

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

The Himalayan kingdom of Nepal, Landlocked between India and china occupies the area of 147181 square kilometers.Nepal is one of the world's poorest countries having \$569 GNP per capital .Its rank is 144out of 192 countries.Most indicators reflect a measurable performance on gender aspect of human development .For example, the life expectancy of female is 70years formal in 2068 census Nepal is one among the only three countries over the world where female life expectancy is lower than that of male. Nepalese woman are extensively involved on agriculture activities.They are involved in the triple work responsibilities i.e., reproduction, household chores and employment. However, household chores and family care not considered productive jobs. Self -employed in manual agriculture activities in rural areas.

Women play vital roles in family institutions over the last 30 years in our society .Women' legal status has changed with new laws moving towards participation in political and economicsector. A large number of women are working as doctors, engineers, pilots and scientists. But the other reality is that most of educational skill and few formal opportunities are primarily involved in self employed activities as a means of supporting their families Most of these activities do not provide them sufficient income to reduce their poverty.Women, lack of technical knowledge and managerial skills are out of access to credit market and resources. In this way, they are less able to make significant improvement in their economics condition.

Tangible collateralwith so, the WDD (women Development Division )in 1982 under the ministry of panchayat and local Development (MLD)started the production credit for Rural woman project (PCRD Poor women are generally unable to access the formal financial sector),in five districts to provide facilities for poor women in the fiscal year 1982/83 with the united Nations children's Emergency fund (UNICEF) support. Later in 1990/91,it was upgraded into WDD under Middle to the lack of.

Micro-finance development programs have emerged as major strategies that have been accepted the world over by governments and NGOs alike .While micro-credit

facilitates to the poor has been quite successful in many countries, the utilization of the credit for adequate income is a cause of concern for most of the stake holders of micro-credit programs.

Micro credit Project for women (MCPW) is a joint program of the government of Nepal and Asian Development Bank (ADB) since 1994, is taken as the first women development program targeted for the women in Nepal. The ninth plan and tenth plan have stressed on poverty lessening as a prime goal. To achieve this goal of poverty alleviation, specific programs are focused on women they include education, health and income generating activities based on micro finance service. As social mobilization is very much important for empowerment and human development, micro -finance activities are linked with other components of social Development. Micro -finance holds the provision of broad range of financial services to low income clients, including self -employees. It includes both financial and socio intermediation. It is not simply banking but it is a development tool such as deposits, loans, payment money transfer and insurance to the poor and low -income households and enterprises. (ADB, 2000)

Two regional level rural microfinance development bank (also known as Garmin Bikas Banks), one each in the Eastern and the Far-Western Development Regions, were established towards the end of 1992. By June 1996, other three such banks, one each in the other three Development Regions, were also set up. These Garmin Bikas Banks represent an innovative outreach model patterned on the Garmin Bank of Bangladesh, which caters the financial needs of the deprived

Sections of the society in rural areas. HMG and NRB own majority shares of these banks. Later on, the private sector promoters set up Nirdhan Utthan Bank in 1998 and the Shwabalamban Bikas Bank in 2001, both of which are also grameen bank replicators. Deproc Bikas Bank and the Chhimek Bikas Bank, established in 2000 and 2001 respectively, are also poverty focused microfinance banks, but don't follow the gamin bank pattern. However, all these nine MFIs provide *retail banking services* to the deprived sections without physical collateral. With a view to provide wholesale loans and also strengthen the capabilities of the rural MFIs, the "Rural Microfinance Development Centre" was set up in 1998 under Asian Development Bank's initiatives and the Sana Kisan Bikas Bank in 2001 under GTZ's initiatives. Both are *second tier* institutions. The former provides

wholesale loans to microfinance institutions, such as poverty focused development banks, SCCs and FI-NGOs, whereas the latter extends such loans mainly to the member SCCs. By January 2003, a total of 11 rural microfinance banks were in operation and all of them were licensed under the Development Bank Act, 1996. Micro-credit activities seem similar with micro-financing activities (Gyanwali, 2000:1). Micro-financing activities are linked with other component of social development of the nation. Micro-financing can be a useful instrument to achieve this national goal if its services are delivered to the poor and deprived people who do not have access to the financial services of financial institution like commercial banks and development banks (Baral, 2004:50).

Micro-credit programs have different modalities. Some are community based on saving and credit co-operatives, some on priority sector, which include agriculture, cottage and small industries and services, and they are implemented through the commercial banks. The deprived sector -lending program is focused on poor people. In the context of Nepal, microfinance donates the services of collection of saving from women, poor households and micro entrepreneurs and mobilization of loan from collected saving. Such micro-finance services are provided by formal institution such as rural banks and co-operatives, semi-formal institution such as non government organizations and informal sources such as money lenders and shopkeepers. In Nepal rural development banks, co-operatives banks, international non-government organizations and donor institutions-Asian Development Program (UNDP), international fund for Agriculture Development, through NGOs, local Government and Government of Nepal are rendering microfinance services. In addition informal institution such as Dhikuti Associations, user group's indigenous bankers and businessmen are providing microfinance services to low income households, poor and micro-enterprises (Baral, 2004:51).

## **1.2 Focus of Study**

The topic itself seems clear about the study. The study aims to analyze the performance and impact of the program by using descriptive, cross sectional and analytical research design. Thus, the study is basically concentrated towards the impact assessment of microfinance for women poverty reduction in Hemja. More specifically the study focuses on existing position of credit and saving, relationship

between investment and changes in income, impact of training and awareness program upon the standard of living of the people, perception of the participant women towards the micro-credit program, repayment rate, utilization of loan and so on.

### **1.3 Statement of the Problem**

Nepal is under developing several problems of poverty. Micro finance is a term that is broadly used for the provision of financial services to low income households and self-employed people. Micro-finance institutions (MFI) have to be concerned with their financial sustainability because it is a precondition for reaching large numbers of micro-entrepreneurs with micro-finance services over a sustained period.

Several micro-finance institutions have succeeded in reaching the poorest of the poor by delivering strategies. These include the provision of small loans to poor people, especially in rural areas, at all cost interest rates without collateral that are repayable in frequent installments. Borrowers are organized in to groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many micro-credit programs have targeted one of the most vulnerable groups in society. By providing opportunities for self-employment, many studies have concluded that these programs have significantly increased women's security, autonomy, self-confidence and status within the household. In Nepal different types of programs have been launched such as priority sector credit program (PSCP), small farmer development program (SEDP), integrated rural development program (IRDP), PCRW, participatory district development program (PDDP) which in fact are intended to uplift the rural poor people, especially women. The government has also conducting microcredit project for women (MCPW) still also.

The women of Hemjaof Kaski district like those living elsewhere in the rural areas of Nepal are involved in agriculture and manual labors. Women have greater household responsibilities than men. The ownership right over the family properties rests with the males not the females. In a community with a low income, low saving and low capital formation, there is always a vicious circle of poverty. therefore no signal action would be sufficient to change women's status and achieve overall poverty reduction.

Some common problems related to women such as not owning land and low level of education, limited scope to generate income and low social status are interconnected and circular in nature. PDDP and MCPW are oriented to reduce some deprivations in Nepal. Loan is provided to group of ten to thirty women. The group members are from the same geographical area with similar socio-economic background. It is very important to get the feedback from the people who are involved and affected by that program. If the loans are not utilized in proposed work it will become a burden in future. It can be further enhanced by involving more participants and resources. The research focuses effectiveness of micro-credit for women development and improvement of program. This study will try to solve the following research problems.

- a. What is the position of existing saving and credit?
- b. What types of relationship in between investment and income as well as disbursement and recovery?
- c. What is the perception of user groups towards the Pashimanchal Garamin Bikash Bank?
- d. What is the effect of micro-credit program on socio-economics life of the women?
- e. What is the growth pattern of economics activities of women?

#### **1.4 Objectives of the Study**

The broad objective of the study is to make assessment of the impact of micro-credit program for women poverty reduction in Hemja, kaski. However, the specific objectives are as follow:

- To analyze the position of existing saving and credit.
- To analyze the relationship between investment and income of women as well as disbursement and recovery.
- To measure the perception of users groups towards the Pashchimanchal Garamin Bikash Bank.
- To assess the effect of micro-credit program on socio economics life of women.
- To examine the growth pattern of economics activities of women.

## **1.5 Significance of the Study**

The study is important because in Nepal Government has initiated Micro-credit programmers where the government agency not only organized groups of women but also like them are provided commercial credit. The study has significant in the sense that for the government is promoting NGOs to work as a partner in social mobilization linking banks credit with the NGOs has promoted women groups.

Nepal has been launching a number of programmers in order to uplift the women's participations in such a development endeavors but the expected result is not yet to be realized. Thus, women have remained an underprivileged group in our society. In this regard assessing the importance of women's socio- economic characteristic is felt necessary. This study will be expected to have some academic as well as piratical importance. Mainly, the purpose of the study is important for the researcher to fulfill academic degree of M.A. It will also be immensely useful for researcher's donors and student to increase knowledge on Micro-finance, and base any future study on the topic with the knowledge presented by this thesis.

Similarly, this present study is hoped to be a milestone for all foreign economists and sociologist wishing to conduct the similar study about women. In addition, this study may provide guidelines to government, NGOs INGOs and so on for future planning.

## **1.6 Limitation of the Study**

Basically, this will be an academic study for partial fulfillment of M.A degree. The study has following limitations:

- a. concentrating only on Hemja of Kaski district. The study many not represent the exact figure of women in other areas of the country and result may not be suitable for generalization.
- b. All the direct and indirect impacts of the Micro-credit Programmed for women can't be studied due to time and budget limitations.
- c. The study takes consideration of last five years data.

## **1.7 Organization of the Study**

This study has been organized into five chapters:

Chapter I:Introduction

Chapter II:Literature Review

Chapter III:Research Design

Chapter IV:Data Presentation and Analysis

Chapter V:Summary and Conclusion

Chapter I:This chapter deals with general background statement to problem, objective of the study significance of the study,limitation of the study and chapter plan.

Chapter II: This chapter explains review of literature, which includes theoretical review and research review.

ChapterIII: It includes Research design source of data, Data collection procedures and data processing and analysis.

ChapterIV: It includes Research design source of data, Data collection procedures and data processing and analysis.

ChapterV:This chapter deals with summary, conclusion recommendation of the study.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

Review of literature means reviewing research studies or other relevant proposition in the related area of the study so that all past studies, their conclusions and deficiencies may be known and further research can be conducted (Pant:2003). In other words the review of literature is a process of locating, obtaining, reading and evaluating the research literature in the area of study. Reviews of different relevant sections are made in this section to sort out what is already known and what others have attempted to find out. It summarizes the current state of research work which is already done. It focuses on the rectifications for the present study. Many sources of literature such as books, journals, previous theses and dissertations, newspapers and other studies related to the subject matter.

#### **2.1 Conceptual Review**

The micro finance was set up in the form of Grameen Bank of Bangladesh in 1976 by the peace Nobel prize winner (2006) Bangladeshi economist's professor Muhammad Yunus. He started micro loans which may be from a few pounds upwards used for income generation activities such as buying rice to husk and sell or to protect a borrower from paying extortionate rates to money lenders for essential needs such as house repairs, wedding or funerals. The loan is given at an interest rate higher than money lenders' rates. Microfinance is a term that is broadly used for the provision of financial services to low income households and the self-employed people. It has evolved on the approach of economic development intending to make low income women and men more betterment economically, socially and culturally. Most households in developing countries are suffering from excess poverty. Microfinance programs have been introduced with the aim of developing micro enterprises and coping poverty among the destitute people of developing countries. Under the microfinance programs, financial services have been provided to the low income households as an efficacious measure of micro enterprise development and alleviating poverty in the developing countries. Nepal made remarkable progress in poverty



reduction between 1995 and 2010, a period coinciding with a decade-long violent conflict followed by tumultuous post-conflict recovery. Although improving agricultural productivity was long regarded as instrumental to lifting the living conditions of Nepal's impoverished rural areas, a bulk of the observed poverty reduction has come as a result of exogenous improvements in economic opportunities for poor Nepalis outside Nepal's borders. About 50 percent of the poverty reduction witnessed between 1995 and 2010 was associated with growth in labor incomes, particularly in nonagricultural activities. Private remittance receipts account for a little over a quarter of the total poverty reduction seen in Nepal. This is consistent with increased nonfarm diversification of rural households as well as the increase in nonfarm wages over the period. Household demographic changes, brought about by a sharp decline in fertility rates and the changing dependency structure as a result of migration, have also played important roles. Across the diversity, the majority of communities in Nepal is patriarchal and people

Have superstitious beliefs. Therefore, a woman's life in Nepal is strongly influenced by her father, husband and son like in many other South Asian nations. Such patriarchal practices are further reinforced by the legal system. The practice of early marriage still exists in Nepal that generally depreciates the life status of a woman.<sup>58</sup> The status of women is determined by the patriarchal social system, values, and women's rights preserved and protected by the state, and state policy further development of women. Women's relative status, however, varied from one ethnic group to another. Concept of gender equality needs to be circulated up to household chores where women are at the front. The economic contribution of women is substantial, but largely unnoticed because their traditional role was taken as for granted. Thus, the socio-economic status of women in Nepal is very poor. The women are being discriminated in every aspect of the society. These and so many other factors have contributed to turn Nepal into a lower human development status. Though the Constitution has provided equal property rights to son and daughters, in practice, women are deprived to enjoy the rights provided by the constitution. However, the new Constitution is yet to come into full implementation. Lack of general awareness among women; less support to women from existing institutions to enjoy their rights; less or no access of women to means of production especially land, factories, capital and public properties. In the case of Nepal, The earliest initiatives for

establishing microfinance services in Nepal could be traced to 1956 when the first 13 credit cooperatives were established in the Rapti Valley of Chitwan district under an executive order of the government and with the support of USAID/Nepal. The objective of such cooperatives was to provide credit to the flood-stricken people in the Valley. Before this, the credit needs of the rural sector were met completely by informal sources. In 1974, NRB directed the two commercial banks to invest at least 5 percent of their total deposits in the "small sector". The activities to which credit was to be directed were collectively renamed the "priority sector" to cover agriculture, cottage industries, and the service sectors in 1976. At present, CBs are required to lend at least 12 percent (including deprived sector credit) of their total loan portfolio to this sector. *It was*

*Through this directive that the CBs were made to participate in rural lending further first time in Nepal.* In 1990, NRB introduced the "Deprived Sector Credit Program" under which CBs are required to lend from 0.25 to 3.00 percent of their total loan portfolio to the hardcore poor. Failure to achieve the target attracted penalty on the shortfall. A well-structured and specialized project entitled "Small Farmer Development Project (SFDP)" to cater the financial needs of the small farmers was initiated as a pilot project in November 1975 by ADB/N. This Project, which covers the entire country, aims at organizing "small farmers" into small credit groups and providing credit on a group guarantee basis. *It was in this project that the concept of group formation and group-based lending as an alternative to the physical collateral was introduced for the first time in Nepal.* A process of institutionalizing the small farmer groups into the "Small Farmer Cooperative Limited" has been initiated since 1993/94. The purpose of this initiative is to create locally-owned and Managed MFIs that can take over the activities of SFDP on a self-sustaining basis. By mid-January 2003, 125 such SFCLs are in operations in 32 districts. In 1981, NRB introduced the "Intensive Banking Program (IBP)" under which the CBs were required to lend a certain percentage of their priority sector loan to the people

Below the poverty line as group-based lending. Under this lending program, loans are disbursed to the group members on group guarantee and the bank does not ask for any physical collateral. IBP was undertaken by NBL and RBB initially and later by Nabil. The Ministry of Local Development (MLD) in collaboration with UNICEF, NRB, CBs and ADB/N initiated the first women-focused socioeconomic program "Production

*Credit for Rural Women (PCRW)*" in 1982. This Program involved organization of poor women into small credit groups and appropriate skills training by the MLD staff and extension of group-based loans by the participating banks. This program is in implementation in 55 districts. MLD initiated yet another project entitled "*Microcredit Project for Women*

*(MCPW)*" in 1994 under ADB financial assistance. It had a provision of involving NGOs as financial intermediaries. The Project was implemented in 12 districts and five municipalities. The Project has promoted 82 CBOs into SCCs and helped 27 NGOs to be FI-NGOs by June 30, 2002. HMG established "*Rural Self-Reliance Fund*" in 1990 and contributed Rs. 10 million through the budget in the FY 1991/92. The government also contributed Rs. 10 million to the Fund in the following fiscal year. The Fund has a provision to provide wholesale loan to the SCCs and NGOs, who in-turn lend to the rural poor. HMG and the NRB, along with the formal financial institutions, established 5 regional grameen bank replicators, "*Grameen Bikas Banks*", one in each of the five development regions, and also a second tier institution entitled "*Rural Microfinance Development Centre (RMDC)*" during the 1992-98 period. During the same period, two more grameen bank replicators "*Nirdhan and CSD-SBP*" were also initiated in the NGO sector. These two NGOs, later on, promoted "*Nirdhan Utthan Bank*" and "*Swabalamban Bikas Bank*" as microfinance development banks. After the enactment of Cooperative Act, 1992 a total of 228 SCCs were registered by mid-July 1995; 343

SCCs by mid-July 1996; 1,271 SCCs by mid-July 1999; 1,971 SCCs by mid-July 2001 and 2,262 SCCs by mid-July 2002. Of the 1,971 SCCs and 2,262 SCCs that were in operation in FY 2000/01 and 2001/02 respectively, 19 municipality-based SCCs do not belong to MFI category because their lending policies do not match with the MFIs.

### **2.1.1 Definition of Microfinance**

MF is the provision of a broad range of financial services such as deposits, loans, savings, payment services, money transfers, and insurance to the poor and low-income households and their microenterprises that are excluded from the formal financial systems (ADB, 2000). It includes some main points such as returning in small-agreed installments, periodical savings and meeting, group-based lending, no collateral and loan security. The mechanism helps poor women access to credit and use it more

effectively. According to Robinson (2001), most MF programs, at the beginning, hold training courses to the clients in skill development, business, literacy, finance, and agriculture. However, two problems can arise when training is linked directly to credit programs. First, institutional sustainability is hindered because revenues rarely cover training costs. Second, the training provided is often not considered valuable by the trainees. Many kinds of training such as literacy, health family planning, skill development and the like, can be extremely important tools for reducing poverty, the issue is the linking of credit and training (Robinson, 2001). In reality, the poor, especially poor women, are illiterate or have primary level (Sanh Nguyen, 2003:99) so the emerging question is how poor women grasped the content of training courses. Group formation is a main rule of MF, so building and strengthening joint-liability groups contribute to the development of MF. Lessons learnt were that MF should be demand-driven and adapted to each type of clientele; MF should be combined with capacity building, and those schemes would be more successful if they involved joint liability groups (CARE, 2004). Group-based lending requires individuals to organize themselves into groups in order to gain access to financial services from a program. Normally, loans are made to individuals, but all members of the group are held responsible for the loan repayment, joint liability principle. It contracts effectively to make a borrower's neighbors' co-signers to loans, mitigating problems created by informational asymmetries such as adverse selection, moral hazard and enforcement. In group-based lending programs the functions of screening, monitoring and enforcing repayments is largely transferred from the financial providers to group members. Because of the role of joint liability groups in MF, the identification of some main factors affecting the maintaining and strengthening of a WSCG (women Saving and Credit Group) needs to be done.<sup>26</sup> The clients of MF are women who can use a small amount of money better than men can. It is becoming more widely recognized that women can make good use of credit in their own right for activities that improve their own livelihoods and the income security of their family (Ellis, 2000). There is accumulated evidence that the women's higher repayment rates have led many MF intermediaries to particularly target women. It is better for their families because in many societies women's roles are to look after their children and husband and maintain the home (Fallavier, 1998). Credit is a powerful tool that is used effectively when it is made available to the creditworthy among the economically active poor participating in at least a partial cash economy, people with the ability to use loans

and the willingness to repay them (Robinson, 2001). When loans are provided to the very poor, the borrowers may not be able to use the loans effectively because they lack opportunities for profitable self-employment, and because the risks involved in using the credit may be unacceptably high (Hulme, & Mosley, 1996). In addition, many of the skeptics of MFIs argued that MF projects fail to reach the poorest, generally have a limited effect on income and drive women into greater dependence on their husbands (Wright, 2000). Besides, many of the impacts on income are positive for the less poor and negative for the poorer clients, attend that we have already seen (Marconi & Mosley, 2004). However, Rogaly (1996) argued that they encourage a single

Sector approach to the allocation of resources to fight poverty, microcredit is irrelevant to the poorest people, an over simplistic notion of poverty is used, there is an over emphasis on scale, there is inadequate learning and change taking place (Rogaly, 1996). As a result, credit is not enough to help the poorest people to escape from poverty. On the contrary, providing a wide range of clients, Microfinance Institutions also reaches the economically active poor, first with savings services, but also with credit. Moreover, Nepal Rastra Bank is also used as a channeling body for poverty alleviation projects targeting the poorest. Based on the above argument, the poorest, except disabled people, could access credit and other financial services. In the practice of MF programs in Nepal poor women clients, middle and better-off women also became potential clients of MF programs. The discussion is how categorized poor women participated in the MF program and how the poor, the middle, and the better-off helped each other in WSCGs. There have been several successful MF models in the world. The Grameen Solidarity Group is a famous mechanism in both Bangladesh and the World. This model is based on group peer pressure whereby loans are made to individuals in groups of four to seven (Berenbach & Guzman, 1994). Group members guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually made weekly. Solidarity Groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as the Grameen Bank, who use this type of MF model (Berenbach & Guzman, 1994). Normally, groups contain five members and savings must be contributed for four to eight weeks prior to receiving a loan. Savings must also continue for the duration of the loan term. Only two of the group members receive a loan initially. After successful repayment, it has contributed

to broader social benefits because of the mutual trust arrangement at the group system. The group itself often becomes the building block to a broader social network (Berenbach & Guzman, 1994). The above model highlights joint liability groups for loan repayment, new loans considered by successful repayment of all group members, periodically savings and share of profit from lending activities. The MF that has been applied in the rural areas in the Mekong Delta is modified from the Grammen Bank process.

Nepal has no experience more than decades in micro financing. NRB as a central bank of the country has been involved as a vacillator, regulator and promoter since 1974 to alleviate the poverty of Nepal. Since then, many MF focused programs have been launched and significant financial resources have been allocated for the promotion of this sector. Nepal has originated micro financing practice through traditional practices of co-operative such as Guthi, Dharmabhakari, Dhikuti etc. At present time, 5 regional GBB, 6 microfinance development banks many financial intermediary non-government organization and credit co-operatives are licensed by NRB and revised microfinance services by involving directly in different parts of the country. After the liberalization, the Nepalese financial sectors are expanded massively and so do microfinance institutions.

The institutional sector that are working to develop microfinance sector are NRB, RSRF, CBs, DBs, RMDC, FINGO, SFINGO, SCCs.

### **2.1.2 Historical Background of Microfinance in Nepal**

The term micro refers to very small and finance is the art and science of managing money. So, microfinance is the management of small amount of money. Microfinance means providing very small loan to very poor families so that they can involve in productive activities and grow their small business. In the past, Microfinance was focused on providing a very standardized credit product with change in time it is covering other areas such as savings, insurance etc. "Microfinance is small in value amount targeted at low income clients. It includes loans, savings, insurance, transfer services and other services." (Sharma, 2005: 87)

According to ADB (2000), country studies, the earliest initiatives for establishing microfinance services in Nepal can be dated back to 1950s when the first credit co-

operatives were established. These were primarily intended to provide credit to the agricultural sector. A well-structured and specialized program to cater to the financial needs of the poor was provided further impetus with the launching of the Small Farmer Development Program (SFDP) in 1975 within ADB/N. Over the past few years, a process of institutionalizing the Small Farmer Groups into the Small Farmer Cooperatives Limited (SFCL) had been under way. In 1981, to strengthen the priority sector program, NRB introduced the Intensive Banking Program (IBP). The next main step in the development of Microfinance in Nepal came in the form of the first gender-focused program, the Production Credit for Rural-Women (PCRW). In 1992, the first two RRDBs—one for the eastern region and another for the Grameen Bank of Bangladesh. RRDBs use a group lending approach and a weekly repayment system focusing on extremely poor women. By mid 1997, five RRDBs had been established. Besides these, NGO's and cooperatives have also had an increasing role in microfinance. In Nepal, Center for Microfinance (CMF) was established in July 21, 2000 A.D with main activities of providing trainings, technical assistance consultancy services and undertaking studies, research, documentation and publications.

### **2.1.3 Major Principles of Microfinance**

The conditions and procedures of microfinance are more flexible and easy to understand by local community. The principles of microfinance are as follows (<http://www.accion.org>).

a) Poor people need a variety of financial services, not just loans

Like everyone else the poor need a range of financial services that are convenient, flexible and affordable. Depending on circumstances, they want not only loans but also savings, insurance and cash transfer services.

b) MF is a powerful tool to fight poverty

When poor people have access to financial Services, they can earn more build their assets and cushion themselves against external shocks. Poor households use MF to move from everyday survival to planning for the future; they invest in better nutrition, housing, health and education.

c) MF means building financial systems that serve the poor

In most developing countries, poor people are the majority of the population yet they are the least likely to be served by banks. MF is often seen as marginal sector a development activity that donors, governments or social investors might care about but not as part of country's mainstream financial system. However, MF will reach the maximum number of poor clients only when it is integrated into the financial sector.

d) MF is about building permanent local financial institutions

Finance for the poor requires sound domestic financial institutions that provide services on a permanent basis. These institutions need to attract domestic savings, recycle those savings into loans and provide other services. As local institutions and capital markets mature, there will be less dependence on funding from donors and governments including government development banks.

e) The key bottleneck is the shortage of strong institutions and managers

MF is a specialized field that combines banking with social goals, skills and systems need to be build at all levels: managers and information system of MFI, central banks that regulate MF, other government agencies and donors. Public and private investment in MF should focus on building this capacity, not just moving money. MF works best when it measures and discloses its performance. Accurate, standardized performance information is imperative, both financial information (eg. interest rates, loan repayment and cost recovery) and social information (eg. number of clients reached and their poverty level). Donors, investors, banking supervisors and customers need this information to judge their cost risk and return.

f) The role of government is to enable financial services, not to provide them directly

National governments should set policies that stimulate financial services for poor people at the same time as protecting deposits. Governments need to maintain macroeconomic stability, avoid interest rate gaps and refrain from distorting markets with subsidized, high default loan programs that cannot be sustained. They should also climb down on corruption and improve the environment for micro business,



including access to markets and infrastructure. In special cases where other funds are unavailable, government funding may be warranted for sound and independent MFI.

g) Donor funds should complement private capital, not compete with it

Donors provide grants, loans and equity for MF. Such support should be temporary. It should be used to build the capacity of MF providers: to develop supporting infrastructure like rating agencies, credit bureaus and audit capacity and to support experimentation. In some cases, serving sparse or difficult to reach populations can require longer term donor support. Donors should try to integrate MF with the rest of the financial system. They should use experts with a track record of success when designing and implementing projects. They should set clear performance targets that must be met before funding is continued. Every project should have realistic plan for reaching a point where the donor's support is no longer needed.

h) Interest rate ceiling hurt poor people by making it harder for them to get credit

It costs much more to make many small loans than a few large loans. Unless micro lenders can charge interest rates that are well above average bank loan rates, they can not cover their costs. Their growth will be limited by the scarce and uncertain supply soft money from donors or governments. When governments regulate interest rates, they usually set them at levels so low that MC cannot cover its costs so such regulation should be avoided. At the same time, a micro lender should not use high interest rates to make borrowers cover the cost of its own inefficiency.

i) MF can pay for itself and must do so if it is to reach very large number of poor people

Most poor people cannot get good financial services that meet their needs because there are not enough to cover their costs. Cost recovery is not an end in itself. Rather, it is the only way to reach scale and impact beyond the limited levels that donors can fund. A financially sustainable institution can continue and expand its services over the long term. Achieving sustainability means lowering transaction costs, offering services that are more useful to the clients and finding new ways to reach more of the un-bankable poor.

#### **2.1.4 Importance of Microfinance for Women**

Microfinance leads to social and the changes in the borrowers after the participation in the programs. Increasing income among borrowers results increase in food sufficiency, consumption of nutrient food, good caring of children health, health awareness and preventive measures of health, good education of the children, repair and maintenance of home (Sharma, 2007: 10)

There is greater importance of microfinance in Nepal. It is mostly important for women because they are inhabitant in rural areas. To engage women in small fund raising program and making them self-department, microfinance is an effective tool. Nepal's gender empowerment measure is only half of the global average and after Pakistan, the second lowest in South Asia. Agricultural feminization in Nepal is caused by de facto rather than de jury reason as the number of female headed households in rural areas is increasing mainly because of male out-migration and male employed in other sectors. The important impacts of microfinance for women are:

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

In social sector, awareness development is found one of the major outcomes of this program. In this respect, many MFIs members started to join in literacy canter, schooling to their children including daughters, participating in the village level election so far they are daughters, participating in the village level election so far they are elected in ward members, V.D.C. chairman and vice chairman. In addition, they are activities such as construction of village community hall, road and bridge and drinking water system. By this MFIs have been imputing the momentum for poverty endeavor. Majorities of women are not accessing the credit easily as due to lack of the collateral. In this respect, MFIs have been providing credit on the basis of group liabilities to such downtrodden people in income generating activities such as vegetable production, livestock raising, tea and daily uses shop, marketing of goods (better rice, vegetables and fruits) as per their experience an market potentialities.

### **2.1.5 Microfinance in Terms of Savings, Investment and Loan Distribution**

Microfinance is targeted to poor and low-income people. It includes loans, savings, insurance, transfer services and financial services. Providers of microfinance include non-government organizations, self-help groups, co-operatives, credit union and commercial bank, insurance and credit card companies and other points of sale (Sharma, 2005: 87)

The poor already save in ways that we may not consider as "normal" savings-investing in assets, for example that can be easily exchanged to cash in the future. After all, they face the same series of sudden demands for cash we all face illness, school fees and needs to expand the dwelling, burial and weddings. It is hard to cut off one leg of a goat that represents a family's savings mechanism when the sudden need for a small amount of cash arises or if poor women has loaned her "saved" funds to a family member in order to keep them safe from theft, she may not be already available when the woman needs them. The poor needs savings services that are both safe and liquid. These savings must be adapted to meet the cycle. To services the poor's particular demand and their cash flow cycle maximize the savings propensity of the poor, institutions must provide flexible opportunities both in terms of amount deposited and the frequency of pay in's and pay outs. This represents important challenges for the microfinance industry that has not yet made a concerted attempt to profitability capture tiny deposits. Savings and investment are two parts of same coin. If people save they are encourage investing also. Women in the rural village area are interested to invest in gold and other small profitable sector. They cannot invest in large area because their savings is low. The main objectives to save are either to invest or to provide service to poor people. So, from the microfinance activities some women are savings and other poor women are getting benefit from loan services at low rate.

From news letter of RMDC (2010) Prof. Yunus's long-term vision is to make the world free of poverty. He argued that loans to the poor without physical collateral had once appeared to be an impossible idea. He also showed that micro credit is a strong instrument to alleviate poverty in the developing countries. Loan clients are the most valuable agents in MFI operation. Income of MFI depends on loan client's willingness to receive financial services on continuous basis. For efficiency MFI requires that

their entire client borrow and make disciplined transactions (Sharma, 2006: 16). Mobilization and recovery of loan should be impartial loan can be in the form of individual loan, group loan etc. Individual loan should be mobilized on the collateral of real assets where as in group loan also more emphasis is given on group guarantee (Baral, 2004: 54).

### **2.1.6 Microfinance Emphasis on Poorest of Poor Women**

Nepal remains one of the poorest countries of the world with endemic poverty particularly in rural areas despite planned development effort of half a century. The government of Nepal since past several years has shown its commitment to reduce poverty through various policies, programs and projects aimed at providing minimum basic needs of life to the poor in terms of food, clothing, housing, education and health required for human survival. The country has initiated various poverty reduction programs have played a significant role in the socio-economic development of the nation in general and the rural sector development in particular (Sharma, 2007: 2).

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

### **2.1.7 Preview of Microfinance Models**

To date, Nepal about three decades of experience in microfinance, which has been exclusively recognized as a poverty reduction program focused towards raising the income level and social standard of the people living in poverty, particularly women.

In due consideration of the success of the micro-finance program in bringing positive impact towards poverty reduction. The micro-finance practices of the organized sector that are prevalent in the country can be grouped broadly into seven microfinance models as follows (NRB, 2008: 22).

#### A) Grameen Model

A concept of Grameen bank was evolved in 1992 when the Nepal government felt the need to establish a separate institution which would take sole responsibility for financing the rural poor and supplementing to some extent, the rural Microfinance activities of the previously established institutions. The aim of the Grameen Bikas Banks (GBBs), established as a regional development bank in 5 development regions between 1992 and 1996 and operating on the Bangladesh Grameen model is to engage the targeted rural poor with the appropriate credit delivery mechanism and on a group liability basis. These banks are the largest MF operators in Nepal. Training as an entry point of banking system by Grameen Bikas Bank. Although Nepal Rastra Bank had the major share ranging from 55 percent to 70 percent in GBBs, NRB is in the offing to divest its share in three of five GBBs. Besides the government owned 5 GBBs, 4 MFIs based on Grameen model and established as a development bank are operating in the private sector. The bank provides credit basically for micro level income generating activities on a group guarantee basis to the group members through 2+2+1 system.

#### i) Swabalamban Bikas Bank Ltd. (SBBL)

SB Bank (Literally means self-help Development Bank) is a Microfinance Development Bank which started its operation on January 14, 2002 A.D.. The Bank's registered (central) office is situated in Janakpur, Dhanusha, Nepal. Over 13 years ago, Centre for self-help Development (CSD) an NGO, initiated the self help Banking Program based on the Grameen Bank Model with some adaptations in September 1993. The primary objective of the institution is to provide the disadvantaged section of the rural poor with easy access to credit which will help them to improve their socio-economic status and make full use of their existing skills and resources. SSBL targets families having per capital income not more than NPR 4400 and serves women exclusively. By the end of Ashad 2068, SSBL has reached 91,894 members

(families). This Bank has succeeded to expand credit to 69,211 member families from its 62 branches. The current outstanding portfolio amount to Rs.1287.170 million. However the cumulative disbursement has reached Rs.9631.927 million and rest savings amount has reached Rs.517.252 million (RMDC, 2068).

ii) Nirdhan Utthan Bank Ltd. (NUBL)

Nirdhan Utthan Bank Limited, "the bank for upliftment of the poor", is a Microfinance bank established in November 1998 A.D. It was granted a license in April 1999 to undertake banking activities. It provides Microfinance services such as loans, deposits, micro insurance and remittance services. The lending methodologies are individual lending based on Grameen Bank, Bangladesh Model and group lending based on self help group model through a few specified branch offices. By the end of Ashad 2068, NUBL has reached 147845 members. This Bank has succeeded to expand credit to 98965 member families from its 92 branches, its loan disbursement stood at Rs.12233.007 million and rest savings amount has reached Rs.634.211 million by the end of Ashad 2068 (RMDC, 2068). Though, legally established as a company in 1998, the operation of NUBL is a continuation of microfinance services provided by an NGO called "NIRDHAN" which was providing microfinance services since March 1993. NIRDHAN, as an NGO has limited resources and capacity to satisfy the demand of poor people in different parts of the country. Hence, in July 1999, NIRDHAN transferred all Microfinance operations to Nirdhan Utthan Bank. NIRDHAN was re-oriented to Nirdhan Utthan Bank Limited.

iii) Chhimek Bikas Bank Ltd. (CBBL)

Chhimek Bikas Bank Limited is a Microfinance development bank providing microfinance service to the poor, the marginalized and the deprived, with a main focus on women living below the poverty line. It was registered with the company Register's Office in December 2001 and obtained a license in January 2002 from Nepal Rastra Bank. By the end of Ashad 2068, Chhimek Bikas Bank Ltd. has reached 131859 members. This Bank has succeeded to expand credit to 103179 member families from its 53 branches. Its loan disbursement stood at Rs.9619.767 million and rest savings amount has reached Rs.1015.751 million by the end of Ashad 2068 (RMDC, 2068).

iv) Deprosc Development Bank Ltd.

Deprosc Development Bank (DD Bank) is a Microfinance bank working in the central and western region of Nepal. The bank has promoted by DEPROSC Nepal (an NGO active in Microfinance business). The other promoters are Agriculture Development Bank, Nepal Bank, NABIL Bank, Lumbini Finance and Leasing Company, CEAPRED (an NGO) and former bankers having 15-20 years experience. This bank was registered in January 2001. Deprosc Development Bank has been established to provide microfinance services, which are adaptable to local situations, cost effective, financially viable and sustainable. By the end of Ashad 2068 Deprosc Development Bank Ltd has its 50 branches. Its loan disbursement stood at Rs.2969.015 million and rest savings amount has reached Rs.245.859 million by the end of Ashad 2068 (RMDC, 2068).

B) Small Farmers Co-operative Limited (SFCL)

Agricultural Development Bank of Nepal (ADB/N) initiated a newly developed financing concept on co-operatives known by the name of Small Farmers Co-operative Limited (SFCL) which is in fact a convergent form of a 3 decade old Small Farmers Development Project (1976) of the bank, considered the first poverty focused credit program in the country. To meet the whole sale requirement of SFCL for on-lending to small farmers, ADB/N has established Small Farmers Development Bank (SFDB, 2002). The main objective of transformation of SFDP into SFCL is to ensure the viability and sustainability of Microfinance Institutions (MFIs) which would be managed and administered by the members themselves. Many international organizations including IFAD, ADB/N, CGAP have lent their support to this program in one way or other and GTZ has been continuously providing technical to help upgrade these institutions.

### C) FINGOs Model

This is the latest form of development in microfinance in terms of financial intermediary process. It is believed that more than 10,000 unregistered NGOs are operating in the country either in the field of microfinance or in social and community based development activities. After the Promulgation of Financial Intermediary Act 1998 (1<sup>st</sup> amendment 2002), a broader scope has been created for the NGOs to functions as financial intermediaries for mobilizing savings and promoting credit activities within the group. In this model, the NGOs disburse loans for Microfinance on a group basis. By mid-July 2009, 45 membership of 381, 392 the total outstanding loan disbursed to them amount to Rs.2394 million and a savings deposit of Rs.1317 million (<http://www.skbbbl.com.np>).

### D) Priority Sector and Deprived Sector Credit Model

Priority sector lending model was introduced in early 1974 through the mandatory credit requirement as put forward by the NRB in agriculture, cottage industry and Micro financing towards Empowerment of Disadvantages Groups in Nepal: Innovations and practices center for international studies and cooperation 13 services sector. This mandatory requirement is presently called Priority Sector Credit Program (PSCP) and Deprived Sector Credit Program (DSCP). Priority Sector Credit Program was renamed later as Intensive Banking Program (IBP) in 1981 while deprived sector credit program was introduced in 1991 by the NRB. Both the programs have provision of direct and indirect financing. Under the direct financing mechanism, commercial banks provide loans to the beneficiary directly as retail lending while under indirect financing, commercial banks act as whole sale microfinance and the loan-able funds are channeled through MFIs, co-operatives, FINGOs and MFDBs for On-lending to the beneficiaries. Notwithstanding the fact that Nepal is currently passing through a World Bank led Financial Sector Reform Program (FSRP), NRB has operated for a phasing out policy of this priority sector credit program within 5 years starting from 2002/03. It may be recalled that mandatory requirement to follow funds into priority sector credit program was 12 percent of the total credit outstanding, while for DSCP commercial banks are required to finance Microfinance sector at least to the time of 3 percent of their total credit outstanding. Thus, DSCP is also a major source of fund for on-lending purpose to MFIs.



#### E) Savings and Credit Co-operatives (SACCOs) Model

This is member based organization, registered with the objective of self-help development among the members. By the mid-April,2011, around 19,724 co-operatives have been registered with the Department of co-operatives of which 8888 are savings and credit co-operatives (SACCOs) and 8 percent of them are women SACCOs. Therefore, the regulation on the job of micro financing may be assigned to a separate institution like NEFSCUN and National Co-operative Development Board or new institutions such as Micro financing Regulatory and Supervisory Authority.

#### F) Project Based Micro Financing Model

There were six major donor funded project based micro credit programs. Some of them are still in inactive stage.

##### i) Production Credit for Rural Women (PCRW)

This is the first donor supported microfinance program that was initiated in 1982 and completed in 1997 under two phases covering 26,616 groups and 82,416 poor women borrowers from 75 districts of the country with the credit disbursement amount to Rs.933,812 thousand. Founded by IFAD with a loan amount of SDR 3.23 million the project utilized the loan amount cent percent. Two major commercial banks (NBL and RBBL) and ADB/N were the participating banks and it was executed by Women development was the main executing agency of the credit component.

##### ii) Micro Credit Project for Women (MCPW)

This project was launched in 1994 by Ministry of Local Development in co-operation with NRB, RBBL financial assistance of ADB/Manila amount to SDR 5.0 million. The distinctiveness of its approach lies in using NGOs as facilitators in microfinance. Under the project, 95 partners (87 NGOs and 8 SACCOs) have been involved in "financial and social intermediation" i.e. group formation, training and delivery of bank credit. By March 2002, the project covered 25,000 women clients from 14 districts and 14 municipalities. The participating banks such as NBL and NRB provided micro credit amount to Rs.135 million (outstanding balance) to the target beneficiaries through NGOs and women's associations. NRB was again the executing agency of the credit component of the project. The project was completed in 2002 and

the utilization of ADB's loan remained at 90 percent. The project in Nepal by ADB in 2001 with the completion of the project, many NGOs associated with the program as a credit agent later converted or upgraded into FINGOs and SACCOs i.e. 82 women savings and credit co-operatives were organized and 25 of them were registered at the Co-operatives Department 25, SACCOs have been able to become Partner Organizations (POs) of RSRF. Similarly, 27 FINGOs formed by women groups under the MCPW have received licenses for limited banking from the central bank.

### iii) Poverty Alleviation Project in Western Terai (PAPWT)

This project was funded by IFAD and launched in December 12, 1997 in selected Terai districts of western, mid-western and far-western development regions. The project is to cover below poverty level clients of the MFIs through 16 branches of Grameen Banks and its replicating institutions from 8 districts of western, mid-western and far-western Terai. The project was completed in December 2004 and covered 29,000 small and marginal deprived sector borrowers. The project utilized 80 percent of total loan amount of SDR 2.57 million. The project was based on pre-financing model under which the selected branches were pre-financed by the NRB for on lending their clients based on their branch viability plan. As usual ministry of local development was the major project implementing body for overall project management and NRB acted as a credit component implementing body.

### iv) Third Livestock Development Project (TLDP)

The project was started in the year 1996 with an aim to improve the quality of livestock and its production along with other livestock and its production along with other livestock related development. The project was funded by ADB/Manila with a loan amount of SDR 2.0 million. The project was launched in three different phases in 26 districts of western, mid-western and far western regions of the country for targeted marginal and middle-income people. Initially, the project was to be completed by July 30, 2003 but it was extended by one year to July 30, 2004. Besides, targeting marginal and middle income farmers, provision for high income level farmers was also made for raising livestock on commercial basis. During the project period, TLDP has disbursed Rs.170 million through its 17 PFIs. While NRB was the

implementing agency for the credit component, the overall executing responsibility was with the Department of Livestock, Ministry of Agriculture and Co-operative.

v) Community Ground Water Irrigation Sector Project (CGWISP)

With the objective of increasing agricultural productivity of marginal and small farmers through community based shallow tube-well irrigation system. Government introduced CGWISP in 12 districts of eastern and central terai in March 1999. CGWISP is funded by ADB/M with a loan amount of SDR 9.93 million for the STWs installation and production credit and US\$ 3.5 million as a grant from CIDA as technical assistance. NRB is the implementing agency for the credit component. Department of Irrigation has overall responsibilities for executing the project. Technical assistance part was implemented by Centre for International Studies and Cooperation (CISC).

vi) Rural Microfinance Project (RMP)

This was an ADB/M funded project for period of 1999-2005. With a loan amount of SDR 14.2 million under the project, Rural Microfinance Project aimed at improving the socio-economic status of poor women through wholesale credit on MFIs for on-lending to income generating activities and institutional strengthening of MFIs. Rural Microfinance Development Centre (RMDC) implemented the credit component. Rural Microfinance Development Centre (RMDC) is an apex organization of microfinance in Nepal. It was incorporated on October 30, 1998 as a Public Limited Company under the companies Act, 1996 and has got license from the Nepal Rastra Bank (the central bank) on December 6, 1999 to operate as a development bank within the framework of the Development Bank Act 1995. It has been operational since January 2000. It is argued that the poor utilization of loan-able funds of ADB/M was mainly due to conservative attitude shown towards large MFIs with undermining the prospects of microfinance development banks such as GBBs in outreaching as well as scaling-up of operation of microfinance.

G) Wholesale Micro Financing Model

Wholesale micro financing in Nepal was introduced in 1990's with the establishment of Rural Self-Reliance Fund (RSRF) in 1991. Later another institution called RMDC

(Rural Micro-Credit Development Center) under RMP came into existence in 2000 to cater to the wholesale credit needs of MFIs for on-lending purposes as well as for institutional capacity building of MFIs and capacity building of clients of partner organization. Concurrently, in the year 2002, another wholesaling micro-finance institution called Sana Kisan Bikas Bank (SKBB) was established to provide wholesale credit to Small Farmers Co-operative Limited (SFCL). Likewise, wholesale institution called National Co-operative Development Bank (NCDB) was also established in 2003 A.D.

### **2.1.8 On-going Major Microfinance Activities**

#### **a) Rural Self Reliance Fund (RSRF)**

The Rural Self Reliance Fund was established in 1991 for providing credit to the rural deprived people for carrying out income generating activities using their skills, labors and other local resources and thereby helps people to achieve economic self-reliance over the years. The target group of the fund is individuals of rural households, holding less than 15 ropanies (0.82 hectare) of land in the hills or less than 1 bigha (0.71 hectare) of land in Terai, or those who cannot meet the minimum annual consumption needed for their family members from their family income and the fund will provides micro credit where the service of bank and financial institution does not exist. The RSRF provide micro credit to the Savings and Credit Cooperatives (SACCOs) and NGOs on the basis of total share capital, reserve fund plus profit. RSRF is the first microfinance institution not only in Nepal, but also in Asia Pacific Region. RSRF's activities have been found to be more confined to Eastern and Central Development region of Nepal. NRB/MFD is endeavoring to expand its activities particularly in Western, Mid-Western and Far Western Development Region in the years to come through workshops, advocacy and allied activities. RSRF has motivated rural women to run various income generating activities for their meaningful economic employment.

#### **b) Rural Micro-Finance Development Centre (RMDC)**

Rural Microfinance Development Centre Ltd. (RMDC) is an apex microfinance organization in Nepal. It operates as a wholesale lender for retail microfinance institutions (MFIs) such as rural development banks, microfinance development

banks, savings and credit cooperatives (SCCs) and financial intermediary NGOs (FINGOs), which are providing microfinance services to the poor, the marginalized and the deprived people with main focus on women living below the poverty line. RMDC also provides supports to MFIs for their institutional strengthening and capacity building. RMDC was registered on October 30, 1998 as a public limited company. It has been operational since January 2000. RMDC's vision is to emerge as a successful apex institution of microfinance that is financially viable and sustainable, operationally efficient and capable to establish a sound financial system that can cater to the needs of the majority of the deprived and disadvantaged families and thereby help contribute to the building of a poverty free self reliant society in the country. Its mission is to reach a large number of the poor and deprived families in Nepal with appropriate microfinance services and capacity building supports to help them realize their untapped huge potentials for self development. By the end of Ashoj 2068, RMDC has approved a total of Rs.5.37 billion for 88 MFIs, of which Rs.4.90 billion have been disbursed. It is revealed that RMDC has made significant contributions to promote and develop the microfinance sector in Nepal (RMDC, 2068).

c) Agricultural Development Bank Ltd. (ADBL)

With the main objective of providing institutional credit for enhancing the production and productivity of the agricultural sector in the country, the Agricultural Development Bank Nepal, was established in 1968 under the ADB/N Act 1967, as a successor to the Cooperative Bank. The Land Reform Savings Corporation was merged with ADB/N in 1973. Subsequent amendments to the Act empowered the bank to extend credit to small farmers under group liability and expand the scope of financing to promote cottage industries. The amendments also permitted the bank to engage in commercial banking activities for the mobilization of domestic resources.

d) Small Farmers Cooperative Ltd. (SFCL)

A Small Farmer Cooperative Ltd is a multi-service cooperative designed to deliver primarily financial, but also non-financial services to its members in the hills and Terai of rural areas of Nepal. The SFCL play an important role in the rural civil society, by pooling joint resources to meet basic needs and to defend members' interests. The SFCLs are member-owned and controlled and have an open

membership policy towards small farmers. A SFCL is a three tiered organization with small farmer groups, inter-groups and a central committee as the main pillars. Small farmers are arranged in a group with joint liability at the village level, which usually consist of 5 to 12 members. This is the body for the members to start their loan application process and to pool monthly individual and other community development. By mid-July 2009, 225 SFCLs had come into existence with a small farmer membership of 145,419, the total outstanding loan disbursed to them amount to Rs.2302 million and a savings deposit of Rs.1304 million (<http://skbbl.com.np>).

e) Small Farmers Development Bank (SFDB)

The Agricultural Development Bank Limited (ADBL) started the Small Farmers Development Program (SFDP) in 1975 to extend credit to small and marginal farmers under SFDP, small and marginal farmers were organized into groups of 5-7 individuals to borrow from ADBL based on the group guarantee. SFDP was carried out through its Sub Project Office (SPO), which promoted village level committees and was facilitated by a group organizer. Groups were formed based on the community members common socioeconomic status, such as having income below the poverty threshold, being from a common locality and having citizenship certificates. Separate male and female groups were organized. Loans generally started at lower levels with members graduating to larger loans based on experience and satisfactory repayment performance. In addition to the financial operations to support SFDP, ADBL has assumed responsibility for group mobilization and group training.

f) Federation of Small Farmer Development Center (FSFDC)

There were two major reasons behind establishing SFCL. First, the rapid expansion of SFDP through ADBL was not possible due to the overhead costs carried by the bank in establishing a SPO there by creating a limitation to the bank expanding each year. This was because given the magnitude of poverty in rural Nepal, without a rapid expansion of the program it was unrealistic to expect any significant improvement in poverty situation. Secondly, transforming the ownership of the program to the farmers themselves was to create to create conditions that helped in the sustainability of the organization.

#### g) Self-Help Groups (SHGs)

The history of the group approach to poverty reduction in Nepal dates back to mid 1970s where in about 9-25 people below poverty line and living in a settlement are organized into groups (male only, female only or mixed) under the technical backstopping support of the government promoted programs such as SFDP and Intensive Banking Program (IBP) to work together for addressing their common problems. Other programs such as PCRW, Banking with the Poor (BWTP), MCPW, etc. also attempted to address poverty using the group approach. Success of the program implementation using group approach led to its expansion among different Government Organizations (GOs) and Non-Government Organizations (NGOs) in the recent years with the idea that people living in a settlement share an environment and common need together and they are bound to take up activities jointly which are meant for the welfare of the whole group. In most cases, these groups exhibit features of SHGs with savings collection and loan operation as one of their key activities. At present there is hardly any cluster or village in Nepal without SHGs. There are cases where members of the households have participated in more than one group promoted by different organizations. Since mid 1990s UNDP, in close collaboration with Ministry of Forest and Environment, Ministry of Tourism and Civil Aviation, Ministry of Industries, Supplies and Commerce and Ministry of Women, Children and Social Welfare have been implementing rural development and poverty reduction programs organizing the beneficiaries into SHGs.

#### h) Institutional Dimension of Cooperative in Nepal

Besides the National Planning Commission (NPC) and the Ministry of Agriculture and Cooperatives that are responsible for policy formulation, program approval and progress monitoring at the national level, the major national players in the field of cooperatives in program planning and implementation include DOCs, NCDB and NCF.

#### i) Department of Cooperatives (DOCs)

The Department of Cooperatives (DOC) was established as early as 1953. The first cooperative society was established as a credit cooperative in 1956 in Chitwan District. The first Cooperative Act was promulgated in 1962. In accordance with the

Cooperative Act of 1992 (amended in 2000) and Cooperative By laws 1993, the DOCs seeks to achieve the objectives of registration, supervision, regulation, monitoring and promotion of cooperation of cooperative societies/unions within the framework of the cooperative principles put forward by the International Cooperative Alliance (ICA).

ii) National Cooperative Development Board (NCDB)

NCDB was created in 1992, first as an adhoc organization by dissolving then the existing Sajha Central Office and then as a permanent national organization under a separate Act.

iii) National Cooperative Federation (NCF)

The National Cooperative Federation of Nepal (NCF) is an apex level umbrella organization of all the central and district level cooperative unions and specialized unions. It was established in June 1993. It is a member of the International Cooperative Alliance (ICA).

### **2.1.9 Historical Background of the Nepalese Financial System**

The history of modern financial system in Nepal was begun in 1937 with the establishment of the Nepal Bank Ltd. (NBL) as the first commercial bank of Nepal. Before the establishment of NRB, there were only 12 branches of NBL. With the establishment of NRB in 1956, the development of the financial system took a momentum. NIDC (Nepal Industrial Development Corporation) was established in 1959, which helped for industrial development. With the equity participation of NRB, the Agricultural Development Bank (ADB/N) was set in 1968 by incorporating the assets and liabilities of the cooperative bank.

The Rastriya Banijya Bank Limited (RBBL) was established in 1966 as the second commercial bank of Nepal. From 1962 to 1982, a large number of non-banks financial institutions were setup such as the provident fund, Insurance Corporation, stock exchange etc. they move towards financial liberalization encouraged the entry of joint venture commercial banks and finance companies. Even the Non-Governmental



Organizations (NGOs) and the Savings and Cooperative Societies have been licensed by NRB for limited banking activities.

### **2.1.10 Microfinance System in Nepal**

The formal sector micro lending activities began in 1956 with the establishment of credit cooperatives in the Rapti valley of Chitwan district to provide financial services in rural Nepal. They were established to progressively abolish excessive rural indebtedness and contribute to uplift the socio-economic conditions of the rural people. To make financial resources available to these cooperative credit societies, the cooperative bank was established in 1959. As a result, ADB/N was established in 1968 to provide agriculture credit. ADB/N has still remained the foremost rural and agriculture financing institution and accounted for 55 percent of the total rural institutional credit. The role of Grameen Bikas Banks (GBBs) in rural micro financing has increased recently but their share in total outstanding rural institutional credit was less than 2 percent. Microfinance practice formally started in 1974 since the NRB direction to commercial banks for lending 5.5 percent of their total deposit liabilities to "Small Sector" in order to increase production and employment in rural areas.

## **2.2 Review of Related Studies**

In Nepal, over half a dozen MFI has been in operating since the early 1990s. Although a lot of research has been done on microfinance. This financial impact of microfinance on women is new topic for faculty of Humanities and Social Sciences. There are a lot of papers and views related to microfinance activities which were presented in different seminars and functions. Several research works have been collected through different books, dissertations, papers, journals, articles and electronic devices etc.

### **2.2.1 Review of Report**

Study conducted by Sharma on the topic " Impact of Gramin Bikas bank on Rural poverty alleviation in Nepal " in this study, he has covered on Fulwari VDC of Far western Development region and four VDC of Eastern Development Region namely Dhulabari, Duwagabi, Dhuijan and Jyaamiragadhi covering all rural poor women who have borrowed loan from GBBs. 175 women in far -western and 125 women in

Eastern village were the population of this research and out of them 84 women from far western regions and 60 women from eastern region were selected as sample by using random sampling.

In this study he has not used any econometric tools as well as statistical tools. He found that the loan amount borrowed from GBBs has significantly diverted the rural women traditional sector to nontraditional sector and there has been significant increase in the income level of the borrowers. Consumption pattern, sheltering and clothing have significantly improved which imply the living standard of rural poor is uplifted. (Sharma 1996).

Ojha(2002) did a research on Microfinance in Practice: Loan Recovery Approach, the main objective of his study were to analyze the state of loan recovery in terms of loan repayment, to overview outreach of training activities and to examine the state of savings and its mobilization, disbursement, repayment, outstanding, overdue of the loan. The major findings of the study were, outreach of the program is good which helps to identify that target women .The job of household survey target women identification, group formation and loan disbursement to the participating entrepreneur was carried out by the implementing non-government were not able to include all the targeted women. Most of non-government organizations could not meet the required criterion of loan repayment and still the amount of overdue was remained high .similarly it was found that most of the sampled women have repaid in time, created savings and disbursed loan from the savings.

Karki (2003) had a dissertation entitled Micro Credit Programme for Rural Women, her objective was to examine the impact of the programme in the economic status to the women in the study area and to examine the impact of the programme in changing social status of Dalit Women. Research design was descriptive, quantitative and qualitative, that had been followed to conduct the study. The systematic random sampling technique had been used. Her major findings were 76.66 percent of the borrowers had gained profit by the credit programs. The two members who had gained profit more than Rs.2500 by using the small amount of loan, shows that if it was used properly these kinds of program could change the life of the poor women (Specially Dalit) with their family.

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

Aryal (2007) made a study on the topic "*Microfinance under Rural Development Program: A Case Study of Khilung Deurali V.D.C. Shyangja.*" The basic objective of the study is to examine the effective activities and effectiveness of rural development program and is to carry out the study of rural development program in Khilung Deurali V.D.C. Shyangja. The other specific objectives are; to know the activities operated under rural development program; to analyze the mode of loan disbursement, repayment, outstanding and overdue; to analyze the state of savings, deposit and its mobilization in terms of loan disbursement to find out the problems faced by the women in obtaining the loan. From this study he found and concluded that the program has made positive impact of the women living standard by generating employment and increasing productivity. Most of the women's income is sufficient for one year living or less. The performance of the project in terms of achievement of loan disbursement and recovery has been found very well in study period. So the repayment of loan was very satisfactory encouragement training of local leadership savings and its mobilization, loan disbursement and its recovery should be a basic objective in any program. In this way different papers which are related to this research paper gives the conclusion that only microfinance success to reduce the poverty alleviation of country especially for women.

Sharma (2007) had conducted a Ph.D research on "Microfinance Practices and their Sustainability in Nepal." The main objective of the study was to identify and evaluate the effectiveness and sustainability of the activities of MFIs and their contribution in socio-economic changes and women financial and institution viability and overall sustainability of the selected MFIs of Nepal and Bangladesh and to evaluate financial and institution viability and overall sustainability of the selected MFIs He found that the microfinance leads to social and economic changes in the borrowers after the participation in the program. Women empowerment showed the positive changes with the high level of confidence in decision making, participation in social activities, gender equity and control of income. He also concluded that MFIs program helped to increase income and savings so that they can meet their emergency needs. Further more microfinance is creating an environment for poverty alleviation and rural development but the overhead and office expenses of the MFIs of Nepal are higher than that of Bangladesh. Hence, the productivity of Bangladesh MFIs is better than Nepal. In this study his further concluded that however microfinance is not a solution in itself, other issues of development policy and implementation also affect women empowerment, poverty reduction and utility of microfinance need which should be address at a proper's and appropriate levels.

Adhikari, Min Raj (2008) Micro finance: A case study of the decentralized local governance support program in Kristi VDC in Kaski. The major findings of the study are as follow:

- i. Members have high school education and mixed group.
- ii. Household coverage of decentralized local government organization it holds the 73.68%.
- iii. During the six years income status of the members was found moderately changing which represents 42.10% etc

Sharma(2009), found that research for MBS degree on the topic, "Impact of Microfinance program for women : A case study of poverty reduction of DCRDC on Balglung Municipality." The main objectives of the study were to make inquiry on to DCRDC,s microfinance programmed in order to get the true picture in this context and the other main objectives were; to evaluate the impact of programmed in context of poverty reduction ; to examine the improvement in the status to women by the

programmed; to measure the perception of user group towards the programmed; the DCRDC conducted three types of loan amount 56 percent women are irregular in repayment. The total sample women 6 percent have used loan for related sector as agriculture, wage earner, farming business. The large number of women involved on DCRDC. This helps Agriculture, Education, Business enterprises and other social economical change.

Acharaya(2012), found that the research work on the topic, "Impact of microfinance on poverty reduction in shivalaya VDC Parbat". He concluded that high volume of investment with low level of interest rate can give the optimistic result but for this effective follow up-supervision and monitoring are essential for utilization of the loan on actual predicative purpose otherwise majority of the borrowers have to pay back loan by selling their property. Thus, the whole impact of MFP is to be associated in multidimensional ways that in this study cannot be possible to measure in various aspects due to various constraints. Anyway, the study repeated that, the impact of MFP on income generation prospect has significantly positive and its contribution on poverty reduction is satisfactory.

Tripathi(2013), he had conducted thesis on the topic of "Impact of paschimanchal gramian bikash bank on women empowerment in Lamachaur VDC". He had concluded that women are involved in regular and optional saving. The percentage of women who are involved in regular and optional basis is in increasing trend after entering GBB programs. The main sectors of saving by women are retail business, agriculture, buffalo keeping, goat keeping, poultry farming etc. this program motivated women to mobilize their saving fund.

Paudel(2015), she had written thesis on the topic of "an impact assessment of micro finance for women : a case study of Paschimanchal Gramin Bikas Bank, Hemja, Kaski". She had concluded that women are involved in programmed, they have been able to achieve some kind of benefit in one form or other. Majority of the climbs has improved their living standard and they have shown the full commitment over the organization.

## **2.4 Research Gap**

From the above literature review we can conclude that there are various studies related in Nepal the topic of Micro-finance credit program. All the above research

studies are identified about the effectiveness of micro finance programmed in some topics and areas in other district and place of Nepal. However, this study is related an impact assessment of microfinance for women Pokhara-Lekhnath Municipality Hemja -25, Kaski. There are several micro finance groups in operation though we can find research studies about the importance of micro finance programmed in some topics and areas of Nepal. There are limited studies about the assessments of microfinance for women in Pokhara-Lekhnath Municipality Hemja -25, Kaski. Available limited studies in this subject in this subject cannot appraise the impact of microfinance for women. This study has its rationale for fulfilling the gap of in studying the effect of the training on standard living life of the women of micro credit programmed. The importance of the study is also to identify the present income level of those women those included in P.G.B.B. specifically the study focuses on existing position of credit and saving, relationship between investment and changes in income, impact of training and awareness program upon the standard of living of the people, perception of the participant women towards the micro-credit program, repayment rate, utilization of loan.

# **CHAPTER III**

## **METHODOLOGY**

It describes the researcher design used the method of data collection variable use of reliability of instrument selected and tools and procedure used for analysis. In this study there as sample for data analysis purpose. The study has designed research methodology on the basis of secondary data by using statistical tools useful to my study. Research design, nature and sources of data, population and sample, method of analysis of data are includes in this chapter.

### **3.1 Research Design**

A blue print or a plan of study is called research design it is a conceptual structure within which the research is to be conducted. Therefore, the design includes an outline of what the hypothesis. This study is based on past data. This study is mainly focused on case study of microfinance programmed of PGBB. So the design of the study is historical, analytical as well as descriptive.

### **3.2 Population and Sample**

Population refers to the entire group of peoples. Events or thing of interest that the researcher wishes to investigate. A sample is a collection of items or elements from a population. Hence , a sample is only a portion of subset of the population. It comprises some observation selected form to population. This study covers some sample woman members for the purpose of the study because of the limitation area, budget and time. The study confined within Pokhara Lekhanath Hemja -25, of Kaski district. 160 women have been selected as sample for this study using the convenience sampling method which is as follows:

**Table3.1**  
**Number of Sampled Women**

S.N.	Name of Centre	No. of Sampled Women
1	Bishnupduka Mahia Samaj	40
2	Jaleshowar Mahila Samaj	30
3	Annapurna Mahila Samaj	30
4	Milan Mahila Samaj	30
5	Mashina Bagar Mahila Samaj	20
6	Kalika Mahila Samaj	10

*Source: Annual Reports of PGBB Hemja, 2017*

### 3.3 Sources of Data

Without any data, nothing can be studied. So, for any statistical investigation, the collection of data is most important. Statistical data depending upon the sources are of two types. To fulfill the objectives of this study primary data as well as secondary have been used. But most of the data are secondary type. Primary data can be collected through questionnaire, interviews observations, and survey and other techniques where as the secondary sources of data are the information received from reports, books, newspapers, journals etc. have been taken mainly

from, annual reports, especially from income statement, balance sheet, cash flow and other publication made by the Paschimanchal Gramin Bikash Bank, newsletters and bulletins in Newspapers, unpublished periodical published by NRB. For necessary information we prefer different books and previous studies, frequent visits have been made Bhairahawa campus library, T.U. library in order to collect relevant document, frequent visits are made to selected banks office, NRB etc. In additional information were collected from different library such as library of Bhairahawa campus, T. U. central library, the major sources of data and information are as follows:

- ) NRB Economic Report, NRB
- ) Annual Reports of Paschimanchal Gramin Bikash Bank
- ) Journal of Finance
- ) Journal of Business
- ) Previous research studies Dissertation and Articles on the subject
- ) Various Text Books
- ) Different Library



### **3.4 Data Collection Techniques**

This study is mainly based on primary data. So, the required data are collected from the primary data collection techniques. According the nature of the problem, required data's / information are collected with help of personal interview, field survey and questionnaire survey.

#### **3.4.1 Primary Data**

Primary data collected from actual field survey using:

##### **A) Personal Interview**

This is also called direct interview. It is used to collect the information related to credit, saving, investment etc. The respondents of personal interview are chairman and manager of Paschimanchal Gramin Bikash Bank and leader of each group.

##### **B) Questionnaire**

Questionnaire survey is conducted to achieve qualitative information. But some important quantitative information also collected. The respondents of questionnaire survey are the sample member and group leader of the programmed.

##### **C) Field observation**

In this technique direct observation on field is some. Women's condition about economic and other facilities was considered.

### **3.5 Analysis of Data**

The various financial and statistical tools have been used to meet the objective of the research. simple analytical statistical tools such as tabulation of data, Time series descriptive method, pie chart, and questionnaire and interview method are used for analysis of this study.

### **3.6 Limitation of the Methodology**

It is difficult to illuminate the limitation of the descriptive research design. Therefore the study as well as the methodology is delimited. Impact of microfinance on women in Pokhara Lekhanath -25 is some on the basis of data provided from PGBB and from the members of PGBB is microfinance programmed by using questionnaires. The reliability of analysis depends on the reliability of the information from concerned place. Therefore it is also imposes to draw the line of limitation. The questionnaire use to analyze the collected data which are based on certain assumptions.

## CHAPTER IV

### PRESENTATION AND DATA ANALYSIS

Here, analysis of regarding collected objectives since the main component of the micro finance program for women is to provide loan for them to income generating activities, the part of data analysis is related with loan amount and its impact upon been fairies earining and living standards. It consists of saving, investments, repayment and outstanding of loan disbursement, income from the loan.

#### 4.1 Loan Status of PGBB

Loan disbursement to the targeted women is significant for reaching aspect of the livelihood uplift. The implementing PGBB selects an appropriate enterprise to the targeted women according to their choice and recommend them for loan on the basis of group decisions. The responsibility of operating business and repayment of loan with interest lies on the borrowers of PGBB.

The main loan activities of PGBB are micro business. Micro business loan encompassed loan provided for retail business, agriculture like poultry farming animal keeping tailoring ,seasonal loan, bio-gas loan, bikiran loan etc. Micro business loan need collateral. But in micro enterprise loan encompasses loan provided for small scale manufacturing industries such as food processing, furniture, or micro industry. The table shows loan provided by PGBB last 8 years.

**Table 4.1**  
**Loan Given to Women by PGBB**

<b>Fiscal Year</b>	<b>Loan amount</b>	<b>Loan amount to women</b>	<b>Growth rate</b>
066/067	82724000	30808010	0.35
067/068	86710000	39222814	0.27
068/069	90215000	44738764	0.14
069/070	94174000	49665628	11.01
070/071	98181000	55618231	11.98
071/072	96073000	50220523	-10.78
072/073	95428000	58020225	15.53
073/074	100897000	65502627	12.90

*Source: Annual Reports of PGBB Hemja, 2017*

**Figure 4.1**

**Loan Given to Women by PGBB**

The above table 4.1 shows the total loan amount and loan amount to women provided by PGBB in fiscal year 066/067 to 073/074. The loan amount which is given by PGBB is increasing up to fiscal year 070/071 which shows PGBB provide more loan to women to improved their living standard by generating income .In year 071/072 providing loan was decreasing due to earthquake but year 072/073 to 073/074 providing loan is positive that means people was started business to generating income . The table shows providing loan was increasing year by year that means women were increasing their income doing business rather than last year .

**4.1.1 Occupation and Income Level**

Occupation represent regular employment of the people for earning purpose as well as household confinement in the study area seems to differ amount largely seems dual in character. But for the purpose of the study only one major occupation of the women is considered. The member of micro finance program of PGBB involved in different occupation before the participation of the program such as agriculture, street business , hotel, wage earning, retail business, livestock farming, furniture industry, poultry farming and so on.

**Table 4.2****Occupation of Borrower before and after Borrowing**

S.N.	occupation	Before borrowing		After borrowing		Change in Percentage
		no.of borrower	% of borrower	no.of borrower	% of borrower	
1	Agriculture	35	21.875	45	28.125	6.25
2	Poultry Farming	25	15.625	30	18.75	3.125
3	Pig Farming	3	1.875	4	2.5	0.625
4	Animal husbandry	6	3.75	7	4.375	0.625
5	Retail Business	25	15.625	20	12.5	-3.125
6	Tailoring	10	6.25	12	7.5	1.25
7	Selling Vegetable	15	9.34	15	9.375	0.035
8	Wage earnings	10	6.25	5	3.125	-3.125
9	Hotel	6	3.75	7	4.375	0.625
10	Other	25	15.63	15	9.375	-6.255
	Total	160	100	160	100	0

Source: Annual Reports of PGBB Hemja, 2017

The table 4.2 shows that the members were engaged in varieties of economic activities and after taking the loan from PGBB. Borrowers are changing their occupation after borrowing. The borrowing who have involve in agriculture increase by 6.25%. Similarly, who have involved in poultry farming, pig farming, tailoring, selling vegetable and hotel also increase by 3.13%, .63%,.035%and .63% respectively. In this way, the borrowers who involve in animal husbandry increase by .63% but retail business and other business were decreased by 3.13%. To make it clear, meaningful and understandable above data presented in the following graphical form.

**Figure 4.2**  
**Occupation of Borrowers before and after Borrowing**

Change in occupation after and before involving in micro financing program shown in the above figure 4.2. We are concluding that, the borrowers are investing their borrowing in such sector where the return comes quick.

**4.1.2 Income of PGBB after Providing Loan**

In this study, income denotes the earning of the borrowers from the particular business which is operated from the loan of micro finance program of PGBB. The income way is in the form of money articles such as food, grain, milk, animal, husbandry but here in this study for convenience, the self consumption by the borrowers is not included in the income. Only the income which is earned by the sales of products or service is considered. Half yearly Income level of PGBB of last 8 years are as follows:

**Table 4.3**  
**Income of PGBB after Providing Loan**

<b>Fiscal years</b>	<b>Profit</b>	<b>Increase %</b>
069 /70	3874095	2.25
070 /71	4004692	3.37
071/72	4023042	.46
072/73	4195698	4.29
073/74	4218441	.54

*Source: Annual Reports of PGBB Hemja., 2017*

The above table shows the income of fiscal years 2069 to 2074 of PGBB Hemja. It shows that income level is positive. In fiscal year 069/70 income is increased by 2.25%, in year 070/71 is 3.37, in year 71/72 is .46, in year 072/73 is 4.29 and in year 73/74 is .54 . It indicates that earning power is increased in year by year which is shown in this figure.

**Figure 4.3**  
**Income of PGBB after Providing Loan**

## **4.2 Loan Repayment**

Whether the income from business enterprise could recover the loan or not is to be assessed. Properly used loans could raise the income level from operating business and thereby recovery of loan could be possible many scholars (sechreiner, 1997, wanner, 1995) have stated that the well performing borrowers of microcredit do possess the capability of loan recovery and repayment.

Regularity in the repayment of loan is an essential condition of the performing loan. Well manage and efficiently operated business enterprise gives rise to the productivity, income earnings, loan recovery and make easy access to repay the loan in due time.

The state of loan repayment is highly associated with the state of loan recovery so, it is highly essential to raise the loan disbursement in more productive and profitable enterprises. Loan repayments of PGBB are as follows:

**Table 4.4**

**Loan Repayment**

<b>Fiscal years</b>	<b>Profit</b>	<b>Growth Rate</b>
069 /70	92399936	3.11%
070 /71	95638567	3.51%
071/72	95852941	0.22%
072/73	95982178	0.13%
073/74	96081256	0.10%

*Source: Annual Reports of PGBB Hemja., 2017*

The above table shows that loan repayment ratio of PGBB is increased .In year loan repayment amount is 92399936 in fiscal year 069/70, in year 070/71 the amount is 95638567, in year 071/72 is 95852941, in year 072/73 is 95982178 and in year 073/74 is 96081256 which shows that loan repayment amount was increased every fiscal year. It indicates that loan taken amount is increase every fiscal year.

**Figure 4.4**

**Loan Repayment**

### 4.3 Saving Activities of Women

Saving is a first and foremost part of microfinance program. The success of the program eminently rest on the mode of saving has an influence and positive impact on the mobilization of microcredit financing. The micro entrepreneurs could extend their business through the mobilization of their saving. PGBB has provisioned for three kinds of saving like group fund saving, individual saving and centre fund saving. In group fund saving, groups save on weekly basis.

#### 4.3.1 Saving by GroupMembers under Saving Programs

Saving is the part of income which is essential for future investment. The status of saving by women under different saving program is presented in following table.

**Table 4.5**

#### **Saving by Group Members under Saving Programs**

Fiscal year	Group Saving		Individual Savings		Total	%
	amount	%	Amount	%		
066/67	855143	97.85	18829	2.15	873972	100
067/68	1017806	95.57	47212	4.43	1065018	100
068/69	1235866	94.27	75135	5.73	1311001	100
069/70	1607549	93.00	120998	7.00	1728547	100
070/71	1676873	91.00	165844	9.00	1842717	100
071/72	812612	89.44	95944	10.56	908556	100
072/73	1560743	88.22	208406	11.78	1769149	100
073/74	1746641	86.40	274934	13.6	2021575	100

*Source: Annual Reports of PGBB Hemja. 2017*

The table shows the saving of members of PGBB under group saving and individual saving programs during the last eight years. There are different saving amount under that saving. The table shows that the total saving is being increasing yearly but the group saving seems little decreased than past years proportion. However women seem to attracted towards in individual saving. The group saving is 97.85% in fiscal year



066/67 , 95.57%, 94.27%, 93%, 91% ,89.44%, 88.22%, 86.40% of last 7 fiscal years . It ratio indicated that group saving was decreased years wise years. The individual saving is 2.15% is fiscal year in 2066/67 and 13.6% is in fiscal year 073/74. The study concludes that group saving plays the vital role as a source of financing and encouraging them to increase individual saving. The above saving tabulated data can be shown in the following figure

**Figure 4.5**  
**Saving by group members in difference saving programs**

The Figure 4.5 shows that group saving and total saving are nearly equal in first fiscal years than after 2067/68 individual saving has taken place and it is gradually increased. It shows PGBB saving program help to increase the saving of women.

#### **4.3.2 Perception of User Group**

Perception is the set of process of by which an individual become aware of and interprets information about the environment. During the research study it has found that the programmed has benefited all the women borrowers\For the purpose of study perception of the sample women towards the program with respect to age structure, education level, and ethnic group are presented and analyzed by bar diagram.

##### **4.3.2.1 Age Structure**

In the research survey, it has found that all the sampled women are married and the age structure of sampled women once in the age of 15-65 years. Distributions for the sampled women with respect to age structure towards the perception of the programmed are as shown in the following table:

**Table4.6**

**Distribution of the sampled women with respect in age Group**

S.N.	Age Group	High benefited	Low Beneficed	Total
1	15-25	30	15	45
2	25-35	40	20	60
3	35-45	20	10	30
4	45-55	10	7	17
5	55-65	5	3	8
	Total	105	55	160
	Percentage	65.63	34.37	100

*Source: Annual Reports of PGBB Hemja. 2017*

Above table 4.6 shows the perception of sample women with respect to age structure. Women between 25-35 age structures were highly benefic in overall. Age group (25-35) women are highly participated in this program compare to the other women. Similarly age group (15-25) , age group(45-55) and age group (45-65) women are participated 45,17, and 8 respectively. Among the 160 respondent percentages are highly benefited.

**Figure 4.6**

**Perception of sample women with Respect to age group**

In the above figure no. 4.6 of women are shown in Y axis and different age groups of women are shown in the X axis. Where age group (25-35) women are highly participated in this program in compare to the other women and age group of (55-65) i low benefited than other.

#### 4.3.2.2 Ethnic Group

Distribution of the sampled women with respect ethnic group towards the perception of the programmed is known as following table:

**Table 4.7**

**Distribution of the sampled women with Respect in Ethnic Group**

S.N.	Ethnic Group	High benefited	Low benefited	Total
1	Dalit	30	25	88
2	Chhetri	25	15	40
3	Brahmin	20	15	35
4	Janajati	7	4	11
5	other	10	9	19
	Total	92	68	160
	Total in percentage	57.50	42.5	100

*Source: Annual Reports of PGGB Hemja. 2017*

As shown in the above table 4.7, according to the ethnic group Dalit , Chhetri, Brahmin, Janajati and other are participated 88, 40,35,11 and 19 respectively. To make it clear, meaningful and understanding above data presented in the following graphical form.

**Figure 4.7**  
**Distribution of the Sampled Women with Respect in Ethnic Group**

In the above figure, women are shown in Y-axis and different Ethnic group of women are shown in the X-axis. In compared to other Dalit are high benefited as a comparison to other ethnic group.

**4.3.2.3 Education Group**

Education level is the most indicator of development and education is also light of life. So it is lamp of the word. Without education social agriculture and economic development cannot be possible. (Sharma: 50)

Education is the basic of human capital formation and the key source of economic development of the nation women's education development of the nation women's education not only increase their productivity on the firm and factory but also have an important impact on breaking the vicious circle of poverty. In most developing countries the rate of return on women's education was found higher than that man. So it highly essential to provide education to women. (Mingayt and Tan 1985)

In this study, most of the sample women are literate and few women are educated and illiterate in Hemja which is presented in the following table.

**Table 4.8**  
**Perception of Borrowers with Respect to Education Level**

S.N.	Education group	High benefited	Low Beneficed	Total
1	Illiterate	15	10	25
2	Literate	55	25	80
3	Under SLC	20	15	35
4	Higher Education	10	10	20
	Total	100	60	160
	Percentage	62.50	37.5	100

*Source: Annual Reports of PGBB Hemja. 2017*

As shown in the above table , according to the education level illiterate literate, under SLC and higher education are participated 20, 15,10 and 10 respectively. Among them 100 women are highly benefited and 60 are low benefited. In the percentage 62.50 percentage respondents are highlybenefited.

**Figure 4.8**  
**Perception of Borrowers with Respect to Education Level**

The figure make clear, meaningful and understandable above data presented in above graphical form. In the above figure no. of women are sown in Y axis and different education level of women are shown in the X axis. Literate women are highly

benefited in compared to illiterate, under SLC and Higher education. And those women who have higher educated are low benefited than other.

#### **4.4 Priority sector after Improvement in economic Condition**

Every people have their own interests and future plans. Like this these PGBB women also have their own future plans to given priority in different sectors after improvement in their economics condition which is shown in following table.

**Table 4.9**  
**Priority Sectors of Women**

S.N.	Description	No. of Women	Percentage
1	Education	100	62.50
2	Health	15	9.38
3	Food	20	12.5
4	Saving	25	15.62

*Source: Annual Reports of PGBB Hemja. 2017*

Table shows the priority sector of participatory women main priority sector of women were education, health, fooding , saving out 160 respondents. 100 preferred education, 15 health, 20 food, and 25 saving after improvement in their economics condition. In percentage higher perception of women preferred education i.e. and lower perceptionof women preferred health percentage. It shown majority of the respondents given high perception to education pattern after the improvement on their economics activities. To make it clear, meaningful and understandable above data is presented in the following graphical form.

**Figure 4.9**  
**Priority Sectors of Women**

**4.4.1 Status of the Poorest Women**

Standard of living refers to the usual scale of our expenditure the good we consume and the services we enjoy. It includes the level of education employment, status, food, dress, house amusements and comforts of modern living ( Napgal and Sell:1985, 14).

Living standard of the borrower is often analyzed in term of three component i.e., fooding , sheltering, and clothing. Here both quantitative and descriptive tools are used to see whether the status of women has changed from program intervention.

**4.4.2 Category of the Women**

It is not easy to distinguish the poor in the present context. The concept of poor is taken in a quite broad since in the 21st century. However according to this study those people who works to join hand and mouth every day are called poor. Those people who eats without working for a mouth there is not difficult to join hand and mouth are called middle class people on the other hand those people who works for the luxurious requirements are known as rich people which date is given below.

**Table 4.10**  
**Category of the Women**

S.N.	Types of women	no. of women before	no. of women after
1	Poor	45	25
2	Midde Class	65	80
3	Rich	50	55
	Total	160	160

*Source: Annual Reports of PGBB Hemja. 2017*

The above data is shown the actual economic status of the women. Due to the help of micro credit which is provided by PGBB the sample women's economic status has been improving 45 poor women to 25 poor women. The total numbers of middle class women reach to 80 from 65 and high class women's economic status have also been improving as well. To make it clear , meaningful and understandable above data is presented in the following graphical form.

**Figure 4.10**  
**Category of the Women**

#### **4.4.2.1 Fooding Facilities**

household. Food security has been broadly defined with two perspectives. The first, production form own land and the second is to be able to buy from the market from their other regular earnings.



This heading deal with the foods pattern of respondent, the main significance of this heading is to whether microfinance is supporting to change then consumption pattern of respondent.

**Table: 4.11**  
**Fooding Facility**

S.N.	Fooding	After borrowing	Before borrowing
1	Normal	92	60
2	Improved	68	100
	Total	160	160

*Source: Annual Reports of PGBB Hemja. 2017*

The table shows that out of 160 women 32 had improved food after joining the micro financing. They are able to eat nutritious food their life easily had improved. To make it clear and understandable above data is presented in the following graphical form.

**Figure: 4.11**  
**Fooding Facility**

#### **4.4.2.2 Sheltering Pattern of the Women**

Sheltering is the second component of the living standard of the women. Home to live poses higher value to anyone in other parts of the country and the word.

According to the interviewed women, they value home in their life mainly on the two grounds i) from the safety and comfort and ii) social value. They prefer to improve the quality of house by changing their roof, making ground cemented. Plastering the walls etc. Women feel proud to say and show that changed the that roof into the CGI sheet. During the interview, it has found that all the respondents have their own house sheltering is known in the following table.

**Table: 4.12**  
**Sheltering Pattern**

S.N.	Sheltering	After borrowing	Before borrowing
1	Normal	83	66
2	Renovated	77	94
	Total	160	160

*Source: Annual Reports of PGBB Hemja. 2017*

Among the sample women nearly 77 women have renovated their home while joining the program. During the survey it revealed that the no. of renovated house reach to 94 after entering the micro finance programmed. As a whole it is satisfactory.

**Table: 4.12**  
**Sheltering Pattern**

#### **4.4.2.3 Clothing Pattern of the Women**

Clothing is the one of the basis need. People need the cloth to cover and to keep save the body. Thus the research attempted to find out the change in consumption and

clothing pattern among the respondents. The following table gives more detail regarding this issue:

**Table: 4.13**  
**Clothing Pattern of Women**

S.N.	Fooding	After borrowing	Before borrowing
1	Normal	93	55
2	Improved	67	105
	Total	160	160

*Source: Annual Reports of PGBB Hemja. 2017*

As the table shows that after involving in the microcredit program. Out of 160 sampled respondent families, 105 respondent families consumption pattern has been improved while 55 respondent families consumption pattern has been constant. Thus the table itself presents that fact that the standard living of people has been improved. It can easily be said that after involving in microcredit program, their income has significantly increased, due to this usual scale of their expenditure were increased.

To make it clear, meaningful and understandable above data is presented in the following graphical form.

**Figure: 4.13**  
**Clothing Pattern of Women**

#### **4.5 Improvement in Living Standard of women after Joining PGBB**

The table shows the improvement in living standard of women after participating in PGBB program activities.

Response on improvement in Living standard of women

**Table 4.14**

##### **Improvement in Living Standard of women after Joining PGBB**

S.N.	Description	no. of women	Percentage
1	Yes	140	87.5
2	No	20	12.5
	Total	160	160

The table reveals the response of participating women about their life standard after participating in PGBB program. In totality 87.5% of women said that their life standards change after entering into PGBB program and 12.5% of women said that there was no change in their life style. Thus it seems that majority of sample women has improved their living standard after join PGBB program.

**Figure: 4.14**

##### **Improvement in Living Standard of women after Joining PGBB**

#### **4.6 Major Finding of the overall Study**

- The major findings of the study are as follows: Out of 160 respondent, loan amount increasing year by year. That is in year 66/67 is .35%, in year 67/68

is .27% in year 68/69 is .14%, in year 69/70 is 11.09%, in year 70/71 is 11.98% and in year 73/74 is 12.90%.

- Out of 160 respondent 45 respondent involve in agriculture, 30 are poultry forming, 4 are pig , 7 are animal husbandry, 20 are retail business, 12 are tailoring, 13 selling vegetable, 7 are hotel 15 are other.
- Income of PGBB after programming loan has been increased every fiscal year is in 69/70 is 2.25% , 70/71 is 3.37 and 72/73 is 4.29 %.
- Saving in the bank under the microfinance programmed is categorized in to group saving and individual saving. Group saving is 97.85% in year66/67, in year 67/68 is 95.57 % , in year68/69 is 94.27% and in year 73/74 is 86.40 % . And individual saving in year 66/67 is 2.15 % , 67/68 is 4.43 % , 68/69 is 5.73% and 73/74 is 13.6 % which shows that the group saving is decreasing year by year and individual saving is increasing year by year.
- Out of 160 respondent 40 women was highly benefited of age group 25-35.
- Out of 160 respondent 30 women was highly benefited of ethnic group dalit.
- Perception of borrowers with respect to education level 55 women was highly benefited of literate education group.
- Priority sector after improvement in economic condition 62.50% women prefer education. And lower perception of women preferred health
- Due to the help of micro credit which is provided by PGBB the sample women's economic status has been improving 45 poor women to 25 poor women. The total no. of middle class women reach to 80 from65 and high class women's economic status have also been improving as well.
- Out of 160 women 32 had improved food after joining the micro financing. They are able to eat nutritious food their life easy had improved.
- Among the sample women sheltering, clothing pattern of the women increase after entering the micro finance.
- Out of 160 women 140 women had improved on improvement in living standard but remain were constant.

## CHAPTER V

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Summary

- Poverty alleviation has been the major concern of debate in developing world in Nepal ,the women comprising of the total population are relatively backward in terms to opportunities to participate in the mainstream of development. Man and women said to be two wheels of cart. But proportion is quit small. Majority of women are illiterate and engaged in agriculture for their livelihood. In recent years, there has been a growing realization of the importance of women's participation in the development.
- In this situation, Microfinance has come out as a tool of development Mohamud yunus,who are pioneer in this field and winner of Nobel prize for contribution of economics revolution as micro finance in Bangladesh.In Nepal, there was mandatory provision to commercial bank to provide certain percentages of loan to deprived sector.
- Women are an important source of energy for development and their group can be an effective channel for resource aimed at meeting the needs of the poor people in rural areas as well as in urban areas. As a consequence numerous national as well as international organization have been established which carry out programmes targeted at enabling to women to become aware of their situation and exploit potential to gain relative economic independence together with a better position in their household as well as society. Provision of credit is generally regarded as a strong potential force for achieving the goal of poverty alleviation.
- PGGBBL Branch Office Bagar was selected for present study. There are 6 centres and 625 members, in Hemja. Out of 625 members only 160 women have been selected as sample for this study using the convenience sampling method. Both primary and secondary data were collected. The main objective of this study was to analyze the microcredit program of PGGBBL Branch Bagar on Hemja.

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

## **5.2 Conclusion**

- Some of the conclusions can be derived about the programmed as implemented the study area of Hemja. On the basis of the findings of this study, the following conclusions are drawn.
- PGBB gives solid background to marginalized groups who have no collateral to start their own enterprises has been certainly help but MF programmed to increase in income.
- Loan provided by PGBB to its client is increasing in decreasing growth rate.
- The monthly income of women is consistently increased.

Most of the women are literate.

- Majority of sample women has improved their living standard after joining PGBB program.
- The maximum number of women was interested to continue their programmed in future.
- Perception of the user groups towards the programmed found to be positive.
- The overall microcredit programmed has been running satisfactorily
- Total saving increasing year by year. Among the total saving part of persona saving and central fund is small than group saving.
- Because of sheltering, fooding and clothing facility the economic condition of most participating respondent were found well.
- Participants in PGBB microfinance programmed are from different status, different age, and cast and education level.
- Majority of the climbs has improved their living standard and they have shown the full commitment over the organization.

### 5.3 Recommendations

- On the basis of findings and conclusion of the study some suggestion has been provided here.
- The volume of personal saving and central fund saving increased by using different tools. If the volume of these saving is increased total saving will increase.
- If the borrowers did not repay the loan in due time, they should be motivated to repay one time by offering cash discount and rebate in interest. It could be introduced fine or penalties to motivate to pay on the time.
- Microfinance program is powerful instrument for poverty alleviation in Nepal but it looks like there is no clear-cut strategy and policy of government. Therefore, the government should design and implement such policies that focus on strengthening the microfinance program.
- PGBB is seemed to money focusing only. It has not included other aspect like education, healthy, fooding, and housing pattern. So it should be better to provide such as education, health, sanitation and other awareness programmed.
- PGBB should revise skill development training (e.g. IPM training, candle making training, tailoring training etc) so that they utilized the loan effectively and increased in their earning.
- Form the side of PGBB effective follow up, supervision and monitoring are essential to participants for proper utilization and mobilization of saving.
- Due to competition of bank, interest rate is decreasing in current situation so interest on loan should be managed as market demand.



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[www.nrb.org.com.np](http://www.nrb.org.com.np)

[www.google.com](http://www.google.com)

# APPENDIX I

## Questionnaire

Name: .....

Address:.....

Group Name: ..... No. of Member.....

Organization :..... Age.....

1. Which occupation do you involved?  
a) yes                      b) No                      c)if yes, which one is
2. Education  
a) illiterate                      Literate (up to 10)                      c) S.L.C.
3. Why do you involved in this microfinance Program  
a)To manage house expanses b) To pay due loan    c) To improved economic
4. Which savings schemes are you involved in?  
a) individual saving                      b) group saving                      c) other fund
5. Have you taken any loan from PGBB organization?  
a) yes                      b) No
6. Did improved your life standard?  
a) yes                      b) No
7. Did you invested loan as per objective?  
a) Yes                      b) No
8. How did you pay taking loan?  
a) in time                      b) little late                      c) did not paid
9. What type of women do you recognize?  
a) poor                      b) rich
10. Did you feel to improved your life standard from Gramin Bikas bank?  
a) yes                      b) no
11. How much your monthly income ?  
a) below 500                      b) 500-1000                      c) above 1000
12. Have you taken any training from the group?  
a) yes                      b) No.
13. What type of your house?  
a) old                      b) renovated
13. What types of services provide from this bank?

14. What is the interest rate of saving?
15. How many women were benefited?
16. Which area of women were improved form this bank?  
a) Economic    b) Social    c) other
17. Which group is necessary to provide loan?  
a) More poor    b) poor    c) rich    d) Middle    e) all
- 18) What are the positive and negativeaspect of micro finance?

positive	Negative

19. What is your consumption status?  
a) Normal                      b) Improved
20. Condition of clothes  
a) Normal                      b) Improved
21. What is the condition of Housing?  
a) Normal                      b) Improved
22. Condition of drinking water  
a) Normal                      b) Improved
23. What type of school do your children study?  
a) Simple Government school    b ) Private School