

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The history of poverty during the past few decades is quite diverse. In the context of a developing country like Nepal, poverty is predominantly a rural phenomenon. It is interpreted as a very low income, lacking the ability of meeting subsistence needs. Poverty leads to an inadequate nutrition, health care, education, water, sanitation, and lack of awareness to mobilize the resources. Nepal's per capita income is \$ 470 (Dec 2009) which is lowest among the SAARC countries. A matter of fact, incidence of poverty in Nepal is higher than that of other countries. As per Microfinance Summit, 2010, in Nepal, 31 percent of people are below poverty line. The percentage of rural people suffering from poverty is quite higher compared to the urban. They heavily depend upon the traditional agriculture system, where productivity is very low. In Nepal, some sporadic attempts were made in the past to support the poor communities in their economic and social uplifting. Among the activities and prospects intended for the poor, micro finance program has become an important tool to alleviate poverty. One of the important aspects of this program is the development and transformation of the financial sector. In fact, financial sector development is quite critical for alleviate of vulnerability to extreme poverty.

World Bank incorporates people earning less than \$ 1 a day, lie below the poverty line. In the Nepalese context, Nepalese women are extensively involved on agriculture activities. They are involved in triple type of responsibilities, reproduction, households' chores and employment.

However, household chores and family care are not considered productive jobs due to limited educational skill, lack of opportunities and family barrier. Majority of women are self-employed in manual agriculture activities in rural areas. Women play vital Impact in family institution in our society. Women's legal status has changed with new laws moving towards participation in political and economic sector. A large number of women are being professional i.e. Doctor, Engineers, lawyer, Pilot and Scientist. Although due to the lack of technical and managerial skill, women are out of access to credit market and resources. In this way, they are unable to make significant improvement in their economic condition.

In Nepal, financial services are mostly centered in the urban areas, especially in major town like Kathmandu, and around. Further, commercial financing institution demand fixed assets as collateral for providing the credit. Most of the rural poor have no assets to pledge as collateral. Thus, they have generally no access to the financial sector. In fact, around 90% of people in developing countries lack access to financial services from formal financial institution. As a result, most of the rural people are enrolling in fruitless job of traditional agriculture and borrowing from local money lenders at an exorbitant rate of interest, ranging from 24% to 60%. On this context, micro finance program is popular choice or tool for the economic and social uplift of rural poor.

Micro-credit programs have different modalities. Some are community based on saving and credit co-operatives, some on priority sector, which include agriculture, cottage and small industries and services, and they are implemented through the commercial banks. The deprived sector-lending program is focused on poor people. In the contest of Nepal, microfinance donates the services of collection of saving from women,

poor households and micro entrepreneurs and mobilization of loan from collected saving. Such micro-finance services are provided by formal institution such as rural banks and co-operatives, semi-formal institutions such as non government organizations and informal sources such as money lenders and shopkeepers. In Nepal, rural development banks, co-operatives banks, international non government organizations and donor institutions- Asian Development Bank (ADB), United Nation Development Program (UNDP), International Fund for Agriculture Development, through NGOs, Local Government and Government of Nepal are rendering microfinance services. In addition, informal institutions such as Dhikuti Associations, user groups, indigenous bankers and businessmen are providing microfinance services to low income households, poor and micro-enterprises (Baral, 2004: 51).

1.2 Focus of the Study

The topic itself seems clear about the study. The study aims to analyze the performance and impact of the program by using descriptive, cross sectional and analytical research design. Thus, the study is concentrated towards the impact assessment of microfinance for women in Sarangkot VDC. More specifically the study focuses on existing position of Micro Credit, relationship between investment and changes in income, impact of training and awareness program upon the standard of living of the people, perception of the participant women towards the micro-credit program etc.

1.3 Statement of the Problem

Nepal is under debilitating and severe problem of poverty. Micro-finance is a term that is broadly used for the provision of financial services to low income households and self-employed people. Micro-finance institutions

(MFI) have to be concerned with their financial sustainability because it is a precondition for reaching large numbers of micro-entrepreneurs with micro-finance services over a sustained period.

Several micro-finance institutions have succeeded in reaching the poorest of the poor by delivering innovative strategies. These include the provision of small loans to poor people, especially in rural areas, at full cost interest rates, without collateral, that are repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many micro-credit programs have targeted one of the most vulnerable groups in society. By providing opportunities for self-employment, many studies have concluded that these programs have significantly increased women's security, autonomy, self-confidence and status within the household. In Nepal different types of programs have been launched such as priority sector credit program (PSCP), small farmer development program (SFDP), integrated rural development program (IRDP), PCRW, participatory district development program (PDDP) which in fact are intended to uplift the rural poor, especially women. The government has also conducting microcredit project for women (MCPW) still also.

The women of Sarangkot VDC of Kaski district like those living elsewhere in the rural areas of Nepal are involved in agriculture and manual labors. Women have greater household responsibilities than men. The ownership right over the family properties, rest with the males not the females. In a community with a low income, low saving and low capital formation, there is always a vicious circle of poverty, therefore no

single action would be sufficient to change women's status and achieve overall poverty reduction.

Some common problems related to women such as not owning land and low level of education, limited scope to generate income and low social status are interconnected and circular in nature. PDDP and MCPW are oriented to reduce some deprivations in Nepal. Loan is provided to group of ten to thirty women. The group members are from the same geographical area with similar socio-economic background. It is very important to get the feedback from the people who are involved and affected by that program. If the loans are not utilized in proposed work, it will become a burden in future. It can be further enhanced by involving more participants and resources. The research focuses effectiveness of micro-credit for women development and improvement of women's status and the methods of implementation of the program. This study will try to solve the following research problems.

- a. What is the Impact of Micro Finance Program in reducing poverty of Sarangkot VDC, Kaski?
- b. What Contribution did cooperative for women empowerment?
- c. What is the position of existing micro-Credit?
- d. What is the perception of user groups towards the Small Farmer Agriculture Co-Operative Ltd.?

1.4 Objectives of the Study

The broad objective of the study is to make assessment of the impact of micro-credit program for women in Sarangkot VDC Kaski. However, the specific objectives are as follow:

-) To evaluate the Impact of micro finance program to reduce the poverty of Sarangkot VDC.

-) To explore the contribution of co-operative on women empowerment.
-) To analyze the position of existing micro-credit.
-) To measure the perception of users group towards the Small Farmer Agriculture Co-operative Ltd. in Sarangkot VDC.

1.5 Significance of the Study

The study is important because Government of Nepal has initiated Micro-credit program where the government agency not only organizes groups of women but also provides commercial credit to groups like them. This study is significant as the government is promoting NGOs to work as a partner in social mobilization linking banks credit with the NGOs promoted women groups.

Nepal has been launching a number of programmes in order to increase women's participations in such development endeavors but the expected output is yet to be achieved. Thus, women have remained an underprivileged group in our society. In this regard assessing the importance of women's socio-economic characteristic is felt necessary. This study is expected to have some academic as well as practical importance. Mainly, the purpose of the study is important for the researcher to fulfill academic degree of MBS. It is also immensely useful for researchers, donors and student to increase knowledge on Micro-finance, and will be basis for any future study on the topic with the knowledge presented by this thesis.

Similarly, this present study is hoped to be a milestone for all foreign economists and sociologist wishing to conduct the similar study about women. In addition to this, study may provide guidelines to government, NGOs and INGOs for future development planning.

1.6 Limitation of the Study

Basically, this is an academic study for partial fulfillment of MBS degree.

The study has following limitation:

-) Concentrating only on Sarangkot VDC of Kaski district: The study may not represent the exact figure of women in other areas of the country and result may not be suitable for generalization.
-) Not all the direct and indirect impacts of the Micro-credit Program for women can be studied due to time and budget limitations.
-) This study takes into consideration the data of last five years only.

CHAPTER II

REVIEW OF LITERATURE

Literature review is done through journal articles, reports, manuals, workshop proceedings, internet home pages and other studies into microfinance program that are available. This chapter has briefly presented the theoretical review of microfinance in general and conceptual review of socio economic empowerment of women through microfinance, critical review of women empowerment through microfinance, evolution of microfinance in Nepal and profile of SFAC Ltd.

2.1 Conceptual Review

Professor Muhammad Yunus is considered as a leader and innovator in the modern microfinance world. Yunus first tried to connect the poor people with the bank located in the campus. It did not work. The bank said that the poor are not creditworthy. Then he offered to become a guarantor for the loans to the poor. He was stunned by the result. The poor paid back their loans every single time. But he kept confronting difficulties in expanding the program through the existing banks. Several years later, he decided to create a separate bank for the poor, to give loans without collateral. In 1983 Grameen bank was started. It now works all over Bangladesh, giving loans to 2.5 million poor people, 95 per cent of whom are women. In cumulative way, the bank has given a total loan of about us \$3.75 billion. Financially, it is self-reliant. It has stopped taking donor money since 1995, stopped taking loans from domestic market since 1998. It has enough deposits to carry out its lending program. Impact studies done on Grameen Bank by independent researchers find that 5 per cent of borrowers come out of poverty every

year, children are healthier, education and nutrition level is higher, housing conditions are better, child mortality was declined by 37 per cent, status of women has been enhanced. Ownership of assets by poor women, including housing, has improved dramatically. Now the obvious question that anybody might ask - if poor people can achieve all this through their own efforts within a market environment, why isn't the world doing more of this? Grameen type micro finance has spread around the world over the last two decades. Nearly 100 countries have Grameen type microfinance program. In 1997, a Micro finance summit was held in Washington DC, which adopted a goal to reach 100 million poorest families with micro finance and other financial services, preferably through the women in those families, by 2005. The result is encouraging thus; the target has been extended to reach 175 million by 2015. (Dulal, S.: 2009)

The biggest problem for expanding the outreach is not the lack of capacity, but strangely, the lack of availability of donor money to help microfinance program get through initial years until they reach the break-even level. Beyond that level, these programs can expand their outreach with loans from the market or from deposits. In most countries micro finance program are not allowed to take deposits by the regulatory bodies. If microfinance program could open the doors for taking public deposits, expansion of outreach could be very rapid because this would free them from dependence on donor money. It is a very strange phenomenon in many countries to see that conventional banks with repayment rate of below 70 per cent are allowed to take huge amounts of public deposits year after year, but microfinance institutions with record of over 98 per cent recovery are not allowed to take public deposits.

The most important step to end poverty is to create employment and income opportunity for the poor. But orthodox economics recognized only wage-employment. It has no room for self-employment. But self-employment is the quickest and easiest way to create employment for the poor. Credit can be self - employed instantaneously. Why wait for others to create a job for you when a person can create his/her own job.

Can we really reduce extreme poverty by half by 2015; the millennium development goal? The answer is probably yes, if microfinance can really contribute for socioeconomic uplift as stipulated. Each human being is too resourceful and intelligent. Poverty and the human species just do not go together. But in reality, it has happened because we created wrong mindset, which does not allow poor people to know their own potential. All we have to do is to remove the heavy crust that keeps their abilities unknown to them. Enabling people to explore their full potential is an agenda we must take up seriously, to make sure our efforts to reach 2015 goal become a thumping success.

The several impact studies done in microfinance program show that the program can bring a lot of positive changes in the lives of the poor. However, the fundamental challenge of microfinance is to reach ever-increasing number of poor people through sustainable financial institutions. Ensuring that people, especially those who are very poor, do receive access to financial services is often difficult. Many MFIs have therefore resorted to targeting to ensure that the poor and the poorest of the poor are indeed served. The Consultative Group to Assist the Poor (CGAP) client targeting centre has been designed to provide information on the targeting tools.

Microfinance is generally about providing financial services to poor people, those who lack access to prevailing formal financial institutions. Many microfinance institutions, by working in rural areas or in poor urban neighborhoods, by providing small loans for activities that low income groups would normally engage in, by imposing specific conditions of borrowing such as seeking small regular repayments, ensure that the poor are served and the wealthy are excluded. However, Many MFIs point out that without a more proactive identification of the poor, and especially the very poor and the more vulnerable, they would continue being systematically excluded from financial on increasing the depth of outreach.(Dulal, S.:2009)

2.1.1 Conceptual Review on Women's Socio-economic Empowerment through Microfinance

According to Muhammad Yunus, founder of the Grameen Bank, 'women have plans for themselves, for their children, for their home, the meals. They have a vision. A man wants to enjoy himself. 'The women's world banking program has found that men will only invest about 40-50 per cent of their earnings into the family, while women will invest 92 per cent of their earnings into their families (NSCDP 1998). Studies conducted in the field to evaluate women's empowerment as a result of access to credit have looked at a variety of measures. Hashmi et al. (1996) in their vigorous study of Bangladesh chose to examine the following as their indicators of empowerment:

-) Geographical mobility,
-) Economic security,
-) Ability to make small or large purchases,
-) Involvement in major decisions,
-) Relative freedom from family domination,

-) Political and legal awareness and
-) Participation in public protests and political campaigning.

A study based in Nepal chose to examine leadership development, confidence, increase in individual expenditure, change in attitude, participation in community activities, and increase in savings amongst women (NSCDP 1998).

Many supporters from women's organizations worldwide have charged micro credit or microfinance organizations with the responsibility of affecting change at the grassroots level. Since women represent a majority of the poorest of the poor, such programs have already targeted them. Economic empowerment has been shown to occur in most microfinance programs as the most natural result of microfinance.

The Grameen Bank and other microfinance organizations specially targeted their loans to female clients. Economic empowerment has been measured in terms of

-) Women having control over the loans, profits and savings,
-) Flexibility or autonomy on decision making on financial matters particularly the expenditure and assets creation.
-) Family assistance in enterprise,
-) Taking products to market and
-) Doing most of the accounting themselves.

The National savings and credit development project in Nepal noted that 86 per cent of the women polled in their study had control over their loan expenditures, and 67 per cent of female respondents had control over the savings generated from their enterprises (NSCDP, 1998). The study based in Bangladesh found that women participating in micro finance programs

had higher degrees of economic empowerment than the control group of women with no loans (Hashemi et al., 1996). Many programs claim that there are other social benefits resulting from their income generating activities. Perhaps the most significant of these has been the opportunity for:

-) Women to meet regularly,
-) Build solidarity,
-) Share ideas,
-) Interface with the local officials and development personnel, and
-) Better understand their country's political and power systems.

Important psychological benefits have been observed in that women participating in these programs tend to develop an improved sense of self-esteem. In some cases, women leaders have emerged and developed their skills and knowledge.

The Grameen Bank, as a pioneer of microfinance programs in South Asia, is also known for being catalyst for social change in Bangladesh. It has added features to its simple group lending model that have led to change in the social and political lives of women. According to Aminur Rahman, the "Public transcript" of the Grameen Bank is to:

-) Increase women's earning capabilities to bring faster changes in household social economic conditions.
-) Organize women in groups to raise their collective consciousness for social empowerment.

Certain components of the Grameen bank programs have served to help it work toward these goals. The "Sixteen Decisions" of Grameen Bank have tried to expose women to ideas about nutrition and childcare. In addition,

the Grameen Bank encourages women who have been repeat borrowers, to take out loans for their homes. One caveat to this program is that women must put the property title in their own names and not their husbands. Over 400,000 men have agreed to allow their wives hold the title to their home because housing is so scarce in Bangladesh. This enables a woman to have more control over her life and can increase her status in her husband's eyes (UNIFEM: 2008).

The Nepali study found that over half of the women participants felt that their families treated them with more respect than before they had joined the program. An additional 40 percent felt that they were respected as equals to their husbands by their families (Sharma and Upreti: 2003). Therefore, all of these targeted programs focus on poverty alleviation and the enhancement of women's social and economic status. Micro credit programs have aimed to reduce poverty prevailing among the rural people of Nepal. Credit is believed to remove financial constraints as well as bringing economic power, engaging women in productive work and earn an income, not only to level household consumption, but also for generating savings and future investment.

2.1.2 Critical Review of Women Empowerment through Microfinance

The strategy of loan to women as a tool of empowerment is quite debatable. Access to and control over resources, participation in the households level decisions making process (Kabeer, 2001) and fulfillment of other gender needs are considered as the empowerment of women through the access to microfinance. Kabeer (2001) explicitly says, 'the entire family is much more likely to benefit personally and socially, when loans are directed at women rather than men'. Sample MFI

also claims in the same line, once the women have their own income (access to and control over resources); it is most likely to help their children for the improvement of nutrition, education and health. In addition, the women in the groups have increased awareness, developed self-confidence, become aware of their rights and have high participation in decision-making process.'

While the critics say, it is merely a strategy to assure higher repayment rather than empowerment. Moreover, Ahmed et al., (2001) have concluded based on their study on Bangladesh Rural Advancement Committee's (BRAC) clients that involvement of women in the microfinance and income generating activities has created emotional distress, anxiety and tension. Symptoms of depression are also reported in some cases. Kabeer (2001) also pointed the intensification of tension within the household because of delay in repayment.

2.1.3 Importance of Microfinance for Women

Microfinance is a part of development finance rural or urban targeted toward specific groups of people male or female falling in the lower bracket of society. Microfinance is a program which provides opportunities to those who are usually considered non-bankable due to poverty, lack of sufficient property for the collateral purpose and do not have capacity to save small amount of money, receive loan at their doorsteps without collateral in a very simple way which can be used to build their economic foundation and empowerment.

The most important features of microfinance are that many micro credit institutions and agencies worldwide have targeted poor women for their program because poverty is seen in family and in the children of that family. The living standard of children, their food, clothing, education,

health, etc clearly depict the status of their family. Everywhere in the world woman has the responsibility of caring the children and managing the house. If women get money they spend for the food, clothing's, health and education of their children and family members. This is the reason that worldwide an estimated 75 percent of microfinance clients are women. Everywhere in the world the experience have shown that women repay loan better than men and observed that loans to women tend to more often benefit the whole family than loans to men do. Giving women the control and the responsibility of small loans raises their socio-economic status. Microfinance is a powerful instrument for self empowerment by enabling the poor especially women to become economic agent of change. Prof. Muhammad Yunus, founder of Grameen Bank in Bangladesh says for women to be granted the loan has a definite effect on the family. There is no need to do more research on that today. Children benefit automatically with better clothes and food. We can see the situation changing. Men often spend the money on themselves; women spend it on the family. Therefore the microfinance is important for the socio-economic development of poor and rural people through the women empowerment. Women should be encouraged to participate in such programs and they should be empowered.

2.1.4 History of Microfinance

Microfinance arose in 1980 as a response to doubts and research findings about state delivery of subsidized credit to poor farmers. In 1970s government agencies were the predominant methods of providing productive credit to those with no previous access to credit facilities – people who have been forced to pay usurious interest rates or were subject to rent-seeking behavior. Government and international donors assumed that the poor required cheap credit and saw this as a way of

promoting agricultural production by small landholders. In addition to providing subsidized agricultural credit, donors set up credit unions inspired by Raiffesian model developed in Germany 1864. The focus of these cooperatives was mostly on saving mobilization in rural areas in an attempt to "teach poor farmers how to save"(Margueriet S. Robinson: 2001).

Beginning in 1980s, the subsidized, targeted credit model supported by many donors was the object of steady criticism, because most programs accumulated large loan losses and required frequent recapitalization to continue operating. It became more and more evident that market-based solutions were required. This led to a new approach that considered micro finance as an integral part of the overall financial system. Emphasis shifted from the rapid disbursement of subsidized loan to target populations toward the building up local, sustainable institutions to serve poor (Adams, Gradha et. all, 1990: p 38).At the same time, local NGOs began to look for more long-term approach than the unsustainable income generation approach to community development. In Asia Dr. Mohammed Yunus (Nobel Award Winner) Bangladesh led the program with pilot group lending scheme for landless people. This latter became the Grameen Bank, which now serves more than 2.4 million clients (94 percent of them are women), and has become a model for many countries. In Latin America, ACCION International supported the development of solidarity group (Hamtmüt Scheider, 1997: p.51)

2.1.5 Overview of Micro Finance Program

In simplest term, micro-finance is defined as the financial services provided to the deprived group of the people and small entrepreneur to

help them in developing self employment opportunities and income generating activities. Small size loan, compulsory saving, small scale entrepreneur, diversified utilization and simple flexible terms and conditions are the determining characteristics of its definition (Margueriet S. Robinson: 2001: p 74)

In the book Microfinance Handbook "Sustainable Banking with the poor" Joanna Leader Wood defines microfinance as: the provision of the financial services to low-income clients including saving and credit. Some microfinance organizations also provide insurance and payment services. The concept micro finance institutions (MFI's) is used as a common concept of all the institutions providing financial services to the low-income people such as credit union, Non-government organization(NGOs) and commercial banks .

In addition to financial intermediation, many MFI provide social intermediation services such as group formation, development of self-confidence, and training in financially literacy and management capabilities among member of a group (Ledgerwood, Juanna, 1999).

The definition of microfinance often includes both financial intermediation and social intermediation. Thus, microfinance is not simply banking. "It is a development tool focused towards the socio-economic uplift of the poor."

Microfinance is the provision of a broad service, such as saving (deposit), loans, payment services, money transfer and insurance to poor and low-income households and their micro-enterprise. Its silent features are small scale financial services (loan with no physical collateral/guarantee, saving insurance leasing remittance etc.) accessible to poor people; providers are informal sources (such as money lenders and shopkeepers), semi-

informal institutions (such as non-governmental organizations) and formal institutions (such as development banks, rural banks and cooperatives). Modality adopted is typically non-traditional guarantee/collateral with gradual increasing loan sizes and characterized by quick and simple procedures; and cost of finance services to be borne preferably by client to ensure long-term sustainability (Vokes and Richare, 2000)

Microfinance comprises formal and informal institutions; small and large that provides small size finance services (saving, credit and micro insurance) to the poor. Due to the higher transaction costs in the microfinance business, MFIs must use a special financial technology. Some of the element of this financial technology are : cash flow analysis , character –based lending and non-traditional collateral, social control mechanism, intensive credit monitoring and stringent loan recovery, priority on saving mobilization (Wehnert and Ulrich, 2001).

2.1.6 Development of Microfinance

Microfinance communities began to identify themselves as a distinct development field in early 1980s, when their pioneering institutions- Grameen Bank, Bank Rakyat Indonesia (BRI), and ACCION international affiliates-began to produce surprisingly positive result. Therefore, since the 1980s the field of micro finance has grown. Donors actively support and encourage micro finance activities focusing on MFIs that are committed to achieving substantial outreach and financial sustainability. Today the focus is in providing financial services only, whereas the 1970s as much of the 1980s were characterized by integrated package of credit and training – which required subsidies (Center for Microfinance, 2006)

Providing the poor with access to financial services is one of many ways to help increase their income and productivity. In many countries, however, traditional financial institutions have failed to provide this service (Adams, Graha et. al) 1990: p 2). Microfinance and cooperative programs have been developed to fill this gap. Their purpose is to help the poor become self-employed and thus escape from poverty. Many of these programs provide credit using social mechanism, such as group-based lending, to teach the poor and other clients, including women who lack access to formal financial institutions (Huppi, Monika and Gershon Feder, 1990) with increasing assistance from the world Bank and other donors, micro-finance is emerging as an instrument for reducing poverty and improving the poor's access to financial services in low-income countries (Biswanger, Hand P., and Pierre Landell-Mills, 1995).

2.1.7 Regulations of Nepalese Microfinance Institutions

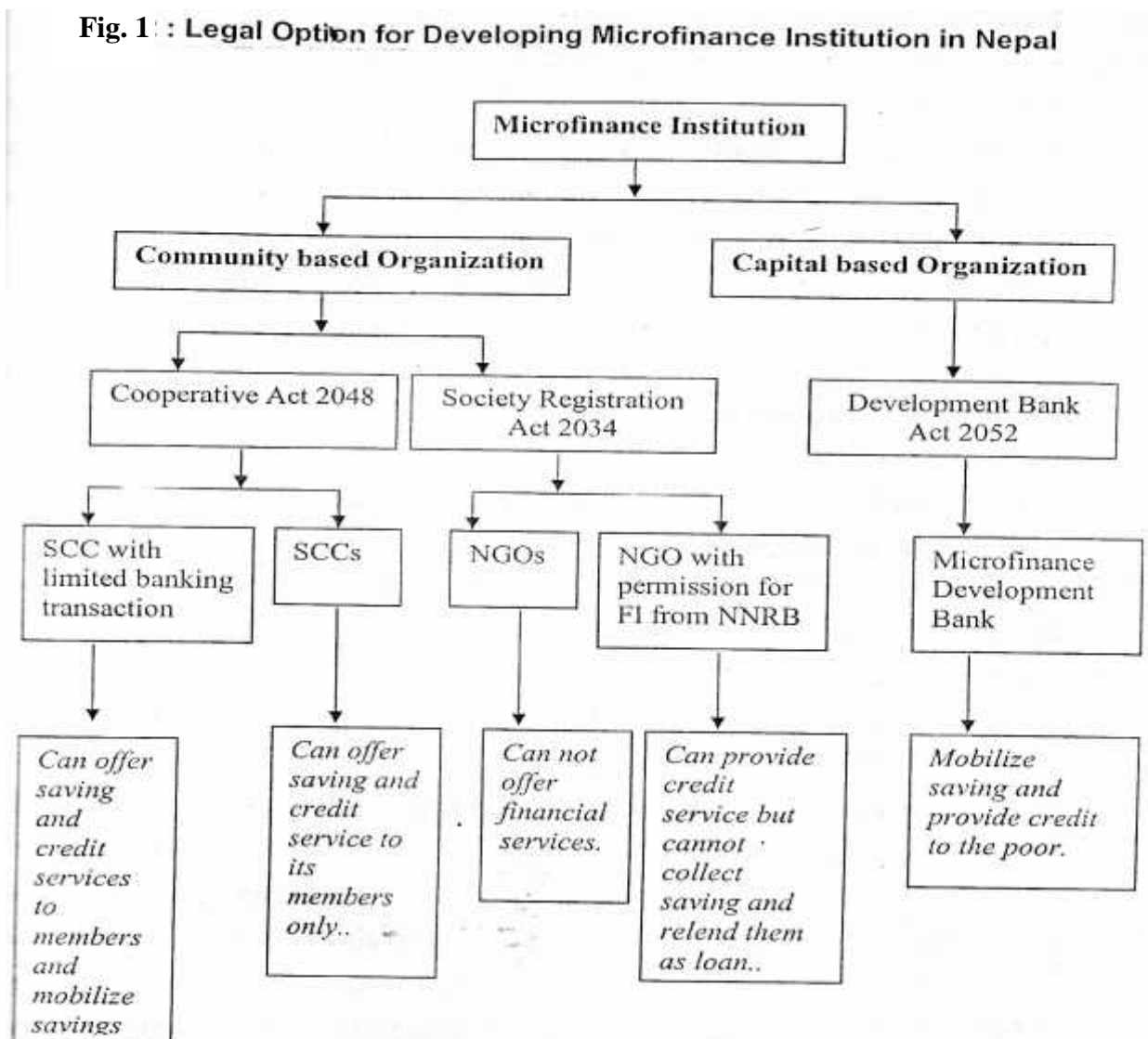
Under Nepalese legal and regulatory framework, broadly there are two boarder legal options for any promoters to develop and/or facilitate the emergence of MFIs. These options revolve around the following:

- ❖ Community based organization: includes either SCCs emerged under Cooperative Act 2048 or NGOs established under Society Registration Act 2034 and obtain license to work as financial intermediary non-government organization (FINGO) under Financial Intermediary Act 2055.
- ❖ Capital Based organization: includes development financial institution established under Development Bank Act, 2052 and registered as a company.

Following are the major acts and rules that influence structure, conduct and performance in Nepalese microfinance sector:

- ❖ Priority Sector Lending Program
- ❖ Financial Intermediary Act 2055
- ❖ Financial Intermediary Rules 2056
- ❖ Cooperative Act 2048
- ❖ Cooperative Rules 2049
- ❖ Development Bank Act 2052

Figure 1 below provides information on legal options for developing or graduating local institution (self-help group and NGOs) into MFI under available legal and regulatory framework in Nepalese microfinance sector (Dhakal, N.H., 2002)



Sources: Nepal Rastra Bank Year Book, 2050

Till B.S. (2061), there are almost 8032 cooperatives societies registered in the National Cooperative Federation Ltd. of Nepal. Including more than 1600 saving and credit cooperatives .In 1998, Parliament approved the Financial Intermediary Act, Which provides the formal legal framework for NGOs to engage in microfinance. The same year, the central bank and major commercial bank came together to form the

The rough physical terrain and scattered population that characterized much of Nepal is a major challenge to country's development in general, and the microfinance sector in particular. Despite 30 years of targeted credit programs and more recent financial sector reforms, access to formal financial service remains low.

There are tens of thousands saving and credit groups in Nepal, some of which are quite large and formal. The vast majority of these groups emerged from assorted development projects (literacy programs, water and forestry users' group, mother and child programs etc.) which include saving component (Sharma, Namrata 2002)

2.1.8 Microfinance sector in Nepal

It is well known that the micro-financing practice in Nepal has originated from the traditional practices of cooperatives like Ghuthi, Dhikur, and Dharm Bhakari etc. These tended to be non-formal non-registered associations, quite formally structured in term of membership right and obligation but generally self promoted and fully autonomous of formal development agencies (Shrestha, Prem Bahadur, 2001)

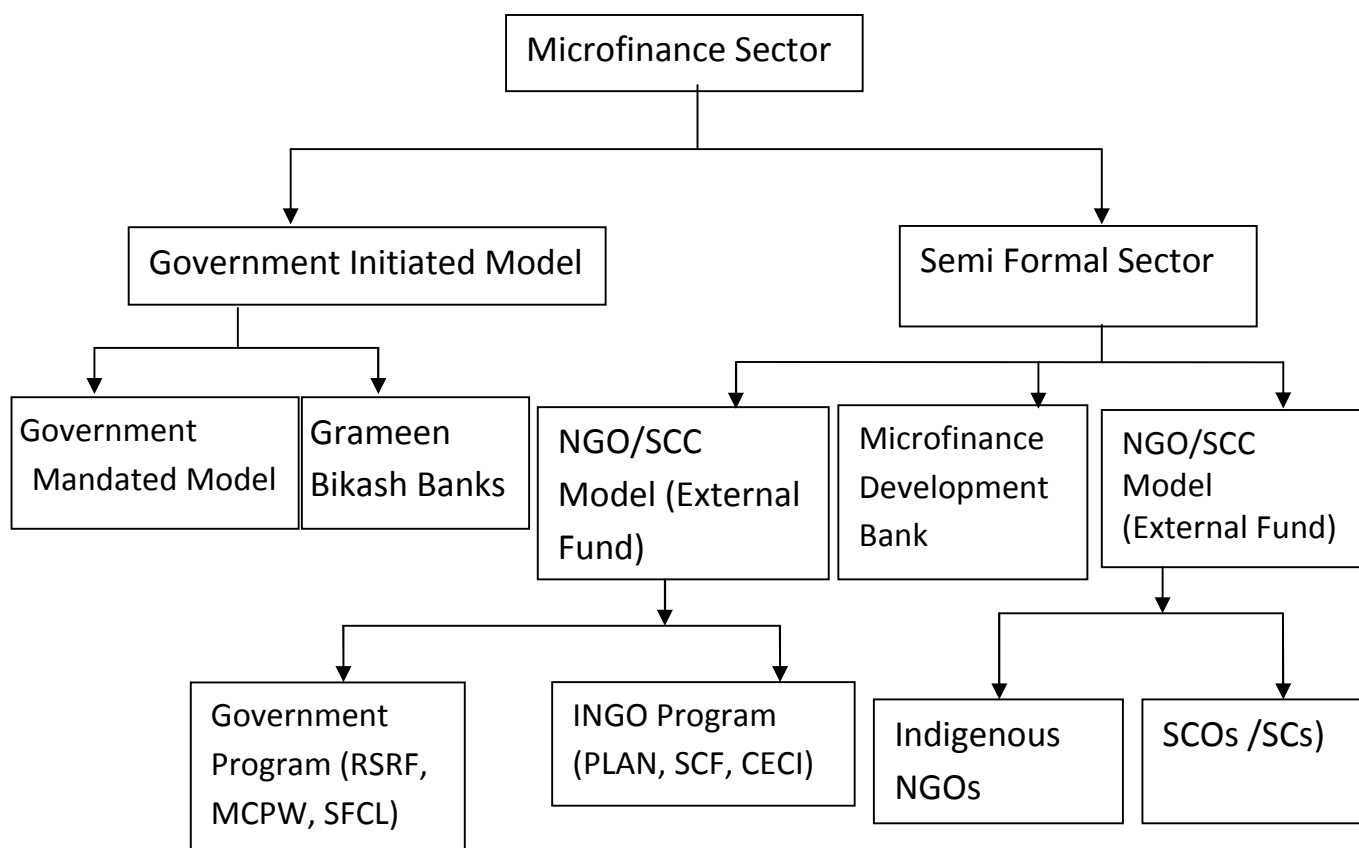
Nepal government's attempt to promote microfinance services dated back to 1975.Government recognized microfinance as official poverty alleviation program only in sixth plan (1980/81-1984/85).Various

programs to ensure poor, particularly poor women and disadvantaged group access to financial services from organized sector are designed and implemented during that period . Government, Semi government, and non-government organizations are involved in providing financial services then after. The sector gained further momentum after the restoration of democracy in 1991 with the establishment and promotion of Grameen Bikash Bank (GBBs) and other forms of MFI.

Despite fruitful growth in microfinance sector, performance of this sector is not encouraging. Rural Credit Review Survey (1994) indicates that less than 10 percent households borrow from formal sector and pin-pointed that there exist substantial unmet demand for credit and such demand is more in the hills and the mountains compared to the Terai. Though there is large number of MFI, there is virtual absence of equality. Especially MFI in remote hills and mountains are in disadvantage situation compared to the one in the accessible hills and Terai. Overall structure of Nepalese micro-finance sector can be classified into two based on institutions involved such as government initiated model and formal sector. A discussion on each of this sub-sector follows hereunder (Dhakal, N.H. 2000)

Fig 2. Micro finance sector in Nepal

Fig 2. Micro Finance Sector in Nepal



Sources: Nepal Rasta Bank Year Book, Vol. 2050.

Government initiated microfinance initiatives to relate various microfinance programs implemented in Nepal. Microfinance, under government's involvement based on modality and approach adopted, government-initiated micro-finance programs implemented in Nepal can be broadly grouped into two as under.

I) Government Mandated Models

These include the model implemented through commercial banks and government line agencies. The initiatives so far include the establishment of Rural Microfinance Development Center (RMDC) and implementation

of the programs like jagriti (women Empowerment program), Bisheshwor with the poor, Intensive Banking Program (IBP), small farmer Development program and production credit for Rural Women (PCRW). Government has established and implemented these programs with the ultimate goal of poverty alleviation.

II) Grameen Bikash Bank

Grameen Bank model was developed on Bangladesh and were replicated in Nepal through Five Grameen Bikas Bank (GBBs) by government in over 24 districts of country since 1991.

The Semi –Formal Sector

Semi formal Financial Sector provides micro finance services through NGOs, SCCs and Micro finance Development Bank (MDBs). A discussion on micro finance program implemented as semi-formal micro-finance sector follows hereunder.

III) NGO/SCC Model External Funds

Substantial number of NGOs and SCCs provide microfinance services using external funds provided by government and /or INGOs.

Government Sector Program

Rural self Reliance Fund(RSRF) executed by Nepal Rastra bank (NRB), Micro-credit project for women (MCPW) executed by NRB and department of women Development (DWD), institution Development program (IDP) of ADB/N to federate small 'farmers' group into small farmers cooperative limited (SFCL) are example of government microfinance programs under semi-formal sector.

INGO Sector Program

INGOs support local NGOs/SCCs to enable them provide microfinance services to their clients. They assist them by providing (i) revolving fund for on lending (ii) grant to cover operating cost including staff and administration expenses, rent and transportation (iii) matching funds whereby INGOs match (or provide a multiple of) the amount of saving collected by NGO/SCC from its members, and (iv) technical assistance including program development, group formation, staff and client training, and financial management. Action Aid, CECI-Nepal, PLAN-International, Save the children federation, US, PACT -Nepal etc. are the INGOs involved to support Nepalese microfinance movement.

Microfinance Development Bank

In Nepal, after enactment of development bank act 2052, MDBs are gradually emerging. Most of MDBs possess experience on microfinance operation as a NGO for 3 to 10 years. Some of the MDBs that are active in Nepalese microfinance sector are : Nirdhan Uthhan Bank (NUB), DEPROSC Bikas Bank (DBB), Chhimek Bikas Bank (CBB), Swabalamban Bikas Bank (SBB). Mostly, Nepalese MDBs are implementing microfinance program using lending methodology developed by Grameen Bank of Bangladesh with or without modifications.

Policies on Microfinance

The agriculture credit survey (ACS) serves as the pioneering guideline for the banks and financial institution to divert some percentage of their investment in the micro credit sector. The recommendations given by ACS have led NRB to formulate policies and issue directives to the CBS

to invest certain percentage of their investment in the micro programs and projects, agriculture industry and service sector have been defined as priority sector with credit limit under micro credit program. The Policy made the priority sector investment as mandatory under Micro credit program and if the CBS fail to invest as stipulated, they have to pay penalty to NRB. (Micro-finance of Nepal, Vijaya R Mathema).

Key Principle of Microfinance:

Consultative group to assist the poor (CGAP) is a consortium of 31 public & Private international Development agencies working together expand access to financial services for the poor , referred to as Microfinance. The following Key principles of Microfinance have been developed and endorsed By CGAP and its 33 member donors and future endorse by the group of eight leaders at the G8 submit on June 10,2004.

- I) Poor People need a variety of financial Services, not just loan
- II) microfinance is a powerful tool to fight poverty
- III) Microfinance means building financial systems that serves the Poor
- IV) Microfinance can pay off for itself and must do so if it is to reach the very large number of poor people
- V) Microfinance is about building permanent local financial institutions, especially among the derived sector
- VI) Micro credit is out always the answer and it is not the tool for everyone in every situation.
- VII) Interest rate selling hunts people by making it harder from them to get credit.
- VIII) The Impact of Government is to enable financial services to expand, not to provide them directly
- IX) Donor fund should complement Private capital, not complete

Private capital, not complete with it

- X) The key bottleneck is the storage of strong institution and managers
- XI) Microfinance Works best when it measures and disclose it performance and make it transparency

(Source: Microfinance in Nepal, Mathema, Vijay R, 2007)

2.1.9 The Institutional Sector

Asian Development Bank (ADB)

ADB is a multinational Development Bank. It was established in 1966. It has 59 countries as members mostly from the Asia and Pacific region. USA and Japan are its target shareholders. Its head quarter is in Manila. ADB is dedicated to reducing poverty in Asia and Pacific region. It plays a vital impact in promoting the development of the region. The objectives of ADB are:

- 1) To extend loans and equity investments to its developing member country(DMC) for their Socio economic development
- 2) To provide technological assistance for projects, programs and advisory services
- 3) To promote the facilitate investment of public and private capital for development.
- 4) To respond to requests for assistance in coordinating development policies and laws of developing member country
- 5) To encourage regional and sub regional cooperation

Nepal is a founding member of ADB. Its operations have steadily increased in Nepal. ADB is one of the leading developing partners of Nepal. Its strategic agenda in Nepal includes

- Sustainable economic growth.
- Inclusive social Development.
- Good governance for effective policies and institutions.

(Source: Agrawal, Govinda R, 2004)

Nepal Rastra Bank

NRB is a central bank of the Nepal and apex institution of the financial system. It has placed various efforts to develop the micro finance system in Nepal. It introduced the priority sector (Small Sector) lending program in 1975 and the intensive banking program in 1981. Further in 1992 , NRB participated in equity and management to develop the Grameen Banking system by introducing regional rural as a replication of Bangladesh Grameen Banking Model, NRB plays a vital Impact to develop the micro finance system in Nepal . Its different Donors institutions are starting different programs like: Production credit for rural Women Micro credit project for rural woman Terai, third livestock Development project, community Ground water irrigation sector project and Rural Micro finance project. (Nepal Rastra Bank Bulletin)

Grameen Bikash Bank

Grameen Bikash Bank was started in 1970 in Bangladesh as a specialized rural Bank designed to provide financial services to poor women, using a solidarity group approach. In 1984, Grameen Bank started a housing

program as a response to demand for its clients and a perceived improvement of their income generating capacity. By 1999, more than 500000 House had been financed by the housing program. Grameen Bank offers five types of housing loans: Housing, Basic housing per basic housing, homestead purchase and house repair. While the housing loans range from \$ 101 for the home repair, \$600 for the larger standard housing loan. Grameen purposes a prototype home with standard specification Grameen Bikash Bank was established with in an objective to allocate the poverty in Nepal. It has been working in five Development regions of Nepal. The bank has three types of loan system i.e. general, seasonal and irrigation. The loan disbursed based on group guarantee. There are five members in each group. The bank provides initial general loan up to eight thousand. Based on performance of loan, borrower's second additional loan provided to borrower. The bank provides loan up to Thirty thousand to additional borrowers based on their performance within five Years. (Nepal Rastra Bank Report)

Wholesale Microfinance Institutions

Rural Self Reliance Fund (RSRF)

To increase the income and render employment opportunity for the deprived people in the rural areas, the Government of Nepal has established the rural self Reliance Fund (RSRF) in 1991 with the seed capital fund of Rs. 20 million and added another Rs 20 million in 2004/5. NRB has provided a total amount of Rs. 253.40 million from its profit in this fund in different period. In fiscal Year, 2006/7 the government of Nepal is injecting the amount of Rs. 50 million in the fund. RSRF provides the wholesale credit for on-leading purpose to the deprived

people through MFLs, Co-operatives and NGOs and long term loan to the sector like tea, cardamom & cold storage through Agriculture Development Bank. As of FY 2005/6 has disbursed loan to 51 NGOs and 199 cooperatives and amount of RS 101.4 million which has benefited 9949 households of 47 districts out of this Rs 68.6 million has been received (Nepal Rastra Bank Resource & Microfinance in Nepal, Vijay R Mathema)

Rural Microfinance Development Centre (RMDC)

Under the financial support of ADB, Manila, Nepal Rastra Bank and financial institutions together injected equity for the major finance apex institution Rural Microfinance development centre (RMDC), incorporated in 1998 mainly to extend wholesale fund to the micro finance institutions. As of mid July 2006 RMDC had approved Rs. 1185.00799 million is loan to 45 MIF and disbursed Rs. 982.6019 million in this regard Rs. 500.845 million remains as loan outstanding. Its mandate includes capacity building for MIF and ultimate borrowers in addition to providing a fund for on leading to them. RMDC, a microfinance apex wholesale institution, it has provided wholesale loan to MIF. (RMDC Brochure)

Small Farmers cooperative ltd. was established in 2000. Small farmers' cooperative limited is the most independent in income generating activities through active participation of the concerned stakeholder. It emerged after ht decline performance of small farmers Development programs (SFDP) during late eighties due to high overhead cost and low recovery rate of loans taken by farmers.

To make effective implementation of SFCL in 1988, German Technical cooperation (GTC) had supported financially and technologically with a view to educate the farmers involved in cooperatives. In 1993, four such cooperatives were officially registered at the department of cooperative. However, Sana kisan Bikash Bank Ltd. (SKBBL) also known as small farmer's development Bank monitors SFCLs regularly. (Agriculture Development Bank Yearly Bulletin)

2.1.10 How Micro Finance Work?

The most common Micro finance product is a Micro credit loan usually less than \$100. These types' loans are enough for hard working micro entrepreneurs to start or expand small business such as weaving baskets, raising chickens, or buying wholesale product to sell in the market income from this business provides better food, housing, health care and education for entire families, and most important, additional income and provides hope for a better future. Additionally the poor, like all of us need a secure place to save their, many and access to insurance for their homes, business and health MFIs are now involving to help meet these needs, empowering the world's poor to improve their own lives.

The global repayment rate for Micro credit loans is higher than 95%, which allows MFIs to re-lend this fund to even more clients. By giving the world's poor a hand up, not a hand out, Microfinance can help break the cycle of poverty in as little as a single generation, the traditional Banking system requires that a borrower have collateral to receive a loan. The world's poorest people have no such collateral. Further traditional bank are not interested in issuing small loans \$50 to \$150 as the interest benefits don't exceeds the transaction costs that said, how has

microfinance been to successful? Micro finance institutions exists in many forms –Credit unions commercials Banks and most often, Non Governmental organizations (NGOs) Many micro finance institutions use social collateral in the forms of poor groups to ensure loan repayment. Borrowers take about loans of group typically is penalized and sometime burned altogether forms taking further loans, this poor pressure encourage borrowers to be varying selective about their poor group member and to repay loans in full and on time, resulting in the higher than 95% repayment rates industry wise. Micro credit loan are usually shorter typically 6 months to 1 year with payments plus interest, due weekly payments help the borrowers stay current and not become over whelmed by large payments.

Clearly the transaction intense natural of weekly payments collections, often in rural areas, more expansively then running a bank Branch that provides large loans to economically secure borrowers in the Metropolitan area . As s result MFI must charge interest rates might sound high the average global rate is about 35 percent annually to cover their costs. (Microfinance and Himalayan Region)

2.2 Review of the Earlier Studies

Although a lot of research has been done on microfinance ,this financial impact of microfinance for women is new topic for MBS Faculty. There are a lot of papers and views related to microfinance activities which were presented in different seminars & functions. Various research work has been conducted on microfinance practice in Nepal in case of women and relevance literature have been collected through different books, journals, articles, dissertations etc

2.2.1 Review of Major Journal and Articles

I) ADB'S REPORT:

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

- Conducting policy for removal of interest rate restriction.
- Enabling financial infrastructure that will allow MFLS to raise resources for the poorest.
- Development of pro-poor innovation.
- Building of MFL capacities to reach the poor. The requirement can be fulfilled by:
 - ADB must enhance its own in-house capacity in MF by, i.e. recruiting specialist, conducting training for staff, and creating specialized unit for MF.
 - A conducive policy environment and in building an enabling financial infrastructure for reaching the poorest.
 - ADB could provide technical assistance for developing effective targeting methodologies for reaching the poorest women and disadvantages groups in society.

- ADB could serve as financial and initiate the establishment of one or more special funds that could be used for equity participation in MFIS technical assistance and research.

ii) UNICEF'S Report

A report was presented by United Nations capacity development fund (UNICEF) (2004) which is based on case studies in Haiti, Kenya, Malawi and Nigeria. The topics of report are micro finance program impact assessment 2003. This report describes that microfinance is a cost effective means of contributing to development and poverty alleviation, because any dollar invested, is used more than one time. Microfinance takes consideration effort on financial planning and enables poor people to expand and increase outreach to the poor through internally generated funds. The objective of program in pact assessment is to examine whether UNICEF's programs have had the desired impact that on microfinance clients, institutions and the enabling environment. The findings of the report are that UNICEF is making an important contribution to the growth of microfinance in a number of countries around the world. In terms of poverty reduction and client impact, UNICEF has been particularly successful in increasing outreach, with microfinance services expanding roughly 80–85 percent in the case study countries since the inception of the UNICEF / UNDP microfinance programs. The selected partners have successfully targeted largely poor and very poor population appear to be increasing women access to financial services. Program loans are one of the main ways clients overcome food, security, pay for medical and life cycle expenses and address emergencies.

2.2.2 Previous Thesis Review

This part includes major empirical studies such as: P.R. Sharma's Study, Acharya's Study, Baral's Study, Uprety's study, Chhetry's Study, Pradhan and Shrestha's Study.

I) Chhetry's Study

Chhetry (1995) conducted the study on the topic of "production Credit for Rural Women in Nepal" (PCRW). He has found that PCRW is the first program which addresses the need of Rural women, it introduce credit to the women do not have asset but they have capacity to generate income if right help and direction are provide. Similarly, he has found that the main causes for low involvement of women in credit activities are lack of surplus capital, lack of enough loan amounts, unrelated skill development training, lack of period to learn new skills, and difficulty of getting loan when it is needed. He has found that the main weakness of the program is the lack of women organization in VDC level and the lack of co-ordination among the groups.

II) Acharya's Study

Acharya (2001) had concluded the study on "poverty in Nepal: Challenges, Efforts & Remedies". He has identified some major characteristics of the micro-finance are: saving product, small loans, micro enterprise women and disadvantaged ethnicity without collateral, group guarantee, diversified activities, frequent meeting, short repayment, strict follow-up of rules and regulation, participatory process, good governance, macro coverage, insurance, money transfer and finally include community and social activities. He has found that currently micro-finance has focused three key aspects such as (i) buying of money

means emphasize the domestic saving with paying of reasonable interest to the beneficiaries/members. (ii) selling of money means investment of the saving product in the micro enterprises/income generating activities with adding the operational cost and plus small margin of profit and (iii) earning of money means receiving the profit from investment of domestic saving in the micro income generating projects.

In order to improve the economic well-being of the people he has suggested restricting the economy and building appropriate mechanism to ensure higher economic growth rate. Similarly, he further suggested for emphasizing on micro-finance such as small farmers Co-operative limited, saving and Credit Co-operative limited for improving social economic condition of the rural poor. Finally, he has recommended that investment in education, health, drinking water, road, electricity, and telecommunications should be increased.

III) Sharma's Study

Sharma (2002) had made a study a study on "Micro finance against poverty: The Nepalese scenario". He has found that major problem faced by MFIS in attaining financial sustainability are attained operation self sufficiency and financial self sufficiency. He found that MFIS have to bear five type of cost such as social cost, service delivery cost, fund cost, provisioning for loan loss and inflection. He had recommended different suggestions to NRB commercial banks and HMG /N in the context of poverty alleviation.

He has suggested to NRB that should stop direct involvement in running and managing MFIS act as a facilitator and innovate other alternatives that would take the responsibility of supervising MFIS. He further suggested that it should continue both priority and deprived sectors

lending policies; carry out other promotional activities such as pilot project, research, data collection and publications, advocacy and training in support of micro finance.

Similarly, he has suggested that the commercial bank that it should emphasize indirect lending in the deprived sector and provide whole sale loan the micro finance development banks the licensed FINGO and SEGS.

Finally, he has suggested HMG that it should demonstrate for commitment towards poverty alleviation, stop direct involvement, encourage private sector favorable policy environment to development microfinance particles.

IV) Baral's Study

The research work done by Baral (2004) is “Microfinance: Good portfolio and Management of Delinquency”. He has made some important improvements in the field of Microfinance. He has concluded that loan recovery rate is a measure of quality of loan. The finding of study shows that the recovery rate of loan mobilized under different programmes in Kaski is found to be satisfactory. He has also clarified “the term delinquency is used to imply the situation when overdue loan is remaining unpaid. In the context of Nepal, high loan recovery rate indicates that microfinance institution do not have to face much more problem relating to delinquency”. He identified two kinds of irregularities committed by both MFIs and borrowers. On the part of MFIs the part of MFIs the irregularities were commonly found on selection of target area, identification of target group, irregularities in formation of group, mobilization of loan on the basis of securities, and emphasis of investment and recovery of loan. Similarly following irregularities has

found from the side of borrowers such as misuse of loan, non repayment of due installment, and repayment of loan from different sources. He has suggested that there should be a mechanism in concerned project and institution to monitor the target group or as per the operation manual of the concerned project and institution. He has further suggested that the concerned project and institutions should not consider only the target of investment and recovery of loan but also consider the effectiveness of the mobilized loan.

V) Pradhan and Shrestha's Study

Pradhan and Shrestha (2004) had conducted the study of “The Microfinance and women in Nepal”. They concluded that most of the MFIs are facing the serious problem of sustainability due to high administrative and overhead cost, heavy service delivery cost, absence of self-regulatory mechanism and fully committed professionalism. They further concluded that the role of the central bank in microfinance development is still important in Nepal where private sector institutions are just evolving. They have mentioned that many activities have to be coordinated new skill and technology should be added, and micro-credit programme should be expanded to reduce the ratio of poverty.

VI) P.R. Sharma's Study

Sharma (2007) conducted the empirical work “Microfinance practices and their sustainability in Nepal”. He performed his study on private, public and non-government institution to accesses sustainability and financial efficiency. He has also focused on delivering microfinance services to the poorest of the poor. He has found that MFIs were not being able to reach the poorest of the poor due to inability of proper identification of the poor and lack of commitment and clear vision of

their action. He has mentioned that they were suffering from the problems such as inadequacy of resources, inappropriate regulations, loss of confidence of depositors, narrow level and area of operation, excessive overhead and ineffective of activities. In addition to these, peace and security situation of the country, strategic planning, operation cost and interest rate, delinquency management etc. are equally challenging for its sustainability.

He has suggested that MFIs should need to enter in a new paradigm of financial market and develop business planning practice and efficient management of human resources within the institution. He has further suggested that strategic approach should be adopted in order to address management challenges, controlling and monitoring mechanism, effort to link formal and informal sector involved in micro-financing programme and flexibility in financial management regulation.

VII) Shrestha's Study

Shrestha (2007) published an article in an 'Agriculture credit' journal on a topic 'Microfinance'. A tool to fight with poverty? This paper briefly reviews the targeted programs and initiatives under taken for creating conducive environment for institutional credit system in a rural areas particularly microfinance. From the research paper, it is found that poverty decline is sharper in the thousand with lesser number of children, households with bigger land holding, and also in the household with educated household heads, collateral based lending practice of commercial banks and development banks deprived the poor people from institutional sources of credit. Such institutions for women are productive credit for rural women and, micro credit program for women, rural development banks and other Grameen banks replicates etc. Outreach and disbursement of credit by microfinance activities have shown that

substantial amount of saving could be generated substantially particularly in the rural areas.

2.2.3 Review of Dissertations

This part includes review of major theses or dissertations, which are conducted in Nepal in the topic of Microfinance/credit.

I) Uprety's Study

Uprety's has conducted the first study (2057) and refined study (2060) in the topic of MFIs in Nepal. His study focus on regulation, supervision, and rationale, current polices, and challenges of the development of MFIs. He has identified some major issue in MFIs, which are: (i) dominance of government and its agencies in micro-credit. (ii) Need for restructuring and privatize the GBB to reduce the public sector dominance, (iii) limited outreach in the hills areas, (IV) diffused or not concentrated focus, and (v) sustainability and interest rate.

He found that the MFIs have to be the part of country's major economic policy of achieving growth with equity capable of facing challenges of the new millennium. He has mention that MFIs could not attained self-sufficiency in recent years due to much more market oriented policy. Thus, he has suggested that the policy maker and practitioners have to consider the issues in regulation and supervision of MFIs in the contest of market reform and find ways to deal with the emerging scenario.

He has recommended that for fair implementation of micro-financing in Nepal government role should be as a guardian and referee by which all players can play fairly and it is necessary to cater all the MFIs under one act for licensing, regulating and supervising and need to make national policy in microfinance.

In an article, Pant and Rai (2002) said “Micro-credit/Finance schemes give women financial independence and decision making power within and outside their household. Not only these have helped women to diversify income but also the economic gap between men and women has lessened to some extent. Thus, micro-credit programmes must be expanded and more women must be involved.”

II) Paudel’s Study

Paudel (1997) conducted research work “Microfinance: Production Credit for Women at Rajar Village Development Committee in Nawalparasi”. The broad objective of his study was to make assessment of the PCRW. He has found that majority of respondents were informed about program by women development section field staff. He has concluded that most of participants considered themselves better off into their quality of life since, the program has started. He has mentioned that the social status, decision making power and skill of the respondents are improved. His suggestions for future improvement are:

- (i) The loan of PCRW program should be distributed to ultra poor women or low income rural women.
- (ii) The position of WHO should be made permanent rather than temporary.
- (iii) Healthy livestock should be provided instead of providing credit in cash.
- (iv) Vaccination of animals should be arranged.
- (v) Community development program like water supply facility, sanitation program like water supply facility, sanitation program for family planning should be provided on priority basis etc.

III) Maskey's Study

Maskey (1998) conducted the study on the topic of empowerment of women through income generating program in Dhankuta district. To examine the status of women in relation to decision making process was the major objectives of her studies. Her study was fully based on primary sources of information. She has conducted that the program like PDDP was found to be essential for development in all the village of Nepal, women actively participated in all the activities, they have good co-operation among themselves, people earned a lot of money by their business etc. The recommendations made on the basis of her study are:

- (I) Monitoring and evaluation of the program should be done regularly.
- (ii) Literacy program should be expended.
- (iii) Women should be involved in different training provided by the program.

IV) Khadka's study

Khadka's (1998) carried out a study on "Micro Credit Projected for Women: A Case Study of Pokhara". The objectives of his study were to find out sector nature of investment and loan. He had used both primary and secondary data for the purpose of the study. The major finding his study evidenced that group loan is more effective than individual loan, the share of retail shop sector is significant, Nepal Bank Ltd. Located at Bagar I accounted the highest share of investment and highest share of loan has disbursed among the upper caste people. Similarly, the study concluded that participant's monthly income and employment level have been increased after the implementation of the project, loan distribution varied in different wards, and employment and income is generated

significantly. He has suggested that loan should be provided in the productive sector, time and area of the program should be extended, loan should be provided in equal proportion in each ward, and loan should be provided to lower caste to raise their living standard etc.

V) Shrestha's Study

Shrestha (2002) conducted research work "An impact of SFDP in Rural Area: A Case Study of Kaski District" The major objectives of his studies were:

- (i) To show whether the MCPW projected in rural area of kaski district has been providing the micro-credit facilities to the rural poor women or not.
- (ii) To measure the ratio of loan disbursement and repayment rate, and
- (iii) To find out whether any change have been seen in the livelihood of the poor women.

He has found that the impact of the project is positive, most of group leaders have responded curiosity about saving and credit cooperatives in all the VDC of the project area, and the blanket approach is not effective even within the project area. He has suggested that there should be a good facility to transfer group saving in cooperative account, livestock insurance product needs to be made more effective and practical, and there should be an effective participatory monitoring and evaluation system to sustain MCPW in Kaski district.

VI) Ojha's Study

Ojha (2002) conducted the study on MCPW in Pokhara Sub-Metropolitan. His study was based on three sectors. They were

agriculture production, small business and micro enterprises. The major objectives of his study were:

- (i) To examine the state of loan disbursement, repayment, outstanding and overdue,
- (ii) To assess the overall performance of participating women, And
- (iii) To analyze the state of loan recovery in terms of loan repayment.

He has found that the overall overdue ratio had exceeded the standardized criteria, majority of participating women were found literate, most sampled women had not maintained the record of income and expenditure. Similarly, other finding of his study evidenced that most of the group members have less difference in economic condition, the condition of loan recovery has a positive impact upon the regularity of loan repayment, the majority of participants women recovered to repay both the principle and interest, and the relationship between investment and income is found positive.

By using the regression model and statically tests, he has concluded that training programme is essentially required component of making the participant more skilled in executing the enterprise successfully, outreach of the program the helps to identify the target women, saving is the basis of investment and loan disbursement, and the state of loan recovery and repayment was found to be positive.

He has suggested that the misuse and diversification of disbursed loan should be controlled; MCPW should be expanded to the rural areas and other part of the urban areas. He has also suggested that loan disbursement should be made on target women, confidence of the women should be raised, and priority of the participating should be found. He has

further suggested that lending project should be supervised regularly; the participant women should be made well conscious about the proper utilization and mobilization of saving.

VII) Dargi's Study

Dargi (2003) had made a study of the women's economic participation to their house hold management in Terhathum district. The objectives of his studies were:

- (i) To study the social economic condition of women
- (ii) To assess the role of women in their economic support to their families
- (iii) To study women's participation in the household activities and decision making process
- (iv) To suggest measure for uplifting their status in the society. His research work is mainly based on field survey.

The finding of his study reveals that the women are found to have concentrated mainly on household and kitchen chores coupled with subsistence farm management, women are found relatively backward, they have nominal share in property ownership, decision making role increases as the age of the women increases, the population is engaged and depends mainly on the agriculture etc. He has suggested that the overall literacy rate should be increased with special emphasis upon promoting higher literacy rate among the women, employment opportunities should be made available for the educated girls and women the government should lunch various poverty alleviation programmes with special focus as the poor and disadvantaged women etc.

VIII) Regmi's Study

Regmi (2003) conducted the study on "Socio-Economics Status of women: A Case Study of Mahandevsthan VDC, Kathmandu District".

Some important objectives of her studies were:

- (i) To draw the socio-economic profile of the women at Mahandevsthan VDC and
- (ii) To examine the nature of women's poverty at Mahandevsthan VDC.

The Study reveals that 75% women of the Mahandevsthan VDC were found to be literate, agriculture is the main source of family income, women involvement in decision making process is very low etc. Based on the primary as well as secondary sources of information and more importantly the field survey she has made some important recommendations are:

- (i) Women should be trained in cottage industries such as wearing, handicraft, production and sewing.
- (ii) Guardians should be conceived about compulsory primary education to girls.
- (iii) Population education should be given to the women for effective implementation of family planning etc.

IX) Manandhar Study

Manadhar (2006) had presented a dissertation "A study on the financial impact of child labor project's micro credit program on woman in kaski district". According to him micro finance program is stately to bring about changes in the quality of the financially disadvantaged and poverty strike people at the rural end deprived community of Nepal specially

targeting parents of the child labor. Therefore, federations of Nepalese chamber of commerce and industry (FNCCI) with the financial help of international labor organization implement the program that specially target the deprived people and their situation, has come in the form of micro credit program by the initiation of child labor project.

X) P.R. Sharma's Study

Sharma (2007) conducted research work on microfinance practices and their sustainability in Nepal. The important objectives of the study are

- (i) To assess rural poverty alleviation efforts, policies and program initiated in Nepal through micro finance,
- (ii) To examine the role of micro finance in employment creation and income generation and its contribution in general and its contribution in general and its contribution in general specially, in the western and central region.
- (iii) To analyze the role of micro finance in women empowerment
- (iv) To evaluate financial and institutional viability and overall sustainability of selected MRIs etc.

The major study findings categorized in three aspects are:

- (i) MFIs borrowers
- (ii) MFIs Branches and
- (iii) MFIs experts.

He has mentioned that the social and economic chain of nutrient food, good caring of children health. Health awareness and prevention measure of health good education of children repair and maintained of home. He also mentioned that women empowerment should positive change

specially involvement decision making, change in occupational structure, participation in the social activities, gender equality, high level of self confidence, awareness of social issue and control of income. Based on the primary as well as secondary sources of information and more importantly the field survey he has made some recommendation are (I) the government should formulate. National Policies of Micro Finance with clear vision, objectives, strength, policies, and specifying implementation modalities to direct the micro finance program to accomplish the stipulated objective. (ii) To expand the additional outreach of micro finance services, it is recommended that poor who are still outside the services should be identified by extensive household survey. (iii) To increase the entrepreneurship and business skill of the clients vocational and skill enhancement training should be emphasized. Since credit without skills may not be sustainable in the future, (IV) The cause of drop out should be analyzed properly and if the causes are within the control of MFIs, then it should take necessary action immediately. (iv) the limit of Rs. 30,000 as micro finance loan set by NRB should be increased as per the changing need of the clients and level of information.

XI) Poudel Study

Poudel (2007) did a research on "microcredit in Lekhnath municipality: A case study of Paschimanchal Grameen Bikas Banks". His objectives are: Identified the sectors and types of investments of microcredit; to study the role of microcredit in employment generation to study the state of micro credit in terms of distribution repayment and investment sustainability; to study the fruitfulness of micro credit in terms of income generation pursuing poverty alleviation; to study the bank's performance on target group identification and accessibility of micro credit to the target group. He concluded that there are five different Sectors of

investment that are animal keeping, poultry farming, small industry and small business (grocery shop, fresh house, cosmetic shop fancy stores, and hotel and restaurant fruit and vegetables shops like small service businesses). Similarly, investment of loan to support existing business/ occupation / investment of loan to operate new business and investment for house hold expenditure are the three types of investment of the members where 45percent members have invested loan to support exiting business/ occupation, 36 percent members have invested loan to operate new business / occupation and 19 percent member have invested loan for house hold expenditure.

XII) Thapa's Study

Thapa (2008) did a research on "Impact of microfinance on women: A case study of Putalibazaar municipality Syangja under Grameen Bikas Bank. His objectives on it are: to analyze saving and its mobilization pattern of women, to explore mode of loan, loan disbursements and repayment practice, to analyze the relationship between investment and income and in between loan disbursement and recovery and to access the impact of the poor women's finance / conditions. On his study, he concluded that the program has made positive impact on the women living standard by generating employment and productivity. The most important and effective program is to the basis to uplift the economic condition of rural women. Most of the sampled women are under farmer's category and the major sources of income of women are agriculture.

XIII) Sharma's Study

Sharma (2009) did a research on "impact of micro finance program for women poverty deduction of DCRDC on Baglung municipality". His objectives on it are: to evaluation the impact of the program in context of

property reduction; to examine the improvement in the status of women by the program; to measure the perception of user group towards the program; to assess the financial sustainability of the program. He summarized that in the recent years, there has been a growing realization of the importance of women participation in the development process and the need for their advancement. As a consequence numerous national as well as international organizations have been established which carry out programs targeted as enabling women to become aware of their situation and exploit potential to gain relative economic independence to gather with a better position in their household as well as society. Provision of credit is regarded as one of the potentiality strongest force towards achieving this goal. Micro finance, since its evaluation has been proved as an effective tool to run various programs to reduce poverty and itself as a way to attack poverty.

XIV) Chapagai's Study

Chapagai (2009) did a research on "socio – economic status of women, a case study in sociological study in waling municipality, syangja". Her objectives are; to examine the socio- demographic status of women in the society of study area; to analyze the economic role of women in society of study area and suggest for uplifting she concluded that the study finding reasonable with the objective that the study finding reasonable with objective that socio – economic status of women were influenced by different factors and aspects. Women had interest to earn and a new income generation activities but lack of time women faced many challenges and women had less support and encouragement from family members. Life style of the women in the study area was poor. Women do more physical work at farm and household both. They have suffered from various cultural and social barriers.

XV) Uprety's Study

Uprety (2009) did a research on "socio- economic status of education job holding women in Nepal with reference to the Nepal Bank limited, Dharmapath Kathmandu." Her objectives are: to find out the socio-economic status of educated job holding women of NBL, to study the job status of respondents and their feeling regarding the job, to analyzed how much recognition they have got regarding the decision making process; to analyzed the role of women in house hold management; to study the problems faced by women. She concluded that though they have money, they have to spend their salary (money) for family betterment but not for their personal development. So it is important for women's development that they have to make a significant progress in absolute and relative terms with men by strengthening their ability to work along with men at office and distributing house hold work increasing decision making capacity, self reliance and self identity, giving them quality and quality in every aspect of life. Then only they will be empowered and can complete with male.

2.3 Research Gap

From the above literature reviews, it can be concluded that there are various study related in Nepal on topic of microfinance program. Most of them are focusing on women micro finance .Some of them is related with small farmer cooperative limited. All of the above study have identified about the effectiveness of microfinance program in different topics and different areas of the country. However, this study is related to socio– economic impact of microfinance with reference to small farmer agriculture co- operative limited sarangkot. This study hopefully will add bricks on those researchers who will try to make efforts on SFAC.

Available limited studies in this subject cannot examine the position of existing credit, relationship between interest and income of the program. This study has its rationale for fulfilling the gap of in studying the effort of the training on standard of living of the people of micro credit programmes. The importance of the study is also to identify the present situation of micro credit programmes in SFAC Ltd. of Sarangkot VDC Kaski and to suggest feed back to their cooperatives. It also put forward some guidelines to micro credit groups in future.

CHAPTER III

RESEARCH METHODOLOGY

The basic aim of the present study is to evaluate the impact of micro finance program in the upliftment of socio-economic condition of rural poor people. This consists of six sections: research design, study area, population and sample, nature and source of data, data collection techniques and method of data analysis.

3.1 Research Design

This study followed descriptive as well as analytical research design. In order to describe the followed, present status and experience of clients of microfinance program, case study research designs were followed. This study facilitated a long discussion with interacting clients regarding the impact of microfinance. Attitudes, values, perceptions and behaviors of the participants of the microfinance program also were explored. Descriptive research design were used for accessing the opinions, behaviors or characteristics of given beneficiaries, and the situation and events occurring at present. Analytical approach used to analyze the collected data and information more accurately and critically.

3.2 Study Area

This study is confined within Sarangkot VDC of Kaski district. It covers ward number one to Nine of Sarangkot VDC. 60 samples out of 1503 members are selected for the purpose of this study. Performance under the micro-finance program for the last five years have been analyzed, covering MF program and its impact on the economic status, and

empowerment area for women group by the cooperative operated by SFAC.

3.3 Nature and Sources of Data

This study is mainly based on the primary information. Secondary sources of information have also been used whenever applicable. Primary information is collected through structured interview questionnaire, observations and open discussion with the staff of Small farmer Agriculture Co-operative Ltd. and their clients. Secondary sources of information include books, journals and financial statement of SFAC and other published and unpublished documents. Primary information, among others, included the following:

- 1 Impact of generating income to the women by cooperative launching.
- 2 Informal loan and saving: Amount of loan borrowed from SFAC women group of this VDC.
- 3 Amount of total money invested in various sector from the SFAC credit
- 4 Consumption pattern before and after.
- 5 Social status of women before and after cooperative operated.
- 6 Financial statement of SFAC for the respective year.

3.4 Data Collection

The data necessary for the purpose of study were guaranteed through the following methods:

3.4.1 Direct Interview

This method has been used to collect the information related to investment credit, saving, interest collection, repayment rate and so on. Chairman and manager of each group comprised of respondents for the personal interview.

3.4.2 Questionnaire Survey

This method was used to guarantee both the qualitative as well as quantitative information. The sample members as stated above were covered under this. They were requested to provide information.

3.5 Data Analysis Techniques

After completion of data processing, analysis begins. This involves the computation of certain indices along with searching for pattern relationship that exist among the data group. The variables used to show the relationship between poverty alleviation and microfinance are employment, income and socio-economic well being of households.

Data Processing Method

The raw data collected was processed in order to generate meaningful information. This process involved series of action that helped to eliminate the possible errors that might have occurred during the collection of data. Data processing techniques adopted are as follows:

Editing : In this step, careful scrutiny of the completed questionnaire was done to assure the data are accurate, consistent with the data gathered, uniformly entered, as complete as possible and have been arranged to facilitate coding and tabulation. The study has adopted central editing.

Coding: Information collected through questionnaire were coded, mainly appropriate codes has been identified for quantitative variables.

Classification: The data were classified according to their common characteristics and were put into one class intervals to generate desire information.

Tabulation: tabulation consists of orderly arrangement of data in columns and rows.

Specification Model of Used in data analysis

In this study, for household analysis besides measuring institutional, financial determinants from SFAC office and primary data has been covered.

CHAPTER IV

DATA PRESENTATION AND ANALYSIS

4.1 Data Presentation and Analysis

This Chapter attempts to analyze the information received from the questionnaires, observation, field survey and informal discussion with related people. Especially analysis process and contents are determined as per set of objectives of the study. It consists of household analysis, investment, income from loan, impact on income, changes in occupation.

* Household Analysis

4.1.1 Age

Age is such factor that characterize person. It can be allocated to the respondents by the age. Working age (40-50) respondents are more participatory and enthusiastic than others which shows that this group are more attracted by this program. Members ranging from 30 to 40 years are 15(25%) out of 60 samples. Respondent of age (20 to 30) years have least participation. It is tabulated as below:

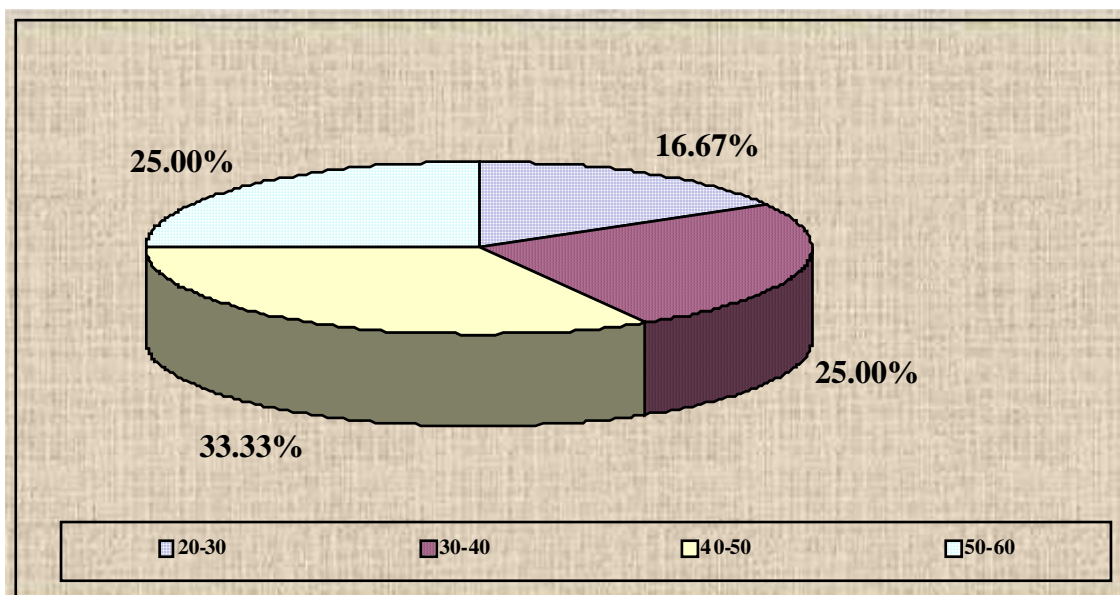
Table 4.1
Age of Sampled Respondents

Client age range	No. of client (f)	Percentage (%)	Mid value (x)	Fx
20-30	10	16.67	25	250
30-40	15	25	35	525
40-50	20	33.33	45	900
50-60	15	25	55	825
Total	60	100		fx =2500

Source: Field Survey, 2012.

The graphical representation of the respondents according to different age group is shown as below:

Fig 1: Graphical Representation According to Age Group



4.1.2 Education Level of Sampled Respondent

Literacy rate of Nation is one of the indicators of development. Nepal is back in case of education with compare to SAARC countries. It is miserable condition of literacy rate in women and the situation is still worst in rural areas. The allocation of respondents according to their education has been presented in Table 4.2.

Table 4.2

Education Level of Sampled Respondents

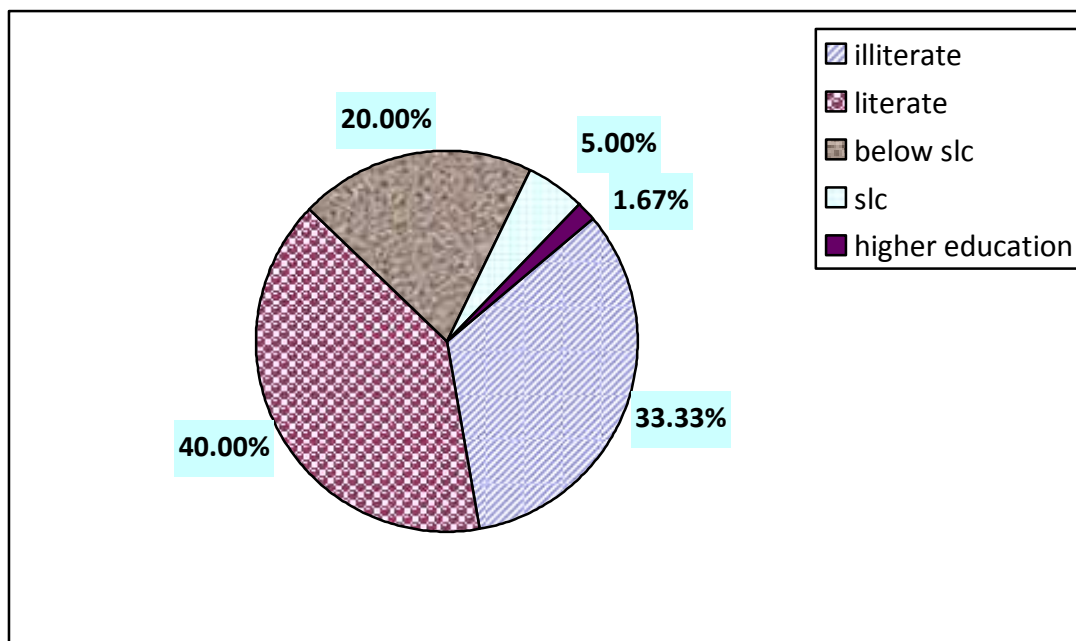
Education Level	No. of Respondents	Percentage
Illiterate	20	33.33%
Literate	24	40%
Below S.L.C.	12	20%
S.L.C.	3	5%
Higher Education	1	1.67%
Total	60	100%

Source: Field Survey, 2012.

From the above table 4.2, 33.33% respondents are illiterate, 40% respondent are literate ,However they are taking literacy class after the micro finance program was launched in this village. It was found that 20% respondents are below SLC (6-10 class), 5% have passed SLC out of 60 respondents and 1(1.67%) have completed higher education i.e. PCL level.

Although 33.33% percent of the members are illiterate, the positive and highly encouraging contribution of this program has been that even the illiterate have been made literate through conducting adult education properly.

Fig 2: Graphical Representation of Education Level of Sampled Respondents



Graphical representation of the education level of respondents is shown as that 40% respondents are literate whereas 1.67% has gained higher education and 33.33% are illiterate.

4.1.3 Marital Status of Respondents

Micro finance has played a vital Impact in alleviating poverty largely, and enhancing the social status of poor people. For example, Grameen Bikash Bank of Bangladesh was actually initiated to serve poor rural women. In our country, it has been implemented for poor married women too. Although, many clients are married, unmarried are also attracted and their status might be changed by involving in this program. Thus, an attempt has been made in this section to identify the specific marital status of respondents. Their status has been tabulated in 4.3.

Table 4.3

Marital Status of Respondents

Marital Status	No. of Respondents	Percentage
Married	60	100%
Unmarried	–	–
Total	60	100%

Source: Field Survey, 2012.

The above table 4.3 indicates the entire respondent i.e. 100% was married which may be due to the rule of the co-operatives that allows only married participants.

4.1.4 Motivation

In Nepal, It is very difficult to participate actively in financial activities for women. Motivation is a goal directed behavior that results in achievement of individual wants. Employee goals are often driven forces, and accomplishing these goals can significantly reduce individual needs. We visualize in household thinking and women are slowly coming out for

betterment. Respondents are motivated by husband, staff of SFAC and by others. Table 4.4 represents this.

Table 4.4

Motivated by Respondents

Motivated By	No. of Respondents	Percentages
Husband	18	30 %
SFAC personal	30	50 %
Others	12	20%
Total	60	100 %

Source: Field Survey,2012.

Table 4.4 shows that 30% Respondents were motivated by their husband, 50% respondents were motivated by SFAC personnel.

All respondents think that future of their family would be bright, so we are saving little money in future. Respondents motivated by others i.e. friends and relatives were 12(20 %).

4.1.5 Distribution of Respondents According to Cast and Ethnicity

Even now, cast discrimination is one of the major problems in rural areas of Nepal. Marginalized cast have no opportunities in employment generating activities. Ethnicity is also one of the most important indicators for the impact of the micro finance program. This helps in somehow identifying whether women belonging to marginalized community are involved and benefited from the micro finance program. Table 4.5 shows this.

Table 4.5

Distribution of Respondents as Cast or Ethnicity

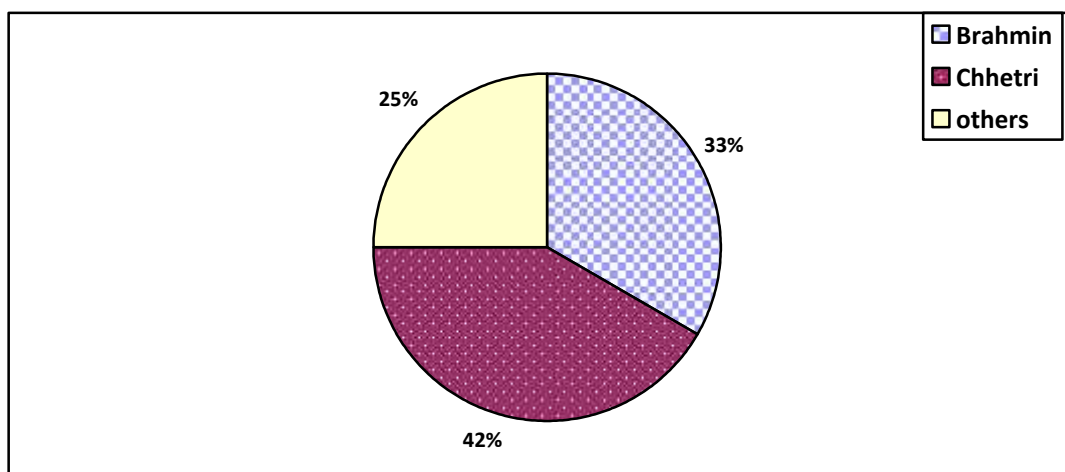
Cast	No. of Respondents	Percentages (%)
Brahmin	20	33
Chhetri	25	42
Others	15	25
Total	60	100

Source: Field Survey, 2012.

The above table clarifies that out of 60 respondents 20 they were belonged to Brahmin tribe i.e. 33%,25 respondents were chhetri tribe and 15,i.e.25% were others tribe like guring ,magar, dalit etc.

The graphical representation of caste & ethnic composition is shown as below:

Fig 3: Graphical Representation of Caste & Ethnic Composition of Respondents



4.1.6 Monthly income of the respondents

Income is the most important element in our daily life and is directly related with the economic status of the people. In this study, income refers to the earning of the borrowers from the particular business operated from loan or saving of SAFC program. The following table shows the monthly income of the respondents before & after involving in SAFC program.

Table 4.6
Monthly Income of the Respondents (in Rs)

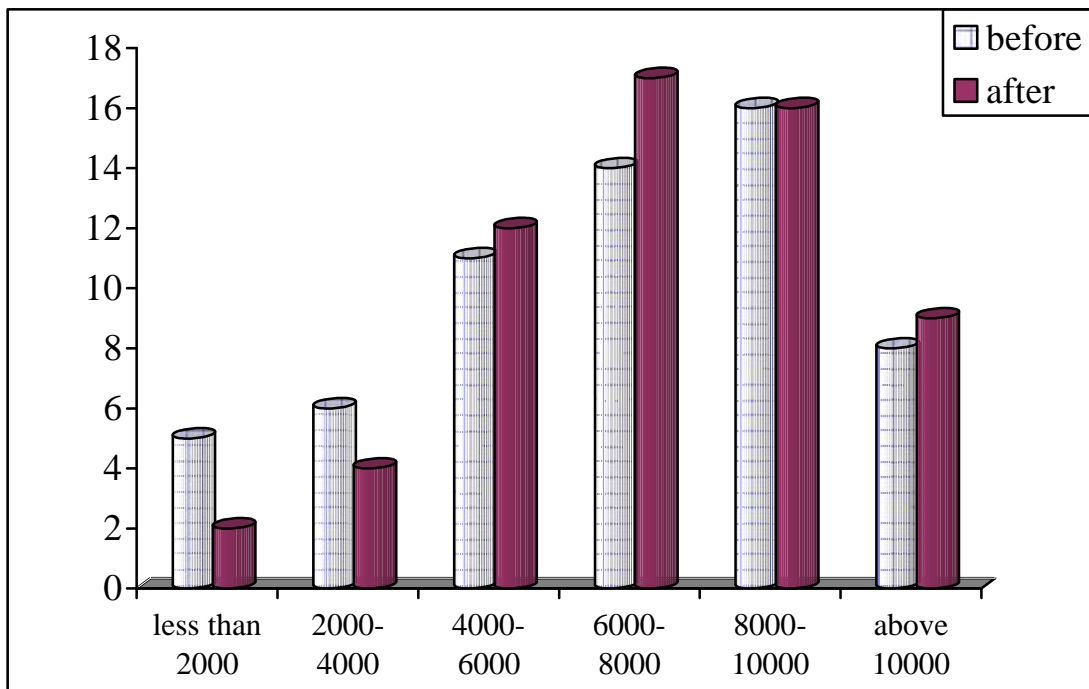
S N	Income range	Before		After	
		Number	%	number	%
1	Less than 2000	5	8.33	2	3.33
2	2000-4000	6	10	4	6.66
3	4000-6000	11	18.33	12	20
4	6000-8000	14	23.33	17	28.33
5	8000-10000	16	26.66	16	26.66
6	10000 and above	8	13.33	9	15
	Total	60		60	

Source: field survey, 2012.

The above table shows the monthly income of the respondents before & after being involved in SFAC Program. The above table shows that there was not a great change in income of the respondents, however they have been able to earn more after being involved in the program.

The graphical presentation of the above data is given below:

Fig 4: Graphical Representation of Monthly Income of Respondents Before & After Involvement in Program



The above figure shows that the greatest number of the respondent had the monthly income between Rs 6000-8000 where the lowest no of respondent had the income below Rs 2000.

4.1.7 Use of Income

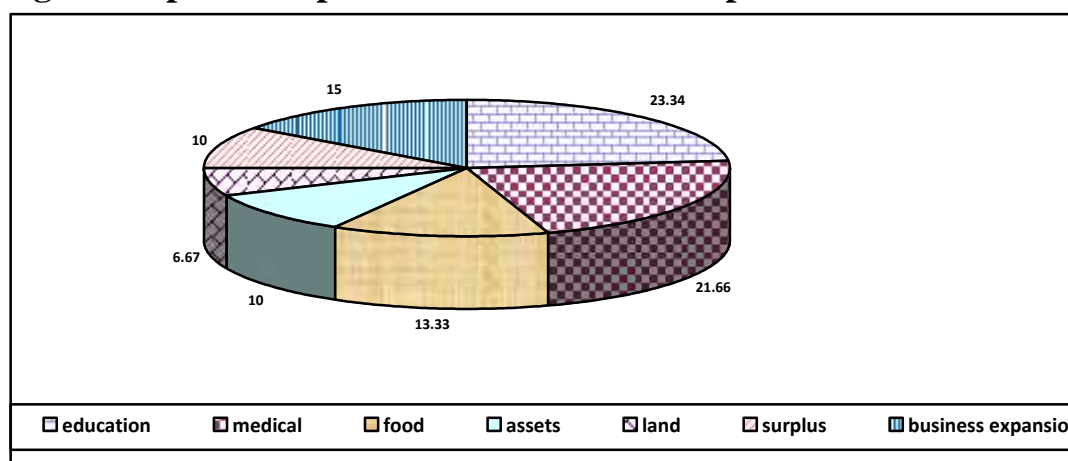
Respondents have used the additional income generated for various purposes. Income has been used for education, health, food, purchase of assets etc. 14 (23.34%) respondents spent their income for education purpose, 13 (21.66%) in health and medical and 8 (13.33%) in food. Only 6 (10%) respondents involved in assets. Also it was noted that 4 (6.66%), 6 (10%), and 9 (15%) respondents use their income in purchase of surplus and enterprising respectively. The Table is as follows.

Table 4.7
Use of Respondents Income

Use of income in item	No. of Respondents	Percentage (%)
Education	14	23.34
Medical	13	21.66
Food	8	13.33
Purchase of assets	6	10
Purchase of land	4	6.67
Surplus	6	10
Business Expansion	9	15
Total	60	100

Source: Field Survey, 2012.

Fig 5: Graphical Representation of use of Respondents Income



The above figure shows that most of respondents use the additional income generated for the educational support followed by medicine, food & business expansion.

4.1.8 Decision on Borrowing

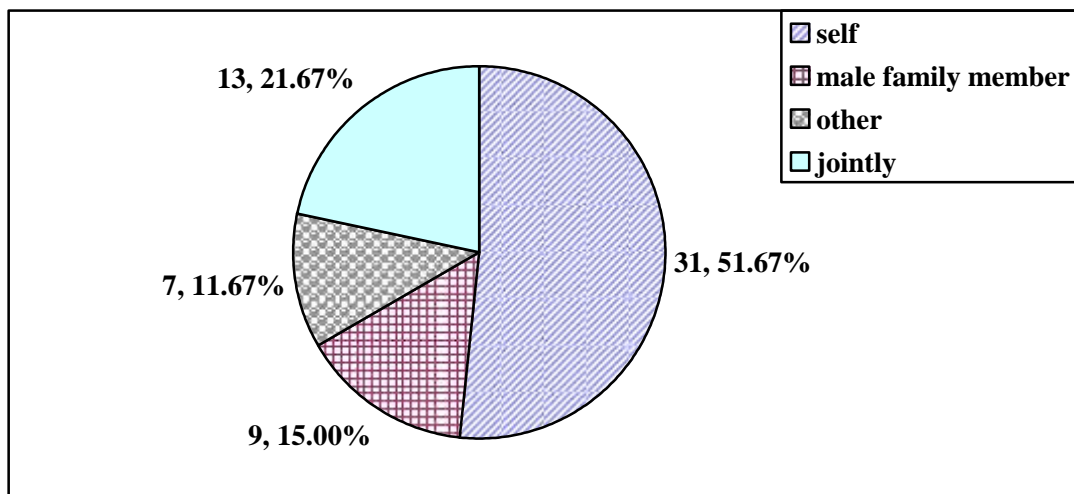
In the context of Nepal, men usually have a say in household decisions. However, in the present study we found a somewhat different picture. Out of 60 respondents in 31 of the cases (i.e. 51.67%), decision on borrowing was done by the borrower herself. It reflects the empowerment status of women. In other cases decision were taken by either the male members or by the family. This is quite natural considering the low education status of the respondent.

Table 4.8
Decision on Borrowing

Decision on Borrowing	No. of Respondents	Percentages (%)
Self	31	51.67
Male Family member	9	15
Other	7	11.66
Jointly	13	21.67
Total	60	100

Source: Field Survey, 2012.

Fig 6: Graphical Representation of Respondents on Decision on Borrowing



The above figure shows that the majority of the respondents have their say on decision reflecting the empowerment status of woman.

4.1.9 Decision on Loan Use

The members impact the economic status of their family structure .Similarly, the use of loan amount on various expenses related to enterprise is done by respondent herself in majority of the cases which consist of 46.67 %.This may be because loan is granted under her name and so she is solely responsible for repayment of the loan . It was found that 33.33 % of respondent are undertaking decision with help of her male family member and 20 % of respondents from other family member jointly. The table has been shown below.

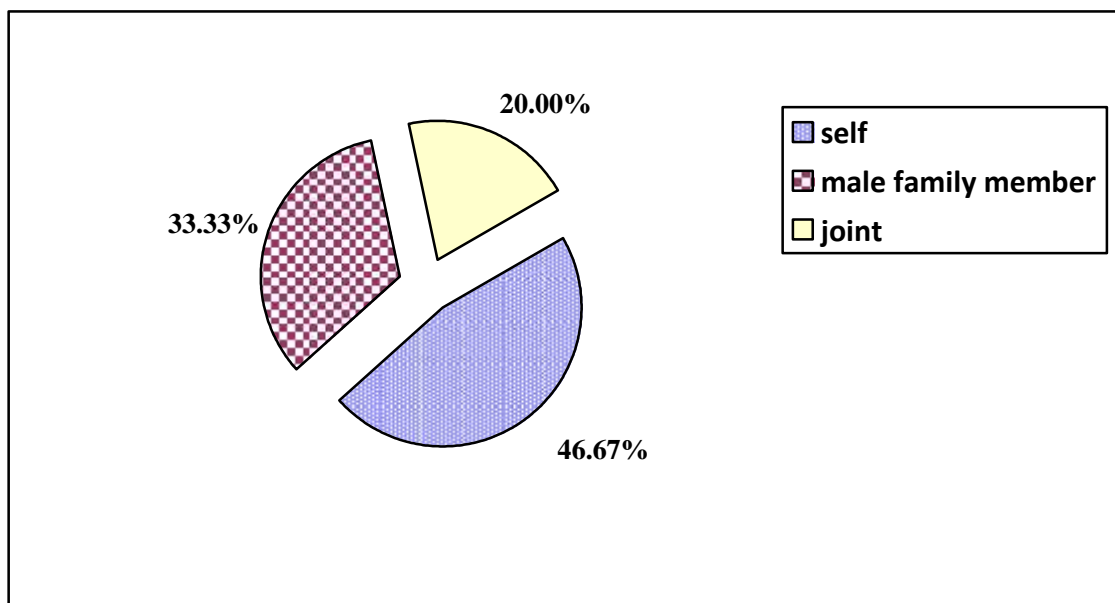
Table 4.9

Decision on Loan Use

Decision on loan use	No. of Respondents	Percentages (%)
Self	28	46.67
Male family member	20	33.33
Jointly (other)	12	20
Total	60	100

Source: Field Survey,2012.

Fig 7: Graphical Representation of Respondents on Decision on use of Loan



4.1.10 Financing Decision Related to Enterprise

It relates to financial decision relating to enterprise reflecting upon the empowerment aspect of the borrower .Respondents starting their enterprises can also make their financial decision.

When they make a decision, they also promote their enterprise. Women are having an important impact in their family. Most of women responded that final decision is theirs. So the Table 4.10 shows that 34 (56.67%) respondent take financial decision herself. Only 12(20%) respondent are helped by their male family member or husband. Research shows that 9(15%) respondent and 5(8.33%) respondent are helped by their relatives and SFAC personal respectively.

Table 4.10

Financial Decision Related to Enterprises

Decision	No. of Respondent	Percentages (%)
Self	34	56.67
Male Family	12	20
Other Relatives	9	15
SFAC personal	5	8.33
Total	60	100

Source: Field Surve, 2012..

Fig 8: Graphical Representation of Financial Decision Related to Enterprises



4.1.11 Pattern of Paying Loan

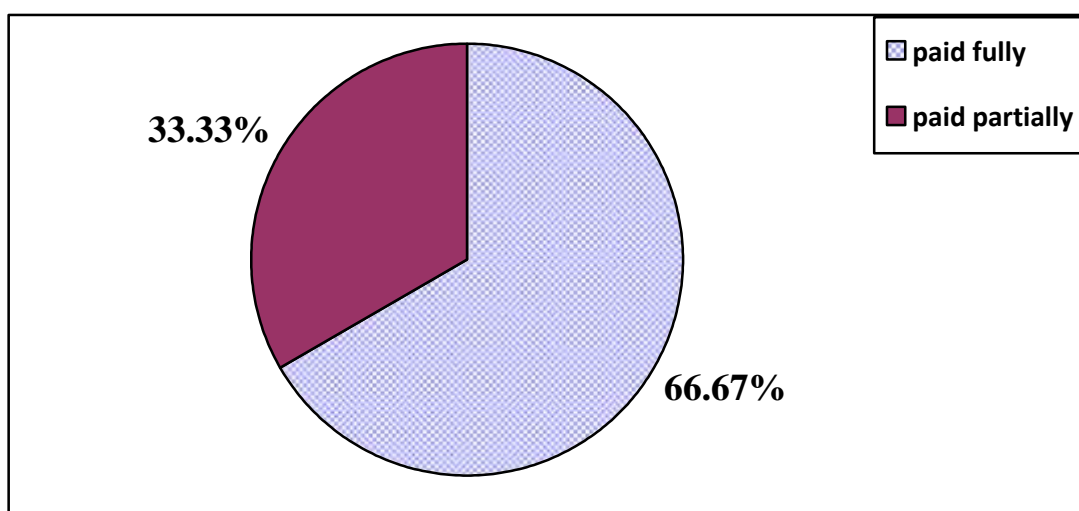
As per the rules of the Microfinance institutions clients should pay their loan at least 12 installment whatever the loan they get. It is implemented for general loan. So respondents should pay loan on fortnightly or monthly on installment basis. In case they do not pay their loan installment basis, they pay fine/penalty of their MFI. Respondent that have already paid their loan fully were 40 (66.67%) . Now they do not take any loan and 20 (33.33%) respondent paid their loan partially. So SFAC's pattern of paying loan seems good. The Table is given below.

Table 4.11
Pattern of Paying Loan

Type	No. of Respondents	Percentages (%)
Paid Fully	40	66.67
Paid Partially	20	33.33
Total	60	100

Source: Field Survey, 2012.

Fig 9: Graphical Representation of Pattern of Paying Loan



The above figure states that majority of the respondents paid loan fully referring to the good financial status of MFIs.

4.1.12 Sources of Paying Loan

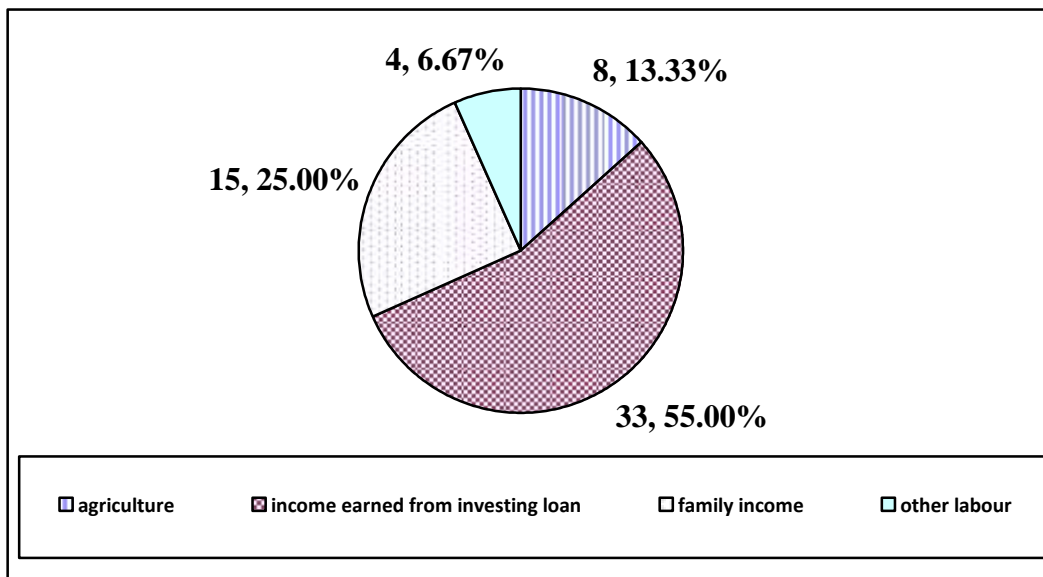
Time to time every respondents (or Borrower) should pay their loan as per rules and regulation of MFI. Respondents take loan in various purpose but source of loan paying might different such as income earned from investing loan, borrowing from friends and other institutions. According to table 4.12 mostly 8(13.33%) respondent replied that they pay loan by Agriculture and 33(55%) respondents replied that they pay loan by income gained from investing loan meanwhile 15 (25%) respondents stated that they pay the loan by other sources like family income and 4 (6.66%) respondents replied that they are doing work (labor) to pay loan and table is demonstrated as below.

Table 4.12
Sources of Paying Loan

Sources	No. of Respondents	Percentages (%)
Agriculture	8	13.33
Income earned from investing loan	33	55
Other sources(Other family 's income)	15	25
Doing other labor	4	6.67
Total	60	100

Source: Field Survey,2012.

Fig 10: Graphical Representation of Sources of Paying Loan



4.1.13 Level of Satisfaction of Sampled Respondents

Satisfaction is the level of acceptance of product value provided by the seller or service provider. Satisfaction is the measure of value of goods or services in term of investment so respondents satisfaction level measuring in table below. 48(80%) of the respondents are satisfied by the service provider Microfinance institution where as 6 (10%) respondents are not satisfied by the service provider and 6 (10%) respondents had replied I don't know in this regard.

Table 4.13

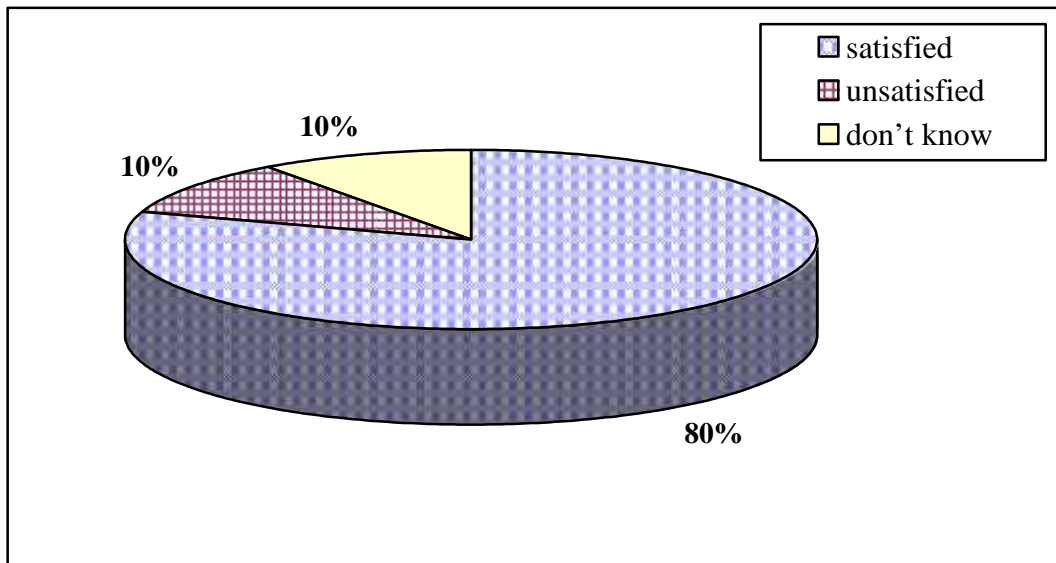
Level of Satisfaction of Sampled Respondent

Particular	No. of Respondent	Percentages (%)
Satisfied	48	80
Unsatisfied	6	10
Don't know	6	10
Total	60	100

Source: Field Survey,2012.

The graphical representation of the satisfaction level of respondents towards the SFAC ltd is given as below which indicates the positive change brought by the co-operative in the society.

Fig 11: Graphical Representation of Satisfaction Level of Sampled Respondents



4.1.14 Occupation of Respondents Before and After Involvement in Microfinance Program

The relevant information shows regarding to the occupation of respondents before and after the involvement of microfinance. Here the researcher tries to specify the relevant information regarding the occupation of respondents before and after the involvement of microfinance program.

Table 4.14 shows that there is significant change in the level of occupation of respondents before and after involvement in the micro finance program self business and entrepreneurship is significantly increasing after the involvement of the microfinance program.

Table 4.14

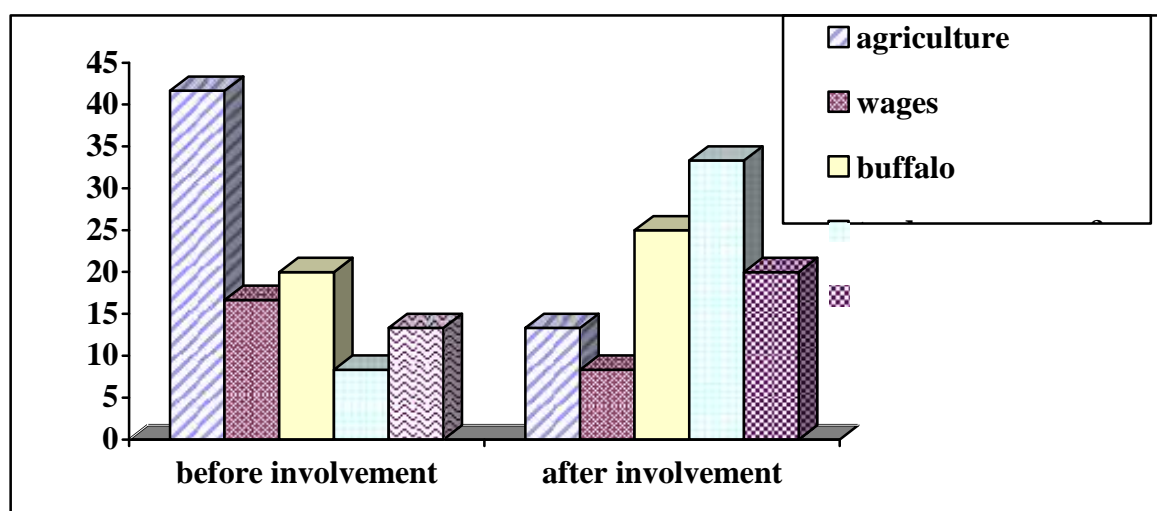
Occupation of Respondents Before and After Involvement in Microfinance

	Before Involvement in Microfinance Program		After Involvement in Microfinance Program	
	No of respondents	Percentage	No of respondents	Percentage
Agriculture	25	41.66	8	13.33
Wages	10	16.67	5	8.33
Buffalo	12	20	15	25
Trade Commerce and shop	5	8.33	20	33.33
Other	8	13.33	12	20
Total	60	100%	60	100%

Source: Field Survey,2012.

Graphical Representation of the occupation of respondents before & after involvement in microfinance program is given as below:

Fig 12: Graphical Representation of Occupation of Respondents before & After Involvement in Microfinance



Before Micro finance 41.66% respondents were dependent on Agriculture, 16.67% respondents were dependent on wages, 20% were on

buffalo, 8.33% were on trade commerce and shop and 13.33% were dependent on other occupation. After micro finance 13.33, % respondents were dependent on agriculture, 8.33 on wages, 25% on buffalo keeping, 33.33% on trade commerce and shop and 20 % on other occupation. So in conclusion, the above stated table clarifies that people have started leaving the occupation like agriculture and wages and they have been diverted to trade commerce and other occupations reducing poverty.

4.2 Major Findings of the Study

The major findings of the overall study could be listed as follows.

- ❖ Members ranging from age 40-50 years (33.33%) are more participatory & enthusiastic than others stating the involvement of working age group in the program.
- ❖ It was found that all respondents were married & 40% of the participants were literate. Though 33.33% of the respondents are illiterate, the program has contributed in the increase of their awareness level through training & adult learning.
- ❖ It was noted that 50% of the respondents were motivated by SFAC personals whereas those motivated by husbands were found to be 30% to be involved in the program.
- ❖ Respondents were from different ethical groups with chhetri being the highest, 45% followed by Brahmin (33%) & other caste (25%).
- ❖ It has been found that respondents were able to earn more after being involved in the program with 28.33% respondent making monthly income between Rs 6000-8000.

- ❖ Most of the respondents use additional income for the educational support (23.34%) followed by medical (21.66%), business expansion (15%) food (13.33%).
- ❖ Majority of the respondents, 51.67% were found to have their say on decision on borrowing, however 46.67% respondents take decision on use of a loan.
- ❖ Most of the women were having an impact in their family with 56.67% respondents being able to take financial decision related to enterprise themselves.
- ❖ It was found 66.67% of the respondents had paid their loan fully & 33.33% have paid their loan partially reflecting the good financial status of MFI.
- ❖ Most of the respondents (55%) repay their loan through income gained from investing loan whereas 25% paid their loans through family income followed by agriculture (13.33%).
- ❖ Majority of respondent's i. e. 80% were satisfied by the service provider whereas 10% were unsatisfied.
- ❖ Self business & entrepreneurship have been found to be significantly increased with people opting for trade, commerce and others service(33.33%) as compared to traditional occupation like agriculture (13.33%) & wages (8.33%) after involvement in program.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Women are and important sources of energy for development and their groups can be an effective channel for resources aimed at meeting the needs of poor people in rural areas as well as in urban areas. Therefore, numerous national as well as international organizations have been established which carry out programs targeted at enabling women to gain relative economic independence together with a better position in their household as well as society. Provision of credit to women is generally regarded as a strong potential force for achieving the goal of poverty alleviation.

Sarangkot VDC was selected for present study. There were all together 1503 women involved in the program. Out of them 60 women were sampled by random sampling method. Both primary and secondary data were collected. The collected data was classified and tabulated after the preparation of master sheet. The broad objectives of this study are to examine the performance of the program.

The study shows that the program has contributed in increasing the level of awareness of participants through training & adult learning. The result shows that respondents were able to earn more after being involved in the program and the additional earning was mostly used for educational support, medicinal cost, fooding and sheltering pattern which shows improvement in the living standard of the people. The research shows that self business and entrepreneurship is significantly increasing with people

opting for trade, commerce in comparison with traditional occupation like agriculture, wages after the involvement of the microfinance program.

Similarly, the study reveals that women have gained higher level of empowerment now a day in household financial decision and most of the women have repaid loan and interest in due time and majority of the participant has utilized their investment property. Thus overall impact of the program is found to be positive, their living standards has been improved satisfactorily.

5.2 Conclusions

Some of the conclusions can be derived about the program as implemented in the study area of Sarangkot VDC. The conclusions can be mentioned as follows.

5.2.1 The group activities, high rate of repayment and utilization of loan have been satisfactory. This shows that financial sustainability and viability of the program in Sarangkot VDC is guaranteed. However, there is still space for improvement with regard to management of misuse of loan.

5.2.2 The positive changes in income level of the participants shows that the capability of the entrepreneurs for the repayment of the loan in due time is good.

5.2.3 Many clients benefitted from increment in employment generation as compared to employment before the disbursement of loan. So many respondents are employed.

5.2.4 There is no evidence of association between factors such as age group, educational level, ethnic group with perceived value of the

benefit from the program shows that once the women are involved in program they have been able to achieve some kind of benefit in one form or other.

5.2.5 Micro finance leads to social and economic change in the borrowers after the participations in the programs. Increasing income among borrowers results in increase in living standard.

5.2.6 Women empowerment showed positive change especially with a greater role in decision making change in occupation, structure, participation in the social activities, gender equity, high level of self confidence, awareness in social issue and control of income etc.

The overall impact of the program is found to be satisfactory. All the participants of the sample survey have been able to increase their income and the program intervention has brought significant change in livelihood of the members' family. Increase in income along with empowering process increased in standard of living of women's family, which endeavored change in their livelihood.

5.3 Recommendations

On the basis of finding and conclusions of the study some suggestions has been provided here. The researcher believes it would be helpful for upliftment of the present situation and it would provide guidelines for further planning and implementation of micro-credit practice on other municipalities and VDC of the nation.

5.3.1 Group saving is of great importance in the rural economy. Though, the credit groups are supported to deposit a certain amount but

there is need to adopt incremental approach, i.e. saving should be increased as income starts to increase from the program.

- 5.3.2 Productive investment should be raised, which may promote loan repayment and utilization of the loan.
- 5.3.3 Although, the program included various kinds of income generating, the program could not achieve its target objectives due to lack of understanding of the concept. For this, literacy rate should be increased. Therefore, incentives should be given to enroll more women on literacy classes with the assistance of governments or agencies.
- 5.3.4 Training should be made well conscious about proper utilization and mobilization of saving and investment. The effort on monitoring and supervision should be increased to make effective use of loan and to sustain the program in Sarangkot VDC.

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