

CHAPTER – I

INTRODUCTION

1.1 General Background

Nepalese economy is distinctly different in its character from the regional economies, poverty, less developed, geographical situation, technological backwardness, land locked and dominated by two large economies, etc are the main features of Nepalese Economy. The area covered by Nepal is 147,181 sq. km. It is a developing country. Political changes are the main reason to affect Nepal's economy. Ecologically, Nepal is divided into three regions called the mountain, hill and terai region. The area covered by mountain, hill and terai are 15, 68, and 17 percent respectively. The country experience tropical, meso-hermal, micro-thermal, taiga and tundra types of climate. The official language is Nepali but it is not restricted to use their martial language to people. (CBS,2011,summary sheet) More than 38% of the people lies below poverty line and most of the poor people live in the rural area having no opportunities. Nepal is rich with its natural resources but these are not utilized well. Political imbalance is also affecting the increasing ratio of poverty. Many program and effort has been done in practice but these are not successfully implemented to reduce the poverty. Poor people are unable to access in the formal financial sector due to the lack of tangible collateral and often exploitative form informal (money lender) sector.

In this age of Globalization amidst economic development, poverty has become one of the greatest challenges for the human civilization. Poverty possesses multidimensional disadvantages. It is now globally realized that poverty is one of the main burdens of the 21st century. It involves the lack of human and physical assets and inadequate material means to acquire food and other necessities. It also leads to vulnerability to ill health, economic decline, violence and societal conflict implying a deep condition of disempowerment, even humiliation. However, it is quite difficult to define the meaning of

poverty. It is appropriate here to quote Adam Smith saying as:- “Money makes money, when you have a little, it is often easy to get more, the great difficulty is to get that little”.(Smith, wealth of Nation,1776)

World Bank incorporates people earning less than \$ 1 a day, lie below the poverty line.

The history of poverty during the past few decades is quite diverse. In the context of a developing country like Nepal, poverty is predominantly a rural phenomenon. According to WB report (June 2009) Nepal's per capita income is \$ 470 which is lowest among the SAARC countries. As a matter of fact, incidence of poverty in Nepal is higher than that of other countries. As per Microfinance Summit, 2064 B.S., in Nepal 31 percent of the people live below poverty. The percentage of rural people suffering from poverty is quite higher compared to the urban. They heavily depend upon the traditional agriculture system, where productivity is very low. In Nepal, some sporadic attempts were made in the past to support the poor communities in their economic and social upliftment. Among the activities and prospects intended for the poor, micro finance program has become an important tool to alleviate poverty. One of the important aspects of this program is the development and transformation of the financial sector. In fact, financial sector development is quite critical for alleviate of vulnerability to extreme poverty.

In Nepal, micro financing activity takes the country forward and slowly gets success whole country for development from each side. Microfinance can help small businessman, farmer, women and other sector. Today's nation demand is also depending upon microfinance activities. To get better result and get success, microfinance is necessary in our country at present situation.

Yunus (1976) who gave birth to the concept of micro credit in 1976 when he disbursed his own money US\$27 to 42 poorest people in Jobra village, nearby Chittagong University in Bangladesh, where he was teaching Economics. In order to institutionalize the program, proof. Yunus went village with a

Grameen Bank. As of August 2006, Grameen Bank has a total of 6.61 million borrowers, 97 percent of them are women, and loan recovery rate is 98.95%. It finances 100% of its outstanding loan from its deposits collected from members and other rural people. The Norwegian Nobel Committee had given the Nobel Peace Prize for 2006, divided into two equal parts, to Muhammad Yunus and Grameen Bank of Bangladesh for their efforts to create economic and social development from below. Prof. Yunus's long-term vision is to make the world free of poverty.

The term micro refers to very small and finance is the art and science of managing money. So microfinance is the management of small amount of money. Microfinance means providing very small loan to very poor families so that they can involve in productive activities and grow their small business. In the past, microfinance was focused on providing a very standardized credit product. With change in time it is covering other areas such as saving, insurance etc. "Microfinance is small in value amounts targeted at low income clients. It includes loans, savings, insurance, transfer services and other services" (Sharma, 2005: p.87).

There are mainly three types of sources of microfinance:

- Formal institutions i.e. rural based cooperatives.
- Semi formal institutions i.e. NGOs.
- Informal institutions i.e. moneylenders and shopkeepers.

If financial services are provided by both formal and semiformal institution that is called institutional microfinance.

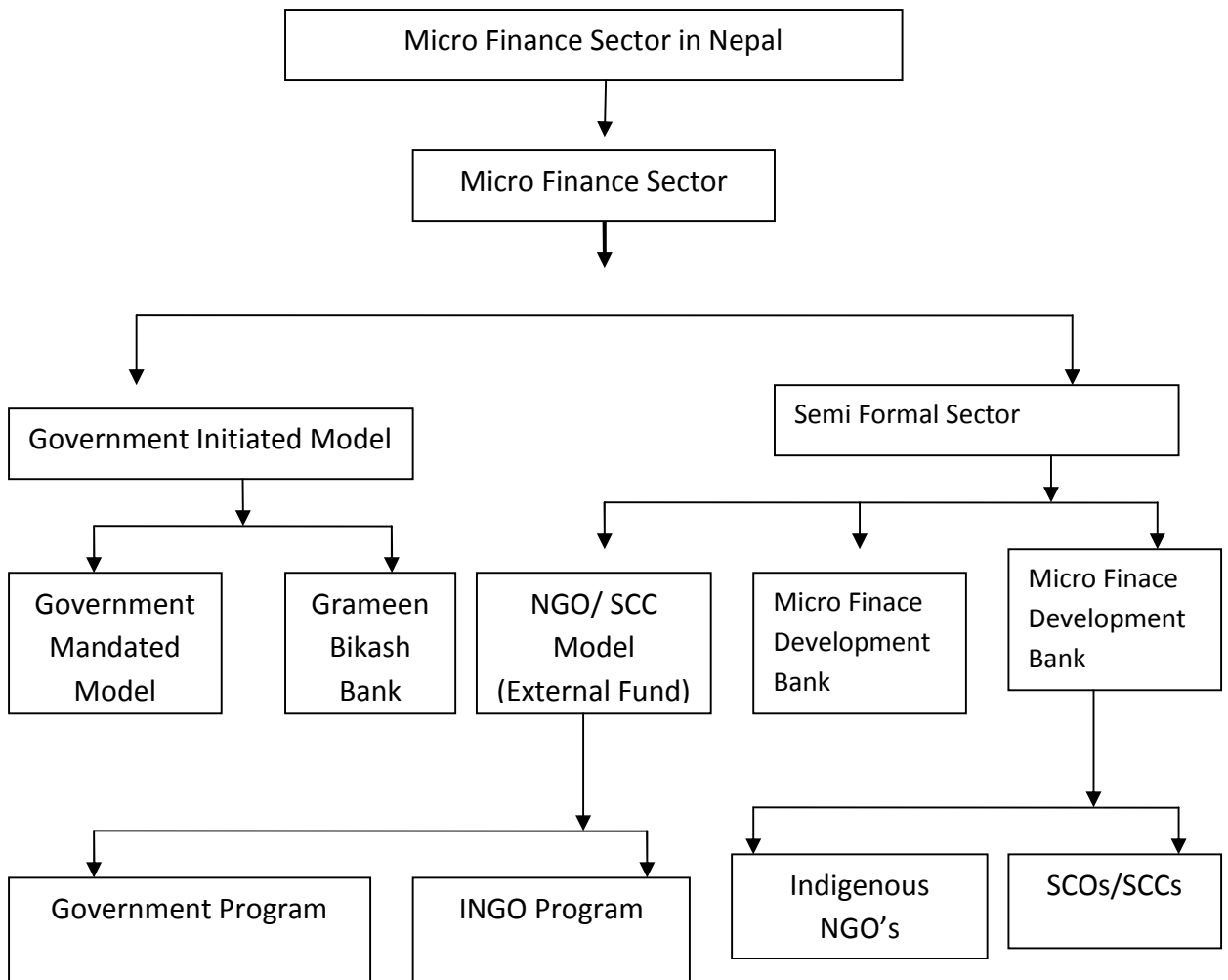
1.1.1 Micro Finance Sector In Nepal

The history of financial sector of Nepal is not so old. At first in 1937 Nepal Bank Limited was established, from this the financial sector history of Nepal started. Then after in 1956 Nepal Rastra bank, in 1959 Nepal industrial development co-operation, in 1966 Rastriya Banijaya bank and 1968 Agriculture Development Bank were established in Nepalese Financial sector.

The government owed all the above institutions. Before 1984 the financial sector was closed for foreign institutions but after liberalization policy of government open the way for foreign institutions. From this time foreign joint venture Banks established in Nepal. At first in 1984 Nepal Arab Bank limited (Nabil Bank ltd.) opened in Nepal. Thus the new rays for Nepalese financial sector showed and Nepal has had a rapid expansion at financial market since mid 1980's. On account of liberalization policy of government Nepalese financial system has winded and depended with many more new financial institutions and activities. The country has now many commercial banks, Development banks, financial companies, co-operative limited, Rural Development banks, non- government organizations etc. All play vital role for Nepalese financial sector. Total deposit with the financial system has increased by 20 folding one decade and half from less than Rs 10 billion 1985 to Rs 200 billion in July 2001. Total credit extended by the financial institutions has been up by 24 fold from us than rs 8 billion in 1985 to Rs 190 billion in July 2001. In Nepal capital market begins with the issues shown by Biratnagar Jut Mills Limited and Nepal Bank Limited in 1937. In 1976 the securities exchange center was established and first time in 1994 government bond was issued. In 1993 Securities exchange center converted into Nepal Stock Exchange.

Government recognized micro finance as official poverty alleviation programme only in sixth plan (1980-1984/85). From this time the activities in micro finance increased day-by day. Various programmed to ensure particularly poor women and disadvantaged groups, access to financial services from organization sector are designed and implemented during that period. The sector gained further momentum after the restoration of democracy in 1991 with establishment and promotion of Grameen Bikash Bank (GBBS) and other from MFIS.

Figure 1.1:- Micro Finance Sector in Nepal



Source: Bashyal, 2008:P.14

The micro finance sector of Nepal is presented as details in figure one above. It clear that the Nepalese Micro finance sector can be classified in to two basic institutions involved such as government initiated model and semi formal sector.

1.1.2 ADB/N SFCL Devdaha Rupandehi:

Agriculture Development Bank Nepal (ADB/N) was established in 1968 with the major objective of rural economy development through credit and technical support. The Agriculture Development Bank Nepal (ADB/N) has been performing major function to provide short, medium and long term agriculture loans to individual farmers, small farmers group, co-operative societies,

corporate bodies and village communities. The organization and management structure of ADB/N including chairperson nominated from the Ministry of finance(MOF), Ministry of Agriculture and co- operative(MOAC), ministry of land reforms (MORL), Nepal Rastra Bank(NRB), the co-operative society, the individual shareholders and manager of ADB/N.

The major programme of the ADB/N is as follows:

- * To develop local small farmer organizations.
- * To enhance the financial and managerial capabilities of grass root organization through imparting knowledge and skill.
- * To empower the small farmer through those organization.
- * To create confidence among the small farmer about saving collection and Mobilize rural saving.

The Small farmer co-operative limited (SFCL) Devdaha VDC is situated at Devdaha in Rupandehi district. The Agriculture Development bank Nepal (ADB/N) implemented the small farmer development program, in 1975. At that time, the VDC did not have infrastructure facilities like today. In the mean time through the program, the people built community road, irrigation and water supply schemes.

The ADB/N introduced the institution Development program (IDP) in the mid-nineties. The main objective of the ADB/N is to transform the government owned sub-project office (SPO) into a small farmer owned and managed SFCL was achieved in 2057 with the establishment of SFCL Devdaha the Third SFCL in this district.

SFCL Devdaha also provide other innovation financial service to its members, such as savings for old age and livestock insurance scheme, provision of drinking water, managerial training, ward building construction and public toilet construction. Non- financial service includes accounting training, employment generation programs, health awareness program, marketing program etc.

1.2 Management of Saving and Credit

Loan is disbursed with collateral and without collateral securities through SFCL Devdaha. Banking procedure is easy and has a direct access to the poor. Banking procedure are similar regarding disbursement, repayment, grouping, supervision etc.

1.2.1 Concept of Group and Center

Beneficiaries are organized into group. Each group comprises of 5 members. Group includes one group leader, one secretary and three members, and functions at the center level only. The SFCL is based on a group accountability and collateral. One group leader elects in a group. Group are the main area of the SFCL because all members in each groups normally meet every week for an hour at their respective center halls for loan demand processing, saving, weekly installment, and to some extent for community development activities. Group functions directly under the supervision and control of SFCL office. Overall banking services are delivered through this center.

1.2.2 Credit with and without Collateral Securities

Credit is disbursed from SFCL office on the basis of group liabilities and collateral.

1.2.3 Loan Demand and Processing and repayment of Loan

Each group member is eligible to receive SFCL general loan. As the whole process of loan demands and condition is based on group and collateral accountability, the group decides the amount of the loan required to members either in case of collateral base or in case of without collateral. The group's chief, with conclusion make recommendations, making cutback if necessary to the SFCL, to office recommends its approval to the SFCL office. According to the SFCL rules: Maximum loan disbursed for one member from SFCL is Rs 50,000.

1.2.4 Saving of SFCL Members

There is no compulsory saving in members but member have to collect Rs 1 in central fund. The type of savings is:

- Group Saving:

This saving is common for all people who are involved in group activities. They can save small amount of money in group. This will help to raise their saving activities. They save some money in every week. There is no compulsory to save for people in this saving program.

- The Center Fund:

In this centre fund saving program, people have to save certain fixed money as centre fund collection. This is a kind of compulsory saving. This is not big money. Generally they collect center fund in every week.

- Fine Fund:

This is the money which is collect from punishment. They pay fine if they are late to pay loan amount in time.

1.3 Focus of the Study

Today, poverty is the world's main problem. Every country faces this problem. Since poverty is the main barriers for today's world without solve it no one cannot get really success in every part of country's development. Nepal is least developing country and faces this problem. Around 38% of people are under poverty. Nepalese govt. and other sectors of Nepal are trying to solve this problem from various methods. Microfinance is such a source which helps to solve this problem. With the help of microfinance, Nepal get success in poverty alleviation. This microfinance is an effective tool to increase the life standard of poor people and give socio-eco status of people in society.

This research paper focus on effect of microfinance under poverty alleviation program a case study of SFCL in Devdaha Rupandehi and how it help to poverty reduction with the help of case study of municipality and SFCL office, how it helps to develop local level farmer's financial condition, how it analyze the financial sustainability and viability of SFCL, to know the major problems of Devdaha Rupandehi in case of microfinance and farmer's conditions.

1.4 Statement of the Problem

Even after launching different programs such as Priority Sector Credit Program (PSCP), Small Farmer Development Program (SFDP), Integrated Rural Development Program (IRDP), Periodic Plan System etc Nepal has a burning problem of poverty which is increasing day by day and becoming more challenging and serious. No people are getting opportunities due to the lack of financing agent. So, the term Micro financing is broadly used for the provision of financial service to low level and self employed people. So, the challenging part of micro finance mobilization through local government and other donor agency is to reduce poverty and raising the level of standard in sustainable manner.

Farmer's of Nepal are poorer because they lack access to health, education and economic resources. Majority of farmer in Nepal are suffering from hard work and have difficult social and economic condition. The most unprivileged class like farmer is to be especially targeted to effectively achieve overall poverty reduction in the country.

Although Rupandehi is one of educational district of Nepal, most of the rural people of this district are still involved within farming activities. They are less conscious to save money and financial mobilization. It is difficult for farmer to get high amount of loan without collateral and with less collateral. It is difficult for them to invest in business activities.

Microfinance in Nepal has been facing many problems. So this study is tried to solve the following research problem within Devdaha VDC Rupandehi.

1. How is the role of SFCL in the socio economic development of people in Devdaha, Rupandehi ?
2. What is the role of SFCL in reducing the poverty?
3. What are the success factors, opportunities and threats of SFCL launched by ADB/N?
4. What are the major problems of SFCL in Devdaha?

1.5 Objectives of the Study

The main objective of the study is to analyze the Microfinance under poverty alleviation a case study of SFCL, Devdaha, Rupandehi. Other specific objectives are as follows:

1. To explore the role of SFCL in the socio economic development of people in Devdaha Rupandehi..
2. To evaluate the role of SFCL in reducing the poverty.
3. To identify the success factors, opportunities and threats of SFCL launched by ADB/N.
4. To know the major problems of SFCL in Devdaha.

1.6 Significance of the Study

Every research itself has own importance because it aims to gain knowledge and to add new literature to existing field. This study has great significance because microfinance program definitely enhance the economic status of rural poor, disadvantaged and deprived people of a society. The main reason behind this research work is to analyze the impact of microfinance on people of SFCL. So this study is also important to get answer of above problems. Microfinance concept is very important to poor Nepalese people especially for poor people and women. From microfinance tools they can directly involve in fund raising program and can develop themselves. Today many research studies have been carried out in many developed countries including India, Bangladesh in microfinance. So to the best knowledge of the researcher, it will be more significant in Nepalese context. In the light of above statements, the researcher believes that the study will explore a virgin field in Nepalese poor people's microfinance scenario and add new things to the literature of micro finance sector. It will also contribute scholars, teacher, decision maker, financial planner and other training providers.

In addition to these, the present study has some practical relevance. It attempts to find out the ways it is trying to find out farmer's condition in Nepalese society. The increasing participation of the women in economic activities such

as saving, taking loan etc. is supposed to enhance their capabilities to change and develop their household and overall economy.

1.7 Limitation of the Study

Main objective of the study is to analyze impact of microfinance on small farmers under SFCL. It is also required to fulfill the academic requirement of Master of Business Studies Degree. No any research escapes from delimitation. Every research has its own delimitation. So it is not also free from delimitation. This study has been delimited as follows:

1. This study is confined within Devdaha VDC Rupandehi district.
2. Study has based on the small sample size.
3. The sample is based on the selection from group of SFCL involved people.
4. Other then objectives other are not included in study.

1.8 Organization of the Study

The study is organized in different chapters and sub-chapters as given below:

Chapter: 1. Introduction.

This chapter includes background, management of saving and credit, focus of the study, statement of the problem, objective of the study, significance of the study, delimitations of the study and organization of the study.

Chapter: 2. Review of the Literature.

This chapter consists of conceptual framework about meaning, history, trends, importance, principles, loan, saving, investment, role of different players, programs of microfinance in Nepal. This chapter also consists socio-economic background of SFCL in Nepal. On the other hand it consists empirical studies of research articles and dissertations. Lastly it includes research gap.

Chapter: 3. Research Methodology.

In this chapter the research design, its methodology has been explained. This study mainly focused on primary data as well as secondary data, for the

analysis purpose, obtained by the official records, published in journal and magazines, books and booklets published by the organization.

Chapter: 4. Presentation and Analysis of Data.

In this chapter presentation and analysis of relevant data and applying various statistical tools. Tables and graphs are also interpreted to accomplish the objective of the study.

Chapter: 5. Summary of Findings, Conclusions and Recommendations.

This final chapter is the major consideration of this study. Findings, conclusions and recommendations are mentioned in this chapter.

CHAPTER – II

REVIEW OF LITERATURE

The present chapter has been divided in two sections: (I) Conceptual framework based on the discussion with supervisor of the program and concerned specialists and (II) review of other published materials on microfinance program about SFCL of ADB/N and poverty of Nepal.

2.1 Conceptual Framework

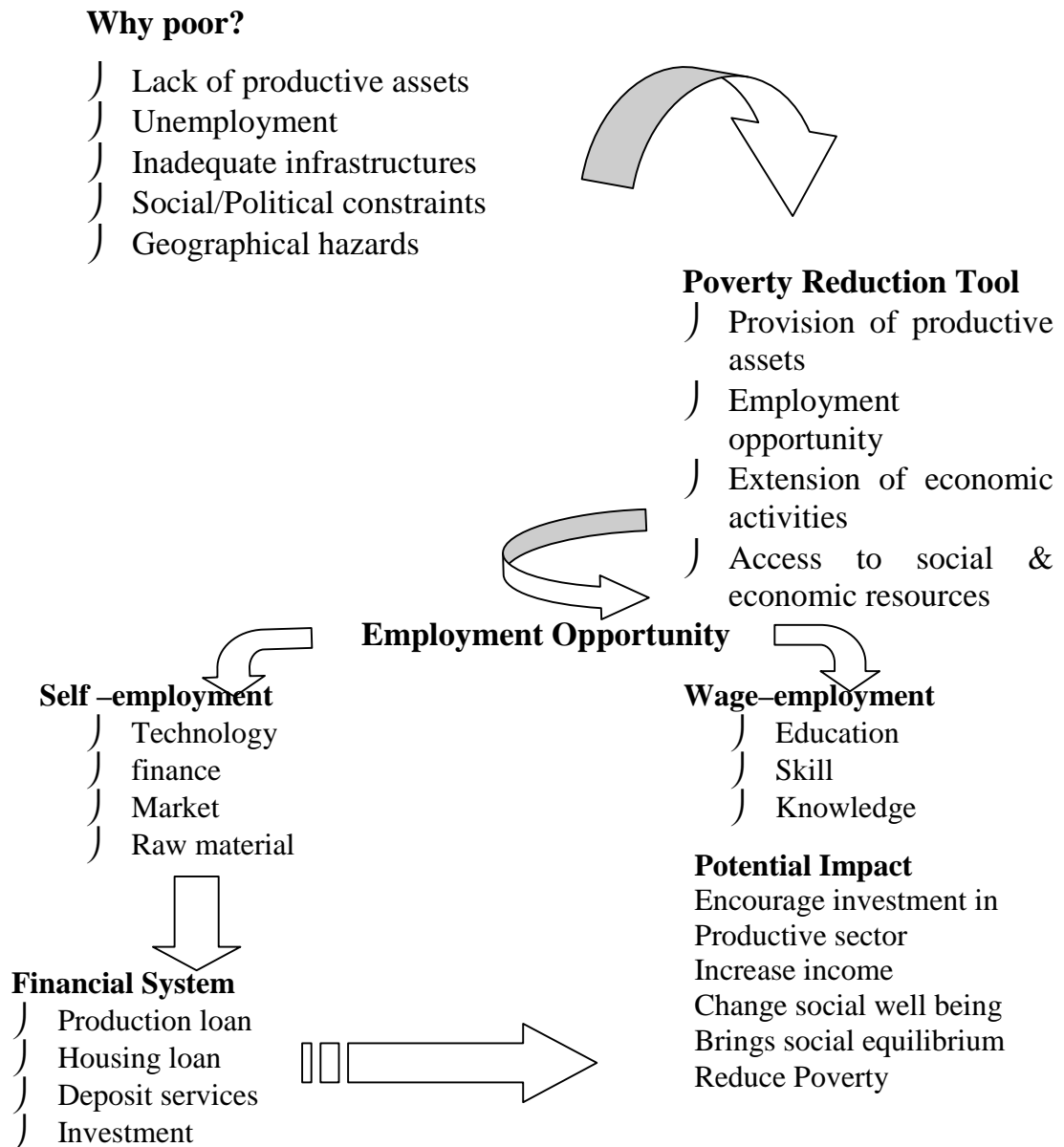
The inter-relationship between micro-finance and poverty is often seen as: Microfinance institutions to provide credit to poor micro-entrepreneur to conduct income generating activities to increase living standard and to contribute poverty alleviation.

This underlying assumption of microfinance is those micro entrepreneurs are poor and lack access to credit. Microfinance in such a situation aims at reaching the poor aiming for poverty reduction. The 'match' between different causes and dimension of poverty and the various roles of financial services determines the potential for poverty reduction through micro- finance. These findings will give the solid relationship between micro finance and poverty alleviation.

Among the various factors, the root causes for poverty are likely to be unemployment, lack of productive assets, more number of dependencies, etc. One of the effective tools for reducing poverty has been recognized as creating employment opportunities and building up productive assets. In order to satisfy these needs micro finance plays the vital role among the rural people who is in lack of education, skill and a prerequisite for wage employment. One of the crucial factors that affect the rural poor is the capital for starting any self-employment activities. Therefore, the best alternative solution for these rural people is involvement in micro-financial services. Micro finance provides them

loan and support and helps them to create their own job thus enhancing their productivity which ultimately help them to get out of the vicious circle of poverty. This is shown in the following framework:

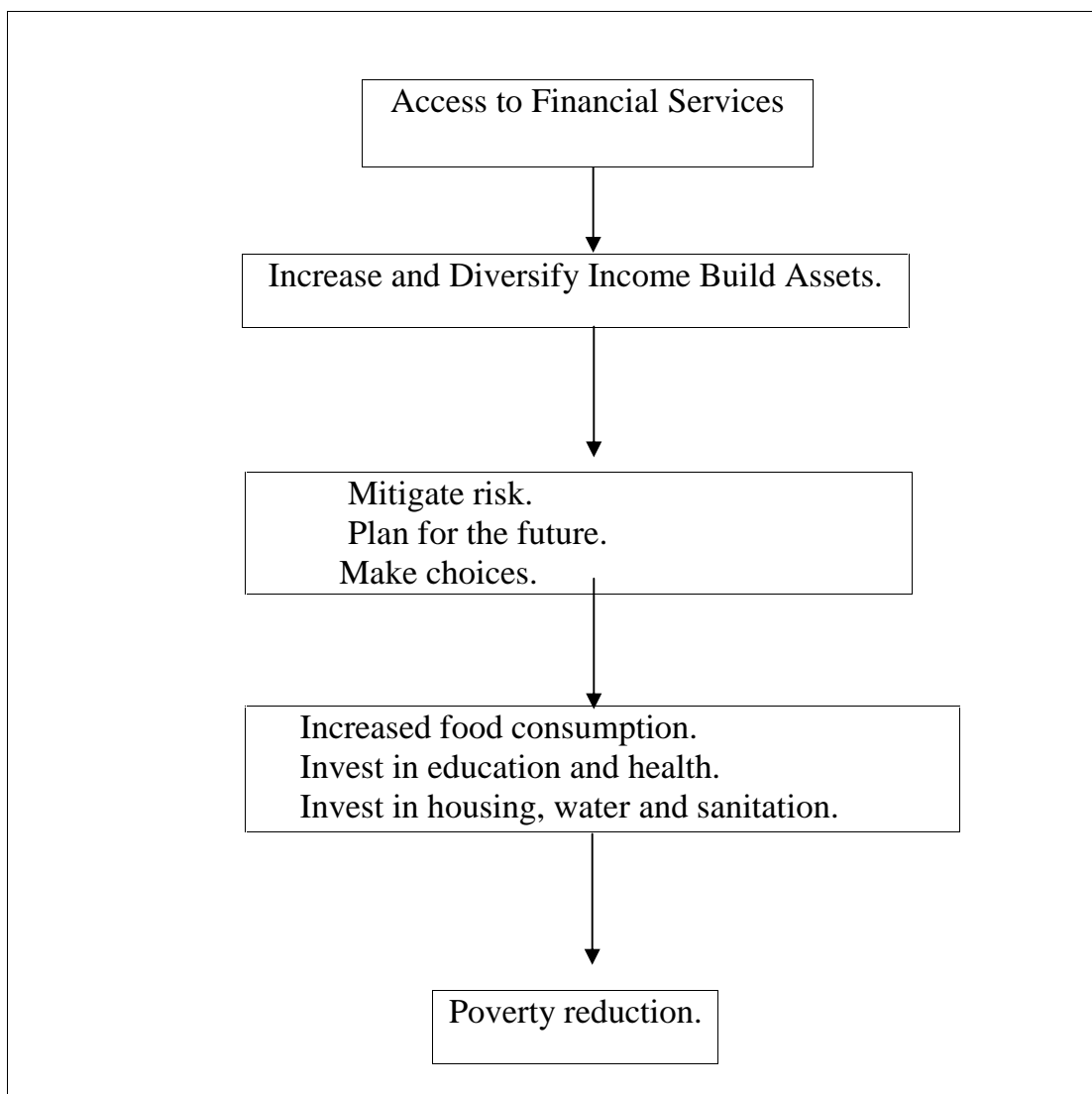
Fig. : Conceptual framework



Source: Nepal Rasta Bank Year Book, volume 48

From the following figure it is clear about relationship between poverty and financial services.

Relationship between Poverty and Financial Services



Source: Dhakal, 2004: p.34.

Finance can be regarded as an effective tool in spreading economic opportunity and fighting poverty, giving poor people the freedom to earn and fulfill their livelihood. Like all economic agents, low-income households and micro-enterprises can benefit from credit, savings, and insurance services. For this reason, microfinance has evolved as an economic development approach intended to benefit low-income women and men. Mostly women in rural areas are illiterate and do not have access to sufficient financial benefits. Access to financial services, such as savings, remittance services, and insurance, can help poor women overcome the fear of future long-term factors such as inadequate consumption, education, health, and other indicators of human welfare. The overwhelming majority of people in Nepal are concentrated in rural areas

where the incidence of poverty is 34.6 percent as compared with 9.6 percent in the urban areas. So the government of Nepal since its early national plans gave emphasis to reduce poverty through improving financial access to rural people (Bashyal, 2008: p.1).

More women are in paid and self-employment than over before. According to official measurement, 41% of the world's women aged fifteen and over are economically active through using different criteria and 1990. Women's share in the labor force increased in many but not all regions. It remained constant at fairly high levels in southeast and East Asia, and actually declined in sub-Saharan Africa. The increase was greatest in North America from 38-41% - and high in the other OECD countries (Bullock, 1994: p.14).

Concepts of 3Ss for Poverty Alleviation:

S₁ = Samuha means groups or organization or community.

S₂ = Seep means skills or empowerment.

S₃ = Sano punji means microfinance.

2.1.1 Concept and Definition of Microfinance

Microfinance has proved itself a powerful tool for economic development of low-income women and man. It is an effective approach for alleviating poverty through access to the poor for operating their small enterprises. The term microfinance refers to the provision of financial services to low-income clients, including the self-employed, financial services generally including savings and credit; however, some microfinance organizations also provide insurance and payment services.

Microfinance means providing very poor families with very small loans (micro credit) to help them engage in productive activities or grow their tiny business. Over the time, microfinance has come to include a broader range of services (credit, savings, insurance etc) as we have come to realize that the poor and the very poor who lack access to traditional formal financial institutions require a verity of financial products.

(<http://www.microfinancegateway.org/section/faq.html>.2009: may19).

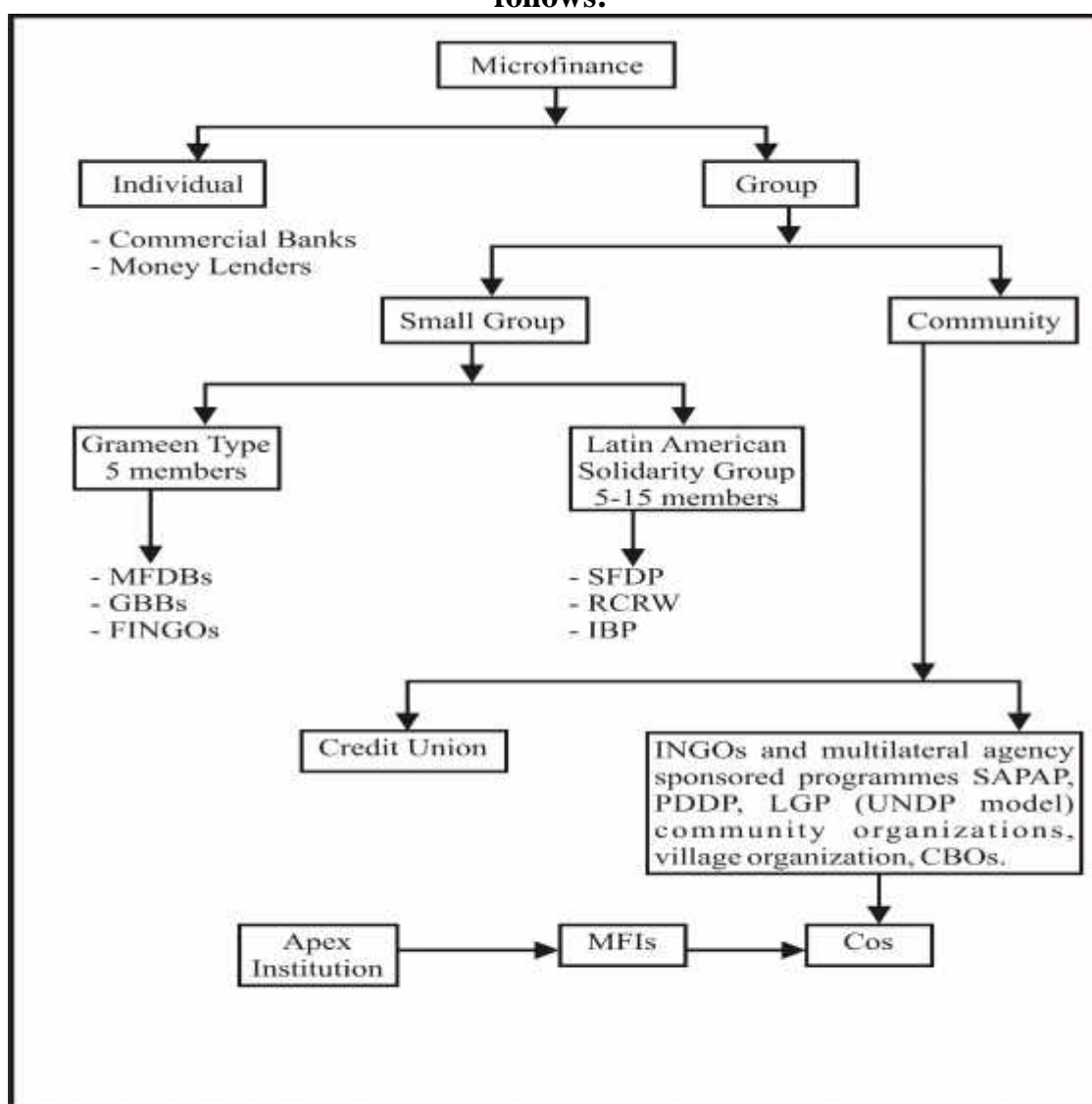
Micro finance activities usually involve:

- J Small loans, typically for working capital.
- J Informal appraisal of borrowers and investments.
- J Collateral substitutes, such as group guarantees or compulsory saving.
- J Access to repeat and larger loans, based on repayment performance.
- J Streamlined loan disbursement and monitoring.
- J Secure saving products.

Since microfinance is targeted to poor people of rural areas, it assists the poor in many ways. Such as; providing poor people to invest in assets, organizing and facilitating difficult activities to earn their livelihood, protecting against income shocks incase of emergency needs and smooth consumption, improving quality of life by building social capital.

Some MFIs provide enterprise development services, such as skills training and marketing, and social services, such as literacy training and health care; these are not generally included in the definition of microfinance. MFIs can be non-governmental organizations (NGOs), saving and loan cooperatives, credit unions, non-banks financial institutions. Microfinance clients are self-employed as well as street vendors, small farmers, service providers (hairdressers, rickshaw drivers) and artisans and small producer, such as blacksmiths and seamstresses.

The general microfinance model is as follows:



Source: Bashyal, 2008: p. 13.

“Micro-credit” remained as important tool to focus the rural poverty. The poverty situation in Nepal is alarming and to reduce this situation to a reasonable level is also a major concern of the govt. plans and programs. The current 10th plan (2002-2007) has also incorporated micro credit as a major financial tool to overcome its single objective; i.e. poverty reduction. To attain the objective, the 10th plan has set out a number of policies and strategies along with various credit programs. For this, the plan has set a target of Rs. 101 billion rural credits to be disbursed during the plan-period of which the MFIs alone will disburse 50 percent” (Pardhan, 2005: p.13).

2.1.2 Historical Background of Microfinance in Nepal

According to ADB (2000), country studies, the earliest initiatives for establishing micro finance services in Nepal can be dated back to the 1950s when the first credit cooperatives were established. These were primarily intended to provide credit to the agricultural sector. A well-structured and specialized program to cater to the financial needs of the poor was provided further impetus with the launching of the Small Farmer Development Program (SFDP) in 1975 within ADB/N. Over the past few years, a process of institutionalizing the Small Farmer Groups into the Small Farmer Cooperatives Limited (SFCL) has been under way. In 1974, NRB directed commercial banks. In 1981, to strengthen the priority sector program, NRB introduced the Intensive Banking program (IBP).

The next main step in the development of microfinance in Nepal came in the form of the first gender-focused program, the Production Credit for Rural Women (PCRW). In 1992, the first two RRDBs – one for the eastern region and one for the far western were established with govt and NRB funds as replications of the Grameen Bank of Bangladesh. Focusing on extremely poor women, RRDBs use a group lending approach and a weekly repayment system. By mid 1997, five RRDBs had been established.

Besides these, NGOs and cooperatives have also had on increasing role in microfinance. Center for Microfinance in Nepal (CMF) was established in July 21, 2000 with main activities of providing trainings, technical assistance consultancy services and undertaking studies, research, documentation and publications etc.

2.1.3 Trends of Microfinance in Nepal

Microfinance is growing for several reasons.

- Microfinance has promise of reaching the poor. Its activities can support income generation for enterprises operated by low-income households.

- It has promise of financial sustainability. Its activities can help to make financially self sufficient, subsidy free, often locally managed institutions.
- It has potential build on traditional system such as rotating saving and credit associations. They provide the same service in similar ways, but with greater flexibility at more affordable price to microfinance enterprises and on more sustainable basis.
- The contribution of microfinance to strengthening and expanding existing formal financial system such as saving and loan cooperatives, credit union networks, commercial banks etc.
- There is increasing number of well-documented innovative success stories in setting savers as rural microfinance in women.
- The availability of better financial products as a result of experimentation and innovation. These experimentation and innovation have shown that living standard of women is growing at range.

2.1.4 Major Principles of Microfinance

The conditions and procedures of microfinance are more flexible and easy to understand by local community. The principles of microfinance are as follow (Bashyal. 2008: p.17).

-) MFIs are able to know their markets that the major services needed by the poor are savings and credit for liquidity and working capital with one-year loan terms.
-) The successful MFIs keep administrative cost as low as possible.
-) They are able to ensure high portfolio quality.

Three major principles are considered in microfinance. Those are:

- i. Buying of money means collection of domestic saving.
- ii. Selling of money means investment of the collected domestic financial resources

- iii. Earning of money means receiving the interest and other income from borrowers and other.

2.1.5 Microfinance in terms of Saving, Investment and Loan Distribution

Microfinance is targeted to poor and low-income people. It includes loans, savings, insurance, transfer services and other financial services. Providers of microfinance include non-government organizations (NGOs), self-help groups, cooperatives, credit union, and commercial bank. Insurance and credit card companies and other points of sale (Sharma, 2005: p.87). The poor already save in ways that we may not consider as “normal” saving-investing in assets, for example, that can be easily exchanged to cash in the future. After all, they face the same series of sudden demands for cash we all face: illness, school fees, needs to expand the dwelling, burial, and weddings. It is hard to cutoff one leg of a goat that represents a family’s savings mechanism when the sudden need for a small amount of cash arises, or, if poor women has loaned her “saved” funds to a family member in order to keep them safe from theft, there may not be already available when the women need them. The poor need savings services that are both safe and liquid. These savings services must be adapted to meet the Poor's particular demand and their cash flow cycle. Thus to maximize the savings propensity of the poor, institutions must provide flexible opportunities- both interms of amounts deposited and the frequency of pay ins and pay outs. This represents important challenges for the microfinance industry that has not yet made a concerted attempt to profitably capture tiny deposits. (<http://www.microfinancegateway.org/section/faq>. May 19: 2010).

Saving and investment are two parts of same coin. If people save they are encourage investing also. Women in the rural village area are interested to invest in gold and other small profitable sector. They cannot invest in large area because their saving is low. The main objective to save is that either to invest or to provide service to poor people. So from the microfinance activities some women are saving and other poor women are getting benefit from loan services at low rate.

From newsletter of RMDC(2006), prof. Yunus's long-term vision is to make the world free of poverty. He argued that loans to the poor without physical collateral had once appeared to be an impossible idea. He also showed that micro credit is a strong instrument to alleviate poverty in the developing countries. Loan clients are the most valuable agents in MFI operation. Income of MFI depends on loan client's willingness to receive financial services on continuous basis. For efficiency MFI requires that their entire client borrow and make disciplined transaction (Sharma, 2006: p.46). Mobilization and recovery of loan should be impartial. Loan can be in the form of individual loan, group loan etc. Individual loan should be mobilized on the collateral of real assets where as in group loan also more emphasis is given on group guarantee (Baral, 2004: p.54).

2.1.6 Microfinance Emphasis on Poorest of Poor

Women are behind man in Nepalese society. They are lacking access to financial services. They should depend on man for financial services. Most of women are staying in rural areas. They are poor and illiterate also. It is necessary to uplift their livelihood. So microfinance is such an effective tool, which will bring change in their life, and they will be easily access to financial services. In Nepal, there are micro credit programs for poor women both in the public sector and in the non-governmental sector. The majority credit programs in the public sector are the Women Development Program of the Small Farmers Development Program (WDP/SFDP), Production Credit for Rural Women (PCRW) Program and Regional Rural Development Banks (RRDBs). Apart from numerous non-registered NGOs, there are a lot of registered NGOs, which primarily operate as welfare organizations but may include saving-credit activities for poor women (Improving Access of Women to Formal Credit Facilities in Nepal, 1997: p.15).

2.1.7 Role of Different Models in Microfinance

The government along with all the public and private sector financial institutions contributes to the development of microfinance industry (MFI),

each playing a significant role in its development. However their roles have to respond to emerging requirements.

According to Bashyal (2008), following models are effective in saving, credit and investment mobilization of women as well as rural people.

a. Rural Credit Union Model

Credit union is a cooperative financial institution owned and run by its members, who agree to save their money together and extend loans to each other a reasonable rate of interest. The early Raiffeisen's Rural Credit Union and Herman Schulze-Delitzsch's Urban Credit Union model that provided microfinance services to the German farmers in the last century are the example of credit union model. Today this model is playing greater role to encourage village women for their saving and credit activities and maintaining standard livelihood.

b. Cooperative Model

Cooperative provides microfinance in the form of credit to individual and groups with limited resources. Saving are the strong bases of cooperative model, which fulfill both the economic and social needs of rural people. In Nepal, cooperative department was established in 1953. The true philosophy and principles of cooperative is that it should be mutually owned, controlled and managed by people themselves. So this model is effective for rural women to uplift their financial access.

c. Individual and Peer Lending Model

According to the study of CMF, lending modalities are divided into (I) Individual lending and (ii) Peer lending. Individual lending are village moneylenders. Specialized development banks and commercial banks where as in peer lending a gradual modification is operated from different countries in the form of informal source of finance.

d. Formal and Informal type

There are different organized and legally operated MFIs, which are based on legal rules, and regulations are formal type. But transaction with individual and which are not legally registered are informal type.

e. Grameen Bank Model

Grameen which comes from the word village, provides credit to poor women to acquire assets for self-empowerment, Muhammad Yunus propounded this model as a simple act of trust in lending with collateral with minimal conditions. The very poor clients often don't have the capacity to manage fund and to repay the loan resulting negative impact but these days, most of the Grameen type institutions have changed the weekly meeting arrangements into fortnightly transactions.

f. Village Banking Model

This model can be described as an informal bank for non-collateral loan to members in a community and the community will be responsible in handling the credit directly to individuals.

g. Self-reliant Village Banking Model

Self-reliant Village Banking model was developed in Africa, where population density is low, similar to hills of Nepal; Self-reliant Village Banks are established managed by a rural village community. This model differs from village banks only on one ground that it meets the needs of village as a whole and not just a group of 25 to 50 people.

h. Association

In association type, the target community such as youth or women from an association regarding political, religious, or cultural issues through which, microfinance activities are initiated. Associations, the community-based organizations are also informal systems:

- Bank Guarantees.
- Self-Help Group Model.

i. Banking with the Poor Model

Banking with the Poor (BWTP) model, this came into existence at the first regional workshop in Manila in 1991. This model gives emphasis on domestic financial development by linking between self-help groups of the poor and commercial financial institutions with NGOs performing a range of intermediary functions.

The role of other different players in the field of Microfinance is as follows:

a. Role of the Government

It is necessary to have a perspective plan on microfinance-the plan well integrated with the nations economic development perspective plan with the clear out objectives, targets and policies and strategies. The perspective plan considers expending outreach to the poor and providing quality services as the two most important elements of the overall microfinance policy, apart from strengthening microfinance institutions.

b. Role of NRB

Nepal Rastra Bank would have to regulate, monitor and supervise the operation of the RMDC and MFIs to make these competent, professional, result-oriented microfinance organizations. The role of NRB is to ensure that the MFIs operate autonomously in the professional manner.

c. Role of RMDC

RMDC was established as an apex microfinance organization, which become operational since 2000 only. It started with the objective of contributing “To improve socioeconomic condition of the poor, their access to resources for productive undertaking and employment.”

d. ADB is also playing an important role in the field of microfinance. On the other hand World Bank and CMF are also playing an important role in the field of microfinance.

2.1.8 Micro credit Programs in Nepal

The unit describes the historical background of Nepalese financial system, microfinance systems. It also includes different programs which are working in the field of microfinance. These microfinance programs are playing great role from their side to uplift livelihood of poor Nepalese women as well as other people in remote areas of Nepal.

2.1.8.1 Historical Background of the Nepalese Financial System

The history of modern financial system in Nepal was begun in 1937 with the establishment of the Nepal Bank Ltd. (NBL) as the first commercial bank of Nepal. Before the establishment of NRB, there were only 12 branches of NBL. With the establishment of NRB in 1956, the development of the financial system took a momentum. NIDC (Nepal Industrial Development Corporation) was established in 1959, which helped for industrial development. With the equity participation of NRB, the Agricultural Development Bank (ADB/N) was set in 1968 by incorporating the assets and liabilities of the cooperative bank.

The Rastriya Banijya Bank (RBB) was established in 1968 as the second commercial bank of Nepal. From 1962 to 1982, a large number of non-banks financial institutions were setup such as the provident fund, insurance corporation, stock exchange etc the move towards financial liberalization encouraged the entry of joint venture commercial banks and finance companies. Even the non-governmental organizations (NGOs) and the savings and cooperative societies (SCCs) have been licensed by NRB for limited banking activities.

2.1.8.2 Microfinance System in Nepal

The formal sector micro lending activities began in 1956 with the establishment of credit cooperatives in the Rapti Valley of Chitwan district to provide financial services in rural Nepal. They were established to progressively abolish excessive rural indebtedness and contribute to uplift the socio-economic conditions of the rural people. To make financial resources

available to these cooperative credit societies, the cooperative bank was established in 1959. As a result, ADB/N was established in 1968 to provide agriculture credit. ADB/N has still remained the foremost rural and agriculture financing institution and accounted for 55 percent of the total rural institutional credit. The role of Grameen Bikas Banks (GBBs) in rural micro financing has increased recently but their share in total outstanding rural institutional credit was less than 2 percent. Microfinance practice formally started in 1974 since the Nepal Rastra Bank's (NRB) direction to commercial banks for lending five percent of their total deposit liabilities to "Small Sector" in order to increase production and employment in rural areas.

2.1.8.3 Microfinance Programs

The three largest banking institutional of the country NBL, RBB and ADB/N has initiated several innovative microfinance programs since 1974/75. The Small Farmers Development Program (SFDP), the Intensive Banking Program (IBP), the Production Credit for Rural Women (PCRW) Program, the Cottage and Small Industries (CSI) project, the Educated Unemployed Credit Program, the Lead Bank Scheme, the Micro-credit Project for Women, the Priority Sector Credit, and the Deprived Sector Credit Program, the Rural Self-reliance Fund etc. are the different microfinance credit programs developed to the alleviation of the poverty in rural Nepal. The different microfinance program will be separately dealt in the following paragraph.

a. Priority Sector Credit Program (PSCP)

The two Nepalese commercial banks, NBL and RBB were directed by NRB to invest 5 percent of their deposit liabilities in the "Small Sector" in 1974 which was redefined as the 'Priority Sector' in 1976 and the lending target was raised to 7 percent. The objective of NRB was to direct some portion of the financial resources of commercial banks towards the socioeconomic uplift life of small farmers and entrepreneurs in the priority sector credit program, at this initial stage had to face several constraints and barriers. NBL, RBB and the Nepal Arab Bank Ltd. are financing their priority sector credit under the Intensive

Banking Program and the remaining 10 commercial banks are financing the priority sector under their separate individual credit program. Since 1990, all the commercial banks are directed to finance at least 12 percent of their total loans and advances under the priority sector program out of which 3 percent is required to be financed in the deprived sector failing this mandatory requirement, the commercial banks are penalized for the shortfall amount.

b. Small Farmer Development Program

To fulfill the demand for microfinance in rural areas, ADB/N initiated the Small Farmers Development Program (SFDP) in 1975 through two pilot projects to support self-help oriented development of small and marginal farmers and landless people. It had a total loan outstanding of Rs. 823.49 million with 357 sub-projects offices comprising a total of 165,679 members by mid-July 2004 (Bashyal, 2009: p.48). It is considered as the first poverty focused credit programs of the country. It is also the first group based credit program. The group is comprised of 5-50 members. It provides them credit and other supports to start income generating activities.

c. Intensive Banking Program

Intensive Banking Program (IBP) is a redefined name of priority sector credit program mandated by Nepal Rastra Bank in 1974 for two state-owned and one joint venture bank-Rastriya Banijya Bank (RBB), Nepal Bank Ltd (NBL) and Nepal Arab Bank Ltd (NABIL) to deliver loan in priority sectors including three percent loan to deprived sectors (Bashyal, 2008: p.48-49). Both the low income and lower middle-income clients are served under the program. The three sectors covered under IBP are the agriculture, cottage and small industries and service sector. Even the borrowers who cannot offer physical collateral can be availed credit by forming them into a group of 4 to 10 persons. IBP follows the 'credit plus' approach. It has integrated the credit program with the other support services. The community and social activities and group saving scheme are the other feature of IBP. The recovery of loan is very poor because of the

lack of proper monitoring and supervision, absence of reward and punishment and low participation of women borrowers in the program.

d. Production Credit for Rural Women (PCRW)

It is the first women-focused credit program in Nepal. NBL, RBB and ADB/N were three participating banking institutions. Initially it was started in 5 districts and by the end of 1998; it had covered 67 districts of the kingdom. PCRW was implemented in IBP and SFDP branches. Govt.'s Women Development Section (WDS) staff identifies the target groups and motivates them to form a group of 4 to 10 poor women. They also assist group member to select the viable project. They recommended the newly formed groups to IBP and SFDP offices. Both the staff of banks and WDS monitors and supervises the credit projects.

The recovery performance of PCRW is not satisfactory. Its recovery was found 64 percent in 1995/1996. The operating cost was around 27 percent whereas PCRW loan was distributed at 14 to 15 percent. If we combine even the costs of social intermediation, the operating cost would be much higher and the program would be unviable an unsustainable at the present circumstances.

The impact evaluation study conducted by the Women Development Division of the ministry of Local Development has revealed that PCRW has greatly contributed for the socio-economic upliftment of the rural poor women of the project area in the following ways:

- Improvement in the role of women in the decision making process within and outside their household.
- Increase in income and thereby in consumption, saving and investment.
- Increase in group solidarity and cohesiveness.
- Improvement in the living conditions of children with an emphasis on school going children.
- Improvement in the social environment and status of women in the society and

- Improvement in social awareness among women.

The study has further revealed that some of the PCRW project credit groups have already graduated and converted their groups into viable savings and credit cooperatives (SCCs) and have started to manage on their SCCs effectively and efficiently. For this they have created a SCC out of a few credit groups. They have even registered these saving and credit to cooperatives and some of them are in the process of registration.

The impact evaluation study has further highlighted the following problems in the implementation of PCRW. They are: Inadequacy of trained bank and WDS staffs in the project. Inadequate supply of rural and agricultural support services to borrowers. Little efforts to make the program cost effective and financially viable. Lack of appropriate technology and raw materials. Inadequate opportunities i.e. skill development training and marketing of product and services. Opportunity for free movement of trained bank and WDS staff out of program. Improper coordination between bank and WDS staffs to implement the program.

e. Micro credit Project for Women

Government introduced micro credit project for women with some different modality using NGOs and self-help groups as credit agents for linking clients to commercial banks. Loan was collaborated between ADB/N with central bank and govt. in 1993 and project loan completion date as March 2000 (Bashyal, 2008: p.51). This Project has properly utilized the lesson learned from PCRW. MCPW is fully committed to develop and involved NGOs. It is the first project in which financial intermediaries are involved in a public sector credit program. The borrowers of the project are women from both urban and rural areas of Nepal.

The main objectives of MPCW are followings:

- i. Improvement of the socio economic status and condition of women.
- ii. Provision of financial and non-financial services to women in integrated way.

- iii. Provision of necessary institutional supports to NGOs.
- iv. Institutionalization of NGOs as financial intermediaries and
- v. Development of NGOs as cooperative associations.

ADB/N has funded the project. It provides 80% of the total loan able funds. The project design involves following stages.

- i. Social mobilization of Women.
- ii. Skill development training to borrowers.
- iii. Financial and non-financial services to NGOs.
- iv. Transformation of NGOs in suitable financial intermediaries.

f. Grameen Banking Replication (GBR)

There are five Grameen Bikas Banks (GBB) in five-development region, which were established between 1992 and 1996. These banks have been replicating the Grameen Banking Model of Bangladesh which is an innovative outreach model. It is a unique model implemented separately by both the government and the local NGOs in Nepal. Nirdhan, Swabalamban Bikas Bank (SBB), Chhemek Bikas Bank and Deprose Development Bank are the NGO-promoted microfinance development banks. Transformation of NGOs into development banks is the recent development in the Nepalese microfinance sector as in other developing countries. These banks cater to the credit needs of the poor women in rural areas. The poor women had limited access to institutional credit services at their doorstep. Under this banking system a rural women with less than 0.6 hectare of land in the hills can participate in a group, which is comprised of five women.

g. Rural Self-Reliance Fund (SRRF)

SRRF was initiated in 1991 for providing financial assistance to deprived people in rural areas. The fund has been managed by the NRB since its introduction and also managed by the govt to meet long-term capital requirements for the prioritized sectors in agriculture. It provides loans to that borrower who have less than 10 ropani of land in plain and 10 ropani of land in

the hills and mountains to those who cannot maintain his/her livelihood from owns on earning.

h. Cooperative Societies and NGOs

Cooperative societies in Nepal have a history of more than 42 years. Most of the credit cooperatives funds are missing managed and effective. Though the history of cooperatives goes back to 1953 with opening of cooperative Department, the savings and credit cooperatives (SCCs) have become more active. The total number of cooperatives registered under this union is 404 comprising 63585 members (about 15000 female and about 63000 male) collecting total savings of Rs 732.7 million with Rs 83.3 million shares capital up to mid-July 2004 (Bashyal, 2008: p.60). So it seems that mostly women are involved in cooperative societies.

i. Banking with Poor

With the linkage-banking program, NRB has initiated “Banking with the Poor” program since 1991. It is a program in which NGOs and the association of self-help groups are being extended loan to on lend it to locally formed groups. The SHGs lend without collateral.

j. Rural Microfinance Development Center

The Rural Microfinance Development Center (RMDC) is an apex MFI established in 2000 under the company Act 1995 with an authorized capital of Rs 160 million issued and paid up capital Rs 80 million. To implement this project the Rural Micro-macro Finance Development Center (RMDC), the apex development banking institution, has already been established with the equity participation of NRB, all commercial banks and few other financial institutions an NGO. RMDC will operate as the wholesale financial institution and will on lend ADB/N funded loan to all the Grameen Bank Replicates, SCCs and financial intermediary NGOs who fulfill its eligibility conditional ties for funding.

As of 17th October 2009, RMDC has approved loan amounting to Rs 1,589.08 million for 47 MFIs, and disbursed Rs 1,165.7 million to 44 institutions. Among the 47 partner MFIs, 6 are microfinance development banks, 2 development banks, 24 financial-intermediary NGOs and 15 saving and credit cooperatives. On 16th September 2006, the outstanding loan with RMDC was Rs 691.5 million. RMDC has maintained 100 percent loan recovery rate from the very beginning of its operation. Altogether the partner-MFIs of RMDC are providing microfinance services to about 400,000 women of the poor households (RMDC newsletter, 2009).

k. Sana Kisan Bikas Bank (SKBB)

Sana Kisan Bikas Bank is a specialized wholesale microfinance development bank established with the aim of promoting and strengthening the gross-roots level Small Farmer Cooperative Ltd. (SFCLs) in particular a similar other MFIs in general. Mostly women are involved in SKBB, so this bank is effective for women's upliftment.

l. Other Rural and Poverty Focused Micro credit Programs

There are few other rural microfinance programs, which are being implemented current fiscal year. They are the following:

- i. Third Livestock Development Project.
- ii. Poverty Community Groundwater Sector Project.
- iii. Hills Leasehold Forestry and Forage Development Project.
- iv. Community Shallow Tube Well Irrigation Project Nepal.

2.1.9 Socio Economic Background of Women in Nepal

Although education skills and formal opportunities are limited, majority of women in Nepal are primarily involved in self-employed activities as a means of supporting their families. These activities are not sufficient to earn income to raise them out of poverty. Women lack technical know-how capital, managerial skills, and access to credit, market and resources to make any significant

improvement in their economic condition (Improving Access of Women to Formal Credit Facilities in Nepal, 1997: p.1).

According to report of ADB (1999), women's economic activity rates even by conventional definitions are estimated to be much higher than those reported in the census data. A scrutiny of regional data clearly indicates a persistent reporting bias in economic activity rates. While the overwhelming majority of mountain (73.6%) and hill (57.9%) women were reported as economically active only about 27% of the terai women were so reported. Another point of concern is the declining economic activity rate of women in urban areas, shown to have fallen from 31.5% in 1981 to 20.3% in 1991.

According to Asian Development Bank (2008), Nepal had a population of 24.8 million people with an annual growth rate of 2.3%. The Nepal standard of living survey report from 2004 revealed that the population living on less than US\$ 1 per day has decreased to 31%, compared with 42% eight years ago. The unemployment rate in the country was 2% in rural areas and 7% in urban locales. However, the International Labor Organization reports that 73.3% of the working age population is employed by informal sectors of Nepal's economy.

Bashyal (2008) stresses that a large number of microcredit programs have focused on expanding micro loans to support economic activities of the poor and disenfranchised groups in the society mostly women poorest the poor. Data have proved that 19.3 million women in the world falls under this category, of which only 14.2 million have access to financial services according for nearly 74% of those poorest women. Women manage day-to-day household budgets, and are more likely to save money from any increase in income from any sources for family welfare. They proved themselves to be much better credit risks than male counter-parts.

In Nepal, the percentage of economically active female and male population is 43.7 and 62.6 percentage respectively. An estimated national level

unemployment is 5.1 percent. The labor force participation rate of population for 16-49 years of age for female and male is 48.9 and 67.6 percent respectively. The unpaid women workers are 12.9 percent where as male are 5.7 percent. Approximately, 70 percent of women working outside the domestic sphere. Women occupy only 8.1 percent of the professional workforce in agriculture and natural resource management (Bashyal, 2008: p.74).

2.1.9.1 Regulatory and Legal Environment of Nepal

The law in Nepal doesn't actively restrict the foundation of microfinance for women. It is necessary, however to obtain an operating license from the central bank that coordinates the licensing with relevant government, ministers. Commercial banking institutions are also free to undertake microfinance lending. There is a lack of restrictive legislation when it comes to credit unions in Nepal. The 2004 Bank and Finance ordinance are responsible for overseeing a regulating any issues pertaining to the microfinance sector in the country.

According to International Trade Administration of the United States (ITA), the most significant foreign investment laws are the Foreign Investment and One Window Policy of 1992, the Foreign Investment and Technology Transfer Acts of 1992 and 1996, the Finance Act of 2002 and most recent Finance Ordinance 2004 (and annual budget act), the Immigration Rules of 1994, the Customs Act of 1997, the Industrial Enterprises Act of 1997, the Electricity Act of 1992, and the Patent, Design and Trademark Act of 1965.

The government recently unveiled the national microfinance policy intended at enhancing the capacity for microfinance. The latest rural loan survey shows that only 20 percent of the demand of loans from the rural areas is met. The research carried out by ADB states that there is a shortfall of Rs 13 billion between the supply and demand of rural loans. Analysis said boosting microfinance could be a greater tool to cut poverty in Nepal.

2.2 Review of Related Studies

Although a lot of research has been done on microfinance, this microfinance under poverty alleviation program a case study of SFCL devdaha Rupandehi is new topic for MBS faculty. There are a lot of papers and views related to microfinance activities which were presented in different seminars and functions. Several research work has been conducted on microfinance practice in Nepal in case of women and relevance literature have been collected through different books, dissertation, papers, journals, articles and electronic devices.

2.2.1 Review of Major Journals and Articles

This part includes the major related studies which are taken from articles, journals, electronic devices etc.

ADB (1999) organized a regional workshop program on bank's microfinance development strategy, in Philippines. A paper was presented by working group three on 'Reaching the Poorest'. This paper describes that many MFIs have been successful in reaching the poor. Substantial challenges remain for reaching more of the poorest with MF services. The challenges are great for areas such as resource poor, low population density, and are remote as marginal. So there remains a need for new cost-effective methods of reaching the poorest. The requirements are:

- Conducting policy for removal of interest rate restrictions.
- Enabling financial infrastructure that will allow MFIs to raise resource for the poorest.
- Development of pro-poor innovations.
- Building of MFI capacities to reach the poor.

The requirements can be fulfilled by:

- ADB must enhance its own in-house capacity in MF by, i.e. recruiting specialists, conducting training for staff, and creating specialized unit for MF.
- A conducive policy environment and in building an enabling financial infrastructure for reaching the poorest.

- ADB should provide technical assistance for developing effective targeting methodologies for reaching the poorest, women, and disadvantaged groups in society.
- ADB could serve as financier and initiate the establishment of one or more special funds that could be used for equity participation in MFIs technical assistance and research.

Baumann (2001) published a research article on topic 'Microfinance and Poverty Alleviation in South Africa'. This paper stress that microfinance starts from an observation that the poor lack access to financial services, credit and saving facilities. South African govt. has begun to emphasize the importance of saving as part of the nation's overall economic health. Finance minister, Trani Manuel, gave speech emphasizing the importance of saving facilities for low-income households not only for its own sake, but to increase the national savings rate. Collective savings and credit movements use group savings autonomous grassroots savings groups. The 'outputs' of active women's savings and credit collectives in poor communities include: social assets, leverage, reduced vulnerability saving and credit in the basic element in the development strategy, women who are interested in taking part are drawn into the training process and shown how such crises credit funds work in other communities.

The conclusion drawn by this report is that MFI's expert contribution seems to consist not in assessing multi-faced goals, and the costs and the benefits thereof, but in demonstrating their own arithmetical competence. It is more an expression of frustration at the stage of discourse on microfinance and poverty alleviation in South Africa today. The technical finance skills employed by orthodox practitioners are highly valuable, and many alternative initiatives suffer for lack of them. Unless and until NGO put a side their fears, rivalries, and isolationism, they will probably fail to influence government policy effectively. They must do so not for themselves, but for the poorest of the poor whom they seek to serve. The poor simply cannot wait as long as it will take the formal sector, in the form of emergent small business to absorb them and

their activities into the main stream economy. Govt. must acknowledge programs that use microfinance as a means to mobilize poor households and communities to create, reclaim, and harness social assets as part of appropriate livelihood strategies. The microcredit orthodoxy in South Africa must be explored, critiqued, and challenged.

A study was done by Robyn Cornford of The Foundation for Development Cooperation on 'Microcredit', 'Microfinance' or 'Access to financial services' what pacific people need? It describes Gregory's comparison is useful as it highlights an interesting way of analyzing differences in the country context when considering the provision of financial services. The population size and density, infrastructure, economic activity and socio cultural norms may differ markedly. What links most pacific countries too many Asian countries is a common set of indices indicating low levels of human development. The indices may be a common bond: low level of human development, access to financial services, culturally specific approach to providing financial services, best practice and sound practice etc.

The conclusion drawn by report is that the provision for financial services to poor people has evolved from credit to microcredit to microfinance. Saving is important in microfinance. The true innovations in the provision of financial products and services to poor clients usually occur when those products and services meet the needs of poor clients as determined by careful market analysis. Financial needs of poor people cannot be implied; they are not a homogenous group. We argue that access to financial services is valuable to all people not just the poor.

A report was presented by United Nations Capacity Development Fund (UNCDF) (2004) which is based on case studies in Haiti, Kenya, Malawi and Nigeria. The topic of report is Microfinance Program Impact Assessment 2003. This report describes that microfinance is a cost effective means of contributing to development and poverty alleviation, because any dollar invested is used more than one time. Microfinance takes consideration effort on financial

planning and enables poor people to expand and increase outreach to the poor through internally generated funds. The objective of program impact assessment is to examine whether UNCDF's programs have had the desired impact on microfinance clients, institutions and the enabling environment.

The findings of the report are that UNCDF is making an important contribution to the growth of microfinance in a number of countries around the world. In terms of poverty reduction and client impact, UNCDF has been particularly successful in increasing outreach, with microfinance services expanding roughly 80-85% in the case study countries since the inception of the UNCDF/UNDP microfinance programs. The selected partners have successfully targeted largely poor and very poor population and appear to be increasing women's access to financial services. Program loans are one of the main ways clients overcome food, security, pay for medical and lifecycle express and address emergencies.

A research article published by Sharma (2004), on 'The Journal of Nepalese Business Studies' about 'Microfinance: A Powerful Tool for Social Transformation, Its challenges, and Principles'. This research article attempts to explore the role and importance of microfinance in reducing poverty by generating the income of the poor. Microfinance has been emphasized for poverty reduction in developing countries through executing dual articles such as collection of domestic saving and investment of small loan. This article try to find out the answers of different claiming by institutions such as- Are these institutions really delivering microfinance services to the poorest of the poor? Are they really sustainable in the long run? Are they financially efficient?

The conclusion drawn by this article is that the Nepalese MFIs aren't being able to reach the poorest due to inability of proper identification of the poor and lack of commitment and clear vision of their action. Expanding microfinance programs along with restructuring the whole financial system is essential so as to ensure financial system to better serve the rural economy. The time frame to

reach or grant based on clients serving to reach financial self-sufficiency will be shorter for MFIs serving the economically active poor.

A research paper on Microfinance, Informal finance and Empowerment of the Poor: Lessons form a case study of the SHG-bank linkage program in a backward district in India by R. Sunil (2004) discuss the process of access to finance, primarily credit, and the resultant empowerment of the rural poor, especially women, facilitated by the SHG-ban linkage program in India. This case study argues uncertainties, credit demands and usage pattern of the poor could differ from general theoretical assumptions. The perceived positive link between credit empowerment of women and the wider empowerment of the poor becomes weak and unpredictable.

The main objective of this research paper are to identify the process of credit empowerment of women, to identify the intra-household debt pattern of the household and to identify whether the emerging debt patterns correspond with the declared and documented pathways of empowerment of the poor through microfinance, especially microcredit. From the study it is found that local moneylenders prefer to lend money to women rather than men, men took fewer loans than women. Women maintain a wider, more diversified loan portfolio than men. There has been a clear shift in credit liability towards women. The average annual interest rate hovered at around 24% for SHGs, 30% for local moneylenders and 18% for institutional credit. This study observed that SHGs are emerging as a potential source of credit for women, participation in the SHG has enhanced their financial credibility in the local money market and they are, therefore able to contact more credit from sources other than the SHGs.

Baral (2004), published a research article in 'Baniija Sansar' on 'Microfinance: Good Portfolio and Management of Delinquency'. He has made some important improvements in the field of microfinance. Quality portfolio he refers to the loan recovered in time within or on the due date, loan recovery rate is a measure of quality of loan. Financial institutions analyze the present

financial condition while approving the loan, statistics of many countries shows that the loan recovery rate of microcredit is higher than that of commercial bank and finance company loan. In microfinance, the term delinquency is used to imply the situation when over due loan remains unpaid. In context of Nepal, high loan recovery rate indicates that microfinance institution do not have to face much more problem relating to delinquency. He identified two kinds of irregularities both MFIs and borrowers.

On the part of MFIs the irregularities were commonly found on selection of target area, identification of target group, irregularities in formation of group, mobilization of loan on the basis of securities and emphasis on investment and recovery of loan. Similarly following irregularities has been found from the side of borrowers such as misuse of loan, loan non-repayment of due installment, and repayment of loan from different sources.

He has suggested and argued that target groups are not properly identified in remote areas borrowers may not be able to repay the loan in time due to the same source of the family. It is easily said that microcredit is out of the access of the ultra-poor. NGO have not taken the use of loan for the very purpose into consideration. The considered institution doesn't create care about even through loan is misused. It has been also found that micro entrepreneur has shown the enterprise already in existence as a new one and decamped with the loan at cheaper interest rate and invested at higher rate to other borrowers. Borrowers could not repay the due installment of loan because of the same income source of different borrowers. Microcredit programs have protected the borrowers from the costly interest rate of indigenous bankers, but it has added more burden of loan. He suggested the target area should be selected according to priority of district development plan, an effective monitoring mechanism should be developed, loan should not be provided only on the basis of securities both group and real assets. The concerned project and institution should not consider only the target of investment and recovery of loan.

Shrestha (2007) published an article in an 'Agriculture Credit' journal on a topic 'Microfinance: A Tool to Fight with Poverty'. This paper briefly reviews the targeted programs and initiatives undertaken for creating conducive environment for institutional credit system in the rural areas particularly microfinance.

From the research paper it is found that poverty decline is sharper in the thousands with lesser number of children, households with bigger land holding, and also in the households with educated household heads, collateral based lending practice of commercial banks and development banks deprived the poor people from institutional sources of credit. Such institutions for women are productive credit for rural women and, microcredit program for women, rural development banks and other Grameen bank replicates etc. Outreach and disbursement of credit by microfinance activities have shown that substantial amount of saving could be generated from rural saving and credit schemes. Proportion of household taking loan increased substantially particularly in the rural areas.

Sharma (2007), who published an article on 'The Journal of Nepalese Business Studies' about 'Microfinance and Women Empowerment'. The studies paper examines effect of women's participation in group-based microcredit programs on a large set of qualitative responses to questions that characterize women's autonomy and gender relations within the household. The data were taken from a special survey carried out in hill and terai in 2004-2006 of Nepal. In this paper, analysis were done on women's involvement in decision making, changes in self-confidence, women's status in gender equity, changes in social and political participation, changes in control over income, changes in awareness of social issues and problems, and family relationships and domestic violence. From the study the result was taken out those similar changes in making decision was noticed in both hills and terai. There is a significant change in self-confidence of women after the program. By ecologically belt hills showed relatively higher proportion of men's involvement in cooking as

compared to terai, but in childcare, fetching water, washing clothes, cleaning house and utensils, men's involvement is relatively higher in terai belt than the men in hills. It also shows that there is a significant change in social and political participation of women after the program. MFI program has substantial impact on terai women's income control as compared to hills. Terai shows a relatively greater change in family relationship and domestic violence.

According to the article which was published by Collins, D. (2008), on investigating the Financial Lives of the Poor about financial diaries method which is downloaded from internet on 21st May, 2008. In this research article a case study of a 50 year old single women, Mambongo is shown. She lives with her three children and one grandchild in a crowded flat, in South Africa. Her main source of income is a small business cooking sheep intestines. Govt. also sponsored some grant. Her primary financial concern is making ends meet on a daily basis, and making sure her family enjoys a good Christmas in a year. How does Mambongo manage her money and try to meet these financial goals? The financial diaries, a data collection method answer such questions by tracking household's cash flows over the course of a year. With its rich set of data, the financial diaries aims to help policymakers, the financial industry and donor agencies understand financial management practices of the poor so they can strategize, on how to increase financial access for these household. The success or failure of financial management: this can only be assessed by observing a build up of savings or how quickly a loan is paid off over time.

2.2.2 Review of Thesis/Dissertations

Acharya (2007), 'Impact of Microfinance: A Case Study of Microcredit program for Women in Bahadaure Tamagi VDC, Kaski'. The main objective of the study is to explore the role of microcredit program for women of Bhadaure Tamagi VDC Kaski. Other specific objectives of this study are; to analyze the position of existing credit; to analyze the relationship in between investment and income; to measure the perception of users group towards the program; to assess the effect of micro credit program on living standard of the people; to

assess the financial sustainability of the program. From this research study she found that the overall impact of micro credit program for women's earning beneficiaries and living standard is positive. It has positive impact on clothing and sheltering facility after the intervention of the program. The condition of loan recovery has a positive impact up on the regularity of loan payment. Among the sample women, 4% could not repay both the principal and interest, 28% could repay only interest and not principal and 18% could repay only principal and not interest regular. Since all the respondents of the program have taken loan at least one time from the program. Out of the total investment of micro credit program, the highest proportion of investment is made on poultry farming (35.95%), and the lowest is made on goat keeping (18.21%). The main sectors of taking loan were poultry farming, buffalo keeping, retail business and goat keeping.

Aryal (2007), 'Microfinance under Rural Development program: A case study of Khilung Deurali VDC Syangja'. The basic objective of the study is to examine the effective activities and effectiveness or rural development program and is to carry out the detail study of rural development program in khilung Deurali VDC o Syangaja. The other specific objectivities are; to know the activities operated under rural development program; to analyze the mode of loan disbursement, repayment, outstanding and overdue; to analyze the state of saving, deposit and its mobilization interms of loan disbursement; to find out the problems faced by the women in obtaining the loan. From this study he found and concludes that the program has made positive impact of the women living standard by generating employment and increasing productivity. Most of the women's income is sufficient for one year living or less. The performance of the project interms of achievement of loan disbursement and recovery has been found very well in study period. So the repayment of loan was very satisfactory in the following years. It was 100 percent successful. The identification encouragement and training of local leadership saving and its mobilization, loan disbursement and its recovery should be a basic objective in any program.

In this way different papers which are related to this research paper gives the conclusion that only microfinance success to reduce the poverty alleviation of country especially for women.

Lekhak (2004), 'Microfinance in Nepal and The Case Study of SFCL Anandavan, Rupendahi, ADB/N'. The main objective of this study is to do case study of SFCL Anandavan, Rupendahi, ADB/N. The other specific objectives are; to study the financial sustainability and viability of SFCL; to know the facing change of society after SFCL; to know the major problem of SFCL Ananadavan. From the research study following results finds out women empowerment participation in SFCL increased. After SFCL people participation in literacy program helped to improve the literacy position of village. SFCL also success to convince the people about the importance of group saving and impact of forest conservation. SFCL also gives the different types of training to small farmers which help to make more efficiency to small farmers. There was politicization and financial undisciplined in some cases. There was lack of inspection from government side. The position of share capital is not so bad. SFCL also able to get profit from its activities. The position of saving is increasing ways every year. Borrowed loan position of SFCL is decreasing ways.

Ojha (2002), 'Microfinance in Practice: Loan Recovery Approach to the Program Assessment of Micro credit Product for Women in Pokhara'. The basic objective of this study is to examine the performance in terms of loan recovery of micro credit financial projects. The other objectives are; to overview the state of outreach, training activities, savings and its mobilization; to examine the state of loan disbursement, repayment outstanding and overdue; to access the overall performance of participating women; to analyze the state of loan recovery in terms of loan repayment. To show the relationship between investment and income; to recommend appropriate suggestions. From this study he found that the loan disbursement and outstanding is related to its repayment in due time. The performance of participating women is quite

satisfactory. The sampled women have repaid in time, create savings and disbursed loan from the savings. Investment caused to increase in income and hence the capability of loan recovery and repayment becomes higher. Some of the group members were found of less difference and equal income status, but some of them were found a highly effective aspect of the program and there by loan disbursement and training program were considered to be less effective aspects than savings. NGO's program help to identify targeted women training program is an essentially required to participant women more skilled. He concluded that the MCPW, if managed effectively, reaches to the targeted women, educated and trained the women entrepreneur and also if made regular supervision and initiated them the agricultural production. Productive and business activities, self-employment, income earnings, savings and investment could be raised. This becomes the cause of uplifting vulnerable and poor women to higher social and economic status.

Thapa (2008), "Impact of Microfinance on Women: A case study of Putalibazar Municipality Syangja under Grameen Bikas Bank." The basic objective of the study is to assess the impact of microfinance on women in Putalibazaar Municipality, Syangja. The other objectives are; to analyze saving and its mobilization pattern of women; to explore mode of loan, loan disbursement and repayment practice; to analyze the relationship between investment and income, and in between loan disbursement and recovery; to assess the impact on the poorest of the poor women's financial condition. From this study he found that the loan disbursement and outstanding is related to its repayment in due time. The performance of participating women is quite satisfactory. The sampled women have repaid in time, create savings and disbursed loan from the savings. Investment caused to increase in income and hence the capability of loan recovery and repayment becomes higher. Some of the group members were found of less difference and equal income status, but some of them were found a highly effective aspect of the program and there by loan disbursement and training program were considered to be less effective aspects than savings. NGO's program help to identify targeted women training

program is an essentially required to participant women more skilled. He concluded that the microfinance under GBB, if managed effectively, reaches to the targeted women, educated and trained the women entrepreneur and also if made regular supervision and initiated them the agricultural production. Productive and business activities, self-employment, income earnings, savings and investment could be raised.

Pathak (2006), 'Microfinance in Nepal and its Effect in ADB/N under Small Farmers Cooperative Limited (SFCL), Shankarnagar Rupendehi'. The objectives of study are; to find out the advantages, limitations, and conclusions of micro financing; to know the changes in society brought by SFCL after its implementation; to know how development of the country is positive through microfinance activities; to study the financial sustainability and viability of SFCL; to know about the role of SFCL shankarnagar in women empowerment; to know about the major problems of SFCL/Shankarnagar Rupendehi. From the study he found that the small Farmer's participation in SFCL after handover is increasing. The position of share increasing positively. So it is good sign for SFCL. It helps to increase internal sources. Profit of SFCL increases every year. Position of deposits through members in increasing way. It is also seen that borrowed bank loan is decreasing. Loan and advance to total deposit ratio is flexible during study period. Loan loss ration is normal just to meet legal provision. Toilet facility, drinking water facility, use of store, bank saving, group saving and forest conservation all are in increased ratio. Women education rate is increase by 96.55% after SFCL activities. Women are aware on their rights and capacity to women empowerment in increase in the Shankarnagar VDC Rupendehi.

Poudel, (2007), "Micro credit in Leknath Municipality: A Case Study of Paschimanchal Grameen Bikas Bank (PGBB)". The main objective of this study is to assess micro credit phenomenon of Paschimanchal Grameen Bikas Bank in Leknath Municipality. Other specific objectives of this study were; to identify the sectors and types of investment on micro credit; to study the role of

micro credit in employment generation; to study the state of micro credit in terms of distribution, repayment and investment sustainability; to study the fruitfulness of micro credit in terms of income generation pursuing poverty alleviation; to study the bank's performance on target group identification and accessibility of micro credit to the target group. From the study he found that the investments were mainly of three types i.e. investment of loan to support existing business/ occupation, expenditure. Out of 97 new employment, the highest contribution in new employment generation was from small business and lowest was from animal keeping sector. The highest amount of loan was borrowed for the purpose of small business. It is also seemed that investment of the bank loan to the members who have existing business/ occupation is not fruitful for poverty alleviation. It is also proved that the performance of bank to identify target group is also poor.

2.3 Research Gap

Research is searching something new again and again. So it is never ending process. Different scholars and researcher has given their different findings and conclusion in the field of microfinance and SFCL. From the above review of articles and dissertations it seems that this research paper is trying to find out something new in the field of microfinance considering Small Farmers Cooperative Limited. This research paper is different from others in the case that is trying to find out the effect of SFCL Devdaha VDC of Rupandehi District. This research is trying to discuss the socio economic development of people in Devdaha through SFCL and the role of SFCL in reducing the poverty in coverage area in case of saving activities, loan activities, loan disbursement and its recovery as well as investment and income. It is also trying to discuss about different profile of respondents.

CHAPTER–III

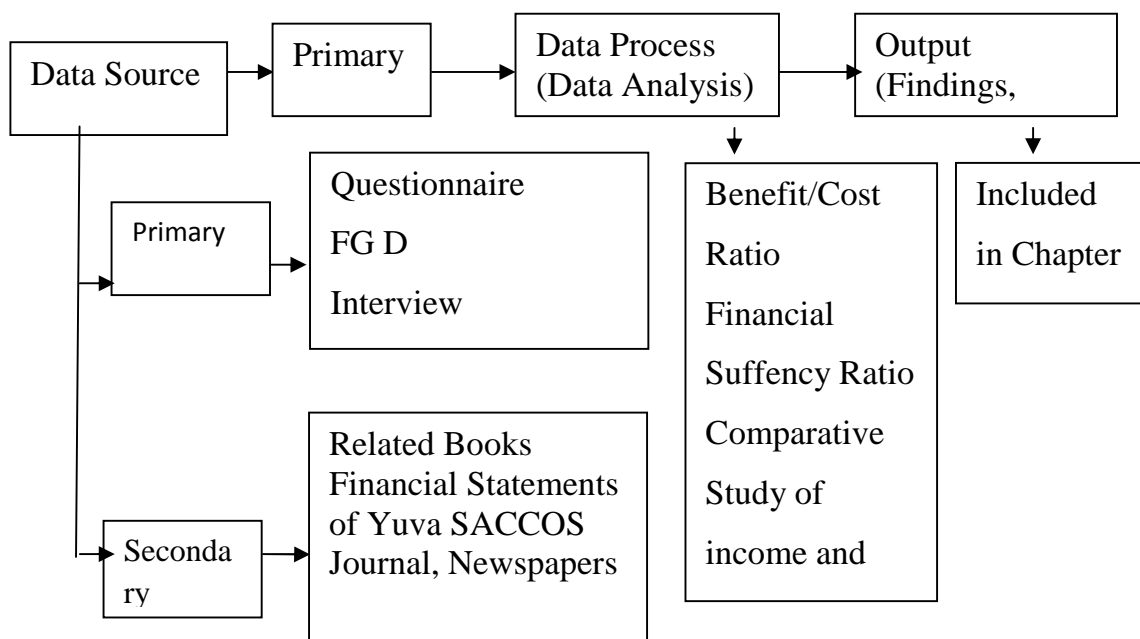
RESEARCH METHODOLOGY

The main objective of the study is to analyze the Microfinance in Nepal and its effect in ADB/N under SFCL. This study aims to recommend necessary suggestions to achieve the targeted objectives. In line with this appropriate methods have been followed. This chapter has been divided into six sections: research design, study area, population and sample, nature and source of data, data collection techniques, data analysis.

3.1 Research Design

Research design is the plan, structure and strategy of investigation conceived so as to obtain answer the research questions. To conduct these studies analytical and descriptive approach has been adopted. Analytical approach has been utilized mainly to analyze the relationship between income, investment and other variables. Descriptive approach has been used mainly for conceptualization of the research objectives and research problem of the study. It is an organized approach and not a collection of loose, unrelated parts. The research design serves instruments to be utilized and the sampling plan to be followed. Design of the study is can be presented as following table:

Table 3.1
Research Design for the Study



3.2 Study Area

This study area is confined within Devdaha VDC of Rupandehi District. The sample is selected from groups of SFCL member. The study covers only five years of data. The study is analyzed on the basis of the performance of participating people from micro enterprise groups.

3.3 Population and Sample

The study comprises some observations selected from the population. The whole groups of SFCL with in Devdaha VDC are considered as the size of the population. This study covers some sample members for the purpose of study because of the limitation of area, budget and time. Only 111 members have been selected as sample for this study using a random as well as judgmental sampling method which is as presented in table

Table 3.2

Name List of Sample Groups of SFCL in Devdaha VDC

| S.N | Name of Groups | Ward No. | Population No. | Sample No. |
|----------------------------|--------------------------|-----------------|-----------------------|-------------------|
| 1. | Pragatinagar Ama Sumaha | 1 | 40 | 10 |
| 2. | Jharna Ama Samuha | 2 | 35 | 9 |
| 3. | Shivalya Samuha | 3 | 45 | 13 |
| 4. | Devdaha Samuha | 3 | 35 | 9 |
| 5. | Bhrikutee Ama Samuha | 4 | 30 | 7 |
| 6. | Buddha Mawali Ama Samuha | 5 | 20 | 6 |
| 7. | Buddhanagar Ama Samuha | 5 | 20 | 5 |
| 8. | Shrijanshil Samuha | 6 | 25 | 7 |
| 9. | Palpali samuha | 3 | 30 | 6 |
| 10. | Pragati Group | 7 | 35 | 8 |
| 11. | Shrankali Samuha | 7 | 20 | 6 |
| 12. | Hariyali samuha | 8 | 40 | 11 |
| 13. | Buddhanagar Ama Samuha | 8 | 20 | 5 |
| 14. | Goat keeping Samuha | 9 | 35 | 9 |
| Total Sample Member | | | 430 | 111 |

3.4 Nature and Source of Data

This study is mainly based on primary data. These primary data are both qualitative as well as quantitative. Secondary data used in this study have been collected from different sources such as:

- Various research studies, dissertation and article related to the study.
- Annual reports from SFCL of Devdaha VDC.

3.5 Data Collection Techniques

This study basically based on primary data. Primary data are collected from the different primary data collection techniques.

(a) Primary Data:

Primary data were collected from actual field using:

- Questionnaire:

Questionnaire is used to get qualitative information. But some important quantitative information is also collected the respondents of questionnaire survey are the sample numbers and group managers of the program.

- Personal Interview:

- This is also called direct interview. It is used to collect the information related to investment, credit, saving interest collection, repayment rate and so on.

- Field Observation:

In this technique direct observation on field is done. Member's condition about economy and other facilities is considered.

- Case Study:

If some related cases about people's economic condition arrive they are discussed.

(b) Secondary Data:

Secondary data were collected from reports of SFCL, Journals of microfinance, published books, unpublished books, thesis, and newspaper and other related published journals and article.

3.6 Data Processing and Analysis

The available data have been edited, classified and tabulated in appropriate form. Processing of data have been done by the computer using Microsoft excel.

Analysis is the careful study of available facts so that one can understand and draw conclusion on the basis of established principles and sound logic. Various analysis tools are used. The following techniques are followed in analyzing the data:

- Collection of relevant information.
- Identification of data suited to fulfill the purpose of the study.
- Classification and tabulation of data.
- Use of percentage changes, average, ratios.
- Drive conclusion, summary and recommendations based on the analyzed data.

Some statistical tools such as mean are used. Mean is the central value on an average. A simple arithmetic mean is determined by dividing the sum of values by number of the observations.

The coefficient of variation shows the relation between standard deviation and arithmetic mean. The relative measure of dispersion based on the standard deviation is known as coefficient of variation. It is suitable for comparing the variability, homogeneity and uniformity of two or more distributions. A distribution with smaller C. V. is said to be more homogeneous or uniform or less variable than the other (Gupta, 1998:415-416) and vice versa.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

This chapter attempts to analyze the information received from the questionnaires, observations, case study, field survey and informal discussions with members who intervention in SFCL program. The study mainly focuses to analyze process and contents are determined as per set of objectives. It attempts of savings, investments, mode of loan, repayment pattern of loan, income from loan, impact on income, consumption, health, education, changes in custom and society.

4.2 Saving Activities

Saving is the excess of income over expenses, for the development of entrepreneurship saving is necessary. It is also necessary for further investment. It is motivational reward for investors. The effectiveness of SFCL can also be analyzed on the basis of saving of the members generated by investment. Increase in income dependent on investment and saving depends on increased income.

Considering this SFCL organize people have three kinds of saving. They are group fund saving, individual saving and centre fund saving. The group saving is the compulsory saving in which 5% of credit amount. There is compulsory saving of Rs 25 per month per member. Up to Ashad of 2066 there were altogether 593 SFCL members of this branch.

4.2.1 Saving by Group Member

The state of saving by SFCL members in different saving programs is presented in table 4.1.

Table 4.1**Saving by Group Members in Different Saving Programs****(In Rs.)**

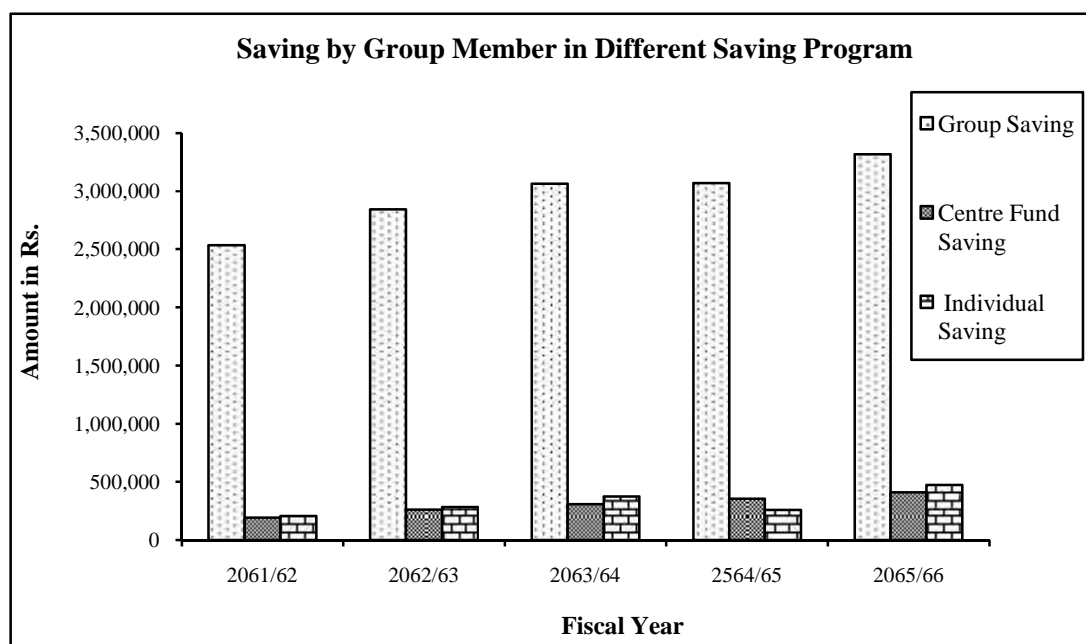
| Fiscal Year | Total | | Group Saving | | Centre Fund Saving | | Individual Saving | |
|----------------|-----------------|---------------|-----------------|---------------|--------------------|---------------|-------------------|---------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 2061/62 | 2934464 | 16.34 | 2534966 | 17.09 | 193,645 | 12.65 | 205,853 | 12.89 |
| 2062/63 | 3390163 | 18.87 | 2843768 | 19.17 | 261,524 | 17.09 | 284,871 | 17.84 |
| 2063/64 | 3747948 | 20.87 | 3064842 | 20.66 | 308,983 | 20.19 | 374,123 | 23.43 |
| 2064/65 | 3687770 | 20.53 | 3071606 | 20.71 | 356,307 | 23.28 | 259,857 | 16.27 |
| 2065/66 | 4201190 | 23.39 | 3318852 | 22.37 | 410,044 | 26.79 | 472,294 | 29.57 |
| Total | 17961535 | 100.00 | 14834034 | 100.00 | 1530503 | 100.00 | 1596998 | 100.00 |
| Total % | 100 | | 82.59 | | 8.52 | | 8.89 | |

Source: SFCL Devdaha

The above table shows the saving of members of SFCL Devdaha in different saving programs in last five fiscal years. There were different saving amounts in different saving programs. The overall saving from different saving programs was Rs 17,961,535. The total saving of group saving, centre fund saving, and individual saving was Rs 14,834,034, Rs 1,530,503, and Rs 1,596,998 respectively. Overall percentage in group saving, centre fund saving and individual saving was 82.59%, 8.22% and 8.89% respectively. So, there was about 83% of saving in group saving and there was below 20% of saving in centre fund saving and individual saving. The saving pattern was increasing last five years except in 2064/65.

The above saving programs can be presented in the following table also.

Figure 4.1



4.2.2 Monthly Regular Saving

The monthly regular saving of sample members before and after entering SFCL program except centre fond saving is presented in following table.

Table 4.2

Monthly Regular Saving of Sample member

| Before | | Amount in Rs. | After | | % Increase/ Decrease |
|---------------|------------|---------------|------------|---------------|-------------------------|
| % | Numbers | | Numbers | % | |
| 40.54 | 45 | None | 17 | 15.31 | (25.23) |
| 27.93 | 31 | 0-200 | 33 | 29.73 | 1.80 |
| 18.02 | 20 | 200-400 | 23 | 20.72 | 2.70 |
| 9.01 | 10 | 400-600 | 15 | 13.51 | 4.50 |
| 2.70 | 3 | 600-800 | 9 | 8.11 | 5.41 |
| 1.80 | 2 | 800-1000 | 6 | 5.41 | 3.61 |
| 0.00 | Nil | 1000 & more | 8 | 7.21 | 7.21 |
| 100.00 | 111 | Total | 111 | 100.00 | |

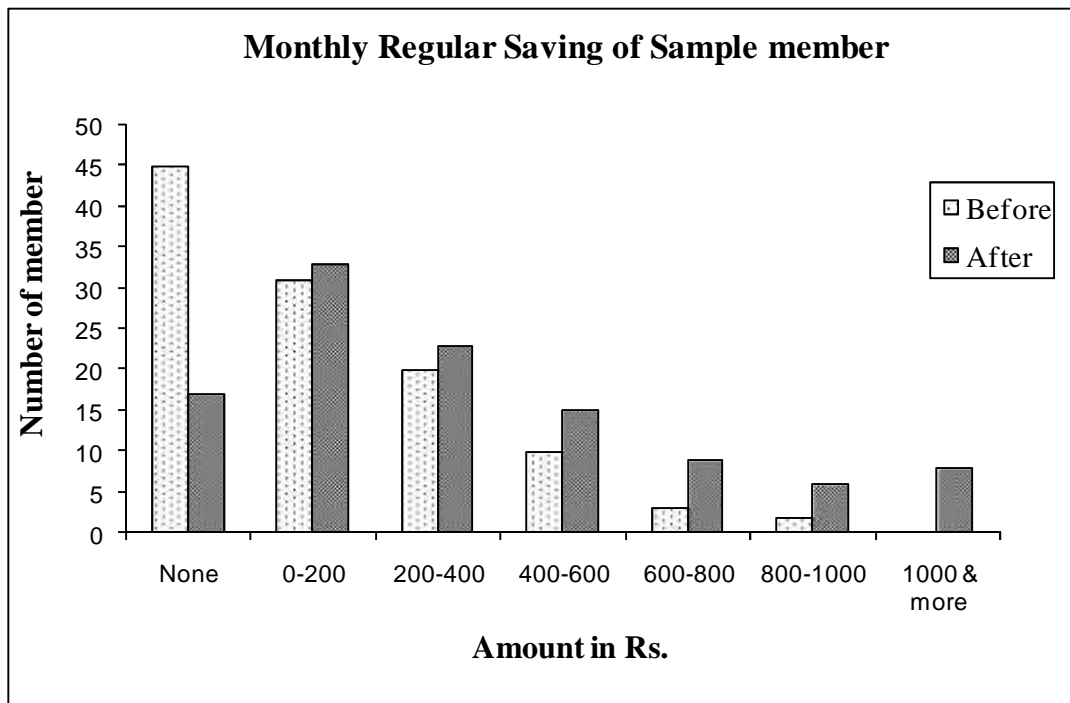
Source: Field Survey, 2011.

The above table shows the regular saving of sample member in both number and amount before and after intervention in SFCL programs. It also shows percentage change in their saving. The number of non-saving member is decreased by 25.23% whereas percentage of member earns more after entering the program is increased.

It was found during our discussion that the member having entrepreneurship skills earned more after intervention in SFCL program. Some of the members are engaged in hotel and restaurant business. During the field survey, it was found that there was good income in hotel business due to the high demand for alcohol and non-vegetable dishes. An attractive profit margin existed in the sale of such items. It was found in the field survey that most of the labors of workforce consumed alcohol and spent major portion of their income on it.

The above table 4.2 can be presented in following graphical figure which makes us clear, meaningful and understandable of above data.

Figure 4.2



4.2.3 Monthly Optional Saving

Not all women were regular saving and not all members were optional saving in SFCL programs. There was no compulsory saving in their programs. So, some member was in optional saving programs. The optional saving of sample member before and after entering the program is presented in table 4.3.

Table 4.3

Monthly Optional Saving of Sample member

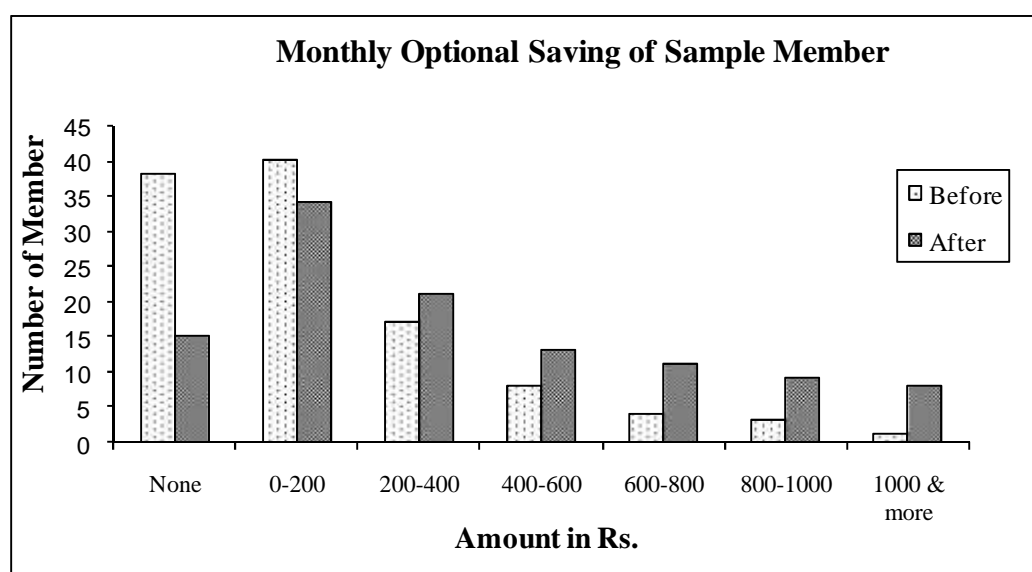
| Before | | Amount in Rs. | After | | %Increase/ Decrease |
|---------------|------------|------------------|------------|---------------|------------------------|
| % | Numbers | | Numbers | % | |
| 34.23 | 38 | None | 15 | 13.51 | (20.72) |
| 36.04 | 40 | 00-200 | 34 | 30.63 | (5.41) |
| 15.32 | 17 | 200-400 | 21 | 18.92 | 3.60 |
| 7.21 | 8 | 400-600 | 13 | 11.71 | 4.50 |
| 3.60 | 4 | 600-800 | 11 | 9.91 | 6.31 |
| 2.70 | 3 | 800-1,000 | 9 | 8.11 | 5.41 |
| 0.90 | 1 | 1,000 & more | 8 | 7.21 | 6.31 |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

The above table shows the optional saving of sample member in both number and amounts before and after intervention in SFCL programs. It also shows percentage change in saving. There was decreased in percentage of respondents who were not saving and saving Rs 0-200 by 20.72 % and 5.41% respectively. The saving power of more amounts of the respondents recorded increased after entering the program.

The above table 4.3 can be presented in graphical figure 4.3 to make clear, meaningful, and understandable of above data.

Figure 4.3



4.2.4 Sectors of Member Saving

Most of the member were saving small amount of money from animal keeping, farming, poultry farming, small business (trade, commerce and retail shop), small industry, hotel and restaurant, PCO, tailoring, wages etc. The status of their saving is presented in table 4.4.

Table 4.4

Sectors of Member Saving

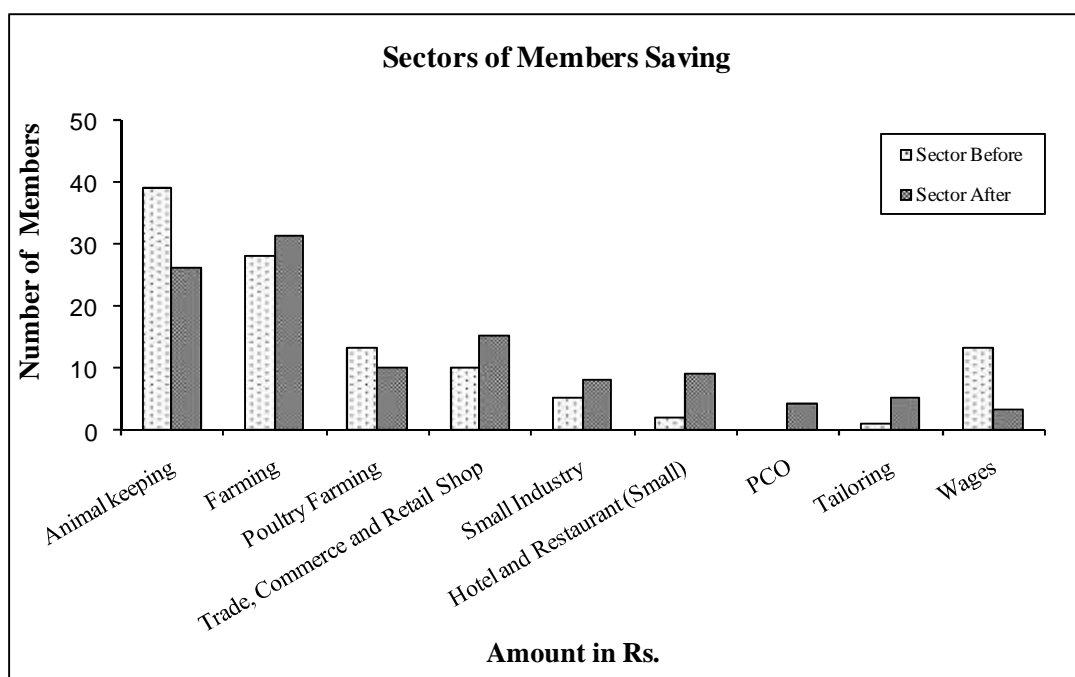
| Before | | Sectors | After | | %Increase / Decrease |
|---------------|------------|--------------------------------|------------|---------------|----------------------|
| % | Numbers | | Numbers | % | |
| 35.14 | 39 | Animal keeping | 26 | 23.42 | (11.72) |
| 25.23 | 28 | Farming | 31 | 27.93 | 2.70 |
| 11.71 | 13 | Poultry Farming | 10 | 9.01 | (2.70) |
| 9.01 | 10 | Trade/Commerce/ Retail Shop | 15 | 13.51 | 4.50 |
| 4.50 | 5 | Small Industry | 8 | 7.21 | 2.71 |
| 1.80 | 2 | Hotel and Restaurant | 9 | 8.11 | 6.31 |
| 0 | 0 | PCO | 4 | 3.60 | 3.60 |
| 0.90 | 1 | Tailoring | 5 | 4.51 | 3.61 |
| 11.71 | 13 | Wages | 3 | 2.70 | (9.01) |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

The above table shows that the sample members involved in different types of economic activities to save money before and after entering SFCL programs. Out of 111 respondents of sample survey, most of them were involved in animal keeping and farming. There was not saving from PCO before entering the program. The field survey found that the respondents were decreased in animal keeping, poultry farming and wages by 11.72%, 2.70% and 9.01% respectively and rest of sectors were increased after entering the program.

The above table 4.4 can be presented by figure also to make clear about the activities of saving. The graphical presentation of above table is given below.

Figure 4.4



4.2.5 Utilization of Saving Fund

Saving and investment are two alternative parts. If people save they will be motivate to invest that money to earn more. Utilization of saving depends upon their skill knowledge, previous experience, physical strength, age and other supporting factors. So, how the member utilized the saving reflects the effectiveness of SFCL.

Following table presents the respective utilization of member who are intervention in SFCL programs.

Table 4.5
Utilization of Saving Fund

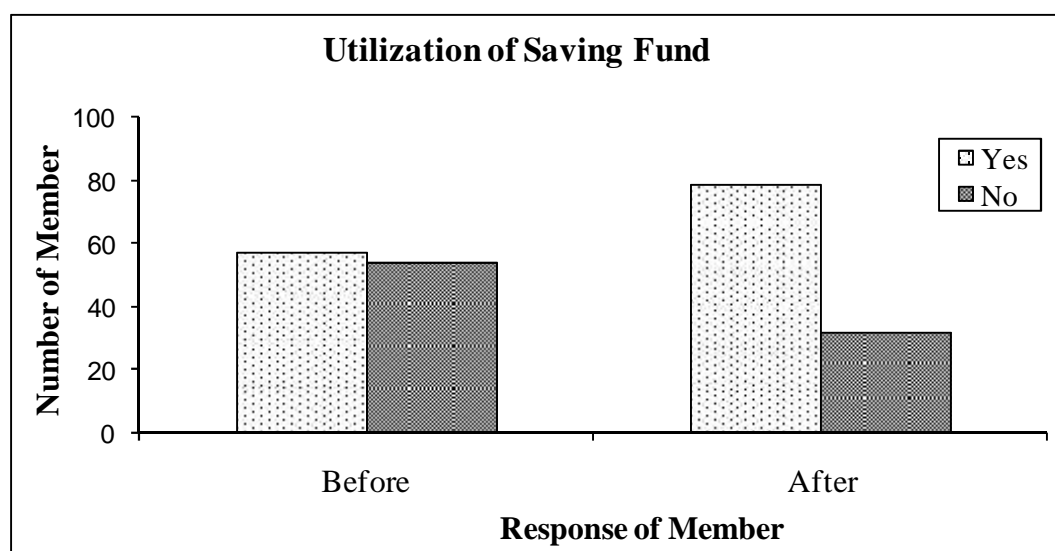
| Before | | Description | After | | %Increase/ Decrease |
|--------|---------|-------------|---------|--------|------------------------|
| % | Numbers | | Numbers | % | |
| 51.35 | 57 | Yes | 79 | 71.17 | 19.82 |
| 48.65 | 54 | No | 32 | 28.83 | (19.82) |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

Above table shows that utilization of saving fund of women before and after intervention in SFCL programs. The survey recorded that there was about 20% of the respondents increased to utilize their saving fund after entering the program.

The following figure 4.5 also shows the utilization of saving fund.

Figure 4.5



4.2.6 Recovery of Lending Fund

Recovery is necessary for lending amount. Due to different reasons it can be difficult to recover lend amount on time. The following table presents the status of recovery of lending amount of the respondents.

Table 4.6

Recovery Status of Lending Fund

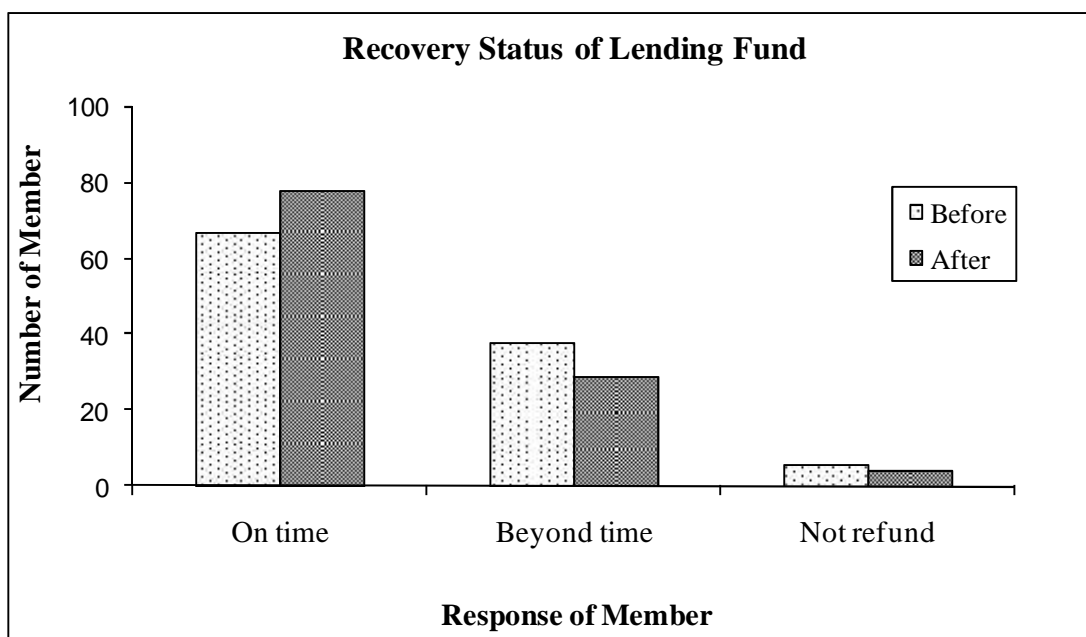
| Before | | Description | After | | %Increase/ Decrease |
|---------------|----------------|--------------------|----------------|---------------|--------------------------------|
| % | Numbers | | Numbers | % | |
| 60.36 | 67 | On time | 78 | 70.27 | 9.91 |
| 34.23 | 38 | Beyond time | 29 | 26.13 | (8.10) |
| 5.41 | 6 | Not refund | 4 | 3.60 | (1.81) |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

From the above table it is shown that recovery of money which was lending by member. The survey shows the satisfactory result of recovery of their lending amount after entering into SFCL programs. The study recorded that about 70% of the respondents said that recovery of lending fund on time after entering the program. Before it was only 60%.

Following figure also makes us clear about the recovery of lending amount of the respondents.

Figure 4.6



4.2.7 Interest Expenses on Saving

People collect money to get some extra amount on their money that is interest. SFCL collects some small money from Member. For this they will get interest and that interest is expenses for SFCL.

The interest expense in different saving programs is presented in table 4.7.

Table 4.7
Interest Expenses on Different Saving Programs

(In Rs.)

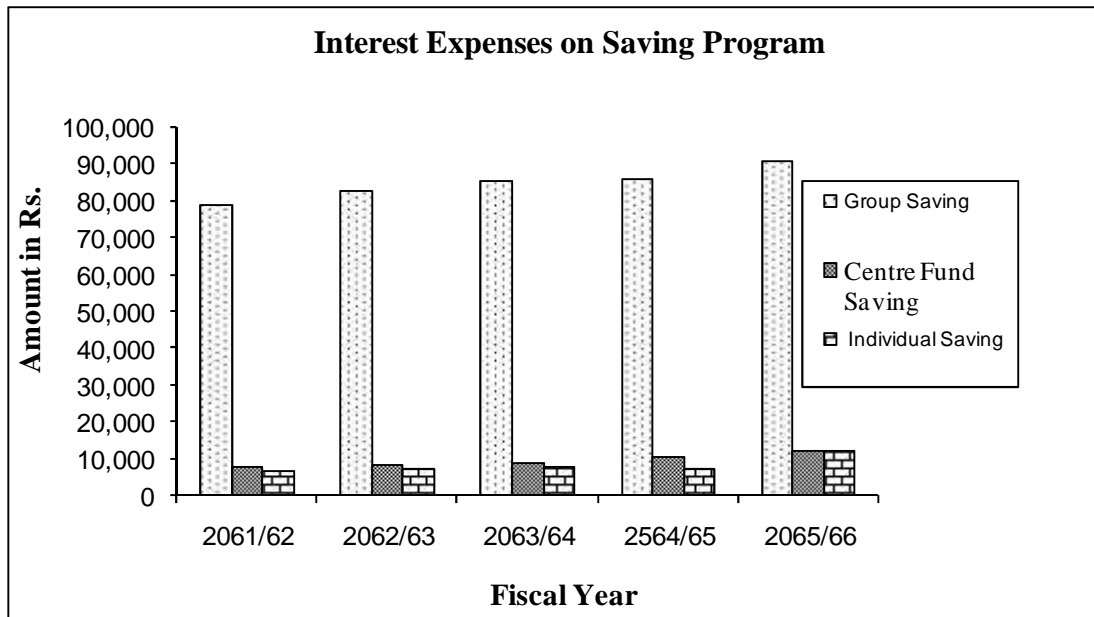
| Fiscal Year | Total | | Group Saving | | Centre Fund Saving | | Individual Saving | |
|----------------|----------------|--------------|----------------|--------------|--------------------|--------------|-------------------|--------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 2061/62 | 92,291 | 18.21 | 78,560 | 18.62 | 7,245 | 15.83 | 6486 | 16.55 |
| 2062/63 | 96,921 | 19.12 | 82,215 | 19.48 | 7,874 | 17.21 | 6832 | 17.43 |
| 2063/64 | 101,027 | 19.93 | 85,038 | 20.16 | 8,738 | 19.09 | 7251 | 18.50 |
| 2064/65 | 102,618 | 20.25 | 85,470 | 20.26 | 10,136 | 22.15 | 7012 | 17.89 |
| 2065/66 | 113,983 | 22.49 | 90,600 | 21.48 | 11,773 | 25.72 | 11610 | 29.63 |
| Total | 506,840 | 100.0 | 421,883 | 100.0 | 45,766 | 100.0 | 39,191 | 100.0 |
| % Total | 100.00 | | 83.24 | | 9.03 | | 7.73 | |

Source: SFCL Devdaha.

The above table shows the interest expenses on saving of SFCL group members in last five fiscal years. The overall total interest expenses on different saving programs were Rs 506,840. There was greatest interest expenses on group saving was 83.24% and smallest interest expenses on individual saving was 7.73% in overall. The interest expenses were increased in last five year. It shows the saving habit of the respondents was increased after entering the program.

The above interest expenses on different saving programs can be shown in following figure 4.7.

Figure 4.7



4.3 Lending Activities

Loan disbursement repayment, outstanding etc are related to lending activities of SFCL member. Loan disbursement to the targeted people is significant for reaching aspect of the livelihood upliftment. The implementing SFCL selects an appropriate enterprise to the targeted member according to their choice and recommend them for loan on the basis of group decision. The responsibility of operating business and repayment of loan with interest lies on the borrowers of

SFCL. However the capacity of loan repayment depends on the performance of member and the income earning from the programs of SFCL.

The main loan activities of SFCL are micro business and micro enterprise. Micro business loan is for small business activities which don't need collateral. But in micro enterprise loan collateral is needed sometimes. Both of these activities consist of retail business, agriculture, industry, foreign employment, bio-gas, buffalo keeping, goat keeping, poultry farming etc. According to survey of SFCL Devdaha, about 91 % of loan is recovery on time but about 9 % is difficult to recover on time due to different problems. From the report of SFCL, there are 123 number of weak loan, 7 number of doubtful loan and 1 number of bad loans. There are altogether 874 loan numbers. Bad loan is such a loan which is not paid by members in group of SFCL.

4.3.1 Loan Disbursement of SFCL

SFCL distributes loan on different programs such as micro business loan, micro enterprise loan 'Ka' and 'Kha'. The state of loan disbursement by SFCL Devdaha in fiscal years 2061/62 to 2065/66 is presented in table 4.8.

Table 4.8
Loan Disbursement of SFCL

(In Rs.)

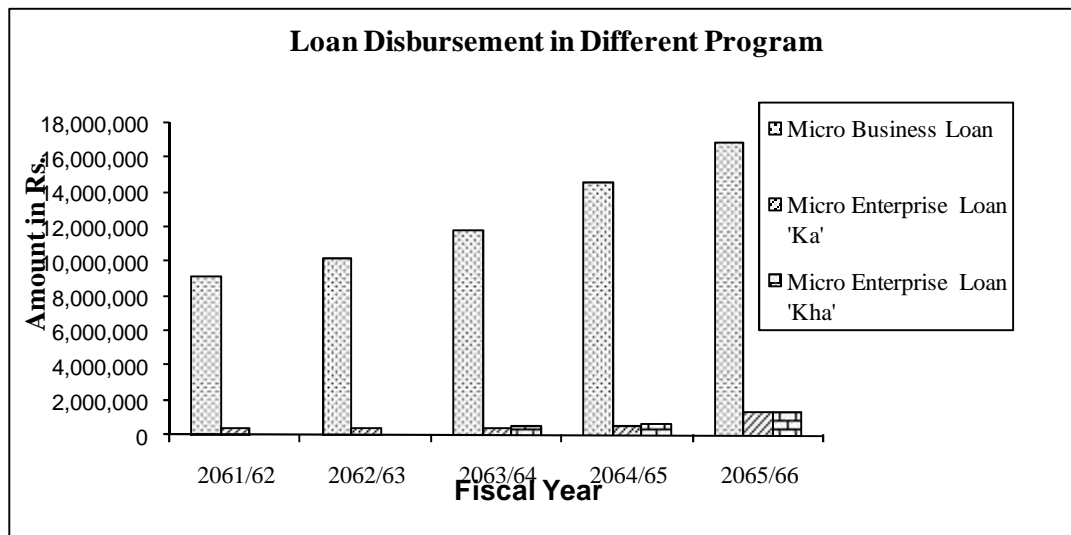
| Fiscal Years | Total | | Micro Business Loan | | Micro Enterprise Loan 'Ka' | | Micro Enterprise Loan 'Kha' | |
|----------------|-------------------|---------------|---------------------|---------------|----------------------------|---------------|-----------------------------|---------------|
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 2061/62 | 9,469,275 | 13.87 | 9,118,775 | 14.54 | 350,500 | 11.58 | — | 0.00 |
| 2062/63 | 10,668,880 | 16.43 | 10,253,880 | 16.35 | 415,000 | 13.71 | — | 0.00 |
| 2063/64 | 12,781,625 | 17.93 | 11,795,925 | 18.81 | 440,700 | 14.56 | 545,000 | 21.66 |
| 2064/65 | 15,778,260 | 23.12 | 14,615,260 | 23.31 | 530,000 | 17.52 | 633,000 | 25.16 |
| 2065/66 | 19,552,660 | 28.65 | 16,924,660 | 26.99 | 1,290,000 | 42.63 | 1,338,000 | 53.18 |
| Total | 68,250,700 | 100.00 | 62,708,500 | 100.00 | 3,026,200 | 100.00 | 2,516,000 | 100.00 |
| Total % | | 100 | | 91.88 | | 4.43 | | 3.69 |

Source: SFCL Devdaha.

The upper table shows the distribution of loan to the member of SFCL Devdaha in last five years. There are three kinds of loan. The overall total loan distribution in last five years was Rs 68,250,700. In fiscal years 2061/62 and 2062/63 there was no micro enterprise loan 'Kha'. The loan distribution on each program was increasing in last five years. Thus, the study shows that the habit of the respondents was increasing to bring loan to invest their business after intervention in SFCL program.

Following figure 4.8 also clear about loan disbursement by SFCL Devdaha in different fiscal years in different heading.

Figure 4.8



4.3.2 Loan Recovery and Outstanding

Loan recovery on time from different heading is one of the important parts of the lender. But according to SFCL report overall recovery is shown. So the state of loan recovery and outstanding is presented in table 4.9.

Table 4.9
Loan Recovery and Outstanding
(In Rs.)

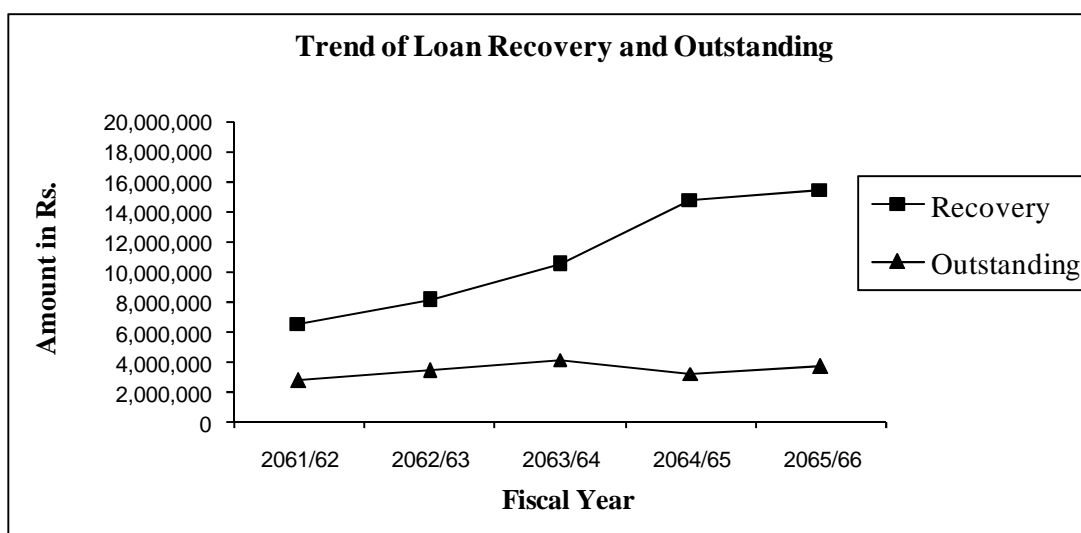
| Fiscal Years | Recovery | | Outstanding | |
|--------------|-------------------|---------------|-------------------|---------------|
| | Amount | % | Amount | % |
| 2061/62 | 6,589,645 | 11.85 | 2,756,546 | 15.82 |
| 2062/63 | 8,151,924 | 14.66 | 3,446,542 | 19.78 |
| 2063/64 | 10,523,872 | 18.93 | 4,187,243 | 24.03 |
| 2064/65 | 14,854,856 | 26.72 | 3,264,581 | 18.74 |
| 2065/66 | 15,482,793 | 27.84 | 3,767,422 | 21.63 |
| Total | 55,603,090 | 100.00 | 17,422,334 | 100.00 |

Source: SFCL Devdaha.

The above table shows the amount and percentage of loan recovered by SFCL Devdaha from groups of member in different fiscal years. It also shows the outstanding loan of SFCL in different fiscal years. The total loan recovery in last five year was Rs 55,603,090. The trend of loan recover has been on the rise and has reached that maximum in the latest year i.e. Rs 15,482,793. The outstanding loan has also recorded an increased trend except FY 2064/65.

The table 4.9 can also be presented by figure to make clear about the recovery and outstanding loan of SFCL Devdaha.

Figure 4.9



4.3.3 Number of member Taking Loan

Most of the members were not financially sufficient. So, they were taking loan to run their livelihood and also to earn some money. Following table presents the numbers of women taking loan before and after involvement in SFCL activities.

Table 4.10

Number of Member Taking Loan

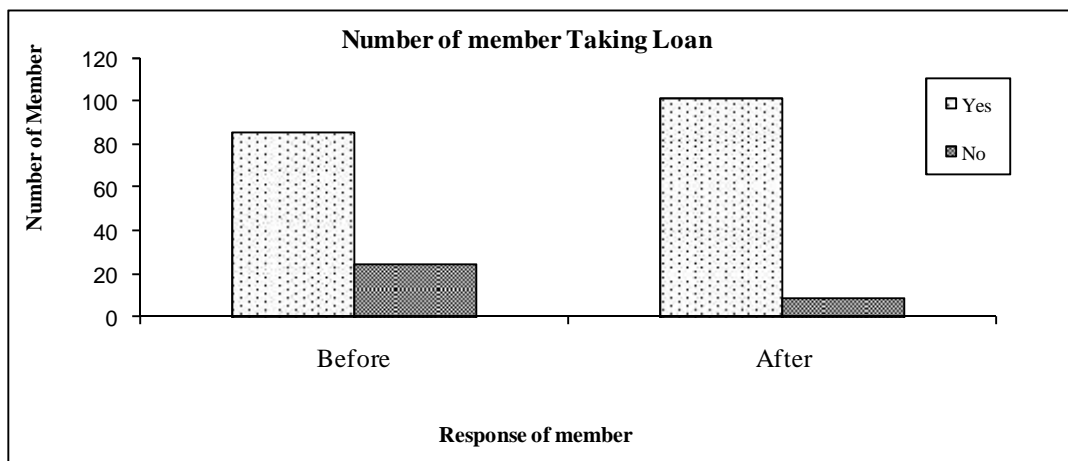
| Before | | Description | After | | % Increase/ Decrease |
|---------------|------------|--------------|------------|---------------|-------------------------|
| % | Number | | Number | % | |
| 77.48 | 86 | Yes | 102 | 91.89 | 14.41 |
| 22.52 | 25 | No | 9 | 8.11 | (14.41) |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

Table 4.10 shows the comparative picture of loan takes before and after involvement of SFCL program. Out of 111 sample member, 86 members were taking loan but after entering of the program 102 member were taking loan. In overall, there was 14.41 percent increase in member's number of taking loan.

The above table 4.10 can be shown in following graphical figure which makes us clear, meaningful, understandable of above data.

Figure 4.10



4.3.4 Sectors of Loan Utilization

There are various sectors of taking loan by member from SFCL programs. The following table presents the number and percent of member involved in various sectors of SFCL while taking loan.

Table 4.11

Sectors of Loan Utilization

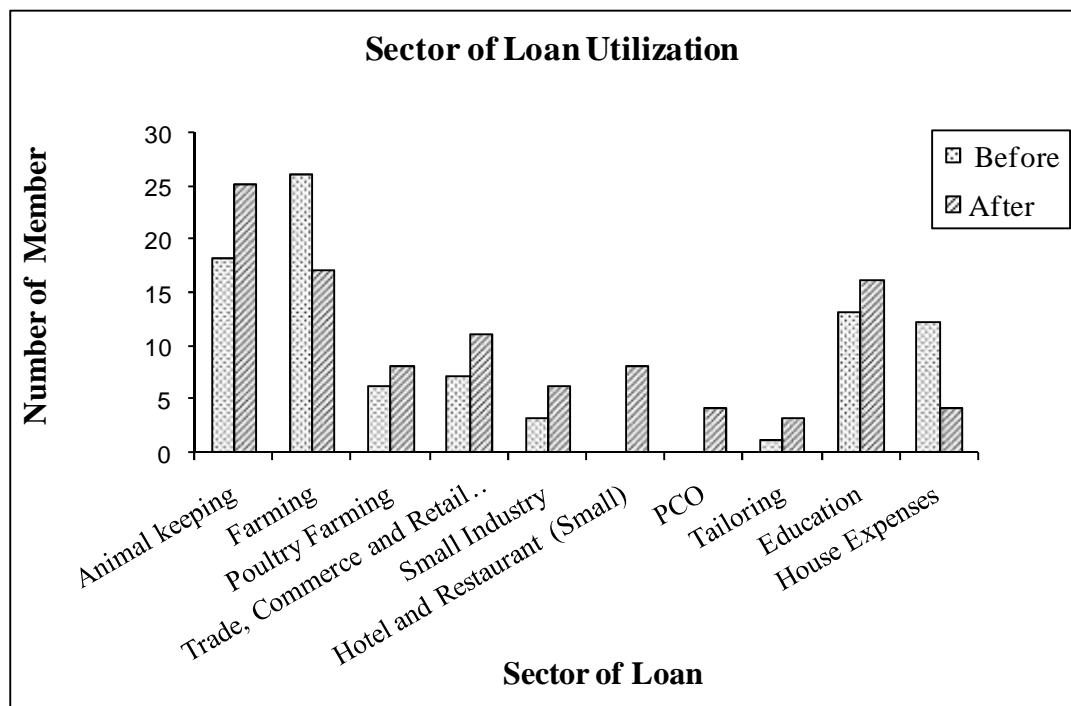
| Before | | Sectors | After | | %Increase / Decrease |
|---------------|-----------|--------------------------------|------------|---------------|----------------------|
| % | Numbers | | Numbers | % | |
| 20.93 | 18 | Animal keeping | 25 | 24.51 | 3.58 |
| 30.23 | 26 | Farming | 17 | 16.67 | (13.56) |
| 6.98 | 6 | Poultry Farming | 8 | 7.84 | 0.86 |
| 8.14 | 7 | Trade/Commerce/ Retail Shop | 11 | 10.79 | 2.65 |
| 3.49 | 3 | Small Industry | 6 | 5.88 | 2.39 |
| 0.00 | 0 | Hotel and Restaurant | 8 | 7.84 | 7.84 |
| 0.00 | 0 | PCO | 4 | 3.92 | 3.92 |
| 1.16 | 1 | Tailoring | 3 | 2.94 | 1.78 |
| 15.12 | 13 | Education | 16 | 15.69 | 0.57 |
| 13.95 | 12 | House Expenses | 4 | 3.92 | (10.03) |
| 100.00 | 86 | Total | 102 | 100.00 | |

Source: Field Survey, 2011.

Above table shows that the sample people involved in different types of economic activities before and after entering into SFCL programs. Out of total borrowers of sample survey, about one-half were involved in agriculture (i.e. animal keeping, farming and poultry farming) and rest in other different programs. After launching the program people who were utilized loan in farming and house expenses has been decreased by 13.56% and 10.03% respectively and utilized loan in rest sectors has been increased. There were no people utilized loan in hotel & restaurant and PCO before entering the program.

Table 4.11 can be presented by figure to make clear about member's borrowing in different sectors.

Figure 4.11



4.3.5 Pattern of Paying Loan

Sample of people were taken who are involved in borrowing of loan for repayment pattern. The following table 4.12 presents the member's response on

repayment of loan which was taken by people before and after entering into SFCL programs.

Table 4.12
Pattern of Paying Loan

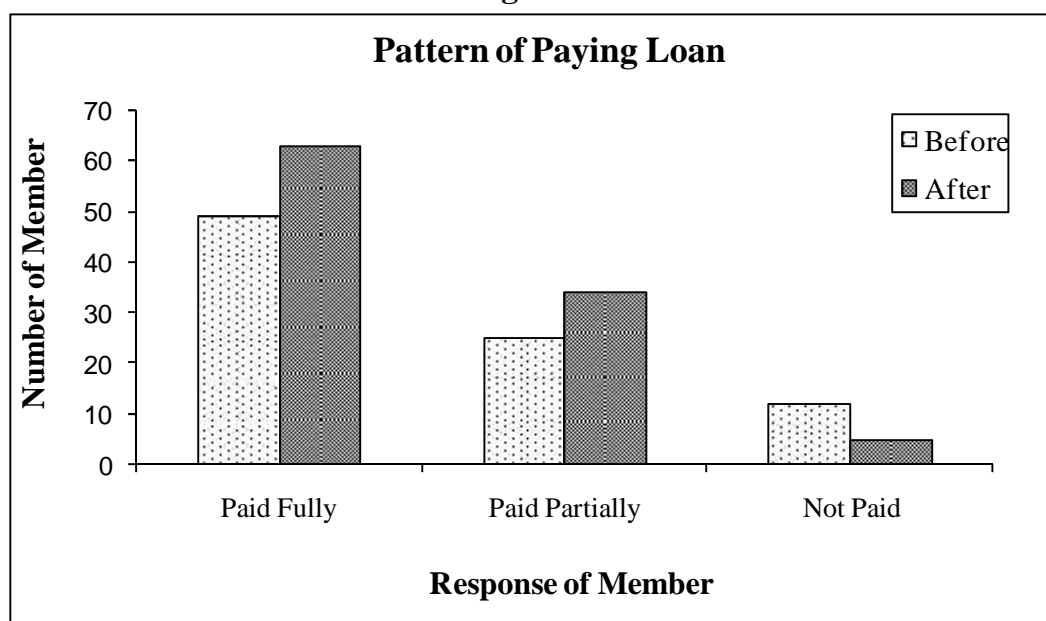
| Before | | Description | After | | %Increase/ Decrease |
|--------|-----------|----------------|------------|---------------|------------------------|
| % | Numbers | | Numbers | % | |
| 56.98 | 49 | Paid Fully | 63 | 61.76 | 4.78 |
| 29.07 | 25 | Partially Paid | 34 | 33.33 | 4.26 |
| 13.95 | 12 | Not Paid | 5 | 4.91 | (9.04) |
| 100.00 | 86 | Total | 102 | 100.00 | |

Source: Field Survey, 2011.

Table 4.12 shows that the response of people on repayment of taken loan before and after entering in to SFCL program. In overall, there were 9.04 % of member decreases in not paying loan.

The graphical presentation of table 4.12 is given below to make clear, meaningful and understandable of above data.

Figure 4.12



4.3.6 Condition of Business which is Running from Loan

Women are doing business from the loan which was taken from SFCL Devdaha. They were also doing business from loan prior to entering SFCL. So, following table 4.13 presents the condition of business which was running by them from loan.

Table 4.13

Condition of Business which is Running from Loan

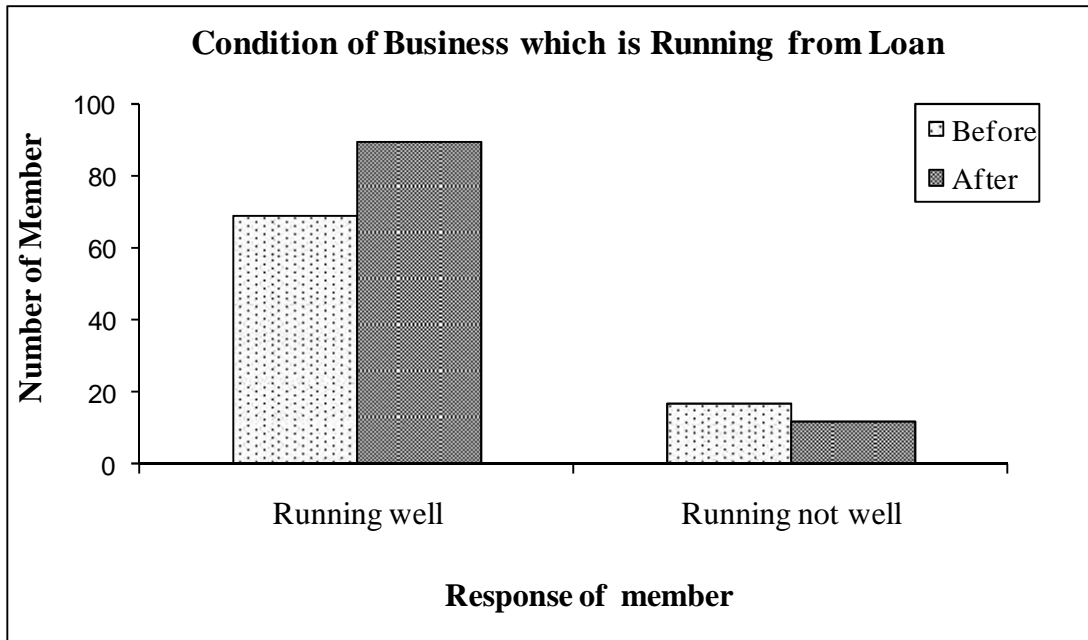
| Before | | Description | After | | %Increase/ Decrease |
|---------------|----------------|--------------------|----------------|---------------|--------------------------------|
| % | Numbers | | Numbers | % | |
| 80.23 | 69 | Running well. | 90 | 88.24 | 8.01 |
| 19.77 | 17 | Running not well | 12 | 11.76 | (8.01) |
| 100.00 | 86 | Total | 102 | 100.00 | |

Source: Field Survey, 2011.

The above table shows the condition of business which is running well or not before and after entering into SFCL and doing by borrowing loan. The study recorded that there was about 8% change in number of people who has been running their business well after entering the program

The above table 4.13 can be shown in graphical figure 4.13 which makes us clear, meaningful and understandable of above data.

Figure 4.13



4.4 Investment and Income

Investment is using fund to raise more funds. The fund which is generated from investment is income. So, money is invested in the form of loan at certain percentage of interest. Loan is recovered with interest after certain period of time. Fund without investment is useless. This fund investment is playing greater role to increase the livelihood of member of SFCL program.

4.4.1 Income from Investment

Income and investment are interrelated. Without investment there is no income and without income there is no investment. Following table shows the response of people getting income from loan investment of SFCL and before SFCL programs. Table 4.13 also makes clear about number of people and percentage of people getting income from investment.

Table 4.14**Income from Investment**

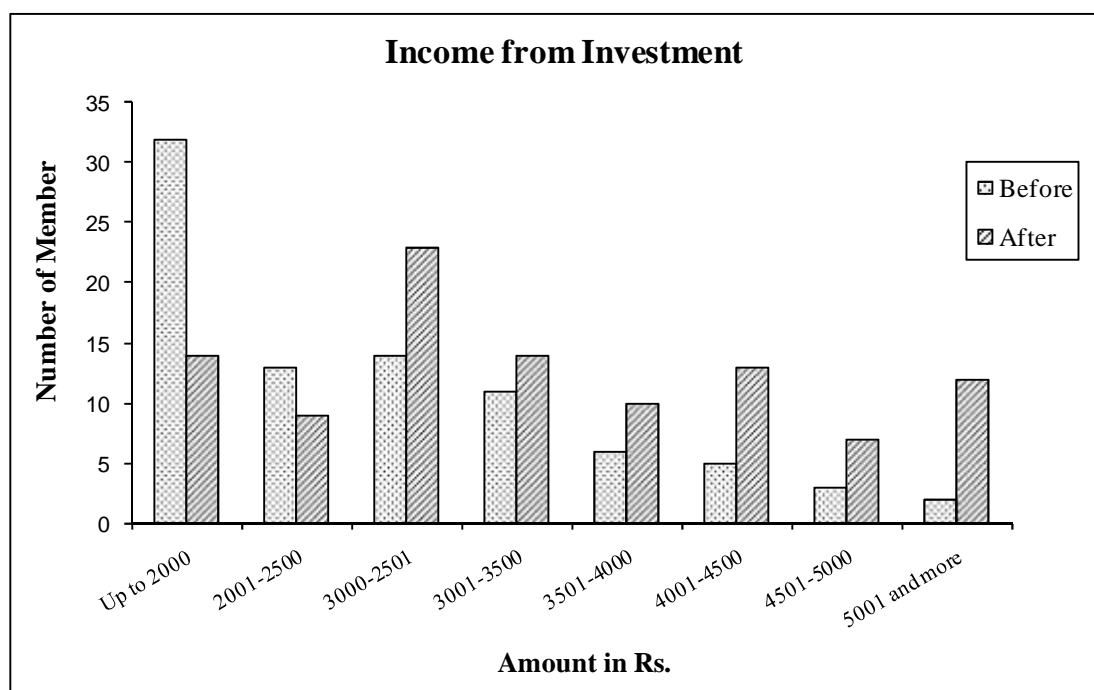
| Before | | Income Per Month (Rs.) | After | | %Increase /Decrease |
|---------------|---------------|-------------------------------|---------------|---------------|----------------------------|
| % | Number | | Number | % | |
| 37.21 | 32 | Up to 2000 | 14 | 13.73 | (23.77) |
| 15.12 | 13 | 2001-2500 | 9 | 8.82 | (4.72) |
| 16.28 | 14 | 2501-3000 | 23 | 22.55 | 9.62 |
| 12.79 | 11 | 3001-3500 | 14 | 13.73 | 2.27 |
| 6.98 | 6 | 3501-4000 | 10 | 9.80 | 1.47 |
| 5.81 | 5 | 4001-4500 | 13 | 12.75 | 5.46 |
| 3.49 | 3 | 4501-5000 | 7 | 6.86 | 2.69 |
| 2.32 | 2 | 5001 and more | 12 | 11.76 | 9.68 |
| 100.00 | 86 | Total | 102 | 100.00 | |

Source: Field Survey, 2011.

Above table shows that there is a remarkable change in income of the respondents after entering the program. Prior to the entering the program there was about 37% of the respondents earning up to Rs. 2000 and only about 2% of them earned more than Rs. 5000. But after intervention to the program, earning power of more amount of the respondents has been increased. It was found during our discussion that the member having entrepreneurship skills earned more. Some of the members are engaged in hotel business. During the field survey, it was found that there was good income in hotel business due to the high demand for alcohol and non-vegetable dishes. An attractive profit margin existed in the sale of such items.

The above table 4.14 can be presented in graphical figure which is given below.

Figure 4.14



4.4.2 Interest Recovery

Recovery is important part of investment. It is worthless of investment without recovery. The state of interest recovery situation of loan disbursement by SFCL is presented in table 4.15

Table 4.15
Interest Recovery Situation
(In Rs.)

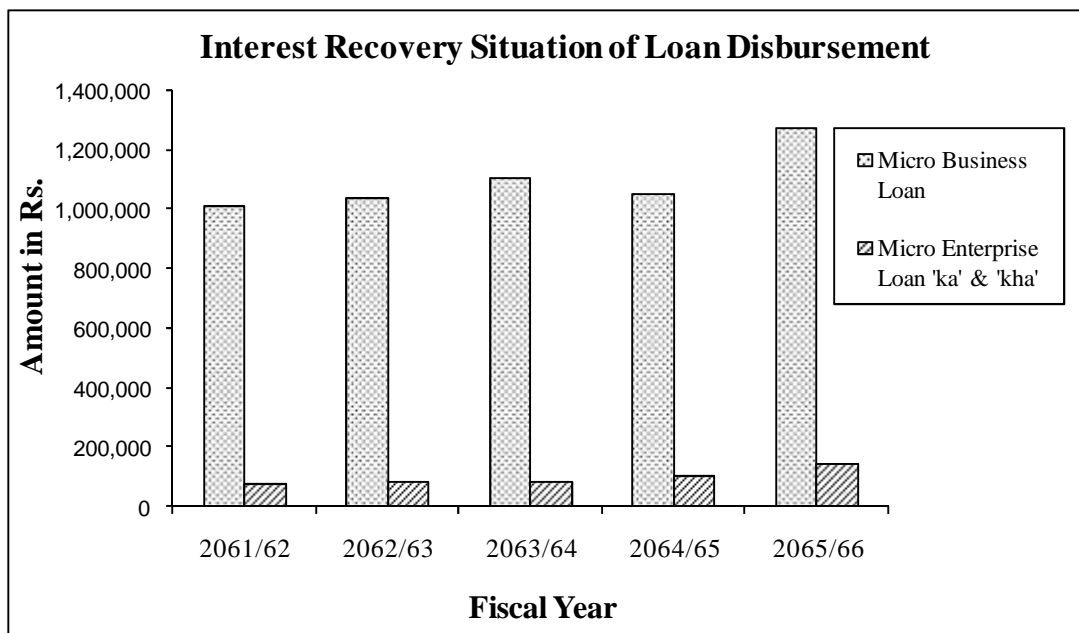
| Fiscal Years | Micro Business Loan | | Micro Enterprise Loan 'Ka' & 'Kha' | |
|--------------|---------------------|--------|------------------------------------|--------|
| | Amount | % | Amount | % |
| 2061/62 | 1,013,655 | 18.43 | 76,812 | 15.54 |
| 2062/63 | 1,042,523 | 18.96 | 81,585 | 16.51 |
| 2063/64 | 1,110,545 | 20.19 | 86,651 | 17.53 |
| 2064/65 | 1,056,257 | 19.20 | 103,483 | 20.94 |
| 2065/66 | 1,277,086 | 23.22 | 145,709 | 29.48 |
| Total | 5,500,066 | 100.00 | 494,240 | 100.00 |

Source: SFCL Devdaha

The above table shows the interest recovery in different fiscal years from micro business loan and from micro enterprise loan 'Ka' and 'Kha' both. The trend of interest recovery in both heading has been on the rise and reached the maximum in the latest year i.e. Rs 1,277,086 and Rs 145,709 in micro business loan and micro enterprise loan 'Ka' and 'Kha' respectively. So, interest recovery situation was relatively favorable.

The above table of interest recovery situation can also be shown in figure. The graphical presentation is given below.

Figure 4.15



4.4.3 Amount Invested by Respondents

Loan taken by people was invested in different sectors before and after entering into SFCL programs. The following table presents that the respondents were invested their taken loan.

Table 4.16

Amount Invested by Respondents

| Before | | Amount in Rs. | After | | %Increase/ Decrease |
|---------------|----------------|----------------------|----------------|---------------|--------------------------------|
| % | Numbers | | Numbers | % | |
| 25.58 | 22 | 0-10,000 | 18 | 17.65 | (7.93) |
| 20.93 | 18 | 10,000-20,000 | 21 | 20.59 | (0.34) |
| 18.60 | 16 | 20,000-30,000 | 17 | 16.67 | (1.93) |
| 12.79 | 11 | 30,000-40,000 | 18 | 17.64 | 4.85 |
| 13.96 | 12 | 40,000-50,000 | 17 | 16.67 | 2.71 |
| 8.14 | 7 | 50,000-60,000 | 9 | 8.82 | 0.68 |
| 0.00 | 0 | 60,000 & more | 2 | 1.96 | 1.96 |
| 100.00 | 86 | Total | 102 | 100.00 | |

Source: Field Survey, 2011.

| | Before | After | Result |
|-------------|---------------|--------------|---------------|
| Mean income | 24,302 | 27,941 | Increased |
| C.V | 26.63 % | 19.89% | Decreased |

(Appendix-II)

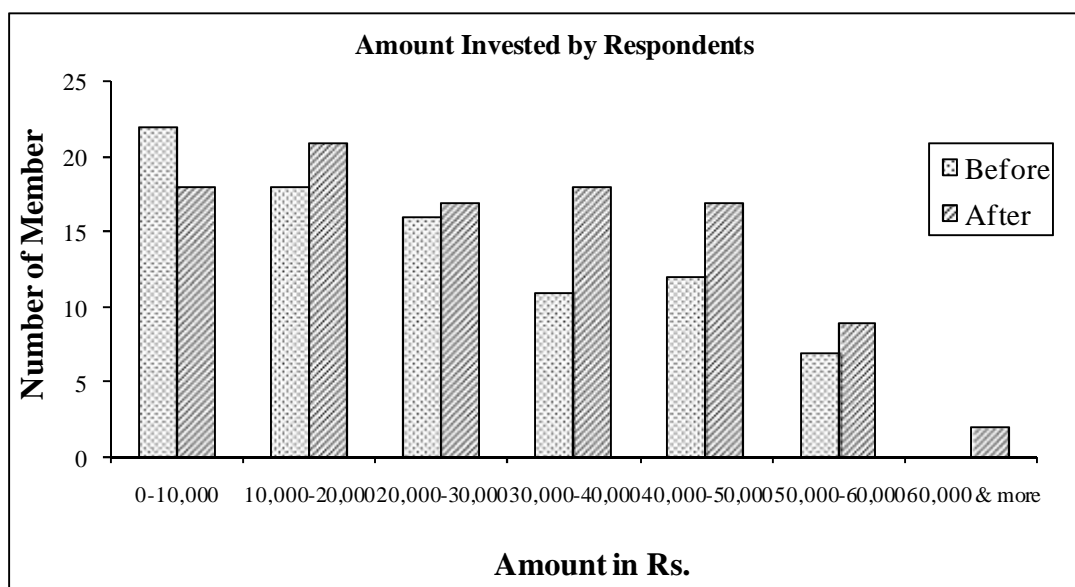
The above table 4.16 shows the amount invested by the respondents in different sectors before and after involvement in SFCL programs. Mean investment by the respondents in different sectors after entering the program is increased to Rs 27,941 from Rs 24,302 and C.V. is decreased to 19.89% from 26.63%. This gives positive result to us.

The highest number of member i.e. 22 were investing amount between Rs 0 to 10,000 before entering into SFCL programs and 18 member were investing same amount after involving in SFCL program. There was increased in number

of member who investing high loan amount after entering the program. This is because people can earn more money after entering the program.

The above table 4.16 can be shown in graphical figure 4.16 which makes us clear, meaningful and understandable of above data.

Figure 4.16



4.4.4 Monthly Income of the Member

Income of people was varying in SFCL Devdaha. Some members were rich and some were poor. The following table presents the monthly income of the member before and after involvement in SFCL programs.

Table 4.17**Monthly Income of member**

| Before | | Income Range in Rs. | After | | % Increase/ Decrease |
|---------------|------------|------------------------|------------|---------------|-------------------------|
| % | Numbers | | Numbers | % | |
| 35.65 | 41 | 0-5,000 | 33 | 31.69 | (3.96) |
| 27.72 | 33 | 5,000-10,000 | 29 | 25.74 | (1.98) |
| 16.83 | 19 | 10,000-15,000 | 24 | 20.79 | 3.96 |
| 11.88 | 11 | 15,000-20,000 | 15 | 12.87 | 0.99 |
| 7.92 | 7 | 20,000 & more | 10 | 8.91 | 0.99 |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

| | Before | After | Result |
|-------------|---------|--------|-----------|
| Mean income | 8,446 | 9,770 | Increased |
| C.V | 20.48 % | 17.71% | Decreased |

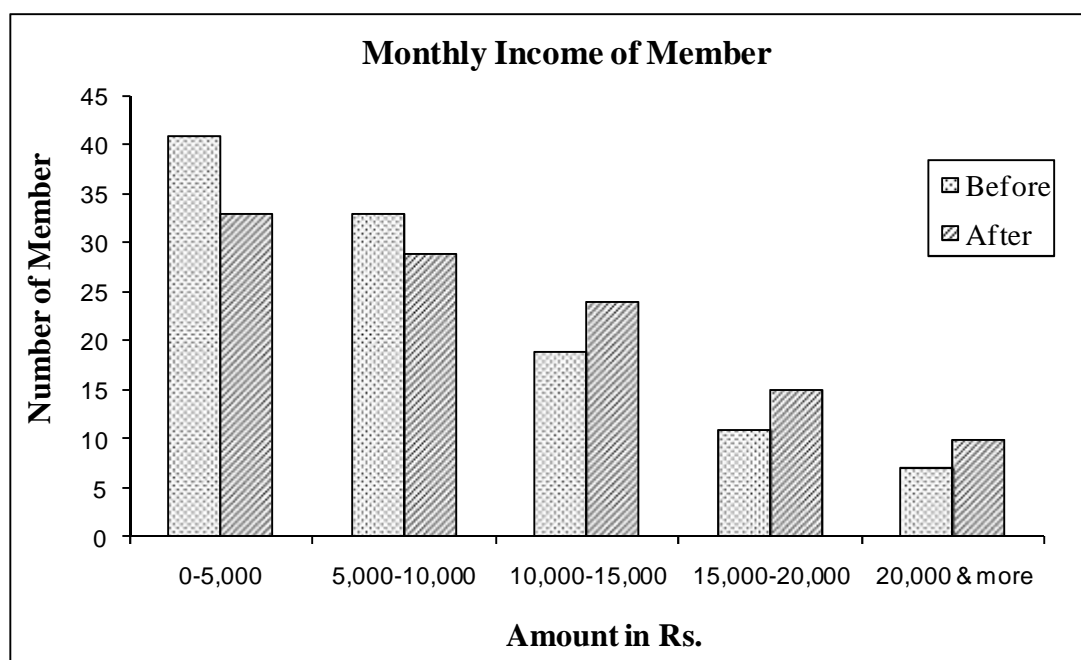
(Appendix- III)

Above table 4.17 shows the monthly income of member in different range before and after entering SFCL programs. From the above table shows the positive impact. Mean income of the respondents after entering the program is increased to Rs 9,770 and C.V. is decreased to 17.71% which gives positive result to us.

Around one-third member were earning between Rs 0 to 5000 before and after the program. The highest income i.e. Rs 20,000 & more were earning by 7 & 10 member before and after the program respectively. There was increase in numbers and percentage of people which were earning high income after entering the program. During the field survey, it was found that there was good income in hotel and restaurant because they used to sell meat items and alcohol which was in high demand and high profit margin.

The above table can be presented in graphical figure which is as follows.

Figure 4.17



4.5 Response of Poorest Member

Poverty is deep-rooted in Nepalese society. Especially villagers' people are always doing household activities and far from outdoor fund raising activities. So, these activities of SFCL are benefited for the member to raise and save small money. Poor people who are lack of food, shelter and money will be benefited if they join SFCL programs. Because collateral is not necessary to take loan from SFCL. They should be in group members and can take loan. After investing that money they will be benefited.

4.5.1 Category of Member

There is different level of people in every society. Some are very rich, some are very poor and some are medium range. In this research study the category of member are categorized on the basis of their response, field observation, asking questionnaire, observing their economic condition etc. member who have few source of income and few monthly are categorized as very poor member. Member who has little land to cultivate crops and monthly income of around Rs 1,000 are categorized as poor member. Member who have monthly income

around Rs 5,000 are categorized as rich member. Who have sufficient land; more sources of income, monthly net income of more than Rs 15000 are categorized as very rich member. The field survey shows the following level of the respondents in Devdaha. But from survey the numbers of member who are very rich were not found. Following table presents the status of member in field survey.

Table 4.18

Category of Member

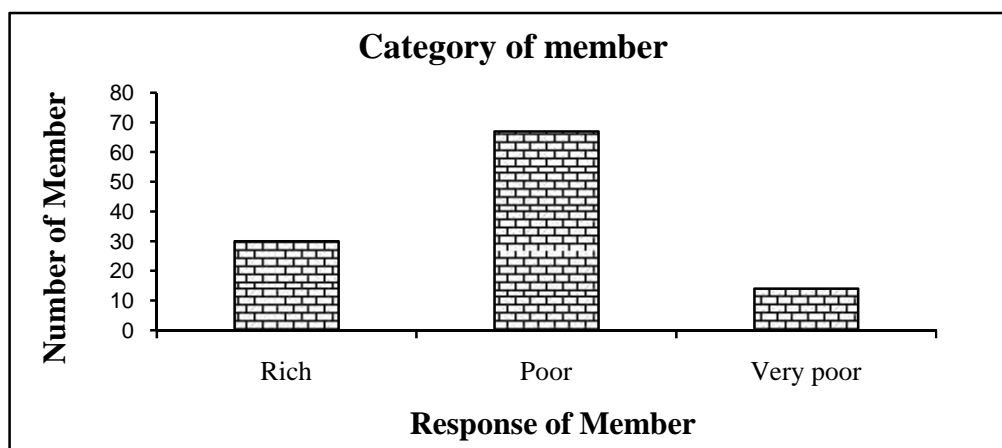
| Description | Number | % |
|--------------------|---------------|---------------|
| Rich | 30 | 27.03 |
| Poor | 67 | 60.36 |
| Very poor | 14 | 12.61 |
| Total | 111 | 100.00 |

Source: Field Survey, 2011.

Table 4.18 shows the number and percent of member which have different economic status. Out of 111 respondents there were 14 members very poor, 67 member poor and 30 member rich. But no members were found who said that they are very rich in sample survey. So, more than 60 percent of the respondents found that they are on category of poor member.

Table 4.18 can be shown in the following figure 4.18.

Figure 4.18



4.5.2 Future Program Needed to Uplift the Livelihood of Poor member

There are some programs which are needed to uplift the livelihood of poor member. There are different perceptions of member about different programs which are needed for them. Following table 4.19 presents the different facilities needed for poor member

Table 4.19

Future Programs for Poor Member

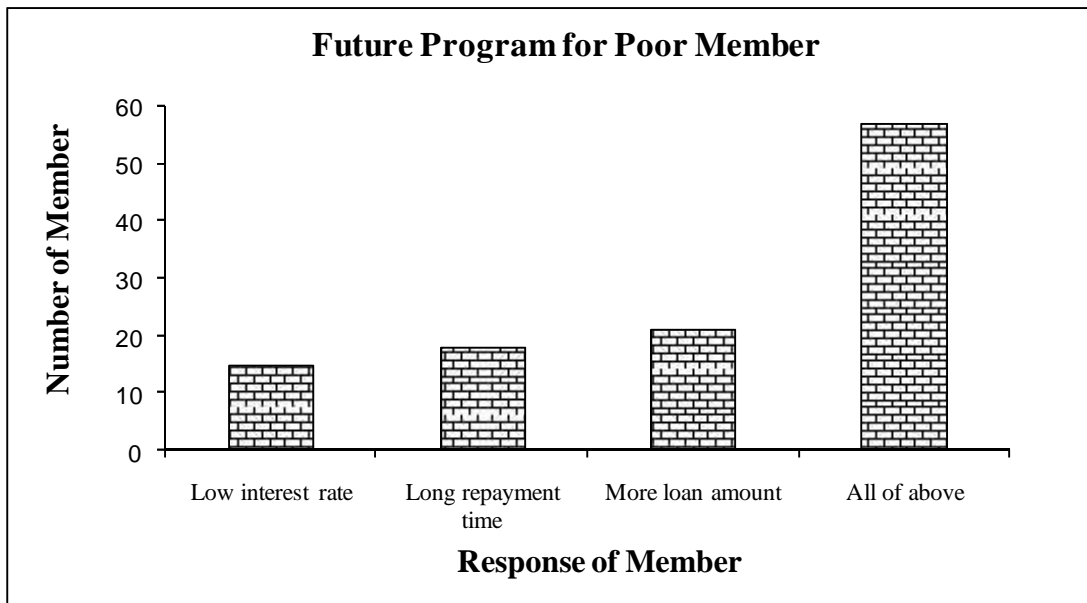
| Description | Number | % |
|---------------------|---------------|---------------|
| Low interest rate | 15 | 13.51 |
| Long repayment time | 18 | 16.22 |
| More loan amount | 21 | 18.92 |
| All of above | 57 | 51.35 |
| Total | 111 | 100.00 |

Source: Field Survey, 2011.

Table 4.19 shows the number and percentage of member's perception which have needed different facilities from the bank to run their livelihood. More than fifty percent of the respondents recorded to prefer low interest rate, long repayment time and more loan amount for their livelihood uplift.

The above table 4.19 can be shown in following graphical figure which makes us clear, meaningful and understandable of above data.

Figure 4.19



4.6 Profile of the Respondent

From the profile of respondent it has been found that the program has benefited to all the borrowers. For the purpose of study, perception of the sample member towards the program with respect to education level, age structure, ethnic group, priority sector, confidence of member etc are shown:

4.6.1 Education Level

Education is most important thing all over the world. Therefore it is lamp of the world. Following table presents the education level and their perception of sample member.

Table 4.20

Response on the Education Level of Sample member

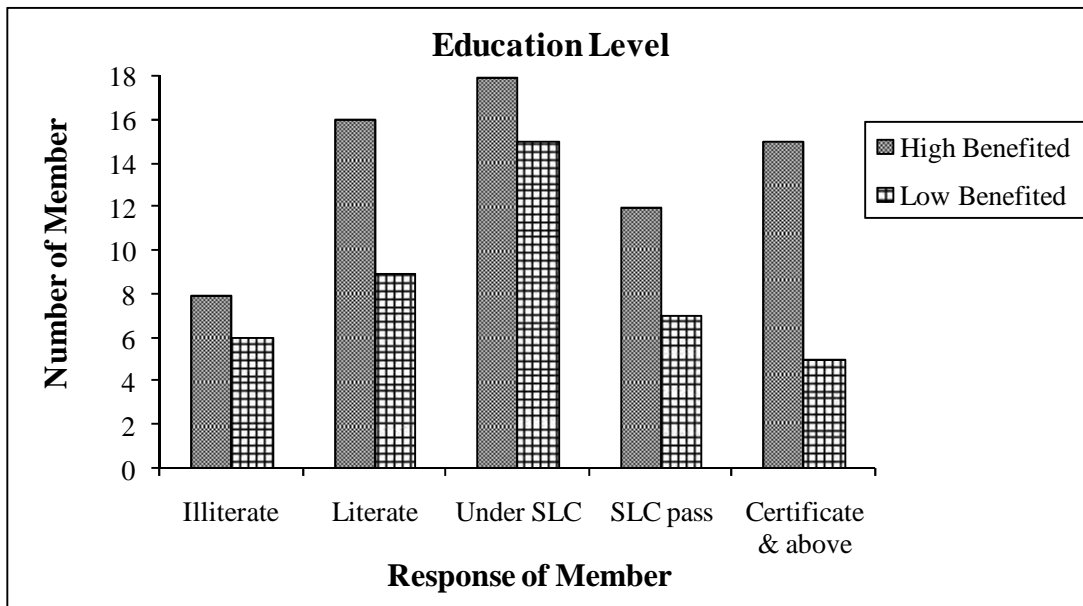
| Education Level | Perception toward the Program | | Total | |
|------------------------|--------------------------------------|----------------------|---------------|---------------|
| | High Benefited | Low Benefited | Number | % |
| Illiterate | 8 (57.14%) | 6 (42.86%) | 14 | 12.61 |
| Literate | 16 (64%) | 9 (36%) | 25 | 22.52 |
| Under SLC | 18 (54.55%) | 15 (45.45%) | 33 | 29.73 |
| SLC pass | 12 (16.16%) | 7 (36.84%) | 19 | 17.12 |
| Certificate & above | 15 (75%) | 5 (25%) | 20 | 18.02 |
| Total | 69 (62.16%) | 42 (37.84%) | 111 | 100.00 |

Source: Field Survey, 2011.

The above table shows that education level and perception towards the program of the respondents. In totality about 87% respondents were literate. Higher the education level higher degree of satisfaction from the program has been experience and vice-versa.

Above table 4.20 can be presented in the following figure.

Figure 4.20



4.6.2 Age Structure

In the research study it has been found that the age structure of member was in between 20 to 62 years and all were married. It has been presented in the following table.

Table 4.21
Response on the Age Structure of Sample Member

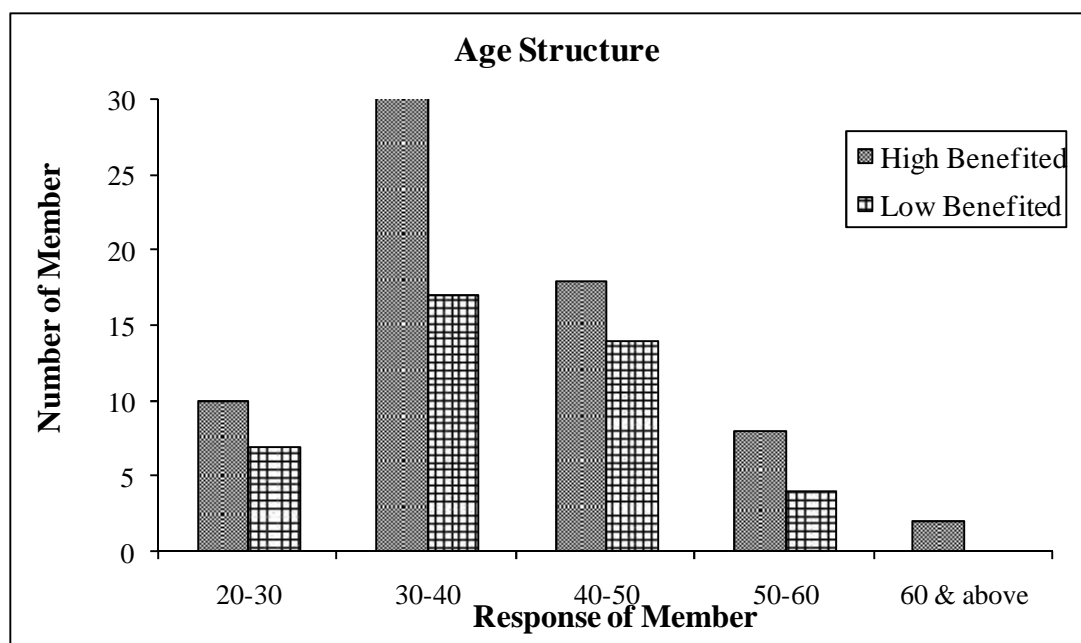
| Age Structure | Perception toward the Program | | Total | |
|---------------|-------------------------------|--------------------|------------|---------------|
| | Highly Benefited | Low Benefited | Number | % |
| 20-30 | 10 (58.82%) | 7 (41.18%) | 17 | 15.32 |
| 30-40 | 31 (64.58%) | 17 (35.42%) | 48 | 43.24 |
| 40-50 | 18 (65.63%) | 14 (34.37%) | 32 | 28.83 |
| 50-60 | 8 (66.67%) | 4 (33.33%) | 12 | 10.81 |
| 60 & above | 2 (100%) | - | 2 | 1.80 |
| Total | 69 (62.16%) | 42 (37.84%) | 111 | 100.00 |

Source: Field Survey, 2011.

The above table shows that age structure and perception towards the program of the respondents. Higher the age structure higher degree of satisfaction from the program has been recorded and vice-versa.

The above table 4.21 can be shown in the following figure also.

Figure 4.21



4.6.3 Ethnic Group

Generally, the respondents were divided in three ethnic groups on field survey according to their cast status. The following table presents the ethnic group of people and their perception toward benefit.

Table 4.22

Response on Ethnic Group of Sample member

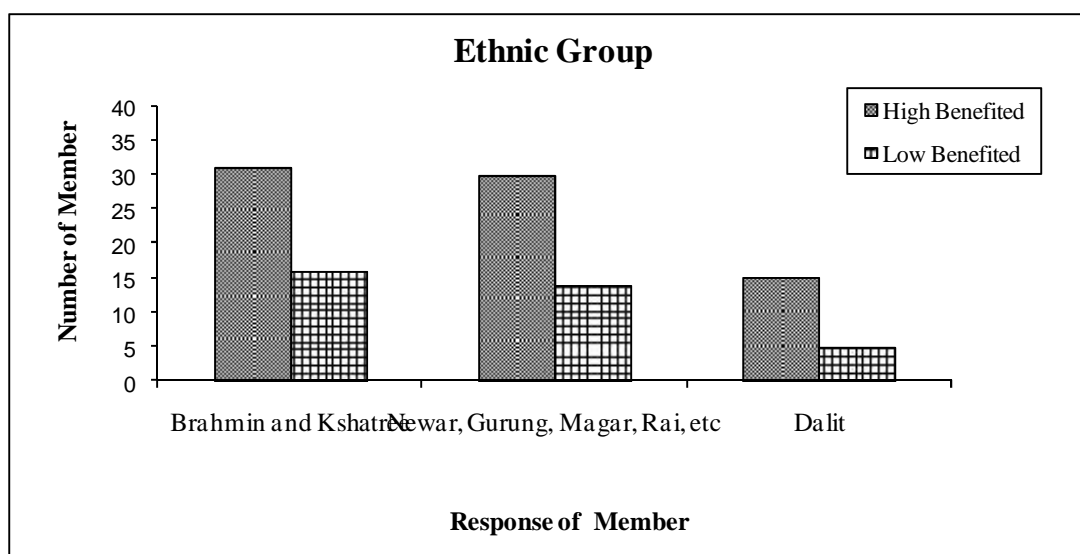
| Ethnic | Perception toward the Program | | Total | |
|---------------------------------|-------------------------------|--------------------|------------|---------------|
| | High Benefited | Low Benefited | Number | % |
| Brahmin and Kshatree | 28 (59.57%) | 19 (40.43%) | 47 | 42.34 |
| Newar, Gurung, Magar, Rai, etc. | 27 (61.36%) | 17 (38.64%) | 44 | 39.64 |
| Dalit | 14 (70.00%) | 6 (30.00%) | 20 | 18.02 |
| Total | 69 (62.16%) | 42 (37.84%) | 111 | 100.00 |

Source: Field Survey, 2011.

Table 4.22 shows that 47 participating member were involved from Bramin and Kshatree, 44 from Newar, Gurung, Magar, Rai, etc. and 20 from Dalit. So, that we can easily say that SFCL program is able to convince different ethnic group people too successfully.

The data is presented in following figure 4.22 also.

Figure 4.22



4.6.4 Priority Sector after Improvement in Economic Condition

Every people have their own interests and future plan. Like this, these SFCL member also have their own future plan to give priority in different sectors after improvement in their economic condition which is presented in the following table 4.23.

Table 4.23
Priority Sector Areas

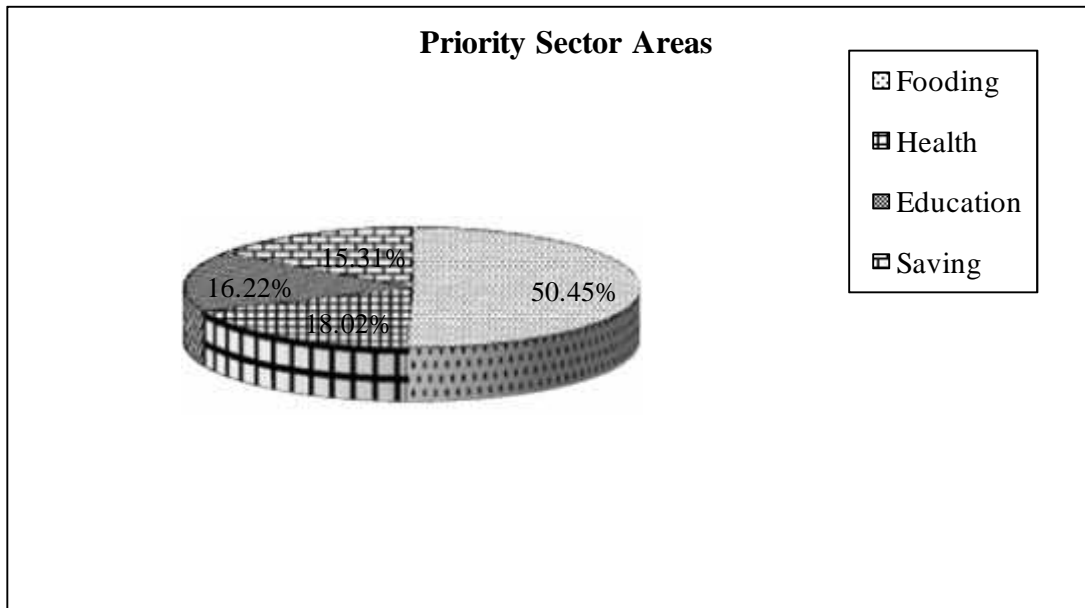
| Sector | Number of member | % |
|--------------|------------------|---------------|
| Fooding | 56 | 50.45 |
| Health | 20 | 18.02 |
| Education | 18 | 16.22 |
| Saving | 17 | 15.31 |
| Total | 111 | 100.00 |

Source: Field Survey, 2011.

Table 4.23 shows the priority sector of participatory people. Main priority sector of people were fooding i.e. about 50% and rest of the other sectors below 20%.

Above table can be shown in following figure 4.23 also

Figure 4.23



4.6.5 Confidentiality of Participating Member

In the research study it has been found that some participating people have maximum confidentiality, some has minimum and some has no confidentiality of becoming successful entrepreneur in future. This status is presented in the following table 4.24.

Table 4.24

Confidentiality of the Participants to Stand Themselves as Successful Entrepreneur in Future

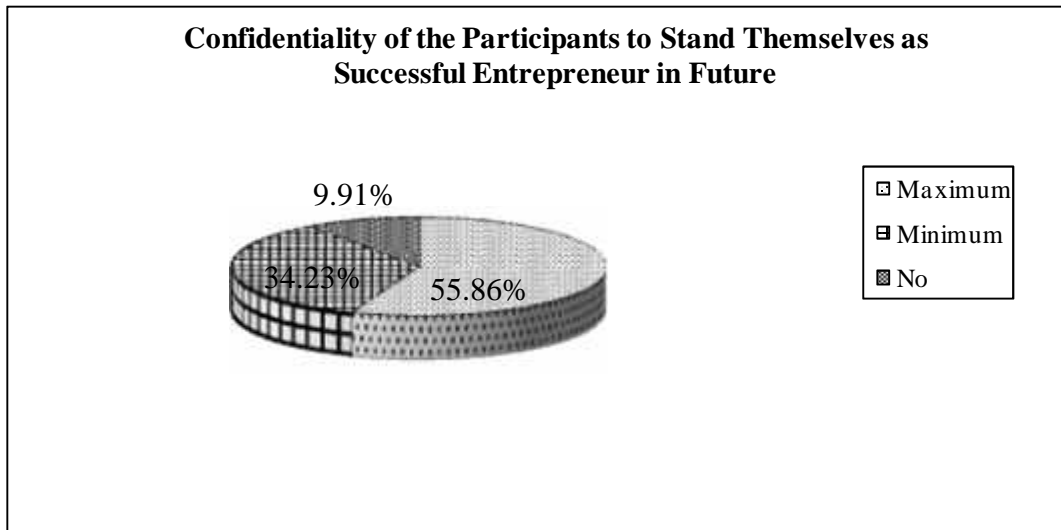
| Description | Number of Member | % |
|--------------|------------------|---------------|
| Maximum | 62 | 55.86 |
| Minimum | 38 | 34.23 |
| No | 11 | 9.91 |
| Total | 111 | 100.00 |

Source: Field Survey, 20 11.

More than half of the respondents recorded high degree of confidence in becoming entrepreneur in the future. About 10% of the respondents response never becomes entrepreneur.

The above table 4.24 can be shown in following figure 4.24.

Figure 4.24



4.6.6 Living Standard of the Respondents Before and After Participating SFCL

Measurement of living standard was not easy. In this study researcher observed and asked about the different aspects that represent their living standard, consumption pattern of food items before and after the intervention of SFCL. Similarly their home appliance Radio, TV, (color black and white), furniture, carpet, cooking fuel (fire wood /gas), schooling of their children (private or public), their clothing pattern etc determine the living stander of people. How much they used to buy in a year? Similarly physical structure of their house also determine their living stander what kind of materials has been using while making house such as reed, zinc, muddy or cemented.

Table 4.25

Living Standard of Respondents Before and After Participating SFCL

| Before | | Description | After | | %Increase / Decrease |
|---------------------------------|------------|---|------------|---------------|----------------------|
| % | Number | | Number | % | |
| Food (Calorie) | | | | | |
| 73.87 | 82 | Low calorie with (rice, dal, vegetable) | 54 | 48.65 | (25.22) |
| 26.13 | 29 | High calorie with (meat, egg, milk) | 57 | 51.35 | 25.22 |
| 100.00 | 111 | Total | | 100.00 | |
| Housing (Roof) | | | | | |
| 20.72 | 23 | Reed (khar) | 12 | 10.81 | (9.91) |
| 72.07 | 80 | Zinc | 76 | 68.47 | (3.60) |
| 7.21 | 8 | Cemented | 23 | 20.72 | 13.51 |
| 100.00 | 111 | Total | 111 | 100.00 | |
| Having TV and Radio | | | | | |
| 37.84 | 42 | Yes | 87 | 78.38 | 40.54 |
| 62.16 | 69 | No | 24 | 21.62 | (40.54) |
| 100.00 | 111 | Total | 111 | 100.00 | |
| Clothing for Children | | | | | |
| 50.45 | 56 | 1pair or less in year | 24 | 21.62 | (28.83) |
| 36.94 | 41 | 2 pair in year | 47 | 42.34 | 5.40 |
| 12.61 | 14 | 3 and more pair in year | 40 | 36.04 | 23.43 |
| 100.00 | 111 | Total | 111 | 100.00 | |
| Schooling their Children | | | | | |
| 78.38 | 87 | Public | 53 | 47.75 | (30.63) |
| 21.62 | 24 | Private | 58 | 52.25 | 30.63 |
| 100.00 | 111 | Total | 111 | 100.00 | |

Source: Field Survey, 2011.

Economists say that poverty can be measured by observing living standard of people. In this research some of those aspects were observed. Food is the most common and fundamental activity of human being. Because of the low income out of 111 respondent 82 were consuming low calorie food items and 29 consumed calorie food items. But during 5-8 year period their low calorie food was added with some extra calorie diet e.g. meat, egg, milk etc. The low caloric groups reduced from 82 to 54 persons.

Similarly, out of 111 respondents, 23, 80 and 8 have reed, zinc and cemented roof house respectively before entering the program. But after 12, 76 and 23 have reed, zinc and cemented house. Therefore, the cemented houses are increased by 13.51% after intervention the program.

There only 42 respondents have TV/radio in the beginning of year. Latter 87 used such items. Most of them were unable to buy necessary clothes for their children at the beginning. After the period of 5-8 years 40 members were able to buy three and more pair of clothes in a year to their children.

The most significant difference after the entering SFCL program was that the most of the members' children used to go private school. Out of 111 respondents 21.62% and 52.25% family's children go to public school before and after respectively. It was remarkable change due to intervention of SFCL. Parents were more aware about their children future regarding quality education.

In short there was significant improvement in living stander of respondents after intervention the program.

4.6.7 Continuing their Business in Future

If people see more profit in future, then they will be motivated to continue their business in coming future. Like this some sample member of SFCL program were motivated to continue their business in future and some are not interested in those activities. Following table 4.27 shows the member's response in continuing their business in future.

Table 4.26

Response of Member as Continuing their Business in future

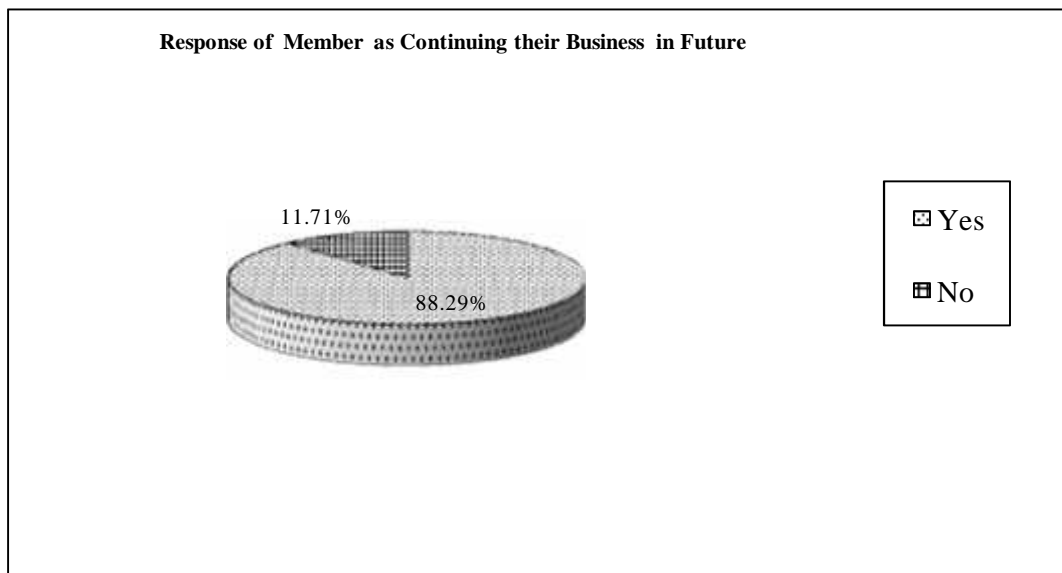
| Description | Number of Member | % |
|--------------------|-------------------------|---------------|
| Yes | 98 | 88.29 |
| No | 13 | 11.71 |
| Total | 111 | 100.00 |

Source: Field Survey, 2011.

Above table 4.26 reveals about the member's response of continuing their present business in future. In this research survey, out of 111 sample member, 98 member have intension of continuing their business in future which was about 88 percent. So, this field survey shows that maximum number of member was interested to continue their business in future also.

The above table 4.26 can be presented in the following figure 4.25.

Figure 4.25



4.7 Social Impact: A Qualitative Analysis

Main objective of SFCL is to uplift socio economic status of rural poor through credit. So, SFCL is not only the financial intermediary but also a social intermediary. The micro finance through SFCL is a development tool in every aspect of rural poor. It is difficult to evaluate the social impact, but this study tries to explore some social aspects as below.

4.7.1 Literacy

The respondents who were illiterate before has been able to read and write their name after entering the program. It was a compulsory obligation to be eligible for the loan. That obligation makes them able to read and write their name, which is also an achievement in rural area.

4.7.2 Leadership and Personality

When SFCL program was lunched, almost all the people were afraid of even to speak in front of other they did not know how to behave with other. They had no capacity to listen and understand what others were saying. Due to their regular weekly meeting they started to share their experience and feeling among the group member. It enhances to deliver their saying. In every group or center there was leader to monitor and lead the other members. Such activity helped them to develop their relationship and personality.

4.7.3 Group Culture

Without group and group guarantee loan was not provided. There were many groups of five member and each were responsible for others failure to replay the loan. So very good group culture developed. They helped in income generation activities. They started to trust other members.

4.7.4 Self-employment

Loan amount was used in their respective enterprise and such occupation, which ultimately generate income. Their own occupations were generating self-employment. Now they are not much worried about hand to mouth problem.

Due to their self-employment they do not have to go to the door of local moneylender.

4.7.5 Social Prestige

Due to the increased literacy, leadership and personality, group culture and self-employment their social prestige has increased. Those who supposed superior in village now their beliefs toward poor were changed in certain limit. So, their social value has increased.

4.7.6 Health and Sanitation

After the member become involved in group discussion, the health and sanitation improved. They talked about their health in-group. Due to increase in income they made Bio-gas plant and water sealed toilet, which supports for better health and sanitation. Those who did not have Bio-gas plant started to use LPG as cooking fuel instead of firewood.

4.7.7 Self Respect

As their income and social prestige improved now they feel self-respect. Their happiness in their family brings self-respects. Ideal people involved in income generating activities. Other neighbor changes their attitude towards the SFCL member. Society has been giving a change of respect to those poor.

4.8 Findings of the Study

The major findings of the study are addressed in overall and the study of sample member.

4.8.1 The Major Findings of the Overall Study

The major findings of the overall study of SFCL could be addressed as follows:

- SFCL has been facilitating the member in areas of animal keeping, farming, poultry farming, retail business, small industry, Small hotel and restaurant, PCO, tailoring etc.
- SFCL organize three different saving program i.e. group saving, centre fund saving and individual saving. The saving amount has been

increasing last five years. Out of different saving program, there was about 83% of saving in group saving and below 20% of saving in centre fund saving and individual saving.

- The saving money was not idle. It was invested in different areas. But the SFCL has to pay some interest expenses to member who saves money. The total interest expenses in last five years on different saving programs were Rs 506,840. The interest expense has been increasing in last five years. Out of total expenses, there was more than 83% in group saving and rest in centre fund saving and individual saving.
- Loan disbursement headings are micro business, micro enterprise ka and micro enterprise 'Kha'. The overall loan disbursement in different headings in last five year was Rs 68,250,700 and highest was in micro business was around 91.88% of total loan disbursed. Loan was not disbursed in micro enterprise loan 'Kha' in FY 2061/62 and 2062/63. Loan disbursed rate was increased in last five years.
- Loan recovery has been an increasing trend in last five years. The highest loan outstanding was in FY 2063/64.
- Interest recovery situation of loan disbursed has been increasing in last five years both in micro business loan and micro enterprise loan ka and 'Kha'.
- Highest numbers of member were taking loan for animal keeping and lowest number for tailoring. Like this more member were taking loan ranging between Rs 10,000 to 20,000. Similarly, maximum number of member had monthly income ranging Rs 0 to 5,000.
- Almost the entire implementing program has initiated the groups of member for saving as on initial creation. Saving is the source of capital, investment and supply of credit. Similarly, rise in productive activities and income causes to create saving. The saving is the most effective component in the process of supplying credit for investment. In an overall situation the saving deposit was significant.

- The overall performance of implementing SFCL program signify that the record of household survey, target group identification, group formulation, women participation, loan disbursement, repayment, outstanding and saving and its mobilization shows a good achievement of women development program.
- The people's status of increasing income from investment is higher after entering SFCL program. Also repayment pattern of disbursed loan shows a significant increase after the program.

4.8.2 The Major Findings of the Study of Sample member

The major findings of the study of sample member could be addressed as follows:

- Most of the sample people were involved in different kinds of saving program such as regular and optional saving. The number of people which are saving more amounts is increased after entering into SFCL program resulting decrease in women which are saving fewer amounts.
- More members were involved in animal keeping saving small money. Other sectors to generate saving were farming, poultry farming, trade, commerce and retail shop, small industry, small hotel and restaurant, PCO, tailoring, wage etc. Lower percentage of member was saving from wages. The number of sample member and percentage of saving from farming, trade, commerce and retail shop, small industry, small hotel and restaurant, PCO and tailoring have been increased after entering SFCL program.
- More members were paying the lending amount on time. It was increased by 9.91 % after entering SFCL program. But it has been a decreasing trend in member which paid beyond time and weren't paying lending amount.
- The sample women who have taken loan after entering SFCL program was 91.89% but before there were 77.48 pc. So, there has been decreased in number and percentage of member who have taken loan after entering the program.

- There was 14.14% increased in sectors of taking loan after entering SFCL program. More members were taking loan for animal keeping purpose and fewer members for PCO and tailoring.
- Loan repayment rate of members is satisfactory. Repayment rate of paying fully loan was increased by 7.26% after entering SFCL program whereas members were decrease in case of not payment by 9.04%.
- The condition of business which was running by taking loan was found running well before and after SFCL program. It was increased by 5.95% after the program.
- People who earning more amounts was increased after intervention SFCL program. The earning up to Rs 2,000 was decrease by 23.77% and earning more than Rs 5,000 was increased by 9.68%. So, women are earning well after entering SFCL.
- More members were invested loan between Rs 0 to 10,000 and Rs 10,000 to 20,000 in number before and after intervention. There was increased in number of member who were investing big loan amount after entering SFCL programs except in Rs 0 to Rs 30,000.
- People were earning more after entering SFCL program. The number and percentage of member who are earning high amount were in increase after entering SFCL programs but in case of low amount earning members were in decrease.
- Fourteen numbers i.e. 12.61% of member found very poor and 30 sample member i.e. 27.03% found rich. But no member found who are very rich.
- More than 50% of the respondents said that they prefer low interest rate, more loan amount and long repayment time to uplift their livelihood from the poor people.
- Most of the participating members were married and the age structure of sample members were in range of 20 to 62 years.
- The participants were from different ethnic groups. In research study recorded that 42.34% were from Brahmin and Kshatree class, 39.64%

from Magar, Newar, Gurung, etc. class and 18.02% from Dalit class (Sarki, Damai and Kami).

- Literate and well educated people were found more than illiterate. There were high numbers of member who are highly benefited from SFCL in case of education level.
- After improving their economic condition, more than 50 percent of people prefer fooding as priority sector then other sector were health, education and saving.
- More than half of the respondents recorded high degree of confidence in becoming the entrepreneur in the future. About 10% of the respondent's response never becomes entrepreneur.
- There was significant improvement in living standard of respondents. There has been increased in using high calorie food, zinc and cemented roof houses, TV/radio, more pair clothing to their children and sending children to private school after intervention the program.
- Most of member's response to continuing their present business in future.

CHAPTER–V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Nepal is a least developed country and most of the people live under poverty. The extreme level of poverty, and different geographic circumstances made the delivery of financial services to the poor particularly challenging. Limited income generating opportunities result in low incomes and reduced saving capacity. People are predominately confined to domestic and agricultural activities and have few economic opportunities. Access to microfinance services has proven to contribute towards poverty alleviation and the empowerment of women. However, this must be in a sustainable and efficient manner, ensuring continued access to financial services over the long term.

In Nepal, there exist two quite different sources of microfinance services, the informal or the non-institutional sources, and the formal or the institutional sources. The informal sources consists mainly of money lenders, landlords, traders and friends and relatives while the formal source consists mainly of banks .

Since rural poverty is one of the burning problems of underdeveloped country like Nepal. In Rupandehi District there are two municipalities and 43 VDCs. People of VDC (i.e. Devdaha) are unprivileged and socio-economically background and poverty among the population is high. To reduce this poverty and make self-dependent, economically strong different microfinance institutions are working here. SFCL is one of them.

SFCL was established in 2057 B.S. in Devdaha as improved form of SFDP. The general objective of the study is to analyze the impact of microfinance on SFCL in case of Devdaha. This study is very significant to entrepreneurs, decision makers, policy makers, further researchers and other parties. This

study focuses on activities of saving, loan disbursement and its recovery as well as impact on poor people.

Under the literature reviews, the theoretical and research reviews have been done. In theoretical reviews, the origin and activities launched by the NGOs and INGOs in the rural areas has been reliant. . The other programs launched by that organization and several books related to poverty reduction, rural development and microfinance have also been reliant is shown. Another part of the chapter is research review. The study is related to several articles, newspapers and thesis.

Analytical research design has been used in this study. This study is based on primary and secondary data. Most of the data are collected from field survey.

On the basis of discussions stated in chapter four i.e. presentations and analysis of data, the summary of findings of the study is presented in the following points.

- The highest amount of saving is in group saving and lowest amount is in individual saving in the last five years. The total saving amount has been increasing except in FY 2064/65.
- The main sectors of saving by people are animal keeping, farming, poultry farming, retail business, small industry, small hotel and restaurant, PCO, tailoring, wages etc.
- Mainly people are involved in regular and optional saving. The percentage of member who are saving more amounts in regular and optional basis has adopted an increasing trend after entering SFCL programs. But there is a decrease in percentage of member who are not saving more. This shows people's saving power has been increasing.
- Utilization of save money by member has been increasing after entering the program. Utilization of save money in productive sector is effective way to raise livelihood of poor people.

- Recovery of lending fund on time has adopted an increasing trend after entering the programs but there is a decrease in people who are not refund on time.
- The interest expenses on saving have been increasing in the last five years. This shows positive impact.
- The loan disbursement rate of SFCL to people has adopted an increasing trend. The highest amount of loan disbursement is in micro business loan and lowest amount in micro enterprise loan 'kha'. The increasing loan disbursement rate shows that people are interested to take loan and invest that money on productive sector to earn more.
- Loan recovery rate has been increasing whereas loan outstanding is an increase up to FY 2063/64 but after that it has been slightly decreased due to increasing of loan amounts. In overall, recovery is many more than outstanding in last five years.
- Maximum number of sample member is taking loan. The percentage of member who are taking loan is about ninety two. The percentage of member taking loan has been increasing after entering the program. So, now more members believe in loan.
- People are not changing more in sectors of lending area. More people are taking loan for agriculture purpose.
- Majority of people are seemed to pay loan fully. The numbers of people who have been paying more increased to sixty three from forty nine. So, more loan repayment rate is satisfactory after entering the program.
- People have been running their business well after entering SFCL. So, program of SFCL is more effective than in the previous period.
- People who are earning more are increasing after entering SFCL. So, the percentage of people who are earning more from investment is increasing comparing to people who are earning less. It shows SFCL programs are effective and satisfactory to make their life better.
- Interest recovery on loan of SFCL is satisfactory in the last five years. Members are paying interest on time. This regular interest payment is

due to improvement in earning and lifestyle after entering SFCL program.

- The number and percentage of member is increasing to invest more amounts in their business.
- Monthly income of people has been increasing after entering the program. So, they are earning sound from their investment. Due to this SFCL is improving their life standard.
- The category of poor people is substantially higher. So, emphasis on poor people is still necessary.
- Most of the poor people prefer low interest rate, long repayment time and more loan amount to improve their living standard.
- Most of the people are educated and they are highly benefited from the program.
- Most of the people are found in middle age. More than 62 % are highly benefited from the program.
- The sample members are mixed in ethnic class. Majority of the member in this ethnic group are benefited from the program.
- More than half of members prefer fooding facilities after improving their economic condition. So, fooding program is necessary for people.
- About fifty six percent of people have maximum confidentiality of being successful entrepreneur among participating people. So, it is find out that they are more benefited from the program.
- Living standard of people increased more from the program. So, they improving their calorie food, house structure, house appliance TV/radio, clothing their family and sending children to private school.
- About eighty nine percent of members will continue their business in future also. This shows the program is effective for them.
- The program is basis to uplift the society through improving literacy, leadership and personality, self-employment, health and sanitation, social prestige and self respect.

5.2 Conclusion

SFCL is a practical model to microfinance program. The programs of SFCL aim to raise socio-economic status of people, to empower them and uplift them from vulnerable status to the prestigious entrepreneur and self sufficient member of the society. From the discussions of all reported data and information, a sharp conclusion appears as following.

SFCL Devdaha is a people participating microfinance institution. So, it is organizing different fund rising programs such as saving, loan disbursement etc with in participating people. In the SFCL program saving and its mobilization and skill enhancement are the main instruments to raise the economic growth and human resource development.

Saving is the basis of investment and loan disbursement. SFCL is actively involved in saving programs of people. People are also interested and motivated to save more with the program. With saving they are encouraged to mobilize that save in terms of loan. This will help to solve the financial problem of people in society to some extent.

Loan disbursement and on time payment is an essential part of the program. SFCL can slowly meet the required criterion of loan repayment with increasing trend in recovery and still the amount of outstanding remained to the required criterion. Loan is disbursed in different sectors and SFCL is still focusing more on loan disbursement to poor people.

Interest recovery from loan investment is satisfactory and it is in increasing trend. It shows that people believe in loan and interested to invest that loan in profitable sector.

Majority of the respondents are involved in agriculture. The status of loan investment and income of people is found satisfactory and they are earning slowly higher with intervention of the program. Instead of this, business which is running by taking loan is found as running satisfactory. Poor people are found more and some of them have high confidentiality of standing themselves

as a successful entrepreneur in future. Majority of the respondents believe that intervention in the program initiates to increase their living standard.

Participants in the program are from different ethnic groups. Most of the respondents prefer low interest rate, long repayment time, and more loan amount to increase their living standard more. The respondents prefer more food after improving their economic condition.

The overall study shows that the program has made positive impact on the people living standard by generating employment and increasing productivity. The most important and effective program is to the basis to uplift the economic condition of poor people. Most of the respondents are under farmer's category and the major source of income of people is agriculture.

5.3 Recommendation

The study has found that SFCL is an effective measure of empowering people, raising their social and economic status, developing micro enterprises and alleviating poverty. On the basis of the findings of the study and conclusion, the following recommendations are forwarded.

5.3.1 Recommendation to the Government

Government is the apex body for monitoring and supervision of financial institutions. Role of government should be important for the development of micro finance. So, some attainable suggestions for government are as follows:

- The SFCL cannot build the physical infrastructure. For any business development infrastructure is a must, so, government should create infrastructure such as veterinary hospital, roads, irrigation, market guarantee for products and agriculture specialists.
- There are various microfinance institutions without any coordination. So, NRB should furnish a policy for the better coordination in regards to service and coverage of MFIs.
- Government should provide training according to the soil of the places.

- Promotional scheme and incentive should be developed to the MFIs operated in Nepal.
- Monitoring and supervision should be effective and efficient. Some peoples are getting the loan from different MFIs. In this situation there is high chance of that they may be defaulter. In this context, clear rules and regulation should be formulated.

5.3.2 Recommendation to the SFCL

There is no doubt that the SFCL supports to uplift the poor. Some members got new life due to SFCL. But some correction should be made to be more effective. So, some of the suggestions and recommendation are as follows:

- At the operation level of SFCL, staff should have courteous simile and helpful to the clients.
- Based on the field survey, it was revealed that the repayment rate of landless clients is higher than local people. So, it will be better to choose right clients to grant the loan.
- Without the provision of specific vocational training loan should not be granted. Only the repayment is not the success of SFCL, there should be generation of good income by investing that loan.
- SFCL should establish the program of exchange of skillful member of same territory. They possess the different skill like expertise in cash crops, pig husbandry, poultry farming, beautician, PCO, tailoring etc.
- Weekly meeting or money collection time should be according to the clients. Time should not be fixed by SFCL staffs.
- SFCL has to convince their clients why the rate of interest is higher than commercial bank.
- Loan should be granted to single member also, if he/she has willingness and skill to do something.

- If the borrowers did not repay the loan in due time, they should be motivated to repay on time by adopting different mechanism
- Only the literacy is not sufficient to the member, so, to some extent managerial skill and accounting skill should be developed. This helps the client from the mismanagement of resource.
- Field visits showed that the landlord and avoid businessman also got the loans who were not the targeted groups. Actually such misuse should be prohibited.
- Loan amount have to be increased. Due to rising of price in market, that amount is not enough for starting enterprise.
- There should be coordination among the operators of MF program to ensure its effectiveness.

5.3.3 Suggestion to the Further Research

The overall objective of the study is to analyze role impact of microfinance in assisting the poor and marginalized group. For this, Devdaha VDC of Rupandehi District is broad focus area. This study has some limitations. It is carried out to fulfill the partial requirement of MBS, time and research constant etc. To find out real effect of micro finance and its impact to poverty, other economic and social variable should be analyzed over time. The present study is only a micro-study. So, a micro level study needs to be conducted to formulate national policy on microfinance based on real life situation. Other various aspects like coordination and supervision are not covered under this study, which needs to be conducted by the future researcher.

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Nationality : **Nepali**

Academics Qualification

| Board | Place | Board | Pass Year | Division |
|-------|--|--------|-----------|--|
| S.L.C | Janjyoti Ma. Vi. | H.M.G. | 2053 | 2 nd |
| 10+2 | Everest Awsiya H.S. Boarding School | HSEB | 2057 | 2 nd |
| B.B.S | Lumbini Banijya Campus | T.U. | 2060 | 2 nd |
| M.B.S | Lumbini Banijya Campus | T.U. | 2067 | Good II nd Division before thesis |

Language : **Nepali, English and Hindi**

APPENDIX - I

MICROFINANCE UNDER POVERTY ALLEVIATION PROGRAM

A CASE STUDY OF SFCL DEVDAHA RUPANDEHI

Individual Questionnaire

Questionnaire no:-.....

Respondent's Name:-.....

Group name:-.....

Address:-.....

1. Personal Profile

1.1 Age

1.2 Your marital status (Tick)

a) Married

b) Unmarried

1.3 What is your education level? (Tick & write)

a)class of schooling.

b) SLC

c) Campus.....level

d) Literate

e) Illiterate

2. Family information

2.1 Your current family member (Tick)

Children: - 0-14 years

Female

Male

Adult: - 15-64years

Female

Male

Older: - 65and above

Female

Male

2.2 Members who earn from (Tick)

a) Government services

b) Business

b) Private firm/industries

d) on own farm

e) Other (specify):-.....

2.3 Who is the head of your family? (Tick)

a) Self

b) Others

3. Economic Background

3.1 Do you have land of your own? (Tick)

a) Yes

b) No

3.2 What was your main occupation before joining micro finance program? (Tick)

a) Agriculture

b) Business

c) Govt. sector

d) Private sector

c) Others.....

3.3 How much was your average monthly income before joining micro-finance program?

Rs.....

4. Participation in micro-finance

4.1 How did you know about the MF Program?

.....

4.2 How did you enter in the group?

.....

4.3 What is your position in the group? :-.....

4.4 How did you feel to enter in the group? (Tick)

a) Very difficult

b) Difficult

c) Normal

d) Easy

e) Very easy

d) others:-

.....

5. Loan received, use and repay

5.1 First loan received date 20.....//

5.2 Loan amount a) First:-.....b) Second:-.....c) Third:-.....d) Fourth:-.....

5.3 Have you taken loan from the group? (Tick) a) Yes b) No

If Yes:

a) When? b) How much? c) Interest rate?

5.4 Have you received loan from other institution too, (Tick) a) Yes b) No

If Yes:

a) When? b) How much? c) Interest rate?

5.5 Who decided utilization of the loan? (Tick)

a) Self b) Family head c) Common decision

5.6 Did you spend some portion of the loan in the following items? (Tick)

a) To purchase food for family. b) To purchase clothes.

c) To pay other loans of borrowings. d) To health expenses

d) To celebrate feasts and festivals e) Others

5.7 How much is your average monthly income after joining the program. (Rs.)

a) Before..... b) After.....

5.8 Why did you join this program? (Tick)

a) To earn more income and to improve family condition.

b) To have company with friends.

c) To be self-dependent.

5.9 What is the purpose of taking the loan and how much is it?

| Loan's term | Purpose | Amount |
|-------------|---------|--------|
| | | |
| | | |

5.10 Is the loan fully spent in particular purpose or not? (Tick)

a) Spent b) Not spent

5.11 If not, then where you spend it? (Tick)

a) Kept in cash b) Other family needs c) Other specify.....

5.12 How do you pay back the loan? (Tick)

a) Partially b) At once c) Not paid yet

5.13 Have you ever faced difficulties to pay back the loan and interest?

a) Yes b) No

If yes, what are the difficulties? How did you solve it?

.....

5.14 Do you have any saving? (Tick)

a) Yes b) No

5.15 For what purpose is the saving used? (Tick)

- | | | | |
|------------------------|--------------------------|------------------------------|--------------------------|
| a) Household needs | <input type="checkbox"/> | b) Payback the loan | <input type="checkbox"/> |
| c) Children education | <input type="checkbox"/> | d) Health expenses | <input type="checkbox"/> |
| e) Feast and festivals | <input type="checkbox"/> | f) Purchase household assets | <input type="checkbox"/> |

5.16. A. How many children did you use to send school before joining the group?

- | | | | |
|---------|--------------------------|----------|--------------------------|
| a) Boys | <input type="checkbox"/> | b) Girls | <input type="checkbox"/> |
|---------|--------------------------|----------|--------------------------|

B. How many children are studying now?

- | | | | |
|---------|--------------------------|----------|--------------------------|
| a) Boys | <input type="checkbox"/> | b) Girls | <input type="checkbox"/> |
|---------|--------------------------|----------|--------------------------|

6 Family Status:

6.1 Did you change consumption pattern after joining the program? (Tick)

- | | | | |
|--------|--------------------------|-------|--------------------------|
| a) Yes | <input type="checkbox"/> | b) No | <input type="checkbox"/> |
|--------|--------------------------|-------|--------------------------|

If yes, then mention,

- | | | | | | |
|--------------|--------------------------|--------------|--------------------------|-------------|--------------------------|
| a) Increased | <input type="checkbox"/> | b) Decreased | <input type="checkbox"/> | c) Constant | <input type="checkbox"/> |
|--------------|--------------------------|--------------|--------------------------|-------------|--------------------------|

6.2 How do your family members and relatives deal with you after joining the group?

(Tick)

- | | | | | | |
|---------------|--------------------------|--------------|--------------------------|----------------|--------------------------|
| a) Appreciate | <input type="checkbox"/> | b) Criticize | <input type="checkbox"/> | c) Others..... | <input type="checkbox"/> |
|---------------|--------------------------|--------------|--------------------------|----------------|--------------------------|

6.3 In your opinion, what are the main benefits of joining MF group?

.....

6.4 What are the obstacles to make MF program more effective?

.....

7. Trainings

7.1 Have you taken any training from micro finance program?

a) Yes b) No

7.2 How helpful has the training you received form MFI been in your enterprise operation?

(Tick)

a) Very helpful b) Helpful c) Not helpful

d) Others.....

7.3 Has the training increased your skill? (Tick)

A) Very much increased b) Normally increased d) Not increased

7.4 After receiving the training, has your confidence on income generating activities increased?

a) Yes b) No

7.5 Do you think your employment opportunity in labor market has increased due to training you received from MFI? (Tick)

a) Increased b) Decreased
c) Constant d) Don't know

7.6 What do you suggest to make more effective micro-finance?

.....

Appendix - II

Amount Invested by Respondents

| Before | | Amount in Rs. | After | | %Increase/ Decrease |
|---------------|-----------|---------------|------------|---------------|------------------------|
| % | Numbers | | Numbers | % | |
| 25.58 | 22 | 0-10,000 | 18 | 17.65 | (7.93) |
| 20.93 | 18 | 10,000-20,000 | 21 | 20.59 | (0.34) |
| 18.60 | 16 | 20,000-30,000 | 17 | 16.67 | (1.93) |
| 12.79 | 11 | 30,000-40,000 | 18 | 17.64 | 4.85 |
| 13.96 | 12 | 40,000-50,000 | 17 | 16.67 | 2.71 |
| 8.14 | 7 | 50,000-60,000 | 9 | 8.82 | 0.68 |
| 0.00 | 0 | 60,000 & more | 2 | 1.96 | 1.96 |
| 100.00 | 86 | Total | 102 | 100.00 | |

| Amount | Mid Value (X) | Before | | After | | $(X - \bar{x}_1)^2$ | $(X - \bar{x}_2)^2$ |
|---------------|---------------------|---------------------|------------------------|---------------------|------------------------|---------------------|---------------------|
| | | Number (x_1) | Total ($X * x_1$) | Number (x_2) | Total ($X * x_2$) | | |
| 0-10,000 | 5,000 | 22 | 110000 | 18 | 90000 | $(-19302)^2$ | $(-22941)^2$ |
| 10,000-20,000 | 15,000 | 18 | 270000 | 21 | 315000 | $(-9302)^2$ | $(-12941)^2$ |
| 20,000-30,000 | 25,000 | 16 | 400000 | 17 | 425000 | $(698)^2$ | $(-2941)^2$ |
| 30,000-40,000 | 35,000 | 11 | 385000 | 18 | 630000 | $(10698)^2$ | $(7059)^2$ |
| 40,000-50,000 | 45,000 | 12 | 540000 | 17 | 765000 | $(20698)^2$ | $(17059)^2$ |
| 50,000-60,000 | 55,000 | 7 | 385000 | 9 | 495000 | $(30698)^2$ | $(27059)^2$ |
| 60,000 & more | 65,000 | 0 | 0 | 2 | 130000 | $(40698)^2$ | $(37059)^2$ |
| Total | | 86 | 2090000 | 102 | 2850000 | 3,601,130,428 | 3,148,608,367 |

We have,

$$\text{Arithmetic Mean } (\bar{X}) = \frac{x_1 \Gamma x_2 \Gamma x_3 \dots \Gamma x_n}{N}$$

$$\text{Before entering SFCL program } \bar{X} = \frac{x}{N} = \frac{2,090,000}{86} = 24,302$$

$$\text{After entering SFCL program } \bar{X} = \frac{x}{N} = \frac{2,850,000}{102} = 27,941$$

Where, \bar{X} = Arithmetic Mean

x = Sum of Observations

N = Total no. of Observations

$$\text{Standard Deviation } (\Xi) = \sqrt{\frac{\sum (x - \bar{x})^2}{N}}$$

$$\text{Before entering SFCL program } (\Xi) = \frac{\sqrt{3,601,130,428}}{86} = \sqrt{41,873,609.60} = 6,470.98$$

$$\text{After entering SFCL program } (\Xi) = \frac{\sqrt{3,148,806,367}}{102} = \sqrt{30,870,650.70} = 5,556.14$$

Where, Ξ = Standard Deviation

$\sum (x - \bar{x})^2$ = Sum of the square of deviation taken from mean.

N = Total number observations.

$$\text{Before entering SFCL program C. V.} = \frac{\dagger}{x} = \frac{6,470.98}{24,302} = 0.2663 = 26.63 \%$$

$$\text{After entering SFCL program C. V.} = \frac{\dagger}{x} = \frac{5,556.14}{27,941} = 0.1989 = 19.89 \%$$

| | Before | After | Result |
|-------------|---------|--------|-----------|
| Mean income | 24,302 | 27,941 | Increased |
| C.V | 26.63 % | 19.89% | Decreased |

Appendix - III

Monthly Income of Member

| Before | | Income Range in Rs. | After | | % Increase/ Decrease |
|---------------|------------|------------------------|------------|---------------|-------------------------|
| % | Numbers | | Numbers | % | |
| 35.65 | 41 | 0-5,000 | 33 | 31.69 | (3.96) |
| 27.72 | 33 | 5,000-10,000 | 29 | 25.74 | (1.98) |
| 16.83 | 19 | 10,000-15,000 | 24 | 20.79 | 3.96 |
| 11.88 | 11 | 15,000-20,000 | 15 | 12.87 | 0.99 |
| 7.92 | 7 | 20,000 & more | 10 | 8.91 | 0.99 |
| 100.00 | 111 | Total | 111 | 100.00 | |

| Amount | Mid value (X) | Before | | After | | $(X - \bar{x}_1)^2$ | $(X - \bar{x}_2)^2$ |
|---------------|--------------------|---------------------|------------------------|---------------------|------------------------|---------------------|---------------------|
| | | Number (x_1) | Total ($X * x_1$) | Number (x_2) | Total ($X * x_2$) | | |
| 0-5,000 | 2,500 | 41 | 102500 | 33 | 82500 | $(-5,946)^2$ | $(-7,270)^2$ |
| 5,000-10,000 | 7,500 | 33 | 247500 | 29 | 217500 | $(-946)^2$ | $(-2,270)^2$ |
| 10,000-15,000 | 12,500 | 19 | 237500 | 24 | 300000 | $(4,054)^2$ | $(2,730)^2$ |
| 15,000-20,000 | 17,500 | 11 | 192500 | 15 | 262500 | $(9,054)^2$ | $(7,730)^2$ |
| 20,000 & more | 22,500 (Assume) | 7 | 157500 | 10 | 225000 | $(14,054)^2$ | $(12,730)^2$ |
| Total | | 111 | 937500 | 111 | 1087500 | 332,174,580 | 287,264,500 |

We have,

$$\text{Arithmetic Mean } (\bar{x}) = \frac{x_1 \Gamma x_2 \Gamma x_3 \dots \Gamma x_n}{N}$$

$$\text{Before entering SFCL program } \bar{x} = \frac{x}{N} = \frac{937,500}{111} = 8,446$$

$$\text{After entering SFCL program } \bar{x} = \frac{x}{N} = \frac{1,087,500}{111} = 9,770$$

Where, \bar{x} = Arithmetic Mean

x = Sum of Observations

N = Total no. of Observations

$$\text{Standard Deviation } (\Xi) = \sqrt{(x - \bar{x})^2 \frac{1}{N}}$$

$$\begin{aligned} \text{Before entering SFCL program } (\Xi) &= \frac{\sqrt{332,174,580}}{111} = \sqrt{2,992,563.78} \\ &= 1,729.90 \end{aligned}$$

$$\begin{aligned} \text{After entering SFCL program } (\Xi) &= \frac{\sqrt{287,264,500}}{111} = \sqrt{2,587,968.47} \\ &= 1,608.72 \end{aligned}$$

Where, Ξ = Standard Deviation

$(x - \bar{x})^2$ = Sum of the square of deviation taken from mean.

N = Total number observations.

$$\text{Before entering SFCL program C. V.} = \frac{\Xi}{x} = \frac{1,729.90}{8,446} = 0.2048 = 20.48\%$$

$$\text{After entering SFCL program C. V.} = \frac{\Xi}{x} = \frac{1,608.72}{9,770} = 0.1771 = 17.71\%$$

| | Before | After | Result |
|-------------|---------|--------|-----------|
| Mean income | 8,446 | 9,770 | Increased |
| C.V | 20.48 % | 17.71% | Decreased |

Thank You