

# **Chapter- 1**

## **Introduction**

Various aspects of microfinance are much discussed in development literature but one important area that still remains crucial to analyze is the impact of microfinance in case of women empowerment. Issue of women empowerment and poverty reduction through microfinance has been much discussed since it becomes further relevant when national policy and strategies are focused towards this. This research paper thus, analyzes the impact of microfinance on social and economic empowerment of women in Nepal.

### **1.1. Background**

History of micro credit programs in Nepal can be traced back to the beginning of first five year plan, which commenced, with the establishment of cooperatives in 1956. However, official policy got recognition of importance of this sector in alleviating poverty in fourth plan with the establishment of Small Farmers Development Program (SFDP) in 1975. Program to ensure that women empowerment, those traditionally not had access to formal credit, have been started in 1981/82 with the introduction of Women Development Program (WDP) within the operational framework of SFDP. Soon after in 1982, Women Development Division (WDD) of Ministry of Local Development (MLD) introduced Production Credit for Rural Women (PCRW) project with two public commercial banks (Nepal Bank Ltd. and Rastriya Banijya Bank) and UNICEF as their partners.

Microfinance has been considered as one of the most effective poverty reduction strategy. Microfinance helps the poor people in managing risks, assemble more assets, improve the income earning capacity and overall the living standard of poor people. It can be possible because microfinance is the means by which poor people get access to the savings, credit and insurance facilities. Microfinance also helps poor people to improve their social status because microfinance helps in improving the capacity of people in decision making, adoption of better technology, proper access of market, resource allocation which in overall helps in improving the economic growth and development. As most of the poor people rely on the meager self-finance and the

informal source for credit instead of using MFIs, they are not able to actively participate in and benefited from the development opportunities that MFIs are providing. Microfinance is very effective in providing assistance and empowering the poor people especially women who have suffered from the poverty. Microfinance can contribute to the development of overall financial system through integration of financial market. Micro-finance is relatively a new innovation in the age-old banking industry.

Muhammad Yunus, the winner of a Nobel Peace Prize, who is regarded as the founder of Grameen Bank of Bangladesh, says that “there may be someday when our grandchildren will have to go to museums to see what poverty was like”.

'Government of Nepal adopted the concept of open, liberal and market oriented economy in 1984. It has taken micro finance as a major instrument of achieving the national agenda of reducing the poverty' (*Baral, 2005*). Accordingly, Nepal Rastra Bank (Central Bank of Nepal) has also started adopting liberal and promotional policies on microfinance. “In the late 1980s, liberalization of interest rates, creation of a regulatory framework that included prudential regulations regarding microfinance and the establishment of a separate supervision department at NRB was also undertaken” (*Sinha, 2000*).

Enactment of number of acts such as Cooperative Act 1992, Development Bank Act 1996, Financial Intermediary Act (First Amendment) 1999 are some of the prominent policy interventions for the promotion of microfinance sector in Nepal. As a result, number of MFIs emerged in the country and categorized as (i) Bank and (ii) Financial Institutions, in 'Bank and Financial Institutions Ordinance 2005'. Bank represents the microfinance development bank and financial institutions consist of all other MFIs (FINGO and Cooperatives). Following these development, microfinance is exclusively focused on women. All most all microfinance development banks and FINGOs have women as their clients. One of the major rationales behind targeting women in microfinance is that they are honest, hardworking and sincere on mobilizing and repaying credit fund beside the objective of empowering them socioeconomically.

Despite all efforts, only “about 38 percent of Nepalese households have an outstanding loan exclusively from the informal sector, 16 percent from both the informal and formal sector, and 15 percent from only the formal sector” (*Ferrari, 2007*). Moreover, “access to financial services remains limited for many people in many parts of Nepal and in recent years has been declining” (*ibid*). This is an attempt, to review through this research the socio economic empowerment on women through microfinance in Nepal.

Therefore, it is very much relevant to review how such MFIs have been succeeded towards the economic empowerment of women through financial services for poverty reduction ensuring the sustainability of MFIs itself. However, 'there does not seem to be any evidence that micro credit has resulted in any change in the structure of society' (*Dunham, undated*), this research would focus on the changes in social and economic status of women making them empowered putting more focus on how such efforts of changing economic status of women is compatible with the traditional structure.

## **1.2. Focus of the Study**

Microfinance is the provision of a broad range of financial services to poor and low income households such as micro-savings, loans, payment for money transfer services and micro-insurances. It also includes loan to micro-enterprises. The main objective of the microfinance is to help alleviate the poverty by providing sustainable access to financial services to poor and low income households, and to improve their living standard. This study is mainly focused on socio-economic effects on women. The change of their living standard is analyzed after lunching the program.

## **1.3. Statement of Problem**

Women in Nepal are among the poorest and disadvantaged group due to social, legal and intra household discrimination. As a result, education, health and nutrition status of women including girl child is much lower than that of men particularly in rural areas. In Nepal, land is an important asset. Even then women rarely own land because land is inherited patrilineal. This hinders the women from obtaining credit. Lack of credit limits affects the women in access to improved technology, agricultural inputs

and information. Although women work much harder and for longer hours their contribution to the national economy does not get properly accounted for. This is because of traditional household chores are usually not monetized and as such do not get included in the national account (*Shrestha, 2001*).

In this regard, there is the existence of microfinance in the form of financial development which helps in alleviating poverty and help poor people to improve their social and economic conditions. It provides the basic financial services, like credit, savings and insurance, etc. Poor women in particular benefit from microfinance services. Women's status, both in their homes and in their communities, is elevated when they are responsible for managing loans and savings. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to women has a significant impact on their families' quality of life, especially their children.

On the other hand, Microfinance Institutions also helps in improving the living condition of poor people by providing services like creating employment, providing healthcare, sanitation, food, establishing gender equality etc. Governments, donors, formal and informal institutions and; NGOs around the world also have provided their support, plans and promised to work together to achieve these goals.

However, microfinance has always been the issue of debate whereas it should be completely business oriented or it should carry some social responsibility of social development, capacity building, linkage and coordination. Thus it is important to assess the socio-economic impacts on women and to find out the critical issues prevailed with women focus microfinance.

Moreover, microfinance has other controversy as well which deals between the effective delivery of the services to empower the women and financial self-sustainability of the program itself. The interest of having good micro-finance better repayment may have direct negative effect on the other. Therefore, it is apparently important to review the real socio-economic growth taking place among the clients of micro finance without losing the interest of others.

Arguments made under Innovative Financial Institutions (IFIs) that poor do not need subsidy which destroys the market equilibrium, reduce optimal scale, siphon off the best borrowers (*Karla Hoff & Stiglitz and Pinaki Bose in Morduch, 1999*) therefore simply access to the loan facility is the major provision to be made in rural financial market. Particularly Latin American experience of gaining higher returns by MFIs than the commercial banks working in the same area (*CGAP, 2001*) might have higher influences among the MF practitioners to firmly believe on sustainable microfinance. But these all, might have challenged the socio-economic empowerment of women through microfinance services. That is why, it is necessary to analyze whether microfinance services has really enhanced the socio-economic empowerment level of women in Nepal further detailing into what extent microfinance services has created economic impact (physical and financial capital) on the lives of women. Has access to microfinance empowered women in building up their social status and social capital and is women focus microfinance a strategic tool for their empowerment or only a means for successful microfinance.

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

The main objective of the study is to analyze the socio economic effects of Microfinance on Women in Nepal.

- ) To explore the social and economic impacts of the microfinance services on women
- ) To analyze the constraints faced by women clients
- ) To identify the measures for enhancing the effectiveness of micro credit for women in Nepal

#### **1.5. Significance of the Study**

Microfinance has been able to improve the living standard of many poor people particularly women in the world. There are many organizations and institutions, who are working to take microfinance within the reach of those poor people who have not gain any benefit from the conventional financial system. So, the importance of this study are to bring awareness in people for empowering the women for raising the living standard and reducing the poverty.

Similarly, microfinance practitioners who are involved in extending these services are always eager to know the result of their efforts and to understand whether they are in track. Besides, it is even a matter of curiosity to the academicians, researchers, new comers in this sector, and development practitioners as a whole, which would benefit from this study in persuading the issue and expansion of microfinance. This research finding would guide everyone to come up with appropriate methods, approaches, products, challenges and constraints of microfinance focus on women thereby adding value to the development of this sector and the noble objectives of reducing poverty and vulnerability of the women and their family.

### **1.6. Limitation of the Study**

Despite of having enormous significance of this study, it is confined with the following limitations. Therefore, this study might not adequately reflect the whole microfinance industry of the country which must be acknowledged as limitations of this study.

- ) A single research done by a student to full fill master's degree cannot cover every aspects thus it is confined to the socioeconomic impact of microfinance only considering a few indicators.
- ) This study is limited to only 54 sampled women served in Kathmandu District by different microfinance institutions. So, the data collection was restricted only within the Kathmandu valley which may not represent the true picture of the whole country.
- ) However, survey was directed only relating with the participation on microfinance program, the findings of the study thereby the conclusions made on socio economic impacts and women empowerment cannot be attributed to the microfinance alone, since there are numerous developmental activities going on with and around the microfinance program implemented clients.
- ) In addition to that, growth and development taken place in their socioeconomic status from their own initiatives could not be separated and quantified in this research.

) Moreover, this thesis is prepared within a very short period because of some technical reasons and tight schedule of field visit thus could not be able to use various tools and approaches that could made it more comprehensive.

### **1.7. Chapter Plan**

The study has been organized into five chapters and they are:

Chapter I: Introduction

Chapter II: Review and Literature

Chapter III: Research Methodology

Chapter IV: Data presentation and Analysis

Chapter V: Summary, Conclusion and Recommendation

The first Chapter, Introduction, includes general background of the study, focus of the study, statements of problems, objective and significance of the study.

The second Chapter, Review of Literature, includes conceptual review of related literature. The overall micro-finance scenario in world and in Nepal is reviewed, after that socio-economic empowerment of women and their overall status is reviewed.

The third Chapter, Research Methodology, explains the methodology used in the study. This chapter deals with the nature and source of data, selection of study area, data collection procedure and data analysis tools.

The fourth Chapter, Data Presentation and Analysis, deals with the presentation of data, their analysis and major findings and interpretation of collected data using various financial and statistical tools and techniques.

The fifth Chapter summarizes the whole study, draws conclusion and forwarded recommendation.

## **Chapter 2**

### **Review of Literature**

Literature review has been done through the journal articles, reports, manuals, workshop proceedings, internet home pages and other studies into microfinance program that are available. This chapter has briefly presented the theoretical review of microfinance in general and conceptual review of socio economic empowerment of women through microfinance, evolution of microfinance in Nepal , modalities of Nepalese Microfinance Sector and their Outreach, methodology of microfinance, the overall status of women in Nepal and women empowerment.

#### **2.1. Definition and Key Concepts**

##### **2.1.1. Finance, Microfinance and Microcredit**

Finance is one of the branches of economics which is concerned with the allocation of resource, resource management, acquisition and investment (<http://www.investorwords.com/1940/finance.html>). Finance is a monetary promises that exchanging into cash in the present for a promise of future reciprocity (<http://www.fao.org/sd/ROdirect/ROan0017.htm>). Credit creates value in the form of loan in the present that is exchanged for promises pay in the future. Finance has special characteristics and differentiates from the good and services produced by the non-financial sectors of the economy. It relates to social activities, intangible and interchangeable. By its nature it can use in various purposes and be easily politicized. Finance is one of the products of the society. It categorizes into three aspects:

1. Promises power in commerce
2. Over the allocation of goods and services to consumers
3. Over the use of land, labor and capital for production.

Finance has plenty of risk and it can be minimized only with enhancing the confidence level. Confidence is the opposite of the risk. However, confidence level depends on society's general view of the future, social structure, required efforts to achieve and maintain consensus, legal structure, cost gaining the access and social



handicaps etc. Confidence in the investment project is important. In this regard, lenders should be known about three "C" i.e. capacity, capital and character of the clients.

Microfinance is one of the components of the finance. Basically it has been emphasizing to poverty reduction through focusing multidisciplinary and multifaceted activities such as collection of domestic savings and investment of the small loan to micro enterprises while micro credit emphasizes only the investment of small loan as well. Microfinance is a development tool, not simply banking (*J. Ledgerwood, 2000*).

### **2.1.2. Microfinance Institutions (MFIs)**

A microfinance institution is an organization that provides small loans and other financial services to poor borrowers which helps them to earn some money by guiding them towards income generating and self-employment activities. Most of the Microfinance institutions are aimed towards the social development as well as earn some profit from their activities. An MFI is usually a NGO (Non-Government Organization) not involve in banking or any other government activities. ([http://www.sciencedirect.com/science?\\_ob=ArticleURL&\\_udi=B6VC4-4GG2JNY-1&\\_user=10&\\_coverDate=04%2F30%2F2007&\\_rdoc=1&\\_fmt=high&\\_orig=browse&\\_sort=d&view=c&\\_acct=C000050221&\\_version=1&\\_urlVersion=0&\\_userid=10&md5=5718dbb28dcfae8e275d8f59c5638243](http://www.sciencedirect.com/science?_ob=ArticleURL&_udi=B6VC4-4GG2JNY-1&_user=10&_coverDate=04%2F30%2F2007&_rdoc=1&_fmt=high&_orig=browse&_sort=d&view=c&_acct=C000050221&_version=1&_urlVersion=0&_userid=10&md5=5718dbb28dcfae8e275d8f59c5638243)) (*J. Ledgerwood, 2000*) Microfinance Institution as a development organization should always try to fulfill the financial needs of poor people so as to meet its developing objectives which include one or more of the following:

- ) Minimize the level of poverty
- ) Empowering women or other underprivileged groups, like Dalits, Raote in Nepal
- ) Creating employment
- ) Supporting existing businesses and diversify their activities
- ) Encouraging the development of new businesses
- ) Creating employment and income opportunities through the creation and expansion of microenterprises

### **2.1.3. Gender Equality**

Gender equality means to provide equal and fair opportunities to all the people without discriminating them based on their gender. When there is gender equality, both men and women can enjoy equality in status, rights, power and resources. This will provide women an opportunity to do what they like to do on their own and independently. But there are still many places specially the developing countries like Nepal, where women are not given a chance to show their talents and they are shadowed by the society. The equality between men and women can be seen and felt only in the books and government reports.

*[http://www.lindaswebs.org.uk/Page1\\_Development/Gender/Gender.htm](http://www.lindaswebs.org.uk/Page1_Development/Gender/Gender.htm)*

*<http://www.genfinance.info/Documents/GenderConcepts.pdf>*

### **2.1.4. Empowerment**

“Empowerment refers to increasing the spiritual, political, social and economic strength of individuals and communities”. Empowerment is a methodology to guide people, society or organization to reach their full capacities. (*<http://www.relationship-economy.com/?p=1080>*)

According to one loan officer at Sinapi Aba Trust in Ghana, “Empowerment refers to enabling each person to reach his/her God given potentials”. Empowerment simply means to develop self-confidence of the individual on their own capacities. The meaning of empowerment is different in different social, cultural and political contexts. It indicates the expression of self-strength, control, self-power, self-reliance, freedom of choice and life of dignity, in accordance with one’s values, capable of fighting for one’s rights, independence, own decision making, being free, awakening, and capability. (*<http://www.relationship-economy.com/?p=1080>*)

#### **a. Economic empowerment:**

Economic empowerment helps to increase the total economic situation of the poor people which means increase in income, savings, employment and self-employment and reduce unemployment (*Anjali Kaur, 2007*). The main purpose of economic empowerment programs is to create income generating activities and support the people to achieve their income by providing different support activities.

**b. Social Empowerment:**

Social Empowerment is the process of reclaiming the power to shape the lives of a people and to influence the various activities of their surroundings. It means to make the people, especially women capable of doing something of their own by increasing the literacy rate and social awareness.

The hunger Project, New York, shows that the two third of the world's illiterate are the female. Women are the most disadvantaged people in terms of education, health care, social benefits act compared to the men. But the studies show that when they are empowered and supported, they can do better than men and all of society benefits. Their families are healthier, more children go to school, income increases etc.

According to the Longwe Empowerment process Framework (*Longwe 1989, 1991*) Women's empowerment as a progression through

- a. **Welfare:** Women receiving equal level of materials as men (food supply, income, medical care, etc.).
- b. **Access:** Women receiving equal opportunities and access to the factor of production as men (land, labor, capital, etc)
- c. **Conscientisation:** Identifying the difference in sex and gender roles and later the culture. These can be changed once people have an clear understandings.
- d. **Participation:** Equal participation of women in the every sector as men in the developing countries.
- e. **Equality of control:** Neither men nor women dominate each other in terms of factor of production and distribution of benefits.

**2.1.5. Poverty**

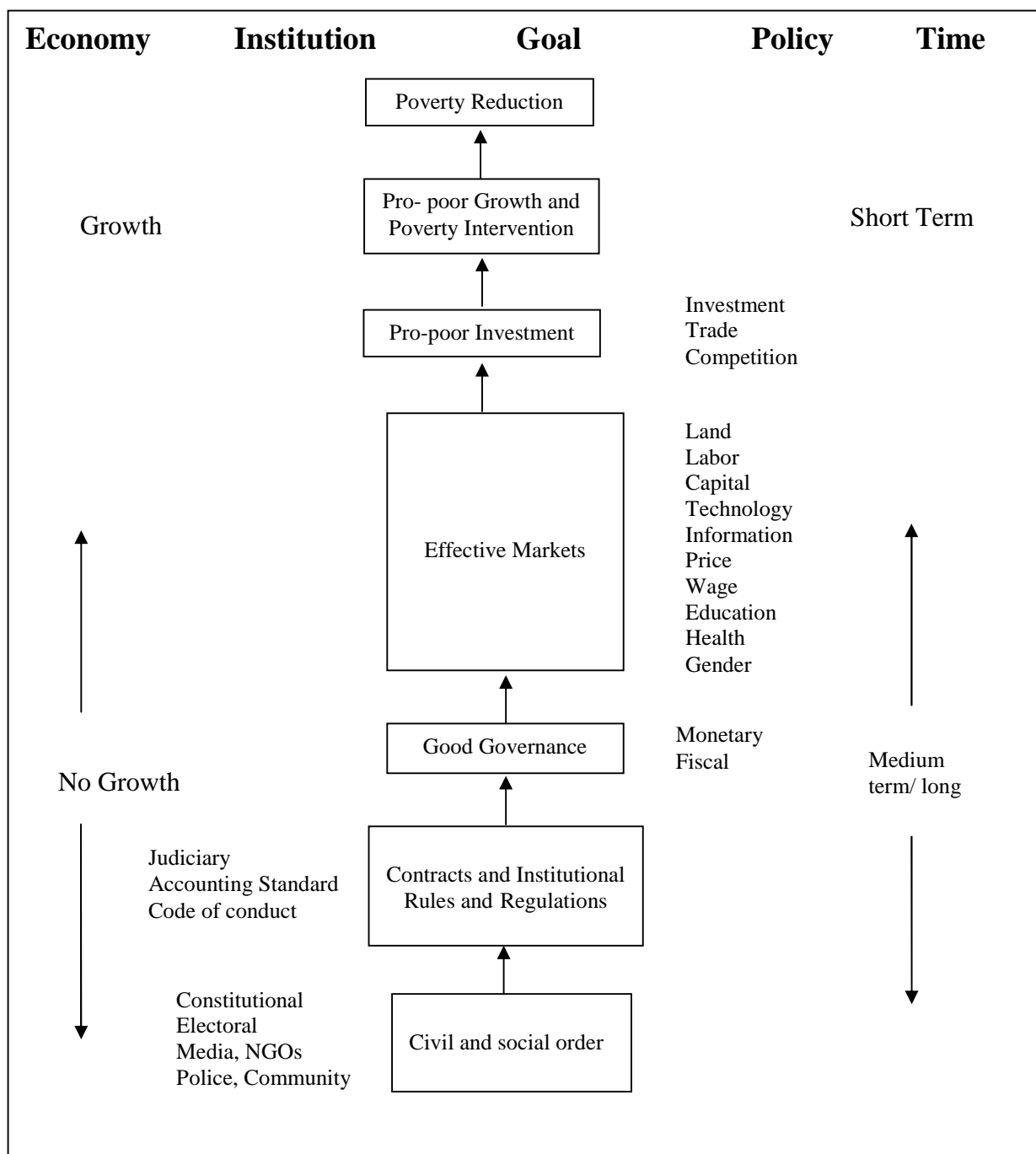
Nepal is one of the least developed countries in the world and for such countries the word poverty is very familiar terms. The term poverty refers to the deficiency of materials as well as low accomplishment in everything like, education, health,

benefits etc, exposure to risk, and the lack of voice and empowerment, lack of information and contacts, lack of access to the resources. When there are such things, people can't escape from poverty. (*Yoshihiro Iwasaki, 2002*)

According to the report of UNDP, 1992, "Poverty is a multi-dimensional disadvantage, therefore, infant mortality rate, inadequate nutrition; health care, basic education, housing, water and sanitation should be considered with the low income or consumption". According to Islam, 1985, "poverty may be described as, fail to secure access of the poor to a minimum bundle of goods and services. Poverty is one of the root causes of exploitation of natural resources as well as poor people in the world".

Poverty generally refers to poor people, who are unable to meet their basic needs like food, housing, clothing, medicine and education. Therefore, on the basis of income-expenditure/consumption and landholding is considered as the indicators for measuring poverty. However, it is not the same in all parts of our nation. It varies according to community and topographical variation. For example land holding, serviceman, businessman, family members (no. of male members), no. of fruit plants, wooden- production, political leaders, crop production, political leaders and such others are considered as the indicators of measuring poverty.

**Figure 1: Poverty reduction process**



*(Source: Duncan and Pollard, 2000)*

## 2.2. Overview of Nepal

Nepal is a small country situated in the lap of the Majestic Himalayas in the north, the birth place of Light of Asia, Gautam Buddha, bordering India in the east, south and west and China in the north. The total area of Nepal is 147,181 sq km and has been divided into three region based on the types of land, Terai (southern plain), Hill and

Mountain. We can find giant mountains including the world's tallest mountain Mount Everest which is one of the popular destinations for tourist who visit Nepal. The country is divided into five development regions and 75 districts. Nepal has around 26 million population comprised of more than 100 caste/ethnic groups setting an example of being in socio-cultural harmony and has maintained its pride to be an independent and sovereign state.

The world has already entered into the 21<sup>st</sup> Century. But still there are many poorest countries that have continued to grow poorer and Nepal is one of them. There are various reasons for this worldwide problem. Most of the countries are facing this problem due to the poor governance and other internal features of the countries. Nepal is also facing this problem due to the poor government actions and the conflict between the Maoist and Government for so many years in the past. The other problem is the lack of reach of financial institution to the rural and remote areas of Nepal. There are no schemes for people living in rural areas. There are more than 70% of the populations who haven't taken any banking services even today. Most of the government programs are based on the areas nearer to city. Different Non-Government Organization and some microfinance institutions have been contributing to some extent to deal with the poverty problem but unless the government comes up with a concrete action plan, this problem will not be eliminated from the country completely.

### **2.3. Introduction of Microfinance**

Micro finance is a very common tool used by most of the developing nations in present days to alleviate poverty. It is a form of financial development that primarily focused on alleviating poverty through providing financial services to the poor. Most people think of microfinance is about micro-credit i.e. lending small amounts of money to the poor. Beside micro credit, Microfinance also includes insurance, transactional services, and savings facilities to the poor peoples.

The Canadian International Development Agency (CIDA) defines microfinance as, "the provision of a broad range of financial services to poor, low income households and micro-enterprises usually lacking access to formal financial institutions".

The characteristics of microfinance products include

- ) Collateral free
- ) Simplified savings and loan procedures
- ) Micro finance institutions go to people who need money
- ) The size of loan and savings are very small
- ) There will be no restriction on how and where to use the money.
- ) Repeat loans
- ) Interest rate is usually in between money lenders and banks
- ) Loan size increases in the repeated loans
- ) The repayment is made through the income from the business

## **2.4. Microfinance in Nepal**

### **2.4.1. History**

Nepal is one of the poorest countries in the world where more than 76% of the population involves in agriculture. Agriculture based Credit co-operatives were established in the 1950s with the aim of providing loans to the poor people for agriculture purposes as the first step towards microfinance development. After that, in 1975, under the supervision of Asian development Bank/Nepal (ADB/N), many organizations such as Small Farmers Development Programs (SDFP) were established to work on helping poor and reducing poverty level of the country. In 1981, the Intensive Banking Program (IBP) was started to provide big loans and credits to all types of labor force and to encourage commercial banks to participate in micro credit (*Center of Microfinance, 2007*).

In 1992, the Two Grameen Bikas Banks were started by the Nepalese Government which was the replication of Bangladesh Grameen model of microfinance. During 1992 to 1996, five Regional Rural Development Banks (RRDBs), one in each of the five development regions, were established to provide microcredit services to the poor throughout the country. Later, other micro-finance development programs, such as Priority Sector Lending Program (PSLP), Intensive Banking Program (IBP), Production Credit for Rural Women (PCRW) and Rural Self-Reliant Fund (RSRF) were implemented. Several other micro credit organizations were such as Nirdhan,

Chhimek, CSD and other organizations were established later by Nepal Rastra Bank as well as the government of Nepal (*Centre for Microfinance, 2007*). Rural Microfinance Development Center (RMDC) was also established by the government to support the Microfinance organizations. RMDC helps the MFIs by providing them a wholesale credit, providing training, and other support functions so as to make them better in providing microfinance facilities to the poor people.

#### **2.4.2. Current State of Microfinance in Nepal**

In the recent years, the Microfinance sector in Nepal is becoming very expanded and diversified. Many MFIs have been established in Nepal in the recent years for the purpose of providing financial services and supports to the poor people living in the rural and remote places of the country. The four major sources for micro – credit in Nepal are the Commercial banks, development banks, NGO Banks and community-based finance companies Other sources which also provide micro credit to the poor people are Savings and Credit Co-operatives, Savings and Credit Groups, and Traditional Savings Credit Groups etc. (*Centre for Microfinance, 2007*).

Nepalese Microfinance Market can be categorized into three sectors; the formal sector, semi-formal sector and the informal sector. 19 Commercial Banks, 35 Development Banks, 72 Financial Companies, 11 Micro credit Development Banks, 19 Savings and Credit Cooperatives and 47 Non-Governmental Organization are consider as a formal sector of microfinance (*ARCM, 2007*). Approximately more than 3000 savings and credit cooperative societies and as many as 10,000 financial intermediary NGOs form the semi-formal sector. Many community-based organizations and individual or group programs like dhikuti, dharma bhakari, guthi etc are consider as a informal sector of microfinance. (*ARCM, 2007*). A joint venture of several national and internal NGOs have able to form more than 9,000 saving and credit companies and are able to finance more than a million dollars to the poor people in Nepal which they received from the donor countries and institutions (*Rankin, NK, 2001*).

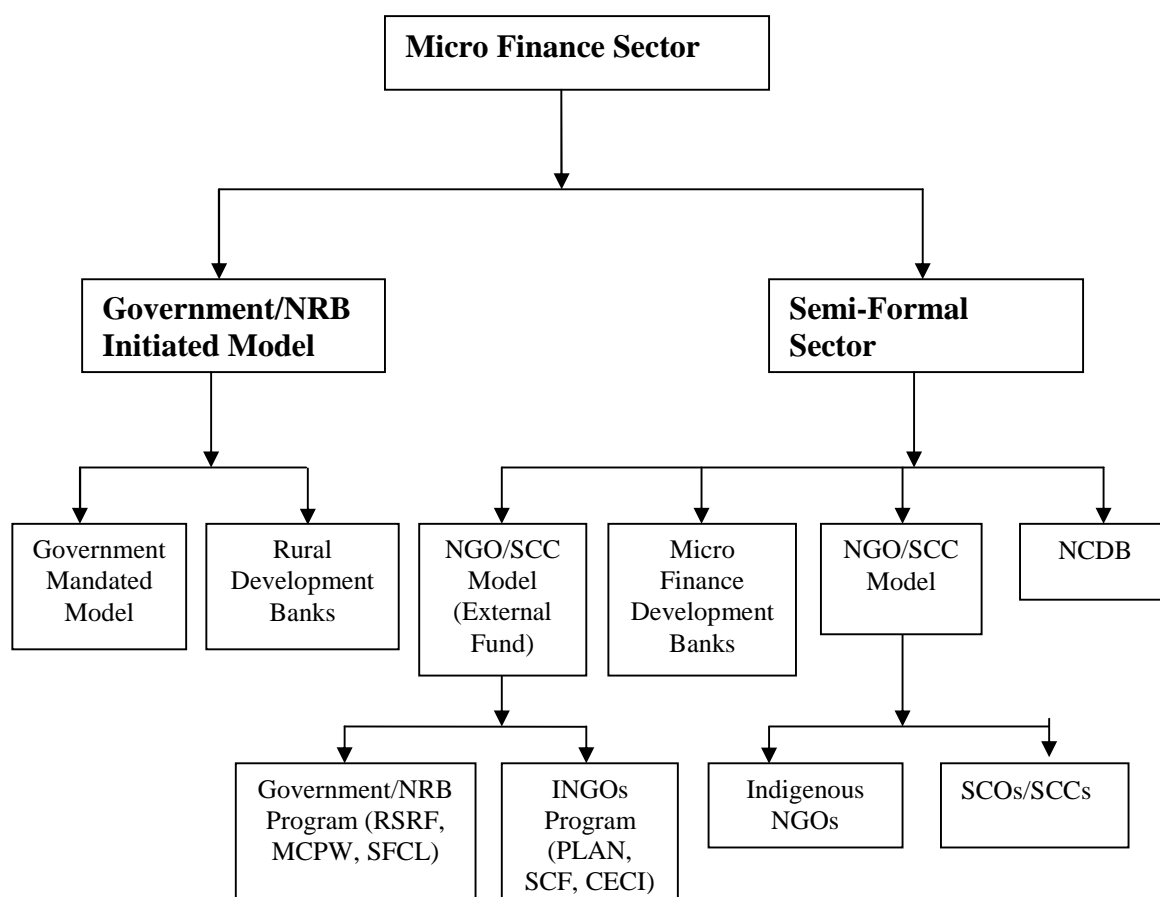


## **2.5. Modalities of Nepalese Microfinance Sector Practiced in Nepal and Their Outreach**

Many microfinance programs such as public vs. private sector modalities, community vs. deprived sector based modalities, project based modalities, gender based program etc has been established and accelerated in Nepal so as to make the microfinance program more effective (NRB, 2008). Many financial institutions are working under the above microfinance programs and models and these financial institutions are operating as a legal entity and have received the Nepal Rastra Bank's approval for operation.

In the recent years, large numbers of Microfinance institutions have come out with various microfinance programs in Nepal which is providing the micro finance services to fulfill the requirement of the poor people who are living in remote and rural areas of Nepal. The microfinance sector are classified into two groups based on the institutions involved – formal and semi-formal model which are shown in the below figures (*NRB Report, 2007*).

**Figure 2: Microfinance Sectors in Nepal**



*Source: Microfinance Department, Nepal Rastra Bank, 2008.*

### 2.5.1. Small Farmer Co-operatives Limited

The small farmer co-operatives limited previously called the Small Farmer Development Project (SFDP) which works under the guidance of Agricultural Development Bank, has been transferred to the local community under the Cooperative Act, 1991. This small farmer co - operative limited is established to build up an institutional management capacity to implement SFDP.

**Table 1: Outreach of Small Farmer Co-operatives Limited**

Number of SFCL	139
Number of members benefited	85
Number of groups benefited	13,322
Technical Support	IFAD,CGAP
Financial Support	SKBBL

*(Source: NRB Report, 2007)*

### 2.5.2. Priority Sector and Deprived Sector Credit Programs

Nepal Rastra Bank (Central Bank of Nepal) with the aim to involve commercial banks in national development programs, has made it mandatory for the commercial banks to invest or disburse 2 – 3 percent of their total loan to the priority and deprived sector credit programs.

**Table 2: Outreach of Priority Sector and Deprived Sector Credit Programs**

(in million)

<b>Outreach</b>	<b>Priority Sector</b>	<b>Deprived Sector</b>
Direct credit from Commercial Banks	8057.71	1208.24
Agriculture	1206.76	776.86
Domestic Industries	1813.52	85.50
Services	4025.12	345.88
Power Sectors	1000.51	
Machine and Import of Raw materials	11.80	
Indirect credit through MFIs	2046.36	4046.89

(Source: NRB Report, 2007)

### 2.5.3. Rural Microfinance Development Banks

Nepal government with the initiative of Nepal Rastra Banka and some other private financial institutions established 5 regional rural development banks in order to provide banking facilities to the poor people and to improve the socioeconomic status of the poor people living in the rural areas. To implement the development programs more effectively, the government has later established four private sector micro-finance development banks (Nirdhan, Swabalamban, Deprosc & Chhimek) were also established.

**Table 3: Outreach of Rural Micro-finance Development Banks**

(Rs. in thousands)

<b>Outreach</b>	<b>5 Grameen Bikas Banks</b>	<b>4 Replicating Banks</b>
Number of Centre	5046	7054
Number of Groups	36403	36717
Number of member	167886	185833
Number of Borrowers	149255	146402
Total Disbursement	12484829	6642502
Total Repaid	11224716	5495863
Total outstanding	1260113	1146639
District Covered	47	40
Number of Branch	142	120
VDC covered	1038	1163

*(Source: NRB Report, 2007)***2.5.4. Financial Intermediary Non – Government Organizations**

Nepal Rastra Bank has provided a license to only 47 NGOs to work as a financial intermediary out of about 10,000 NGOs. These financial intermediaries collect the deposits through MFIs as well as receive a credit from MFIs which are later disbursed to the group members which they have formed while establishing the intermediary.

**2.5.5. Saving and Credit Cooperatives (SACCOPs)**

The co-operatives have been introduced in Nepal since 1956. About 8000 co-operatives are registered in Cooperative Department of the Government of Nepal. Some near about 2600 cooperatives are involved with the savings and credit programs. Of them, only 19 cooperatives are licensed by NRB for limited banking transaction and 199 co-operatives are associated with the RSRF.

**2.5.6. Wholesale Microfinance Institutions****a. Rural Self-Reliance Fund (RSRF):**

The government has formed the Rural Self – Reliance Fund in 1991 in order to improve the income level of poor people and provide an employment opportunity for

the deprived people who are living in rural areas of Nepal. RSRF works with various MFIs and ADB so that it can have a wider reach in providing credit to the poor people. It provides the wholesale credit for on-lending purpose to the deprived people through MFIs, Cooperatives and NGOs and long-term loan through Agricultural Development Bank.

**Table 4: Outreach of Rural Self-Reliance Fund**

(Rs. in thousands)

<b>Outreach</b>	<b>Short Term (51 NGO, 199 SFCL)</b>	<b>Mid and Long Term</b>
PFI	250	5
Total Disbursement	101359	159200
Total Repaid	68593	21666
Total Outstanding	32766	137534
District Covered	47	40
Family Benefited	9949	-

(Source: NRB Report, 2007)

**b. RMDC & SKBBL**

RMDC and SKBBL were established by the government in 2000 and 2002 respectively with the aim of providing a loan to the MFIs and SFCLs and also to monitor the activities of these institutions. The main aim of Rural Microfinance Development Center Limited is to increase the number of retail Microfinance Institutions which are operating in the various part of the country. The center provides a thorough training and technical support to these institutions to make them better as well as provide loan funds for lending to their clients. RMDC provide training to every member (executive committee member, managers and field staffs) of the Microfinance institutions by organizing classroom training, on-the-job training, on-site technical assistance, and study visits. RMDC also provides a technical and financial assistance to its partner organizations in order to improve the organizational and occupational skills of clients.

**Table 5: Outreach of RMDC & SKBBL**

(Rs. in thousands)

<b>Outreach</b>	<b>Rural Development (RMDC)</b>	<b>Micro-Finance Center Ltd.</b>	<b>Sana Kisan Bikash Bank Ltd.( SKBBL)</b>
PFI	45		All SFCL
Total Disbursement	982602		827785*
Total Repaid	481748		724054*
Total Outstanding	500854		1430539
District Covered	24		-

*(Source: NRB Report, 2007)*

\*Current year disbursement and repayment only.

**2.6. Funding Source**

Nepal is one of the least developed countries in the world and most of the development programs depend on the funding from the donation from the developed country. Nepal also depends on such country for fund for its development programs.

The main source of fund for the various microfinance programs in Nepal depends on the Deprived Sector Credits fund from commercial banks as determined by Nepal Rastra Bank. Nepal Rastra Bank has made compulsory that every commercial banks has to provide 2 – 3 percent of its total loan for microfinance institutions to support the microfinance programs. Beside Commercial banks, the other sources of fund are the wholesale lending organizations and some international donor organizations. RMDC is the largest wholesale lending organization in Nepal which provides funds to every institution legally allowed to undertake microfinance operations.

**2.7. Methodology of Microfinance**

Microfinance institutions are the only organization which provides credit to the poor people on a solidarity group lending basis without taking any security or guarantee. There are various methods that a microfinance institutions can follow while lending loan. Some MFIs follow one methodology while starting and later diversify to another methodology as demand by situation so that majority of socio economic categories of

population can be included in the program. So it becomes very important to have a basic understanding of methodologies of MFIs. (Derived from Microfinance Development in Nepal, ADBN)

### **2.7.1 Rotating Saving and Credit Associations (ROSCAs)**

A Rotating Saving and Credit association (ROSCAs) is one of the informal organizations. Member makes regular cyclical contributions to a common fund for fulfillment of their credit requirements through group approach in peer lending and individuals come together to save and share risks. They are Dhikuti, Guthi, dharma, Bhakari in Nepal etc.

Basic Characteristics of peer lending are to

- ) Provide loan on the basis of group guarantee
- ) Select loaner by their peers
- ) Invest loan without analysis
- ) Impart loan in any activities and follow very simple procedures

### **2.7.2 Bank Guarantees**

In this method, bank guarantee is used to obtain a loan from a development and commercial bank. This guarantee may be arranged externally through donor, government agency or internally using member savings. Several international organizations have been creating international guarantee funds as per their guarantee, banks and NGOs to start the microfinance programs.

### **2.7.3 Cooperatives**

Cooperative is a financial institution where a number of business organizations or individuals work together to achieve a common goal. It is an association of people united voluntarily to fulfill their common economic, social and community needs operate and control by democratically.

### **2.7.4 The Grameen Model**

The Central Bank of Nepal (Nepal Rastra Bank) introduced Grameen Banking system in Nepal during the 1990s after introducing the Rural Regional Development Banks in

each region. The five private sector microfinance developments and five regional level rural development banks are the Grameen replicates which covers about 60% of the microfinance market in Nepal. The Grameen bank model is found to have a wider reach and is growing very fast. The Grameen model has been found to be more successful in addressing the financial requirement of the poor people living in the rural as well as urban areas (Ram Chandra Joshee, Grameen model: Problems and Prospects).

### **2.7.5 Individual**

In this type of model, micro credits, trainings and technical supports are given directly to an individual without involving group.

### **2.7.6 Intermediary**

Intermediaries could be individual lenders, NGOs, micro finance programs and commercial banks. Lenders could be government agencies, commercial banks and international donors. Intermediaries execute many social, economic and organizational development activities for maintain the credit worthiness.

### **2.7.7 Village Bank**

Village Banks are community-managed credit and saving organizations comprising by 25 to 60 members. The Village Banking Model Assumes that the poverty especially for women is increasing due to the low perception of personality capabilities as well as the opportunities, limitation in the access to the external world and resources, and very low personal savings (*S. A. Rudra, 2003, Repayment Performance of Nepali Village Banks*). In this model various groups consisting of 4 members are formed which deposit their savings, attend literacy classes and participate in meetings regularly.

## **2.8 Status of Women in Nepal**

The total population of Nepal is about 23 million. Out of which about the half is women. Nepal is regarded as a male dominated country and the status of women is not so satisfactory compared to male. The United Nation has declare that the status of women in Nepal is very poor in terms of their access to knowledge, economic



resources and political power as well as their personal autonomy in the process of decision making

*([http://womenshistory.about.com/library/ency/blwh\\_nepal\\_women.htm?rd=1](http://womenshistory.about.com/library/ency/blwh_nepal_women.htm?rd=1)).*

The status of women varied from one ethnic group to another. There is a slightly better status of women in Tibeto – Nepalese community as compared to Pahari and Newari women. Most of the women spend their time in house hold works. They are not given a freedom to participate in any social activities. So women in Nepal lack behind in every sector in Nepal. The status of women is almost similar in every ethnic group. Even though the economic contribution of women was significant, their role has always been unnoticed. Even if they get some opportunity, they are paid less than men.

But the things are changing slowly and steadily. The government has also focused on Women in development since the sixth plan. In fact, the ninth five year plan of the government (currently in operation) reflects the commitment of government towards bringing women in the development process of the nation as well as empowers them.

The ninth plan mainly focuses of integrating women through:

*(<http://www.unescap.org/STAT/meet/rrg3/twsa-nepal-a.pdf>)*

- ) Gender equality and women’s empowerment
- ) Increasing women’s participation in every sector
- ) Giving a concrete shape to gender concept in the process of formulation, implementation and evaluation of sectoral policies and program.
- ) Acceleration the process of multi – faceted development of women’s empowerment by uplifting their social, economic, political and legal status
- ) Protecting and promoting the rights and interests of women
- ) Gradually eliminating violence, exploitation, injustice and atrocities being committed against women.

The government has updated the plan in the tenth plan and eleventh plan to implement the programs of women empowerment more effectively and efficiently. In fact, the government has established a separate ministry called Ministry of Women and Social

Welfare in September 1995 to focus mainly on the improving the status of women in Nepal. The Ministry is called as Ministry of Women, Children and Social Welfare these days. (<http://www.mowcsw.gov.np/opensection.php?secid=470>)

So we can say that the government is doing something to reduce poverty and promote women empowerment in the country. But even though the government is introducing the new plans and programs to integrate women's empowerment, the sufficient effort has not been given to implement them due to which the success of programs is very low.

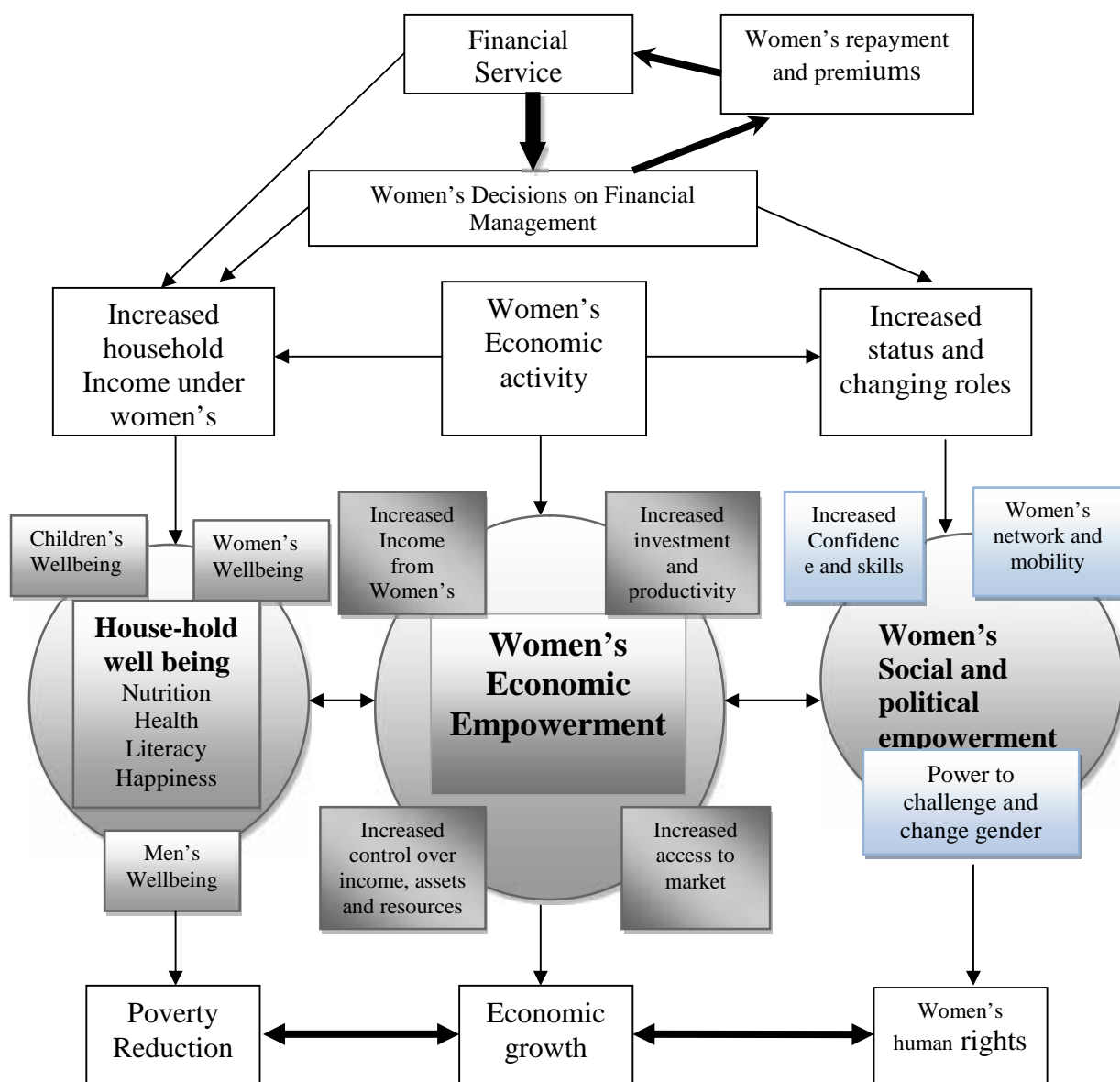
## **2.9 Microfinance and Women Empowerment**

Many Microfinance Institutions these days are focusing their activities on women empowerment. According to Yunus, "Empowerment of Women may be defined as an increase in participation control and responsibility of women in the various facets that affect their lives. These facets may be social, economic, legal and political".

The full potential of microfinance should be understand in order to achieve the successful microfinance goal. The most successful microfinance goal can be achieve only when the women get access to the resource like land, property, finance and marketing skills as well as services that reduce women's house hold and care giving burden. Creating an enabling environment for microfinance and women empowerment can be achieved by:  
<http://www.un.org/ga/president/61/letters/20070131-Microfinance.pdf>

- ) Providing women's access to public services and employment opportunities
- ) Partnership between the Microfinance institutions and the private banks
- ) Providing complementary services with microfinance
- ) Including women's empowerment indicators.

**Figure 3: Microfinance and Women empowerment**



Source: [http://www.ifad.org/gender/pub/gender\\_finance.pdf](http://www.ifad.org/gender/pub/gender_finance.pdf)

## 2.10 Critical Analysis of Literature

Nepal is one of the least developed countries in the world and in the South East Asia. Having a great scope for tourism and agriculture, most of the people in Nepal especially women are uneducated and jobless. They even do not have sufficient food to eat in a day. Most of them lived in the rural and remote areas where there is no access for road and other facilities. The government has also overshadowed these areas. These days there is no legal government in the country and the political parties are fighting with each other for the post of prime minister. But even after the round five elections they are not able to

elect a Prime minister as none of the parties are able to obtain majority seats out of 601 lawmakers. In this situation what can a people in the country expect from them and how can the various microfinance programs can be implemented in the country.

The government has made various microfinance program plans in the past. But most of the programs as implemented in the areas near city where there is a access to everything. Few programs have reached to the remote and rural areas like Karnali, Rolpa, Rukum etc. And is the program reached to the village, women are overshadowed. There could be various reasons for that. But the main reason is they are not supported by their husband and family. In fact, women are taken as a house wife who has to look house hold works, family, children etc. So they do not get any opportunities.

But the situation is improving slowly in even the remote areas of Nepal. The credit goes to the various microfinance institutions working in such places. But the numbers of microfinance working in remote and rural areas are very few. Now a day most of the microfinance organisations give priority to the women because they believe that educating women means educating the whole family.

The government is trying to do something in reducing poverty from the very past when it starts agriculture based programs such as Credit Co – operatives in 1950s. But the implementation was lacking. So even after the fifty years, the level of poverty has not reduced in the country. Later, the government has introduced several organisations under Asian Development Bank/Nepal to support microfinance in Nepal. Also the intensive banking program was established in 1981 to provide a larger amount of loan to all types of workforce. Also Grameen Bank's model which is very successful in Bangladesh was adopted in Nepal. Later other micro finance development programs such as Sector Lending Program (PSLP), Intensive Banking Program (IBP), Production Credit for Rural Women (PCRW) and Rural Self-Reliant Fund (RSRF) were implemented.

From the data presented above, we can say that there is some improvement in the poverty level. But the status of women is not satisfactory even today. Women lag behind women in every sector. If we go to the remote areas the status is so devastating. Women even are not allowed to come outside the house. A woman participating in social and financial sector is possible only in the imagination. Women's participation in every sector is tiny in compare to male. Neither in the

family nor in the outside world is women not given equal opportunities. The government has recently declare that the parliament should have a 33% women participation and involvement and made compulsory to the political parties to have at least 33% women candidate in the party but why 33% and why not 50%. We can imagine the situation of women from this.

But there are some organizations which are working truly in the welfare, poverty reduction, and empowerment of women such as Maiti Nepal, WEAN (Women Entrepreneurs Association of Nepal), DEPROSC (Development Projects Service Center), RMDC (Rural Microfinance Development Center) etc. Due to these organizations, the current status of women in Nepal is slightly better than the past. But still there is many things need to be done to empower women socially and economically. Until the government support every microfinance program, it's not possible to make the program successful. So every sector needs to contribute from their side to empower women not only in urban areas but also in rural and remote areas.

### **2.11 Research Gap**

All the above studies presented in review were related with Microfinance and Women Empowerment. During the review of previous thesis, it is found that no research has been undertaken in recent years concerning socio-economic impact of microfinance on women. So, researcher wants to fulfill that gap in this study. This study will show the improvement evidence in status of women socially and economically after participation of microfinance program.

## **Chapter 3**

### **Research Methodology**

The main purpose of this chapter is to present the various methods and techniques that are carried out and followed during the study period. The research methodology that is adopted for the present study is discussed in this chapter which deals with sample selection, hypothesis, research questions, data sources, questionnaire design and method of analysis.

#### **3.1. Research Design**

The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. The research design refers to the entire process of planning and carrying out a research study. To conduct this study, descriptive, cross-sectional and analytical approach will be adopted. Descriptive approach has been utilized mainly for conceptualization of the problem. Cross-sectional approach will be used to identify changes or similarities between two periods of time. Analytical approach will be followed mainly to analyze the relationship between income investment and other variables.

Information, data and required input for the research will be obtained through mainly from the secondary sources as well as primary data so far as possible. The amount of primary data will be limited in nature while most data and information used will come from secondary sources. A simple data analysis technique or a qualitative research method will be applied for the further interpretation of survey report and available data. The study will try to research the following question:

*How Microfinance does impact on the social and economic growth of women in Nepal?*

Beside the above research question, the study will also deal with the following questions:

- ) What is the present status of Microfinance in Nepal?
- ) Which is the mostly used model of microfinance in Nepal?

- ) What are the roles of a Government to reduce the level of Poverty in the country?
- ) What are the socio economic effects of microfinance on women?

This research will be done based on the following Hypotheses.

**Alternative Hypothesis:**

**H<sub>1</sub>:** there is significant difference between income and savings status of female before and after microfinance program i.e. the microfinance program is effective

**Null Hypotheses:**

**H<sub>0</sub>:** there is no significant difference between income and savings status of female before and after microfinance program i.e. the microfinance program is not effective.

**3.2. Sample, Sample Selection and Data Collection Procedures**

The population for our study includes the women who have been engaged in microfinance activities since 1 year. Out of the total microfinance clients, only 50 clients are selected in this study as sample. These people are selected for the purpose of the research because they are the people with experience in microfinance activities and have huge ideas about the merit and demerits of its activities. So, they can better satisfy the purpose of our questionnaire as well as our study. The sample for this study has been selected randomly.

The data collection procedure is being carried out among the clients who are served by different MFIs within the Kathmandu valley. Data can be collected in a variety of ways, in different settings, and from different sources. Data collection methods include face to face interviews, telephone calls and emails.

**3.3. Research Question**

1. The objective of the study is to analyze the socio economic effects of Microfinance on Women in Nepal.
2. Specifically, the study attempts at answering the following questions;

- ) What is the present status of Microfinance in Nepal?
- ) Which is the mostly used model of microfinance in Nepal?
- ) What are the roles of a Government to reduce the level of Poverty in the country?
- ) What are the socio economic effects of microfinance on women ?

### **Hypothesis**

This research will be done based on the following Hypotheses.

#### **Null Hypotheses:**

**H<sub>0</sub>:** Microfinance Programs do not have significant impact on income and savings of women in Nepal: microfinance program is not effective.

#### **Alternative Hypothesis:**

**H<sub>1</sub>:** Microfinance Programs have a significant impact on income and savings of women in Nepal: microfinance program is effective.

### **3.4. Data Source**

Data required for conducting this research is basically obtained from primary source conducting field survey, telephone calls and emails. However, secondary source of information is used to some in the relevant areas reviewing official documents, periodic reports of Microfinance institutions like report of DEPROSC Nepal, WEAN and other related literature.

#### **Primary Source**

Individual microfinance clients, frontline Field Supervisors and group of microfinance clients were the primary source of information. Besides, various personnel working in the Microfinance institutions like Women Empowerment Association of Nepal (WEAN), Development Project Service Center (DEPROSC), Rural Finance Learning Center, Nepal Rastra Bank etc. has remained the primary source of information in the process of preparing key institutional issues, policy issues and their perceptions.



## **Secondary Source**

Most part of this study is based on the secondary data related to our topic. These materials were mainly collected from the library of Tribhuvan University and using available search tool like Google, Google scholar etc. The databases were search and accessed through [www.google.com](http://www.google.com) having key words microfinance, impact of microfinance, microfinance in Nepal to find the suitable research material.

### **3.5. Questionnaire Design**

The questionnaire comprised of three sets of question has been prepared. Part one of the questionnaire comprises of general background of the respondents about age, gender, qualifications, occupation, number of family members, etc. Second part of the questionnaire contains the main research part. It will try to gather all the information about the type of loan, use of MF loan, repayment of loans, etc. Part three of the questionnaire is all about the impact of MF loans of their lives of women. All the questions are objective and consist of either two or five choices. The open ended questions were asked to the clients to analyze the constraints that they have faced in microfinance activities.

### **3.6. Method of Analysis**

The data analysis technique depends upon the type of data we collect from the research. The data can be numeric (numbers) or non-numeric (words). There are different techniques for analyzing and interpreting both kinds of data. They are Quantitative and Qualitative methods. The quantitative/numeric data ranging from simple counts (frequency of occurrence) to more complex data (test scores and prices) are analyzed using quantitative method of data analyzing by creating the simple tables, charts or diagrams that shows the frequency of occurrence by setting the statistical relationship variables to complex statistical modeling (*S. Mark, L. Philip and T. Adrian, 2003*).

In qualitative method of data analyzing, data is not expressed in numerical form. A qualitative method of data interpretation is most commonly for any data collection technique such as interview or data analysis procedure such as categorizing data that generates or uses non numeric data.

Microfinance itself is a vast and broad term. We can't define or express the impact of microfinance on socio empowerment of women in a country like Nepal in few words. So we need to use both the quantitative and qualitative methods to explain the obtained information in more effective way. For that purpose, we will use the spreadsheet. Different types of statistical tools will be used to interpret the data obtained, such as bar chart, pie charts, frequency counts and t-tests as per the requirements. The economic impacts will be accessed by using quantitative analysis tools and the social empowerment will be analyzed using qualitative indicators. The qualitative data obtained through individual interview, phone calls and emails is blend together with quantitative data to draw implications and conclusion.

## **Chapter 4**

### **Data Presentation and Analysis**

This chapter provides the result and findings that are gathered from the data we have collected during the study. It mainly tries to interpret the demographic information of the respondents and analysis of the information collected from the respondents which will be is followed by the interpretation and discussion about our findings. As mentioned in the research methodology, the data are presented and analyzed in accordance with the flow of questions:

- (i) Economic impacts,
- (ii) Empowerment, and
- (iii) Constraints faced by women focused microfinance.

#### **4.1. Demographic Information of Respondents**

##### **4.1.1. Demographic Information**

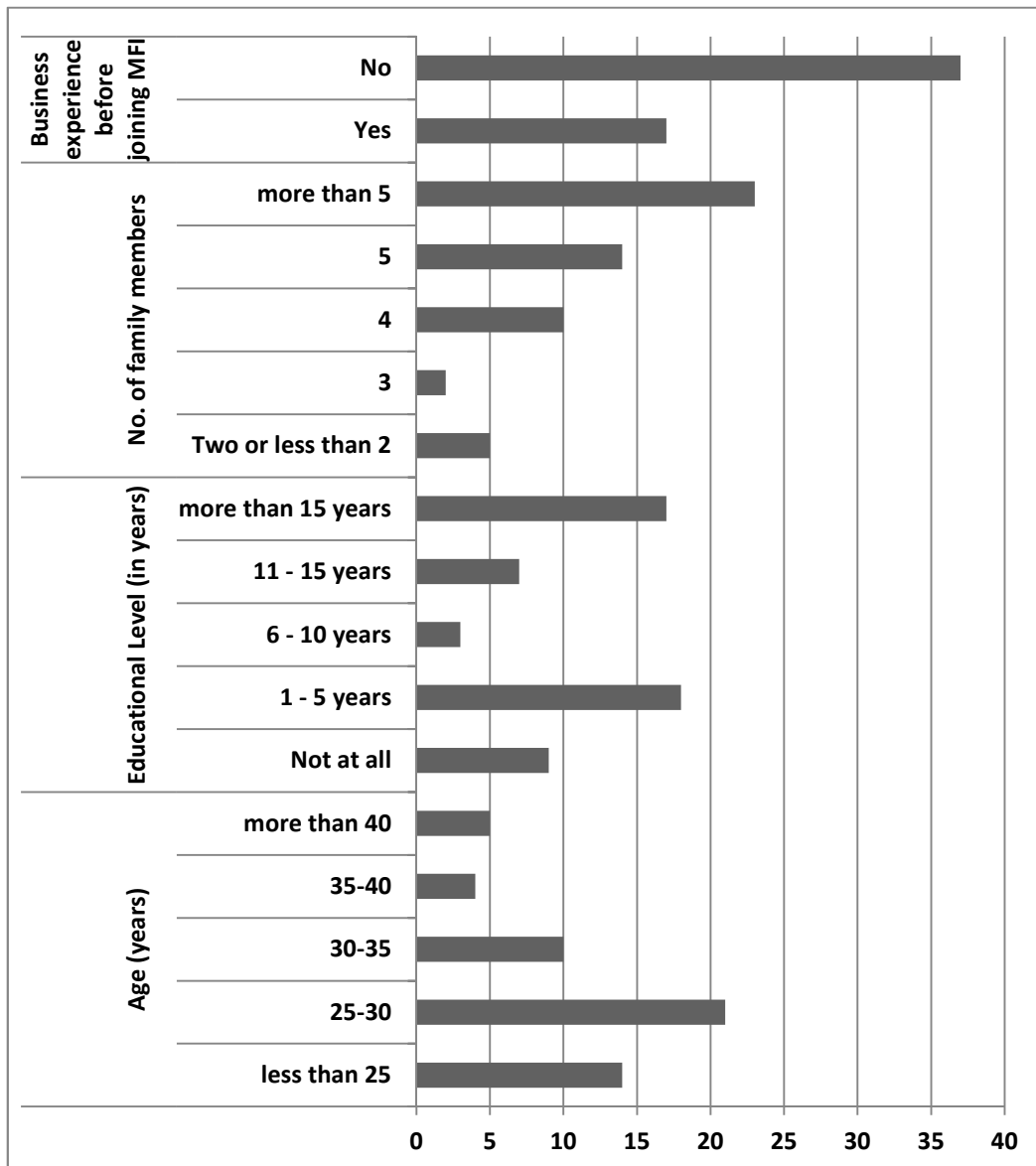
Table 6 and Figure 4 provide the demographic information of the beneficiary from the microfinance institution especially the women. The respondents' demographic information can be measured through age, working experiences, educational level and number of family member at home.

**Table 6: Demographic information of the respondents**

<b>Variables</b>	<b>Measuring Group</b>	<b>No. of women</b>	<b>Percentage (%)</b>
<b>Age (years)</b>	<b>less than 25</b>	14	0.26
	<b>25-30</b>	21	0.39
	<b>30-35</b>	10	0.19
	<b>35-40</b>	4	0.07
	<b>more than 40</b>	5	0.09
<b>Educational Level (in years)</b>	<b>Not at all</b>	9	0.17
	<b>1 - 5 years</b>	18	0.33
	<b>6 - 10 years</b>	3	0.06
	<b>11 - 15 years</b>	7	0.13
	<b>more than 15 years</b>	17	0.31
<b>No. of family members</b>	<b>Two or less than 2</b>	5	0.09
	<b>3</b>	2	0.04
	<b>4</b>	10	0.19
	<b>5</b>	14	0.26
	<b>more than 5</b>	23	0.43
<b>Business experience before joining MFI</b>	<b>Yes</b>	17	0.31
	<b>No</b>	37	0.69

*Source: Questionnaire*

**Figure 4: Demographic Information of Respondents**



From the above Table 6 and Figure 4, we can analyze that, in terms of age, 39.00% of the respondents were 25 to 30 years old, 26% were less than 25 years, 19.00% were in the group age of 35 – 40, 7.00% were in 40 - 45 and remaining 9.00% were above 40 years. We have also tried to classify the respondents based on their educational experience. Experience can affect the way in which they manage the loan they get from MFI and manage the household as well as business side by side. From this survey, it is found that many of our respondents do not even had least basic primary education, which represents 33.00% of the total sample, but most of the respondents have education level above 15 years which represent 31.00% of the sample, 19.00%

had secondary educational experiences Rest of the 17.00% had not taken any basic education.

Further this research also tried to classify the respondents in terms of their family members. This analysis shows that most of the families consist of family members more than 5 which represent 43.00% of the sample. Only 9% of the respondents have a family member less than two which means that either the respondents were unmarried, or had no children and 4.00% of the sample has 3 members in their family. Majority of the sample have a family member of 4 and 5 in their family which represent 19.00% and 26.00% of the total sample respectively. Size of family members helps to determine the expenses. The larger the family the higher is the expenses.

We have also tried to classify the sample taken for this research in terms of the business experience they have before entering into the microfinance program. Majority of the respondents do not have a business experience before entering the microfinance program. About 69% of the respondents do not have any business experience whereas only 31% have business experiences as they usually involve in agriculture, forestry, fishery, and cattle feeding. From this, we can see that the MFIs are helping poor to establish new businesses as well as expansion of the old business. As 50% of the respondents belong to the large families which have no any business experience before joining MFI, we can say that MFIs were able to reach more people as when they provide the loan to a large family, other members of the family are also involved in the business.

#### **4.1.2. Occupation**

The below table shows the data on the various occupations the respondents are engaged with. From the below table we can say that the majority of the respondents are involved in the cottage industry which represent 39.00% of the sample. The women mostly involve in making handicraft, sewing, handmade carpets, pashmina weaving, making candle etc. The least women are involved in the trade as women do not have sufficient experience and educational background to handle the trade effectively. So the women involved in trade are only 1.00% of the sample. Beside these, 20.00% women involve in agriculture. The number is small in compare to

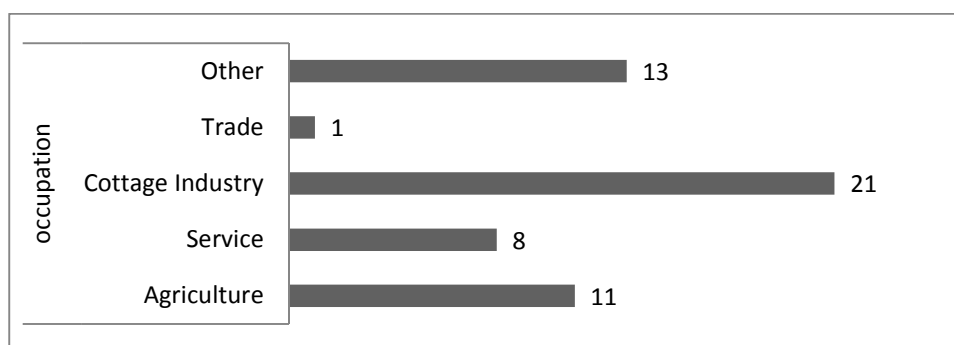
women involved in cottage industry because we have taken a sample from the areas nearby Kathmandu. But this amount may vary if we go to remote areas where we can find that majority of the women involve in agriculture. As we have taken a sample of urban side, few women are also involved in services. They work as a collection personal for small cooperatives, teachers, sales girl in department stores etc. About 24.00% of the sample involved in other categories like running small hotels, nanglo pasal (small road side shop), driving, etc.

**Table 7: Occupation**

Variables	Measuring Group	No. of women	Percentage (%)
Occupation	Agriculture	11	20
	Service	8	15
	Cottage Industry	21	39
	Trade	1	02
	Other	13	24

Source: Questionnaire

**Figure 5: Occupation**



#### **4.2. Analysis of Microfinance loan**

Analysis of the Microfinance loan on women are measured through some indicator like interest rate, types of loan, reason for loan, interest rate, group or individual lending, repayment, satisfaction etc. From this we can analysis what type of microfinance is available in Nepal and which one is the best alternative.

#### 4.2.1. Types of Microfinance Loan

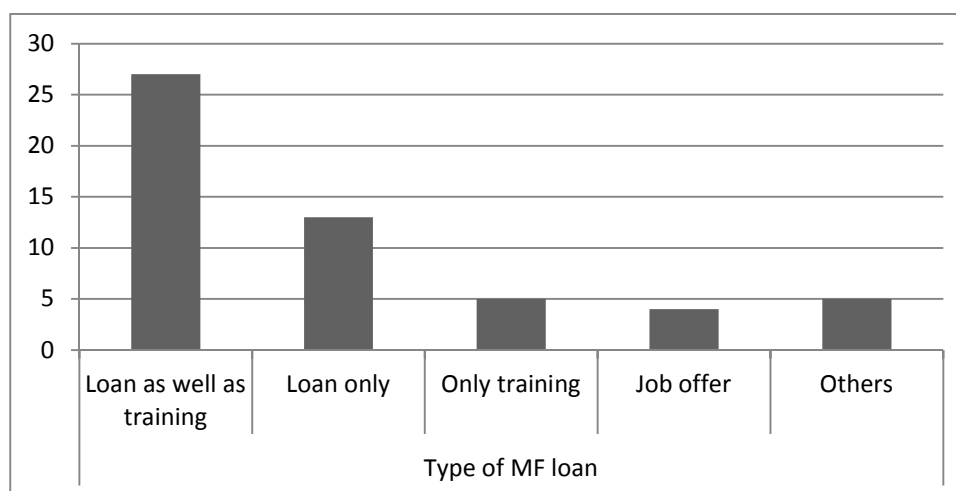
Women's involvements in different types of micro-finance loan are described in table below:

**Table 8: Types of Microfinance Loan**

Variables	Measuring Group	No. of women	Percentage (%)
Type of MF loan	Loan as well as training	27	50
	Loan only	13	24
	Only training	5	09
	Job offer	4	07
	Others	5	09

Source: Questionnaire

**Figure 6: Types of Microfinance Loan**



From table 8 and figure 6, we can analyze the type of microfinance loan popular to the women in Kathmandu. Most of the women do not have a sufficient educational background and experience. So, most of the women prefer to have microfinance loan as well as training to support that loan. About 50.00% of the sample has applied for microfinance loan as well as training. But some women who have some educational background and experience prefer to have a loan only. They use this loan on the business of their own. 24.00% of the sample has applied for loan only. Some women



who have some saving but do not have experience have taken some training from the microfinance institutions and involve in some programs. 9.00% of the sample has applied for such facility where as 7.00% of the sample has also applied for job offer. 9.00% of the sample has applied for other type of loan like direct materials (cattle, equipment, machines used for agriculture etc).

#### **4.2.2. Purpose of Microfinance Loan**

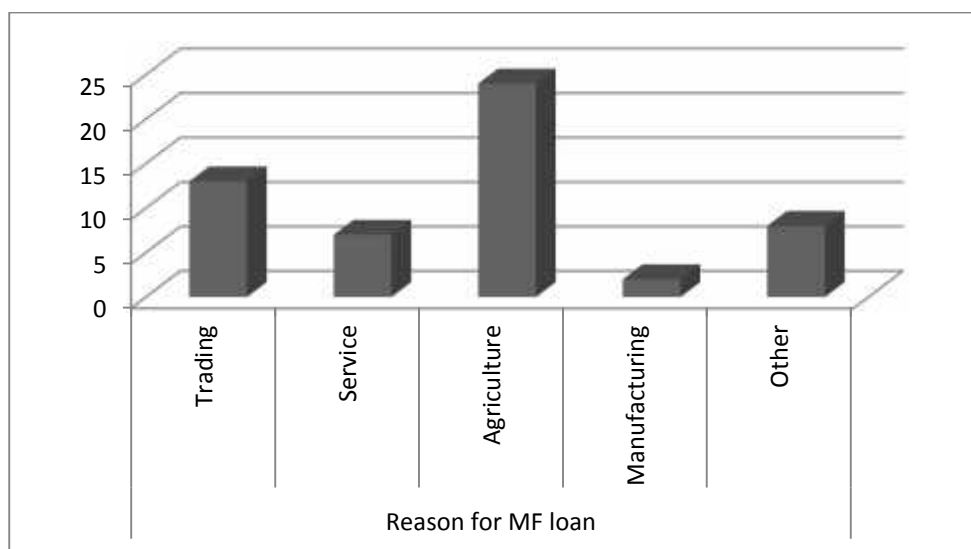
Women are involved in different works like agriculture, manufacturing, trading, etc. The major purposes of loan for women are described below in a table:

**Table 9: Purpose of Microfinance Loan**

<b>Variables</b>	<b>Measuring Group</b>	<b>No. of women</b>	<b>Percentage (%)</b>
<b>Reason for MF loan</b>	<b>Trading</b>	<b>13</b>	<b>24</b>
	<b>Service</b>	<b>7</b>	<b>13</b>
	<b>Agriculture</b>	<b>24</b>	<b>44</b>
	<b>Manufacturing</b>	<b>2</b>	<b>04</b>
	<b>Other</b>	<b>8</b>	<b>15</b>

*Source: Questionnaire*

**Figure 7: Purpose of Microfinance Loan**



From the above table, we can analyze that majority of the women have applied the Microfinance loan for the purpose of agriculture. Almost half of the sample have applied loan for agriculture which represent 44.00%. As most of the women do not have sufficient educational background and business experience, they have applied loan for agriculture as they are involved in agriculture in the past. Those who have some previous experience involve in trading, which represent 24.00% of the sample. Most of the women involve in small hotels, nanglo pasal, etc. Some women who have some educational background does service in some organization. It has been identified that most of the women are teacher in primary school where as some work in department stores. Only 4.00% women have applied the microfinance loan for manufacturing business. Mostly, women have applied the loan for starting cottage industries like pashmina weaving, candle factory, Nepali paper factory etc. beside, women have also applied for some other purposes which represent 15.00% of the sample. Some of them applied for fishery, some for animal farming and some for public transport vehicles as well.

#### **4.2.3. Interest Rate**

Certain interest rates are charged with their services. Loan taken in different services are different so the interest rate are not same.

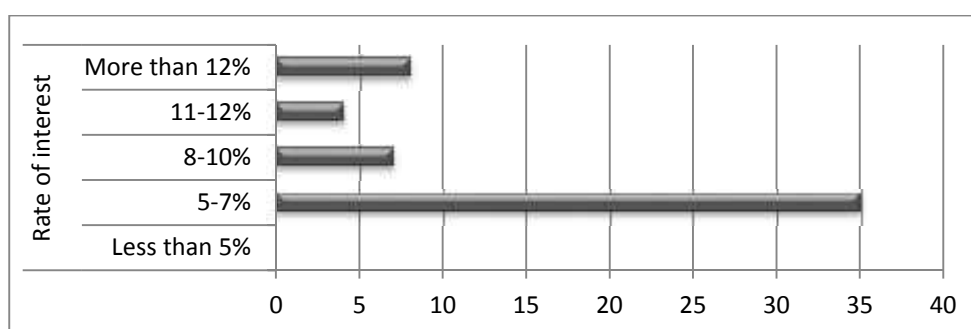
The table below describes the women population of using different interest rate.

**Table 10: Interest rate**

Variables	Measuring Group	No. of women	Percentage (%)
Rate of interest	Less than 5%	0	00
	5-7%	35	65
	8-10%	7	13
	11-12%	4	07
	More than 12%	8	15

Source: Questionnaire

**Figure 8: Interest Rate**



The rate of interest for the microfinance loan is different from one microfinance institution to another. It also depends upon the risk involved in the loan and customers. The commercial banks which involve in microfinance charge 6 – 7% interest rate on microfinance loan. Banks and Financial Institutions have to provide 3, 2 and 1.5 percent of their transaction in low interest rate i.e. 3 – 5% ([http://www.bwtp.org/arcm/nepal/III\\_Issues/Microfinance\\_in\\_Financial\\_Sector/MF\\_fn\\_sector\\_Nepal.htm](http://www.bwtp.org/arcm/nepal/III_Issues/Microfinance_in_Financial_Sector/MF_fn_sector_Nepal.htm)). But now days the banks have revised this rate and increase it to 6 – 9% which is very high interest rates (D.R. Pandey, *Issues and problems on microfinance in Nepalese contest facing by Microfinance banks*). The above table also proves this. From the table we can easily analyze that majority of the people are paying interest rate between 5 – 7%, which represents 65% of the sample. About 15.00% women are also paying the interest rate above 12%. This is because they have taken this loan from finance companies which normally take more interest rate than any other financial institutions in Nepal. There are some women who have taken a microfinance loan for interest rate between 8 – 10% which represents 13% of the sample whereas about 7% of the sample is paying a interest rate between 11 – 12%.

From this we can know that the women are paying higher rates for using microfinance facilities in Nepal.

#### 4.2.4. Payment of Microfinance Loan

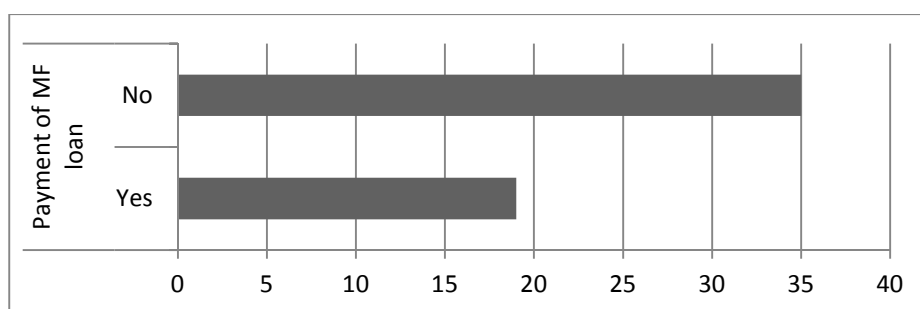
All women cannot pay their loan in time. From the below table and figure, we can analyze that the majority of the women have not paid the microfinance loan completely which represent 65% of the total sample. Majority of the women have taken a loan just few months before. The interest rate of the microfinance loan in Nepal is little high so the women are finding some problem to save money for repayment which will take some time. But some women have already paid the loan amount and they are continuing on what they have started with the microfinance loan.

**Table 11: Payment of Microfinance Loan**

Variables	Measuring Group	No. of women	Percentage (%)
Payment of MF loan	Yes	19	35
	No	35	65

Source: Questionnaire

**Figure 9: Payment of Microfinance Loan**



#### 4.2.5. Source of Repayment

Clients faced temporary repayment problems, as Table 15 and Figure 12 below suggested. Although most respondents mentioned business income as the major source of repayment, many admit that it is not always sufficient as they have to pay a high interest rate for the loan they are using. About 48% of the sample mentioned that

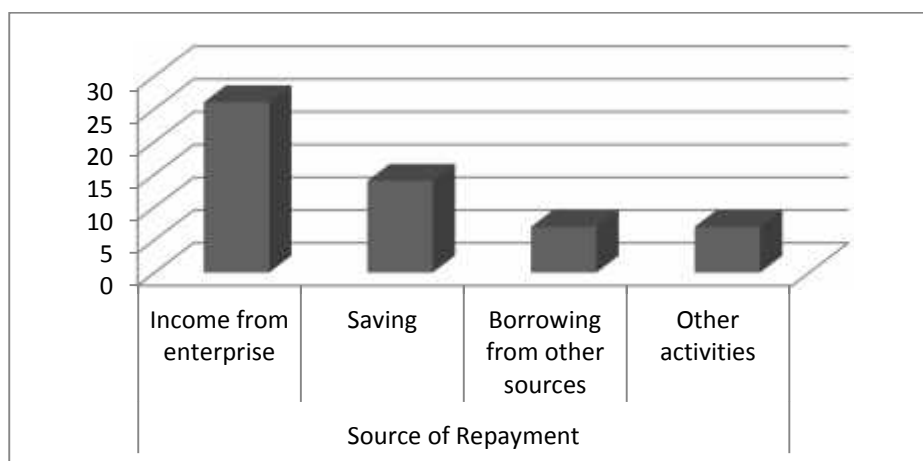
they are paying the loan from the income they generate from the business they have started from the loan. In difficult periods, savings are used—both savings deposited in the program and those kept in the house. 26% of the respondents mentioned that they are paying the loan from the savings they make from the program as well as from other sources. Some respondents also mentioned that they are paying the loan amount by borrowing from other sources mainly credit taken from relatives and friends. There has been no case of distress sale of assets to repay a loan. In few cases, the only source of repayment is the income from the husband's or son's activity—what is called “other activities.”

**Table 12: Source of repayment**

<b>Variables</b>	<b>Measuring Group</b>	<b>No. of women</b>	<b>Percentage (%)</b>
<b>Source of Repayment</b>	<b>Income from enterprise</b>	<b>26</b>	<b>48</b>
	<b>Saving</b>	<b>14</b>	<b>26</b>
	<b>Borrowing from other sources</b>	<b>7</b>	<b>13</b>
	<b>Other activities</b>	<b>7</b>	<b>13</b>

Source: Questionnaire

**Figure 10: Source of repayment**



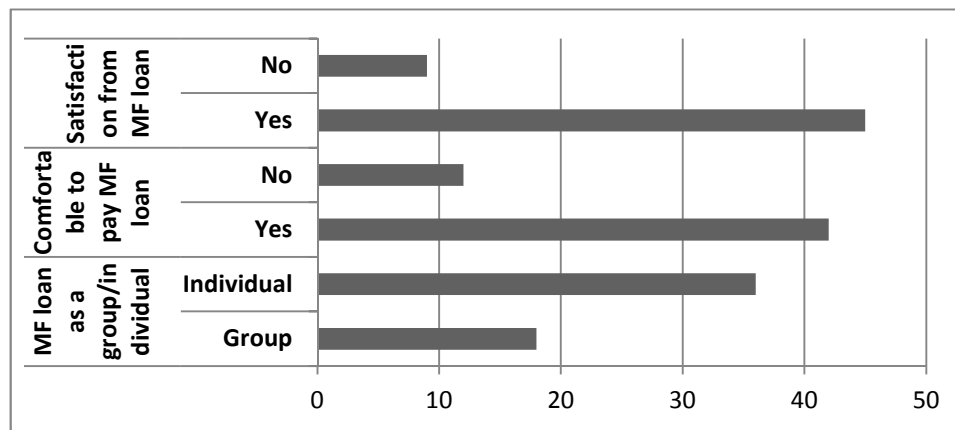
#### 4.2.6. Category of MF Loan and Customer Satisfaction

**Table 13: Type of loan and customer satisfaction**

Variables	Measuring Group	No. of women	Percentage (%)
MF loan as a group/individual	Group	18	33
	Individual	36	67
Comfortable to pay MF loan	Yes	42	78
	No	12	22
Satisfaction from MF loan	Yes	45	83
	No	9	17

Source: Questionnaire

**Figure 11: Type of loan and customer satisfaction**



From table 13 and figure 11, we have analyzed that most of the women have taken a microfinance loan as an individual. About 67% of the women have taken a microfinance loan as individual and 33% of the respondents have taken a group loan. If we go to remote areas, we can find that people prefer to take a group loan as they usually work collectively. Many microfinance institutions also prefer to provide a group loan because it will reduce the risk to the institutions as well as they can reach to the huge population.

The above table and figure also shows that most of the respondents are satisfied with the microfinance loan they have taken. From this research we came to know that their status has changed after participating in the microfinance program. There are also some women who are not satisfied with the program. There are many reasons for this.

Some says that the interest rate is so high where as some are dissatisfied with the process of loan. Those are the women who are facing the problem for the repayment of the loan. But the majority of the women are comfortable for paying the loan they have taken. From this we can determine the success of the microfinance program in Nepal.

### 4.3. Economic Impact

Economic impacts of microfinance on women are measured through some of the visible indicators that sample women have felt. The overall status of women (increase in physical assets land, building, livestock and other household amenities), status of income, status of savings and employment are measured and analyzed to find out the economic impact of microfinance on women.

#### 4.3.1. Income Status

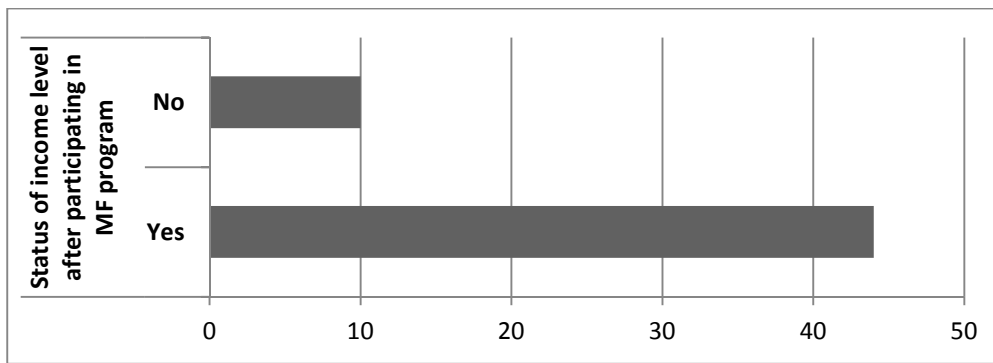
Many researches shows that the average monthly income received from the sector/ source is the cash income received from marketable surplus by the respondent household. The women after participating in the microfinance program are able to earn some money by using the loan amount. Majority of the women are satisfied with the program and are able to pay the loan comfortably. They are able to earn a satisfactory income from their investment. From this research we have been able to identify that there is a significant improvement in the status of income of women after participating in MF program which can be seen in the below figures. 81% of the respondent mentioned that their income status has improved. But there are some women whose income status has not changed even after participating in the program. The main reason after that is the lack of help and support they receive from their family specially husband and the other (society, MF institutions etc.).

**Table 14: Income status**

<b>Variables</b>	<b>Measuring Group</b>	<b>No. of women</b>	<b>Percentage (%)</b>
<b>Status of income level after participating in MF program</b>	<b>Yes</b>	<b>44</b>	<b>81</b>
	<b>No</b>	<b>10</b>	<b>19</b>

Source: Questionnaire

**Figure 12: Income Status**



### **Hypothesis for Income Status**

**H<sub>0</sub>**: there is no significant difference between income status of female before and after microfinance program i.e. the microfinance program is not effective.

**H<sub>1</sub>**: there is significant difference between income status of female before and after microfinance program i.e. the microfinance program is effective.

From the above figure and table we can easily determine whether the microfinance program is effective or not. Since majority of the women has mentioned that their income status has improved, we reject the null hypothesis and accept the alternative hypothesis which means there is a significant difference between the income statuses of women after participating in microfinance program. So we can say that the microfinance program is quite effective in terms of income status.

### **4.3.2. Savings**

Savings from a particular income source is the money saved from the received income of that source in that particular season or time. It is not exactly the difference amount between received income from and investment in that income source. There is also a substantial increase in savings from different income sources after participation in the microfinance program as per the respondent.

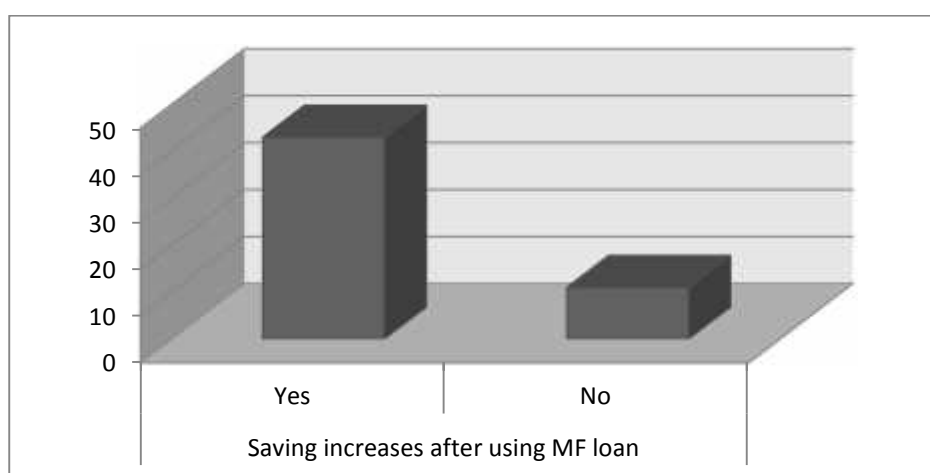


**Table 15: Savings**

Variables	Measuring Group	No. of women	Percentage (%)
Saving increases after using MF loan	Yes	43	80
	No	11	20

Source: Questionnaire

**Figure 13: Savings**



The above tables will explain about the effectiveness of microfinance programs in terms of savings. The women after participating in the microfinance program are able to earn some money by using the loan amount and are able to save some money from the profit they earn. Majority of the women are satisfied with the program and are able to pay the loan comfortably. They are able to earn a satisfactory income from their investment. There are also some women who are not able to save even after participating in the microfinance programs. But these numbers are very low which represent 20% of the total sample. Almost 80% of the sample is able to save some money from the income they generate from the investment they made as microfinance. Some women who have not made enough income from the investment find difficulties even in paying the loan amount they have taken as microfinance. So, some of them use savings from other sources to pay back the loan amount.

## **Hypothesis for Saving Status**

**H0:** there is no significant difference between saving status of female before and after microfinance program i.e. the microfinance program is not effective

**H1:** there is significant difference between saving status of female before and after microfinance program i.e. the microfinance program is effective

From the above figure and table we can easily determine whether the microfinance program is effective or not. Majority of the women has mentioned that they are able to save from the income they generated from investment. So we reject the null hypothesis and accept the alternative hypothesis which means there is a significant difference between in the savings of women after participating in microfinance program. So we can say that the microfinance program is quite effective in terms of income status.

Savings from the proceedings of various enterprises make the clients more capable for further productive investment and for meeting their consumptive expenses. Saving deposits at MFI are the major savings of the beneficiaries. Savings at bank, MFI and home are found increased substantially at present when compared with situation before joining the MF program. The increases in savings at MFI, commercial banks and at home is due to the fact that the women participating in the microfinance are in essence receiving more income through household level enterprises they are undertaking with the loan support from the MFI. They also tend to spend their husband's earning for household expenses and save all what they earn form MFI programs.

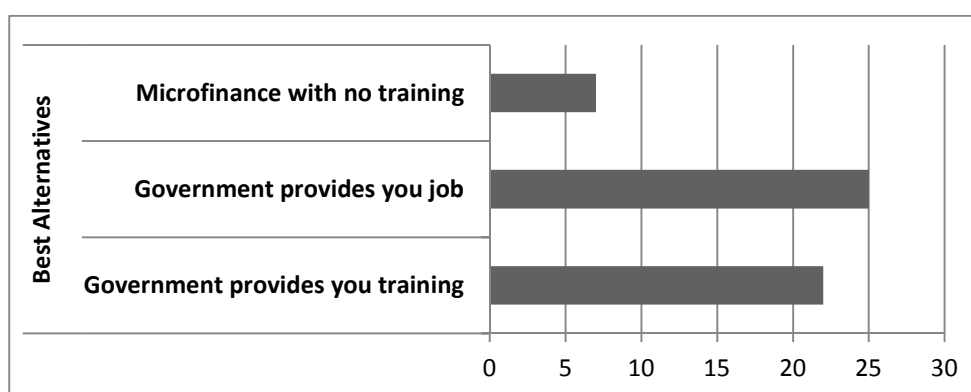
### 4.3.3. Best Alternatives of Microfinance

**Table 16: Best alternatives for Microfinance**

Variables	Measuring Group	No. of women	Percentage (%)
<b>Best Alternatives</b>	<b>Government provides you training</b>	<b>22</b>	<b>41</b>
	<b>Government Provides you a job</b>	<b>25</b>	<b>46</b>
	<b>Microfinance with no training</b>	<b>7</b>	<b>13</b>

Source: Questionnaire

**Figure 14: Best alternatives for Microfinance**



The above table and figure will provide a data on the best alternatives that the respondent feel after participating on microfinance program. Majority of the respondent felt that government should do something to make microfinance program better and effective. They want government to participate in the program directly or indirectly. Most of them want government to provide a job or provide training so that they can properly utilize the loan they have taken as microfinance. Few respondents who have some experience and educational background want the loan only. They don't want any training from the government or any one. They are the one who need money to improve their existence occupation.

#### 4.4. Social Empowerment

Microfinance program has found very effective among the group and individual who are using the facilities. It has been successful not only in improving the economic status of the women in Nepal but also helps women in social and political empowerment. Microfinance program components on capacity building has improve women stature socially and politically through measuring improvement on their speaking capacity, feeling of leadership development, respect from family and society, access to resources and overall empowerment.

##### 4.4.1. Social Status of Women

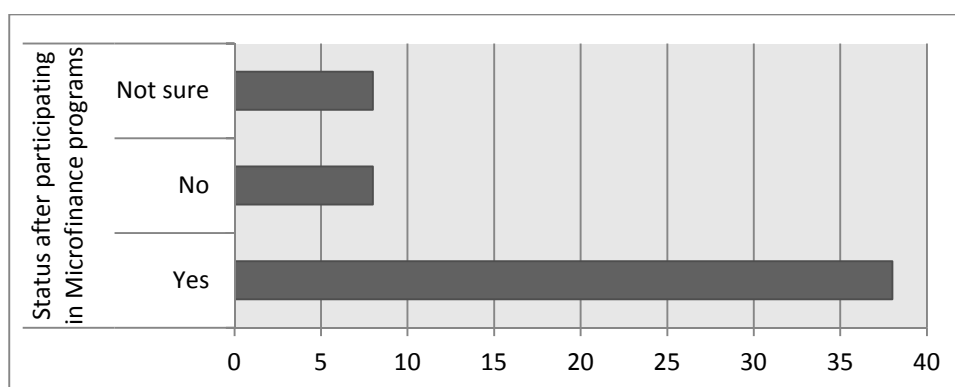
Most of the women spend their time in household works. They are not given freedom to participate in any social activity. So women in Nepal lack behind in every sector. The impacts of microfinance in their social status is described below

**Table 17: Social status of Women**

Variables	Measuring Group	No. of women	Percentage (%)
Status after participating in Microfinance programs	Yes	38	70
	No	8	15
	Not sure	8	15

Source: Questionnaire

**Figure 15: Social status of Women**



The above table and figure shows the impact of microfinance program on women in Nepal. From the table we can analyze that there is a huge impact of microfinance on women. Almost the status of 70.00% of the respondent has changed after participating

in microfinance. There has been some change in their assets, income, savings, and number of living assets (goat, cows etc) after participating in microfinance. Land, livestock and home to live are the three major assets which significantly affect the overall position of a poor household and after participating in microfinance program there has been some improvement in these things. Some respondents who failed to utilize on the microfinance program lack behind. Their status has not changed even after participating in the program because they have not utilized the loan effectively. There are some women whose status neither improved nor decline after participating in microfinance program.

Most of the women did not have a full access on the financial resources before participating in microfinance program. The main reason for that was the lack of experience and education and knowledge. Most of the financial resources were under the control of men and women have to depend on them for any financial matters. But now the situation has changed. Microfinance makes the women socially and economically capable. They have access to the financial resources as they are able to earn as men. But there are still some improvements needs to be made to improve their access to resources.

After participating in microfinance program, women are brought outside of their household life and do something of their own. They got a chance to interact with the outside world and able to know different things. This has not only improved their knowledge but also improve their speaking ability. They have also gain confidence and feel that they can do beyond their household works. So they are now participating in various awareness programs and have engaged themselves in various activities from which they can benefit economically as well as socially.

The engagement of women in business was taken as not good by the society in the past. But these days we can find women involvement in every sector. Women after participating in the microfinance program have able to gain some respect from their family members and society. They consider this as a economic prosperity and their changed look towards contributing towards contributing to the community activities. Not only this women now have started participating in the decision making process in home as well as in their works. But this is not a similar case in every house hold.

Women still wait for their husband or household head for decisions to be made. It was also reported by some respondents that if women take decision in the husbands' absence, they more likely have to endure abuses or even slapping from them.

Proactive participation of women in leadership development was a rare thing to observe in Nepal. But microfinance has been able to change this to some extent. Leadership change in the MFI centre by rotation every year might have also impacted on feeling of leadership. Feeling leads to determination and determination pushes oneself to be proactive in carrying out activities that leads to develop leadership.

#### **4.5. Constraint Faced**

Despite the number of positive impacts that the sampled women have enjoyed from microfinance, they are facing number of constraints since the microfinance program is a discipline based thus every activities has to be done with limited flexibility. Major constraints face include, the increased pressure, tension, difficulty in time management, difficulty in taking care of child, pressure of arranging loan installments, risk of need to fulfill fellow members loan installment if someone fails. The details of the constraints faced by sample clients are presented in the table below.

- ) Taking loans and borrowing money has increased irrational feelings amongst the sample females because the loan has been passed in their name.
- ) Male counterparts are keeping less interest and wanted to be free from any household responsibility which has increased out tension.
- ) The installments need to be paid on specified days. Even if female are ill, it has to be managed anyway which is difficult.
- ) Women are facing problems if they need to go out however, there is a provision of forwarding application. If application is not put in time, we have to pay penalty.
- ) Regular meetings and discussions have brought difficulty in managing household activities.
- ) Discussions which extend till late in the evening have created problems at home as elderly members do not allow females to be out that late.

- ) Entire process has to be done by the females and under their presence which put them in pressure and made them worry as they have their family and children to look after. Further, problems are seen to feed and send children to school.
- ) Delay in paying the installment by any member brings about heated discussions and arguments amongst the village members. Often this has led to social conflict and unrest.
- ) Since it is a joint effort of the entire village and all has to be present together to work thus has become more problematic and difficult.
- ) It has increased economic pressure amongst people.

Among the various constraints faced by women the most affecting constraint is the pressure of repayment. This has been discussed at length here below.

#### **4.5.1. Repayment Pressure**

Discussion with sample clients reveals that the perfect repayment of borrowed loan might have been possible mainly because of two reasons: group guarantee enforcement and back fold strategies adoption. Group guarantee includes taking responsibility of repaying by rest four members of same group if one member fails. Fellow members partly contribute in cash or allow transfer her personal savings to repay others loan as a reciprocal help. If this does not happen and the client remains absent, all the members of the centre— including members from other group— make defaulter’s home visit to collect the installment and they would threaten to seize physical assets. Unless the default installment is received, the centre meeting of that day does not close formally. This definitely forces clients to repay the loan in time. But such practices not only create tension and harassment but also affect the social image of the clients.

Similarly, back fold strategies applied include transferring of installment equivalent amount from the centre savings- centre savings is a sum of money accumulated from the penalty from clients and staff for different reasons and regular deposit of members to that specific savings product. This fully remains under the control of centre management which is often mobilized as supplementary loan and emergency loans which helps maintaining cent percent repayment.

Once the client brings default installment, centre savings is returned. This option seems more amicable since it fulfills the requirement of MFIs as well as gives a solution to the client. Application of these types of strategies seems popular therefore the repayment rate is higher. The repayment rate to a certain extent indicates the sustainability of MFIs but client's adoption of coping mechanisms to repay and the capital output of their investment are not generally considered. Maintaining higher repayment rate ignoring these possibilities might put them at risk thus indicates a challenge of sustainability in the long run. Besides, repayment rate alone might not reflect the actual portfolio position because of loan write off and default ageing policies

#### **4.5.2. Major Findings of the Study**

Microfinance program has brought positive impact in improvement of overall status of women socially, economically and politically. There is improvement in speaking capacity, leadership qualities, ability to access resources and overall development.

The major findings drawn from the field survey are presented below:

- Positive economic impacts are observed in their livelihood structure: assets creation; enhanced food security ; at improved health, sanitation and nutrition status, and self –employment creation.
- Women are aware in importance of educating children, health and hygiene, money management, women role in household economy, etc.
- Increment in social interaction in community level, harmony and mutual co-operation.
- Due to group liability to repay loan, there seem social conflict.
- Difficulty in time management for women in different activities like visiting their birth place, household work as well as external due to increased responsibility through participation on microfinance program.
- No specific skill development training was conducted due to this no occupational culture is developed.
- Lack of skill and knowledge, they are not empowered to unite themselves in putting pressure for the demand of services.



- Mostly, loans are invested on agriculture, livestock and trade since they have not enough skill and knowledge for market oriented value addition in micro enterprises.

However, the significant economic impacts, increased awareness, confidence and living in more dignified life style are remarkable achievements in the area of poverty alleviation, social change and women empowerment.

## **Chapter 5**

### **Summary, Conclusion and Recommendations**

This chapter has summarized the research in general followed by conclusions of the study. Based on the findings and conclusions some recommendations are also put forwarded to be considered by policy makers, academicians, researchers and microfinance practitioners in general.

#### **5.1 Summary**

Government of Nepal amongst others has envisaged that access to microfinance to women not only impact on socioeconomic life of women but also empower them effectively thereby reducing the poverty therefore, has promoted it. MFIs are also expanding their services targeting to women with the same notion, however MFIs have a pressure of sustaining their program through the attainment of financial viability. Therefore, the interest of having good microfinance better repayment may have direct negative effect on socio economic empowerment of women. Thus this thesis is conducted with the objectives of exploring consequences of such microfinance targeting to women through analyzing social and economic empowerment.

In order to fulfill its broader objectives, it has three different objectives which have focused on economic impacts; thereafter women empowerment and the constraints of such women focused microfinance for poverty reduction. It has considered the physical and financial assets, food security, loan borrowing and employment creation, income, saving and expenditure as major indicators to analyze the economic impacts. To fulfill the objective of analyzing women empowerment, their participation and decision making at household level, awareness on campaigns like health education, sanitation, financial transaction, family cooperation, discrimination, exposure, traveling, social capital and confidence are analyzed. Observations and perceptions are analyzed for tracing out the constraints faced by the clients of microfinance institution. The study based on comparative analysis after participating in the microfinance by the 54 sampled women out of 100 population of client at the village near to Kathmandu valley. Data required is collected from the field survey with

randomly selected samples. Individual interview of samples using semi structured questionnaire. Simple statistical tools such as percentage, mean, frequency counting are done for quantitative data whereas observation, interpretation and perception analysis is done for qualitative information. Data received are presented in tabular form, bar diagram and pie charts comparing pre and post situation. General observations and perceptions are interpreted and summarized in boxes and paragraphs. However, the research done within a very short period taking samples from only one place using limited methods and approaches might not represent the whole microfinance industry of the country, its findings could be useful not only to the participating clients but also to the policy makers, decision makers, academicians and other microfinance practitioners.

## **5.2 Conclusions**

Microfinance program has been considered one of the major tools to reduce poverty level in the country. It has been taken as a major tool to empower women socially and economically these days. It has been seen in the above analysis that microfinance has helped women in empowering socially and economically after they participate in the microfinance programs. Microfinance has improved the overall status of women socially and politically as it helps to improve their speaking capacity, feeling of leadership, access to resources and overall development.

Access to microfinance services from the field surveyed has positive impacts on the life of sample women in Kathmandu district. Positive economic impacts are observed in their livelihood structure: assets creation; enhanced food security; at improved health, sanitation and nutrition status and self-employment creation. Moreover, microfinance services 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. The program has made participating client women more disciplined and conscious on time management. Further, awareness on enterprises handing, trading and local economic scenario has upgraded. Their social interaction and community level, harmony, mutual cooperation are magnificently increased, however at the same time the treat of having social conflict has raised because of group liability to repay loan. Domestic level violence and discrimination has also been reduced and their role on household

level economic activities and participation on decision making process has been acknowledged.

Despite these all, women are also facing problems created through participation on microfinance program like increased responsibility to look after household as well as external affairs therefore, difficulty in time management. Even some respondents mentioned they do not find time to go to their birth home (*Maiti*) because of rigid and time bound participation on microfinance centers and the responsibility to mobilize the loan fund properly. Sample women are not empowered to that level that they can unite and put pressure to the government line agencies and other developmental organization to demand services. On top of these, sample clients are very much cautious in maintaining their social dignity by repaying the loan installment in time thus felt most pressured; however it has been said that their husbands are also taking responsibility. Probably, this is one of the main reasons that microfinance is focused towards women. Sample clients even have to adopt some coping mechanisms sometimes borrowing from more than one place to repay the loan in time which has enlarged the threat of putting them into a debt trap. However, good repayment cannot be rationalized only with discipline and pressure but also with better return from their investment which has been proven from the analysis.

Besides, the notion of microfinance services to women is to capacitate them holistically. For which, availability of support services: input supply, infrastructure development, market and friendly legal environment become integral part which are not adequately addressed. Moreover, the loans are mostly invested on agriculture, livestock and trade since participating women are not capacitated with upgraded skills and knowledge for market oriented value addition in micro enterprises. Despite of having number of areas to improve and strengthen, microfinance services targeted to women clients have open up lots of avenues of empowering them. The significant economic impacts, increased awareness, confidence and living in a more dignified life itself are remarkable achievements in the field of poverty reduction and women empowerment thus cannot view only with the strategy of successful microfinance.

### **5.3 Recommendation**

Based on the analysis, findings and conclusions, the following recommendations are made at three different levels. Since there is rigidity of time for loan repayment by microfinance methodology of MFIs, it should be revised in such a way that women client's time involvement in the process should be reduced. Economic impacts of microfinance services targeted to women is significant thus should further be encouraged. But at the same time, it seems very much confined into the investment on Trade and Agriculture based enterprises. Therefore, widening up the area of providing loan products needs to be explored. There has been tremendous pressure on women regarding the repayment of loan so it has to be shared among the family members of the microfinance clients. The microfinance service delivery methodology should be designed in such a way that husband's also feel equally accountable and responsible in repaying the loan installment. Microfinance institutions has provided very limited skills transformation and capacity building activities to sample clients which are not sufficient thus government line agencies, other development agencies should focus on such technical capacity building activities. Microfinance clients are very much empowered on the basic issues and have also increased their access to financial services but unfortunately, mostly the control of such financial services are with their male counterpart thus, microfinance client's family need to be sensitized for strategic gender needs. Business development services and support services available to microfinance clients are virtually not in existence thus arrangement has to be done for such services particularly in the area where private sector is reluctant. Microfinance institutions should develop other products and working methodology to bring the excluded ones into the orbit of microfinance services. The role of government seems important in issuing policy measures preferably the incentive based so that such excluded could be covered. Client duplication problem already exists in MFIs if it is not addressed earlier, this will have adverse effect not only on the lives of clients but also to the portfolio of MFIs therefore, mechanism of credit information among the MFIs needs to be established.

#### **5.4 Recommendations for Further Research**

This research is prepared to fulfill the partial requirements of Master's Degree so, there are various resource limitations. To get more progressive information, advanced research can be carried out taking wide area range and women focus in market oriented micro enterprises.

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**ANNEX I**  
**Research Questionnaires**

**PART ONE**

**1. What is your age?**

- Less than 25 years       25-30 years       30 – 35 years  
 35 – 40 years       40 and above

**2. Gender**

- Male       Female

**3. Do you have any educational experience?**

- Not at all       1-5 Years       6-10 Years  
 10 years       More than 10 years

**4. How many family members do you have?**

- Less than 2 members       3 members       4 members  
 5 members       More than 5 members

**5. What is your occupation**

- Agriculture       Service       Cottage Industry  
 Trade/groceries       Other .....

**6. Did you have any business experience before entering this program?**

- Yes.....       No

## PART TWO

### 7. What type of MF loan you have applied for?

- Loan as well as training     Only loan     Only Training  
 Job offer     Others

### 8. Why have u applied this loan for?

- Trading     Service     Agriculture  
 Manufacturing     Other .....

### 9. What was the interest rate you are paying?

- Less than 5%     5 – 7%     7 – 10%  
 10 – 12%     More than 12%

### 10. Have you repaid the MF loan?

- Yes     No

### 11. Have you got the loan as a group or an individual?

- Individual     Group

### 12. What are the sources of repayment of loan?

- Income from enterprise     Savings  
 Borrowing from other sources     Others activities.....

### 13. Are you in a position to comfortably repay the loan you have taken?

- Yes     No

### 14. Are you satisfied with the loan you have taken as microfinance?

- Yes     No

### **PART THREE**

**15. Does your status become better than before after participating in microfinance programs?**

- ◆ Yes
- ◆ No
- ◆ Not sure

**16. What is your feeling about the following microfinance facilities?**

- ◆ Government gives you training
- ◆ Government gives you a job
- ◆ Microfinance with no training

**17. Does your income level increases after participating in microfinance program?**

- ◆ Yes
- ◆ No

**18. Does your savings increases after using a microfinance loan?**

- ◆ Yes
- ◆ No