

**MICRO CREDIT AND ITS IMPACT IN RURAL AREA:
A case Study of Shree Sanjivani Co-operatives, Phalaicha VDC of
Panchthar District**

A Thesis

Submitted To:

**The Faculty of Humanities and Social Sciences, Tribhuvan University, Mahendra
Ratna Multiple Campus, Ilam, Department of Rural Development for the Partial
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Recommendation Letter

The thesis entitled **Micro credit and its impact in Rural Area (A case study of shree sanjivani cooperatives, Phalaicha VDC of Panchthar district)** has been prepared by **Keshav Sharan Adhikaree** under my guidance and supervision. I hereby forward this thesis to the evaluation committee for final evaluation and approval.

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Approval Letter

This thesis entitled **Micro credit and its impact in Rural Area (A case Study of Shree Sanjeveni Coopratives, Phalaicha VDC of Panchthar District)** Submitted **Keshav Saharan Adhikaree** in partial fulfillment of the requirement for the Master's Degree (M.A) in Rural Development has been approved by the evaluation committee.

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Declaration

I hereby declare that the thesis entitled "**Micro credit and its impact in Rural Area (A case study of shree sanjivani cooperatives, Phalaicha VDC of Panchthar district)**" submitted to the central Department of Rural Development Mahendra Ratna Multiple Campus Ilam Tribhuvan University is entirely my original work prepared under the guidance and supervision of my supervisor, I have made due acknowledgements to all ideas and information borrowed from different sources in the course of preparing this thesis. The results of this thesis have not been presented or submitted anywhere else for the award of any degree or for any other purposes. I assure that no part of the content of this thesis has been published in any form before.

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Keshav Sharan Adhikaree

ABSTRACT

Microcredit is defined as an extremely small loan as small as given to impoverished people to help them become self employed. Microcredit was given to the poor individuals for income-generating activities that will improve the borrowers' living standards. The loans characteristics are, too small, short-term credit (a year or less), no collateral, required weekly repayment, poor borrower and mostly women who are not qualified for a conventional bank loan. Usually the loan pays high interest rates because of the high cost in running microcredit program. Microcredit is also used as the extension of very small loans to those who are in poverty that designed to spur entrepreneurship and help them out from poverty group. Microcredit is not simply banking for the poor; it is a development approach with a social mission and a private sector-based financial bottom line that uses tested and continually adjusted sets of principles, practices and technologies. The key to successful micro-credit lies in the ability of the provider to cost-effectively reach a critical mass of clients with systems of delivery, market responsiveness, risk management and control that can generate a profit to the institution. Typically, this profit is ploughed back to ensure the long-term survival of the institution, i.e. the continuous provision of services demanded by its clients. The two long-term goals of microfinance are thus substantial outreach and sustainability. This article focus on microfinance services practices in Nepal on the basis of opinion survey.

The major constraints faced by the poor entrepreneurs in accessing micro-credit is the lack of collateral with enterprises, such as controlling government policy, uncertainty in supply of raw materials, difficulty in access to technology and market information. Market information and linkages, and policy incentives should be accompanied with the micro-finance to promote the enterprises. In addition, linkages of CFUGs, saving and credit groups, and other MFIs to micro-entrepreneurs is based enterprises to poverty reduction while promoting sustainable forests management. It is evident from the study that the selection of right entrepreneurs and enterprise options, provision of business development services, and continuous follow up and counseling are a key to the success of enterprise development programs.

Table of Content

Title	Page No.
Declaration	II
Letter of Recommendation	III
Approval Sheet	IV
Acknowledgements	V
Abstract	VI
Table of content	VII
List of Tables	VIII
List of Figures	IX
Abbreviations	X

CHAPTER – I

INTRODUCTION

1.1	Development of NGOs as Co-operative Association.	6
1.2	Statement of Problem	10
1.3	The Objectives of the Study	12
1.4	Justification of the Study	12
1.5	Limitation of the Study	15
1.6	Organization of the study	15

CHPATER - II

LITERATURE REVIEW

2.1	Theory and Practices of Microfinance	17
2.2	Microfinance and its impact in development	21
2.3	Microfinance Sector Development	24
2.4	Grameen Bikash Bank	26
2.5	Community-based models	27
2.6	Village Bank model	28
2.7	Other group and individual lending methodologies	28
2.8	Providers of Microfinance	29
2.9	Regulations in Microfinance Priority sector lending program	31
2.10	Funding and Supporting Organizations of Microfinance	32
2.11	Supporting Organizations	33

CHAPTER -III

RESEARCH METHODOLOGY

3.1	Research Design	35
3.2	Nature of the Data	35
3.3	Population and Sampling of the study area.	36
3.4	Method of Data Collection	36
3.5	Techniques of data collection	37
3.6	Data processing and Analysis	38
3.7	Data Processing	38

CHAPTER- IV

PRESENTATION AND ANALYSIS OF DATA

4.1	Cast and Ethnicity of Respondent	39
4.2	Age Group of the Respondents	39
4.3	Purpose of Join in Micro-finance Programs.	40
4.4	Main Occupation of the Respondents	41
4.5	Involvement of the gender in this Program	42
4.6	Education status of the Respondents	42
4.7	Monthly Deposit of the Respondents	43
4.8	Age distributions of the Respondents	44
4.9	Annual Income of Respondents	45
4.10	Challenges of the credit schemes of the Respondents	45
4.11	Reason for not paying loan on time in micro credit Program	46
4.12	Family support for participation on micro credit Program	47
4.13	Gender inequalities in the organizations on -micro credit Program	48
4.14	Tools/ Practice to promote the festiveness use of loan	49
4.15	Financial activities of the Cooperatives Members	50

CHAPTER-V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1	Summary	51
5.2	Conclusion	52
5.3	Recommendations	54

REFERENCES

List of Tables

Table No.	Title	Pg. No.
1	Population and Sampling of the study area	36
2	Caste and Ethnicity of Respondent	39
3	Age Group of the Respondents	40
4	Purpose of Join in Micro-finance Programs	40
5	Main Occupation of the Respondents	41
6	Main Occupation of the Respondents	42
7	Education status of the Respondents	42
8	Monthly Deposit of the Respondents	43
9	Age distribution of the Respondents	44
10	Annual Income of the Respondents	45
11	Challenges of the micro credit schemes of the respondents	46
12	Shows that the reason of loan not paying on time	46
13	Family support for participation of micro-credit program	48
14	Gender inequalities in the micro-credit programs	48
15	Tools/ Practice to promote the effectiveness use of loan	49
16	Financial of the co-operatives members	50

List of Figures

Figure No.	Title	Pg. No.
1	Monthly Deposit of the Respondents of the Respondents	43
2	Age distribution of the Respondents	44
3	Reason for not paying loan on time in micro Credit Program	47
4	Tools/ Practice to promote the Effectiveness Use of loan	49

Abbreviations

ADB	Asian Development Bank
CBO	Community Based Organization
CBS	Central Bureau of Statistics
CBs	Commercial Banks
CSIP	Cottage and Small Industry Projects
EUCP	Educated Unemployment Credit Program
GBB	Gramin Bikas Bank
GBS	Grameen Banking System
GNP	Gross National Product
HMG/N	The Ministry of Government/Nepal
IFPRI	International Food Policy Research Institutes
INGO	International Non Government Organization
MC	Micro Credit
MCPW	Micro Credit Program for Women
MDG	Mellinieum Development Goal MF Micro Finance
MFI	Micro Finance Institutions
MFP	Micro Finance Program
NBL	Nepal Bank Ltd.
NG	Nepal Government
NGO	Non Government Organization
NHDR	National Human Development Report
NPRC	Nepal Planning Commission Report
NRB	Nepal Rasta Bank
NUBL	Nirdhan Utthan Bank limited
PCRW	Production Credit for Rurlal Women
PSCP	Priority Sector Credit Program
RBB	Rastriya Banijya Bank
RMDC	Rural Micro Finance Development Center
RMFDC	Rural Microfinance Development Center

RRDB	Regional Rural Development Bank
RSRF	Rural Self Reliance Fund
SCCS	Savings and Credit Cooperative Societies
SFCL	Small Farmers Co-operating Limited
SFDP	Small Farmers Development Project
SSCP-	Shree Sanjevani Co-operaives Phalicha