

CHAPTER I INTRODUCTION

1.1 Background of the study

During the 1990s much progress was made on decentralizing government to the district and village level. The Local Self-governance Act, 1999 paved the way to make planning and programme implementation more accountable to local people and to put education, health and other services under local control.

Since 1995 UNDP has provided large-scale support to build up the capacity of local bodies and communities for self-governance starting with its 'Participatory District Development Programme'. This support continued via the following three programmes that ended in 2007/08.

- J The 'Decentralized Local Governance Support Programme' helped district and village authorities in 66 districts improve their delivery of services and empowered local communities to access these services and implements local development.
- J The 'Rural-Urban Partnership Programme' (RUPP - \$2.3m) improved urban dwellers' access to basic services in 25 municipalities.

The UNCDF's 'Decentralized Financing and Development Programme' (DFDP - \$10.2m) strengthened district-level systems for funding community works and promoted better financial management by district development committees.

Focusing on the "Organization, Saving and Skill" the Village Development Programme was started from December 13, 1999 from Local Development Fund under Participatory District Development Programme of District Development Committee in assistance of UNDP.

The aim of the programme is to enhance the capacity of the local bodies, women, dalits, janajatis and disadvantaged groups through social mobilization. The Community Organizations have their regular savings and

they invest the savings in the form of loan to the needy members at a low rate of interest. The Local Development Fund provides trainings on skills, technology, and grants for productive infrastructures as prioritized by the community people. Communities are provided seed grants to build infrastructures such as trails, rural electrification (peltric sets), bridges, irrigation schemes, drinking water and community halls. It also provides some credit support to the community people for income generating activities. In an effort to ensure sustainability, DLGSP has been introduced Community Development Fund (Guidelines endorsed by the Government of Nepal) to handover the management of the community organizations to the community themselves.

Basically the households which directly depend on agriculture for their livelihood have been encouraged for agricultural based vocational trainings to increase organic productions and generate sources of incomes simultaneously (UNDP, 2009).

Twenty two different community based organizations have been helping through the service rendered by the employees of the Bhalam VDC. Every members of the organization has been helped by promoting their work efficiency, familiarizing utility of innovation & new technology, doing auditing and providing small scale loans to the needy. Such activities are ultimately supposed to be helpful to control poverty among the people of Bhalam to some extent.

In Nepal, Rural Development Banks, Cooperatives Banks, International Non Government Organizations and donor institutions-ADB, UNDP, JICA, European Union, DANIDA, International Funds for Agriculture Development-through NGOs, Local Governments and Nepal Government are rendering microfinance services. In addition, informal institution such as dhikuti association, user groups, indigenous bankers and businessmen are providing microfinance services to low income households, poor, and micro-enterprises (Baral, 1999).

Women Microfinance in Nepal: (Sharma and Acharya, 1997) Women in Nepal are extensively engaged in agricultural activities. Women constitute more than half the potential labor force in Nepal and contribute extensively to the Nepalese agriculture in terms of both labor input and decision-making roles. Women have to work either on their husband's farm or on their father's farm to be economically productive. They also lack any other kind of productive assets.

Bashyal (2008), A large number of micro-credit programs have focused on expanding micro loans to support economic activities of the poor and disenfranchised groups in the society mostly women. It is generally accepted fact that women are the poorest of the poor. The possibility of women development through microfinance program was realized and women's access to credit was given emphasis at the first international women's conference held in Mexico in 1975. Govt. in Nepal had no policies and objectives specifically directed to women development before the sixth five year plan (1980-1985). Few policy guidelines were effectively formulated in the eighth plan (1992-1997) for maintaining women in economic development with the intervention of credit programs like the PCRW and SFDP and expansion of Grameen rural development banks. In 1993, the NPC created the Children and Women Development Section under the population division. In 1994, the National Council for women and Child Development was formed followed by the establishment of the Ministry of Women and Social Welfare in 1995 to coordinate and monitor all activities directed towards enhancing women's status. The plan also undertook other important actions like elimination of discrimination against women and enforcement of the revised Muluiki Ain (Inheritance Law) to remove the legal constraints related to equitable access to resources. The Ninth Plan (1997-2000) and the Tenth Plan (2002-2007) also considered women as its

major target group to fulfill the goals of human resource development and poverty alleviation in the country.

Nepal is mountainous county. So to provide microfinance services in all areas through well operating costs, program should be designed according to topographical differences. In populated area, modified Grameen model through federated “Credit agent” is suggested as an appropriate model. The saving and credit organizations can be mobilized to provide door-to-door services to the poor people. There are many community-based organizations in the villages like “Aama Samunha”. On the other hand, the Self-Help Groups pay attention only for institutions development rather than the beneficiaries.

Mimosa (1999), Saving facilities will help household risk management the most when women are safe and accessible to the depositors, and when the poor can deposit small amounts on a frequent basis. Credit is only one kind of financial service. Credit has gained wide acceptable as a key strategy for poverty alleviation and women empowerment. Loan can be disbursed with collateral and sometimes without collateral also.

1.2 Focus of the Study

The topic itself is clear about the focus of the study. The study aims to analyze the performance and impact of the programme by using descriptive and analytical research design. Thus the study is basically concentrated towards the livelihood of the people of Bhalam VDC, especially women. More specifically the study focused on existing position of credit and saving, relationship between investment and changes in income, impact of training and awareness programme upon the standard of living of the people, perception of the participant women towards the programme, repayment rate, utilization of loan etc

1.3 Statement of the problem

Like other developing countries, Nepal is also facing challenge possess by acute problems of poverty. The expectation and needs of the people are increasing day to day, whether they live in rural area or in urban area. In the previous period, most of the people were not aware about the facilities provided by local development fund. Being the limited sources of VDCs, it can not meet public expectations.

The village development programme is operating at Bhalam VDC since December 13, 1999 and support from DDC ended from December 6, 2006 by handing over a cheque worth rupees five lakhs by DDC. During this period, what is the impact of the programme on income and saving of the people is the great concern for all. Therefore this study is trying to explore the impact of LDF on economic life of people, poverty alleviation, situation of income saving, loan disbursement and repayment of group members. More over the problem of the study can be point out as below:

- i What is the availability of the fund?
- ii What is the situation of income and saving of the group members?
- iii Is there effective utilization of loan amount?
- iv What is the loan recovery situation and status of the programme?

1.4 Objective of the study

The broad objective of the study is to make assessment of impact of microcredit programme in Bhalam V.D.C. However, the specific objectives are:

- 1. To analyze the fund available to group members.
- 2. To analyze the income and saving of the group members.
- 3. To evaluate the effective utilization of loan amount.
- 4. To analyze the effectiveness of the overall program.

1.5 Study Area

Bharam VDC had a population of 3,764 out of which male are 1885 and female are 1879. 3,327 people are literate, 1800 are male and 1527 are female. However a total of 437 couldn't read or write including 85 male and 352 female. 2118 people are identified as having marital status. 15 people identified being married with more than one spouse. 344 people eligible for attending school but only 322 in total are attending including 146 male and 176 female (DDC, Kaski, 2011). Like many villages in Nepal the Gurungs live in higher parts of the village mainly Dadaghau and Bhathal whereas Brahmins and Kshatriyas have stronghold in lower region of Bharam phant, Ralichaur and Khora. Some dalits are also live at both upper and lower parts. Though not much attraction is given to Bharam but it is known for harihar cave (Gupha) religious site for Hindu. Also yearly fair (mela) is held in ward 9 by local youths in the occasion of Fagu Purnima the festival of colours for three days. There is the game of volleyball, shot put and much more. There is also dance by local village girls. People living in Pokhara visit in the thousands. Another main event is the annual run by British Gurkha trainees carrying 25 kg of weights to the village top to be selected for British Army. The village is lacking in many physical facilities (www.wikipedia.org).

1.6 Signification of the study

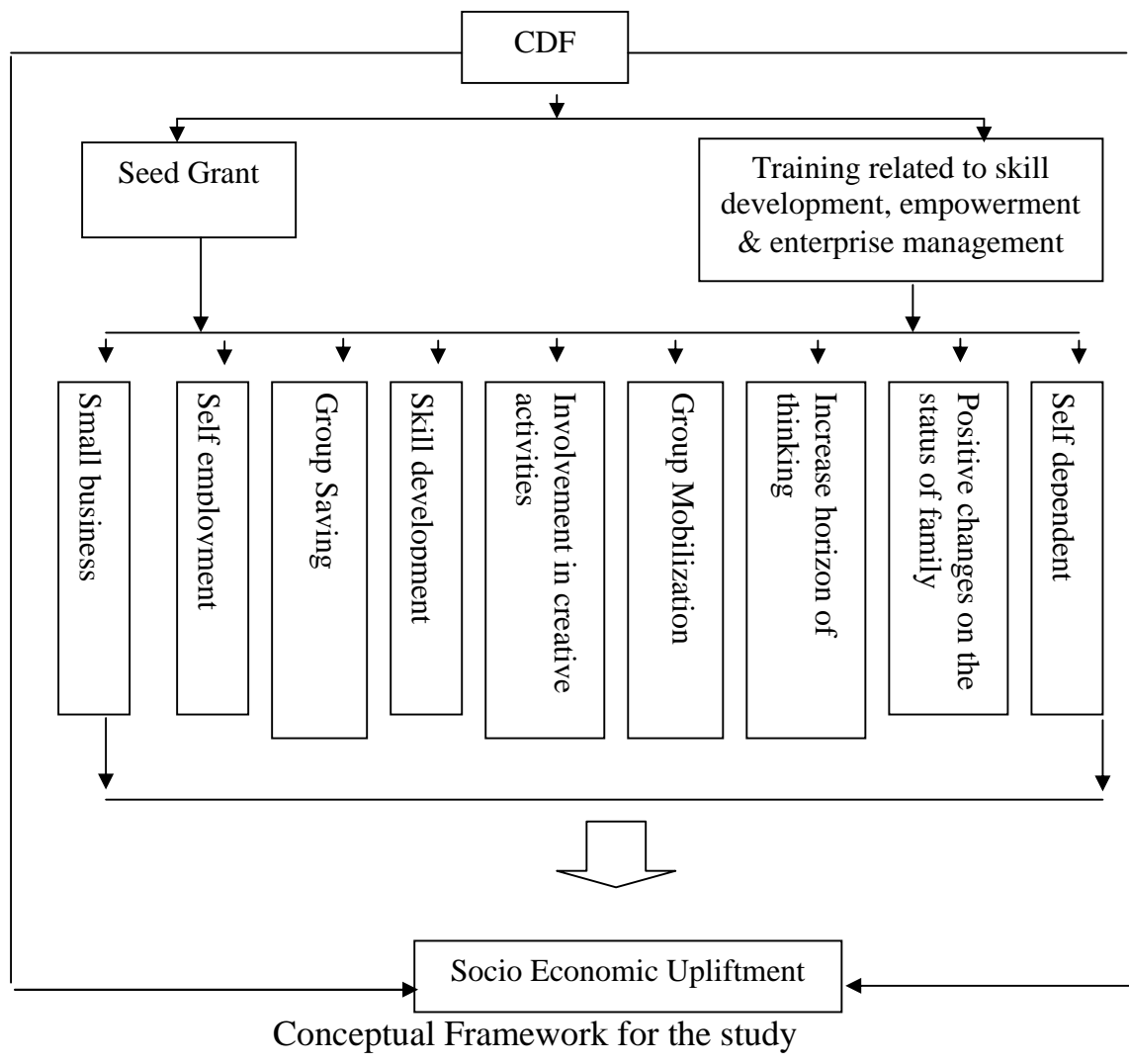
Nepal has been launching a number of programmes in order to uplift the women's participation in such a development endeavors but the expected result is not yet to be realized. Thus women are remaining a disadvantaged group in our society. If we look at the daily activities of our lives, we would find that men and women are the two pillars in development. In this regard assessing the importance of women's socio-economic characterizes is felt necessary. This study is expected to have some academic as well as practical importance. Mainly the purpose of the study for the researcher is to fulfill academic degree of MBS. It is useful for researchers, donors and students to

increase knowledge on Microfinance credit. This study may provide guidelines to government, NGOs and INGOs for future planning.

The conceptual framework of this study is based on the above mentioned idea with established relationship of women with this programme and the economic opportunity, income generating activities provided by the CDF in the empowerment of women. The conceptual framework of the study is explained in the figure as follows:

Figure: 1.1

Conceptual Frame Work



1.7 Delimitation of the study

Basically this is an academic study for partial fulfillment of MBS degree. This is under taken within the boundaries of limit area, subject and time. The study area is taken only on a Bhalam VDC. Thus, it is only a micro level study. The overview of the study is analyzed on the basis of performance of participant women under community development fund only. This study is taken consideration of last five years data. Sustainability of the programme is analyzed on the basis of saving, utilization of loan, and repayment of the loan. Similarly standard of living of the people is analyzed only with three determinants such as consumption, clothing, and sheltering facility of the women. Thus the findings and conclusions drawn from this study are not being widely generalized exactly in the same manner for the other cases of micro credit practice in Nepal. Obviously, some generalization has made while considering the cases of micro credit practice in Nepal.

1.8 Organization of the study

This study has been organized into five chapters. Chapter 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, significance of the study, delimitation of the study and organization of the study.

Chapter Two comprises review of literature which consists of conceptual review, review of related studies and research gap. These all in this chapter provide 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, method of data analysis and limitation of the methodology.

Chapter Four deals with presentation and analysis of data which consists existing position of credit, relationship between investment and changes in Income, relationship between training and standard of living, correlation analysis, regression analysis, trend analysis, perception of users group, sustainability of the program, major findings of the study and others.

Chapter Five consists summary, conclusions and recommendations.

CHAPTER II

REVIEW OF LITERATURE

Review of literature provides foundation to the study. The literature survey also minimizes the risk of pursuing the dead- ends in research (Pant and Wolff, 2005). This chapter comprises 2 parts; (a) conceptual review and (b) review of related studies.

2.1 Conceptual Review

2.1.1 Introduction

As a definition, **Community development (CD)** is a broad term applied to practices and academic disciplines of civic leaders, activists, involved citizens and professionals to improve various aspects of local communities.

Community development seeks to empower individuals and groups of people by providing these groups with skills they need to affect change in their own communities. These skills are often concentrated around building political power through formation of large social groups working for a common agenda. Community developers must understand both how to work with individuals and how to affect communities' positions within the context of larger social institutions.

There are complementary definitions of community development. The Community Development Challenge report, which was produced by a working party comprising leading UK organizations in the field (including Community Development Foundation, Community Development Exchange and the Federation of Community Development_Learning) defines community development as:

"A set of values and practices which plays a special role in overcoming poverty and disadvantage, knitting society together at the grass roots and deepening democracy. There is a CD profession, defined by national occupational standards and a body of theory and experience going back the

best part of a century. There are active citizens who use CD techniques on a voluntary basis, and there are also other professions and agencies which use a CD approach or some aspects of it".

Community Development Exchange defines community development as:

Both an occupation (such as a community development worker in a local authority) and a way of working with communities. Its key purpose is to build communities based on justice, equality and mutual respect.

Community development involves changing the relationships between ordinary people and people in positions of power, so that everyone can take part in the issues that affect their lives. It starts from the principle that within any community there is a wealth of knowledge and experience which, if used in creative ways, can be channeled into collective action to achieve the communities' desired goals.

Community development practitioners work alongside people in communities to help build relationships with key people and organizations and to identify common concerns. They create opportunities for the community to learn new skills and, by enabling people to act together, community development practitioners help to foster social inclusion and equality.

A number of different approaches to community development can be recognized, including: community economic development (CED); community capacity building; Social capital formation; political participatory development; nonviolent direct action; ecologically sustainable development; asset-based community development; faith-based community development; community practice social work; community-based participatory research (CBPR); Community Mobilization; community empowerment; community participation; participatory planning including community-based planning (CBP); community-driven development (CDD); and approaches to funding communities directly (www.wikipedia.org).

Microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low-income households and, their microenterprises. Microfinance services are provided by three types of sources:

-) formal institutions, such as rural banks and cooperatives;
-) semiformal institutions, such as nongovernment organizations; and
-) informal sources such as money lenders and shopkeepers.

Institutional microfinance is defined to include microfinance services provided by both formal and semiformal institutions. Microfinance institutions are defined as institutions whose major business is the provision of microfinance services (ADB, 2010).

Microcredit is the extension of very small loans (**microloans**) to those in poverty designed to spur entrepreneurship. These individuals lack collateral, steady employment and a verifiable credit history and therefore cannot meet even the most minimal qualifications to gain access to traditional credit. Microcredit is a part of microfinance, which is the provision of a wider range of financial services to the very poor.

Microcredit is a financial innovation that is generally considered to have originated with the Grameen Bank in Bangladesh. In that country, it has successfully enabled extremely impoverished people to engage in self-employment projects that allow them to generate an income and, in many cases, begin to build wealth and exit poverty.

Microcredit is not only provided in poor countries, but also in one of the world's richest countries, the USA, where 37 million people (12.6%) live below the poverty line. Among other organizations that provide microloans in the United States, Grameen Bank started their operation in New York in April 2008. According to economist Jonathan Morduch of New York University, microloans have less appeal in the US, because people think it is too difficult to escape poverty through private enterprise. Bank of America

has announced plans to award more than \$3.7 million in grants to nonprofits to use in backing microloan programs.

Other developed countries in which the micro-loan model is in fact gaining impetus include Israel, Russia, the Ukraine and more, where micro-loans given to small business entrepreneurs are also used to overcome cultural barriers in the mainstream business society. The Israel Free Loan Association (IFLA) has lent out over \$100 million in the past two decades to Israeli citizens of all backgrounds (www.wikipedia.org).

The microfinance sector in Nepal has expanded and became more diversified in recent years and apart from serving the poor, particularly women, may also fill the gap left by the progressive withdrawal of commercial banks from rural areas, due to the insurgency and cost savings measures. Diversification has come from the commercialization of leading NGOs and their transformation into rural microfinance banks. They compete with pre-established public Regional Rural Development Banks, using the same Grameen Bank methodology as many of the smaller Nepali microfinance institutions (ARCM, 2010).

Despite ongoing development efforts, poverty remains rampant in Nepal with approximately 31% of the population living below the poverty line. The incidence of poverty is highest in remote and rural areas.

Microfinance has been one of the few effective tools for poverty reduction over the past years. Through the creation of sound microfinance institutions and systems, poor people can safely deposit money and accumulate funds for future investments or emergencies as well as access loans for productive purposes leading to higher incomes. Additionally, microfinance produces an impact in other areas including good governance, participation in the political processes, 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% of

the population and approximately 26% 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 (CMF, 2010).

It shows there is high need of Microfinance resources in Nepal.

2.1.2 Brief History of Microfinance

Shrestha, S. M. (2009). The term microfinance was not used in earlier part of the history of rural microfinance. It has been found used in Nepal only in the later part of 1990s. Rural credit in Nepal began in 1956 with the opening of Credit Cooperatives in Chitwan Valley to provide loans to the re-settlers coming from different parts of the country. The government through the creation of the Cooperative Development Fund arranged some credit support to the resettlers through those cooperatives. In 1963, the government established the cooperative Bank, which was later converted into the agricultural Development Bank Nepal in 1968. The cooperatives faced problems of shortage of funds for credit disbursement to their members on the one hand and misappropriation of borrowed fund for personal uses by some of their officials on the other. Hence, the government commissioned a fact-finding mission in 1968 to probe the operations of 1489 cooperatives then registered with Department of Cooperatives and the mission found most of them at defunct stage and recommended for their liquidation.

Thereafter, the government introduced the Cooperative Revitalization Program in 1971. It authorized the Agricultural Development Bank Nepal to run cooperatives under its guidance and management. In 1976, 'Sajha Program' was launched and the Cooperatives were renamed as 'Sajha Societies'. The compulsory savings collected under the Land Reform Program of 1964 (2021 B.S) were converted into the share capital of the Sajha Societies. The NRB conducted a benchmark survey in 1983/84 to assess the situation of the cooperatives. The study found that 94% of cooperatives were dealing with transactions of agriculture inputs and 85%

were also found extending credit. Most of the cooperatives were running at losses and over 75% of the outstanding loan was overdue for more than 1 year.

ADBN launched the Small Farmers Development Program in 1975 - first as pilot project at two sites, Sakhuwa Mahendranagar of Dhanush district in the Terai and Tupche of Nuwakot district in the hills. The strategy was to organize small farmers, tenants and landless laborers into groups and strengthen their receiving mechanism for tapping resources from service delivery agencies. Credit was provided under group guarantee. It also focused on developing a habit of thrift and personal savings among the members of the groups. They also started group savings to realize self-reliance in financial resources. A total of 142,711 members who were organized into 19,597 groups were benefited from the program by July 1991/92.

After the reinstatement of multiparty democracy in 1990, the government appointed a seven member National Cooperative Consultation Committee and dissolved the 'Sajha Central Committee'. It also set up a National Cooperative Development Board constituted of 11 members to provide policy directives to the cooperatives. The government enacted a new Cooperative Act in 1992 to ease promotion and development of cooperatives as a vehicle of economic development in the rural areas. The government also emphasized the role of cooperatives for extending credit facilities and other services to the rural people in its Eight National Plan.

The Nepal Rastra Bank initiated Small Sector Lending in 1974 directing the commercial banks to invest 5% of their deposit balance in Small Sector, which was later designated as the "Priority Sector Lending" in 1976. The NRB subsequently initiated "Intensive Banking Program" in 1981 to boost up PSL lending to the low income group and required commercial banks to raise PSL to 8% of commercial banks loans and advances, which was further raised to 12% in 1989. The main partners of PSL were the Nepal

Bank Ltd. and the Rastriya Banijya Bank - the two state controlled commercial banks. The share of NBL and RBB in rural credit supply was 4.1% and 2.4% in the Sixth and 12.3% and 6.7% in the Seventh Plan periods. Loans under PSL were classified into agriculture, cottage industries and services. Target groups under PSL are low-income families with Rs. 2,511 or less as per capita income per year. The beneficiary must contribute 20% of the project cost if the loan size was more than Rs. 15,000. NBL and RB charged 15% to 16% interest rates on priority sector loans. They provided loans up to 80% of the appraised value of the collateral for low income and 70% for the high-income families. However, these commercial banks provided loans to the group members of Production Credit for Rural Women (PCRW) formed by Women Development Section (WDS) of the Ministry of Local Development and the groups formed by the bank staff without collateral on just group guarantee. The loan limit for such loans was Rs. 30,000.

The Grameen Bank model of Bangladesh was replicated in Nepal with the establishment of Eastern and Far-Western Grameen Bikas Banks (GBBs) in 1992. The target groups included in Tarai the farmers with holding less than 1 Bigha (0.67 ha) and in the hills with holding less than 10 ropani (0.5 ha), and the landless. It followed group approach in extending credit. Credit discipline was given top priority and loans were extended without collateral security on group guarantee. The board of directors of the GBBs comprised of the NRB and CB representatives and is headed by the Deputy Governor or Executive Director of NRB. The share capital of the first two GBBs was mainly contributed by the government and the NRB (75%), and by the CBs (25%). The first two GBBs started functioning from the middle of 1993. They charged 20% interest rate and the main source of fund for lending came from NRB and CBs. In the meantime, two NGOs – the Nirdhan and the Centre for Self-help Development (CSD) also launched microfinance programs replicating Grameen model in 1993 and 1994 respectively.

The financial Intermediaries Act was enacted in 1998 to regulate the financial intermediaries NGOs (FINGOs) on carrying out microfinance activities. This was claimed to be a breakthrough in legalizing the operation and activities of NGOs as microfinance operators. With the enforcement of this Act, two FI-NGOs, Nirdhan, and the Centre for Self-Help Development (CSD) also got registered under it. Later 47 NGO got license from the NRB to operate as FI-NGOs.

In 2004, the government introduced the Banks and Financial Institutions Ordinance (which was converted into an Act in 2006), which has a provision of licensing microfinance banks also as class 'D' banks. As a result, 13 microfinance banks have been issued license by the NRB till the date. In order to make available small wholesale funds to cooperatives and NGOs providing loans to the low income groups, the government had created a fund called Rural Self-Reliant Fund in 1991 with Rs. 20 million contributed by the government. The government with the assistance from ADB and NRB also established the Rural Microfinance Development Centre Limited (RMDC) in 1998, to provide larger wholesale loans to MFIs through implementation of the ADB assisted Rural Microfinance Project (RMP). After the operation of RMDC, several MFIs were added in the microfinance market and the coverage by the microfinance institutions also increased with faster speed. The government had also instituted another wholesaler, the Sana Kisan Bikas Bank Limited (SKBBL) in 2001 to provide wholesale funds to the Small Farmers Cooperative Limited (SFCL) in 2001. With all these initiatives and efforts microfinance has gained a new momentum as an industry. Besides all these self-help groups also were promoted by several rural and community development projects of the government and donors to provide small credit to the self-help group members through grants for seed funds.

2.1.3 Microfinance Models

a) Cooperative Model: The history of cooperative societies in Nepal dates back to 1956, when the government first started 13 cooperatives societies in Chitwan district. In 1963, the government established the Cooperative Bank, which later was merged into the Agricultural Development Bank, Nepal in 1968. Rural based cooperatives were established mainly to distribute loans for agricultural inputs to farmers and trading of agricultural inputs and consumer goods to the local people both in cash and credit. These cooperatives were initially managed by the members and supervised by the Department of Cooperatives. Later, in 1973 the government decided to hand over the management of these cooperatives to the Agricultural Development Bank initially for a period of five years, which was subsequently extended by another five years. Later, the management of the cooperatives was again handed over to the members themselves in 1992.

In 1991, the government of Nepal enacted the Cooperative Act 1992. Under this Act, a group of 25 persons from a community can form a cooperative by registering it with the Department of Cooperatives, Ministry of Agriculture and Cooperatives. The Savings and Credit Cooperatives (SCCs) do not come under the regulatory framework of the Nepal Rastra Bank . However, some cooperatives that have been licensed from NRB for limited banking services have been providing services to non-members as well. They come under its regulation and supervision (MIR, 2008).

b) Small Farmer Cooperative Limited (SFCL) Model: The Agricultural Development Bank Nepal (ADBN) initiated the Small Farmer Development Program (SFDP) as a pilot project in 1975. The Food and Agriculture Organization (FAO) donated US dollar 30,000 to initiate pilot testing of SFDP at two sites, Sakhuwa Mahendranagar in Dhanusha district (Terai) and Tupche in Nuwakot district (Hills). At that time, FAO was providing technical assistance to seven nations of Southeast and South Asia

to implement this program. After finding the successful implementation of the program in two pilot sites, the ADBN expanded the SFDP gradually to 422 sites covering a total of 652 VDCs in 75 districts, which catered to around 188,000 small farmer families. The quality of service was somehow affected by the higher speed of expansion without developing the staff capabilities and failure to remain away from political pressure in implementation.

Later, an attempt was made with the technical and financial support of German Technical Cooperation, Nepal to convert the Small Farmer Development Program Sub-Project Offices into Small farmer's Cooperatives. Institutional development for this conversion was initiated in 1988 under GTZ's Rural Finance Nepal Project. In 1993, four SPOs of Dhading district were first registered as Small Farmer Cooperative Limited. At present more than 228 SFCLs in 41 districts have been registered covering 139,368 members and 111,494 borrowers. Out of this, 11 SFCLs are entirely managed by women members and 219 SFCLs are affiliated to the Sana Kisan Bikash Bank Ltd. - a bank established in 2001 to provide wholesale finance to SFCLs. SFCL model has been honored with CGAP/IFAD Pro-Poor Innovation Challenge Award-2003, as the best model of poverty alleviation (SFCL, 2008).

c) Grameen Bank Model: The Grameen Bank concept of lending propounded by Prof. Muhammad Yunus of Bangladesh was introduced in Nepal during 1990s by the Government of Nepal and Nepal Rastra Bank by establishing five regional Grameen Bikas Banks, one each in 5 development regions of Nepal. During the same time, two national level NGOs namely the Nirdhan and the Centre for Self-help Development also launched microfinance programs replicating the same Grameen model and later they also established two microfinance development banks, Nirdhan Utthan Bank Limited at Bhairawa and Swablalmban Laghubitta Bank Limited, at Janakpur adopting the Grameen model. Similarly, other prominent NGOs -

Chhimek, DEPROSC, NRDSC, FORWARD, and Jeevan Bikas Samaj - also started their microfinance programs following this model. At present, GBBs, Private Microfinance Banks and a host of FI-NGOs and SCCs are also providing microfinance services to the poor following Grameen model (SKBBL, 2008).

d) Self-Help Groups (SHGs)/Community Organizations (Cos)

model: In Nepal there are several forms of informal self-help groups such as '*dhukuti*', mothers' group, and many other groups with specific objectives. This type of SHG needs not be pro-poor focused. Mostly, lower middle or middle class people are involved in this type of SHGs.

Another most popular informal self-help group is *Aama Samuha* (mothers' group). Mothers' group is mainly formed and activated by the local women with one or more objectives that could be related to income generation aspect and/or removing social evils and bring about positive changes in the society. Women empowerment is the main objective of the most mothers' groups. These mothers' groups organize campaigns against alcoholism, injustice to women, girl trafficking, and other social evils. They also mobilize their savings and provide credit to the needy members. However, these are not necessarily targeted at the poor. They are very common in the hills and mountains. They have been in practice now for more than 3 decades. They used to be widely practiced in the hills and mountains of Western Development Region. However, these groups are not recorded anywhere.

In India, SHG model is widely applied in a number of states by the banks with a view to extending microfinance services to a large number of poor communities at a lower cost of transaction. They are also linked with the commercial banks for loans. However, in Nepal SHGs are not tied up with the formal banking institutions as yet except those promoted by WDS. SHGs or COs are formed and promoted under a number of rural development programs implemented by different agencies, such as Production Credit for

Rural Women - started in 1982, Participatory District Development Program (PDDP) and Decentralized Local Governance Support Program (DLGSP) supported by UNDP, and Poverty Alleviation Fund (PAF) funded by the World Bank.

Rural development programs also organize Community Organizations (COs) or Self-help Groups (SHGs) as vehicles for expediting people's participation in the programs. Such programs focus on poverty reduction through local capacity building as in DLGSP and PAF. In most cases, SHGs/COs undertake savings and credit activities as well for enterprises development and livelihood improvement. In DLGSP, the COs receive some counterpart funds as seed money to the groups or the COs for providing financial support to their members for implementing economic activities or entrepreneurial development programs. The projects also provide various capability enhancement trainings to the COs. Some development agencies have converted these into savings and credit cooperatives by registering them with the Department of Cooperatives. However, most of them have remained informal and have gradually become non-functional after the projects are phased out. They also have failed to develop linkage with the formal financial institutions due to lack of legal status (CSD, 2001).

e) Village Bank Model: The Village Bank model was evolved from Latin America and tried out in Nepal between 1998 and 2001 in USAID funded Women Empowerment Project (WEP) through PACT-Nepal. Village Banks are grassroots level financial institutions - community-managed savings and credit associations aimed at providing financial services to community women through the mobilization of their own resources and enable them to achieve financial self-reliance. They have been promoted by the Pact Nepal in collaboration with some local NGOs and Cooperatives in the Terai region of Nepal. The project also lent some money to build up the external account of the Village Bank, which was then lent to its members. However, they

have not been linked up with the financial institutions and most such banks have been non-functional after the phase out of the project (WEP, 2011).

2.1.4 Institutional Development under Different Models

a) Cooperative Model: There are 11,302 cooperatives in operation as of April 2008. Out of this 4,432 (39%) are savings and credit cooperatives and 2,808 (25%) multipurpose cooperatives. These two make a total of 7,240 cooperatives representing 64% of the total number of cooperatives. Total female membership is 608,810 (34%) out of the total membership of 1,791,459. The total savings from the members stand at Rs. 29,001 million. A total of Rs.29, 873 million has been disbursed and Rs.10, 261million has been collected back from the borrowers¹⁵. However, it is very difficult to segregate what proportion of these figures comes under microfinance definition, since many of the Savings Credit Cooperatives (SCCs) do lend loans of bigger size to their members exceeding the limit prescribed by the Nepal Rastra Bank (NRB) under its definition of microfinance. These cooperatives have a total of Rs. 3,638 million capital funds. The outstanding principal loan amount is Rs. 2,862 million and outstanding interest amount to be paid is Rs. 996 million. The aggregate income of these cooperatives stands at Rs. 4,422 million and the total expenditure comes to Rs. 2,845 million indicating a net surplus of Rs. 1,576 million. Thus in general cooperatives do have profits at least in record and could be sustainable if they are able to collect due and overdue loans. It is estimated that all SCCs and other Cooperatives together might have served about 200,000 families with microfinance type of service and outstanding microloans are estimated to be Rs.57.4 million, 20% of the total outstanding (DoC, 2011).

b) Small Farmer Cooperative Limited (SFCL) Model: There are 219 SFCLs plus one NGO working as MFI, which avail loan funds from Sana Kisan Bikas Bank Limited (SKBBL) – a wholesale lender to SFCLs. The total members covered by 220 SFCLs are 139,368 in 220 VDCs. In total these SFCLs are providing financial services to 111,494 small farmers with

53,038 male (47.57%) and 58456 (52.43%) female members. The cumulative loan disbursement as of April 2009 has reached Rs. 4,702 million (Rs. 1,268 million handed over by ADBN and Rs. 3,434 million newly disbursed loans) and recovered Rs. 2,779 million (Rs. 1,236 million handed over loans and Rs. 2,662 million new loans). The figures on loan outstanding, loan overdue and member savings in July 2008 are reported to be Rs.1,445 million Rs. 88 million and Rs. 916 million respectively. The overdue rate stands at 6.06%. In December 2008, the overdue amount went up to Rs. 1, 654 million and the overdue rate was recorded at 10.9%. This was due to the announcement in the budget speech by the government to give waiver of loans up to Rs. 30,000. By July 2009, all overdue loans have been replenished by the government and there are no overdue loans left. This step from the government side is not observed as a positive step as it would raise expectations of clients for waivers in the coming years as well, and the push down loans repayments. Besides SFCLs have been facing problem in segregating loans from their own members' savings and SKBBL. The members borrowing from their own savings source are not given waiver and are therefore found unsatisfied and reluctant to repay loans. SKBBL charges 9.5% to the SFCLs and SFCLs charge 13% to their clients. On an average there are 3 staffs working in each SFCL (SKBBL, 2008).

c) Grameen Bank Model: There are five regional levels Grameen Bikas Banks (GBBs) and five Private MF Banks (PMFBs) such as SB Bank, Nirdhan, Chhimek, Deprosc and Nerude whose outreach progress reports have been added up¹⁷. The ten microfinance banks (five GBBs plus five PMFBs) have altogether 344 branch offices, of which 53% belongs to PMFBs and 47% to GBBs. These banks together have 484,911 members and 394,481 borrowers. The borrower member ratio is 81%. The GBBs together have covered 1,075 VDCs, while the PMFBs have 16 Data sheet made available by SKBBL 17 Progress Report of Grameen Banks and

Replicating Banks as of mid-July 2008 covered 1,833 VDCs. There is a possibility of VDC duplication among MFIs. Out of the total membership 317,904 (66%) belongs to PMFBs and 167,007 (34%) to five GBBs. This indicates the relatively poor outreach performance of GBBs as compared to the PMFBs. However, the number of branch offices and staffs when compared between the two there is not much difference. The GBBs have a total of 160 branches and 975 staffs, while the PMFBs have 184 branches and 1,136 staffs (see Annex 2). The GBBs have an average 6.1 staff per branch while the PMFBs have 6.2. There is no significant difference.

When compared the number of borrowers among all 10 MFIs (five GBBs plus five PMFBs), the best performing GBB - Purbanchal Grameen Bikas Bank stands 4th in rank with 54,236 (14%) borrowers, SB Bank stands 3rd with 59,332 (15%) borrowers, Chhimek stands 2nd with 65,531 (16.6%) and Nirdhan stands 1st with 68,203 (17.3%) borrowers. Outreach-wise the poorest performing MFI among 10 institutions is Sudur Paschimanchal Grameen Bikas Bank (FW-GBB) with only 8,955 (2.2%) borrowers and Madhya Paschimanchal Grameen Bikas Bank (MW-GBB) with 14,071 (3.56%) of the total borrowers.

In terms of loan transactions, GBBs' combined loan disbursement (general, other loans and group fund loan) stands at Rs. 18,608 million (55%), loans recovered stands at Rs. 16,558 million (57%) and outstanding loan stands at Rs. 2,050 million (46%). The combined loan disbursement, loans recovered and outstanding in case of PMFBs are Rs. 15,091 million (45%), Rs. 12,682 million (43%) and Rs. 2,409 million (54%), respectively. The comparative figures indicate GBBs performing slightly better both in disbursement and repayment as compared to PMFBs. GBBs contribute 55% of all loans disbursed, while the share of PMFBs stands at 45%. Similarly, GBBs collected 57% of the total loans recovery of Rs. 29,240 million. Thus, GBBs' combined loan performance is slightly better than PMFBs combined total, while outreach-wise microfinance services of PMFBs seem better than

the GBBs combined. There are two reasons for this outcome: Firstly, PMFBs came into operation little late (only 5-6 years after GBBs) and they provide relatively small loans only, and secondly, GBBs after introduction of privatization concept have started providing larger size loans as well as influencing both disbursement and recovery amounts.

The total loan disbursed by these 10 banks (five GBBs plus five PMFBs) inclusive of general, other loans and group fund loans stands at Rs. 33,699 million and the total loans recovered (repaid) stands at Rs. 29,239 million. The total outstanding loan of these 10 banks is Rs. 4,459 million. Total combined savings of 5 GBBs is Rs. 583 million which is 39% of the grand total savings of 10 banks (Rs. 1,489 million), while the PMFBs contribute 61% in the total share (NRB, 2008).

d) Self-Help Groups (SHGs)/Community Organizations (Cos)

model: Many rural development projects also do have microfinance component, where the project authorities encourage local people for forming self-help groups to carry out project activities. Some examples include Participatory District Development Project (PDDP), DLGSP, Sahakarya (CECI), PAF, and PCRW. These projects encourage formation of informal or formal groups and development of linkage with other service providing institutions. They also mobilize savings and conduct credit activities among their members. Some of them are registered as SCO with the Department of Cooperatives and some are operating in informal manner. The Village Bank approach is also another form of self-help groups. Nirdhan Bank also has promoted self-reliant groups (SRG) in some hill areas. The status of progress and achievements of some projects, which adopted SHG/CO model are highlighted below based on the available information:

Decentralized Local Governance Support Program (DLGSP): A total of 27,221 COs/SHGs have been formed under DLGSP alone covering 675,327 members of 880 VDCs in 66 districts. DLGSP has been in implementation since April 2004 and would continue until June 2009, after which a newer

version of the program - Local Governance and Community Development Program (LGCDP) is set to start from July 2009. These COs/SHGs have already generated regular savings amounting to Rs. 905 million and have issued loans totalling Rs. 1,932 million. Generally, more than 90% of the savings are in circulation among members as loans for various income-generating activities. So far, DLGSP has disbursed Rs. 810 million and recovered Rs. 440 million from the COs members leaving a balance outstanding of Rs. 370 million.

There are 835 staffs involved in the process of implementation of DLGSP activities that go beyond credit activities. The program spends over Rs. 10 million per annum to provide salary and meet other administrative costs. DLGSP is more focused on local development through capacity building of local governance system and local infrastructure development. Capacity development trainings are also provided to the members of COs/SHGs under the Village Development Program. This document highlights only the micro credit part of the program.

Poverty Alleviation Fund (PAF): PAF was created to address the problems of the poor communities. The goal of PAF is to help the poor find their way out of poverty. PAF has a 12-member governing board chaired by the Prime Minister. The government appoints the vice-chairperson (from among the members) and five members. Other 5 members are ex-officio-Secretary, NPC, Chairperson, Association of District Development Committee, Nepal (ADDCN), Chairperson, Association of Village Development Committee, Nepal, Chairperson, Nepal Women Commission, and Chairperson, Nepal *Dalit* Commission.

PAF has been working through COs, and local NGOs to help improve social and economic status of the poor in the society. It aims at empowering the socially excluded and disadvantaged poor households. It provides them the avenues for changing from the status of "dependents" to "independent" and to "interdependent" in relationship with traditionally dominant elite of the

society and thus empowers the poor to become a part of the mainstream of development.

PAF also provides some seed money and other subsidies to its grassroots members to carry out various other activities-raising a doubt on the sustainability of the local organizations once the support program is discontinued at the termination of the projects funded from various donor organizations/countries.

By the end of July 2008, PAF has covered almost 235,270 poor households in 1,554 /VDCs (857 HH through 242 POs and 697 HH through 7,693 COs) of 45 districts. By July 2008, PAF has invested Rs. 2,982 million in 7,510 COs for income generating activities, and Rs. 555 million in the same number of POs and COs for 1,445 community development infrastructures. Out of the total beneficiaries of 235,270, it has covered 67.6% hardcore poor (who have own production and wage earning sufficient to support livelihood for 3 months), 24.3% medium poor (who have own production and earning sufficient to support livelihood for 6 months), 7.9% poor (who have own production and earning sufficient to support livelihood for 12 months) and 0.2% marginal non-poor (who have own production and earning sufficient to support livelihood for more than 12 months). Gender-wise, it has covered 69% female and 31% male, while ethnicity-wise, 36% *Dalit*, 29% *Janajati*, and 35% others. PAF has maintained 215 field staffs according to PAF report.

Production Credit for Rural Women (PCRW): This program was started in 1982-83 in Dhading20 district with the initial support from UNICEF to provide production credit to women for improving their quality of lives through increased employment opportunities and income. PCRW is a combination of credit, training and community development services. The program continued until December 31, 1997 with the support from IFAD, UNICEF, UNFPA, ADB/MCPW, USAID and HMG/N. The program activities continued with the savings mobilized and with assistance from

other donors. The infrastructure of women's groups, ward level committees and VDC level federations have been continuing the program activities with their savings and other available funds even after the end of the program support.

In this program, initially the targeted women received loans from the two government owned commercial banks - Nepal Bank Limited and Rastriya Banijya Bank. As per the agreement signed between the government of Nepal and International Fund for Agriculture Development (IFAD), the government had disbursed Rs. 228.7 million to the participating commercial banks by the end of July 1999. The banks have paid back Rs. 105.6 million by December 31, 2008 and Rs. 123.1 million remains to be paid back.

Nepal government and ADB signed agreement on September 16, 1993 to launch Micro Credit Project for Women (MCPW) as a supplementary program to PCRW. This program ended on June 30, 2002. This program was implemented in 10 municipalities of 15 districts. A total of Rs. 195.2 million was disbursed to the participating commercial banks for this purpose. NRB has paid back Rs. 54.9 million to the government of Nepal (SMN, 2009).

2.1.5 Microfinance Institutions

A) Grameen Bikas Bank

I. Purbanchal Grameen Bikas Bank Ltd., Biratnagar:

Purbanchal Grameen Bikas Bank Ltd. (PGBB), a Grameen Replicator has been established under the Commercial Bank Act, 1974 (2031 B.S) and registered under company act 1974 (2031 B.S). Bank is jointly ventured by public sector and joint venture private banks with an authorized capital of NRs. 120 Million (US\$ 2.2 Million) and paid up capital of NRs 60 Million (US\$ 1.1 Million), accordingly PGBB has been registered in November 20,1992 (Mangsir 5,2049 B.S). Currently

PGBB is working with 4 Main Branch Offices and 26 Branch offices in 6 districts of the Eastern Development region of Nepal.

PGBB is working in rural areas with a view to create environment within people in difficult situations. It is heading with a mission to work with and for the poor and disadvantaged group of society to alleviate their poverty by raising their awareness participating in income generating activities. It generates self-employment of the rural poor through micro credits at their doorstep to reduce poverty level.

PGBB is governed by a seven member's board that introduces organizational policies governing to different level of management. The day to day operation is managed by a management team headed by Executive Director who is appointed for a certain period by the board. Executive Director is responsible for managing smooth operation of the bank (PGBBL, 2011).

II. Madhyamanchal Grameen Bikas Bank Ltd., Janakpur:

Madhyamanchal Grameen Bikas Bank Ltd. (MGBB), a Grameen Replicator has been established under the development Bank Act (B.S. 2052) and registered under company act (2053 B.S.). Bank is jointly ventured by public sector and joint venture private banks with an authorized capital of NRS. 120 Million (Us\$2.2 Million) and paid up capital of NRS 60 Million (Us\$1.1 Million). Accordingly MGBB has been registered in June 21, 1996 (Ashad 7, 2053 B.S.). Currently MGBB is working with 11 Area/Branch and 28 Branch offices in 14 districts of the Central Development region of Nepal. MGBB is working in rural areas with a view to create environment within people in difficult situations. It is heading with a mission to work with and for the poor and disadvantaged group of society to alleviate their poverty by raising their awareness. It generated self-employment of the rural poor through micro credits at their doorstep to reduce poverty level. MGBB is governed by a eight members board. The board is policy making body and

is responsible for providing policy direction to management. The day to day operation is managed by a management team headed by Executive Director who is appointed for a certain period by the board among themselves. Executive Director is responsible for managing smooth implication of the bank.

MGBB has fixed its mission to achieve as to extend financial service at a micro level and to launch social self-reliant at the deprived sectors of the society through self-participatory approach (MGBBL, 2011).

III. Paschimanchal Grameen Bikas Bank Ltd., Butwal:

Pashchimanchal Grameen Bikas Bank Limited (PasGBB) was registered in 1994 as a public limited company under the company act 1974. Currently, it is operating under the Bank and Financial Institutions Act 2006. As a micro finance bank, the bank has been established to alleviate the hardship and sufferings of 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 the western region of Nepal. The unique features of the bank are; Area approach, well defined target group, group guarantee landing approach, no physical collateral required, disbursement of loan at the center.

The head office of the bank is situated at Butwal, Rupandehi. It has started its first operation on 15th July, 1995 from the Goringhe branch of Kapilvastu district. The bank has extended its service in 13 districts of the western region of Nepal, modeled on the methodology of Grameen Bank Bangladesh, the bank operates 35 branches located in the hill and plain region within the western region, with a stronger presence in the hills (PGBBL, 2011).

IV. Madhyapaschimanchal Grameen Bikas Bank Ltd., Nepalgunj:

Madhya Paschimanchal Gramin Bikas Bank Limited was established on Chaitra 28, 2051 B.S. (April 11, 1995) with the vision to strengthen the rural economy of Nepal. The mission of this Bank is to uplift the lives of people

living in the rural areas of the country and to make them independent through self-employment.

MPGBBL is registered under the Company Act of Nepal 2063 and operates under the Bank and Financial Institution Act 2063 (BAFIA). It is licensed as category "D" financial institution by Nepal Rastra Bank (Central Bank of Nepal).

The operational area of the Bank is Midwestern Development Region of Nepal. There are 3 Zones, (Karnali, Bheri and Rapti) and 15 districts in the scope of the Bank. Currently the Bank has 30 branches across 10 districts. The Bank provides financial supports and training programs to rural population who come under poor and deprived sector. It encourages community based works and provide loan without collateral to women for small industries to overcome poverty. It is one of the Gramin replicator and follows Gramin financial system originated in Bangladesh by Prof. M. Yunus (MPGBBL, 2011).

B) Private Microfinance Bank

I. Nirdhan Utthan Bank Limited, Bhairahawa: Nirdhan Utthan Bank Limited is a microfinance bank established in November 1998 under Company Act of Nepal 1997 (now Company Act 2006). Nepal Rastra Bank, the central bank of Nepal granted a license in April 1999 to undertake banking activities under the Development Bank Act 1996. It started its formal operation from July 1999. Now, operated under Bank and Financial Institution Act 2006, Nirdhan Utthan Bank (NUBL) provides microfinance services such as Loans, Deposits, Microinsurance and Remittance services to poor families of Nepal. The lending methodologies are individual lending based on Grameen Bank, Bangladesh model and group lending based on Self-help Group model through few specified branch offices.

Though, legally established as a company in 1998, the operation of NUBL is a continuation of microfinance services provided by an NGO called "NIRDHAN" which was providing microfinance services since March 1993.

The story behind the establishment of "NIRDHAN" starts from 1986 when Dr. Harihar Dev Pant, the Chief Executive Officer of NUBL/Executive Chairman of "NIRDHAN" (then senior officer with central bank of Nepal) visits Grameen Bank in Bangladesh. The visit inspired him to launch microfinance program in Nepal resulting the birth of "NIRDHAN" or "people without money" in 1991. NIRDHAN began its microfinance operation in March 1993.

NIRDHAN, as an NGO has a limited recourses and capacity to satisfy unmet demand of poor people in different part of the country. This results the establishment of Nirdhan Utthan Bank Limited, NIRDHAN being a lead promoter. In July 1999, NIRDHAN transferred all microfinance operations to Nirdhan Utthan Bank. NIRDHAN created Nirdhan Utthan Bank Limited for the following strategic reasons:

-) Development banks are supervised and regulated by the Central Bank, which will enforce banking standards;
-) A development bank can have access to different source of funding enabling it to satisfy financial need of poor people
-) The bank can lend to a wider range of clients, including micro entrepreneurs graduated out of the bank's regular clientele. Further, a bank can accept collateral for potentially larger and diverse loan products (NUBL, 2011).

II. Chhimek Bikas Bank Limited, Hetauda: Chhimek Bikas Bank Ltd. is a micro finance development bank. It provides microfinance services to the poor, the marginalized and the deprived, with main focus on woman living below the poverty line. It was registered with the company Registrar's Office in December 2001 under Company Act 2053. It obtained license in January 2002 from Nepal Rastra Bank as per Development Bank Act 2052. It got banking model from NSSC (Neighborhood Society Service center). When the government applied Intermediary Act, the bank started its micro

credit program with the technical support of NSSC. Neighborhood Society Center (NSSC) had played a vital role in the establishment of Chhimek Bikas Bank. The introduction of the Financial Intermediary Act in 1998 created a problem for the organization, as the collection of savings/deposits from members was not allowed under the act at that time. A plan was therefore made for establishing a development bank. Thus, as an initiative of NSSC, and with the help from different commercial banks and promoters, Chhimek Bikas Bank was established (CBBL, 2011).

III. Nerude Laghubitta Bikas Bank Ltd., Biratnagar: Nerude Laghubitta Bikas Bank Ltd. is registered under the "Company Act 2063" with the Company Registrar's office of Nepal as a micro-finance institution in Biratnagar, Morang district. The registered code number of this organization is 989/063/64 dated March 4, 2007 (2063.11.10 Bikram Era). Nerude came into existence in May 23, 2007 (2064.02.09) with the establishment of its central office at Biratnagar in Eastern Region of Nepal. The Nepal Rastra Bank (NRB) has given the license for operating the transactions. The license number is "D" 12/063/64.

Nerude Laghubitta Bikas Bank Ltd., established in 2007 with the objective of uplifting the socio-economic status of rural poor, has initiated micro-financial services and community development activities to female group members by replicating the basic approach of Grameen Bank Financial System of Bangladesh (GBFS).

NERUDE's is to work as a self-sustained financial institution and serve a maximum number of the rural poor and deprived through delivery of micro-finance services at the grassroots level. It has been implementing Micro finance Program in 3 districts of Nepal, i.e. Sunsari, Morang and Jhapa. Its program is women focused micro-financing program based on Grameen Bank Financial System of Bangladesh (NLBBL, 2011).

IV. Deprosc Development Bank Ltd., Chitwan: Deprosc Development Bank (DD bank) have been established and promoted by the

NGO DEPROSC Nepal in 1995. Its authorized capital is 23.2 million and issued and paid up capital Rs. 11.6 million with the equity participation of DEPROSC - Nepal, Agricultural Development Bank, Nepal Bank Ltd., Nabil Bank Ltd., CEAPRED (an NGO) and microfinance practitioners. The fragile political situation of the country and upcoming unhealthy competition among some of the MFIs are the challenges of DD Bank.

Deprosc development Bank provides financial services to poor rural households of Nepal. Access to financial services helps the rural people to come out of poverty. Credit would create employment and generate income among poor rural families, which will help them to have better access to food, health, education, shelter and clothing (DDBL, 2011).

C) Financial Intermediary NGOs

I. DEPROSC Nepal, Kathmandu: DEPROSC-Nepal is a non-profit making organization, established in September 1993 under "Association Registration act 1978" as a non-governmental organization (NGO) and affiliated with Social Welfare Council (SWC). DEPROSC-Nepal has its Head Office in Kathmandu, Nepal and has two Regional offices one each in Biratnagar (Eastern region) and Nepalgunj (Mid- and Far western region) The centre has sufficient number of personal computers with state-of-art software and accessories like scanner, fax and photocopier, e-mail, four wheel drive vehicles, motorcycles and other basic amenities required for its functioning as a professional NGO.

From the day the centre was established, it implemented various programs and projects in all five development regions of Nepal. Out of 75 districts in Nepal, the centre is actively involved in implementing various action-research projects in 47 districts of mountain, hill and terai regions. At present, the centre is working on 40 districts. The centre completed different projects in 19 districts. The centre has also been involved in implementing different humanitarian support programs especially during

food deficits in hill and mountain districts of mid and far west with support from United Nations World Food Program and Lutheran World Federation (DEPROSC, 2011).

II. FORWARD, Sunsari: Forum for Rural Women Agency Development (FORWARD) established in Paush 2051 (Dec 1994), it had been formally registered in 18 Baisakh, 2052 (May 1995). And it was licensed by Nepal Rasta Bank (Central Bank of Nepal) as a financial intermediary Act in 15-paush, 2059 (Dec 2002), affiliated in social welfare council, NGO Federation of Nepal, also the organization has membership in many other Networks / Societies like NGOCC, RMDC, Local Trust Fund Board and many other related NGOs, INOGs and linkage with many other financial Institutions.

FORWARD is located in the eastern part of Nepal as a non-Governmental Financial Intermediary Organization. Which have managed by like-minded and committed women professional groups? FORWARD works for backward vulnerable, indigenous people and communities to aware their rights base programs with empowering women.

The Organization develops trust by supporters with the base cooperation of idea's and collective views in order to significant role in poverty alleviation and obligation to help against poverty with microfinance program, awareness against the domestic violence of women & Child, community Health and hygiene, Improvement of traditional practices of productivity livestock and micro enterprises developments and Capacity building for small farmers and irrigation users committee people of eastern Nepal. FORWARD has also given priority to empower the deprived communities. By which it ultimately leads their access to the Economic resources. As on cover the above fields, FORWARD has set up the following major Vision and objectives (FORWARD, 2011).

III. Jeevan Bikas Samaj, Morang: Jeevan Bikas Samaj (JBS) is a national level NGO established in 21 September 1997 in order to improve

the socio-economic and cultural circumstances of marginalized people. It is a non-partisan, non-political, non-profitable and non-religious organization serving the back warded, disadvantaged and resource poor community. JBS is initiating awareness through advocacy and strengthening the leadership capability of the hitherto excluded and disadvantaged groups. Since last one decade, JBS has been fighting against poverty and unconsciousness. Now it has been providing financial, social, political, educational, health and other various services in three districts of southern-east Nepal. Its major services have been focusing on marginalized people and 62,000 deprived families are taking microfinance services from 33 different branch office of the organization.

To improve livelihood conditions of landless, marginalized and back warded people, JBS is providing microfinance services to the targeted poor people. It has achieved significant outcomes in microfinance service, income generation, women empowerment, community development, human resource development, education, awareness, health and sanitation. JBS is fighting against rural poverty to fulfill its goal to make healthy rural civilization over the period of 13 years since its establishment (JBS, 2011).

IV. CSD, Kathmandu: After the restoration of democracy in 1990, people began to realize that government development initiatives could not be successful to a desired extent to bring positive measurable impact on the lives of poor. The main reason behind it was that the people were not made participatory in their development works and no attention was given to help them realize the importance of self-help development. This led the community people towards apathy in self-help development initiatives. Subsequently the critical mass of local resources was not harnessed on the one side and on the other whatever development programs initiated in their communities was not sustainable. Considering this development scenario, a small group of development practitioners and policy makers established a non-governmental organization (NGO) based on their shared vision of "self-

help development". Their goal was to work with the poor rural masses to begin a process of self-help development by changing the dependency mindset of the community people. This shared vision of helping people to help themselves gave birth to "Centre for Self-help Development (CSD)" - a non-governmental organization (NGO) in August 1991. Since then, CSD has been effortful to raise awareness of the rural poor so as to help them to initiate their own institution building and carry out various programs generating both financial and social capital (CDS, 2011).

V. Mahuli Community Development Centre, Saptari: MCDC has adopted the participatory strategy in order to implement the above policies according to the operational nature of various programs. It formulates the situational strategy for smoothly administering directly to the identified potential beneficiaries. It adopted the simple and unique service delivery methods as per the need of program. Challenges are: Government policy, unhealthy competition, etc,. The Mahuli community development center (MCDC) has established in 1994 by the team of the young villagers of different professional background. MCDC is non-governmental and nonprofit making organization. It is registered under Institution Register Act 2034 BC. at Saptary District Administrative office. It is affiliated with Social Welfare Council (SWC), NGO Federation Nepal, Micro Finance Association Nepal (MIFAN) and Rural Micro Finance Development Center Ltd. (RMDC), MCDC has obtained Financially Intermediary permission (FIP permission No-6) from Nepal Raster Bank. MCDC has been doing several community based work and playing a major role in the field of micro financing sector, awareness, empowerment, social mobilization, poverty elimination of its covered area. It hopes community can be change and develop through awareness and social mobilization (MCDC, 2011).

VI. NESDO, Parbat: National Educational and Social Development Organisation (NESDO, Nepal) is non-profit making, self-governed, autonomous, continuous legatee social development organisation,

established with view to conduct activities related to social development. It aims to develop a "Poverty Free New Nepal" in the matters of human, financial and physical resources. Achievement of such aim is possible through implementation of various community development programs & Micro Finance Program that aim to assist national development, utilising local human resources and financial and physical resource & expertise to address problems of disadvantaged, destitute and women in the local level (NESDO, 2011).

D) Cooperative

I. Women Cooperative Society Ltd., Kathmandu: Women Cooperative Society Ltd (WCS) is an autonomous organization registered under the cooperative Act 1992 and established in 1993 by a group of 28 women promoters. It is the first and only women organization providing general banking services in Nepal. It is registered by the Nepal Rastra bank (central bank) to conduct limited banking services through its banking office located at Kathmandu. It also provides microfinance services to the poor women in rural areas following the Grameen Bank model, with the mission of uplifting the socio-economic conditions of women through financial services.

WCS first conducts a brief survey in the village Development committee (VDC). If the survey result is satisfactory, then a PRA is used to identify the potential target household. Subsequently, WCS organises 7-10 days pre-group training.

WCS offers various microcredit products to its client to support their income-generating activities, such as general loan, seasonal loan, housing loan, center fund loan, group saving loan.

It also offers microsaving services through products such as group saving, personal saving, center fund saving and life and housing protection scheme.

WCS is planning to offer a livestock insurance scheme as well.

WCS operates its microfinance program in various VDCs of Kathmandu valley (Kathmandu, Lalitpur and Bhaktapur district). It runs 4 branches in Kathmandu valley covering 57 VDCs. Most of the VDCs are located in the hills, and reached by public bus then by foot (1.5 hours walk) in order to conduct center meetings (WCSL, 2011).

2.1.6 Wholesale Lending Institutions

2.1.6.1 Rural Self-Reliance Fund (RSRF): In March 1991, the government decided to create a "Rural Self-reliance Fund" (RSRF) for providing wholesale credit to qualified Saving and Credit Cooperatives (SCCs) and NGOs, which in turn would provide necessary micro credit services to the poor and the destitute living in backward village for enabling them to generate employment opportunities and uplift economic conditions. The RSRF received seed money of Rs. 20 million from the government. The government made additional contribution of Rs. 70 million during 2005-07 and NRB added Rs. 253.4 million from its profit to lend to small farmer tea growers in the Eastern Nepal.

The RSRF is mobilized as per the decisions of the RSRF Steering Committee headed by the Deputy Governor of the Nepal Rastra Bank. The SCCs and NGOs, which meet the specified requirements, have been provided with loans to disburse to the target people for agriculture, horticulture and livestock purposes and micro enterprises, self-employment and income earning activities, renewable energy and irrigation purposes. The SCCs and NGOs that fulfill the set criteria are provided with wholesale funds at 8% per annum. They are given interest rebate of 6% if the interest and principal amounts are paid within the prescribed schedule.

The qualified institution can provide loans to its clients not exceeding Rs. 40,000 in the first time, Rs. 50,000 in the second, and Rs. 60,000 in the third. The client can also receive an additional loan of Rs.60, 000 if the client's loan repayment record is found good. The partner cooperatives and NGOs need to finance 20 % of the project cost through their own source and

use only 80% cost from the RSRF. The fund, as such, has no specific model. The borrowing organization can on-lend the funds as per its own policy and procedure. They generally lend at 12% per annum to their clients. RSRF provides loan amount upto Rs. 1.5 million to a borrowing MFI in the first round which should not be more than 20 times of its primary share. In the second round, RSRF provides Rs. 2 million to a borrowing MFI not exceeding 15 times of its primary share. And in third round, based on the performance of the MFI, RSRF provides Rs. 2.5 million which should not exceed 15 times of its primary share. The MFIs which has repaid all three installments of RSRF loans would get refinanced fund upto Rs. 3 million. The objective of RSRF is to assist the rural poor to get out of poverty by making provision of microfinance services through local NGOs and Cooperatives. It is managed by NRB without a defined network system set aside for monitoring of the loans disbursed (RSRF, 2011).

2.1.6.2 Rural Microfinance Development Centre Ltd. (RMDC):

RMDC is the major wholesale lending organization in microfinance sector in the country. It was established in 1998 with the authorized and paid up capital of Rs. 80 million. Later the authorized capital was raised to Rs. 640 million and the issued and paid up capital to Rs. 320 million. Its promoters and shareholders are NRB, 13 CBs, five GBBs, the Deposit Insurance and Credit Guarantee Corporation (DICGC) and Nirdhan NGO. The 13 CBs and NRB hold 90.1% and 6.6% of the total paid-up capital, respectively. The key objective of RMDC is to help improve socio-economic condition of the majority of the rural poor, the landless and the asset-less women by increasing their access to financial services for productive undertakings that generates income and employments. It has been offering wholesale funds to MFIs to on-lend to the ultimate borrowers for undertaking productive activities. RMDC also provides supports for strengthening the institutional capacity of the partner organizations and extends financial and technical

supports for upgrading skills and confidence of the ultimate beneficiaries in undertaking income generation activities. All types of institutions, which are legally entitled to undertake microfinance operations, such as Microfinance Development Banks (MFDBs), FI-NGOs, SCCs, and SFCLs are eligible for borrowing from it. It has partnered with 79 MFIs, which are covering 52 out of 75 districts as of 2009. As of mid-July 2009, RMDC had 79 POs for which it has approved Rs. 4,032 million loans and had disbursed Rs. 3,314 million. It has also recovered Rs. 1,814 million from the POs and has an outstanding of Rs. 1,500 million by the same period. RMDC has been able to maintain 100% recovery rate from its inception to date. There was no default of loans and interest as yet. It has also been making profit from the very first year (RMDC, 2011).

2.1.6.3 Sana Kisan Bikas Bank Ltd. (SKBBL): The Sana Kisan Bikas Bank Limited (SKBBL) was established in July 2001 with an objective to provide the needed loans to the Small Farmers Cooperative Limited (SFCLs). The promoters of the bank were the government, ADBN and commercial banks. It has an authorized share capital of Rs. 245 million and paid-up capital of Rs. 123 million in FY 2007/08. ADBL is contributing 57% of the share capital, the government 16%, SFCLs 21%, Nepal Bank Ltd. 4% and NABIL Bank 2%. SKBBL is the prime source of funding for the SFCLs. Earlier, ADBN used to provide the necessary funding to the Small Farmers Development Projects (SFDPs). SKBBL is now providing wholesale loans to 219 SFCLs and one NGO. It has acquired Rs. 1,268 million as handed over principal amount from the ADBL by December 2008. It has disbursed Rs. 3,251 million fresh loans and recovered Rs. 2,779 million by the same date. As of mid-July 2008, the outstanding loan was Rs. 1,445 million (SKBBL, 2008).

2.1.6.4 Commercial Banks (CBs): The commercial banks are yet another major source of financial resources for MFIs. The CBs were required by the NRB to lend 3% of their loan and advances to the deprived

sector. These banks could either lend out loans to the poor and low income people directly or they could pass on this amount to the MFIs for on-lending to their clients. The category 'A' Commercial Banks (CBs) is required to lend 3% of the loan and advances to the deprived sector. As of mid-July 2008, the loan outstanding of all CBs stands at Rs. 306, 534,100,000. Thus, the fund earmarked under deprived sector lending fund @ 3% comes to Rs. 9,196,023,000 from CBs only. Similarly, the category 'B' Development Banks (DBs), and category 'C' Finance Companies (FCs) are also required to lend out 1.5% and 1% of their loan and advances to the deprived sector, respectively. The Development Banks as of July 2008 had an outstanding loan of Rs. 23,699,800,000 and the deprived sector fund @ 1.5% came out to be Rs. 355,497,000 and that of 'C' category Finance Companies loan outstanding stood at Rs. 43,370,600,000 of which the deprived sector fund allocation @ 1.0% comes to Rs. 433,706,000. Thus, the total available fund for deprived sector as of July 2008 from CBs, DBs and FCs totals was around Rs. 9,985,226,000.

The GBBs have not been able to fully disburse the funds they receive from the CBs. They are maintaining fixed deposits (fund parking) in the various banks. However, most CBs, DBs and FCs lend deprived sector funds mostly to qualified RMDC partners whom they consider risk free due to its stringent supervision and follow up. The MFIs have been getting loan funds for on-lending from CBs at 3%-6% interest rate depending on the mutual loan negotiations the demand for and the supply of funds and the financial health of the borrowing MFIs. The CBs do not have a system of conducting onsite follow up and supervision operations of the borrowing MFIs to check the utilization of the loans they make. In general, they provide loans for one year and get it renewed for another year, if they find that the concerned MFI's performance is satisfactory (SMN, 2009).

2.1.7 Policy, Legal and Regulatory Framework

2.1.7.1 Microfinance Policy: The history of microfinance in Nepal is over three decades old. However, there was not any stated policy of the government on microfinance prior to the announcement of the microfinance policy by the Ministry of Finance of the Government of Nepal in 2008.

The demand for microfinance services by the poor and the destitute is ever increasing in the country. In light of the tremendous achievements made by the countries such as Bangladesh, India, the Philippines, Indonesia, Pakistan and other developing countries in the reduction of poverty through massive flow of financial services down to the poorest segment of the rural and the semi urban communities, the government of Nepal, on the advice of the Nepal Rastra Bank promulgated “National Microfinance Policy, 2008” in order to do away with the problems related to organizational and legal issues with a view to smoothly providing microfinance services in the rural areas, increasing the access of the destitute class to such services, creating a healthy and competitive atmosphere among MFIs, and encouraging the private sector to get involved in the task of providing such services on a sustainable basis, Microfinance Policy, 2008 was introduced as a new mechanism to boost up microfinance industry. It aims to improve the smooth flow of funds to the poorest segment of the rural populace by creating national fund for microfinance. It also has envisaged establishing a regulatory and supervisory body for regulating and supervising the MFIs in the country as such that they discharge their services effectively and efficiently. The highlights of the policy are as follows:

1. Enhance the supply of microfinance services to the rural and urban poor to suit to their geographical, social and economic diversity.
2. Improve the smooth flow of microfinance services with or without collateral (group guarantee) to the poor and the destitute by establishing a standard procedure for identifying the target groups.
3. The government will provide necessary help to the microfinance institutions for social mobilization, capacity development, organizational

development, re-structuring, and also will encourage wholesale micro credit providers both from public as well as private sectors.

4. The government will also integrate microfinance with various poverty alleviation programs and projects and implement these in a coordinated manner.
5. The government will coordinate its activities with the institutions responsible for micro-enterprise development and assist the targeted poor people for their enterprise development.
6. The government will establish relations with microfinance service providing institutions (MFIs) such as Community Organizations (COs), and Savings and Credit Groups (SCGs), by making a legal provision to easily recognize these MFIs.
7. The government will also motivate destitute class to mobilize their savings in order to improve their access to microfinance services.
8. The government will make the necessary institutional and legal arrangements, and create a separate institution under the direct control of NRB to make the microfinance service providers (MFIs) self-institute of Microfinance regulatory for timely operation, monitoring, supervision, and evaluation such that they can provide microfinance services to the poor in a sustained manner.
9. In order to mobilize resources for long term easy access of the poor to microfinance services a “National Microfinance Development Fund” will be established. Assistance for microfinance from foreign and national donors will be mobilized through this fund.
10. Conduct a survey to exactly know the existing number of cooperatives and microfinance institutions, extension of services and access to services.
11. Organize trainings to improve the capacity of people engaged in microfinance sector.

12. Adopt the policy of relaxation in permitting saving deposits to the MFIs based on the services they provide and their share capital status,
13. Adopt the flexible tax policy on income of the MFIs and tax on interest earnings of the poor. And
14. Most of the initiatives and actions envisaged under the policy are yet to be observed. NRB, the central bank has been working on a draft to bring out a microfinance act and also to create a regulatory body to regulate and supervise the MFIs in Nepal (SMN, 2009).

2.1.7.2 Regulatory Authorities and Regulated Institutions

a. Nepal Rastra Bank (NRB): The Nepal Rastra Bank is the regulatory body for all types of banks and financial institutions licensed by it and classified as Class 'A', Class 'B', Class 'C' and Class 'D' banks under the Bank and Financial Institution Act 2006 and the Financial Intermediary NGOs registered under the Financial Intermediary Act 1998. In addition to these, some cooperatives which have been given limited banking licenses also come under its control and supervision (NRB, 2011).

b. The Department of Cooperatives (DoC): The Department of Cooperative is the National Cooperative Organization responsible for registration; regulation and promotion of cooperative enterprises in all over the country. It was established in 1953 AD under the then Ministry of Planning, Development and Agriculture. The interim Constitution of Nepal, 2063 has considered Cooperative sector as one of the three pillars for national development. It is one of the departments under the Ministry of Agriculture and Cooperatives. Cooperative Department as the constituent organ of the government has 40 offices altogether including the department. It is the major executive wings of the Government. The in-charge of the cooperative department is Registrar as equivalent to a joint secretary of the government. The Registrar of the Department of Cooperatives delegates the registration authority to the officials assigned in the Division Cooperative offices. Under this Department there is one Central Cooperative Training

Centre, 5 Cooperative Training and Division Office and 33 Division Cooperative Office in all over the country. The Central Cooperative Training Centre was established in 1962 AD. The five Cooperative Training and division Office and thirty three Division Cooperative Office were set up after the dissolution and merging of district cooperative office extended over 68 district in the country.

There are altogether 594 personnel under the Department of Cooperatives. Several types of cooperatives societies operated in the country are Saving and Credit, Multipurpose, Dairy, Agriculture, Fruits and Vegetables, Bee Keeping, Tea, Coffee, Consumers, etc. (DoC, 2011).

2.1.7.3 Laws and Regulations

a. Nepal Rastra Bank Act, 2002: This Act defines the role of NRB in formulating effective policies, developing secure, healthy and efficient payment system, regulating, supervising and inspecting banking and financial institutions and promoting and striving for a credible banking and financial system. It prohibits NRB to buy share of CBs or financial institutions. NRB, however, plays a developmental role through a special fund, the Rural Self-Reliance Fund (RSRF), which operates with an interest rate below market rates. NRB's financing role through RSRF undermines the steady development of other apex institutions in rural and microfinance sectors. The justification for continued operation of RSRF is based on the need for serving weak institutions that cannot meet the eligibility criteria of other wholesale lending institutions (NRB, 2011).

b. Bank and Financial Institutions Act, 2006: This umbrella Act, “Bank and Financial Institutions Act” (BFIA) came into force in 2006 and it replaced the Bank and Financial Institutions Ordinance (BFIO) of 2004. All the commercial banks, development banks, finance companies, microfinance development banks are regulated under this umbrella act as Class A, Class B, Class C and Class D institutions, respectively. A small Microfinance Development Bank (MFDB) can be established with a paid up capital of Rs.

10 million to operate in three districts outside Kathmandu valley. For operating in 4-10 districts outside Kathmandu, the MFDB has to have paid up capital of Rs. 20 million and for a national level MFDB the paid up capital must be at least Rs. 100 million. MFDB can increase the number of districts if it could increase paid up capital. For an adjoining additional district, it requires to increase paid up capital by Rs. 2.5 million. The promoters can retain 70% of the share capital and they must float the remaining 30% share to the general public. An MFDB operating in 10 districts with a capital of Rs. 20 million can operate in other five districts in the hills without any additional capital. This umbrella Act has a provision for even a foreign bank or financial institution, in joint collaboration with a Nepalese organization or citizen or through its subsidiary organization having its full share, can provide microfinance services in the country with the permission from NRB and the Government of Nepal. Under this act, NRB has the responsibility to supervise, warn the Board of Directors and even take over management in case some wrong things happen to a bank and also initiate actions for liquidation if required by circumstances (BFIA, 2011).

c. Cooperative Societies Act, 1992: The Cooperative Societies Act was introduced in Nepal in 1992. Under this Act, cooperatives can be formed with 25 persons as its members. These autonomous institutions are entitled to formulate their own bylaws or operational procedures through their General Assembly (GA) meetings. Each cooperative will have a Board of Directors and an Accounts Committee (AC) consisting of members duly elected by the members through General Assembly using one-man one vote principle. The term of Board members and members of Account Committee (AC) is also determined by the GA but not exceeding 5 years. The Board appoints a management team or prescribes other body that carries out the day-to-day activities of a cooperative. The AC is responsible for internal audit and accountable to General Assembly for accounting and financial

operations. Under the act, the Department of Cooperatives is fully authorized to register, supervise, appoint auditor, take necessary actions for improvements and reforms and liquidate all types of cooperative societies (DoC, 2011).

d. Financial Intermediaries Act, 1998: In 1998, NRB introduced the Financial Intermediaries Act in order to regulate the financial intermediary NGOs carrying out microfinance activities. This was claimed to be a significant step in boosting up NGOs to undertake microfinance activities for the poor. However, this Act did not permit FINGOs to accept savings deposits from their clients, which is considered to be a vital aspect for sustainable operation of microfinance services. Consequently in 2001, this act was amended allowing FINGOs also to accept saving deposits from their members. According to this Act, an NGO intending to carry out microfinance activities is required to obtain license from NRB. The FINGOs need to maintain a minimum of Rs. 100,000 as their capital to get license. After receiving license from NRB, they can apply for funds from the wholesale lending institutions, such as RSRF, RMDC and Commercial Banks. The FINGOs are required to renew their license every two years. The NRB is responsible for supervision of the FINGOs to ensure that they are performing well to the interest of the target groups and the institutions that provide them financial support (NRB, 2011).

e. Nepal Rastra Bank Directives related to microfinance institutions: NRB issued 'Directives' for the microfinance institutions with the objective of promoting healthy, organized, transparent and standard operation of microfinance banks. The main features of the 'Directives' are summarized under the following headings:

Minimum capital adequacy requirement:

- 4% primary capital (paid up capital, share premium, general reserve, retained earning loss)

- 8% primary and supplementary capital (loan loss provision, asset revaluation reserve and other reserve)

Fund mobilization:

- It can mobilize fund up to 30 times of core capital through group savings, borrowing and debentures.

Compulsory reserve and liquid assets:

- It is required to maintain compulsory minimum reserve of 0.5% of total borrowed fund from NRB or from any other Class A Commercial Bank.
- It is also required to maintain liquid assets of 2.5% of individual, group and special saving of members. The liquid assets are defined as cash reserve at hand, investment in government bonds, investment in NRB bonds and deposit in commercial banks.

Expansion of Branch and Geographical Area

- MFDBs must take permission from NRB prior to expanding branches and geographical areas.

Norms of Corporate Good Governance

- MFDBs should clearly spell out rules for the appointment of Board of Directors and CEO and specify their functions and job responsibilities.

Loan Limit to Individual Group Member

- Extension of loan up to Rs. 60,000 per member without collateral security
- Extension of loan up to Rs. 150,000 to individual member for starting microenterprise with collateral security.

Interest Rate and Service Charge

- MFDBs are given freedom to fix interest rate on deposit and loans and advances, service charge and penalty interest rate for overdue loans.

Reporting Requirement

MFDBs, FINGOs and Cooperatives licensed by NRB are required to report to the Financial Institutions Regulation Department and Bank and the Financial Institutions Regulations Department according to the Unified Directives and other directives related to MFIs. If they fail to comply with

the prudential norms of reporting or reporting late, they are penalized according to the Bank and Financial Institutions Act, 2006.

Non-Bank Financial Institution Supervision Department of NRB is supposed to monitor and supervise the operations of the MFDBs and other forms of MFIs. However, owing to the lack of adequate manpower and trained staff it has not been able to discharge these responsibilities effectively and many MFIs are short of complying with the requirements of the NRB Directives (NRB, 2008).

f. Financial Intermediaries Regulation 1999: After the promulgation of Financial Intermediary Act 1998, the Nepal Rastra Bank introduced Financial Intermediary Regulation in 1999, which was amended in 2003. The regulation has specified the documents to be submitted by an NGO to the NRB for obtaining a FI license along with Rs. 25 as license fee. As per the regulation, it has to be renewed every two years by paying Rs.100 as renewal fee. The FI-NGO has to classify outstanding and overdue loans in four categories such as good, substandard, doubtful and bad, and create a reserve for loan loss provision. There is no need to make provisions for good loans (0-3 months) however for the other categories, the rate of loan loss provision should be 10% for substandard loans (3-6 months), 50% for doubtful (6 months to 1 Year) and 100% for bad loans (above one year) at the end of the fiscal year. The regulation has restricted the FI-NGOs from purchasing shares and debentures without NRB permission taking loan by board members and their family members and purchasing fixed or movable property for commercial purpose (NRB, 2011).

2.1.8 Importance of Microfinance for Women:

Sharma (2007), found that there are different important approaches to women from microfinance. Like women's involvement in decision-making will be improved and affects their lives and their future. Self-confidence for women will increase. Women's participation in income generating activities is assumed to strengthen women's bargaining position. It will help women

to earn independent and contributes the household economy and social and political participation. Women are more likely than man to invest increased income in the household and family well-being. Microfinance program seems to be highly effective in uplifting the women's economic and social condition. It will help to reduce domestic violence and family relationships appeared to have improved.

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

Bashyal (2008), Highlighted the important impact of microfinance for women in the following:

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

In social sector, awareness development is found one of the major outcomes of this program. In this respect, many MFIs members started to join in literacy center, schooling to their children including daughters, participating in the village level election so far they are daughters, participating in the village level elections so far they are elected in ward members, VDC chairman and vice chairman. In addition, they are actively involved in community development activities such as construction of village

community hall, road and bridge and drinking water system. By this, MFIs have been imputing the momentum for poverty reduction endeavor. Majorities of women are not accessing the credit easily as due to lack of the collateral. In this respect, MFIs have been providing credit on the basis of group liabilities to such downtrodden people in income generating activities such as vegetable production, livestock raising, tea and daily uses shop, marketing of goods (better rice, vegetables and fruits) as per their experience and market potentialities.

2.2 Review of Related Studies:

Although a lot of research has been done on microfinance, this mobilization of saving and credit of community development fund for women is new topic for MBS faculty. There are a lot of papers and views related to microfinance activities which were presented in different seminars and functions. Several research work has been conducted on microfinance practice in Nepal in case of women and relevance literature have been collected through different books, dissertation, papers, journals, articles and electronic devices.

2.2.1 Review of Major Journals and Articles (1999 - 2010):

This part includes the major related studies which are taken from articles, journals, electronic devices etc.

ADB (1999), organized a regional workshop program on bank's micro finance development strategy, in Philippines. A paper was presented by working group there on 'Reaching the Poorest'. This paper describes that many MFIs have been successful in reaching the poor. Substantial challenges remain for reaching more on the poorest with MF services. The challenges are great for areas such as resource poor, low population density, and are remote as marginal. So there remains a need for new cost-effective methods of reaching the poorest. The requirements are:

- Conducting policy for removal of interest rate restrictions.

- Enabling financial infrastructure that will allow MFIs to raise resource for the poorest.
- Development of pro-poor innovations.
- Building of MFI capacities to reach the poor.

The requirements can be fulfilled by:

- ADB must enhance its own in-house capacity in MF by, i.e. recruiting specialists, conducting training for staff and creating specialized unit for MF.
- A conducive policy environment and in building and enabling financial infrastructure for reaching the poorest.
- ADB should provide technical assistance for developing effective targeting methodologies for reaching the poorest, women and disadvantaged groups in society.
- ADB could serve as financier and initiate the establishment of one or more special funds that could be used for equity participation in MFIs technical assistance and research.

Baumann (2001) published a research article on topic 'Microfinance and Poverty Alleviation in South Africa'. This paper stress that microfinance starts from an observation that the poor lack access to financial services, credit and saving facilities. South African govt. has begun to emphasize the importance of saving as part of the nation's overall economic health. Finance minister, Tranil Manuel, gave speech emphasizing the importance of saving facilities for low-income households not only for its own sake, but to increase the national savings rate. Collective savings and credit movements use group savings autonomous grassroots savings groups. The 'outputs' of active women's savings and credit collectives in poor communities include: social assets, leverage, reduced vulnerability saving and credit in the basic element in the development strategy, women who are interested in taking part are drawn into the training process and shown how such crises credit funds work in other communities.

The conclusion drawn by this report is that MFI's expert contribution seems to consist not in assessing multi-faced goals, and the costs and the benefits thereof, but in demonstrating their own arithmetical competence. It is more an expression of frustration at the stage of discourse on microfinance and poverty alleviation in South Africa today. The technical finance skills employed by orthodox practitioners are highly valuable, and many alternative initiatives suffer for lack of them. Unless and until NGO put aside their fears, rivalries, and isolationism, they will probably fail to influence government policy effectively.

A study was done by Cornford, Robyn. (n.d.) on The Foundation for Development Cooperation on 'Microfinance' or 'Access to financial services' what pacific people need? It describes Gregory's comparison is useful as it highlights an interesting way of analyzing differences in the country context when considering the provision of financial services. The population size and density, infrastructure economic activity and socio cultural norms may differ markedly. What links most pacific countries too many Asian countries is a common set of indices indicating low levels of human development. The indices may be a common bond: low level of human development, access to financial services, culturally specific approach to providing financial services, best practice and sound practice etc.

The conclusion drawn by report is that the provision for financial services to poor people has evolved from credit to microcredit to microfinance. Saving is important in microfinance. The true innovations in the provision of financial products and services to poor clients usually occur when those products and services meet the needs of poor clients as determined by careful market analysis. Financial needs of poor people cannot be implied; they are not a homogenous group. We argue that access to financial services is valuable to all people not just the poor.

A report was presented by United Nations Capacity Development Fund (UNCDF) (2004) which is based on case studies in Haiti, Kenya, Malawi and Nigeria. The topic of report is Microfinance Program Impact Assessment 2003. This report describes that microfinance is a cost effective means of contributing to development and poverty alleviation, because any dollar invested is used more than one time. Microfinance takes consideration effort on financial planning and enables poor people to expand and increase outreach to the poor through internally generated funds. The objective of program impact assessment is to examine whether UNCDF's programs have had the desired impact on microfinance clients, institutions and the enabling environment.

The findings of the report are that UNCDF is making an important contribution to the growth of microfinance in a number of countries around the world. In terms of poverty reduction and client impact, UNCDF has been particularly successful in increasing outreach, with microfinance services expanding roughly 80-85% in the case study countries since the inception of the UNCDF/UNDP microfinance programs. The selected partners have successfully targeted largely poor and very poor population and appear to be increasing women's access to financial services. Program loans are one of the main ways clients overcome food, security, pay for medical and lifecycle express and address emergencies.

A research article published by Sharma P.R., (2004), on 'The Journal of Nepalese Business Studies' about 'Microfinance: A Powerful Tool for Social Transformation, Its challenges, and Principles'. This research article attempts to explore the role and importance of microfinance in reducing poverty by generating the income of the poor. Microfinance has been emphasized for poverty reduction in developing countries through executing dual articles such as collection of domestic saving and investment of small loan. This article try to find out the answers of different claiming by institutions such as- Are these institutions really delivering microfinance

services to the poorest of the poor? Are they really sustainable in the long run? Are they financially efficient?

The conclusion drawn by this article is that the Nepalese MFIs aren't being able to reach the poorest due to inability of proper identification of the poor and lack of commitment and clear vision of their action. Expanding microfinance programs along with restructuring the financial system is essential so as to ensure financial system to better serve the rural economy. The time frame to reach or grant based on clients serving to reach financial self-sufficiency will be shorter for MFIs serving the economically active poor.

A research paper on Microfinance, Informal finance and Empowerment of the Poor: Lessons from a case study of the SHG-bank linkage program in a backward district in India by Sunil, R. (2004) discuss the process of access to finance, primarily credit and the resultant empowerment of the rural poor, especially women, facilitated by the SHG-bank linkage program in India. This case study argues uncertainties credit demands and usage pattern of the poor could differ from general theoretical assumptions. The perceived positive link between credit empowerment of women and the wider empowerment of the poor becomes weak and unpredictable.

The main objective of this research paper are to identify the process of credit empowerment of women to identify the intra-household debt pattern of the household and to identify whether the emerging debt patterns correspond with the declared and documented pathways of empowerment of the poor through microfinance especially microcredit. From the study it is found that local moneylenders prefer to lend money to women rather than men, men took fewer loans than women. Women maintain a wider more diversified loan portfolio than men. There has been a clear shift in credit liability towards women. The average annual interest rate hovered at around 24% for SHGs, 30% for local moneylenders and 18% for institutional credit. This study observed that SHGs are emerging as a potential source of credit for

women participation in the SHG has enhanced their financial credibility in the local money market and they are, therefore able to contact more credit from sources other than the SHGs.

Baral (2004), published a research article in 'Banijya Sansar' on 'Microfinance: Good Portfolio and Management of Delinquency'. He has made some important improvements in the field of microfinance. Quality portfolio he refers to the loan recovered in time within or on the due date, loan recovery rate is a measure of quality of loan. Financial institutions analyze the present financial condition while approving the loan, statistics of many countries shows that the loan recovery rate of microcredit is higher than that of commercial bank and finance company loan. In microfinance the term delinquency is used to imply the situation when overdue loan remains unpaid. In 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 both MFIs and borrowers.

On the part of MFIs the irregularities were commonly found on selection of target area, identification of target group, irregularities in formation of group, mobilization of loan on the basis of securities and emphasis on investment and recovery of loan. Similarly following irregularities has been found from the side of borrowers such as misuse of loan, loan non-repayment of due installment and repayment of loan from different sources. He has suggested and argued that target groups are not properly identified in remote areas borrowers may not be able to repay the loan in time due to the same source of the family. It is easily said that microcredit is out of the access of the ultra-poor. NGO have not taken the use of loan for the very purpose into consideration. The considered institution doesn't create care about even through loan is misused. It has been also found that micro entrepreneur has shown the enterprise already in existence as a new one and decamped with the loan at cheaper interest rate and invested at higher rate to

other borrowers. Borrowers could not repay the due installment of loan because of the same income source of different borrowers. Microcredit programs have protected the borrowers from the costly interest rate of indigenous bankers but it has added more burden of loan. He suggested the target area should be selected according to priority of district development plan; an effective monitoring mechanism should be developed, loan should not be provided only on the basis of securities both group and real assets. The concerned project and institution should not consider only the target of investment and recovery of loan.

Shrestha, B. (2007), published an article in an 'Agriculture Credit' journal on a topic 'Microfinance: A Tool to Fight with Poverty'. This paper briefly reviews the targeted programs and initiatives undertaken for creating conducive environment for institutional credit system in the rural areas particularly microfinance.

From the research paper it is found that poverty decline is sharper in the thousands with lesser number of children, households with bigger land holding and also in the households with educated household heads, collateral based lending practice of commercial banks and development banks deprived the poor people from institutional sources of credit. Such institutions for women are productive credit for rural women and microcredit program for women, rural development banks and other Grameen bank replicates etc. Outreach and disbursement of credit by microfinance activities have shown that substantial amount of saving could be generated from rural saving and credit schemes. Proportion of household taking loan increased substantially particularly in the rural areas.

Sharma, P.R. (2007), who published an article on 'The Journal of Nepalese Business Studies' about 'Microfinance and Women Empowerment'. The studies paper 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 were 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 making decision was noticed in both hills and terai. There is a significant change 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. MFI program has substantial impact on terai women's income control as compared to hills. Terai shows a relatively greater change in family relationship and domestic violence.

Ghosal, S. (2010), published an article on Emerging growth model for microfinance institutions - Banks or NBFC which is downloaded from internet on 15th December, 2010. In this research article he has lightened on assessment of present position of microfinance institutions and revealing study of financial management capability of poor people. It is not only highly revealing but also provides a very educative and emulative insight on financial management by the poor.

In fact poor people particularly woman member of the household generally are endowed with qualities like frugality almost inherently and therefore applies a complex combination of financial budgeting to keep the family afloat. It is obviously first of all hard labor and further the added quality of high level of sacrifice that enables them to keep the family afloat even with paltry income. Strangely enough these are psychological and social straight of character and not necessarily always economic.

He has suggested that MFIs need to be constituted to empower poor both by funding and training to become an entrepreneur to be in a position to run a sustainable business with confidence and competence. This would be feasible only when MFIs are strengthened both in management competence and fund adequacy by banks- particularly the public sector banks by adopting them or making them as their subsidiary under public private partnership model. Such an institution could transform the village economy as vibrant as that of urban areas and also help government to implement their rural development schemes with greater degree of success and lesser degree of leakages.

Bateman, M. (2010), published a book title why doesn't microfinance work? the obstructive rise of local neoliberalism. He argues more generally that microfinance perpetuates rather than removes poverty, and that its commercialization merely exacerbates this failure. He knows the Balkan nations of South Eastern Europe very well. In this book he has written the 'politics' of microfinance. It attempts to locate microfinance in the 'neoliberal conspiracy'. The poor scrape a precarious living in informal microenterprises, profitably financed by the elite, and are thus prevented them from uniting to improve their position. He argued that Microfinance reaches a growing but still quite small proportion of its potential 'market' and it involves only a tiny part of the world's financial resources. Microfinance institutions merely provide temporary second-rate financial services to those who cannot afford anything better. These services can benefit them, and can injure them, just as 'our' banks can benefit or injure us. Most of the world's poor, however, either lack access to it or do not want it, and its clients still rely on informal financial services and their own resources for much of what they need. Microfinance is important, but is generally not a life-changing a phenomenon, for good or ill. Those of us who are associated with microfinance should not delude ourselves that we are more important than we are. He adduces a number of good examples to

show that a quite different approach to financial service provision can achieve far better results. He shows how conditional cash transfers can effectively address poverty, how the state can play a more productive role, and how community and co-operative driven approaches can help to build sustainable economies, on the basis of businesses which provide jobs rather than micro-enterprises which sustain only their owners.

Fuchs, M. (2010), was published a report on: Is the crisis over? The outlook for microfinance investment 2010. He has pointed that after a challenging year, 2010 has begun on an optimistic note for microfinance investors. Some fund managers have declared that the recovery has begun, albeit a gradual one. He reached an important conclusion- that while the economic downturn was a “contextual factor”, the repayment crises resulted primarily from underlying issues stemming from rapid growth and aggravated, in some instances, by local anti-microfinance factions such as the “*No Pago*” movement in north Nicaragua. According to the report, during this period of rapid growth four key vulnerabilities emerged: concentration of lending within specific areas, multiple borrowing resulting in high levels of client over-indebtedness, overstretched MFI capacity and loss of lending discipline. These crises are ongoing and will continue to be problematic in 2010. Therefore further loan loss provisioning remains a possibility. He has addressed the issues that caused the repayment crisis will take concerted action at a local, regional and national level. Suggested the CGAP report makes include overhauling MFIs operations to refocus attention on portfolio quality through improving portfolio quality monitoring, client satisfaction assessment and developing credit bureaus and strengthening existing ones. Rebuilding the sector and restoring confidence will take time, possibly years, ruling out a quick recovery. As the report points out the experience of Bolivia, which was affected by a repayment crisis in 1999, demonstrates that such events can lead to development of a stronger and more sustainable microfinance sector in the longer term.

2.2.2 Review of Thesis/Dissertations:

This part includes review of major theses or dissertations which are conducted in Nepal in the topic of Microfinance/credit.

Gewali (2000), had done a study about a case study on the Micro credit project for women in Pokhara .The study had focused on identification of target women, analysis of site selection procedure, and group formulation knowledge of participating women of MCPW. He had also tried to assess overall performance of implementing agencies. He has found that the literacy rate of the adult women was satisfactory, the involvement rate of one woman from a house was 95%, and average rate of loan utilization is 72%. He has also found that the majority of participating women are engaged in small business, and they have own house having proper drinking water facility. He has concluded that the majority of women are not accepting conflict among group members, and they are from the same locality. He has suggested that Government should monitor the MFIs to follow the project guideline properly.

Ojha (2002), conducted the study on MCPW in Pokhara Sub-Metropolitan. His study was based on three sectors. They were agriculture production, small business and micro enterprises. The major objectives of his study were: (i) to examine the state of loan disbursement, repayment, outstanding and overdue, (ii) to assess the overall performance of participating women., and (iii) to analyze the state of loan recovery in terms of loan repayment. He has found that the overall overdue ratio had exceed the standardized criteria, majority of participating women were found literate, most sampled women have not maintain the record of income and expenditure. Similarly other finding of his study evidenced that most of the group members has less difference in economic condition, the condition of loan recovery has a positive impact upon the regularity of loan repayment, the majority of participants women recovered to repay both the principal and interest, and the relationship between investment and income is found positive. By using

the regression model and statically tests, he has concluded that training program is essentially required component of making the participant more skilled in executing the enterprise successfully, outreach of the program that helps to identify the target women, saving is the basis of investment and loan disbursement, and the state of loan recovery and repayment was found to be positive. He has suggested that the misused and diversification of disbursed loan should be controlled, MCPW should be expanded to the rural areas and other part of the urban areas. He has also suggested that loan disbursement should be made on target women, confidence of the women should be raised, and priority of the participating should be found. He has further suggested that lending project should be supervised regularly; the participant women should be made well conscious about the proper utilization and mobilization of saving.

Lekhak (2004), who did research for MBS degree on the topic 'Microfinance in Nepal and The Case Study of SFCL Anandavan, Rupendehi, ADB/N'. The main objective of this study is to do case study of SFCL Anandavan, Rupendahi, ADB/N. The other specific objectives are; to study the financial sustainability and viability of SFCL; to know the facing change of society after SFCL; to know the major problem of SFCL Anandavan. From the research study following results finds out women empowerment participation in SFCL increased. After SFCL people participation in literacy program helped to improve the literacy position of village. SFCL also success to convince the people about the importance of group saving and impact of forest conservation. SFCL also gives the different types of training to small farmers which help to make more efficiency to small farmers. There was politicization and financial undisciplined in some cases. There was lack of inspection from government side. The position of share capital is not so bad. SFCL also able to get profit from its activities. The position of saving is increasing ways every year. Borrowed loan position of SFCL is decreasing ways.

Ghimire (2005), had done a study on the title, “Impact of Microfinance: A case study of Micro-credit program for women in kahun village development committee.” He had presented some major findings of his studies like investment sector 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 attached 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. Likewise perception of users group towards the program was positive. Most of the participant had repaid the loan in due time.

Pathak (2006), who did research for MBS degree on the topic ‘Microfinance in Nepal and its Effect in ADB/N under Small Farmers Cooperative Limited (SFCL), Shankarnagar Rupendehi’. The objectives of study are; to find out the advantages, limitations and conclusions of micro financing; to know the changes in society brought by SFCL after its implementation; to know how development of the country is positive through microfinance activities; to study the financial sustainability and viability of SFCL; to know about the role of SFCL Shankarnagar in women empowerment; to know about the major problems of SFCL/Shankarnagar Rupendehi. From the study he found that the small Farmer’s participation in SFCL after handover is increasing. The position of share increasing positively. So it is good sign for SFCL. It helps to increase internal sources. Profit of SFCL increases every year. Position of deposits through members is in increasing way. It is also seen that borrowed bank loan is decreasing. Loan and advance to total deposit ratio is flexible during study period. Loan loss ratio is normal just to meet legal provision. Toilet facility, drinking water facility, use of store, bank saving, group saving and forest conservation all are in increased ratio.

Women education rate is increased by 96.55% after SFCL activities. Women are aware on their rights and capacity to women empowerment in increase in the Shankarnagar VDC Rupendehi.

Acharya (2007), carried out a study on “Impact of microfinance: A case study of microcredit programme for women in Bhadaure Tamagi VDC, Kaski”. She has found that 95% sample women have taken loan only small amount of money and rest sample women have taken loan big amount of money. The overall impact of microcredit programme for women’s earning beneficiaries and living standard is positive. Some of them used the money borrowed from the programme to pay the old debt and to meet household expenses. She has recommended that the household survey should be operated properly and expanded up to the rural and remote areas and select target women properly. The confidentiality of women entrepreneur should be raised. So that they could stand as the successful entrepreneurs in the future etc.

Aryal (2007), conducted research work “Micro-Finance under Rural Development program: A case study of Khilung Deurali VDC, Syangja.” The major objectives of his studies were (i) to know the activities operated under rural development program. (ii) to analyze the mode of loan disbursement, repayment, outstanding and overdue. (iii) to analyze the state of saving deposit and its mobilization in terms of loan disbursement. (iv) to find out the problems faced by the women in obtaining the loan. He has found that the overall performance of implementing Rural Development Program signify that the record of household survey, target women identification, group formulation, women participation, training, loans disbursement, repayment, outstanding and saving and its mobilization shows a higher achievement of rural development program. Where the overdue ratio of rural development program was much lower than the former years. 43.42% respondents have not able to increase their income. He has recommended that problems of drinking water and toilets have to be solved.

A technical training center has to be established, which will help for self-employment opportunities for villagers.

Poudel, R.N. (2007), carried out a study on “Microcredit in Lekhnath Municipality: A case study of Paschimanchal Grameen Bikas Bank (PGBB).” The major objectives of his study were to identify the sectors and types of investment of microcredit, to study the role of microcredit in employment generation, to study the state of microcredit in terms of distribution, repayment and investment sustainability, to study the bank’s performance on target group identification and accessibility of microcredit to the target group. He has found that members taking loan for the purpose of small business found to be highest number of miss-uses of loan, new employments have been created due to microcredit. He has recommended that in the process of identifying target group, approximated value of land and approximated value of house in the locality should be taken into consideration rather than area of land and type of house of women’s family. That’s why most of the families having land is below the cut-off point of ultra-poor family may be valuable than the family having land’s area above the cut-off point of ultra-poor family. In this case family having area of land below cut-off point of ultra-poor may be economically strong than the family having more area of land above cut-off point of ultra-poor. Here family having highly valued land may be mobilized by taking loan in collateral. Therefore it may cause an error to identify the real target group.

Manandhar (2007), completed a study on financial impact of child labor projects microcredit program on women in kaski district. The basic objectives of the study were to measure the ratio of loan disbursement to repayment rate and to see women’s ability to mobilize those funds properly and generate income. In that research he has concluded that the fund was mobilized properly which is fruitful to generate significant income. In the same way, fund was mobilized in the new occupation leaving traditional

after intervention of microfinance project. The overall performance of loan mobilization was fruitful in terms of income generation.

Poudel, B. (2007), carried out a study on “Saving and Credit Mobilization under Local Development Fund: A case study of Daraum VDC, Syangja.” He has found that all the amount of saving collected by the participants was found disbursed among the group member according to their needs. There was no any balance at the VO at the time of study, which indicates the effective mobilization of fund. Utilization of seed capital and VOs saving on different income generating activities is the appreciative outcome of the program. He has recommended that program should not be limited in saving and credit program only, more attention should be given on productive physical infrastructure such as irrigation, drinking water, fruit and forest nursery.

Dr. Sharma, P. R. (2007), who did research in his PhD thesis on the topic ‘Micro-Finance Practices and their Sustainability in Nepal’, the general objective of this study was to asses rural poverty alleviation efforts, policies and programs initiated in Nepal through micro-finance, to examine the role of micro-finance in employment creation and income generation and its contribution in general especially; in the western and central region, to analyze the role of micro-finance in women empowerment, to evaluate financial and institutional viability and overall sustainability of selected MFIs, to identify the problems of micro-finance in Nepal in general and western and central region in particular, to examine the present strata of micro-finance in the pioneering country Bangladesh and to compare MFIs performance in Nepal and Bangladesh and to recommend strategies to improve MFIs effectiveness in meeting their objectives and challenges.

He has categorized his major findings in three aspects like MFI's Borrowers, MFI's Branches and MFI's Experts respectively.

The researcher has reached in the conclusion like micro-finance leads to social and economic changes in the borrowers after the participation in the

programs. Increasing income among borrowers results increase in food sufficiency, consumption of nutrient food, good caring of children health, health awareness and preventive measures of health, good education of the children, repair and maintenance of home. Women empowerment showed positive changes specially involvement in decision making, changes in occupational structure, participation in the social activities, gender equality, high level of self-confidence, awareness in social issues and control of income.

He also noticed that the impact was noticeable in terai then in hills. Increase in income leads to an improvement in consumption pattern, the study shows micro-finance leads to an increase in expenditure on human capital. The sustainability capacity of the MFIs has been improving gradually, which was backstopping by its clients positive social and economic changes, empowerment of women, cost recovery of the MFIs branches and their increasing outreach. There is only a limited opportunity and scope for trading activities in the local areas through small size of loans. Livestock and agriculture sector have less attraction. Micro-finance is less successful due to scanty settlements in the hills and mountains. Females are used only to get loans and males actually control the loan. MFIs usually flow to better off among the poor households and the hard core poor do not have access to micro-finance services, which is against the norms of the programs.

The researcher has focused that micro-finance has the potential to have a powerful impact on poverty reduction and women's empowerment. However, micro-finance is not a panacea itself. Other issues of development policy and implementation, which effect women empowerment, poverty reduction and utility of micro-finance need to be addressed at a different level.

Researcher has made some recommendations which I want to mention like the government should formulate a national policy of micro-finance setting the vision, objectives, strategies and policies and specifying implementation

modalities to direct the micro finance program to accomplish the stipulated objectives. To create healthy competition among MFIs the problem of duplication should be avoided immediately. For this local co-ordination network of MFIs should be established by incorporating credit information of the new clients. The motivation level of the field staff should be maintained at high level, they are the "key scorers" of the micro-finance game. To increase the entrepreneurship and business skill of the clients vocational and skill enhancement training should be emphasized, since credit without skills may not be sustainable in the future. For this there should be proper co-ordination with training delivery government and non-governmental institutions at national, regional and local level. Basic training at the beginning of the program should be intensive; it should not be used only for formality for taking credit. To strengthen the internal resources of the MFIs, saving schemes should be diversified. There should not be wide gap between saving interest rate and lending interest rate in the name of micro-finance services. MFIs should be alert about the competitors and market rate of interest. The effort of MFIs should always be to minimize their transaction costs. WGBB gas emphasized more on collateral loan in the initial period, due to which financial position seems to be better. But actually MFIs should not over emphasize on collateral lending. It will degrade the image and norms of microfinance institutions and it may increase the default rate and cause low repayment rate in the long run. In some cases in the name of women, men control the resources. To cater to such problems, awareness among women should be promoted individually and collectively. NRB and the Government of Nepal should initiate monitoring and supervision of wholesale lending institution to control fund parking and lending wholesale lenders to activate resources more extensively, otherwise it will be injustice to hold fund in fixed account for interest income, which is directly affects the overall micro-finance environment. The limit of Rs. 30,000 as micro-finance loan set by NRB

should be increase as per the changing need of the clients and level of inflation. NRB need to review policies of MFIs and provide permission of collecting deposit to MFIs from non-members like in Bangladesh. It will generate greater fund circulation in the rural areas and fulfill the recourses need for financial institutions.

The researcher has identified the following areas for future research. His study specially focuses on *Grameen Model*. So in -depth study should be done by incorporating all other models related to NGOs, cooperatives and others and broadened the study to cover other regions of the country. Testing of various theoretical propositions, social costs and benefits models and approaches in micro-finance (self-sufficiency and subsidized) can be made in Nepalese situation. His study especially focuses on financial sustainability. Incorporating market sustainability like market, market information, market agencies and distribution channels can do so in-depth study.

2.3 Research Gap:

Research is searching something new again and again. So it is never ending process. Different scholars and researcher has given their different findings and conclusion in the field of microfinance and women micro credit. From the above review of articles and dissertations it seems that the study is trying to find out something new in the field of micro credit & microfinance. This study is different from others in the case that is trying to find out the mobilization of saving and credit of community development fund for women: A case study of Bhalam VDC of kaski district of Nepal. This research is trying to discuss about impact in case of saving activities, loan activities, loan disbursement and its recovery as well as investment and income. It is also trying to discuss about different microfinance activities of respondents. This study is trying to discuss on the women empowerment and women's financial condition.

CHAPTER III

RESEARCH METHODOLOGY

The main objective of the study is to analyze impact of microcredit program on women in Bhalam V.D.C. This study aims to make assessment of performance of microcredit program for women to achieve the targeted objectives. To accomplish these objectives the study follows the methodology described in this chapter. This chapter has been divided into research design, population and sample, nature and sources of data, data collection techniques, method of data analysis and limitation of the methodology.

3.1 Research Design.

The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance. The research design refers to the entire process of planning and carrying out a research study (Pant and Wolff, 2005). To conduct these studies descriptive and analytical approach has been adopted. Descriptive approach has been utilized mainly for conceptualization of the problem. Analytical approach has been followed mainly to analyze the relationship between income, investment and other variables.

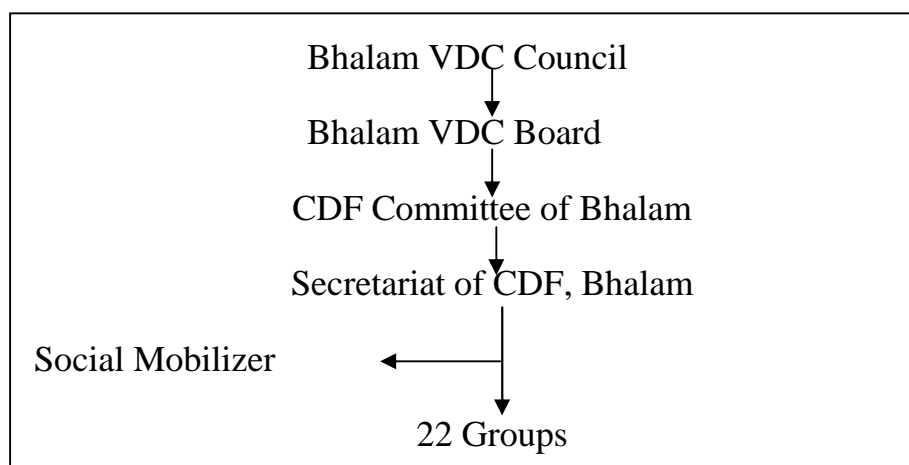
3.2 Population and Sample

The required sample size has been calculated on the basis of total population, number of women in Bhalam VDC of Kaski district of Nepal. Using margin of error equal to plus or minus 19%, with a confidence level of 95%. There are 22 groups of community organizations by the end of Magh 2067 B.S. in Bhalam VDC, under CDF which is regarded as size of population for the study. This study covers all the groups. But it does not

consider all the member of women for the purpose of study due to the limitation time, budget, area, and non-respondent of information among the 353 women, the study has been confined to only 106 women via simple random sampling method. These women selected for the study are considered as representative of the population as shown in Appendices I

3.2.1 CDF Structure in Bhalam VDC

VDP implemented through Community Development Fund (CDF) with cooperation of Bhalam VDC after 2007. CDF structure is as follows:



Source: Field Visit

The structure shows that VDC council of Bhalam is on the top level whereas 22 groups are directly in touch with social mobilizer and secretariat of CDF. Board of VDC and CDF committee are in middle level management.

3.3 Nature and Sources of Data

This study is basically based on primary data. These primary data are both qualitative as well as quantitative. Emphasis has been given to collect qualitative data or information. But some important quantitative information is also gathered. Similarly other relevant secondary data and information used in this study have been collected from different sources such as:

- a. Audit reports community development fund of Bhalam VDC which is submitted in District Development Committee of Kaski district.

- b. Annual reports of Village Development Committee, Bhalam and PDDP of Kaski district.
- c. Website of UNDP, ADB/N and others related Microfinance /microcredit.
- d. Various research studies, dissertations and articles related to the study.

3.4 Data Collection Techniques

This study is based on primary and secondary data. So the required data are collected from the different primary data collection techniques and above secondary sources. According to the nature of the problem, required data's information's are collected with help of Personal Interview and Questionnaire survey.

3.4.1 Personal Interview

This is also called directed Interview. It is used to collect the information related to credit, saving, investment, interest collection, repayment rate etc. The respondents of personal interview are chairman and managers of each group.

3.4.2 Schedule Questionnaire Survey

Questionnaire survey is conducted to achieve qualitative information. But some important quantitative information is also collected. The respondents of questionnaire survey are the sample women members of the CDF program.

3.4.3 Field Observation

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

3.5 Method of Data Analysis

The available data have been edited, classified and tabulated in appropriate form. Processing of data have been done by the computer using Microsoft excel. 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. Various analysis tools are used. The following techniques are followed in analyzing the data:

-) Collection of relevant information.
-) Identification of data suited to fulfill the purpose of the study.
-) Classification and tabulation of data.
-) Use of percentage charges, average, ratios.
-) Drive conclusion, summary and recommendations based on the analyzed data.

Some statistical tools such as mean are used. Mean is the central value on an average. A simple arithmetic mean is determined by dividing the sum of values by number of the observations.

3.5.1 Statistical Tools

Various statistical tools have been used for the study such as arithmetic mean, percentage, pie chart, coefficient of determination (R^2), standard error of estimates (SEE) and student t-statistics. In this study, the statistical parameters are calculated with the help of computer via-SPSS 10.0. A brief explanation of statistical tools employed in this study is as follows:

I. Coefficient of Determination (R^2)

The coefficient of determination is a measure of the degree of linear association or correlation between two variables, one of which happens to be independent and the other being dependent variable(s). In other words, R^2

measures the percentage of total variation independent variable explained by explanatory variables. The value of R^2 is calculated by:

$$R^2 = \frac{\text{Explained Variation}}{\text{Total Variation}}$$

The range for R^2 is from 0 to 1. If $R^2 = 1$, then hundred percent of total variation in the dependent variable has been explained by the model. This rarely, if, ever, occurs in practice. A value of 1 can occur only if the unexplained variation is zero, which simply means that the data points in the scatter fall exactly on the regression line. But in general a large value of R^2 , the fit is the best (Pant and Wolf, 2005).

II. Correlation (r)

It is the statistical tools that can be describe the degree to which one variable is linearly related to another. Higher the positive value indicates higher the relationship between variables and vice versa. The value of 'r' ranges from -1 to +1 (Sharma and Chaudhary, 2002)

III. Z -Test

It is parametric test, which is used to measure certain attribute of larger sample size .If the difference in pair of proportions or percentages of samples drawn from the same population are normally distributed. The significance of difference is found by normal deviate, Z-test.

$$Z = \frac{\text{Observe Differences}}{\text{Standard Error of Differences}} \quad \beta N (0,1)$$

$$= \frac{P_1 - P_2}{(Se)_{p_1 - p_2}}$$

The standard error of $(P_1 - P_2)$ is as follows

$$Se (p_1 - p_2) = \sqrt{\hat{P}\hat{Q}\left(\frac{1}{N_1} + \frac{1}{N_2}\right)}$$

Where,

$$\hat{P} = \frac{N_1 P_1 \Gamma N_1 P_2}{N_1 \Gamma N_2}$$

$$\hat{Q} \text{ X1 Z } \hat{P}$$

Where, P_1 is the proportion of success in sample 1 and P_2 that of sample 2 with sizes N_1 and N_2 respectively.

If observe difference between the two proportions is greater than 1.64 times the standard error of difference, it is significant at 95% confidence limits (one tail), i.e. in 95% cases it would not happen. The chances of its being normal are only 5% (Pant and Wolf, 2005).

IV. Chi-Square Test

The χ^2 test tells the presence or absence of an association between two events or characters but it does not measure the strength of association. Often population may be classified in accordance of two criterions and then after each criterion into several levels, to test whether or not these two criterions are independent .We makes use of χ^2 tests. These criterions are said to be independent if the distribution of one criteria in no way depends on the distribution of the other criteria, Thus χ^2 distribution is called non parametric. The application of χ^2 test is the test of independence of two attributes of characteristics.

$$\chi^2 = \frac{(fo-fe)^2}{fe}$$

Where,

fo = Observed Frequency

fe = Expected Frequency

For applying χ^2 distribution, the χ^2 values are calculated first and compared with the critical values at a certain level of freedom. If calculated value of χ^2_{df} is higher or lower than the χ^2_{df} value given in the table, it is significant at that particular level of significant or insignificant to which the reference is made for comparison (Joshi, 2002).

3.6 Limitation of the Methodology

Since, the study is carried out within the framework of descriptive and analytical research design; it is difficult to eliminate the limitation of the research design in which the study is based on.

Similarly only one VDC is taken as the population of the study, therefore, the study is not representing as a whole scenario. Simple random sampling is used to draw the sample size that is not free from its own criticism. Similarly different statistical tools are used to analyze the collected data, which are based on certain assumptions. Thus the accuracy, reliability and validity of the study depend upon the circumstances on which the model is based.

CHAPTER IV

PRESENTATION AND ANALYSIS OF DATA

This chapter attempts to analyze the information received from the questionnaires, observations, case study, field survey and informal discussions with women. Especially analysis process and contents are determined as per set of objectives for study. It consists of savings, investments, repayment pattern of loan, income from loan, impact on income, consumption, health, education, changes in custom and society

4.1 Investment

Group saving and the other funds provided by microcredit programme are invested to the members on the basis of group's guaranty without collateral to increase the income of the women. Total investment of microcredit programme in Bhalam VDC is shown in table 4.1

Table 4.1

Sector wise Investment in Different Years in Bhalam VDC

(Rs in '000')

Sl. No	Year	2062/ 63	2063/ 64	2064/ 65	2065/ 66	2066/ 67	Total	%
	Investment Sector							
1	Agriculture	245	306	354	463	544	1564	32.17
2	Poultry Farming	214	273	202	283	320	1292	26.57
3	Retail Business	122	207	405	226	256	1216	25.01
4	Buffalo Keeping	31	41	51	159	160	790	16.25
Total		612	827	1012	1131	1280	4862	100

Source: District Development Committee, Kaski

The Table 4.1 shows that out of the total investment of microcredit programme, 32.17% investment is made in agriculture sector, 26.57% investment is made in poultry farming, 25.01% investment is made in retail business and 16.25% investment is made in buffalo keeping respectively. The above table shows that the highest coverage of investment is made in agricultural sector; where as the lowest coverage of investment is made in buffalo keeping. The table also indicates the increasing trend of investment in each year from the intervention of the programme to the end of Falgun 2067 B.S.

4.1.1 Loan Disbursement to the Sample Women

Out of the 106 sample women, cent percent women have received loan from the programme at least one time. Total loan disbursement to the respondents of sample survey are presented in table 4.2

Table 4.2

Loan Disbursement to the Borrowers

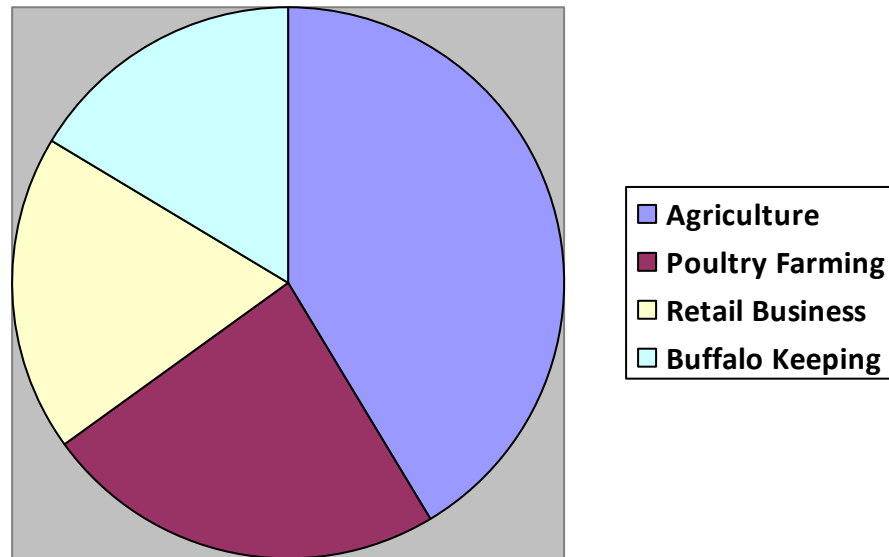
S.N.	Investment Sector	No of Borrowers	%	loan Disbursement (Rs in '000')	%
1	Agriculture	50	47.17	423	41.31
2	Poultry Farming	24	22.64	243	23.73
3	Retail Business	17	16.04	189	18.46
4	Buffalo Keeping	15	14.15	169	16.50
	Total	106	100	1024	100

Source: Field Survey

Table 4.2 reveals that out of the 106 borrowers of Sample survey, 47.17% women received loan to invest in agriculture sector, 22.64% women

received loan to invest in poultry farming, 16.04% on retail business and 14.15% on Buffalo keeping respectively. Similarly from the above table it is seen that total loan amount received by respondent was Rs 1024 thousand. Out of which they have invested 41.31% on agricultural sector. Proportion of other sector of investment such as poultry farming, retail business, and buffalo keeping was 23.73%, 18.46%, and 16.50% respectively.

Figure 4.1
Loan Disbursement to the Borrowers



The figure 4.1 indicates the highest proportion of investment is made in agriculture sector, and lowest proportion of investment is made in buffalo keeping.

4.1.2 Loan Amount of the Borrower

The study tries to tabulate the loan amount and the numbers of borrowers.

Table 4.3
Loan Amount and Numbers of Borrowers

S.N.	Loan Amount	Number of Borrowers	Percentage of Borrowers
1	0-5000	4	4
2	5001-10000	40	38
3	10001-15000	45	42
4	15001-20000	12	11
5	20001-25000	2	2
6	25001-30000	2	2
7	30001-35000	1	1
Total =		106	100

Source: Field Survey

Table 4.3 shows the scenario of the loan amount and percentage of the total borrowers. Since, the borrowers are so curious about the use of the loan, they demand accordingly to the need of their enterprise. Out of 106 sample women, about 38% of the sample women have borrowed Rs 5001 to Rs 10000 and 42% women have borrowed Rs 10001 to Rs 15000.

4.2 Occupation and Income Level

Occupation represents regular employment of the people for earning purpose. It is a basis to generate income. The pattern of women as well as household occupational confinement in the study area seems to differ among every community. Their occupational involvement largely seems dual in character. But for the purpose of the study only one major occupation of the women is considered.

4.2.1 Occupation of the Respondents Before Involving in Programme.

Table 4.4

Occupation of the Respondents before Borrowing

S.N.	Occupation	No of Borrowers	Percentage of the Borrowers
1	Agriculture	52	49.07
2	Wage Earners	24	22.64
3	Retail Business	7	6.60
4	Bee Keeping	7	6.60
5	Poultry Farming	4	3.77
6	Hotel	5	4.72
7	Buffalo Keeping	3	2.83
8	Others	4	3.77

Source: Field Survey

Table 4.4 shows that around one half of the respondents are engaged in agriculture, one-fourth in wage earning, one-fourteen in retail business, one-fourteen in bee keeping, one-twenty third in poultry farming, one-nineteen in hotel, one-twenty ninth in buffalo keeping and rest on other business.

4.2.2 Occupation of the Respondents after Involving in Programme.

Table 4.5

Occupation of the Respondents after Borrowing

S.N.	Occupation	No of Borrowers	Percentage of Borrowers
1	Agriculture	34	32.08
2	Buffalo Keeping	13	12.26
3	Poultry Farming	24	22.64
4	Retail Business	12	11.32
5	Wage Earners	6	5.66
6	Hotel	9	8.49
7	Others	8	7.55

Source: Field Survey

Table 4.5 shows that around one third of the respondents are engaged in agriculture, one-eighth in buffalo keeping, one-fourth in poultry farming one-ninth in retail business and rest on other business.

After implementation of the programme, women have started different occupation according to their own entrepreneurship talents. Thus after implementing microcredit programme, women have left previous traditional occupation and have started such business, which are economically beneficial.

4.2.3 Changes in Income Level

In the study area income denotes the earning of the borrowers of the programme from any productive activity. For the purpose of the study only the income which is earned by the sale of product is considered. Following table 4.6 shows the increase in income level of the borrowers after taking loan from microcredit programme in different investment areas.

Table 4.6

Monthly Income of the Borrowers

SN	Investment Sector	No of Borrowers	Net Income Before the Programme (Rs)	Net Income After the Programme (Rs)	Increase in Income Due to Investment (Rs)
1	Agriculture	50	91600	122200	30600
2	Poultry Farming	24	57500	85100	27600
3	Retail Business	17	36800	61600	24800
4	Buffalo Keeping	15	29400	46900	17500
	Total =	106	215300	315800	100500
	Average income		2031.13	2979.25	

Source: Field Survey

Table 4.6 shows that the income affects after programme intervention has been positive on the borrowers of the programme in the study area. This fact has proved that the members associated with the programme have significantly increased their monthly income.

The relationship between increases in income per month due to investment in different sector has been analyzed with the help of correlation analysis and regression analysis.

Figure 4.6
Monthly Income of the Borrowers

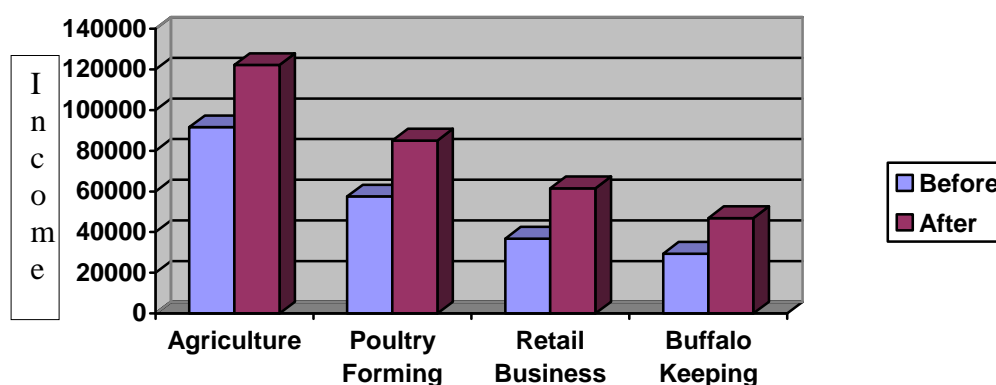


Figure 4.6 shows that after intervention of the program income are increasing in each sector of investment.

Coefficient of Determination

Coefficient of determination, r^2 enables us to interpret the degree of linear relationship in more familiar terms, so that we can make a judgment about whether a useful relationship exists between the investment (X) and income (Y) values.

The result of correlation analysis is +0.90 which shows positive correlation with changes in income level of the respondents. See Appendices - IV

We have seen that for above data, $r = 0.90$. Therefore,

Coefficient of determination = $r^2 = .81$

This means that about 81% of the variation in the income per month is explained by investment (i.e., by the linear relationship). About 19% of the variability is unexplained. Perhaps this portion of the variation is due to chance or other variables not considered.

4.3 Training Programme and Standard of Living of the People

Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve the ability to perform on the job/occupation. It seeks to change in skill knowledge, attitude, or behaviour. (Robbins: 2004) It is another major component of microcredit programme. Women can upgrade their knowledge, attitude, behaviour and skill through training. Training increases people skill in the related field. So it is necessary to provide training to participant women to increase their capability on related field.

Standard of living refers to the usual scale of our expenditure, the goods we consume and the services we enjoy. It includes the level of education, employment status, food, dress, house, amusements and comforts of modern living. (Robbins: 2004). Here, for the purpose of the study impact of investment and training programme on consumption, clothing and sheltering pattern of the people are assessed to measure changes in the standard of living of the people.

Table 4.7
Types of Training Programme

Sl. No	Training Investment Sector	No of Borrowers	Basic	Awareness	Skilled	Management	Agriculture	Total	%
1	Agriculture	50	5	–	–	–	28	33	46
2	Poultry Farming	24	4	12	–	–	–	16	22
3	Retail Business	17	4	–	–	4	–	8	11
4	Buffalo Keeping	15	4	–	11	–	–	15	21
Total		106	17	12	11	4	28	72	
Percentage (%)			24%	17%	15%	6%	39%		

Source: Field Survey

The Table 4.7 shows that out of the total sample borrower of microcredit programme, 46% borrowers got training in agriculture sector, 22% in poultry farming, 11% in retail business and 21% in buffalo keeping respectively.

Table 4.8
Status of Training of Participants

Sl. No	Investment Sector Training	Agriculture	Poultry Farming	Retail Business	Buffalo Keeping	Total	%
1	Participants	33	16	8	15	72	68
2	Non Participants	17	8	9	–	34	32
Total		50	24	17	15	106	100

Source: Field Survey

Similarly the above table 4.8 reveals that out of the 106 sample women only 72 women have got opportunity to participate in one type of training

programme or other. Chances of achieving training are unequally distributed. Though every member has strong incentives to participate in every training programme, priority is given to the manager and president of the group members. 24% women have got basic training and 17%, 15%, 6%, and 39% women have got training in awareness, skilled, management and agriculture respectively.

4.3.1 Consumption Pattern of the People

The table 4.9 shows that out of the 106 sampled women 57% sampled women's family consume traditional food regularly on their family meal. After intervention of the programme only 39% women have used traditional food on their meal. Thus the table itself presents that the standard of living of people has been improved. To test whether the standard of living of the people in the study area has been improved after intervention of the programme **Z- test** has been used.

Table 4.9
Consumption Pattern of the People in Study Area

S.N.	Fooding	No of Respondents	
		Before Programme	After Programme
1	Traditional fooding :like pulse, rice and bread in regular meal	60	41
2	Non- traditional fooding: addition of egg, meat etc. in traditional fooding.	46	65
	Proportion of Non traditional fooding	$P_1=46/106$	$P_2=65/106$
	Total No. of Observation	N1=106	N2=106

Source: Field Survey

Where, $N_1 = N_2 = 106$ be the total number of the sample size before and after the programme, and P_1 and P_2 be the proportion of non traditional fooding before and after programme intervention respectively.

H0: $P_1=P_2$, Impact of investment and training programme on standard of living of the people is insignificant.

H1: $P_1<P_2$, Impact of investment and training programme on standard of living of the people is significant.

Since, Calculated $Z = 2.61 > 1.96$ the difference is considered as significant and H_0 is rejected. Therefore, the investment and training programme has improved standard of living of the people in study area.

4.3.2 Clothing Pattern of the People

Following table 4.10 reveals that out of the sample population 39% women have regular clothing problem on their family before intervention of the programme. After the intervention of the programme only 23% women have clothing problem on their family.

Table 4.10
Clothing Pattern of the People in Study Area

S.N.	Clothing	No of Respondents	
		Before Programme	After Programme
1	Problem on regular clothing as per necessity	41	24
2	Do not have problem on regular clothing as per necessity	65	82
	Proportion of Facilitated women on clothing	$P_1=65/106$	$P_2=82/106$
	Total No. of Observation	N1=106	N2=106

Source: Field Survey

Where, $N_1 = N_2 = 106$ be the total number of the sample size before and after the programme, and P_1 and P_2 be the proportion of facilitated women's family on clothing before and after programme intervention respectively.

H0: $P_1=P_2$, Impact of investment and training programme on standard of living of the people is insignificant.

H1: $P_1 < P_2$, Impact of investment and training programme on standard of living of the people is significant.

Since, Calculated $Z = 2.53 > 1.96$ the difference is considered as significant and H_0 is rejected. Therefore, the investment and training programme has improved standard of living of the people in study area.

4.3.3 Sheltering Pattern of the People

Sheltering is another component of standard of living. During research study it has found that all the respondents have their own house. Out of the sample population only 51% women's family have facility of toilet, bathroom and bio-gas facility before the intervention of the programme. After intervention of the programme 73% women's family have been benefited by the facility of toilet bathroom and bio-gas on their house.

Table 4.11

Sheltering Pattern of the People in Study Area

S. N.	Sheltering	No of Respondents	
		Before Programme	After Programme
1	Do not have facility of toilet, bathroom and bio-gas	52	29
2	Having facility of toilet, bathroom and bio-gas	54	77
	Proportion of Facilitated women on sheltering	$P_1=54/106$	$P_2=77/106$
	Total No of Observation	N1=106	N2=106

Source: Field Survey

Where, $N_1 = N_2 = 106$ be the total number of the sample size before and after the programme, and P_1 and P_2 be the proportion of facilitated women's family on sheltering before and after programme intervention respectively.

$H_0: P_1 = P_2$, Impact of investment and training programme on standard of living of the people is insignificant.

H1: $P_1 < P_2$, Impact of investment and training programme on standard of living of the people is significant.

Since, Calculated $Z = 3.25 > 1.96$ the difference is considered as significant and H_0 is rejected. Therefore, the investment and training programme has improved standard of living of the people in study area.

4.4 Perception of Users Group

Perception is the set of process by which an individual become aware of and interprets information about the environment (Robbins: 2004). During the research study it has found that the programme has benefited all the respondents. Out of the sample population, 54% women have perceived high benefit by the programme and 46% women have perceived low benefit by the programme. Here, for the purpose of the study perception of the sample women towards the programme with respect to age structure, educational level and ethnic group are presented and analyzed by using χ^2 test.

4.4.1 Age Structure

In the research survey it has found that all the sampled women are married and the age structure of sampled women are in the range of 15-65 years. Distribution of the sampled women with respect to age structure towards the perception of the programme are shown in table 4.12

Table 4.12

Distribution of the Sampled Women with Respect to Age Group

S.N.	Age Group	Perception Towards the Programme		Total
		High Benefited	Low Benefited	
1	15-25	8	9	17
2	26-35	15	14	29
3	36-45	21	15	36
4	46-55	9	8	17
5	56-65	4	3	7
Total		57	49	106

Source: Field Survey

The above table 4.12 itself reflects that highest numbers of participant of the programme are in the age group of 36-45 years followed by the age group of 26-35 years. To determine the relationship between age group and perception of the sampled women χ^2 test is used.

H0: There is no relationship between age group and perception of women towards the programme.

H1: There is relationship between age group and perception of the women towards the programme.

Table 4.13
Computation of Chi-Square Test

S.N.	Observed Frequency(O)	Expected Frequency(E)	(O - E)	(O - E) ²	(O - E) ²
					E
1	8	9.14	-1.14	1.2996	0.14
2	15	15.59	-0.59	0.3481	0.022
3	21	19.36	1.64	2.6896	0.14
4	9	9.14	-0.14	0.0196	0.0021
5	4	3.76	0.24	0.0576	0.015
6	9	7.86	1.14	1.2996	0.17
7	14	13.41	0.59	0.3481	0.026
8	15	16.64	-1.64	2.6896	0.16
9	8	7.86	0.14	0.0196	0.0025
10	3	3.24	-0.24	0.0576	0.018
Total					0.696

Degree of freedom = $(r - 1)(c - 1) = (5 - 1)(2 - 1) = 4$

Tabulated value of χ^2 at 5% level of significant and $(r - 1)(c - 1)$ degree of freedom ie $\chi^2_{0.05, \nu = 4}$ is 9.488.

Since, χ^2 calculated =0.696 is less than χ^2 tabulated =9.488, the H_0 is accepted. Hence, there is no relationship between age group and perception of women towards the programme.

4.4.2 Education Level

Education is taken as an indicator of the development of the nation without which social, agricultural and economic development cannot be possible. Though, education is the lamp of the world, majorities of the sampled women is under S.L.C. in Bhalam VDC. Distribution of the sample women with respect educational level towards the perception of the programme is shown in table 4.14

Table 4.14

Distribution of the Sampled Women with Respect to Educational Level

S.N.	Educational level	Perception Towards the Programme		Total
		High Benefited	Low Benefited	
1	Illiterate	10	15	25
2	Literate	14	13	27
3	Class(5-10)	12	11	23
4	S.L.C. passed	15	8	23
5	Intermediate and above	6	2	8
Total		57	49	106

Source: Field Survey

The above table indicates that among the sampled population only 29% women are S.L.C. passed and above. This situation depicted above shows that the programme has been able to attract and involve even illiterate and uneducated women. The relationship between educational level and perception of women towards the programme is analysed by using χ^2 test.

H0: There is no relationship between educational level and perception of women towards the programme.

H1: There is relationship between educational level and perception of the women towards the programme.

Table 4.15
Computation of Chi-Square Test

S.N.	Observed Frequency(O)	Expected Frequency(E)	(O - E)	(O - E) ²	(O - E) ² / E
1	10	13.44	-3.44	11.8336	0.880
2	14	14.52	-0.52	0.2704	0.019
3	12	12.37	-0.37	0.1369	0.011
4	15	12.37	2.63	6.9169	0.559
5	6	4.30	1.70	2.8900	0.672
6	15	11.56	3.44	11.8336	1.024
7	13	12.48	0.52	0.2704	0.022
8	11	10.63	0.37	0.1369	0.013
9	8	10.63	-2.63	6.9169	0.651
10	2	3.70	-1.70	2.8900	0.781
Total					4.632

Degree of freedom = $(r - 1)(c - 1) = (5 - 1)(2 - 1) = 4$

Tabulated value of χ^2 at 5% level of significant and $(r - 1)(c - 1)$ degree of freedom ie $\chi^2_{0.05, \nu = 4}$ is 9.488.

Since, χ^2 calculated =4.202 is less than χ^2 tabulated =9.488, the Ho is accepted. Hence, there is no relationship/association between age group and perception of women towards the programme.

4.4.3 Ethnic Group

Distribution of the sample women with respect ethnic group towards the perception of the programme is shown in table 4.16

Table 4.16

Distribution of the Sampled Women with Respect to Ethnic Group

S. N.	Ethnic Group	Perception Towards the Programme		Total
		High Benefited	Low Benefited	
1	Brahmin	13	7	20
2	Chhetry	16	7	23
3	Gurung	7	7	14
4	Magar	3	1	4
5	Kami	10	13	23
6	Damai	8	14	22
Total		57	49	106

Source: Field Survey

The above table reveals that Brahmin, Chhetry, Damai, and Kami are equally participating on the programme. This situation shows that microcredit programme is also able to convince lower caste women successfully. Here, for the purpose of the study χ^2 test is used to assess the relationship between ethnic group and perception of the programme.

H0: There is no relationship between ethnic group and perception of women towards the programme.

H1: There is relationship between ethnic group and perception of the women towards the programme.

Table 4.17
Computation of Chi-Square Test

S.N.	Observed Frequency(O)	Expected Frequency(E)	(O - E)	(O - E) ²	$\frac{(O - E)^2}{E}$
1	13	10.57	2.25	5.0625	0.479
2	16	12.37	3.63	13.1769	1.065
3	7	7.53	-0.53	0.2809	0.037
4	3	2.15	0.85	0.7225	0.336
5	10	12.37	-2.37	5.6169	0.454
6	8	11.83	-3.83	14.6689	1.240
7	7	9.25	-2.25	5.0625	0.547
8	7	10.63	-3.63	13.1759	1.240
9	7	6.47	0.53	0.2809	0.043
10	1	1.85	-0.85	0.7225	0.391
11	13	10.63	2.37	5.6169	0.528
12	14	10.17	3.83	14.6689	1.442
Total					7.802

Degree of freedom = $(r - 1)(c - 1) = (6 - 1)(2 - 1) = 5$

Tabulated value of χ^2 at 5% level of significant and $(r - 1)(c - 1)$ degree of freedom ie $\chi^2_{0.05, \nu = 5}$ is 11.070.

Since, χ^2 calculated = 7.802 is less than χ^2 tabulated = 11.070, the H_0 is accepted. Hence, there is no relationship/association between ethnic group and perception of women towards the programme.

4.5 Sustainability of the Programme

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 (Joshi, 2002). Here, for the purpose of the study group saving, repayment rate, and utilization of loans are assessed to measure the sustainability of the programme in Bhalam VDC.

4.5.1 Group Saving

Saving of an economic unit is defined as the excess of current income over current consumption expenditure. Saving may be in the form of cash holding and various forms of deposits and physical assets (Hilton, 2004). Microcredit programme encourages women to deposit certain amount of money regularly. This programme is initiated to increase self reliance, strength and group cohesiveness among group members and it also help to maintain sustainability of the programme. The saving is used by their members themselves to meet financial need of their business/occupation. The group members also fix the certain interest rate of their investment. In the research survey, it has found that there is provision of compulsory saving and all the member are able to deposit fix amount of money in the form of saving. Such saving is invested in the same day.

4.5.2 Repayment Rate

Repayment rates measure the amount of payment received with respect to the amount due. The repayment rate measures the historical rate of loan recovery (Hilton, 2004). The capacity of loan repayment has a consequential impact upon the state of loan recovery. Regularity in the repayment of loan is an essential condition of the performing loan. The response on regularity situation of loan is shown in table 4.18

Table 4.18
Response on Regularity Situation of Loan Repayment

S N	Investment Sector	Sample Women	Regularity in the Repayment of						Do not Repay Both the Principle and the Interest Regularly	
			Both the Principle and Interest		Only Principle		Only Interest			
			No	%	N o	%	N o	%	No	%
1	Agriculture	50	42	84	5	10	2	4	1	2
2	Poultry Farming	24	19	79	3	13	2	8	0	0
3	Retail Business	17	16	94	1	6	0	0	0	0
4	Buffalo Keeping	15	14	93	0	0	1	7	0	0
	Total	106	91	86	9	8	5	5	1	1

Source: Field Survey

The above table reveals that out of the total sample population, 86 percent women are found to be regular in the repayment of both the principal and the interest in time. Similarly 8 percent women are found to be regular in repayment of principal only and 5 percent women are found to be regular in repayment of interest only. But 1 percent women are found to be irregular in repayment of both principal and interest.

On sector wise basis, 84 percent from agriculture, 79 percent from poultry farming, 94 percent from retail business and 93 percent from buffalo keeping are found to be regular in repayment of both the principal and the interest. Likewise, 10 percent from agriculture, 13 percent from poultry farming and 6 percent from retail business are found to be regular in repayment of principal only in due time. Similarly 4 percent from agriculture, 8 percent from poultry farming, and 7 percent from buffalo keeping are found to be regular in repayment of interest only but not the principal in due time. Similarly it has found that 2 percent women from the

agriculture sector are found to be irregular in repayment of both principal and interest. The result signifies that the ratio of participants repaying of both principal and interest is significantly higher. But still some of the members from all the group have been failed to paid principal and interest in due time.

4.5.3 Utilization of the Loan

Micro credit programme has mobilized loans for various purposes. In this study, attempt has made to find out whether mobilized loans are properly utilized or not. Loan utilization schedule of the sampled women are presented in table 4.19

Table 4.19
Loan Utilization Schedule of the Sample Women

S.N.	Investment Sector	Women Using the Loan for the Very Purpose		Women Misusing the Loan		Total Number of Borrowers
		No	%	No	%	
1	Agriculture	35	70	15	30	50
2	Poultry Farming	14	58.33	10	41.67	24
3	Retail Business	10	58.82	7	41.18	17
4	Buffalo Keeping	12	80	3	20	15
	Total	71	67	35	33	106

Source: Field Survey

The table donates that among the total participants, 67 percent women have used the loan for the very purpose and 33 percent women have used their loan for various purposes other than the objectives of the loan.

On sector wise basis, 70 percent from agriculture, 58.33 percent from poultry farming, 58.82 percent from retail business and 80 percent form buffalo keeping have invested their loan on the very purpose. Likewise, respectively from the same group 30 percent, 41.67 percent, 41.18 percent and 20 percent were misused their investment other than the objectives of the loan.

From the foregoing analysis, it has been found that larger numbers of women have used the loans for the very purpose and smaller numbers of women used the loan for various purposes other than the objectives of the loans. In research studies it has found that women generally misused their loan to pay old debt and few of the women also misused their loan even for household expenses are shown in table 4.20

Table 4.20

Number of Women Misusing the Loan

S.N.	Investment Sector	Household Expenses	Paying Old Debt	Total
1	Agriculture	6	9	15
2	Poultry Farming	3	7	10
3	Retail Business	2	5	7
4	Buffalo Keeping	0	3	3
	Total	11	24	35

Source: Field Survey

4.6 Major Findings of the Study

This study used correlation as well as regression analysis, Z test, χ^2 test trend analysis etc to accomplish the objectives of the study. Correlations and simple regression equations were used to test the relationship between investment and changes in income. Z test was used to measure the changes in standard of living of the people, χ^2 test was used to identify the perception of the sampled population about the programme performance. Similarly different indicators such as trend analysis, Pie chart, repayment rate and loan utilization schedule are used to fulfill the objectives of the study. The major findings of the study are noted as follows:

- I The respondent of the programme has taken loan only on four sector such as agriculture, poultry farming, retail business and buffalo

keeping, among them investment on agriculture is always high in each year.

- II The study shows that all the borrowers of the programme have taken loan for only one sector of the business. Thus, it has proved that once the borrowers had taken loan and started their business, they are continuing their business regularly as a major occupation.
- III Out of the total investment of microcredit programme, highest proportion of investment is made on agriculture sector followed by poultry farming, retail business and buffalo keeping.
- IV All the respondents of the programme have taken loan at least one times from the programme.
- V Around half of the sample women were engaged in agriculture before the intervention of the programme. After the intervention of the programme, only one third of the women are engaged in agriculture to earn their livelihood.
- VI After the intervention of the programme, women are specially attracted towards the business of poultry farming, buffalo keeping and retail business which are economically profitable.
- VII Increase in income due to investment programme is positive since, the result of correlation and regression analysis is found to be significant between these two variables. Average monthly income of women before the programme was Rs.2031 whereas after the programme the average income of women was changed to Rs.2979.
- VIII Around two third of women are participated in any one type of training programmes or others. However, most of the training programmes are focused only for manager and chairman of the groups' members.
- IX All the participant women have their own house. Around 27% of women are deprived of general facility of house such as toilets, bathrooms and bio-gas even after the intervention of the programme.

- X The study reveals that the overall impact of microcredit programme for women's earning beneficiaries and standard of living is positive. It has positive impact on consumption, clothing and sheltering facility after the intervention of the programme.
- XI Even, if the members are suffering from economic problems, they have been saving regularly for their future, which proves that the poor people also can save small amount of money regularly.
- XII Most of the participant women repay the loan in due time. In research study, it has been found that 85% women repaid the loan in due time and 15% women did not repay the loan in due time.
- XIII Around two-third of the sample women used their loan for the very purpose and one third of the women misused their loan to pay old debt and household expenses.
- XIV The perception of the users group towards the programme is positive. Even not a single woman opined against the programme.
- XV All the participant women perceived benefit from the programme. In study, it has been found that 54% women have perceived high benefit and 46% women have perceived low benefits.
- XVI The age structure of sample women are in the range of 15-65 years.
- XVII Most of the participant women are found literate. According to sample survey 76% women are found to be literate and only 24% women are found to be illiterate.
- XVIII The participant women are from different ethical groups. In research study it has been found that the participant from socially privileged group (Brahmin, Chhetry, Gurung, Magar) are 58% and from socially backward group (Kami, Damai) are 42%.
- XIX There is no association between age structure, education level and ethnic group of the women towards the perception of the programmes.

- XX The groups members are well conceived that each saving group member have realized to save predetermined monthly amount for their future use.
- XXI There are 22 groups in Bhalam VDC under CDF/VDP which includes 45% women group. 55% mixed group and 0% is male group.
- XXII Group saving and group meeting activities are satisfactory with 100% regularity each.
- XXIII 100% groups that VDP promoted are able to maintain their account keeping and their record keeping properly themselves.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Women represent half of the world population and one third of formal labour force, but receive only one percent of world income and own less than one percent of the world property (UNCDF, 2004). Almost half of the people in the country live in an unacceptable condition of poverty. The majorities of the women are illiterate and engaged in agriculture for their livelihood.

Women are the important source of energy for their development and their group can be an effective channel for resources aimed at meeting the need of poor people in the rural as well as in urban areas. This potential can be best realized if they are integrated into the whole spectrum of development programme rather than regarded as a marginal sector of the society.

In recent years, there has been a growing realization of the importance of women's participation in development process. As a consequences numerous national as well international organization have been established which carry out programmes targeted at enabling women to become aware of their situation and exploit potential to gain relative economic independence together with a better position in their household and society. Provision of credit is generally regarded as a strong potential force for achieving the goal of poverty alleviation.

Although, the cooperative movement has long history in Nepal, the micro credit programme targeted to the women is a recently development strategy to bring about changes in quality of life of women. The strategy has adopted the concept of poverty alleviation by providing both the credit and technical services such as training and other productive input and services.

Village Development Programmee (VDP) through social mobilization was initiated in 1996. Participatory District Development Programmee, PDDP, is

a follow up to Decentralize Support Programme, DSP, an NPC/UNDP project which worked primarily at the district level to strengthen local level planning through the establishment of district information centers, the introduction of participatory planning, and the enhancement of upward linkages from community to VDC, DDC and to the center. VDP is major component of PDDP. PDDP has introduced after signing agreement between UNDP & Nepal Government in 1995. It aimed to enhance the decentralized participatory development as the entry point to strengthen local government in Nepal. Before PDDP introduced, DSP as pilot project has been launched from 1992 with the help of UNDP. So PDDP is a continuity of the DSP i.e. PDDP is a follow-up to the DSP.

PDDP & LGP have merged to LGP/PDDP Bridging phase programme in January 2003. Similarly it was also come into new version as DLGSP from 2004. Now DLGSP has supported to this VDP.

Realizing the effects & impact of the VDP, Kaski have expanded to 23 VDCs in four phases (1996, 1997, 1999 & 2000). At present, VDP has been implemented in 23 VDCs from the financial support of DLGSP, DDC, VDCs & LDF.

VDP has executed through LTF (Local Trust Fund) at the beginning, after then LTF has converted as LDF. Now, LDF has introduced a strategy of CDF at VDC level & VDP has executed jointly by CDF & LDF. In Bhalam VDC, VDP has conducted by LDF & CDF from 2007.

This study has been carried out in Bhalam VDC covering all 9 wards. The broad objective of this study is to examine the performance of the programme. The total participants of the programme are 436 out of these women participants are 353. Out of this 106 women were sampled for the purpose of the study. The study is generally based on primary data. To conduct these studies descriptive, cross-sectional and analytical approach has been adopted.

The study has found that the participant women have significantly increased their economical income, social status and awareness after involving in the programme. The volume of investment and saving are positively increased in each year.

The study shows that there has not any association to the perceived benefit from the programme towards the age group, educational level and ethnic groups of the participants. Similarly improvement in the facility of consumption, clothing and sheltering shows the significant improvement in the standard of living of the people. Majorities of the participants have got training. The result of the investment is found to be positive upon the earning of the respondent. Similarly the study reveals that most of the respondent has repaid loan and interest in due time and majority of the participant has utilized their investment properly. Thus overall impact of the programme is found to be positive, their standard of the living has been improved satisfactorily and hostility is better now.

5.2 Conclusions

Some of the conclusions can be derived about the programme as implemented the study area of Bhalam VDC. The conclusions can be mentioned as follows.

- 5.2.1 Saving is the basis of investment and loan disbursement. CDF is actively involved in saving programs of women. Women are also interested and motivated to save more with CDF programs. With saving they are encouraged to mobilize that save in terms of loan. This will help to solve the financial problem of women in society to some extent.
- 5.2.2 Saving on the basis of the investment is found to be highly effective aspect of the programme upon which training and income generating activities is based.
- 5.2.3 Training and awareness programmes are the most crucial component of the programme for making skilled energetic entrepreneur to run

their enterprise effectively and successfully. The programme has provided basic and awareness training, skilled and management training, agriculture training etc to the participant women. It is found to be satisfactory to empower standard of living of the people.

- 5.2.4 Loan recovery situation should be developed through monitoring, continuous request made to repayment, creating group's pressure e.t.c.
- 5.2.5 The group activities, regular saving and investment, high rate of repayment and utilization of loan have been satisfactory. This shows that financial sustainability and viability of the programme in Bhalam VDC is guaranteed. However, there is still room for improvement with regard to management of misuse of loan.
- 5.2.6 The positive correlation between investment and changes in income level of the participants shows that the capability of the entrepreneurs for the repayment of the loan in due time is good.
- 5.2.7 There is no evidence of association between factors such as age group, educational level, ethnic group with 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 form or other.
- 5.2.8 The overall impact of the programme is found to be satisfactory. All the participants of the sample survey have been able to increase their income and the programme intervention has brought some kind change in livelihood of the members' family. Increase in income along with empowering process increased in standard of living of women's family which endeavored change in their livelihood.

5.3 **Recommendations**

On the basis of findings and conclusions of the study some suggestions has been provided. The researcher believes it would be helpful for enlistment of the present situation and it would also provides guidelines for further

planning and implementation of micro credit practice in other VDC of the nation.

- 5.3.1 Group saving is of great importance in the rural economy. Though, the credit groups are supported to deposit a certain amount but there is need to adopt incremental approach. Saving should be increased as income starts to increase from the programme gradually.
- 5.3.2 Productive investment should be raised, which may promote loan repayment and utilization of the loan. Therefore effective monitoring should be started.
- 5.3.3 Although, the programme included various kinds of income generating training, the programme could not achieve its target objectives due to lack of understanding of the concept. For this, literacy rate should be increased. Therefore, incentives should be given to enroll more women on literacy classes with the assistance of governments or donor agencies. Awareness building programme should be launched in the targeted area.
- 5.3.4 The provision of loan disbursement to the women should be based upon the proper evaluation of the economic viability of the projects. There should be effective coordination with the clients at the time of initiation of the enterprises.
- 5.3.5 Training should be made effective for proper utilization and mobilization of saving and investment. The effort on monitoring and supervision should be increased to make effective use of loan and to sustain the programme in Bhalam VDC.

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Appendices-I

Number of group & its member in Bhalam VDC

S. No	Name of Community Development Group	Ward No.	Total	Women N	n	(n/N%)
1.	Harihar Group	1	17	16	5	31.25
2.	Shrijanshil Group	1	17	6	2	33.33
3.	Nayapul chowk Group	1	19	19	6	31.58
4.	Shanti Group.	1	10	6	2	33.33
5.	Kunathar Group	1	22	22	7	31.82
6.	Pragati Group	2	18	18	5	27.78
7	Pratibha Group	2	32	32	9	28.13
8	Birendra Gupha Group	3	17	5	2	40.00
9.	Namuna Group	3	24	24	7	29.17
10	Ambote Group	3	17	7	2	28.57
11	Ryale Chour Group	4	18	6	2	33.33
12	Thanapati Group	4	24	12	4	33.33
13	Janjagaran Group	5	18	12	4	33.33
14	Janshakti Group	5	13	9	3	33.33
15	Saraswoti Group	6	22	18	5	27.78
16	Shristi Group	5	15	10	3	30.00
17	Shrijana Group	6	32	32	9	28.13
18	Bindeshwori Group	7	24	22	7	31.82
19	Devidanda Group	7	24	24	7	29.17
20	Sahanshil Group	8	21	21	6	28.57
21	Bikashit Power Group	8	15	15	4	26.67
22	Devi Power Group	9	17	17	5	29.41
	Total =		436	353	106	

Source: Community Development Fund, Bhalam, Kaski

Note: 'N' indicates the total number of women in the group and 'n' indicates the number women selected for the study.

Appendices-II

म वीरगंज वडा नं. ९ पर्सा निवासी श्री वीरेन्द्र प्रसाद कानुले आफ्नो स्नातकोत्तर (MBS) तहको शोधपत्र (Thesis) तयार गर्ने क्रममा तपाईंहरू समक्ष लघुवित्त सम्बन्धि केही कुराहरूको जानकारी लिन गइरहेको छु । प्राप्त भएका सुझाव सल्लाह र जानकारी नितान्त गोप्य राखिनेछन् । उक्त कुराहरू अनुसन्धानको प्रयोजन बाहेक अन्यत्र प्रयोग गरीने छैन । आशा छ तपाईंहरूले निम्न प्रश्नावलीहरूको उपयुक्त उत्तर भरि दिई मेरो अनुसन्धान (Research) को कार्यमा आवश्यक सहयोग गरिदिनुहुनेछ ।

महिलाको लागी सामुदायिक विकास कोषको ऋण तथा बचत परिचालन : भलाम गा वि स,
कास्की, नेपालको एक अध्ययन

प्रश्नावली

प्र.नं.१ नाम, थर सहित

प्र.नं.२ वडा न

प्र.नं.३ टोल

प्र.नं.४ समुहको नाम

प्र.नं.५ सदस्य संख्या

प्र.नं.६ शैक्षिक योग्यता

क) साक्षर ख) अशिक्षित ग) कक्षा (५-१०) घ) एस एल सि पास

ड)माध्यमिक वा सो भन्दा माथि

प्र.नं.७ तपाईंको उमेर कति होला ?

क) १५-२५ वर्ष ग) ३६-४५ वर्ष ड) ५६ वर्ष भन्दा माथि

ख) २६-३५ वर्ष घ) ४६-५५ वर्ष

प्र.नं.८ अहिले तपाईंले कुनै कार्यक्रमबाट ऋण लिनुभएको छ ?

क) छ ख) छैन

Appendices-II

प्र.नं.९ यदि लिनुभएको छ भने कुन उद्देश्यको लागि कति रकम लिनुभएको छ ?

सि.नं.	क्षेत्र/उद्देश्य	रकम
१)	कृषि	.....
२)	भैसीपालन	.....
३)	बाखापालन	.....
४)	माछापालन	.....
५)	खुद्रा व्यापार	.....
६)	वायोग्यांस	.....
७)	कुखुरा पालन	.....
८)	अन्य	.....

प्र.नं.१० कार्यक्रममा सहभागी हुनु भन्दा अघि के के स्रोतबाट रकम बचत गर्नुहुन्थ्यो ?

सि.नं.	क्षेत्र/उद्देश्य	रकम
१)	कृषि	.....
२)	रोजगारी	.....
३)	खुद्रा व्यापार	.....
४)	मौरीपालन	.....
५)	कुखुरा पालन	.....
६)	होटेल	.....
७)	भैसीपालन	.....
८)	अन्य	.....

Appendices-II

प्र.नं.१७ तपाईंले लिएको ऋण रकम उद्देश्य अनुसार लगानी गर्नुभएको छ ?

क) छ ख) छैन

प्र.नं.१८ लिएको ऋण समयमानै तिर्नुभएको छ ?

क) दुवै सावां/व्याज ख) सावां मात्र ग) व्याज मात्र
घ) कुनैपनि तिरेको छैन ।

प्र.नं.१९ यदि छैन भने कुन काममा खर्च गर्नुभएको छ ?

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

प्र.नं.२० सामुदायिक विकास कोषको कार्यबाट कति सन्तुष्ट हुनुहुन्छ ?

क) अधिकतम ख) न्यूनतम ग) छैन

प्र.नं.२१ सामुदायिक विकास कोष कार्यक्रममा सहभागी हुनु भन्दा अगाडित के तपाईंको घरमा सौचालय, स्नानगृह तथा गोबरग्यांसको सुविधा थियो?

क) थियो ख) थिएन

प्र.नं.२२ सामुदायिक विकास कोष कार्यक्रममा सहभागी भएपछि के तपाईंको घरमा सौचालय, स्नानगृह तथा गोबरग्यांसको सुविधा छ ?

क) छ ख) छैन

प्र.नं.२३ सामुदायिक विकास कोषले तपाईंको जीवनस्तरमा सुधार गर्नमा भूमिका खेलेको महशुस गर्नुभएको छ ?

क) छ ख) छैन

प्र.नं.२४ तपाईंको संस्थाको वार्षिक लेखापरिक्षण गराउनु भएको छ कि छैन?

क) छ ख) छैन ग) थाहा छैन

प्र.नं.२५ वार्षिक साधारण सभाको भेला हुन्छ कि हुदैन?

क) हुन्छ ख) हुदैन

प्र.नं.२६ तपाईंको वार्षिक कार्यक्रम साधारण सभाको बैठकबाट पास गरी लागू हुन्छ कि हुदैन?

क) हुन्छ ख) हुदैन

धन्यवाद

Appendices-IV

Correlation Analysis

Correlation analysis is useful in examining the extent to which a linear relationship exist between the investment (X) and increase in income level (Y).

Then,

$$\text{Total investment (X) } = 1024000$$

$$\text{Total increase in income (Y) } = 100500$$

$$\text{Number of observation (N) } = 5$$

$$\text{XY} = 27295300000$$

$$\text{X}^2 = 302260000000$$

$$\text{Y}^2 = 2619000000$$

To obtain the correlation coefficient r, we have

$$\begin{aligned} r_{xy} &= \frac{n(\sum xy) - (\sum x)(\sum y)}{n(\sum x^2) - (\sum x)^2 * n(\sum y^2) - (\sum y)^2} \\ &= \frac{5 \times 27295300000 - 1024000 \times 100500}{5 \times 302260000000 - 1024000^2 * 5 \times 2619000000 - 100500^2} \\ &= \frac{136476500000 - 102912000000}{1511300000000 - 1048576000000 \times 13095000000 - 10100250000} \\ &= \frac{33564500000}{462724000000 \times 2994750000} \\ &= \frac{33564500000}{680238.1936 \times 54724.30904} \\ &= \frac{33564500000}{37225565130} \\ &= 0.90 \end{aligned}$$

The coefficient of correlation $r = +0.90$

This value is close to +1, indicating a strong degree of positive linear relationship for the data. Thus investment is positively correlated with changes in income level of the respondents.