

CHAPTER -I

INTRODUCTION

1.1 Background

Nepal is one of the least developed country of the world situated on the lap of great Himalayas having 1, 47,181 sq. km total territory area. This covers 0.03 percent of the world and 0.3 percent of the Asia. Nepal lies between two big countries India and China. Nepal is located in between the latitude of 26⁰ 22" N to 30⁰ 27" N and 80⁰ 4" E to 88⁰ 12" E Longitude. Nepal is land- lucked country and its altitude ranges between 70 m to 8,848 m above the sea level. The average length is 885 km from East to West and average width is 193 km from North to South.

Physiographically, Nepal is divided into 5 regions. They are High Himal, High Mountains, Mid Mountains, Siwaliks and Terai region. High Himal occupies 23 %, High Mountains 19 %, and Mid Mountains 29% of the total land of the Nepal. Similarly, Siwaliks and Terai regions occupy 15 and 14 percent respectively (HMG of Nepal and Government of Canada, Land Resource Mapping Project, Land Utilization Report, 1986, Kathmandu: HMG of Nepal and Government of Canada,, 1986, p. 5). On the basis of administrative division, it is divided into 5 development regions, 14 Zones and 75 districts along with the 58 Municipalities and 3915 VDCs.

The total population of Nepal is 2, 31, 51,423 and 86 Percent of people live in the rural areas (Census data-2001). This data expose that it is over population, which leads the poverty. The population growth rate, which is the most significant determining factor for poverty is 2.25 Percent and

literacy rate is only 53.7 Percent (Census-2001). Nepal lies 136th position out of the 177 Nations of the world (HDR-2005). It was 140th in 2004 according to the HDR-2004. In Nepal, the population whose income is less than 1 \$ per day is 37.7 percent and less than 2 \$ per day is 82.5 percent. The per capita income of Nepal is 270 \$ (WBR, 2005, Pp 289F).

The ratio of population under below poverty line is 38 percent estimated by Poverty Reduction Strategy paper (PRSP) by National Planning Commission, Which is less than 42 percent estimated by Nepal Life Standard Measurement Survey (NLSMS, 1996). It is village oriented because more than 90 percent of poor people live in Rural Area (Economic Survey, 2003-2004; Pp. 103).

Nepal is land-locked country of 22 million people wedged between the northern border of India and the Himalayas, ranging from 330 feet elevation to 29000 feet while 80 percent of the population subsists on agriculture, the productive capacity of the land varies enormously. About a third of the villages have no access by road; consequently it is one of the least develop country in the world and suffers high poverty, infants and maternal mortality, and the Fifth lowest life expectancy in the world (Economic Journal of Development Issue, Vol. 5;1 Pp -7).

The uneven distribution of wealth and means, facilities, opportunities are one of the cause of imbalance between different sectors like as Rural and urban. Lack of knowledge, lack of expertise, lack of appropriate policies, absence of power delegation, unclear responsibilities and accountabilities and frequent centralize concept of the Government, improper utilization of limited resources are the causes for division between different sectors. Nowadays in Nepal, imbalance between rural and urban areas is increasing

day by day. All the opportunities and facilities are centralized in the urban areas such as electricity, transportation, hospitals, education, communication and information, infrastructure, drinking water, entertainment facilities (Cinema Hall, Park, Resort etc) but rural areas are deprived from all these facilities. Thus, rural areas are suffering from illiteracy, unemployment, malnutrition, lack of health facilities and other type of similar opportunities.

The concept of micro finance was introduced in Nepal in the early 1970's. Small Farmer Development program (SFDP) was the first of such program implemented by ADB in 1975 NRB. The central bank of Nepal began the intensive banking program which involved commercial banks in micro credit programs in 1981. Then after Production Credit for Rural Women (PCRW) was introduced in 1992 under ministry of local development focusing women as an exclusive member. Since then the number of other initiations has been done. Such include the micro credit project for women, third live stock development project, poverty alleviation project in western terai, participatory district development programme, local governance programme etc. These programs however have been able to save less than 10% of the targeted poor. The lesson of the past decade have shown that government owned and controlled institutions alone could not provide the desired level of micro finance services to the poor. There fore various NGO and Financial institution specialized in micro finance have evolved in the past decade. Presently institution data exclusively providing micro credit to the poor as SFDP, five regional rural development bank under government umbrella and Nirdhan Utthan Bank, Swabalamban Bikash Bank , Depros Development Bank. Chimmek Bikash Bank and Some NGO in the private Sector. In addition to that several thousand indigenous saving and credit groups existing in Nepal. Most of which have emerged over last ten years. Most of the poor people live in rural area and

have little opportunity. All the opportunities are centralized in the urban areas such as electricity, transportation, hospital, education, communication and information infrastructure drinking water, entertainment facilities but rural area people deprived from all facilities. Rural people are suffering from illiteracy, unemployment, malnutrition, lack of health facilities and other types of similar opportunities. Thus microfinance could help poor people who have no collateral but willingness to work and desires to do some business activities from he/she will acquire employment as well as income. Although many programs have been implemented for poverty alleviation in Nepal but only micro finance programmes are seen as a poor targeted and rural based.

Nepal is almost all the targeted intervention's programmes have micro credit as one of the important component. It is widely recognize as a tool in uplifting socio –economic condition of the target population. Not only credit saving mobilization Is also becoming and integral part of the projects so the trend in financial service. is directed from only credit to micro finance service which include deposit loans, payments, services, money transfer and insurance to poor and low income households and their micro enterprises.

MFI's are dependent small saving from group member. As a definition, micro finance is a part of development finance rural or urban, targeted toward specific group of people male or female falling in the lower bracket of society. Financial service includes saving, credits and another such as micro money transfer and micro insurance. Thus service is differentiated by type of services employment and income or oriented objectives, targeted groups targeted community, targeted area and credit at home. Since the decade of 1990's the provision of financial services dealing with very small deposit and the provision of micro credit of poverty

reduction is on rise. There is continuing and quite rapid improvement in understanding how financial services for poor people can best be provided the production credit for rural women programmes was found to be successfully empowering rural women and their family's and integrating them into the social, political and economic main stream of Nepal, In recent year since micro credit programme for people has become one of the main programme of the HMG/N for improving the status of rural people. The recent financial intermediary societies act 1998, when fully operational can be instrumental in giving proper recognition to NGO's and paved them the way to act as a financial intermediary. In this new arrangement NGO's can gate whole sale loan from institution such as RSRF and RMDC as well as directly from the other financial institution and on lend to group member.

There are good reasons to believe that micro credit improves the socio-economic condition of the poor. For instance, even those who possess land often lack knowledge and capital to convert that land into income generating assets. Micro credit provides a window of opportunity by injecting necessary capital assistance. A successful micro credit programme offer enormous benefit to its clients. Insistence of regular payment would mean that the borrower is obliged to arrange repayment long before the loan could bring in its dividends. This is the sort of compulsory saving because of which full returns on investment are available for the borrower but credit alone me not do the trick. A credit plus strategy Is called for the provision of assistance in the form of market research, raw material supply, buy back arrangement a portfolio of income generating schemes, investment in human capital some community development work etc are required to supplement to the effort of micro credits. With the availability of credit the holding of precautionary saving in the form of physical assets. Such as cash, jewelry, staple food and livestock may decline credit can temporarily

enhance household productive human and physical capital and access to financial services, both saving and credit can increase the risk bearing potential of household leading to the adoption of risky but potentially profitable, income generating activities. Formal supplies of credit saving and insurance service may help household smooth consumption without resorting to traditional informal methods which are often inefficient and bind household into unproductive social relationship that discourage savings and wealth accumulation. Most of MF/ Micro credit programmes working in Nepal attempt to address empowerment issues through three different set of intervention : a process of group building and leadership developments; the provision of financial services and access to other (credit plus) intervention such as literacy, legal rights, skill training and enterprise support. In providing such services it is generally thought that MF/ Micro Credit Intervention can generate material and attitudinal changes, both individually and collectively that can empower poor people which are one of the major obstacles in the poverty alleviation effort.

Micro finance has been recognized as a particularly effective development intervention for three basic reasons.

- 1) The services provided can be targeted specifically as the poor and poorest of the poor.
- 2) The services can make a significant to the socio-economic status of the targeted community.
- 3) The institution that delivers these services can develop within the few year into sustainable organization with steadily growing outreach.

One of the pre- requisite of the programmes is that to eligible in getting loan should be organized in group and they should have made a monthly saving for six month. Regular saving by groups member are

encouraged to generate capital internally from the group so as to make it self reliant on financial needs. During the last few years it has become increasingly clear that the existing formal credit delivery system in the rural areas. The banks and co-operatives to some extent has not been able to keep pace with actual demand for small credit. It was also in a way unrealistic to expect the formal credit system to be fully cognizant of the social objective of providing credit to the rural poor.

1.2 Description of Banke District

Banke is one of the leading districts out of 5 districts of Bheri Zone, Situated in the Terai of the Mid Western Development Region of Nepal. It is linked with Dang district in east, Bardiya in the west, Salyan and Surkhet in North and Baharaich district of India in the South. The location of this district extend between 27° 51" to 28° 20" North latitude and 81° 29" to 82° 8" East Longitude. The total area of Banke district is 2258 Sq/Km out of these area 57252 Hectors are cultivate land. It's altitude from the sea level ranges from 127.5 to 1290 Metre. Rapti is main river of this district and Mankhola, Kiran Nala, Dundua Khola, Pedari Nala etc are small rivers. The climate of this district is sub-tropical and average rainfall has been recorded as 1000mm to 1500mm. The temperature of this district varies from 5.4° c to 46° c. The district is divided into 46 VDC's, 1 municipality and 4 electorate regions. Nepalgunj is the headquarter of this district.

The total population of Banke district according to the result of population census 2001 is 385840 out of which 198231 is male and 187309 are female. And total household number is 67279. And annual growth rate of population is 3.17%. The population consist of different ethenic groups such as Brahimin, Chhetri, Tharu, Magar, Newar, Gurung, Tamang, Limbu

etc. Main occupation of the people is agriculture. The population dependent on agriculture is 83.3%. The main agro product are paddy, maize, wheat, millet, potato etc. Beside these people are engaged in animal husbandry and poultry.

There are 178 primaries, 45 lower secondary, 53 secondary, 11 higher secondary school and 3 campuses in Banke district. There are 1181 industries including all type, which provide the employment to 11344 people. According to the Nepal human development 2004 UNDP the HDI value of the district is 0.479 where the average of Nepal is 0.471. The average age of people of Banke district is 60.38. Where as compare to Neapl it is 60.98 . For development all the required infrastructure are available but also the district has not become development as fast as it can.

1.3 Description of Bageshwari VDC

Bageshwari VDC is one of the V.D.C out of 46 VDC's of Banke district which is situated western part of Banke district and it is the study area selected for this research. It is about 9 Km far from the district headquarter alongside the Nepalgunj-Gulariya high way road. The migrant from hilly district of kingdom are mostly inhabitant of this VDC. The land is fertile but most of the land lack irrigation. According to the population census 2001. Total population of this VDC is 12413 of which 5888 are male and 6525 are female. The total households of this VDC is 2382. Among the population 12413, 4699 are active and 7714 are economically inactive. Agriculture is the main occupation of this VDC. Three fourth of the population among total population depends upon agriculture, other are engaged in trade business, government service, and foreign employment.

There is only one health post, post office, a drinking water supply, sub-agriculture office, sub-livestock and Nepal Telecom branch office. Agriculture Development Bank's Branch office is also Now shifted in this VDC's. There is one higher secondary school, three secondary school, five primary school, and 3 boarding schools in this VDC. The headquarter of Cotton Development Committee also located in this VDC.

1.4 Saving and Credit Groups in Study Area

There are many co-operatives working in this area. They encourage their member to form a group and fund than in conducting local economic activities. Nirdhan uthan bank ltd Kalika multipurpose .saving and credit ltd, Sirjana collective saving fund, sajha co-operative etc. main aim of this institutions is to encourage people to save money, provide loan for income generating activities. Now days this type of institution are becoming popular because an individual can save as much as money he/she like. He can get loan in easiest way with low interest rate .

There are so many groups in the study area but this are not registered. This group are fulfilled the need of these area people to get loan and to save their money. All the group consists more than 20 people. The people number ranges of to 50. The saving also ranges from 50 to 100. At first when group concept was emerged people start saving from Rs 10, than on wards 20, 50 and now mostly people in groups save rs 100 for each person. There are groups also in which people save Rs 50 also. Must of the people are engaged in more than 4 or 5 groups.

1.5 Objective of the Study:

The Objective of the study is to examine the living standard of people of Bageshwari V.D.C. The specific objectives are:

- a) To analyze the role of micro credit in selected area.
- b) To analyze the pattern of mobilization of resources of selected saving and credit group.
- c) To examine the living standard of people through saving and credit groups.
- d) To examine the consumption before and after joining the groups.

1.6 Statement of the Problem.

In the world 80% people of the world are living in developing countries. While they are spending their miserable life. Although poverty is spread all over the world these countries represent major part of the poverty. Poverty, unemployment, malnutrition and rapid population growth are the main problems of these countries. The national population census of 2001 has estimated a population of 23.15 million and 86% of people live in rural areas. After expenses on food and fuel need poor family have less money for other purpose. They don't have enough money readily available for other needs, even quite small ones eg buying clothes, improving home, buying school book for children. In such case the great tragedy is that poor go without all needs fulfilled due to the lack of reliable banking services. The poor on many occasions need emergency credit which the formal credit system and the governments poverty alleviation schemes could not cater to. They are then driven to local money lender who immerse them in increased

indebtedness. The poor also need loans for consumption and the banks do not entertain these. If poor cannot buy/spend out of today's cash they must buy it out of yesterday's or out of tomorrow's or a combination of the two. Buying something today out of yesterday's resources means having saving. Buying something out of tomorrow resource against their future ability to save his to take loan. Precisely because the poor have so little money to hand. Compared to others, they need these money management services even more often than other do.

During the last decade of the 20Th centaury it had became accepted that a micro finance is one of the most significant contributor for poverty alleviation. Poverty is seen more at rural areas. Other financial institution such as commercial Bank has not reached there. Rural people also cannot work with commercial Bank. They want to save a little. The process of extending loan is simple and have no complicate procedures. Repayment is an easy installment and usually with low interest rate. So micro finance improve the socio-economic condition of poor.

It is believed that when rural people organized in groups and approach that not only brings about economies of scale, more efficient delivery of services and higher productivity but also build up people confidence and strengthening their ability. These help in participation of the community activity which influences the process of development.

Due to lack of income generating activities the development process of Nepal is not working as much as we desired. And lack of sound rural finance programme of local bodies, it has not improved the living standard of people of rural area. Capital formation depends upon income and saving can be enhanced either by increasing income level or decreasing

consumption. In a community with a low income, low saving and low capital formation there is always a vicious circle of poverty and therefore no single action would be effective to improve the rural people status and over all poverty . In this case rural saving and credit help to increase rural people income and role in decision making a little bit of living standard can be increased but not completely.

High interest rate charged by traditional money lender and inaccessibility of bank has urged to initiate this kind of endeavor. People are now a days more attractive to this type of rural saving and credit groups for future secure. MFIs\NGO need not lend at cheap subsidizes rates that compromise there sustainability. SO group saving is easy and comfortable and taking credit is also easy for them.

1.7 Introduction of Microfinance Sector in Nepal

In Nepal there is a wide range of institution active in the Micro Finance sector, each with its own way of going about the task of making financial services accessible to the poor. Some writers distinguish between the so-called informal and formal sectors, but the preferred terms to use are community based sector and institutional sector.

1.7.1 The Institutional Sector

The institutional sector of Micro finance in Nepal can be summarized in following points:

A) Nepal Rastra Bank (NRB)

NRB is a central Bank and an apex institution of the financial system. It has placed various efforts to develop the micro finance system in Nepal. It introduced the priority sector lending program in 1975 and the intensive banking program in 1981. Further in 1992, NRB participated in equity and management to develop the Grameen Banking system by introducing regional rural banks as a replication of Bangladesh Grameen Banking model.

B) Rural Self Reliance Fund (RSRF)

In 1990, NG introduced a fund of NRs 10 million to provide a wholesale fund for small co-operatives and rural based NGOs to on lend to micro entrepreneurs. Further in 1999, government provided additional support of NRS 10 million to RSRF. Since they beginning, the fund has been handled by NRB. Up to mid July 2002, RSRF sanctioned loans to 48 NGOs and 129 Co-operatives amounting to NRs 18.15 million and 34.21million respectively.

C) Rural Micro Finance Development Centre (RMDC)

Under the financial support of ADB, Manila, NRB, banks and financial institutions together injected equity to form the micro finance apex institution Rural Micro Finance development Centre' (RMDC) incorporated in 1998 mainly to extend wholesale fund to the micro finance institutions. As of mid July 2002, RMDC had approved NRs 204.8 million in loans to 17 MFIs and disbursed NRs 107.8 million. Its mandate includes capacity

building for MFIs and ultimate borrowers in addition to providing a fund for on lending to them.

D) Commercial Banks (CB)

According to the NRB directive Commercial banks need to extend at least 3 percent of their total loan outstanding to the deprived sector. CBs are extending the 3 percent fund in equity and also providing wholesale loans to MFIs. At present 17 commercial banks are extending credits to the deprived sector amounting to NRs 3482.6 million.

E) Small Farmer Development Bank (SFDB)

SFDB was established in 2002 under the development bank act of 1996 to provide wholesale funds to Small Farmer Co-operative Ltd. SFCLs were developed by the SFDP of ADB/N to make groups of small farmers self reliant and sustained. Until now, the total number of SFCLs affiliated with the SFDB is 35 and the total number of groups within the SFCL is 3434. The total loan disbursed to the group member's amounts to NRs 25.4 million.

F) Developments Banks

Some development banks formed under the development bank act 1996 are implementing micro finance activities in rural areas. Prior to becoming development banks some institutions were active as NGOs in the field of social development as well as in micro finance. Among these banks, 5 are regional rural development banks in the government sector and 6 are micro finance development bank established by Private sector.

1.7.2 The Community Based Sector

The community-based sectors are:

A) Financial Intermediary Non-Government Organization (FINGO)

Normally, NGOs in Nepal have not been entitled to undertake profit oriented activities such as financial intermediation. However, the rapidly growing engagement of NGOs in social development has created a need for extending some basic financial services such as micro finance services. To address the lack of institution providing Mf Services in many areas of the country, NRB has provided a mechanism by which selected NGOs can engage in financial intermediation activities. These activities are defined as the borrowing and on lending of funds, but do not include direct deposit taking from public. Currently a couple of dozen NGOs have already been licensed by NRB. The last session of Parliament approved changes in the Financial Intermediary Act of 1998, which now allows FINGOs to collect savings from the members of groups. Those NGOs that are operating in financial services transactions and opting for an NRB license are referred to as FINGOs.

As a republication of Grameen model some NGOs were established to extend credit facility to the rural poor: Nirdhan, Chimmek, Deprosc. In 1996 the development bank act came into existence and the above mentioned NGOs became development banks. Since the financial intermediary act was implemented in 1998, 37 NGOs have received permission to extend credit and collected savings from the rural poor I group based activities. The main objectives of these NGOs are to extend the

micro credit activities and help toward raising the living standard of the poor.

B) Saving and Credit Co-operatives

SACCOS are member owned, controlled and capitalized organizations, which provide financial services to the members. There are more than 2300 SACCOS registered with the Co-operatives Department in Nepal and approximately 400 of these are as member of the national federation, NEFSCUN

Saving and Credit Groups

There are tens of thousands of unregistered SCGs in Nepal, some of which are quite large even though they are not registered either as NGOs or Co-operatives. The vast majority of these SCGs grew out of assorted development initiatives into which a savings component had been introduced, if only to strengthen the like hood that the group would continue to meet and be active after the specific program intervention had been completed.

Traditional Saving and Credit Groups

Nepal has long history in the operation of traditional saving and credit associations often referred to in the literature as a rotating saving and credit associations but known locally as Dhukuti or similar terms. These tend to be non registered but quite formally structured in terms of membership rights and obligations, etc.

1.7.3 Financial Services to Poor through Micro Finance Institution

There are various Ngo in this country which are engaged in promoting local development activities, particularly in self help saving and credit groups, literacy programme, development of community infrastructure, provision health service etc, at the grass root level. For this type positive development the NGO is now beginning establish itself as a strong alternative to government led development process particularly in rural areas. The population NGO's induced or spontaneous self help groups is rapidly increasing in the country mainly in the rural communities and their programmes, most often revolve around self managed saving and credit activities.

Many of the weaknesses observed in group functioning are external to the group and can be attributed to the deficiencies in the institutions handling the group as an intermediary. It seems essential that the institutions handling the group it self should have some characteristics that would help establish rapport with the group. It is widely recognized that if an institution is needed to reach out to weaker sections in the rural areas on a cost effective basis and act as catalyst for change, either through groups or directly, the most suitable medium could be an informal agency like NGO.

NGO in Nepal, though currently operating mainly in accessible areas, have the advantage of a favorable political and legal environment to develop and establish them. There are reported to be several thousand Self-help organizations in the country, operating with their base at local, district or national levels, providing certain essential services to communities.

The need for informal, but well equipped and committed agencies like NGO's for assuming the role of organizing and strengthening the groups into self-sustaining delivery channels is equally important, for group formation without effective social intermediation is recipe for disaster because there are no alternative realistic means of enforcing or creating financial discipline. Investment in social intermediation is therefore considered worthwhile because it would help reduce defaults and maintain group's access to credit. This points to the need of involving NGO's on a selective basis initially for social intermediation and later for financial intermediation and allowing them appropriate financial assistance by way of a margin of interest charged on loans, so that, the defaults and bad debts are reduced to the minimum.

Different legal provisions are available in the country to register an institution.

- 1) Society Registration Act, 2034
- 2) Cooperative Act, 2048
- 3) Company Act, 2053
- 4) Development Bank Act, 2052 (Limited to transaction to Rural area of any one district)
- 5) Financial Intermediary Societies Act, 2055

Among all above legal provisions, the latest Financial Intermediary Society Act, 2055 is believed to ease the financial intermediary function of NGO's working for the supply of micro-credit on an institutional basis to low-income people living in different parts of country. It has made mandatory to obtain a license from NRB to work as financial intermediary. This act has vested important functions in respect to micro credit to the

societies (Financial Intermediaries). The functions, duties and powers of societies according to this act are:

- 1 To encourage low-income persons to form groups.
- 2 To supply micro-credit to any group or member thereof for operating an income and employment oriented enterprise, with or without any movable or immovable property as collateral or guarantee.
- 3 To obtain loans or grants from the NRB or any local or foreign organization or association, and use them for supply of micro-credit or for making the process of supplying such credit effective.
- 4 To evaluate scheme for which micro-credit have been requested, and determine whether or not they are feasible, before supplying micro-credit.
- 5 To organize publicity and extension programs about income and employment oriented programs of the type, which help to improve the economic condition of low income persons.
- 6 To organize workshops on income and employment oriented enterprises, extend help and provide training in the formulation of schemes, make available technical know how, and mobilize technical assistance according to need.
- 7 To provide necessary services to a group in respect to the mobilization of micro credit.
- 8 To take necessary actions for the timely realization of micro-credit.
- 9 To conduct investigations from time to time to determine whether or not micro-credit has been properly utilized, and, if it is not found to have been properly utilized, to issue necessary directives.
- 10 To perform all such functions as are prescribed in connection with the supply of micro-credit.

This act has given the societies rights to determine the interest rates to be charged on its micro-credit but they are subject to the conditions

prescribed by NRB. It has also made provision of authority to collect services, facility, technical know-how or training provided by the society to him/it in connection with income and employment oriented enterprises or mobilization of micro-credit.

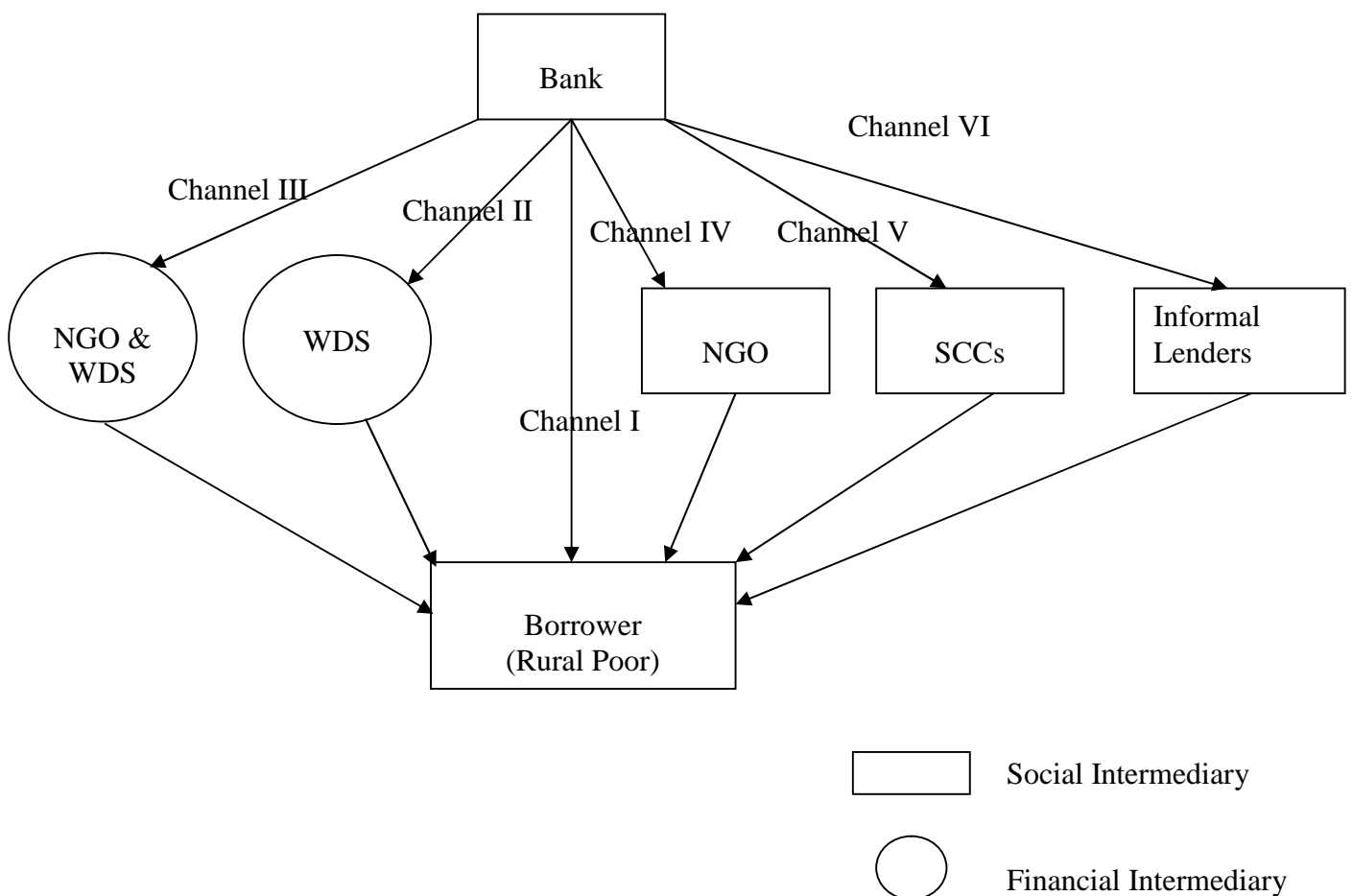
Giving due consideration to the role that would be played by the NGOs and cooperatives, an apex level organization of Micro finance in Nepal, RMDC is established in October, 1998 as a public limited company under the framework of the Development Bank Act 1998 as a public limited company under the framework of the Development Bank Act 1996. It operates as a wholesale lender to micro finance institutions (FIs) such as Rural Development Bank, Rural Cooperatives, NGO-financial intermediaries. It focuses to the marginalized and the deprived with the main focus on women living below the poverty lines. RMDC also provides support to MFIs for their institutional strengthening and capacity building. It also works as an implementing agency of the Rural micro Finance Project {ADB loan no. 1650 NEP. (SF)}. The ADB is to provide a loan fund of US \$ 20 millions for on lending to the target clientele and institutional building supports to MFIs under the Rural micro finance Project. Currently RMDC activity is concentrated in 26 districts and Grameen Bank, Grameen Bank replicators (NIRDHAN & CSD), 8 rural cooperatives and NGO financial intermediaries are getting institutional development service and financial service to on lend to rural poor. An organization requires to fulfill the following criteria or getting an access to wholesale credit from RMDC for on lending to the rural poor households.

-) Minimum of 2 years of experience in micro credit operation and micro saving mobilization. Minimum of 100 active clients
-) Loan recovery rate of minimum 90%
-) Acceptable accounting and control system.

-) Availability of staff trained in micro finance, accounting and financial management.
-) Minimum net worth of Rs 250,000 and financial resource of Rs 500,000.
-) Program strictly targeting to the poor rural women (minimum of 50% women members).
-) Well established loaning procedure.
-) Frequent loan repayment system by clients.

The objective of making rural credit system responsive to the needs of poverty alleviation can not be achieved unless the present rural credit institutions and programs including credit cooperatives and NGOs are strengthened. The existing credit delivery channels to the rural poor can be shown as follows.

Fig1:- Existing and proposed rural credit channel's to the rural poor.



Source: Strengthening of Credit Institutions/Programmes for Rural Poverty Alleviation in Nepal 1997.

Channel I presents a situation where Banks lend directly to the ultimate borrowers, without any social or financial intermediaries in between. Examples are ADB/N RRDBs, NIRDHAN, CSD and programs such as SFDP & IBP.

Channel II) Represents credit delivery being practiced by banks in PCRW.

Channel III) Is practiced in MCPW during its first phase, but the ultimate aim of MCPW is to transform NGOs to the stage of channel IV.

Channel IV, V and VI are the nascent stage of performance in These methods NGOs, SCCs, & informal lenders are expected to perform the role of financial intermediaries. These channel are important because involvement of financial intermediaries in the rural credit system can be expected to : i) reduce loan loss and thereby improve recovery rate, ii) reduce service delivery cost and thereby increase the viability of the banks, and iii) increase the outreach.

1.8 Need and Significance of Study

The study has analyzed the role of rural saving and credit group's role in socio-economic development of rural people. The study has also focused to find out how the rural saving and credit groups help to up lift the socio-economic standard of rural people. It also has analyzed the process of income generating activities of local people and bodies in rural area. Micro credit programme provide small loan to poor people for self employment

project that generate income allowing them to care for themselves and their families. Micro finance programme is targeted to reduce poverty prevailing among rural population in Nepal.

Since many micro finance programme have been implemented to improve quality life of rural people and their socio-economic status. One of the purposes to study the rural saving and credit groups is to enable the people to undertake any enterprises of their own. This type of study will emphasis rural people through training programmes, group saving schemes and acceptance of joint liability to access credit from commercial bank .

The study gains significance in the sense that in Nepal the government is promoting NGO to work as a partner in social mobilization and in linking bank credit with rural saving and credit group.

Study on topic also has analyzed the weakness of the groups and finds a possible prospect for success. The finding may also indicate group's member's perception, desire and problems. And this kind of case study of specific VDC explore the special problems and prospect of that place, making easy to formulate specific programme for that place.

1.9 Limitation of the Study

Every study has its own limitation and this study is not exception. The study has following limitation:

- a) The study has based on Bageshwari VDC of Nepalgunj Banke . It may not represent the exact picture of rural saving and credit groups of other area.

- b) The study has based on only three wards (1,2and5) of Bageshwari VDC.
- c) The study has focused only on the rural saving and credit groups.
- d) The study deals only with the financial matter.

CHAPTER- II

REVIEW OF LITERATURE

Nepal Rastra Bank Website: Regional Rural Development Bank have been established in each development region of the country to reduce poverty and unemployment of the rural poor house holds through Micro financial services.

Appraisal Report of Rural Finance System Project (GTZ, 2000) has given an overview of NGOs which work in the field of financial services with respect to rural finance. NGOs can be grouped into two different categories: one group consist of NGOs that are directly involved in financial intermediation, usually following the Grameen Bank Approach. A small number of NGOs are providing financial services to the poor households in rural areas. However, most of this are localized.

Tenth Plan (2002-2007) has expressed the importance of agriculture and rural credit. Agricultural and rural credit plays an important role in poverty alleviation and in the creation of employment in the village by promoting agro based and other business. Lack of easy access to receive loan inadequate institutional expression lack of security, excessive indirect expenditure to receive loan and high interest loan are observed as the obstacles in the development of this sector. To create opportunities for income generating activities and employment chances by removing this obstacles. It is necessary to make agricultural and rural credit system easily accessible to the local public. One of its objectives is; Mobilization of agricultural and rural credit programs in an integrated manner to help rise in

gross domestics product by increasing the rural productive in agricultural sector.

The second includes those NGOs that are engaged in promoting community level saving and credit services to their members. Some of the larger and more prominent NGO falling into these categories include IID, RSDC, RRN. These NGOs do not require formal license from NRB. A major advantage of this NGOs is that they provide an effective link between financial and non financial support services required for rural micro enterprises development and between the SCOs and the larger Financial institution for expanding resource base for the SCOs.

In an article "Micro Finance Against Poverty The Nepalese Scenario" Sharma (2003) has expressed the role of micro finance as follow ' Micro Finance is the financial service such as deposit, loans, payment, services, money transfer and insurance to poor and low income household and their micro enterprises studies in Nepal and elsewhere have clearly microfinance as one of the most powerful tools for alleviating poverty. MFI is both formal and informal providing financial services which help in creating job opportunities to micro entrepreneur, both wage and self employment and there by generating income among the poor.

The objective of the **Rural Self Reliance Fund (RSRF) 2001;** is to provide micro finance to the rural poor through SCCs(Saving and Credit Co-operatives) or NGOs and these by helping those rural poor achieve economic self reliance over the years by involving them in income and employment generating micro enterprises. The targeted group of the individual household holding less than 15 ropanis of land in the hills or less than 1 bigha of land in Terai (plains). The SCCs or NGOs who act as

financial intermediates between the funds a beneficiaries are responsible for social mobilization, group formation, skills training, saving mobilization, demand assessment, loan approval disbursement and supervision and follow ups.

In the article "Micro Finance in Nepal" Uprety (2060) concluded that in the last decade of the 20th century it is accepted that Microfinance is one of the most significant contributor for poverty alleviation. The article further claims that in Nepal the poverty reduction rate is slower. If the proper model is used to the hill and terai region, the life standard of the poor people could be raised very fast.

Yogi, (2004) in his unpublished dissertation concluded that several credit programs have been initiated in an attempt to generate self employment and increase productivity by bringing or increase in income and improving standard of living of the poor people in rural areas. Co-operatives is one of such rapid spending models of the rural financing.

In a discussion paper, "The role of Micro Credit in Poverty Reduction and Promoting Gender Equity by Norman Mac Isaac (1997) has explained that micro credit has proven its potential to generate results. However this results are generally short term and very significantly among borrowers. In general, studies suggested that poorest seldom benefit from micro credit while the middle and upper poor benefited the most.

Dhungana, (2005) Micro Finance is a mechanism targeted to the poor to support them by providing recourses in the form of credit and aims to make them aware on various social and economic aspects. All the micro credit programs for people is useful for the empowering the people status

and in reducing poverty. Micro Financing means provision of micro credit, micro saving, micro insurance and micro money transfer facilities to the largest part of the economy outside the regulatory framework of the government. Women are important source of energy for the and their groups can be effective channel for resources aimed at meeting the needs of the poor people in rural areas. Micro Finance since its evolution has been proved as an effective tools to strength various programme to reduce poverty and itself as a way to attack poverty.

The book entitle " Micro Finance and Poverty Reduction " 1997 OxfamUk by Susan and Johnson and Ben Roglay is significant for the purposed study can be considered as;

-) In focusing on Micro Finance emphasis has been laid on the need that poor people have for wide range for financing services.
-) In any place at any time, the needs of poor people for financing services are many and varied depending on individual circumstances. Some will be saving for the future, while other will be facing for crisis and still other wish to obtain loan to invest.
-) An NGO can play vital role in promoting financial services. This can make use of NGO skills in mobilization, training, and management in establishing groups who undertake internal saving and credit, promoting user owned small scale initiatives such as thrifts, co-operatives and credit unions. Linking Groups to bank, bringing in an NGO which has especial expertise in financial services or undertaking advocacy within the country to involve the formal banking system in microfinance.

Nepal Rural Credit Rewiew,1994 observes many issues to be addressed and answered in the course of strengthing the provision of credit

for rural area in an effective and efficient manner, which despite increasing the coverage of institutional credit has not expanded in rural areas. Especially to include the poorer segment of the population, is it because of the inadequacy of rural branches network of banking institution or because of their poor performance due to institutional structure and policy problems. What are the major reasons for the continued dominance of the informal lending source in rural areas despite reported is high interest rate charged by them. How do the borrower and non borrowers view the two different source of credit especially the procedure and practice followed each of them. In the face of these and a number of other issues relating to the present rural credit delivery use and recovery formulation of appropriate recommendation and action plan has become a major concern at present(NRB 1994)

Soti, (2002) involvement in the MCPW program has empowered women in varying degree. The program with its focus on group activities and income generation has helped to enhance the self-confidence and increased right to spend this increasing the access to resource its group saving of 6 month is a pre-requisite of availing the loan money, saving group is an important part of the program. Besides the income generating project group members are taking from within the group at the time of emergency. Group saving has become their good source of money otherwise they would have to go to the moneylender and it is accumulating the resource for future use.

Poudyal, (2005) Micro Finance program is the best way to uplift the rural people economically as well as socially. Microfinance program is relevant where commencing of big industries factory and enterprises in remote and rural area by the people living there is out of their capacity.

Taking loan from bank is inconvenient and need long procedural to be followed. Due to lack of education the rural people doesn't go to bank for loan. They never tried to do something to ameliorate their living as they have been habituated to be satisfied from their traditional agricultural process and production. MFI is fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Methodology

Research is a system and organized effort to investigate a specific problem that needs a solution. This process of investigation involves a series of well thought out activities of gathering, recording, analyzing and interpreting the data with the purpose of finding answer to the problem. It is a careful search or inquiry into any subject or subject matter, which is a endeavor to discover or find out valuable facts which would be useful for further application or utilization.

3.1.1 Research Design

The study is mainly based on the micro study of micro-credit programmes. It seeks to have effectiveness and sustainability of micro credit programmes in the specific study area. A descriptive research design is adopted to analyze and interpret the quantitative and qualitative data collected from the concerned field. Loan investment and repayment process and situation are concentrated from micro credit programmes. Primary and secondary data are used for the study of rural poor people.

3.1.2 Nature of the Data

The study is based on the primary as well as secondary data: however impact of saving and credit groups has been analyzed considerably study is mainly based on primary data collected from the field study through the

questionnaire as presented in the Annex. The primary data has been collected during the month of October and November 2008. During the collection of data many people hadn't responded well so the data might not be accurate. This cause the possible error in calculation. The relative secondary data are obtained through secondary source eg books, pamphlets, journals, publication, ADB, NGO and other supporting unit.

3.1.3 Population and Sample

In the study area, there are total 9 wards and 2382 households. Here in this study w have selected only 3 wards (1, 2 & 5) out of 9 wards due to lack of time, expenses and difficult situation. There is 1160 HHS and 5000 total population in which 60 HHs are selected using proportion to size with random sampling method. The sample is about 5.01 % of the total HHs which can be considered to be represents of the entire study.

Table III-1

Coverage of Study Area by Population and Households

| Ward No | Total HHs | HHs size | Total population |
|----------------|------------------|-----------------|-------------------------|
| 1 | 360 | 5.4 | 1994 |
| 2 | 480 | 5.0 | 2406 |
| 3 | 233 | 5.4 | 1276 |
| 4 | 240 | 4.1 | 1006 |
| 5 | 312 | 4.1 | 1606 |
| 6 | 100 | 4.6 | 469 |
| 7 | 120 | 5.5 | 665 |
| 8 | 145 | 5.7 | 829 |
| 9 | 420 | 4.1 | 2172 |
| Total | 2382 | | 12413 |

Source: DDC profile Banke.

3.1.4 Methods and Technique of Data Analysis

All collected data and information have been analyzed and presented in the proper forms of charts, diagram groups and tables wherever necessary. In order to get the correct outcome and making the result useful, such tables and diagrams have been interpreted as far as possible. To analyze the data some statistical tools are also used wherever necessary.

CHAPTER IV

DATA ANALYSIS AND MAJOR FINDINGS

This chapter attempts to analyze the information-received form the questionnaire observation and informal discussion.

4.1 Socio- Economic Characteristics of the Sample

4.1.1 Age Structure of the Respondents

We have presented the age structure of respondents of sample in the study area. It is found that there is no age restriction to be a member of the group. The maximum number of particular belonged to age group 20-40 years. The table has presented the age group on present of the respondents.

Table IV- 1
Distribution of Sample by Age Structure

| Age Group | No. of Respondent | Percentage | Cum. Percentage |
|------------------|--------------------------|-------------------|------------------------|
| 20-30 | 14 | 23.34 | 23.34 |
| 30-40 | 23 | 38.33 | 61.67 |
| 40-50 | 16 | 26.67 | 88.34 |
| 50-60 | 7 | 11.66 | 100.00 |
| Total | 60 | 100 | - |

Source: Field survey 2009

Result from table shows that respondents from 20-30 age group and 30-40 age groups are 23.34 and 38.33%. The age group of 40-50 is 26.67%

and 50-60 composed only of 11.66%. Thus the age group of 20-30, 30-40, has played a vital role in the saving groups.

4.1.2 Ethnic Composition of the Sample:

In on under developed society like ours caste and Ethnicity has important role to play for the success or failure of the saving group aimed of uplifting the economic social status of people of society ad Ethnicity can not develop property. The following table shows the composition of Ethnicity group

Table IV- 2

Distribution of sample according to Ethnicity

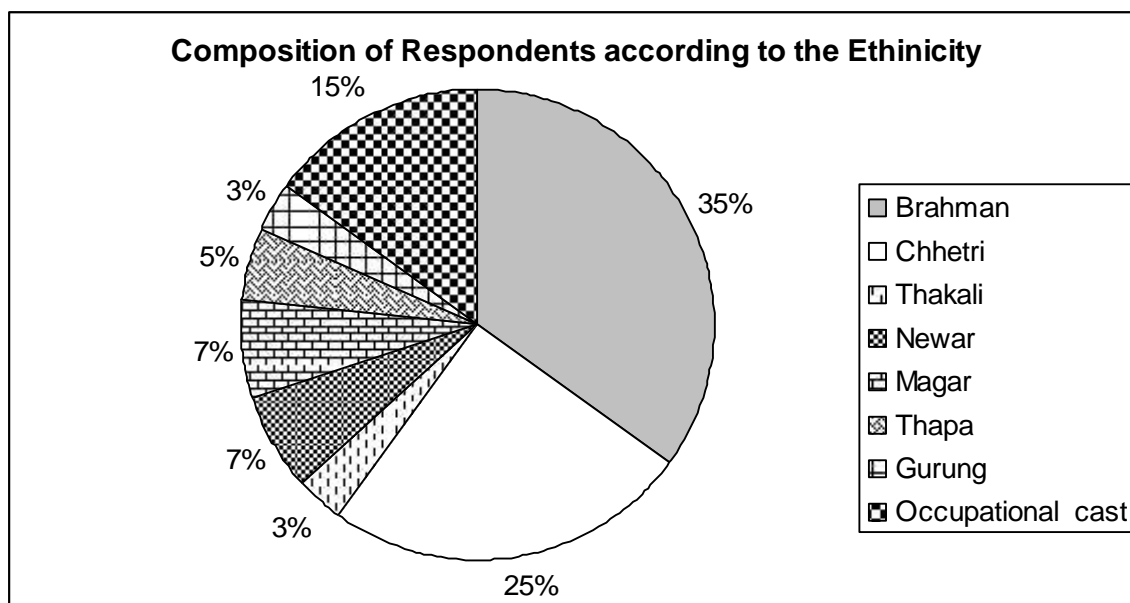
| Cast | No of Respondent | Percent |
|-------------------|------------------|---------|
| Brahman | 21 | 35 |
| Chhetri | 15 | 25 |
| Thakali | 2 | 3.35 |
| Newar | 4 | 6.66 |
| Magar | 4 | 6.66 |
| Thapa | 3 | 5 |
| Gurung | 2 | 3.34 |
| Occupational cast | 9 | 15.9 |
| Total | 100 | 100 |

Source: Field survey 2009

As the VDC, it is composed of migrants from different parts of the country and different ethnic group, the ethnic composition of the sample is dues. Brahman and Chhetri constituted 35% and 25% of the total sample respectively. Newar and magar also constitute of 6.66% respectively. Next

occupation caste followed by 15% of the total sample Thakali, Thapa, Gurung consists of 11.68% of the total sample.

Fig IV- 1
Composition of Respondents according to the Ethnicity



4.1.3 Educational Status of the Sample

Education plays a most important role in the development of the nation. Without education, development is not possible. Educational status of a people plays a key role in the effort of any endeavor to uplift the society from repression and scarcity needs less to say it has a positive in the success of rural people.

Table IV-3
Education Status of Sample

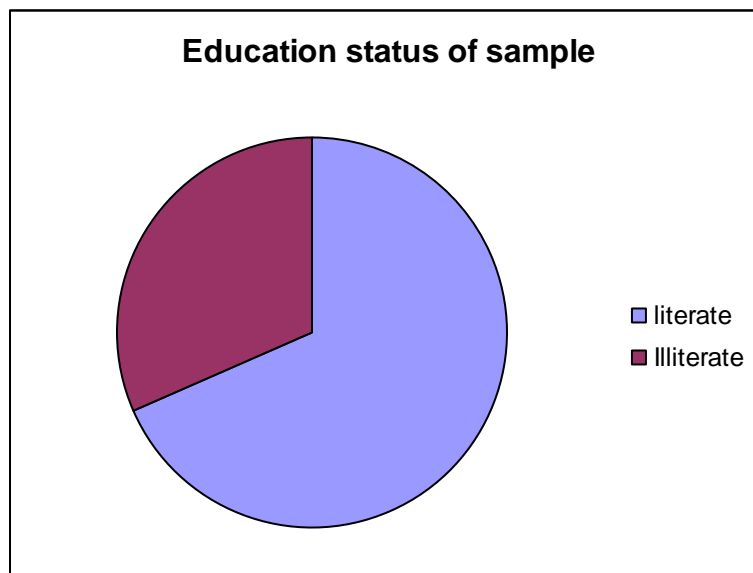
| S. No. | Educational Status | No of Respondents | Percentage |
|--------|--------------------|-------------------|------------|
| 1 | literate | 41 | 68.33 |
| 2 | Illiterate | 19 | 31.77 |
| Total | | 60 | 100 |

Source: Field survey 2009

The study should that 68.33% of sample and literate whereas 31.77% of people are illiterate.

Fig IV-2

Educational status of sample



4.1.4 Family Size

Table IV 4

Family Size

| S.No. | Family size | No of Respondents | percentage |
|-------|-------------|-------------------|------------|
| 1 | 2 | 3 | 5 |
| 2 | 3 | 6 | 10 |
| 3 | 4 | 18 | 30 |
| 4 | 5 | 22 | 36.67 |
| 5 | 6 | 10 | 16.67 |
| 6 | 7 | 1 | 1.66 |
| Total | | 60 | 100 |

Source: Field survey 2009

The above table shows that most of the members are living a family of between 4 and 6. Table shows that 30% respondents have four members in their family whereas 36.67% have five members in their family. One respondent has 7 members in his family/ only 5% of respondents have 2 family members in their family.

4.1.5 Land Holding

Nepal is an agriculture country and more than 83% of the population is dependent on farming. The possession of land is considered to have economic and social status. In the present study area, it is found that land is the major source of income for almost all respondents. The research revealed that none of the respondents were landless.

Table IV-5
Size of Land Holding

| S.N. | Land size | No. of Respondents | Percentage | Cumulative percentage |
|--------------|------------------|---------------------------|-------------------|------------------------------|
| 1 | 0-5 Kattha | 13 | 21.66 | 21.66 |
| 2 | 5-10 Kattha | 18 | 30 | 51.66 |
| 3 | 10-20 Kattha | 17 | 28.34 | 80.00 |
| 4 | 20-40 Kattha | 9 | 15 | 95.00 |
| 5 | 40-60 Kattha | 3 | 5 | 100 |
| Total | | 60 | 100 | - |

Source: Field survey, 2009

The land possession shows that most of the families fall under small farmer 44 respondents have land holding between 5 Katthas 40 Katthas only 3 respondents (5%) had more than 40 Katthas. The percent of land holding of 10-20 kattha is about 29%. And 30% of the respondents have land between 5-10 kattha.

4.1. 6 Food Sufficiency

Table IV-6
Food Sufficiency from Own Product

| Category | No of Respondents | Percentage |
|----------|-------------------|------------|
| Yes | 35 | 58.33 |
| No | 25 | 10.67 |

Source: Field survey 2009

Whatever the land holding condition reveals more than half i.e. 58.33% respondents have sufficient supply of food for their annual consumption from their own product of the total 25(41.67) respondents are supply from insufficiency of food from their own product.

Table IV-7
Food Insufficiency from Own Product

| Food scarcity months | No of respondents | Percentage of respondents |
|----------------------|-------------------|---------------------------|
| 1-3 | 3 | 4.92 |
| 1-4 | 2 | 3.28 |
| 1-5 | 5 | 8.2 |
| 1-6 | 6 | 9.84 |
| 1-7 | 1 | 1.64 |
| 1-9 | 1 | 1.64 |
| 1-12 | 7 | 11.48 |

Source: Field survey, 2009

Of the total, more than 10 percent respondents have depended on another job for 1 to 12 months in a year for family consumption. Other also even applying there whole labor in field they are left with unfilled stomach, due to the absence of rainfall. Due to the lack of irrigation the land remains desert.

4.1.7 Condition of House of the Respondents

Table IV- 8
Condition of House of the Respondents

| Types of House | No. of House | Percentage |
|----------------|--------------|------------|
| Concrete | 25 | 41.67 |
| Thatched | 35 | 58.33 |
| total | 60 | 100 |

Source: Field survey 2008

Table shows that more than 50% lives in thatched house. They want to change their living structure.

4.2 Living Standard of Respondents

To measure the living standard of the respondents is also a difficult task. Frequently respondents cannot answer for this question. Question arise there how to measure? so we analyzed the clothing and consumption pattern of the respondents. if there is progress in clothing and consumption we can say that the standard of people has risen. so from the question we have only asked Yes or No for the clothing and consumption pattern of members before joining the Groups here both questioner and descriptive tools are used to observe and descriptive tools are used to observe whatever

the living standard has changed or not . Among questionnaire tools z-test is used for consumption and clothing pattern.

a) Change in Fooding Pattern of the Respondents

Table IV-9

Change in Fooding Pattern Before & After Intervention of the Program

| Category | No of respondents | |
|----------------------|--------------------------|------------------------|
| | Before borrowing | After borrowing |
| Plain food | 40 | 25 |
| Relatively Nut. food | 20 | 35 |
| Total | 60 | 60 |

Source: Field survey 2009

To analyzed the fooding pattern of respondents it is categorized into two groups. Plain and relative Nutrias food under plan food are bread, rice, dry vegetable etc. and under relatively nutrias food are meat, milk and fruit etc.

The 40 respondents were consuming plane food and only 20 respondents were before joining the groups. Now the survey shows that 35 respondents were taking. Relative various food and plain food consumer have deceived from 40 to 25.

The table shows the picture that the living standard has increased after joining the groups whether the number of respondents who have perceived – Z test as follows. In the usual notation.

$$N_1=60=N_2$$

P_1 = sample proportion of relatively Nutrious food responds before borrowing

$$20/60 = 1/30 = 0.33$$

P_2 = Sample proportion of relatively nutrius food respondents after borrowing

Now setting Hypothesis:

Null hypothesis $H_0: p_1 = P_2$ i.e. there is no significant difference between the proportion of he borrower before and after borrower.

Alternative Hypothesis. $H_1 = P_1 < P_2$ i.e. there is significant difference between the proportion of the borrower before and after borrowing (left tailed test)

Calculation of the test statistics:

Where $N=60$

$$\text{Now } Z = \frac{P_1 - P_2}{\sqrt{PQ \left(\frac{1}{N_1} + \frac{1}{N_2} \right)}}$$

$$\text{Where } P = \frac{N_1 P_1 + N_2 P_2}{N_1 + N_2} = \frac{60 \cdot 0.33 + 60 \cdot 0.58}{60 + 60} = \frac{54.6}{120} = 0.455$$

$$Q = 1 - P = 1 - 0.455 = 0.545$$

$$\text{Therefore } Z = \frac{0.33 - 0.58}{\sqrt{0.455 \cdot 0.545 \left(\frac{1}{60} + \frac{1}{60} \right)}} = -2.77$$

$$|Z| = 2.77$$

Therefore Z calculated value = 2.77

Z tabulated value at 5% level of significance of left tail test is 1.645

Decision: Since computed $Z(2.77)$, is greater than tabulated Z value (1.645) we reject null hypothesis at 5% level of significance and accept alternative hypothesis. We can say that the program is significant in increasing the number of member who take the relatively nutritious food.

B) Clothing pattern of family member of respondent

Table IV-10

Change in Clothing Pattern Before & After Joining the Groups

| Category | Before borrowing | After borrowing |
|-------------------------|------------------|-----------------|
| Traditional | 42 | 28 |
| Relationship better off | 18 | 32 |
| Total | 60 | 60 |

Source: Field survey 2009

Clothing pattern is one of the major means of depict the living standard of people in a society. To measure the economic standard of people increases in pattern is the direct output. The data shows that before joining the program 42 respondents depends on tradition cloth. Now this declined to 28 respondent after the programme. The number of respondents wearing better clothing after the programme has raised. Relatively both of clothing after joining the group is significant or not has been tested with Z test as follows.

Solution:

In the usual notation

$$N_1=60=N_2$$

P_1 =Sample Proportion of the relatively better off members before borrowing = $\frac{18}{60}=0.3$

P_2 = Sample Proportion of the relatively better off members after borrowing = $\frac{32}{60}=0.53$

Now setting Hypothesis:

Null Hypothesis: $H_0=P_1=P_2$ i.e. there is no significant difference between the proportion of borrower before and after borrowing

Alternative Hypothesis: $H_1=P_1 < P_2$ i.e. there is significant difference between the proportion of borrower before and after borrowing.

Computation of test statistics

Now $N=60$

$$Z = \frac{P_1 - P_2}{\sqrt{PQ \left(\frac{1}{N_1} + \frac{1}{N_2} \right)}}$$

Where $P = \frac{N_1 P_1 + N_2 P_2}{N_1 + N_2} = \frac{60 | 0.3 + 60 | 0.53}{60 + 60} = \frac{49.8}{120} = 0.41$

$Q = 1 - P = 1 - 0.41 = 0.59$

Therefore $Z = \frac{0.3 - 0.53}{\sqrt{0.41 | 0.59 \left(\frac{1}{60} + \frac{1}{60} \right)}} = -3.132$

$|Z| = 3.132$

Z calculated value=3.132

Z tabulated value at 5% level of significance of left tailed test is 1.645

Decision: Since computed $Z(3.132)$, is greater than tabulated Z value (1.645), we reject null hypothesis at 5% level of significance and accept alternative hypothesis. We can say that the program is significant in increasing the number of member who put on relatively better off clothing.

4.3 Empowerment

4.3.1 Benefit from the programmes

The main objectives of this research are to find out whether people working in groups are benefited or not in terms of social empowerment. During the research it was found that these people are going ground in socio- economic sector. They are local development, awareness and improving maternal health.

During the research period when asked to respondents whether they are benefited after joining the groups 86.67 percent replied that they have had positive changes in their life after joining the group. 13.33 percent said their position was same.

Most of the peoples of a group were found to be enthusiastic to be the part of the group. When inquired about the rise in social status 88.34 percent of respondents assured “positive” changes. 11.66 percent replied “no change”.

Table IV-11

Distribution of Sample According to Benefit Experienced

| S.N. | Benefits | No of Respondents | Percents |
|------|--|-------------------|----------|
| 1 | Rise in confidence | 15 | 25 |
| 2 | Positive change in social behavior | 10 | 16.67 |
| 3 | Empowerment in leadership | 10 | 16.67 |
| 4 | Increased interest in community activity | 25 | 41.67 |
| 5 | If other (specify) | - | |
| | Total | 60 | 100 |

Source: Field survey 2009

The above data shows that the about 42% of the respondents showed increased interest in community activity. 25% respondents should that their confidence has risen after joining this type of groups.

4.3.2 Saving Groups

The important and attractive features of credit and saving and self help programme is that regular saving by groups are encouraged from the groups which make the groups reliant . On financial needs, changes are in the form of easy loan at the time of need without going to the money lender. All the groups have there own rules on providing loan within the group. All the members gather once a months to collect group saving.

The study showed people in group range from 20 to 50 person. Among the respondents people are associated with two or more than two groups from Rs50 to Rs100 among the respondents.

Table IV- 12
Amount of Monthly Saving of Groups

| Amount | No. of groups | percentage |
|--------------|---------------|------------|
| 0-1000 | 3 | 5% |
| 1001-2000 | 16 | 26.67 |
| 2001-3000 | 23 | 38.33 |
| 3001-4000 | 12 | 20 |
| 4001-5000 | 6 | 10 |
| Total | 60 | 100 |

Source: Field survey 2009

The above data shows that the 23 groups or 38.33 collect up to 3000 monthly saving 30% groups collect saving up to 5000.

4.3. 3 Sources of Group Saving

Table IV-13
Sources of group saving

| S.N. | Sources | No of respondents | Percentage |
|--------------|--------------------|-------------------|------------|
| 1 | From Business | 16 | 26.67 |
| 2 | From Agriculture | 16 | 26.67 |
| 3 | From service | 7 | 11.67 |
| 4 | Chicken poultry | 3 | 5 |
| 5 | From dairy product | 8 | 13.33 |
| 6 | Laborious work | 10 | 16.67 |
| Total | | 60 | 100 |

Source: Field survey 2009

The data shows that about 54% respondent's sources of saving is form business and selling of agriculture products like cash crops, vegetables. About 16.67 percent of respondents depend on labor income for group saving the respondents depending in sale of dairy product is 13.33%.

Table IV-14

Individual Saving of the Respondents in Their Groups.

| Amount | No of respondents | Percentages |
|-----------|-------------------|-------------|
| 0-500 | 35 | 58.33 |
| 501-1000 | 18 | 30 |
| 1001-1500 | 6 | 10 |
| 1501-2000 | 1 | 1.67 |
| Total | 60 | 100 |

Source: field survey 2009

The data shows that more than half of the respondents (58.33) save up to Rs500. then after 30% respondents saves rs 1000 in their group. Most of the saving is used to payback the loan of the respondents which they have taken from there saving groups.

4.4 Changes in Consumption

To ask and point out the people's consumption is a difficult task. People of middle and low class do not record their consumption regularly. And asking these types of question they are afraid of their economic status in there area. As a result while doing research in this type of topic, respondents give to estimate the household income the probable sources of a house hold income is to be considered. The related data on the same is presented later in upcoming table. By selling different local crops, dairy

products (milk, Cheese, Ghee), domestic animals, earned them wages. Other sources of wages are also from the retail business, like running hotel etc. are additional sources of income. From this type of income it estimates the consumption. They take loan from groups and invest it on income generating activities, which determine their level of consumption. When they have money only then they can spend. How much they spend is presented in Annex by the help of questionnaire, which was asked to them during field survey.

Table IV-15

Consumption Of Respondents Before and After Joining the Groups

| S.N. | Consumption per months in Rs. | Before joining the groups | | After joining the groups | |
|-------|-------------------------------|---------------------------|---------|--------------------------|---------|
| | | No. of Respondents | percent | No. of Respondents | percent |
| 1 | 0-500 | 14 | 23.34 | - | - |
| 2 | 501-1000 | 16 | 26.66 | 3 | 5 |
| 3 | 1001-1500 | 19 | 31.67 | 9 | 15 |
| 4 | 1501-2000 | 9 | 15 | 11 | 18.34 |
| 5 | 2001-2500 | 2 | 3.33 | 13 | 21.66 |
| 6 | 2501-3000 | - | - | 14 | 23.34 |
| 7 | 3001-3500 | - | - | 4 | 6.66 |
| 8 | 3501-4000 | - | - | 1 | 1.66 |
| 9 | 4001-4500 | - | - | 2 | 3.34 |
| 10 | 4501-5000 | - | - | 3 | 5 |
| Total | | 60 | 100 | 60 | 100 |

Source: Field survey 2009

It is found that the respondents have a rise in consumption level after joining the programme. Before joining the groups level; was below Rs. 1000. Now only 3 respondents have consumption less than Rs. 1000. Respondents having consumption more than Rs. 2000 before joining to group was 2 where as No. of 17 has risen to 37 members. It shows that the group has positive impact. More groups has to be seemed on the selected are to uplift the socio and economic condition of the people.

4.5 Profitability of Income Generating Projects

4.5.1 Participation by Project Categories

In the study area the all respondents are at subsistence level. Their live hood were mostly agriculture based. The most project are animal husbandry types of husbandry more loan has been distributed.

Table IV-16

Participation by Project Categories

| Name of project | No. of Respondents | Percentages |
|------------------------|---------------------------|--------------------|
| Buffalo | 13 | 21.67 |
| Cow | 3 | 5 |
| Retail business | 18 | 30 |
| Goat keeping | 7 | 11.67 |
| Vegetable farming | 9 | 15 |
| Hotel | 3 | 5 |
| Piggery | 1 | 1.67 |
| Fishery | 2 | 3.33 |
| Chicken poultry | 4 | 6.67 |
| Total | 60 | 100 |

Source: Field survey 2009

Out of total 60 respondents 21.67% are engaged in Buffalo rearing. 30% are engaged in business. Business included all types of small mills also 15% are engaged in vegetables farming. 11.67% are engaged in goat keeping. other around 15% of respondents are engaged in other like hotel, chicken poultry fishery and piggery.

4.5.2 Loan Disbursement Situation

Table IV- 17

Purpose of loan and No of respondents

| Amount Rupees) | Buf falo | Cow | Retail business | Goat Keeping | Veg. farming | Hotel | Pigg ery | Fishe ry | Chick en |
|-------------------|-------------|-----|--------------------|-----------------|-----------------|-------|-------------|-------------|-------------|
| 5000 | | | | 5 | 2 | | | | |
| 10000 | | | 1 | 2 | 2 | | 1 | 1 | |
| 15000 | | 2 | 6 | | 4 | 1 | | | 1 |
| 20000 | 10 | 1 | 6 | | 1 | 1 | | 1 | 3 |
| 25000 | 1 | | 2 | | | 1 | | | |
| 30000 | 1 | | | | | | | | |
| Above 30000 | 1 | | 3 | | | | | | |

Source: field survey 2009

The data shows that minimum and maximum sum of money loaned to individual member one Rs5000 to Rs55000. 23 respondents has taken loan rs 20000 in different topics. 14 respondents has taken Rs.5000 in different topics. There are 7 respondents who have taken loan more than 30,000 for business and annual husbandry.

4.6 Major Findings:

- From the analysis it is found that the age group of 20-40 plays the vital role in the savings groups.
- From the analysis it is found that Brahman and Chhetri participation in the saving group is comparatively high as 35% and 25%.
- It is found that most of the respondents have taken loan up to 20,000 but only a few respondents have taken more than 20,000.
- Most of the loans like as 30% & 48.34%.are issued for retail business and agriculture.
- After analyzing the sources of group saving it is found that the rate of business holders and Agriculturist is very high.
- Most of the groups save 2000 to 3000 monthly and the individual saving of the responce is upto 5000. Only the responce save 2000 monthly in the different saving group.
- After analyzing the overall collected field survey data through the quantitative tools it shows that the life standard of the people have incremented in Bageswori VDC.
- The overall role of saving group was very positive to make creative, hard working and to participae in the social life to the member of saving group.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary and Conclusion

For our underdeveloped country like Nepal, the rightful way of mobilizing resources can bring quick development and the micro credit/finance programme plays a vital role in bringing this positive change.

We have earlier mentioned that micro finance is a mechanism targeted to the poor, to support them by providing resources in the form of credit and aims to make them aware on various social and economic aspects. Experiments have provided that micro credit programme for people is useful in empowering people status and in reducing their poverty.

As group saving is a prerequisite of availability of loan money, saving group is an important part of the program. Besides the income, generating project group members are taking credit from within the group at the time of need.

So group saving has become their good source of money otherwise they would have to go to the money lender and it is accumulated the resource for future use. They all felt that it has cumulated a good habit of saving whether the sources of saving is project income or any other sources.

Although the subject is new in Nepal it is the right way to fulfill the financial need of rural poor. Reaching the poor through financial intermediaries is found to be cost effective and targeting can be done correctly.

The study of the saving groups showed that the micro finance/ credit programme is increasing the income of the participating families. The programme contributed in developing the confidence of people and increase interest in community activity of people. The major findings are:

- The rural people of Bageshwari VDC under the coverage of micro credit programme are subsistence farmers. The involvement in saving and credit groups has employed people in various degrees. It has offered opportunities for poor people to come out of their households, confidence to organize themselves in groups and to work in productive and social activities.
- During the survey mostly the women respondents found. To be illiterate, but now they understood that children both male and female have to go to school. They also felt the importance of the daughter education.
- During the survey it was found that being based on agriculture occupation about 42% people are suffering from insufficiency of food for some months.
- The income level of the respondents found to be increased. The income level of the respondents increased not only due to increase in the cash flow but also due to reduce in interest payment.
- In the field survey it is found that interest rate offered by saving group is 18% per annum where as interest rate offered in the informed market is 36% to 60% per annum.

- In the field survey it is found that most of respondents have bought loan up to 20000 only few respondents have bought more than 20,000.
- Most of the saving groups save 2000-3000 monthly and the individual saving of the respondents is up to 500. Only one respondent saves 2000 monthly in the different saving groups.
- The field survey showed that most of the loan is distribution in animal husbandry.
- The collected field survey data and analyzing the quantitative tools shows that the life standard of people has increased in Bageshwori VDC.
- The overall role of the saving groups was very positive in creative a form for people to participate in the social life.
- During the field survey, many respondents have answered that they did not get any help from other micro finance institutions.

The whole impact of the programmes is associated in multi-dimensional way, which in this study is not possible due to various constrains. Any ways the impact of progrmme on income generation and living standards is positive but it is not as much as it is to be productive. Thus in short the groups are towards satisfactory trend to reduce poverty and empowering their social empowerment but there are still many things to be doe. And considering the solution of the existing problems there is need to come up with better planning for the future.

5.2 Recommendation

Based on the findings and conclusion presented in the previous sections, the following recommendation has been made for the implementation of program more effectively and efficiently.

- Financial Institutions and concern NGO's should be made more efficient as there is no better alternative, rather then to continue and increase the involvement of NGOs and FI in the delivery of financial services to rural poor.
- Financial Institutions and concern NGO's should work in the direction so as to link people to government line agencies and motivate them to take their service and resource, which is supposed to be helpful in starting off from income generation project.
- Opportunity to more skill training means they can undertake off farm income generating project. Besides training exchange visit program is also an effective and essential tool to learn from other experience for proper development of individual member and group as a whole.
- As there is not provision in this ACT, by which NGOs can also mobilize savings, so initiation should be started from concerned side to include the provision in this act, which will allow the NGOs financial intermediaries to mobilize saving.
- Rural saving and credit program remains some possibility of leaving the poorest of poor untouched by the program. So there should be

proper identification and selection of the targeted groups to ensure that the really poor, backward communities are not left behind.

- There should continuous monitoring of misuse of loan money be done because during the research it was found that people taking loan from groups and lend the money to other in higher interest rate who is not member of the groups.
- During the field survey it was found that youth has not shown interest in this type of groups. So program must be runned by taking youths hand by hand.

The government of Nepal lacks long term plans and policies necessary for the smooth micro finance/ credit programmes. In lack of visionary plans and policies INGOs, NGOs active in this field are not able to give their best work plans. It would be better if the government, INGOs, NGOs, local bodies and the beneficiaries come up with a concrete integrated plan. These integrated plans can act more properly and effectively in alleviating poverty.

Micro credit programmes are focused in rural poverty stricken area. Hence these programs influence motive and aware people about their economic poverty and create opportunities to earn for the same. This would ultimately raise his/her standard, then his/her family and at last the society.

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INTERVIEW QUESTIONNAIRE

1.1 Name of Respondent:

V .D.C

Locality

ward no:

Age

1.2 Cast/ Ethenic Group

1.3 Education: Literate

: Illiterate

1.4 Household Size

2 Economic backgrounds

2.1 What is the Land size holding and production?

Khet (in bigha) production pakho (in bigha) production

2.2 What is your land tenure status?

a. owner cultivates

b. tenants cultivates

c. share croppers

d. if other (specify)

2.3 Do you have Land in your own name?

yes ()

no()

2.4 Do you produce sufficient food for your family in your own land?

yes ()

no()

more than necessary()

if no, how many months for the year?

2.5 Total no of animals.

Big (buffalo, cow.....)

Small (goat, poultry...)

2.6 House condition

Concrete ()

Thatch ()

2.7 Have you made any change in your food and clothes after joining Groups?

If yes , What is the pattern of consumption?

Before joining the groups

After joining the groups

3 Saving & Credit

3.1 What is the monthly saving in your group?

3.2 What is the source of money that you save?

3.3 Have you taken any loan from your saving group?

Yes () no ()

if yes, How many times you have taken the loan?

3.4 What is the interest rate that you pay?

3.5 What was the amount and purpose of taking the loan?

purpose amount

a.

b.

3.6 If the loan fully spent in particular purpose or not?

Spent () not spent ()

3.7 Did you pay the loan?

a. paid totally ()

b. paid particularly ()

c. not paid at all ()

3.8 Do you have made any saving or not?

yes () no ()

If yes what is the saving?.....

3.9 For what purpose saving is used?

- a. To pay back the loan. c. Taking idle
- b. To lend someone else d. Others

4 Empowerment/ Social status

4.1 Have you benefited from the program?

yes () no ()

if yes, how have you benefited from the program?

- 1. Rise in confidence
- 2. Positive change I social behavior
- 3. Empowerment in leadership
- 4. Increased interest in community activity
- 5. If other (specify)

4.2 Has your status or prestige in your family gone up after joining this groups?

At Last

a. Did you get any co operation to solve the problem of your group from NGO,BANK etc?

yes () no()

if yes, what are they

b. Give your opinion to make this groups more achievable

ANNEX 1

| S.No | Loan amount in Rs(X) | Income per month before borrowing | Income Per month after borrowing | Change in net income after borrowing(Y) | Purpose |
|------|----------------------|-----------------------------------|----------------------------------|---|-----------------|
| 1 | 20000 | 1400 | 2500 | 1100 | Buffalo Rearing |
| 2 | 10000 | 1600 | 3000 | 1400 | Veg. farming |
| 3 | 10000 | 700 | 1600 | 900 | Goat raising |
| 4 | 55000 | 2500 | 5000 | 2500 | Business |
| 5 | 5000 | 500 | 1700 | 1200 | Goat Keeping |
| 6 | 15000 | 1000 | 2500 | 1500 | Poultry Farming |
| 7 | 20000 | 1200 | 2500 | 1300 | Retail Business |
| 8 | 30000 | 1500 | 2500 | 1000 | Buffalo Rearing |
| 9 | 15000 | 1000 | 1500 | 500 | Poultry Farming |
| 10 | 5000 | 500 | 2000 | 1500 | Goat Keeping |
| 11 | 15000 | 1000 | 2000 | 1000 | Retail Business |
| 12 | 15000 | 1000 | 2500 | 1500 | Retail Business |
| 13 | 15000 | 1000 | 2250 | 1250 | Veg. farming |
| 14 | 20000 | 1200 | 3000 | 1800 | Buffalo Rearing |
| 15 | 20000 | 1600 | 3000 | 1400 | Retail Business |
| 16 | 20000 | 2000 | 4000 | 2000 | Buffalo Rearing |
| 17 | 15000 | 500 | 1500 | 1000 | Cow rearing |
| 18 | 20000 | 2000 | 4500 | 2500 | Buffalo Rearing |
| 19 | 10000 | 1000 | 1500 | 500 | Goat Keeping |
| 20 | 20000 | 1000 | 2000 | 1000 | Buffalo Rearing |
| 21 | 5000 | 500 | 1500 | 1000 | Goat Keeping |
| 22 | 5000 | 500 | 1200 | 700 | Goat Keeping |
| 23 | 20000 | 1700 | 2700 | 1000 | Retail Business |
| 24 | 20000 | 500 | 1000 | 500 | Buffalo Rearing |
| 25 | 20000 | 1300 | 2800 | 1500 | Chicken Poultry |

| | | | | | |
|----|-------|------|------|------|--------------------|
| 26 | 15000 | 1000 | 2200 | 1200 | Veg. farming |
| 27 | 5000 | 500 | 1000 | 500 | Veg. farming |
| 28 | 20000 | 1000 | 2750 | 1750 | Buffalo Rearing |
| 29 | 15000 | 2000 | 3000 | 1000 | Veg. farming |
| 30 | 7000 | 1200 | 2000 | 800 | Piggery |
| 31 | 20000 | 1000 | 1500 | 500 | Buffalo Rearing |
| 32 | 20000 | 1500 | 3500 | 2000 | Retail Business |
| 33 | 55000 | 2000 | 5000 | 3000 | Expand Business |
| 34 | 20000 | 2000 | 3500 | 1500 | Hotel |
| 35 | 40000 | 1500 | 3000 | 1500 | Ani. Husbandry |
| 36 | 20000 | 1200 | 2500 | 1300 | Retail Business |
| 37 | 25000 | 1000 | 2000 | 1000 | Ani. Husbandry |
| 38 | 5000 | 500 | 1500 | 1000 | Goat Keeping |
| 39 | 20000 | 1200 | 3000 | 1800 | Buffalo Rearing |
| 40 | 15000 | 1200 | 3000 | 1800 | Cosmetic Shop |
| 41 | 25000 | 1200 | 2800 | 1600 | Retail Business |
| 42 | 15000 | 1500 | 2000 | 500 | Retail Business |
| 43 | 20000 | 1000 | 2500 | 1500 | For fishery |
| 44 | 20000 | 1500 | 3500 | 2000 | Veg.Farming |
| 45 | 15000 | 1000 | 3000 | 2000 | Retail Business |
| 46 | 20000 | 500 | 1500 | 1000 | Cow Rearing |
| 47 | 25000 | 500 | 2000 | 1500 | Hotel |
| 48 | 45000 | 2500 | 5000 | 2500 | Expand Business |
| 49 | 19000 | 500 | 2000 | 1500 | Retail Business |
| 50 | 15000 | 500 | 1200 | 700 | Cow Rearing |
| 51 | 15000 | 1000 | 2200 | 1200 | Retail Business |
| 52 | 25000 | 2000 | 4500 | 2500 | Various purpose |
| 53 | 15000 | 1500 | 2000 | 500 | Veg Farming |

| | | | | | |
|--------------|-----------------------|------|------|----------------|-----------------|
| 54 | 20000 | 1500 | 2800 | 1300 | Poultry farming |
| 55 | 20000 | 1000 | 3000 | 2000 | Buffalo Rearing |
| 56 | 15000 | 1200 | 2500 | 1300 | Hotel |
| 57 | 5000 | 1500 | 3500 | 2000 | Veg Farming |
| 58 | 10000 | 500 | 2000 | 1500 | Fishery |
| 59 | 10000 | 500 | 1000 | 500 | Retail Business |
| 60 | 20000 | 1200 | 2200 | 1000 | Retail Business |
| Total | X=1101 000 | | | Y=81300 | |