

CHAPTER I

INTRODUCTION

1.1 Background of the study

“Microcredit, or microfinance, is banking the un-bankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without” (Maanen,2004). Microfinance has emerged as an effective poverty alleviation tool because it is based on the fundamental principle that human beings are motivated to do whatever it takes to make themselves as well as possible. (www.grameen-info.org/bank/).

Microfinance institutions (MFI) institutions have been found to play a crucial role in improving the living standard of the people with low income in the area where people are out of reach of traditional banking services. Basically the micro-finance institution is important due to its multiple roles to alleviate poverty, access towards education and health through owning assets and their decision making. In this background, this study aims to explore whether there is similar impact in the rural people in the area of study.

Microfinance plays an important role in fighting the multi-dimensional aspects of poverty. Microfinance is an innovation for the developing countries. It provides self-employment opportunity for poor people who are unemployed, entrepreneurs and farmers who are not bankable because of the lack of collateral, very low level of income. It has successfully enabled poor people to start their own business generating income and often beginning to build up wealth. It has the capacity to enhance the socio-economic development of the vulnerable and marginalized people, especially women.

Microfinance is a simple but effective credit tool that enables the most poor to pull themselves out of poverty. It involves advancing small loans to the working poor. These loans are usually less than \$200 and made by local organizations called microfinance institutions (MFIs). Microfinance helps the working poor to establish or expand small businesses that generate additional income for the family use. This extra

income allows a poor family to buy food, access healthcare, educate their children, put aside savings and lay the foundation for a better future. Microfinance is one of the best alternatives to generate self-employment. It provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self-employment and income generation.

Many poverty reduction programs specifically targeting poor have a credit component, which has been extensively promoted as a way of alleviating poverty and empowering people. This is due to the fact that access to the commercial banks is still a major challenge as these people lack required collateral. Given the interconnectedness of the social, political and economic dimensions of empowerment, empowering changes in one dimension may trigger changes in other dimensions. Thus, the improvement of economic empowerment has the potential lead towards the positive changes towards reducing the poverty. Microfinance increases household income, which leads to food security, the building of assets, and an increased likelihood of educating children. Microfinance is also a means for self-empowerment. It enables the poor to make changes when they increase income, become business owners and reduce their vulnerability.

Simojoki (2003) analyzed the impact of micro-finance and opportunities to female micro entrepreneurs in the informal sector in Nairobi, Kenya with the objective of clarifying how micro-entrepreneurs have benefited from credit and financial services. The study showed the inter-relationship among social and economic empowerment. Income generating activities were necessary for women. Control over credit and business has shown as an important indicator of empowerment. Related activities play an important role for the success of any microfinance program and their ability to contribute to women empowerment. Microfinance with neo-liberal priorities could help them for self-confidence and substantial tools to improve their lives. The most important part in effective microfinance is women's participation and the strengthening of their sense of responsibility. The author suggests that an explicit policy of empowerment and related activities need microfinance programs for women empowerment. The government should promote various opportunities and fight against the exploitative features of the informal sector.

Fernando (2006) explained that the MFIs charging high prices to cover costs for any business was an essential practice. His study reports that the highest interest rates charged by most of the MFIs in the region ranged from 30 percent to 70 percent a year on a reducing balance basis. The question arises why microcredit rates are so high? Because of these four key factors: the cost of funds; the MFI's operating expenses; loan losses; and profits needed to expand their capital base and fund expected future growth, determined the rates. Imposing ceiling on microcredit interest rates was not the permanent solution of the problem, although lower microcredit interest rates will help to increase the availability of affordable finance for poor household. The study has shown evidence in the Asia Pacific region, which strongly supports the view that liberal interest rate policies fuel the growth of the microfinance industry. More than 50 million poor people have access to microcredit from formal and semi-formal institutions in the region. The study has explained in detail about the general impact of ceilings on microcredit interest rates such as, short term, medium term and long term effects on supply as well as in demand side. In those countries where interest rate ceilings have been a major characteristic of the market, growth of outreach had been disappointingly low. In most of the developing economy, the best available investment opportunities for a majority of poor households involve those with moderate returns. Household in this category cannot be expected to have the same ability to service loan taken at high interest as those who realize high returns on their investments. Similarly, poor households need credit to meet expenditure on health, education and many lifecycle events. Policy makers can oppose requests to impose rate ceiling that will slow down the growth of the MFI industry and result in reducing the supply of microcredit and other financial services, harming rather than helping poor and low income households.

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

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

Microfinance is a form of monetary development that has first and foremost focused on alleviating poverty through giving financial services to the poor. Most people think of microfinance, if at all, as being about micro-credit i.e. given somebody the use of small amounts of money to the poor. Microfinance is not only this, but it also has a broader point of view which also includes indemnity, transactional services, and prominently, savings (Barr, 2005; Bui, 2014). The real genius in microfinance is about the ability to find a suite of techniques in product design and management that solve the fundamental problems of controlling costs, building volume, keeping repayment rates high and preventing fraud all while operating with poor people (Aryeetey, 2005).

The word microfinance is new term used in the history of rural microfinance. In the context of Nepalese economics, it has been found used in Nepal only in the later part of 1990s. Although rural credit in Nepal began in 1956 with the opening of Credit cooperatives in Chitwan Valley to provide loans to the re-settlers coming from different parts of the country (Shrestha, 2009). In addition to distributing loans, Microfinance Institutions (MFIs) also offer a wide range of monetary services, such as savings and insurance options (Premchander, 2009).

The poor lack access to institutional finance institutions, such as banks, because they are unable to provide collateral and the rules and regulations to get loans is too complicated to understand for the uneducated poor Sarkar, Debnarayan (2008), It is also expensive and time overwhelming for banks to deal with small-scale clients (World Bank, 2009). As a result, MFIs started to share out loans to the poor because banks would not (World Bank, 2009). Just like conventional banks, MFIs give loans and take deposits while collecting debt with interest (Kim, et al., 2007). Even though most microcredit loans are given without any collateral, repayment rates can be high; contradicting the notion that poor people cannot payback their loans (Kim, et al.,

2007). Furthermore, many microfinance programs use the group-based format. MFIs give loans to members only, thus keeping the group unit intact (World Bank, 2009).

Over eighty percent of Nepal's population live in rural areas. Inadequate income generating opportunities in these areas have been a major cause of widespread poverty and outflow of productive workforce abroad. With aims to cater the needs of socially excluded groups living below the poverty lines by promoting off-farm employment, the Government of Nepal (GON) and the UNDP started implementing Micro Enterprise Development Program (MEDEP) in 1998.

Microfinance increases household income, which leads to food security, the building of assets, and an increased likelihood of educating children. Microfinance is also a means for self-empowerment. It enables the poor to make changes when they increase income, become business owners and reduce their vulnerability. People in the society are not equally capable and skillful. Therefore, an access, opportunity, right to control over resources should provide these people according to their capabilities. Control over loan, loan related activities, and expenditure of earnings are three kinds of benefits that must be equally shared among male and female members in the family. The question arises whether loanees share the benefits or not.

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Hubka and Zaidi (2005) find that governments can help market-based microfinance by eliminating unfair competition from public institutions, undertaking overall regulatory reform, and improving the overall business environment. Crabb (2008) posits that factors affecting the sustainability of an MFI can be divided broadly between institutional and environmental variables. He defines institutional variables as those factors that are specific to the institution, while environmental variables comprises of policy and economic settings of the country the institution operates in.

He asserts that business and regulatory environment is now considered an important factor in the success of microfinance institutions.

Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services, usually because of poverty. Making small loans to individuals who lack the necessary resources to secure traditional credit is known as micro credit. Microfinance has emerged as an economic development approach to benefit low-income section of the society. Microfinance is a kind of service products viz. savings, credits, training, insurance and social intermediation services such as group formation, development of self-confidence, training in financial literacy and management capabilities among members of a group. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services.

1.2 Problem of statement and research question

The microfinance institutes are considering the best source of financial services for enhancing the income level of the low income earners in the rural and urban areas. However it is also shown that microfinance institute face various types the problem which are not to limited coverage, lack of contribution driven and the organizational structures. It is seem that there is need of more research which should be done in regard to know whether microfinance impact on the living standard, investment and economic development.

Poverty alleviation has been the foremost concern of policy makers all over the world. Financial inclusion of the poor and marginalized class is necessary step in this regard. This helps to equalize opportunities and reduce inequalities. Therefore, financial sector policies which are crucial for equitable growth and broader access to financial services are a required step in this regard. To achieve this, empirical evidence that links access to financial services to development outcomes will have to be developed. This has made the area of Micro finance a challenging one, in view of policy planning for effective financial development. But in ground reality, access to finance by the poor, weaker sections, marginalized, is limited due to several reasons. Literature on microfinance shows that, there is a need for research and data to be conditioned on implementing microfinance and determining its effectiveness in Nepal. To tackle this

problem effectively, much more research is needed to measure and track the impact of microfinance on poverty alleviation. So this study will focus on the impact of microfinance on poverty alleviation of households belonging to the economically weaker sections.

Economic growth is the increase in goods and services produced by an economy over a period of time. It is an ability of an economy to increase its productive capacity by producing additional units of goods and services (Chughtai et al., 2015). Economic growth is generally measured in terms of the increase (or growth) in real national income, gross domestic product, or per capita income. National income or product is commonly expressed in terms of the aggregate value-added output of the domestic economy called gross domestic product and when it rises, economists refer to it as economic growth.

According to Dandana and Nwele (2011) microfinance banking service play important role in modern society, as it provides micro credit loans to small and medium scale farmers and enterprises. Over the years, microfinance has emerged as an effective strategy for enhancing economic growth across developing countries.

The need to achieve equity may have prompted state intervention in financial markets even in the absence of market failures since competitive financial markets distributed capital in a socially unacceptable ways. Government action was therefore required to protect and assist the vulnerable (World Bank, 2000 cited in Adjei, 2010). In this regard, microfinance institutions were developed with the aim of reaching the excluded population and to undermine the monopoly power of local moneylenders who charged ridiculously higher interest rates. Therefore two elements can justify government intervention to provide social insurance.

Thus, government can invest in innovation, and also have the capacity to work at the national level so that it can cope with co-variant risks. Innovative arrangements can respond to equity requirements in particular by providing microfinance services in rural areas and for the poor population (Adjei, 2010). Microfinance has been defined by different scholars in different ways. Micro-finance is defined by Baten in 2009 as the provision of a broad range of financial services such as deposits, loans, payment

services, money transfers, and insurance to poor and low-income households and their micro enterprises.

According to Sarangi, Niranjana (2007) well-coordinated activities of microfinance institutions have the capacity to influence the entire economy. Chirwa (1997) concluded that the impact of microcredit has significant influence on small and microenterprises. The micro credit is helpful in engaging people in self-employment project that enables them to generate an income. The study found that microfinance institutions seem to perform better in terms of profitability. Due to the trend of commercialization of the sector, financial sustainability of microfinance institutions is becoming more and more important at the expense of using credit to help overcome poverty.

Rutherford, Stuart (2000), concluded that microfinance has offered an effective financing method for the construction of new socialist rural regions and has won the support of agriculture and farmers which support to national economic growth as well. Gurumoorthy, T. R. (2000) examined the impact of microfinance on gender inequality in China and found that there are many benefits of providing microfinance to women, despite lack of conclusive evidence on significantly reducing gender inequality. There are so many economic impact of micro finance in Nepalese economy. Thus the study has following research question.

1. How the entrepreneur skills contribute on the entrepreneurship development of MF member?
2. What is the relationship between investment and entrepreneurship development?
3. How the entrepreneurial environment helps to develop the entrepreneurship development?

1.3 Objectives of the study

The main objective of the study is to analyze the relationship between microfinance services and entrepreneurship development in Nepal with reference BardagoriyaGaupalikaof Kailalidistrict. Beside from that another general objective of the studies are as follows:

1. To examine the impact of entrepreneurs skills on entrepreneurship development of MF member.
2. To analyzes the relationship between investment and entrepreneurship development.
3. To examine how entrepreneurial environment helps to develop the entrepreneurship development.

1.4 Significance of the study

Micro-finance is coined as the financial service rendered to the deprived group of people and small entrepreneur to help them in developing self-employment opportunities and various income generation activities. Usually, micro-finance is a program that serves a large number of clients with reference to women deprived people and works at a grassroots level of financial sustainability.

The micro-finance revolution has changed attitudes towards the poor in many countries and in some has provided substantial flows of credit, often to very low-income groups or household, who would normally be excluded by conventional financial intuitions.

The research studies impact of microfinance on improving living standard of rural people. The research tries to answer the initial and inherent question regarding impact of microfinance on improving living standard of women. The question regarding the impact of microfinance on reducing the poverty of the rural people. The question regarding impact of micro-credit, micro saving and training and awareness on improving income, education and health is the central to this study. In this context, an empirical approach is followed where the active clients of microfinance are sought and their opinion regarding impact of microfinance program on improving income, education and health are recorded in structure questionnaire.

Micro finance empowers women by capital in their hands and allowing them to earn an independent income and contribute financially to their household and communities. Micro finance activities can give them a means to climb out of poverty. Thus it is hoped that the research findings will provide a wider ground for further research in the field of women.

The study is carried the rural areas test of micro finance institutions activities. How they get service from there? And what type of activities are done through such service? Are interpreted.

1.5 Definition of the term

This section includes the definition of the variables and key terms used in the research. The following terms may have different meaning in different circumstances prior to the meaning used in the study conducted.

a. Microfinance

Microfinance is an economic development approach, providing financial services through institutions to low-income clients, where the government and market fails to provide appropriate services. The services provided by microfinance institutions includes credit, saving, remittance services. Many microfinance institution also provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives.

b. Poverty

Poverty is a condition in which a person of community is deprived of basic essentials and necessities for minimum standard living. Since poverty is understood in many senses, the basic elements may be material resources such as food, safe drinking water and shelter, or they may be social resources such as access to information, education, health care, social status, political power or the opportunity to develop meaningful connections with other people in the society.

According to the World Bank's definition of poverty, "A condition of life so characterized by malnutrition, illiteracy and disease as to be beneath any reasonable definition of human decency."

c. Microfinance Institutions (MFIs)

A microfinance institution is an organization, engaged in extending micro credit loans and other financial services to poor borrowers for income generating and self-employment activities. An MFI is usually not a part of formal banking industry or government. It is usually referred to as NGO (Non-Government Organization).

d. Income

Income is the money that microfinance clients or individual are generating through investment of their loan received from microfinance. Income is used to fund day to day expenditures. Income has been treated as the most influential variable to test the success of microfinance programs. Household income is frequently reported economic statistic to measure almost every socio-economic parameter.

e. Education

Education is the process of facilitating learning or acquisition of knowledge, skills, values, beliefs and habits. The main objective of the poor people is to invest their income into their children's schooling. Earlier research shows that children of poor people who get the microfinance are more punctual to go to school for better education as compare to other children.

f. Health

Health means state of complete physical mental and social well-being. Similar to education, health plays an important role in verifying the welfare of the poor people. Health and education are two major aspects of non-economic influence of microfinance at family level. That microfinance has the impact on wellbeing and schooling, deistic items consider progress.

g. Micro-credit

Micro-credit is the extension of very small loans (microloans) to impoverished borrowers who typically lack collateral. It is a component of microfinance and

is the extension of small loans to entrepreneurs, who do not have easy access to the traditional banking. Especially in developing countries, micro-credit enables very poor people to engage in self-employment projects that generate income, thus allowing them to improve the standard of living for themselves and their families.

h. Micro saving

Micro-savings is a branch of microfinance, consisting of small deposit account offered to lower income families or individuals as an incentive to store funds for future use. Generating savings in community is one of the primary concerns of microfinance. After involving MFIs women can generate income by doing small business and from them they can save small amount of money to meet their future expenses.

i. Training and awareness

Training is teaching or developing in oneself or others, any skills and knowledge that relate to specific useful competencies and awareness is the ability to directly know and perceive, to feel or to be cognizant of events. More broadly it is the state of being conscious of something. Microfinance institution has been also providing the training and awareness program to improve clients' level of income and health level.

j. Empowerment

Empowerment refers to increasing the spiritual, political, social and economic strength of individuals and communities. It often involves in the developing confidence of individual in his/her own capacities. It has different meanings in different social, cultural and political contexts. It indicates the expression of self-strength control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one's values, capable of fighting for one's rights, independence, own decision making, being free, awakening, and capability. Empowerment is relevant at individual and collective level, and can be economic, social, or political.

1.6 Limitations of the study

There are different models of micro finance program in Nepal. The study limited to the study of Microfinance institutions. Following are the limitation of the present study:

1. The overview of the study has taken into consideration take of Microfinance Institutions. So, finding of this study cannot be generalized.
2. Questionnaire method has been used to collect the data.
3. Only these tools (Mean, Standard Deviation, Correlation Analysis and Regression Analysis) has been used.
4. This study only focus on three variables of micro finance services (entrepreneur skills, Investment, entrepreneurial environment) other remaining services are not focus of the study.
5. The study is based on the opinion expressed by microfinance clients; the reliability of the study depends upon the answer given by them.
6. Study is based on the sampling method which can only study microfinance members where 120 members are studied.
7. The study focus to access the effect of microfinance program carried out for only entrepreneurship development impact other aspects such as political aspect and legal aspect are negated.
8. This study mainly focused on microfinance development bank, categorized under D class by NRB and NGO model of microfinance.

1.7 Chapter plan

The study is divided into five chapters.

Chapter I: Introduction

This chapter explains background of the study, statement of the problem, objective of the study significance of the study, research hypothesis and limitation of the study.

Chapter II: Review of literature

This chapter includes review of literature which incorporates the theoretical review, the review of previous studies, conceptual framework and research gap.

Chapter III: Research Methodology

This chapter includes research design, justification for the selection of the unit, population and sample size, Nature and sources of data, data collection procedures, data processing and Analysis tools.

Chapter IV: Data presentation and analysis

This chapter is data presentation and analysis. This chapter includes data presentations, data analysis and major findings of the study.

Chapter V: Conclusion

This chapter deals with summary, conclusion and implications, reference and appendices attached at the end of the study.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual review

Concept of microfinance

The term “micro-finance” refers to small scale financial services, primarily credit and savings to the economically active low income clients to produce goods and provide services. In addition to credit and savings, some MFIs provide other financial services such as micro money transfer and micro insurance and also provide social intermediation such as development of social capital (through groups formation, training in financial and enterprise management and development of management capabilities) and external support services (Aheeyar, 2007). The common features of microfinance are, small size of the loan not based on collateral, group guarantee, compulsory and voluntary savings, informal appraisal of borrowers and investments and access to repeat and bigger loans based on repayment performances.

The concept of special MFIs established specifically for the poor of the society is not a very old one. After the Second World War and into the 1970s, development finance institutions were not particularly concerned about poor target groups of customers. However, this view shifted after the realization of the fact that massive amounts of foreign trade invested in large projects did not necessarily lead to the “trickledown effect” which had been expected (Robinson, 2002).

In Bangladesh, (the country with the greatest number of non-governmental organizations per square mile) the Bangladesh Rural Action Committee one of the biggest MFIs in the world, was one of the first organizations that poor households were typically excluded from the formal banking system for lack of collateral (Feroze, 2002).

However, the micro-finance movement exploited new contractual structures and organizational forms that reduced the riskiness and costs of making small, un-collateralized and cheap loans. The critiques argue that financing schemes proved extremely costly for donors and, at least in some cases, for the borrowers as well (due to high transaction costs); that they inevitably failed to reach many members of their

target groups. Littlefield et al. (2003) have argued that microfinance, and the impact it has, go beyond just business loans. The poor use of financial services, not only for business investment in their micro enterprises but also in health and education, to manage household emergencies and to meet a wide variety of other cash needs that they might encounter. Furthermore, many microfinance programmes have targeted women (who are the poorest of the poor) as clients and bridged gender disparity. This has not only helped empower women who appear more responsible and show a better repayment performance, but also shown that women are more likely to invest increased income in the household and family well-being (Littlefield et al., 2003). Microfinance therefore acts not only as an economic stimulator for small enterprises but also has far reaching social impacts.

Microfinance, also called microcredit is a type of banking service provided to unemployed or low-income individuals or groups who otherwise would have no other access to financial services. While institutions participating in the area of microfinance most often provide lending—microloans can range from as small as \$100 to as large as \$25,000—many banks offer additional services such as checking and savings accounts as well as micro-insurance products, and some even provide financial and business education. The goal of microfinance is to ultimately give impoverished people an opportunity to become self-sufficient.

Microfinance services are provided to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions. Despite being excluded from banking services, however, those who live on as little as \$2 a day *do* attempt to save, borrow, acquire credit or insurance, and they do make payments on their debt. Thus, many poor people typically look to family, friends, and even loan sharks (who often charge exorbitant interest rates) for help.

Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of micro financing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and Honduras. Many microfinance institutions focus on helping women in particular.

Micro financing organizations support a large number of activities that range from providing the basics—like bank checking and savings accounts—to startup capital for small business entrepreneurs and educational programs that teach the principles of investing. These programs can focus on such skills as bookkeeping, cash-flow management, and technical or professional skills, like accounting. Unlike typical financing situations, in which the lender is primarily concerned with the borrower having enough collateral to cover the loan, many microfinance organizations focus on helping entrepreneurs succeed.

Microfinance operates through institutions. Therefore, it is imperative that microfinance institution is also defined. In this regard, Microfinance institution (MFI) is defined by Ablorh (2011) to consist of agents and organizations that are engaged in relatively small financial transactions using specialized, character based methodologies to serve low-income households, micro enterprises, small farmers, and others who lack access to the banking system. He claims that many MFIs provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group in addition to the financial services provided. Although some MFIs provide enterprise development services such as skills training, marketing, and social services, such as literacy training, proper home management and health care, they are not generally included in the definition of microfinance, (Ablorh, 2011). Microfinance covers a broad variety of institutional arrangements and approaches. They range from small self-help groups with a handful of members to huge organizations that have nationwide coverage and millions of clients. MFIs can be non-governmental organizations (NGOs), Savings and Loans Companies, Credit Unions, Government Banks, Commercial Banks, or Non-Bank Financial Institutions (Ablorh, 2011)

The decision of governments to become actively involved in micro finance development through credit programmes or other enterprise development services can affect the environment for private microfinance providers, either by negatively distorting the market or by positively contributing to the supply of services. Alternatively, government can choose to support the informal sector through macro policies, or work with Non-Governmental Organisations (NGOs) that provide service

and training. Active collaboration in this sense involves the establishment of a favourable climate to enable these institutions to continue and expand their work with support but no interference from government entities. This can include national recognition of the micro enterprise sector, funding research and scaling up pilot programmes.

Micro enterprises and small business may be affected negatively by government policies through excessive regulations, prohibitive levels of taxation, inadequate government protection against cheap imported products, laxity about black markets (which results in unfair competition for the micro business sector), harassment by government officials for operating businesses on the streets, and inadequate services and high user fee in public market structure. Many of these regulations work effectively to encourage micro enterprises to remain outside the legal or formal mainstream.

The goal of microfinance institutions as development organisation is to service the financial needs of served and underserved market as a means of meeting development objectives. These development objectives generally include one or more of the following;

-) To reduce poverty
-) To empower women or other disadvantaged population groups
-) To create employment
-) To help existing business grow or diversify their activities
-) To encourage the development of a new business.
-) To create employment and income opportunities through the creation and expansion of micro enterprises.
-) To increase the productivity and income of vulnerable groups, especially women and the poor. To reduce rural families dependence on drought prone crops through diversification of their income generating active ((Yaron, Benjamin and Piperk, 1997).

The bedrock of any nation's industrial development is entrepreneurial activities. Unfortunately, there is uneasy access to the conventional loan from the commercial

banks to start up a small or medium scale enterprise. The resultant effect is that the undevelopment situation of the country is getting worse while government seems incapable of taming the ugly incidence. The symptom of this situation is high poverty rate, high unemployment rate, and economic dependence on foreign countries.

Many MFIs target primarily, or exclusively, women. This practice is based on the common belief that women invest the loans in productive activities or in improving family welfare more often than men, who are known to consume rather than invest loan funds. Women achieve ES through setting up new enterprises, expansion and improved performance of existing enterprises and improvement of well-being of their families.

Commercial banks usually demand for collateral security before giving out loans for business purposes. This is a necessary factor in obtaining loan as collateral security serves as guarantee for recovering of loans given out by commercial banks in case of repayment default. An average citizen in Nigeria cannot provide such collateral security. This results to inability of an average Nigerian to access loans from commercial banks. Thus the difficulty of access to loan from financial institutions such as commercial banks constitutes a great setback to entrepreneurial development in Nigeria (Parker, 2006).

Microfinance has evolved as an economic development approach intended to benefit low income men and women. The term refers to the provision of financial services to low income clients, including the self-employed. Financial services generally include savings and credit; however, some microfinance institutions also provide insurance and payment services. In addition to financial intermediation, many microfinance institutions provide social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Thus, the definition of microfinance also includes both financial intermediations and social intermediations.

Most microfinance studies in Bangladesh are limited to either one or two major MFIs or to the overall impact on clients' poverty reduction, improvement in health and social status, enhancement of women entrepreneurship and empowerment, etc. No studies in Bangladesh, to the best of the author's knowledge, have yet considered

innovation and sustainable entrepreneurship development. For example, Ahmed et al. (2011) conducted an empirical study in Bangladesh among the Grameen Bank borrowers (with credit) and non-borrowers (without credit), and concluded that the microcredit program helps rural women to reduce their poverty most.

Microfinance offers financial and non-financial services to economically active low income clients. The financial services include such as credit, savings and insurance to poor people living in both urban and rural settings and are unable to obtain such services from the formal financial sector (Schreiner and Colombet, 2001). According to Robinson (2001) along with the growth of microfinance sector, attention changed from just provision of financial services to the poor to other non-financial services. According to Steinwand and Bartocha (2008), microfinance is a multifaceted benefactor that affords women to rebuild their lives, plan for their future and that of their children, empower them with self-esteem, integrate into social fabric by enjoying access to social networks and making contributions towards welfare of their families and that of the community.

In many instances, people seeking help from microfinance organizations are first required to take a basic money-management class. Lessons cover understanding interest rates, the concept of cash flow, how financing agreements and savings accounts work, how to budget, and how to manage debt.

2.1.1 Microfinance Model

There are quite a few prominent models of microfinance in the country. These include Cooperative model, SFCL model, Grameen Bank model, and Community based organizations (COs) or Self-Help Groups (SHGs) model. In addition, Production Credit for Rural Women (PCRW) and Village Banks are also considered separate programs/models of microfinance in Nepal. The programs like Decentralized Local Governance Support Program (DLGSP), Poverty Alleviation Fund (PAF) and some other rural development programs have also included microfinance as a component following the SHG model.

A. Cooperative Model

The Saving and Credit cooperatives (SCCs) can target all community members in a given locality irrespective of their social and economic status. Twenty-five people can get together to run a cooperative in their respective locality/village and the average membership is around 100 per cooperative. These cooperatives take savings deposits from their members and whoever wants to put savings in the cooperative is extended membership. They also provide loans to their members for a number of purposes. Loans provided to the members have a minimum term of three months to three years covering specific areas such as agriculture, housing, micro enterprises, or some social purposes. SCCs are considered more suitable financing model for the hills and mountains as they provide both savings and financial services to the members who are the local people in a homely atmosphere without much of bureaucratic process. Due to low cost operation, their interest rates also are lower than other financial institutions.

B. Small Farmer Cooperative Limited (SFCL) Model

SFCL has a three tiers structure. At the village level, promoters facilitate local household members to form groups; at the ward level. The farmers' groups with common interest and proximity are integrated into intergroup associations and at the VDC level, all groups and inter-groups are represented in the Executive Committee. For the operation of the SFCL, the Executive Committee is formed of the members elected by the General Assembly. The Executive Committee is responsible for hiring the Manager and other staffs and for deciding on the rules and regulation needed to ensure the smooth and effective operation of the organization.

The grassroots' groups organize regular meetings to collect mandatory savings and loan repayments and applications for loan demand. These loan applications are forwarded to their respective inter-groups, which appraise them and forward with recommendations to the Executive Committee for final decision. The SFCL is generally confined to one VDC area and it targets only at the small farmers. The loans are extended mainly with collateral security.

C. Grameen Bank Model

This model is comparatively more successful in areas, where the market and road infrastructure is more developed and economic activities are vibrant. It is more feasible in Terai than in the hills and mountains. The approach is based on the formation of peer groups each comprising five members. Three to ten such peer groups form a center at a particular location – close to a village, where they meet once every week or fortnight or month as decided by the members. Each group elects a group chairperson and each center a center chief to oversee the activities of group members and maintain group discipline, check utilization of loans and ensure timely repayment of loan installment. In such meet, group members collect savings and make demand for loans and also settle the loans or interest due and repay loan installments as per schedule. They do not need to provide collateral security for the loans but need to provide group guarantee for repayment

To begin with, the potential target groups are identified with Participatory Rural Appraisal (PRA) techniques or Participatory Wealth Ranking (PRW) exercise to identify the target groups. After the target groups are identified, the eligible members participate in a weeklong pre-group training (PGT) or a compulsory group training (CGT) on microfinance procedures and organization and operation of groups and centers. The MFI field staff facilitates the fortnightly or monthly meeting, where they also collect mandatory and voluntary savings, loan repayment installments and loan demands from the members and also verifies the utilization of disbursed loans.

D. Self-Help groups (SHGs/Community Organizations (Cos)

The 'Dhukut' system is a very old form of self-help group in Nepal; it has been in operation for more than 4 decades. Closely affiliated and well-acquainted persons form a group and start contributing a specified amount at specified intervals of time. In each collection meeting, the cash collected is given to one of the needy members for use as per the rules set unanimously by the group. Rules are found generally unwritten, but agreed by all in the inception meeting. The member who has used the amount will also continue contributing the time bound amount till all the members get chance to use the money raised in each sitting.

The essence of this practice is that with small installments contributed by all group members one needy member can use a huge sum of money that can accomplish a larger activity generating a lasting source of income. It is a self-help approach to development of members. Those who use the fund at the earlier opportunity can turn over the money and get benefited more through the time value of money. In this system, members do not need to pay interest as such, but depending on the rules they make, early seekers of the sum have to get little less money than what is collected in total and the last holder of the chance may just collect his/her total deposit and/or little more money left by the early seekers. Members may also make a rule to enjoy the surplus money by organizing picnic or opening lottery, which provides the lucky ones with surprise prizes.

E. Village Bank (VB) Model

A typical VB consists of 40-50 women. It begins with a literacy class of six months where savings credit operation process also was taught. Later, the VB mobilizes members' savings for providing loans for both productive and consumption purposes to the needy women members and also provides support for the capacity building of the banks. A member generally gets Rs. 3,000 to 10,000 at a time. The loan size depends on the amount of the savings available in the Village Bank. At the end of 16th week, the loan cycle must also end. All loans must be paid back to get new loans released. This is also called zero gathering, as old loans are settled and new loans are given in this gathering making a zero balance. Interest is not given on the savings deposits; however, at the end of each loan cycle, benefits from the proceeds are shared in proportion to the savings deposits. Benefits are distributed in the form of savings to the corresponding savings accounts based on a minimum balance kept for at least nine weeks instead of providing cash to the member depositors. The village banks generally charge 24% interest per annum and interest is collected on upfront basis. The management of the VB is generally done by the chair, the secretary and the treasurer elected by the members.

They keep all the records, minutes and books of accounts maintained by themselves and all the documents are put in a tin box, triple locked by all the three officials and opened and locked in the meeting in front of all the members. Things are all kept transparent to the members. Such VBs have not been linked up with any financial

institution during the project. However, some VBs have been linked with one SCC in Nawalparasi district under RMDC loan support. This model has advantage and suitability in the less accessible and the remote parts of the districts in Nepal.

i. Entrepreneurships development

Basically, entrepreneurship development is basically the process of improving the skill set as well as the knowledge of the entrepreneurs. This can be done through various methods such as classroom sessions or training programs specially designed to increase the entrepreneurial acumen.

Another definition of this term could be the process of enhancing the capacity to develop, manage and organize a business venture while keeping in mind the risks associated with it.

But instead of complicating things with big words and sophisticated terminologies, let us understand it simply. The process of entrepreneurship development is nothing but helping the entrepreneurs develop their skills through training and application of that training. It instills in them the quality of making better decisions in the day to day business activities.

Entrepreneurship consists of the opportunity recognition, the process of taking the opportunity, gaining control over the resources, managing the network of resources, and participating in the satisfied fields. Entrepreneurship is the process of creating new ventures, and involves creativity, innovation and risk. It provides options for self-employment for an individual and creates employment opportunity for others. It plans, organizes, operates and assumes the risk of new venture. It concerns with innovation, profitability and growth. It is the driving force of economic development of nations.

Agrawal, (2012), Sharma and Chrisman (2007) define entrepreneurship as the "Acts of organizational creation, renewal, or innovation that occurs within or outside an existing organization".

Basically, entrepreneurship has to do with activities of individual persons. Entrepreneurship is a behavioral characteristic of persons. This behavior has an input and an output side: where on the one hand entrepreneurial behavior requires entrepreneurial

skills and qualities, it also implies the participation in the competitive process on the other. In this regards, Wennekers and Thurik (1999) propose the following definition of entrepreneurship:

Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product market combinations), and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions.

In political economics, entrepreneurship is the quality of being an entrepreneur, i.e. one who undertakes an enterprise (Austin, Stevenson & Wei-Skillern, 2006). The term puts emphasis on the risk and effort of individuals who own and manage a business, and on the innovations that result from their pursuit of economic success. Entrepreneurs are individuals or groups of individuals, acting independently or as part of a corporate system, who create new organizations, or instigate renewal or innovation within an existing organization (Sharma & Chrisman, 2007). Similarly, Schumpeter (2011) indicates the functions of entrepreneurs as follows:

the function of entrepreneurs is to reform or revolutionize the pattern of production by exploiting an invention or, more generally, an untried technological possibility for producing a new commodity or producing an old one in a new way, by opening up a new source of supply of materials or a new outlet for products, by reorganizing an industry and so on.

ii. Entrepreneur skills

The skills that are required by entrepreneurs fall into three distinct categories: technical skills, business management skills, and personal entrepreneurial skills. Technical skills include written and oral communication, technical management, and organizing skills. Business management skills are managerial skills like planning, decision making marketing and accounting. Entrepreneurs also should have personal skills such as innovation, risk taking, and persistence (Henry et.al, 2005).

Students can learn these skills through effective entrepreneurship education to become successful entrepreneurs, Rae defines the term “entrepreneurial learning as learning to recognize and act on opportunities through initiating, organizing, and managing ventures in social and behavioral ways” (Rae, 2006, P. 16). Although there seems to be wide variations in the personalities and characteristics of each kind of entrepreneur, the willingness to undertake risk and the possession of entrepreneurial skill sets are common themes prevalent in every style. Understanding the role of entrepreneurial education on the creation of this willingness to undertake risk and the development of an entrepreneurial skill set is the focus of this study. It is against this background that this research is set. More explicitly, we deal with the question. What is the impact of entrepreneurship education on the development and enhancement of entrepreneurial skills that may be essential to improve ventures efficiency and effectiveness as perceived by entrepreneurs and prospective entrepreneurs? This paper reviews prior research regarding entrepreneurial education programs mainly in the United States, England, France and Germany and highlight some major challenges related to that issue. The next section derives the framework proposed to evaluate entrepreneurial education programs. In the third section we present the results of the survey analysis of operating and prospective entrepreneurs and their assessment of the entrepreneurship education programs that they have been involved in these programs for several years, and the final section we discuss implications and further research avenues.

Some experts think of entrepreneurs as people who are willing to take risks that other people are not. Others define them as people who start and build successful businesses.

Thinking about the first of these definitions, entrepreneurship doesn't necessarily involve starting your own business. Many people who don't work for themselves are recognized as entrepreneurs within their organizations.

Regardless of how you define an "entrepreneur," one thing is certain: becoming a successful entrepreneur isn't easy. Entrepreneurs play a crucial role in developing homegrown economies. Yet, the success of new entrepreneurial ventures is strongly impacted by something much larger than the business itself: the surrounding ecosystem. Swiss contact fosters economic growth by strengthening the local

entrepreneurial ecosystem and by improving the quality and quantity of services offered to entrepreneurs. Having access to local and seamless support for entrepreneurs will help them in their endeavor to survive and grow, and hence create new wealth.

Services offered by ecosystem support actors consist of coaching and mentoring, business administration, business modelling, financing, human resource management, talent recruitment, marketing, peer-learning or financial trainings for investment readiness and more. Given that a single player will never be able to offer all these services, a productive ecosystem can only exist if there is collaboration among its actors. This means that besides offering their support service, ecosystem support actors are bridge builders and connectors to facilitate networking for the entrepreneurs which allows them to quickly find the support they need at each stage of growth.

Swiss contact closely collaborates with the local community and jointly develops initiatives that are based on articulated demand from the local ecosystem actors. By focusing on the process and not on the content, puts local players in the driving seat, acknowledging that there is not one “correct” way of strengthening ecosystems but that each city or region needs to develop its own model, reflecting local culture and context

So, how does one person successfully take advantage of an opportunity, while another, equally knowledgeable person does not? Do entrepreneurs have a different genetic makeup? Or do they operate from a different vantage point that somehow directs their decisions for them? Though many researchers have studied the subject, there are no definitive answers. What we do know is that successful entrepreneurs seem to have certain traits in common. The managerial skills to be acquired, either personally or through the employment of others, obviously depend on the kind of business and the individual running it. What is important is an awareness that there are gaps in skill and an ability to bridge those gaps.

It is important for an entrepreneur to recognise why and where gaps in his managerial skills arise and to do something to fill those gaps. He must look for complementary skills in others to make up his team, by employing aids such as the analysis of managerial skills. A small business is built by building the people in it. Therefore, a

practical, everyday development programme needs to be carried out in a simple fashion. There is also a need for positive assessment carried out continuously and openly both by the lead entrepreneur and by others in his team.

The entrepreneur in charge of a small business to recognize his need for key managerial skills — both in himself and in his staff members. All too many small companies have foundered, or at best floundered, because the lead person did not know his own strengths and weaknesses and was not capable of selecting and developing a complementary staff for his business. When a business is new, often the most neglected aspect is building the best team possible to run the company successfully. The entrepreneur frequently hires people with the same characteristics as himself, whereas the need is for an effective fusion of complementary values among his staff. It is not enough to have a sound business idea, a supporting business plan and appropriate financing. "Successful new ventures are the result of the right combination of a capable and realistic lead entrepreneur, with a balanced and compatible entrepreneurial team".

iii. Investment

Money is the most critical element in starting and running a business and an entrepreneur has to find ways to get funding for his small business. There are different options that an entrepreneur can look at to fund his small business and each come with its own pros and cons. We take a look at some of the options and the things that an entrepreneur has to keep in mind.

MFI investments enable investors to adopt a dual investment approach that pays attention to both social and financial returns. From a social point of view, investors contribute to alleviating poverty in developing countries by fostering the development of the microfinance sector, e.g. by narrowing down the funding gap and by providing stable and full currency-hedged funding for MFIs. This enables MFIs to strengthen their capital structure and some very developed MFIs can sometimes even leverage foreign subordinated loans. ²⁸ Ultimately, more microloans can be granted to micro-borrowers and, on the whole, poverty in developing countries may be alleviated.

MFI investments are medium to long-term emerging market investments that bear a distinct set of risks for investors. On the one hand, investors face risks that are

inherent to the nature of the microfinance sector, while on the other hand various risks emanate from the country risks typical of developing markets. With regard to country risks, investors need to be aware of the fact that legal, institutional and macroeconomic situations in developing countries differ substantially from those in developed countries. A number of risks for investors might emerge from lower standards of financial reporting, greater political instability, exchange rate controls, currency devaluations, liquidity crunches, restrictions on the transfer of private capital or on investments of foreigners. In case one of these risks materialises the value of a microfinance investment might be impaired.

Microfinance investment funds (MFIFs) are increasingly seen as a core part of the funding of microfinance institutions (MFIs). MFIFs take various legal forms and structures set up by a variety of players. But all serve the same purpose, which is to channel increasing funding to micro-entrepreneurs via MFIs in developing countries and transition economies. MFIFs are also a convenient tool to invest collectively in a wide and diversified range of MFIs. Suppliers of funds are able to reach a larger number of local institutions through such diversified vehicles. The latest developments demonstrate that whenever a microfinance investment fund is structured appropriately for its targeted investors, there is no lack of financial resources. Even private donors and development agencies that have been the traditional sources of funding for microfinance are increasingly keen to create such structures in order to attract additional providers of financial resources.

One of the easiest and surest ways of starting up and being an entrepreneur is to invest your own money in the business. Your own money has no strings attached to it and you can pretty much do what you want to. A business can be self-funded through personal savings, but it does have some limitations. You may not have the optimum amount of money needed to start the business and the risk of using your savings to fund a business that may or may not work is always risky. When a business is generally self-funded, the entrepreneur may choose to bootstrap. This happens when the entrepreneur uses the cash generated by the business to keep it running and also grow the business. This is an ideal way to run a business, since the entrepreneur keeps complete control of the company and in fact does not have to pay any additional

amount as interest that comes with every loan that one takes. On the flip side is the fact that money is again limited and growth for the business.

iv. Entrepreneurial Environment

When policies and practices negatively affect clients businesses, a microfinance institution or donor may choose to undertake environment level interventions, such as policy and advocacy work, in addition to providing or supporting the provision of financial services. Advocacy can include helping clients organize to protest unfair policies or treatment. Microfinance institutions can influence policy by working alone or through coalitions of similar organizations to lobby appropriate government or regulatory bodies on behalf of their clients (Pitt, Mark M.; and Khandker, Shahidur R., 1998),

With regard to entrepreneurship, both formal or regulative institutions such as policy- and economy-related rules and organizations and informal institutions such as norms and values of a society influence the extent of entrepreneurship as well as the nature of actions taken by entrepreneurs. Examples of formal institutions influencing entrepreneurship include the political and economic constitution, the legal framework and the financial system. Informal institutions refer to codes of conduct, values and norms, i.e., those uncodified attitudes which are embedded in a society, regulating individual behavior. Codes of conduct and values reflect the collective, tacit interpretation of individual mental perceptions (Denzau and North 1994). As North (1990) put it: "They [the informal institutions] come from socially transmitted information and are part of the heritage that we call culture."

Micro enterprises and small business may be affected negatively by government policies through excessive regulations, prohibitive levels of taxation, inadequate government protection against cheap imported products, laxity about black markets (which results in unfair competition for the micro business sector), harassment by government officials for operating businesses on the streets, and inadequate services and high user fee in public market structure. Many of these regulations work effectively to encourage micro enterprises to remain outside the legal or formal mainstream (Khandker, S. R.; Hussain, S.; and Zahed, K., 1998).

Entrepreneurship education has generated considerable interest in recent decades, largely attributable to the evidence of the positive impact of small and medium-sized enterprises on economic growth, job creation, innovation and wealth generation. Since the first entrepreneurship course

The role of public policy in shaping the entrepreneurial environments. Environmental conditions of a particular country or region; and general environmental conditions for entrepreneurship; the available literature on entrepreneurial environments can be grouped into broad streams: supportive infrastructure ,provision of training and support services , favorable government policies , high degree of competition among firms,accessibility of suppliers and customers or new markets ,presence of experienced entrepreneurs and skilled labor force ,legal and institutional frameworks for efficient functioning of private enterprises and General environmental conditions that may influence entrepreneurship Environment.

2.2 Theoretical Review

Batliwala (1994) identified three approaches to women's empowerment: the integrated development approach which focused on women's survival and livelihood needs; the economic development approach which aimed to strengthen women's economic position and the consciousness approach which organized women into collectives that address the source of oppression.

Malhotra (2002) constructed a list of the most commonly used dimensions of women's empowerment, drawing from the frameworks developed by various authors in different fields of social sciences. Allowing for overlap, these frameworks suggest that women's empowerment needs to occur along multiple dimensions including: economic, socio-cultural, familial/interpersonal, legal, political, and psychological. It has been well-documented that an increase in women's resources results in the wellbeing of the family, especially children (Mayoux, 1997; Kabeer, 2001). A more feminist point of view stresses that an increased access to financial services represent an opening/opportunity for greater empowerment. Such organizations explicitly perceive microfinance as a tool in the fight for the women's rights and independence.

Ranjula Bali Swain (2007) *Can Microfinance Empower Women? Self-Help Groups in India* concluded many strides have been made in the right direction and women are

in the process of empowering themselves and NGOs that provide support in financial services and specialized training, have a greater ability to make a positive impact on women empowerment. SusyCheston, Lisa Kuhn in their article titled 'Empowering Women through Microfinance' concluded Microfinance has the potential to have a powerful impact on women's empowerment.

Swaina and Wallentin (September 2009) in their article 'Does microfinance empower women? Evidence from self-help groups in India' concluded that their study strongly indicate that SHG members are empowered by participating in microfinance program in the sense that they have a greater propensity to resist existing gender norms and culture that restrict their ability to develop and make choices.

A study in rural areas of 185 women borrowers and 209 non-borrowers was conducted to examine the role of microcredit on women life, particularly in household decisions and resources control. In addition, the study assesses the tendency of women borrowers to have access to income and wealth after receiving microcredit. A survey and focus group discussion was performed in each women groups. An exploratory factor analysis and propensity score matching were employed respectively. The empowerment was measured based on women decision-making, income, and the value of accumulated assets. The author's find that access to microcredit increased women participation in decision-making on subjects relating to both their practical and strategic gender needs. In addition, women income, as well as household assets, was shown to be higher among the borrowers compared to non-borrowers.

Microfinance provides access to low-income financial and non-financial services access to money to start or develop their income generating activities. Individual loans and savings for the poor Small customers. Microfinance has been noted with satisfaction that some micro-entrepreneurs and poor people it can be "repaid", that is, how can you pay the loan and interest on time, and also make savings; Services are designed to meet your needs. Microfinance has created financial products and services, with low-income people to be customers of the bank (Khan & Rahaman, 2007).

2.3 Review of journal article

Supply of the loans to the poor people, savings and the other basic financial services is considered as the microfinance. The people who manage the micro and the small enterprises to meet the requirement of the working capital, building of the new assets and protecting themselves against the risk will have to need of the different range of the financial instrument (Ehigiamusoe 2005). In the recent global environment the microfinance institute are delighted instruments for filling the gap of services of conventional banks, boundaries in reaching vulnerable and poor with banking services. In the course of these MFIs, the poor are able to right of entry financial services, which up to that time were completely available to the upper-income people. The fundamental suggestion on the back of the intervention is that right to use to micro-finance services such as micro credit, savings, and micro-insurance to the poor which could help them. According to the Hulme and Mosley (2005) various studies indicate that in the community credit is only one aspect in the production of output or income. Microfinance has offered to the community to use of finance method for their new business through which their living standard increase, new socialist regions construction and won the support of agriculture and former. In the china the impacts of the microfinance is in the term of the unfairness and also find there are lot of benefit of the microfinance for the women, increase the economic power, providing the better living standard quality and also delivering the stronger social empowerment (Ranjula Bali Swaina and Fan Yang Wallentin, 2009).

Littlefield and Rosenberg (2004) state that the poor are generally excluded from the formal financial services sector, as a result to fulfill the gap in the market MFI have emerged. These MFIs have become part of the formal financial system of the country and they can access capital markets to fund their lending portfolios (Robinson, 2002).

According to Mosedale (2003), to empower people, they should currently be disempowered, disadvantaged by the way power relations shape their choices, opportunities and well-being. She went on to say that empowerment cannot be bestowed by an external party, but must be claimed by those seeking empowerment through an ongoing process of reflection, analysis and action (Mosedale, 2003). She further goes on to say “women need empowerment as they are constrained by the

norms, beliefs, customs and values through which societies differentiate between women and men” (Mosedale, 2003, p. 3).

A small number of surveys have also been conducted that microfinance enhance the living standard and which impact on the economic development (Hulme and Mosley, 1996), that the case in point based on the argue against on fact combined approach, analyzed the impact of microfinance on the enhance the living standard and impact on the economic development using sample data for India, Indonesia, Bangladesh and Sri Lanka and it Conclude that growth of borrower income enhance that of control group and increase income of the borrower is better for the borrowers. Like this the Mknelly et al.(1996) in their survey shows the positive benefit of the microfinance for the borrowers.

According to the Armendáriz, Beatriz; and Morduch, Jonathan (2005) Living Standard indicate that level at which people are in the position to gather their capital and received better living with such income for communication, foods, education, transport, health and clothing, etc. which enhance the economic development. The microfinance is a form of the development that basic purpose is to enhancing the living standard of the community by delivering the financial services to the poor which lead the economic development Barr & Micheal S.(2005). They also state that major community think that the microfinance is a micro credit i.e. providing the small amount of the money to the poor, but the microfinance is not a smaller perspective it include the insurance, transactional services and saving which is not in the service of the micro credit. One of the experimental evidences indicate from various papers such as Akinsanmi, A. (2005), World Bank (2012), NVIVO Manual (2012), Noreen, S. (2011), Nader, Y.F. (2008), Mustafa, Z. & Ismailov, N. (2008) found that the advantages of microfinance for the poor and it increase their living standard especially in health treatment and education. In the developing countries more than 80% households do not have accessing the services of the banking institution. It is due to the lack of collateral to secure loans from the financial institute.

In view of the Manadhar and Pradhan(2005) that microfinance is an successful development tool for the improvement of the economic sector since financial institute service make possible to poor and household whose income are low to obtain advantages of the economic opportunities for enhancing their living standards by self-

employment. They also notify that it can't be reject that poor do not have wealth, so in this case the low income households need financial support. The microfinance value for the most part in the countries perceived to be poverty suffering has been rising in currently years which have lead to policy makers of many countries to take on national micro-finance policies and programmers (Manandhar&Pradhan, 2005). According to the Swain, R. B. (2007),that common weapon which promote the economic growth and enhance the living standard of the individuals are increase by the micro financing. They also state that in the Kenya, employment in enterprises has been estimated more than 20% of adult and the national growth Domestic product is 12 to 14% in the small and the medium scale enterprise.

According to the Jonathan Morduch& Robert F.(2002) that “for the enhancing the living standard for the improvement of the economic development and increasing of the living standard Micro finance has been confirmed to be an effective and powerful tool, like various other tools of development.

In view of the (Dandana and Nwele, 2011) that microfinance banking service providing the best service and playing the important role in the community in the modern age, as delivering the micro credit loan to the small and medium scale former. It became the cause of enhance the living standard of community. Mostly commercial banks give the loan to the medium and large enterprises but they are unable to recognize the credit worthy (Anyanwu, 2004).

According to the Sarania and Maity (2013), that increase in the level of the investment and level of the saving become the source of collective capital per employee bring into being. One of the empirical study of the Savita and Jyothi (2012)show the response of the 66 sample of developing countries that export and investment are those factor which enhance the economic development. Recent survey of the World Bank shows that the higher economic development is due to the higher level of the investment. Investment include those factor which are to whole economic activity and that entire factor are involve to product the goods and services. Investment is major instrument which are used to enhance the productivity of the country and use to introduce the producer. Investment directly and indirectly effect on the productivity of the business. Investments in the agriculture research improve and facilitate the research and its dimension for increase the production. According to

Singh(2013) that investment in the community enhances the growth and development of the economy also increase the efficiency of the investment.

Akasamire (2010) wrote that firm growth opportunities has a correlation with liquidity levels, enterprises with more investment opportunities keep higher liquidity levels in order not to limit or cancel their profitable investment projects. It can be argued that these kind of firms would require a reliable savings institution to enable them maximize on their growth opportunities, MFIs should establish effective savings programs by transforming their capabilities to support SME saving services. However it should also be noted according to Gray, Saunders and Goregaokar (2012) that too much liquidity is harmful as SMEs might not spend it wisely effective training on cash flow management is also important.

It is worthy to note that the contribution of microfinance to entrepreneurship activities is increasingly being recognized as a primary engine of economic growth. By combining existing resources with innovative ideas, entrepreneurs add value through the commercialization of new products, the creation of new jobs and the building of new firms. The Global Entrepreneurship Monitor (GEM) indicates that nations with higher levels of entrepreneurial activity enjoy strong economic growth. In short, entrepreneurs are the link between new ideas and economic development. Speaking at the conference with a theme “Improving Access to Microfinance”, Swain, R. B. (2007), revealed that in order to sustain increase in participation of skilled entrepreneurs in the credit and other financial service delivery to the micro, small and medium enterprises in the microfinance sub-sector, Central Bank of Nigeria (CBN) is forging ahead in its determination to develop a pool of articulate and well-focused entrepreneurs through setting up one Entrepreneurship Development Centre (EDC) in each of the six geo-political zones in the country. The three pilot entrepreneurship development centres created have commenced operation since January, 2008. The centers are in Kano (North West), Ota (Southwest) and Onitsha (Southeast). Since after that conference, many EDC has been set up by CBN in many states of the federation which is inline with the achievement of the Millennium Development Goals (MDGs). Interestingly, researchers and scholars have recognized the crucial role that entrepreneurship plays in economic development of nations, especially through the development of microfinance sub-sector.

Sarania (2014) affirm that entrepreneurial development is a disposition to accept new ideas and try new methods; a readiness to express opinions, a true sense that make men and women more interested in the present and future than in the past, a better sense of punctuality, a greater concern for planning, organization and efficiency, a tendency to seek the world as calculated a faith in science and technology and finding a belief in distributive justice. The study is to know how successful entrepreneurship development through microfinance institutions will result in creation of jobs, develop greater skills that can be more readily adopted by local residents (Sarania, 2013 and Rolands, 1997).

2.4 Review of previous thesis

Poudyal (2005) who conducted research on the topic "Micro-finance and its impact on Economic Empowerment of Women" concluded that microfinance program is the best way to empower women economically as well as socially. MFP is fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities especially women.

Bhandari (2010) conducted thesis on socio-economic impact of microfinance for women and has summarized the positive correlation between investment and changes in income level of the participants shows that the capability of the entrepreneurs for the repayment of the loan in due time is good. Saving on the basis of the investment is found to be highly effective aspect of the program upon which training and income generating activities is based.

Neupane (2014) conducted thesis on "The effectiveness of microfinance in Nepalese economy". A case study of PratapurVDC, Nawalparasi, concluded that Microfinance has supported to respect the needs of the poor small clients of small loan. Due to the MFPs women and indigenous groups of deprived sector are greatly benefited.

Limbu (2014) explained about the microfinance and its socio-economic impact on rural women. He studied about the self-help banking program in Dhading district. He had concluded that involvement in the micro-finance programs have empowered women in varying degree. It has offered opportunities for poor women to come out of their household confines, to organize themselves in group and to work in productive and social activities. There is increase in healthcare, in case of women and children,

sanitation, reduction in smoking, alcohol consumption to due to awareness programs. Members have become more aware of gender equality, human rights and women rights. The study reveals that intervention of the MFI is significant in increasing the consumption pattern, health situation, sanitation.

Shakya (2016) conducted thesis of International Business on "Microfinance and Women Empowerment" concluded the following findings. The study establishes the concept about poor villagers as less risk taker to continue credit as they are highly depending on agriculture sector. Since urban women are completely on commercial business (no matter the type of business), they tend to be determined to continue loan rather dropping out caused by natural disasters for instance, floods.

2.5 Conceptual Framework

Microfinance and its contribution in the economy are significant. This sector contributes to reduce poverty, unemployment and inequality. This sector is self-employment generation and tries to raise living standard of people. Very few researches have been carried out in the case of developing countries like Nepal. But some effort has been made to find out the problem and these efforts are not sufficient. So a fresh and new research is significant. Economic impact assessment refers to the effects of MFP on respondent's economic aspects. The program helps not only the loanee but also their family members and the community. The impact assessment is made here on different headings.

For any business development, credit is an important thing. Absence of credit is a wall for investment and also for the economic growth. Access to credit can increase the adoption of new and more advanced technologies which allow the poor households to expand their enterprises and improve their income level and reduce poverty. Availability of credit increases the level of household's productive and physical assets and also improves the consumption of the poor.

Olajide (1980) recognized two sources of credits for entrepreneurs named as internal and external. He found that when the internal funds increase from net flow due to entrepreneurial activities, the external funds also increase from loans extended by micro finance providers. Rural enterprise needs capital which is held by microfinance providers, as financing to microenterprise is universal not only in rural areas but even in urban areas. Credit for small and medium enterprises provides an important tool for

the development of industrialization and improving the efficiency of the enterprise and increase productivity. The clients of microfinance are mostly self-employed low income entrepreneurs in urban and rural areas and include traders, subsistence farmers, street vendors, service providers etc.

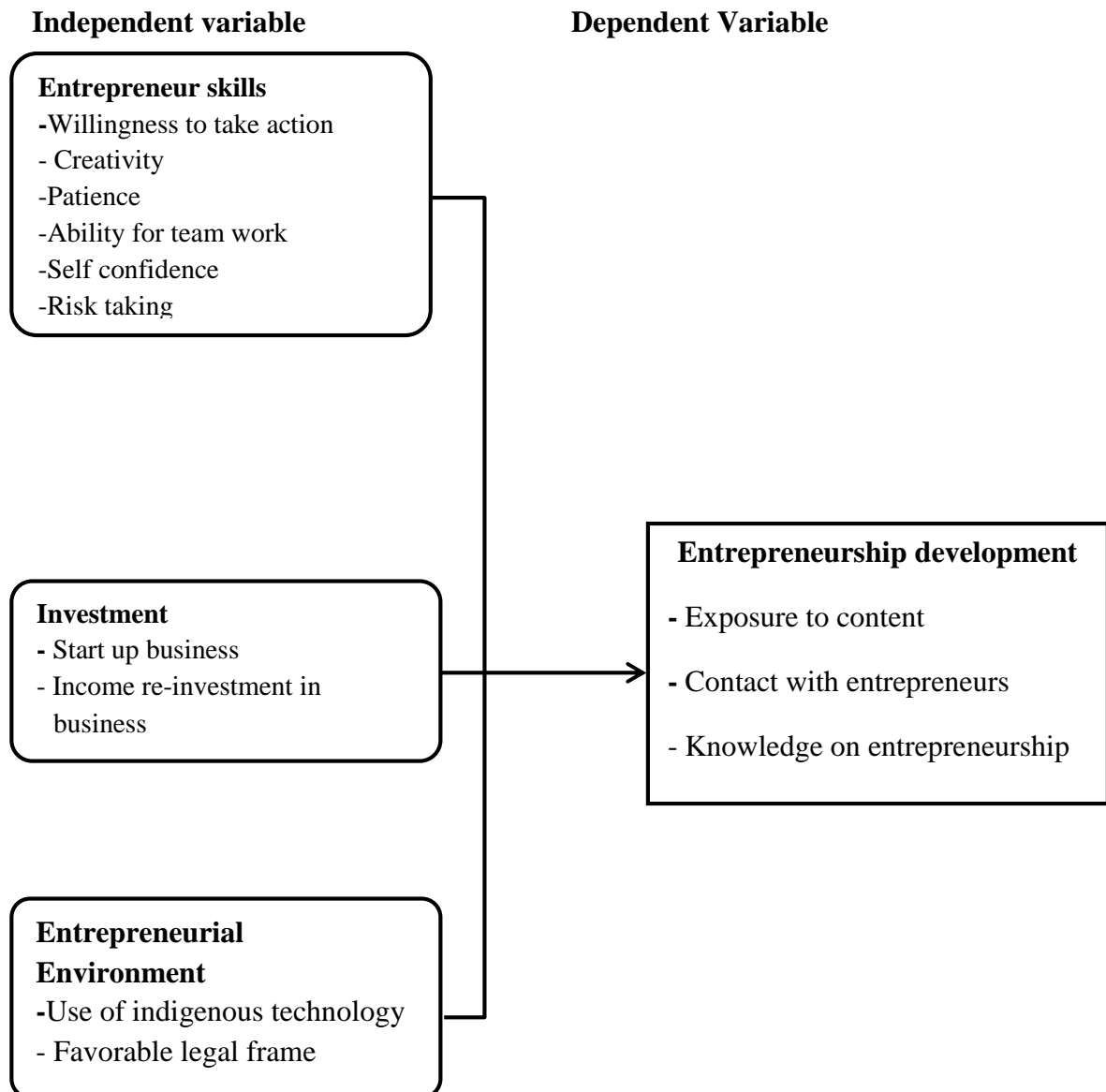


Figure2.1: Theoretical Framework

2.6 Research gap

According to the Puhazhendhi and Satyasai (2000), the common weapon which promotes the economic growth and enhances the living standard of the consumers are increased by the micro financing. The survey of the World Bank shows that higher entrepreneurship development is due to the higher level of investment. Thus, in this research the focus of the study on the factors affecting entrepreneurship development are entrepreneurs skills, Investment and entrepreneurial environment.

After reviewing related literatures of the concerned field it is concluded that the result of the findings is not similar over the period of time. Different scholars and researchers have different findings and conclusions in the field of microfinance and entrepreneurship development where variables, methodology, data analysis tools, sample and context were also different. A very few researches have included entrepreneurship development are entrepreneurs skills, Investment and entrepreneurial environment variables.

The literature review signifies that the microfinance is a developmental tool; it gives financial services to poor, low-income people and women to improve their economic condition. The microfinance program helps income generating activities to poor, which helps to empower them socially and economically towards self-sustaining life. This study showed that the involvement in business for earning and repayment rate of loan and its interest is also good of women members as compared to male. Besides this, it helps to increase the decision making power of participation in social issues.

The study mainly focuses on microfinance development bank, categorized under D class by NRB and NGO model of microfinance and collected data from 2020 January to 2020 February in Bardagoriya Gaupalika. This research selected members as a matter of study, which is majority in population but ignored from the stream of sustainable development of country and dominated by rich. Mainly, this research is focused on entrepreneurship development. This research has taken entrepreneurship development are entrepreneurs skills, Investment and entrepreneurial environment. However, this study is entirely new in Bardagoriya Gaupalika, Kailali. This research justifies the present work about MF.

CHAPTER III METHODOLOGY

Research methodology has been following to achieve the objective of this research paper. The research methodology includes research design, population and sample, sources of data, data collection, and processing procedure and data analysis tools and techniques.

This study based on the descriptive and correlational study in order to achieve the objective of the study. The relevant and needed data has collected through journals, newspaper, periodicals, bulletins, magazine's, published and unpublished reports from various sectors. Similarly, the primary data can be collected through sample survey, questionnaire, observation, direct interview as well.

3.1 Research Design

To conduct the research and realize the above mentioned objectives this research adopted descriptive and causal research design. In this study, the approach can employed to established how variables such as entrepreneur skills, investment and entrepreneurial environment.

Descriptive survey method was adopted in carrying out this study. Data were obtained through the use of questionnaires. The questions were done in simple and clear language to remove ambiguity. The response to each of the statements was on a 5 point Likert ordinal scale. The questionnaires (see appendix) were intended to generate responses that will assist the researcher to address the research problem, objectives, questions and hypothesis. The questionnaire used was self-administered and 120 respondents were selected for the purpose of analysis. The population of this study comprises of selected entrepreneurs in BardagoriyaGaupalika, Kailali district. .

The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that pertain to the research questions. As this research topic is based on the microfinance service and entrepreneurship development exploratory research helps to gather preliminary information that defines the problem to obtain deep insights into the entrepreneurship development measurement process of microfinance institution and relate it with research questions related to the entrepreneurship development. Similarly, descriptive research describes individual's

perception and demographics to the empowerment on the women clients involved in microfinance institutions at BardagoriyaGaupalika, Kailali district.

3.2 Population and Sample

This study has been carried out the study of women empowerment through micro finance in Nepal with reference of BardagoriyaGaupalika which the MFIs are

Ashalaghubitta, Swabalambanlaghubitta, Mirmirelaghubitta, Nepal agro, Mero microfinance, Forward laghubitta. The people who are member of different micro finance in BardagoriyaGaupalikaof Kailali district is a total population of the study. Where the member of microfinance are nearly 1350.

The people who are member of different micro finance in BardagoriyaGaupalika of Kailali district is a total population of the study, where the member of microfinance are nearly 1350, Out of the population 10% member such as 120 members has been selected conveniently all together from the different microfinance. A sample size of 120 was selected using stratified and simple random sampling given the heterogeneous nature of the entrepreneur population. The sample size chosen is presumed to be fairly large enough for meaningful analysis. This research is a judgment sample, a type of purposive sampling used in exploratory research in which the researcher selects a sample to meet specific criteria.

3.3 Sources of Data

The questionnaires has been structured in two sections. It also try to find out the level of financial knowledge of respondents. The questionnaires include both Likert scale questions and multiple choices question and option based questions.

3.4 Data Collection Procedure

The response categories, tabulated, processed, and analyzed, using different methods. Frequency distribution means and standard deviation calculated. To test the hypothesis, multiple regression analysis has been use.

The method use stepwise regression in order to find out checking the causal association between dependent and independent variables. SPSS software application will use for interpreting data.

3.5 Data Processing Procedure

The collected data has been edited, coded classified and tabulated in accepted from Microsoft excel. The processed data exhibit an appropriate situation of the performance related activities under microfinance program.

3.6 Data Analysis Tools and Technique

This study is based on both descriptive and causal approach. Statistical analysis tools also are used. The following techniques have also been followed in analyzing the data:

- i. Collection of relevant information
- ii. Classification and tabulation of data
- iii. Analyze and interpret the data various statistical tools can be used;
- iv. Identification of data suited to fulfill purpose of the study;
- v. Derived conclusion based on analyzed data.

3.7 Statistical tools

In this research the following statistical tools are used to find the objective of the research. The statistical tools are mean, standard deviation, correlation coefficient and regression analysis is used to analyze of research whereas table and graphs are also used to representation of analysis.

SPSS software application has been used for interpreting data.

I. Mean

The average measures condense a huge unwieldy data into a single value which represents the entire data. Since an average represents the entire data, its value lies between the two extreme observations, i.e. the largest and the smallest items in case of this paper i.e. income specifically represents. Hence Average represents the central value among large data. Average represents whole data in equal distribution although it is not actual value. Thus mean is calculated by the given formula.

$$\bar{X} = \frac{fx}{f}$$

Where \bar{X} = mean

f = frequency

fx = sum of the multiplication of frequency and no. of observation.

II Standard Deviation

The standard Deviation is powerful and useful measuring tools in dispersion in order to measure the size of deviation from the average. Standard deviation is the positive square root of the average mean of the squares of the deviations of the given observations from their mean. It is denoted by sigma (σ). Thus, if X_1, X_2, \dots, X_n is a set of n observations then the standard deviation is given by:

$$\sigma = \sqrt{\frac{1}{n} \sum X^2 - \bar{X}^2}$$

Where n= Total number of observations

III Correlation Analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between independent variables and dependent variables.

For the purpose of decision- making, interpretation is based on following term:

Assumptions

If $r = 1$, there is a positively perfect correlation between the two variables.

If $r = -1$, there is a negatively perfect correlation between the two variables.

If $r = 0$, the variables are uncorrelated.

The nearer the value of r to +1, the closer the relationship between the following variables and the value of r, the lesser the relation (Bajracharya, 2057).

Karl Pearson's correlation coefficient has been used to find out the relationship between the following variables.

Coefficient Correlation of Entrepreneurship development

Correlation coefficient between Entrepreneur skills , Investment , Entrepreneurial Environment (X) and Entrepreneurship development(Y).The main purpose of calculating correlation coefficient is to justify whether the microfinance services are significant role with Women Empowerment.

Karl Pearson's correlation coefficient (r) can be obtained as:

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

Where, \bar{X} and \bar{Y} are the sample mean.

IV. Regression analysis

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables. But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the two variables cannot be determined. In this case, regression analysis provides more information about the slope of the relationship. It is used to describe the nature of a relationship and to make predictions. Multiple regressions were used to explore the impact of independent variables Entrepreneur skills , Investment , Entrepreneurial Environment on dependent variable: Entrepreneurship development.

Statistically regression equation can be written as:

$$= + {}_1X_1 + {}_2X_2 + {}_3X_3 + e_j$$

Where,

$$\begin{aligned} &= \text{Entrepreneurship development (dependent variable)} \\ X_1 &= \text{Entrepreneur skills} \end{aligned}$$

X_2	=	Investment
X_3	=	Entrepreneurial Environment
	=	Constant
$\beta_1, \beta_2, \beta_3$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term

3.8 Variables and Measurement

Basically in this research the variables are classified into three categories they are:

- i. Entrepreneur skills
- ii. Investment
- iii. Entrepreneurial Environment

Measurement

This research is pure based on primary data so the research follows the analytical and co relational research design. The questionnaire will include both Likert scale questions and multiples choice question and option based question.

3.9 Reliability and validity test

The purpose of the validity and reliability analysis is to determine whether data are trustworthy or not. The designed questionnaire is finalized before requesting the respondents to participate. For the reliability test, Cronbach's Alpha was calculated for this questionnaire. It is generally used as a measure of internal consistency or reliability. If the calculated Cronbach's alpha is above 0.6, then the collected data are considered to be reliable. It is typically associated with internal consistency with values ranging from 0 to 1. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good' Sekaran (2000). Here, Cronbach's Alpha of Corporate Governance are considered as good, since they are greater than 0.8. Therefore, the instruments used in this research are considered to be reliable.

Topics	Cronbach's Alpha
Entrepreneurial skills	0.828
Investment	0.867
Entrepreneurial Environment	0.783
Entrepreneurship development	0.861
Overall (dependent and Independent)	0.790

Source: SPSS Output

Thus, the calculated reliability test is above the 0.6 hence the data are considered as acceptable.

CHAPTER IV

RESULTS

4.1 Data presentation and analysis

This chapter attempts to analyze the information received from the questionnaires, field survey and informal discussions with women. Especially analysis process and contents are determined as per set of objectives for the study. It consists of entrepreneur skills, Investment, and entrepreneurial environment that helps to enhance the entrepreneurship development. In this chapter the analysis is based on descriptive and co relational analysis.

4.1.1 Socio-demographic characteristics of respondents

Being the study of micro finance targeted to the women, this research work has studied women from different microfinance; to know the women's activities researcher have asked various structural questionnaires. Therefore, this selection consists various information of respondents like an age, income level, occupation, educational status and marital status of respondents. These all are scattering of the following term.

The respondents considered in this research are the women of Bardagoriya rural municipality who had started or expanded their business after joining microfinance. The response from those women who were collected and analyzed in order to determine the microfinance institutions and its relationship with entrepreneurship development. Microfinance institutions have been selected to collect the data of business women clients. During the sample study period, a total of 120 women taking loan from microfinance to start or run the business had been interviewed personally for the study. For the study, it was necessary to know the background of the respondents in terms of age, type of occupation, educational status, marital status and level of income were the indicators.

Table 4.1 Profile of respondents based on age of respondents

Age group	Frequency	Percent	Cumulative Percent
20-30	26	21.7	21.7
31-40	47	39.2	60.9
41-50	31	25.8	86.7
51- Above	16	13.3	100.0
Total	120	100	

Source: Field Survey, 2020.

Table 4.1 showed that out of the total 120 women clients from Bardagoriya rural municipality, maximum respondents belonged to the age of (31-40), it meant that women of this group were more likely to be a micro entrepreneurs. Women's ranging from 20-30 years of age had 21.7% while the women of age group 41-50 years (25.8%) had moderate participation in microfinance and 51 above age group had very little involvement in microfinance for their micro enterprise.

Table 4.2 Profile of respondents based on marital status

Marital status	Frequency	Percent	Cumulative Percent
Single	33	27.5	27.5
Married	87	72.5	72.5
Total	100	100	100

Source: Field Survey, 2020.

Table 4.2 showed that out of the total women clients married woman had occupied 72.5 % participation in microfinance services. It meant that married women were more likely to take loan from microfinance to be a women entrepreneurs. Only 27.5% women were single/unmarried who had become client of microfinance.

That figure shows that the participation of married women is high to become a micro entrepreneurs.

Table 4.3 Profile of respondents based on education status

Education	Frequency	Percent	Cumulative Percent
Under SLC	81	67.5	67.5
+2	21	17.5	85
Bachelor	14	11.7	96.7
Masters and above	4	3.3	100
Total	120	100.0	

Source: Field Survey, 2020.

Table 4.3 showed that majority of women were implicitly seen to be below SLC (67.5%). Almost all the clients of microfinance were below SLC, it meant that women who were less educated were more likely to join microfinance to be an entrepreneurs. The clients with intermediate were 17.5% and women with under-graduate education level were 11.7 %, graduate education level were 3.3%.

Table 4.4 Profile of respondents based on occupation status

	Frequency	Percent	Cumulative Percent
Agriculture	52	43.3	43.3
Business	45	37.5	80.8
Labor	8	6.7	87.5
Job	15	12.5	100
Total	120	100.0	

Source: Field Survey, 2020.

Table 4.4 showed that majority of respondents (43.3%) had involved in micro finance in order to start improved agriculture, poultry farming, vegetable production, buying seeds and fertilizer. While among total number of respondents 37.5% of women were found to be involved in microfinance for the purpose of starting business. Likewise 6.7% of women were labor and 12.5% of women had been doing job in different organization.

Women having profession agriculture had most involvement in microfinance because microfinance supports them for improved family by providing interest at lower rates. Business startup requires huge investment so 37.5% of women were involved in microfinance.

Table 4.5 Profile of respondent based on monthly income status

	Frequency	Percent	Cumulative Percent
Less than 5000	14	11.7	11.7
Less than 10000	33	27.5	39.2
Less than 20000	46	38.3	77.5
Less than 30000	19	15.8	93.3
More than 30000	8	6.7	100
Total	120	100.0	

Source: Field Survey, 2020.

Table 4.5 showed that most of the women's income level were less than RS 10000. Women having lower income level were (39.2%) which means that women having lower income is more preferable to be a part of microfinance service. 38.3% women's monthly income level were in the range of RS 10000-20000 . The level of income of the women's doing business were higher than those of women who were involved in agriculture. 15.8 % women who had been taking microfinance services, their income level were less than RS 30000 or in the range of RS 20000-30000 and just 6.7 % of the women had monthly income more than 30000.

The women having income less than 20000 have more involvement in the microfinance because the income is not enough to handle the family well-being and they had to depend on microfinance for increasing their life status.

Table 4.6 Position of Entrepreneurship Development

	N	Mean	Std. Deviation
Entrepreneur skills	120	3.0972	1.02070
Investment	120	3.2979	1.11817
Entrepreneurial Environment	120	3.2438	0.97039
Entrepreneurship Development	120	3.2773	0.79164
Total	120		

Source SPSS data.

Table 4.6 showed that mean value of entrepreneur skills, investment, entrepreneurial environment, and entrepreneurship development if found to be 3.0972, 3.2979, 3.2438 and 3.2773 respectively.

The Entrepreneurial skills(willingness to take action creativity,patience,ability for team work, self-confidence,risk taking) indicates average mean value 3.0972.

Similarly, in the investment sectors (start up business, re- investment in business income) have a average mean value 3.2979.

Moreover, the Entrepreneurial Environment (use of indigenous technology, favorable social environment) has an average mean value of 3.2438.

However, the Entrepreneurship development: exposure to content, contact with entrepreneurs, knowledge on entrepreneurship has an average mean value of 3.2773 which are more responsible in independent variable such as Entrepreneur skills (willingness to take action creativity, patience,ability for team work, self-confidence, risk taking), Investment (start up business, re- investment in business income) and entrepreneurial Environment(Use of indigenous technology, favorable social environment).

4.2 Correlation Analysis

Correlation analysis was done to find out the relationship between independent variable and dependent variable.

Table 4.7 Correlation Analysis

Pearson correlations	Entrepreneurship development	Entrepreneurial skills	Investment	Entrepreneurial Environment
Entrepreneurship development	1			
Entrepreneurial skills	.436**	1		
Investment	.387**	.590**	1	
Entrepreneurial Environment	.755**	.388**	.437**	1

** Correlation is significant at the 0.01 level (2 tailed).

*Correlation is significant at the 0.05 level (2 tailed).

Sources: SPSS Data

The table 4.7 showed that there is a significant correlation between entrepreneurship development with entrepreneurial skills i.e. ($r=0.436$). This implies that increase in entrepreneurial skills increase in entrepreneurship development of microfinance member.

The correlation coefficient between Investment and entrepreneurship development is ($r=0.387$). This shows that there is significant relationship which suggests that an increase in Investment also leads towards increase in entrepreneurship development. The correlation is significant at 1 percent level of significance.

Furthermore there is a highly positive relationship between Entrepreneurial Environment and entrepreneurship development ($r=0.755$). Thus, it can be said that the Entrepreneurial Environment leads to, entrepreneurship development of Microfinance members.

4.3 Regression Analysis

Regression analysis was done to find out the effect of predictors on the dependent variable. Linear regression were calculated and presented with F and t-value.

Multiple Linear Regression Model

$$= + {}_1X_1 + {}_2X_2 + {}_3X_3 + e_j$$

Where,

- Y = Entrepreneurship development (dependent variable)
- X_1 = Entrepreneurial skills
- X_2 = Investment
- X_3 = Entrepreneurial Environment
- a = Constant
- ${}_1, {}_2, {}_3$ = Regression coefficients of Factor 1 to Factor 3 respectively
- e_i = Error term

Table 4.8 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.771*	.595	.584	.51044

Sources: SPSS Data

* Predictors Entrepreneurial environment, Entrepreneurial skills, Investment

Table 4.8 showed regression analysis. We know that R^2 measures how much of the variation in the dependent variables can be explained by the independent variable. In this study we have found $R^2 = 0.595$. It means 59.5 % of variation of entrepreneurship development has been obtained because of the changes made by independent variable (entrepreneurship skills, investment and entrepreneurship environment).

Table 4.9 ANOVA Analysis

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	44.352	3	14.784	56.743	.000
Residual	30.223	116	.261		
Total	74.576	119			

Sources: SPSS Data

a. Dependent variable: Entrepreneurship development

b. predictors Entrepreneurial environment, Entrepreneurial skills, Investment

The ANOVA test shows that the calculated p-value, 0.000, which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (Entrepreneurial environment, Entrepreneurial skills, Investment) are significant in explaining the variance in Entrepreneurship development.

Table 4.10 Coefficients Analysis

Model	Unstandardized		standardized	T	Sig.
	Coefficients		Coefficients		
	Beta	Std. Error	Beta		
(Constant)	1.059	.189		5.591	.000
Entrepreneurial Skills	.140	.058	.181	2.430	.017
Investment	-.017	.054	-.02411	-3.17	.752
Entrepreneurial Environment	.567	.054	.696	10.412	.000

a. Dependent Variable: Entrepreneurship development

$$= 1.059 + 0.140X_1 + -0.017X_2 + 0.567X_3$$

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable.

The table 4.10 showed that entrepreneurial Environment carries the heaviest weight for Entrepreneurship development. The value of $\beta_1=0.567$ indicates that 1 level increase in entrepreneurial environment increases 0.567 level in entrepreneurship development. It showed that there is the high positive impact on entrepreneurial environment on entrepreneurship development of micro finance members.

Entrepreneur skills $\beta_2=0.140$, indicates that 1 level increase in entrepreneur skills increases 0.140 level in entrepreneurship development. It showed the positive impact of entrepreneur skills on entrepreneurship development.

Investment $\beta_3=-.017$ indicates that higher level of investment may not lead to entrepreneurship development. It also indicates that when the member of micro finance increase the level of investment became the issue to left micro finance and to join another financial institutions as bank. It is found that investment is not a good predictor to measure entrepreneurship development.

4.4 Major Findings

The major findings of the study can be presented below in point wise:

1. There is a significant relationship between entrepreneurship development and entrepreneurship skills i.e. ($r = 0.436$). The increase in entrepreneurial skills have a positive effect on entrepreneurship development. The responses from respondents showed that entrepreneurial skills is one of the key factor to measure entrepreneurship development.
2. The correlation between investment and entrepreneurship development is 0.387. It also showed that increase in investment also leads towards increase in entrepreneurship development of microfinance member.
3. There is highly positive relationship between entrepreneurial environment and entrepreneurship development. The correlation between entrepreneurial environment and entrepreneurship development is 0.755. It seemed that when microfinance creates good entrepreneurial environment member of microfinance becomes more innovative to do business. Thus it can be said that entrepreneurial environment leads towards entrepreneurship development of microfinance clients or members.
4. The regression analysis showed that 59.5% of variation of entrepreneurship development have been obtained because of the charges made by entrepreneurial skills, investment and entrepreneurial environment. Thus, it can be said that each variable increment leads to entrepreneurship development of microfinance member.
5. In comparison to other variables investment had low positive impact on entrepreneurship development of MF members. It showed that when the member of micro finance increases their investment level they try to left micro finance and go towards other financial institutions as bank.
6. Thus in sum of it is found that the Entrepreneurship development: (exposure to content, contact with entrepreneurs, knowledge on entrepreneurship) has the average mean value of 3.2773 which are more responsible in Entrepreneur skills (willingness to take action creativity, patience, ability for team work, self-confidence, risk taking), Investment (start up business, re- investment in business income) and Entrepreneurial Environment. (Use of indigenous technology, favorable social environment).

CHAPTER V

CONCLUSIONS

This final chapter involves Discussion, conclusions and implications of the research work. The facts and findings from primary data analysis are presented in this chapter.

5.1 Discussion

Different studies have been conducted on different aspects of microfinance such as importance of microfinance, beginning of microfinance, performance of microfinance institutions, effectiveness of microfinance etc. However this study is concerned with role of microfinance on entrepreneurship development. Entrepreneurship is the manifest ability and willingness of individuals, on their own, in teams, within and outside existing organizations, to perceive and create new economic opportunities (new products, new production methods, new organizational schemes and new product market combinations), and to introduce their ideas in the market, in the face of uncertainty and other obstacles, by making decisions on location, form and the use of resources and institutions.

Gobbi(2005) has study on “Nepal and Pakistan micro-finance and microenterprise development: Their contribution to the economic empowerment of women” used primary data interviewed more than 100 women from the three different MFIs from each country. They found that micro-finance and microenterprise development may serve as a tool towards the positive social change and contribute in improving the political and social status of women.

Bharti(2006) has made a study on the Microfinance and sustainable micro entrepreneurship development. They found that Microfinance plays an important role in microenterprise development. Microenterprise needs not only credit but they also need a variety of other services for its growth and development. Credit alone is not sufficient for promoting microenterprise but in the presence of lack of access to credit it is also difficult for any non-financial support to work. The role of various microfinance services such as savings, insurance and money transfer in promoting sustainable micro entrepreneurship need to be explored and given attention. Government and non-government entities also need to work together for creation of

enable environment. Then these microenterprises can grow and contribute efficiently towards the larger objective, which is to reduce poverty.

The results of this study suggest that microfinance programs have created a positive impact on its beneficiaries. Majority of the respondents are engaged in various income generating activities because of the credit facilities provided by microfinance institutions. This helped them to earn income for their family and also enable them to play an important role in their family and in society as well. There has been a significant improvement in their income and savings after participation in microfinance programs. Microfinance has also reduced dependence on informal financial sources. Before joining microfinance programs, majority of member were depending upon informal financial sources for availing loans or to meet their financial requirements. On the other hand, after joining microfinance programs, they became more aware about the benefits that they receive from formal financial sources, and also the illegal practices followed by informal sources. This made them shift from informal sources to formal financial ones. This was the same for the case of savings. Before joining microfinance programs majority of member were putting their savings into informal financial instruments. On the other hand, after joining microfinance programs, they shifted towards formal financial instruments. It was also found that microfinance programs have entrepreneur. Most of the respondents have indicated that there was a significant improvement in their social, economic and political empowerment after joining microfinance programs.

In this study the concern of entrepreneurship development on economically, socially strong and power on decision-making and their involvement in the society. In this study microfinance service and entrepreneurship development. Another aspect of improvement consist their life style. Similarly, the perception of member about MF includes clients perception, social response to women and dependency level. The main focus of the study is to make improvement of member on their personal status.. By taking required samples from study area, and the number of sample are 120 samples, the data have been collected by structure questionnaire, observation and interview; collected data are analyzed, tested, interpreted by using descriptive.

Above different studies show that various studies conduct on microfinance and entrepreneurship development. This paper find the role of microfinance institutions in entrepreneurship development in BardagoriyaGaupalika of Kailali district and also measure the level of satisfaction of microfinance institution clients toward their respective banks.

The total 120 microfinance clients from BardagoriyaGaupalika, depicts the age of the women clients taken under study. Observing the age structure of sampled respondents, it was found that most of the respondents were in the age group of 31-40 years of women are participation. It shows frequency table of age group of members of microfinance where the highest age group is 31-40 years Thus it is noted that, the majority of member (39.2%) who are engaged in microfinance activities. The types of business that most of clients was involved in were groceries and other kinds of shop and only few of them were involved in agriculture, animal husbandry.

Out of the total women clients married women had occupied 72.5% participant in microfinance activities for becoming micro entrepreneurs. It means that married member were more likely to take loan from microfinance to be micro entrepreneurs. Only few unmarried member had taken loan and became clients of microfinance. From this it can be seen that married member has responsibility towards the family so they would like to engage in income generating programs to uplift the focus in their self-indulge and they are not matured enough in comparison.

The level of education is among the factors which influence respondent's level of thinking and judgment, so education level is considered while conducting the study. it is found that the maximum number of or percent of the clients have under SLC level of education 67.5%. Educated member are capable and qualified educationally to get engaged in any fields and areas of their expertise. Less educated member are not capable and qualified enough so they are dependent upon the microfinance service for uplifting their livelihood. This study covers the opinion of the member from the under SLC educational status women. Thus, findings of the study can be generalized in the same educational status group only.

The majority of the respondents (43.3%) had taken loan from microfinance in order to start improved agriculture, poultry farming, vegetable production, buying seeds and fertilizers. While among total number of respondents member were found to take loan from microfinance for the purpose of starting business. Likewise member had been doing job in different organization in the lower post like sweeper, gardener had taken loan and labor in local area. Women having profession agriculture had most involvement in microfinance because microfinance supports them for improved farming by providing interests at lower rates. Business start-up requires huge investment so only few member take loan for business set up. This study covers the opinion of the member from the business and occupational. Thus, findings of the study can be generalized in the same age group only.

Most of the member's income level were less 20000 had 27.5%. Member having middle income level were more preferable to be a part of microfinance service. Because the main focus of MFIs is to vacillate those people who have low income generation source. To be a part of MFIs no need more literate to follow the legal procedure, costumer can take directly credit facility without collateral. The member having income 20000 has most involvement in the microfinance because the income is not enough to handle the family wellbeing and thus has to be dependent on the microfinance for increasing their life status.

To conclude, micro finance schemes have helped women to become more creative, intelligent, and innovative. After joining micro finance services they are able to rake risk due to the entrepreneurship development program provided by micro finance. Micro finance have been encouraged to invest in business to their clients. In this study entrepreneurship development through micro finance services consists various sub headings such as entrepreneurial skills, investment and entrepreneurial environment. The main focus of the study is entrepreneurship development through the micro finance services. The result shows how micro finance supports in entrepreneurship development of their clients.

5.2 Conclusions

The services of micro finance program aim is to raise entrepreneurial level of their members. Micro finance specially focus to raise social and economic status of women, empower them and uplift their vulnerable status to the prestigious entrepreneur and self-sufficient member of the society. From the discussion of all reported data and information, a sharp conclusions appears as following. Some of the conclusions can be derived about the program as implemented the study area of Bardagoriya rural municipality.

1. After joining MFI, women are able to generate regular income through their business. Entrepreneurship development program supports them well to start venture.
2. Level of confidence of clients to do business is high after involving in MFI.
3. MFI encouraged women to do business by providing necessary information about the different environmental situation.
4. Investment had low positive impact on entrepreneurship development of a member. It showed that when clients increase their investment level they left MFI and join to other large institutions.
5. Majority of respondents were engaged in various income generating activities as entrepreneur because of the credit facilities provided by MFI.

The overall impact of the program is found to be satisfactory. All the participants of the sample survey have been able to increase their level of entrepreneur skills, investment and supports from MFI in entrepreneurial environment. Thus, entrepreneur skills of member, level of investment and entrepreneurial environment of member helps to raise entrepreneurship development. The program has brought significant change in social and economic status of MFI members.

5.3 Implications

Based on the analysis, findings and conclusions the following implications are put forwarded.

5.3.1 General implications

1. Though MFI had supported their clients to do business but MFI had not provided sufficient training to use technology to their clients. So MFI should gradually increase the level of training to use technology.
2. The member of MFI are doing business at present but are unknown with the future of business. So MFI should must try to provide training to prepare well business plans.
3. Higher investment need huge amount of money. Clients who need high investment must be supported by MFI. Due to the lack of huge amount, members are trying to leave MFI.
4. MFI should provide necessary information about environmental situation to their clients. Proper knowledge on environmental situation may lead members to the field of business.
5. Risk factor also be considered by MFI. MFI must help to hedge risk of business. There is a lack of training on risk management for the member of MFI.

5.3.2 Implication for the Future Studies

1. This result is basically from the MF program. Thus, the study may include NGO relating microfinance, cooperative, and other microfinance running from commercial banks.
2. The sample size is limited and it is purely based on primary data so further research can be done in large sample size and data could be both primary and secondary data.
3. This study has considered only three variables of entrepreneurship development. Further research can be conducted considering more variables.
4. This study is concentrated only in Bardagoriya rural municipality of Kailali district, further research can be conducted considering for wider and different areas.
5. This study can be useful for microfinance, stakeholders, BIFs, researchers, and general public.

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Questionnaire

Dear sir /madam

My name is DeependraKandel. I am a student of MBS from Central Department of Management. I would like to request you for spending few minutes to fill up this questionnaire. This survey aims to capture the fact about the Microfinance Services and Entrepreneurship development. This information will be used for academic purpose in understanding Income level and entrepreneurial skill through the intervention of MFIs and also help in re-thinking and restructuring their existing policies and practices for effectiveness of various microfinance programs. Your valued information will be highly appreciated. Your information will be strictly confidential.

Section A

Demographic information

Respondent name:

1. Age group
 - a. 20-30
 - b. 31-40
 - c. 41-50
 - d. 51-above
2. Marital status
 - a. Single
 - b. Couple
3. Educational Status
 - a. Under SLC
 - b. +2
 - c. Bachelor
 - d. Masters and above
4. Occupation
 - a. Agriculture
 - b. Business
 - c. Labor
 - d. Job
5. Monthly income level
 - a. Less than 5000
 - b. Less than 10000
 - c. Less than 20000
 - d. Less than 30000
 - e. More than 30000

Section B

Please complete the following questionnaires on a scale of 1 to 5. (1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5 strongly agree)

Variable	Research Questions	1	2	3	4	5
Entrepreneurial skills	<p>I am willing to take action after the training provided by MFI.</p> <p>I am creative enough to develop entrepreneurship after joining MFI.</p> <p>I am able to do team work to develop entrepreneurship due to MFI.</p> <p>I am able to take risk for entrepreneurship development due to risk management program from MFI.</p> <p>I am able to keep my patience on business results after joining MFI.</p> <p>I have self-confidence to start and manage the business after joining MFI.</p>					
Investment	<p>I have started my own venture after joining MFI.</p> <p>I have reinvested in business to the profit earned from previous venture.</p> <p>I am able to generate regular income after joining MFI.</p> <p>I have been encouraged to invest in business by MFI.</p>					
Entrepreneurial Environment	<p>MFI provides training to use technology.</p> <p>MFI created favorable social environment for startup.</p> <p>MFI provides technology to start venture.</p> <p>MFI supports in capital to start up.</p>					

<p>Contact with Entrepreneurs</p>	<p>MFI keeps in touch with clients who have initiated enterprises.</p> <p>MFI provides necessary information about environmental situation.</p> <p>MFI keeps necessary information about the business as well as entrepreneurs.</p> <p>MFI provides necessary support to improve knowledge</p>					
<p>Knowledge on entrepreneurship</p>	<p>MFI provides training on entrepreneurship development.</p> <p>MFI imparts sufficient knowledge on market situation.</p> <p>MFI encourages people to start new venture.</p>					
<p>Exposure to content</p>	<p>MFI helps to prepare business plan through training.</p> <p>MFI educates about risk.</p> <p>MFI helps to hedge risk of business.</p> <p>MFI helps to acquaint people about business situation of particular people.</p>					

THANK YOU.