

**MICROCREDIT ON BUTWAL MUNICIPALITY: A CASE
STUDY OF PGBBL, SHANKARNAGAR BRANCH**

By:

Bishnu Bhandari

Prithvi Naryan Campus
T.U. Reg. No.: 7-2-475-3-2004
Roll No.: 264/2064

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RECOMMENDATION

This is to certify that the thesis:

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Bishnu Bhandari

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has been prepared as approved by this Department in the prescribed
format of faculty of management. This is forwarded for examination.

Supervisor

Name: Amritlal Shrestha

Signature: _____

Date: / / 2011

Head of the Department

Signature: _____

Campus Chief

Signature: _____

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We have conducted the viva-voce examination the thesis

Submitted by:

Bishnu Bhandari

Entitled

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Chairperson, Research Committee _____

Member (Thesis supervisor) _____

Member (External expert) _____

Member _____

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ABBREVIATION

ADB	=	Asian Development Bank
GBB	=	Grameen Bikas Bank
GDP	=	Gross Domestic Product
Go	=	Government Organization
IFAD	=	International Fund for Agriculture Development
IRDP	=	International Rural Development Programme
MBS	=	Master in Business Studies
MFI	=	Micro Finance Institution
MFDB	=	Micro Finance Development Bank
MFP	=	Micro Finance Programme
NGO	=	Non Government Organization
NRB	=	Nepal Rastra Bank
OECD	=	Organization for Economic Cooperation and Development
PCRW	=	Production Credit for Rural Women
PGBBL	=	Paschimanchal Grameen Bikas Bank Limited
SCC	=	Saving and credit cooperative
SFDB	=	Small Farmer Development Bank
SLC	=	School Living Certificate
VDC	=	Village Development Committee

Chapter I

INTRODUCTION

1.1 Background

Nepal is the 12th poorest country in the world and poorest in South Asian region, having \$568 per capita income (Economic Survey: 2009/10) but there is the possibility of economic development because of water resources, biodiversity and beauties of the country which are underutilized. The main reason of poverty is an obstacle of capital investment. Consumption is always higher in proportion to investment like in other developing countries; Nepalese are in the vicious circle of poverty, so they cannot save from their income to investment. Some reasons of the poverty are geographical diversity, defective government policy, illiteracy and conservative society (Sharma, 2009).

Despite ongoing development efforts, poverty remains rampant in Nepal with approximately 31 percent of the population living below the poverty line. The incidence of poverty is highest in remote and rural areas (Economic Survey: 2009/10).

The research area is related with the specific subject finance. The field of finance can be considered to comprise three broad categories; financial management, investments and financial institutions. Financial institutions are the area of finance deals with banks and other firms that specialize in bringing the suppliers of funds together with the users of funds.

Financial institution can play the role of financial intermediary. In the present economic context, the financial institutions have become much more significant than ever their activities like lending towards priority sector, deprived sector and thereby helping income generating activities

for the poor can be considered as the major role played by them, for the endeavor toward poverty alleviation. In Nepal there are several kinds of financial institutions such as commercial banks, financial companies, co-operatives involving in saving and credit activities etc. most of the financial institutions are under the regulation of Nepal Rastra Bank (NRB) the central bank of Nepal.

Microfinance has been one of the few effective tools for poverty reduction over the past years through the creation of sound microfinance institution and systems, poor people can safely deposit money and accumulate funds for future investments or emergencies as well as access loans for productive proposal leading to higher income. Additionally microfinance produces an impact in other areas including good governance participation in the political process, women empowerment, social inclusion and conflict transformation.

Currently, more than 1.6 million individuals in the rural population have access to microfinance services. This figure represents approximately 8 percent of the population and approximately 26 percent of the people living below the poverty line. In order to obtain more effective statistics and further diminish poverty, the outreach of sustainable and sound microfinance institutions to the rural and urban poor must be increased.

With the conclusion of microfinance summit 2008 and the 7th national steering committee held on September 11th 2009, new issues in the microfinance sector upcoming microfinance summit 2010 these issues includes-

1. How to increase funding for the microfinance sector so as to improve client retention for microfinance service while simultaneously improving the livelihood of existing clients with entrepreneurial skills.

2. How to make microfinance more inclusive towards excluded groups, the formal financial sector and the macroeconomic framework of Nepal.
3. How to properly govern microfinance institutions so that they can not only reach their intended target markets in rural areas, but also provide them with sustainable microfinance practices.
4. How to eradicate the burdens of poverty such as a lack of access to healthcare and education through the incorporation of savings and insurance schemes with microfinance practices.
5. How to improve credit schemes and creating a model for value chain finance in microfinance sector.

During 1992-1996, five regional rural development banks i.e. Grameen Bikash Bank (GBB)s were established with the instantiation of microfinance services to a large no of poor households throughout the country. All of them have followed the operational morality of the Grameen bank Bangladesh. Then Rural Micro Finance Development Centre was established as an apex microfinance organization of country in 1998 to promote the microfinance all over the country. And other four NGO's having considerable experience in micro finance development bank (MFDB). These are Nirdhan Utthan Bikas Bank Ltd, Swabalumban Bikas Bank Ltd, Chhimek Bikas Bank Ltd and Deprose Bikas Bank Ltd. They have altogether served about six lakhs households. Majority of them belong to poorest of the poor. There are also large number of NGO's and saving and credit co-operatives (SCCs) operating saving and credit activities as one of their major activities throughout the country.

1.2 Focus of the Study

Under the microfinance, the study is focused on microcredit programme of Pashchimanchal Grameen Bikas Bank Ltd in Butwal Municipality which was established in 1994, registered as a public limited company under the Company Act 1974, and is currently is operating under the bank and Financial Institutions Act 2006 as a microfinance bank. The bank has been established to alleviate the hardship and sufferings the rural people within the western region of Nepal. The main objective of the bank is to poverty alleviation of the rural poor through credit delivery system of western region of Nepal. The unique features of the bank are area approach, well defined target group, group guarantee lending approach, no physical collateral required, disbursement of loan at the center. The mission of Pashchimanchal Grameen Bikas Bank Ltd is to create income and generate self-employment through micro credit to the rural poor at their doorsteps to reduce poverty. PGBB is providing loan to ultra- poor by reaching door to door of poor people. It is a bank which is effortful to uplift living standard of poor through providing microcredit to them for establishment of productive business and sources of income generation. Bank provides two types of loan which are micro-business loan and micro industry loan. Generally, micro-business loan encompasses loan provided for small service-business (grocery shop, restaurant and hotel, vegetable and fruit shop, fresh house, fancy stores, cosmetic shop etc.) and agriculture like poultry, animal keeping, fish keeping, bee keeping and farming likewise micro-enterprise loan encompasses loan provided for small industry or micro-industry.

1.3 Statement of the Problem

Nepal is under the debilitating and severe problem of poverty. Micro-finance is term that is broadly used for the provision of financial services to low income households and self-employed people. Micro-finance institutions (MFI) have to be concerned with their financial sustainability because it is a precondition for reaching large number of micro-entrepreneurs with micro-finance services over a sustained period. Several micro-finance institutions have succeeded in reaching the poorest of the poor by delivering innovative strategies these include the provision of small loans to poor people, especially in rural areas at full cost interest rates, without collateral, that are repayable in frequent installments, borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many microcredit programs have targeted one of the most vulnerable groups in society-the women who live in households that own little or no assets. By providing opportunities for self-employment, many studies have significantly increased women's security, autonomy, self-confidence and status within the household.

In many developing countries overall interest rates charged by micro-lending schemes are quite high when the risk premium is added. Many of these micro-institutions claim a high rate of repayment. There are various constraints of the microfinance program to achieve its objectives and development goals. People of the study area are not so literate, women literacy rates is less in proportion to men. The focus of microfinance program is for ultra-poor to improve their sustainable economic condition.

This study was attempted to solve the following research problems.

- 1) What is the position of existing micro-credit?
- 2) What is the perception of user groups towards the program?
- 3) What is the effect of micro-credit program on living standard of the people?
- 4) What is the financial sustainability of the program?

1.4 Objectives of the study

The overall objectives of this study was to analyze the microcredit program on Butwal Municipality under the PGBBL Shankarnagar branch office, Butwal but its specific objectives of the study were as follows:

- 1) To analyze the position of existing microcredit.
- 2) To measure the perception of user group towards the program.
- 3) To assess the effect of microcredit program on living standard of the people.
- 4) To assess the financial sustainability of the program.

Definition of keywords

1. Microfinance

It is a specialized system of finance which provides loan and services to target person, family, society or organization that are not in access to the mainstream of financial services.

2. Microcredit

It is that loan which is provided in small amount to the poor people which help to promote micro-enterprises, small business and agricultural products. It supports to generate self-employment, income, savings and alleviate poverty.

3. Self-employment

An employment created by himself/herself where an employee works independently for customer or client but not for employer.

4. Target group

Families or individuals who meet the banks criteria to get loan from Grameen Bikas Bank.

1.5 Significance of the study

Every research itself has own importance because it aims to gain knowledge and to add new literature to existing field. Similarly this study has great significance because microfinance program definitely enhance the economic status of rural poor, disadvantaged and deprived women of a society. The main reason behind this research work is to measure the perception of user group towards the program and to analyze the effect of micro credit programme on living standard of the people. So this study is also important to get answer of above problems. Microfinance concept is very important to poor Nepalese people especially for women. From microfinance tools, they can directly involve in fund raising program and can develop themselves.

Nepalese government has initiated microcredit programs where the government agency not only organizes groups of women but also provides commercial credit. The Microcredit programme for women has invariably involved many different kinds of people and agencies. It has focused many challenges. The impacts of the programme on its intended beneficiaries depend on the qualities of its performance which in turn dependent the integration of all related factors. So, through the study, efferots have been made to identify the impacts of the programme which may assist to rectify possible defect and strengthen these programs.

This study could be expected to have some academic as well as practical importance. Mainly, the purpose of the study is important for the researcher to fulfill academic degree of MBS. It may also be immensely useful for researchers, donors and students to increase knowledge on microfinance/credit, and base any future study on the topic with the knowledge presented by this thesis.

1.6 Limitation of the Study

Basically this is an academic study for partial fulfillment of MBS degree. This was undertaken within the boundaries of limit area, subject & time. The study was taken only on selected group member of the programme in Butwal municipality under PGBB, Shankarnagar branch office. The study has taken consideration of last five years data and focused on microcredit programme. Sustainability of the programme has been analyzed on the basis of saving, repayment of the loan and financial viability. Similarly standard of living of the people was analyzed only with three determinants such as consumption, clothing and involve in social activities.

1.7 Organization of the study

This study has been organized into five chapters. one deals with major issues of the study along with general background, focus of the study, statement of the problem, objectives of the study , study area , importance of the study, delimitation of the study and organization of the study. Chapter two comprises review of the literature which consists of conceptual review and review of related studies. This provides a framework with the help of which this study has been conducted. Chapter three describes the research methodology used in this study which deals with research design, population and sample, nature and sources of data, data collection techniques and methods of data analysis. Chapter four

deals with presentation and analysis of relevant data and applying various statistical tools, tables and graphs are also interpreted and accomplish the objective of the study. And last chapter presents summary, conclusions and recommendations. After that references and appendices have been arranged.

Chapter II

LITERATURE REVIEW

2.1 Conceptual Review on Microfinance

Microfinance is a part of development finance of rural or urban, targeted towards specific groups of people male or female falling in lower society. It refers to the provision of a broad range of financial services, such as deposits loans payment services money transfers and insurance to the poor and low income households and their micro enterprises (ADB, 2000). MFIs are reliant on small savings from group members. Financial services include savings, credit and other services such as micro money transfer and micro insurance. This service is employment and income oriented target group, target community, target area and credit at home.

Microfinance encompasses the management of small amount of money through a range of products, and a system of intermediary functions that circulates money in an economy (Yunus 1980).microfinance is small in value amounts targeted at low income clients. It includes loans, savings, insurance, transferred services and other financial service. Providers of micro finance include non-government organization (NGOs), self-help groups, co-operatives, credit union, commercial bank, insurance and credit card companies and other points of sales. Micro finance is unique among development interventions; it can deliver a number of social benefits on a going, permanent basis and on large scale. Many well managed microfinance institutions throughout the world provide financial services in a sustainable way. (Baral2008)

2.1.1 Micro Finance Program in Nepal

Microfinance program have grown rapidly in Nepal during the last decade. Though the program of micro finance for the poor was first initiated in 1950s through co-operatives and continued in various forms such as SFDP, PCRW etc. but the operation of micro-finance in its true sense was started with the establishment of Grameen Bikas Bank in 1992. Prior to adoption of liberal financial policies starting from 1991 and intensified in later years, microfinance program was exclusively under the government control. However, with the initiation of liberal policies after 1991, private sector and NGOs have also been involved in microfinance program following Bangladesh Grameen Bank model. (Baral, 2008)

Microfinance programs are implemented by government, semi-government and non-government financial institutions such as commercial banks, Grameen banks, and microfinance development banks, NGOs and savings and credit cooperatives. There are 5 regional Grameen Bikas bank one each in five development regions in the government sector. The number of microfinance companies has reached 13 against earlier 12 with one more Micro Finance Development Bank. There has been no change in the number of cooperatives with limited banking services registered under Cooperative Act and limited to 16 (as before) by mid- March 2009. The number of non- governmental organizations working as intermediary agency, has limited to 45 by mid-March following the cancellation of licenses of Nepal Grameen Bikash Samaj Kendra Biratnagar, and Chhimek Samaj Sewa Sanstha, Kathmandu. (Economic Survey 2008/09)

Microfinance programs that have involved in Nepal over the years can be categorized into 6 groups; co-operative programs, priority sector lending program, intensive banking program, specific target group programs, grameen bank replication programs, microfinance development

banking. Outreach of major microfinance is gradually increasing. Besides the microfinance institutions stated by Nepal Rastra Bank, a number of community base organization , saving credit cooperatives, small farmer cooperatives are delivering their services in the rural area. however, the poorest of the poor is still out of the program. the main reasons are; 1)self-sufficiency approach of MFIs .2) geographical location of the country 3)lack of education and awareness 4) recovery rate based rating of the MFIs from Apex institution and others. (Sharma, 2005)

2.1.2 Microcredit Program

Microcredit programmes are important institutional devices for providing small credit to the country poor in order to improve poverty. These programmes first developed and initiated in Bangladesh in the late seventies and later replicated in many other countries including the south and Southeast Asian and some African countries, have now been recognized as useful instrument for poverty alleviation in Nepal too. The grameen bank is the pioneer among the microfinance institutions (MFIs) to introduce microcredit programmes. During the last two decades or so the number of such MFIs including Government and non-governmental organizations (GOs and NGOs) operating at national or various local levels in Bangladesh has increased to well over 850 (Latif, 2001:52)

Under the microcredit programmes collateral free loans are provided to the rural poor who do not have assets to offer collateral and have limited access to the formal financial institutions like the commercial banks. The prime objective of these microcredit programmes is to create credit market and there by create self-employment and increase the productivity and earnings of the poor.

Microcredit can influence saving in a number of ways. First, there are compulsory saving schemes associated with microcredit programme for

most MFIs, the persons seeking membership and qualifying for getting loans are required to form a small co-operative group among themselves and deposit regularly a certain amount of cash to the saving fund for a short period, prior to becoming members and receive loans, small proportion of granted loan amount is deducted and deposit as saving to the clients' accounts. Second, the utilization of microcredit in productive activities increases employment and income, which is likely to have direct positive income effect on saving. And third, besides the direct income effect, there is indirect effect as well. As the income rises resulting from investment of loans in productive activities the borrowers get incentives for voluntary saving out of their current income in order to make reinvestment of such saving in further productive activities. (Baral, 2008)

In the past decade, microfinance has been recognized as an effective development intervention for three basic reasons:

- a. The services provided can be targeted specially at the poor and the poorest of the poor.
- b. These services can make a significant contribution to the socio-economic status of the targeted community.
- c. The institutions that deliver these services can develop within a few years into sustainable organizations with steadily growing outreach.

Some features of micro-finance/credit are as follows.

- a. It promotes credit as human rights.
- b. Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor and particularly to poor women.

- c. Most distinctive feature of Grameen-credit is that it is not based on any collateral or legally enforceable contracts. It is based on 'trust', not on legal procedure and systems.
- d. It is offered for creating self-employment for income generating activities and housing for the poor, as opposed to consumption.
- e. It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be 'not creditworthy'. As a result it rejected the basic methodology of the conventional banking and credit own methodology.
- f. It provides services at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
- g. In order to obtain loans of borrower must join a group of borrowers.
- h. Loans can be received in a continuous sequence. New loan becomes available to a borrower if his/ her pervious loan is repaid.
- i. All loans are to be paid back in installments.
- j. Simultaneously, a borrower can receive more than one loan.
- k. It comes with both obligatory and voluntary savings programmes for the borrowers.
- l. Generally these loans are specified through non-profit organization or through institutions owned primarily by the borrowers. If it is done through non-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameen creditor's thumb-rate is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate market, interest

rate is taken as the reference rate, rather than the money lenders rate. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.

- m. Grameen credit gives high priority on building social capital. It is promoted through formation of groups and centers, developing leadership quality through annual election of group and center leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers it undertakes a process of intensive discussion among the borrowers and it encourage them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital, it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace the manual power. (Swivel, 2008)

2.1.3 Role of Microcredit in Poverty Eradication

This is the first time that the Secretary-General has been requested to report to the General Assembly on the subject of microcredit. In the broader context of the international fight against poverty, the paper highlights the strengths and weaknesses of the micro lending approach, from which some conclusions about the future course of action are drawn. The report, as requested by the General Assembly, provides information from United Nations funds, programmes and agencies on their actions especially in the field.

Microcredit and Poverty Eradication

Since the World Summit for Social Development the priority given to poverty eradication has grown. As stated in the previous report of the Secretary-General on the eradication of poverty (A/52/573), it is now broadly accepted that robust economic growth that is labour-intensive and equitable, combined with larger outlays of social expenditures, especially directed towards the poor (now estimated at 1.3 billion people), are a winning combination in the fight against poverty.

Several factors have led to increased interest in microcredit in promoting growth with greater equity. There has been a growth in the recognition of the importance of empowering all people by increasing their access to all the factors of production, including credit. In addition, the value of the role of non-governmental organizations in development is receiving more attention.

It is in that context that microcredit has recently assumed a certain degree of prominence. It is based on the recognition that the latent capacity of the poor for entrepreneurship would be encouraged with the availability of small-scale loans and would introduce them to the small-enterprise sector. This could allow them to be more self-reliant, create employment opportunities, and, not least, engage women in economically productive activities. Currently, there are estimated to be about 3,000 microfinance institutions in developing countries. These institutions also help create deeper and more widespread financial markets in those countries.

Characteristics and Recent Successes of Microcredit Programmes

Informal and small-scale lending arrangements have long existed in many parts of the world, especially in the rural areas, and they still survive. Good examples are schemes in Ghana, Kenya, Malawi and Nigeria

("merry-go-rounds", "esusus" etc.). They provide the rural population with access to savings within the local area and with a certain cushion against economic fluctuations, and they encourage a cooperative and community feeling. The groups formed provide joint collateral and serve as instruments for spreading valuable information that is useful for economic and social progress.

All economies rely upon the financial intermediary function to transfer resources from savers to investors. In market economies, this function is performed by commercial banks and the capital markets. More widespread financial intermediation, as well as increasing depth and variety, is a hallmark of advancing development. But in many developing countries, capital markets are still at a rudimentary stage, and commercial banks are reluctant to lend to the poor largely because of the lack of collateral and high transaction costs. The poor would borrow relatively small amounts, and the processing and supervision of lending to them would consume administrative costs that would be disproportionate to the amount of lending. A study by the International Fund for Agricultural Development (IFAD) has confirmed that complicated loan procedures and paperwork, combined with a lack of accounting experience, limit poor people's access to formal sources of credit. Other reports cite the fact that commercial lenders in rural areas prefer to deal mainly with large-scale farmers.

The absence of commercial banks has led to non-conventional forms of lending. The recent prominence given to microcredit owes much to the success of a relatively few microcredit programmes and their increasing scale. The Grameen Bank of Bangladesh, the most prominent of the successes, now reaches over 2 million people, with cumulative lending of

about \$2.1 billion. Similar successful examples are known in Latin America (e.g., Banco Solidario in Bolivia), less so in Africa (the Kenya Rural Enterprise Programme is a good example). Progress has also been recorded in several transition economies, mixed in some cases. Such institutions have not only achieved a degree of success, but they have also managed to attract donor support and press attention.

These schemes are characterized by relatively small loans, a few hundred dollars at most. The repayment period is relatively short, about a year or so. Women are a major beneficiary of their activities, and the destination of the funds primarily includes agriculture, distribution, trading, small craft and processing industries. The administrative structure is generally light and the entire process is participatory in nature. The impact of microcredit lending varies widely between rural areas and urban areas.

In many developing countries, overall interest rates are relatively high to begin with, so that rates charged by micro lending schemes are quite high when the risk premium is added. Many of these micro-institutions claim a high rate of repayment. This is attributable to the informal participatory structures, which create an atmosphere in which debtors respect their obligations. While this phenomenon is certainly true of the better-run institutions, it is not possible to verify whether this is a universal feature. There is little by way of "global" research in this area, even though the literature on microcredit has proliferated in recent years.

It should be noted that although a large number of studies undertaken so far on the impact of microcredit programmes on household income show that participants of such programmes usually have higher and more stable incomes than they did before they joined the programmes, some practitioners still have reservations about the findings of those studies.

Moreover, not many microcredit programmes can afford to undertake impact assessments because they are generally expensive and time-consuming. There are serious disagreements among experts on the validity of methodologies used in some of the published studies. In some cases, even the more rigorous studies have produced inconclusive results. Some studies show that there are limits to the use of credit as an instrument for poverty eradication, including difficulties in identifying the poor and targeting credit to reach the poorest of the poor. Added to this is the fact that many people, especially the poorest of the poor, are usually not in a position to undertake an economic activity, partly because they lack business skills and even the motivation for business.

Furthermore, it is not clear if the extent to which microcredit has spread, or can potentially spread, can make a major dent in global poverty. The actual use of this kind of lending, so far at least, is rather modest: the overall portfolio of the World Bank, for example, is only \$218 million. In recent international meetings, it has been stated that a target to reach 100 million families by the year 2005 would require an additional annual outlay of about \$2,5 billion. This should be compared to the total gross domestic product (GDP) of all developing countries, which is now about \$6 trillion. A certain sense of proportion regarding microcredit would seem to be in order.

In addition, the administrative structures governing these institutions are commonly either fragile or rudimentary, and often involve large transaction costs. A study by the Organization for Economic Cooperation and Development (OECD), for example, found that many specialized agricultural institutions were not designed to serve as financial intermediaries. The success of financial intermediation at any time

depends significantly on how efficiently the transaction is completed. If the transaction costs, combined with high interest rates, require that the operation in question generate profit margins of the order of 30 to 50 per cent, it is not clear that this would be economically beneficial. It is not surprising that in many micro lending operations, trading activity - with quick turnover and large profit margins - dominates.

In many cases, microcredit programmes have been stand-alone operations. There is now considerable consensus that lending to the poor can succeed provided it is accompanied by other services, especially training, information and access to land. An OECD study, for example emphasized that credit needs to be supplemented with access to land and appropriate technology. But such activities require strong support from the public sector. In some of the lowest-income countries, lack of access to land is the most critical single cause of rural poverty, which dominates the poverty situation in those countries. Yet, few countries have substantial land reform programmes.

Moreover, in the proliferation of micro lending institutions, non-governmental organizations and foreign donors have played an increasing role. Non-governmental organizations vary in quality and strength. The best results are produced, research shows, when developing country Governments and non-governmental organizations work hand in hand. While donor participation can be positive, it should be noted that total official development assistance (ODA) has declined in recent years.

Recent Development

Over the past decade, microfinance institutions have adopted innovative ways of providing credit and savings services to the entrepreneurial poor.

Two approaches have been advocated on the role of credit in poverty reduction. While supporters of the income-generation approach maintain that credit should be provided mainly to the entrepreneurial poor to enable them to finance specific private income-generating activities to increase their revenues, proponents of the so-called new minimalist approach argue that credit programmes would still be helping the poor fight poverty by giving credit to any poor person who is able to repay a loan without dictating to that person how and on what the loan should be used. Some studies have pointed out that the problem of the non-productive use of credit, as advocated by the minimalist approach, lies in the fact that by consuming rather than investing their loans, the actions of such borrowers, if imitated by other poor people, could produce a negative impact on the future growth of microcredit.

Several microfinance institutions have succeeded in reaching the poorest of the poor by devising innovative strategies. These include the provision of small loans to poor people, especially in rural areas, at full-cost interest rates, without collateral, that are repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many microcredit programmes have targeted one of the most vulnerable groups in society - women who live in households that own little or no assets. By providing opportunities for self-employment, many studies have concluded that these programmes have significantly increased women's security, autonomy, self-confidence and status within the household (Report of the Secretary-General 1995).

2.2 Review of Related Studies

2.2.1 Review of Journal and Articles

Muhammad Yunus (1999) this paper reviewed the available empirical evidence on NGO-led micro-credit programmes and institutions implemented across various developing countries. The objective was to judge the performance of these programmes and institutions on the basis of a set of four indicators in comparison with the state-led credit-based poverty alleviation programmes and institutions, such as, the IRDP and RRBs in India. The review indicated that NGO-led micro-credit programmes and institutions such as Grameen Bank, have been successful in reaching Their target groups of poor more effectively than the state-led programmes and institutions. However, even these have not been free of the “exclusion problem” in targeting. With due recognition of the methodological problems involved in accounting income change, the study led to the conclusion that micro-credit programmes and institutions have generated a positive change in the incomes of beneficiaries, but this change has only been marginal. A similar result has been noted in the case of IRDP and RRBs in India. Micro-credit programmes and institutions have generated a positive impact on the number of days of family employment. However, their performance in the generation of wage employment has been poor. Further, given the principle of “survival skill” that has driven institutions, such as Grameen Bank, there has not been any discernible contribution to the improvement of skills and technology adopted by the beneficiaries. Hence the available evidence indicates that Grameen-type credit programmes and institutions, at their currently small scale of operation, have made a ‘minimalist impact on the earnings and employment generation for the rural poor.

In his research work “Microfinance: Good Portfolio and Management of

Delinquency”, Baral (2004) concluded that loan recovery rate of loan mobilized under different programmes in Kaski is found to be satisfactory. He has also clarified “the term delinquency is used to imply the situation when overdue loan is remaining unpaid. In the context of Nepal, high loan recovery rate indicates that microfinance institution do not have to face much more problem relating to delinquency.” He identified two kinds of irregularities committed by both microfinance institutions and borrowers. On the part of microfinance institutions the irregularities were commonly found on selection of target area, identification of target group, irregularities information of group, mobilization of loan on the basis of securities, and emphasis of investment and recovery of loan. Similarly following irregularities has found from the side of borrowers such as misuse of loan, non-repayment of due installment, and repayment of loan from different sources. He has suggested that area on the convenience of the project or employees serving for it, and on the basis of invests interest. He has also suggested that there should be a mechanism to monitor the target group or as per the operation manual of the concerned project and institution should not consider only the target of investment and recovery of loan but also consider the effectiveness of the mobilized loan.

Sharma (2004) conducted the empirical work “Microfinance: A Powerful Tool for Social Transformation: its Challenges and Principle”. He performed his study on private, public and non-governmental institution to assess sustainability and financial efficiency. He has also focused on delivering microfinance services to the poorest of the poor. He has found that MFIS were not being able to reach the proper identification of the poor due to inability of proper identification of the poor due to inability of proper identification of the poor and lack of commitment and clear

vision of their action. He has mentioned that they were suffering from the problems such as inadequately of resources, in appropriate regulations loss of confidence of depositors, narrow level and area of operation, excessive overhead and ineffectiveness of activities. In addition to these peace and security situation of the country, strategies planning and operation cost etc. are equally challenging for its sustainability.

He has suggested that MFIS should need to enter in a new paradigm of financial market and develop business planning practice and efficient management of human resources within the institution. He has further suggested that strategic approach should be adopted in order to monitoring mechanism, effort to link formal and informal sector involved in micro financing programme and flexibility in financial management regulation.

Sharma (2007) published an article on “The journal of Nepalese Business Studies” about ‘Microfinance and Women Empowerment’. The article examines effect of women’s participation in group based microcredit programs on a large set of qualitative responses to questions that characterize women’s autonomy and gender relations within the household. The data were taken from a special survey carried out in hill and terai in 2004-2006 of Nepal. In this paper, analysis was done on women’s involvement in decision making, changes in self-confidence, women’s status in gender equity, changes in social and political participation, changes in control over income, changes in awareness of social issues and problems and family relationships and domestic violence. From the study the result was taken out those similar changes in self-confidence of women after the program by ecologically belt hills showed relatively higher proportion of men’s involvement in cooking as compared to terai, but in childcare, fetching water, washing clothes,

cleaning house and utensils men's involvement is relatively higher in terai belt than the men in hills. It also shows that there is a significant change in social and political participation of women after the program has substantial impact on terai women's income control as compared to hills. Terai shows a relatively create changes in family relationship and violence.

Mohammad Main Uddin (2007), Islamic bank Bangladesh ltd was founded with the major objective of establishing Islamic economy for balanced economic growth by ensuring reduction of rural- urban disparity and equitable distribution of income. In view of the above, branches of the bank have been encouraged to invest their deposits in their respective areas and in particular for the economic upliftment of the rural people accordingly, a scheme in the name and style of 'Rural development scheme' has been introduced to cater to the investment needs of the agriculture and rural sector to create opportunity for generation of employment and raising income of the rural people with a view to alleviate poverty.

2.2.2 Review of Theses

Poudel (2007) carried out a research on "Microcredit in Lekhnath Municipality: A Case Study of Pashchimanchal Grameen Bikas Bank (PGBB)." The main objective of this study was to assess microcredit phenomenon of PGBB in lekhanath municipality. Other specific objectives of this study were to identify the sectors and types of investment on micro credit; to study the role of microcredit in employment generation; to study the state of micro credit in terms of distribution, repayment and investment sustainability; to study the fruitfulness of microcredit in terms of income generation pursuing poverty alleviation; to study the banks performance on target group identification and accessibility of micro-credit to the target group. From

the study he found that the investments were mainly of three types i.e. investment of loan to support existing business/ occupation expenditure. Out of 97 new employment, the highest contribution in new employment generation was from small business and lowest was from animal keeping sector. The highest amount of loan was borrowed for the purpose of small business, it is also seemed that investment of the bank loan to the members who have existing business/ occupation is not fruitful for poverty. It is also seemed that investment of the bank loan to the members who have existing business/ occupation is most fruitful for poverty alleviation. It is also proved that the performance of bank to identify target group is also poor.

Ghimire (2005) had done a study on the title 'Impact of Microfinance: A Case Study of Microcredit Program for Women in Kahun VDC.' The objective set by researcher for his studies were to measure the relationship between investment and income to know the perception of user group towards the program. Similarly he tried to assess financial sustainability of the program and effect of training on living standard of the people. He had presented some major findings of his studies. Among four investment sectors of borrower, agriculture sector has highest investment. Business, which were started by taking loan from program, were found to be operating regularly as major occupation after the intervention of program. Women were especially attracted towards economically profitable business like poultry, buffalo keeping and retail business. Correlation and regression analysis was found to be significant between income and investment. Overall impact of the program on living standard of women was positive. Most of the participant had repaid the loan in due time where 85 percent of women repaid the loan in due time.

Thapa (2008) has done a research on 'Impact of microfinance on women;

A Case study of Putalibazaar Municipality, Syangja under Grameen Bikas Bank. The main objective of this study was to assess the impact of microfinance on women in Putalibazaar Municipality, Syangja, other specific objectives of this study were to analyze saving and its mobilization pattern of women, to explore mode of loan, loan disbursement and repayment practice, to analyze the relationship between investment and income and in between loan disbursement and recovery, and to assess the impact on the poorest of the poor women's financial condition. From the study, GBB was actively involved in saving programs of women. Women were also interested and motivated to save more with GBB programs with saving they were encouraged to mobilize that save in terms of loan. This would help to solve the financial problem of women in society to some extent. Loan disbursement and on time payment is an essential part of the program. GBB can slowly meet the required criterion of loan repayment with increasing trend in recovery and still the amount of outstanding remained to the required criterion. Loan was disbursed in different sectors and GBB was still focusing more on loan disbursement to poor women. Majority of the women were involved in agriculture. The status of loan investment and income of women was found satisfactory and they were earning slowly higher with involvement of GBB programs. Majority of women believed that involvement in GBB program initiates to increase their living standard.

The overall study shows that the program has made positive impact on the women living standard by generating employment and increasing productivity. The most important and effective program is to the basis to uplift the economic condition of rural women. Most of the sampled women were under farmer's category and the major source of income of women was agriculture.

Acharya (2007) did research for MBS degree on the topic Bhadaure Tamagi VDC, Kaski. The main objective of the study was to explore the role of microcredit program for women of Bhadaure Tamagi VDC Kaski. Other specific objectives of this study were, to analyze the position of existing credit, to analyze the relationship in between investment and income, to measure the perception of user group towards the programs, to assess the effect of microcredit program on living standard of the people, to assess the financial sustainability of the program. From this research study she found that the overall impact of microcredit program for women's earning beneficiaries and living standard is positive. It had positive impact on clothing and sheltering facility after the intervention of the program. The conditions of loan recovery had a positive impact up on the regularity of loan payment. Among the sample women, 4 percent could not repay both the principal and interest, 28 percent could repay only interest and not principle, and 18 percent could repay only principal and not interest regular. Since all the respondents of the program have taken loan at least one time from the program. Out of the total investment of microcredit program, the highest proportion of investment was made on poultry farming (35.95 percent), and the lowest was made on goat keeping (18.21 percent). The main sectors of taking loan were poultry farming, buffalo keeping, retail business and goat keeping.

2.3 Research Gap

From the above literature review we can conclude that there are various study related in Nepal. The topic of microfinance/microcredit programme all of the above research study were found to be about the effectiveness of microcredit/finance programme. However this study is related with microcredit on Butwal Municipality under Paschimanchal Grameen Bikas Bank Ltd. There are several microcredit groups in operation. But very

limited study has been made so far about effectiveness of microcredit on living standard of the people and financial sustainability of the program. This study has rationale for fulfilling the gap of previous research study.

Chapter III

RESEARCH METHODOLOGY

Research methodology is the most important part of the study. This study attempts to make assessment of performance of microcredit programme for women.

3.1 Research Design

The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. The research design refers to the entire process of planning and carrying out a research study. To conduct this study, descriptive, cross-sectional and analytical approach were adopted. Descriptive approach was utilized mainly for conceptualization of the problem. Cross-sectional approach was used to identify changes or similarities between two periods of time. Analytical approach was followed mainly to analyze the investment and other variables.

3.2 Population & Sample

There are 400 participating groups in the micro finance programme of PGBBL Shankarnagar branch, Butwal. This was regarded as size of population for the study. This study did not consider all the groups for the purpose of study due to the time limitation and budgetary constraint. Only 50 members were selected as sample from 50 groups for this study using a random sampling method.

3.3 Nature and Sources of data

This study is primarily based on primary and secondary data. These primary data were original data which were gathered by the researcher for

research at hand. These primary data were both qualitative as well as quantitative in nature. Different methods were adopted in order to collect these data. Stress was given to collect qualitative information at the same time. Similarly, secondary data and information were collected from various sources such as annual report of micro-credit program and websites.

3.4 Data Collection Techniques and Tools

This study was based on both primary and secondary data. The following techniques and Tools were employed to collect the primary data for meeting the objectives of this study.

3.4.1 Personal Interview

Personal interview was used to collect the information related to credit, saving, investment, interest collection, repayment rate etc. In this technique, the respondents were personally interviewed. Similarly, it was conducted amongst the field staff and group member involved in these micro-finance programs.

3.4.2 Questionnaire Survey

Questionnaire survey was used as the main method for the generation of primary data required for this research. For the purpose of this study, a questionnaire was prepared which contained both closed as well as open ended questions. So questionnaire served as the basic and primary tool for the collection of primary data required to meet the objectives of this study.

3.5 Methods of Data Analysis and Presentation

Analysis is the careful study of available facts so that one can understand and draw conclusion on the basis of established principles and sound logic. The collected data were classified, tabulated and analysis through

the model, financial tools etc. Analyzed data have been presented in tables, charts, diagrams etc. The following tools were used for the analysis of the financial data:

$$1. \text{ Repayment Rate} = \frac{\text{Amount of Repayment}}{\text{Total Disbursement}}$$

$$\text{Financial Viability} = \frac{\text{Total Income}}{\text{Total Expenses}}$$

Chapter IV

DATA PRESENTATION AND ANALYSIS

This chapter includes analysis and presentation of collected data. This chapter starts with the general background of respondent then socioeconomic impact on standard living of the people and women perception on MFPs are also presented thereafter.

4.1 Selected Demographic Characteristic of Respondents and Perception Compared

4.1.1 Age structure and Perception

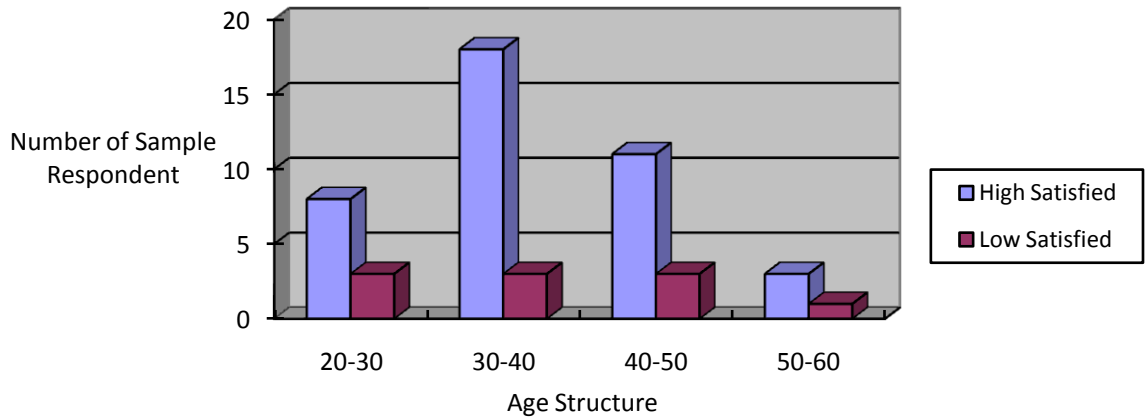
Age is a significant factor that determines the participation of the respondents. The data collected from filed survey of 50 respondents, there was participation of respondents ranging from 20-60 years. But for better analysis, this range of age has been further divided into four age groups. Distribution of the sampled respondent with respect to age structure towards the programme is shown in the table.

Table 4.1 Age Structure of the Respondents and Perception

Client age range	Perception towards the program		
	High satisfied	Low satisfied	Total
20-30	8	3	11
30-40	18	3	21
40- 50	11	3	14
50- 60	3	1	4
Total	40	10	50

Source: Field Survey, 2067

Figure 4.1 Age Structure of the Respondents and Perception



Source: Field Survey, 2067

From the above table and figure, it is clear that number of respondents of age group 30-40 was the highest one amongst the high satisfied group as there were 18 highly satisfied respondents. From this age group only 3 respondents had low satisfaction. 11 respondents had high satisfaction from age group 40-50 while 3 had low satisfaction. Similarly, from age range 20 to 30, 8 respondents were highly satisfied and only 3 respondents were lowly satisfied. The above table clearly shows that the highest satisfied numbers of respondent was in the age group of 30-40 years. Total number of highly satisfied respondent was 40 and the total number of low satisfied respondent was 10 only. From this it can be said that most of the respondents have positive perception towards this microcredit program.

4.1.2 Education Level of Sampled Respondents and Perception

Education is the backbone of national development. Women are especially less educated as compared to men. Education is vital for the development of any kind of perception in all people regarding any aspect. The allocation of respondents according to their educational qualification

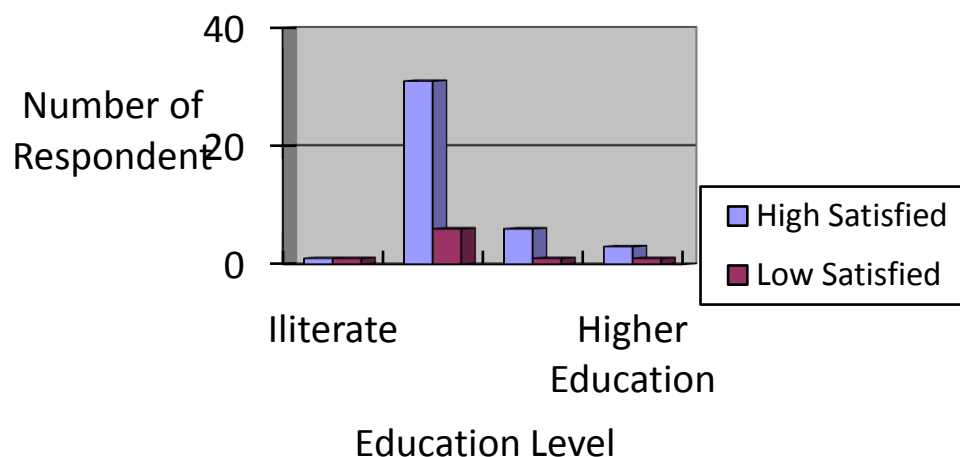
and their perception towards the microcredit program has been presented in the table below.

Table 4.2
Education Level of Sampled Respondents and Perception

Education Level	Perception towards the program		
	High satisfied	Low satisfied	Total
Illiterate	1	1	2
Literate(Below SLC)	31	6	37
S.L.C. passed	6	1	7
Higher Education	3	1	4
Total	41	9	50

Source: Field Survey, 2067

Figure 4.2 Educational Levels of the Respondents and Perception



Source: Field Survey, 2067

From the above table and figure, it is clear that the number of literate (below SLC) respondents was the highest one amongst the high satisfied

one as there were 31 highly satisfied respondents from this level. From this education level only 6 respondents had low satisfaction. 6 respondents had high satisfaction from the education level with SLC passed while 1 had low satisfaction. Similarly, from the higher education (above SLC) level, 3 respondents were highly satisfied and only 1 respondent was low satisfied. Above table clearly shows that the highest satisfied number of respondent was in education level literate (below SLC). Total number of highly satisfied respondent was 41 and total number of low satisfied respondent was 9 only. Maximum number of respondent attractive towards the microcredit program in the education level was literate (below SLC). Through the microcredit program they could easily solve their economic problem and they were engaged in economic activities. Here number of respondent illiterate was 2 only. 1 illiterate respondent was highly satisfied and 1 was low satisfied. From this, we can say that the perception of the respondents based on educational level towards the program is positive.

4.2 Position of Existing Micro-credit

Micro credit is important institutional device for providing small credit to the clients. Loan (credit) is the main product of Paschimanchal Grameen Bikas Bank. Loan creates main income of bank as interest. The bank gives high priority on building social capital in micro credit. It is promoted through formation of groups and centers, developing leadership quality through annual election of group and center leaders, electing board members when the institution is owned by the borrowers. In the following part, various aspects of micro-credit program of Paschimanchal Grameen Bikas Bank have been explained.

4.2.1 Types of Micro Credit of Paschimanchal Grameen Bikas

Bank

Banks disburse different kind of loan such as micro business loan, micro enterprises loan and renewal energy loan. The credit products include a micro business loan and a microenterprise loan.

4.2.1.1 Micro Business loan:

Micro-business loan encompasses loan provided for small service-business (grocery shop, restaurant and hotel, vegetable and fruit shop, fresh house, fancy stores, cosmetic shop etc.) and agriculture like poultry, animal keeping, fish keeping, bee keeping and farming. The microbusiness loan is provided through groups, using peer guarantee for repayment, and is repayable in 50 weekly installments. The following table presents the status of loan invested by Paschimanchal Grameen Bikas Bank in the last five years:

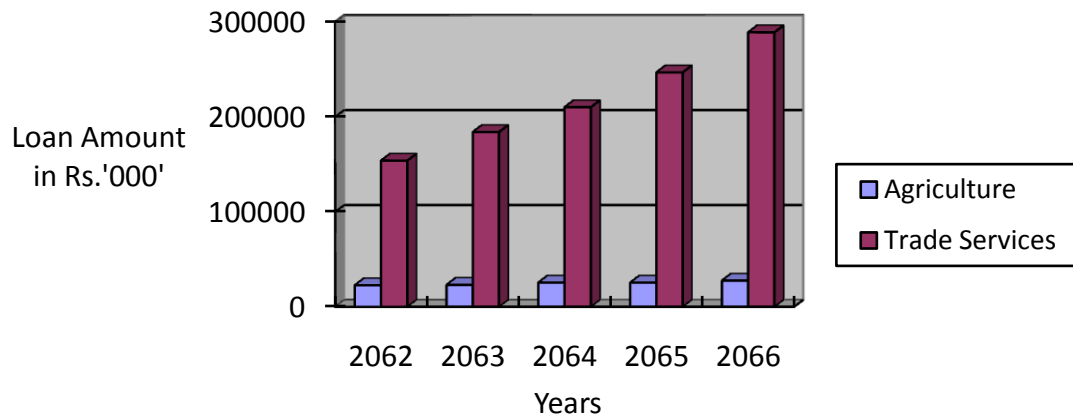
Table 4.3

**Loan Investment in Micro Business Sector in five Different years
(Rs. 000)**

Sector Year	Agriculture		Trade services		Total
	Amount	Percent	Amount	Percent	
2062	22646	12.83	153846	87.17	176492
2063	23101	11.16	183967	89.14	207068
2064	25501	10.82	210117	89.18	235618
2065	25426	9.34	246707	90.66	272133
2066	27601	8.72	288906	91.28	316507
Total	124275	10.29	1083543	89.71	1207818

Source: Annual Report, PGBBL, 2067

Figure 4.3 Loan Investments in Micro Business Sector in Five Different Years.



Source: Annual Report, PGBBL, 2067

Above table and figure compare the investment made by Paschimanchal Grameen Bikas Bank in the last five years in agricultural and trade sectors. In 2062, out of total investment 12.83 percent was invested in agricultural sector while rest 87.17 percent was invested in trade sector. This trend of much greater investment continued in this following years. The investment in the successive years shows gradual increment except in the year 2065. It increased from Rs. 22646 thousands in year 2062 to Rs 27601 thousands in year 2066. Same increased trend is shown by the investment in the trade sector. Altogether out of total investment of Rs.1207818 thousand in micro business sector under micro credit program in five years, only Rs.124275 thousand i.e. 10.29 percent of investments was made in agriculture sector rest 89.79 percent of total investment was made in trade services. In spite of increase in amount, the share of investment in agricultural sector shows decreasing trend in each year whereas each year the share of trade sector shows a significantly progressive trend. Thus, trade sector weighs heavily over agricultural

sector in terms of investment under micro-credit program of this bank. In spite of being Nepal an agricultural country, more loan demand and investment made by the bank was found to be far greater in trade service rather than in agriculture. This is never going to boost up Nepalese agricultural sector as well as overall economy.

4.2.1.2 Micro Enterprises Loan:

Micro-enterprises loan encompasses loan provided for small scale manufacturing industries such as food processing, furniture or micro-industry. The microenterprise loan is provided to members having graduated from the microbusiness loan. As a condition, this loan requires collateral, and is repayable in monthly installments over two years. The table given below presents the status of loan investment by Paschimanchal Grameen Bikas Bank in the last five years under Micro enterprise loan

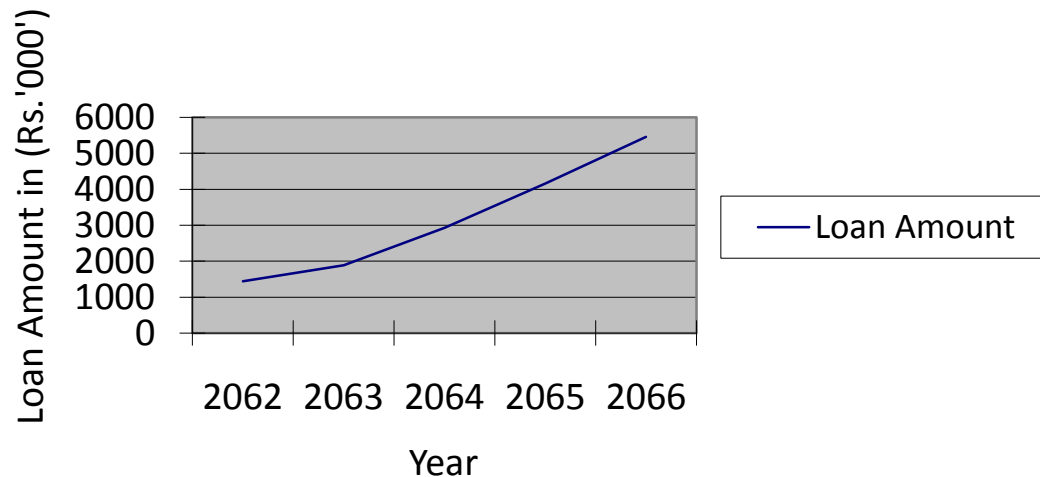
Table 4.4
Loan Investment in Micro Enterprises Sector in Five Different Years.
(Rs. 000)

Year	2062	2063	2064	2065	2066	Total
Investment	1442	1885	2929	4162	5458	15876

Source: Annual Report, PGBBL, 2067

Based on the above table, an investment trend line has been sketched which is presented at below.

Figure 4.4 Investment Trend Line on Micro Enterprise Loan for Five Different Years



Source: Field Survey, 2067

From the above table, out of total loan investment in micro enterprises sector of Rs.15876 thousand, Rs.1442 thousand investment was made in year 2062, Rs 1885 thousand in year 2063, Rs.2929 thousand in year 2064, Rs.4162 thousand in year 2065 and Rs.5458 thousand investment made in year 2066. It shows that, loan investment in micro enterprises shows an increasing trend from the FY 2062 to 2066. This shows growth of number of enterprises or increase of investments in existing enterprises. This can be understood as one of the significant progress of the micro-credit program of this bank. Similar growth across the country definitely proves to be pivotal for the overall economic growth of the country.

4.2.2 Loan Amount of the Borrowers.

In the microcredit programme of PGBBL maximum loan amount has been provided Rs. 60000. The borrowers are so curious about the use of the loan, they demand accordingly to the need of their business and enterprise. Table and line graph 4.4 expose the scenario of the loan amount and percentage of the total borrowers given as below.

Table 4.5
Distribution of Loan Borrowers by Loan Amount

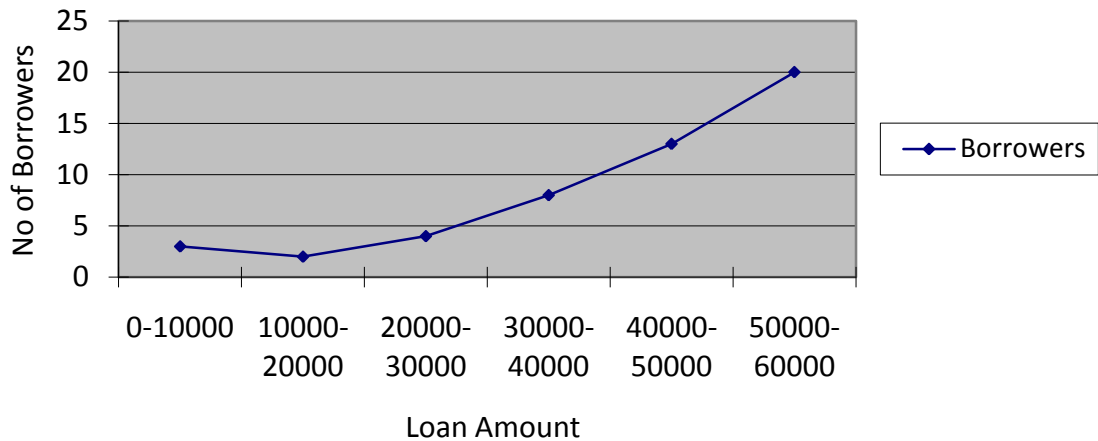
S.N.	Loan Amount in NRs.	Frequency	Percent
1	10000 or less	3	6
2	10000-20000	2	4
3	20000-30000	4	8
4	30000-40000	8	16
5	40000-50000	13	26
6	50000-60000	20	40
Total		50	100

Source: Field Survey, 2067

From the table, out of 50 respondents 40 percent of the respondents have borrowed Rs.50000 to 60000 as loan, 26 percent of them have borrowed Rs.40000 to 50000 and 16 percent of the respondents have borrowed Rs. 30000 to Rs. 40000. Similarly 6 percent of the respondents have borrowed 10000 or less and the least number of respondents have borrowed Rs.10000 to Rs. 20000.

Based on the above table 4.4, trend line of loan amount versus number of burrowers has been sketched which is presented at below.

Figure 4.5
Loan Amount and Number of Borrowers



Source: Field Survey, 2067

As evident in the above figure, of all the loan burrowers, most of them i.e. 80 percent have burrowed the maximum amount of loan provided by this bank under its micro-credit program. Since, most of them have burrowed this loan for small scale trade; this sum proves to be supportive so that they could increase their sources of income and investment.

4.3 Living Standard of the Respondents

Standard of living refers to the usual scale of our expenditure, the goods we consume and the services we enjoy. Here, for the purpose of the study effect of program on consumption, clothing and sheltering pattern of the people are assessed to measure changes in the standard living of the people.

4.3.1 Change in Consumption and Clothing Pattern of Sample Respondents

Change in consumption and clothing pattern is one of the important measures of living standard of people in general. Thus the research attempted to find out the change in consumption and clothing pattern among the respondents. The following table gives more detail regarding this issue:

Table 4.6

Distribution of Respondents by Consumption and Clothing Pattern

SN	Sectors	Responses and Number of Respondents			
		Improve	Percent	Constant	Percent
1	Consumption Pattern	38	76	12	24
2	Clothing	33	66	17	34

Source: Field Survey, 2067

As the table shows that after involving in the microcredit program; out of 50 sampled respondent families, 38 respondent families' consumption pattern has been improved while 12 respondent families' consumption pattern has been constant. Out of 50 sample respondent families' 33 respondent families' clothing pattern has been improved and 17 respondent families' clothing pattern has been constant. The percentage rates of the above improvement were 76 percent in consumption pattern and 66 percent in clothing pattern. Constant pattern were 24 percent in consumption and 34 percent in clothing. Thus the table itself presents the fact that the standard living of people has been improved. It can easily be said that after involving in microcredit program, their income has significantly increased, due to this usual scale of their expenditure were increased.

4.3.2 Change in Sheltering Facility

Sheltering is the important component of the living standard of the people. Of various facilities at the household, two basic indicators i.e. status of water supply and toilet were used in this research.

Table 4.7
Distribution of Respondents by Sheltering Facility

Status of Facilities at Home	No of respondent	
	Before	After
Not having facility of water &toilet	8	2
Having facility of water toilet	42	48
Total	50	50

Source: Field Survey 2067

Above table shows that, before the intervention of the programme, out of 50 sample respondent, 8 respondents family did not have the facility of water and toilet, 42 respondents' family had facility of water and toilet on their own house. After intervention of the programme, 48 respondents family have been benefited by the facility of water and toilet, only 2 respondents family were found not having facility of water and toilet. There was easily observable change in the household of six families as they were able to manage the facility of water and toilet at home after they got benefited from this programme. During research study, it has been found that 84 percent respondents were having sheltering facility before the intervention of the programme due to urban area, 12 percent respondent having sheltering facility after the intervention of the programme and rest 4 percent respondent not having sheltering facility. So the living standard of the people in the study area has been improved after intervention of the programme. During the research period, it has

also been found that some participant people had no house. They lived on rent.

4.4 Financial Sustainability

Sustainability is the development process in which the exploitation of resources, direction of the investment and institutional changes are made consistent with future as well as present needs (Dahal, 1998; 213). Here the purpose of the study saving, repayment rate and financial viability were assessed to measure the sustainability of the programme.

4.4.1 Saving

Saving of an economic unit is defined as the excess of current income over current expenditure in consumption. Saving may be in the form of cash holding or various forms of deposits and physical assets. (Latif; 2001: 56). Microcredit programme encourages women to deposit certain amount of money regularly. This programme increases self-reliance, strength and group cohesiveness among group members and it also helps to maintain sustainability of the programme. The saving is used by their members themselves to meet financial need of their business or occupation. The group members also fix the certain interest rate of their investment. PasGGB provides saving services to the clients. The saving schemes include group saving, center fund, emergency fund, personal saving and child education saving scheme. Group savings are compulsory savings of 5 percent of each loan disbursement, with additional contribution of one rupee each week.

Group savings can only be accessed by members after five years. The centre fund (one rupee per week) is used to build centre meeting buildings. Personal saving are voluntarily savings that attract a 6 percent interest rate, while the child education saving scheme is a cumulative saving scheme over seven years, used for education purposes. In the

research survey, it has been found that there is provision of compulsory group saving and all the members deposit fix amount of money in the form of saving. Such saving is invested in the same day to the group members. Number of respondent involve in saving programme has been presented as below.

Table 4.8

Distribution of Respondents by Involvement in Saving Programme

Saving scheme	Frequency of respondents
Individual saving	32
Group saving	18
Total	50

Source: Field survey 2067

From the above table 4.7, number of respondents involved in individual saving was found to be 32. The rest 18 respondents were involved in the group saving program. The respondents were not involved in child education saving and other saving scheme, though they were also available under this program.

4.4.2 Loan Repayment.

The act of paying back money previously borrowed from a lender is known as loan repayment. Repayment usually takes the form of periodic payments that normally include part of principal plus interest in each payment. The other common method of repayment is a lump-sum with interest at maturity. Repayment rates measure the amount of payment received with respect to the amount due. Regularity in the repayment of loan is an essential condition of the performing loan. The repayment situation of loan is shown below in the table.

$$\text{Repayment rate} = \frac{\text{Total Amount of Repayment}}{\text{Total Disbursement}}$$

4.4.2.1 Repayment of Micro Business Loan

Repayment of loan is crucial for all the banks and financial institutions for maintaining their financial security and sustainability. The researcher was interested in knowing the status of repayment of all types of loan provided under the micro credit program of the bank. The following table contains the figures about the repayment of micro-business loan:

Table 4.9

Micro Business Loan Repayment in Five Different Years (Rs. 000)

Year	2062	2063	2064	2065	2066	Total
Disbursement	178316	208892	237442	273957	318331	1216938
Repayment	158338	188546	218997	252193	292227	1110301
Outstanding	19976	20346	18445	21764	26104	106637
Percentage of Repayment	88.79	90.26	92.23	92.06	91.80	91.24

Source: Annual Report of PGBBL, 2067

As we seen in the above table, out of total disbursement Rs.1216938, Rs.178316 thousand disbursement was made in year 2062, and then Rs.208892, Rs.237442, Rs.273957 and Rs.318331 thousands in year 2063, 2064, 2065 and 2066 respectively. Total repayment made in this period was Rs.1110301 which is 91.24 percent of total loan disbursement. According to office record, in five year repayments were Rs.158338, Rs.188546, Rs.218997, Rs.252193 and Rs.292227 thousand in year 2062, 2063, 2064, 2065 and 2066 respectively. Percentage of repayment made was 88.79 percent, 90.26 percent, 92.23 percent, 92.06 and 91.80 percent from FY 2062 to 2066 respectively. This clearly indicates that the repayment status of the bank has been excellent in the last five years. Therefore, it can safely be said that the bank's performance is effective and financially sustainable.

4.4.2.2 Repayment of Micro Enterprise Loan

Alongwith, micro-business loan, the researcher was also interested in knowing the status of repayment of micro enterprise loan provided under the micro credit program of the bank. The following table presents the fact of repayment of micro enterprise loan:

Table 4.10

Micro Enterprises Loan Repayment in Five Different Years

(Rs. 000)

Year	2062	2063	2064	2065	2066	Total
Disbursement	835	1229	1669	2929	4341	11603
Repayment	228	573	569	1696	3224	6290
Outstanding	607	656	1100	1233	1117	4713
Repayment Rate	27.31%	46.62%	34.09%	57.90%	74.27%	54.21%

Source: Annual Report of PGBBL, 2067

As evident in the table 4.8, out of total disbursement loan on micro enterprises sector Rs.11603 thousand, disbursement made in five different year 2062 to 2066 were Rs.835, 1229, 1669, 2929 and 4341 thousand respectively. Out of total repayment of Rs.6290 thousand, repayment made in five different year 2062 to 2066 were Rs.228, 573, 569,1696 and Rs.3224 thousand respectively. It shows that, of total disbursement, 54.21 percent of the loan was repaid in due time and rest 45.79 percent loan was not repaid in due time. These figures are not as encouraging as in the case of micro-business loan, but in these five different years, repayment rate had been increasing except year 2064.

4.4.3 Financial Viability

Financial viability refers to ability of MFI to cover its cost with earned revenue. To measure the financial viability, revenue is compared to total

expenses. If revenue is greater than expenditure, the micro finance institution is self-sufficient and program is significantly effective. It is calculated as follows:

$$\text{Financial viability} = \frac{\text{Total Income}}{\text{Total Expenses}}$$

The researcher also attempted at finding out the financial viability of the micro-credit program of Paschimanchal Grameen Bikas Bank.

Table 4.11
Financial Viability of the Micro-Credit Program (Rs.)

Year	Total income	Total expense	Financial viability
2062	2483908.26	1766974.72	1.4057
2063	3485766.79	2552222.62	1.3657
2064	2560365.28	1457019.42	1.7573
2065	2502605.07	1524072.23	1.6420
2066	2806261	1799252.51	1.5597

Source: Annual Report of PGBBL Branch Office Shankarnagar, 2067

In above table 4.9 total income and total expenditure of PGBB branch office Shankarnagar program have been shown for respective fiscal year. The above calculation indicates that income is higher than expenditure. It stands at 1.4 times, 1.37 times, 1.75 times, 1.6 times and 1.56 for the fiscal years 2062/2063/ /2064 2065 and 2066 respectively. Although the program operated by bank seems to be financially viable, the ratio has marginally declined over time, indicating it has not been able to improve its performance over the years. The reason for this state of affairs needs to be explored and necessary actions have to be adopted.

Major Finding of the study

- Bank provided two types of loan under micro credit program micro business loan and micro enterprises loan. Interest rate on both loan are 18 percent.
- In micro business loan has taken loan only two sector such as agriculture and trade service.
- Out of total investment of micro business loan under the micro credit program, the highest proportion of investment is made on trade service (89.71 percent) and rest (10.29 percent) is made on agriculture sector.
- Investment trend on both micro business loan and micro enterprises loan are upward movement or increasing in 5 year period.
- Perception of the user groups towards the program is positive. All of the participant women perceived satisfy from the program. In the study, 82 percent respondents perceived high satisfy and rest only 18 percent respondent have perceived low satisfy.
- All participant respondents are married and the age structures of sample respondent are in the range of 20-60 years.
- Most of the participant respondents are found to be literate. According to the sample survey 96 percent respondent are literate and only 4 percent respondent are found to be illiterate.
- The study reveals that the overall impact of beneficiaries and standard of living is positive. It has positive impact on consumption, clothing and sanitation facility after the intervention of the programme.
- Because of the urban area 84 percent respondents family having the facility of water and toilet before the intervention of the programme.

- In research study it has been found that out of total disbursement loan, 90 percent repaid in due time and 10 percent did not repay the loan in due time.
- The study found that total income is higher than total expenses, so the bank is self-sufficient and the program operated by bank seems to be financially viable.

Chapter V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Poverty alleviation has been the major concern of debate in developing world. In Nepal, the women comprising of the total population are relatively back warded in terms of opportunities to participate in the mainstream of development. Man and women are said to be two wheels of a cart. But proportion of women as parliament, burocrats and professional are quite small. Majority of women are illiterate and engaged in agriculture for their livelihood. In recent years, there has been a growing realization of the importance of women's participation in the development.

In this situation, Microfinance has come out as a tool of development. Mohamud Yunus, who are pioneer in this field and winner of Nobel prize for contribution of economic revolution as microfinance in Bangladesh. In Nepal, there was mandatory provision to commercial bank to provide certain percentages of loan to deprived sector.

Women are an important source of energy for development and their groups can be an effective channel for resources aimed at meeting the needs of the poor people in rural areas as well as in urban areas. As a consequence numerous national as well as international organization have been established which carry out programmes targeted at enabling to women to become aware of their situation and exploit potential to gain relative economic independence together with a better position in their

household as well as society. Provision of credit is generally regarded as a strong potential force for achieving the goal of poverty alleviation.

PGBBL Branch Office Shankarnagar was selected for present study. There were 400 group involved in the program. Out of them 50 groups 50 member were sampled by random sampling method. Both primary and secondary data were collected. The board objectives of this study were to analyze the microcredit program of PGBBL Branch Office Shankarnagar on Butwal Municipality.

The study shows that the volume of Loan investment is positively increased in each year. Perceptions of sample respondent on program are found to be positive. Improvement in the facility of consumption, clothing and sheltering pattern shows the significant improvement in the living standard of the people. Invested loan were repaid in due time. Thus the study found that program is positively running, their living standard has been improved satisfactory.

5.2 Conclusion

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

- ✧ The overall microcredit programme has been running satisfactorily.
- ✧ Existing microcredit position found to be increasing.
- ✧ Perception of the user groups towards the programme found to be positive.
- ✧ Because of sheltering, consumption and clothing facility the economic condition of most participating respondent were found well.

- ✧ The group activities, regular saving and investment, high rate of repayment have been satisfactory. This shows that financial sustainability of the programme of the bank is guaranteed. However, there is still space for improvement with regard to management of misuse of loan.
- ✧ By providing small and easy loan to its members, microfinance has been able to generate income and employment opportunities to its clients.
- ✧ This gives us a solid background to say that small loan provided to marginalized groups who lack collateral to start their own enterprise has been certainly help by MF program to reduce poverty though not successfully alleviated.
- ✧ The economic situation of clients has increased. The income, thus earned by enterprise has been used in various sectors that have helped to increase the living standard of the client.
- ✧ There are still many things to be done and considering the solution of the existing problem its need to planning in the future.
- ✧ Perceived value of the benefit from the programme shows that once the women are involved in programme, they have been able to achieve some kind of benefit in one from other.

5.3 Recommendation

On the basis of findings and conclusions of the study some suggestion has been provided here.

- Fortnightly/weekly payment system is not better for those clients, who have no sources of regular income. So, monthly or quarterly payment system is suitable for them.
- Without arrangement of training and interaction before involving the program is not suitable. So enterprising skill, management skill, should be provided for their effective utilization and income generating activities.

- Due to competition of bank, interest rate is decreasing . so interest rate should be better below 18% as market demand.
- Loan amount have to increase. Due to rising of price in market, small amount is not enough for starting enterprise.
- Loan disbursement should be made on target women and initiate them for raising savings and repay the loan in due time.
- Investment has increased the income. So productive investment should be rose which may promote loan repayment and utilization of the loan.

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APPENDIX I

प्रश्नावली व्यक्तिगत प्रश्नहरू

नाम, थर सहित

ठेगाना

समूहको नाम सदस्य संख्या

संस्था उमेर

१. तपाईं कुनै पेशामा आवद्ध हुनुहुन्छ ?

क. छ ख. छैन ग. छ भने कुन पेशामा?

२. शैक्षिक योग्यता

क. अशिक्षित ख. शिक्षित (कक्षा १० सम्म) ग. एस.एल.सी पास

घ. प्रमाणपत्र तह वा सो भन्दा माथि

३. हजुरको समूहबाट नियमित रकम बचत गर्नुभएको छ?

क. छ ख. छैन यदि छैन भने किन?

४. तपाईं कुन बचत कार्यक्रममा संलग्न हुनुहुन्छ?

क. व्यक्तिगत ख. समूह बचत ग. वालशिक्षा बचत घ. अन्य

बचत कोष

५. अहिले तपाईंले यस संस्थाबाट ऋण लिनु भएको छ ?

क. छ ख. छैन

६. यदि छ भने कुन उद्देश्यको लागि कति रकम ऋण लिनुभएको छ?

क्र. सं	उद्देश्य क्षेत्र	रकम
१	कृषि	
२	भैंसीपालन	
३	वाखापालन	
४	माछापालन	

५	खुद्रा व्यापार	
६	उद्योग	
७	अन्य	

७. उद्देश्य अनुसार लिएको ऋण लगानी गर्नुभएको छ ?

क. छ ख. छैन

८. यदि छैन भने कुन काममा खर्च गर्नुभयो?

क. पुरानो ऋण तिर्न ख. घरायसी खर्च चलाउन ग. अन्य

९. लिएको ऋण समयमै तिर्नु भएको छ?

क. छ ख. छैन । यदि छैन भने किन ?

१०. तपाईं समूहमा आवद्ध भएपछि तपाईंको आर्थिक अवस्थामा सुधार भएको छ ?

क. छ ख. छैन

११. तपाईंको घरमा पानीको सुविधा छ?

पहिले क. छ ख. छैन

अहिले क. छ ख. छैन

१२. तपाईंको घरमा ट्वाइलेटको सुविधा छ?

पहिले क. छ ख. छैन

अहिले क. छ ख. छैन

१३. तपाईंको दैनिक उपभोग्य वस्तु खरीदमा कुनै समस्या परेको छ?

पहिले क. छ ख. छैन

अहिले क. छ ख. छैन

१४. आवश्यकता अनुसार दैनिक प्रयोग गर्ने लत्ताकपडा खरीद गर्नमा यसलै सहयोग गरेको छ ?

क. छ ख. छैन

१५. तपाईंलै सुहवाट तालिम प्राप्त गर्नुभएको छ?

क. छ ख. छैन । यदि छ भने कुन?

अ. सीपमूलक आ. व्यवस्थापन इ. आधारभूत ई. अन्य

१६. पश्चिमाञ्चल ग्रामीण विकास बैंकको कार्यबाट कति सन्तुष्ट हनुहुन्छ?

क. अधिकतम ख. न्यूनतम ग. छैन

१७. पश्चिमाञ्चल ग्रामीण विकास बैंकले प्रदान गरेको लघुऋण कार्यक्रमले तपाईंको

जीवनस्तरमा सुधार गर्नमा सहयोग गरेको छ?

क. छ ख. छैन

APPENDIX II

Name list of Sample Respondents

S.N.	Name list	Age	Address
1	Ganesh Kumari Shrestha	42	Butwal- 3
2	Yogmaya Bhattra	40	Butwal-6
3	Bindu Baniya	31	Butwal-1
4	Ganga giri	53	Butwal-14
5	Sita Pandey	29	Butwal-7
6	Mamata Shakya	28	Butwal-8
7	Pundya Kumari B.K	35	Butwal-1
8	Gita Baniya	32	Butwal 8
9	Laxmi Pandey	45	Butwal-13
10	Ambika Bhusal	38	Butwal-13
11	Jamuna Dhakal	30	Butwal-8
12	Sharada Khanal	27	Butwal-7
13	Dilmaya Gurung	32	Butwal-8
14	Rupa Chaudhary	39	Butwal-6
15	Man Kumari Thapa	41	Butwal-13
16	Sarswati Neupane	42	Butwal-8
17	Harimaya Thapa	50	Butwal-7
18	Kalpana Shakya	32	Butwal-8
19	Buddha Laxmi Shrestha	35	Butwal-8

20	Rita Pariyar	25	Butwal-6
21	Bhose Kumari Khanal	26	Butwal-8
22	Kalpana Shrestha	52	Butwal-4
23	Rahima Nisa	39	Butwal-7
24	Guddi Begam	36	Butwal-1
25	Tayara Banu	33	Butwal-6
26	Uma Thakuri	40	Butwal-6
27	Anita B.K	30	Butwal-1
28	Amrita Kapali	35	Butwal-4
29	Kalpana Thapa	37	Butwal-4
30	Bina Attriya	30	Butwal-8
31	Aajmeri Khatun	30	Butwal-8
32	Sarswati Shrestha	26	Butwal-1
33	Sanaj Khatun	50	Butwal-8
34	Kusum Tiwari	25	Butwal-7
35	Rajani Khanal	46	Butwal-4
36	Majidun Nisa	48	Butwal-4
37	Maya B.K	29	Butwal-6
38	Sujata Pokharel	30	Butwal-6
39	Kasmira Banu	53	Butwal-1
40	Devikala Dhakal	38	Butwal-7
41	Sunila Agrahari	30	Butwal-7
42	Indra Kumari Rai	28	Butwal-4
43	Sandhya Shakya	43	Butwal-7
44	Chhaya Devi Kasaudhan	40	Butwal-4
45	Sumitra Bhandari	37	Butwal-3
46	Kala Khanal	47	Butwal-8
47	Rupa Bhandari	36	Butwal-3

48	Julekha Khan	51	Butwal-1
49	Parwati Shrestha	31	Butwal-1
50	Binita Kas	45	Butwal-4

APPENDIX III

PASCHIMANCHAL GRAMEEN BIKAS BANK Ltd. HEAD OFFICE BUTWAL Annual Report

Shankarnagar Branch

Rs. 000

Year	No. of Centre		No. of Group		No. of Mem.	No. of borrowers	Micro Business Loan					Micro Enterprises Loan		Group Fund	
	Complete	Incomplete	Recognized	Undertaken			Agriculture	Trade Services	Total	Repayment	Outstanding	Disb	Out	Fund amt.	Loan disb
2062	30	20	436	0	2175	2175	22646	153846	176492	158338	19978	835	607	4634	3735
2063	30	20	443	0	2211	2191	23101	183967	207068	188546	20346	1229	656	5211	3735
2064	32	18	450	0	1560	1560	25501	210117	235618	218997	18445	1669	1100	4772	3735
2065	30	24	453	0	1844	1844	25426	246707	272133	252193	21764	2929	1233	5064	3735
2066	30	24	490	0	2187	2156	27601	288906	316507	292227	26104	4341	1117	5858	3735

Income and Expenses

Year	2062	2063	2064	2065	2066
Income	2483908.26	3485766.79	2560365.28	2502605.07	2806261
Expenses	1766974.72	2552222.62	1457019.42	1524072.23	1799252.51