CHAPTER 1

INTRODUCTION

1.1 Background of the Study

The term micro finance institution refers to the financial services provided to the low-income and self-employed people who are beyond the eyes of formal financial and banking institutions. This category of people gets financial services like credit savings and insurance services as well. Besides, it provides other vocational programs like training, health care programs, educational programs etc. to uplift the economic condition of the poor people. The main objectives of these financial services are to reach to the most underdeveloped part of the nation and provide facilities of small loans and deposits for poor households.

Microfinance is the provision of financial services such as loans, saving, insurance and training to the people living in poverty. It is one of the greatest success stories in the developing world in the last 30 years. It is widely recognized in the form of development goals. It is being a very effective tool for bringing up the economic and social status of people in the country. It is also recognized as a sustainable solution in alleviating poverty. There are various experiences of microcredit in economic development of developing countries. Microcredit to the poor people has created a small business opportunity which helps to improve the socio-economic condition of deprived community especially in rural areas, (Paudyal, 2011).

Microfinance institutions are NGOs, saving and credit cooperatives, credit unions, government banks, commercial banks, etc. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw pullers), and artisans and small producers such as blacksmiths. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the “poorest of the poor.” Moneylenders and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation (Shrestha, 2007).

In the same way Kunwar (2003) in his book Poverty and Rural Development in Nepal corroborated that the words ‘micro credit’ and ‘microfinance’ sound more or less similar. However, the concept of microfinance includes savings also. Therefore, microfinance is such a service which includes group formation of the members, regular savings by the members, making them literate if they are illiterate, should avail micro credit without collateral credit, it should be short- term credit for not more than a year, and interest earned from it should be enough to repay the principal and monthly interest. He further states that the main components of microfinance are (i) group, (ii) savings, (iii) loan without collateral or group liability basis, (iv) short term loan and (v) periodic interest collection. Micro credit does not mean only on the basis of small amount of loan. In the name of micro credit if any finance institution or NGO does not follow the principal while investing it has to suffer from the problem of loan collection. If a person in the neighborhood takes loan and the neighbors do not take interest in the person who does not repay the loan means peer pressure cannot be developed and the financial institutions become weak in loan collection. On the other hand if the financial institution involves itself in collection of such a scattered loan neither it earns profit to the institutions nor that could be managed on time.

Microfinance is one of the appropriate mechanisms to identify the poor and disadvantaged community and to address poverty by providing income, employment and capacity building opportunity to the poor, disabled, dalits, marginalized group and destitute including women and their socio-economic empowerment with the support of social mobilization (Shrestha, 2007).

Micro finance institution is the provision of financial services to low-income poor and very poor self-employed people (Otero, 1999). These financial services generally include savings and credit but can also include other financial services such as insurance and payment services (Ledgerwood, 1999). Schreiner and Colombet (2001) defined micro finance institution as micro finance is the attempt to improve access to small deposits and small loans for poor households neglected by banks. Also, micro finance institution is defined as the provision of a broad range of financial services to poor, low income households and microenterprises usually lacking access to formal financial institutions (Canadian International Development Agency and Micro finance institution, 2002).

1.1.1 History of Microfinance

Over the past centuries, practical visionaries, from the Franciscan monks who founded the community-oriented pawnshops of the 15th century to the founders of the European credit union movement in the 19th century (such as Friedrich Wilhelm Raiffeisen) and the founders of the microcredit movement in the 1970's (such as Muhammad Yunus and Al Whittaker), have tested practices and built institutions designed to bring the kinds of opportunities and risk-management tools that financial services can provide to the doorsteps of poor people (Helms, 2006). In the study by Wrenn (2005), from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programmes. These often resulted in high loan defaults, high lose and an inability to reach poor rural households (Robinson, 2001). Robinson has mentioned that 1980s was found to be a turning point during the evolution of Micro finance institution. Grameen Bank and Bank Raykat Indonesia (BRI) started operating with profitable petty loans and saving services in lump sum amount and received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001).

In 1990s there were accelerated growth in the number of micro finance institutions created and an increased emphasis on reaching scale (Robinson, 2001). Dichter (1999) refered to the 1990s as the micro finance institution decade. Micro finance institution had now turned into an industry (Robinson, 2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (micro finance institution) when it became clear that the poor had a demand for these other services (Wrenn, 2005). In 1997, Microcredit Summit was launched which demonstrated the core importance of micro finance institution. In 2005, Microcredit Summit aimed to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self employed and other financial and business services, by the end of 2015.

Microcredit and microfinance are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programs. These often resulted in high loan defaults, high lose and an inability to reach poor rural households, (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank and BRI began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term “microcredit” came to prominence in development (MIX,2005). The difference between microcredit and the subsidized rural creditprograms of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably.

The 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale”, (Robinson, 2001: 54). Dichter (1999: 12) refers to the 1990s as “the microfinance decade”. Microfinance had now turned into an industry (Robinson, 2001).

Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services.The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The Summit aims to reach 175 million of the world’s poorest families, especially the women of those families, with credit for the self-employed and other financial and business services, by the end of 2015 (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit.

Micro finance institution (MFI) can be simply defined as a banking service providing institution that target mostly to low-income generating individual or group by creating a platform for them to enhance their life style and living standard in a better way. It facilitates its client with various tools of saving, borrowing and insuring services. Micro finance institution mostly aims to eradicate poverty by providing effective financial services to poor people.

1.1.2 Microfinance in Nepal

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 (CDF) arranged some credit support to the re-settlers through those cooperatives. In 1963, the government established the Cooperative Bank, which was later converted into the Agricultural Development Bank Nepal (ADBN) in 1968. The Cooperatives faced problems of shortage of fund 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 the 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, SakhuwaMahendranagar of Dhanush district in the Terai and Tupche of Nuwakot district in the hills. The strategy was to organize small, 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 reinstallation of multiparty democracy in 1990, the government appointed a seven member National Cooperative Consultation Committee (NCCC) and dissolved the 'Sajha Central Committee'. It also set up a National Cooperative Development Board (NCDB) 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 (NRB) initiated Small Sector Lending in 1974 directing the commercial banks (CBs) 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" (IBP) in 1981 to boost up PSL lending to the low income group and required CBs to raise PSL to 8% of CBs' loans and advances, which was further raised to 12% in 1989. The main partners of PSL were the Nepal Bank Ltd. (NBL) and the RastriyaBanijya Bank (RBB) - the two state controlled CBs. 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 CBs 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 GrameenBikas 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 46 microfinance banks have been issued license by the NRB till the date(www.wikipidia.com). 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 KisanBikas 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.

1.1.3 Microfinance in Parbat Municipality:

Parbat district is a hilly area of Nepal. It is a part of Gandakipardesh and one of the seventy seven districts of Nepal. The districts, with kushma as its districts headquarters , covers an area of 494 km2. It is the fourth smallest district of Nepal with 55vdcs is now divided into 2 municipalities and five rural municipalities aslisted below:

I. Kushma municipality

II. Phalewas municipality

III. Jaljala rural municipality

IV. Paiunrurual municipality

V. Mahasilarurual municipality

VI. Modirurual municipality

VII. Bihadirurual municipality

List of Micro finance at Parbat District.

I. NirdhanUtthanLaghubittyaSanstha Ltd

II. SuryodayaLaghubittyaSanstha Ltd.

III. Unnati Microfinance BittyaSanstha Ltd.

IV. JanesewiLaghubittyaSanstha Ltd.

V. NESDO Nepal

VI. Nepal Agro MicrifianceBittyaSanstha ltd.

VII. SarathiLaghubittyaBittyaSanstha Ltd.

VIII. AarthikSamriddhiLaghubittyaSanstha Ltd.

IX. SadhanaLaghubittyaBittyaSanstha Ltd.

1.1.3.1 NirdhanUtthanLaghubittyaSanstha Ltd

Nirdhanutthan Bank Limited ” The bank for upliftment of the poor" is a microfinance bank established in November 1998 under company act of Nepal 1997(now company act 2006) , NRB, the central bank of Nepal, granted a license in April 1999 to undertake banking activites under the Development Bank Act 1996. It started its formal operation from July 1999. Now, operated under bank and financial institution Act, 2072,Nirahanutthan Bank limited (NUBL) provided microfinance services such as loans, Deposits. Micro-insurance and remittance services to low income families of Nepal. NUBL follows group lending based on GrameenBank,Bangladesh model as well as group lending based on NUBL developed self-Relaint group model through a network of 178 branch offices spread over all 77 districts of Nepal.

Through, legally established as a Company in 1998, the operation of NUBL is a continuation of microfinance services provided by on NGO called 'NIRDHAN' which was providing microfinance services since march 1993. The story behind the establishment of 'NIRDHAN' starts form 1986 when Dr. HariharDev Pant, then senior officer with the central Bank of Nepal visited Grameen Bank in Bangladesh. This visit inspired him to launch microfinance program in Nepal resulting the birth of 'NIDRHAN' or 'People without Money' in 1991. NIRDHAN began its microfinance operations in march 1993.

1.1.3.2 NESDO,Nepal

National Education and Social Development Organization (NESDO, Nepal) is non-profit making,self governed,autonomous,continuous legatee Micro Finance Institution, Knowing the fact that the state only cannot address the issues of gender, caste community at all level. NESDO Nepal was established in 2051 B.S.(1995 AD) to assist the state in addressing the gender ,caste, community issues by empowering the community by giving emphasis on income generating activities of poor,dalit, janajati, destitute, minority which resulting eradication of poverty. Achievements of such aim are possible through implementation of various community level programs and Micro finance program that aims to assist the national development by utilizing the local resource. The principal objective of NESDO, Nepal is to help reduce poverty through employment generation. Starting with Micro finance program NESDO Nepal has diversified its portfolio over the years. This program aimed at helping the poor to gain access to finance and trade training so that they under take income generating activities, while creating mostly self employment. In recent years emphasis has been on enterprise development and various assistance to raise client's financial abilities, education, entrepreneurship , health etc .In other words NESDO Nepal is now seeking to promote integrated development in which financing is an important element. At Present NESDO Nepal Providing Micro finance Services to 77 thousands ultra-poor families reside in the remote hilly area of Nepal through its fifty two branch offices located in the 12 districts.

NESDO Nepal has been registered under Institution Registration Act-2034 in District Administration Office Parbat. It also affiliated to Social Welfare Council. NESDO Nepal for its microfinance activities get licensed under Financial Intermediary Act-2055 from Nepal Rastra Bank (The Central Bank of Nepal).

vision:

"Establishment of a Poverty Free New Nepal in terms of human, financial, and Physical resources."

NESDO Nepal can operate all over Nepal as per its constitution, For micro finance services this organization gets licensed from Nepal Rastra bank (The Central

Bank) to provide micro finance service in 12 districts of Nepal. NESDO is currently operating in Parbat, Maygdi, Kaski, Syangja, Palpa, Lamjung, Gorkha, Tanahu, Baglung, Chitwan , Nawalparasi&Nawalpur. NESDO Nepal is providing micro finance along with other community development activities in the field of social awareness, drinking water, health sanitation and many more in 2 Metropolitan,in 102 Municipality and 108 Rural Municipality of 12 district of Nepal. It's started its micro finance journey from a remote village called Bajung of Parbat district in 1995 in five VDCi.eBajung, Tilhar, Chuwa, Shivalaya, Chitre&Deurali with a small fund from RMDC. At the end of 2074/2075 NESDO Nepal has been able to expand its Micro finance service in 12 districts and provide micro finance services to 77 thousands ultra-poor families reside in the remote hilly area of Nepal through its 52 branch offices located in the 12 districts of Nepal.

Effectiveness of Microfinance Program:

In rural areas where commercial banks do not operate, Savings and Credit Cooperatives are the only source of financial services to the community people. In addition, during insurgency, when all commercial banks withdrew from the rural areas, the sources of microfinance services in the rural areas were community- baseSCOs . The community-base Saving and Credit Cooperatives were found effective in :

I. Generating funds for further investments

II. Attaining financial viability

III. Protecting target groups from exploitation by providing informal sources of credit in the project area

IV. Establishing networks for widening financial activities

V. Generating self employment opportunities for family members

VI. Increasing member households' income, and

VII. Reducing poverty

1.2 Statement of the Problem

Nepal is one of the poorest countries in the South Asian region. Its povertyreduction rate is very low. Due to low per capita income, Concentrated Urban growth rate and High population growth rate Nepal cannot reduce the poverty. Microfinance program have the potential to transform power relations and empower the poor-booth men and women. Although women's access to financial service has increased substantially in the past ten years, their ability to benefit from this access in often still limited by disadvantage experience because of their gender. Some MFIs are providing a decreasing percentage of loans to poor women, even as these institutions grow and offer new loan products. Also, average women's loan sizes are smaller than those of men, even when women are in the same community and the same landing group.

Besides, as the clients of the microfinance are from poor and marginalized background, there is also the possibility of using the received facilities in fulfilling their exigent and other household problems instead of using it in some income generating place and things.

From the development side of the nation, government gives the first priority to the urban area. so till yet rural area one step behind than urban area in terms of:

I. Consumption and Saving habits

II. Transportation

III. Health Facility

IV. Education

V. Bank and Financial access

VI. Women empowerment

VII. Skill full training program, etc.

For the linear development of the nation Microfinance plays the crucial role and helps to improve the living standard of the people through provide the funds to those who want to do new and Provide skillful training basically for women, poor and low cast people who they are unemployed, and also Provide the insurance facilities to the farmers as well as business holder.

The study focuses how the poor and disadvantaged groups are uplifting on living standard and economic status, microfinance program a tool for creating empowerment, various results of micro finance on poverty reduction and problems hindering the access of low earner and women empowerment in microfinance. More especially the study is expected to answer the following research questions:

1. What are the changes in literacy, health, consumption pattern and saving habit awareness of the rural people especially women and low poor people before after participating in microfinance?
2. Do the participations are satisfied with the microfinance services?
3. Does the micro finance improve the social and economic status of the beneficiaries?

1.3 Purpose of the Study

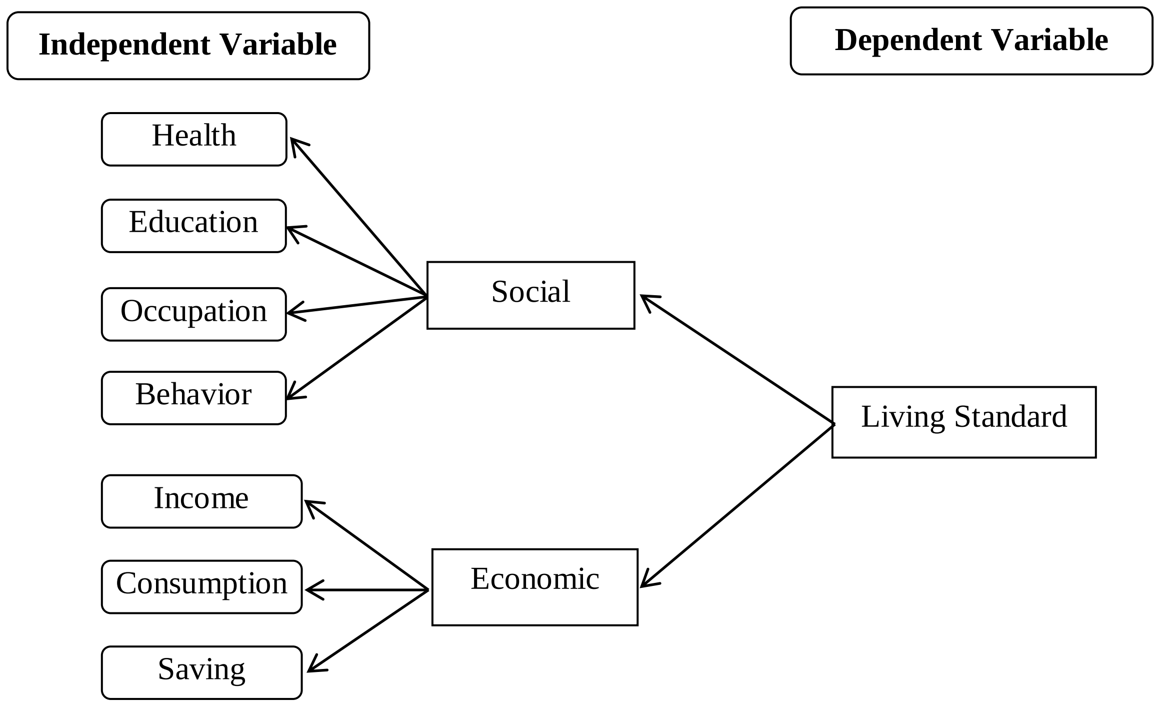
Micro financeis emerging concept in Nepal. The value of microfinance in Nepal is increasing day to day .The main objective of the study is to find out the living standard of the people's by measuring the following supportive objectives:

1. To analyze the change in education and health condition, consumption and saving behavior of the rural people before and after participating in microfinance.
2. To evaluate the participations satisfaction among the role of micro finance services.
3. To assess the impact of microfinance on Socio-economic aspect of the people's(basically poverty reduction)

1.4 Conceptual Framework

The conceptual framework clarifies the dependent and independent variables. In this study living standard is dependent variable and health, education, occupation, behavior, income, consumption, and saving are independent variables.

Figure: 1.1 Conceptual Frameworks



Source: Researcher

1.5 Significance of the study

This research is about micro finance and its impact on living standard of poor people of the society. So the study involves effective management of microfinance. The significance of the study lies on that, it helps to explore the impact and service of micro financing project for small farmers; try to find out the poverty level, education level, women empowerment ,socio and economic status, so that it helps to show the positive and negative impact of the micro finance on the living standard. This study is also helpful to the micro finance company, as it shows the weakness and threats along with best opportunities so that the institution may improve their program and apply newly.

This study can be taken as a basis point of the other researcher while they are doing in other district as it coverage the rural area of Parbat district.

1.6 Hypothesis of the study

H1: There is positive impact of microfinance services on income, consumption, education, health and saving level.

H2: There is positive relationship between micro finance services and customer satisfaction to control the poverty.

1.7Limitation of the study

In Nepal,65 microfinance are in operated but the study has limited on the study of two microfinance, one is national level and another is district level. So the limitations of the study are:

1. The study has not covered the whole micro finance institutions, only two companies represent the whole institutions.
2. The study is conducted for the partial fulfillment of the requirement for the degree in business study of prescribed time, so it is not enough for itself in its subject matter.
3. The study is based on the opinion expressed by microfinance clients, so the reliability of the research depends upon answered given by them.
4. The study is prepared on the basis of sampling so the result is not free from bias.
5. The whole study is based on primary data. So the reliability of study depends on the reliable source of information.
6. Respondents have limited as it covers the limited area of the district not only the whole area.
7. The data collection is restricted only within the Parbat district so the result may fail to represent the actual scenario of the whole country.

Finally the accuracy of the analysis has heavily relied on the data provided by the people involved in microfinance program and data provided by the finance.

1.8 Chapter Plan

Chapter-I, Introduction

This chapter includes the introductory framework of the study that contains general back ground, introduction of the study, objectives of the study, statement of the problems, limitations of the study, hypothesis of the study and overall chapter plan of the study.

Chapter-II, Review of Literature

This chapter deals with the review of previous research in the form of books, journals, articles, thesis and unpublished materials. Apart from this various practices about microfinance in south Asia and program as well as some policies about microfinance has also been studied. Poor people and their economic as well as social background of Nepalese peoplehave also observed in this chapter. So, this is an independent research on the related field.

Chapter-III, Research Methodology

This chapter consists of the research design, procedure of data collection, data processing, technique of data analysis and hypothesis testing tools.

Chapter-IV, Result

In this chapter, the collected data were tabulated and analyze by the use of various statistical tools, and figure. Based in the data analysis, major finding has been performed.

Chapter- V, Conclusion

This chapter is concerned with the discussion of Summary, Conclusion and Recommendations.Finally, Bibliography and appendixes has been shown.

Chapter 2

Literature Review

This chapter implies the review of literature related to the study. The objectives of this chapter are to review some basic literature on positive impact of micro finance services on living standard of people concerning theories including of the empirical evidence of previous studies.

Conceptual Review:

2.1 Meaning

Microfinance gives access to financial and non-financial services to low-income people, who wish to access money for starting or developing an income generation activity. The individual loans and savings of the poor clients are small. Microfinance came into being from the appreciation that micro-entrepreneurs and some poorer clients can be 'bankable', that is, they can repay, both the principal and interest, on time and also make savings, provided financial services are tailored to suit their needs. Microfinance as a discipline has created financial products and services that together have enabled low-income people to become clients of a banking intermediary. :(Murray, U. and Boros, R. 2002)

2.1.1 Features of MFI

Micro finance institution is normally introduced to target upon poor people who deprives to uplift themselves from their poor economic condition. Those poor people who are willing to improve their living standard but feel themselves as a handicapped due to the lack of money and high financial risk factors, micro finance institution is a convenient server for them.

Micro finance institution has its several features with effective financial products which include (Murray and Boros, 2002):

1. Little amounts of loans and savings.

2. Short- terms loan (usually up to the term of one year).

3. Payment schedules attribute frequent installments (or frequent deposits).

4. Installments made up of both principal and interest, which amortized in course of time.

5. Higher interest rates on credit (higher than commercial banks rates but lower thanloan-shark rates), which reflect the labor-intensive work associated with making small loans and allowing the micro finance institution intermediary to become sustainable over time.

6. Easy entrance to the micro finance institution intermediary saves the time and money of the client and permits the intermediary to have a better idea about the clients' financial and social status.

7. Application procedures are simple.

8. Short processing periods (between the completion of the application and the disbursement of the loan).

9. The clients who pay on time become eligible for repeat loans with higher amounts. The use of tapered interest rates (decreasing interest rates over several loan cycles) as an incentive to repay on time. Large size loans are less costly to the MFI, so some lenders provide large size loans on relatively lower rates.

10. No collateral is required contrary to formal banking practices. Instead of collateral, micro finance institution intermediaries use alternative methods, like, the assessments of clients' repayment potential by running cash flow analysis, which is based on the stream of cash flows, generated by the activities for which loans are taken.

2.1.2 Functions of Microfinance

Functions of Micro Finance according to NRB directives, (2073):

1. Supply credit as prescribed;

2. Supplying micro credit, with or without any movable or immovable property as the collateral or security, for operating any micro-enterprise to any group or members there of who have regularly saved for the period prescribed by the Rastra Bank and maintained the prescribed saving;

3. Obtaining loans or grants from any licensed institutions or native or foreign organizations, and use such loans or grants for the supply of micro-credit or for making, the same effective;

4. Provide the approval of the Rastra Bank shall be obtained prior to Obtaining loans of grants from any foreign organizations;

5. Prior to supplying micro-credits, evaluating the schemes for which micro credits have been requested and determining whether they are feasible;

6. Engaging in micro-enterprises of such type as may improve the economic condition of low-income persons;

7. Holding symposia on micro-enterprises, aiding and training in the formulation of schemes, providing technical know-how send mobilizing technical assistance, as required;

8. Providing necessary services to a group in respect of the mobilization of micro-credit ;

9. Taking necessary services to a group in respect of the mobilization of micro-credit;

10. Monitoring whether micro-credits have been properly utilized, and, if they are found not to have been properly utilized, issuing necessary directives;

11. Subject to the limit prescribed by the Rastra Bank, accepting deposits with or without interest, and refund such deposits;

12. Obtaining credits by pledging its movable and immovable assets as collateral, and properly managing the assets;

13. Writing off credits, subject to the bye-laws framed by the Board;
14. Exchanging with the Rastra bank or any other licensed institutions particulars of, information or notices on debtors or customers who have obtained credit or any kind of facility from it and other licensed institutions;
15. Performing such other functions as may be prescribed by the Rastra Bank.

2.1.3 Models of Microfinance

2.1.3.1 Grameen Joint Liability Group Model

The Grameen joint liability group model was derived from Grameen Bank, Bangladesh. This model was the innovation of Noble Laureate, Muhammad Yunus. The Grammen model is considered as one of the most effective model in the disbursement of microfinance, particularly in South East Asia. The Grameen model was first started by Professor Muhammad Yunus in Bangladesh. This model has focused on poor section of the society with no access to formal banking for augmenting their socio-economic situations. The Grameen model woks on the joint liability for the group members as a collateral substitute (Panda, 2009).

Under the Grameen model, a banking unit is set up with a field manger, few field assistants and a number of banking personnel. This banking unit covers an area of about 15-20 villages, and sometimes it goes up to 25 villages. In the first stage, the field manager and field assistants develop acquaintance on the working area by paying few preliminary visits to the targeted village or area, build rapport with the villagers, analyze the socio-economic conditions and various issues of the villagers, and thereafter identify prospective clients. In the second stage, the field manager and field manager and field assistants reveal the purpose, functions, and operational models of the bank/MFI to the local people. In the third stage, five to seven prospective borrowers/ clients are identified and organized into a group which is called a joint liability group. In the fourth stage, the banking activities are started with provision of loans (Panda, 2009).

The Loan Provision Methodology under Grameen Model

At first only two members of the group are eligible for the loan and hence receive the loan. After successful repayment of the principal and with the interests by the first two members within stipulated repayment period, the other members are

eligible for the loans. However, the repayment period varies from 6 to 15 weeks, based on the MFI using this model. This model does not require any collateral against the loan rather it creates a substantial peer pressure among all the members of the group, and this peer pressure serves as collateral on the loan. This peer pressure develops collective responsibility among the members thereby reducing the possibility of loan loss (Panda, 2009).

MFIs make suitable changes on this model based on their requirements and make the loan recovery efficient and effective. Some MFIs use three-phase loan disbursement i.e., in the first phase, two members are given the loan, and after repayment of the principal and interests within the stipulated period, the other two members are provided with the loan; and after repayment of the principal and interests within the stipulated period by the second-phase two members, the fifth member is provided with the loan, and the cycle continues. Grammen model is mostly adopted in microfinance of Nepal. The MFIs like CYD, DCRDC, NESDO functions under Grameen model.

2.1.3.2 Self-Help Group Model

In the “ Self-Help Group Model” a number of individuals, preferably from same gender (also has mixed group but rare), come together to resolve various socio-economic and other issues like education, health, family tortures and domination of women, awareness building, migration, livelihood portfolios, collective bargaining power etc. The self-help group model is based on four important concepts:

(i) "Self-help is the best help"

(ii) "Unity is the strength"

(iii) "United will stand and divided will fall"

(iv) "We can make our own bank"

The self-help group model focuses more on the overall socio-economic development through using the concept of saving and credit. This model is much in use in India.

A self-help group can be defined as “a small group of people from rural areas and urban slums come together with the intension of solving their socio-economic problem through the regular saving and having access to credit, which interns will lead to livelihood generation with certain degree of self-sufficiency.”

A self-help group is a group or association of people having certain degree of homogeneity, may be in caste, class, religion, income, livelihood pattern, place of dwelling, gender etc. self-help groups have an average size of about 15 members and vary widely from 12 to 20 members. These members join hands for addressing their common problems and issues. They are encouraged members make regular monthly saving where the saving size of each member is fixed and use their pooled saving to make small loans (bearing interest) to their members. Selection of a member eligible for a loan is based on the decision of the group based on certain priorities. The continuity of this micro-banking with support from the intermediaries gradually builds financial discipline among the members.

The continuity of this micro-banking with support from the intermediaries gradually builds financial discipline among the members. When the self-help groups are mature in performing all the necessary operations like saving, credit, group meeting, record keeping, and then they are linked with banks and the linked banks are encouraged by the higher banking authority to make loans to the linked SHG subjected to certain terms and condition. The loan sanctioned by the banks to the self-help group amounts to certain multiples of the SHG’s accumulated savings.

As per the SHG-Bank linkage program, the bank does not take any collateral for security rather the bank loans are sanctioned against group peer pressure and social collateral. The loan sanctioning bank charges interest rates as per the market interest rates. The SHG retains the provision of deciding the terms of individual loan disbursement to it own members (Panda, 2009).

2.1.3.3 Village Banking Model

The village banking model was developed by the foundation for international community assistance international .In the village banking model village banks are formed by 25-50 low income level individuals, primarily women from a village. The village banks are community-based thrifts and credit associations. The primary motive of the village banks is to improve the socio-economic status and living standards of the members through promotion of self-employment activities. The village banks operate as a micro-level village-based bank, and may access the initial fund from an external source like a bank or a donor or any other intermediary. The functioning of the village banks rests upon the member whereas the external agencies work only as founders. The members are engaged in performing functions like:

1. Selection of members for their village bank
2. Election of officers for performing the banking operations
3. Establishment of bye-laws of the village bank
4. Loans distribution to the members of the village bank
5. Collection of payments and savings made by the members.

These village banks do not require any collateral against the loans rather the loans are backed by moral or social collateral. Market rate of interest is applied in the village banking model, and the repayment of the loan from a member is guaranteed by all the members (Panda, 2009

2.1.3.4 Community Banking Model

In community banking model, the whole community is treated as one unit. The community bank is a semi-formal or formal institution through which microfinance products and services provided to the community members or the members of the community bank. The community banks are initiated and capacitated by intermediaries like NGOs and other organizations. These intermediaries are engaged in capacity building of the community members and make them able to perform various financial activities of the community bank (Panda, 2009).

2.1.3.5 Rotating Saving and Credit Associations

This model is designed in such a way where a group of people contribute certain amount per month. Then, this collected amount is lent to other member by lottery or other agreed methods that will be paid back in regular or further monthly contribution an opportunity for social interaction and are very popular with women.

Rotating Saving Credit Association (ROSCA) is a type of democratic association where a group individuals (from 5 to 50 individuals), primarily women, join hand together for making a regular cyclical or periodical contribution to a common fund. The fund is then relented to one member in each cycle in the form of a loan. For example, if a group of 25 members contribute Rs.10 per month, and then, the collected amount of Rs. 2500 is provided to one member in the form of loan. Selection of the member who is supposed to receive the loan is done by consensus, by lottery, by bidding or other agreed methods. Generally, outside financial intermediaries like NGOs are not involved in ROSCAs, and all the organizational operations are carried out by the members. Unlike credit unions, ROSCA do not charge any interests on loans rather the interest is implicit (Panda, 2009).

2.1.3.6 Cooperative Model

A cooperative is an autonomous associated of people who are considered as the members of the cooperative. These members are united voluntarily to meet their 39 common socio-economic and cultural needs. A cooperative is a democratically member-controlled institution. Many cooperatives include member financing and saving activities in their mandate and considered as financial co-operatives.The major characteristics of financial cooperatives are:

1. Clients come from lower to middle level income group
2. The capital is self-generated without support of outside donor agency
3. The services are most exclusively financial in nature

4. Activities are self-governed

2.1.3.7 Small Farmers Co-operatives Ltd.

In order to provide microfinance service to small farmers, Agriculture Development Bank of Nepal introduced a newly developed financing concept on co-operatives known by the name of small farmers Co-operative Limited (SFCLs).The main objective of transformation of SFCL is to ensure the viability and sustainability of micro finance institutions (MFIs), which would be managed and administered by the members themselves (Limbu, 2014).

In Asia, agricultural development bank, Nepal had already initiated microfinance activities in 1975 through its SFCL program. Fundamental characteristics of that programme were to organize the small farmers into groups and empower them through financial and social intermediation. Small farmers have been provided with group liability based microcredit and also given training and technology and other allied services. Since1993, small farmers cooperative limited a small farmers based local institution / organization to manage and operate the program independently in sustainable and viable manner. The main features of the SFCL are that its overhead cost is very low. SFCL's major activities are economic activities, marketing activities, livestock activities, creation of productive assets, social and community development activities etc.SFCL has proved that it has become able to operate its business in nominal expenses as compared to other financial institutions in Nepal (Shrestha, 2010).

2.2 Review of Journals and Articles

Adhikari&Shrestha (2013), studied about economic impact of microfinance in Nepal of the Manamaiju VDC, Kathmandu by using primary and secondary data. The dependent variable for study is economic condition and independent variables are loaner's income, household income, household consumption, savings, assets, living standard. The research methodology used is qualitative as well as quantitative. The study has highlighted that micro finance is an effective tool for bringing positive impact on the economic status of respondents along with their family members. It has helped to generate income to buy nutritious food, access to modern health care services and they can afford t send their children to school. As a whole there is positive impact of Micro finance.

Sharma preeti (2014), Microfinance has proven to be an effective tool for poverty reduction. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services. More broadly, it is a movement whose object is “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.” Those who promote microfinance generally believe that such access will help poor people out of poverty. The dynamic growth of the microfinance industry has been promoted not only by market forces but also by conscious actions of national governments, Non-Governmental Organizations (NGOs) and the donors who view microfinance as an effective tool for eradicating poverty. The powerful push behind this huge and increasing support for microfinance indicated that national economic and social impacts are significant and itneeds to be examined more closely. This paperargues that microfinance can be considered an important element for an effective poverty reduction strategy. It shows that access and efficient provision of microcredit can enable the poor to smooth their consumption, manage their risks better, gradually build their assets, develop their micro enterprises, enhance their income earning capacity and enjoy an improved quality of life. Microfinance services can also contribute to the improvement of resource allocation, promotion of markets, and adoption of better technology; thus, microfinance helps to promote economic growth and development.

Robinson (2001), in a study of 16 different MFIs from all over the world shows that having access to microfinance services has led to an enhancement in the quality of life of clients, an increase in their self-confidence, and has helped them to diversify their livelihood security strategies and thereby increase their income Ministry of Finance (2010/2011)**,** The micro-finance program has provided substantial help and facility to the ultra poor families. The micro-finance institutes (MFI) are providing door to door.

Microcredit services to those ultra poor families who have no collateral guarantees to produce, and are not capable of fulfilling the banking requirements for credit eligibility.

Such families are able to create their own assets by paying their micro-credits in small installments out of their earnings made by engaging themselves in small entrepreneurial activities. Micro-finance institutes have been helping these ultra poor families to be self reliant through the process of social mobilization. Even in the present conflict situation whereby the banks have closed or merged their branches/sub-branches, these MFIs have been constantly delivering door to door micro credit services to the ultra poor communities.

Tilakaratna, Galappattige and Perera (2005), revealed their study onPromoting Empowerment through Microfinance in Sri Lanka that microfinance is an important component of the lives of the poor especially among poor who are keen on being entrepreneurs. From their study, about 45 percent of the clients claimed that they were satisfied with the business development services provided by their organization though a majority did not comment. The main reason for the satisfaction was that the training facilities had been provided with them.

Yunus (2004), Micro Credit is based on the premise that the poor have skills, which remains unutilized or underutilized. It is definitely not the lack of skills, which make poor people poor. It is believe that the poor do not create the poverty; the institutions and policies, which surround them, create it. In order to eliminate poverty all we need to do to make appropriate changes in the institutions and policies, and /or create new ones. It is also believe that charity is not an answer to poverty. It only helps poverty to continue. It creates dependency and takes away individuals initiative to break through the wall of poverty. Unleashing of energy and creativity in each human being is the answer to poverty.

Ledgerwood (2001),being poor is morally, socially and physically painful, while being rich is pleasing in all these respects. This means that individuals cannot suffer poverty voluntarily; those who do must be treated as exceptions. In other words, the existence and continuation of poverty in any society is fundamentally involuntary. Therefore, sustainable solution to this inhuman problem must lie in removing the constraints that compel individuals suffer poverty involuntarily.

Muhammad Yunus (2003),Poor people are like bonsai trees. They could have grown into giant trees if the right environment for growth had supported them. It is the size of the pots on which they were made to grow that turned them into sad replicas of the real trees. In a similar way, poor people are sad replicas of the real persons hidden inside them. They cannot grow into their potential size because society does not offer them the social and economic base to grow on. Poor people are condemned to survive as Lilliputians in the land of super giants.

Asemelash (2003), in astudy in Ethiopia found that microfinance provided to the poor has brought a positive impact on the life of the clients as compared to those who do not get access to these microfinance services. He showed that microfinance has brought a positive impact on income, asset building, and access to schools and medical facilities in the study area.

In the same vein, Alemu (2006) found out that the poor have smoothed their income in the study area. However, there was fungibility in the sense that clients were using the loan for unintended purposes. Rajendran and Raja (2010) also found that Microfinance and self help groups are effective in reducing poverty, empowering women, creating awareness and ensuring sustainability of environment which finally results in sustainable development of the nation. Imai, Arun and Annim (2010), in their study show that loans for productive purposes were more important for poverty reduction in rural than urban areas and significant positive effect of Microfinance Institution productive loans on multidimensional welfare indicator. Green, Kirkpatrick and Murinde (2006), revealed that the causal linkages among financial policy, enterprise development and poverty reduction remain a key challenge given the commitment to achieve the MDGs by 2015. Appah, et al (2012), in their study found that microfinance alone cannot reduce the level of poverty in any given society except the government provides the basic infrastructural facilities such as good road, constant power supply, good transport system etc. They opined that complements of microfinance with other basic facilities will guaranty an effective and efficient role of microfinance as a poverty reduction instrument in contemporary society.

Anisur Mohammed (2007),Microfinance is not a new development. Its origin can be traced back to 1976, when Muhammad Yunus set up the Grameen Bank, as experiment, on the outskirts of Chittagong University campus in the village of Jobra, Bangladesh. Since then several microfinance institutions came up and have succeeded in reaching the poorest of the poor, and have devised new ground-breaking strategies with time for the fulfillment of their vision. These included the provision of collateral free loans to poor people, especially in rural areas, at full-cost interest rates that are repayable in frequent installments. Borrowers are organized into groups and peer pressure among them, which reduced the risk of default. Microfinance is now being considered as one of the most important and an effective mechanism for poverty alleviation. These are also effective mechanisms through which to disseminate precious information on ways to improve the health, education, legal rights, sanitation and other living standards, which are of relevant concerns for the poor. Above all, many micro-credit programs have targeted one of the most vulnerable groups in society – women, who live in households with little or almost no assets. By providing opportunities for self-employment, many studies have concluded that these programs have significantly improved women's security, autonomy, self confidence and status within the household.

Khandker (1998), in his article said that lack of saving and capital make it difficult for many poor people to become self employed and to undertake productive-employment generating activities. Providing credit seems to be a way to generate self-employment opportunities for the poor. But because of lack of physical collateral, they have almost no access to institutional credit. In formal lenders can be a source of credit, but poor households do not gain from investing in productive income-increasing activities because of high interest rates. And these sources are not reliable to poor and they cannot save enough through such informal sector. Micro-credit programs which are able to provide credit to the poor at affordable cost and can help them become productive self-employed. Micro-credit program have thus emerged as an antipoverty instrument in many low income countries. Microfinance target the poor especially women, with financial services to help them become self employed in rural non-from activities of their choice.

Yogendrajah (2017) found that there is positive relationship between microfinance intervention and empowerment of women entrepreneurs. The study had included variables as savings, credit, education, training and women empowerment variables as decision making power, control on resources and freedom .And the study shows that there is no significant differences among these variables ($p<0.05$). However, the other factors such as self confidence, attitude change of clients, monitoring and guiding activities, and cultural norms also have an impact on women empowerment. The study concluded that microfinance has been found to have the potential of changing the lives of the poor for the better.

2.3Review of the previous Case and Thesis

Khanal, (2001), topics of his thesis was,"Impact of Micro-Finance on Rural People: A case study of self-help Banking Program of Center For Self-help Development in Lahan Municipality". He concluded his thesis with finding that significant positive impacts on the field of income level, saving, entrepreneurship talent in poverty ridden people , employment opportunity, poverty alleviation, living standard of the rural poor women and their property . Finally he concludes that microfinance program helps to generate income and to uplift poor women's economic condition.

Mohammad and Rahaman (2007), Microfinance is not a new development; it is now considered as one of the most important and an effective mechanism for poverty alleviation, that's why? Because microfinance included the provision of collateral free loans to poor people especially in rural areas at full cost interest rates that are repayable in installment. It also provided the precious information on ways to improve the health, education, legal rights, sanitation and other living standards, which are of relevant concerns for the poor. By providing opportunities for self-employment, microfinance programs have significantly improved women's security, autonomy self confidence and status within the households. To identify the impact of microfinance on living standard of the poor people, the researcher has chosen their sample based on the random sampling technique, from one district (Chittagong) in Bangladesh and they interviewed the people who are already involved in microfinance activities. Therefore, the accuracy of the analysis heavily relies on the data provided by the people, they interviewed.

From the analysis of data, researcher found that microfinance has the positive impact on the standard of living of the poor people and on their life style. It has not only helped the poor people to come over the poverty line, but has also helped them to empower themselves. There is an argument that the interest rate of MFIs is high, but the researcher traced that most of the respondents of their interview, did not agree on this issue and found it to be reasonable. Inspite of the debate about higher interest rate, MFIs are contributing not only in alleviating the poverty and improving the living standards of the poor people, but also in offering extensive human development programs in Bangladesh**.**

Bashyal (2005) studied and evaluated the impact of microfinance program on poverty reduction in her Ph.D. dissertation entitled "Impact of Microcredit Programs on Poverty Alleviation in Nepal: A Case study of Rupandehi District". She gave more emphasis on her study that women will not be empowered until and unless they get benefited both qualitatively and quantitatively with the promotion of gender equality. Overall objectives of the study were to evaluate the socio-economic impact and implications of microfinance on poverty alleviation through empowering women and also evaluate the impact on natural resource management. The NirdhanUtthan Bank Limited (NUBL) situated in Rupendehi district, Bhairahawa, was selected for the purpose of case study. This study assumed that microfinance can reduce both income and human poverty over a period of time. If women are empowered economically and socially, they can increase their skill and confidence level to think of themselves as equal to men.

Shrestha (2010) analyzed the Microfinance and social Mobilization in the context of ADBL (Agricultural Development Bank, Nepal) in promoting SFCLs (Small Farmers Cooperative Limited) in his book entitled "Financial Performance of Small Farmers Cooperative Limited in Nepal." Considering the positive outcome of SFDP in terms of targeting the poor for their overall well-being, expansion of the program was highly demanded in rural Nepal to deliver services to the poor and disadvantaged groups. Social mobilization is also equally required in order to improve and maintain the better financial performances of SFCLs.

Microfinance and its contribution in the economy are significant. This sector contributes to reduce poverty, unemployment and inequality. This sector is self employment generation and tries to raise leaving standard of people. Very few researches have been carried out in the case of developing countries like Nepal. But some effort has been made to find out the problem and these efforts are not sufficient. So a fresh and new research is significant.

Neupane (2014) conducted thesis on “The effectiveness of microfinance in Nepalese economy”. A case study of Pratapur VDC, Nawalparasi, concluded that Microfinance has supported to respect the needs of the poor small clients of small loan. Due to the MFPs women and indigenous groups of deprived sector are greatly benefited. MFP has supported to increases the income level of the poor. On the other hand it helped to utilize the skills and optimum mobilization of resources that present in local level. MFP focuses to empower the women as well as engage in the community development activities. The consumption and clothing pattern has also changed with the involvement in MFPs. MFP has done a great task of creating the employment by providing loan in rural areas.

Because of its intervention the working hour of the people has been extended. It has supported people to commercialize their occupation and get the economic benefit. It is also helpful to develop entrepreneur skills in the local level. Due to the MFPs women and indigenous groups of deprived sector are greatly benefited. MFP has supported to increases the income level of the poor. On the other hand it helped to utilize the skills and optimum mobilization of resources that present in local level. MFP has done a great task of creating the employment by providing loan in rural areas .Because of its intervention the working hour of the people has been extended. It has supported people to commercialize their occupation and get the economic benefit. Mostly the loan is used for investment like beekeeping, poultry farming, goat farming, and pig farming, buffalo farming and agriculture with vegetable farming. He recommended for literacy programmed, practical training, and expansion of transactions.

There is another similar paper (Khan, 2014) relevant to our paper. They had some crucialinvestigations upon the impact of micro finance institution on the household income,consumption level and spending on health and education of individual households in theresearch area. He further made the readers able to understand the contribution of impact ofmicro finance institution as emerging tool for alleviating poverty and vulnerabilities of underprivileged masses. Also, he had been able to use Ordinary Least Square (OLS) technique forthe estimation of the model, Gomez and Santor (2001).

Using OLS technique the findingsshows that the self-employed individuals who receive the individual loans and running theirbusinesses are earning better incomes than the individuals who have outside sources of income.

Coleman (1999), estimated the impact of micro finance program on household characteristics like consumption, health, education and employment by surveying the clients of Khushali bank in Pakistan. For empirical analysis, ordinary least square (OLS) and legit estimation were used. The results showed that program does not have any impact on household consumption, expenditure on food items or education but consists of a positive impact of program on health. The clients of the program who run micro enterprises have more monthly inputs in the business, although the results of these inputs do not seem to show up yet in increase sales and profits in aggregate sources of transport. It could be concluded from the empirical studies that micro finance has emerged as a noble substitute for informal credit and as well as effective and powerful instrument for poverty reduction. Micro finance loans have a strong and positive impact on the productivity and growth of micro enterprises especially in developed countries. People initially borrow loans from these formal institutions to set up their businesses and to expand their businesses at the later stages.

Kunwar (2012), conducted dissertation on “Measuring the Performance of Microfinance Institution” A Case study of ChhalingBhaktapur. The main objective of this research is to measure the role of microfinance in society. The researcher has used both primary and secondary sources for getting the 124 farmers live in ward number 9 were selected. Thus this ward was taken as sample through simple random sampling method as target sample for the study answer of research question. The study has focused only on three microfinance institutions at Chhaling, Bhaktpur and finding of this study is, microfinance often promoted as an efficient tool to help the poor since it is based sound economic principles. The rate of return of small scale investments can be very high and explain why some people are ready to pay high interest rate in order to finance them. Market failure and relatively high transaction cost can prevent a substation part of these investments to be realized through private financial intermediaries epically in remote rural areas.

Microfinance institution ambition is fill the gap. They can do so either by focusing on the poor and expanding their outreach, or they may prioritize their financial viability.

Agrawal (2014), conducted study on “Role of Microfinance in the Economic Development of Underprivileged people” A case study of Chakraghatti, Sunsari. The main objective of this study to evaluate the service offered by the opportunity for rural women ardency development .the finding of this study is, the 73% of the respondents said that the role of (FORWARD) is extremely very well in economic development of the under privileged people who in other case do not get loan easily form other financial institutions. Although they have earned from mobilization the micro loan provided by FORWARD, they still do not have full possession on the assets earned and do not have sole authority to invest the money earned. 32% of the respondent said that the form group landing, they experienced uncomfortable for getting the loan to the entire member even if they do not like to do so.46% of the total respondents have said that the perception of their family and society has changed their behavior to treat with the people who have perfectly mobilized the loan received from FORWARD. They now are invited in any social activity. However, the other 54%, especially the Dalits and Muslim community, said that the society still discriminates on them and some people are still bigot by following the non touch ability.

2.4 Research Gap

The various researches conducted an impact of microfinance, these, conclude that positive social and economic impact an overall status of people (living standard). In this way different research paper related to this research paper gives the conclusion that only microfinance become successful to alleviate the poverty of the country. In current situation, there is gap exist, in microfinance is target to the poor, group approach, frequent repayment, sustainable and high interest rates, simple procedure of operation, free choice of economic activity by clients, pre-group training. Microfinance is an emerging issue to overcome the poverty. Basis ingredient of overcoming poverty is packed inside each poor person. There are several organizations working in the area of microfinance all those took the signal mission to reduce poverty poured a lot of money. The several researches conducted in this field in different area of country. This study was aimed at exploring the impact, of microfinance in an effort to raise general awareness among the people in many aspects such as consumption, saving, health, education exposing them to external world, providing them opportunity to self-employment and sustainability of the credit cooperative itself.

CHAPTER-III

METHODOLOGY

Research methodology is a way to systematically solve the research problem. Include the various steps that are adopted by the researcher to solve the problem along with the logic behind them.

3.1 Research Design

This study is mainly focused on micro-finance program and its impact on living standard of Parbat district in specific area. A descriptive research design has been applied to analyze and interpret the qualitative as well as quantitative data collected from the concerned field.

3.2 Population and Sample

A whole number of beneficiaries who are involved in the microfinance program are the population of the study. It is vague to cover the whole people of Phalewas Municipality for the study, so the study limited on 101 respondents of two microfinance beneficiaries as a sample and represents the whole Municipality. The study has followed the stratified random sampling.

3.3 Source of Data

This study is mainly based on primary data, which was collected from the field survey using structured questionnaire, key information interview and observation method.

3.4 Data Collection Procedure

Five point Likert Scale questionnaire has been designed to secure the primary data. In the questionnaire, there are five options (strongly angry to strongly disagree) for the respondents among which respondents have to select only one; fill up the individual status before and after participations in micro finances services. The responses obtained from the respondents have been used to test hypotheses. The data related to economic empowerment of poor people have been collected by focusing functions of MFIs.

3.5 Data Analysis Tools and Techniques

The collected data have been analyzed by using the statistical tools with the help of Statistical Package for Social Science (SPSS). The data collected using different technique are given due attention to process and present them in suitable format. The correlation has been used to know the relationship between dependent variable and independent variables. Under the correlation, multiple correlations is applied. The coefficient of multiple determinations is applied to measures the percentage or proportion of the total variation on dependent variable. Regression analysis and ANOVA test is also done in this study. As well as reliability of data is tested through Cronbanch's Alpha.

3.5.1 Correlations

Simply, the correlation is a tool which is designed to measure the relationship between two or more variable and correlation analysis measure the strength or degree of linear relationships between two or more variables. If the change in the value of another variable results the change in the value of another variable, then we say that the variables are correlated. For e.g. price of commodity and demand of commodity.

A multiple correlation is the correlation between one dependent variable and joint effect of all the independent variables on dependent variable. Multiple correlation analysis is applied in this case because correlation between one dependent variable and five independent variables need to be analyzed. One dependent variable can be affected by different variables.

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2 \times n\sum y^2 - (\sum y)^2}}$$

The coefficient of correlation lies between -1 and +1.

When, r=+1, there is perfect positive relationship.

When, r =-1, there is perfect negative relationship.

When, r is equal to o, there is no relationship

When r is close to 1, there is strong positive relationship and when r is close to -1 there is strong negative relationship.

When r is close to 0 but positive, there is low degree of positive relationship and when r is close to 0 but negative there is low degree of negative relationship.

3.5.2 Goodness of Fit of Regression

The goodness of fit test is a statistical hypothesis test to see how well the sample data fit a distribution from a population with a normal distribution. Also it refers to measuring how well do the observed data correspond to the fitted model. In other words it tells us about how sample data represents the actual population.

The model equation is :

$Y=\alpha+\beta 1X1+\beta 2X2+\beta 3X3+E1$

where,

Y= Living standard

α= Constant term

$\beta 1$, $\beta 2$, $\beta 3$= the coefficients determinants of Living standard.

X1= Poverty Reduction factors

X2= Customer Satisfaction tools

X3= Relationship tools

E1= Standard error

CHAPTER IV

RESULT

This chapter mainly incorporates data presentation, analysis and interpretation. Presented data are analyzed and interpreted by using statistical tools like mean, maximum, minimum, standard deviation, correlation, T-test and cronbach's alpha so as to achieve the results. This chapter is organized in to reliability test, respondents profile, descriptive analysis through paired sample test, descriptive statistics of five point Likert scale questionnaire and At the end, discussion based on data analysis and interpretation is made.

4.1 Reliability Test

Cronbach's alpha is the most common measure of internal consistency ("re+liability"), which is, how closely related a set of items are as a group. It is most commonly used when we have multiple Likert questions in a survey/questionnaire that forms a scale and use to determine if the scale is reliable or not.So, first test the consistency of data before find out the research result.

4.1.1 Reliability Test

Table 4.1.1 Reliability Statistics

Cronbach's Alpha	N of Items
.801	14

Source :*SPSS Output*

As the Chrono Alpha is greater than 0.5 (i. e. 0.801>0.5) the data is reliable for the test.

4.2 Respondent's Profile

Table 4.2.1 Character of Respondent's on the Basis of Gender

Gender	Frequency	Valid Percent
Male	37	36.6
Female	64	63.4
Total	101	100.0

Source: *Field Survey, 2018*

The above data reveals that 63.4% respondents are female and 36.6% are male. The respondent higher validity remains with female than male.

Table 4.2.2 Character of Respondents on the Basis of Marital Status

Marital status	Frequency	Valid Percent
Unmarried	12	11.9
Married	82	81.2
Single	6	5.9
Total	101	100.0

Source: *Field Survey,2018*

The above table shows that most of the respondents are already married, only 6% are single and 12% are unmarried.

Table 4.2.3 Character of Respondents on the Basis of Age

Age	Frequency	Percent
20-30 years	22	21.8
31-40 years	37	36.6
41-50 years	34	33.7
51 and above	8	7.9
Total	101	100.0

Source: *Field Survey, 2018*

The above data shows that 36.6% respondents are 31-40 years, 33.7% are in 41-50 years, 21.8% are lies in 20-30 years and rest 8.9% are only above 51 years.

4.2.4Character of Respondents on the Basis of Education

Level of Education	Frequency	Percent
Have never been to school	16	15.8
Primary school	15	14.9
secondary school	31	30.7
technical education	5	5.0
University	34	33.7
Total	101	100.0

Source: *Field Survey, 2018*

On the basis of education level respondents who are in university level (33.7%) are more than secondary level (30.7%) than illiterate (15.8%) than primary level (14.9%) than technical education (5%) respectively.

Table 4.2.5 Character of Respondents on the Basis of occupation

Occupation	Frequency	Percent
Student	11	10.9
Agriculture	45	44.6
Government	11	10.9
Private sector	18	17.8
Others	16	15.8
Total	101	100.0

Source: *Field Survey*

On the basis of occupation most of the respondents who are microfinance beneficiary are involved in agriculture i.e. 44.6%, likewise 17.8% are involved in private sector, 10.9%

are involved in government sector, 10.9% are students and 15.8% are involved in other sectors.

4.3 Descriptive Analysis of Respondents Status

Table 4.3.1 Paired Sample T-test of Income

Income	Paired Differences					T	df	Sig. (2-tailed)	Correlation
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Income AFTER - Income BEFORE	6257.73	5285.24	536.63	5192.52	7322.94	11.66	96	.000	0.946

Source: *SPSS Output*

The above table explains the mean difference value of different variables. The mean difference between income before and after is 6257.73 and standard deviation is 5285.24. There is high degree positive correlation between roles of microfinance services in income level.The T value 11.66 denotes that there is significant variability between before and after income level due to role of microfinance services. Similarly, since the P value is less than 0.05 which means hypothesis is accepted.

4.3.2 Paired Sample T-test of Consumption

Pair	Paired Differences					t	Df	Sig. (2-tailed)	Correlation
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Consumpt. After - Consumpt. Before	1415.15	2578.18	259.12	900.94	1929.36	5.46	98	.000	0.886

Source: *SPSS Output.*

The mean difference between education before and after is 1415.15 and standard deviation is 2578.18. There is high degree positive correlation between roles of microfinance services in education level. The T value 5.46 denotes that there is significant variability between before and after education level due to role of microfinance services. Similarly, since the P value is less than 0.05 which means hypothesis is accepted.

Table 4.3.3 Paired Sample T-test of Education Level

Pair	Paired Differences					T	Df	Sig. (2-tailed)	Correlation
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
education AFTER - education BEFORE	1382.45	1254.38	129.38	1125.52	1639.37	10.68	93	.000	0.839

Source: *SPSS Output*

The mean difference between education before and after is 1382.45 and standard deviation is 1254.38. There is high degree positive correlation between roles of microfinance services in education level. The T value 10.68 denotes that there is significant variability between before and after education level due to role of microfinance services. Similarly, since the P value is less than 0.05 which means hypothesis is accepted.

Table 4.3.4 Paired Sample T-test of Health Status

Pair	Paired Differences					t	Df	Sig. (2-tailed)	Correlation
	Mean	S D	SE	95% Confidence Interval of the Difference					
				Lower	Upper				
Health AFTER - Heath BEFORE	475.00	1835.38	187.32	103.12	846.88	2.54	95	.013	0.548

Source: *SPSS Output.*

The mean difference between health status before and after is 475 and standard deviation is 1835.38. There is high degree moderate correlation coefficient between roles of microfinance services in health status level (i.e. 0.548). The T value 2.54 denotes that there is significant variability between before and after health status level due to role of microfinance services. Similarly, since the P value (i.e.0.013) is less than 0.05 which means hypothesis is accepted.

Table 4.3.5 Paired Sample T-test of Saving Level

Pair	Paired Differences					t	Df	Sig. (2-tailed)	Correlation
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
saving AFTER - SAVING BEFORE	3095.79	4784.52	490.88	2121.13	4070.45	6.31	94	.000	0.854

Source: *SPSS Output.*

The mean difference between saving level before and after is 3095.79and standard deviation is 4784.52. There is high degree positive correlation between roles of microfinance services in saving level. The T value 6.31 denotes that there is significant variability between before and after saving level due to role of microfinance services. Similarly, since the P value is less than 0.05 which means hypothesis is accepted.

4.4 Descriptive Statistics of Five point Likert Scale Questionnaire

Table 4.4.1 Descriptive Statistics of Poverty Reduction Tool

Statements	Mean	S.D.	Minimum	Maximum
The current microfinance institutions in Nepal provides financial services to poor	2.19	0.784	1	5
products and services fulfilled to the needs of the poor	2.36	0.867	1	5
Easier and achievable loan requirement	2.66	0.952	1	5
Minimal interest rate on outstanding loans	3.27	0.835	1	5
Organized skills development training and self employment program.	2.11	0.733	1	5

Source: *SPSS Output.*

The current microfinance institutions in Nepal provides financial service to poor in which mean value accounts 2.19, similarly product and service fulfill to the needs of the poor has 2.36, likewise easier and achievable loan requirement has 2.66, same as minimum interest rate on outstanding loan has 3.27 and organize skill development training and self-employment program has 2.11. Hence from the result respondents are not agreeing with minimum interest rate on outstanding loan.

The following figure clarifies much more:

Figure 4.1 Descriptive Statistics of Poverty Reduction Tool

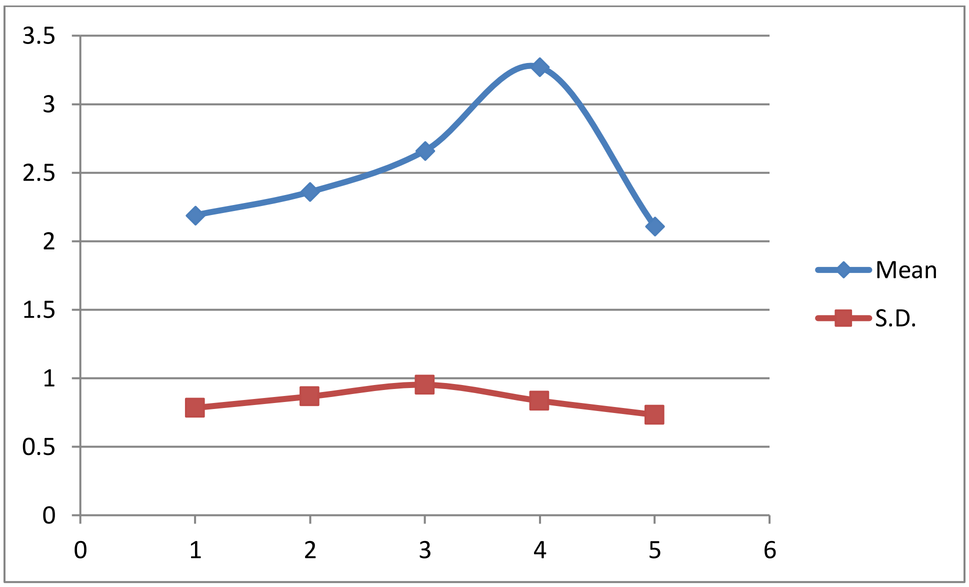


Table 4.4.2 Descriptive analysis of customer satisfaction tool

Statements	Mean	Std. Deviation	Min	Max
I am satisfied with the current services offered at the micro finance institutions	2.35	0.767	1	5
I often use microfinance services/product	2.3	0.831	1	5
our life style has been changing by the services of MFS	2.27	0.979	1	5
I would recommend the micro finance services/products to another person	2.19	0.821	1	4
interest rate charged is very high	2.16	1.084	1	5

Source: *SPSS Output.*

The mean value of 'I am satisfied with the current services offered by micro finance institutions' has 2.35, same as 'I often use microfinance services products' has 2.30, likewise 'our lifestyles has been changing by the services of MFS' has 2.27, similarly, 'I would recommend the MFS services/products to another person' has 2.19 and 'interest rate charge is very high' has 2.16.

The following figure clarifies more in this regards:

Figure 4.2Descriptive analysis of customer satisfaction tool

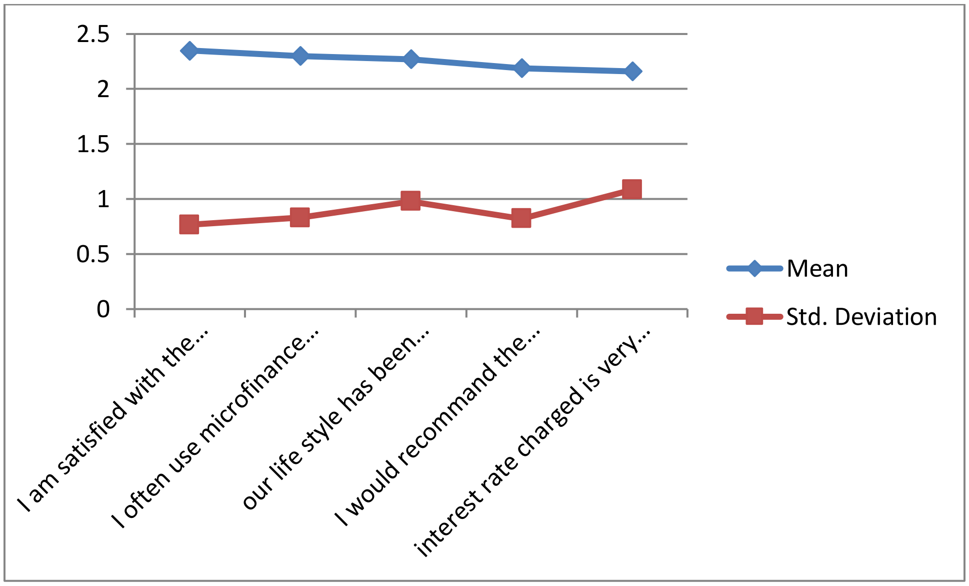


Table 4.4.3 Descriptive Analysis of Relationship Tool

Statements	Mean	Std. Deviation	Min	Max
MFIS helps to improving yours household income	2.22	0.795	1	4
Has influenced in pursuing higher health status	2.22	0.832	1	5
Better access to healthcare of children and aged people	2.25	0.841	1	5
Helps to enhance the women participation in decision making and focus for self dependent.	2.2	0.906	1	5

Source: *SPSS Output.*

The above table shows that the mean value in 'MFIS helps to improving yours household income' has 2.22, mean value in 'has influence in pursuing higher education' has 2.22, likewise 'better access to health care of children and aged people' has 2.25 and finally mean value in 'helps to enhance the women participation in decision making and focus for self-dependent' has 2.2.

***Figure 4.3*Descriptive Analysis of Relationship Tool**

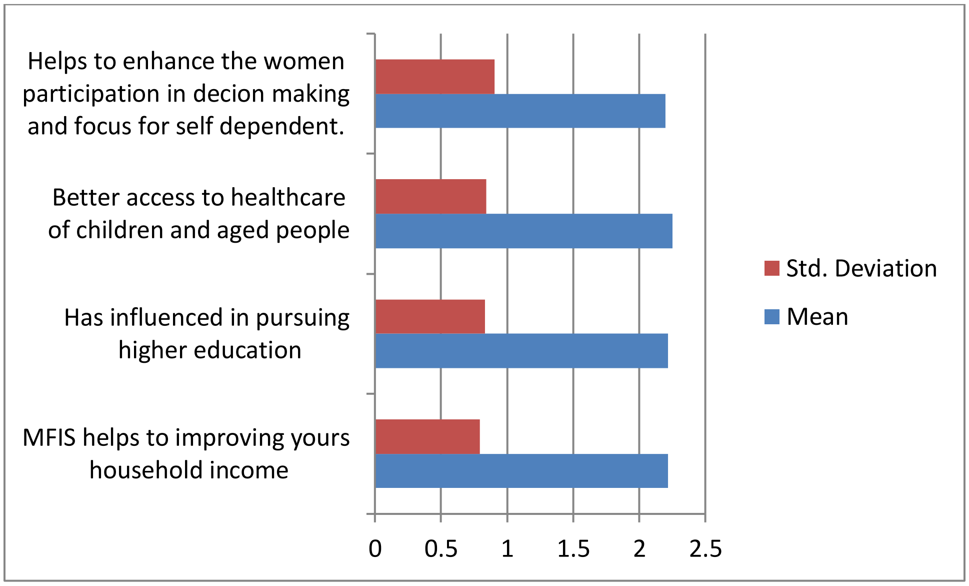


Table 4.4.4 Descriptive Statistics of Summated Value of Dependent VariablesOne-Sample Test

Summated Statement	Test Value = 5					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference Lower	Upper
Summated Poverty	30.45	100	0	7.58	7.09	8.08
Summated Satisfaction	21.40	100	0	6.26	5.68	6.83
Summated Relation	17.10	100	0	3.88	3.43	4.33

Source: *SPSS Output.*

The above test is used for analysis for all items along with factors. The one sample T-test analysis indicates that the mean value of respondents' view towards poverty reduction tool is 7.58416, likewise satisfaction tool towards role of microfinance services is 6.25743 and relationship towards microfinance services is 3.8819. The P value is less than 0.05, hence the hypothesis is acceptable at 5% significance level.

4.5 Goodness of Fit

Table 4.5.1 Goodness of fit of Regression

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24481.72	14	1748.69	2.451	.006[b]
	Residual	61368.28	86	713.58		
	Total	85850.00	100			

Source: *SPSS Output*

a. Dependent Variable: living standard

b. Predictors: (Constant), Poverty reduction tool, customer satisfaction tool and relationship tool.

The above table shows that, regression line has a high goodness of fit as represented by high R-square value (24481.72). As indicated in table the alternative hypothesis is accepted since p-value is significant (.006) which is less than 0.05. This implies that there is significant relationship between dependent and independent variable; at least one of the independent variable contributed for explaining dependent variable.

4.6 Major Finding of the Study

1. Since the chrono Alpha is greater than 0.5 i.e 0.801, the data is reliable for the test.

2. From the above result, we can conclude that there is majority of female amongst 101 respondents. Whereas, 82% respondents are already married. Most of the respondents lie on 31-40 years. On the basis of education level, 33.7% are university level and 30.7% are secondary level and least 5% respondents are involved in technical education. So, we can say that microfinance also helps to enhance skillful training. On the other, 44.6% respondents who are involved in agriculture are the customers of the microfinance.
3. There is high degree positive correlation coefficient between income and microfinance services i.e. 0.946, between consumption and microfinance services i.e. 0.886, between education and microfinance services i.e. 0.839 and between saving level and microfinance services i.e. 0.854, and moderate level positive correlation between health and role of microfinance services i.e. 0.548. There is significant variability between income before and after i.e.(.000) , consumption before and after i.e. (.000), education before and after i.e. (.000), saving before and after i.e. (.000). The P value of the health before and after is 0.013 but it is less than 0.05 at 5% significance level. So, the hypothesis is accepted.
4. From the above table (4.4.1) we can say that microfinance at PhalewasMunicipality provides financial service to poor and fulfill the needs of the poor along with organized the skill development training and self-employment training through providing easier and achievable loans but the respondents are not agree with minimal interest rate on outstanding loans provided by microfinance.
5. From the above table (4.4.2), we can say that respondents are satisfied with the microfinance services but they are positive with higher interest rate charged by microfinance.
6. From the above table (4.4.3), we can say microfinance help to improving household income pursuing higher education and assisting in health care of old aged and children. It also helps to enhance the women participation in decision making and focus for self-dependent. So, that it makes the warm relationship with public.
7. From the above result stated in One Sample Summated T-test, table(4.4.4), the mean value of poverty is 7.58416 having T-value 30.45. Similarly, the mean value

of satisfaction is 6.25743 having T-value 21.403 and the mean value of relation is 3.88119 having T-value 17.096. The P-value of all three poverty, satisfaction and relation tool is less than 0.05, hence the hypothesis is accepted.

8. From the test of goodness of fit, the regression model is fitted. Since the P-value is significant (0.006), which is less than 0.05. This implies that the independent variables in this study have significance relation with dependent .

CHAPTER V

CONCLUSIONS

This chapter is classified in the three sub-heads like summary, conclusion and implication.

5.1 Summary

For the development of the nation, balance development is essential. Microfinance is important mechanism for balance development as it covers those rural areas which are not covered by other bank and financial institutions. In the Nepalese context the banking behavior is very low. People are not concern about banking services. In case of low income people mostly they don't want transaction from bank. The services of bank and procedure of banking transaction is not comfortable also. So for the living standard of people through poverty reduction microfinance programmed play the crucial role.

The present study is aimed at evaluating the impact of such program on people life. Within this basic objective, analyzed the role of microfinance on income generation and in uplifting the economic condition of poor people, evaluation the role of microfinance in improving the social condition of people, and decision making role of people within and outside the house were examined.The study is based on primary data and information. Primary data were collected from a sample of 101 households through field survey. A set of structured questionnaire was used for data collection. The present study has been based upon Phalewas Municipality of Parbat District. Based on the measure of data social status of people has been slightly increased. Regarding the gender female participation has greater than male in MFS program and most of the respondents are already married. The illiterate level of participations is 15.8 %,hence 84.2% people are literate.Most of the people are involved in agriculture and the microfinance program is also covered the student. Program has also given access to schooling for both male and female children equitably. The survey found the positive impact of role of microfinance services in Income level, Literacy, Health, Consumption pattern and saving habit. Respondents are positive with Microfinance program helps to reduction the poverty level through providing the services to poor people by organized the skills developments training and self employment program.Respondents are satisfied with the microfinance services and maintain the good relationship among them.

The calculated statistical tool i.ecorrelation, mean, standard deviation,T-test and p value shows the significant result and accept the hypothesis of the study. Hence the study said that positive relations of the role of microfinance services on living standard of people.

5.2 Conclusion

Microfinance program has been designed to uplift the poorest of the poor from the society those who are deprived, socially backward, economically weak and from the indigenous groups. From the field survey most of the clients are depend on agriculture. In Nepal more than 75% people are lived in rural area. More than 50% of thepopulation areout ofbanking activities. So, the microfinance are the financial institutions established under the NRB act that provides the financial services to those who are not attached with banking services. Living standard of the people is the important factor to indicates whether the country is developing or under developing country.

This study aimed to examine the role of micro finance services on living standard of people through poverty reduction. After being involved in microfinance program, respondents themselves have realized that their confidence level has been increased women are involved in decision making and operate the self-dependent programs. They are happy that they are able to earn by themselves. Respondents after involved in microfinance program have become able to improve to their living standard. Their living style has been changed towards positive direction. They have become able to create good image in their family and society. After being participated in MFS program, their income has been increased in comparison to before being involved in program.

The relationship between dependent and independent variables is positively correlated. The T test and P value shows that the independent variables in this study have significance relation with dependent variable. Hence the test shows that there is no significant difference in Role of microfinance services in living standard of people basically poverty reduction.

5.3 Implications

This research may be useful to the microfinance organization to shape their future plans for development of nation through rural development by reducing the poverty and changing the socio-economic condition of the poor people.

1. For the investor or MFI’s practioners they may get information on defining priority sector for poor people and deprived sector.
2. For social entrepreneur this research may help to find the appropriate sector of investment and to find the market.
3. For local government bodies this research may be a guideline to shape their plans and policies field of poverty alleviation.
4. This research may be useful to the MFIs practioners that are working in the field of rural development and get an overview of the economic strength of women and to shape their plan and policies.
5. MFIs have limited resources to promote their services. If the government (Central Bank) monitored upon their budget line, they can launch outreach program regularly such that poor people get benifits from those program.
6. Easy access to loan is one of an essential way to increase economy of people. It can be done by less documentation. Property valuations and collateral requirements can be made convenient.
7. The cost of borrowing and interest rate of MFIs loan should be minimized than other banks. It could be a challenging task for MFI's to do so. But NRB can have financial interventions upon the borrowing cost and interest rates. MFI's borrow the amount from different commercial banks with a certain interest rate. Such borrowing rates can be lowered by amending NRB regulations. If borrowing rate is lowered, ultimately rate of interest for MFI's clients get lowered. Besides, amount of capital deposit in NRB can be lowered so that more number of MFIs can be launched in every rural area of the country.

8. This result is basically from NRB listed D-class MFIs. Thus, the future study may incorporate other non listed private and private MFIs.

9. The study is entirely based on primary data and does not include secondary data. Therefore, future studies can be based on using secondary data or both primary and secondary data.

10. The sample size and time period taken for the study is limited so future study can be carried out by taking large sample size for longer time period and can be used some advance statistical tools

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APPENDIX

QUESTIONNAIRES

I am **DhurbaTiwari ;**conducting this research for partial fulfillment of Master's Degree of BusinessStudies.Thetopicformyresearchis"RoleofMicrofinanceServices on Living Standard of People willbe focused on the poverty reduction and to find out the customers satisfaction and relations with services of MFS in Phalewas Municipality, Parbat Nepal."

Hope that you fill this questionnaire very carefully so that the accurate result will be found easily. The information will be used for only academic purpose and will be kept confidential. Your valuable information will be highly appreciated.

1.Name :

2. Gender:

I) male ☐
ii)female ☐

3.Marrital status :

i)Unmarried ☐

ii) Married ☐

iii) Single ☐

4.Age:

i) 20 – 30 year ☐

ii) 31 –40 ,, ☐

iii) 41 – 50 ,, ☐

☐

iv) 51 Above

5.Level of education:

i) Have never been to school

ii) Primary school

iii) Secondary school

iv) technical education

v) University

6. Occupation:

i)Student

ii)Agriculture

iii)Government

iv)Private sector

v)Others

7. Micro finance as a poverty reduction tool:

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
The current microfinance institutions in Nepal provides financial service to poor?					
Products and services fulfilled to the needs of the poor?					
Easier and achievable loan requirement					
Minimal interest rate on outstanding loans					
Organized skills development training and self employment program.					

8. Respondent status before and after involvement in micro finance services

Variables	Before participations (Amount)	After participation (Amount)
Monthly income		
Consumption		
Expenditure on education		

Expenditure on health		
Saving		

9. Customer satisfaction tool :

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
I am satisfied with the current services offered at the micro finance institutions					
I often use microfinance services/products					
Our life style has been changing by the services of MFS					
I would recommend the micro finances Services /products to another person.					
Interest rate charged is very high.					

10. Relationships

Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
MFIS helps to improving yours household income					
Has influenced in pursuing higher education (Basically women participation)					
Better access to healthcare of children and aged people					
Helps to enhance the women participation in decision making and focus for self dependent.					