

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Access to a transaction account is a first step toward broader financial inclusion since it allows people to store money, and send and receive payments. A transaction account can also serve as a gateway to other financial services, which is why ensuring that people worldwide can have access to a transaction account is the focus of the World Bank Group’s Universal Financial Access 2020 initiative (Kim, 2017).

Financial access facilitates day-to-day living, and helps families and businesses plan for everything from long-term goals to unexpected emergencies. As accountholders, people are more likely to use other financial services, such as credit and insurance, to start and expand businesses, invest in education or health, manage risk, and weather financial shocks, which can improve the overall quality of their lives.

While there has been progress toward financial inclusion, significant challenges remain:

- An estimated 2 billion adults worldwide don’t have a basic account.
- Globally, 59% of adults without an account cite a lack of enough money as a key reason, which implies that financial services aren’t yet affordable or designed to fit low income users. Other barriers to account-opening include distance from a financial service provider, lack of necessary documentation papers, lack of trust in financial service providers, and religion.
- More than 200 million formal and informal micro, small and medium-sized enterprises (MSMEs) in emerging economies lack adequate financing to thrive and grow.
- MSMEs cite a lack of collateral and credit history, and business informality as main reasons for not having an account.

- Some groups are more financially excluded than others: Women, rural poor, and other remote or hard-to-reach populations, as well as informal micro and small firms are most affected. For example, the gender gap in developing countries is estimated at 9 percentage points: 59% of men reported having an account in 2017, while only 50% of women did.
- The forcibly displaced populations present one of the most pressing financial inclusion challenges as almost 80% in adults in Fragile and Conflict-Affected States are outside the formal financial system (Kim, 2017).

Microfinance is the provision of financial services to the under served and poor segments in the population. It includes a variety of methodologies; none can claim monopoly of the term.

Microfinance refers small financial services provided to the people who farm or fish or herd; who operate small or micro-enterprise where goods are produced, recycled, repaired or traded; provide services; who work for wages or commission; who gain income from renting out small amounts of land, vehicles, draft animals or machinery and tools; and to other individuals and groups at the local levels of developing countries both rural or urban. “Very small deposits and loans are referred together as microfinance” (Susan, Johnson & Rogaly, 1997).

Most of the Nepalese are poor and most of the poor are women. Under prevailing condition, women have limited or almost no control over property and poor access to institutional credit services and facilities, restricting them to in their ability to generate income and improve their socio-economic status. Although women constitute half of total population, only 5 percent of them have got the opportunities of formal sector job while rest of them have been bound in informal sectors where working condition is very difficult and even within it like reproductive role and family care responsibilities have been not considered as productive jobs.

Either most of their activities are not access to economic value or under valued so that they are unable to generate sufficient income and when they are considered as low income earner, rural traditional society does not take appropriate step to their health condition, and education, and under the absence of these elements poverty reduction becomes only a sadistic story. Deprivation from proper technical knowledge and managerial skill they are also left out from the credit market and resources. Thus, they are less able to make significant improvement in their economic condition.

Microfinance has been proved to be a most significant facilitator to poverty reduction and women empowerment. It is an inevitable means of breaking the vicious circle of poverty and to uplift the economic status of the poor women. Nepal initiated rural micro-financing since 1970 through the establishment of credit cooperatives, implementation of Priority Sector Credit Program and Small Farmer Development Program (SFDP).

Generally loans are provided on the group guarantee without any physical collateral, building a rule of thumb that when someone betrays to repay rest members are fully responsible even for that repayment so that group is formed from same geographical region with similar socio-economic background. Thus the whole study focuses the effectiveness of micro-credit for the women development.

1.2 Statement of Problems

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

Different type of programs is lurching in women development in Nepal. Such as Priority Sector Credit Program (PSCP), Small Farmer Development Program (SFDP), Integrated Rural Development Program (IRDP), Production Credit for Rural Women (PCRW), Participatory District Development Program (PDDP) which in fact are intended to uplift the rural poor, especially women. Government also conducted Micro Credit Project for Women (MCPW) in twelve districts and five urban areas.

Rolpa is one of the backwarded districts in education. Women of this district are still involved within household activities. They involve in agricultural activities. The ownership right over the family properties rests with males not the females.

Some common problems related to women such as not owning land and low level of education, limited scope to generate income and low social status are interconnected and circular in nature. They are less conscious to save money and financial mobilization. It is difficult for women to get

high amount of loan without collateral and with less collateral. It is difficult for them to invest in business activities.

So, microfinance institutions should fund their loans through savings accounts that help poor people especially women. Hence, the study has addressed the following research questions:

The research deals with the following issues.

- What is the impact of microfinance on income generation of women?
- Does MF support, change the socio-economic status of people?
- What is the effectiveness of utilization and repayment of loan?
- How micro-finance program has helped to uplift women status?

1.3 Objectives of the Study

The objective of the study is to explore the impact of microfinance (MF) program for women in the study area. Beside this, specific objective of the study are as follows:

- To analyze the impact of microfinance on income generation of women.
- To examine the change in socio-economic status after support of microfinance program.
- To examine the effectiveness of utilization and repayment of loan.
- To analyze the contribution of micro-finance program to uplift women status.

1.4 Significance of the Study

Now a day's micro credit is appreciated as an effective tool of economically empowered through self-employment following assistance in income. This study has great significance because microfinance program definitely enhance the economic status of rural poor, disadvantaged and deprived women of a society. The main reason behind this study is to analyze the impact of microfinance program on rural women upliftment. So, this study is also important to get answer of above objectives.

Microfinance concept is very important itself to the people who are back economically and socially especially for women. For microfinance tools they can directly involve in fund raising program and can develop themselves. There is big role of the microfinance to developed countries such as India, Bangladesh and many more. So, to the best knowledge of the researcher,

it will be more significant in Nepalese context. In the light of above statements, the researcher believes that the study will explore a virgin field in Nepalese women's microfinance scenario and add new things to the literature of microfinance sector. This study helps to provide necessary information to the different practices to make better planning, decision making, and policy making, monitoring, controlling, solving various curiosities and overcome the certain limited problems regarding microfinance.

In addition to these, this study has some practice relevance. It attempts to find out the ways of uplifting women's lifestyle in Nepalese society. The increasing participation of the women in economic activities such as saving, taking loan etc. is supposed to enhance their capabilities to change and develop their household and overall economy. Therefore, this study is very useful:

- To entrepreneurs
- To decision makers
- To policy makers
- To further researchers

1.5 Limitations of the Study

Following are the limitations of the study:

- There are different models of microfinance in Nepal. The study is limited to the study of development bank's mode of microfinance.
- The sustainability analysis may not be representative to other models/forms of microfinance program.
- The study is based on analysis of current data and no comparison has been made with baseline data due to unavailability of such information.
- Due to time and budget constraints, overall impact of microfinance in all aspects cannot be studied thoroughly.
- The findings of study may not be generalized in microfinance program running in other part of the country.

1.6 Organization of the Study

This study has been organized into five chapters.

Chapter I: Introduction: This chapter deals with major issue of the study along with general background, statement of the problems, objectives of the study, significance of the study, limitations of the study and organization of the study.

Chapter II: Review of Literature: This chapter comprises review of literature which consists of concept and evolution of microfinance, the significance of microfinance, interrelation between women and microfinance and conceptual framework. This chapter provided a framework with the help of which this study ha been conducted.

Chapter III: Research Methodology: Research methodology describes the methods and procedures used in this study which deals with selection of the study, research design, nature and sources of data, population and sampling procedure, data collection technique and data analysis.

Chapter IV: Presentation and Analysis of Data: This chapter is the main analytical part of the study. It highlights the microfinance in Nepal including microfinance sector development, practices of microfinance, providers of microfinance, and regulations in MF, funding organization and supporting organizations.

Chapter V: Summary, Conclusion and Recommendations: Finally this chapter deals with summary, conclusions of the study and recommendations.

Bibliography and questionnaires are incorporated at the end of the research.

CHAPTER II

LITERATURE REVIEW

This chapter is basically concerned with the review of literature relevant for the impact of Mahila Sahayatra Microfinance on income generation of women in Madi, Rolpa. Without knowing the clear concept the subject matter of the study may not go through right way. So the conceptual frame work is the most important part of every study. Every study should be based on the past study. The previous study should not be ignored because they provide them guideline for further study. On the first stage of research, we can't be ready for how to write or how to find out any new things. So the past related to the concerned research helps us to find out writing skills. We have found past related data. The relevant helps us to find out writing skills. We have found past related data. The relevant literature and articles has reviewed from national and international publications pun as well as unpublished reports, thesis and journals etc. This chapter is divided into two parts conceptual review and research review.

2.1 Conceptual Reviews

2.1.1 Definition of Microfinance

Microfinance, also called microcredit, is a type of banking service that is provided to unemployed or low-income individuals or groups who otherwise have no other access to financial services. While institutions participating in the area of microfinance are most often associated with lending (microloans can be anywhere from \$100 to \$25,000), many offer additional services, including bank accounts and micro-insurance products, and provide financial and business education. Ultimately, the goal of microfinance is to give impoverished people an opportunity to become self-sufficient (World Bank, 2017).

As a definition, microfinance is, as a part of development finance of rural or urban, targeted towards specific groups of people, male or female, falling the lower bracket of society. It refers to the provision of a broad range of financial services such as deposits, loan payment services, money transfers, and insurance to the poor and low income households and their micro enterprises.

According to the World Bank the term “microfinance refers to the provision of financial services to low income clients, including the self employed. Financial, generally include savings and credit; however, some microfinance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self confidence, and training in financial literacy and management capabilities among members of a group”. Thus the definition of MF often includes both financial intermediation and social intermediation. MF is not simply banking; it is a development tool (World Bank, 2017).

Microfinance deploys a small amount of short term working capital and in some case, long term investment loans and provides deposit facilities to small scale business and household.

Ledgerhood describes on his book ‘Sustainable banking with the poor’ microfinance has evolved as an economic development approach intend to benefit low income women and men. The term refers to the provision of financial services to low income clients including self employed. Financial services generally including saving and credit however some microfinance organizations also provide insurance and payment services. In addition to financial intermediation many microfinance institutions (MIFs) provide social intermediation services such as group formation, development of self confidence and training in financial literacy and management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not simply banking, it is a development tool.

Ledgerhood further describes that Microfinance activities usually involve:

- Small loans, typically for working capital
- Informal appraisal of borrowers and investment
- Collateral substitutes, such as group guarantees or compulsory saving
- Assess to repeat and larger loans, based on repayment performance
- Streamlined loan disbursement and monitoring
- Secure saving products.

Although some MFIs provide enterprise development services such as skills training and marketing and social services such as literacy training and health care, these are not generally included in the definition of microfinance.

Ledgerhood added that MFIs can be non-governmental organization (NGOs), saving and loan co-operatives, credit unions, commercial banks or non-banking financial institutions. Microfinance clients are typically self-employed, low income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers) and artisans and small producers such as blacksmith. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the “poorest of the poor”.

MFIs are dependent on small savings from group members. Financial services include savings: Credit and other services such as micro money transfer and micro- insurance. This service is differentiated by different types of service employment and income orientated target group, target community, target area and credit at home (Ghimire, 2015).

The term microfinance refers to the practice of sustainably delivering those services. More broadly, it refers to a movement that envisions “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers” (www.microfinance.com).

Actually, microfinance practitioners define it more specifically in terms of its quantity, targeted beneficiaries, and lending objectives. Microcredit symbolizes small loans extended to the poor for undertaking self-employment projects that would generate income and enable them to raise their living standards. In other words, it seems different only because of its demand for and its use, as it is demanded by small borrowers (both men and women) to meet their production (financing small business and consumption needs).

The term "micro-finance" means the financial business of providing institutional financial services to the destitute and low-income families desirous of operating self-employment enterprises. The financial business of this type covers micro-credit, micro-insurance and small

remittance payment system. The term includes financial services of supplying small credits, providing unsecured financial services in a quick and efficient manner against collective guarantees and repaying installments in a simple manner aiming at increasing access to financial services by extensively covering the destitute class and areas which currently remain deprived of micro-financial services. (www.microfinance.com)

2.1.2 Evolution of Microfinance

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

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

Both formal and informal MFIs in Nepal are providing financial services to generate income through creation of job opportunities for the low-income families. The informal financial markets in the country have existed for generations, whereas the first formal sector micro lending began in 1956 with the establishment of Credit Cooperatives in the Rapti Valley of Chitwan district to provide financial services in rural Nepal (Sharma and Thapa, 2008). Later in 1963, the Cooperative Bank was established to provide financial services to the credit cooperatives. Thereafter, several credit cooperatives and the ward/village committees were established to extend credit at the grassroots level along with a national level institution, i.e. Land Reform Savings Corporation. Thus, 1956-1970 is the beginning phase of formal MF in Nepal.

2.1.3 Beginning of Microfinance in Nepal

Microfinance formally started in 1974 following the Nepal Rastra Bank's (NRB) direction to commercial banks for lending five percent of their total deposit liabilities to "small sector" in order to increase production and employment in rural areas. The small sector programme was renamed later as Priority Sector Credit (PSC) in 1976 raising the lending percentage to seven percent of total deposit liabilities (NRB, 1996). Actually, PSC is the beginning of formal MF programme in Nepal, which again was redefined as Intensive Banking Programme (IBP) in 1981, and it was the main concern of government for implementing microcredit programme through major commercial banks of the country, viz. RRB, NBL, and NABIL Bank (the joint venture bank). NRB also made successive changes in lending percentage and it increased to eight percent in 1984, and this lending target was fixed at 12 percent for the year 1990. In 1992, Grameen Bikas Banks were initiated by the government sector crossing a milestone in rural micro financing in Nepal and NGOs started Grameen banking activities in certain areas. Government run microfinance programs are Bisheswor with the Poor, Women Awareness Program, Government Peace Movement etc.

Priority sector is defined as an integration of "micro" and "small enterprises" that support for enhancing production, employment, and income, and improve the living standards of deprived and low income people. The micro and small enterprises have been classified into three sectors, as agriculture, cottage and small-scale industry, and service sector. The deprived sector includes men/women from low-income households, and landless people. Microcredit, micro savings, transfer of payment services, and micro insurance are defined as MF services. Similarly, the loan size, ranging from Rs. 5,000 to 30,000 is defined as microcredit by the credit manual of NRB (NRB, 2004). To fulfil priority sector and deprived sector lending requirements, commercial banks can also lend ADB/N, rural development banks, authorized Savings and Credit Cooperatives (SCCs) and FINGOs, which have been defined as actual microfinance institutions (MFIs) in Nepal.

Deprived sector credit scheme was introduced by NRB in 1990. Since that time the commercial banks were mandated to lend at least three percent of total loans and advances to the deprived sector from their priority sector loan portfolio, and are penalised for the shortfall (NRB, 1996). The act of providing loans by commercial banks to prioritised (agriculture, cottage industry, and service sectors) and deprived sectors or the "hard-core-poor" is a non-traditional banking scheme

for commercial banks. Therefore, considering guarantee compensation against default on such lending as crucial, the Credit Guarantee Corporation was established in 1974 with the joint investment of NRB, NBL, and RBB. This corporation provided credit guarantee to these two commercial banks for providing priority sector loans. The corporation has also started guaranteeing loans for cattle since 1987/88 (NRB, 1996).

Despite lots of efforts for credit flow to rural poor through many poverty alleviation programs in the past, a wide gap is persisting in the coverage of credit from institutional sources. The Nepal Rural Credit Review Report (1994) revealed the fact that 18 percent in 1969/70, 24 percent in 1976/77, and only 25 percent borrowers/farm families in 1991/92 had utilized the institutional credit in Nepal (NRB, 1994). Thus, in the beginning of the Eighth Plan period, the coverage of rural finance from the formal sources was just one fourth and the informal sources four fifths.

2.1.4 Institutions Involved in Microfinance

Within Nepal, the institutions involved in microfinance include national and international institutions. The national institutions include banks, non-government organizations (NGOs), and cooperatives registered within the existing regulatory framework of the country. International institutions include bilateral and multilateral agencies and international non-government organizations (INGOs) supporting directly or indirectly for the expansion of MF activities in Nepal. Formal and semi-formal financial institutions operating in Nepal are: Agricultural Development Bank of Nepal (ADB/N), Commercial Banks (CBs) and Development Banks (DBs), Regional Rural Development Banks (RRDBs), Finance Companies (FCs), Savings and Credit Cooperatives (SCCs), Financial Intermediary NGOs (FINGOs), and Social and Financial Intermediary-NGOs (SFINGOs). Particularly, these are the rural credit providers in the Nepalese context. There are separate Acts to govern these financial institutions. Central bank takes the responsibility of keeping records of credit and reimbursing the participating banks. It also provides refinance facilities to the ADB/N, RRDBs and also executes donor-funded MF program/projects through participating institutions (www.cmfnepal.org).

2.1.5 Objective of Microfinance

The main objective of rural finance/microfinance is to increase access of rural people to financial services to undertake income generating activities and improve their livelihoods and to improve socio economic conditions of the poor and deprived women. With a view to facilitate this process, both government and non-government organisations have launched various programmes. However, the specific objectives are:

- To promote the quality of life and their living standard.
- To provide financial and non financial services based on need of operation.
- To provide necessary institutional support to other institution having similar objectives.
- To assess larger loans, based on repayment performance.
- To create income and employment opportunity for the poor people by mobilization of saving.
- To provide assistance to the poor and marginalized women of Nepal, regardless of where they live in and who they are.
- To promote the locally available technology for the best use of the internal available resources.

2.1.6 Features of Microfinance

Some general features of MF are:

- It promotes credit as a human right.
- Its mission is to help the poor families to help themselves to overcome poverty.
- It is targeted to the poor and particularly to the women.
- The most distinctive feature of MF is that it is not based on any collateral or legally enforceable contracts. It is based on trust not on legal procedure and systems.
- It is offered for creating self-employment for income generating activities and housing for the poor, as opposed to consumption.
- It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be “not creditworthy”. As a result it rejected the basic methodology of the conventional banking and created its own methodology.
- It provides services at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.

- In order to obtain loans a borrower must join a group of borrowers.
- Loans can be received in a continuous sequence. A new loan becomes available to a borrower if his/her previous loan is repaid.
- All loans are to be paid back in installments.
- Simultaneously a borrower can receive more than one loan.
- It comes with both obligatory and voluntary savings program for the borrowers.
- Generally these loans are given through nonprofit organizations or through institutions owned primarily by the borrowers. If it is done through nonprofit organizations not owned by the borrowers. Efforts are made to keep the interest rate at a level commensurate with sustainability of the program rather than bringing attractive return for the investors. MF's thumb rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders' rate. Reaching to the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.
- MF gives high priority on building social capital; it is promoted through formation of group and centers, developing leadership quality through annual election of groups and centre leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers, it undertakes a process of intensive discussion among the borrowers, and it encourages them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology. Like mobile phones, solar power. And promote mechanical power to replace manual power.

2.1.7 MF Activities Usually Involve

- Small loans, typically for working capital
- Informal appraisal of borrowers and investments

- Collateral substitutes, such as group guarantees or compulsory saving
- Streamlined loan disbursement and monitoring
- Secure savings products.

2.1.8 Reasons to Grow MFIs

- The promise of reaching the poor. MF activities can support income generation for enterprises operated by low income households.
- The promise of financial sustainability. MF activities can help to built financial self sufficient, subsidy free, often locally managed institutions.
- The potential to build on traditional system. Mf activities sometime mimic traditional system (such as rotating saving and credit association. they provide the same services in similar ways, but with greater flexibility, at a more affordable price to micro enterprises and on a more sustainable basis. This can make MF services very attractive to a large number of low income clients.
- The contribution of MF to strengthening and expanding existing formal financial systems. MF activities can strengthen existing formal financial institutions, such as savings and loan cooperatives, credit union networks, commercial banks, and even state run financial institutions, by expanding their markets for both savings and credit and potentially, their profitability.
- The growing number of success stories. There is increasing number of well documented, innovative success stories in settings diverse as rural Bangladesh urban Bolivia and rural Mali. This is in stark contrast to the records of state run specialized financial institutions, which have received large amounts of funding over the past few decades but have failed in terms of both financial sustainability and out reach to the poor.
- The availability of better financial products as a result of experimentation and innovation. The innovations that have shown the most promise are solving the problem of lack of collateral by using group based and character based approaches; solving problems of repayment discipline through high frequency of repayment collection, the promise of higher repeat loans; solving problems of transactions costs by moving some of this costs down to the group level and by increasing outreach; designing staff incentives to achieve

greater outreach and high loan repayment; and providing savings services that meet the needs of small savers.

2.1.9 Key Principle of Microfinance

- Poor people need a variety of financial services, not just loan.
- MF is a powerful tool to fight poverty.
- MF means building financial systems that serve the poor.
- MF can pay off for itself and must do so if it is to reach the very large number of poor people.
- MF is about building permanent local financial institutions, especially among the derived sector.
- Microcredit is not always the answer and it is not the best tool for everyone in every situation.
- Interest rate ceiling hurt people by making it harder for them to get credit.
- The role of government is to enable financial services to expand, not to provide them directly.
- Donors' funds should complement private capital, not compete with it the key bottleneck is the shortage of strong institutions and managers.
- MF works when it measures and discloses its performance and makes it transparency (Mathema, 2008).

2.2 The Significance of Microfinance

Microfinance is one of the strong instruments for poverty reduction. It is basically characterized by saving product, small loan, group norms, insurance and money transfer. Presently it has been well recognized as one of the effective poverty reduction programs in developing countries. In Nepal, it has been found more successful for ameliorating socio-economic condition of the downtrodden populace such as core poor, lower ethnicity and women affecting by vulnerability, unawareness, low income, less representation in political constituency and unproductive assets are concerned (Devkota, 2002).

Devkota added that majorities of these people are not accessing the credit easily as due to lack of the collateral. In this respect MFIs have been providing credit liabilities to such downtrodden

people in income generating activities such as vegetable production, livestock raising, tea and daily usage shop, marketing of goods (milk product, vegetable and fruits etc.) as per their experience and market potentialities. Under this program one group member can earn about NRS 300-700 net profit in a week in the Terai area.

Devkota also writes in the social sector, awareness development is found one of the major outcomes of this program. In this respect many MFIs members started to gain in literacy center, schooling to their children including daughter, participating in the village level elections for they are elected in ward member, Municipality chairman and vice chairman. In addition they are actively involving in community development activities such as construction of village community hall, road, bridge, school, sanitation and drinking water system. Thus MFIs have been imputing the momentum for poverty reduction endeavor.

Poverty and social marginalization are significantly affecting the lives of many rural people in developing countries seriously hindering economic development. Though much has been talked, much has been written and several governments and planners have included poverty reduction as over-riding objective in their development programs, the poverty has still not been alleviated from developing and less developed countries in the world.

Poverty has been defined in various ways. CIDA (1994) made some restatements of poverty “The idea that poverty is multi-faceted has been widely accepted and apart from material deprivation, it is not unusual to include health status, illiteracy, and several types of vulnerability, powerlessness and absence of choice...”(CIDA, [1994], cited in Wright, 2000, p. 9). In the words of Sharif (1997), “Poverty...is not only about having inadequate income or income below the poverty-line but is also about the inability to sustain a specified level of well-being” (Sharif, 1997), quoted in Wright 2000, p. 8.

ADB (2003) define poverty as a deprivation of essential assets and opportunities to which every human is entitled. The essential may not be the poor due to diverse nature of poverty and lack of diverse nature of governance and inappropriate public policy and programs. In this context, Asian Development Bank (ADB) perceives sustainable economic growth and social development as the key component for reducing poverty. Therefore, the investment in microfinance stimulates economic growth, which can reduce poverty by governing, employment and incomes.

ADB has recognized microfinance as a powerful tool to promote economic growth, reduce poverty, support human development and improve the status of women (Kerlinger, 2000). Furthermore, it presents the evidence of test result of microfinance practitioners around the world as access of credit to the rural poor has been found to be very effective tool for helping poverty reduction. It is because micro credit to the poor creates small business opportunities that help to improve the socio-economic condition of deprived community.

In the conclusion, microfinance is a powerful instrument for poverty alleviation. It enables the poor to take advantages if existing self-employment, develop micro enterprises, raise income level, builds up self confidence and self esteem, improves purchasing power, empowers women, enhances power, employees women, enhances overall economic growth, enhances domestic saving and provide escape route from poverty. In Nepalese context, even though microfinance had been proven as effective and efficient mechanism in poverty reduction endeavor, most of the microfinance institutions have been unable to reach the poorest due to their inability to identify and measure them. On the other services has been commonly viewed as strong tool to fight against poverty: however, the out reach of the formal sector credit institutions has been constrained due to high cost of their service delivery. Nevertheless microfinance institutions pursue the activities to promote the interest of the poor by providing basic services and contribute to increase in outreach sustainability and effectiveness.

Microfinance is the provision of financial services to the under serves and poorer segments of the population. It includes a variety of methodologies and non can claim monopoly of the term (Seibel, 2004).

Yunus defined poverty on the basis of his own country experiences “Poor is a much larger collection of people than the small or marginal farmer that excludes women and children who constitute over half of the total population of the country” (Yunus, 1993). He further classified the poor into three categories: P1 or hard-core-poor or absolute poor; in many countries it would be the bottom 20 to 25 percent; P2 bottom 35 to 40 percent; P3 bottom 50 to 55 percent. Within each category of poor, there may be sub-classifications on the basis of region, occupation, religion, ethnic background, sex and age group. Similarly, the Summit Campaign defines “poorest” as the bottom half of those living below their nation’s poverty line. The poorest in

developing countries refers to families, whose income is in the bottom 50 percent of all those living below their country's poverty line (World Bank Report, 2002).

2.2.1 Role of Microfinance in Poverty Reduction

Poverty has always been a concern of MF. In the early days of the MF revolution, practitioners celebrated the creation of new financial methodologies that allowed institutions to reach families below the poverty line. As the micro-finance field has matured, subfields have emerged. Some micro-finance institutions use methodologies that target the very poor as a separate client group, while others are based on non-targeted financial services for all those who lack access to formal credit institutions. As these various branches of micro-finance have developed, the field has seen increasing debate about which programs and methods serve not only the poor, but also the poorest of the poor (Pandey, 2016).

There are multiple efforts under way to identify the depth of outreach of programs in poor communities some undertaken by practitioners and others by donors. For practitioner organizations, these efforts have typically been attempts to empirically test whether they are reaching their target clientele. More recent practitioner and donor efforts have tried to collect information from a wide range of MFIs, looking for poverty assessment methods that have been successful. Microfinance is defined as financial services to the poor. It means microfinance can be defined easily if defined poverty, which itself is not as easy as it seems (Gibbons, 1995).

The given definition of MF indicates the role and importance of microfinance is widely accepted as a tool of poverty reduction, not only tool, it helps clients to attain self-employment, generate employment and income to poor families, commitment, development, awareness building and helps to develop society as a whole. Mf approach and models as field of knowledge and study also has broken barriers of traditional assets based lending of commercial banking theories. It has created new and woeful knowledge that poor are bankable; they could be good client of financial services industry, if the model is clearly and carefully built and operated. MF best practices in different countries of the world demonstrate very clearly that it is a very effective tool of empowerment not only of economic but also of social condition. The center stage of all of this is access to finance, which has a multiplier effect in the ignition process of development. It also creates institutional base and breaks barriers created by exorbitant informal finance in case of Nepal.

There is general consensus worldwide that micro-finance is useful and powerful tool for poverty reduction if not alleviation. Its major achievement are considered as enhancing income of the poor, enhancing their decision making abilities, fostering self-employment, uplifting empowerment level of poor and also woman and overall term increasing productivity in the country, this process helps vicious cycle of poverty and inducing economic growth of the country. Because of this benefits many international regional and local initiatives to foster MF has been initiated (Mathema, 2008).

2.2.2 Problems on Microfinance in Nepalese Context

Poverty alleviation is the top priority of the government of Nepal. Government policy came vividly to fight against poverty vigorously after the restoration of democracy. Realizing to uplift the poor family's socio-economic status Microfinance Institutions & cooperatives are opened. It was Nepal Rastra Bank (NRB) initiated and led to setup Microfinance institutions regionally with the share capital of Govt., NRB & commercial Banks as Grameen Bikas banks & directed & systemized to commercial Banks to provide deprived sector loan 5% of their transaction i.e., loan to microfinance institutions in simple interest rather than other business loan. And then many MF institutions came into exist. Again the direction of deprived sector loan is 2 percent to Dev. Banks & 1.5 to finance companies. Apart from this NRB provides a little loan to MF institutions from RSRF. Thus MC institution operated in rural area providing micro credit & saving mobilization, informal education, first aid health services training on skill development (NRB, 2017).

With the pace and expansion of microfinance in the villages & rural areas the program gain popularity because of office stationed in village, contact to the poor family, select women in the group member, access of micro credit without collateral & other development activities. Agriculture, livestock development, small irrigation, products marketing, & renewal energy are the main products in credit component as well as saving mobilization of the members and group center's meetings informal education which learned to plan their activities.

Despite these activities Microfinance institutions are facing some issues & problems as follows:

Issues on microfinance is that it has not reached the ultra poor, remote areas, hills and not inclusive. But basically microfinance is based on the poor, inclusive and villages and slowly

reaching the hills & inner side of terai. It is surveyed & selected women from poor family, begins credit providing from 10/20 thousands without collateral. Offices are stationed in village level & objective is to uplift socio-economic status of the poor. Priority of the program is women, janjati & other backwards families. But the program is costly, lacking of infrastructure scattered house & risk is comparatively high. Therefore the Program is seeking & waiting the address & help from Government and NRB (Pandey, 2016).

Microfinance institutions are moving ahead facing the problems as follows:

1. Resource (fund) constraint: According to the direction of NRB, Commercial banks, development banks & finance companies has to provide deprived sector loan 5% of their transaction to MFIs but credit on micro hydro, hospital, youth for employment & small housing is countable in microfinance which is almost half of the resource altered for MFIs from last year. MF institutions are expanding areas in villages & unreached districts but resources are going to be limited. NRB & Government should deeply initiate to the fact that 5 percent deprived sector loan must be available to micro-finance institutions (NRB, 2017).

2. High interest on deprived loan: Micro finance program is one of the major tools of poverty alleviation, analyzing the fact NRB set the deprive sector policy to provide resources for the MFIs. Every commercial Banks, Development Bank and Financial companies has to provide at least 5 percentage of their transactions in low interest rate (15% to 18%). But now these Bank revised their deprive sector lending rate (6-9%) which is the very higher rate for the MFIs. Due to high interest rate cost of funds has increased that poverty alleviation program has directly affected and has been difficulties to MF institutions to sustain. So NRB should take effective steps to reduce deprive sector lending rate to strengthening of MF institutions so that these banks could reach further remote areas (NRB, 2017).

3. High tax rate: All financial institutions are divided in to four categories by NRB. MFIs are lies in category "Gha" In these categories there is different types of rules for their establishment, maintain CRR and other aspects. But the corporate tax is equal to other commercial banks. The profit of MF institution is lower than other banks, in this profit Nepal Government charged 30-% corporate tax which is maximum higher rate for MFIs (NRB, 2017). If Nepal government exempted corporate tax for MFIs, the rebate amount of tax would be used to have expansion

service on poor family, institutional strengthening and capacity building of its staffs as well as client too.

4. Capacity building: Study, research & information are weak in micro finance institution. Without these progressive phenomena banks are in difficulties to achieve the objective of poverty alleviation, the top priority program of the Govt. That is why Capacity building is one of the burning issues of MFIs. To provide microfinance services to the rural poor in long-term, micro finance institutions should be strong and sustainable. When MFIS are being strong, they would be able to provide new products and services to the rural poor. For that NRB, Nepal Government and other related agencies should be committed to enhance the capacity building of Micro Finance institutions vertically & horizontally that is intuitional capacities, staffs capacities and as well as client's skill development.

5. Public deposit: Bank & financial institution act 2006 has provision that Micro finance institutions can accept public deposit with the approval of NRB. It has been essential that public deposit be opened to maintain the fund scarcity. However NRB is positive. Now it is collected some deposit from the members which is small amount & is to learn the banking transaction to the poor. In other South Asian countries like Bangladesh have been permitted continuously & successfully activating public deposit.

6. Voice not heard: Policy level has not heard the voice of micro finance. There are problems and prospects in this program as development phenomena. Current problems and constraints in this program has been presented to the Government for years but Government has not taken it seriously and studying the trend and prospects. Big and Government owned bank's loan were written off more than 6 billion at the rate of 30 thousand loan and interest and also the interest up to 100 thousand. It affected to the micro finance institution directly but not a single pie and any sympathy was prevail to MFIs.

7. Sustainability and viability: Due to all the surroundings & policies microfinance institutions are in cross-road. Tax is equal to commercial bank, Interest on Deprived sector loan is increasing highly day to day, lack of infrastructure, scattered houses reaching, motivation & service provide to poor in center/group level (ward/block) is costly and atmosphere is not supporting to MF institutions. Knowing the fact that microfinance is the significant tool to reduce poverty micro

finance development Banks/institutions should sustain & viable that is why Govt. & NRB should decide to exempt tax and resource availability soon. So the poor family will understand that the policy level is for poor (Pandey, 2016).

2.3 Women and Microfinance

2.3.1 Relation between MF and Women

The role of MF in the improvement of lives of women is discussed in the following paragraphs. The ideas related to MF and women are highlighted as follows:

Women Saving and Empowerment states that Economic poverty and social marginalization are two significant elements shading the lives of many rural elope. This particularly true for the women of the hill regions of Neal, where limited access to services and fortuities are complicated by the remote and difficult geography as well as by the complex demands of culture and tradition. Over the last few years, development agencies have attempted to address some of these problems by introducing mf program offering saving and credit services to rural communities. Many of the MF initiatives, which have the economic goals of reducing poverty, also attempt to tackle the marginalization of the poor, often of women (Thomas, 2000).

Gender and development theory, the subordination of women by men has restricted their access to resources and power and has marginalized them in economic development activities and decision making. The socially constructed relations between men and women are inherently unequal and culturally specific and that oppressive and unequal gender relations are embedded in all major institutions and the household provides insights into power relation between men and women in society (Moser, 1993).

Money cannot buy me love; the denial of voice to the women most affected by a development intervention in evaluating its impacts on their lives carries the danger of reinforcing precisely the muteness of women within their communities and denying them a voice a second time around participatory assessments which require us listen to them can contribute important insights into the lived experience as opposed to academic theorization, of gender subordination and into different forms it takes in different parts of the world (Kabeer, 1998).

Empowering women to achieve food security, one important achievement of the MF movement has its relative success in deliberately reaching out to poor women living in diverse socio economic environment of the nearly 90 thousand village bank members worldwide that have received loans from the Foundation for International Community Assistance (FINCA). 95 percent are women. The Association for Social Advancement (ASA), one of the most prominent mf institutions in Bangladesh has provided US\$ 200 million exclusively to women borrowers. In Malawi, 95 percent of loans of loans, provided by Malawi Mujdi fund go to women borrower. Since 1979, women' world banking has made more than 200,000 loans to low- income women around the world. Literally hundreds of similar example can be found in Asia, Africa and America. Women are thought to make better borrowers than men, timely repayment of loans is more likely to take place when women borrow (Sharma, 2003).

“Bangladeshi groups with a higher proportion of women had significantly better repayment rates”. 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 stride toward identifying barriers to women's access to financial services and developing ways to overcome those barriers. from Bangladesh and Bolivia to the united states: replicating successful mf program, “ poor women often have the best credit ratings, in Bangladesh, for 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” (www.microfinance gateway.org).

On the impact of micro credit project for women found that the most of the respondent have used their loans to start their own enterprises and have as a result become more confident, mobile and enterprising. Their social status has perceptively increased within the family and society. Their increased involvements in group and community activities are to a large extent supported by the men and other members of control over their assets and incomes. The women believe that the effect of this on their attitude, decision making power, participation in community activities and leadership capabilities has been substantial.

“Women’s empowerment through MF” explain 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. Beijing platform for action, fourth nations world conference on women, 1995 highlights that empowerment of women and gender equality are perquisite for achieving political, social, economic, cultural and environment security among all peoples (Scoggings, 1999).

MF program in poverty alleviation, the participating families were benefited as their income had increased and they had to ay fewer amounts as interest from local money lenders. Micro credit and poverty alleviation explains that the program is toward a satisfactory trend to alleviate poverty but there are still many things to be done and considering the solution of the existing problem there is need to planning in the future. Micro credit for women poverty reduction shows that the program is toward satisfactory trend to reduce poverty but there is still many things to be done and considering the solution of the existing problem there is need to planning in future (www.microfinance_gateway.org).

2.3.2 Women Development Program of Microfinance in Nepal

Women development program is under department of women development, ministry of women child and social welfare. The objective of the program is to enhance the socioeconomic status of women in Nepal to bring them in the mainstream of development based on empowerment and gender balance. The program activities consist of institutional building, training, community development, environment and appropriate technology and income generating activities. The program started in 1981, with the establishment of women development section under the then ministry of panchayat and local development and latter it was upgraded to women development division in 1991 under the then ministry of local development and women development department in 2000. With the establishment of ministry of women child and social welfare, women development department has also been transferred under that ministry, three projects have been implemented so far in the contest of income generation program with microfinance model. The projects are production credit for rural women, micro credit project for women and women awareness and income generation program (Mathema, 2008).

1. Production Credit for Rural Women

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

The Women Target Group Development Division under the Ministry Of Local Development is the main government body to operate supervises and also implements the program under the PCRW program the credit is canalized by NRB and the loan is disbursed through the Participating Banks Nepal Bank Limited, Rastriya Banijya Bank and Agricultural Development Bank

WDS launched the production Credit for Rural Women (PCRW) in five districts with UNICEF support in 1982 and gradually increased its activities to cover 24 districts. The PCRW is the pioneer project for women empowerment which is conceptually based on empowering women through the micro credit support. The conceptual basis of the PCRW project lies with the findings of the studies on status of women empowerment through banks and financial institutions. The program is the strategic approach for women empowerment through access to resource

The main objectives of PCRW program are as follows:

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

2. Micro Credit Project for Women

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

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

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

3. Women Awareness And Income Generating Program

The women awareness and income generating program is the program of GoN which is synonyms to the revisions PCRW and MCPRW programs for women development. The program was implemented in FY 1999\2000 in 942 VDC on the basis of the success and lesson learned from PCRW and MCPRW programs with some modification. The program intends to cover all the 3914 VDCs of Nepal.

The main objective of the program is to uplift socio economic status and increase political awareness of women.

2.4 Review of Empirical Studies

Some empirical study have been conducted by previous researcher which are presented below:

Acharya (2012), has conducted a study on "*Impact of Microfinance: A Case Study of Microcredit program for Women.*" The main objective of the study is to explore the role of microcredit program for women of Bhadaure Tamagi VDC Rolpa. Other specific objectives of this study are; to analyze the position of existing credit; to analyze the relationship in between investment and income; to measure the perception of users group towards the program; to assess the effect of microcredit program on living standard of the people; to assess the financial sustainability of the

program. From this research study she found that the overall impact of microcredit program for women's earning beneficiaries and living standard is positive. It has positive impact on clothing and sheltering facility after the intervention of the program. The condition of loan recovery have a positive impact up on the regularity of loan payment. Among the sample women, 4% could not repay both the principal and interest, 28% could repay only interest and not principal and 18% could repay only principal and not interest regular. Since all the respondents of the program have taken loan at least one time from the program. Out of the total investment of microcredit program, the highest proportion of investment is made on poultry farming (35.95%), and the lowest is made on goat keeping (18.21%). The main sectors of taking loan were poultry farming, buffalo keeping, retail business and goat keeping

Aryal (2013) has carried out a study on *"Microfinance under Rural Development program: A case study of Khilung Deurali VDC Syangja."* The basic objective of the study is to examine the effective activities and effectiveness or rural development program and is to carry out the detail study of rural development program in Khilung Deurali VDC o Syangaja. The other specific objectivities are; to know the activities operated under rural development program; to analyze the mode of loan disbursement, repayment, outstanding and overdue; to analyze the state of saving, deposit and its mobilization in terms of loan disbursement; to find out the problems faced by the women in obtaining the loan. From this study he found and concludes that the program has made positive impact of the women living standard by generating employment and increasing productivity. Most of the women's income is sufficient for one year living or less. The performance of the project in terms of achievement of loan disbursement and recovery has been found very well in study period. So the repayment of loan was very satisfactory in the following years. It was 100 percent successful. The identification encouragement and training of local leadership saving and its mobilization, loan disbursement and its recovery should be a basic objective in any program.

Pathak (2016) has carried out a study on *"Microfinance in Nepal and its Effect in ADB/N under Small Farmers Cooperative Limited (SFCL), Shankarnagar Rupendehi."* The objectives of study are; to find out the advantages, limitations, and conclusions of micro-financing; to know the changes in society brought by SFCL after its implementation; to know how development of the country is positive through microfinance activities; to study the financial sustainability and

viability of SFCL; to know about the role of SFCL Shankarnagar in women empowerment; to know about the major problems of SFCL/Shankarnagar Rupendehi. From the study he found that the small Farmer's participation in SFCL after handover is increasing. The position of share increasing positively. So it is good sign for SFCL. It helps to increase internal sources. Profit of SFCL increases every year. Position of deposits through members in increasing way. It is also seen that borrowed bank loan is decreasing. Loan and advance to total deposit ratio is flexible during study period. Loan loss ration is normal just to meet legal provision. Toilet facility, drinking water facility, use of store, bank saving, group saving and forest conservation all are in increased ratio. Women education rate is increase by 96.55% after SFCL activities. Women are aware on their rights and capacity to women empowerment in increase in the Shankarnagar VDC Rupendehi.

Regmi (2017) has carried out a study on *"Impact of Microfinance on Income Generation of Women in Nirmalpokhari VDC, Kaski"*. The objectives of the study were to analyze the impact of microfinance on income generation of women., to examine the change in socio-economic status after support of microfinance program and to evaluate the role of microfinance in poverty alleviation. From the study it was found that most of the beneficiaries of the microfinance programme are relatively poor. Women having no income of their own. So the programme seems target group oriented. After intervention of MFP there has been significant increase in the income level of borrowers as well as the average saving has been increased. The study has found that overall impact of microfinance programme for the women on benefiting earning, poverty alleviation and living standard is positive and social status is increasing. Educational status, health condition, political and social status of borrowers has significantly increased after the intervention of MFP. The involvement in the income generating activities has built self confidence of village women in their abilities. The women beneficiaries from microfinance programme have improved their economic status and equally stimulate their living standard. Repayment of loan on time is increasing trend after entering MFP because women can earn more income from their investment. Women's poverty has reduced after intervention of MFP.

2.5 Research Gap

Research is searching something new again and again. So, it is never ending process. Different scholars and researchers have given their different findings and conclusion in the field of microfinance and women microfinance. From the above review of articles and theses, it seems that this research paper is trying to find out something new in the field of women microfinance.

This study is different from others in the case that is trying to find out the impact of microfinance on women of Madi Rural Municipality, Rolpa under Mahila Sahayatra Microfinance. This research attempts to discuss about impact in case of saving activities, loan activities, loan disbursement and its recovery as well as investment and income. It also discusses about different profile of respondents. This study evaluates the influence of the microfinance on women empowerment.

CHAPTER III

RESEARCH METHODOLOGY

The methodology is a series of underlying assumptions, theories, principles and philosophies relating to the conceptualization of material under study and the categories that were used define, describe, analyze and talk about it. It is the process in which the data are collected, analyzed, evaluated and finally inference is drawn.

3.1 Research Design

The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research question and to control variance. The research design refers to the entire process of planning and carrying out a research study. To conduct these studies descriptive and analytical approach has been adopted. Descriptive approach has been utilized mainly for conceptualization of the problem and analytical approach has been followed mainly to analyze the relationship between income, investment and other variables.

3.2 Nature and Source of Data

The primary data were collected by the issue of structured questionnaire. Borrowers, women group leader also interviewed separately and the required data were collected. To collect necessary information the researcher discussed with professional which are useful for analysis the data.

3.3 Population and Sampling Procedure

Total population of study area is 17986 (male 8191 and female 9795). Population refers to the entire group of peoples, events or things of interest that the researcher wishes to investigate. A sample is a collection of items or elements from a population. Hence, a sample is only a portion of subset of the population. It comprises some observation selected from the population. The whole member of microfinance are considered as the size of the population (172). The sample population are taken those members who are participated in this programme since last 5 years. This study covered some sample women members for the purpose of study because of the limitation of area, budget and time. Only 40 women were selected as sample. For this study, convenience sampling method was used.

3.4 Data Collection Technique

This study is mainly based on the primary data. So the required data are collected from the different primary data collection techniques. According to nature of the problem, required data/information were collected from the different primary data collection techniques.

(a) Primary Data

Primary data were collected from actual field visit.

- Questionnaire

Questionnaire was used to get qualitative information. But some important quantitative information is also collected from the respondents through questionnaire survey.

- Personal Interview

This is also called direct interview. It was used to collect the information related to research.

- Field Observation

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

- Case Study

If some related cases about women's economic condition arrive they are discussed.

(b) Secondary Data

Secondary data were collected from reports of journals of microfinance, published books, unpublished books, thesis, and newspaper and other related published journals and article.

3.5 Data Processing and Analysis

To illustrate the research work, tables and figures are used for data presentation. In this research, some statistical tools mainly percentage, correlation and regression analysis are used to find out the effectiveness of total loan amount borrowed on income increase per month. SPSS computer software is used for the accurate calculation. The personal experience, field observation and information from individuals have been used while elaborating and interpreting data.

Correlation Analysis

Karl Pearson's coefficient or coefficient of correlation measures the degree of association between two variables i.e. x_i (loan amount borrowed in the study) and y_i (income increase per month in the study). Therefore correlation analysis deals with the statistical technique, which measures the degree of relationship (or association) between the two variables. In other words, it helps us in analysing the covariance of two or more variables. For instance after deriving correlation analysis one can able to find the relationship between loan amounts borrowed and income increase per month. It is calculated by using following formula.

$$r_{xy} = \frac{\sum xy - n\bar{x}\bar{y}}{\sqrt{[\sum x^2 - n(\bar{x})^2][\sum y^2 - n(\bar{y})^2]}}$$

The value of correlation coefficient lies between -1 to +1.

- a. If $r = 1$, There is perfect positive relationship.
- b. If $r = -1$, There is perfect negative relationship.
- c. If $r = 0$, There is no correlation at all.

The closer the value of r is to 1 or -1, the closer the relationship between the variables and the closer r is to 0, the less close relationship. While estimating, the value of one variable from the value of other variable, the higher the value of r , the better the estimate.

Regression Analysis

Regression analysis calculates equation that provides value of dependent variables (income increase per month in this study) for given value of independent variables (loan amount borrowed in this study). The primary objective of the regression analysis is to show the relationship between total loan amount borrowed and income increased per month. For instance, after deriving regression equation one can able to find out the effect of the loan amount borrowed on income increase per month.

Income increase per month (y_i) is regressed with loan amount borrowed (x_i) to examine the value of dependent variable (y_i) for any given value of independent variable (x_i) and vice versa.

Regression equation of y_i on x_i can be expressed as:

$$y_i = a + bx_i$$

Where, y_i = income increased per month

x_i = loan amount borrowed

a = constant

b = coefficient of loan amount borrowed

CHAPTER IV

DATA ANALYSIS AND PRESENTATION

This chapter has presented analysis and interpretation to fulfill the objectives of the study. The main component of micro-credit program conducted by Mahila Sahayatra microfinance for women especially to income generation activities and poverty alleviation, enhance living standards as well as to encourage them for compulsory saving and voluntary saving.

4.1 Socio-economic Background of Respondents

This section consists of general information like distribution of respondents by caste/ethnicity and age, marital status of respondents, educational attainment of respondents, family sizes of respondents, land holding size of the respondents and involvement years of respondents in the program of Madi, Rolpa.

Table- 4.1: Distribution of Respondents by Caste/Ethnicity

Caste/ethnicity	Total	Percentage
Magar	25	62.5
Dalit	7	17.5
Chhetri	6	15
Brahmin	1	2.5
Gurung	1	2.5
Total	40	100

Source: Field survey, 2018

Table 4.1 shows that caste structure of respondents in the study area. It shows that the majority of respondents belonged to Magar caste. 62.5 percent came from Magar caste, 17.5 percent came from Dalit caste, and 15 percent came from Chhetri caste while Brahmin and Gurung caste had the same 2.5 percent involvement in the sampled population.

From the data presented in table 4.1, it can be concluded that majority of the respondents constitute Magar and least from Brahmin and Gurung. It shows Magar women are highly participated in micro-finance programme.

Table- 4.2: Distribution of Respondents by Age

Age group	Total	Percentage
15 to 25	1	2.5
25 to 35	14	35
35 to 45	16	40
45 to 55	7	17.5
55 to above	2	5
Total	40	100

Source: Field survey, 2018

The youngest among the member surveyed was 23 years old while oldest was 62 years old. The table shows that 2.5 percent of the women members are between 15 to 25 years age group, 35 percent of the women members are between 25 to 35 years age group, 40 percent of the women members are from 35 to 45 years age group, 17.5 percent of the women members are between from 45 to 55 years age group and 5 percent of the women members from 55 to 65 age group. There was no any member of more than 65 years of age.

From the data presented in table 4.2, it can be concluded that majority of the women are participated from 35 to 45 age group then after 25 to 35 which consists 40 % and 35 % respectively.

Table- 4.3: Marital Status of Respondents

Marital status	Total	Percentage
Married	35	87.5
Unmarried	0	0
Widowed	2	5
Separated	3	7.5
Total	40	100

Source: Field survey, 2018

Table 4.3 shows that majority of the members surveyed were married. The percentage of married respondents was 87.5 percent. There were no any unmarried respondents. Only 5 percent respondents were widowed and 7.5 percent of the members were separated/ divorced. From the table 4.3 it can be concluded that married women have strong participation in micro-finance program.

Table- 4.4: Educational Attainment of Respondent

Educational level	Total	Percentage
Illiterate	6	15
Literate	10	25
Under SLC	18	45
SLC pass	5	12.5
Intermediate and above	1	2.5
Total	40	100

Source: Field survey, 2018

Table 4.4 shows that among the sampled women, majority of the women are literate. The table shows that 85 percent were literate while only 15 percent were illiterate. It shows that among the literates, 25 percent respondents could write their name, 45 percent respondents were under SLC, 12.5 percent respondents completed SLC and only 2.5 percent respondents reached at intermediate or above education level.

From the table 4.4 it can be concluded that majority of the participants are under SLC. It shows that those women who have not higher education are participated in micro-finance program.

Table- 4.5.: Family Sizes of the Respondents

Family member	No. of household	Percentage
1-3 members	3	7.5
4-6 members	33	82.5
7-9members	4	10
10-12members	0	0
Total	40	100

Source: Field survey, 2018

Data on table 4.5 shows the most of the members are living with a family, and according to the composition of data on family, 90 percent of the members belonged to smaller sized households with 1 to 6 members. About 10 percent members came from medium sized households with 7 to 9 members. There were no any large sized households among the respondents.

From the table 4.5 it can be concluded that majority of the respondents have 4 to 6 number of family size which occupies 82.5 percent. It shows small size family members are strongly participated in micro-finance program.

Table- 4.6: Land holding Size of the Respondents

Size of land	No. of households	Percentage
Landless	0	0
1-10 Ropani	15	37.5
10-20 Ropani	16	40
20-30 Ropani	4	10
30-40 Ropani	4	10
Above 40 Ropani	1	2.5
Total	40	100

Source: Field survey, 2018

Data on size of land holding shows that, all of the sampled respondents held land which varied in the size of land. There were no any landless respondents. 37.5 percent of the women surveyed held land 1 to 10 Ropani. 40 percent of the respondents held land between 10 to 20 Ropani. Same 10 percent of the respondents held the land size between 20 to 30 Ropani and 30 to 40 Ropani. Only 2.5 percent respondents held the land size above 40 Ropani.

From the table it can be concluded that, those participants who have less than 20 ropani constitutes 77.5 percent and having more than 20 ropanies have weak participation in micro-finance program. It shows that the people who are marginalized have strong participation in micro-finance program.

Table- 4.7: Involvement Years of Respondents in the Program

Years	No. of respondents	Percentage
1 Year	3	7.5
2 Years	4	10
3 Years	19	47.5
4 Years	14	35
Total	40	100

Source: Field survey, 2018

Table 4.7 shows that 7.5 percent respondents involved in the program with the duration of 1 year, 10 percent respondents involved with the duration of 2 years, 47.5 percent respondents involved in the program with the duration of 3 years and 35 percent respondents involved in the program with the duration of 4 years.

4.2 Impact of Microfinance on Income Level

This section provides the information about the loan amount borrowed and the number of the borrower, monthly income of the borrower, loan amount borrowed and income increase per month, correlation and summary of regression.

Table- 4.8: Loan Amount and Number of Borrower

Loan amount (Rs)	No of Borrower	Percentage
5000-10000	5	12.5
10000-20000	6	15
20000-30000	4	10
30000-40000	13	32.5
40000-50000	5	12.5
50000-60000	2	5
60000-70000	0	0
70000 to above	5	12.5
Total	50	100

Source: Field survey, 2018

Table 4.8 shows that the scenario of the loan amount and the percentage of the total borrowers. Since the borrowers are so curious about the use of loan they demand according to the need of their enterprises and investment. Out of the 40 sample women, 12.5 percent women had borrowed Rs. 5000-1000. 15 percent women had borrowed Rs. 10000-20000. About 10 percent women had borrowed Rs. 20000-30000. 32.5 percent had borrowed Rs. 30000-40000. 12.5 percent women had borrowed Rs. 40000-50000. 5 percent women had borrowed Rs. 50000-60000 and 12.5 percent women had borrowed Rs. 70 and above.

From the table 4.8 it can be concluded that majority of the respondents are found taking loan size 30000 to 40000. It shows the rural people have borrowed medium size loan for their business expansion.

Table -4.9: Monthly Income of the Borrower

Investment Sector	No. of Borrower	Investment	Total income before the borrowing	Total income after the borrowing	Increase income due to intervention
Farming (Vegetable)	23	39000	4580	9130	4550
Livestock	4	75000	10000	23200	13200
Retail Business	2	60000	16000	23500	7500
Weaving Clothes	2	45000	7000	13000	6000
Hotel	1	20000	5500	8200	2700
Poultry Farming	1	20000	7000	11000	4000
Private Firm	7	180000	50000	75000	25000
Total	40	439000	100080	163030	62950

Source: Field Survey, 2018.

This fact has proved that the members associated with the program have significantly increased their average income after intervention of program.

From the table 4.9 it can be conclude that maximum respondents have investment of Rs. 39000 which is medium size investment for rural women. Similarly, only 7 respondents have private firm. A significant increment after micro-finance program is found from all investment sector.

Table-4.10: Loan Amount Borrowed and Income Increase per Month

S. No.	Loan Amount Borrowed	Income (Before)	Income (After)	Change in Income
1	5000	1500	3000	1500
2	5000	1000	3000	2000
3	5000	1000	2000	1000
4	5000	1500	3000	1500
5	5000	3000	4800	1800
6	10000	8000	10000	2000
7	10000	2000	4200	2200
8	10000	1500	4000	2500

9	15000	4000	7000	3000
10	15000	1800	4000	2200
11	15000	3200	5000	1800
12	20000	2000	5000	3000
13	20000	1800	4500	2700
14	25000	1000	3500	2500
15	30000	3500	6200	2700
16	35000	2000	4000	2000
17	30000	6000	10000	4000
18	30000	9000	13500	4500
19	30000	2500	7000	4500
20	30000	1200	3500	2300
21	30000	4000	5500	1500
22	30000	1800	3500	1700
23	30000	1500	3000	1500
24	30000	8000	13000	5000
25	30000	7000	11500	4500
26	35000	2500	4500	2000
27	35000	3500	6800	2300
28	35000	3000	6200	2200
29	45000	10000	13500	3500
30	40000	1000	2700	1700
31	45000	2000	4200	2200
32	45000	3000	5400	2400
33	45000	7000	10000	3000
34	50000	7000	11000	4000
35	55000	1500	3500	2000
36	65000	2500	5000	2500
37	65000	5500	8200	2700
38	70000	7000	10000	3000

39	70000	3000	4500	1500
40	70000	3000	6000	3000

Source: Field Survey, 2018.

I. Attempt has been made to find out the correlation regression related between that loan amount borrowed (x_i) and increased in income per month (y_i)

I. (a) Correlation between x_i and y_i (r)

The result was obtained by using SPSS computer software which is given as below:

Table -4.11: Correlation

Loan amount borrowed	Pearson Correlation	Loan amount borrowed	Income increased per month
		1.000	.572
	Sig. (2-tailed)		.000
	N	40	40
Income increased per month	Pearson Correlation	.572	1.000
		Sig. (2-tailed)	.000
	N	40	40

Table 4.11 shows that the coefficient of correlation is 0.572

Decision

The value of correlation coefficient lies between -1 to +1.

- d. If $r = +1$, There is perfect positive relationship.
- e. If $r = -1$, There is perfect negative relationship.
- f. If $r = 0$, There is no correlation at all.

So, the coefficient of correlation (r) = 0.572, which is not so low and not so high. It is moderate. Thus investment is slightly positively correlated with changes in income level of the respondents.

I. (b) Regression of Increases in income per month (y_i) on loan amount borrowed (x_i)

We have regression line

$$y_i = a + bx_i$$

Where,

y_i = computed value of y

a = autonomous increase in y

b = slope of y_i on x_i [b measures how the change in dependent variable (y_i) exists with the change in independent variable i.e. x_i]

Here the result was obtained with the help of SPSS computer software, which is given as below:

Table -4.12: Summary of Regression

Equation	Dependent variable	Independent variable	Constant	Coefficient of loan amount borrowed	t Value	f Value	Adj. R ²
$Y_i = a + bx_i$	Income increased per month	Loan amount borrowed	1492.857	0.051	4.295	18.445	0.327

Table 4.12 shows the value of a and b as:

$$a = 1492.857$$

$$b = 0.051$$

Interpretation

Since the coefficient b is positive there is a positive relationship between y_i (increase in income per month) and x_i (loan amount borrowed), hence increase in income is positive function of loan amounts borrowed.

We now see how the dependent variable y_i i.e. increase in income per month is dependent on loan amount or independent variable (x_i).

i) Suppose, loan amount (investment), $x_i = 0$

$$\text{Then } y_i = a = 1492.857$$

This illustrates that even if there is no investment autonomous function (part) exists, which simply refers to a constant value. It further implies that although loan amount has its vital role to

generate income, social and other micro economic factors also have some role to generate the total income.

ii) Suppose loan amount (investment) $x_i = \text{Rs. } 100$

$$\begin{aligned} \text{Then } y_i &= a + bx_i \\ &= a + 0.051 \times 100 \\ &= a + 5.1 \end{aligned}$$

This illustrates that if we invest 100 it will generate Rs. 5.10 income per month, that means this regression analysis shows a positive trend in between investment and increased in income level of sampled women.

4.3 Socio-economic Impact of the Program on the Status of Women

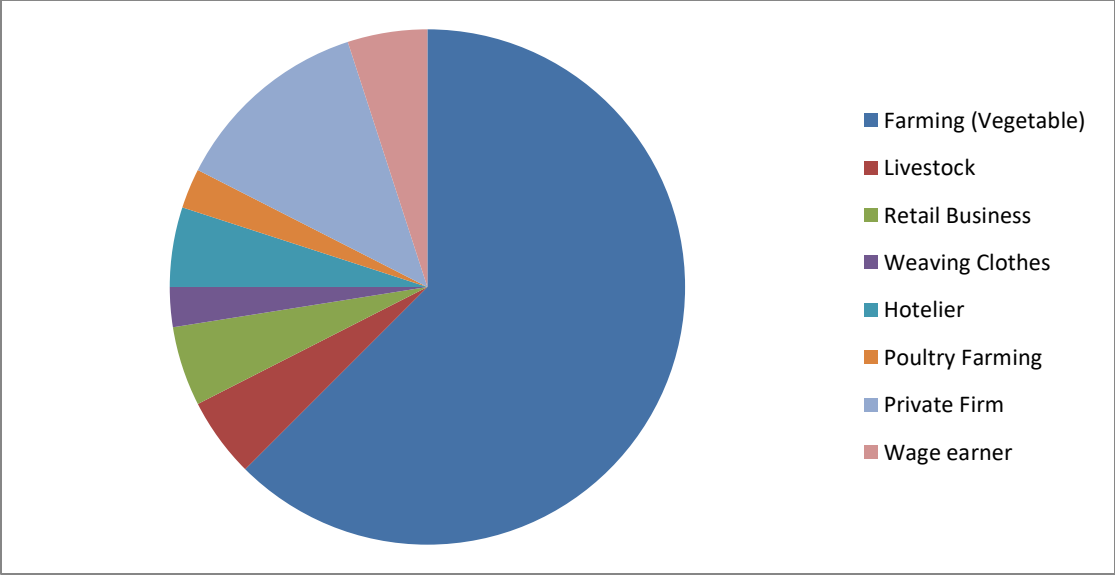
As the study is focused on the role of microfinance in socio-economic impact on status of women in Nepal, it is thus, imperative to glance at the status of Nepalese women. The table 4.13 gives the bird's eye view of status of women in Nepal.

Table- 4.13: Main Occupation of the Respondent before Borrowing

Occupation	No. of borrower	Percentage
Farming (Vegetable)	25	62.5
Livestock	2	5
Retail Business	2	5
Weaving Clothes	1	2.5
Hotel	2	5
Poultry Farming	1	2.5
Private Firm	5	12.5
Wage Earner	2	5
Total	40	100

Source: Field survey, 2018.

Figure: 4.1: Main Occupation of the Respondent before Borrowing



According to the table 4.13 and graphical representation 4.1, 62.5 percent of the members' survey resulted that their main occupation was farming (vegetable). 5 percent women kept livestock, 5 percent women were in retail business, 2.5 percent women were engaged in weaving clothes, 2.5 percent women were hotelier, 2.5 percent women were engaged in poultry farming, and 12.5 percent women had their own private firm while 5 percent of women identified themselves as wage earners.

From table 4.13 it can be concluded that the rural women who are involved in micro-finance program have highly engaged in vegetable farming and very few are found poultry and retail business. It shows that the women are engaged in their traditional occupation.

Table- 4.14: Main Occupation of the Respondents After Borrowing

Occupation	No. of borrower	Percentage
Farming (Vegetable)	23	57.5
Livestock	4	10
Retail Business	2	5
Weaving Clothes	2	5
Hotelier	1	2.5
Poultry Farming	1	2.5
Private Firm	7	17.5
Wage Earner	-	-
Total	40	100

Source: Field survey, 2018.

Figure: 4.2: Main Occupation of the Respondents after Borrowing

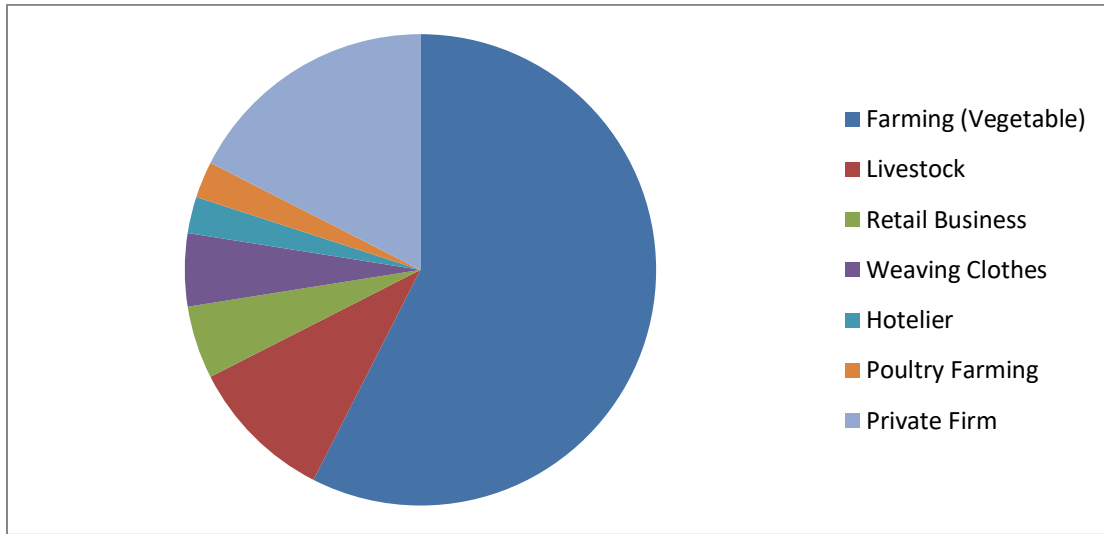


Table 4.14 shows the slight changes in the main occupation after the borrowing. According to the table 4.14 and graphical representation 4.2, 57.5 percent of the members' survey resulted that their main occupation was farming (vegetable). 10 percent women kept livestock, 5 percent women were in retail business, 5 percent women were engaged in weaving clothes, 2.5 percent women were hotelier, 2.5 percent women were engaged in poultry farming, and 17.5 percent women had their own private firms while none of women identified themselves as wage earners.

From the table 4.14 it can be concluded that after implementation of the program, women have started different occupations according to their own entrepreneurship talents. Thus after implanting microfinance program, women have left previous traditional occupation and have started such business which are economically beneficial.

Table- 4.15: Land Title to Women Members

Category	No. of Respondent	Percentage
Did not have	30	75
Had	10	25
Total	40	100

Source: Field survey, 2018.

In terms title of land in a family, women members are not in well position. 75 percent of the respondents did not have land-ownership in their own name. 25 percent of the respondents had

title to land. Table 4.16 shows that third-fourth of the women members involve in the program are deprived of land ownership.

Table- 4.16: Responsible Person to Keep Account and Record in the Family

Responsible Person	No. of Respondent	Percentage
Herself	13	32.5
Husband	25	62.5
In Laws	2	5
Total	40	100

Source: Field survey, 2018.

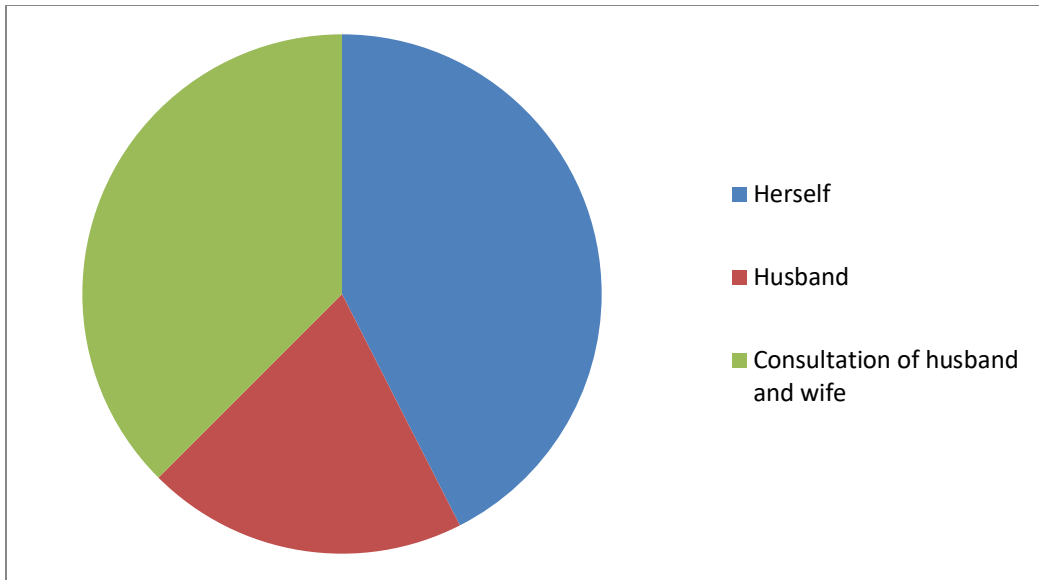
Most of the respondent's family is headed by male members. 62.5 percent respondent's husband kept record and account. Only 32.5 percent of respondents keep account themselves while 5 percent of the respondent's in-laws kept the record of the account. This might be because of the patriarchic society, where male members have always upper hand in family affairs.

Table- 4.17: Member in the Family Responsible to Spend the Loan Money

Responsible Person	No. of Respondent	Percentage
Herself	17	42.5
Husband	8	20
Consultation of husband and wife	15	37.5
Total	40	100

Source: Field survey, 2018.

Figure: 4.3: Responsible Person to Spend the loan Money



The data on responsible person in the family to spend the loan money could be taken as encouraging. 42.5 percent of the respondents themselves spend the loan money; while 37.5 percent spend the loan money in the consultation of their husband and about 20 percent of respondents have no responsibility (control) over the spending of the money.

Benefits from the Program

As the program has been implanted through the groups of homogeneous women, groups play an important role in uplifting and making women members aware. Almost all groups conducted their meeting on time and collected saving from members.

92.5 percent of the respondents replied that they have felt positive changes in their life after joining the group and 7.5 percent said that they have not felt change after joining the group. Those who have felt changes are now aware of the situation surrounding them and they share one another's experience in the groups.

Leadership in any organization plays a key role in its dynamism. Women members in this study are found to choose their chairperson and secretary on the basis of academic qualification and experience. None of the group holds an election to choose the chairperson or secretary and none of the group member become chairperson or secretary on a rotational basis. In some of the cases, age factor is found being considered for the selection of chairperson but not the secretary. They all are convinced that secretary should be the one who can keep account with in the group and is capable in dealing with microfinance officials.

Women members identify several benefits from microfinance program. It is seen that it is a positive impact on their children's education, family planning areas, and children's marriage. Misunderstanding with spouse has also decreased.

Table - 4.18: Distribution of Sample Women According to the Benefits Experienced

Benefits	No. of Respondent	Percentage
Increased right within the family to take decision	32	80.00
Leadership capacity developed	12	30.00
Increase self confidence	24	60.00
Increase right to spend	28	70.00
Change in attitude	17	42.5
Increased participation in community activities	8	20
No any changes	3	7.5

Source: Field survey, 2018.

Table 4.18 shows that 70 percent of the respondents have gained more rights to spend; while 60 percent felt that their self confidence has increased after joining the program. About 30 percent of respondent's leadership capacity has increased after becoming the member of group. 20 percent think that their participation in community activities has increased and 42.5 percent reported that their attitude has been changed, while 7.5 percent women have found no changes in their lives.

Status of Women

The status of women refers to the extent to which women have controlled over their own lives and have access to knowledge, economic resources and political power. There is no single index of the status of women which can reflect its entire dimension.

For the proposed study to analyze the women status, it has been defined in terms of three sets of capabilities.

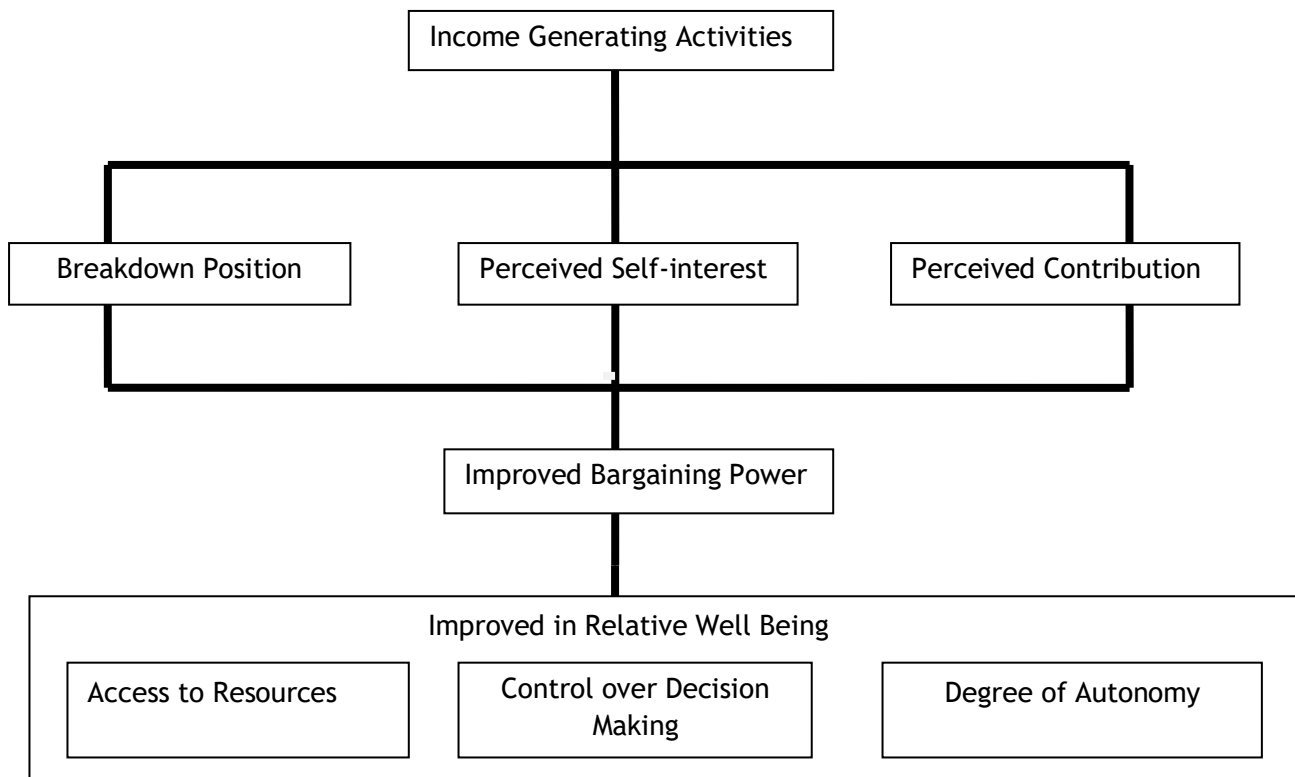
- 1) The degree on autonomy with which women can live their lives.
- 2) Their ability to control decisions making within the family, and
- 3) Their relatives access to household incomes such as food, education, health care etc.

In order to carry out this assessment, it is necessary to have a theoretical framework regarding intra household decision-making. The framework used in this study is drawn from bargaining model of the household as extended by Sen. According to this model the relative well being of men and women depends on their relative bargaining power which in turn depends upon three factors, their break-down position, their perceived contribution to the family and their perceived self interests. Breakdown position represents the welfare of individual in the extent of breakdown of co-operation.

The stronger the breakdown position of an individual the stronger is her bargaining power and hence the better is her welfare outcome. In the usual bargaining model breakdown position is taken to be sole determinant of bargaining outcome. Amartya Sen has argued, however, that in the contest of traditional households, the outcome will also depend on the individual's perceived contribution to the household and their perceived self interest.

The central hypothesis of this study is that credit from the program is precisely such an intervention: the income earning activities made possible by credit should strengthen all three determinants of women bargaining power and thereby improve their relative well being. The causal paths way are depicted in the flow chart given below: (Opt. cit. Amartya Sen P-23).

Flow Chart



Indirect Test: The Impact in Woman's Bargaining Power

The test comprised the number of question in questionnaire on the three determinants of bargaining power viz. breakdown position, perceived contribution and perceived self-interest.

Breakdown

Breakdown position was measured by three indicators, they are as follows:

1. Land owned by wife in her own name.
2. Wife's non-land assets.
3. Whether or not she can support herself if left alone.

In terms of all three indicators position is found to be strengthened by participation in the program. Although in case of land ownership, the impact is positive only when participation is combined with higher household income.

Perceived Contribution

Two indicators are used to determine women's perceived contribution to the family. They are as follows:

- a) Involved their perceived contribution in terms of work-load.
- b) Involved their perceived contribution in terms of overall income and welfare of the family program participation is found to have no effect on this indicator.

Perceived Self-interest

It is tried to assess how women perceived their self-interest by asking how they felt about the fact that women generally receive a smaller share of household resources such as food, healthcare and education. Those who considered this to be unfair are given a higher score in terms of perceived self-interest than those who think it is fair or are different. The program participation dummy is found to be insignificant i.e. program participation do not improve women's perceived self-interest.

Direct Test: The impact on women relative well-being.

Women's well being has been measured by three sets of capabilities. They are as follows:

- a) Women's autonomy
- b) Their control over household decision making
- c) Their relative access to resources.

Autonomy

Autonomy is measured by women's ability to spend family income freely. Program participation is found have little impact on this variable. Only 15 percent women spent family income freely. However, the interaction term between program participation and household income have a positive impact. This implies that program participation alone is not enough to improve women's

autonomy. Autonomy improves only if household income increases along with program participation.

Control over Decision Making

An index of women's control over decision making is constructed by asking them questions about a large number of household matters on which decision has to be taken e.g. those relating to expenditure on food, healthcare, children education, children marriage etc. Involvement with program is found to have no impact on this index.

Access to Resources

To assess the impact on women's access to resources both subjective and objective information are used. First there are asked whether they felt that women in their household have equality access to household resources such as food and healthcare. Secondly, objective information is collected on consumption of food and personal effects by husband and wife. Overall, involvement with program is found to have a positive impact on women's relative access to resources by both subjective and objective criteria with the exception of personal effect.

In overall, it provides alternative resources to generate income through microfinance for self employed women who are supposed to unproductive and idle resources for the society as large and the families in particular, became productive and earning members.

4.4 Sustainability of the Program

Sustainability is the development process in which the exploitation of resources, direction of the investment and institutional changes are made consistent with future as well as present needs. Here, for the study saving, repayment rate and utilization of loans are assessed to measure the sustainability of the program in Madi Rural Municipality.

Saving

Saving of an economic unit is defined as the excess of current income over consumption expenditure. Saving may be in the form of cash holding and various forms of deposits and physical assets. Microfinance program encourages women to deposit certain amount of money regularly. This program is initiated to increase the self reliance, strength and group cohesiveness

among group members and it also help to maintain sustainability of the program. The saving is used by the members themselves to meet financial need of their business/occupation. In the research survey, it has found that there is provision of compulsory saving and all members are able to deposit fix amount of money in the form of saving.

Repayment Rate

The loan repayment is another crucial aspect of the lending activity of any financial institution. If the loans are not repaid on time, it will not only affect the turnover capacity of financial institution and disturb the borrowing and lending environment between financial institution, the borrowers and among the borrowers themselves. So regularity in the repayment of loan is an essential condition of the performing loan. The response on regularity situation of loan is shown in table 4.19.

Table- 4.19: Response on Regularity Situation of Loan Repayment

Investment Sector	No. of Borrower	Regularity in the repayment of both the principal and interest		Do not pay both the principal and interest regularly	
		Number	Percent	Number	Percent
Farming (Vegetable)	23	19	82.6	4	17.4
Livestock	4	3	75	1	25
Retail Business	2	2	100	0	0
Weaving Clothes	2	1	50	1	50
Hotelier	1	1	100	0	0
Poultry Farming	1	1	100	0	0
Private Firm	7	6	85.7	1	14.3
Total	40	33	82.5	7	17.5

Source: Field Survey, 2018.

The above table reveals that out of the total sample population, 82.5 percent women are found to be regular in the repayment of both the principal and the interest in time. But 17.5 percent of women are found to be irregular in repayment of both principal and interest.

On sector wise basis, 82.6 percent from farming (vegetable), 75 percent from livestock, 100 percent from retail business, 50 percent from weaving clothes, 100 percent from hotelier, 100 percent from poultry farming and 85.7 percent from private firm are found to be regular in repayment of both principal and interest. Similarly 17.4 percent from farming (vegetable), 25 percent from livestock, 50 percent from weaving clothes and 14.3 percent from private firm are found to be irregular in repayment of both principal and interest. The result signified that the ratio of participants repaying of both principal and interest is significantly higher. But still some of the members have failed to pay principal and interest in due date. Among the different groups the regular repayment situation of retail business, hotelier and poultry farming are better than the repayment situation of farming (vegetable), livestock, weaving clothes and private firm.

Utilization of Loan

Microfinance program has been mobilizing loans for various purposes. In this study, attempts have been made to find out whether mobilized loans are properly utilized or not. Loan utilization schedule of sampled women are presented in table 4.20.

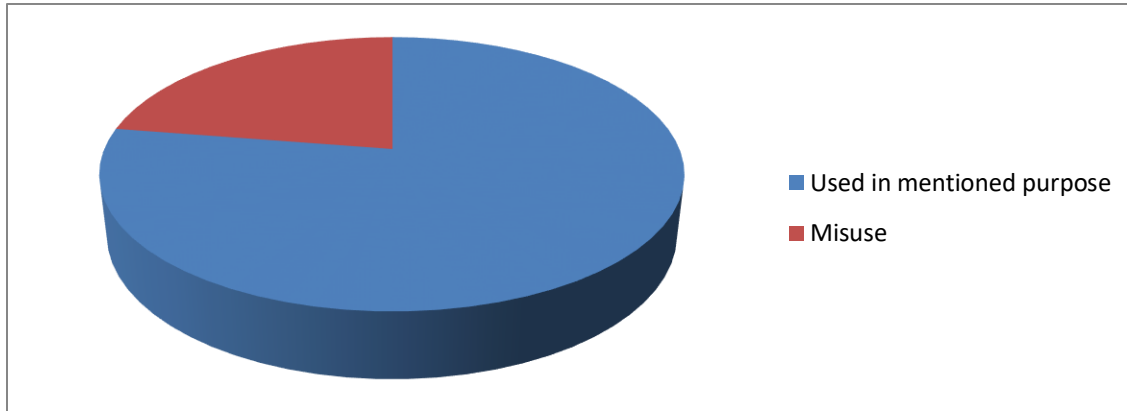
Table- 4.20: Loan Utilization Schedule of the Sampled Women

Investment Sector	No. of Borrower	Used Loan for the mentioned sector		Misusing of the loan	
		Number	Percent	Number	Percent
Farming (Vegetable)	23	16	69.5	7	30.5
Livestock	4	3	75	1	50
Retail Business	2	2	100	0	0
Weaving Clothes	2	2	100	0	0
Hotelier	1	1	100	0	0
Poultry Farming	1	1	100	0	0
Private Firm	7	6	85.7	1	14.3
Total	40	31	77.5	9	22.5

Source: Field Survey, 2018.

The table 4.20 denotes that among the total participants, 77.5 percent women have used the loan for the mentioned purposes while 22.5 percent women have used as the loan for various purpose other than the objectives of the loan.

Figure: 4.4: Usage of Loans



On sector wise basis, 69.5 percent from farming (vegetable), 75 percent from livestock, 100 percent from retail business, 100 percent from weaving clothes, 100 percent from hotelier, 100 percent from poultry farming and 85.7 percent from private firm have invested their loan on the mentioned purpose. Likewise, 30.5 percent from farming (vegetable), 25 percent from livestock and 14.3 percent from private firm were used their investment other than the objective of the loan.

From the forgoing analysis, it has been found that larger numbers of women have used the loans for the mentioned purposed and smaller numbers of women used the loan for various purposed other than the objectives of the loans.

Table 4.21: Number of Women Misusing the Loan

Using areas of loan	No. of respondents	Percentage
Food/ Clothes	4	44.44
Household appliances	2	22.22
Marriage	1	11.11
Others	2	22.22

Total	9	100
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Source: Field Survey, 2018.

Table 4.21 shows that among the loan miss-users, 44.44 percent women misuse their loan amount to purchase food and clothes for their family, 22.22 percent women use the loan to buy household appliances, 11.11 percent women use the loan for the marriage of their children while 22.22 percent women didn't want to mention the areas.

4.5 Major Findings of the Study

This study used correlation as well as regression analysis to accomplish the objectives of the study. Correlations and simple regression equations are used to test the relationship between investment and changes in income. Similarly different indicators such as pie chart, repayment rate and loan utilization schedule are used to fulfill the objectives of the study. The major findings of the study are noted as follows:

- The respondents of the program have taken loan on 7 sectors such as farming (Vegetable), livestock, retail business, weaving clothes, hotelier, poultry farming, and private firms.
- Out of the total investment of microfinance, highest proportion of investment is made on farming (vegetable) sector followed by private firm, livestock, retail business, weaving clothes, hotelier and poultry farming.
- All of the respondents of the program have taken loan at least one time from the program.
- About 62.5 percent of the sample women are engaged in agriculture before the intervention of the program. After the intervention of the program, 57.5 percent of the women are engaged in agriculture to earn livelihood.
- After intervention of the program, women are especially attracted towards the private firms and livestock which are economically profitable.
- Increase in income due to investment program is positive since the result of correlation and regression analysis is found to be significant between those two variables.
- The perception of the users group towards the program is positive. Even not a single woman opined against the program.

- About 87.5 percent of the women are married, 7.5 percent are separated or divorced and 5 percent of the women are widowed. There are no any unmarried in the sample population. The age structure of sample women are in the range of 20 to 65 years.
- Most of the participant women are found to be literate. According to sample survey, 85 percent of women are found to be literate and only 15 percent of women are found illiterate. Thus literacy rate of the women are more than national literacy rate of the women in Nepal.
- The participants' women are from the different ethnical groups. In research study, it has been found that the participant from socially privileged groups (Chhetri, Magar and Dalit) is 95 percent and from socially backwards groups (Brahmin and Gurung) is 5 percent.
- About 62.5 percent of the members' survey resulted that their main occupation was farming (vegetable). 5 percent women kept livestock, 5 percent women were in retail business, 2.5 percent women were engaged in weaving clothes, 2.5 percent women were hotelier, 2.5 percent women were engaged in poultry farming, and 12.5 percent women had their own private firm while 5 percent of women identified themselves as wage earners.
- Majority of the respondents are found taking loan size 30000 to 40000. It shows the rural people have borrowed medium size loan for their business expansion.
- Those participants who have less than 20 ropani constitutes 77.5 percent and having more than 20 ropanies have weak participation in micro-finance program. It shows that the people who are marginalized have strong participation in micro-finance program.
- Majority of the respondents have 4 to 6 number of family size which occupies 82.5 percent. It shows small size family members are strongly participated in micro-finance program.
- Even, if the members are in economic problems, they have been saving regularly for their future, which proves that the poor people also can save small amount of money regularly.
- Most of the participant repay the loan in due time. In research study, it has been found that 82.5 percent women repaid the loan in due time and 17.5 percent women did not repay the loan in due time.

- About 22.5 percent sample women misused their loan for household and personal expenses.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

In recent years there has been growing realization of the importance of women participation in the development process and need for their advancement. As a consequences numerous national as well as international organization have been established which carry out program targeted at enabling to women to became aware of their situation and exploit potential to gain relative economic independence together with a better position in their households as well as society. Provision of credit is generally regarded as strong potential force for achieving the goal of poverty alleviation. Microfinance since its evaluation has been roved as an effective tool to strengthen various programs to reduce poverty and itself as a way to attack poverty the implementation of microfinance program, focusing on women as a target group has produced substantial impact on economic empowerment of women through their economic self-sufficiency.

The overall objective of the study is to assess the impact of microfinance on women of Madi Rural Municipality-5, under Mahila Sahayatra Microfinance in Madi Rural Municipality, Rolpa. The study has been carried out in the Madi. The proved objective of the study is to assess the impact of microfinance program for women. The total participants of the program are 151; out of these 40 women are sampled for the purpose of the study. The study is generally based on primary data. To conduct these studies, descriptive and analytical approach has been adopted.

The study has found that the participant women have increased their economic income and awareness after involving in the program. The volume of investment and saving are positively increased in each year. As far as women's status is concerned, there are still many things to be done which will be discussed on recommendation.

Two reasons can be perhaps being cited for this partial improvement in women relative well being. First exposures to income earning activities in a single generation can not perhaps wipe-out centuries of cultural conditioning. Secondly owing to their low absorptive capacity, who has

got large scale credit in absence of sufficient income opportunities. The borrower women are increasingly depending on their husband in order to make better use of credit that can be represented as loss of independence.

The result of the investment is found to be positive upon the earning of the respondent. Similarly, the study reveals that most of the respondents have repaid the loan and interest in due time and majority of the participant has utilized their investment properly. Thus overall impact of the program is found to be positive, their standard of the living has been improved and hostility is better now.

The age range of respondents are 23 to 62 years, 7.5 percent respondents have been involved in the group from 1 years, 10 percent respondents have been involved from 2 years, 47.5 percent respondents have been involved from 3 years and 35 percent respondents have been involved from 4 years. 90 percent women are from small and nuclear family with 1-6 members and 10 percent women are from medium family with 7-9 members.

5.2 Conclusions

Microfinance institutions have been an excellent job on enabling the poor and landless to access institutional credit. It is noteworthy achievement of microfinance institutions in the study area that it has reached out to traditionally low caste and depressed indigenous people, focusing on the most deprived population and targeted women. It has increased the income levels of the targeted area, consequently have created self employment, thus to some extent their status too. Self-confidence, improved status and respect from family members, relatives and neighbors are some of the major positive achievement gained by the participating women. It has been able to disburse loan with minimum interest rate. So it is financially viable, it has affected positively in socio-economic aspect of the borrowers and other too.

The group activities, regular saving and investment, high rate of repayment and utilization of loan found to be satisfactory. This shows financial sustainability and viability of the program in Madi area is guaranteed. However, there is still room for improvement with regard to management of misuse of loan. The positive correlation between investment and changed is income level of the participants shows that the capability of the entrepreneurs for the repayment of the loan in due time is good.

Saving on the basis of the investment is found to be highly effective aspect of the program upon which income generating activities are based. The study shows that once the women are involved in the program, they have able to achieve some kind of benefits in one form or other.

The overall impact of the micro-credit program conducted by Mahila Sahayatra Microfinance is found to be satisfactory. Most of the participants of the sample survey have been able to increase their income and the program intervention has brought changes in status of women. Increase in income along with empowering process increased in standard of living of women's family which endeavored change in livelihood.

5.3 Recommendations

Based on the study, following suggestions are recommended for further improvement and successful implementation of the program:

- Group saving has a great importance in the rural economy. Though the credit groups are supported to deposit a certain amount but here is need to adopt incremental approach, i.e. saving should be increased as income starts to increase from the program.
- Investment has increased the income so productive investment should be raised, which may promote loan repayment and utilization of loan.
- Training should be conducted in order to make conscious about proper utilization and mobilization of saving and investment. The effort on monitoring and supervision should be increase to make effective use of loan and to sustain program.
- To supervise the use of loan and to provide effective skills to advice on the management of loan, field staffs should be trained regularly. So that the clients of the program received technical as well as marginal guidance to manage microfinance program.
- There is need to shift the program from agriculture based to small industry and other business promoted activities. Since there is higher operational cost in agriculture base activities.

- There is the marketing problem, it was indeed observed that there were marketing constraints to solve the farm produce, mostly in vegetable farming. Women produce vegetables with expensive cost but in the time of sell of produce there is the problem of market, which must be solved.
- The provision of loan disbursement to the women should be based upon the proper evaluation of the economic viability of the projects.
- Microfinance has played a vital role in uplifting economically rural poor. It is also believed by Professor Yunus that microfinance or accessible credit to rural people can help to alleviate poverty. Microfinance can be regarded as one instrument in an integrated approach to rural development, balancing microfinance with training, marketing and enterprises development services. In simple terms, what good is a loan to weave sweater if there is no market to sell them or no road to transport them. So authorities and policy makers have to realize that microfinance is not only a panacea to alleviate rural property, credit should be mobilized for developing socio-economic infrastructure.

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APPENDICES

APPENDIX-I

QUESTIONNAIRE

Dear miss/madam,

First of all I would like introduce myself as a student of M.B.S. thesis year, is going to conduct a study on **"IMPACT OF MICRO-FINANCE PROGRAMME ON RURAL WOMEN UPLIFTMENT."** So, I would like to request you to fill up this questionnaire. I would also assure you that the information will be only used for academic purpose.

Date:-

Respondent's Name:-

Age:

Address:-

1. Personal Information.

1.1. How long have you been in the group?

1.2. What is your position in the group?

1.3. How old are you?

- | | | |
|-----------|----------|----------|
| a) 15- 25 | b) 25-35 | c) 35-45 |
| d) 45-55 | e) 55-65 | f) 65+ |

1.4. What is Caste/Ethnicity? (Tick anyone)

- | | | |
|------------|---------------------------|----------|
| a) Chhetri | b) Magar | c) Dalit |
| d) Gurung | e) Others (Specify) | |

1.5. Your current marital statuses is (Tick anyone)

- | | | |
|------------------------|--------------|----------|
| a) Married | b) Unmarried | c) Widow |
| d) Separated/ Divorced | | |

1.6. Your education is (Tick anyone)

- | | | |
|---------------|---------------------------------|----------------|
| a) Illiterate | b) literate (can write name) | c) Under S.L.C |
| d) S.L.C pass | e) Intermediate level and above | |

2. Household Information.

2.1 Your current household member (specify the no.)

Children : 0-14 Male..... Female.....

Adult: 15-65	Male.....	Female.....
Older: 65 and above	Male.....	Female.....

3. Economic Background:

3.1. Do you have land in your own name?

- a) Yes
- b) No (go to No. 3.3)

3.2. What is your Land size holding and production?

Land size Products

3.3. Have you taken land in rent?

- a) Yes
- b) No

3.4. What is your rented land size?

- Land size
- Products

4. Loan received, use and repay:

4.1. Institution of loan received

.....

4.2. Loan amount

- a) First loan
- b) Second loan
- c) Third loan
- d) Fourth loan

4.3. What is the interest rate?

4.4. Do you have received loan from other institutions too?

- a) Yes (specify)
 - i) Loan amount
 - ii) Interest rate
- b) No

4.5. Who decided regarding the utilization of the loan your received?

- a) Self
- b) Household
- c) Common decision
- d) Other (Specify)

4.6. What was your main occupation before joining the program?

- a) Agriculture
- b) Live stocks
- c) Poultry
- d) Business
- e) Government services
- f) Private Firm
- g) Others Services (Specify)

- 4.7. Why did you join the program?
- a) To earn more income and to improve family condition
 - b) To give company to friend
 - c) To be self-dependent
 - d) Other (Specify)
- 4.8. Where did you take loan from in need before joining the program?

- 4.9. What was the interest rate?

- 4.10. Did you have to keep anything in pawn in borrowing money?

- 4.11. Is the loan fully spent in particular purpose or not?
- a) Spent
 - b) Not Spent
- 4.12. If not, then where have you used it?
- a) Kept in cash
 - b) Spent in other household needs
 - c) Other (Specify)
- 4.13. From which source do you do loan servicing?
- a) Profit earning from previous loan
 - b) A portion of the current loan
 - c) Getting further loan
- 4.14. How do you pay interest?
- a) From profit
 - b) From the loan taken
 - c) Getting next loan
 - d) Other (Specify)
- 4.15. How do you pay the loan?
- a) Both principal and interest
 - b) Only principal
 - b) Only interest
 - d) Nothing paid
- 4.16. Do you have any saving?
- a) Yes
 - b) No (go to No.5)
- 4.17. If yes, what purpose the saving is used?
- a) Household needs
 - b) Reinvested in previous work
 - c) Children education
 - d) Feasts and festivals

- e) Payback the loan
- f) Health expenses
- g) Household expenses
- h) Other (Specify)
- i) All of the above

5. Family Status

5.1. What is your occupation after the intervention?

- a) Buffalo Keeping
- b) Agriculture
- c) Wage earner
- d) Retail business
- e) Bee keeping
- f) Poultry Farming
- g) Hotel
- h) Other (Specify)

5.2. Have you saved the money regularly in the group?

- a) Yes
- b) No

5.3. How many children did you use to send school before joining the group?

- a) Boy
- b) Girl

5.4. As your involvement increased in the following areas after joining the group?

- a) Family planning Yes No
- b) Children's marriage Yes No
- c) Asset purchase/ sale Yes No
- d) Children's education Yes No
- e) Other (Mention it)

5.5. How do you spend your income?

- a) Independently
- b) Depending on other
- (Specify)

5.6. Who is responsible person in various intra-household decisions making process?

- a) Self b) Husband c) In laws
- d) Consultation of husband and wife e) Other

5.7. Do you think that you can support yourself if left alone?

- a) Yes b) No c) Don't know

5.8. After joining the group, quarrel with husband has

- a) Increased b) Decreased c) Constant Why?
-

5.9. How do your family members and relatives deal with you after joining the group?

- a) Appreciate b) Criticize
- How?

5.10. After joining the group, is there any work that you can perform now which you couldn't do earlier?

.....

5.11. What are the main benefits of joining the Microfinance Group?

.....

APPENDIX II

LOAN AMOUNT BORROWED AND INCOME INCREASE PER MONTH

S. No.	Loan Amount Borrowed	Income (Before)	Income (After)	Change in Income
1	20000	2000	5000	3000
2	20000	1800	4500	2700
3	15000	4000	7000	3000
4	40000	6000	10000	4000
5	40000	9000	13500	4500
6	10000	8000	10000	2000
7	20000	1000	3500	2500
8	20000	3500	6200	2700
9	25000	2500	4500	2000
10	25000	3500	6800	2300
11	25000	3000	6200	2200
12	20000	2500	7000	4500
13	40000	10000	13500	3500
14	15000	1800	4000	2200
15	5000	1500	3000	1500
16	5000	1000	3000	2000
17	20000	7000	11000	4000
18	25000	1000	2700	1700
19	25000	2000	4200	2200
20	40000	3000	5400	2400
21	30000	1200	3500	2300
22	20000	1500	3500	2000
23	15000	3200	5000	1800
24	10000	4000	5500	1500
25	10000	1800	3500	1700
26	5000	1000	2000	1000
27	10000	2500	5000	2500
28	20000	2000	4000	2000
29	5000	1500	3000	1500
30	20000	5500	8200	2700
31	20000	7000	10000	3000
32	20000	3000	4500	1500
33	30000	1500	3000	1500
34	15000	7000	10000	3000
35	40000	8000	13000	5000
36	10000	2000	4200	2200
37	5000	3000	4800	1800
38	20000	7000	11500	4500
39	20000	3000	6000	3000

40	10000	1500	4000	2500
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**IX III
SION**

Variables Entered/Removed

Model	Variables Entered	Variables Removed	Method
1	Loan amount borrowed	.	Enter

- a All requested variables entered.
- b Dependent Variable: Income increased per month

Model Summary

	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics
Model					R Square Change
1	.572	.327	.309	766.58482	.646

- a Predictors: (Constant), Loan amount borrowed
- b Dependent Variable: Income increased per month

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10840000	1	10840000	18.445	.000
	Residual	22330000	38	587652.279		
	Total	33170000	39			

a Predictors: (Constant), Loan amount borrowed

b Dependent Variable: Income increased per month

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1492.857	264.497		5.644	.000
	Loan amount borrowed	.051	.012	.572	4.295	.000

a Dependent Variable: Income increased per month

Correlations

		Loan amount borrowed	Income increased per month
Loan amount borrowed	Pearson Correlation	1.000	.572
	Sig. (2-tailed)		.000
	N	40	40
Income increased per month	Pearson Correlation	.572	1.000
	Sig. (2-tailed)	.000	
	N	40	40

Correlation is significant at the 0.01 level (2-tailed).