

# **Micro Credit And Its Impact On Rural Women Empowerment**

**(A Case Study Of Soyang VDC, Ilam District)**

A Thesis Submitted to  
Department of Rural Development  
Tribhuvan University, Mahendra Ratna Multiple Campus,  
The Faculty of Humanities and Social sciences  
In Partial Fulfillment of the Requirements  
For the Master's Degree of Arts (M.A.)  
In  
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## **Declaration**

I hereby declare that the thesis **Micro Credit And Its Impact on Rural Women Empowerment (A Case Study of Soyang VDC, Ilam District)** submitted to the Department of Rural Development, Tribhuvan University, Mahendra Ratna Multiple Campus, Ilam, is entirely my original work prepared under the guidance and supervision of my supervisor. I have made due acknowledgements to all ideas and information borrowed from different sources in the course of preparing this thesis. The results of this thesis have not been presented or submitted anywhere else for the award of any degree or for any other purpose. I assure that no part of the content of this thesis has been published in any form before.

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The thesis entitled **Micro Credit And Its Impact on Rural Women Empowerment (A Case Study of Soyang VDC, Ilam District)** Prepared by **Sangita Limbu** Under my Supervision as a partial fulfillment of the requirement for the degree of Master of Arts in Rural Development. To the best of my knowledge the study is original and carries useful information. I recommend it for evaluation to the Thesis evaluation committee.

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### Approval Sheet

The thesis entitled **Micro Credit And Its Impact on Rural Women Empowerment (A Case Study of Soyang VDC, Ilam District)** by **Mis. Sangita Limbu** for partial fulfillment of the requirements for the Degree of Master of Arts in Rural Development has been approved by the evaluation committee.

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Sangita Limbu

March, 2014

## ABSTRACT

*The Thesis entitled **Micro Credit And Its Impact on Rural Women Empowerment (A Case Study of Soyang VDC, Ilam District)**. Nepal is an agricultural based nation in which more than 76 percent of the labor force participation is in agriculture, agriculture based programs such as credit cooperatives were initiated as a first step in microfinance in the 1950s with the aim of providing credit to poor villagers for agriculture purposes (center for microfinance, 2007). Several other organizations such as Small farmer development programmer was started under Asian Development Bank/Nepal (ADB/N) in 1975. The intensive banking programmer (IBP) was established in the 1981 with an aim of providing loans to all types of work force, and tired to involve commercial banks in micro-credit (center for microfinance, 2007). In 1992, the Grameen Banks model of microfinance was adopted in Nepal. Several other micro-credit organizations were opened later on by the central Bank as well as government of Nepal (center of microfinance, 2007). Partially considering with this fact in Soyang VDC, samuhas are undertaken for women in Soyang, Such cooperative provide the micro credit for income generating activities to the poor women in group even without any deposits as such and they could develop their skill in life time. Objective of The Study The major objectives of this study are as follows:-To find out challenges of women participation in micro-credit organization. To identify the socio-economic status of women at the study area. To examine the change in socio-economic condition of the rural women after Participating in micro-financing program. The present research design of the study is descriptive research. The purpose of the study is to describe the impact of micro credit on empowerment of rural women. The total number of micro credit groups formed till 2013 is 5groups and the number of individuals is 550. Out of total individual 60 individuals has been chosen as sample population for the study purpose simple random sampling without replacement sample of sixty borrowers was selected.*

*Conclusions of study are given below. Most of the women came to know about the group from women development office as well as village development office. Women are wanted to be self dependent through group and economically they wanted to be sound. Monthly income in increase after joining group. Saving habits has been improved after joining group. Most of the borrowed reported that their ability to run any kind of business has been improved after joining group. Occupation has changes i.e. from agriculture to non agriculture activities among the borrowed. Analyzing and verifying the information obtained from the primary and secondary sources the following recommendation may be applicable to make the program more effective and target oriented. Institutional development training helps people more aware about the program and make familiar to further problems. Some client during the survey said that the need refresher training. So much training should time to time. Right leader can give right direction of development and to move a large number of groups in a way of success. It should be lead by a group of federation. If group federation is established they can bargain and can give pressure to the related agencies. So, selecting the delegate from each group should make a valid federation. After conducting the programmer higher level personnel of MFL should regularly evaluate and monitor the activities of women of women whether credit is changing their lifestyle or not. To empower as well as reducing poverty MFI should not be limited within more facilitated area of Terai and valley but in other hill and mountain areas identifying the poverty areas where informed credit sectors are dominating. There is fixed amount of credit ceiling, where is insufficient compare to the willingness of members to start new enterprises. So looking at the interest and feasibility the ceiling should be increased.*

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## **Acronyms/Abbreviations**

## **Acronyms/Abbreviations**

ADB/N	Asian Development Bank/Nepal
ARCM	Asia Resource Center for Microfinance
CBS	Central Bureau of Statistics
CMF	Center for Microfinance
IBP	Intensive Banking Program
INGOs	International Non-governmental Organization
IRDP	Integrated Rural Development Program
MCPW	Micro Credits Program for women
MFI	Micro Finance Institutions
NPC	National Planning Commission
PCRW	Production Credit for Rural Women
PDDP	Participatory Districts Development Program
PSCP	Priority Sector Credit Programs
SFDP	Small Farmers Development Program
VDC	Village Development Committee
WDD	Women Development Division

# CHAPTER-ONE

## INTRODUCTION

### 1.1 Background of The Study

Nepal one of the least developed countries in the world is ranked 144<sup>th</sup> position as measured in terms of human development index. Nepal being of the world's poorest countries having \$450 per capita. Nepalese women are not also far from the above mentioned realities.

Women play very important role in the economy of the country. Nevertheless, the ideology of male domination, which pervades our lives, is changing only slowly and it is hampering development all sectors. Thirty eight percent of total population of the country is poor, among them proportion of women is higher. Among the total property ownership as house, land and livestock, only 0.8 percent of households reported all these are legally owned by women (Acharya, m. 2003).

Women have played a significant role in human civilization but their role in the context of Nepalese society has been minimized. Under prevailing condition, women have limited or almost no control over property and poor access to institutional credit services and facilities, restricting them in their ability to generate income and improve their socio economic status. This bitter truth is virtually a characteristic of poor Nepal one women in the third world countries. They are extensively engaged in agricultural activities but hold the ripple work responsibility of reproduction, house holding and employment. With the limited educational skills and few formal opportunities, majority of women in Nepal are primarily involved in self employed activities as a means of supporting their families, Most of these activates provide them insufficient income to alleviate their poverty. Women lack technical knowledge how, capital and managerial skills and accesses to credit, market and resources to make any significant improvement in their economic condition. Access of women to credit is severely limited due to lack of tangible collateral with them,

high transaction costs and misconceptions about women capability as potential borrower, low literacy rate leading to procedural barriers, low profit margin of the activities in which usually involved, limited time available to women due to their involvement in time consuming household activities and ritual performances etc.

Credit has proved to be an important resource for those in self employment including land based forms, self employment but along with other sections of the poor, socially excluded groups have either found difficult to access finance or only been able to access such finance on usurious terms (Kabeer, N. 2006).

The Ninth five year plan (1997-2002) had considered the rural credit to be a key part of poverty reduction. The Tenth plan (2002-2007) also emphasized it for poverty reduction in targeted areas, Thus, micro-credit is expected to accelerate agricultural growth, reduction poverty and yield better status for women. It is argued that credit programmes empower women by strengthening their economic roles, increasing their ability to contribute to the family's income, helping them establishes their identity outside the family and giving them experience and self confidence in public sphere. Patriarchy society in developing countries precludes women's empowerment thought provision of credit and under some circumstances, may even worsen their situations. Often women's income is controlled by their man (Bhattarai, B. 2005).

### **1.1.1 An Overview of Microfinance Sector in Nepal**

Since Nepal is an agricultural based nation in which more than 76 percent of the labour force participation is in agriculture, agriculture based programs such as credit cooperatives were initiated as a first step in microfinance in the 1950s with the aim of providing credit to poor villagers for agriculture purposes (center for microfinance, 2007). Several other organizations such as Small farmer development programmes was started under Asian Development Bank/Nepal (ADB/N) in 1975. The intensive banking programme (IBP) was established in the 1981 with an aim of providing loans to all types of work

force, and tired to involve commercial banks in micro-credit (center for microfinance, 2007). In 1992, the Grameen Banks model of microfinance was adopted in Nepal. Several other micro-credit organizations were opened later on by the central Bank as well as government of Nepal (center of microfinance, 2007).

### **1.1.2 Current State of Microfinance in Nepal**

Many microfinance institutions have been established in Nepal with the mission of providing financial services to the poor. Commercial banks, development banks, Non Governmental Organization Banks and community based financial companies are the four major institutional sources of micro-credit in Nepal. Financing intermediaries like saving and credit cooperatives, saving and credit groups and traditional saving and credit groups are also involves in providing micro-credit to poor (center for microfinance, 2007)

The microfinance sector in Nepal can be divided into three broader heading.

- a) Formal sector: It comprises of 17 commercial banks, 10 development banks, 57 finance companies and 9 rural microfinance banks (ARCM,...)
- b) Semiformal sector: It comprises approximately 2300 saving and credit cooperatives societies and 44 financial intermediary NGOs form the semiformal sector.
- c) Informal sector: It comprises of innumerable community based organization and individual or group programmes like dhukuti, traditional group; its formation is popular in ethnic group communities for saving and credit purposes; dharma bhakari, grain association in with each number provides an equal contribution of grain at harvesting time and can draw from it in time of need; and guthi, similar to dhukuti but the funds are used for communities welfare activities. (ARCM, 2007).



A joint venture of more than 4000 NGOs and 70 International Non Governmental organizations (INGOs) have launched more than 900 saving and credit companies in total around the country, which add up to millions of dollars of financial assistance from donor countries and institutions. (Rankin, Nk, 2001).

### **1.1.3 Cooperative Organization**

Co-operative refers to work together for common benefit. A cooperative organization is such an organization which is established by economically weak person, This organization functions under their mutual cooperation of all the members. Especially cooperative organization is such autonomous organization which is established voluntarily by the group of persons for the fulfillment of the social, economic and cultural expectations with the democratic control and management. If we analyze the history of it, we can find that it is the organization established by economically and socially exploited people from the rich businessman. At the outset, cooperative organization came into existence after the establishment of consumer's cooperative society named as Rockdale society of equitable pioneers in England by Ribert Owen with the objectives of saving poor people from the economic exploitation to eliminate middle men and to make out the ideal society. After that, such cooperative organizations are established in Germany, Italy, France and Japan. To save the farmers from exploitation of money lenders, in 1850 AD, Suji established the first cooperative organization in Germany and Refines establish loan cooperative into rural areas of Germany to provide loan to the farmers at lower interest. A cooperative Bank was established in 1866 with the active participation of Lujati and a Rural Development bank was established in 1833 AD with the active participation of Olemberg in Italy. As a result in 1895, International cooperative Alliance was established in England (Sedhai, C.2009).

We can say that cooperative is the organized activities of similar interest group for their share with some objectives. Their main objective is to canalize to the number of people in an organization to protect their financial interest. It is not capitalist and social into concept but it is an equitable concept. Entire profit or loss of cooperative organization is distributed among all the members of on the basis of their investment.

#### **1.1.4 Women Cooperative Organization**

For the women empowerment, some of the Governmental Organization and Non Governmental Organization have started the concept of cooperative organization. By which most of the women in village have benefited from this program. In our society firstly the Non governmental organization participatory District Development program (PDDP) initiated the program. Most of the women are participation in that program. The main objectives of such cooperative were to improve the socio economic status of women in Nepal and promote their participation and integration in national development there by contributing towards poverty reduction. The objective was to increase opportunities to poor women in selected urban and rural area (Shrestha, N. 2008).

#### **1.1.5 Micro-credit Program Particularly for Women**

Numerous studies and evaluations have demonstrated a rise in incomes and other indicators of standard living from micro credit programs. A large number of these programs have focused on supporting women, who bear the burnt of poverty and have been left out of most poverty reductions programs in the past. In many programs women make up as many as 90 percent of borrowers. Lending to women is also assumed to result in a greater multiplier effect because women pass on the benefits to children, thought increased spending on the household, education nutrition. In many cases, micro credit has contributed

to change in attitude about women's contribution and role specifically; micro productive role.

Micro credit programs have increased the mobility and strengthened networks among women who were previously confined to the home. Borrowers build solidarity through their participation in lending circles and village organization. There are also studies that suggest even more far reaching social impact, including decreases in fertility rates, assumed to be linked to increased financial self reliance. The growth and expansion of micro credit programs has been impressive (Maskey, A.2004).

## **1.2 Statement of The Problem**

Nepalese women who constitute more than half of the total population are under privileged and disadvantaged in terms of their socio economic status if compared with their male counterparts. They have minimal access to resources, information and services both within and outside the household sphere. This shows the majority of women in Nepal is suffering from hard work and have almost need for launching of effective development programs. Improving the situation of rural poor who form the major part of population should clearly be a prime concern, where in, the most under-privileged classes like women are to be especially targeted, can be an effective way for overall poverty alleviation of the country.

Various programs have been launched for raising the socio economic condition in Nepal. Such as priority sector credit program (PSCP), small farmers development program (SFDP), Integrated rural development project (IRDP), production credit for rural women (PCRW) which are in fact intended to uplift the rural poor, Since 1994 for twelve district and five urban areas, the government has launched micro credit project for women (MCPW) to increase the substantial potential for the development of the rural poor women.

The women of Soyang VDC of Ilam district are household member only, agriculture farmers and labors. They are laden with greater household responsibility than men, The ownership right over the family properties rest with the son and not with the daughter, In a community with a low income, low saving and low capital formation are found.

Partially considering with this fact in Soyang VDC, samuhas are undertaken for women in Soyang, Such cooperative provide the micro credit for income generating activities to the poor women in group even without any deposits as such and they could develop their skill in life time.

Such samuhas were made by the initiation of PDDP program in the beginning. Women were actively participated actively in the beginning but later as the time went by, some loan provided by samuha appeared as bad. But also, the problem of such loan defaulters was removed by collective forces of women participation. Most of the women of Soyang VDC were participated in any one of the samuha. Some of the women are related with two or more than two samuha also. Nowadays they are being farsighted than previous. Most of the women thought that deposits at present will secure them in future. So that such programs influence them a lot.

In this regard, the volume of loan disbursement, the degree of repayment and the strong as well as sick areas of investment are to be identified. Benefits received by the target population are to be assessed. Beneficiaries, problems, perceptions and desires are to be examined; their prospects and potentials are to be explored.

In short, some research questions can be raised.

- What is the situation of credit disbursement and repayment of samuha?
- Is the program effective for improving the overall status of women?
- What are the problems being faced by the participants?

### **1.3 Objective of The Study**

The major objectives of this study are as follows:-

- To find out challenges of women participation in micro-credit organization.
- To identify the socio-economic status of women at the study area.
- To examine the change in socio-economic condition of the rural women after
- Participating in micro-financing program.

### **1.4 Significance of The Study**

The income generating activities would definitely enhance the economic status of women in the family and the society. It provides support and assistant which enable them to towards self reliance through gainful employment and the income generating activities and develop confidence to become independent.

Semi formal sources of finance in society are the small size of deposits formed by mutual cooperation among women called “MahilaSamudayaicSanstha” or “MahilaSamuha”. Most of the women are participating in any one of the samuha. In this VDC. While forming samuha, it was very difficult ot establish in society because of lack of knowledge of samuha. But nowadays the time being changed, everyone is being attracted by the samuha. It has solved daily problem of women and has furnished them quietly. The development of samuha is related with development of women in society.

The impact of the program on its intended beneficiaries depends on the qualities of its performance, which in turn depends on the integration of all related factors. So through the study on the impact of the project appears vital so that based on its findings attempts could be made to rectify possible defects

and strengthen the prospects for success. The findings may also indicate target group members perception, desires and problems. The knowledge of which could enables officials concerned to formulate the program accordingly. This research has its role in the context of poverty alleviation and improving the status of women of Nepal. So it has theoretical and practical relevance as well.

Although some studies were concerned about MCPW by related agencies like Asian Development Bank (ADB), women development division (WDD) but there is no single detailed about the impact of the small cooperatives institution for women of the particular place in Nepal. So in the hidden philosophy of microfinance, plenty of research paper is available on micro-credit in the foreign context. So this research has its rational for fulfilling the scarcity on the semiformal sources of finance in the women development and related information as well as it gives the information of mechanism of such types of other institution and it can suggest to the forthcoming researcher about the women development.

As we know that our society is the male dominated society. Most of the women are working at home. It is not thought that women are the sources of income in the household. So there is necessity of income earning program for women and a women organization that would make them organized and self dependent. From the last decades such cooperative are formed continuously it has been working. Now most of the women become literate, efficient for economic progress. This would be the matter for the forthcoming researchers too.

## **1.5 Limitation of The Study**

This study has the following limitation.

- This research is concentrated in Soyang VDC only. This research has been conducted with women who participated in samuha in Soyang only and not in Nepal.
- The result of the study is reliable only for a certain time period due to the rapid growth of population variable.
- The study constitutes the women samuha only.

## **1.6 Operational Definition of The Terms “Micro Credit”**

In this study, micro credit constitutes a circle of borrowing, saving and investing in order to help the poor to climb out of poverty. It is designed to meet the needs of poor with the very low interest rate and no collateral requirements. The size of loans depending on the burrower’s needs and collected money.

For this study, micro-credit will be viewed as a woman co-operative in rural areas known as “samuha” who can burrow required amount of loans without any deposits according to their needs and collected amount of money and are able to run small scale business.

## **1.7 Organization of The Study**

This study is organized with five chapters. The first chapter concerns with introduction of the study dealing with the statement to the problem, objectives, significance, limitation of the study, and operational definition of the micro credit. The relevant literatures reviewed in second chapter for this study. The third chapter deals with the methodology used in this study. In the fourth chapter contains an introduction to the study area, Social, economic, and

demographic characteristics of sample population, people before and after participating in micro credit programs, impact analysis of micro-credit. Finally, the fifth chapter provides the main findings, summarizing the study as well as conclusion and recommendation. Some case studies are also be illustrated in the appendix for comprehensive information about micro credit for women.



## **CHAPTER-TWO**

### **LITERATURE REVIEW**

Micro-finance refers to small scale financial services primarily credit and saving provided to people who farm or fish or herb; who operate small enterprises or micro enterprises where goods are produced, recycled, repaired or sold; who provide services; who work for wage or commissions; who gain income from renting out small amount of land, vehicles, draft animals or machinery and tools; and to other individuals and groups at local level of developing countries, both rural and urban. Many such households have multiple sources of income (Robinson, M.2001).

Micro-credit has been emphasized for the enlistment of the status of women. It is recognized that women's participation is invaluable to the development process. Although they are considered important and productive workers, their access to productive resources has remained limited. Several factors are responsible for the degrading status of women i.e. educations, health, values, socio economic conditions, their legal status etc, but several efforts have been made to bring women together into the mainstream of development process and these programs have been formulated and executed to improve the status of women. According to this report, in order to enhance women's participation in the economic and social sector, credit backed by technical knows how and entrepreneurship training has to be extended. Government should ensure programs that support on farm income earning activities which put more income in the hands of women (NPC, 1994).

The population of micro credit for the poor as a part of overall development process of a country has spread worldwide. There is an almost a global consensus on the importance of the micro credit services for the poor. Most

bilateral and multilateral donors are keen on funding the micro-credit projects of governmental and non-governmental organizations. With the popularity of micro-credit having reached global proportion any policy changes regarding credit for the poor inevitably has an impact on any remote micro-credit institution in any developing countries (wood, Geoffrey D. and Iffath, A. sharif; 1997).

As the micro credit project for women has been implemented successfully in Nepal. All the components of projects have been made the excellent progress expect. Rehabilitation of Training centre under the local development training academy which has been concealed by the bank following the request from the government, the efforts made to implement MCPW is not only an initiative from which new modals of micro-credit delivery will stem but also a unique opportunity to test new model of cooperation between the government and NGO, it has been observed that more and numbers of beneficiaries are involved in the project activities every year within the project areas and considering the performance and impact of ongoing project activates, there is a strong need to approve the second phase of the project. However the experience and lessons learn during the first phase need to be considered while developing the implementation mechanism for second phase.

PCRW extended as credit facilities especially to rural women supposed to be an initial boost for them involve in income generating activities and subsequently achieve sustained self reliance has not been significant in its overall performances. Yet it is considered as a major breakthrough in the status of poor rural women (WDD, 1994).

## **2.1 Microfinance and Poverty**

In developing economies and particularly in rural areas, many activities that would be classified in the developed world as financial are not monetized: that

is, money is not used to carry them out. This is often the case when people need the services money can provide but do not have dispensable funds required for those services, forcing them to revert to other means of acquiring them. In his recent book *The Poor and Their Money*, Stuart Rutherford cites several types of needs:

**Lifecycle Needs:** such as weddings, funerals, childbirth, education, homebuilding, widowhood and old age.

**Personal Emergencies:** such as sickness, injury, unemployment, theft, harassment or death.

**Disasters:** such as fires, floods, cyclones and man-made events like war or bulldozing of dwellings.

**Investment Opportunities:** expanding a business, buying land or equipment, improving housing, securing a job (which often requires paying a large bribe), etc.

People find creative and often collaborative ways to meet these needs, primarily through creating and exchanging different forms of non-cash value. Common substitutes for cash vary from country to country but typically include livestock, grains, jewelry and precious metals. As Marguerite Robinson describes in *The Microfinance Revolution*, the 1980s demonstrated that "microfinance could provide large-scale outreach profitably," and in the 1990s, "microfinance began to develop as an industry" (2001, p. 54). In the 2000s, the microfinance industry's objective is to satisfy the unmet demand on a much larger scale, and to play a role in reducing poverty. While much progress has been made in developing a viable, commercial microfinance sector in the last few decades, several issues remain that need to be addressed before the industry will be able to satisfy massive worldwide demand. The obstacles or challenges to building a sound commercial microfinance industry include:

Inappropriate donor subsidies

Poor regulation and supervision of deposit-taking MFIs

Few MFIs that meet the needs for savings, remittances or insurance

Limited management capacity in MFIs

Institutional inefficiencies

Need for more dissemination and adoption of rural, agricultural microfinance methodologies

## **2.2 Impact on Poverty Reduction of Women**

The impact of micro-credit programmes on poverty is difficult to measure. Targeting credit to poor is one of the many instruments for poverty reduction. Broad based economic growth policies, for work and targeted wage employment schemes are noncredit instruments that also help reducing poverty (Sinha, S; 1998).

There are different views on micro-credit as a powerful development tools regarding its success in developing the lives of poor and sometimes these views are contradictory. However poverty is a global issues; it is the problem that even the wealthiest nation is facing. At government level and also at international level, many strategies are made everyday to control poverty. But now Dr. Younis gave a formula of micro-credit that successfully worked in all over the world (Mushtaq, A; 2008).

Micro-credit programs not only help families move out of poverty and improve their standards of living but also serves as a “bottom-up” tools for socioeconomic development of a nation (Roy, Am; 2003).

On average in Bangladesh, a loan of 100 Taka to a female borrower after it is repaid allows net consumption increases of 18 taka. In terms of poverty impact it is estimated that 5 percent of participant households are pulled above the poverty line annually (Khandkar, 1998).

## **2.3 Microfinance Standards and Principle**

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A group of Indian women have assembled to make bamboo products that they intend to resell.

Poor people borrow from informal moneylenders and save with informal collectors. They receive loans and grants from charities. They buy insurance from state-owned companies. They receive funds transfers through formal or informal remittance networks. It is not easy to distinguish microfinance from similar activities. It could be claimed that a government that orders state banks to open deposit accounts for poor consumers, or a moneylender that engages in usury, or a charity that runs a heifer pool are engaged in microfinance. Ensuring financial services to poor people is best done by expanding the number of financial institutions available to them, as well as by strengthening the capacity of those institutions. In recent years there has also been increasing emphasis on expanding the diversity of institutions, since different institutions serve different needs.

Some principles that summarize a century and a half of development practice were encapsulated in 2004 by CGAP and endorsed by the Group of Eight leaders at the G8 Summit on June 10, 2004:[15]

Poor people need not just loans but also savings, insurance and money transfer services.

Microfinance must be useful to poor households: helping them raise income, build up assets and/or cushion themselves against external shocks.

"Microfinance can pay for itself." [18] Subsidies from donors and government are scarce and uncertain and so, to reach large numbers of poor people, microfinance must pay for itself.

Microfinance means building permanent local institutions.

Microfinance also means integrating the financial needs of poor people into a country's mainstream financial system.

"The job of government is to enable financial services, not to provide them."

"Donor funds should complement private capital, not compete with it."

"The key bottleneck is the shortage of strong institutions and managers."

Donors should focus on capacity building.

Interest rate ceilings hurt poor people by preventing microfinance institutions from covering their costs, which chokes off the supply of credit.

Microfinance institutions should measure and disclose their performance—both financially and socially.

Microfinance is considered a tool for socio-economic development, and can be clearly distinguished from charity. Families who are destitute, or so poor they are unlikely to be able to generate the cash flow required to repay a loan, should be recipients of charity. Others are best served by financial.

## **2.4 "Inclusive Financial Systems"**

The microcredit era that began in the 1970s has lost its momentum, to be replaced by a 'financial systems' approach. While microcredit achieved a great deal, especially in urban and near-urban areas and with entrepreneurial families, its progress in delivering financial services in less densely populated rural areas has been slow.

The new financial systems approach pragmatically acknowledges the richness of centuries of microfinance history and the immense diversity of institutions serving poor people in developing world today. It is also rooted in an increasing awareness of diversity of the financial service needs of the world's poorest people, and the diverse settings in which they live and work.

Brigit Helms in her book 'Access for All: Building Inclusive Financial Systems', distinguishes between four general categories of microfinance providers, and argues for a pro-active strategy of engagement with all of them to help them achieve the goals of the microfinance movement.

### Informal financial service providers

These include moneylenders, pawnbrokers, savings collectors, money-guards, ROSCAs, ASCAs and input supply shops. Because they know each other well and live in the same community, they understand each other's financial circumstances and can offer very flexible, convenient and fast services. These services can also be costly and the choice of financial products limited and very short-term. Informal services that involve savings are also risky; many people lose their money.

### Member-owned organizations

These include self-help groups, credit unions, and a variety of hybrid organizations like 'financial service associations' and CVECAs. Like their informal cousins, they are generally small and local, which means they have access to good knowledge about each other's financial circumstances and can offer convenience and flexibility. Grameen Bank is a member-owned organization. Since they are managed by poor people, their costs of operation are low. However, these providers may have little financial skill and can run into trouble when the economy turns down or their operations become too complex. Unless they are effectively regulated and supervised, they can be 'captured' by one or two influential leaders, and the members can lose their money.

### NGOs

The Microcredit Summit Campaign counted 3,316 of these MFIs and NGOs lending to about 133 million clients by the end of 2006. Led by Grameen Bank and BRAC in Bangladesh, Prodem in Bolivia, Opportunity International, and FINCA International, headquartered in Washington, DC, these NGOs have spread around the developing world in the past three decades; others, like the Gamelan Council, address larger regions. They have proven very innovative, pioneering banking techniques like solidarity lending, village banking and mobile banking that have overcome barriers to serving poor populations. However, with boards that don't necessarily represent either their

capital or their customers, their governance structures can be fragile, and they can become overly dependent on external donors.

#### Formal financial institutions

In addition to commercial banks, these include state banks, agricultural development banks, savings banks, rural banks and non-bank financial institutions. They are regulated and supervised, offer a wider range of financial services, and control a branch network that can extend across the country and internationally. However, they have proved reluctant to adopt social missions, and due to their high costs of operation, often can't deliver services to poor or remote populations. The increasing use of alternative data in credit scoring, such as trade credit is increasing commercial banks' interest in microfinance.

With appropriate regulation and supervision, each of these institutional types can bring leverage to solving the microfinance problem. For example, efforts are being made to link self-help groups to commercial banks, to network member-owned organizations together to achieve economies of scale and scope, and to support efforts by commercial banks to 'down-scale' by integrating mobile banking and e-payment technologies into their extensive branch networks.

### **2.5 Impact on Empowerment of Women**

It is argued that credit programs empower women by strengthening their economic roles increasing their ability to contribute to the family's income, helping them to establish their identity outside of the family and giving them experience and self confidence in public sphere. For example, Hasheime, et.al. (1996) viewed that the participation in Grameen Bank is positively associated with women's level of empowerment defined as a function of her relative physical mobility, economic security, ability to make various purchases on her own, involvement in major household decisions, relative freedom from domination within the family, political and legal awareness and participation in



public protests and political campaigning. The study concluded that involvement in credit program does empower rural women (Sinha, s; 1998).

A study from Bangladesh confirms improvements in women's physical mobility, economic security, ability to make own purchases, freedom from family domination and violence, positive participation as a result of more stable integration into micro finance circuits (Schuler and Hashemi, 1994).

Credit to women has positive effects on schooling of girls it increases women's asset holding (except land) and is a significant determinant of total household expenditure (Pitt and Khandker, 1995). "Enhance women empowerment, such as increased self confidence and better cooperation with neighbors has also been observed in Thailand (Mk Nelly and water tip, 1993).

## **2.6 Poor women and Credit**

Micro credit programs are expected to raise the welfare of poor especially women. They would help to raise social welfare by promoting human capital investment in childcare and education. However, the micro credit programs cannot be the sole instrument for poverty reduction. Micro credit requires an entrepreneurial skill that few people may have (Khandker, S.R; 1998).

## **2.7 Microfinance and Social Interventions**

There are currently a few social interventions that have been combined with micro financing to increase awareness of HIV/AIDS. Such interventions like the "Intervention with Microfinance for AIDS and Gender Equity" (IMAGE) which incorporates microfinancing with "The Sisters-for-Life" program a participatory program that educates on different gender roles, gender-based violence, and HIV/AIDS infections to strengthen the communication skills and

leadership of women "The Sisters-for-Life" program has two phases where phase one consists of ten one-hour training programs with a facilitator with phase two consisting of identifying a leader amongst the group, train them further, and allow them to implement an Action Plan to their respective centres.

Microfinance has also been combined with business education and with other packages of health interventions. A project undertaken in Peru by Innovations for Poverty Action found that those borrowers randomly selected to receive financial training as part of their borrowing group meetings had higher profits, although there was not a reduction in "the proportion who reported having problems in their business". Pro Mujer, a non-governmental organisation (NGO) with operations in five Latin American countries, combines microfinance and healthcare. This approach shows, that microfinance can not only help businesses to prosper; it can also foster human development and social security. Pro Mujer uses a "one-stop shop" approach, which means in one building, the clients find financial services, business training, empowerment advice and healthcare services combined.

## **CHAPTER-THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 An Introduction to the Study Area**

Nepal is located in the southern Asia in the world. According to 2011 census, the total population of Nepal is 2, 64, 94, 504. The total male population is 12849041 and total female population is 13645763 and total households number is 5427302.

Nepal has divided in five development regions. Ilam district lies in eastern Development region of Nepal. There are 48 village development committees and 1 municipality. The district covers an area of 1691 sq. km. the total population of this district is 348066 according to census 2011. The male and female ratio as 0.99 and residing the household number is 71824. The district has an annual growth rate of 1.48 percent and population density per sq. km is 211 (CBS, 2011).

Soyang VDC is one of the VDCs of Ilam district.. It is situated in the north-east from headquarter of Ilam. It is 12 K.M. far from the head quarter, having the total population of 6354 with 3225 male and 3129 female according to 2011 census.

Nepalese economy is strongly dependent with the foreign country for seeking employment. These problems also affect to this VDC too. Transportation facilities are available here but the roads are only graveled. Some other infrastructures has to be constructed here which is directly related with its development. Women are still influenced by old customs and tradition and still

engaging in unproductive works. Although they contribute hard labour, they do not have any possession in any economic power.

### **3.2 Research Design.**

The present research design of the study is descriptive research. The purpose of the study is to describe the impact of micro credit on empowerment of rural women.

The living standard before and after use of micro credit of targeted people has been compared and it is seen that if there is any improvement in their living standard after using micro credit or not.

### **3.3 Site Selection**

This study has been conducted at Soyang VDC of Ilam district. This VDC is selected rationally because micro credit program has been launching since long time and most of the women are involve in micro credit program.

### **3.4 Universe and Sampling**

The total number of micro credit groups formed till 2013 is 5groups and the number of individuals is 550. Out of total individual 60 individuals has been chosen as sample population for the study purpose

### **3.5 Sample Technique**

The list of number of participating individuals in 'samuha' of the Soyang VDC has been collected by community learning center, Soyang. From that list applying simple random sampling without replacement a sample of sixty borrowers was selected.

### **3.6 Nature and Sources of Data**

In this study two types of data are used:

**3.6.1 Primary Data:** The major source of data for this study is the primary one, which were collected through household survey with the help of questionnaire was prepared prior to the field visit. Beside questionnaire, observations, key informant and focus group discussion was also being the source of primary data collection.

**3.6.2 Secondary Data:** To make the study more precise, secondary source of data were also used during the study. Secondary data were collected from different reports, journals, unpublished dissertations and other relevant literatures.

### **3.7 Techniques of data collection:**

The research is field based. To collect the data, the following techniques were used:

#### **3.7.1. The filed Survey:**

To collect the primary data, field survey was conducted using both structured and unstructured data prepared prior to the field visit. Questionnaire was filled at the time of discussion from the respondents.

#### **3.7.2. Observations:**

To know the impact of micro credit, the observation method was also applied.

#### **3.7.3. Focus Group Discussion:**

To know the further more information the focus group discussion was conducted through interviews. Different kinds of questions regarding with related persons, visitors, and researcher knew their actual view towards the micro credit system adopted in the VDC.

#### **3.7.4. Key Information Interview:**

To know the facing problems and their solutions from different aspects, structured interview was taken with key information such as related research projects running over there, local clubs etc.

### **3.8 Data Processing and Analysis**

Data was collected through various techniques from the field. They were analyzed by using descriptive statistical tools as well as quantitative presentation. Information related to population structure, ethnic distribution, the proportion of credit distribution, education status and income level has been presented in tables. Both qualitative and quantitative data were collected during field work. Both types of data were organized and analyzed in different parts and chapters as required by objectives. Simple mathematical and statistical tools percentages, bar graph and pie chart have been used to analyze the data for fulfilling objectives and for better evaluation and interpretation. After analyzing the information, the necessary conclusion and recommendations were made.

Data were analyzed by using computer software SPSS program for convenience.

## CHAPTER-IV

### DATA ANALYSIS AND PRESENTATION

In these chapter social, economic and demographic characteristics of selected women who are involving in MFLs is presented through the help of primary sources of data. This indicators help to compare the socio-economic status of study area and sample population.

#### 4.1 Age group and family types of sample population

Table No. 4.1

Percentage Distribution of Demographic Characteristics of Sample Population

Age group	Number	Percent
25 - 29	4	6.7
30 – 34	7	11.7
35 – 39	18	30.2
40 – 44	15	25.0
45 – 49	9	15.0
50 +	7	11.6
<b>Family Type</b>		
Joint	15	25.0
Nuclear	45	75.0
<b>Marital Status</b>		
Currently Married	53	88.3
Widow	5	8.3
Separated	2	3.4
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Filed Survey, 2013

Demographic characteristics here described as age, family type and marital status in the present study which is demonstrated in table 1.

Table 1 shows that majority of women who are involved in MFLs are of 35 – 39 age group followed by 40 -44. It may be due to their more responsibility over the age 35 in their household activates and decision making sectors then in their younger ages. Similarly, women over age 35 are courageous to take loan either from formal or informal sectors then in their younger age.

Above table also presents that majority of respondents live in nuclear family i.e. 75 percent among the total respondents. Most of the respondents are currently married i.e. 88.3 percent. The number of widow is also remarkable i.e. 8.3 percent.

#### **4.2 Social Characteristics of Sample Population**

In this study social characteristics are described in different categories like, caste/ ethnicity, religion, occupation, language, household head and educational status. The following table shows all the characteristics of women.

Table 2 shows that most of the respondents reported Nepali as their language as well as mother tong which is followed by Tamang and Number of Newari language speaker is least in both group.

Head of the household has high respect in Nepalese society. Generally eldest male member of household regarded as head. Being male dominated society, most of the household has usually reported the male member household regardless of age as a head. In this study also male are head of the household in majority of the household. 81.7 percent woman reported that male is head of the household whereas only 18.3 percent of women reported that female is head of household.



**Table No. 4.2****Percentage Distribution of Social Characteristics of Sample Population**

<b>Caste/ Ethnicity</b>	<b>Number</b>	<b>Percent</b>
Rai	30	50.0
Chhetri	10	16.7
Newar	1	1.7
Brahmin	3	5.0
Damai	5	8.3
Magar	2	3.3
Tamang	9	15.0
<b>Religion</b>		
Hindu	50	83.3
Christian	7	11.7
<b>Language</b>		
Nepali		
Newari	52	86.6
Tamang	3	5.4
<b>Household head</b>		
Male		
Female	49	81.7
<b>Educational status</b>		
Illiterate	0	
Literate (no schooling)	45	75.0
Primary (1-5 class)	10	16.7
Secondary (5-10 class)	5	8.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field Survey, 2013

**4.3 Economic Characteristics of Sample Population**

Sixty five percent of total respondent reported that they have their own land whereas percentage of won having no land is 7.9 percent women have their land to other for cultivation and 5 percent women have others land. Among the total respondent 33.63 percent women reported that total yearly amount of production is less than 5000. It may be due to small amount of land holding for most of the member of group. Similarly, total year production including all

items is more than Rs. 2000 is reported by 8.1 percent of total respondents. Among the total respondent women 8.4 percent women reported that they have more than 8 Ropani. Twenty percent women reported that they no land. Most of the respondents i.e. 33.3 percent reported that they have less than 1 Ropani.

**Table No. 4.3**

**Percentage distribution of economic characteristics sample population**

<b>Distribution of HH land use ptttern</b>	<b>Number</b>	<b>Percentage</b>
Own land	39	65.0
Other land	5	8.3
Own and given to other	9	15.0
No land	7	11.7
<b>Total amount of income Including all items (Rs)</b>		
0	3	5.0
Under 5000	20	33.3
5000 – 1000	13	21.7
10000 – 15000	11	18.3
15000 – 20000	8	13.3
20000 +	5	8.4
<b>Size of land holding</b>		
No land	12	20.0
Less than 1Ropani	20	33.3
1 – 5 Ropani	12	20.0
5 – 8 Ropani	11	18.3
8 +	5	8.4
<b>Food Adequacy</b>		
yes	39	65.0
No	21	35.0
Total	60	100.00

Source: Field Survey, 2013

Literacy is almost universal among the sample household. Seventy five percent women are literate but no schooling, 16.7 percent women have completed their primary schooling and 8.3 percent have completed secondary education.

#### 4.4 Data Analysis and Presentation

In this chapter, we analyze the collected data received from questionnaires, observations and informal discussion regarding the objectives. The main objectives of group are to provide credit for women to income generating activities. Here data analysis is related with awareness about the group, loan amount, duration of membership, loan repayment, times of loan taken etc.

#### 4.5 Awareness about the Group

Human being is one of the best creatures. Though they have good sense in many more situations, they are backward. The awareness about the group inspired by different sectors is given below.

**Table No. 4.5**

#### **Awareness about the group**

<b>Awareness about the group</b>	<b>Number</b>	<b>Percentage</b>
Family Members	5	8.4
Friends	11	18.3
Women development office	30	50.0
Village development office	14	23.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field Survey, 2013

by Women Development Office to from the group. As we know that 50 percent of women were come to close in group through WDO and 23 percent were organized by Village Development office. 18 Percent said, they are organized by their friends and 8 percent women were closed by their family member.

#### 4.6 Reason for Joining Group

For what purpose did they join in group? It is the reasonable questions for transformation of their behavior. So one of the questions was asked and different views were taken and listed in table below.

**Table No. 4.6**

**Percentage Distribution of respondents regarding reasons for joining group**

<b>Reasons for joining group</b>	<b>Frequency</b>	<b>Percentage</b>
To generate more income	10	16.7
To be self dependent	43	71.7
To be organized with friends	5	8.3
Others	2	3.3
<b>Total</b>	<b>60</b>	<b>100</b>

Source: Field Survey, 2013

**Note:** Others; to develop leadership skill, to practice social justice etc. Out

of the 60 individuals, some of the individuals had two or more than two reasons for joining group. They were answering boundlessly. So more than one answer were also taken freely.

Most of the individuals wanted to be economically strong and self dependent. 16 percent women wanted to generate more income, 71 percent of women to be self dependents, 8 percent want to give company to their friends and 3 percent of women had other purposes.

#### **4.7 Duration of Membership**

Most of the members of group are being member from 5 – 8 years. L.e. 40 percent and only 3.3 percent women's duration 0 memberships is less than one year.

**Table No. 4.7**

**Percentage distribution of respondents by duration of membership**

<b>Duration of membership of group</b>	<b>No of women</b>	<b>Percentage</b>
Less then 1 year	2	3.3
1 – 5 year	11	18.3
5 – 8 year	24	40.0
8 + year	23	38.4
Total	60	100.0

Source: Field Survey, 2013

Most of the members of group are being member from 5 – 8 years. L.e. 40 percent and only 3.3 percent women’s duration 0 memberships is less than one year.

#### 4.8 Loan Amount

Women borrowed different amount of money for different purpose from group. The range of money landed for the income generation was 2000-2000 depending upon the activates of the program.

Table shows the scenario of the loan amount and percentage of total borrowers. Out of the 60 borrowers 8.3 percent have taken the loan amount of Rs. 10,000 and 46.6 percent have taken the loan amount of 15,000 and 11.7 percent has taken the loan amount Rs. 20,000.

**Table No. 4.8**  
**Percentage distribution of borrowers by the amount of loan**

Loan amount	Number of borrowers	Percentage of total borrowers
2000	7	11.7
5000	13	21.7
10000	5	8.3
15000	28	46.6
20000	7	11.7
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Survey, 2013

#### 4.9 Times of Loan Taken

The group of the people has taken a loan from different times for the fulfillment of the daily needs and their wish accordingly.

**Table No. 4.9**  
**Percentage Distribution of respondents by Time of Loan Taken**

Time of loan taken	Number	Percentage
No	0	0
One time	4	6.7
Two time	9	15.0
Three Time	4	6.7
More than 3 times	43	71.6
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field Survey, 2013

From the above observation we came to know that all individual took the loan at least one time. It seems that each and every individuals benefited by the loan. 71.6 percent of individuals have taken the loan three times, 15 percent have taken the loan two times and 6.7 percent have taken the loan only one time. And none of the individuals are there who have not taken the loan at least one time.

They said did that they have taken their loan for the household work, business, child education etc, So; all the individuals are fond of the loan of group than the bank due to easiness of getting and paying back.

#### **4.10 Repayment of Loan**

The loan repayment is another crucial aspect of lending activity of any financial institutions. If the loans are not repaid on time, it will not only affect the turnover capacity of financial institutions but also affect on the sustainability of the financial institution and disturb the borrowing and lending environment between the financial institution and the borrowers and among the borrowers themselves.

**Table No. 4.10**

##### **Percentage distribution of respondents regarding repayment of loan**

<b>Repayment of loan</b>	<b>No. of respondents</b>	<b>Precentage</b>
Totally Paid	34	56.35
Partially paid	17	28.3
Not paid at all	9	15.3
<b>Total</b>	<b>60</b>	<b>100.0</b>

Source: Field Servey, 2013

Although there is lack of accurate data of repayment of loan, among the sample household it is found that 56.7 percent has partially paid and 15 percent has

## 4.11 Impact Analysis of microcredit

Here impact of micro credit is made from comparative study of situation of women before joining group and after joining group and their qualitative changes. Priority is given to the poverty reduction, improved living standard, and their independence which supports for their empowerment.

### 4.11.1 Impact on Poverty Reduction of Women

Micro credit scheme is being done the major instruction to reduce poverty in the society and poverty reduction is major prerequisite for measuring empowerment. Thought it is not possible for the researcher to measure how micro credit programme of Soyang VDC is uplifting women's economic status, it is fact that group has played an important role to reduce poverty of women which becomes clear after analyzing data obtained from sample respondents before joining and after joining group.

### 4.11.2 Monthly Income of Women before and after Joining Group

In this study, income denotes the earning of the member of group through any income generating activities. The income may be from of money articles as food grains and other physical products. To know the changes in income before and after joining group, personal questionnaire has been used.

**Table No. 4.11.2**  
**Different monthly income of women before and after joining group.**

IncomeRange	Before Joining Group		After Joining Group	
500 – 1000	20	33.3	1	1.7
1000 – 1500	16	26.7	2	3.3
1500 – 2000	8	13.3	7	11.7
2000 – 2500	7	11.7	8	13.3
2500 – 3000	5	8.3	6	10.0
3000 – 3500	4	6.7	6	10.0
3500 – 4000	-		9	15.0
4000 – 4500	-		8	13.3
4500 – 5000	-		6	10.0
5000 – 5500	-		3	5.0
Above 6000	-		4	6.7

Source: Field Servey, 2013

Above table shows that income effect before and after joining group, in the study area. The income effect is positively changed after joining in group. Before joining group, there were 60 percent of total sample respondent having income below Rs. 1500 per month. Whereas, it has declined to 5 percent after joining group. Likewise, before joining group, there was no any member having income of 3500 or above. Where as it has reached 30 percent after joining group. This fact has proved that the members associating with group have significantly increased their income after implementation of micro-credit program.

#### **4.11.3 Income Sufficient to maintain daily expenses before joining and after joining group**

**Table No. 4.11.3**

**Percentage distribution of respondents regarding sufficiency of income to maintain daily expenses before joining and after joining group**

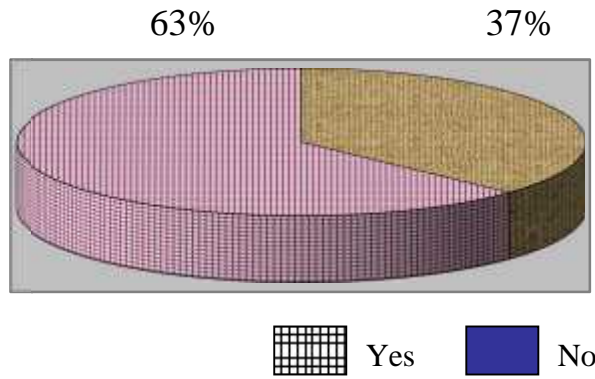
<b>Income sufficient to maintain daily expenses</b>	<b>Before joining group</b>		<b>After joining group</b>	
	Number	Percentage	Number	Percentage
Yes	22	36.7	45	75.0
No	38	63.3	15	25.0
<b>Total</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>

Source: Field Survey, 2013



**Figure No. 4.11.3.1**

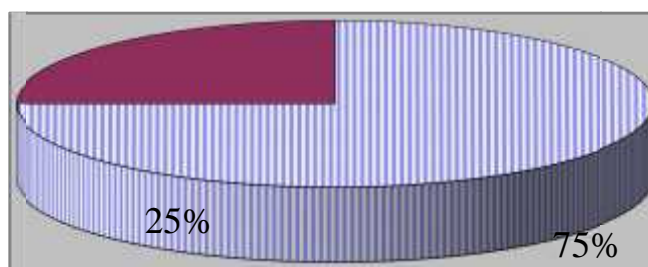
**Income Sufficient to maintain expenses of women  
(Before joining group)**



Source: Table No. 11

**Figure No. 4.11.3.2**

**Income sufficient to maintain daily expenses of women  
(After Joining Group)**



Source: field No. 11



Out of total sample respondents nearly 75 percent reported their last month income was sufficient to maintain daily expenses for their households where as only 36 percent women reported their last year income was sufficient to maintain daily expenses before involving in group

Though, it cannot be exactly said that loan of MFIs is important for the sufficiency of daily expenses for their family member. There may be other reasons behind it, e.g, husband’s job and other sources of income. But in this study there is positive impact of micro-credit for the sufficiency of daily expenses.

#### **4.11.4 Annual amount of saving Respondents before and after Joining Group**

**Table No. 4.11.4**

**Percentage Distribution of annual amount of saving of respondents before and after joining group**

<b>Annual amount of saving</b>	<b>Before joining group</b>		<b>After joining group</b>	
	Number	Percentage	Number	percentage
0	45	75.0	0.0	0.0
Under 5000	9	15	12	20.0
5000 – 8000	6	10	19	31.7
8000 - 1200	-	-	25	41.6
12000 – 15000	-	-	4	6.6
<b>Total</b>	<b>60</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>

Source: Field Survey, 2013

From the table, it is clearly reflected that average income is better after being member of group. 41.7 % amount has average annual saving of Rs. 8,000 – 12,000 after joining group where as there were no any women having annual saving of Rs. 8,000 – 12, 000 before joining group.

#### 4.11.5 Occupational Change among the Member Group

In the study area, women are involved in different income generating activities such as agriculture, laboring, tailoring, trade, tailoring etc.

**Table No. 4.11.5**

##### **Occupational change of respondents before and after joining group**

Occupational	Before joining group		After joining group	
	Number	Percentage	Number	Percentage
Agriculture	25	41.6	18	25.0
Raising milk	4	6.7	8	11.3
Wage labor	15	25.0	7	11.7
Tailoring	4	6.7	5	8.4
Hotel	3	5.0	2	3.3
Retail	4	6.7	8	13.3
Degree	-	5.0	4	6.7
Job	-	6.7	2	3.3
Cottage industries	-		1	1.7
Poultry Farming	-		6	10.0
Others	5	8.3	2	3.3
<b>Total</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>

Source: Field Survey, 2013

Table shows that member of group were involved in different occupation before joining in group such as agriculture, raising milk, wage labor, tailoring, retail business etc. Out of total respondents 41.6 percent in agriculture, 25 percent in wage labor and others in different work. Whereas, after joining group, out of the total respondents 13.3 percent have started raising milk, 13.3 percent have started retail business, 10 percent started poultry farming, 3.3 percent involved in job in the project conducted by group, women involved in agriculture has decreased than before and reached to only 25 percent, similarly, borrowers having different skill and view point have started different occupation according to their own desire and entrepreneurship talent.

#### **4.11.6 Living Standard:**

Living standard of the borrower of group is analysed in terms of consumption pattern, clothing pattern, sheltering, health and sanitation situation.

#### **4.11.7 Health and Sanitation Situation**

Access of communication media like radio, television, daily newspaper, telephone is important in the present global context for all people. Further to improve the health and educational status of people these things are necessary. Similarly, for the empowerment of women in most of the developing countries access to communication media is compulsory.

House is the basic need of human being. The type of house and housing condition are influenced by local environment and the level of development. The term housing means the household or family accommodation indwelling units, its structure type and facilities such as drinking water, cooking fuel, toilet etc.

Thus, in this unit comparative study among the number of sumuha before joining and after joining in group is done. On the basis of their access to toilet facility, fuel for cooking, access to communication media, sources of drinking water and knowledge and current use of family planning

**Table No. 4.11.7****Differential Health and sanitation situation of sample respondents before and after involving in group.**

<b>Type of fuels for cooking</b>	<b>Before joining group</b>		<b>After joining group</b>	
	Number	Percentage	Number	Percentage
Firewood	48	80.0	35	58.3
Kerosene	9	15.0	7	11.7
Bio-gas	1	1.7	13	21.7
Others	2	3.3	5	8.3
<b>Type of toilet</b>				
Local toilet	45	75.0	39	65.0
Flush toilet	10	16.7	20	33.3
No toilet	5	8.7	1	1.7
<b>Items of communication media</b>				
Radio only	49	81.7	35	58.3
Tv and Radio only	10	16.7	20	33.3
Tv, Radio, and daily newspaper	0	0	3	5.0
Others	1	1.7	2	3.4
<b>Source of Drinking water</b>				
Own tap	18	30.0	30	50.0
Local tap	20	33.3	10	16.7
Own well	20	33.3	20	33.3
From river	2	3.4	0	0.
<b>Current use of family planning</b>				
Yes	20	33.3	50	83.4
No	40	66.7	10	16.6
<b>Knowledge at family plannig</b>				
Yes	60	100	60	100
No	0	-	0	-
<b>Total</b>	<b>60</b>	<b>100</b>	<b>60</b>	<b>100</b>

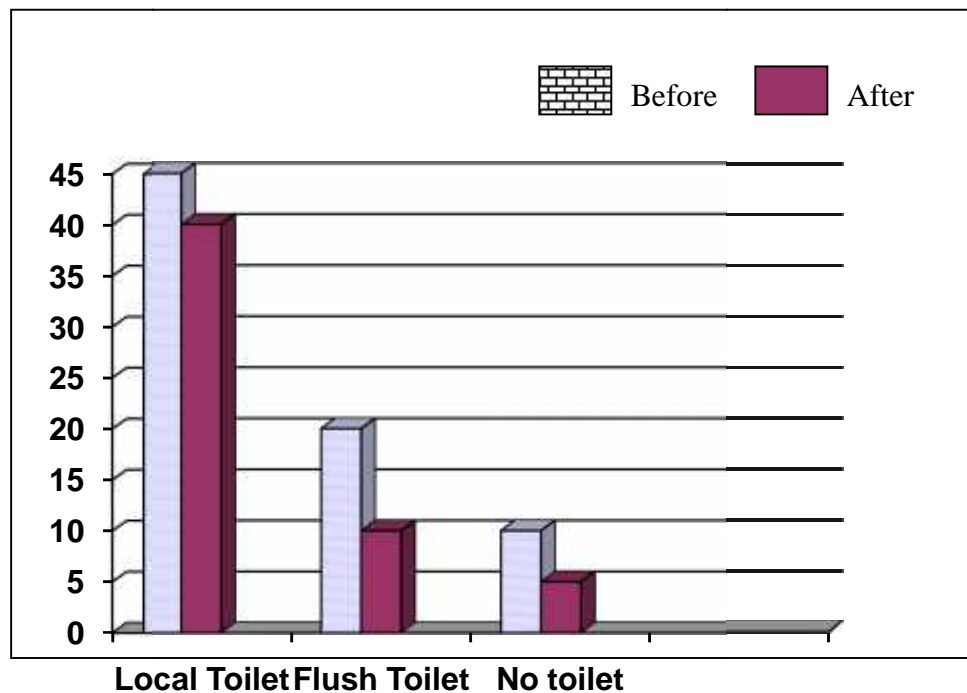
Source: Field Survey, 2013

Wood is the major of cooking in Nepal, Nearly two in three house holds depends on firewood for cooking purpose. The second common source of cooking fuel is Kerosene (CBS, 2001).

Forty eight percent of total respondent reported they had used fir for their cooking purpose, which decreases after joining in group. Number of women using biogas increases after joining in group i.e. 13 percent

**Figure No. 4.11.7.1**

**Toilet Facility of member of group**



In this study, two types of toilet have been given focused namely local and flush. Local toilet is defined as those simple toilets made with least cost without only help of professional and generally made by household members themselves where is not need of purring water to clear the toilet. Second type of toilet i.e. flush is defined as pan system toilet i.e. flush is defined as pan system toilet where is the need of pouring water to clean the pan of toilet including that entire toilet where automatic flush system is available.

Toilet facility is major component of sanitation. Thus, in this study, question about access of toilet facility and its type is asked which the researcher thinks it would help to find out the impact of micro-credit on the health and sanitation behavior of women from the comparative study.

In Nepal access to toilet facility is to some extent better. At national level toilet facility is available in 66percent of households (CBS, 2013).

The table 14 shows that toilet facility was not access to 5 percent of women's household before joining group. Similarly, more than 39 percent of women

reported that they are using local toilet which situation of toilet facility seems better among the respondents after joining in group. The comparative study on the basis of toilet facility shows that positive relationship between access to toilet facility and membership of MFIs.

Nowadays radio is being easily accessible for the most of the people even in developing countries. In Nepal, more than half of the households has radio facility where as TV is limited to less than one fourth of the households (CBS, 2013). So, the researcher also focus the question of access to communication media for the comparative study of status of women thinking that access to credit help people to have radio and other communication media.

The Table 4.11.7.1. Presents that there is positive relationship between the participants of group and access to communication media though, there may be other different reasons behind it, not only access to small scale of credit. Table shows 58 percent of participants of group reported that they have only access to radio facility after joining group. More than 33 percent reported they have access to radio and Tv facility. Further this percent is very smaller before joining group. Many participants of group are involved in business and trade like grocery shop and tea stall. Thus for the service of clients, newspaper is necessary to some extent. As a result, 5 percent of women reported that they have also access to newspaper.

**Figure No. 4.11.7.2**  
**Source of drinking water used by participants of group**

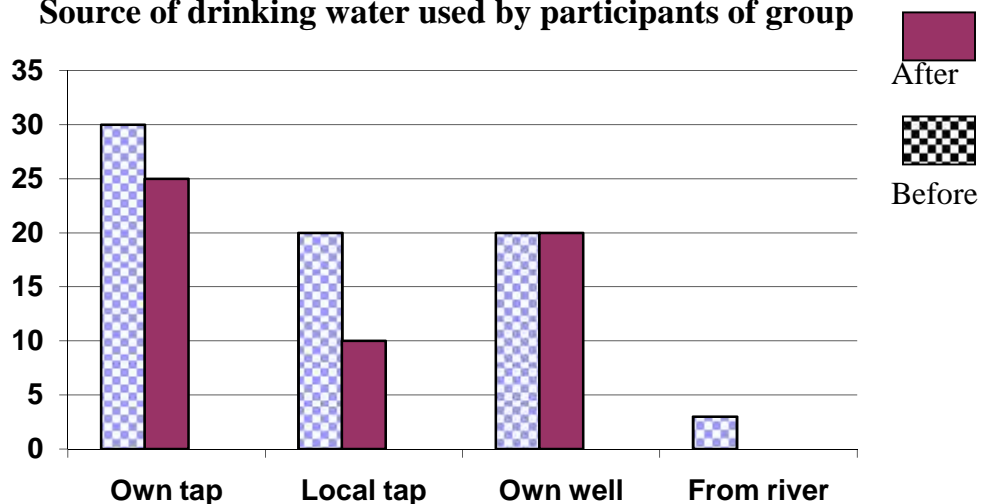


Table 4.11.7.2. Also reflects that piped water I major source of drinking water. In this study piped water classified into two classes namely; own tap and public tap. Before joining group, only 30 percent of women had reported that they had used own tap while this percentage has increased and reached to 50 percent after joining group. Similarly, river water is not in use after joining group.

Knowledge of family planning is universal in Nepal among the currently married women of reproductive ages. (CBS,2013). The above table also shows knowledge of family planning is universal i.e. 100 percent. But in case of current use, more number of women, i.e 83.4 percent women are using contraceptive after joining group while only 33 percent had used before joining. Above table presents the positive impact of micro credit in family planning

#### 4.11.8 Consumption Pattern

Before joining group, most of the people had traditional food. After joining group, they were aware of nutritious food. So, they add milk, meat, egg in their consumption pattern. This fact is shown by the table.

**Table No. 4.11.8**  
**Consumption Pattern**

<b>Fooding</b>	<b>No. of members</b>	
	Before joining	After joining
Traditional food like rice, brad pulse and vegetable	51	24
Non traditional fooding (adding milk, egg, meat in the traditional food)	9	36
<b>Total</b>	<b>60</b>	<b>60</b>

Source: Field Survey, 2013



The table shows that consumption pattern has changed after joining group. Before joining 51 people had the traditional food and only 9 people had non-traditional food but after joining group, this number is increased to 36 from 9 people. So it shows that living standard has increased after joining group.

#### **4.11.9 Clothing Pattern**

Previously, most of the borrowers used to wear dirty, rough and cheap quality clothes. But after joining group, the rural poor women used to wear clean and expensive clothes. After receiving microfinance services from group, they can able to earn more than previous, by involving different income generating activities. Similarly, groups provide various types of education for the women. So they realized that used to wear dirty clothes were harmful for their health and social status. So, they have been found to use clean clothes after borrowing loan from group. It proves that has been significant improve in their clothing and their health. Following table prove that facts.

Table shows that clothing pattern has changed after joining group. Before joining, 42 women had worn dirty traditional clothes and only 18 women had worn clean and expensive clothes, but after joining group the number of person wearing dirty and traditional clothes is decreases in 12 and wearing clean and expensive clothes is 48.

From the above analysis we can said that there exist positive changers in living standard of the women after joining group.

**Table No. 4.11.9  
Clothing Pattern**

<b>Cloth description</b>	<b>No. of Members</b>	
	<b>Before joining</b>	<b>After joining</b>
Dirty traditional cloth of cotton, telicotton and cheep clothes	42	12
Clean clothes and expensive quality	18	48

## 4.12 Benefit after Joining MFIs

In this unit only the situation of women who are members of MFIs are selected to present, benefit after joining groups are analyzed

The main objectives of establishing MFIs is poverty reduction i.e. to bring out the poor prepare from their absolute poverty. With this major objective micro credit program has virous economics as well as other non economic benefit also like health, sanitation, education and knowledge of family planning.

**Table No. 4.12**  
**Benefit after Joining MFIs**

<b>Economic Benefit from MFIs</b>	<b>No. of Women</b>
Easy to take loan	37
Curtail unproductive expenses	10
Develop saving habit	10
Others	2
<b>Non-economic benefit from MFIs</b>	<b>No. of Women</b>
Social awareness	12
Lowered social evils	9
Health and sanitation	9
<b>Total</b>	<b>60</b>

Source: Field Survey, 2013

Among the total respondents women reported that one of the major advantage is easy to take loan which is followed by 10 women who reported curtail unproductive expenses as the economic benefit after joining MFIs only 2 women reported saving mobilization and 1 woman reported other benefits of MFIs 42 women reported social awareness as the non-economic benefit after joining MFIs, followed by 9 women who reported lowered social evils and the same number reported knowledge of health and sanitation Most of the widow or separated women reported lowered social evils as the major advantage after joining MFIs. It may be due to their group strength. The group guarantees basis of loan disbursement without deposit of collateral makes the women of group members more helpful and cooperative to each other. In Nepalese Society and

culture the widow and separated women are neglected and generally accused of witch and other social evils. So, they fell safe from such kinds of accusation of social evils after joining MFIs, which is one of the major non-economic and positive impacts of micro credit for the empowerment of poor, helpless women.

#### **4.12.1 Measuring Empowerment of Women through Micro-Credit**

Various changes on women's status and attitude have been observed after their participation in the programs. The description of empowerment in this case is seen through micro-credit program's contribution to the women's decision making power, economic independence, increase in mobility, change in social, political and psychological situation which were observed from their position in the household and confidence in community. It was done from the observation whether the women could make the household decision on their own or do so in consolation with their husband.

#### **4.12.2 Economics Independence**

Women who are involved in micro-credit program regarded their ability to earn and be independent as a source of empowerment compared to those who are not involved. Women were not dealing directly with cash and had little decision making power before joining whereas after joining group. Women are highly involved in decision making activities either it is related to cash or other household concerns. Their new income generating activities had made more active, confident and enthusiastic.

#### **4.12.3 Increase in Mobility**

One of the indicators to measure the empowerment of women is their increased ability for mobility. Women's confinement to households had made limited to their thinking and had limited their social interactions. As the women of MFIs came out from the household for group meetings and started new income generating activities, their social contract had extend, had become more

knowledgeable about the external world, were able to speak in public and also know to deal with different people. But such opportunities were rare before joining group.

#### **4.12.4 Women's Group Work as a Source Empowerment**

One of the indicators to measure the empowerment of women was their participation in community and group activities. According to the respondent women, Their joint effort had made them economically strong. Due to their group work, they become able to take loans and do their individual business and hence generate more income. After being member of one group they form different community saving groups with different names. Group work provides them a chance to share their ideas and techniques; through group work they got physical and mental support which in return provided them more confidence than before.

#### **4.12.5 Change in Social Situation**

It is already reflected that economic status of member of group has comparatively improved. So it is obvious that on the basis of economic status, social prestige or respect depend. Most of respondents reported that micro credit programme had broadened their external world, whereas before joining group they were confined within the household activities. The participant of micro credit programmes revealed that their social relationships and level of contact had extended and so they became able to understand the world better and the training and other activities had made them able to fight against the traditional values. This case had highly impact towards the widow and separated than the currently married women. Besides when they had their own income, they felt proud, confident and prestigious in the society. During the household observation, almost all of them seem quite, open glad and enthusiastic. They seemed ready to face any kind of challenges that came alone in their way. On the other hand. Before joining group they had never got chance for group meeting and there are no opportunities either for idea sharing or group discussions between other women.

## **CHAPTER-5**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

The majorities of women in Nepal are illiterate and engaged in agriculture and agricultural activities for their livelihood. The status of women is very low to that of male. So the improvement of women status is vital issues.

Women are important sources of energy for the development and their groups can be an effective channel funds aimed at meeting the needs of the poorest people in rural areas of third world. Their potential can be realized if they integrated into the whole spectrum of development programs, rather than relegated to the marginal sector currently reserved for man.

In recent years there have been a growing realization in many nations regarding the importance of women's participation in the development process and the need for their advancement. As a consequences numerous national as well as international organization has been established which carry out program varied in native and target at enabling women to become aware of their situation and their potential to gain relative economic independence together with a better position in their household as well as society. Provision of credit is aptly regarded as one of the potentiality strongest forces to propel action toward achieving this goal. Micro finance, since its evaluation has been proved as an effective tool to strengthen various programs to poverty alleviation and itself as a way to attract poverty.

In the rural area of Nepal, women are facing different types of economics and social problem. The efforts of the government and international organization to solve these problems and encourage women to participate in the development activates of the nation, have let to effectively mobilize their participation of

human resources for development. This study shows that this program is helpful to solve this problem as an instrument to the women's development.

Realizing this fact, 'Group' are undertaken in most of the rural areas of Nepal and this study is carried out to analyze the comparative study of status of women before joining and after joining group. Confidence building, taking leadership social awareness is some of the major indicators of empowerment.

To study the empowerment of women through micro credit, this research is conducted in Soyang VDC of Ilam district. A sample of 60 households was taken for study that was participation of group.

The factor contributing to the success of group lie in its integrated approach to women's development and the emphasis placed upon mobilizing women to top their existing skills and knowledge to motivate them to improve their lives.

Income alone does not raise that status of women. The problem must tackled both socially and economically by raising the awareness of women and all community members.

Under this program Soyang VDC's are being benefited. It has served women from side varieties of ethnic group including brahmins, chhetri, newar, tamang, kami and others.

## **5.2 Conclusion**

Conclusions of study are given below.

→ Most of the women came to know about the group from women development office as well as village development office.

- Women are wanted to be self dependent through group and economically they wanted to be sound.
- Monthly income in increase after joining group.
- Saving habits has been improved after joining group.
- Most of the borrowed reported that their ability to run any kind of business has been improved after joining group.
- Occupation of changes i.e. from agriculture to non agriculture activities among the borrowed.
- Due to the strength of group formation, most of the women especially windows are feeling proud for not being accused of various social evils.

Only 22 percent reported that last year's income is sufficient to maintain daily expenses before joining group where as this percentage has increased and reached to 75 percent after joining group.

There was great change in their perspective, attitude, authority, prestige, knowledge, ability and social relationship and so the programme had also helped them to fight against the drudgery and social evils in the society. It has provide them an opportunity to identify their power, think differently about their situation, hold their duties and carry their responsibility very well.

However all the women had not progressed at the same level. Widow from nuclear family much empowered compared to the women from extended families. Likewise the poorest of the poor women had gain more then the so called poor women and the women from lower middle poor women and the

women from the lower middle class. The existing domination in these families had limited their progress then the others.

The research shows that the income alone does not raise the status of women. The problem must be tackled both socially and economically, by missing the awareness of women and that of the community members. This will than bring about change in the attitude of the community people and make them equal partner in development.

### **5.3 Recommendations**

Analyzing and verifying the information obtained from the primary and secondary sources the following recommendation may be applicable to make the program more effective and target oriented.

- Institutional development training helps people more aware about the program and make familiar to further problems. Some client during the survey said that the need refresher training. So much training should time to time.
- Right leader can give right direction of development and to move a large number of groups in a way of success. It should be lead by a group of federation. It group federation is established they can bargain and can give pressure to the related agencies. So, selecting the delegate from each group should make a valid federation.
- After conducting the programme higher level personnel of MFL should regularly evaluate and monitor the activities of women of women whether credit is changing their lifestyle or not.
- To empower as well as reducing poverty MFI should no be limited within more facilitated area of Terai and valley but in other hill and mountain areas identifying the poverty areas where informed credit sectors are dominating.



- There is fixed amount of credit ceiling, where is insufficient compare to the willingness of members to start new enterprises. So looking at the interest and feasibility the ceiling should be increased.
  
- Women cooperative society should be made for further empowering the women.
  
- Group should be legalized.
  
- Loan must be flowing on other sectors than cattle farming and agriculture for the further empowering and development.
  
- Loans been observed that group only provided training on certain field. These training were in health, nutrition and women right. It is recommended to find out what the participants more interested in and what they are good at. This will improve the participants more interest in that field and would decrease the risk factors on the success.

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# QUESTIONNAIRE

## 1. General Information

- a) Name of the respondent:
- b) Age:
- c) Sex:
- d) Ward No:
- e) Occupation:
- f) Cast and ethnic group:
- g) Religion:
- h) Language:
- i) Family type:
- j) Marital Status:

## 2. Educational Level

- 3. a) Name of the household head:
- b) Age:
- c) Marital Status:
- d) Educational level:

## 4. Information about the household member:

S.N	Relation of Respondent	Sex	Age	Educational/Literacy	Occupation

Total Male:..... Total Female..... Total

**5. What was your main occupation?**

a) Before joining Samuha:

b) After joining Samuha:

**6. Average monthly income (in Rs)**

a) Before joining Samuha

b) After joining Samuha

**7. Is income sufficient to maintain daily expenses?**

a) Yes

b) No

**8. What is the annual amount of saving?**

.....

**9. What are the sources of income?**

a) Before joining Samuha

b) After joining Samuha

.....

.....

.....

.....

**10. How did you know about the samuha?**

- i. Family Members
- ii. Friends
- iii. Women development office
- iv. Village development office

**11. What is the duration of membership of samuh?**

- i. Less than one year
- ii. 1 - 5 years
- iii. 5 - 8 years
- iv. More than 5 Years

**12. Why did you join samuha?**

- i. To earn money
- ii. To give company to the friends
- iii. To become self-dependent
- iv. Any Others (specify): .....





**29. What kinds of change have you felt in the following subject?**

- 1) Year family perception
- 2) Education
- 3) Health
- 4) Living standard
- 5) Any other (specify): .....

**30. Except income generating activities, what type of the activates do you perform?**

- i) Community development activities
- ii) Literacy classes
- iii) Training
- iv) Any Others (specify): .....

**31. How do you spend your income?**

- i) Independently own self
- ii) Depending on others

**32. Please mention the decision making**

- i) Inside the household
- ii) Outside the household

**33. Do you think that, now you can live alone, if you haven't any support?**

- a) Yes
  - b) No
- If yes justify please

**34. Do you thinking of society towards you has changed after joining samuha ?**

- a) Yes
- b) No
- c) don't know

**35. Any suggestion for betterment of samuha.**

.....

.....