorest country in the world as well as in South Asian region. Nepalese economy is distinctly different in its character from the regional economies. Poverty, less developed geographical situation, technological backwardness, landlocked, dominated by two large economies, low per capita income, high population growth rate, concentrated urban growth and low level of educations are the main features of the Nepalese economy.

Women of Nepal are suffering more than men due to complex social, cultural, traditional, geographical and economic characteristic. They lack access to health, education and economic resources. Nepalese women are underprivileged and disadvantaged in terms of their socio-economic status in comparison to their male counterparts.

The contribution of women in agriculture production is 60.5 percent (Census 2001), which is not considered as productive economically. There is vast discrimination in getting wages for the similar work between men and women. Since the long time, women have been suppressed by the male dominating society in every aspect.

This reality clearly desires the utmost need for the launching of effective programs to uplift the economic situation of the rural women. Economically active participation of women can only give momentum in all types of poverty reduction plan.



Realizing the significance of women participation in national development effort, different financial institutions came forward with different effective programs such as Production Credit for Rural Women (PCRW), Rural Self-reliant Fund (RSRF), Micro Credit for Poor Women (MCPW), Grameen Banking System.

Under these circumstances, Microfinance is an effective tool in improving women status. It is therefore expected that overall household welfare is likely to be higher when Microfinance is provided to women rather than men, microfinance programs have emerged as important player. These programs typically make small loans- sometimes as small as \$ 30 to \$100(Rs 2000 to 7000), and sometimes as large as several thousand dollars-to households lacking access to formal sector banks. One important achievement of the Microfinance movement has been its relative success in deliberately reaching out to poor women living in diverse Socio-economic environment.

Different studies show that welfare impacts on the household are significantly better when borrowers are women. For every loan taken by Bangladeshi women, the increase in household consumption was 0.18 taka, compared to 0.11 taka when borrowers are men. Only when women borrowed is there a large and important effect on the nutritional status of both sons and daughters. Assets other than land also increased substantially when women borrowed-but not when men borrowed.

Women are thought to make better borrowers than men: timely repayment of loans is more likely to take place when women borrow. The socio-economic situation of the population in general and women in particular, is quite gloomy. The plans, programs and projects made in Kathmandu with the help of donors, usually flow like ripples the surface and leave these hard-core poor, who lie like bed rocks at the bottom completely untouched. There are good reasons to target women. Gender equality turns out to be good for everybody. The World Bank reports that societies that discriminate on the basis of gender have greater

poverty, slower economic growth, weaker governance, and a lower standard of living. Women are poorer and more disadvantaged than men.

Hence, women who not only are better off economically as a result of access to financial services, but they are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities.

The systematic development of Nepal being with the invitation of the first five year plan and various public enterprise have established in the different field up to seventh plan, such as public utilities, manufacturing, trading services, social and piratical enterprises. Despite the continual efforts of four decades, the country has not yet been able to alleviate the poverty of the people. Even today more than half of the total population lies below the poverty line.

Nepal is one of the poorest country in the world and the poorest in the South Asia region. Its poverty reduction rate is low. The main reasons for this low poverty reduction rate are: (i) low per capital income, (ii) concentrated urban growth, and (iii) high population growth rate. Out of a population of 23 million, 38% are in below the poverty line. Most of the poor people live in rural areas and have little opportunity. Micro-finance could help poor people who have no collateral, but a willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income. Although many programmes have been implemented for poverty alleviation in Nepal, only micro-finance programs are seen as a poor targeted and rural based (cmf@mos.com.np).

This study has been considered important as no studies have been conducted yet that would provide knowledge of micro finance and its role to uplift socio-economic condition of women in the area of Nirdhan Utthan Bank.

Poverty is a complex phenomenon. It is difficult to assess all the dimensions of poverty during short span of time. Therefore, for the purpose of this study, poverty was taken as income, food sufficiency, access to educational services, gender equality and empowerment, and health. In order to know how the impacts of MF services of NUBL address its main aim of reducing poverty, the study explored the answers to the following research questions:

- a) What is the role of the micro finance on rural poor women?
- b) How and where women invest their loan taken from program?
- c) Who decide to take the loan?
- d) Who are getting microfinance services from the NUBL?
- e) How do the microfinance services of NUBL reduce the poverty of their clients?
- f) How do the microfinance services of NUBL help client to manage the risk vulnerability?
- g) How do the microfinance services of NUBL ensure food security of its clients?
- h) How do the microfinance services of NUBL help clients to take advantage of education opportunity for their children?
- i) How do the microfinance services of NUBL contribute towards female equality and empowerment?
- j) How do the microfinance services of NUBL contribute towards access to general quality health services?

#### **1.4 Objectives of the study:**

The general objective of this study is to analyze the role of Microfinance to uplift socio-economic condition of rural poor women of Nepal. The specific objectives of the study are as follows:

- ) To analyze situation of poverty and hunger.
- ) To examine the education pattern of women before and after program.
- ) To examine the Gender equity and female empowerment.
- ) To examine the situation of infant mortality, improved child health and maternal health.
- ) To suggest appropriate measures to improve Microfinance on the basis of socio-economic upliftment of women.

### **1.5 Rational of the study:**

The socio-economic situation of the population in general and women in particular, is quite grim. The plans, programs and projects made in Kathmandu with the help of donors, usually flow like ripples the surface and leave these hard-core poor, who lie like bed rocks at the bottom completely untouched. There are good reasons to target women. Gender equality turns out to be good for every body. The World Bank reports that societies that discriminate on the basis of gender have greater poverty, slower economic growth, weaker governance, and a lower standard of living. Women are poorer and more disadvantaged than men.

Women who are not only better off economically as a result of access to financial services, but they are empowered as well. Simply getting cash into the hands of women (by way of working capital) can lead to increased self-esteem, control and empowerment by helping them achieve greater economic independence and security, which in turn gives them the chance to contribute financially to their households and communities.

The study is important in Nepal because the government has initiated micro credit programs through the government agencies and non-government agencies. Microfinance is now a proven strategy for reaching poor women.

Thus through this study, the impact of the programs has been assessed and attempts made to rectify possible defects and strengthen these programs. The findings may also reveal target group members' perceptions, desires and problems, the knowledge of which could enable officials concerned to modify the program activities accordingly.

### **1.6 Conceptual framework:**

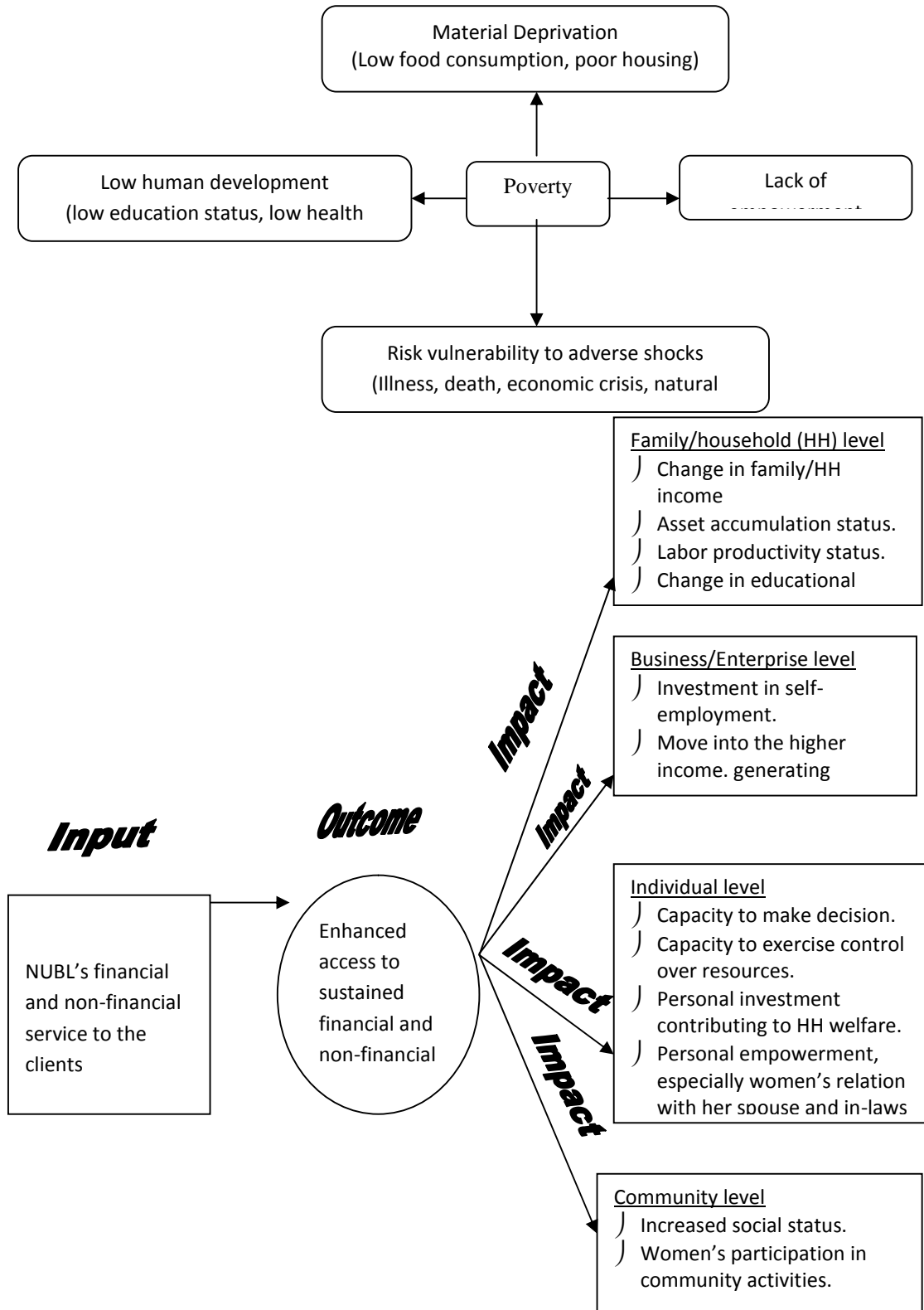
Conceptual framework is defined as “a set of abstract and general concept that integrated those concepts into meaningful configuration.”

Women, who constitute more than 50 percent of the total population, are not fully in the socio-economic upliftment activities of the nation, the development of the country will not be possible. Program such as Micro finance for women's economic empowerment, Women Development Program. Intensive Banking Program, Women awareness and income generation program, skill development program, informal enterprises program and cooperatives programs have been taken as effective tools for balanced development.

Interventions like micro-credit programmes, which are driven by twin objectives of poverty alleviation and empowerment of poor women, would provide women with the opportunity to take part in the money economy or labor force, to have an independent source of income and would improve the status of women within the household and in the society. The participation in money economy or labor force increases mobility. These changes or improvements would help them to establish behavioral patterns which are more favorable for their well being, their food consumption, education awareness and calorie intake, mobility etc.

The conceptual framework used by Assessing Impact of Microenterprise Services (AIMS) was adapted for the purpose of this study. AIMS places the family/household at the center of its analysis. Since the client's use of microfinance services are firmly embedded in the family/household, especially among poorer families, assessing the impacts requires a lens on the full range

of family/household economic activities. Following diagram conceptualizes the impact of NUBL’s microfinance services at different levels.



These relationships clarify paths of impact by which access to microfinance services can contribute to the goals of poverty alleviation and individual empowerment. In addition the relationship also clarifies the path between impact on individual clients, community and NUBL as an institution.

- ) *Family/households* improve their economic security and acquire the productive assets that sustain their movement out of poverty;
- ) *Enterprises* gain viability, stability, and growth;
- ) *Individuals* increase their control over resources and improve their well-being and status within the family;
- ) *Communities* develop economically through enterprise activity that provides goods and services, raises incomes, and creates jobs. Such local growth puts a brake on migration to urban areas, and the breakup of families which often results from this. Poor women become full actors in their communities;

## **1.7 Organization of the Study**

This research is structured into five chapters.

Chapter I introduce introduction of the research including background of the study, a brief Overview of Nirdhan Utthan Bank, research problems, research objectives, conceptual framework and Rational of the study.

Chapter II provides a literature review which includes theoretical reviews and reviews of the previous studies.

Chapter III discusses methodology utilized in the research. This chapter deals with the nature and sources of data, universe and sampling, data collection techniques, reliability and validity of the data, method of analysis and the limitation of the study.

Chapter IV analyses the data collected and presents the findings of the research.

Chapter V points out summary, conclusions and recommendations.

At last annex, Sample questionnaire of field survey and bibliography is also incorporated.



## **CHAPTER - II**

### **REVIEW OF LITERATURE**

#### **2.1 Concepts**

Micro-finance programmes not only gives women and men access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Although no ‘magic bullet’, they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening. Through their contribution to women’s ability to earn an income these programmes have potential to initiate a series of ‘virtuous spirals’ of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality.

This Chapter is based on the available reports, manual, workshop proceedings, related website and studies on micro finance programs and institutions undertaken nationally and globally. The mentioned literatures focus on the background of micro finance, the significance of micro finance in order to uplift economic condition and inter-relation between women and micro finance.

Most of the poor lack access to basic financial services that would help them to manage their assets and generate income. MF comes as financial intermediation that reduces the costs and risks of lending to poor households. MF has captured the imaginations of many people working to reduce poverty. MF is to be geared towards addressing economic empowerment and improvement of income or income generation of women.

The literature available for the proposed study can be split into three categories:

1. Theoretical Framework.
2. Reviews of the previous studies.

## **2.2 Theoretical Framework**

The provision of micro-finance involves initiatives on the part of state and non-state organizations, in making available very small amounts of credit to poor clients. There is an acute need among the poor for credit that often forms the deciding line between their survival and their succumbing to poverty. This need for credit is both for consumption as well as for production. In other words, credit is sought for basic requirements such as food, as well as for income generation activities'. The rationale of micro-finance is based on the hypothesis that the poor can be relied upon to return the money that they borrow. Moreover, the repayment will also be on time. It has been proved that the poor are capable of thrift and savings'. It is these existing requirements and conditions that are tapped by micro-finance initiatives (UNDP, India: 2002). To most, microfinance means providing very poor families with very small loans (microcredit) to help them engage in productive activities or grows their tiny businesses. Over time, microfinance has come to include a broader range of services (credit, savings, insurance, etc.) as we have come to realize that the poor and the very poor who lack access to traditional formal financial institutions require a variety of financial products. The important difference of micro credit was that it avoided the pitfalls of an earlier generation of targeted development lending, by insisting on repayment, by charging interest rates that could cover the costs of credit delivery, and by focusing on client groups whose alternative source of credit was the informal sector. Emphasis shifted from rapid disbursement of subsidized loans to prop up targeted sectors towards the building up of local, sustainable institutions to serve the poor. Micro credit has largely been a private (non-profit) sector initiative that avoided becoming overtly political, and as a consequence, has outperformed virtually all other forms of development lending (microfinancegateway.org).

Microfinance consists of making small loans, usually less than \$200, to individuals, usually women, to establish or expand a small, self-sustaining business ([www.grameenfoundation.org](http://www.grameenfoundation.org)).

Technically, micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural areas, semi-urban and urban areas. Any one availing micro-finance has to engage in some productive activities that will generate some income ([www.indianngos.com](http://www.indianngos.com)).

The word “micro-finance” did not exist before the 1970s. Now it has become a buzz-word among the development practitioners’ (Yunus 2004). The Grameen Bank originated from a small action-research project undertaken in 1976 by Muhammad Yunus, at that time professor of economics, in a village called Jobra near the town of Chittagong, Bangladesh.

The idea of micro financing has evolved over the past decades as a method to alleviate global poverty. Micro financing provides services such as small loans to finance self-employment (micro loans), micro credit, savings, payment transfers, micro insurance, and other financial services. These are focused on helping people who traditionally do not have access to such capital or services, making possible investments in small businesses that will generate income and make the populace self-sufficient (Ledgerwood: 1999). Micro-financing is considered a development tool because it helps people at the bottom of the economic ladder to have more control over their local economy. Also, it provides a long-term solution to some harsh characteristics of poverty, such as malnutrition, illiteracy, and inadequate housing.

Dr. Muhammed Yunus, other wise know as ‘the banker to the poor,’ is the creator and Managing Director of the Grameen Bank, Bangladesh one of the first and most prominent micro-finance institutes. The economy is based around traditional village farming, modern agriculture, handicrafts, a wide range of modern industries, and a multitude of services ([www.encarta.com](http://www.encarta.com) ).

The government has strong control and serious restrictions on the economy. International trade and foreign direct investment are also limited due to high interest and tariff rates. Dr. Yunus wanted to create a program that would give the poor access to resources and make them self-sufficient. He believes poverty is created by the institutions and policies surrounding them and not by the poor (Yunus: 2005). Numerous banks in Bangladesh advised Dr. Yunus that lending to the poor was dangerous because he would never see financial recuperation of his loans. Even after this advice, Dr. Yunus decided to start lending money out of his own pocket. His micro- credit lending program was based on trust not financial status of the person. Therefore, potential borrowers are not required to have collateral. Eventually the bank grew and other banks and institutions contributed to lending money.

Dr. Yunus' idea has spread and is now a major tool used to fight global poverty. Today there are thousands of micro-financing institutions (MFI), providing loans to thousands of people in the world. MFIs may include non-governmental organizations (NGOs), savings and loan cooperatives, credit unions, government banks, commercial banks, and non-bank institutions (Ledgerwood :1999).

Canada is world renowned for the development of cooperative and credit union system with over 100 years of successful history in this sector. CCC is a non-profit and member owned national umbrella organization of cooperatives and credit union of Canada representing 30 national or regional members and 3000 local cooperative and credit union system in Canada. ([www.cmfnepal.org](http://www.cmfnepal.org))

Prescott, E. (1997), Group Lending and financial Intermediation; set an example that, "Much of the literature refers to Micro credits inception during the 1970s as a way to provide credit to those otherwise ineligible for regular bank loans due to their lack of collateral. However, evidence of Micro lending to the rural poor exist as early as the 1700s in the form of the Irish loans Fund. The Irish loan Fund peaked in size during the 1800s, Further European

Examples of Micro lending occurred in Germany during the late 19<sup>th</sup> century. German Credit Cooperatives forms in rural area during this time, lending to individual under the condition that, "If the cooperatives failed any member could be sued for the entire amount owed by the cooperative."

"During the 1970's, Social innovators revolutionized the banking industry in places like Bangladesh and Bolivia. They determined that a key way to help people improve their lives was to remove their dependence on the local moneylenders. MFIs were set up to lend money at reasonable interest rate to poor people who could offer no collateral. Not only did the borrowers grow their businesses and increase their income but they repaid their loans on time. This model of lending broke all conventional thinking and transformed the borrowers' lives".(www.unitus.com)

Lindgren, E.H. (2003) Micro finance and Women's Empowerment in Rural Bangladesh, conforms that "With growing interest in and support for micro enterprises programs in developing countries, many of which have been directed towards poor women, controversy mounts over the effectiveness of MF efforts. Bangladesh, largely through the effort of Muhammad Yunus, has been a leader in the MF movement"

Shoresman, M. (2002), From Bangladesh and Bolivia to the United States replicating successful MF programs, "Although many look to the 1970s and Mohammad Yunus as the creator of MC, credit through small, non collateral dependent leaders and cooperatives date back to 19<sup>th</sup> century Europe cooperatives and rural lenders provided capital to poor farmer in 19<sup>th</sup> century. Ireland, however, the international community did not "rediscover". MC until Yunus gave a poor, Bangladeshi stool maker a small loan in 1976. MF discourse has produced three main methodologies for practice MF–solaridity lending, individual lending and village lending".

According to Seibel, H.D. (2004) , "MF is a term I suggested in 1990 to economics Institutes in Boulder instead of Micro credit MF was meant to stand

for financial intermediation between micro savers and micro borrowers, or, in other words, to comprise micro savings and micro credit. At that time, I worked for Bank Indonesia and GTZ, 1988-91. From there, it spread around the world and took on many different connotations".(www.unCDF.org)

Skarlatos, K. (2004), in "Micro finance and Women Economic Empowerment," found that "The MF industry is widespread in Nicaragua. Ordinary citizens perceive micro saving as an important part of the country's financial system, giving the poor who need and merit credit as means to access it. Throughout the 1960s and 1970s under the Somoza Regime, Nicaragua had one of the strongest financial systems in Central America. The formal sector housing finance system was well developed and practices of informal lending were very common in rural parts."

The movement is now global, and leaders at the World Bank, United Nations and other international organizations have joined in pushing to reach 100 million households around the world by the year 2005(Micro Credit Summit, 1997). The movement has also generated considerable support in the U.S (including the high profile support of Hillary Rodham Clinton; Buntin, 1997). The New York Times (1997) has celebrated this "much needed revolution in anti-poverty programs" and called for enhanced support.

Recently Commercial Micro finance has been emerged as a new topic of discussion. Heather Clark, 2004, Commercial Microfinance: The right choice of everyone? "What is Commercial Microfinance? explains that Microfinance Services are provided by commercial organizations that are part of the formal financial system. Commercialization implies a transition to the market place. Commercialization of MF has also come to mean non-commercialization acting in a more business-like fashion, covering the full cost of delivering the services, even if they do not intend to source commercial capital. Their commercial strategy is capitalization through retained earnings.

### **2.3 Reviews of the related literature**

The importance of Microfinance experiences in different countries has been explained in the following part.

It was calculated by the United Nations Fund for Women (UNIFEM) that absolute poverty among women in the developing world, has grown by 50 percent in the past two decades (www.unifem.org, 2001).

Granting micro-loans is a source of empowerment that gives women an opportunity to be active outside traditional household obligations. For example being more involved in economically productive activities and the political process of society (United Nations).

Not to mention the fact that generally women tend to be responsible for the family's well-being including their education, health, and nutrition. Women typically have fewer economic opportunities and little or no access to collateral hindering their participation to traditional loans by commercial banks. Furthermore, according to studies conducted by the World Bank, many projects monitoring repayment data, reported a higher rate of repayment of loans in projects that focus on women rather than on men. Many scholars have argued that an increase in women's income is more beneficial to the household and community, compared to proportionate increase in men's income (Ledgerwood:1999).

Studies conducted by the U.S. Agency for International Development indicated that many MFIs share the belief that women are good credit risks as they tend to have a higher repayment performance. However, it is only realistic to take into account that often they also fail to repay loans considering them charity and not business (Ibid ).

"Micro finance itself is not a distinct product/service but a financial marketing or retailing methodology. Small deposits and loans do not constitute a unique financial product/service in the same way that small shirts and street shoeshine do not constitute a new category as compared to shirts and shoeshine in general (Jazayeri: 2004).

Micro finance also uses innovative character assessment methodologies for people who are asset less and above all it uses social capital to substitutes for information, enhance the repayment motivation (for loan), and build up trust (for saving). In other words, micro finance brings out the potential in earning capacity among the poor by introducing innovations in the marketing of small loans (as products) and deposits (as services ) that reduces the transaction costs of dealing with small and largely clients".

Robinson, S.M. (2002), The Micro finance revolution, lesson from Indonesia, "Indonesia's approach to micro finance making it profitable and so widely available-helped the country reduced the incidence of poverty from about 40 percent of the population in the mid 1970's to about 11percent in 1996. In 1997, when the East Asian economic crisis began and poverty in Indonesia started to rise, MF system helped poor people who had lost their jobs finance informal sector enterprises. It also gave them secure and convenient deposit facilities-especially important to poor people in time of crisis".

Gomez, G. (2004), "Micro finance should be tool to fight poverty. Fighting poverty is the most important social goal of MF. In fact; MF was invented as a means to lift people from poverty. Micro finance is a business of providing financial services to the market segment composed of micro entrepreneurs excluded from the services offered by traditional formal financial sector institutions".

**Consultative Group to Assist the Poor (CGAP), the key principles of micro finance are:**

- ❖ The poor need a variety of financial services, not just loans. Depending on their circumstances, poor people need credit but also savings, cash transfers, and insurance.
- ❖ Micro finance is a powerful instrument against poverty. Access to sustainable financial services enables the poor to increase incomes, build assets, and reduce their vulnerability to external shocks.



- ❖ Micro finance means building financial systems that serve the poor. In order to achieve its full potential of reaching a large numbers of the poor. MF should become an integral part of the financial sector.
- ❖ Financial sustainability is necessary to reach significant numbers of poor people. Sustainability is the ability of MF provides to cover all of its costs. It allows the continued operation of the MF provides and the ongoing provision of financial services to poor.
- ❖ Micro finance is about building permanent local financial institutions. Building financial systems for the poor means building sound domestic financial intermediaries that can provide financial services to poor people on a permanent basis.
- ❖ Micro credit is not always the answer. The destitute and hungry that have no income or means of repayment need other forms of support before they can make use of loans. Wherever possible, such non-financial services should be coupled with building savings.
- ❖ Interest rate ceilings can damage poor people's access to financial services. Unless micro lenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs, and their growth and sustainability will be limited by the scarce and uncertain supply of subsidized funding.
- ❖ The government's role is as an enabler, not as a direct provider of financial services. National governments play an important role in setting a supportive policy environment that stimulates the development of financial services while protection poor people's savings.
- ❖ Donor subsidies should complement, not compete with private sector. Capital donors should use appropriate grant, loan, and equity instruments on a temporary basis to build the institutional capacity

of financial providers, develop supporting infrastructure and support experimental services and products.

- ❖ The lack of institutional and human capacity is the key constraint. MF is a specialized field that combines banking with social goals, and capacity needs to be built at all levels.

The importance of financial outreach, transparency, accurate, standardized and comparable information on the financial and social performance of financial institutions providing services to the poor is imperative.

Micro finance: Macro benefits, IFAD (2004), “International aid donors, governments, scholars and other development experts have paid much attention to MF as a strategy capable of reaching women and involving them in the development process. The MF industry has made great stride toward identifying barriers to women’s access to financial services and developing ways to overcome those barriers.” Shores man, M. (2010), From Bangladesh and Bolivia to the United States: Replicating successful MF program, “Poor women often have the best credit ratings. In Bangladesh, for example, women default on loans less often than men, and credit extended to women has a much greater impact on household consumption and quality of life for children. Women’s status, both in their homes and communities, is improved when they are responsible for loans and for managing savings. When they generate and control their own income, women gain a level of power that means that can make decisions independently and command more respect”

The study by Scoggins, A. (2008), “Women’s Empowerments through Micro Finance?” explains that the majority of women in Nepal are involved in self-employment activities as a means of generating income and supporting their families. Most of these activities do not earn them a sufficient income but women lack the technical and management skills that could otherwise raise them out of poverty.

Khun, L. et al (2009), Empowering women through Micro finance, “Women have been shown to spend more of their income on their households; therefore when women are helped to increase their incomes, the welfare of the whole family is improved.”

Soti, B. (2012), Micro credit program and socio-economic upliftment of women, “Involvement in the MCPW program has empowered women in varying degree. It has offered opportunities for poor women to come out of their household confined to organize themselves in groups and to work in productive and social activities”

Ojha, K. (2002), Micro finance program in poverty alleviation, “The participating families were benefited as their income had increased and they had to pay fewer amounts as interest than from local money lenders”.

The history of MF program within the Kathmandu valley seems new and immature. Remaining in the periphery of the capital city, MFP reached to Machhegaun VDC just twenty back with the objective to uplift the economic condition of women. This study has been done on Machhegaun VDC to find the impact of MFP on the economic upliftment of women where not a single study has been done on this regard as far.

#### **2.4 Conclusion of Literature Review**

According to the available literature, everybody knows that womens of rural area have great ability to earn an income through many factors, and only the things they don't have is financial support. So, micro-financing is considered as a development tool because it helps people at the bottom of the economic ladder to have more control over their local economy. Also, it provides a long-term solution to some harsh characteristics of poverty, such as malnutrition, illiteracy, and inadequate housing. MF is to be geared toward addressing economic empowerment and improvement of income or income generation of women. These are focused on helping people who traditionally do not have

access to such capital or services, making possible investments in small businesses that will generate income and make the populace self-sufficient

Micro-finance programmes not only gives women access to savings and credit, but reach millions of people worldwide bringing them together regularly in organised groups. Although no ‘magic bullet’, they are potentially a very significant contribution to gender equality and women's empowerment, as well as pro-poor development and civil society strengthening.

Through their contribution to women’s ability to earn an income, these programmes have potential to initiate a series of ‘virtuous spirals’ of economic empowerment, increased well-being for women and their families and wider social and political empowerment. Micro finance services and groups involving men also have potential to question and significantly change men's attitudes and behaviours as an essential component of achieving gender equality.

Microfinance consists of making small loans, usually less than \$200, to individuals, usually women, to establish or expand a small, self-sustaining business. Technically, micro finance is defined as provision of thrift, credit and other financial services and products of very small amounts to the poor in rural areas, semi-urban and urban areas. Any one availing micro-finance has to engage in some productive activities that will generate some income.

## **CHAPTER - III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Research design is the plan, structure, and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The plan is the overall scheme or program of research. It includes an outline of what the investigator will do from writing the hypotheses and their operational implications to the final analysis of the data (Kerlinger, 2009).

The research design constitutes the blue print for collection, measurement, and analysis of data (Cooper and Schindler, 2003). There are a number of different design and approaches, but unfortunately there is no simple classification system that defines all the variations to be considered (Emory, 2010).

This study is basically focused on the micro study of Micro finance program. It is intended to find out the consequence of Micro finance program in the specific study area. In order to conduct this study descriptive as well as analytical research design will be adopted. For primary data collection, the study followed both the cross-sectional and longitudinal approach of comparison of situation. In this regard, respondents were asked about their situation before and after the intervention of micro-finance programs of NUBL. In addition, the clients' situation was compared with the non-clients' situation, where non-client was taken as control group. However, for the purpose of this study, incoming clients, who had chosen to join the program but who had not received services till the date of the study, was considered as control group. The assumption was that those choosing to join the program were similar to existing clients in terms of demographic characteristics, motivation, and business experience, and thus offer an appropriate and easily identified control group.

### **3.2 Nature and sources of Data**

This study is based on both primary and secondary data. Though this study is mainly based on primary data which is collected from the field study using questionnaire, group discussion and the observation method has been used. The primary data is used to depict an apparent picture of prevailing condition of women by analyzing the opinions of women. The data are generated from field study based on questionnaire survey. Nirdhan Utthan Bank, Economic Survey, Various Plans and different websites.

### **3.3 Universe and Sampling**

The universe of study area of Fikkal branch is 117 centers and 2010 members. The sample size of the universe is 20 centers 120 members. The sampling method is simple random sample used. In each center take 6 members.

### **3.4 Data collection Techniques**

The required data were collected with application of following data collection techniques

#### **3.4.1 Questionnaire**

The main tools that were used in the survey are research questionnaires. So the researchers had to prepare questionnaire, researcher were gather the information regarding socio-economic condition, personal identification, family size occupation, age sex level of education origin and family background, caste category, history of entry into work, working condition earning status, personal saving status, health and food arrangement, employs attitude and other related activities.

#### **3.4.2 Non Participation Observation**

To know more detail about their attitude, behavior, physical, working and living condition, the non participation observation has been obtained. Except it while going in field non participation observations were adapted in field survey

to know more details about socio-economic condition as well as their physical working and living condition.

### **3.4.3 Focus Group discussion**

Group discussion was arranged with the member of the groups, such as clients, loanee of NUBL, their gaurdians, NGO/INGO member etc. The major issue of the discussion was concerned with impact of socio-economic status on their living status and education.

### **3.4.4 Key Informant Survey**

Key informants survey was to collect additional information about the Socio-economic status of rural women, reason for work, their earning status as well as perception on work and so no. NGO staffs, school teacher, neighboring people etc. were taken as key informants.

### **3.5 Reliability and validity of the data:**

For the reliability of the study, various methods like interview, group discussion, and observation methods are being used in this study. The information gathered from one method is crosschecked from other methods and questionnaire was pre-tested.

The information also validated from the triangulation of sources, gender and different levels of informants. The information gathered from participants are triangulated and validated with facilitators, management committee members, and the local leaders.

### **3.6 Data Processing and Analysis**

This section briefly discusses data analysis methods. The purpose of analytic methods is to convert data into information needed to make decisions (Davis, 1996). Various quantitative as well as qualitative tools were used for this impact study. In this regard, AIMS tool was adapted for the purpose of this study. The study used following tools adapted in the local context:

Impact survey tool.

Client satisfaction tool.

Loan use strategies over time.

Client exit survey

Client empowerment tool

In addition, wealth-ranking tool, adapted from Micro-Save, was used to know the well-being status of the clients. Furthermore, focus group discussions were carried out with the clients. Field observations were also undertaken for capturing relevant information and triangulation.

### **3.7 Limitation of the study**

This study is concerned as following limitation:

- ) The study focus on only micro finance program of Nirdhan Utthan Bank
- ) Due to time and budget constraint, overall impact of Microfinance in all aspect cannot be studies thoroughly.
- ) Due to diversities in social, cultural, traditional and economic norms, the recommendation suggested and conclusion derived may not be applicable in other areas of the country.



## CHAPTER - IV

### PRESENTATION AND ANALYSIS OF DATA

#### 4.1 Concept

A number of studies have been conducted on micro-finance in various countries covering different issues of micro finance. The study of micro-finance and its impact on economic upliftment of women occupies an important place in Nepalese country, too. This chapter is aimed to display and evaluate the collected data regarding the objectives. The main component of Micro finance program for women is to provide loan for women especially to income generation and enhance living standard as well as to encourage them for compulsory saving , voluntary saving and public saving. This section presents the analysis of primary data. The primary data has been collected through the questionnaire, group discussion and observation. Altogether 120 sample questionnaire were received.

#### 4.2 Socio-economic Status of Clients

The study tried to get answer for the research question "who are getting microfinance services from NUBL?" For this wealth ranking tool, adapted from Micro-Save was used. The information received from the wealth ranking was triangulated from the discussion of the Focus Group Discussions (FGDs). To identify the socio-economic status of the clients of NUBL, there economic status as middle poor, poor and very poor was used.

##### 4.2.1 Socio-economic status of clients

Overall out of 120 respondents, 38.34%, 36.66% and 25% were found to be the Middle Poor, Poor and Very poor respectively in three VDC. From the clients that have received services for more than four years Middle Poor consisted of 36.6%, Poor consisted of 36.6% and very poor consisted of 26.8%. Similarly from the clients that have received services for less than four years Middle

Poor consisted of 40%, Poor consisted of 33.3% and Very Poor consisted of 26.7%. In case of new clients waiting for loans (who had joined NUBL but had not received services during the time of the study), 40% consisted of Middle Poor, 40% of Poor and 20% consisted of Very Poor.

It shows that the services of NUBL helped clients to move from poor to middle poor as the percentage of middle poor were found less in new clients to clients that have received services for five years and more than four years. In other words clients receiving services for more than four years had less very poor clients.

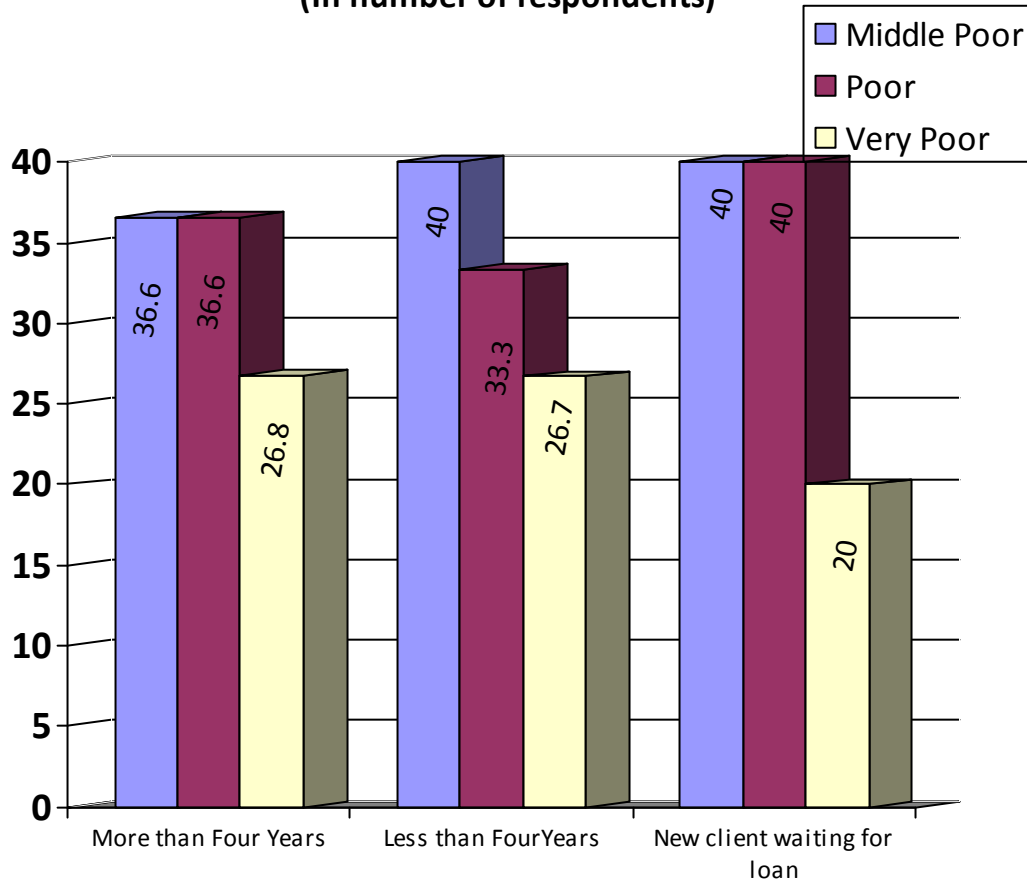
However, it also shows that the significant proportion of new clients who recently joined NUBL were found from middle poor and poor clients. VDC wise, the proportion of very poor category same. The new clients waiting for loan in Fikkal had none from very poor.

**Table- 4.1: Economic Status of Respondents  
(In number of respondents)**

| VDC                     | Membership age of client           | Respondent's Economic Status                          |  |   | Total                       | %      |
|-------------------------|------------------------------------|---|--|---|-----------------------------|--------|
|                         |                                    | Mid<br>dle<br>Poor                                    | Poor                                       | Very<br>poor                            |                             |        |
| Fikkal                  | More than four years<br>%          | 7   | 7  | 6                                       | 20                          | 33.33  |
|                         |                                    | 35  | 35   | 30                                      | 100.00                      |        |
|                         | Less than four years<br>%          | 4   | 4  | 2                                       | 10                          |        |
|                         |                                    | 40  | 40   | 20                                      | 100.00                      |        |
|                         | New client waiting<br>for loan %   | 4   | 4  | 2                                       | 10                          |        |
|                         | <b>Total</b><br><b>%</b>           | <b>15</b><br><b>37.5</b>                              | <b>15</b><br><b>37.5</b>                   | <b>10</b><br><b>25</b>                  | <b>40</b><br><b>100.00</b>  |        |
| kanyam                  | More than four years<br>%          | 8   | 8  | 4                                       | 20                          | 33.33  |
|                         |                                    | 40  | 40   | 20                                      | 100.00                      |        |
|                         | Less than four years<br>%          | 3   | 3  | 4                                       | 10                          |        |
|                         |                                    | 30  | 30   | 40                                      | 100.00                      |        |
|                         | New client waiting<br>for<br>loan% | 4   | 4  | 2                                       | 10                          |        |
|                         | <b>Total</b><br><b>%</b>           | <b>15</b><br><b>37.5</b>                              | <b>15</b><br><b>37.5</b>                   | <b>10</b><br><b>25</b>                  | <b>40</b><br><b>100.00</b>  |        |
| Panchyan                | More than four<br>years%           | 7   | 7  | 6                                       | 20                          | 33.34  |
|                         |                                    | 35  | 35   | 30                                      | 100.00                      |        |
|                         | Less than four years<br>%          | 5   | 3  | 2                                       | 10                          |        |
|                         |                                    | 50  | 30   | 20                                      | 100.00                      |        |
|                         | New client waiting<br>for loan%    | 4   | 4  | 2                                       | 10                          |        |
|                         | <b>Total</b><br><b>%</b>           | <b>16</b><br><b>40</b>                                | <b>14</b><br><b>35</b>                     | <b>10</b><br><b>25</b>                  | <b>40</b><br><b>100.00</b>  |        |
| <b>Total of<br/>All</b> | More than four<br>years%           | 22  | 22   | 16                                      | 60                          | 100.00 |
|                         |                                    | 36.6  | 36.6                                       | 26.8                                    | 100.00                      |        |
|                         | Less than four years<br>%          | 12  | 10   | 8                                       | 30                          |        |
|                         |                                    | 40  | 33.3                                       | 26.7                                    | 100.00                      |        |
|                         | New client waiting<br>for loan%    | 12  | 12   | 6                                       | 30                          |        |
|                         | <b>Total</b><br><b>%</b>           | <b>46</b><br><b>38.34</b><br><b>100.0</b><br><b>0</b> | <b>44</b><br><b>36.66</b><br><b>100.00</b> | <b>30</b><br><b>25</b><br><b>100.00</b> | <b>120</b><br><b>100.00</b> |        |

Source: Field survey, 2013

**Figure no. 4.1 : Economic Status of Respondents  
(In number of respondents)**



#### **4.2.2 Status of Individual Savings**

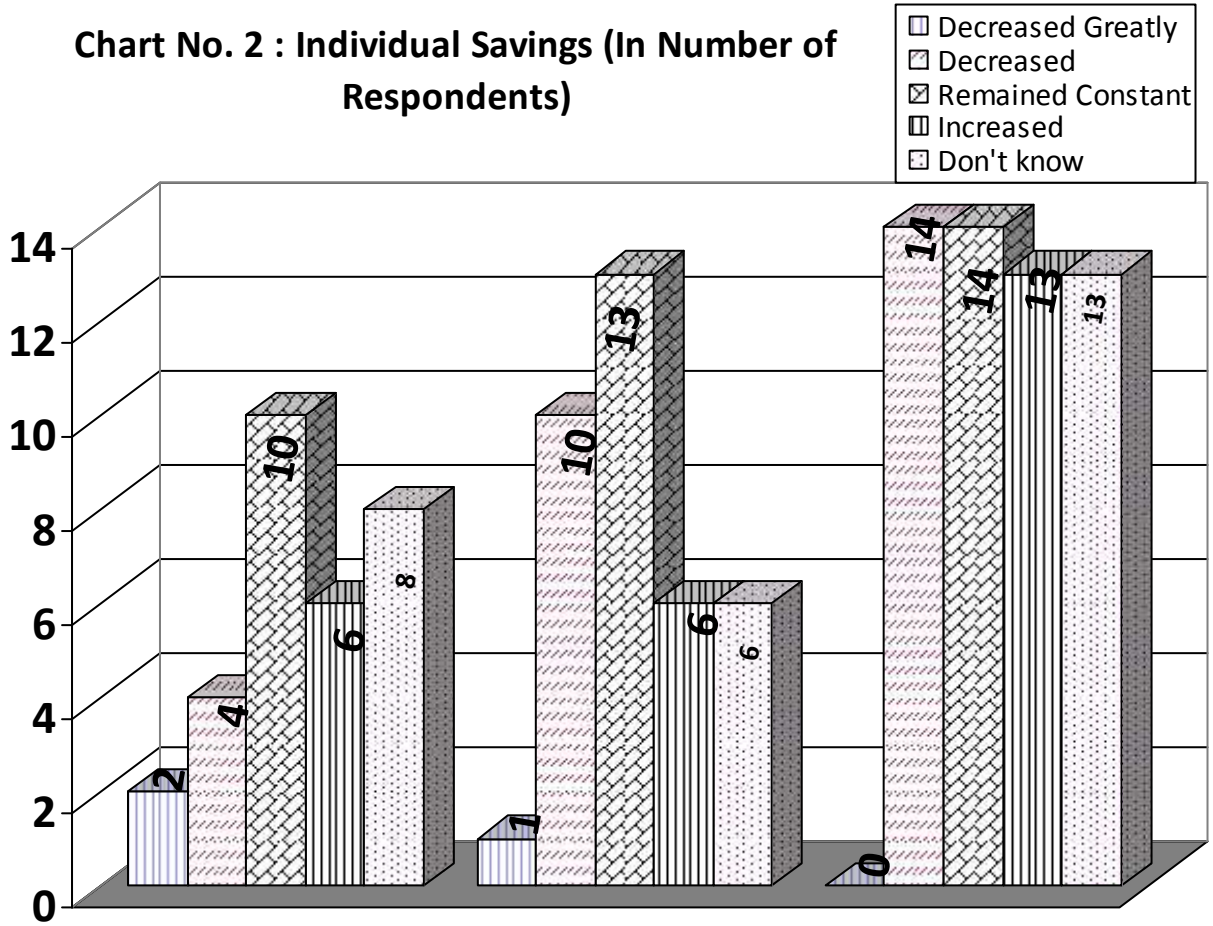
The survey result indicated that overall 20.84% of the total respondents increased their individual savings during last year. The proportion of such respondents was higher in Kanyam (30 percent) as compared to Panchkanya (18.75 percent) and fikkal (17.5 percent). More than half of the respondents reported their savings remained constant during the last year. However, less than 6 percent of the respondents were found to decrease their savings during last year. And 25.88% of the respondents did not respond on the savings. NUBL's financial services helped more to maintain the existing savings and also to increase them within a period of one year. Table 2 provides further detail on the individual savings of the NUBL clients.

**Table - 4.2: Individual Savings  
(In number of respondents)**

| VDC               | Economic Status | Individual Savings during Last 12 Months |              |                   |              |             | Total         | %             |
|-------------------|-----------------|--|--------------|-------------------|--------------|-------------|---------------|---------------|
|                   |                 | Decreased Greatly                        | Decreased    | Remained Constant | Increased    | Don't Know  |               |               |
| <b>Fikkal</b>     | Middle Poor     | 0  | 0            | 5                 | 1            | 4           | 10            | <b>34.35</b>  |
|                   | Poor            | 0  | 2            | 4                 | 2            | 2           | 10            |               |
|                   | Very Poor       | 0  | 6            | 6                 | 4            | 4           | 20            |               |
|                   | <b>Total</b>    | <b>0</b>                                 | <b>8</b>     | <b>15</b>         | <b>7</b>     | <b>10</b>   | <b>40</b>     |               |
|                   | <b>%</b>        | <b>0.00</b>                              | <b>20</b>    | <b>37.5</b>       | <b>17.5</b>  | <b>25</b>   | <b>100.00</b> |               |
| <b>Kanyam</b>     | Middle Poor     | 0  | 2            | 4                 | 3            | 1           | 10            | <b>31.76</b>  |
|                   | Poor            | 0  | 2            | 3                 | 3            | 2           | 10            |               |
|                   | Very Poor       | 0  | 3            | 5                 | 6            | 6           | 20            |               |
|                   | <b>Total</b>    | <b>0</b>                                 | <b>7</b>     | <b>12</b>         | <b>12</b>    | <b>9</b>    | <b>40</b>     |               |
|                   | <b>%</b>        | <b>0.00</b>                              | <b>17.5</b>  | <b>30</b>         | <b>30</b>    | <b>22.5</b> | <b>100.00</b> |               |
| <b>Panchkanya</b> | Middle Poor     | 2  | 2            | 1                 | 2            | 3           | 10            | <b>33.88</b>  |
|                   | Poor            | 1  | 3            | 3                 | 1            | 2           | 10            |               |
|                   | Very Poor       | 3  | 5            | 5                 | 4            | 3           | 20            |               |
|                   | <b>Total</b>    | <b>6</b>                                 | <b>10</b>    | <b>9</b>          | <b>7</b>     | <b>8</b>    | <b>40</b>     |               |
|                   | <b>%</b>        | <b>15</b>                                | <b>25</b>    | <b>22.5</b>       | <b>17.5</b>  | <b>20</b>   | <b>100.00</b> |               |
| <b>Total</b>      | Middle Poor     | 2  | 4            | 10                | 6            | 8           | 30            | <b>100.00</b> |
|                   | Poor            | 1  | 10           | 13                | 6            | 6           | 36            |               |
|                   | Very Poor       | 0  | 14           | 14                | 13           | 13          | 54            |               |
|                   | <b>Total</b>    | <b>3</b>                                 | <b>28</b>    | <b>37</b>         | <b>25</b>    | <b>27</b>   | <b>120</b>    |               |
|                   | <b>%</b>        | <b>2.5</b>                               | <b>23.33</b> | <b>30.83</b>      | <b>20.84</b> | <b>22.5</b> | <b>100.00</b> |               |

Source: Field survey, 2013

**Chart No. 2 : Individual Savings (In Number of Respondents)**



#### **4.3 Contribution of MF Services towards poverty reduction**

To find the answer on "How do the microfinance services of NUBL reduce the poverty of their clients?" the Impact Questionnaires were used. The impact assessment tried to find out reduction of poverty of the NUBL clients by gathering information on the change in the household as well as individual income of the clients during the last 12 months. Household income included incomes earned by other members of the family in addition to the income earned by the client because of the services of NUBL. Since poverty is multi dimensional, the nutritional status study was also included in this assessment. In cases of both household as well as individual income more than half reported that there was no change. It was interesting to note that there was significant difference in the percentage of clients whose household and individual income has increased. The household income was increased in the household of 29.77% of the clients where as the individual income increased in

the household of 20.34% clients only. Similarly the decrease in incomes also was reported. And, the decrease was almost similar in both cases (household as individual) within 15 %. More than 96 % (68% remained constant and 28% increased) of the clients reported that the status of nutrition remained constant or increased within the period of one year.

#### **4.3.1 Total Household Income**

NUBL's financial services helped nearly 30% of the total respondents to increase their household income in the last 12 months. The proportion of such respondents was same ratio 30%. More than half of the respondents reported that their household income remained constant during the last year. However, more than 15 percent of the total respondents reported decrease in their household income during last year. And 3.98% of the respondents reported that they did not know whether their income has increased or not. When asked what were the reasons that led to decrease in the income more than 40 % replied that there were illness in the family. Other reasons included decrease in sales, lack of necessary materials, decrease in agriculture production, and other reasons. The changes in income varied in the middle poor, poor and very poor clients. The decrease in the middle poor was by 25%, poor by 25% and very poor by 22.5%. Where as the income remaining constant was found by 32.5% in middle poor, 27.5% in poor and 25% in very poor. The financial services of NUBL were found to help increase income of NUBL clients and those who were able to extend the existing business or to initiate the new business were able to do so. This also shows that the financial services of NUBL were useful more to the middle poor and poor than the very poor.

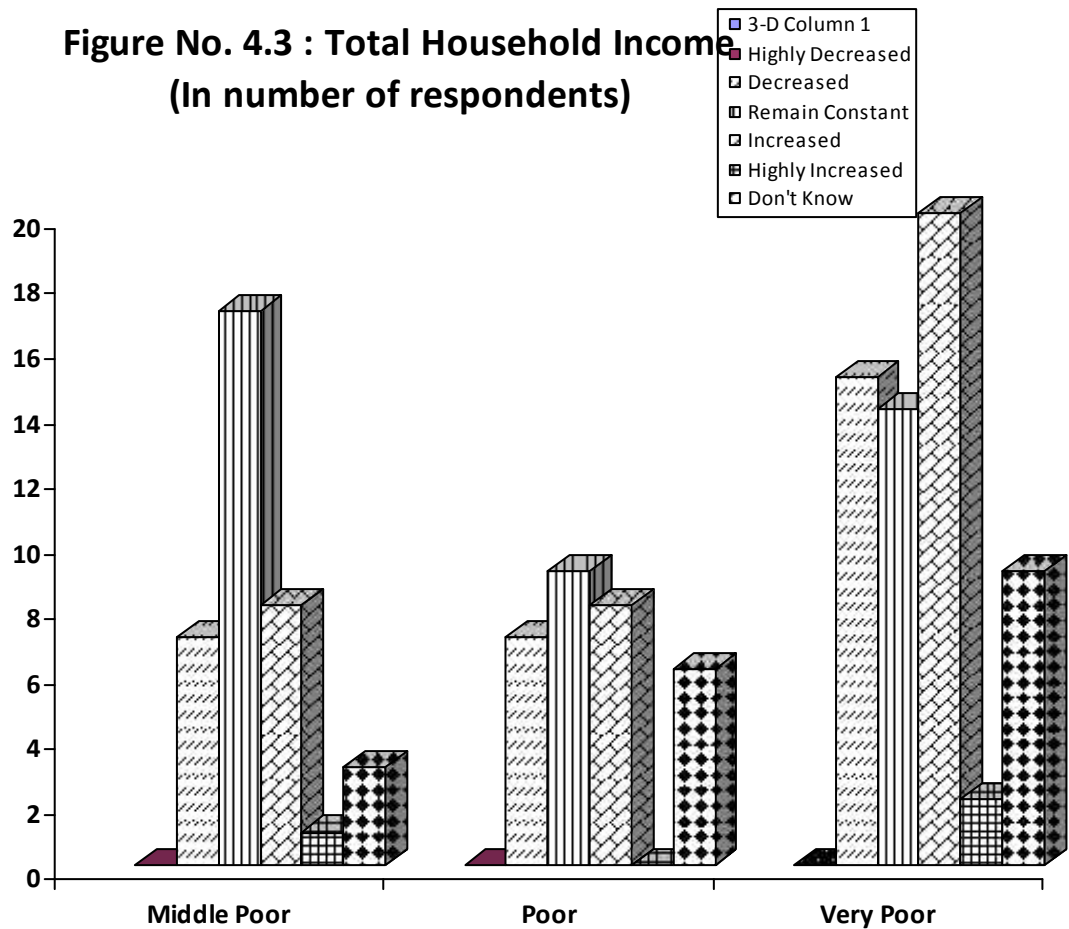
**Table-4.3: Total Household Income  
(In number of respondents)**

| VDC                 | Economic Status | Household Income in the Last 12 Months |              |                   |              |                  |             | Total         | %      |
|---------------------|-----------------|--|--------------|-------------------|--------------|------------------|-------------|---------------|--------|
|                     |                 | Highly Decreased                       | Decreased    | Remained Constant | Increased    | Highly Increased | Don't Know  |               |        |
| Fikkal              | MiddlePoor      | 0                                      | 2            | 5                 | 3            | 0                | 0           | 10            | 33.33  |
|                     | Poor            | 0                                      | 2            | 3                 | 3            | 0                | 2           | 10            |        |
|                     | Very Poor       | 0                                      | 6            | 5                 | 6            | 0                | 3           | 20            |        |
|                     | <b>Total</b>    | <b>0</b>                               | <b>10</b>    | <b>13</b>         | <b>12</b>    | <b>0</b>         | <b>5</b>    | <b>40</b>     |        |
|                     | <b>%</b>        | <b>25</b>                              | <b>32.5</b>  | <b>30</b>         | <b>28.30</b> | <b>0.00</b>      | <b>12.5</b> | <b>100.00</b> |        |
| Kanyam              | MiddlePoor      | 0                                      | 3            | 3                 | 2            | 1                | 1           | 10            | 33.54  |
|                     | Poor            | 0                                      | 2            | 4                 | 2            | 0                | 2           | 10            |        |
|                     | Very Poor       | 0                                      | 5            | 3                 | 8            | 0                | 4           | 20            |        |
|                     | <b>Total</b>    | <b>0</b>                               | <b>10</b>    | <b>10</b>         | <b>12</b>    | <b>1</b>         | <b>7</b>    | <b>40</b>     |        |
|                     | <b>%</b>        | <b>0.00</b>                            | <b>25</b>    | <b>25</b>         | <b>30</b>    | <b>25</b>        | <b>17.5</b> | <b>100.00</b> |        |
| panchkanya          | MiddlePoor      | 0                                      | 2            | 3                 | 3            | 0                | 2           | 10            | 33.12  |
|                     | Poor            | 0                                      | 3            | 2                 | 3            | 0                | 2           | 10            |        |
|                     | Very Poor       | 0                                      | 4            | 6                 | 6            | 2                | 2           | 20            |        |
|                     | <b>Total</b>    | <b>0</b>                               | <b>9</b>     | <b>11</b>         | <b>12</b>    | <b>2</b>         | <b>6</b>    | <b>40</b>     |        |
|                     | <b>%</b>        | <b>0.00</b>                            | <b>22.5</b>  | <b>27.5</b>       | <b>30</b>    | <b>5</b>         | <b>15</b>   | <b>100.00</b> |        |
| <b>Total of All</b> | Middle<br>Poor  | 0                                      | 7            | 11                | 8            | 1                | 3           | 30            | 100.00 |
|                     | Poor            | 0                                      | 7            | 9                 | 8            | 0                | 6           | 30            |        |
|                     | Very Poor       |  | 15           | 14                | 20           | 2                | 9           | 60            |        |
|                     | <b>Total</b>    | <b>0</b>                               | <b>29</b>    | <b>34</b>         | <b>36</b>    | <b>3</b>         | <b>18</b>   | <b>120</b>    |        |
|                     | <b>%</b>        |  | <b>24.16</b> | <b>28.33</b>      | <b>30</b>    | <b>2.5</b>       | <b>15</b>   | <b>100.00</b> |        |

Source: Field survey, 2013



**Figure No. 4.3 : Total Household Income  
(In number of respondents)**



#### 4.3.2 Individual Income

NUBL's financial services helped more than 20% of the total respondents to increase their individual income in the last 12 months. The proportion of such respondents was higher in kanyam (35.3 percent) as compared to Panchkanya (20 percent) and Fikkal (20 percent). More than half of the respondents reported that their individual income remained constant during the last year.

However, as in household income, nearly 15 percent of the total respondents reported decrease in their individual income during last year. And 15.83% of the respondents reported that they did not know whether their income has increased or not.

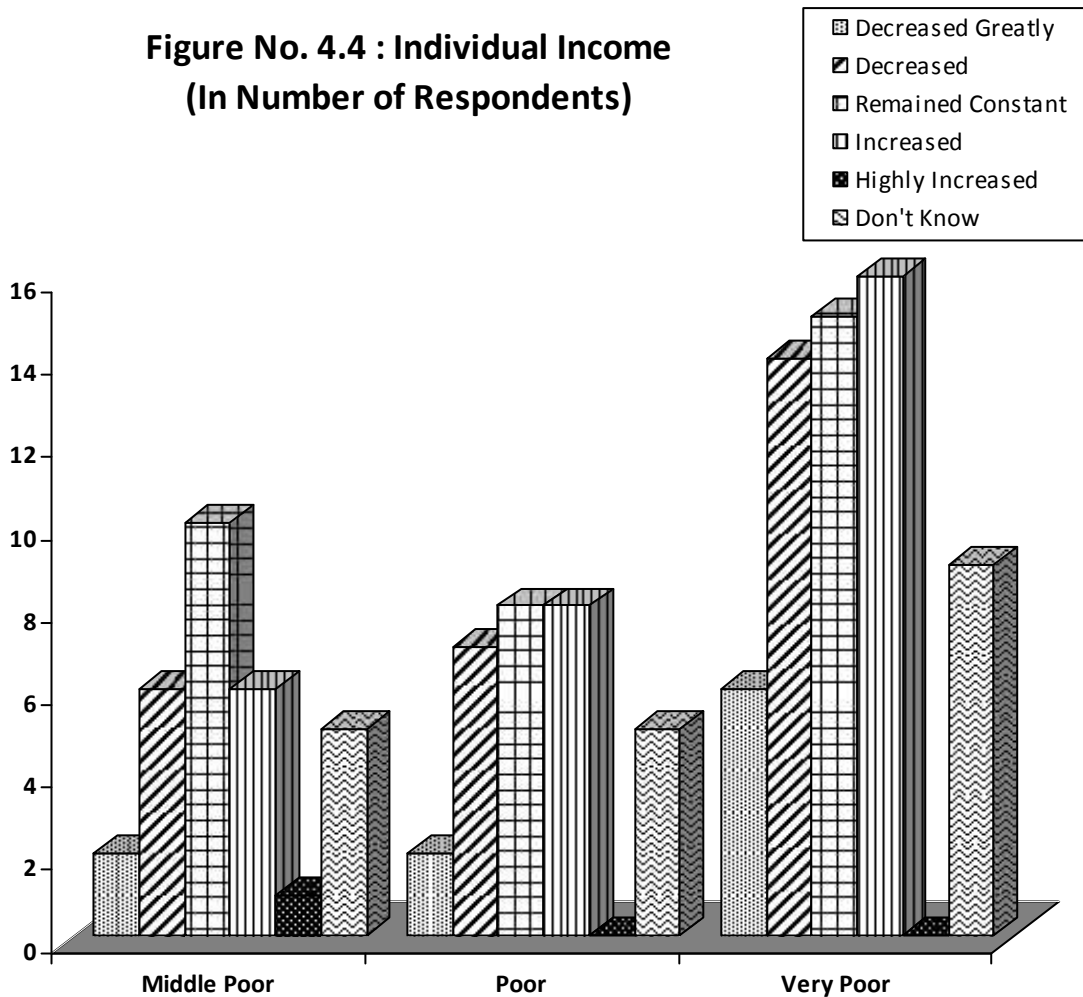
The changes in income varied in the middle poor, poor and very poor clients. The decrease in the middle poor was by 25%, poor by 22.5% and very poor by 20%. Where as the income remaining constant was found by 49.13% in middle poor, 35.5% in poor and 22.5% in very poor. Similarly, the increase was found 35% in middle poor, 20% in poor and 20% in very poor. This also shows that the financial services of NUBL were useful more to the middle poor than the very poor.

**Table-4.4: Individual Income (In number of respondents)**

| VDC                 | Economic Status | Individual Income in the Last 12 Months |             |                   |           |                  |              | Total         | %             |
|---------------------|-----------------|---|-------------|-------------------|-----------|------------------|--------------|---------------|---------------|
|                     |                 | Highly Decreased                        | Decreased   | Remained Constant | Increased | Highly Increased | Don't Know   |               |               |
| <b>Fikal</b>        | MiddlePoor      | 0                                       | 2           | 4                 | 2         | 0                | 2            | 10            | <b>33.54</b>  |
|                     | Poor            | 0                                       | 3           | 3                 | 2         | 0                | 2            | 10            |               |
|                     | Very Poor       | 1                                       | 4           | 8                 | 4         | 0                | 3            | 20            |               |
|                     | <b>Total</b>    | <b>1</b>                                | <b>9</b>    | <b>15</b>         | <b>8</b>  | <b>0</b>         | <b>7</b>     | <b>40</b>     |               |
|                     | <b>%</b>        | <b>2.5</b>                              | <b>22.5</b> | <b>35.5</b>       | <b>20</b> | <b>0.00</b>      | <b>17.5</b>  | <b>100.00</b> |               |
| <b>Kanym</b>        | MiddlePoor      | 1                                       | 2           | 3                 | 2         | 1                | 1            | 10            | <b>33.96</b>  |
|                     | Poor            | 0                                       | 2           | 2                 | 4         | 0                | 2            | 10            |               |
|                     | Very Poor       | 0                                       | 6           | 4                 | 8         | 0                | 2            | 20            |               |
|                     | <b>Total</b>    | <b>1</b>                                | <b>10</b>   | <b>9</b>          | <b>14</b> | <b>1</b>         | <b>5</b>     | <b>40</b>     |               |
|                     | <b>%</b>        | <b>2.5</b>                              | <b>25</b>   | <b>22.5</b>       | <b>35</b> | <b>2.5</b>       | <b>12.5</b>  | <b>100.00</b> |               |
| <b>Panchkanya</b>   | MiddlePoor      | 1                                       | 2           | 3                 | 2         | 0                | 2            | 10            | <b>32.49</b>  |
|                     | Poor            | 2                                       | 2           | 3                 | 2         | 0                | 1            | 10            |               |
|                     | Very Poor       | 5                                       | 4           | 3                 | 4         | 0                | 4            | 20            |               |
|                     | <b>Total</b>    | <b>8</b>                                | <b>8</b>    | <b>9</b>          | <b>8</b>  | <b>0</b>         | <b>7</b>     | <b>40</b>     |               |
|                     | <b>%</b>        | <b>20</b>                               | <b>20</b>   | <b>22.5</b>       | <b>20</b> | <b>0.00</b>      | <b>17.5</b>  | <b>100.00</b> |               |
| <b>Total of All</b> | MiddlePoor      | 2                                       | 6           | 10                | 6         | 1                | 5            | 30            | <b>100.00</b> |
|                     | Poor            | 2                                       | 7           | 8                 | 8         | 0                | 5            | 30            |               |
|                     | Very Poor       | 6                                       | 14          | 15                | 16        | 0                | 9            | 60            |               |
|                     | <b>Total</b>    | <b>10</b>                               | <b>27</b>   | <b>33</b>         | <b>30</b> | <b>1</b>         | <b>19</b>    | <b>120</b>    |               |
|                     | <b>%</b>        | <b>8.3</b>                              | <b>22.5</b> | <b>27.5</b>       | <b>25</b> | <b>8.33</b>      | <b>15.83</b> | <b>100.00</b> |               |

Source: Field Survey, 2013

**Figure No. 4.4 : Individual Income  
(In Number of Respondents)**



### 4.3.3 Nutritional Status

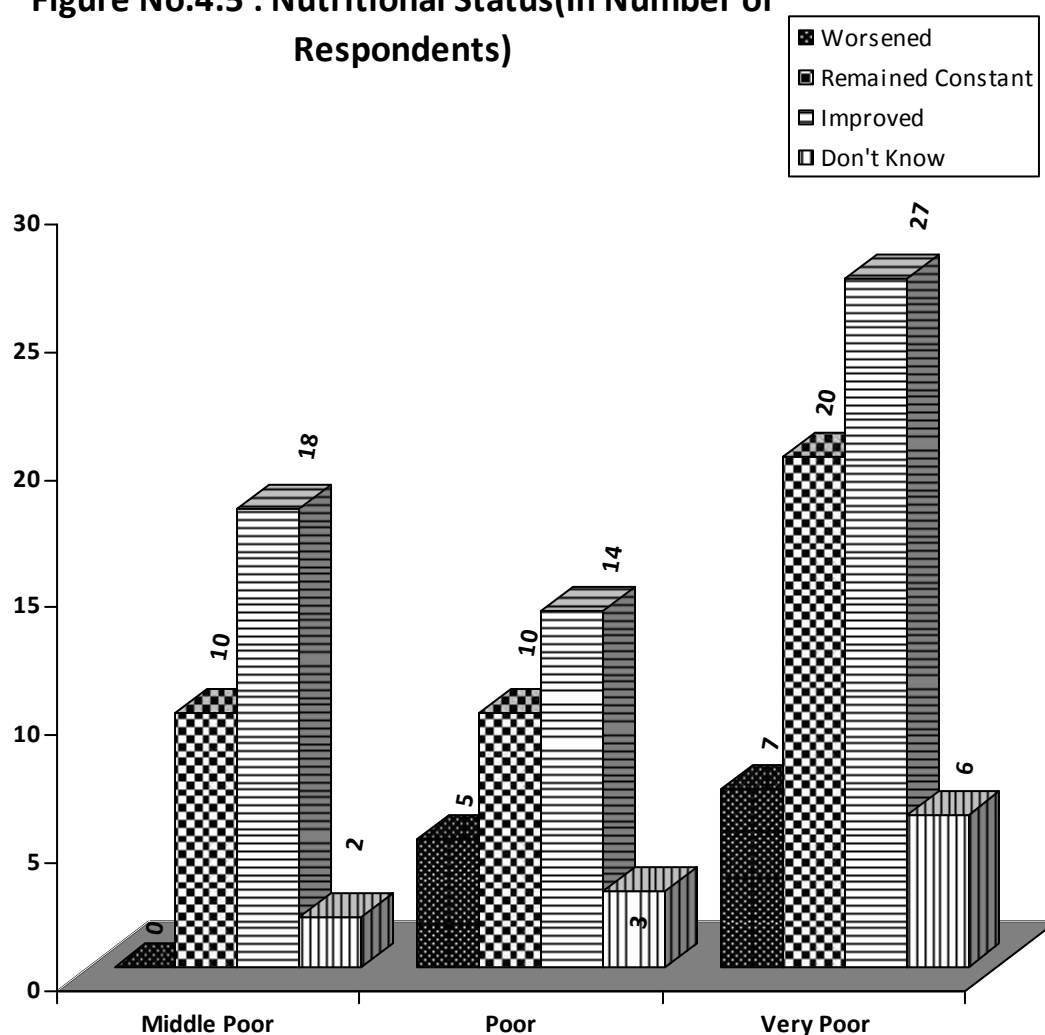
As mentioned earlier poverty has multi dimension and the study included nutritional status also in this study. Responding on the Impact Questionnaires majority of respondents (33.34 percent) reported that their nutritional status remained constant during last year. It was more so in Kanyam (37.5%) than in Fikkal (37.5%) and Panchkanya (25%). Like wise, above 49.16 percent of the respondents were able to improve their nutritional. The improvement in nutritional status was due to increase in income used for consuming more food grains, vegetables, fish, meat, milk, curd, egg, cheese, other convenient food . it was found that the worsening took place more in very poor compared to poor and middle poor. Table 5 below provides further detail of the nutritional status.

**Table-4.5: Nutritional Status (In number respondent)**

| VDC               | Economic Status | Nutritional Status During Last 12 Months |                   |              |             | Total         | %             |
|-------------------|-----------------|--|-------------------|--------------|-------------|---------------|---------------|
|                   |                 | Worsened                                 | Remained Constant | Improved     | Don't Know  |               |               |
| <b>Fikkal</b>     | Middle Poor     | 0  | 4                 | 6            | 0           | 10            | <b>33.33</b>  |
|                   | Poor            | 2  | 3                 | 5            | 0           | 10            |               |
|                   | Very Poor       | 4  | 8                 | 6            | 2           | 20            |               |
|                   | <b>Total</b>    | <b>6</b>                                 | <b>15</b>         | <b>17</b>    | <b>2</b>    | <b>40</b>     |               |
|                   | <b>%</b>        | <b>15</b>                                | <b>37.5</b>       | <b>42.5</b>  | <b>5</b>    | <b>100.00</b> |               |
| <b>Kanyam</b>     | Middle Poor     | 0  | 4                 | 6            | 0           | 10            | <b>32.70</b>  |
|                   | Poor            | 1  | 4                 | 5            | 0           | 10            |               |
|                   | Very Poor       | 2  | 7                 | 11           | 0           | 20            |               |
|                   | <b>Total</b>    | <b>3</b>                                 | <b>15</b>         | <b>22</b>    | <b>0</b>    | <b>40</b>     |               |
|                   | <b>%</b>        | <b>7.5</b>                               | <b>37.5</b>       | <b>55</b>    | <b>0.00</b> | <b>100.00</b> |               |
| <b>Panchkanya</b> | Middle Poor     | 0  | 2                 | 6            | 2           | 10            | <b>33.96</b>  |
|                   | Poor            | 2  | 3                 | 4            | 1           | 10            |               |
|                   | Very Poor       | 1  | 5                 | 10           | 4           | 20            |               |
|                   | <b>Total</b>    | <b>3</b>                                 | <b>10</b>         | <b>20</b>    | <b>7</b>    | <b>40</b>     |               |
|                   | <b>%</b>        | <b>7.5</b>                               | <b>25</b>         | <b>50</b>    | <b>17.5</b> | <b>100.00</b> |               |
| <b>Total</b>      | Middle Poor     | 0  | 10                | 18           | 2           | 30            | <b>100.00</b> |
|                   | Poor            | 5  | 10                | 14           | 1           | 30            |               |
|                   | Very Poor       | 7  | 20                | 27           | 6           | 60            |               |
|                   | <b>Total</b>    | <b>12</b>                                | <b>40</b>         | <b>59</b>    | <b>9</b>    | <b>120</b>    |               |
|                   | <b>%</b>        | <b>10</b>                                | <b>33.34</b>      | <b>49.16</b> | <b>7.5</b>  | <b>100.00</b> |               |

Source: Field Survey, 2013

**Figure No.4.5 : Nutritional Status(In Number of Respondents)**



#### **4.4 Contribution of NUBL's financial services towards enhancing the capacity of managing risk and vulnerability**

The financial services, in general, help clients to manage risks and reduce vulnerability. The study included change in the status of individual savings and large scale purchase by the clients and purchase of household assets as the indicators to measure the change in the risk management and reduction in vulnerability in the clients of NUBL. Other indicators such as change in the status of food security are reported separately in the following chapters.

#### **4.4.1 Purchase of House / Land**

Purchase of house and land, in Nepal, is considered as one of the most important factors to manage risk . A landless and homeless person generally feels prone to any risks . Nearly 47.5 percent of the total respondents purchased house/land during last four years. The proportion was higher in Fikkal (47.5%) than the Kanyam (45%) and Panchkanya (50%).

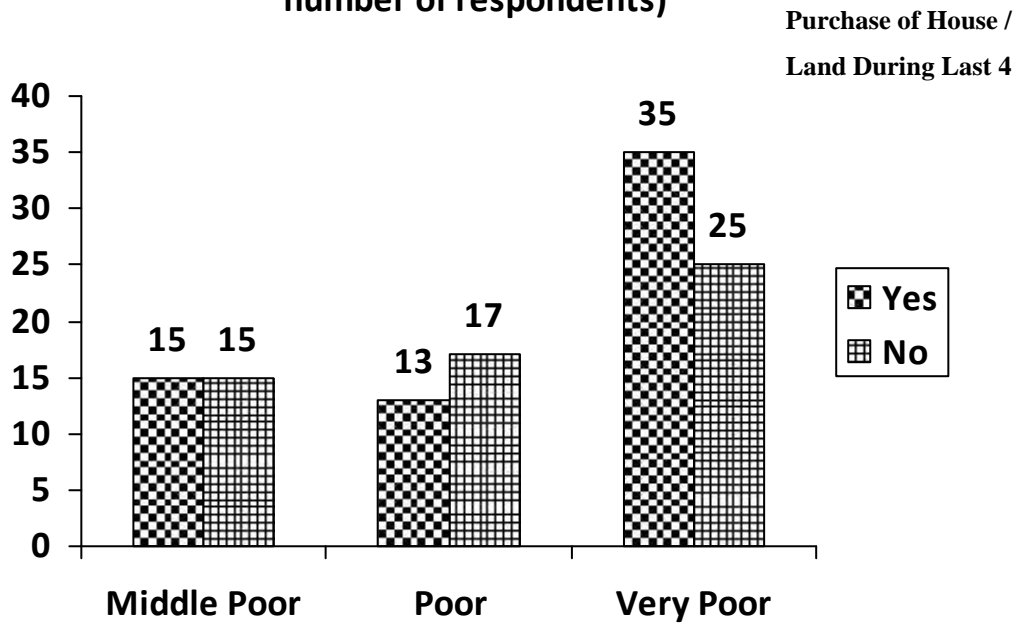
**Table-4.6: Purchase of House / Land**  
(In number of respondents)

| VDC               | Economic Status | Purchase of House / Land During Last 5 Years |             | Total         | %             |
|-------------------|-----------------|--|-------------|---------------|---------------|
|                   |                 | No   | Yes         |               |               |
| <b>Fikkal</b>     | Middle Poor     | 4  | 6           | 10            | <b>33.33</b>  |
|                   | Poor            | 5  | 5           | 10            |               |
|                   | Very Poor       | 12   | 8           | 20            |               |
|                   | <b>Total</b>    | <b>21</b>                                    | <b>19</b>   | <b>40</b>     |               |
|                   | <b>%</b>        | <b>52.5</b>                                  | <b>47.5</b> | <b>100.00</b> |               |
| <b>Kanyam</b>     | Middle Poor     | 5  | 5           | 10            | <b>33.33</b>  |
|                   | Poor            | 4  | 6           | 10            |               |
|                   | Very Poor       | 13   | 7           | 20            |               |
|                   | <b>Total</b>    | <b>22</b>                                    | <b>18</b>   | <b>40</b>     |               |
|                   | <b>%</b>        | <b>55</b>                                    | <b>45</b>   | <b>100.00</b> |               |
| <b>Panchkanya</b> | Middle Poor     | 6  | 4           | 10            | <b>33.33</b>  |
|                   | Poor            | 4  | 6           | 10            |               |
|                   | Very Poor       | 10   | 10          | 20            |               |
|                   | <b>Total</b>    | <b>20</b>                                    | <b>20</b>   | <b>40</b>     |               |
|                   | <b>%</b>        | <b>50</b>                                    | <b>50</b>   | <b>100.00</b> |               |
| <b>Total</b>      | Middle Poor     | 15   | 15          | 30            | <b>100.00</b> |
|                   | Poor            | 13   | 17          | 30            |               |
|                   | Very Poor       | 35   | 25          | 60            |               |
|                   | <b>Total</b>    | <b>63</b>                                    | <b>57</b>   | <b>120</b>    |               |
|                   | <b>%</b>        | <b>52.5</b>                                  | <b>47.5</b> | <b>100.00</b> |               |

Source: field survey, 2013



**Figure No. 4.6 : Purchase of House / Land (In number of respondents)**



#### 4.5 Effective services of NUBL in reaching to the poor and meeting their financial needs

In addition to find out the impact of the financial services on clients, the study tried to find answer to the critical question whether clients are satisfied with the current products and services or not and whether the financial needs of the clients are met by the existing services and products of NUBL or not.

To find this a client satisfaction survey was conducted. The survey focused on following features of the products;

For several loan products

- ) Loan Amount
- ) Interest rate
- ) Term
- ) Repayment schedules

For compulsory and individual (voluntary) Savings

) Weekly savings amount

) Interest rate paid on savings

To avoid collecting wish-list from the participants in place of effective demand for the financial services, questionnaires were designed in a way that reminded them of necessity of paying back bigger amount of installment for larger loans, interest rates in practice by the landlords and extended terms means additional time required to pay back.

However, as anticipated in any microfinance programs, the client satisfaction survey conducted for NUBL also revealed that the clients wanted loans with larger amount, reduced interest rates, longer terms and longer repayment schedules.

#### **4.5.1 Loan Amount**

The general comments received from the clients on loan amount were as follows:

) Small loan size is not enough to initiate business.

) Goods are expensive as compared to last year.

) Business is not possible with small loan size.

) Loan amount is not enough.

) Small amount of loan is not sufficient to buy materials.

) Loan amount is not enough to buy fertilizer, pesticide etc.

) We need more capital to run the business.

) Loan amount is not enough according to situation and place.

) Price of land is very high hence it is not sufficient to buy.

) Land is very expensive.

- ) Labour charge is very high and it is not enough for cemented house.
- ) Labour charge and materials are highly expensive.
- ) This loan amount is not enough to start new business

**Table - 4.7: Client Satisfaction  
Loan Amount**

| Types of loan             | Loan amount   | Current loan ceiling |
|---------------------------|---------------|----------------------|
| General Loan              | 40000-100000  | 30000 - 35000        |
| Segonal Loan              | 20000-30000   | 20000-30000          |
| Loan for Water tap        | 20000         | 20000                |
| Loan for Toilet           | 20000-30000   | 20000-30000          |
| Loan for House Renovation | 40000         | -                    |
| Loan for Housing          | 300000        | -                    |
| Loan for Gobar gas        | 20000-350000  | 20000-35000          |
| Loan for Micro-enterprise | 300000-400000 | 300000               |
| Induvdual loan            | 60000         | 60000                |
| Education loan            | 100000        | -                    |
| Fofeign Empioycc          | 100000        | 100000               |

Source: Field Survey, 2013

#### **4.5.2 Interest Rate**

The general comments received from the clients on the interest rate are as follows:

- Interest rate is high.
- If interest rate would be reduced then easy to pay installment.

- Loan for water is not for income generation so it should be less than others.
- Interest rate should be less for land.
- Loan for house renovation is not for income generation so it should be reduced.
- High interest rate on loan for housing it is better to reduce.

Here the NUBL clients were found not just to present their wish but to compare the interest rate of the competitors of NUBL as well.

**Table - 4.8: Client Satisfaction  
Interest Rate**

| Types of loan             | Loan amount   | Current loan ceiling | Interest Rate |
|---------------------------|---------------|----------------------|---------------|
| General Loan              | 40000-100000  | 30000 – 35000        | 18%           |
| Segonal Loan              | 20000-30000   | 20000-30000          | 18%           |
| Loan for Water tap        | 20000         | 20000                | 18%           |
| Loan for Toilet           | 20000-30000   | 20000-30000          | 18%           |
| Loan for House Renovation | 40000         | -                    | 18%           |
| Loan for Housing          | 300000        | -                    | 18%           |
| Loan for Gobar gas        | 20000-350000  | 20000-35000          | 18%           |
| Loan for Micro-enterprise | 300000-400000 | 300000               | 18%           |
| Individual loan           | 60000         | 60000                | 18%           |
| Education loan            | 100000        | -                    | 14%           |
| Foreign Employee          | 100000        | 100000               | 18%           |

Source: Field Survey, 2013

### 4.5.3 Loan Term

The general comments received on loan duration were as follows:

- Period of business loan is not enough so it is not possible to repay installment.
- Period of toilet construction loan should be 1-year in place of 2 year and it is too long moreover we have to pay more interest.
- Loan period for land and plot should be increased to 3 year in place of 2 year.
- 2 year period for land and plot is more it should be decreased to 1 year.
- 2 year period for gobar gas loan is not enough to pay.

**Table -4. 9: Client Satisfaction Loan Duration**

| Types of loan             | Loan amount   | Current loan ceiling | Interest Rate | Loan Duration |
|---------------------------|---------------|----------------------|---------------|---------------|
| General Loan              | 40000-100000  | 30000 - 35000        | 18%           | 2 Years       |
| Segonal Loan              | 20000-30000   | 20000-30000          | 18%           | ½-1 year      |
| Loan for Water tap        | 20000         | 20000                | 18%           | 1 Year        |
| Loan for Toilet           | 20000-30000   | 20000-30000          | 18%           | 2 Years       |
| Loan for House Renovation | 40000         | -                    | 18%           | 3 Years       |
| Loan for Housing          | 300000        | -                    | 18%           | 1-3 Years     |
| Loan for Gobar gas        | 20000-350000  | 20000-35000          | 18%           | 2 Years       |
| Loan for Micro-enterprise | 300000-400000 | 300000               | 18%           | 1-3 Years     |
| Induvdual loan            | 60000         | 60000                | 18%           | 1-2 Years     |
| Education loan            | 100000        | -                    | 14%           | 3 Years       |
| Fofeign Empioycc          | 100000        | 100000               | 18%           | 2 Years       |

Source: Field Survey, 2013

#### 4.5.4 Repayment Schedule

The general comments received from the clients on repayment schedules were as follows:

- There should be monthly, three month and six month in installments in place of installments to repay easily.
- It is better to make three month installments to large size of loan and will help to pay installment.
- Loan for micro-enterprise in an installment basis monthly .

**Table - 4.10: Client Satisfaction Repayment Installment**

| Types of loan             | Loan amount   | Current loan ceiling | Interest Rate | Repayment Installment |
|---------------------------|---------------|----------------------|---------------|-----------------------|
| General Loan              | 40000-100000  | 30000 - 35000        | 18%           | 1/3/6 month           |
| Segonal Loan              | 20000-30000   | 20000-30000          | 18%           | 1/3 month             |
| Loan for Water tap        | 20000         | 20000                | 18%           | 1 monthly             |
| Loan for Toilet           | 20000-30000   | 20000-30000          | 18%           | 1 monthly             |
| Loan for House Renovation | 40000         | -                    | 18%           | 1 monthly             |
| Loan for Housing          | 300000        | -                    | 18%           | 1 monthly             |
| Loan for Gobar gas        | 20000-350000  | 20000-35000          | 18%           | 1 monthly             |
| Loan for Micro-enterprise | 300000-400000 | 300000               | 18%           | 1 monthly             |
| Induvdual loan            | 60000         | 60000                | 18%           | 1 monthly             |
| Education loan            | 100000        | -                    | 14%           | 1 monthly             |
| Fofeign Empioycc          | 100000        | 100000               | 18%           | 1 monthly             |

Source: Field Survey, 2013

#### 4.5.5 Others

In addition to the feedback of clients on loan amount, interest rate, term and repayment schedule, the study received feedback of the clients on other areas as well. The other areas included their feedback on the central fund, access to savings, meetings, conduct of Loan Officer or Supervisors, technical assistances received in addition to the financial services, process of repayment and the security of the savings.

The general comments received from clients on other areas of operation were as follows, which is worth considering;

- Central fund is not in use because it is unsafe.
- There is a loan service charge that 1% of the compulsory loan took . But it would be better to make this loan service charge out .
- Few Loan Officers do not show good attitude. .
- Non-financial services are not received<sup>1</sup>.
- We don't have own office and some times outsiders also participate in the meeting<sup>2</sup>
- It is not safe to collect money and bring it to central office

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1. NIRDHAN NGO is providing such services separately. But clients demand more than the currently available services.

2. Here the clients are referring to their centre where they meet weekly.

#### **4.6 Contribution of MF services of NUBL in taking advantage of education opportunity for the client's children.**

The study tried to find answer to the question whether MF services of NUBL helped client to take advantage of education opportunity to their clients or not. In this connection, the study collected information on the total number of children in the household of clients who were of school going age. From the information on the total number of children, the number of children going to the school was collected. Similarly, from the number of children going to school, number of male and female children going to school was segregated.

##### **4.6.1 Primary school age children going to school**

From the children of the clients of NUBL, who are of age to go to primary schools, 87.16% were found to go to school. From those who went to primary schools 44.85% were female children and 54.05% were male children. The total number of male children of the sample respondents in the households who were of school going age was 120 and such number for female children 57 and 63 male children . Thus, the discrimination of male and female children while sending to school was not found in the clients of NUBL. In the meantime nearly 11 % of the children of the clients who were of school going age were not found to go to school. Middle poor were found to send fewer children to the school than poor and very poor.



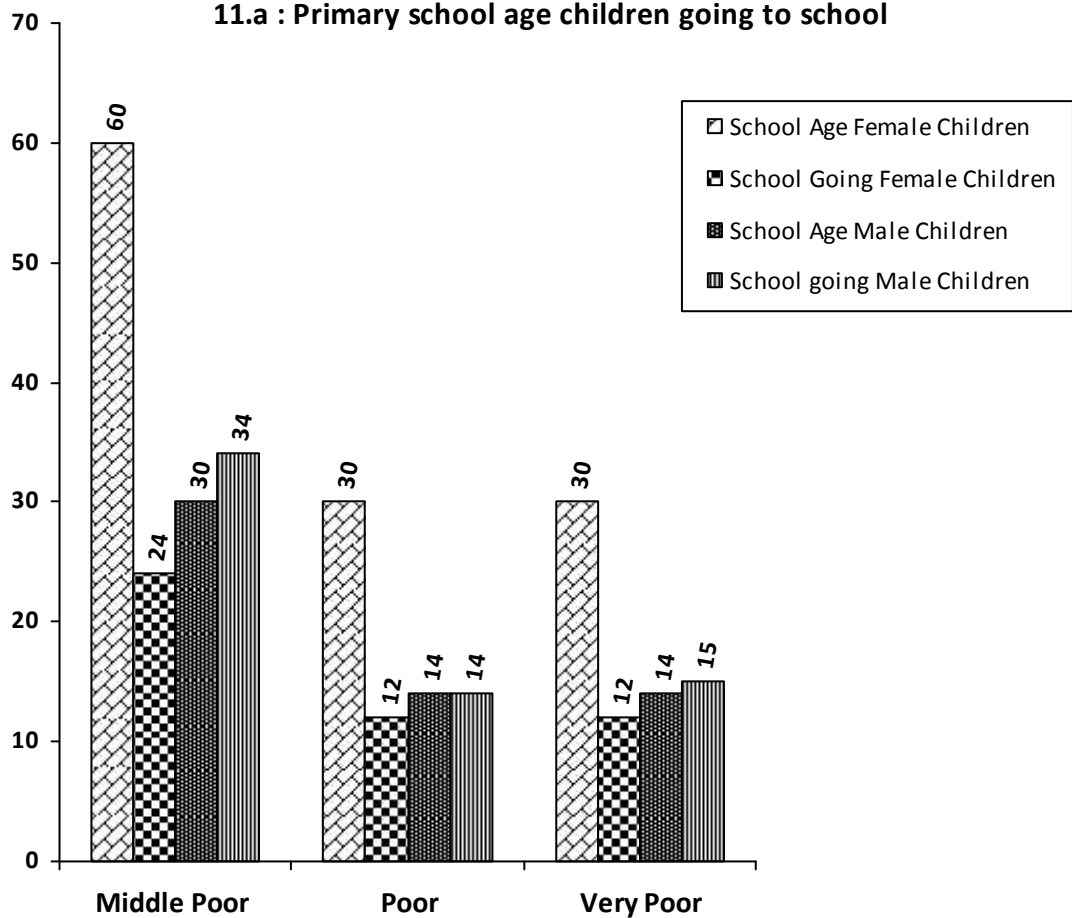
**Table – 4.11 Primary school age children going to school**

| VDC          | Economic Status | Total No. of School Children |           |           | School going Children |              | School going Female Children |              | School going Male Children |              |
|--------------|-----------------|------------------------------|-----------|-----------|-----------------------|--------------|------------------------------|--------------|----------------------------|--------------|
|              |                 | Total                        | Female    | Male      | Number                | %            | Number                       | %            | Number                     | %            |
| Fikkal       | Middle Poor     | 20                           | 9         | 4         | 18                    | 90           | 8                            | 44.44        | 10                         | 55.56        |
|              | Poor            | 10                           | 5         | 5         | 10                    | 100          | 4                            | 40           | 5                          | 60           |
|              | Very Poor       | 10                           | 4         | 6         | 8                     | 80           | 4                            | 50           | 4                          | 50           |
|              | <b>Total</b>    | <b>40</b>                    | <b>18</b> | <b>15</b> | <b>35</b>             | <b>87.5</b>  | <b>16</b>                    | <b>35.72</b> | <b>19</b>                  | <b>54.28</b> |
| Kanyam       | Middle Poor     | 20                           | 8         | 12        | 19                    | 95           | 9                            | 47.36        | 10                         | 52.64        |
|              | Poor            | 10                           | 6         | 4         | 8                     | 80           | 4                            | 50           | 4                          | 50           |
|              | Very Poor       | 10                           | 5         | 5         | 10                    | 100          | 5                            | 50           | 5                          | 50           |
|              | <b>Total</b>    | <b>40</b>                    | <b>19</b> | <b>21</b> | <b>37</b>             | <b>92.5</b>  | <b>18</b>                    | <b>48.64</b> | <b>19</b>                  | <b>54.26</b> |
| Panchakanya  | Middle Poor     | 20                           | 9         | 11        | 17                    | 85           | 7                            | 41.17        | 10                         | 48.83        |
|              | Poor            | 10                           | 5         | 5         | 10                    | 100          | 4                            | 40           | 5                          | 60           |
|              | Very Poor       | 10                           | 6         | 4         | 8                     | 80           | 3                            | 37.5         | 5                          | 62.5         |
|              | <b>Total</b>    | <b>40</b>                    | <b>20</b> | <b>20</b> | <b>35</b>             | <b>87.5</b>  | <b>14</b>                    | <b>40</b>    | <b>20</b>                  | <b>60</b>    |
| Total of All | Middle Poor     | 60                           | 26        | 34        | 54                    | 90           | 24                           | 44.46        | 30                         | 56.56        |
|              | Poor            | 30                           | 16        | 14        | 27                    | 90           | 12                           | 44.44        | 14                         | 56.56        |
|              | Very Poor       | 30                           | 15        | 15        | 26                    | 86.66        | 12                           | 46.15        | 14                         | 53.85        |
|              | <b>Total</b>    | <b>120</b>                   | <b>57</b> | <b>63</b> | <b>107</b>            | <b>89.16</b> | <b>48</b>                    | <b>43.85</b> | <b>58</b>                  | <b>56.15</b> |

Source: Field Survey, 2013

Figure No. 4.7

11.a : Primary school age children going to school



#### 4.6.2 Secondary school age children going to school

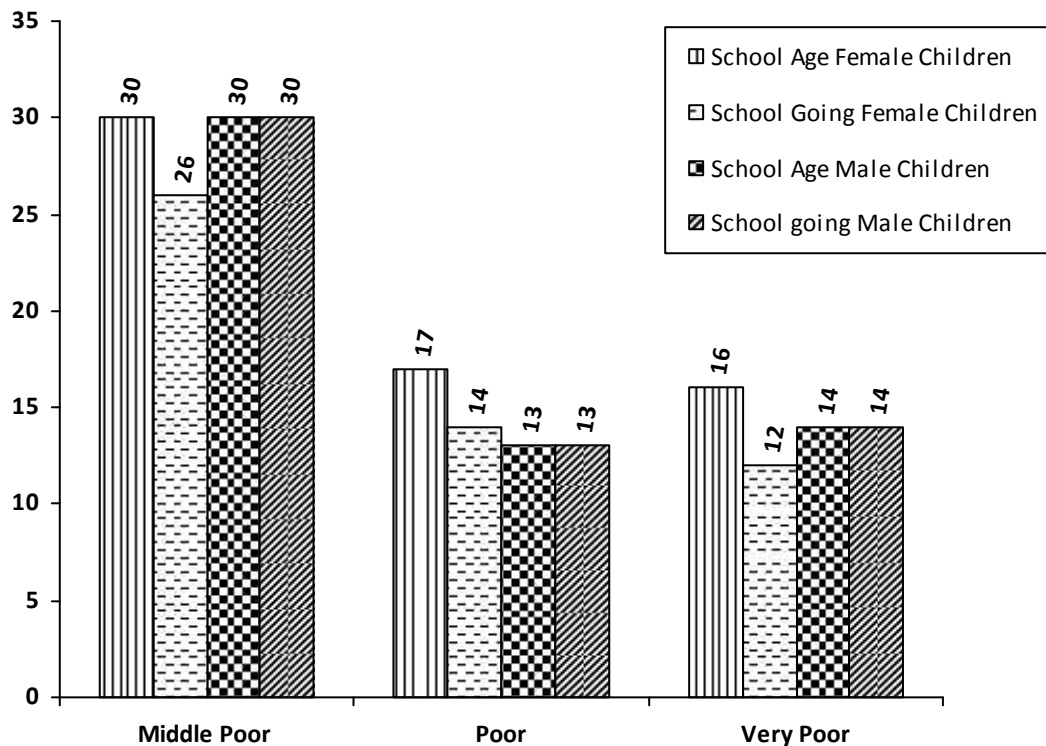
From the children of the clients of NUBL, who are of age to go to secondary schools, only 90% were found to go to school. From those who went to secondary schools 47.7% were female children and 52.3% were male children. The total number of male children of the sample in the households who were of school going age was 120 and such number for female was 52 and 57 male children.

**Table -4.12:** Secondary School Age Children going to Secondary School

| VDC          | Economic Status | Total No. of School Age Children |        |      | School going Children |       | School going Female Children |       | School going Male Children |       |
|--------------|-----------------|----------------------------------|--------|------|-----------------------|-------|------------------------------|-------|----------------------------|-------|
|              |                 | Total                            | Female | Male | Number                | %     | Number                       | %     | Number                     | %     |
| Fikkal       | Middle Poor     | 20                               | 10     | 10   | 18                    | 90    | 8                            | 44.44 | 10                         | 55.56 |
|              | Poor            | 10                               | 5      | 5    | 10                    | 100   | 5                            | 50    | 5                          | 50    |
|              | Very Poor       | 10                               | 6      | 4    | 9                     | 90    | 5                            | 55.55 | 4                          | 44.45 |
|              | Total           | 40                               | 21     | 19   | 37                    | 92.5  | 18                           | 48.64 | 19                         | 51.36 |
| Kanyam       | Middle Poor     | 20                               | 10     | 10   | 20                    | 100   | 10                           | 50    | 10                         | 50    |
|              | Poor            | 10                               | 6      | 4    | 9                     | 90    | 5                            | 55.55 | 4                          | 44.46 |
|              | Very Poor       | 10                               | 5      | 5    | 8                     | 80    | 3                            | 37.5  | 5                          | 62.5  |
|              | Total           | 40                               | 21     | 19   | 37                    | 67.5  | 18                           | 48.64 | 19                         | 51.36 |
| Panchkan ya  | Middle Poor     | 20                               | 10     | 10   | 18                    | 90    | 8                            | 44.44 | 10                         | 55.56 |
|              | Poor            | 10                               | 6      | 4    | 8                     | 80    | 4                            | 50    | 4                          | 50    |
|              | Very Poor       | 10                               | 5      | 5    | 9                     | 90    | 4                            | 44.44 | 5                          | 55.56 |
|              | Total           | 40                               | 11     | 19   | 35                    | 87.5  | 16                           | 45.71 | 19                         | 54.29 |
| Total of All | Middle Poor     | 60                               | 30     | 30   | 56                    | 93.33 | 26                           | 46.42 | 30                         | 43.78 |
|              | Poor            | 30                               | 17     | 13   | 27                    | 90    | 14                           | 51.85 | 13                         | 48.15 |
|              | Very Poor       | 30                               | 16     | 14   | 26                    | 86.66 | 12                           | 46.15 | 14                         | 53.85 |
|              | Total           | 120                              | 63     | 57   | 109                   | 90    | 52                           | 47.7  | 57                         | 52.3  |

Source: Field Survey, 2013

**Figure No. 4.8 : Secondary school age children going to school**



#### **4.6.3 This Year's School Expenses in comparison with Last Year**

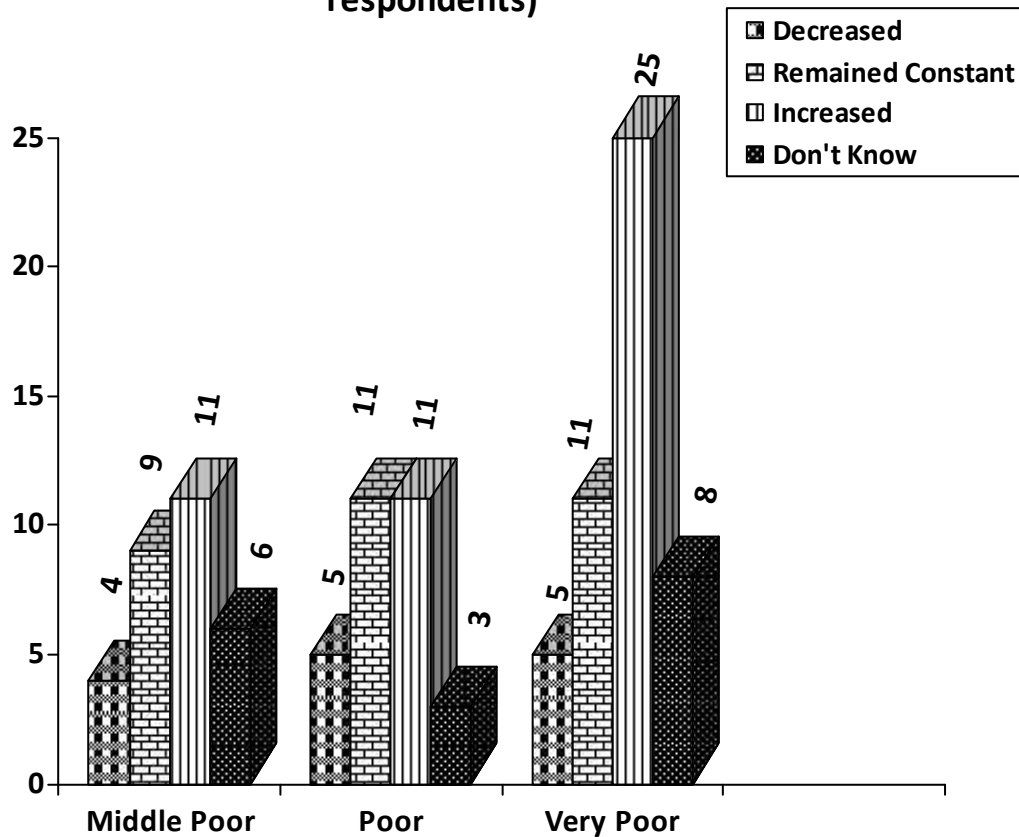
The study revealed that from the total of 120 respondents more than 39.16 % respondents increased this year's school expenses as compared with the last year, 35% of respondents reported that their school expenses remained constant and 14.16 % of respondents did not respond on this matter. And, 11.66 percent of respondents decreased this year school expenses as compared with the last year.

**Table-4.13: This Year's School Expenses in comparison with Last Year (INnumber of respondents)**

| VDC                | Economic Status | This Year's School Expenses in comparison with Last |                   |              |              | Total      | %            |
|--------------------|-----------------|---|-------------------|--------------|--------------|------------|--------------|
|                    |                 | Decreased   | Remained Constant | Increased    | Don't Know   |            |              |
| <b>Fikkal</b>      | Middle Poor     | 1   | 3                 | 3            | 3            | 10         |              |
|                    | Poor            | 1   | 4                 | 4            | 1            | 10         |              |
|                    | Very Poor       | 2   | 8                 | 8            | 2            | 20         |              |
|                    | <b>Total</b>    | <b>4</b>  | <b>15</b>         | <b>17</b>    | <b>6</b>     | <b>40</b>  | <b>33.76</b> |
|                    | <b>%</b>        | <b>10</b>   | <b>37.5</b>       | <b>42.5</b>  | <b>15</b>    | <b>100</b> |              |
| <b>Kanyam</b>      | Middle Poor     | 2   | 4                 | 3            | 1            | 10         |              |
|                    | Poor            | 2   | 3                 | 4            | 1            | 10         |              |
|                    | Very Poor       | 2   | 6                 | 9            | 3            | 20         |              |
|                    | <b>Total</b>    | <b>6</b>  | <b>13</b>         | <b>16</b>    | <b>5</b>     | <b>40</b>  | <b>33.12</b> |
|                    | <b>%</b>        | <b>15</b>   | <b>32.5</b>       | <b>40</b>    | <b>12.5</b>  | <b>100</b> |              |
| <b>Panchakanya</b> | Middle Poor     | 1   | 2                 | 5            | 2            | 10         |              |
|                    | Poor            | 2   | 4                 | 3            | 1            | 10         |              |
|                    | Very Poor       | 1   | 9                 | 8            | 2            | 20         |              |
|                    | <b>Total</b>    | <b>4</b>  | <b>15</b>         | <b>16</b>    | <b>5</b>     | <b>40</b>  | <b>33.12</b> |
|                    | <b>%</b>        | <b>10</b>   | <b>37.5</b>       | <b>40</b>    | <b>12.5</b>  | <b>100</b> |              |
| <b>Total</b>       | Middle Poor     | 4   | 9                 | 11           | 6            | 30         |              |
|                    | Poor            | 5   | 11                | 11           | 3            | 30         |              |
|                    | Very Poor       | 5   | 22                | 25           | 8            | 60         |              |
|                    | <b>Total</b>    | <b>14</b>   | <b>42</b>         | <b>47</b>    | <b>17</b>    | <b>120</b> | <b>100</b>   |
|                    | <b>%</b>        | <b>11.66</b>  | <b>35</b>         | <b>39.16</b> | <b>14.16</b> | <b>100</b> |              |

Source: Field Survey, 2013

**Figure No. 4.9 : This Year's School Expenses in comparison with Last Year (In number of respondents)**



#### **4.7 Contribution of MF services of NUBL towards female equality and empowerment.**

The study tried to get answer to the research question "How the microfinance services of NUBL contribute towards female equality and empowerment?" In this regard the study collected information on the increase in overall empowerment of the clients of NUBL (all clients are women only) over a period of 5 years. The information covered several areas of empowerment including increase in decision making in areas ranging from sending children to school to buying fixed assets, attending community development works and local elections.

#### **4.8 Contribution of MF services of NUBL towards female equality and empowerment.**

The study tried to get answer to the research question "How the microfinance services of NUBL contribute towards female equality and empowerment?" In this regard the study collected information on the increase in overall empowerment of the clients of NUBL (all clients are women only) over a period of 4 years. The information covered several areas of empowerment including increase in decision making in areas ranging from sending children to school to buying fixed assets, attending community development works and local elections.

##### **4.8.1 Increased Involvements in community participation and financial matters**

The study revealed another interesting fact. The women's involvement increased significantly in decision-making areas which concerned the use of their savings by, borrowing by use of loan by and use of profit from loan investment by . Where as the respondents answered that the increase in decision making regarding participation in VDC meeting .This indicates that the financial services of NUBL helped client to increase the feeling of ownership as well as decision making regarding their savings and loan highly satisfactorily. The variation was found within districts and according to the economic status of clients.

#### **4.9 Summary of findings from client exit survey**

NUBL were made to get their views on the services of NUBL and areas of improvement. Usually, the current clients do not come forth with the critical review of the services compared to the clients who have dropped out. Hence, to get critical view on the NUBL services this tool was implemented.

The views were sought especially on why did the client leave the program, whether the services were useful to them or not and what were the features of the services that the client liked or disliked most. Similarly, the survey tried to get their frank suggestions for the improvement in the services and also got their views on whether they would like to rejoin the NUBL or not.

It was found that nearly 70 % left the group voluntarily and nearly 3 % had problem with the group (group expelled them as they were not able to repay the loan on time) and rest had other reasons such as misbehavior from staff, high interest rate, repayment schedule did not met their income schedules and so on. Similarly, approximately 75 % decided to the leave group individually and 25 % consulted their family members.

From the members that left NUBL voluntarily significant respondents replied that they had to leave as their spouse left them or migrated and they were not able to do the business themselves, family members prohibited them from taking further loans and so on.

Nearly half of the respondents were satisfied with the loan size. The exit client also liked the collateral freeness of the loan and savings in built in the program.

Amazingly nearly 50 % did not respond to the question on what features they did not like from the NUBL financial services. Those who replied mentioned the high interest rate, staff behavior, loan not available on time, wastage of time in meetings, insufficient loan amount and others.

Suggestions for changes included lowering interest rate, providing skill training, simplifying procedure, decreasing meetings, changing staff behavior and increasing loan size. A substantial number of respondents mentioned that they might be willing to rejoin NUBL program, if the changes are done. Nearly 90 % replied that they are willing to encourage their friends and relatives to join NUBL.

The study tried to get the reaction from the staff on the answers of the exit client. But more than 50% did not respond. Those who responded mentioned



things such as lowering interest rate, providing skill training, not transferring the staff frequently, some relief in fees and penalties for the good clients who could not pay back might help.

Overall the exit clients were found satisfied with the current services of NUBL and were willing to encourage their friends and relatives to join NUBL as well as were found willing to rejoin NUBL if their suggestions such as lowering interest rate, increasing the loan size, improving the staff behavior and reducing meetings are implemented. Their suggestions are worth considering and could be used for bringing revision in the current loan and savings products and also in training the staff.

## CHAPTER - V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary and Conclusions

Some researchers have questioned how far microfinance benefits women (Goetz and Gupta, 1996). Some argue that micro-finance programmes divert the attention of women from other more effective strategies for empowerment (Ebdon, 1995), and the attention and the resources of donors from alternative, and possibly more effective means of alleviating poverty (Rogaly, 1996). As much as donors like to see an immediate impact on empowerment and poverty, they are at the same time concerned about the financial self-sufficiency of the intermediary. Funding for microfinance is increasingly dependent on progress towards financial self-sustainability within a given time-frame. The cost-cutting measures in micro-finance programmes may have potentially negative implications for poverty-reach and contribution to women's empowerment (Mayoux 1998, 2000; Rahman 1999). Even those donor agencies are becoming aware that this may limit the potential of micro-finance for empowerment or poverty alleviation (Buckley 1996, DFID 1998, Rosenberg 1998).

Credit plays vital role in development process. Agriculture, being backbone of Nepalese economy where 38 percent of GDP of the economy still contributed by the agriculture sector. Women's contribution to the agriculture sector is accounted as 60.5 percent as against only 39.5 percent by male. Agriculture sectors denotes to the production unit mainly in rural and sub-rural region. Thus, agriculture is rural phenomena. In Nepal more than 70 percent population resides in rural sector. Development of rural sector is inevitable for development of the country. As already been mentioned that credit plays vital role-development efforts, availability of credit to rural population is very much necessary. Since rural populations are poor, access of loan from big financial

institution is unthinkable; therefore, emergence of MFIS providing credit to them especially women is imperative. Thus, women play vital role in the economy of Nepal. Generally, the domestic chores as well as agriculture work done by women is not considered in the national income estimation. Women access to economic resources and control over it, is less.

Despite the fact that women work as high as 11 hours a day on an average, their income is very low. Majority of women are forced to work at low wage in unsafe working conditions. Most of women work in rural area and in the informal sector so they are working without remuneration. Because of the maternity role to be played by women, they have dual workload and it has affected their employment outside domestic affairs.

The traditional outlook of the society towards women did not improve as expected neither expected improvement in legal framework has introduced in the gender discrimination

The implementation of MF program, focusing on women as a target group has produced substantial impact on economic empowerment of women through their economic self-sufficiency. The credit program with the objective of providing loan to women easily and priority to women in loan disbursement has motivated them to come forward in the society.

The main findings of the study may be summarized as-

- ) Clients receiving services for more than five years had less very poor clients.
- ) NUBL's financial services helped more to maintain the existing savings and also to increase them within a period of one year.
- ) In cases of both household as well as individual income more than half reported that there was no change. It was interesting to note that there

was significant difference in the percentage of clients whose household and individual income has increased.

- ) The financial services of NUBL were found to help increase income of NUBL clients and those who were able to extend the existing business or to initiate the new business were able to do so.
- ) The changes in income varied in the middle poor, poor and very poor clients. The decrease in the middle poor was by 12.72%, poor by 17.81% and very poor by 13.85%. Similarly, the increase was found 26.59% in middle poor, 20.11% in poor and 12.31% in very poor. This also shows that the financial services of NUBL were useful more to the middle poor than the very poor.
- ) It was found that the worsening took place more in very poor compared to poor and middle poor.
- ) The variation within districts of the use of their income for savings for emergency purpose was found significantly higher. The proportion of respondents utilizing personal savings for emergency and purchases was higher in Rupandehi (66.04%) as compared to Chitwan (15.72%) and Bara (13.84%).
- ) It was found that the middle poor and poor possessed such assets more than the very poor. This means that even after receiving services for more than five years, very few clients who are very poor have been able to possess such assets.
- ) The general comments received from the clients on loan amount were Small loan size, Loan amount is not enough and loan amount is not enough to start new business.

- ) The general comments received from the clients on the interest rate are Interest rate is high and, Interest rate should less for land.
- ) The general comments received on loan duration were period of loan is not enough so it is not possible to repay installment.
- ) The general comments received from the clients on repayment schedules were there should be more installments in place of existing installments to repay easily.
- ) Most of the clients were found satisfied with the savings services of NUBL.
- ) The major reasons cited by the respondents that led to the problem of repaying back the loan included small loan size is not enough to initiate business, .
- ) The discrimination of male and female children while sending to school was not found in the clients of NUBL.
- ) Increase in educational expenses in middle poor was by 66.4%, poor by 52.32% and in very poor by 41.08%. Similarly, decrease in educational expenses in middle poor was by 8.52%, poor by 11.62% and in very poor by 3.87%.
- ) One interesting thing to note here is this that the women's involvement in decision making in small purchase (purchase of daily necessities) shows higher improvement (91.93%) where as in purchase and sale of assets (of higher value) the increase is reported by 57.23% respondents only. This indicates that for assets of higher value male still has more say than the women.
- ) The variation was found within districts and according to the economic status of clients.

- ) The financial services of NUBL helped client to increase the feeling of ownership as well as decision making regarding their savings and loan highly satisfactorily. The variation was found within districts and according to the economic status of clients.
- ) It was interesting to note that the use of family planning method was considerably high in middle poor (66.29%), poor (49.71%) where as it was found low in very poor (49.71%).
- ) NUBL services helped clients to receive health services.
- ) Overall the exit clients were found satisfied with the current services of NUBL and were willing to encourage their friends and relatives to join NUBL as well as were found willing to rejoin NUBL if their suggestions such as lowering interest rate, increasing the loan size, improving the staff behavior and reducing meetings are implemented.

## **5.2 Recommendations**

The main objective of the study was to assess the impact of the financial services of NUBL, which is elaborated in Chapter 7. From the findings as well as the conclusions derived from the findings some recommendations are made so that:

- ) Socio economic status of clients is further improved,
- ) Client's poverty is reduced,
- ) Clients are able to better manage the risks and vulnerability,
- ) NUBL is able to reach poor and meet their financial needs,
- ) Clients food security increase,
- ) Clients send their children to schools,

) Female empowerment take place and

) Health services are accessed by the clients.

All these things can be done if NUBL is able to improve/refine its existing services and products, further increase efficiency, properly target the client, link financial services with social and Business Development Services (BDS) and appropriately train staff so that not only their skill but their attitude also change positively. Hence, the recommendations are done accordingly in following areas: