

**ECONOMIC IMPACT OF MICROFINANCE SERVICES
(A CASE STUDY OF RAMECHHAP MUNICIPALITY)**

A Thesis

Submitted By

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CERTIFICATION OF AUTHORSHIP

I certify that the work in this thesis has not previously been submitted for a degree nor has it been submitted as a part of requirements for a degree except as fully acknowledge within the text.

I also certify that the thesis has been written by me. Any help that I have received in my research work and the preparation of the thesis itself has been acknowledged. In addition, I certify that all information sources and literature used are indicated in the bibliography section of the thesis.

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RECOMMENDATION LETTER

It is certified that thesis entitled **ECONOMIC IMPACT OF MICROFINANCE SERVICES (A CASE STUDY OF RAMECHHAP MUNICIPALITY)** submitted by Prakash Kafle is an original piece of research work carried out by the candidate under my supervision. Literary presentation is satisfactory and the thesis is in a form suitable for publication. Work evinces the capacity of the candidate for critical examination and independent judgment. Candidate has put in at least 60 days after registering the proposal. The thesis is forwarded for examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled **ECONOMIC IMPACT OF MICROFINANCE SERVICES(A CASE STUDY OF RAMECHHAP MUNICIPALITY)** presented by **Prakash Kafle** a candidate for the degree of **Master of Business Studies (MBS-Semester)** and conducted the viva voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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LIST OF ABBREVIATIONS

CBB	=	Chhimek Bikas Bank
CGAP	=	Consultative Group to Assist the Poor
CMF	=	Center for Microfinance
CBOs	=	Community Based Organizations
CSD	=	Centre for Self- Help Development
DBB	=	Deprosc Bikas Bank
DLGSP	=	Decentralized Local Governance Support Program
FINGOs	=	Financial Intermediary NGOs
GON	=	Government of Nepal
GILBSL	=	Global IME Laghubitta Bitiya Sanstha Limited
LDF	=	Local Development Fund
MFDBs	=	Microfinance Development Banks
MFI	=	Microfinance Institution
MLD	=	Ministry of Local Development
MSPs	=	Microfinance Service Providers
NCDB	=	National Cooperative Development Bank
NGBBL	=	Nepal Grameen Bikas Bank Limited
NGOs	=	Non- Government Organizations
NMDBL	=	Neruda Microfinance Development Bank Limited
NULBSL	=	Nirdhan Utthan Laghubitta Bitiya Sansthan Limited

NRB	=	Nepal Rastra Bank
PAF	=	Poverty Alleviation Fund
PDDP	=	Participatory District Development Project
PPP	=	Public Private Partnership
RDBs	=	Regional Development Banks
RMDC	=	Rural Microfinance Development Centre
RSRF	=	Rural Self-Reliance Fund
SCCs	=	Saving and Credit Cooperatives
SFCLs	=	Small Farmer's Cooperatives Ltd.
SFDP	=	Small Farmers Development project
SHGs	=	Self-Help Groups
SKBBL	=	Sana Kisan Bikas Bank Limited
VB	=	Village Bank
VDCs	=	Village Development Committees

ABSTRACT

The development of the country is possible only if women folk are also developed. It has been observed that the social, economic and political status of women in rural areas remains very low. Microfinance program has been introduced for poor of the society targeting especially the women. Nepal is one of the developing countries in world. More than fifty percent population is occupied by women. Microfinance is a type of banking services that provides financial services. Microfinance is a small size financial services which covers micro savings, micro credit and micro insurance.

The main aim of microfinance is to empower women. In economic variables included income, investment, consumption and assets holding. This study is based on primary data through structured questionnaire to the women in Ramechhap Municipality. Data are analyzed by using appropriate statistical tools and percentage analysis as well as describe by tables and figures. Descriptive research design has used to collect the data and to know about behavior of respondents by convenient sampling technique.

This study investigates the economic improvement of women after involvement in microfinance services. The results show a positive impact on all variables. The study concludes that a microfinance institution plays a positive role on women by increasing their economic status.

CHAPTER-I

INTRODUCTION

1.1 Background of the Study

With the success story of Grameen bank in Bangladesh, microfinance has spread across the world and especially in south Asia with the main objective to reduce poverty. 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. (Modi & Patel & Patel, 2014) describes microfinance is the provision of financial services to low income clients who traditionally lack access to banking and related services. It focuses on alleviating poverty by providing financial services to poor women to take up income generating activities. Micro finances are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. The main aim of microfinance is to empower women.

Nepal is one of the developing countries in the world. As estimated in 2004, about 31 percent people (35 percent rural and 10 percent urban) are living below the poverty line. Nepalese women are one of the most socially and culturally helpless groups exposed to discriminations at home due to patriarchal structure, to exclusions in the working place due to deficiency in the literacy and skills and to marginalizations in the decision making process due to lack of executive and polity experience, non-affirmative action's from government and constitutional flaws (Bajracharya, 2005). "Microfinance" is termed as the financial service rendered to deprived groups of people and small entrepreneurs in saving, credit, remittance, rural, insurance, etc to help them in developing self-employment opportunities and various income generating activities. 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. Women who could gain access to microfinance services have been able to create self-employment opportunities and have been economically and socially empowered through increased income earning from their small projects. Many participating women have now become self-reliant both economically and socially with the acquired knowledge and skills, and the resultant income from the microfinance program. Thus, microfinance has become a strong means to reduce poverty especially of the women. Among the many developmental programs implemented in Nepal, microfinance programs seem to be rural oriented but actually outreach is still poor. They are “D” class financial institutions.

“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, 2018).

1.2 Microfinance in Nepal

Nepal Portal (2018) the microfinance sector was served by cooperatives (1950-1960s) and normal banks (1970-1980s) until 1980, when a number of pilot projects and initiatives were implemented to introduce the financial and banking services to help poor and women. However, few groups of poor people were benefited, but at the end these service were found ineffective. During the 1990s and early 2000s, the government moved further to strengthen the Microfinance Institutions to provide financial service to poor and women, with the formation of five Regional Development Banks (RDBs) in each Development region based of Grameen model with the sole objective to provide micro-credit services to the poor and women. Eventually these Regional Development Banks transformed to Microfinance Development Banks (MDBs) after privatization.

Soon after in early 2000s, a number of private microfinance and NGOs came into existence with microfinance programs. Under Grameen Model, NGOs such as Nirdhan Utthan Bank, Center for Self-help Development (CSD) successfully

implemented microfinance program and later transformed to Microfinance Development Banks. Similarly other Microfinance Development Banks, Chhimek Bikas Bank Ltd. (CBB), Deprosc Bikas Bank (DBB) and Nerude Microfinance Development Bank Ltd. (NMDB), were also formed.

During early 2000s, NGOs which were involved in community based financial activities were also legalized and licensed by Nepal Rastra Bank (NRB) to formalize micro financing services, as a result Financial Intermediary NGOs (FINGOs) were formed. Wholesale funding institutions were also formed during the early 2000s period. Nepal Rastra Bank formed Rural Self-Reliance Fund (RSRF) in the year 1991 to provide financial assistance to NGOs and Cooperatives. Rural Microfinance Development Center (RMDC) is the one such wholesale organization that was formed in 1998 under the Public Private Partnership (PPP) Program, where Nepal Rastra Bank has 26% stake and remaining stakes hold by 13 commercial banks. Sana Kisan Bikas Bank Ltd. (SKBBL) was formed in 2001 with the objective to finance Small Farmer Cooperatives Ltd. (SFCLs) and the National Cooperative Development Bank (NCDB) was formed in 2003 to support and finance the Cooperative organizations in the country. Nepal Rastra Bank, the central bank of the country regulates the Microfinance Development Banks (MFDBs) and Financial Intermediary NGOs (FINGOs) while the Small Farmer Cooperatives Ltd. (SFCL) and Savings and Credit Cooperatives (SCCOs) are governed by Cooperative Laws (Nepal portal, 2018).

All types of Microfinance services in the country are provided by Microfinance Institutions (MFIs) working as regulated MFDBs, FINGOs, SFCL, and SCCOs. Nirdhan Utthan Bank Ltd., Chhimek Bikas Bank Ltd., and Swabalamban Bikas Bank are the top three Microfinance Institutions in the country. Of the total borrowers under Microfinance Institutions, government Regional Development Banks serves almost quarter of the total borrowers, Microfinance Development Banks (MFDBs) servers almost the half of the borrowers and the remaining borrowers are serviced by FINGOs and Cooperatives.

1.2.1 Supporting Bodies to Microfinance Finance Institutions

Microfinance Institutions in Nepal are regulated by the Nepal Rastra Bank, the central bank of Nepal. It formulates policies and guidelines to support, supervise, monitor

and regulate the MFIs. Other institutions play facilitating role in the functioning of organizations. Some of which are listed below:

Table 1.1
Supporting Organizations to Microfinance Institutions

Organization	Description
Nepal Rastra Bank (NRB)	<ul style="list-style-type: none"> - Regulates Microfinance Development Bank - Formulates guidelines and issues directives for microfinance
Rural Self Reliance Fund (RSRF)	<ul style="list-style-type: none"> - Established by Government of Nepal under Nepal Rastra Bank - Micro-Finance Promotion and Supervision Department in 1991. - Provides wholesale funding to MFIs, including SFCLs, SACCOs, and FINGOs
Rural Microfinance Development Center Ltd. (RMDC)	<ul style="list-style-type: none"> - Established in 1998 - Provides wholesale loan to MFDBs and FINGOs at lower interest rates.
Center for Microfinance (CMF)	<ul style="list-style-type: none"> - Established in 2000 - Provides financial services like, credit, savings, to poor people and women - Conducts trainings, technical assistances, research, and policy advocacy to Microfinance Institutions.

Microfinance in Nepal has various programs targeted to women. The saving and lending products are designed in order to address the needs of women. The society of Nepal is patriarchal where men have more choices, freedom and access to resources. With the view of implementing equitable share of power, microfinance set women as their target group. However, there has been very less evaluation of impact of such programs in women. This study is conducted to analyze the economic impact of microfinance institutions in clients.

1.3 Statement of Problem and Research Question

The microfinance industry is characterized by too many small-scale suppliers with a relatively large potential market. Most of small-scale service providers are unable to diversify their risks adequately across space and activities that they finance.

In spite of gradual development of microfinance activities in Nepal, still the country has experienced some fundamental problems and issues in microfinance including

problems in identifying target groups, identifying potential projects that can be easily managed by the client's needs, misunderstanding about the interest rates used by some MFIs, lacking coordination across the MFIs and lacking microfinance related trainings to the clients. Despite the long history of microfinance and the large number of institutions involved in providing microfinance facilities in Nepal, their effectiveness in alleviating poverty in the country is not clear.

The research questions related to the study are as follows:

- 1) What was the economic status of the microfinance clients of Ramechhap Municipality before getting microfinance's services?
- 2) What is the economic status of the microfinance clients of Ramechhap Municipality after getting microfinance's services?
- 3) Is there significant difference in economic status of microfinance clients of Ramechhap Municipality before and after getting microfinance's services?

1.4 Purpose of the Study

The basic purpose of the study is to explore the effects of microfinance services in economic status of microfinance clients of Ramechhap municipality. The specific objectives of this study are as follows:

- a) To identify the economic status of the microfinance clients of Ramechhap Municipality before getting microfinance's services.
- b) To identify the economic status of the microfinance clients of Ramechhap Municipality after getting microfinance's services.
- c) To identify the difference in economic status of microfinance clients of Ramechhap Municipality before and after getting microfinance's services.

1.5 Statement of Hypothesis

Hypothesis is an assumption about a population parameter. This assumption may or may not be true. Hypothesis testing refers to the formal procedures used by statisticians to accept or reject statistical hypotheses. Hypothesis used in this study are:

H_{0(a)}: There is no significant difference in the average monthly income before and after the involvement in microfinance institution.

H_{0(b)}: There is no significant difference in the average monthly expenses on food items before and after the involvement in microfinance institution.

H_{0(c)}: There is no significant difference in the average monthly expenses on clothing items before and after the involvement in microfinance institution.

H_{0(d)}: There is no significant difference in the average monthly expenses on education before and after the involvement in microfinance institution.

1.6 Significance of Study

The report has great significance for each and every person. Some of significance of study as follows:

1. It is helpful to the new person who is thinking of joining microfinance to know economic impact on his/her life.
2. By studying this report, the students or any person can get the practical knowledge of economic impact of microfinance.
3. The study is important to help to get answer of above research questions.

1.7 Limitations of the Study

The study is conducted mainly with the view to study the financial impact of microfinance intervention on women, the prime target customer of the Microfinance institutions in Nepal. The study can be beneficial to microfinance institutions to revise their products and services such that stronger impact can be produced. The study also can serve as a basis for further research in the field of microfinance for beginner researchers.

The limitations are listed as below.

1. The findings of the study may not be perfectly generalizable as the sample size is small.
2. The samples are collected conveniently, which can have some biases.

3. The respondent's response is based on their memory, which will put doubt on the authenticity of the data collected from them.

1.8 Organization of the Study

The research is to be divided and studied into five chapters. They are:

Chapter I: Introduction

This chapter includes the background of the study, statement of the problem, objectives, significance, conceptual framework and limitations and organization of the study.

Chapter II: Review of the Literature

A literature review is a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and do not report new or original experimental work.

Chapter III: Research Methodology

This chapter includes research design, population and sample, sources and nature of data, data gathering procedure, method and analysis of data etc.

Chapter IV: Data Presentation and Analysis

It includes presentation and analyses of data that will be gathered using Microsoft Excel, SPSS and other different statistical tools.

Chapter V: Summary

It concludes the research with necessary summary, suggestions, conclusion and recommendations.

CHAPTER-II

REVIEW OF LITERATURE

Every scientific research is based on past knowledge. Previous studies cannot be ignored because they provide the foundation of present studies. This chapter is based on review of related books, journals, articles, study reports, manuals, previously conducted published/ unpublished thesis, related websites and studies on Microfinance programs and institutions undertaken nationally and globally. The mentioned literature focuses on the background of micro-finance, the significance of micro-finance in order to uplift economic condition.

Micro-finance has captured the imagination the imagination of many people working to reduce poverty. It is to be geared towards addressing economic empowerment and improvement of income or income generation of women. Literature review also describes about women empowerment and upliftment of village people's socio-economic status.

2.1 Conceptual Review

2.1.1 Concept of Microfinance

Micro finance is not simply banking, it is a development tool. Micro finance is emerged in need of meeting special goal to empower under-privileged class of society, women and poor, downtrodden by natural reasons or men made: caste, creed, religion and otherwise (Verma & Aggarwal, 2014). Microfinance is a financial service to low-income individuals or to those who do not have direct access to typical banking services. The idea behind microfinance is that it can uplift the individuals with low-income out of poverty if given access to financial services.

Microfinance is the supply of loans, savings, and other basic financial services to the poor. Microfinance is meant for poor people. Poor people make savings informally; they mostly invest their cash in assets like domestic animals, gold, jewelry, and building materials which can be easily exchanged with cash. Such informal savings may not always be beneficial, as they cannot be promptly converted to cash whenever required and may suffer loss in case of gold, jewelry due to fluctuation in price in

commodity market, illness in case of domesticated animals, and loss due to fire and other natural calamities.

The modern concept of microfinance emerged with the efforts of Professor Mohammad Yunus, who established Grameen Bank, a special kind of bank for the poor. According to the modern concept, microfinance is the provision of microcredit, savings, insurance, remittance, health, education, skill training and social awareness; it is financial and non-financial services for the poor, traditionally not served by conventional financial institutions.

Micro finance activities usually involve:

1. Small loans, typically for working capital
2. Informal appraisal of borrowers and investment
3. Collateral substitutes, such as group guarantees or compulsory saving
4. Access to repeat and larger loans, based on repayment performance
5. Streamlined loan disbursement and monitoring
6. Secure saving products

Cheston and Kuhn (2002), Stated that microfinance programs have been potential to transform poor relation and empower women. Although women access to financial resources has substantially increased yet loans, gives to women differ in size. In spite of this, just financial help not enough to empower women and improve women and improve well-being but if they are properly designed then they make important contribution to women empowerment.

The authors explained that empowerment indicators and measurement technique. The contribution of micro insurance, saving to empowerment, technology transfer through microfinance institution, the relationship between microfinance program, empowerment, family planning and cultural norms are exist. Further explained that microfinance plays a major role in gender and a development strategy because of it is direct related to poverty alleviation and women. As, women are the poorest of poor, so financial security allows the women to become more empower in household and community. As women spent most of their income on their family needs particularly in children education, health care and clothing. Access to financial resources not

only empowers women but also access to material, human and social resources. Microfinance affect women's ability or decision making and self-confidence which is closely related with knowledge, women's status and gender relation at home. Through the program women escaped from abusive relationship. Microfinance programs also impacts on political empowerment.

Maanen (2004) defines that microfinance, is banking the unbankables, 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.

Microfinance is one of the promising and cost effective tool which fight against global poverty. The term microfinance could be defined as provision of thrift, credit and other financial services and products of very small amounts to poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. It is one of the important tools, which plays a significant role in poverty alleviation and economic development of poor women (Das, 2014).

2.1.2 Models of Microfinance Institutions in Nepal

According to NIBL capital sixth October 2017, Microfinance is a financial service aimed at low-income individuals or at those who do not have direct access to typical banking services. Microfinance encompasses a number of financial services like micro-credit, micro-lending, micro-insurance, savings and money transfer among others. A microfinance institution (MFI) provides financial services to the communities who cannot offer collateral against the loans they take but have skills and desire to undertake economic activities for generating income and self-employment. MFIs range from small non-profit organizations to commercial banks. Based on the concept that access to financial services can help elevate low-income individuals out of poverty, microfinance programs are implemented in Nepal with a strong rural alignment, especially aiming at the poor.

With the history of quite a few decades, MFIs in Nepal have been following a few prominent microfinance models. These comprise of Cooperative model, Small Farmer Cooperative Limited (SFCL) model, Grameen Bank model, and Community based

organizations (COs) or Self-Help Groups (SHGs) model. In addition, Village Bank (VB) is also considered a separate program/model of microfinance in Nepal. Brief descriptions of these models are as follows:

2.1.2.1 Grameen Bank Model

This popular model, founded in 1976 by the Nobel Laureate, Professor Muhammad Yunus in Bangladesh, is quite popular worldwide and has been adapted by a large number of organizations. First introduced in Nepal in the early 1990's, the Grameen Bank model is comparatively more feasible in Terai, where the economic activities are more flourished with a relatively more developed market and road infrastructure.

Under this approach, peer groups, each comprising of five members, are formed. 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. A group chairperson and a center chief, elected by each group and each center respectively, oversee the activities of group members and maintain group discipline, check loan utilization and ensure that loan installments are timely repaid. In the meetings, group members collect savings and make demand for loans and also settle the loans or interest due and repay loan installments as per schedule.

Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited and Swabalamban Bikas Bank Ltd. are some Nepalese MFIs operating under the Grameen Bank Model. Additional loans may be provided to the members using the group fund managed by the group members. Loans are made initially to two members, then to two others and finally to the last member, with a four to eight week interval between each disbursement. Such loans do not require collateral security. However, group guarantee for repayment is mandatory. Subsequent loans can be accessed only upon the successful repayment of existing loans by all group members. The MFI field staff facilitates the group meetings and also verifies the utilization of disbursed loans.

2.1.2.2 Cooperative Model

Cooperative models are mostly implemented by Saving and Credit Cooperatives (SCCs) under which a wide range of savings and loan products are provided to the members. The SCCs target all community members in a given locality regardless of

their social and economic status. However, organizations established by development programs stress more on serving the disadvantaged population. As per the Cooperative Act 1992, a group of 25 persons from a community can form a cooperative by registering it with the Department of Cooperatives, Ministry of Agriculture and Cooperatives. These cooperatives take savings deposits from their members and whoever wants to put savings in the cooperative is extended membership.

Although the SCCs serve almost all the districts in Nepal, they are considered a more suitable financing model for the hilly and mountain residents as they provide both savings and financial services to the members in a homely atmosphere without much bureaucratic hassle. Due to low cost operation, their interest rates are also lower than that of other financial institutions.

The SCCs generally require mandatory savings from their members. However, members can also choose from a variety of services such as individual or group saving products, deposits, and festival and educational savings. Members are also provided with loans covering specific areas, such as agriculture, housing, micro enterprises, or for some social or emergency purposes. Loans so provided have a minimum term of three months to three years.

2.1.2.3 Small Farmer Cooperative Limited (SFCL) Model

A SFCL is a multi-service cooperative formed to provide financial as well as non-financial services, like, social mobilization, training and technical support services, to its members (farmers), mostly in rural areas. Managed by the members themselves, it also provides financial loans in wholesale. A SFCL's services are targeted only at small farmers and are generally confined to a single Village Development Committee (VDC) serving round 500 household catering 200-700 clients within a community.

SFCL has a three tiers structure. At the village level, promoters help local household members to form groups; at the ward level, the farmers' groups with proximity and common interest are combined into intergroup associations; and at the VDC level, all groups and inter-groups are represented in the Executive Committee. The Executive Committee, comprising of the members elected by the General Assembly is

responsible for hiring the Manager and other staffs and for ensuring the smooth and effective operation of the organization by deciding on the rules and regulation needed.

Regular meetings are organized by the grassroots' groups to collect compulsory savings, loan repayments and applications for loan demand. Respective inter-groups appraise these loan applications and forward them to the Executive Committee with their recommendations for making the final decision. The loans are extended mainly with collateral security. However, rare cases of loans provided without collateral security can be observed as well. Sana Kisan Bikash Bank (SKBBL) provides these MFI's with wholesale loans while the Federation of SFCL's regularizes and supervises their financial activities.

2.1.2.4 Village Bank (VB) Model

Village banks are credit and savings associations that are managed and run by the community members. Established by NGO's with an objective to provide members with access to financial services, VB's build community self-help groups and help members accumulate savings. A typical village bank consists of 25 to 50 members, who are low income individuals, seeking to improve their lives through self-employment activities. Aiming to enhance the social status and intra-household bargaining power of women, VB's mostly seek more female participation.

Over the past few decades, microfinance in Nepal has witnessed quite a many changes and adapted to various operating models with varying degrees of success. Individuals, especially women and rural residents, have been able to create self-employment opportunities and empower themselves economically as well as socially through increased income earning from their small undertakings due to the access to micro-financial services. With different models working for different terrains and traditional models being adapted to suit the current times and need, microfinance has evolved into a novel economic development tool for alleviating poverty through self-sufficiency, financial inclusion, and socioeconomic empowerment.

A VB's management is generally handled by the chair, the secretary and the treasurer elected by the members. The members are also responsible for establishing the by-laws, distributing loans to individuals and collecting payments. All the documents, relating to the records, minutes and books of accounts maintained by the management,

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 to confirm transparency to all the members. This model is most suitable and advantageous in the remote and less accessible districts of Nepal.

2.1.2.5 Self-Help Groups (SHGs)/Community Organizations (COs) Model

Based on the concept of “self-help”, SHG’s are small groups of individuals formed into groups of ten to twenty and operating a savings-first business model whereby the member’s savings are used to fund loans. In a SHG usually women from a similar class and region come together to form a savings and credit organization. They pool financial resources to make small interest bearing loans to their members. The terms and conditions and accounting of the loan are set by designated members in the group. The ‘Dhukuti’ system is one such example of a very old form of self-help group in Nepal which has been in operation for over four decades.

Community Organizations (COs)/ SHG’s are formed at the VDC level with the assistance of the Local Development Fund (LDF) under Participatory District Development Project (PDDP) and Decentralized Local Governance Support Program (DLGSP). Local community residents are organized into CO’s, either separately for men or women or together irrespective of the gender. Similar to other MFI’s, the CO’s too mobilize mandatory and other types of savings. Their lending schemes generally offer loans at 10-12% interest per annum to the borrowers. Members apply for loans and collect due installments during a CO’s regular meetings. The interest rates and other terms and conditions of loans are determined by the CO’s if they lend money using their own savings.

However, if the member seeks a loan amount that is more than what the CO can provide from its savings, the member would have to fill a separate application form addressed to the Local Development Fund (LDF). The CO recommends the loan and forwards it to the LDF for approval. Similarly, Poverty Alleviation Fund (PAF) too organizes the local groups of the target families called CO’s with the help of local NGOs. They are informal groups and not linked up with any financial institutions. These groups are provided with seed fund at the rate of Rs. 3,000 per family member and are charged about 10% interest per annum.

NULBSL follows group lending based on Grameen Bank, Bangladesh model as well as group lending based on NULBSL developed Self-Reliant Group model through a network of 178 branch offices spread over all 77 districts of Nepal. GILBSL follows the Grammen Bank model as well as the Self-Reliant Group model for the group lending.

2.2 Empirical Review

2.2.1 Review of Articles

After the success stories of Grameen bank in reducing poverty and uplifting the lifestyle of poor in Bangladesh, microfinance has gained a serious attention in other countries as well. Many countries and INGOs/NGOs have adopted the Grameen model to deal with poverty and bring a positive impact on the lives of poor and extreme poor. Although, the Grameen model has profound impact on the poverty alleviation in Bangladesh but still the policymakers and researchers have not reached at consensus that microfinance institutions really impact as expected and desired.

Review of journal and articles means reviewing research studies or other correlated scheme in the related area of the studies, their conclusion and deficiencies may be known and further research can be conducted. This chapter is based on the available reports, manuals, workshop proceedings and studies on micro-credit programmers and institutions undertaken by various individuals as well as institutions globally and nationally. An attempt is made here to review some of the previous researches of the selected topic.

Yunus (1976) Microfinance was first set up in the form of the Grameen Bank 1976 by Bangladeshi economist Professor Muhammad Yunus Microloans. He started which may be anything from a few pounds upwards, are used for income generating activities such as buying rice to husk and sell, or to protect a borrower from having to pay extortionate rates to moneylenders for essential needs such as house repairs, weddings or funerals. The loan is given at an interest rate higher than bank rates, to cover the high costs of administering small loans, but lower than the lenders' rates. Savings are also crucial to microfinance, both institutionally in that they make up much of the loan capital, and also as a safe place for people to deposit their money.

Rutherford (1996) concludes that where financial services are available, the poor use them if they can. Where they are not, they organize their own. Often they do both, they are prepared to pay a high price for these services, a clear indicator of how much they value them. Poor people lacking a saving bank that will accept small deposits will accept a negative interest rate for the privilege of storing their money with private deposit takers. They will also pay high rates of interest to small moneylenders who help them to take the future value of household savings as lump sum loans. Rutherford suggests the financial services, which enable people to amass usefully large sums of cash, are particularly important to the poor.

Sharma (2007) examines effect of women's participation in group based microcredit programs on a large set of qualitative responses to questions that characterize women's autonomy and gender relations within the household. It also shows that there is a significant change in social and political participation of women after the program has substantial impact on Terai women's income control as compared to hills. Terai shows a relatively create changes in family relationship and violence. Thus it can be conclude that the microfinance industry promotes the dual objectives of sustainability of services and outreach to the women and poor.

According to Burnside, (2011) Grameen model of microfinance was adopted in Nepal during its financial sector liberalization. It enabled a shift from state-subsidized rural finance programs to a market driven approach, employing the perceived efficiency of women borrowers to increase household incomes. Microfinance solved the outreach failures of elite capture of directed loans and the use of subsidized credit for political patronage.

Khan and Noreen (2012) on the role of microfinance in empowerment of women in Pakistan finds that access to credit through microfinance organizations has a positive impact on social empowerment of women and also that loan utilization by the woman herself is of importance. The researchers measured social empowerment by the construction of an index from indicators of child health, education, selection of spouse of children and leadership responsibility in the society. They specifically assessed the impact of microfinance accessibility on commitment of women to send their children to school and the ability to influence domestic decisions. They concluded that access to microfinance can empower women to commit themselves to children's education,

become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities.

Adhikari and Shrestha (2013) concludes that participant of microfinance the economic status of loaners has improved consequently than when they started small business with loan in the earlier days. Moreover, their socio-economic status was higher than that of non-loaners. So microfinance is an effective tool for raising the socio-economic status of poor people, particularly the women.

Pitt (2013) have presented how microfinance loan positively affects women who hold a major proportion in poverty, in their research conducted in Bangladesh. They have found how female credit empowers them in terms of their access and control over economic resources, ability to conduct transaction, mobility and network, political and legal awareness, husband's behavior and attitude towards them, and family planning and parenting issues, but doesn't impacts husband's opinion and action towards them. Similarly, the impacts of female borrowing can be experienced more than the male borrowing impact.

Agarawal (2016) concluded that microfinance can contribute to solving the problems of inadequate housing and urban services as an integral part of poverty alleviation programs. The challenge lies in finding the level of flexibility in the credit instrument that could make it match the multiple credit requirements of the low income borrower without imposing unbearably high cost of monitoring its ends upon the lenders. A promising solution is to provide multipurpose loan or composite credit for income generation, housing improvement and consumption support. Consumption loan is found to be especially important during the gestation period between commencing a new economic activity and deriving positive income. Careful research on demand for financing and saving behavior of the potential borrowers and their participation in determine the mix of multipurpose loans are essential in making the concept work.

Microfinance is directly linked to women empowerment and economic development by creating self-confidence. They are categorized as important borrower due to the capability of using small loans into wise investment instead of spending money on luxurious goods. They also have right to access capital who before were restricted to any financial autonomy. Women agreed that microfinance program has played

important role in their self-confidence and self-esteem. Women who live in village are encouraged to take up leadership position in their families. The program has helped women in creating decision making opportunities inside their household matters. Women are economically empowered after engaging in microfinance program. Through microfinance program, women starts business by taking micro loan from MFIs. By establishing business they not only take advantage of income they also are able to uplift their social status.

Microfinance and its contribution in the economy are significant. This sector contributes to reduce poverty, unemployment and equality. This sector concerns with self-employment generation and tries to raise living standard of people. The microfinance helps to empower the clients economically and improve their economic status.

2.2.2 Review of Related Thesis

Dulal (2010) carried out a study Impact of Microfinance Program in Social Economic Empowerment of Women in Nepal: A Case Study of DEPROSC Nepal in Thaiba VDC of Lalitpur District. This study has three different objectives which have focused on economic impacts, women empowerment at household and external level; and the constraints and critical issues of such women focused microfinance for poverty reduction. This study has based on comparative analysis. Data were collected from the field survey, individual interview, questionnaire, and observation. Simple statistical tools has used to data analysis.

This study concluded that access to microfinance services offered by DEPROSC Nepal has positive impacts on the life of surveyed sample women in Thaiba VDC of Lalitpur District. Positive social impacts are observed in their livelihood structure and have empowered women in many ways such as awareness and knowledge on basic issues such as importance of educating children, child health and hygiene, importance of money management, their role in household economy etc. Satisfactory economic impacts are not observed in assets creation and self-employment creation but the microfinance services provided have helped them to improve their better livelihood structure like: enhanced food security, improved health and sanitation and nutrition status.

Chaudhary (2012) conducted research for M.B.S. degree on the topic “Microfinance Program Upliftment to Women Empowerment, A case study of UNYC in Bardiya district”. The conclusions are positive. Involvement in the micro-finance program has 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. The program with its focus on group activities and income generation has helped to enhance the self-confidence and increased right to spend, thus increasing the access to resources. Training for improving farming techniques and micro-enterprises has helped members to shift from the traditional agriculture to cash crop production, which yield higher returns. Awareness of health care, including women and children's health, family planning, sanitation and reduction in smoking, alcohol consumption, etc. have increased. At monthly group meetings, women discuss health issues, which they follow in their day-to-day lives. Women's mobility is increased due to their participation in monthly meetings, trainings, meetings with outsiders and exposure visits. They do not hesitate to meet outsiders, unlike in the past when they had not joined the co-operatives. Effective follow-up, supervision and monitoring are essential to utilize loan in actual purpose otherwise the loan may be use in unproductive sectors.

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 in 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 than dropping out caused by natural disaster for instance, floods.

2.3 Research Gap and Conceptual Framework

Research is a never ending process. It is the process of finding out something new again and again. From the above literature review we can conclude that there are various study on the topic of Micro finance programs in Nepal and foreign countries. Most of the above research studies identify about the impact analysis of microfinance for micro credit programmed in different districts of Nepal and women empowerment through microfinance in different places of different microfinance programs.

This research paper is different from others in the sense that it is trying to find out the economic condition of peoples of Ramechhap Municipality through microfinance program. It is hard to find real cases studying on economic condition through microfinance program in Ramechhap Municipality. The Importance of study is also to identify the present situation of being empowered women through microfinance program of Global IME Laghubitta Bittiya Sastha Ltd. and Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd. at study area. This research is trying to discuss about the Economic Impact of Microfinance Finance Services on women.

Conceptual Framework

Previous researchers have identified different factors that could reflect the economic condition of people who use micro financial services. This research however will focus on some of them considering the context of Nepal with the reference of Ramechhap Municipality. Further more conceptual framework can be shown with the help of following diagram:

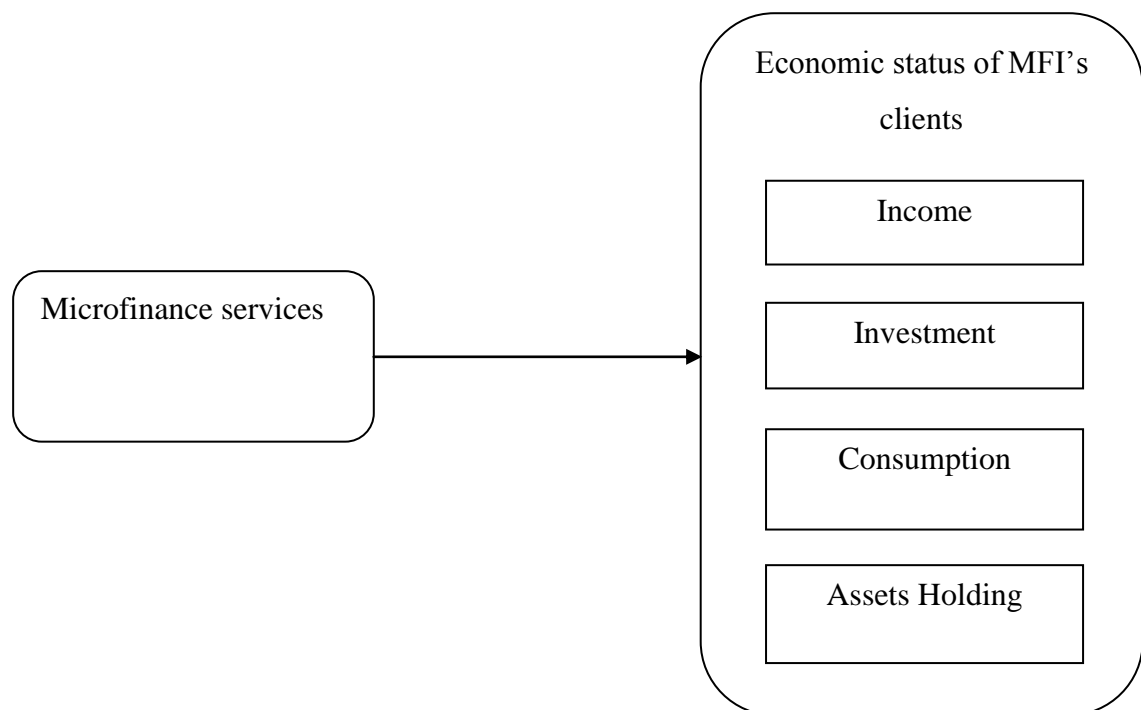


Figure 2.1: Conceptual Framework for examining the impact of microfinance services on economic status of the clients

CHAPTER-III

RESEARCH METHODOLOGY

Research methodology is the way to systematically solve the research problem. It includes the various steps that are adopted by the researcher to solve the problem along with the logic behind them. This chapter includes introduction about the NULBSL and GILBSL, study area, research design, nature and sources of data, sampling technique and procedure, data collection technique, analysis and presentation of data.

3.1 Research Design

The research design that is applied for the study is descriptive that mainly tries to describe the characteristic and situation of microfinance clients at Ramechhap Municipality. This paper aim to analyze the economic impact of the respondents with the help of some determinant variables: loaner's income, household income, investment, household consumption, improvement in living standards, types of houses. Descriptive approach has been used mainly for conceptualization of the problem and analytical approach has been used to analyze and interpret the quantitative collected from the concerned field.

3.2. Nature and Sources of Data

This study is based on the primary as well as secondary data. Both qualitative and quantitative approaches are used for data analysis. The study has analyzed and compared the various indicators of economic status before and after the microfinance intervention. As far the primary data is concerned, structured questionnaire were used to collect data. In social science research, field work is the central and important method for collecting the primary information. Secondary information also plays an important role while analyzing and giving inference of some empirical knowledge.

3.3. Population and Sample

The populations for the study are all the clients of the microfinance institutions whose working area is Ramechhap Municipality. So, the total clients of two microfinance institutions (i.e. $1800+641=2441$ clients) operating in the Ramechhap Municipality

has been considered the total population for the study. During the center meetings, the representatives from NULBSL (641) and GILBSL (1800) were asked about their total clients in the Ramechhap Municipality and the responses of them were considered to be the total population for the study. However, the target populations are the active clients who have been taking loans from MFIs. The samples selected for the study were the clients of Ramechhap municipality of Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd., Global IME Laghubitta Bittiya Sanstha Ltd. Sample were collected randomly among these MFI's clients.

Convenient sampling methods can be applied where subjects are easily accessible and close to researcher. The study had applied convenient sampling method to frame a sample for the impact assessment. The center located in Ramechhap municipality was selected conveniently. The sample consisted 122 clients from the different centers out of the 150 questionnaires distributed in total. 28 responses were not filled properly and were considered invalid for the analysis. Thus, the invalid responses were disregarded. Here, the response rate becomes 81.33%.

3.4 Data Collection Procedure

Data are required for conducting this research is basically obtained from primary sources. Data has been collected through questionnaire, direct field visit and observation. In research process the researcher has been collected the data from different sources available books, journal, articles, Internet and direct observation.

The data was collected through structured questionnaire. However, the questionnaires were administered by the researcher to ease indicating the responses of illiterate clients and the clients who are educated are provided with the questionnaire and are self-administered. Each client was interacted in person to collect the responses on the questionnaire. The questions were designed to collect information of two time period before and after participation of MFIs.

3.5 Data Presentation and Analysis

The data are analyzed by the use of Microsoft excel and the IBM SPSS 2.0. Various tools like measures of central tendency; t-test are used. The quantitative data are

presented using different statistical tools like table, average, percentage, pie-chart and bar-diagram used as required in analysis.

Different technique are used to process and present the collected data in suitable format. The data can be analyzed using analytical, descriptive as well as simple quantitative statistical tool. Descriptive method like percentage, frequency counts, mean, were used to describe the characteristic of the respondents, as well as the independent and dependent variables. Results obtained are presented in the forms of tables and figures. The statistical tools t-test are used to test the significance of parametric test for sampling attributes.

3.6 Percentage Analysis

A percent is a way of expressing numbers as fraction of 100 and is often denoted by % sign. Percent is a proportion stated in terms one hundred that is calculated by multiplying by fraction. It presents the result in absolute term. In the study, this tool is used to measure the proportion of respondent's occupational movement, saving purpose etc.

3.7 Pair t-test

A pair t test is very effective tool, if two samples are dependent. Such samples are often referred as paired samples or matched samples because we get two values from before and after involving in MFSs.

Some assumptions are required for validity of the paired test, the first assumption is that the elementary units being measured are a random sample selected from population of interest. Each elementary unit produces two measurements. Second assumption is that these differences in two measurements are normally distributed.

CHAPTER-IV

DATA PRESENTATION AND ANALYSIS

This chapter is aimed to display and evaluate the collected data regarding the objectives. In this chapter researcher analyzes the collected data in various headings and sub headings to fulfill the stated objectives of study. The main component of social empowerment of women through micro-finance program is to social involvement of women and enhance living standard as well as to encourage them for compulsory saving and voluntary saving.

4.1 Demographic Status of Respondents

This section of the questionnaire covered the respondents' age, family structure, loan taking, training helpfulness, decision making role in family, family relationship and social involvement which are belongs to respondents individual identification. The personal data helped to findings and the formulation of appropriate recommendations of the study.

4.1.1 Respondent's Category by Age Group:

Table 4.1.1
Distribution by Age Group

Age Group	Frequency	Percent
Below 25	12	9.8
25-35	26	21.3
35-45	34	27.9
45-55	32	26.2
55 and above	18	14.8
Total	122	100.0

Source: Field Survey 2075

The table 4.1.1 shows the demographic profile of the respondents. They are categorized under five group as below 25, 25-35, 35-45, 45-55, and 55 and above. The highest number of respondents falls under the age group of 35-45 with 27.9% of

total 122 respondents followed by the age group of 45-55 with 26.2%. it can be observe lower number of women in the age group of below 25 which have 12 responses with 9.8% of total sample taken. The major portion of the clients of the Microfinance Institutions are above the age of 25 years which means that most of the clients can participate in income generating activities and can work.

4.1.2 Educational Background of the Respondents

The educational background of the respondents is one of the most important characteristics of the respondents as it can assist the researcher in knowing the level of the understanding, capacity of carrying the income generating activities and so on. The respondents are categorized according to the educational background of the clients of the Microfinance Institutions in the table below:

Table 4.1.2
Distribution by Educational Level

Level of Education	Frequency	Percent
No Education	24	19.7
No Formal Education	60	49.2
Below SLC	18	14.8
Above SLC	20	16.4
Total	122	100.0

Source: Field Survey 2075

The table 4.1.2 depicts the fact that almost half of the sample have no formal education. They have some sorts of informal education through Aama Samuha, Praud Siksha and so on. 19.7% people are uneducated while 38 clients have some sort of formal education. The figure shows that the majority of the clients are uneducated.

4.1.3 Type of family

The type of family determines the decision making power. In the single family, the decision is made by both the husband and wife. The household expenses is controlled by the women. The following table shows the type of family the respondents live in:

Table 4.1.3

Type of family

Type of Family	Frequency	Percent
Single	32	26.2
Joint	90	73.8
Total	122	100

Source: Field Survey 2075

Total of 32 respondents live in a single family that amounts to 26.2% of total population. The respondent living in the joint family are 73.8% of total population of 122 clients.

4.1.4 Number of Earners

The number of earners in the family determines the income level of the family. More the number of earners in the family, the more the income level. The details of the number of the earners of the clients of the sample is shown in the table below:

Table 4.1.4

Number of Earners in the family

Number of Earners	Frequency	Percent
1	20	16.4
2	56	45.9
3	30	24.6
4	8	6.6
5	4	3.3
6	4	3.3
Total	122	100.0
Mean Number of earners		
Mean		2.44

Source: Field Survey 2075

The family with the two people earning among the sample is 45.9%. The mean number of earners is 2.44 which show that, on an average in the clients' family, there are more than two people earning for the family.

4.2 Reason to Join MFI:

The questionnaire includes one questions asking the respondents aim of joining the MFI. The options were to empower themselves economically, another was to enhance their social status and if there were other reasons, they were categorized under other reasons. The responses are summarized in the table below:

Table 4.2

Respondents aim of joining MFI

Reason behind joining MFI	Frequency	Percent
To empower social status	28	23.0
To empower economic status	72	59.0
Others	22	18.0
Total	122	100.0

Source: Field Survey 2075

The majority of the respondents pointed that their intention to join MFI was to empower their economic status. Total 59% respondents have supported this fact. The fraction of sample aiming to empower the social status was 23% of the total population. Another 18% population had motives other than to empower either their social or economic status.

4.3 Economic Impact Assessment of the Microfinance Institutions of Ramechhap Municipality

Economic Impact:

Economic impact refers to the influence of the Microfinance programs to uplift the economic status of the clients. The economic status can be assesses through the level of income, level of expenditure, investment and level of asset accumulation before and after the Microfinance intervention. The impact can be measured by assessing the changes in such variables. The microfinance institutions provide various services that helps the clients to participate in various income generating activities.

4.3.1 Sources of Income:

Table 4.3.1

Comparison of Sources of Income of the clients

Sources	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Agriculture	72	59.0	6	4.9	-66
Business	26	21.3	64	52.5	38
Livestock Farming	4	3.3	28	23.0	24
Skill based Occupation	20	16.4	24	19.7	4
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

The table 4.3.1 shows the sources of income before and after the involvement in microfinance programs. 59% populations were involved in agriculture, 21.3% in business activities, 3.3% were involved I livestock farming and 16.4% peoples were involved in skill based occupation. Most of the clients were engaged in the agriculture. But after the microfinance training and facilities, the number of clients engaged in agriculture has dropped to 4.9% of the total sample. There was massive upsurge in the number of clients engaged in the business activities after the involvement in Microfinance Institutions. Likewise, there was increment in the portion of total respondents who are currently involved in the livestock farming and skill based occupation. This shows that the microfinance institutions have helped the clients to be involved in income generating activities.

4.3.2 Average Monthly Income:

The average monthly income of the clients can show the greater picture of the economic status of the respondents. The comparison of average monthly income before and after the microfinance program was introduced to the women can assess the true economic impact of the Microfinance programs. The comparison of average monthly income of the clients can be done by the use of paired sample t-test.

Table 4.3.2

Paired Sample Statistics for the Average monthly Income Before and After getting MFI services

	Income	Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Average monthly income after getting MFI services	26967.21	122	7675.155	694.876
	Average monthly income before getting MFI services	14508.20	122	3715.605	336.395

The table 4.3.2 shows that the average monthly income has increased after getting MFI services. Previously the average monthly income was Rs. 14508.20 but after getting MFI services it has increased to Rs. 26967.21. Here 4.3.2 witness a massive increase in the monthly income. So, analyzing the average monthly income, it is seen that the introduction of MFI services has caused to enhance the level of income of the clients.

Table 4.3.2.1

Paired Sample Test for the average monthly income before and after getting the MFI services

Average Monthly Income	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Average monthly income after getting MFI services Average monthly income before getting MFI services	12459.06	5425.906	491.28	11486.40	13431.52	25.32	121	.000

Here, the p-value is found out to be 0.000 which is lower than the value of alpha i.e. 0.05. Since, the p-value is lower than the value of alpha, null hypothesis is rejected. Thus, there is the evidence of significant difference in the level of income before and

after the intervention of the microfinance. This test result indicates that there is significant impact of microfinance on the economic status of the clients whenever level of income is taken as a factor to determine the economic status of the clients.

4.3.3 Uses of Loan:

The use of loan can be analyzed in order to know the impact of Microfinance in developing the best product that suits the clients. The uses of loan can be taken as the way to know the area for investment the clients made. The use of loan can be done for agriculture activities, for carrying business related activities, for the livestock farming and for the personal or household use. If the loan is taken and used for the personal or household related activities, then there is no investment as such activities do not provide return in future for the clients. If the loan is used in other three purposes, then we can say that the loan is invested for the purpose of carrying out economic or income generating activities. The table below compares the uses of loan before and after getting MFI services. The use of loan in before category is for those loans previously taken from sources other than MFIs such as friends, relatives, local lenders, pawn brokers etc.

Table 4.3.3

Major uses of loan before and after getting MFI services

Headings	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Agriculture	18	14.8	4	3.3	-14
Business	18	14.8	60	49.2	42
Livestock Farming	4	3.3	36	29.5	32
Personal/Household	82	67.2	22	18.0	-60
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

In the table 4.3.3 it is seen the loans taken before getting MFI services are mostly (67.2%) used for the personal or household purpose rather than in income generating activities. But after getting the MFI services, the use of loan in such unproductive purpose has declined (18%). The use of loan in income generating activities has

increased with 49.2% in business activities, 29.5% in livestock farming and 3.3% in agricultural activities.

4.3.4 Type of Cooking Fuel Used:

The type of cooking fuel can help assess the economic impact of Microfinance. The more use of modern type of cooking fuel reflects that the economically the clients are more empowered. The types of fuel are categorized as bio-gas, gas cylinder, wood or electric. Here we assume wood as a traditional type of material used for cooking. And others as the modern sources. The increased preference of modern types can refer that the economically the clients are empowered. The summary table for the type of cooking fuel used before and after getting MFI services is provided below:

Table 4.3.4

Type of cooking fuel

Type of Cooking fuel	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Bio-gas	0	0	0	0	0
Cylinder	20	16.4	84	68.9	64
Wood	102	83.6	38	31.1	-64
Electric	0	0.0	0	0.0	0
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

The table 4.3.4 shows that the uses of woods have declined from 83.6% to 31.1% and that of cylinder have increases from 16.4% to 68.9%. This proves that the use of traditional type of fuel source has decreased and modern cylinders have increased. This reflects that the microfinance programs have economically strengthened the clients if we consider the type of cooking fuel. The use of bio-gas and electric source in both scenario is seen to be unfamiliar. The same information is shown through the figure below:

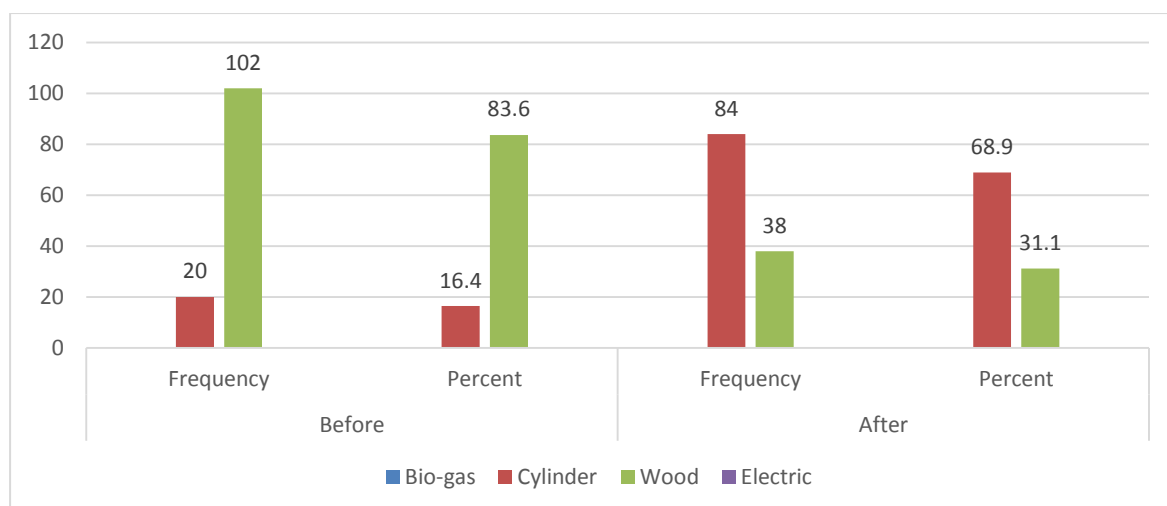


Figure 4.1: Type of Cooking Fuel Before and after getting MFI services

4.3.5 Consumption of Meat Items

In the context of Nepal, the consumption of meat items are considered to be a superior food habit. The meat items, in the context of rural area, are consumed on a special occasions only. The frequent consumption of meat items such as chicken, fish, goat or other items indicates that the family is economically stronger. So the frequency of consumption is categorized under four types as daily, once a week, twice a week and few times a month. The increased frequency of consumption of meat items reflects that the economic status of the family has enhanced. The summary of consumption pattern of the meat items before and after getting MFI services is presented below:

Table 4.3.5

Consumption of Meat Items (Chicken/ Fish/ Others) before and after getting MFI services

Time interval	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Daily	2	1.6	10	8.2	8
Once a Week	40	32.8	52	42.6	12
Twice a Week	8	6.6	32	26.2	24
Few times a Month	72	59.0	28	23.0	-44
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

Table 4.3.5 shows that most of the people used to have meat few times a month reflected by 59% clients. Only 1.6% used to have meat items daily. 32.8% consumed meat items once a week and 6.6% twice. But after getting MFI services, 8.2% clients started to have meat items daily, 23% twice a week and 42.6% once a week. The portion of total sample consuming meat items few times a month has declined to 23% from 59%. This shows that the consumption of meat has increased after getting MFI services which attest that the microfinance programs has economically empowered the clients. The below figure shows the consumption pattern of the meat items before and after getting MFI services:

4.3.6 Expenditure made for Food Items

The expenditure made for the consumption of food is one of the most important element to measure the economic impact of MFI on its clients. The extra income generated by the economically poor people are used for the consumption purpose. The comparison of expenses made for the consumption of food items before and after the introduction of Microfinance programs can provide the real picture of economic impact. The comparison of average monthly expenses of the clients on food items can be done by the use of paired sample t-test.

Table 4.3.6

Paired Sample Statistics for the monthly expenses on food items

Expenses on Food		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Monthly expenses on food after getting MFI services	8049.18	122	1278.251	115.727
	Monthly expenses on food before getting MFI services	6311.48	122	1213.437	109.859

The table 4.3.6 shows that the average monthly expenses on food items has increased after getting MFI services. Previously the average monthly expenses on food items was Rs.6311.48 but after getting MFI services it has increased to Rs. 8049.18. Here analyzing the average monthly expenses on food items, it is cleared that the introduction of MFI services has caused to enhance the level of expenses on food items of the clients.

Table 4.3.6.1

Paired Sample Test for the average monthly expenses on food items

Expenses on Food	Paired Differences						T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Pair 1 Monthly expenses on food after getting MFI services - Monthly expenses on food before getting MFI services	1737.70 5	1104.48 6	99.99 5	1539.738	1935.672	17.378	121	.000	

Here, the p-value is found out to be 0.000 which is lower than the value of alpha i.e. 0.05. Since, the p-value is lower than the value of alpha, null hypothesis is rejected. Thus, there is the evidence of significant difference in the level of expenses on food items before and after the intervention of the microfinance. This test result indicates that there is significant impact of microfinances on the economic status of the clients whenever level of expenses on food items is taken as a factor.

4.3.7 Expenditure on Clothing:

The expenses on clothing item can be considered to be one of the measuring units of the economic status of the clients of the Microfinance. This has the same implications as the food items on the economic empowerment of the people. The increase in the expenses for the clothing items can reflect the increase in the economic status of the respondents. The comparison of average monthly expenses of the clients on clothing items can be done by the use of paired sample t-test.

Table 4.3.7

Paired Sample Statistics for the average monthly Expenditure made for clothing item

Expenses on Clothing		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Monthly expenses on clothing after getting MFI services	2286.89	122	800.098	72.437
	Monthly expenses on clothing before getting MFI services	1737.70	122	586.392	53.089

The table 4.3.7 shows that the average monthly expenses on clothing items have increased after getting MFI services. The average monthly expenses on cloths were Rs.1737.70 but after getting MFI services it has increased to Rs. 2286.89. Analyzing the average monthly expenses on clothing items, it is cleared that the introduction of MFI services has caused to enhance the level of expenses on clothing items of the clients.

Table 4.3.7.1

Paired Sample Test for the average monthly expenses for the clothing items

Expenses on Clothing	Paired Differences						T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference					
				Lower	Upper				
Pair 1 Monthly expenses on clothing after getting MFI services - Monthly expenses on clothing before getting MFI services	549.180	587.085	53.152	443.952	654.409	10.332	121	.000	

Here, the p-value is found out to be 0.000 which is lower than the value of alpha i.e. 0.05. Since, the p-value is lower than the value of alpha, null hypothesis is rejected. Thus, there is the proof of significant difference in the level of expenses on clothing items before and after the intervention of the microfinance. This test result indicates

that there is significant impact of microfinance on the economic status of the clients whenever level of expenses on clothing items is taken as a factor.

4.3.8 Expenditure on the Education

Education is one of the items for the expenditure. The expenses on the education are dependent on the upgrade of the children to the higher class. Though this is the case, I have considered that the expense for education includes the expenses for the purchase of stationery items, books, admission to the boarding schools and so on. So, while collecting the data, the respondents were asked to bear in mind such expenses and exclude expenses for the study in upper level class.

The increase in the expenses for the education can reflect the increase in the economic status of the respondents. The comparison of average monthly expenses of the clients on education can be done by the use of paired sample t-test.

Table 4.3.8

Paired sample statistics between the average monthly expenses for education before and after getting MFI services

Expenses on Education		Mean	N	Std. Deviation	Std. Error Mean
Pair 1	Monthly expenses on education after getting MFI services	2549.18	122	880.012	79.673
	Monthly expenses on education before getting MFI services	1852.46	122	676.307	61.230

The table 4.3.8 shows that the average monthly expenses on education have increased after getting MFI services. The average monthly expense on education was Rs.1852.46 but after getting MFI services it has increased to Rs. 2549.18. Here, it can be assess increase in the monthly expenses on education. So, analyzing the average monthly expenses on education, it is seen that the introduction of MFI services has caused to enhance the level of expenses on education of the clients.

Table 4.3.8.1

Paired sample test for the monthly expenses on education.

Expenses on Education	Paired Differences					T	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 Monthly expenses on education after getting MFI services - Monthly expenses on education before getting MFI services	696.721	705.812	63.901	570.212	823.231	10.903	121	.000

Here, the p-value is found out to be 0.000 which is lower than the value of alpha i.e. 0.05. Since, the p-value is lower than the value of alpha, null hypothesis is rejected. Thus, there is the proof of significant difference in the level of expenses on education before and after the intervention of the microfinance. This test result indicates that there is significant impact of microfinances on the economic status of the clients whenever level of expenses on education is taken as a factor.

4.3.9 Type of House:

The type of house reflects the worth of the property. Higher the worth of the house, higher will be the status of the clients economically. The types of the house has been classified under mud, cement and trust type or wooden. The shift from the mud or trust type to the cement type house can be considered to be more economically worthy. The summary of the type of house before and after getting the microfinance services is shown below.

Table 4.3.9

Types of House

Type of house	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Mud	86	70.5	44	36.1	-42
Cement	4	3.3	70	57.4	66
Trust Type/ Wooden	32	26.2	8	6.6	-24
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

In the table 4.3.9 we can see that previously the mud type house and trust or wooden type house accounts to 96.7% of total sample (70.5% of mud type and 26.2% trust/wooden type). The cement type house was only 3.3% of the total houses. But after getting the MFI services, there is the tremendous upsurge in the cement type house with 57.4% from 3.3%. The other type of houses has declined in number. That is from 70.5% to 36.1% in mud type house and from 26.2% to 6.6% in trust or wooden type house. From this we can say that the economic status of the clients of the microfinance has been empowered after getting the MFI services if we consider the variable type of house.

4.3.10 Land Holding Size:

The size of the land held by the people can represent the economic status of them. Greater the size of land, economically they can be considered to be sound. The comparison of the size of the land the client possess before and after getting the MFI services can show the level of improvement. The summary regarding the size of the land holding of the clients before and after obtaining MFI services is presented in the table below:

Table 4.3.10

Land holding size of the clients before and after getting MFI services

Land holding size	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Less than 2 Ropani	28	23.0	14	11.5	-14
2 to 4 Ropani	18	14.8	10	8.2	-8
4 to 6 Ropani	36	29.5	14	11.5	-22
6 Ropani and above	40	32.8	84	68.9	44
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

In the table 4.3.10, it can be observe that previously the clients having the land holding of less than two ropani was 23%, two to four ropani was 14.8%, four to six ropani was 29.5% and more than six ropani was 32.8%. But after the clients got the MFI services, the land holding has significantly increased. The portion of sample holding land less than two ropani has declined to 11.5%, two to four ropani to 8.2% and four to six ropani to 11.5%. The noteworthy improvement was seen in the segment of people holding the land of more than six ropani or above (i.e. from 32.8% to 68.9%). So, considering this, it can be said that there is a significant influence of the MFI services in increasing the size of land holding of the people. The same can be shown through the figure below:

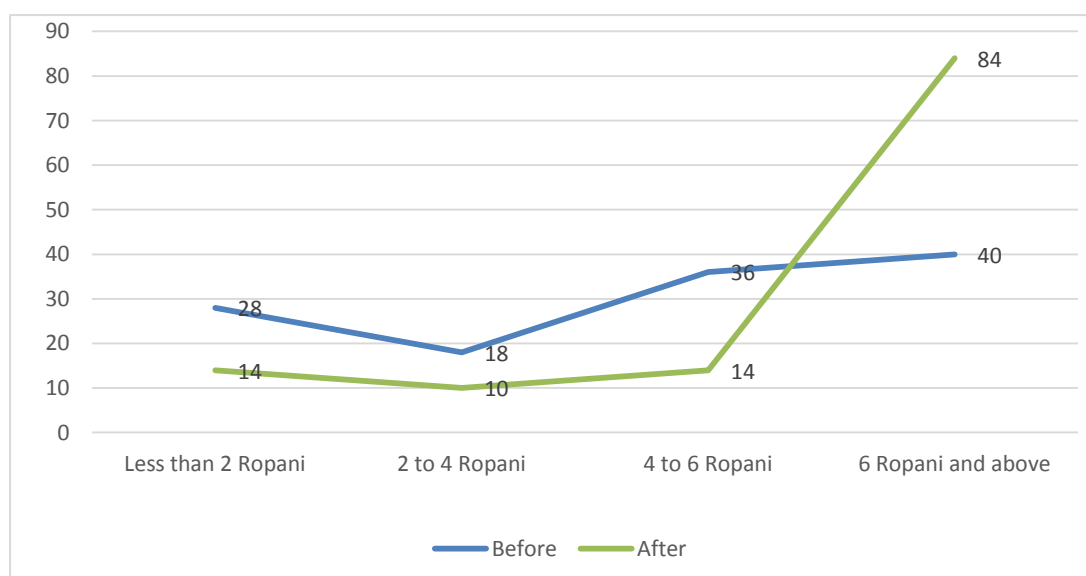


Figure 4.2: Comparing the land holding of the clients

4.3.11 Ownership of House

Ownership of house shows who holds the title of the property. The ownership of the house can represent the economic status of the family of the client. There are major four category assigned for the ownership of the house. They are: self-owned, rented, family member owned or government granted. . The economically sound family have their own house. But the economically back warded people live in the house that is owned by other people, generally rented or government granted. If the hose is owned by the client themselves then we can say that they are economically more empowered. The information regarding the ownership of the house before and after getting the MFI services are presented below:

Table 4.3.11

Ownership of the house before and after getting the MFI services

Ownership of house	Before		After		Difference
	Frequency	Percent	Frequency	Percent	Frequency
Self-owned	40	32.8	68	55.7	28
Rent	10	8.2	10	8.2	0
Family Members Owned	72	59.0	44	36.1	-28
Government given	0	0.0	0	0.0	0

Source: Field Survey 2075

From the table 4.3.11, there is no changes seen in the ownership of house in rented and the government given type. The increase in the ownership of house by the client themselves after getting MFI services (i.e. from 32.8% to 55.7%). The family member's ownership of house has declined and that has shifted towards the ownership by the client themselves. This depicts that the clients of the microfinance has become more empowered economically considering the ownership of the house. The same information can be demonstrated through the figure below:

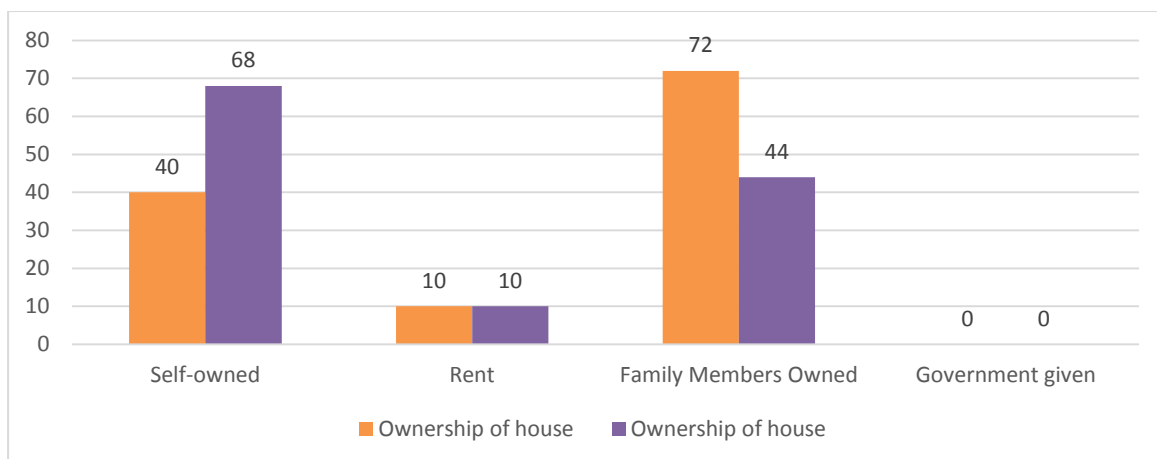


Figure 4.3: Ownership of the house before and after getting the MFI services

4.3.12 Quantity of Gold

The size of the gold owned by the people can represent the economic status of them. Greater the amount of gold, economically they can be considered to be sound. The comparison of the amount of the gold the client possess before and after getting the MFI services can show the level of economic improvement. The summary regarding the size of the land holding of the clients before and after obtaining MFI services is presented in the table below:

Table 4.3.12

Quantity of gold before and after getting MFI services

Quantity of gold	Before		After		Difference Frequency
	Frequency	Percent	Frequency	Percent	
Less than 2 Tola	28	23.0	13	10.7	-15
2 to 4 Tola	18	14.8	11	9.0	-7
4 to 6 Tola	36	29.5	17	13.9	-19
6 Tola and Above	40	32.8	81	66.4	41
Total	122	100.0	122	100.0	0

Source: Field Survey 2075

In the table 4.3.12, it can be observe that previously the clients having the gold holding of less than two tola was 23%, two to four tola was 14.8%, four to six tola was 29.5% and more than six tola was 32.8%. But after the clients got the MFI

services, the gold holding has significantly increased. The portion of sample holding gold less than two tola has declined to 11.5%, two to four tola to 8.2% and four to six tola to 11.5%. The noteworthy improvement was seen in the segment of people holding the gold of more than six tola or above (i.e. from 32.8% to 68.9%). So, considering this, we can say that there is a significant influence of the MFI services in increasing the size of gold holding of the people.

4.4 Impact of Microfinance in helping the Clients fulfill their needs:

The questionnaire includes a question that seeks the clients perception towards the microfinance services on the ground that how it has helped in fulfilling their needs. They were asked to provide their response in a five point likert scale where the response ranges from excellent to very bad. The responses is summarized in the table below:

Table 4.4

Impact of MFI to fulfill the clients view

The role of Microfinance Service in fulfilling your requirement in your view is?	Frequency	Percent
Excellent	32	26.2
Best	42	34.4
Good	48	39.3
Bad	0	0.0
Very bad	0	0.0
Total	122	100.0

In the table 4.4, it is seen that 26.2% client feel that the Microfinance services are excellently helpful in fulfilling their needs. Accordingly, 34.4% respondents perceive the MFI services as best as a helpful means to fulfill their needs. And 39.3% feel it as a good way to fulfill their needs. There was not a single response for the bad or a very bad means to fulfill their needs. This can represent that the respondent feel that Microfinance are a better helping hand in fulfilling their needs.

4.5 Major Findings

Major findings of the study can be presented as follows.

1. Illiterate and women who have no formal education are interested in the microfinance program.
2. After the microfinance program lunched in this study area less than 5% are based on agriculture for their income whereas more than 52% have business and other for their family income.
3. Microfinance client have many alternatives of income. Most of the clients have improved their business by taking loan from the microfinance institution and some invested loan on livestock farming.
4. Average monthly income of the MFI clients is significantly increased.
5. Cooking fuel is drastically changed from wood to cylinder gas. Similarly large number of MFI clients used to have meat once a week.
6. Expenditure on food, clothing and child education has increased due to increase in income. Children are sent to boarding school.
7. Holding of land is increased, quantity of gold is also increased, houses are made up of cement rather than mud and significant MFI clients have their own ownership of house.

CHAPTER-V

SUMMARY, CONCLUSION AND IMPLICATION

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

5.1 Summary

Nepal is a developing country; its most of the part is covered by rural areas which are very far from infrastructural access. Similarly, more than 51.44 percent (CBS, 2011/12) of the total population is covered by women and Nepalese women are backward in every aspect, they are perceived as liability where their male partners are perceived as asset. Nepalese women of the country have always been involved in social involvement, national development, although deprived of control over economic resources as property, income and employments as well as other resources.

Microfinance is recognized as an effective tool for poverty reduction and empowers women in the world. ADB/N was the pioneer, who launched rural based programme first, which is becoming source of inspiration for newly established organization. Today various programs, policies, NGOs, INGOs and government organizations are working to support rural people. Among many programs microfinance is becoming effective programme because of its best approach, performance and unique features.

Microfinance is financial and social intermediation to marginalized people or especially for women. As financial and social intermediaries it provides various financial and nonfinancial services. Financial services provided by MFIs are micro credit, micro saving etc. and non-financial services like insurance and remittance etc. Women who are involved in MFIs would increase their self-confidence, self-employment and empower them socially and economically by engaging in income generating activities which increases their income, saving, investment and assets from their small enterprise.

In this study, economic impact of microfinance institution consist various variables like income, consumption, investment and assets holding. The main focus of the study is to improvement in economic status of women who are involved in GILBS and

NULBSL in Ramechhap Municipality. Selecting the sample of 122 women out of total population 2461, data have been collected by structured questionnaire and interview by household survey. Collected data are analyzed, tested, interpreted by using descriptive as well as statistical approach. Mainly percentages, T-test, Mean are used.

Most of the beneficiaries having age group of 35 to 45, and being education level have no formal education and married. Women who are relatively poor and low income are focused by GILBS and NULBSL. MFIs are oriented to 87.25% married women members. Women's occupational status has been changed from traditional agriculture to income generating activities like animal husbandry, business, poultry and pigsty. Change in occupational status leads income, saving, investment and assets holding and their experience and training from MFI leads their decision making power in family as well as in society. Society's perception towards women has been significantly changed because of their self-confidence and self-dependency, which is big foundation for empowerment.

5.2 Conclusion

This study is micro level and case study of group model microfinance program implemented in the area of Ramechhap district. This study has raised issues about economic impact of microfinance in the study area. Therefore, whole study is based on economic status of the member of Ramechhap municipality and required data are taking from Ramechhap branch working area of GILBS and NULBSL. In this study to find out the role of MFI on its member women before and after involvement, various co-variables have been developed and data are collected from primary sources and tested by using various tools. The following conclusions have drawn from the study.

Economic status of all the respondents have been found better after involving MFIs. As a whole, the result of this variable is positive; which is found from various tests. The variables used to measure the economic status are income, investment, consumption and asset holding. All these variables shows the positive improvement after the involvement in MFI's. The paired sample test for the consumption and income shows significant improvement after the involvement of the MFI client that

has been supported by the result of the test showing p-value of 0.000 that is lower than the value of alpha (0.05). This indicated that the null hypotheses are rejected and the alternative hypotheses are accepted. The result for the investment and asset holding are similar with the consumption and income. Investment is made on business expansion that helps to increase their income level. 60 clients have invested their loan for business expansion. The number of people holding gold more than 6 tola has increased to 81 from 40. The number of clients having the ownership of their house has increased by 28 clients. The land holding of the clients has increased that is depicted by the increment in number of clients with land holding of more than 6 ropani with frequency of 84 from 40 clients. The type of house has become modern as the cement house owned by the 70 clients that is more by 66 clients before their participation in the MFIs.

Therefore it is concluded that MFIs have created positive role on economic empowerment of women. Therefore, it can be concluded that MFI plays desirable and effective role to empower the women in study area. Training and various loan products supports for improving farming techniques and micro-enterprises has helped members to shift from traditional agriculture to income generating crop production, animal keeping which yields higher return.

All the result shows that positive role of MFI on economic impact of microfinance in study area. The empowerment status of rural women in Ramechhap Municipality can be significantly by changing their traditional occupation agriculture to income generating activities by the support of MFI on financial support and skillful training. The overall conclusion of this study is that the level of women empowerment is satisfactory at the household.

The results obtained from this study is not similar to the Dulal (2010) as the study concluded that the satisfactory economic impacts were not observed in asset creation and self-employment creation. Shakya (2016) concluded that the microfinance program helped to increase the income level through the establishment of the business. The result obtained matches with this study. The findings of Agrawal (2016) about the contribution of microfinance in solving the inappropriate housing is supported by this study as the clients with the house made up of cement has increased from 3.3% to 57.4%. The findings of the Adhikari and Shrestha (2013), as concluded

by the researchers, that economic status of loaners has improved consequently and the findings of this study are compatible. The increase in household income because of the participation in the MFIs as mentioned by Burnside (2011) is supported by this study. The impact of the microfinance to increase the educational expenses is observed to be supportive and similar with the findings of Khan and Noreen (2012).

5.3 Implications

This research report may be useful to the microfinance institutions to shape their future plans effectively. Women empowerment is major motto of MFIs, this report will be beneficial to launch affordable products to women by enhancing their capability and skill. The major implications are presented as follows:

- This report will be beneficial for MFIs in the sense that how is the actual position of women in the society and to compare with desirable position
- For local level government bodies this research report may be a guideline to shape their plans, policies and upcoming programs to marginalized people also for poverty alleviation and women empowerment.
- This research report may be useful to the NGOs that are working in the field of women to get an overview of the economic strength of women and shape their plan and policies.
- This research report may be useful to other stake-holders to know about women's economic condition after involvement in microfinance and take further action.

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Appendix

Economic Impact Assessment Questionnaire

I am a student of Central Department of Management, Tribhuvan University. This survey is for accessing the economic impact of microfinance in Ramechhap Municipality before and after involvement in microfinance. I request you to kindly cooperate by providing information that will be considered most valuable for my research. I assure you that the response will be kept confidential and used only for the academic purpose. I humbly request you for due consideration to help me fill up the following questionnaire on good faith.

A. General informations

1. Name of MFI
2. Respondents age
3. Education level
 - No education
 - No formal education
 - SLC/SEE
 - Above SLC/SEE
4. Type of family:
 - Nuclear Joint
5. Number of earners in a family:
6. What is your main aim to join in MF?
 - To empower social status
 - To empower economic status
 - Other.....

B. Status before getting Microfinance services

1. What was your source of income?
 - Agriculture
 - Business
 - Livestock farming
 - Skill based occupation
2. What was your average monthly income?

3. In which sector had you used the amount of loan for?
 - Agriculture
 - Business
 - Livestock farming
 - Personal/household
4. What was the quantity of gold?
 - Less than 2 Tola
 - 2 – 4 Tola
 - 4 – 6 Tola
 - 6 Tola and above
5. Cooking fuel:
 - Bio gas
 - Cylinder gas
 - Wood
 - Electric
6. How often you used to eat meat/chicken/fish?
 - Daily
 - Once a week
 - Twice in a week
 - Few times a month
7. How much did you spend on the food items? (Monthly/Average)
8. How much did you spend on the clothing items? (Monthly/Average)
9. How much did you spend on the education items? (Monthly/Average)
10. Type of house:
 - Mud
 - Cement
 - Trust Type/Wooden
11. How much was your land holding size?
 - Less than 2 ropani
 - 2ropani-4 ropani
 - 4 ropani – 6 ropani
 - 6 ropani and above

12. Ownership of house:

- Self-owned
- Rent
- Family members owned
- Government given

C. Status after getting Microfinance services

1. What are your sources of income?

- Agriculture
- Business
- Livestock farming
- Skill based occupation

2. What is your average monthly income?

3. In which sector have you used the amount of loan for?

- Agriculture
- Business
- Livestock farming
- Personal/household

4. What is the quantity of gold?

- Less than 2 Tola
- 2 – 4 Tola
- 4 – 6 Tola
- 6 Tola and above

5. Cooking fuel:

- Bio gas
- Cylinder gas
- Wood
- Electric

6. How often do you eat meat/chicken/fish?

- Daily
- Once a week
- Twice in a week
- Few times a month

7. How much did you spend on the food items? (Monthly/Average)

8. How much did you spend on the clothing items? (Monthly/Average)

9. How much did you spend on the education items? (Monthly/Average)

10. Type of house:

- Mud
- Cement
- Trust Type/Wooden

11. How much is your land holding size?

- Less than 2 ropani
- 2ropani-4 ropani
- 4 ropani – 6 ropani
- 6 ropani and above

12. Ownership of house:

- Self-owned
- Rent
- Family members owned
- Government given

13. The role of Microfinance Service in fulfilling your requirement in your view is?

- Excellent
- Best
- Good
- Bad
- Very Bad

Economic Impact of Microfinance Finance Services

(A Case Study of Ramechhap Municipality)

A Proposal for Thesis

Submitted By

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INTRODUCTION

1) Background of the 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 and 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 poorest to pull them out of poverty. It involves advancing small loans to the working poor. These loans are usually less than \$300 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 (Shrestha, 2013).

Micro-finance is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generating activities. The small size of the loan, regular savings, small-scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining characteristics of its definition. 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 with financial sustainability. The main objective of a micro-finance program is to provide quality service to the largest number of the deprived populace. They are “D” class financial institutions. (Nepal Rastra Bank, 2008)

“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, 2018).

Microfinance in Nepal has various programs targeted to women. The saving and lending products are designed in order to address the needs of women. The society of Nepal is patriarchal where men have more choices, freedom and access to resources. With the view of implementing equitable share of power, microfinance set women as their target group. However, there has been very less evaluation of impact of such programs in women. This study will be conducted to analyze the economic impact of microfinance institutions in clients.

2) Statement of the Problem

The microfinance industry is characterized by too many small-scale suppliers with a relatively large potential market. Most of small-scale service providers are unable to diversify their risks adequately across space and activities that they finance.

In spite of gradual development of microfinance activities in Nepal, still the country has experienced some fundamental problems and issues in microfinance including problems in identifying target groups, identifying potential projects that can be easily managed by the client’s needs, misunderstanding about the interest rates used by some MFIs, lacking coordination across the MFIs and lacking microfinance related trainings to the clients. Despite the long history of microfinance and the large number of institutions involved in providing microfinance facilities in Nepal, their effectiveness in alleviating poverty in the country is not clear.

The research questions related to this study are as follows:

- a) What was the economic status of the microfinance clients of Ramechhap Municipality before getting microfinance’s services?
- b) What is the economic status of the microfinance clients of Ramechhap Municipality after getting microfinance’s services?

- c) Is there significant difference in economic status of microfinance clients of Ramechhap Municipality before and after getting microfinance's services?

3) Purpose of the Study

The basic purpose of the study is to explore the effects of microfinance services in economic status of microfinance clients of Ramechhap municipality. The specific purposes of the study are as follows:

- a) To identify the economic status of the microfinance clients of Ramechhap Municipality before getting Microfinance's services.
- b) To identify the economic status of the microfinance clients of Ramechhap Municipality after getting Microfinance's services.
- c) To identify the difference in economic status of microfinance clients of Ramechhap Municipality before and after getting microfinance's services.

4) Significance of the Study

The report has great significance for each and every person. Some of significance of study as follows:

- 1) It will be helpful to the new clients who are thinking of joining microfinance to know economic impact on their life.
- 2) By studying this report, the students or any person can get the practical knowledge of economic impact of microfinance.
- 3) The study will be important to get answer of above research questions.

5) Conceptual Framework

Previous researchers have identified different factors that could reflect the economic condition of people who use micro financial services. This research however will focus on some of them considering the context of Nepal with the reference of Ramechhap Municipality. Further more conceptual framework can be shown with the help of following diagram:

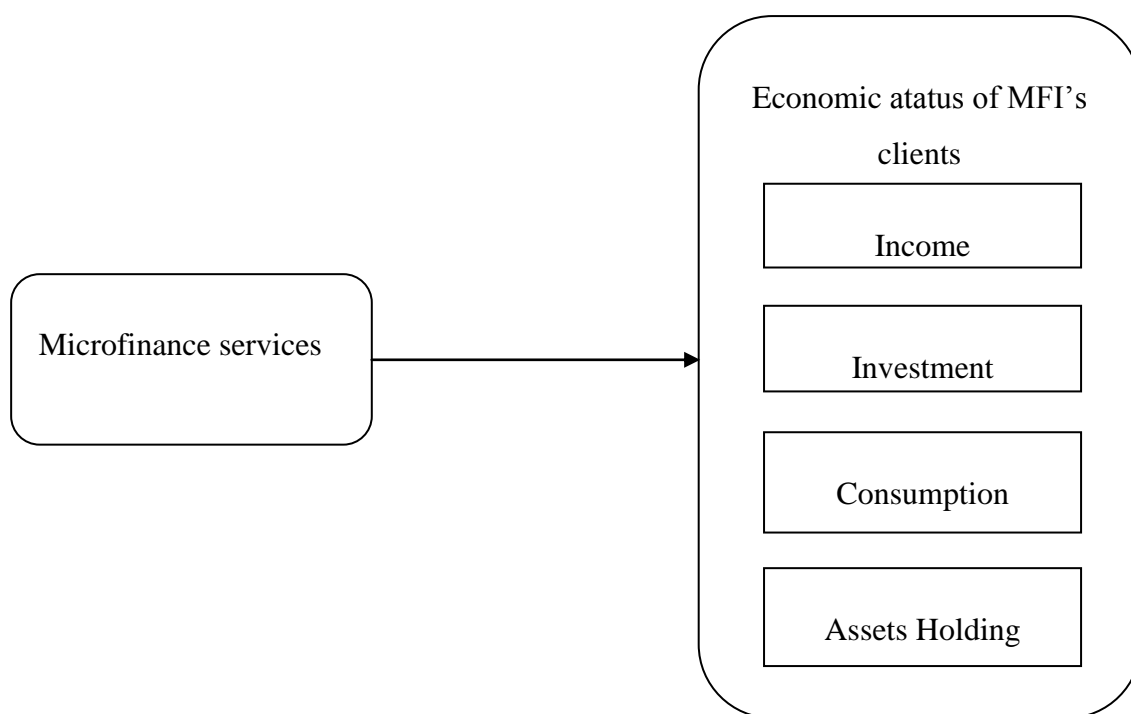


Figure 1: Conceptual Framework for explaining the impact of microfinance institution on Economic Status of the clients

6) Setting and Testing Hypothesis

Hypothesis is an assumption about a population parameter. This assumption may or may not be true. Hypothesis testing refers to the formal procedures used by statisticians to accept or reject statistical hypotheses. Hypothesis for the study is

Null hypothesis (H₀): There is no significant difference in economic status of microfinance clients before and after getting microfinance services.

7) Limitations of the Study

The study will be conducted mainly with the view to study the financial impact of microfinance intervention on women, the prime target customer of the Microfinance institutions in Nepal. The study can be beneficial to microfinance institutions to revise their products and services such that stronger impact can be produced. The study also can serve as a basis for further research in the field of microfinance for beginner researchers.

The limitations are listed as below.

- 1) The findings of the study may not be generalized as the sample size is small & unrepresentative, and the sample selection is done from the outskirts of Kathmandu valley.
- 2) The samples will be collected conveniently, which can have some biases.
- 3) The respondent's response will be based on their memory, which will put doubt on the authenticity of the data collected from them.

8) Organization of the Study

The research will be divided and studied into five chapters. They are:

Chapter I: Introduction

This chapter will include the background of the study, statement of the problem, objectives of the study, significance of the study, conceptual framework, and limitations of the study and organization of the study.

Chapter II: Review of the Literature

A literature review is a scholarly paper, which includes the current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and do not report new or original experimental work.

Chapter III: Research Methodology

This chapter will include research design, population and sample, sources and nature of data, data gathering procedure, method and analysis of data etc.

Chapter IV: Data Presentation and Analysis

It will include presentation and analyses of data that will be gathered using Microsoft excel and IBM SPSS 2.0 as the statistical tools.

Chapter V: Summary

It will conclude the research with necessary summary, suggestions, conclusion and recommendations.

9) Review of the Literature

After the success stories of Grameen bank in reducing poverty and uplifting the lifestyle of poor in Bangladesh, microfinance has gained a serious attention in other countries as well. Many countries and INGOs/NGOs have adopted the Grameen model to deal with poverty and bring a positive impact on the lives of poor and extreme poor. Although, the Grameen model has profound impact on the poverty alleviation in Bangladesh but still the policymakers and researchers have not reached at consensus that microfinance institutions really impact as expected and desired.

Basically, the major target groups for the microfinance institution are women, small entrepreneurs, and individuals who lack finances to involve in a profession like hairdressing, tailoring, cattle rearing, farming, and so on. From the Bangladesh experience that is the creation of a micro-finance wholesaler has the potential to play an important role in expanding access, developing professional standards and in advocating for MFI issues.

In Nepalese context, the role of apex institution confined only to provide credit need of the MFI, without intensive investigation of the partner organization. The role should be broadening other institutional development like human resource development, capacity building, high level outreach and financial sustainability. Specially government run apex fund, should be optimized and utilized properly by looking their objectives for the period, it should not be confined only to lending and repayment rate. The issue of fund parking is raised by the partner organizations as a fault of wholesale lenders (Sharma, 2012).

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 (Shrestha, 2013).

Pitt, (2013) have presented how microfinance loan positively affects women who hold a major proportion in poverty, in their research conducted in Bangladesh. They have found how female credit empowers them in terms of their access and control over economic resources, ability to conduct transaction, mobility and network, political and legal awareness, husband's behavior and attitude towards them, and family planning and parenting issues, but doesn't impacts husband's opinion and action towards them. Similarly, the impacts of female borrowing can be experienced more than the male borrowing impact.

According to Burnside, (2011) Grameen model of microfinance was adopted in Nepal during its financial sector liberalization. It enabled a shift from state-subsidized rural finance programs to a market driven approach, employing the perceived efficiency of women borrowers to increase household incomes. Microfinance solved the outreach failures of elite capture of directed loans and the use of subsidized credit for political patronage.

Rankin, (2007) explained that it moved distribution of credit away from state-run regional rural development banks to NGOs and microfinance to development banks. Significantly, however, Nepal retained targeted lending in its Deprived Sector Lending Program.

Microfinance in Nepal is the “same same, but different”, as the Nepali saying goes. Most of Nepal’s microfinance institutions use the widespread Grameen Bank model and have begun to follow international best practices as described by the Consultative Group to Assist the Poor (CGAP). Despite these generalist practices, the context of microfinance in Nepal is unique.

10) Research Methodology

10.1. Research Design

The research design that will be applied for the study is descriptive that mainly tries to describe the characteristic and situation of microfinance clients at Ramechhap Municipality. This paper aim to analyze the economic impact of the respondents with the help of some determinant variables: loanee’s income, household income, household saving, investment, household consumption, improvement in living

standards, types of houses. In social science research, field work is the central and important method for collecting the primary information. Secondary information also plays an important role while analyzing and giving inference of some empirical knowledge. The study will be based on both primary and secondary data. Both qualitative and quantitative approaches will be used for data analysis. The study will analyze and compare the various indicators of economic status before and after the microfinance intervention. As far the primary data is concerned, structured questionnaire will be used to collect data.

10.2. Population and Sample

The populations for the study are the clients of the Microfinance Institutions whose working area is Ramechhap Municipality especially in Shanghutar Bazar. The samples selected for the study were the clients of of Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd. And Global IME Laghubitta Bittiya Sanstha Ltd. Nirdhan Utthan Laghubitta Bittiya Sanstha Ltd had opened its branch in 2071. Currently there are 861 members in 43 groups. Similarly Global IME Laghubitta Bittiya Sanstha Ltd had opened its branch in 2071. There are 1800 members and 118 groups. Sample will be collected randomly among these MFI's clients.

10.3. Sampling Method

Lots of scientific and systematic sampling methods are available to select sample objectively. However, convenient sampling methods can also be applied where subjects are easily accessible and close to researcher. The study will apply convenient sampling method to frame a sample for the impact assessment. The center located in Ramechhap municipality will also be selected conveniently. The sample will consist of 150 clients from the different centre.

10.4. Data Collection method

The data will be collected through structured questionnaire. However, the questionnaires will be administered by the researcher to ease indicating the responses of illiterate clients. Each client will be interacted in person to collect the responses on the questionnaire.

10.5. Data Analysis and Presentation

The data will be analyzed by the use of Microsoft excel and the IBM SPSS 2.0. Various tools like measures of central tendency; t-test will be used. The quantitative data will be presented using different statistical tools like table, average, percentage, pie-chart and bar-diagram used as required in analysis.

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