

CHAPTER I

INTRODUCTION

1.1 Background of the Study

There are several financial organizations and institutions working to raise the economic standard of Nepalese people. However, the large numbers of the organized and non-organized financial Institutions are working to flow the credit among the poor and poorest but the result of credit is not satisfactory. To fulfill this situation, poor oriented bank named Grameen Bikas Laghubitta Sanstha Limited (GBLBSL) formerly Grameen Bikas Bank (GBB) was established in Nepal. Such type of program was implemented in Bangladesh by Muhammad Yunus, economic science Nobel Prize laureate. This program started to provide loan facilities initially in the eastern region of Nepal having its headquarters in sub-metropolitan city Butwal. This program to run in eastern region was given name as "Purbanchal Grameen Bikash Bank (PGBB)". It started its work providing loans to the rural people without collateral and it was based on Grameen Bank Financial System (IGRFS). But before establishing PGBB in Biratnagar, it had already worked in Nepal in 1991 in the form of an NGO named "Nirdhan" which started initial work in 1993 in Rupandehi with its first loan in March 14-1993 (Pant, 1994).

The Grameen Bikas program is focused on the people who are below the absolute poverty line. Nepal remains as one of the least development country in the world. Nepal's average per capita income is very low and 49 percent of the total population was under the absolute poverty line in 1990 (WDR, 1990). The government of Nepal is facing dilemma of low economic growth and wide spread poverty in the country. At the same time, main sectors were neglected with the benefit of the debt availability by so-called big commercial institutions. To overcome such the problems, rural areas need modernization, diversification, and commercialization through appropriate programs. The accessibility of the banks facility for the poor rural people and the poorest of the poor was tried to grow for availability of soft loan. Thus, it was obvious that a properly designed and effectively implemented financial system could help the rural people to create productive assets as well as increase in employment generation and income (Lamichhane, 2016).

There were many programs especially focusing on targeted people but results were not satisfying. Realizing that the lower income group needs credits, it should be mobilized in comparison to aid. Nepal Rastra Bank (NRB) directed commercial banks to provide 5 percent of their deposit liabilities to low income families under the priority sector program. But later it found that was not properly utilized neither it flew such amount towards the low income group. As a result, repayment rate was very low. To avoid this critical situation NRB designed priority sector program into the Intensive Banking Program (IBP) and directed commercial banks to invest at least 12 percent of their loans and advance under this program (Dangol, 2015).

Commercial banks which they intended towards the highly commercialization, urban orientation and emphasis on valuable collateral and the program failed to achieve design objectives however initially it made some positive impact on poor households enabling them to accessibility of credit. A project named as "The Small Farmer Development Project (SFDP) of Agricultural. Development Bank Nepal (ADB) was also out tracked from its liable of providing credit to small farmers and landless families. Big farmers were benefited with 70 percent loan whereas marginalized groups are deprived by it. Consequently this program shifted its focus on upper group of small farmers with some emphasis on collateral. The landless and poorest section of small farmers was thus largely neglected by SFDP. The people who are inhabitant surrounding rural area of Belbari Municipality of Morang district are still deprived in political and economic empowerment. Before the reinstallation of democracy in 1991, various institutions associating poor welfare emerged. In addition to there, His Majesty's Government (HMG) of Nepal in coordination with different organizations, institutions and donor agencies had implemented various programs but its result on economy for alleviating poverty had been ineffective or in other words poverty has increased rather than decreased (Lamichhane, 2016)..

Then the new popularly elected government decided to establish two Regional Rural Development Banks in July 1992, named Purwanchal Grameen Bikas Bank (PGBB) and Sudoor Paschimanchal Grameen Bikas Bank (SPGBB). They had main objectives to provide institutional facilities to those backwards, deprived, exploited and extremely poor section of the society who still remains outside the target credit programs such as IBP and SFDP. After the assessment of two GBB, it was realized that slowly increasing for economic prospering on income and employment

generation of rural people. Therefore, the government of Nepal initiated to create GBB in remaining regions. Thus, with the establishment of central Rural Development Bank in July 1996, all five development regions have got such the banks. Some rural activities, such as agricultural based activities, service and trade activities and small trade activities are generally being activated by GBB of Nepal. Generally loan disbursement of GBB is done into the following three activities (PGBB, 1992).

1. Agricultural based activities
2. Service and trade activities
3. Small industries activities

1.2 Statement of the Problem

Various developing and under developed countries in the world have been facing problems of the poverty. Our country, Nepal is not free from the same problem. Most of the people live in the rural areas and obviously rural poverty is the most important issue of Nepalese economy and the livelihood of these people is comparatively very difficult. There is lack of infrastructural development which shows the poor performance of market and its accessibility.

Due to the unequal allocation and distribution of the large amount of national budget, rural areas are deprived of development-benefits. Women literacy is lower in rural areas. They don't have equal access to health, education, livelihood, decision-making and legal right. The Grameen Bikas Laghubitta Sanstha (GBLBS) has designed its programs based on the above-mentioned facts and is operating activity to bring all the rural poor and rural women in participation through the provision of the loan in a very simple way.

But, in our country, villagers literacy rate is very low and women's' as well. They cannot utilize their loan on proper way. If the loan is misused it will become burden for rural people. Involving more participants and resources can further enhance it. Therefore, the attention of concerned authorities should go towards those issues. The aim of this research is to measure the effectiveness of GBLBS in the area selected for the study and suggest for improvement.

Lack of empowerment, economically and socially to the rural people over Belbari Municipality have caused low per capita income and spread poverty. Adequate availability of capital to the poor people in this area is very low found to run the economic activities. To examine the poverty situation especially in rural areas of Belbari Municipality is the main concern of this study. Some research questions for this study are as follows:

1. What is the present poverty level in Belbari Municipality?
2. What is the debt pattern of GBLBS in Belbari Municipality?
3. How GBLBS activities are helping out to poverty reduction programs or not in selected area?

1.3 Objectives of the Study

The main objective of this thesis is to analyze the role of GBB in poverty alleviation in Nepal. But the specific objectives of this study are listed as follows:

1. To examine the Condition of the poverty in Belbari Municipality.
2. To measure the debt pattern of GBLBS in Belbari Municipality.
3. To evaluate the role of GBLBS for poverty reduction in selected area.

1.4 Significance of the Study

This study has significance because it will assist to know income employment generating among the rural people providing debt them after the intervention of PGBB in rural areas of Belbari Municipality. One of the most important services of PGBB is as whole GBB is to provide loan for the poorest of the poor without securities. PGBB has been actively supporting economically as well as socially providing community development program such as facilitating safe drinking water organizing adult literacy classes, etc. PGBB carries one of the most important program is the group saving scheme where each number of the group is required to have saving deposit. This deposit individual can use and the scheme increases poor's propensity to save which can be used in long run to uplift their living standard. It will also help to change people's environment in the family, in community as a whole. In this way, this study will be informative to those researchers who are related to this issue. Not only for those researchers but also other interested parties regarding this issue can be benefited by this study.

1.5 Limitations of the Study

This study covers only a small area of a certain place so it is not free of limitations. This study cannot be free from such as resources, time period money etc. It contains the following limitations.

1. It does not cover the whole debt pattern of GBB of entire Nepal and poverty reduction in Belbari Municipality can mainly be analyzed.
2. Due to time and monetary constraints, this study does not cover the broad area of GBB of Nepal.
3. This study only focuses on the debt flowing and repayment ratio in the study area and not for entire financial activities.
4. This study has conducted for only academic purpose.
5. Simple statistical analysis method has been applied to this study.

1.6 Organization of the Study

The first chapter is an introductory chapter. It comprises the background of the study, statement of the problem, significance of the study, objectives of the study, and limitations of the study. The first chapter introduces research issue.

The second chapter reviews some literatures, books, articles related to the issue of rural finance and income generation support for low income group people.

The third chapter explains the methodology that is applied in this study to attain the objectives of this study.

The forth chapter describes the background of institutional credit in Nepal. The information is analyzed in this chapter. All assigned research questions are tried to be answered in this chapter.

Fifth chapter, summary, conclusion and recommendations derived in this study have been presented.

CHAPTER II

REVIEW OF LITERATURE

2.1 International Context

There was a great man named Professor Mohammad Yunus who lived in Bangladesh was a teacher of economics department in 1976 in Chittagong University. He made an action research program to discover the possibilities and to design a framework which would bring the rural poor people within viable banking network. He was not satisfied with what he was doing (teaching). The problem of economic ills will be answered as only a help by economics theories. But in the practice it was not on the existence to address the economics problems. Those textbooks answers were not helping the new born country called Bangladesh. There was a great hope to be excellent situation actually on economic condition after a terrible war of liberation. Situation was aggravated and the hopes of poor or poorest people were not meeting their strong desires or the wants to deprive from great poverty.

That man who was entangled with the economics related those brilliant theories that they were teaching their students were no assist to reduce the hunger of millions people. One day, there was a wonderful situation to this great economist; Mohammad Yunus wanted to give up from the textbook related works. He tried to understand the actual lives of the poor people. He decided to run away from abstraction of theory. For this he kept him busy himself in doing various researches with them he could know how to get to near the problems of the poorest people. He wanted to confront real life as it unfolded each day. The situation of the structure of the Chittagong luckily was located among villages around the campus where he taught and he found himself within the poor villagers' residents.

Mohammed Yunus had got much knowledge's about life in rural Bangladesh just by being with the people. One day, his mind was opened with the fact that he saw, many of those problems would be able to solve with some little efforts. There is a story related with the man, one day he met a women called Sophia, inhabitant of Chittagong who used to make bamboos stools. Physically on seeing her she was extreme poor even though by working on the whole day she had not been becoming able to sustain her family economically. She earned only two pence (US Currency) a day by the bamboos hardworking. He found it was because of scarcity of working capital which

could play vital role to uplift the living standard. Working capital could help her to buy the bamboos from market to produce many things of bamboos to sell in the market if she had the chance of getting such capital. A trader lent her money on the condition that she would sell her product to him at the price he decides. Yunus found that he should do but he wanted to know if there were other people who suffered because they didn't have working capital. He prepared a list of 42 persons who needed a total of US \$ 30. He lent \$ 30 of his own money to free 42 people from the unfair business deals which take away the bulk of their income. This was 1976 A.D. at that time he did not realize that he had just planted the seed of Grameen Bank. He was only trying to solve a problem faced by a few people. Mohammed Yunus took upon himself the responsibility of establishing a link between the bank and the poor people of village. He went to the bank manager to explain to him what he had in his mind but manager didn't believe what Yunus told. Bank manager thought he was joking. When the bank manager realized that he was very serious and manager tried to explain to professor Yunus why banks could not lend money to the poor. Bank needed collateral securities manager argued. The poor people cannot deposit collateral and the poor are not to be trusted, Banking is a business. It cannot indulge in charity for the poor.

Yunus paid a lot of attention to the procedures and rules that he was going to follow in lending and recovering the money. After a long bureaucratic exchange of letters finally he could take money from the bank and gave it to the poor people. Because of the difficulties, he faced in persuading the bank to lend money to the poor. He was thrilled to see that people were paying back without creating any trouble. Then he continued to give loans to more people. Still he had no problems getting the money back. But the bankers did not believe to spread over the marginal area. They wanted him to demonstrate it over an even larger area or such as it should include many villages or some districts. He expanded his work with the support from the central bank and the state owned bank, to the five districts. The result came out an excellent. But the bank did not want to adopt it as part of their regular business. He thought instead of relying on the existing banks. It took him nearly two and a half years to make believe the government and they got their permission to set up a separate bank, Grameen Bank becomes a separate bank in 1983.

The micro-finance industry is involving quite rapidly around the world with rapid spread of best practices on micro-finance service delivery. Increasing number of

institutions are providing micro-finance services with an increased emphasis on sustainability and profitability (Robinson, 2001). Nepal's situation is not too much different than the world situation rural finance has been playing catalytic role to improve the economic condition of rural people through imparting services from formal and semiformal institutions implementing across the country. So as to maintain macro-economy towards poverty reduction endeavor as well.

ADB (2011) made a study to define the relation between poverty and microfinance. The study defines poverty as an income level below a socially acceptable minimum and microfinance as one of a range of innovative financial arrangements designed attract the poor as either borrowers or savers. In principle, micro-finance can relate to the "non-destitute chronic poor" who occurs due to lack of assets and opportunities and "transitory poor" which is temporary in nature and occurs due to the results of adverse shocks. Lack of asserts indicate absence of physical collateral which restricts the poor to have access of formal credit and to depend on informal credit where interest rate is high and sources are limited. So that the study advocates that if access to credit can be improved, poor can finance productive activities that will raise income level of. Poor provided that there are no other binding constraints. This is a route out of poverty for the non-destitute chronic poor.

Helms (2004) defined the general characteristics of the micro finance sector in Asia, Latin America, Sub-Saharan Africa, Eastern Europe and Central Asia and Middle East and North Africa. From his study, he has found that micro-finance sector in Asia, has strong social orientation. The two Asian giants' China and India have a little sustainable development of micro-finance relative to their population sizes mostly because of an extensive historic government involvement in the financial sector. In this region, the micro-finance programs are concentrated in densely populated rural areas and focuses on enterprise credit. Bangladesh and Indonesia are the giants from the micro-finance perspective.

He has described that Latin America has the longest tradition of commercially viable micro-finance system. Most micro-finance clients in the region obtain services from government regulated financial institutions. Especially, in urban areas competition tends to be fierce in some countries. In this region, interest rates are dramatically low, as a result of that competition to get loan is fierce. According to Helms, micro-finance in sub-Saharan Africa is under developed and faces higher operating costs than in

other regions. In most African countries, a very small minority of the population have bank accounts. Even in South Africa, the most developed economy of Africa, half of the adult population doesn't hold bank accounts. Financial co-operatives are the dominant model in French-speaking Africa, reaching several hundred thousand clients. On the other hand, English-speaking Africa and Portuguese speaking countries also have large numbers of financial co-operatives, but specialized micro-finance and NGOs are more prominent in these parts of the continent than in others. He has started that Eastern Europe and Central Asia are newcomers to micro-finance and are dominant by NGOs and other institutions that focus primarily in on loans. Micro-finance has developed differently in these regions than in the rest of the world. For instance, higher income and education levels partly explain the larger loans offered in these regions and interestingly, institutions have rapidly achieved financial self-sufficiency when compared with other region.

Lastly, he has explained that 70 percent of micro-financial institutions in the Middle East and North Africa are NGOs and donor dependent. Microfinance is largely perceived as charity and not a part of a financial system. However in this region, commercial banks have started to develop services for the poor.

Chawdhury (2007) carried out an empirical study to examine the impact of the microcredit program of GBB on household poverty. The study used both subjective and objective measures of poverty. He used the model of Maddala (1983) for estimating benefits of the program and logistic regression model to estimate borrowers' poverty. He found that both the subjective and objective poverty measures show that microcredit reduces poverty. His impact study compared microcredit program households with other households in terms of food availability to perceive impacts of microcredit on food consumption of households in terms of weekly food consumption expenditure, and the availability of food in the household. The average weekly food consumption expenditure of with credit households was Rs. 858.58 and the average weekly food consumption expenditure' of without credit households was Rs. 588.85. In percent, it is 46 percent higher with credit than without credit.

On the other hand, for the availability of food the microcredit borrower's households can arrange enough food for the members of the household on an average 11.58 months on a year compared to without credit households can arrange only 9.31 months in a year. The study also indicates that the risk of poverty of the beneficiaries

of microcredit households is about 47 percent lower than that of the non-participants. In other words, he found that program households have significantly higher 'weekly food consumption expenditure' and 'food availability' than that of the comparison households. That means, microcredit increases entitlement on food through increase in income of program households and these households can afford more to expend on food. Meanwhile, a few authors show their findings about the success of microcredit with some preconditions, i.e. providing credit money sometimes failed to reduce poverty if that money has not been used properly for productive sector with the support of existing assets and skill of borrowers.

Khandker (2014) addressed similar exercise by estimating the effects of microfinance on consumption, poverty and non-land assets for microcredit participants, non-participants and an average villager. He found that microcredit program has spillover effects in local economies, thereby increasing local village welfare. More specially, he finds that microfinance helps to reduce extreme poverty more than moderate poverty in Bangladesh. He found that microcredit enables the borrowers to move progressively into more productive activities as they become experienced. The results of this paper are relevant for the continuing members only, which, therefore, do not hold for the poorest of the poor who drop out from the program.

Rutherford (2000) found that microfinance provides services by savings directly through taking deposits or makes arrangements with other financial institutions to provide savings facilities to small savings in a flexible manner. The theory of microfinance includes all initiatives in increasing the access to the financial services as well improving the quality of the people who are really in poverty and can use or be benefited from the lent money other than the financial services instead of it microfinance is not merely monetization but instead to address the several types of needs of poor and low income families. These needs are included the lifecycle needs, personal emergencies, disasters and investment opportunities. McKernan (2002) has suggested that microfinance program is now expanding worldwide that helps to eradicate poverty and create economic growth; however, the impact of the microcredit on poverty reduction and other outcomes of the program is still not clear. The economics literature is inconclusive; some studies claim that micro-loans can greatly improve the welfare of the poor.

RIV1DC (2008) studied to assess the impact of microfinance program on socio-economic status of the ultimate beneficiaries by using primary and secondary

intonation. The study revealed that the impact of micro-finance services to the involved rural poor people and their household income has moved in the expected direction. Credibility of the borrower also has increased in the other sectors through their increased income. This was possible because of their involvement in the micro-finance program. It has been considered as a positive impact of microfinance. The microfinance program has greatly empowered the participating rural poor people in all respects.

This study has made a comparative study and found that the Grameen Bikas Bank as a microfinance promotes diversification of income sources and brings about positive change in investment, income and saving made from each category of income sources when compared to other programs. Grameen Bank program generates self-employment that generates income to meet daily necessities of the poor women and their families.

Gibbson (1995) evaluated that more than Rs. 1.96 million formerly very poor rural household in Bangladesh and of the poorest countries in the world have improved their level of living significantly through Grameen Bank approach. Essentially, this approach involves the disbursement of a small loan exclusively to very poor household to finance additional income generating activities on reasonable terms without requiring collateral or guarantors. The findings of this study indicate that the GBB has empowered rural poor household in Bangladesh and of the poorest countries in the world by reducing extreme poverty in the rural area. Therefore, GBB approach is suitable for the developing countries like Nepal where more than 80 percent of the people reside in rural area and nearly 70 percent are absolute poor. Because this approach insists in the disbursement of a little loan without requiring collateral to extreme poor to finance additional income generating activities.

2.2 National Context

One of the least developed countries, Nepal has a high rate of population growth having more than 2 percent and agriculture is the major employing sector and contributing about 41 percent of real gross domestic product (GDP) as well as grown by 2.4 percent per annum, whereas GDP increasing by 3 percent and per capita is only by 0.4 percent or at a nominal rate. In these circumstances the great challenge is to bring development to its rural poor majority, whose standard of living has stagnated during the past several years. Industrial investments in Nepal are particularly directed

towards manufacturing goods and concentration is in urban areas which creates regional imbalances and tends to create a wider gap between haves and have not or even in rural and urban areas.

Development of rural finance in Nepal started after the establishment of Agricultural Development Bank Nepal (ADB/N) in 1968 having a diversified agricultural lender. Nepal Rastra Bank (NRB) the central bank of Nepal supervises the activities of the financial institutions established by the permission of the bank. Basically three forms of rural financial institutions are working in Nepal:

1. The Agricultural Development Bank Nepal (ADB/N); which is a specialized bank for agricultural development,
2. Rural branches of various commercial banks and,
3. The rural co-operatives institutions of Sajha Sanstha.

ADB/N is the chief contributor, funding about 90 of agricultural credit and about 79 percent rural credit and introducing banking services to the people later on and to create self-sufficiency accepting deposits which maintaining a satisfactory level of profit. But the problem is poor loan recovery.

To fulfill the government's lending programs of at least 5 percent of the total deposits to the priority sector and 25 percent in production unit. About 90 percent of the rural branches cover by two largest commercial banks namely Nepal Bank Ltd. and Rastriya Banijya Bank in Nepal. About 50 percent in agriculture and 30 percent in small and cottage industries found the outstanding credit. Sajha Program in rural village established by the farmers equity and ADB/N loans in 1976, to accept deposits from the farmers and to provide production and consumption credit to farmers as well as to arrange the markets of the agro-products but this program became unsuccessful or adverse impact due to its weak management and loan disbursement continuously declined.

Intensive banking program came into existence in 1981 to provide special credit for the rural poor below the poverty line even small farmers development program was focusing to the marginal farmers. Loans were distributed not with the collateral of land and jewelry but with project viability and group guarantee and this scheme was recognized by commercial banks also. Production credit for rural women launched in 1982 under the priority scheme of Nepal Rastra Bank, loans were provided to improve

the income of women borrowers and some 7,000 women borrowers were privileged for eight years. Small farmers' development program adopted as a pilot program for the groups of the organized small farmers, tenants landless labors with limited or no assets collateral. About 15 percent female were benefited with the average size of Rs. 1900. The program promoted individual projects rather than the groups. Cottage and small scale industry sponsored by NRB through commercial banks and ADB/N financing since 1983 to the small business artisans for alternative or supplementary income sources. Beside these above some other financial institutions are working in the rural fields but large borrowers captured the higher amount of institutional loans and about 20 percent small borrowers were benefited (Chowdhury, 1999). Yet a large portion of population is below the poverty line and getting rural credit from the rural moneylenders, in order to get this they have to reserve higher ratio of collateral to the local Mahajans (money-lenders or capitalist). The rate of interest may higher, more than 20 percent which shows the clear picture of the rural society of Nepal and creates a wider gap in between haves and have not.

Poor people are not able to access loans from commercial banks normally because of lack in guarantee and collateral. But, there are many other reasons also involved for which commercial banks were not willing to finance poor. These reasons are included that poor have less education, no proper experience and training high expenses on transactions of small loans and lower rate of profit. Therefore, limited option to access loan leads to push poor people in more poverty. This situation resulted in emerging the idea of micro lending and micro finance. Micro finance, therefore a way to finance people, those have no collateral or any property for guarantee. Microfinance is a way of financing to poor for their business, to alleviate their poverty, empowering them, giving social benefits on sustainable way (Ghale, 2005) and Sigdel (2007) has confirmed that poor people are not able to access loans from commercial banks normally because of lack in guarantee and collateral. But, there are many other reasons also involved for which commercial banks were not willing to finance poor. These reasons are included that poor have less education, no proper experience and training high expenses on transactions of small loans and lower rate of profit. Therefore, limited option to access loan leads to push poor people in more poverty. This situation resulted in emerging the idea of micro lending and micro finance. Micro finance, therefore a way to finance people, those have no collateral or any property for guarantee. Microfinance is a way of financing to poor for their business,

to alleviate their poverty, empowering them, giving social benefits on sustainable way.

Microfinance has been successfully used as an anti-poverty and developmental tool in many countries. At present microfinance is being increasingly used in the form of development strategy for achieving the development plans. However, the strategy would prove successful only if it will able to strike balance between development and finance. Clients of microfinance institutions are usually poor and low income people; often living an awful over crowded setting, living in remote areas with limited access to basic amenities such as education, water, electricity, banking services, health services, market facilities etc. Many of them are women, playing a double bottom line role of a provider and caretaker at household level. The poor people do not have enough land for farming; opportunities of farm employment are very few and should be generated. Additionally, they lack access to convenience and appropriate financial services.

Regmi (2011) stated that micro-business creation is the less developed countries have been constantly promoted as a development strategy, mainly through micro credit projects. Poor people have been targeted by these projects as potential entrepreneurs who could contribute to household poverty reduction through business creation. Additionally, poor's micro business creation. This assumption is of development advocates and needs to be examined and analyzed. The author has presented that the government and other development organization should work together in addressing this issue with better implementation of strategy such as more loans, and proper guide to borrowers. All these strategy can influence the level of empowerment of poor class people in developing countries as in Bangladesh. NRB(2008) has presented that the access to credit to the rural poor, microfinance practitioners, around the world have been found very effective for upbringing rural poor economic and social status there by assisting in poverty reduction. It is because microcredit to the poor creates small business opportunities that help to improve socio-economic condition of women or deprived communities especially in rural areas. In the Nepalese context too, microfinance has been used and more importantly could be used as a powerful tool for gradual reduction of poverty. It enables poor and destitute to take advantage of existing opportunities, build up their assets, generate self-employment avenues,

develop micro enterprise, raise income level, build of self-confidence, empower women and provide opportunities to escape from abject poverty and inequality.

Poudyal (2007) stated that micro finance is increasingly being taken as a magic bullet for poverty reduction. The emphasis on microfinance for poverty presumes that the credit to the poor promotes self-employment and income generating activities. This leads to an increase in income and contributes to an accumulation of assets, which in turn reduces vulnerability due to illness, crop failures and enables better education, nutrition, health and housing of borrowers. In addition, microfinance can contribute to promote poor people by providing them the basis of earning of income, social mobilization and political awakening. He has suggested that microfinance is the provisions of financial services such as loans, saving, insurance and training to the people living in poverty. It is one of the greatest success stories in the developing world in the last 30 years. It is widely recognized in the form of development goals. It is being a very effective tool for bringing up the economic and social status of people in the country. It is also recognized as a sustainable solution in alleviating poverty. There are various experiences of microcredit in economic development of developing countries. Microcredit to the poor people has created a small business opportunity which helps to improve the socio-economic condition of deprived community especially in rural areas.

He has presented some of the impact of (PGBB) Biratnagar observed are following mentioned below.

1. Economic dependency has been gradually shifted from male to female.
2. Repayment rate of amount disbursed is 100 percent.
3. Thirty thousands of people have got direct employment at their own village.
4. The people who are beneficiaries of PGBB have seen clean and tidy.
5. Economic transactions have increased as they deposit through earning profit.

This literature review signifies that the different micro credit models like GrameenBikas Bank helps in the poverty reduction of marginalized rural poor people. Furthermore, it helps to empower economically to deprived people towards self-sustained life. On the other hand it extends its linkage effect to both areas in rural and

urban too. In other case, a rapid increase in the establishment of financial institutions has result of an increase in formal credit in the rural economy.

Sigdel (2007) confirmed that poor people are not able to access loans from commercial banks normally because of lack in guarantee and collateral. But, there are many other reasons also involved for which commercial banks were not willing to finance poor. These reasons are included that poor have less education, no proper experience and training high expenses on transaction of small loans and lower rate of profit. Therefore, limited option to access loan leads to push poor people in more poverty. This situation resulted in emerging the idea of micro lending and micro finance. Micro finance, therefore a way to finance people, those have no collateral or any property for guarantee. Microfinance is a way of financing to poor for their business, to alleviate their poverty, empowering them, giving social benefits on sustainable way.

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2.3 Background of the Institutional Credit in Nepal

Development of rural finance in Nepal started after the establishment of Agricultural Development Bank Nepal (ADB/N) in 1968 having a diversified agricultural lender. Nepal Rastra Bank (NRB) the central bank of Nepal supervises the activities of the financial institutions established by the permission of the bank. Basically three forms of rural financial institutions arc working in Nepal.

2.3.1 Small Farmers Development Project (SFDP)

To fulfill the debt demand of the rural people, Apiculture Development Bank of Nepal launched special target oriented program called "Small Farmer Development Program" since 1976. It is considered as the first poverty focused credit program of the country small framers groups comprising of 10 to 15 members are formed with the objectives of providing institutional support for income raising activities. By a definition of project (SFDP), small farmers are known as farmers, tenants, land less, wage earners and artisans with per capita income of less than or equal to NRs. 2500 (NRB, 2000).

After the implementation of the program for more than 23years SFDP has been able to cover only 600 village development comities (VDCS) out of almost 4000 VDCS in Nepal and served about NRs. 250,000 small farm families (Sharma, 1999). Till 1997/98, it has been able to disburse NRs. 4.82 billion which is not sufficient to meet the credit demand of small and marginal fanners.

2.3.2 Intensive Banking Program (IBP)

Encouraged by the successful implementation of two pilot projects, the intensive Banking program (IBP) was started with 47 branches of NBL and RBB in 1981. IBP was rapidly expanded between 1982 and 1992. The program has been extended to 74 districts of the kingdom through 357 branches out of which 321 are the rural branches (Shrestha, 1999). The borrower who cannot offer physical collateral can be availed credit by forming them in to a group of 4 to 10 persons. IBP program benefited some people but not targeted people.

2.3.4 Rural Self-reliance Fund

The Rural Self-reliance Fund was created by FIMG/N in 1991 to provide credit to the rural poor through non-government organizations (NGOs) and co-operative societies. The government has provided 20 million to this fund. The fund provides as well loan beneficiary and a maximum of NRs. 50,000 per institution at the up to NRs. 15,000 per be rate of 8 percent interest for a period 3 years (Mathema, 1999). The fund has, as of mid of February 1999, provided loan to 84 NGOs amounting to NRs. 22.3 million and coverage 33 districts of the kingdom. The loan recovery is around 91 percent (Mathema, 1999).

2.3.5 Micro-credit Project for Women (MCPW)

The Ministry of Local Development of (MoLD) associating with NRB, Nepal Bank Limited (NBL) and RastriyaBanijya Bank Limited (RBB), initiated in 1994 for Micro-credit Project for Women (MCPW). It is a first microfinance project in which financial intermediaries are involved in a public sector credit program, either women from villages or urban areas are the main borrowers of the project.

Objectives of MCPW are stated below.

1. Provision of financial and non-financial services to women in an integrated way.
2. Development of NGOs to be cooperative institutions.
3. Improve on social-economic and living stages of women under MCPW, as of 1998 a total of rupees 15 million has been disturbed to about 13 thousand women borrowers in 12 district of the kingdom (Mathema, 1999).

2.3.6 Some Microfinance Programs for Alternative Poverty

The history of micro financing in Nepal was started in 1956 for the first time when 17 co-operative credit societies were established (Shrestha, 1999). Realizing financial resources available to those co-operative credit societies, first co-operative bank was established and later it was changed in ADB/N established in 1968 to provide agricultural credit. ADBN has still remained the foremost rural and agricultural financing institution and accounted for 55 percentage of the total rural institutional credit.

2.3.7 Grameen Banking Systems

The concept of Grameen Banking System was evolution in 1992, when the HMG felt the need for establishing of a separate organization, which would take sole responsibility the Grameen Bikash Bank, caters to the credit needs of the poor women in rural sector. The bank has been established because even after the implementation focused programs such as SFDP, IBP, MCPW and Production Credit for Rural Women Program (PCRW). The poor of poverty people from rural area had a very limited access to institutional credit services. Under this banking system, a rural woman with less than 0.6 hectare of land in the Terai and 0.5 hectare of land in the hills can participate in the group. In all, they disbursed loan of NRs. 286 million to

151 thousand borrowers. The loan recovery is highly satisfactory because of 99 percent repayment rate.

2.3.8 Origin and Impact of Grameen Bikas Bank

In 1972, when Bangladesh became independent, its people wanted to change their lives and living. Having highly dense population 750 per square kilometer with more than 120 million, Bangladesh is popular known as cyclone affected country among the 66 percent of total population is deprived of basic needs like food, cloth, shelter and medicine as well. On seeing this bad situation, the professor Mohammad was very sad and decided to dive in to the pond of poverty in order to rescue them from the vicious circle of poverty. At last he turned over the piles of economic theories but he could not meet best measure to rescue them. He decided to leave the university and closed down the economic theory of poverty alleviation. Poverty is created by the existing world system, which denies fair changes to the poor. He comes in the conclusion that the poor people needed working capital which would be assistance enough to produce the stools of bamboo. By which the poor could improve their bad economic condition. Consequently, he prepared a list of 42 persons who needed a total of U.S. \$ 30. In 1976 Mr. Mohammad Yunus lent \$ 30 of his own money them. It was the event that helped to seed the Grameen Banking system.

The result was positive after lending US\$ 30 to the poor people. So, as a result, he introduced a "Grameen Bank Project" Since a august 1977 at Jubla village. This scheme has got a grand success had spread out all over the country for the poverty alleviation through Grameen system. After the success of Grameen Bank system, In Bangladesh a wave of replication either some model and in some extent similar like programs towards micro financing have been arisen in Malaysia. It has gone in operation during the second half of 1986. This was the first serious replication serious attempt of Grameen outsides Bangladesh that we knew the, governor of central bank of Solomon Island visited Grameen Bank (GB) to explore the possibilities of adoption its features in their own banking system (Yunus, 1994).

GB has attached several visits from Kenya. An NGO of Kenya rural employment program saved ad interest to replicate GB in Kenya. It has formally invited G.B. Office to work with them for six months G.B. has received visitors from Tanzania and

Rwanda. International Fund for Agricultural Development (IFAD) is also trying to launch GB type program (Yunus, 1994).

G.B. comes into contact with Chicago Bankers. In Grameen micro-enterprise program will be a program under a newly set up bank called southern development operation operated through local community group. Bill Clinton a governor of Arkansas State of USA is personally taking an interest serious in GB for replication in Canada and Africa. They want to initiate. "GB is more than a bank the remarkable progress. It has made in poverty alleviation has won worldwide acclaim and a credit program modeled after it are replicated the world over, including such developed countries USA and France. In this way these have been attempts even in the developed country also.

2.4 Research Gap

In the field of microfinance, there have been numerous research works conducted by different researchers in different geographical locations in the globe. Regarding role of microfinance, it is very important financial lever for poverty reduction in developing countries like Nepal.

This study tries to fill that gap of research by answering those assigned research questions scientifically as well as practically that whether running microfinance companies (Grameen Bikas Laghubitta Bittiya Sanstha Limited, for this study) are contributing in poverty reduction or not. Applying primary data, analyzing with different research tools, picking out one very important place of Nepal that is Belbari (which contains most of semi-urban areas) research questions have been tried to answer properly so that in the field of research on the issue of poverty can be more understandable. And, last but not the least, this study contributes or fills a tiny gap of unanswered issues.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Research Design

Research methodology is the guideline of research. This thesis work includes descriptive and analytical research design with the help of descriptive research design; debt pattern situation occupation and income before and after GBLBS program of Belbari branch and loan investment and repayment situation have been presented. The analytical research design is based on survey data.

3.2 Nature and Sources of Data

The nature of the data is primary as well as secondary. Sources for required data are GBLBS annual reports for secondary data.

3.3 Methods of Data Collection

It is one of the most important aspects of all types of research. The following outlined methods have been used for data collection in this study

3.3.1 Primary Data

Primary data have been collected from the sampling survey through questionnaire. Out of the total numbers of debtors, one hundred members have been chosen randomly and interviewed them through the questionnaire method in the study area.

3.3.2 Secondary Data

The secondary data has also taken as per need. Secondary data are collected through the following different sectors.

1. Branch office of GBLBS, Belbari
2. Morang district level committee office Biratnagar
3. Central office library of GBLBS
4. Belbari Municipality Office, Ward Offices
5. Published and unpublished related secondary data have also been taken in to the study.

3.4 Sample Size and Sampling Procedure

The primary and secondary data include in this thesis research. The primary data have been taken from the debtors of Belbari GBLBS branch by random sampling procedure. The secondary data has taken from the GBLBS report, Belbari Municipality's report, government published report and others related books. Out of total 398 members of GBLBS, only 25 percent living in Belbari Municipality area, from them only one hundred members have been taken without keeping any biasness.

3.5 Data Processing

To achieve the result from the focused sector some questionnaires are used to survey. The facts from surveying has been presented in tables, which are necessary to show. The collected data which are concerned to the computation, it may be done with the help of a computer.

3.6 Method and Tools of Data Analysis

Different statistical tools such as tables and figures are used to analyze collected data; Ginny coefficient formula is used to analyze the collected data to decide the income inequality of the debt borrowers before intervention and after intervention of the bank in the studied area.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Introduction of Study Area

Belbari is one of those local levels of Nepal which has been re-established along with other 752 local levels. Belbari is one of the municipalities in Morang district which is in province no. 1. It is in terai region. It shares local boarder with Kanepokhari Rural Municipality in East, Rangeli Municipality in South, Gramthan Rural Municipality and Sundarharaicha Municipality in West and, in North Kerabari Rural Municipality and Letang Municipality have been situated. Total population of this municipality is 65,892. It has been divided into 11 different wards. It has maximum semi-urban areas including urban and rural areas, too. Total area of this municipality is 132.79 km². Former Dangihat Village Development Committee (VDC) and Bahuni VDC have been merged with existing Belbari(MoFALD, 2017).

4.1.1 Climate

This municipality lies under the temperate zone. The average minimum temperature lies between 10°C to 22°C and maximum 22°C to 41 °C with annual rainfall about to 200 mm annually. This municipality has sufficient area of forest called Charkose Jhadi which is preserved by local community. It is located in the subtropical evergreen region.

4.1.2 Religion and Culture

Majority of people follow Hindu religion followed by Kirat, Muslim Buddhist, Christianity and others. Tharu, Koche, Dhimal, Muslims and Madhesi people have resided in east and south region of this municipality whereas North and West region by hill indigenous people such as Rai, Limbu, Tamang, Magar, Yakkha, and Sherpa etc. Arya-khas people have been spreaded all over the municipality. Hindu festivals and Kirat festivals are major festivals for this municipality. Nowadays, numbers of Christians have been increasing.

4.2 Nature of Poverty in Study Area

This study area is situated in Morang District, in the very eastern part of Nepal which is in province no. 1. Most of this area is good fertile land. But due to the lack of

sufficient irrigation facility total fertile land have not been exploited, People adopt agriculture as a main occupation for living. Lack of assistance, availability of modern seeds and fertilizer and technical facilities, it had been facing so many problems in agriculture sector. Nowadays, it is improving. But, most of the youths are working in Middle East and other countries. They don't dare to seize the new and challenging occupation. They have been still realizing mentally as they this area have to do their work since earl are slaved by men. It is also fact women in hardship and hard early morning to late evening devoid no hand income. In spite of the h working most of the parents are unable to provide enough balanced diets for their children. Due to the malnutrition, people have to face various health illnesses and the nature of poverty is so thinkable.

This studied area is of Providence no 1 in Morang district in eastern region. Due to the vicious circle of poverty, lack of infrastructure of low education, low-in-come lack of capital, people's living standard of study area is decreasing day by day. Increasing population most of people are unemployed women in this area are still influence by old customs and traditions. So they could not adopt new and productive occupation easily. In the study area most about more than 80 percent people adopt agriculture as the main occupation. The people have no capital to invest in any other business activities. There are very few facilities on health, education on transportation sectors. Most of poor people including women have to work full time since early morning to late evening. They have bare hands of income. Despite of hardship and hard labors, most of people are unable to give enough food to their children. Hence the nature of poverty is so increasing and people have to live with little food and facing various health illnesses due to malnutrition.

While observing the nature of the poverty in the study area, we have to analyze at least two kinds of poverty such as absolute poverty and the relative poverty. Absolute poverty is a vital problem of this area. The relative poverty can be found comparing the incomes of the inhabitants of the certain place. While observing this, higher income group and having lower people are compared among them. The following tables below help to show the condition of the absolute poverty and the relative poverty of the inhabitant of Belbari. The people who have taken to for PGBBL of local branch and income of them are shown in table no 4.1.

Table4. 1**Income of the Member of GBLBSL of Local Branch**

S.N.	Income Per. Months (NRs.)	Number	Income Borrowers (NRs.)
1	1,000 around	7	7,000
2	2,000 around	18	36,000
3	3,000 around	19	57,000
4	5,000 around	37	185,000
5	7,000 around	11	77,000
6	10,000 around	8	80,000
	Total	100	442,000

Source: Field Survey, 2019

Total Income of Borrowers per Month = NRs. 442,000

Number of Borrowers = 100

$$\begin{aligned} \text{Average Income of Borrowers per month} &= \frac{\text{Total Income}}{\text{No. of Borrowers}} \\ &= \text{NRs. } \frac{442,000}{100} \\ &= \text{NRs. 4,420} \end{aligned}$$

We have to compare the average income of debt borrowers from GBLBSL local branch to the standardized income to sustain the absolute poverty in the national context which is NRs. 12,500 per month (NPC, 2015). Here, we have calculated average income of borrowers in which only NRs. 4,420 is earned by per person is extreme less than standardized figure. So we can come to a conclusion that every debt holder from absolute poverty. Hence they cannot maintain their basic GBLBSL is below the abs requirements such as food, clothes, sanitation, medicines, and good health etc. through their income. Another table can be constructed to examine the relative poverty of Belbari or sampled people. The people who have income beyond the credit of GBLBSL who don't have taken loan from PGBBL of local branch and the income of them is shown in table no 4.2.

Table4.2**Income of General People**

S.N.	Income Per. Months (NRs.)	Number	Income Borrowers (NRs.)
1	1,000 around	1	1,000
2	2,000 around	4	8,000
3	3,000 around	5	15,000
4	5,000 around	14	70,000
5	7,000 around	26	182,000
6	10,000 around	24	240,000
7	15,000 around	12	180,000
8	20,000 around	7	140,000
9	25,000 around	5	125,000
10	50,000 around	2	100,000
	Total	100	1,061,000

Source: Field Survey, 2019.

Total Income of General People = NRs. 1,061,000

Numbers of People = 100

$$\begin{aligned}
 \text{Total Income Average Income of General People} &= \frac{\text{Total Income}}{\text{No.of General People}} \\
 &= \text{NRs. } \frac{1,061,000}{100} \\
 &= \text{NRs. } 10,610
 \end{aligned}$$

Comparing those two income holders, general people have a higher average income per month than the income of debt borrowers. So the debt holders from GBLBSL are relatively poor than the general people who don't take loan from GBLBSL of local branch in study area. It is obvious that the people who don't take loan from GBLBSL they have been benefited from other financial institutions or they may not have taken

loan from any financial institutions. Some of them are landlords, businessmen, teachers and moneylenders who don't need to take any loan from GBLBSL. But if we compare those two income holders with the national context, then we find both groups are unable to maintain their basic requirements. Hence all people in study area are still below the absolute poverty line (among sample group).

4.3 GBLBSL Credit Delivery System in Belbari

It has a unique credit delivery system and quite different from others bankinstems. It gives major priority to the typical villagers who are deprived from stream of facilities of the government. PGBB has extended credit to the doorstep of its client in order to promote self-help and independent for living. It has also a role that it upgrades socio-economic status of rural people. The major credit system of GBLBSL is mentioned through the following headings:

4.3.1 Credit for Survey

It has its own method to identify the targeted area. For this a local survey is done to find out socio-economic characteristics of population. Survey will focus major problem and its solution and precaution to launch the program and mobilize the physical resources.

4.3.2 Credit for Group

On the basis of group commitment, only the loan will be disbursed. Beneficiaries are organized themselves into a group. Each Group Carries 5 members. This group is very small unit of this bank. The beneficiaries among them have discussion and exchange their ideas and feelings of community development.

4.3.3 Credit for Poor

The bank's chief motto is to provide credit to poor or ultra-poor people. To achieve this rime objective the bank has developed credit delivery without collateral group liabilities system. The provided credit should be repaid within one year on the other hand group manage the loan for giving responses and full accountability.

4.3.4 Credit for Community Development

PGBB has a preparation for 16 readymade slogans which are such the slogans will be coup to recite them and devoted towards the bank. It helpful to be delivered over their own community with the integrated community suggests to commit develop

development signifies the elimination of exploitation natural resources. Therefore, poverty itself multidimensional and need for rural credit are following three Parts.

1. To increase social, Political and educational status.
2. To make in infrastructure of social-health, residential, safe drinking water, nutrition family planning, education for all etc.
3. To develop the concept of nationality and patriotic notion among the poor.

4.3.5 Credit for Management

The PGBB has adopted a base idea of learning process. This basic idea is derived from famous learning method trial and error. The program served to the people lower and is decentralized to lower level. So as to decision needed by Grameen bank has to be operation of staff oriented program. Grameen bank could have achieved predetermined objective and get success.

4.4 Process of Loan Disbursement

The PGBB has its responsibilities to hold survey in the targeted locality to enhance on socio-economic characteristics of the population. Field survey will be done to find the major problem and its solution and precaution to launch the program and mobilize the physical resources.

4.4.1 Group Preparation

To provide the loan in the targeted group, various small groups are formed organizing them together. It is found that from the bank mainly poor women and men also can be members in the group. Beneficiaries are gathered in the certain size of the group. Each group comprises of 5 members. Minimum 2 to maximum 8 groups are federated to form a center. Center is group of disadvantaged people. Overall, banking services are delivered through this center.

4.4.2 Training for Members

Bank carries 7 days orientation training after preparation the groups. During the learn ray, to write their name, 9 principles, 16 principles training period, trainees will Pre-exam is conducted after completing 7 days training of GrameenBikasLaghubittaBittiyaSanstha Limited (GBLBSL) . One pre to only anger of the bank will give an examination of after 8 days the program members and provides the authority to members.

4.4.3 Loan Disbursement

Grameen Bank gives debt to its group members on the step wise basis. First of all it provides loan for only two members. After four weeks, a loan is given for more two members. At last after 4 weeks the loan is provided for one member (President of the group).

4.4.4 Management of Credit

The debt which is main focus of disbursements among the targets. It is found that at first collateral is not needed to take loan for them Banking system has given easy procedure to approach to rural people. It is also known that banking procedures are simpler regarding disbursement and preparation of monthly statement etc.

4.4.5 Credit without Collateral Securities

On the basis for group liabilities all type of credit are provided to the certain formed group. All those organized groups which are constructed as they are backbone of the bank.

4.4.6 Regular and Group Saving

There is formed a group saving account and in the same account they have to deposit at least 5 percent amount of the credit. One high level personnel is authorized to take group recognition test to the members. The group members could utilize this group fund for their time period. On the test exam who fails, again have to undergo of two same training. Every member has to get through this test to be eligible member to receive loan.

4.4.7 Financial Discipline

Maintaining the discipline is norm of the bank. Neither discipline from top to the main nor bottom is strictly followed. Since its beginning of its establishment, discipline will be cuts. Members of all measured as a part of evaluation of staffs for their career propel have to attend regular meeting held once a week, repay weekly groups should installment of two borrowed, and perform given responsibilities in given time. Group is aware to those who have default bank rules and regulations.

4.4.8 Credit Disbursement and Repayment Place

A destination place is maintained where the debtors are gathered to have the transactions of the bank. The activities such as loan dish saving etc. can be conducted by easement, repayment and members involving in participatory exercise.

4.4.9 Priority to Women

Mainly the Credit Program or more than 50 percent women can be participated to undertake program.

4.5 Findings

Some related data and findings are needed to come into a conclusion. With the help of economical and socio-economic data, they are the base installment to take the decisions. So under this topic we can find the following findings with the help of primary and secondary data.

4.5.1 Social Findings

While describing the social impacts of PGBB, mostly the social indicators like education, safe toilets and political situation are taken to analyze through some sample data where as these social activities don't affect directly up on the debt reform pattern. Hence some social impacts are given in table 4.3.

Table 4.3

Status of Reading and Writing Before and After

S.N.	Can Read & Write	Before		After	
		Number of Respondents	Percent	Number of Respondents	Percent
1	Yes	30	30	74	74
2	No	70	70	26	26
	Total	100	100	100	100

Source: Field Survey, 2019.

As per survey of the 100 borrowers 70 percent could not read and write before in touch with GBLBSL, this illiteracy has reduced to 26 percent among the loan holders. GBLBSL encourages the participants to read and write fur although the bank center conducts the classes to write their name and read.

Table4.4**Use of Safe Toilet Before and After**

S.N.	Use of Safe Toilet	Before		After	
		No of Respondents	Percent	No of Respondents	Percent
1	Yes	28	28	68	68
2	No	72	72	32	32
Total		100	100	100	100

Source: Field Survey, 2019.

In above table 4.4 has been observed that the installation and use of safe toilet has been changed significantly. Before join GBLBSL 70 percent women did not have their own safe toilet but now this percentage reduced to 32percent only. And most of them who don't have safe toilet said that to be installed in the near future

4.5.2 Political Findings

As the practicing the multi-party democracy system, the political consciousness is in some extent found satisfactory. An observation made by sample of debt holders 67 percent women can say the name of elected local level leaders and their respective party, too. Rest 33 percent women don't know their leaders name. Out of conscious women 25 percent can say the Member of Parliament (MP) from the same constituent and they can say the prime minister name as well.

4.5.3 Use of Safe Drinking Water

Use of drinking water situation is present in below table 4.5.

Table4.5**Use of Safe Drinking Water**

S.N.	Status	Before		After	
		No of Respondents	Percent	No of Respondents	Percent
1	Yes	30	30	73	73
2	No	70	70	27	27
Total		100	100	100	100

Source: Field Survey, 2019.

As the side of safe drinking water, significant change has been seen. Before join with GBLBSL 70 percent borrowers did not have their own tube-well pump for drinking. But now 73 percent family has water that's why they are dependent to others should which safe drinking water confirmed. Thus, use of safe drinking water, is shown in the table 5.7 before and after intervention of bank.

4.5.4 Status of Family Planning

As the status of family planning situation of sampled borrowers is out of total, 30 percent women have is moderately seen, been found as the has done. 50 percent women use temporary permanently family planning means of family planning and remaining 20 percent couples neglect the family planning scheme because of Muslim Society and illiteracy of the women.

4.6 Economic Analysis

On this heading the collected date are directly related to impact the economic situation of the debt holders. Economic Partners of the loonies are analyzed which impact on the evaluation of GBLBSL can be observed through this topic.

4.6.1 Loan Amount

An investment is a chief means to thrive the economy to make prosperous everyone. Gradually increasing loan amount can play a vital role to uplift the economic condition of the poor. The bank's strategy is that simultaneously ongoing loan amount may help to enhance the economy. So that stepwise loan amount is referred by the by the bank which can be observed through the various tables below.

4.6.2 First Phase Loan

The institution provides different types loan facilities to their clients which is shown in table no.4.6.

Table4.6

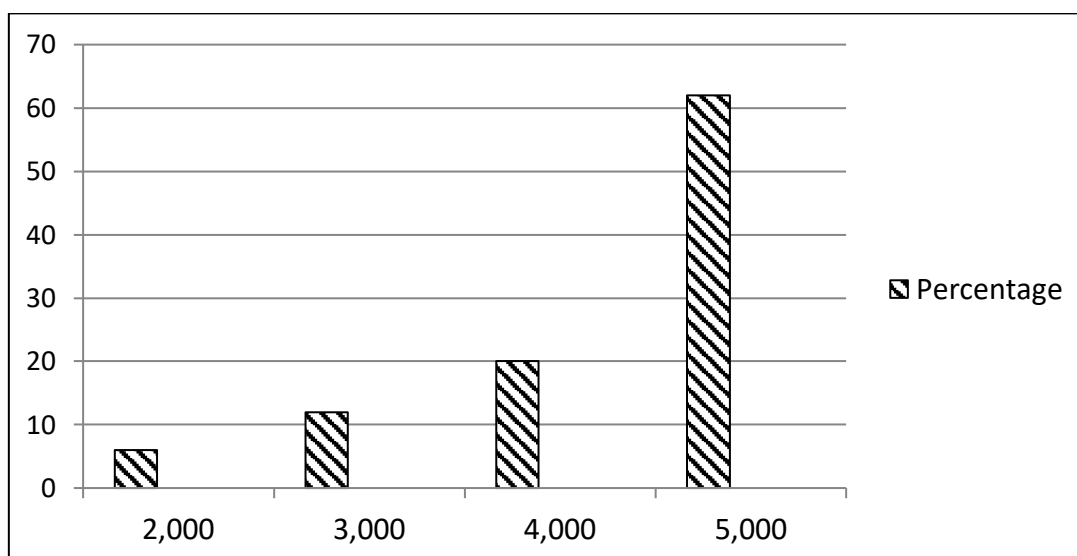
First Phase Loan

S.N.	Loan Amount (NRs.)	No of Respondents	Percent
1	2,000	6	6
2	3,000	12	12
3	4,000	20	20
4	5,000	62	62
	Total	100	100

Source: Field Survey, 2019.

Table 4.6 shows the situation of disbursed loan in the percentage which was taken by loaners of GBLBSL in the first phase loan. The majority of the borrowers out of 100 people surveyed or 62 persons have taken loan amounting to NRs. 5,000 and 20 percent people took amounting to NRs. 4,000 similarly 12 percent and 6 percent members have taken loan amounting to NRs. 3,000 and 2,000 respectively. This data can be shown in fig no. 4.1.

Figure 4.1
First Phase Loan



Source: Based on the Table 4.6

4.6.3 Second Phase Loan

The second phase loan is distributed only the first phase loan is completely repaid by the borrowers. Based on the discipline of the borrowers, loan has been simultaneously increased up to certain ceiling and years.

Table 4.7
Second Phase Loan

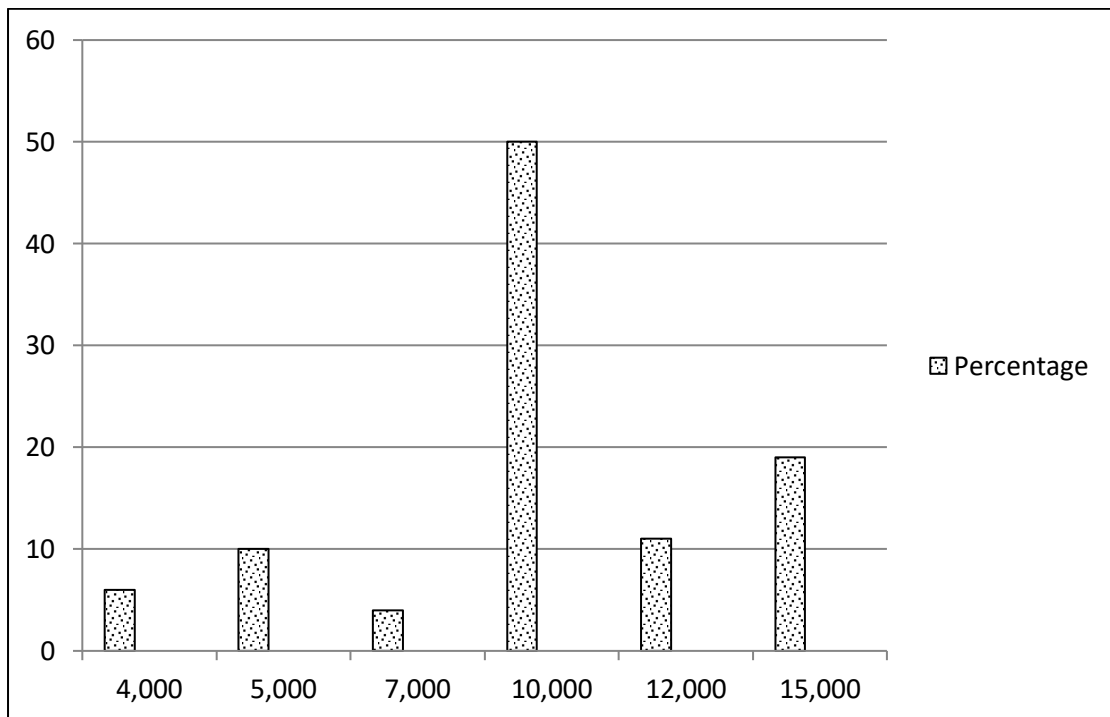
S.N.	Loan Amount (NRs.)	No of Respondents	Percent
1	4,000	6	6
2	5,000	10	10
3	7,000	4	4
4	10,000	50	50
5	12,000	11	11
6	15,000	19	19
	Total	100	100

Source: Field Survey, 2019.

Table No. 4. 7 shows that the percentage distribution of loan to the randomly selected borrowers at the second phase loan distribution. Out of 100 members 50 members or 50 percent have taken the loan amounting to NRs. 10,000 while other 19 percent, 11 Percent to percent 6 percent and 4 percent have taken loan amounting to NRs. 15,000, 12,000, 5,000, 4,000 and 7,000 respectively. The table shows that the borrowers are ready to take higher amount toeing able to pay back as they have got a bit the through the use of loan. This second phase loan distributed by bank can be observed through below fig. no 4.2 bar diagram.

Figure 4.2

Second Phase Loan



Source: Based on the Table 4.7

4.6.4 Third Phase Loan

The third phase loan is only provided when the second phase lone and its interest completely are paid up by the borrowers. The loan at a phase investment must be repaid within 50 weeks at the rate of one installment per week. Some borrowers won't take any loan at the third phase because of high amount and due to not have repaid in the second phase loan since the repayment period has not been completed.

Table4.8

Third Phase Loan

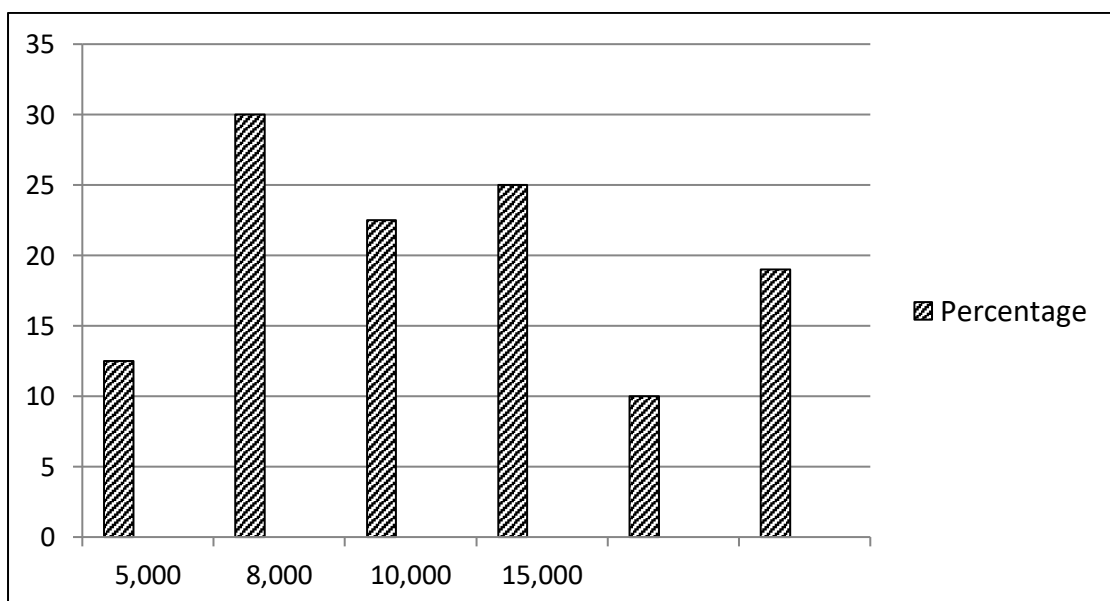
S.N.	Loan Amount (NRs.)	No. of Respondents	Percent
1	5,000	10	12.50
2	8,000	24	30.00
3	10,000	18	22.50
4	15,000	20	25.00
5	20,000	8	10.00
	Total	80	100.00

Source: Field Survey, 2019.

Table no. 4. 8 shows that out of 100 borrowers in the second phase investment only 80 of them have taken loan of different amount in third phase investment. The loan amount in third phase distributed ranging from a large amount to NRs. 20,000 to a small amount NRs. 5,000 only. Those sincere borrowers who have a good chance to take higher amount of loan if they are regular participating in the economics activities of the bank. This third phase loan distributed by bank can be observed through below bar diagram.

Figure 4.3

Third Phase Loan



Source: Based on the Table 4.8

4.6.5 Loan Amount and Repayment System

There are various types of loans to provide beneficiaries on the different headings. General loan, Seasonal loan, Irrigation loan and Group fund loan are found from the branch of Belbari. Under the various terms and condition rules and regulation of GBLBSL disburses the loan to the deprived. There should be minimum 2 to maximum 10 groups for each center. All the clients and staffs of GBLBSL appoint the place of week transaction field of rural banks. Annual per capita income should not be more than NRs. 2,500 the upper ceiling of land is 1 Bigha in Terai and 10 Repani in hilly region and landless person. Branch offices examine whether they are divided group or not. If the bank believes or accepts the responder's when it starts various programs in favors of the clients. The hen bank takes an examination of recognition if the responder fails to get to the entry gate, the gate will be also group closed. The bank doesn't accept thumb pressure signature, the responder must sign with a pen.

To make easier disburse loan among the people who have not needed to give any collateral securities to bank so for them various groups are formed by every five members. Each group has a chairman and a secretary. The chairman holds the responsibilities to assist the bank staff and other procedural works such as collection of saving, group, weekly installment, repayment function and discussion upon the problem of the members, Loan proposal and disciplinary function and to clear loan account within the dead line of bank. The GBLBSL provided the loan by 2:2:1 policy. It provides loan at first two members and next two members. The chair person gets in the last phase. If any member doesn't repay the loan on the time the remaining clearing previous will be cut off for loan facilities. The borrower will get again next loan after previous accounts. The bank cuts stage (i.e. it given loan payment subtracting-5 percent) for group fund. The saving group fund always rises because they deposited Re.1 weekend meeting. The GBLBSL, Belbari Branch disburses the loan on the following topics.

A. General Loan

The bank Supplies the certain amount in the in the yearly basis performance. The loan table increased year after a year accordingly development of the debtors.

Table 4.9
General Loan

S.N.	Year	Loan Amount (NRs.)
1	First	10,000
2	Second	15,000
3	Third	20,000
4	Fourth	25,000
5	Fifth	30,000
	Total	100,000

Sources: Field Survey, 2019.

Table no. 4.9 shows that borrowers can borrow in the first year up to NRs. 10,000 and fifth year NRs.30,000. 50 installments are provided in total to pay back loans and 10 percent interest should be submitted in every installment. Every borrower should pay weekly Installment.

1. Seasonal Loan

This loan can take borrowers up to NRs. 10,000. It is given to the borrowers actually in rural areas for trade and business with 20 percent rate of interest.

2. Irrigation Loan

Bank's disbursement program is oriented to irrigation for farmers, too. Different small water pumping projects can be operated with the using of loan. This is not available in every branch office of GBLBSL. It is provided up to NRs. 60,000. This loan is charged by 14 percent interest rate and borrowers should repay this loan within five years.

3. Group Fund Loan

About this loan, already have described something the bank has managed a group fund loan taking 5% out of loan distributed among the borrowers. The bank doesn't provide total amount of the loan because of the group fund. The reserve fund will be distributed as loan only to the group members on certain title like health treatment, and study of child. Loaners should pay this loan regularly every weakened in 25

installments. Interest won't include in the installment program instead these interests will be charged 20 Percent extra.

4.6.6 GBLBSL and Its Operational Performance in the Study Area

GrameenBikas Bank Belbari Branch (formerly Dangihat) was established in 2051 B.S. It covers 8th then VDCs like Dangihat, Bahuni, Hoklabari, Aamgachhi, Darbesha, and so on (these days Kanepokhari Rural Municipality and Belbari Municipality). There are 10 personnel working together as two officers, seven senior assistances and one peon who are still working now.

4.6.6.1 Loan Headings

Since, major region of Belbari Municipality is situated in rural area even though it includes a semi-urban market. It is around 20 km away to east-north from Biratnagar Metropolitan in tertiary type of quick ear business. Out half of the borrowers are involving. Out of borrowers there are 2,935 borrowers in Belbari (study area). Among these, only 100 loaners are randomly selected and interviewed. The loan disbursed sectors are agriculture, animal husbandry service/trade, cottage industry, trade, tailoring, and quick earn making business like tea snacks shop, small industry, small adoring, rickshaw purchase and so on. The sector of loan disbursement can be irrigation explained in table 4.10.

Table 4.10

Loan Readings Numbers

S.N.	Headings	No of Respondents	Percent
1	Agriculture	24	34
2	Animal Husbandry	20	20
3	Tea/Snack Shop	16	16
4	Small Industries	10	10
5	Trade	15	15
6	Tailoring	11	11
7	Rickshaw	4	4
	Total	100	100

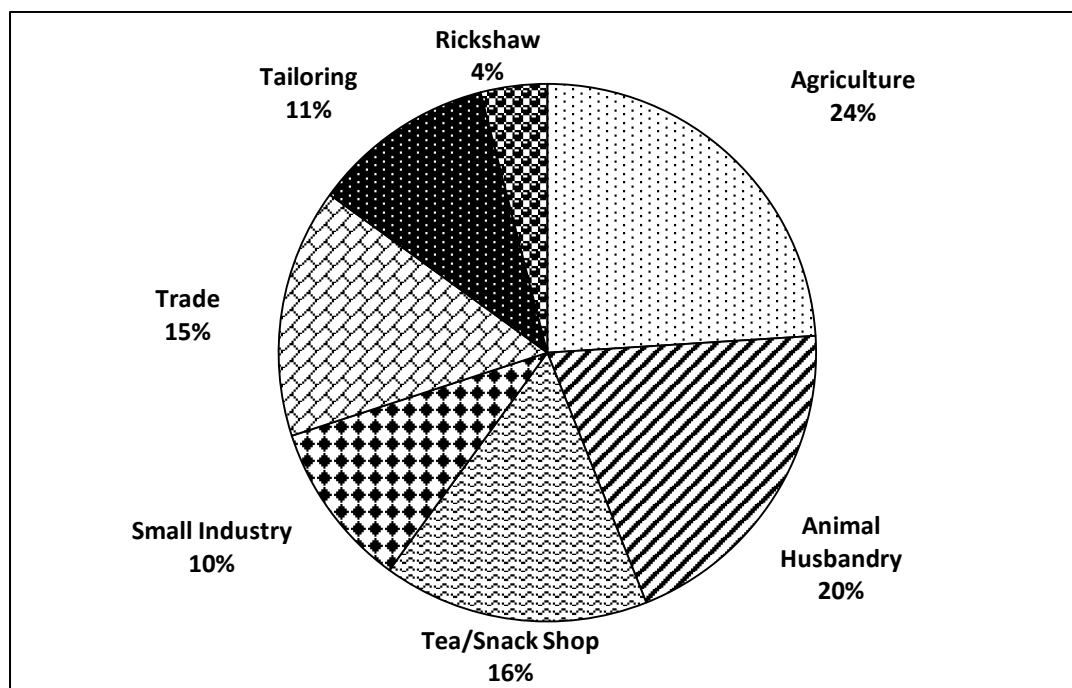
Source: Field Survey, 2019.

Table no. 4.10 shows out of total loaners 100 loaners were found having loans on different various headings as 24 percent women had taken loan for agriculture,

likewise 20 percent from animal husbandry, 16 percent for tea snack shops and so on which are shown in the table. These headings can be displayed in the below pie-chart.

Figure4.4

Loan Headings



4.6.6.2 Income of Borrowers

In the study area, income denotes the earning of the GBLBSL borrowers through the only productive activity. Income may be in the forms of money, production of food grains, milk; animal husbandry, small industries etc. to know the income status before and after bank intervention by field sample survey through questionnaire method. All income and other economic activities data are collected and tabulated for analysis.

Table 4.11

Income of the Members-2018

S.N.	Income Per Month (NRs.)	Before		After	
		No of Respondents	Percent	No of Respondents	Percent
1	1,000 around	7	7	3	3
2	2,000 around	18	18	9	9
3	3,000 around	19	19	8	8
4	5,000 around	37	37	54	54
5	7,000 around	11	11	15	15

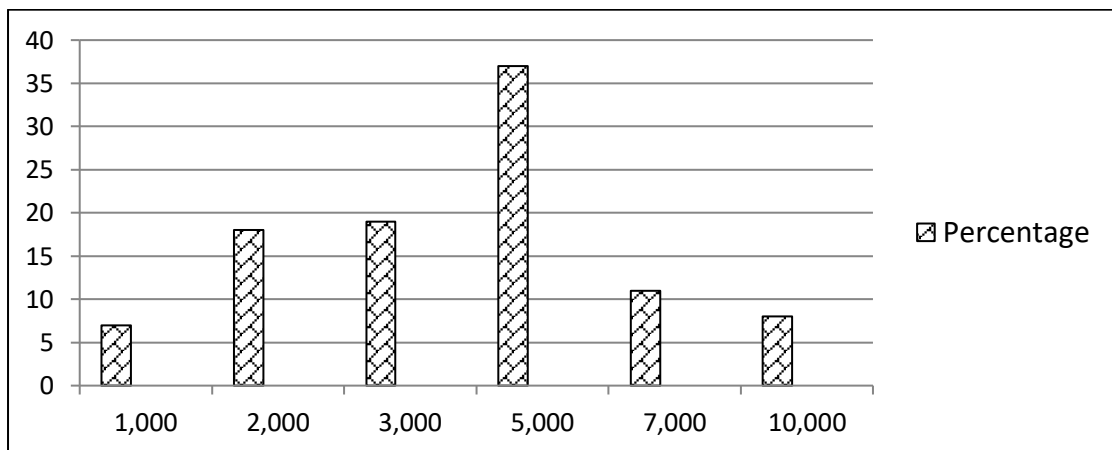
6	10,000 around	8	8	11	11
	14500	100	100	100	100

Source: Field Survey, 2019.

Table no.4.11 clearly shows the before intervention of the program 7 percent of the borrowers earn below NRs.1000 and after join the GBLBSL it has reduce 3 percent only. So it can be clearly said the income of borrowers have significantly change after intervention of the program. The above table can be explained diagrammatically below.

Figure 4.5

Income of the Members before

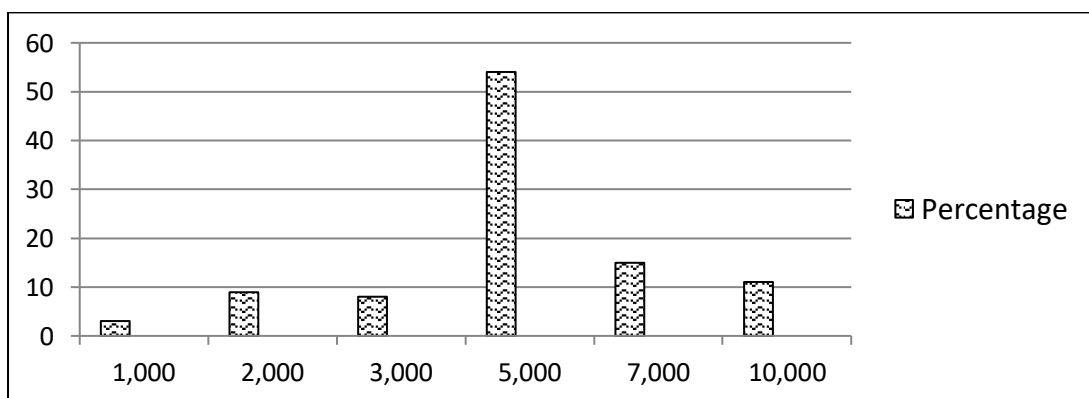


Source: Based on the Table 4.11

Figure 4.5 shows income of people before the intervention of GB program. Comparison analysis and interpretation have been done after next figure.

Figure 4 6

Income of the Members after



Source: Based on the Table 4.11

Figure 4.6 shows that after the intervention of GB program NRs. 1,000 earnings of 7 percent people have been minimized to 3 percent. It means people are earning more than NRs. 1,000. Similarly, people who used to earn before NRs. 2,000 per month was 18% they have been able to earn more so that this percent has been decreased to 9%. Likewise 19 percent of sampled people had earned up to NRs. 3000 before intervention of GB program, after intervention of the program it has been decreased up to 8 percent. NRs. 5,000, 7,000, and 10,000 earning groups were 37, 11 and, 8 percent respectively before the intervention of the program. After intervention of the program, all figures have been decreased and became 54, 15 and, 11 percent respectively.

4.6.6.3 Incentive and Penalty System

In this study area the most important incentive and penalty system is adopted by GBLBSL Belbari branch, motivated by giving bigger subsequent loan after completing repayment of the previous loan after denied to disburse the loan those any one defaulting weekly installment. There is no alternative credit delivery institution of poor people in low interest rate at all. They and other borrowers needn't us incentives are that of the e any legal repercussion and obligation to repay the loan by the family even in borrowers died. That is why they are eligible to get loan from GBLBSL.

4.6.6.4 Saving Situation

Saving arises from income of borrowers. If income increases, there will be more chance of saving increase and it is also depending upon the consumption patterns as Keynes says. It is always depending upon income. So we can describe as $S = Y - C$. This means saving is the functions of income and consumption. Since there has an increase in income of borrowers, its positive impact on saving also has been observed. For this, table 5.15 shows the result of saving status.

Table 4.12
Status of Saving

S.N.	Saving Status	Before		After	
		No of Respondents	Percent	No of Respondents	Percent
1	Yes	38	38	60	60
2	No	62	62	40	40
	Total	100	100	100	100

Source: Field Survey, 2019.

Before intervention of the bank there were only 38 percent borrowers who used to save money from their income for future but now this figure has increased to 60 percent after joining with PGBB and 40 percent are still found who are unable to save.

4.6.6.5 Utilization of Saving

The below table no 4.13 shows that out total members 40 percent borrowers or savers utilize their saving their same business. 15 percent have also been success to buy some land. It is interesting to observe that 7 percent have utilized their saving to earn higher interest by lending to needy people. 10 Percent have deposit in bank and 6 percent or 6 borrowers said that they used their saving to purchase gold and silver ornaments or purchase furniture and fixer. Other 10 percent debt holders utilize their saving amount like education, entertainment.

Table 4.13
Utilization of Saving=

S.N.	Utilization Sector	No. of Respondents	Percent
1	Same Business	40	40
2	New Business	8	8
3	Land Purchase	16	16
4	Deposit in Bank	12	12
5	Property Purchase	9	9
6	Others	15	15
	Total	100	100

Source: Field Survey, 2019.

4.6.6.6 Sheltering Status

As per the minute observation of the status of sheltering that has brought changes on the loan holders. Before intervention of bank people had to live in the houses of wood, soil, straw with 70 percent, after intervention of the bank 5 percent people have been able to build concrete houses made of bricks, cement, woods and other needy stuffs.

4.7 Other Findings

This study also finds out the following situation of institution.

4.7.1 Present Volume of Credit

Most of the borrowers have reported that the exiting volume of the credit was not sufficient to expand their business. 70 percent borrowers needs more amount of credit for expanding their business of invest in new business. Only 30 percent borrowers don't need

credit because of not using the loan on the productive sectors. One of the participants said that she has needed at least NRs. 65,000 per year for her business to operate.

4.7.2 Status of Credit Uses as per Their Own Desire

It is fact that our society is still dominated by male and the senior's family members. So, some of the participants are not able to spend the loan as their desires have. Those who can't spend as per their will should give the loan money to their hush guardian. 36 borrowers out of hundreds and or other or 36 percent members use the loan amount by mutual understanding with husband and other family members. Table 14 shows the actual result of their own desire.

Table 4. 14

Status of Credit Uses as per Their Own Desire

S.N.	Status	No. of Respondents	Percent
1	Yes	30	30
2	No	34	34
3	By Mutual Understanding	36	36
	Total	100	100

Source: Field Survey, 2019.

4.7.3 Weekly Repayment Sources

The weekly repayment system of loan affects the institutional sustainability of any financial institution. Table 4.15 shows the repayment source of borrowers.

Table 4.15

Weekly Repayment Sources

S.N.	Status	No. of Respondents	Percent
1	Existing Business	75	75
2	Other Family Member Income	15	15
	Borrowing from Local Money Lenders	10	10
	Total	100	100

Source: Field Survey, 2019.

The table 4.15 shows 75 percent debt holders repay their loan amount with the bank financed existing business income. 15 percent participants repay the loan amount by other family member's income and only the 10 percent debt holders repay the loan amount by taking loan from local money lenders at higher rate of interest charge.

CHAPTER V

MAJOR FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Major Findings

In the study area before the program of GBLBSL the living standard of people are very miserable. On the basis of the above analytical of GBLBSL in the study area, it can be found that it is a semi-government organization that has launched different programs and field based activities for the reduction of rural poverty. With research by some questions and their answers, the following result has been found.

1. It has been able to increase the awareness among the people especially rural women.
2. It has successfully given exclusive focus on the rural poor women.
3. The women those who can read and write as increased from 30 percent to 74 percent.
4. After GBLBSL intervention, in the study area of women a nominal life style has changed and there is direct impact on health and sanitation. These people are seen neat and clean.
5. Large amount of saving have been deposited through earning profit.
6. It has been significant increase in their income level of borrowers by borrowed loan.
7. Reduction in the domestic violence, increased decision - making power of the women in the family. These are most positive impacts on the social side for women.
8. Political consciousness and educational desires of the studied area have been increased. The local money lenders have been decreasing gradually.
9. Transaction trend with local money lenders have been decreasing gradually.
10. Occupational diversification of the women is one of the strong impacts of GBLBSL. Before bank intervention 24 percent engaged in "housekeeping" and 44 percent were engaged in 'agriculture' sectors. But now, most

borrowers have changed their traditional occupations housekeeping and agriculture sectors and have adopted new business for higher level of income.

11. One of the important achievements of organized GBLBSL is that it has successfully helped out rural women and increase co-operative behavior among them.
12. According to income analysis, 7 percent of the members had NRs. as monthly income, but after borrowing, only 3 percent had income in this group. This shows that their income level has increased after borrowing.
13. Observing the data on the social stabs the using of safe toilet before GB program, people who used it were 28 percent and after intervention of it, it is raised up to 68 percent that show awareness towards health of the people has significantly increased.

Thus the main features of the GBLBSL are that it provides loan without taking any collateral and on the group guarantee basis through its door to door visit service or field activities work. In totally, positive role of the GBLBSL in changing socio-economic condition of rural poor women have been found from the field observation. It is also observed that some of the borrowers could not be able to take advantage by GBB program due to their bad nature.

5.2 Conclusion

Nepal is an economically back warded country because of lack of capital, education, technological innovation and economically perfect experts etc. This studied area, Belbari lies in the Morang district which also is not free from economically backwardness. Government of Nepal established PurwanchalGrameenBikas Bank (PGBB) in 1992 A.D. to reduce poverty of eastern region. It has its own policy and philosophy as "poverty is not cause but it's an effect" and, this evil effect can be omitted from every society if the financial institutions have clear economical vision adapted. It has its own objectives, strategies, policies, programs rules and regulations. It is a rural bank so that programs are launched in the Terai areas where majority of the people are poor and ultra-poor. The branch of DangihatGrameenBikas Bank (formerly) has been able to disburse loan with interest poor people devoid any collateral. After analyzingthe minimum rate oftenest for area, it is concluding that most of the borrowers use their loan in productive work and pay loan back by

installment system. It is quite different bank than others because most of the members of it are married women and somewhere men also who are actively participated to have the bank's facilities. And it is a unique because its most of the programs are field related work and its personnel's are obedient and punctual except some of them. Therefore, a complementary approach along with GBB intervention, that special target of poverty sit-nation has come in the form of GrameenBikas Banks. The bank basically being the rural bank that offers a package consisting of loan comprehensive facility, literacy programs, general health and sanitation hailing to handless and asset less poor entrepreneurs in the raft al area in order to uplift their socio - economic condition and general living standard.

5.3 Recommendations

On the basis of the finding, various problems have been observed in the study area through the course of this research. The following suggestions have been presented for the growth and development of GBBprograms and useful for the expansion and creation of new strategy to the bank.

1. The rate of interest charged on loan is very high even though the demand for loan is very high as well. So bank should increase its lending capacity. Although loan can be found without collateral but comparison with other banking institutions, the interest rate is very high, so as possible the rate of interest should be reduced.
2. GB programs are easy to initiate but hard on implementation because discipline is the most fundamental factor for the smooth operation of the institution. So the bank should launch to disburse loan and other activities.
3. Recent credit volume to the individual's borrowers should be increased at least up ceiling guided for depended sector that is NRs. 30,000.
4. GBLBSL should include the poor members only by checking in some centers, the inclusion of non-poor member is even found.
5. Public deposit mobilization and other banking facilities should be started to collect current capital by mobilizing manpower in the central office. It should collect public deposit for bridging the resource gap.

6. Most of the participants are married and have benefited from this program but this program could not affect the uninjured ones. Thus, it is strongly recommended that this program should involve unmarried women and men also.
7. The survey data shows that majority semi-literate but women before GB programs were semi-literate but after the program, they have raised their educational status surprisingly so the bank should arrange the literacy classes in the study site.
8. Regular channel wise follow up and supervision should be carried out from center to grass root level.
9. Regular training, study and observation opportunities to the employees should be given by which motivation towards job could be continued.
10. Fund should be utilized and encouraged by giving trainings on these skills with new techniques so that it will help them to income generating activities.
11. Bank staffs should visit the member's house too and this activity motivates them time to time So that they do not lose their confidence in the program.
12. In the case of animal husbandry those women who have borrowed loans for keeping animals, if their animals died then they have thereat loss, so to fulfill it, the bank should co-ordinate with the government of Nepal to establish the insurance policy to compensate them.
13. Bank facilities or the bank's program only developed in the teary region. Being the hilly region of the eastern part of Nepal it should be included because there are also the poor and ultra-poor are existed, or banks are to be established in that area.
14. After taking loan from the bank they have various kinds of productions in their hands but due to the lack of available goods to related market they are unable to sell their products on time. So to avoid this problem, the bank keeping co-ordination with the government should manage the appropriate marketing system.
15. PGBB (formerly) should issue the share to its clients in order to enhance the working capital. It will strengthen the bank.
16. Bank should be free from political affiliation. Rather it should be honest over its clients.

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APPENDIX-A

Questionnaire for GBLBSL Members

Topic:- Role of Grameen Bikash Laghubitta Bittiya Sastha Limited for Uplifting Income of Rural People in Nepal: A Case Study of Belbari Municipality of Morang District

This questionnaire is prepared only for the purpose of the academic work (Thesis) and any Information provided here will not be miss utilized for other area.

Name:

Address (Ward and Toll):

Date:

1. General Information

a) Educational Status:

b) Marital Status:

c) Sex:

d) Family Size:

2. Before the GBLBSL Intervention:

a) Occupation:

b) Land Holding:Bigha,Kattha,Dhur,.....(If no)

c) Income per Month: NRs.....

d) Money borrowing from bank/finance/person: NRs.....

e) Saving in:

i) Bank

ii) Other

3. After the GBLBSL Intervention:

a) How did you know and attract to the Grameen Bikas Program?

i) Self

ii) By GBLBSL Staff

iii) By Others

- b) How much loan have you borrowed from GBLBSL?
NRs.....
- c) How are you paying back to the bank as your weekly installment?
 - i) From income
 - ii) Through property
 - iii) Others
- d) How much money do you earn per month?
NRs.....
- e) How much money do you spend per month?
NRs.....
- f) How much money do you save per month? If you save.
NRs.....
- g) Do you feel any change in your life standard?
 - i) Yes
 - ii) No
- h) Have you been feeling good behavior from the bank staffs?
 - i) Yes
 - ii) No
- i) Where do you utilize your saving?
.....
.....

- 4. Do you have safe facility of safe drinking water and toilet?
 - a) Yes
 - b) No
- 5. Do you have any suggestion to the bank?
 - a)
 - b)
 - c)
 - d)
 - e)

APPENDIX-B

Questionnaire for GBLBSL Non-Members

Topic:- Role of Grameen Bikash Laghubitta Bittiya Sastha Limited for Uplifting Income of Rural People in Nepal: A Case Study of Belbari Municipality of Morang District

(This questionnaire is prepared only for the purpose of the academic work (Thesis) and any Information provided here will not be miss utilized for other area.)

Name:

Address (Ward and Toll):

Date:

1. General Information

- a. Education Status:
- b. Marital Status:
- c. Sex:
- d. Family Size:
- e. Occupation

2. How much money do you earn per month?

NRs.....

3. How much money do you spend per month?

NRs.....

4. How much money do you save per month?

NRs.....

5. Do you have any suggestion to the bank?

- a.
- b.