

**ROLE OF MICRO-CREDIT MEMBERSHIP IN
IMPROVING HOUSEHOLD INCOME IN
ILAM DISTRICT, NEPAL**

A Thesis

**Submitted to the Department of Economics, Patan Multiple Campus,
Faculty of Humanities and Social Sciences, Tribhuvan University,
Nepal, in Partial Fulfillment of the Requirements for the Degree of**

**MASTER OF ARTS
in
ECONOMICS**

By

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DECLARATION

I hereby declare that this thesis entitled “ROLE OF MICRO-CREDIT MEMBERSHIP IN IMPROVING HOUSEHOLD INCOME IN ILAM DISTRICT, NEPAL” which I have submitted to the Department of Economics, Patan Multiple Campus, in partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS, is entirely my original work prepared under the guidance of my supervisor. I have made due acknowledgements to all ideas and information borrowed from different sources in the course of writing this thesis. The results of this thesis have not been presented or submitted anywhere else for the award of any degree. I shall be solely responsible for any evidence found against my declaration.

Lila Devi Khatiwada

LETTER OF RECOMMENDATION

This thesis entitled “ROLE OF MICRO-CREDIT MEMBERSHIP IN IMPROVING HOUSEHOLD INCOME IN ILAM DISTRICT, NEPAL” has been prepared by Ms. LILA DEVI KHATIWADA under my guidance and supervision. I, hereby, recommend it in partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS for final examination.

.....
Bishnu Prasad Sharma (PhD)
Professor

Date:.....

LETTER OF APPROVAL

We certify that this thesis entitled “ROLE OF MICRO-CREDIT MEMBERSHIP IN IMPROVING HOUSEHOLD INCOME IN ILAM DISTRICT, NEPAL” submitted by LILA DEVI KHATIWADA to the Department of Economics, Faculty of Humanities and Social Sciences, Patan Multiple Campus, Tribhuvan University, in partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the said degree.

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Lila Devi Khatiwada

ABSTRACT

Banks and other financial institutions are providing the services to people especially living in urban areas but microfinance institutions are providing financial services to women in rural area to improve their economic situation. Microfinance service is fruitful to those women who have good business but no collateral in their name. In this context, this study is focused to find out role of micro-credit membership in improving household income and analyzes the socio-economic indicators of members and non-member's status and analyzes the impact of micro finance membership on income and economic welfare of household in Ilam Municipality.

Ilam is one of the major districts of province one of Nepal and role of microfinance has been reported to be effective and successful in this district. So, Ilam Municipality is selected as a study area of this thesis to validate this information and examine the pathway of its success. The conceptual framework of this study comprises of a comparison the micro-credit members and non-member's status in Ilam Municipality. Data was collected through household survey by using structured questionnaire. To comparison of member and non-member, 120 households selected for purposive sampling, among them, 60 microfinance members and 60 non-microfinance members were selected. The collected data were analyzed by using simple mathematical and statistical tool such as percentage, tables and t-test analysis as well.

Many characteristics of microfinance members and non-members were similar. There were no significant differences in wage income, business income, remittance income, food grain income, outstanding loan borrowed status, and agriculture land between members and non-members. But, there was statistically significant difference especially in cash crop income, household income and livestock income. Cash crop income, household income and livestock incomes were 2.27 times, 1.5 times and 1.83 times higher for members compared to non-members respectively. This implies that microfinance has created opportunities for female members to participate in production for the market and enhanced their income and welfare. This has also empowered them economically.

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LIST OF ACRONYMS

GON	:	Government of Nepal
MFI	:	Micro Finance Institutions
NGOs	:	Non-Government Organization
NIDC	:	Nepal Industrial Development Center
NRB	:	Nepal Rastra Bank
HH	:	Household
RMDC	:	Rural Microfinance Development Center
FY	:	Fiscal Year
NBL	:	Nepal Bank Ltd
RBB	:	Rastriya Banijya Bank
ADB	:	Agricultural Development Bank
IBP	:	Intensive Banking Program
WDD	:	Women Development Division
WDP	:	Women Development Program
GBB	:	Gramin Bikas Bank