

**ROLE OF MICRO FINANCE IN EMPLOYMENT GENERATION: A CASE
STUDY OF MICROFINANCE PROGRAM OF NIRDHAN UTTHAN BANK
LIMITED KUDIYA VDC,
NAWALPARASI DISTRICT**

**A Thesis Submitted to:
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in partial fulfillment of the requirements for the
Degree of the Master of Arts (MA)
In
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Letter of Recommendation

This is to certify that the thesis entitled **Role of Micro Finance in Employment Generation: A Case Study of Microfinance Program of Nirdhan Utthan Bank Limited Kudiya VDC, Nawalparasi District** submitted by Sunita Acharya has been completed under my supervision in partial fulfillment for the degree of Arts of Master in Rural Development. I, hereby, recommend this thesis for final evaluation and approval.

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Letter of Approval

The thesis presented by Sunita Acharya entitled **Role of Micro Finance in Employment Generation: A Case Study of Microfinance Program of Nirdhan Utthan Bank Limited Kudiya VDC, Nawalparasi District** has been approved and accepted as in partial fulfillment of requirement of Master of Arts in Rural Development.

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Declaration

I hereby declare that the work reported in this thesis entitled **Role of Micro Finance in Employment Generation: A Case Study of Microfinance Program of Nirdhan Utthan Bank Limited Kudiya VDC, Nawalparasi District** submitted to Office of the Dean, Faculty of rural development, Tribhuvan University, is my original work done in the form of partial fulfillment of the requirement for the Master's Degree of Arts in Rural Development (M.A.) under the supervision of Professor Dr. Magala Shrestha of Tribhuvan University .

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Abstract

This thesis entitled "**ROLE OF MICRO FINANCE IN EMPLOYMENT GENERATION: A CASE STUDY OF MICROFINANCE PROGRAM OF NIRDHAN UTTAN BANK LIMITED KUDIYA VDC, NAWALPARASI DISTRICT**" analyzes different natures of Rural employment generation from the micro finance of Kudiya Village Development committee (VDC) of Nawalparasi district, Nepal. The major objective of the study is to examine the extent employment generation of the study area. For this purpose, 60 households have been proportionately selected. The specific objective of this study is to identify the socio-economic status and change in income level of Kudiya VDC. Both qualitative as well as quantitative methods have been applied to collect primary and secondary data. For this study semi-structured questionnaire, Key informant interview, field Observation has been employed. Focus Group Discussion, interview observation are used as the techniques to obtain required information in order to fulfill the objectives. The study area is Kudiya VDC of Nawalpara si District.

Microfinance programs have been running with the aim of socio-economic empowerment, mobilization of awareness and generation of self-employment targeting the rural poor. Microfinance has been one of the few effective tools for poverty reduction over the past years. It has been revealed that the loans have been mostly invested on small scale business, livestock and other agro-based enterprises.

The major findings are land holding, numbers of income level, quality of home to live and possession of other household amenities have increased among the sample surveyed clients. Moreover, vulnerability has decreased, food security has been increased, and health, child education and sanitation situation are improved. Importantly, livelihoods pattern of microfinance clients has been shifted from wage base to the agriculture and self-employment base. Awareness, capability, confidence and social capital have also been significantly improved. In general, the survey has revealed that socio-economic conditions of the sample clients have substantially improved.

The study demonstrate the positive socio-economic change, change in income level, living standard, increasing employment and literacy level after being part of NIRDHAN UTTAN BANK LIMITED. It's has been seen people are satisfied with this program.

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Acronyms

ADB	Agricultural Development Bank
ADB	Asian Development Bank
CBs	Commercial Banks
CMF	Centre for microfinance.
DBs	Development Banks
DEPROS	Development Project Service of Central Nepal.
FY	Fiscal Year
GBB	Gameen Bikas Bank.
GDP	Gross Domestic Product
IBS	Intensive Banking Programme
MCPRW	Micro Credit project for Rural Women.
MF	Micro Finance
MFI	Micro finance Institute.
NBL	Nepal Bank Limited.
NGOs	Non-Government Organizations
NRB	Nepal Rastra Bank
NUBL	Nirdhan Uthdan Bank Limited
PCRW	Production Credit of Rural Women
RDB	Rural Development Bank.
RMD	Rural Microfinance Development.
RMDC	Rural Microfinance Development Community.
RMFL	Rural and Micro finance Institutions
SCCOs	Saving and Cooperative Societies
SCCS	Savings and Credit Cooperatives
SFCL	Small Farmers Cooperatives Ltd
SFINGOS	Social and Financial Intermediary-Ngos
SKBB	Sana Kishan Bikas Bank
USCCL	Uthan Saving and Credit co-operative Limited
WB	World Bank.
WEP	Women Empowerment Program

CHAPTER – I

INTRODUCTION

1.1 Background

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers Those who promote microfinance generally believe that such access will help poor people out of poverty. Issue of women empowerment and poverty reduction through microfinance has been much discussed since it becomes further relevant when national policy and strategies are focused towards this. So this research is done with the main purpose that how the NGOs are acting to the micro-financing sectors in socio-economic empowerment of women and the problems they're facing while implementing the policies and programs of microfinance due to the increasing MFIs, NGOs/FINGOs etc.

This research takes into its study as the case study of micro-finance program of Nirdhan Utthan Bank in Nawal parasi of Kudiya VDC.

Banks are the intermediaries between the saving units and investing units in the economy. Small amounts of scattered savings are pooled together which are then lent for the purpose of investments and facilitating other transactions. So, a well- regulated, soundly- operating and properly- directed banking system plays a catalytic role in the transformation of the economy. An efficient role of the banks in tapping the resource mobilization and investment prospects of the economy thus fosters saving, investment, employment and economic growth. Mostly the people living in urban area and sub urban area are getting the banking services but more than 80% people live in the remote area that are out of reach of banking service or financial service. The government is a supreme representative body entrusted with the responsibility of addressing the concerns and promoting and preserving the interests of the people and the nation as a whole. The government works for and on the behalf of the people while the bank works for and on behalf of its shareholders, depositors and other stakeholders. The banks

have specific functions to discharge; they work in a competitive environment. The government is accountable to the people in general and in the process, would like to launch various targeted programs or schemes aimed at poverty reduction, rural development, backward area development, community development, cooperative development, self employment promotion etc. For all this financial resources should be mobilized all over country not only in the urban areas. We've found micro finance program very effective in creating self employment and poverty alleviation. But only the few areas are covered by the financial institutions providing such services. Till date there are 26 commercial banks, 63 development banks, 15 micro-finance development banks, 77 finance companies, 16 financial cooperatives and 45 financial intermediaries NGOs (*Mid July 2009, NRB*) doing limited banking activities licensed by the central bank under different legal framework. There still lack to cover all the rural area providing financial services. The NRB has been conducting various microfinance programs in order to uplift the economic conditions of the poor, marginalized, minorities and backwards people and rural poor women. Microfinance institutions have been encouraged to expand their activities in the backward regions through availing credit at a concessionary rate in addition to supervising the microfinance related projects. For the rural area NGOs have found to be effective in poverty reduction through microfinance programs. There are two national level institutions (Rural Microfinance Development Centre and Small farmer Development Bank) have been engaged in wholesale financing for micro credit in Nepal. In addition, 16 cooperatives and 45 NGOs have been allowed to undertake the limited banking activities.

Micro-finance mainly focuses on poor and low income people living in remote areas with less access to basic amenities and education, water, electricity, banking services, health services, market facilities etc. The poor people do not have enough land for farming. Opportunities of off-farming employment are few and needs to be generated. They lack affordable and appropriate financial services to create small business of self and to improve their economic and social status. In this condition micro-finance practitioners around the world have found very effective tool for bringing up their economic and social status thereby assisting in poverty reduction because micro-finance credits to the poor which creates small business opportunities that help to improve the socio-economic condition of deprived communities especially in rural areas and empower the rural women socio- economically.

In the least developed country like Nepal, micro-finance is an important and powerful tool for gradual reduction of poverty and it is must to uplift the poor women and to make them independent and make them feel they can also do something for their family and the community besides their household work. Micro-finance enables poor and encourages them to take advantages of the existing opportunities by providing them affordable and appropriate financial services. It helps to generate self employment avenues, develops micro enterprises, and raises income level, builds up self confidence, empowers women and provides opportunities to the poor, under privileged caste and inequality. The clients of microfinance are typically self employed and household based entrepreneurs. Microfinance can help poor people to increase income, build viable business. It can also be a powerful instrument for self empowerment by enabling the poor, especially women to become economic agent of change. The worldwide micro-credit institutions and agencies have targeted poor women for their program. It is estimated that about *75% of microfinance clients are women*. Commercial banks as well other existing and forthcoming financial institutions and NGOs should give high focus on microfinance.

Nepal has an experience of about three decades in micro-finance. It is recognized as a powerful instrument for poverty reduction and socio-economic development. Nepal Rastra Bank has done an effort for expediting various rural financial programs since 1970's aimed at poverty alleviation drive through the assistance of different participatory financial institutions such as commercial banks, development banks, rural development banks, NGO's, micro finance institutions etc. there are many programs organized for poverty alleviation but only the micro finance programs have found to be pro-poor and rural centered.

Some salient features of microfinance are as follows:

-) Saving is emphasized as an integral part of the microfinance package. It is used for expected and unexpected expenses.
-) It has clearly defined and identified market which is the low income household and their enterprises. The identification of the market means that the clients have economic activities so that they can use the funds productively and repay the loan.
-) The relationship between the microfinance institutions (MFIs) and clients are of business transactions. Their relationship is purely of business. MFIs are the organizations which provide financial services to low income people.
-) Traditional collateral requirements are replaced with peer – support or peer lending.
-) Documentary requirements and processing are simpler and faster.

(Source: NRB News, 54th Annual Special Copy, 2066)

Apart from the above, the most important feature of microfinance is that many micro credit institutions and agencies worldwide have targeted poor women for their program.

1.2 Microfinance Sector in Nepal

The history of financial sector of Nepal is not so old .At first in 1937 Nepal bank limited was establish ment from it the financial sector history of Nepal started . The after in 1956 Nepal Rastra Bankin 1959 Nepal industrial development corporation in 1966 RastraBanijaya bank and 1968 Agriculture development bank were all owed by the government .Before 1984 the financial sector is closed for foreign institution but after liberalization policy of government open the way for foreign institution. From this time foreign sector joint venture banks establish in Nepal. Thus ,the new rays for Nepal financial sector showed and Nepal has had a rapid expansion at financial market since mid 1980's. On account of liberalization policy of government Nepalese financial system has widened and depened with many more new financial institution and activities. The country has now many commercial bank Development bank , financial companies , Rural development bank , non – government organization etc. All play vital role for Nepalese financial sector .Total deposit with the financial system has increased 20 fold in one decade and half from less than Rs.10 billion in 1985 to Rs. 200 billion in july 2001.

All commercial bank and other institution depended upon those area, this made the problem of rural credit showed in Nepal . Without rural credit poverty is not reduction so the value of micro financing activity rising in Nepal.

1.3 Birdman Utthan Bank Limited (NUBL)

Nirdhanutthan bank limited of Nepal fall under the first category practitioners. NUBL initially started as a non- government organization called Nirdhan commencing its financial operation called in march 1993 with on loan officer and field assistant. In Nov 1998, NUBL, was registered as a development bank and obtained a licence for banking activities . Today the Nirdhan NGO still existing as a separate entity from the NUBL , was overlooking programs a supporting social service in foreign centers of Rupandehi, who NUBL, operates.

NUBL is one of the largest non-government Microfinance institutions in Nepal .it is also the perfect example of an MFI moving towards sustainability by practicing all the disciplines needed to provide efficient financial service to the poor men and women in Nepal. NUBL “The bank for upliftment the poor. Nirdhanutthan bank provide microfinance services such as loan , deposits, Microfinance and Remittance service to poor families of Nepal . The lending methodologies are individual lending based on Grameenbank , Bangladesh model and group lending based on self-help group model through few specified branch offices. The story behind the establishment of ‘NIRDHAN’ starts from 1986 when Dr. harihardev pant, (he officer with central bank of Nepal) visit Grameen bank in bangladesh.The visit Grameen bank in Bangladesh. The visit inspired him to launch microfinance program in Nepal resulting the birth of ‘ NIRDHAN’ or people with money in 1991.

Nawalparasi district, which lies in western Tarai region , has population density of 260 per km² . The district has literacy rate of 27 percent (CBS 2003) . Agriculture is the main occupation , The economic condition of the district is largely affect by long open border with india. Easy access Indian manufacturing production has severely hampered the industrial development in the district. There is a huge competition for locally available raw material such as sugar-cane, mustard, bee-keeping , sericulture , vegetable , fruits, pulse, spices, cities, like Narangat, Butwal, Bhairahawa, pokhara, Kathmandu and other with the country.

NIRDHAN, as an NGO has a limited resource and capacity to satisfy unmet demand people poor in different part of the country. This results the establishment of Nirdhan Utthan Bank

limited , NIRDHAN being a lead promoter. In July 1999, NIRDHAN transferred all microfinance operation to Nirdhan Utthan Bank .

NIRDHAN created Nirdhanuthan Bank Limited for the following strategic reasons:

Development bank are supervised and regulated by the Central Bank, which will enforce banking standards;

A development bank can have access to different source of funding enabling it to satisfy financial need of poor people .

The bank can lend to a wide range of clients, including micro entrepreneurs graduated out of the bank's regular clientele. Further, a bank can accept collateral for potentially larger and diverse loan products.

1.4 Statement of Problem

According to the census 2068,25.2% of people of rural area under the poverty line, 92.26% population are live in village among which 74% are depend on agriculture sector. In that situation, the banks, financial organization can not reach to the rural area, lack of the accessibility of the banks, financial agencies, rural people can not utilize their self skills, capacity, labor in productive and better way , without money is nothing possible like that, peoples are in rural area compelled to take loan from individual or private sector rather than banks or financial agencies that result to repay with high interest rate, they only can fulfill their basic needs, food cloth and residence so that the study show the private sector inviting the more powering in rural area and another important thing is the field of microfinance is only in the rural area, there is large scale opportunity to enter microfinance program so the attempts made how the financial sectors enter in rural area for self employment and what has done to uplift their lifestyle by enhancing microfinance programme.

In this situation Nirdhan Utthan Bank limited is playing important role in self employment generation by providing credit to entrepreneurs.

1.5 Objectives of the Study

-) To explore the role of microfinance in micro-enterprises.
-) To find out the role of microfinance in self-employment generation.
-) To examine the changing socio-economic status after intervention of micro finance program in the study area.

1.6 Rationale of the Study

Widespread context of rural poverty in the country, emergence of large numbers of MFIs, and the increased volume of loan investment help in emerging entrepreneurship development and thereby increase the volume and employment in rural areas. The genuinely poor, especially women lack the skills, confidence and resources to approach the formal banking sector. The rural women are capable of doing anything. The proposed study will not only find the impact of the launched programs under the micro finance program but the procurement of using the fund for the women.

The Ultimate findings may also reveal target group member's perceptions, desires and problems, the knowledge of which could enable officials concerned to modify the program activities according

In addition, the upliftment of women needs a little encouragement. So, the proposed study will be useful for the policymaker, the concerned target group and the stake holders working in the related fields.

1.7 Limitation of the Study

The study is conducted a selected VCD of Nawalparasi district for impact study of micro-credit. Thus, study does not measure the country's micro-credit impact to the targeted.

-) The conclusion and finding of this study cannot be generalize for the whole country context.
-) The study is mainly related to role of microfinance in Rural area of Nawalparasi district.
-) The study mainly depends upon primary and secondary information.

CHAPTER – II

REVIEW OF LITERATURE

2.7 Concept of Microfinance

Micro finance has evolved as an economic development approach intended to benefit low-income women and men. The term refers to the provision of financial services to low-income clients, including saving and credit, however. So micro finance organization also provide insurance and payment services .in addition to financial intermediation many MFIs provide of social intermediation services such as group formation development of self-confidence and training in financial literacy and management capabilities among member of a group . thus the definition . Micro finance is not simply banking .it is a development tool.

An enterprise is broadly defined to include any economic unit engaged in the production and distribution of services whether it employment only one person (the proprietor or more, whether or not it has fixed location for condition business (Harper 1986) . Thus , a self-employment transport worker such as driver of three wheel rickshaw and self-employed service worker such as shoeshine boy. For example are all treated as constituting an individual enterprise even through they do not hire any employees own little or no capital have no fixed business location and produce only services(Pradhan 2004)

Ulrich wehnert team leader, GTZ , Nepal ,associated with the rural finance define. Micro-finance comprises formal and informal financial Institution. Small and large, that provide small sized financial services (saving, credit and micro insurance) to the poor. Due to higher transaction costs in the micro- finance business. MFI must use a special financial technology. Some of the elements of this financial administration/ management are.

-) Cash-flaw analysis ,character based lending and non traditional collateral.
-) Social control mechanisms,
-) Intensive credit monitoring and stringent loan recover
-) Risk diversification
-) Priority on saving mobilization

The myth that the rural poor are not credit worthy has been firmly dispelled by several innovative experiments during the last two decades. Women's ability to save manage and return loan with in background of their fragile livelihood system have been firmly established by credit experiments in various micro-credit projects like Grameen Bank in Bangladesh, Production-credit for Rural Women (CPRW) in Nepal and Bank Rakyat Indonesia .

Microfinance refers to small-scale financial services –primarily credit and savings-proto provided to people to people who farm or fish or herb; who operate small enterprises or micro enterprises where goods are produced , recycled, who gain income from renting out small amount of land , vehicles, draft animals or machinery and tools; and to other individuals and groups at the local levels of developing countries, both rural and urban. Many such households have multiple sources of income.

Saving services allow savers to store excess liquidity for future use and to obtain returmentns on their investments. Credit services enable the use of anticipated income for current investment or consumption. Overall, microfinance services can help low- income people reduce on investments, increase their income, and improve the quality of their lives and those of their dependents.(Robinson)

2.7.1 Historical Background of Microfinance in Nepal

According to ADB (2000), country studies, the earliest initiatives for establishing micro finance services in Nepal can be dated back to the 1950s when the first credit cooperatives were established. These were primarily intended to provide credit to the agricultural sector. A well-structured and specialized program to cater to the financial needs of the poor was provided further impetus with the launching of the Small Farmer Development Program (SFDP) in 1975 within ADB/N. Over the past few years, a process of institutionalizing the Small Farmer Groups into the Small Farmer Cooperatives Limited (SFCL) has been under way. In 1974, NRB directed commercial banks. In 1981, to strengthen the priority sector program, NRB introduced the Intensive Banking program (IBP).

The next main step in the development of microfinance in Nepal came in the form of the first gender-focused program, the Production Credit for Rural Women (PCRW). In 1992, the first two RRDBs – one for the eastern region and one for the far western were established with govt and NRB funds as replications of the Grameen Bank of Bangladesh. Focusing on

extremely poor women, RRDBs use a group lending approach and a weekly repayment system. By mid 1997, five RRDBs had been established.

Besides these, NGOs and cooperatives have also had an increasing role in microfinance. Center for Microfinance in Nepal (CMF) was established in July 21, 2000 with main activities of providing trainings, technical assistance consultancy services and undertaking studies, research, documentation and publications etc.

2.7.2 Trends of Microfinance in Nepal

Microfinance is growing for several reasons.

- Microfinance has promise of reaching the poor. Its activities can support income generation for enterprises operated by low-income households.
- It has promise of financial sustainability. Its activities can help to make financially self sufficient, subsidy free, often locally managed institutions.
- It has potential build on traditional system such as rotating saving and credit associations. They provide the same service in similar ways, but with greater flexibility at more affordable price to microfinance enterprises and on more sustainable basis.
- The contribution of microfinance to strengthening and expanding existing formal financial system such as saving and loan cooperatives, credit union networks, commercial banks etc.
- There is increasing number of well-documented innovative success stories in setting savers as rural microfinance in women.
- The availability of better financial products as a result of experimentation and innovation. These experimentation and innovation have shown that living standard of women is growing at range.

2.7.3 Major Principles of Microfinance

The conditions and procedures of microfinance are more flexible and easy to understand by local community. The principles of microfinance are as follow (Bashyal. 2008: p.17).

1. MFIs are able to know their markets that the major services needed by the poor are savings and credit for liquidity and working capital with one-year loan terms.

2. The successful MFIs keep administrative cost as low as possible.
3. They are able to ensure high portfolio quality.

Three major principles are considered in microfinance. Those are:

- i. Buying of money means collection of domestic saving.
- ii. Selling of money means investment of the collected domestic financial resources
- iii. Earning of money means receiving the interest and other income from borrowers and other.

2.7.4 Importance of Microfinance for Women

Since 1970s, tens of thousands of poor women have started their own business-often with sewing machine-using loans of as little as \$100 from organizations like Grameen Bank in Bangladesh and the Washington, D.C. - based Foundation for International Community Assistance (FINCA), which has been active in Latin America. The results have been eye-opening: Women turned out to be reliable debtors, and since many who received micro loans squirreled away their earnings to send their children to school and buy more food for their families, the positive impact has rippled through communities (<http://web.ebscohost.com/ehost/detail>., May 21: 2008).

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

Nepal's gender empowerment measure is only half of the global average and after Pakistan, the second lowest in south Asia. Agricultural feminization in Nepal is caused by de facto rather than de jury reason as the number of female-headed households in rural areas is increasing mainly because of male out-migration and male employed in other sectors (Bashyal, 2008: p.74-75). The important impact of microfinance for women is:

-) Microfinance has increased the women's role on making decisions on purchasing of both the small amount of household consumption items.
-) Increases income of clients has empowered them on running their daily household needs.

) Microfinance empowered them on deciding the marriage of their daughters.

In social sector, awareness development is found one of the major outcomes of this program. In this respect, many MFIs members started to join in literacy center, schooling to their children including daughters, participating in the village level election so far they are daughters, participating in the village level elections so far they are elected in ward members, VDC chairman and vice chairman. In addition, they are actively involved in community development activities such as construction of village community hall, road, and bridge and drinking water system. By this, MFIs have been imputing the momentum for poverty reduction endeavor.

Majorities of women are not accessing the credit easily as due to lack of the collateral. In this respect, MFIs have been providing credit on the basis of group liabilities to such downtrodden people in income generating activities such as vegetable production, livestock raising, tea and daily uses shop, marketing of goods (better rice, vegetables and fruits) as per their experience an market potentialities.

According to Puspa Raj Sharma (2007), 'The journal of Nepalese Business Studies' there is different important approaches to women from microfinance. They are:

- i. Women's involvement in decision-making will be improved and affects their lives and their future.
- ii. Self-confidence for women will increase.
- iii. Women's' participation in income generating activities is assumed to strengthen women's bargaining position.
- iv. It will help women to earn independent and contributes the household economy and social and political participation.
- v. Women are more likely than man to invest increased income in the household and family well-being.
- vi. Microfinance program seems to be highly effective in uplifting the women's economic and social condition.
- vii. It will help to reduce domestic violence and family relationships appeared to have improved.

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

2.7.5 Microfinance Interms of Saving, Investment and Loan Distribution

Microfinance is targeted to poor and low-income people. It includes loans, savings, insurance, transfer services and other financial services. Providers of microfinance include non-government organizations (NGOs), self-help groups, cooperatives, credit union, and commercial bank. Insurance and credit card companies and other points of sale (Sharma, 2005: p.87). The poor already save in ways that we may not consider as “normal” saving-investing in assets, for example, that can be easily exchanged to cash in the future. After all, they face the same series of sudden demands for cash we all face: illness, school fees, needs to expand the dwelling, burial, and weddings. It is hard to cutoff one leg of a goat that represents a family’s savings mechanism when the sudden need for a small amount of cash arises, or, if poor women has loaned her “saved” funds to a family member in order to keep them safe from theft, there may not be already available when the women need them. The poor need savings services that are both safe and liquid. These savings services must be adapted to meet the Poor's particular demand and their cash flow cycle. Thus to maximize the savings propensity of the poor, institutions must provide flexible opportunities- both interms of amounts deposited and the frequency of pay ins and pay outs. This represents important challenges for the microfinance industry that has not yet made a concerted attempt to profitably capture tiny deposits

(<http://www.microfinancegateway.org/section/faq>. May 19: 2008).

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

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

2.7.6 Microfinance Emphasis on Poorest of Poor Women

Women are behind man in Nepalese society. They are lacking access to financial services. They should depend on man for financial services. Most of women are staying in rural areas. They are poor and illiterate also. It is necessary to uplift their livelihood. So microfinance is such an effective tool, which will bring change in their life, and they will be easily access to financial services. In Nepal, there are micro credit programs for poor women both in the public sector and in the non-governmental sector. The majority credit programs in the public sector are the Women Development Program of the Small Farmers Development Program (WDP/SFDP), Production Credit for Rural Women (PCRW) Program and Regional Rural Development Banks (RRDBs). Apart from numerous non-registered NGOs, there are a lot of registered NGOs, which primarily operate as welfare organizations but may include saving-credit activities for poor women (Improving Access of Women to Formal Credit Facilities in Nepal, 1997: p.15).

2.7.7 Role of Different Models in Women Microfinance

The government along with all the public and private sector financial institutions contributes to the development of microfinance industry (MFI), each playing a significant role in its development. However their roles have to respond to emerging requirements.

According to Bashyal (2008), following models are effective in saving, credit and investment mobilization of women as well as rural people.

a. Rural Credit Union Model

Credit union is a cooperative financial institution owned and run by its members, who agree to save their money together and extend loans to each other a reasonable rate of interest. The early Raiffeisen's Rural Credit Union and Herman Schulze-Delitzsch's Urban Credit Union model that provided microfinance services to the German farmers in the last century are the example of credit union model. Today this model is playing greater role to encourage village women for their saving and credit activities and maintaining standard livelihood.

b. Cooperative Model

Cooperative provides microfinance in the form of credit to individual and groups with limited resources. Saving are the strong bases of cooperative model, which fulfill both the economic and social needs of rural people. In Nepal, cooperative department was established in 1953. The true philosophy and principles of cooperative is that it should be mutually owned, controlled and managed by people themselves. So this model is effective for rural women to uplift their financial access.

c. Individual and Peer Lending Model

According to the study of CMF, lending modalities are divided into (I) Individual lending and (ii) Peer lending. Individual lending are village moneylenders. Specialized development banks and commercial banks where as in peer lending a gradual modification is operated from different countries in the form of informal source of finance.

d. Formal and Informal type

There are different organized and legally operated MFIs, which are based on legal rules, and regulations are formal type. But transaction with individual and which are not legally registered are informal type.

e. Grameen Bank Model

Grameen which comes from the word village, provides credit to poor women to acquire assets for self-empowerment, Muhammad Yunus propounded this model as a simple act of trust in lending with collateral with minimal conditions. The very poor clients often don't

have the capacity to manage fund and to repay the loan resulting negative impact but these days, most of the Grameen type institutions have changed the weekly meeting arrangements into fortnightly transactions.

f. Village Banking Model

This model can be described as an informal bank for non –collateral loan to members in a community and the community will be responsible in handling the credit directly to individuals.

g. Self-reliant Village Banking Model:

Self-reliant Village Banking model was developed in Africa, where population density is low, similar to hills of Nepal; Self-reliant Village Banks are established managed by a rural village community. This model differs from village banks only on one ground that it meets the needs of village as a whole and not just a group of 25 to 50 people.

h. Association

In association type, the target community such as youth or women from an association regarding political, religious, or cultural issues through which, microfinance activities are initiated. Associations, the community-based organizations are also informal systems:

- Bank Guarantees.
- Self-Help Group Model.

i. Banking with the Poor Model

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

The role of other different players in the field of Microfinance is as follows:

a. Role of the Government

It is necessary to have a perspective plan on microfinance-the plan well integrated with the nations economic development perspective plan with the clear out objectives, targets and policies and strategies. The perspective plan considers expanding outreach to the poor and providing quality services as the two most important elements of the overall microfinance policy, apart from strengthening microfinance institutions.

b. Role of NRB

Nepal Rastra Bank would have to regulate, monitor and supervise the operation of the RMDC and MFIs to make these competent, professional, result-oriented microfinance organizations. The role of NRB is to ensure that the MFIs operate autonomously in the professional manner.

c. Role of RMDC

RMDC was established as an apex microfinance organization, which become operational since 2000 only. It started with the objective of contributing “To improve socioeconomic condition of the poor, their access to resources for productive undertaking and employment.”

d. ADB is also playing an important role in the field of microfinance. On the other hand World Bank and CMF are also playing and important role in the field of microfinance.

2.7.8 Micro Credit Programs in Nepal

The unit describes the historical background of Nepalese financial system, microfinance systems. It also includes different programs which are working in the field of microfinance. These microfinance programs are playing great role from their side to uplift livelihood of poor Nepalese women as well as other people in remote areas of Nepal.

2.7.9 Historical Background of the Nepalese Financial System

The history of modern financial system in Nepal was begun in 1937 with the establishment of the Nepal Bank Ltd. (NBL) as the first commercial bank of Nepal. Before the establishment of NRB, there were only 12 branches of NBL. With the establishment of NRB in 1956, the development of the financial system took a momentum. NIDC (Nepal Industrial Development Corporation) was established in 1959, which helped for industrial development.

With the equity participation of NRB, the Agricultural Development Bank (ADB/N) was set in 1968 by incorporating the assets and liabilities of the cooperative bank.

The Rastriya Banijya Bank (RBB) was established in 1968 as the second commercial bank of Nepal. From 1962 to 1982, a large number of non-banks financial institutions were setup such as the provident fund, insurance corporation, stock exchange etc the move towards financial liberalization encouraged the entry of joint venture commercial banks and finance companies. Even the non-governmental organizations (NGOs) and the savings and cooperative societies (SCCs) have been licensed by NRB for limited banking activities.

2.7.10 Microfinance System in Nepal

The formal sector micro lending activities began in 1956 with the establishment of credit cooperatives in the Rapti Valley of Chitwan district to provide financial services in rural Nepal. They were established to progressively abolish excessive rural indebtedness and contribute to uplift the socio-economic conditions of the rural people. To make financial resources available to these cooperative credit societies, the cooperative bank was established in 1959. As a result, ADB/N was established in 1968 to provide agriculture credit. ADB/N has still remained the foremost rural and agriculture financing institution and accounted for 55 percent of the total rural institutional credit. The role of Grameen Bikas Banks (GBBs) in rural micro financing has increased recently but their share in total outstanding rural institutional credit was less than 2 percent. Microfinance practice formally started in 1974 since 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.

2.7.10.1 Microfinance Programs

The three largest banking institutional of the country NBL, RBB and ADB/N has initiated several innovative microfinance programs since 1974/75. The Small Farmers Development Program (SFDP), the Intensive Banking Program (IBP), the Production Credit for Rural Women (PCRW) Program, the Cottage and Small Industries (CSI) project, the Educated Unemployed Credit Program, the Lead Bank Scheme, the Micro-credit Project for Women, the Priority Sector Credit, and the Deprived Sector Credit Program, the Rural Self-reliance Fund etc. are the different microfinance credit programs developed to the alleviation of the

poverty in rural Nepal. The different microfinance program will be separately dealt in the following paragraph.

a. Priority Sector Credit Program (PSCP)

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

b. Small Farmer Development Program

To fulfill the demand for microfinance in rural areas, ADB/N initiated the Small Farmers Development Program (SFDP) in 1975 through two pilot projects to support self-help oriented development of small and marginal farmers and landless people. It had a total loan outstanding of Rs. 823.49 million with 357 sub-projects offices comprising a total of 165,679 members by mid-July 2004 (Bashyal, 2008: p.48). It is considered as the first poverty focused credit programs of the country. It is also the first group based credit program. The group is comprised of 5-50 members. It provides them credit and other supports to start income generating activities.

c. Intensive Banking Program

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

d. Production Credit for Rural Women (PCRW)

It is the first women-focused credit program in Nepal. NBL, RBB and ADB/N were three participating banking institutions. Initially it was started in 5 districts and by the end of 1998; it had covered 67 districts of the kingdom. PCRW was implemented in IBP and SFDP branches. Govt.'s Women Development Section (WDS) staff identifies the target groups and motivates them to form a group of 4 to 10 poor women. They also assist group member to select the viable project. They recommended the newly formed groups to IBP and SFDP offices. Both the staff of banks and WDS monitors and supervises the credit projects.

The recovery performance of PCRW is not satisfactory. Its recovery was found 64 percent in 1995/1996. The operating cost was around 27 percent whereas PCRW loan was distributed at 14 to 15 percent. If we combine even the costs of social intermediation, the operating cost would be much higher and the program would be unviable an unsustainable at the present circumstances.

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

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

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

The impact evaluation study has further highlighted the following problems in the implementation of PCRW.

- i. Inadequacy of trained bank and WDS staffs in the project.
- ii. Inadequate supply of rural and agricultural support services to borrowers.
- iii. Little efforts to make the program cost effective and financially viable.
- iv. Lack of appropriate technology and raw materials.
- v. Inadequate opportunities i.e. skill development training and marketing of product and services.
- vi. Opportunity for free movement of trained bank and WDS staff out of program.
- vii. Improper coordination between bank and WDS staffs to implement the program.

e. Micro credit Project for Women

Government introduced micro credit project for women with some different modality using NGOs and self-help groups as credit agents for linking clients to commercial banks. Loan was collaborated between ADB/N with central bank and govt. in 1993 and project loan completion date as March 2000 (Bashyal, 2008: p.51). This Project has properly utilized the lesson learned from PCRW. MCPW is fully committed to develop and involved NGOs. It is

the first project in which financial intermediaries are involved in a public sector credit program. The borrowers of the project are women from both urban and rural areas of Nepal.

The main objectives of MPCW are followings:

- i. Improvement of the socio economic status and condition of women.
- ii. Provision of financial and non-financial services to women in integrated way.
- iii. Provision of necessary institutional supports to NGOs.
- iv. Institutionalization of NGOs as financial intermediaries and
- v. Development of NGOs as cooperative associations.

ADB/N has funded the project. It provides 80% of the total loan able funds. The project design involves following stages.

- i. Social mobilization of Women.
- ii. Skill development training to borrowers.
- iii. Financial and non-financial services to NGOs.
- iv. Transformation of NGOs in suitable financial intermediaries.

f. Grameen Banking Replication (GBR)

There are five Grameen Bikas Banks (GBB) in five-development region, which were established between 1992 and 1996. These banks have been replicating the Grameen Banking Model of Bangladesh which is an innovative outreach model. It is a unique model implemented separately by both the government and the local NGOs in Nepal. Nirdhan, Swabalamban Bikas Bank (SBB), Chhemeki Bikas Bank and Deprose Development Bank are the NGO-promoted microfinance development banks. Transformation of NGOs into development banks is the recent development in the Nepalese microfinance sector as in other developing countries. These banks cater to the credit needs of the poor women in rural areas. The poor women had limited access to institutional credit services at their doorstep. Under this banking system a rural women with less than 0.6 hectare of land in the hills can participate in a group, which is comprised of five women.

g. Rural Self-Reliance Fund (SRRF)

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

h. Cooperative Societies and NGOs

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

i. Banking With Poor

With the linkage-banking program, NRB has initiated “Banking with the Poor” program since 1991. It is a program in which NGOs and the association of self-help groups are being extended loan to on lend it to locally formed groups. The SHGs lend without collateral.

j. Rural Microfinance Development Center

The Rural Microfinance Development Center (RMDC) is an apex MFI established in 2000 under the company Act 1995 with an authorized capital of Rs 160 million issued and paid up capital Rs 80 million. To implement this project the Rural Micro-macro Finance Development Center (RMDC), the apex development banking institution, has already been established with the equity participation of NRB, all commercial banks and few other financial institutions an NGO. RMDC will operate as the wholesale financial institution and will on lend ADB/N funded loan to all the Grameen Bank Replicates, SCCs and financial intermediary NGOs who fulfill its eligibility conditional ties for funding.

As of 17th October 2006, RMDC has approved loan amounting to Rs 1,589.08 million for 47 MFIs, and disbursed Rs 1,165.7 million to 44 institutions. Among the 47 partner MFIs, 6 are microfinance development banks, 2 development banks, 24 financial-intermediary NGOs and 15 saving and credit cooperatives. On 16th September 2006, the outstanding loan with RMDC was Rs 691.5 million. RMDC has maintained 100 percent loan recovery rate from the very beginning of its operation. Altogether the partner-MFIs of RMDC are providing microfinance services to about 400,000 women of the poor households (RMDC newsletter, 2006).

k. Sana Kisan Bikas Bank (SKBB)

Sana KisanBikas Bank is a specialized wholesale microfinance development bank established with the aim of promoting and strengthening the gross-roots level Small Farmer Cooperative Ltd. (SFCLs) in particular a similar other MFIs in general. Mostly women are involved in SKBB, so this bank is effective for women's upliftment.

l. Other Rural and Poverty Focused Micro Credit Programs

There are few other rural microfinance programs, which are being implemented current fiscal year. They are the following:

- i. Third Livestock Development Project.
- ii. Poverty Community Groundwater Sector Project.
- iii. Hills Leasehold Forestry and Forage Development Project.
- iv. Community Shallow Tube Well Irrigation Project Nepal.

2.8 Background of Women in Nepal

Although education skills and formal opportunities are limited, majority of women in Nepal are primarily involved in self-employed activities as a means of supporting their families. These activities are not sufficient to earn income to raise them out of poverty. Women lack technical know-how capital, managerial skills, and access to credit, market and resources to make any significant improvement in their economic condition (Improving Access of Women to Formal Credit Facilities in Nepal, 1997: p.1).

According to report of ADB (1999), women's economic activity rates even by conventional definitions are estimated to be much higher than those reported in the census data. A scrutiny

of regional data clearly indicates a persistent reporting bias in economic activity rates. While the overwhelming majority of mountain (73.6%) and hill (57.9%) women were reported as economically active only about 27% of the terai women were so reported. Another point of concern is the declining economic activity rate of women in urban areas, shown to have fallen from 31.5% in 1981 to 20.3% in 1991.

According to Asian Development Bank (2004), Nepal had a population of 24.8 million people with an annual growth rate of 2.3%. The Nepal standard of living survey report from 2004 revealed that the population living on less than US\$ 1 per day has decreased to 31%, compared with 42% eight years ago. The unemployment rate in the country was 2% in rural areas and 7% in urban locales. However, the International Labor Organization reports that 73.3% of the working age population is employed by informal sectors of Nepal's economy.

Bashyal (2008) stresses that a large number of microcredit programs have focused on expanding micro loans to support economic activities of the poor and disenfranchised groups in the society mostly women poorest the poor. Data have proved that 19.3 million women in the world falls under this category, of which only 14.2 million have access to financial services according for nearly 74% of those poorest women. Women manage day-to-day household budgets, and are more likely to save money from any increase in income from any sources for family welfare. They proved themselves to be much better credit risks than male counter-parts.

In Nepal, the percentage of economically active female and male population is 43.7 and 62.6percentage respectively. An estimated national level unemployment is 5.1 percent. The labor force participation rate of population for 16-49 years of age for female and male is 48.9 and 67.6 percent respectively. The unpaid women workers are 12.9 percent where as male are 5.7 percent. Approximately, 70 percent of women working outside the domestic sphere. Women occupy only 8.1 percent of the professional workforce in agriculture and natural resource management (Bashyal, 2008: p.74).

2.9 Industrial and Enterprises Development

The industrial base of Nepal is very poor. The manufacturing sector contributes about 10 percent to GDP and provide employment to slightly over 15 percent of the labour force in Urban area about 8 percent in Rural areas in Rural area(CBS 2003) large industries create just

one job an average for an investment not less than Rs.3,000.000 small and cottage industrial investment if not more than Rs. 10000. This means that for an employment industrial sector promotion of small and medium industries is beneficial (Maskay 2001) cottage and small industries are estimated are created by this sector. In addition , small and medium enterprise sector provides several benefits like equitable distribution of income , feeder to large enterprise, dispersed location, local resources based. low resources based. low and cheap technologies.

One of the most important objectives of this study was to find out the role of microfinance program on creation of enterprise and generation. It has been found that the purpose of loan taking of the respondents was to start a small scale business. Microfinance program (group formation, enhancement, awareness, and credit facilities) of Nirdhan Utthan bank ltd. has been remained helpful for the poorest people to start their own micro enterprises data presented shows the purpose of loan taking sector wise business creation with employment generation .(The journal of Nepalese Business studies ;Dec 2010/11).

Microfinance have been providing credit on the basis of group liabilities to such downtrodden people in income generating activities as vegetable production, livestock raising tea and daily use shop , market of good (better rise, vegetable and fruits) as per their experience and market can earn NRS . 400-800 net profit in a week in Terai area , microfinance is a powerful instrument for employment generation . it enable the poor to take advantage of existing opportunities , builds up their assets, generates self-employment develop micro enterprises, raises income level, build up self eastern , improves purchasing power , empowers women, enhance overall economic growth, enhances domestic saving and provide escape route from poverty .(Binita Bhatara 2005)

Lack of saving and capital make it difficult for many poor people to become self employed and to undertake productive employment generating activities. Providing credit seems to be a way to generate self –employment opportunities for the poor . But because of lack of physical collateral , they have almost no access to institutional credit. Informal lenders can be a source of credit , but poor household do not gain from investing in production income-increasing activities because of high interest rates. And these source are not reliable to poor and they cannot save enough through such informal sector . A micro-credit program which is able to provide credit to the poor at affordable cost and can help them became productively self-employed .micro-credit program have thus emerged as an antipoverty instrument in many

low income countries . they target the poor especially women , with financial services to help them become self employed in rural non-form activities of their choice (khandker ,1998)

2.10 Impact on Empowerment at Women

It is argued that credit programmes empower women by strengthening their economic roles increasing their ability contribute to the family's income , helping establish their identity outside of the family and giving them experience and self confidence in the public sphere . For example , in Bangladesh, Hasheime (1996) viewed that participation in Grameen Bank is positively associated with women's level of empowerment defined as the function of her relative physical mobility , economic security make various purchase on her own , involvement in major household decision , relative freedom from domination within family , political campaigning. The legal awareness and participation in public protest and political campaigning. The study concluded that involvement in credit program does empower rural women patriarchal society in developing countries precludes women's empowerment through provision of credit and under some circumstances's may even worsen their situations. Often women's income are controlled by their men (Sinha, S., 1998) .

All the same, lending to women still enhances households welfare and the issue of impact of targeted credit on women's empowerment is far from resolved (pitt&khandler , 1996)

Regular two weekly center meeting ,exposure visits and pre-group training have helped the member to raise their awareness and build up their confidence to a greater extent. Member have now been able to express their ideas more openly and discuss their common issues more clearly and confidently than even before. Women , otherwise socially and economically weak, have now found to be stronger to air their social and economic backwardness. Women have been found in better position to fight for social emancipation

The participation of women in the microfinance activities have been high in rural backward areas as the system benefits rural women in greater scale by uplifting them from unexposed society . The system based on transparency and accountability has encouraged women to get out of the traditional concept roles and to be equally active development partners as their male counterpart.

Program has contributed target families especially the women to get empowered by themselves through various financial initiatives .The participation of women in the group discussion on their common issues and various development activities have significantly raised their self-confidence as well as have respect from the communities and household as well .The role of women in their respective household have been found more decisive in influencing male counterparts(S.B Bank , 2004) 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 basic of the success and lesson learned from PCRW and MCPRW programs with some modification. The program intends to cover all the 3914vdcs of Nepal

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2.11 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 mf field has matured, subfields have emerged. Some mf 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 mf 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.

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. Micro finance 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.

The given definition of mf indicates the role and importance of micro finance 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

2.12 Review of Past Studies

There are very few dissertations written by various researchers in previous years. Some of them which are supported to be relevant have been reviewed and resented in this section.

Mr. William f. Steel Stehanie Charitonenko has conducted the thesis entitled Rural Financial Services implementing the bank's strategy to reach the rural poor in March 2003.

The main objectives of this study were as follows:

- J To seeks to expand by rural poor to a suitable diversity of products and institutions that fill the financial needs of income rural clients in income generation and reduction of vulnerability.

-) To expand the characteristics of rural financial markets and constraint to their development.
-) To review recent implementation experience of bank RMF operations and emerging issues.
-) To develops approaches for strengthening implementation of the bank's strategy for rural financial market development at the levels of macro policies, institutions, communities and clients.
-) To focus on the access of the rural poor to financial services and development of the capacity of rural and micro finance institutions RMFIs to deliver services.
-) To elaborate rural finance aspects of the World Bank's rural development strategy by giving an overview of recent implementation experience, discussing current issues, and highlighting priorities for the future.
-) To articulate how the bank views current best practices in rural finance and attempts to incorporated them into its operations, as a common frame of reference for policymakers in client countries, bank staff, and other donor agencies.
-) To prepare an operational framework for the bank and its regional operations to revitalize rural development activities.

The main conclusion of this research was:

This study elaborates rural finance aspects of the World Bank's rural development strategy by giving an overview of recent implementation experience, discussing current issues, and highlighting priorities for the future. The wide range of rural finance issues discussed in this paper can be grouped into three critical areas that confront task managers in a variety of sectors in trying to respond to the demands of developing countries for assistance in rural development.

-) Achieving real sector objectives in agriculture and rural infrastructure,
-) Commercializing mf in rural areas, and
-) Addressing problems of resource transfer to the very poor, post conflict situations, and hivaid.

This chapter is intended to chart a course that will be illuminated through subsequent more detailed operational notes and guidelines on particular issues, drawing on lessons of experience.

The emphasis of project is supports the financial systems approach to developing rural finance based on the principle that commercially viable institutions are most likely to reach large numbers of clients on a sustained basis and building the capacity of RMFIs to respond to demands from rural households and enterprises. On the whole, the research is focused on reaching reliable access to credit needed is more important to smallholders and poor than the interest rate and that savings mobilization is an effective tool for expanding outreach and achieving financial self sustainability.

Mr. Narayan Ghimire has conducted the thesis entitled Impact of Microfinance, A Case Study of Microcredit Program for Women in Nepal .

The main objectives of this study were as follows:

- a. To analyze the position of existing credit.
- b. To measure the relationship between investment and income.
- c. To assess the effect of training on standard of living of the people.
- d. To measure the perception of users group towards the program.
- e. To assess the financial sustainability of the program

The main conclusion of this study was:

The group activities, regular saving and investment, high rate of repayment and utilization of loan have been satisfactory. This shows that financial sustainability and viability of the program in Kahun VDC is guaranteed. The positive correlation between investment and changes in income level of the participants show 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 training and income generating activities is based.

Training and awareness program are the most crucial component of the program for making skilled energetic entrepreneur to run their enterprises effectively and successfully. The program has provided basic and awareness training, skilled and management training,

agriculture training etc to the participant women. It is found to be satisfactory to empower standard of living of the people.

Mr. Joanna ledger wood of mf international, Canada and development project service center, Nepal (DEPROCS Nepal 1997, has jointly conducted research on Critical issues in Nepal's Microfinance circumstances.

The specific objectives of this study were:

-) To review the circumstances regarding current micro finance activities and create a snapshot of the micro finance,
-) To identify and confirm critical issues in microfinance in Nepal
-) To suggest means of creating favorable conditions to support both expansions to poor groups not current served (particularly woman and mechanisms to improve the long term sustainability of micro finance institutions.
-) To examine the term sustainability and outreach of mf organizations in Nepal, leading to the identification of critical issues currently faced by these organizations
-) In particular, it is necessary to identify which models work best for both expansion and sustainable provision of mf services to those who need it most rural poor woman.

The critical issues identified include:

-) Financial viability of mf institutions, including financial self sufficiency, financial reporting and subsidies,
-) Transformation of government programs from retail to wholesale banking
-) Expansion of the provision of financial services to the hill
-) Encroachment or unfair competition between MF institutions
-) Lack of appropriate institutional structure and the inability to form a federation of MF institutions

This study examines the current circumstances of MF in Nepal; assess the critical issues, and provider's recommendations to improve the efficiency and effectiveness of the MF sector.

The main findings of this study were:

Microfinance organizations in Nepal appreciated the cost benefits associated with MF. However, outreach is limited, particularly in the remote hill areas, and financial management is poor, leading to mf institutions which are largely unsustainable over the longer term. The MF sector in Nepal is characterized by social services approach rather than a business approach. Continued reference to MF clients as beneficiaries are characterized of a social banking approach rather than sustainable client focused financial intermediation.

Ultimately mf organization in Nepal will have to adopt an approach focused on providing valued services to clients rather than treating them as beneficiaries who require hand outs subsidies it suggest that all mf activities should be designed to meet the need of the clients, i.e. be demand driven rather than supply driven, taking into account the particular needs of women. Financial reporting of mf activities in Nepal is better than in many south Asian countries, because mf organizations in Nepal take into consideration the financial and operating costs of financial intermediation.

A number of subsidies are provided to mf institutions in Nepal, including subsidized capital for on lending, technical assistance, and government interest rate subsidies to borrowers, subsidies should only be provided for capacity building of institutions, developing organizational capabilities of groups, and in social isolated circumstances, foe initial capital funds for on lending. The government and donor support the development of local NGO INGO saving and credit cooperatives in the hill areas using village banking models designed in Latin America and West Africa, and community loan funds. The Grameen have also proposed modification such as subcontracting local individuals for services provision, and this type of experimentation can be encouraged. Continued support may be requiring providing incentives for organizations to work in remote areas.

CHAPTER – III

RESEARCH METHODOLOGY

3.6 Research Design

A research design is a plan for the collection and analysis of data. It present series of guide post to enable to researcher to progress in the right direction in order to achieve the various steps in the research process. These step include the selection of research problem , formulation of hypothesis , conceptual clarity and methodology survey of literature and documentation , bibliography , data collection ,testing of the hypothesis , interpretation , presentation and report writing.

A research design is the specification of methods and procedure for acquiring the information of the information needed. It is the overall operational pattern of framework of the project that stipulates that stipulates what information obtained is relevant to the research question and that it was collected by objective and economical procedure.

The basic objective of this study is to explore the role of micro-finance in microenterprises creation and employment generation and benefited from such institution . Some systematic research methrology has been used for conducting the study. This study is based on secondary and primary data . Information was obtained from micro finance division of NUBL and field office from manager, other staff are member, Some data and information are collected from telephone , field observation and interviews. Descriptive and analytical procedure has been used to enterpres the data and inferential financial percentage and statistical procedures are applied in this study.

3.7 Nature and Sources of Data

In this study data has been collected from two ways i.e

1. Primary data
2. Secondary data

Primary data has been collected from actual field through interview Schedule , using questionnaire, field Observation and Key information interview.

Secondary data has been collected both from published and unpublished literature i.e. books, journal, articles, research reports and information from micro finance Division and Nirdhan Utthan Bank limited head office.

3.8 Rationale for the Selection of the Study Area

The study is focus in Kudiya VDC of Nawalparasi district. This selection is made with in boundaries such as limitation . This VDC is selected rationally because micro- credit programme has been launching since 8 years by the branch office of NUBL.In Kudiya VDC ward number 6 & 7 has been selected for the purpose of the study.

3.9 Population and Sampling

Population for this study was credit group member of NUBL MF service. There are 150 and 147 households in word 6 and 7 respectively. Among them 60 households are selected by simple random sampling method. Of the 60 households 35 and 25 household are selected respectively from number ward 6 and 7. All the 60 household are loanee of MFLs to fulfill the objective of the study. Only one micro-credit project of NUBL has been conducting in kudiya.

3.10 Tools and Techniques of Data Collection

The primary data or information was collected from various procedures. The researcher visited the branch office of NUBL at Anamnager. After taking the information about the program of NUBL and its outreach in kudiya VDC.

Interview schedule

To get the primary data, the structure and semi-structured questionnaire is developed, then filled up the questionnaire visiting all selected womens by the researcher herself. The same questionnaire is fill up for both loanee of MFLs.

Key Information interview

A checklist was developed for the interview of the household heads. The purpose of the household head interview is to cross check the information obtained from filled up questionnaire of real respondents.

Observation

The study is based on quantitative and qualitative analysis. The researcher visited the study area and observed the employment generation with the help of chief of kudiya VDC

CHAPTER – IV

DATA ANALYSIS AND PRESENTATION

This chapter is aimed to display and evaluated the collected data regarding the objectives. The main component of microfinance program for women especially to employment generation activities and poverty alleviation, enhance living standards as well as to encourage them for compulsory saving and voluntary saving.

4.8 General Background of Respondents

4.8.1 Caste Distribution

Table 4.1: Caste Distribution of Respondents

Caste	Total	Percentage
Bramhin	19	31.67
Magar	14	23.33
Newar	15	25 .00
Satar	7	11.67
Madesi	5	8.33
Total	60	100

Source: Field Survey, 2016

Table shows that caste structure of respondents in the study area. The majority of respondents were Bramhin with 31.67 percent. The other castes like Magar, Satar and Madesi were 23.33, 25,11.67and 8.33 percent respectively.

4.8.2 Age Distribution

Table 4.2: Age Distribution of the Respondents

Age group	Total	Percentage
20 to 30	12	20
30 to 40	18	30
40 to 50	14	23.33
50 to 60	10	16.67
60+	6	10
Total	60	100

Source: Field Survey, 2016

The table shows that more than half (54) of the respondents were between 30 to 50 years old who have heavy financial load for the survival and other social responsibilities such as giving education, marriage of their children. The youngest among the respondents was 20 years old while the oldest was 60+ years.

4.8.3 Marital Status

Table 4.3: Marital Status of Women

Marital status	Total	Percentage
Married	49	81.66
Unmarried	3	5.00
Widowed	5	8.33
Separated	3	5.00
Total	60	100

Source: Field Survey, 2016

Table shows that majority of the members surveyed were married (81.66%), 8.33 percent respondents were widowed, 5 percent of respondents were unmarried and 5 separated women.

4.8.4 Educational Attainment

Table 4.4: Educational Attainment of the Respondents

Educational level	Total	Percentage
Illiterate	35	55
Literate	12	20
Under SLC	7	11.6
SLC pass	6	10
Intermediate and above	2	3.33
Total	60	100

Source: Field Survey, 2016

Table shows that pitiable educational condition of the respondents. The majority of women were illiterate (55%), 18% respondent can write their name only, 11.6% were under SLC and 10% respondents completed their SLC. Only 2% respondent reached at intermediate or above education level.

4.8.5 Family Sizes

Table 4.5: Family Sizes of Respondents

Family size	Total	Percentage
1 to 5 members	36	60
6 to 10 members	16	26.6
11+members	8	13.34
Total	60	100

Source:
Field
Survey,
2016

2016

Table shows the increasing preferences towards nuclear family, so the 60% of member belonged to smaller sized households with 1 to 5 members. However, 26.67% came from medium sized family members with 6 to 10 and 13.33% had larger sized family members. The increasing trend of migration of youngster to the city areas is the main cause of small sized family in rural areas.

4.9 Occupations of Respondents

In the study area occupation denotes employment of the people in different sector for earning purpose. Women of the study area are involved in different occupation such as agriculture, wage earnings, buffalo farming etc.

Table 4.6: Occupation of Respondents Before Involvement of Program

Occupation	Total	Percentage
Agriculture	22	36.67
Wage earner	18	30
Buffalo keeping	4	6.67
Poultry farming	6	10
Goat farming	3	6.67
Pig farming	3	5.00
Tailoring	3	5.00
Total	60	100

Source: Field Survey, 2016

Table shows that respondents are engaged in varieties of economic activities before intervention of program such as agriculture, wage earners, poultry farming, goat farming, pig farming, buffalo farming, tailoring etc. out of total member more than one third were engaged in agriculture and one third were engaged in wage earners. Only 5% percent were engaged in other different occupations. This means there were traditional occupations.

Table 4.7: Occupational Change after intervention of program

Occupation	Total	Percentage
Agriculture	15	20
Wage earners	8	14
Retail business	5	6
Tea Shop	2	4
Poultry farming	4	8
Goat farming	14	28
Pig farming	3	6
Buffalo farming	3	6
Tailoring	4	8
Others	1	2
Total	60	100

Source: Field Survey, 2016

Table shows that out of total respondents 23.33 percent engaged in goat keeping, 25 percent engaged in agriculture 13.33 percent engaged in wage earning. There are new occupation like retail business and opening of small tea and snakes shop after program intervention. Respondents having different viewpoint have started different occupation according to their own entrepreneurship talents. After intervention of the program members have left previous traditional occupation and have started such new business which are economically profitable.

4.10 Employment Generation

Table 4.8: Employment Generation after the Intervention of Program

Employment generation	Number of employee	Percentage
Retail business	8	17.7
Tea shop	5	11.11
Poultry farming	4	8.88
Goat farming	14	31.11
Pig farming	3	6.67
Buffalo farming	3	6.67
Tailoring	8	17.78
Total	45	100

Source: Field Survey, 2016

Employment Generation after the intervention of Microfinance programme has been positive on the respondents of the study area. Table shows that after involvement of the programme 17.7% employed in retail business, likewise, 11.11% in Tea shops, 8.88% in poultry farming, 31.71% in Goat farming, 6.67 in Buffalo farming, 17.78% in Tailoring.

4.11 Changes in Income Level

In the study area income denotes the earning of the borrowers of the program through any productive activity. The income may be in the form of money, articles as food grain, milk, and animal husbandry small industries etc. to know the changes in income before and after the program intervention.

Table 4.9: Changes in Income Level Before and After the program Intervention

Income Per month	Before		After	
	Total	Percentage	Total	Percentage
0-500	15	25.00	2	3.33
500-1000	12	33.33	4	6.67
1000-1500	10	30.00	7	20.00
1500-2000	7	26.67	9	15.00
2000-2500	8	16.67	9	15.00
2500-3000	4	6.67	12	20.00
3000-3500	3	6.67	8	13.33
3500-4000	2	3.33	4	6.67
4000-4500	1	-	5	8.33
Total	60	100	60	100

Source: Field Survey, 2016

Income effect after the intervention of microfinance program has been positive on the respondents at the study area. Table shows that before involvement of the program 58.33 percent of the total respondent having income below Rs.1000 per month whereas it has declined to 10 percent after involvement. Before there was no any respondent having of Rs. 4000 or above where as it has reached to 8.33 percent after intervention of program.

4.12 Living Standards

Living standard of the respondent is often analyzed in terms of consumption pattern, sheltering pattern, clothing etc.

4.12.1 Consumption Pattern

Table 4.10: Consumption Pattern of Respondents

Fooding	Before		After	
	Total	Percentage	Total	Percentage
Traditional fooding like rice, bread, pulse and vegetable	45	75	25	41.67
Nontraditional fooding adding milk, egg, meat etc. In traditional fooding	15	25	35	58.33
Total	60	100	60	100

Source:
Field Survey,
2016
The table

shows that before intervention of program there were 75 percent respondents consume traditional food regularly on their family meal. After intervention of the program only 41.67 percent have used traditional food on their meal. This table itself presents the real picture of the consumption pattern has increased after the program intervention.

4.12.2 Clothing Pattern of Respondents

Table 4.11: Clothing Pattern of Respondents

Clothing	Before		After	
	Total	Percentage	Total	Percentage
Problem on regular clothing as per necessity	24	40	15	25
Do not have problem on regular clothing as per necessity	36	60	45	75
Total	60	100	60	100

Source: Field Survey, 2016

Table shows that out of 100, 40 percent women have regular clothing problem on family before intervention of the program. After the intervention of the program only 25 percent have clothing problem on their family.

4.12.3 Sheltering Pattern of Respondents

Table 4.12: Sheltering Pattern of Respondents

Sheltering	Before		After	
	Total	Percentage	Total	Percentage
Traditional compose of wood, soil & straw	45	75	24	40
Modern compose of wood, soil, brick, tile.....etc.	15	25	36	60
Total	60	100	60	100

Source: Field Survey, 2016

Table shows that the sheltering pattern of the respondents, before intervention of program 75 percent respondents have traditional pattern of house like composed with wood, soil and straw. But after the intervention of program it was 40 percent only. So we can say that the sheltering pattern of respondent have change after intervention of program.

4.13 Findings

Land holding, numbers of income level, quality of home to live and possession of other household amenities have increased among the sample surveyed clients. Moreover, vulnerability has decreased, food security has been increased, and health, child education and sanitation situation are improved. Importantly, livelihoods pattern of microfinance clients has been shifted from wage base to the agriculture and self-employment base. Awareness, capability, confidence and social capital have also been significantly improved. In general, the survey has revealed that socio-economic conditions of the sample clients have substantially improved. . The detail of the research finding is as follows.

Landholding

The survey revealed that the micro- finance program has not shown a significant effect on the client's landholding position. Almost all the clients have their own home to live but not sufficient land to cultivate except some vegetables. After involving in such micro financing program also there is no differences found in creating the fixed assets like landholding. This shows that the impact of microfinance doesn't show any positive movements for adding the land. May be being the VDC within the valley they might not be able to add the land. So from the survey done, it is found that the clients are not able to add the land after the involvement in the provided microfinance programs.

Building

Home to live poses higher value to the sample clients thus prefer to improve the quality by changing roof, making ground cemented, plastering the walls etc. Women feel proud to say and show that changed the thatch roof into the CGI sheet. Among the sample clients, 22 per cent clients have renovated home. In that sense, the microfinance program has been very much helpful in making them prosperous.

Livestock Holding

Number of livestock holding households has also improved. Prior joining the program, only 13 per cent clients have any small scale livestock where 21 per cent clients used to have medium livestock but after joining the microfinance program it has changed to 30 per cent and 26 per cent respectively. This shows that after joining the microfinance program some clients have taken initiation in keeping pigs and chickens and making them the source of income generation.

Other Assets

Quite a size sample clients have created other household assets for example, 90 per cent client households have purchased television 75 per cent have constructed toilet at their home premises and some 62 per cent households have installed hand tube well at their home yard. Similarly, 50 per cent household have also purchased bicycle and 60 percent clients have started small scale business.

4.14 Savings

Savings has been acknowledged as an integral part of the micro-finance program. Experience shows that, the savings service is equally important to poor as credit service. Poor are bankable and they would have active participation in savings program, if proper savings products are designed and implemented. Savings has developed ownership in the participating members, act as collateral to the loan disbursed, help to maintain credit discipline, establish savings habit, provides flexibility to women, generates confidence among them, increase risk bearing capacity of borrowers, control unnecessary expenses and make program sustainable in long run.

4.14.1 Saving Activities of NUBL and Women who are involved in NUBL's Program

Saving is store for future consumption. Now a days every people are involve in saving activities. Considering this NUBL, Nawalparasi organize women in three kinds of saving. They are group fund saving, individual saving and centre fund saving. In group fund saving, there are group saving and weekly saving. Women should collect Rs 1 per month per week in weekly saving and 5% of loan in first year, 4% of loan on second year and 3% of loan in over three year in group saving. In case of individual saving they should collect more than Rs100 exceptionally. There is compulsory saving of Rs 1 per week in centre fund saving. Up to Ashad of 2065 there were altogether 75,874 accountholders.

4.14.2 Constraints and Critical Issues Focused in Microfinance

In the process of analyzing the critical aspects, constraints faced by women are captured and analyzed. Moreover, the field survey has revealed further critical issues related to women focus microfinance for their socio-economic empowerment and poverty reduction which are discussed at length here below. Some of these are even related to policy issues whereas some are related to the pressure faced by NUBL and market phenomena.

4.14.3 Constraints Faced

Despite the number of positive socio-economic impacts that women sample clients have enjoyed from microfinance, they are facing number of constraints since the microfinance

program is a discipline based thus every activities has to be done with limited flexibility. Major constraints face include, the increased pressure, tension, difficulty in time management, difficulty in taking care of child, pressure of arranging loan installments, risk of need to fulfill fellow members loan installment if some one fails. The details of the constraints faced by sample clients are presented in the table below.

Major Constraints Faced by the Sample Clients

-) Discussions which extend till late in the evening have created problems at home as elderly members do not allow females to be out that late.
-) Women are facing problems if they need to go out however, there is a provision of forwarding application. If application is not put in time, we have to pay penalty.
-) Entire process has to be done by the females and under their presence which put them in pressure and made them worry as they have their family and children to look after. Further, problems are seen to feed and send children to school.
-) Since it is a joint effort of the entire village and all has to be present together to work thus has become more problematic and difficult.
-) Taking loans and borrowing money has increased irrational feelings amongst the sample females because the loan has been passed in their name.
-) Regular meetings and discussions have brought difficulty in managing household activities.
-) Male counterparts are keeping less interest and wanted to be free from any household responsibility which has increased out tension.
-) The installments need to be paid on specified days. Even if female are ill, it has to be managed anyway which is difficult. Among the various constraints faced by women the most affecting constraint is the pressure of repayment. This has been discussed at length here below.

CHAPTER – V

SUMMARY, CONCLUSIONS AND SUGGESTION

5.1 Summary

Nepal is least developed country and most of the people live under poverty which can also be extended to the study area. The extreme level of poverty, and different geographic circumstances made the delivery of financial services to the poor particularly challenging. Limited income generating opportunities result in low incomes and reduced saving capacity. Women in Nepal are significantly poorer than male, have little access to education and have less control over economic decision. This is due to male dominated society. They are predominately confined to domestic and agricultural activities and have few economic opportunities. Access to microfinance services has proven to contribute towards poverty alleviation and the empowerment of women. However this must be in a sustainable and efficient manner, ensuring continued access to financial services over the long term.

Women of this VDC are unprivileged and low in socio-economic aspect thus leading to poverty. However, women population is high. To reduce this poverty and make women self-dependent, economically strong different microfinance institutions are working the study area. NUBL is one of them.

Nirdhanutthan Bank limited was established in 2055 B.S. The general objective of the study is to analyze the impact of microfinance on Women in case of PMS. This study is important for the researchers, microfinance projects, investors, scholars, government and other parties. This study focuses only activities of saving (deposit), loan disbursement and its recovery as well as impact on poor women etc.

Under the literature reviews, the theoretical and research reviews have been done. In theoretical reviews the origin and activities has been lunch by the NGOs and INGOs which are still working in rural areas. The other programs lunched by that organization and several books related to poverty reduction, rural development and microfinance is shown. Another part of the chapter is research review. The study is related to several article, newspapers and dissertations.

Analytical research design has been used in this study. This study is based on primary and secondary data. Most of the data are collected from field survey.

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

- The main sectors of occupation by women are agriculture, buffalo keeping, goat keeping, retail business, bio-gas, poultry farming, pig keeping etc.
- Mainly women are involved in regular and optional saving. The percentage of women who are saving more amounts in regular and optional basis is in increasing trend after entering NUBL programs. But there is decrease in percentage of women who are not saving more. This shows women's saving power is increasing.
- Majority of the women are saving from agriculture and retail business so emphasis should be given to these sectors.
- Mobilization of save money by women is in increasing trend while the percentage of women who are not mobilized saved money is in slightly decreasing. Mobilized of save money is effective way to raise livelihood of village women.
- Repayment of loan on time is in increasing trend after entering NUBL programs but there is decrease in women who are not paying on time.
- The loan disbursement rate of NUBL to women is increasing slowly up to FY 2062/63 and 2063/64. But it is decrease in FY 2064/65. The highest amount of loan disbursement is in micro business loan and lowest amount in micro enterprise loan 'ka'. The increasing loan disbursement rate shows that women are interested to take loan and invest that money to earn more.
- Loan recovery rate is also increasing up to FY 2063/64 but decrease in FY 2064/65 where as loan outstanding is increase up to FY 2062/63 rapidly but after that it is decreasing. In some years recovery is more than outstanding and in some years outstanding is more. So there is random fluctuation among these. In overall recovery are many more than outstanding in every fiscal year.
- Maximum number of sample women is taking loan. The percentage of women who are taking loan is ninety two. The percentage of women taking loan is increasing after entering NUBL program resulting decrease in case of not taking loan. So now more women believe in loan.

- Women are not changing more in sectors of lending area. More women are taking loan for agriculture purpose. It is also seen that the number of women taking loan increase to ninety two after entering NUBL from eighty eight.
- Majority of women are interested to pay loan on time. The numbers of women who are paying more increase to seventy seven from sixty five. So more loan repayment rate is satisfactory after entering NUBL.
- Women are running their business well after entering NUBL. So program of NUBL is more effective than in the previous period.

Majority of women's income from investment is maximum. Women who are earning more are increase after entering NUBL. So the percentage of women who are earning maximum from investment is increasing comparing to women who are earning less. It shows NUBL programs are effective and satisfactory.

5.2 Conclusion

The country like Nepal whose economy is based on agriculture and the majority of women involved in this sector. Microfinance program is the best way to uplift women economically as well as socially. Physical and geographical access in remote area is not favorable for large investment of banking sector.

Under these circumstances, microfinance program is relevant where commencing of big industries, factory, and enterprises in remote and rural area by the people living there is out of their capacity. Taking loan from bank is cumbersome and need long procedural to be followed. Due to lack of education the rural poor aren't go to bank for loan. They never tired to do something to ameliorate their living, as they have been habituated to be satisfied from their traditional agriculture process and production.

Poverty alleviation is the main target of government in developing countries. In the process of development, Nepal has adopted a free economy, especially after the restoration of democracy in 1990. Under the free market economy, NGOs are put forward for the development of country as an art of private sector. In Nepal the 8th plan emphasized the importance of NGOs in enhancing production activities and socio economic development. The 9th and 10th plans continue this emphasis on NGOs role in development.

Microfinance program fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities especially women, who are confined in the home and household chores. Mf is also one of the worthiest ways to expose women in the society. So, they can realize their equal important in the society. They can understand their ability, their hidden talent.

Change in attitude of people is an important as the material achieving through community development during the initial stages of development. Therefore, better reliance as the participation of women in community project makes vigorous development program. People get involvement in the program planning and its execution by them are organized in to farmers organization, youth club or women association. Realizing this fact Government of Nepal has conducted many institutions for microfinance program. The whole impact of the program is to be associated in multidimensional ways, which in this study is not possible due to various constraints. Anyway the impact of program of income generation and living standards is positive though it is not satisfactory.

5.3 Suggestions

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

-) The program should develop a practical and varied training courses to the women related development activities as the need particular community.
-) The agriculture sector is dominant in absorbing the program. Mostly the loan is used for investment like beekeeping, poultry farming, goat farming, and pig farming, Buffalo farming and agriculture with vegetable farming. So livestock sickness and livestock death makes emergency burden to the borrowers. To solve the problem, following points are purposed.
 - a. Healthy livestock should be supplied to the borrowers.
 - b. Necessary vaccine should be arranged at appropriate time.
 - c. Who can fully devote time to provide services?
 - d. Through there is the provision of insurance (in the case of death of livestock) but it has not smoothly implemented. So there is needed of smooth implementation of

insurance provision as well as the provision of insurance to livestock suffering from disease too.

-) 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.
-) When lending, it is noted that family of the members are the consumers. So in our community there may be necessary two shops, one tailor, two or three milk suppliers to surely necessary goods for community.
-) The position of the program staff should be permanent, so that could perform their responsibility with confidence and concentration. Given the field orientation nature of work of the program allowance should be raised.
-) To supervise the use of loan and to provide effective skill to advice on the management of loan, field staff should be trained regularly. So that the clients of the program received technical as well as marginal guidance to manage microfinance program.
-) The program should be included with literacy classes as well as orientation classes in which the women development section staff should provide all information about loan, repayment schedule and interest rate etc. this will be great important because the researchers has so many respondents who says that they did not pay the loan because they heard that the money has come from outside for the poor of Nepal.
-) 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.
-) The program should be started in to the VDC, through the VDC level seminar where leader of NGO, GO and AmaSamuha should be invited. The active role of local political leader and teachers must be necessary to the success of program.
-) The effective crosscutting programs are necessary for microfinance program.
-) Microfinance program is formed operating their transactions without due consideration for their financial viability and sustainability. For the viability and sustainability, effective government policy is also necessary. So interest must be charged at the rate and cost must be minimized where the institution is viable.

) Microfinance program is not a family business, so member of board and executive committee of the institution must be awarded of their role and responsibility.

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APPENDIX I

IMPACT OF MICROFINANCE ON INCOME GENERATION: A CASE OF MICROFINANCE PROGRAMME OF NIRDHAN UTTAN BANK KUDIYA-6 VDC, NAWALPARASI DISTRICT

Household Questionnaire

1 Name of respondent:

3. Age:

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

4. Caste/Ethnicity:

(a) Brahmin (b) Chhettry (c) Rajbansi (d) Satar (e) Others

5. Marital Statuses:

(a) Married (b) Unmarried (c) Widow (d) Separated

6. Education:

(a) Illiterate (b) literate (can write name) (c) Under S.L.C (d) S.L.C

pass

(e) Intermediate level and above

8. Family size:

(a) 1 to 5 members

(b) 6 to 10members

(c) 11+members

9. Occupation

Occupation	Before	After
buffalo keeping		
agriculture		
wage earner		
retail business		
bee keeping		
poultry farming		
hotel		
others specify		

10. What is your land tenure status?

land tenure status	Before	After
owner		
tenant		
share cropper		
others specify		

11. What is your monthly income before and after intervention the program?

(a) Before: Average Rs.....

(b) After: Average Rs.....

12. What is the purpose for taking loan?

- (a) Buffalo/cow rising for milk shelling
- (b) Goat/pig rising/poultry farming
- (c) Grocery/tea shop
- (d) Farm cultivation
- (e) Vegetable farming
- (f) Fruitshop
- (g) Tailoring
- (h) Manufacturing
- (i) Consumption purpose
- (j) Other, specify