

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Microfinance is termed as the financial services rendered to the poor, very poor, marginalized, deprived people and small entrepreneurs in saving, credit, remittance, rural insurance etc. to help for developing self-employment and self- entrepreneurship opportunities through various income generating activities to spur entrepreneurship. It is considered as one of the most effective financial tools for community development and poverty reduction. MF focuses on providing a very standardized credit product. The poor, just like anyone else, need a diverse range of financial instruments to be able to build assets, improve level of consumption and protect themselves against risks. MF is the provision of a broad range of financial services to them who have no access in traditional banking system. The very poor families are considered as not trusted clients and won't consider them as viable clients by traditional banks. Microfinance concept was initiated and established for the purpose of bringing poor people access in banking services and to facilitate them from it since the very poor need financial services and financial support(Acharya,2012).

So, microfinance is a programme 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 but microfinance supports them to receive loan at their doorsteps without collateral in a very simple and easy way which can be a starting point to build their economic foundation, poverty reduction, development and empowerment. It is not simply banking and not charity but it is a long term sustainable development approach for social development and poverty alleviation. MF helps them engage in productive activities or to grow their small business. Micro credit can be offered often without collateral to an individual or through group lending system. To create reserves for unexpected expenses and shield themselves against risks by deposits, loans, payments services, insurance products and money transfers to poor and low income household and their enterprises. The typical microfinance clients are low income persons that do not have access to formal financial institutions. The clients of microfinance are

typically self-employed and household-based entrepreneurs. Microfinance help poor people to increase income, build viable business (Pant,2009).

In this context, microfinance is such a tool that would bring a notable socio-economic transformation in the society through its invisible power. Similarly, microfinance is a source to fill the financial resource gap of the micro enterprises. Experiences show that microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can also be a powerful instrument for self-employment by enabling the poor, especially women, to become economic agents to change their present socio-economic condition. MF is the extension of small loans to micro- entrepreneurs who lack collateral and do not qualify for traditional bank loans. In developing countries especially micro-credit enables very poor people to engage in self-employment projects that generate income. Micro-credit is crucial to microfinance domain by providing access to financial capital.

(<http://www.microfinancealliance.com>).

The micro finance (microcredit) was first set up by Bangladeshi economist Professor Mohammad Yunus in the form of the Grameen bank in 1976. To run microfinance on real ground and transform it into modern concept credit goes to him for his contribution in the field of microfinance. Prof. Yunus is considered as a leader and innovator of the modern microfinance world.

The concept of microfinance is not new. Savings and credit groups that have operated for centuries include the "susus" of Ghana, "chit funds" in India, "tandas" in Mexico, "arisan" in Indonesia, "cheetu" in Sri Lanka, "tontines" in West Africa, and "pasanaku" in Bolivia, as well as numerous savings clubs and burial societies found all over the world (Wikipedia, Microfinance and Global Envision , 2016).

In the 1700s by the author and nationalist Jonathan Swift, one of the earlier and longer-lived micro credit organizations providing small loans to rural poor with no collateral was the Irish Loan Fund system initiated Swift's idea began to widen slowly but by the 1740s had become a widespread institution of about 300 funds all over Ireland. Their principal purpose was making small loans with interest for short periods. At their peak they were making loans to 20 percent of all Irish households

annually. In 1746 when the theorist Lysander Spooner, activist and entrepreneur, pointed about benefits that farmers can get through small credit to overcome poverty in rural America (Wikipedia, Microfinance and Global Envision , 2016).

In the 1800s, various types of larger and more formal savings and credit institutions began to emerge in Europe, organized primarily among the rural and urban poor. These institutions were known as People's Banks, Credit Unions, and Savings and Credit Co-operatives. The concept of the credit union was developed by Friedrich Wilhelm Raiffeisen and his supporters. Their altruistic action was motivated by concern to assist the rural population to break out of their dependence on moneylenders and to improve their welfare. From 1870, the unions expanded rapidly over a large sector of the Rhine Province and other regions of the German States. The cooperative movement quickly spread to other countries in Europe and North America, and eventually, supported by the cooperative movement in developed countries and donors, also to developing countries. In Indonesia, the Indonesian People's Credit Banks (BPR) or The Bank Perkreditan Rakyat opened in 1895. The BPR became the largest microfinance system in Indonesia. (Wikipedia, Microfinance and Global Envision , 2016).

In the early 1900s, various adaptations of these models began to appear in parts of rural Latin America. While the goal of such rural finance interventions was usually defined in terms of modernizing the agricultural sector, they usually had two specific objectives: increased commercialization of the rural sector, by mobilizing "idle" savings and increasing investment through credit, and reducing oppressive feudal relations that were enforced through indebtedness. In most cases, these new banks for the poor were not owned by the poor themselves, as they had been in Europe, but by government agencies or private banks. Over the years, these institutions became inefficient and at times, abusive. Between the 1950s and 1970s, governments and donors focused on providing agricultural credit to small and marginal farmers, in hopes of raising productivity and incomes. These efforts to expand access to agricultural credit emphasized supply-led government interventions in the form of targeted credit through state-owned development finance institutions that received concessional loans and on-lent to customers at below-market interest rates. Meanwhile, starting in the 1970s, experimental programs in Bangladesh, Brazil, and a

few other countries extended tiny loans to groups of poor women to invest in micro-businesses.

However, the modern concept of microfinance is started by Prof. Muhammad Yunus from Bangladesh in the 1976 who loaned \$27 from his own pocket to 42 people of Jobra- a tiny village in Bangladesh for zero interest. Yunus, first tried to connect the poor people with the bank. But the bank said that the poor are not creditworthy. Then he offered to become a sponsor for the loans to the poor. He was stunned by the result. The poor paid back their loans in 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. Grameen Bank which means 'Village Bank'. It provided loan without collateral deposits. The maximum loan taker at Grameen bank is poor rural landless women. The bank regularly makes weekly and monthly visits at the borrowers' house to make sure the loan has been utilizing properly or not. The loan is based on group borrowers of five members who guarantee each other's loan and it is obligatory to join a group. Since the repayment rate remained high, the bank expanded its service to other part of the country and started to work independently without government support and received consistent tentative repayment rates about 98%. In 2006 Dr. Yunus and Grameen Bank received the Noble Peace Prize for their support to the poor. (Wikipedia, Microfinance and Global Envision , 2016).

In the mid-1990s the term "microfinance" began to replace by a new term "microcredit" that included not only credit, but also savings and other financial services such as insurance and money transfers. "Microfinance" emerged as the term of choice to refer to a range of financial services to the poor. The 1990s saw growing enthusiasm for promoting microfinance as a strategy for poverty alleviation. The microfinance sector blossomed in many countries, leading to multiple financial services, serving the needs of micro entrepreneurs and poor households. These gains, however, tended to concentrate in urban and densely populated rural areas.

Microfinance practice in Nepal has originated from traditional practices of co-operative like Guthi, Dhukuti, Dharma Bhakari, Perma etc, at present there are

numerous co-operative societies, NGOs, INGOs and governmental organizations (GOs) working under this sector. After the financial sector liberalization policy in 1992 as a replication of Grameen Bank of Bangladesh, in Nepal Regional Grammen Bikas Bank established then Nepalese MFIs have expanded massively. Formal credit and savings institutions for the poor have also been around for decades, providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions. (Mathema, 2008).

Nepal has about six decades long experience in microfinance. In an effort to reduce poverty in the country.NRB the central bank of Nepal has been involved in microfinance programmes as the promoter and facilitator since 1974. Since then many MFIs are focusing their programme in the targeted and specific sectors as directed by the NRB act.At present, Class ‘A’ Commercial Banks-30, Class ‘B’ Development Banks -73, Class ‘C’ Finance companies- 48 and Class ‘D’ Microfinance Institutions- 41 and numbers of other FINGOs, GOs, INGOs etc are working under licensed by NRB and directly involved in providing microfinance (credit) services in Nepal (Economic Survey, 2015/16).

Important initiatives in the microfinance sector implemented by the Government are: Credit co-operatives established in the 1950s, Co-operative bank established in 1963, SFDP established under ADB/N (1975), Commercial banks required following priority sector lending directives (1974), The IBP involved commercial banks in micro-credit (1981), Gender based micro-credit – Production Credit for Rural Women (1982), Setting up of Rural Self Reliance Fund (1991), Replication of Grameen banking model (1992), Co-operative act promulgated to support the credit cooperatives (1992), Gender programs refined involving NGOs – Microcredit Project for Women (1994) and government-run MF programs - Banking with the poor, Bisheswor with the Poor, Jagriti, Youth Self-Employment, PAPWT, Community Ground Water Project etc were implementing in coordination of NRB (Mathema, 2008).

Today, the microfinance industry and the greater development community share the view that permanent poverty reduction requires addressing the multiple dimensions of poverty. For the international community, this means reaching specific Millennium Development Goals (MDGs) in education, women's empowerment, and health, among others. For microfinance, this means viewing microfinance as an essential element in any country's financial system (shrestha, 2009).

1.2 Statement of the Problem

Males and females are two wheels of same cart, but in practice, cannot get such reflection. Women are ignored in every aspect. Plans and policies consisting women supporting concept are only focusing few aspects of women which are not sufficient to empower and contribute women in socio-economic and political dimensions. Women are not allowed to take decision though the decisions are related to them. If women take part in various programs such as social, education, women related, and then they are perceived badly and pronounced as “*Pothi Baseko*”. Economically, socially and politically women are dominated by their counter partner. It is because; Nepal is one of male dominated countries. All property and other financial activities are conducted by male. Women do not have access to finance, which can be caused to improve their life. Their mobility is made limited by social and family related barriers. So, they do not know about the global movement, which can be beneficial to learn some new idea to improve their comprehensive aspects. They are not allowed to take part in any program by their own desire (Shrestha, 2007).

Most of the Nepalese women lack skills and experiences to do new things, it is so, because of illiteracy and lack of proper supports. In rural area of Nepal, the main role of women is to look after the household and bring up children. If wives want to do something new like as business, services their husband other family member restrict them. So, study deals with above maintained obstacles of rural women. After getting support on their doorstep how they react it, is shown by the result of the work.

Nepal is one of male dominated countries existing patriarchal system in the societies. All property and other financial activities are conducted by male. Women do not have access to finance, which can cause to improve their life. Most of the Nepalese women

lack skill and experience to do new things, it is so, because of illiteracy and lack of proper support. This is the gender issue which is non-economic factor(Joshi,2012).

Nepalese female who constitute 51.50 percent that is 1,36,45,463 where as male constitute 48.50 percent that is 1,28,49,041 out of total population 2,64,94,504 of the country (CBS, 2012). Females have always been deprived of control over economic resources as property, income and employment as well as other recourses. Thus, Nepalese women are underprivileged and disadvantaged in terms of their socio-economic status as compare to their male counterparts however legal provisions are made in socio-economic and political setting but implementation part is very poor. Microfinance is a very powerful tool that can be used effectively to address poverty, empower the socially marginalized poor people and strengthen the social foundation. Especially when directed at women, the benefits of microfinance multiply many folds (Ghimire, 2010). So the study has been devoted to the role of micro finance to uplift the socio-economic condition of rural poor women.

Our country is not well developed in the view of financial market situation. Poor people do not have proper access to the financial institution. They have less opportunities off-farm employment. They lack access to convenient affordable and appropriate financial services. By the mid- April of 2016, there are 29 commercial banks, 72 development banks, 46 finance companies, and 41 class 'D' financial institutions licensed to carryout microfinance related transactions. Similarly, 15 cooperative institutions, and 27 non-government organizations have obtained permission from Nepal Rastra Bank to conduct limited banking transaction. Various BFIs carrying out microfinance related activities are availing financial services to deprived communities particularly women living in rural areas to engage them in income oriented activities. The total assets or liability of these institutions has increased by 22 percent to Rs. 83.75 billion in mid-March, 2015 as compared to that of mid-July 2015. The total deposits and borrowings of these institutions reached Rs.20.66 billion and Rs. 45.03 billion by mid-March,2016 while loan and investment totaled Rs.67.30 billion and Rs.2.95 billion respectively (Economic Survey 2015/16).

Cooperative system is being used as an important means of unifying dispersed limited resources skills, technology and capital and using them for collective business. The number of primary cooperative institutions has reached 33,288 with their members' of

51,85,787 by the first five months of the current fiscal year 2016. Of this, the number of male and female members has stood at 28,53,838 and 23,31,949 respectively while numerical ratio between them stood at 55 percent and 45 percent respectively and employment situation in this sector is 61,270 where 29,090 are female and 32180 are male. Total deposit is Rs. 20,79,22,937 and loan investment is Rs. 18,48,59262 by the first five months of the current fiscal year 2016(Economic Survey 2015/16).

In such a situation, micro-finance program may only be strong tool to transfer livelihood of women in rural area. Since, it concerns with the local issues of women. So that microfinance has been used as a powerful instrument to influence socio-economic situation of the women. In this context, this study of microfinance program in Okharpauwa VDC, will try to find out the answers of the following questions:

- i. How is the socio-economic status of women in Okharpauwa VDC area through MF.?
- ii. How microfinance has contributed to the members of MSMF in terms of occupation, income, consumption saving, education, sanitation etc.?
- iii. What are the major constraints faced by members of Mahila Sahayatra Microfinance in Okharpauwa VDC while participating in MF program?

1.3 Objective of the Study

The main purpose of this study is to analyze the role of microfinance to uplift socio economic condition of women in Nepal. The specific objectives are as follows.

1. To examine the socio economic status of the members of Mahila Sahayatra Microfinance program in Okharpauwa VDC
2. To find the contribution of Mahila Sahayatra Microfinance in livelihood of women in the study area.
3. To explore the constraints faced by the woman of the Mahila Sahayatra Microfinance in Okharpauwa VDC.

1.4 Significance of the Study

This study is mainly concentrated on socio- economic impact and entrepreneurship development of microfinance program in rural area. All other study has been focused on various issues in many other rural area of Nepal. But, this study is of Mahila Sahayatra Microfinance Ltd. Which is formed and driven by hundred percent women experts and entrepreneur thus, this study will reveal the implication of socio-economic status of women in Okharpauwa and effectiveness of microfinance program on rural area. So the study area has been taken rural area in this study. This study can be useful for researcher, policy maker, microfinance service provider and policy implementer organizations. This study may be foundation for further study to the researcher. The policy maker can take this study as a sample of rural area to make policy for further betterment in the future. Similarly, microfinance service provider and microfinance organizations can provide appropriate service and address the current problems related with microfinance in study area and similar practice.

1.5 Limitations of the Study

The limitations of the study are as follows:

1. The study is limited within Okharpauwa VDC and the case of Mahila Sahayatra Microfinance programme.
2. Only simple statistical tools have been used, no advanced data analysis tools are used.

1.6 Organization of the Study

The whole study is divided into five chapters and the chapters are organized systematically. Chapter one 'Introduction' consists of general background of the study, the statement of the problem , the research objectives, Limitations of the study and the organization of the study. Chapter two takes a look at the theoretical framework and reviews related literature concerning the study. Chapter three gives an explanation of the research process and the methods adopted for collecting and analyzing data. Chapter four deals with analysis and discussions of data. Chapter five presents a summary as well as conclusions and recommendations of the study.

CHAPTER II

LITERATURE REVIEW

2.1 Theoretical or Conceptual Review

It is difficult to find a universal definition of microfinance due to its variation on the basis of location, implementing institution and program as well. In simplest term microfinance is defined as the financial service provided to the deprived group of people and small entrepreneurs to help them in developing self-employment opportunities and income generation activities. Small size loan, compulsory saving, small scale entrepreneurs, diversified utilization and simple and flexible terms and conditions are the determining characteristics of its definition. Microfinance as a program service larger numbers of clients focusing on women and works on grass-roots level with financial sustainability (Shrestha, 2009).

Micro finance is termed as the financial services rendered to the deprived groups the poor people and small entrepreneurs in saving, credit, remittance, rural insurance etc. to help them in developing self-employment opportunities and various income generating activities. It is considered as one of the most effective financial tools for poverty reduction. Micro finance was focused on providing a very standardized credit product. The poor, just like anyone else, need a diverse range of financial instruments to be able to build assets, stabilize consumption and protect themselves against risks. Thus, we see a broadening of the concept of microfinance our current challenge is to find efficient and reliable ways of providing a richer menu of microfinance product.(Devkota, 2012).

In 1970's, experimental program in Bangladesh, Brazil and few other country extended tiny loans to groups of poor women to investment in micro business. This type of micro enterprise credit was based on solidarity group leading in which every member of group guaranteed and repayment of all members.

The Grameen bank of Bangladesh has initiated the term "Micro credit" which today known as Grameen system of rural financing. Partially, any small amount of that goes to the poor people as credit is known as micro credit, which has specific objective in the light of income generating activities. Micro finance has broad scope then micro-

credit, many scholars, practitioners, donor and authorities have defined micro finance in many ways, some of them presented below.

We give the poor the tools they need to lift themselves out of poverty, providing opportunity through microfinance - tiny loans and financial services that help micro-entrepreneurs reap the rewards of their own labor (grameenfoundation.org, Feb 4, 2009). Micro finance is the provision of financial services to low income clients including the self-employed. It includes the both financial and social intermediate. It is not only banking. It is a development tool (World Bank, 2005).

Practically the micro finance (microcredit) was first set up by Bangladeshi economist Professor Mohammad Yunus in the form of the Grameen bank in 1976. Microcredit provides loan at lower interest rate than commercial bank and local moneylenders' rate. Saving are also crucial to micro finance, both institutionally in that they make up much of the loan capital and also as a safe place for people to deposit money. Financial services generally include saving and credit. In addition to financial intermediation, many MFIs provide social intermediation service such as group formation, development of self-confidence and training in financial management capabilities among member of group. The definition of micro finance often includes both financial intermediation and social intermediation. Micro finance is not only simply banking of its development tool. Its activities usually involve in the social groups. Microfinance institutions (MFIs) work on the front lines daily, meeting the needs of clients and reaching out to others who can benefit from microfinance. To help them be efficient and effective and increase their outreach, we provide microfinance program support in the form of funding, technical assistance, training and new technology (Pradhan,2012).

Microfinance can help the poor to increase income, build viable businesses, and reduce their vulnerability to external shocks. It can be also be a powerful instrument for self-employment by enabling the poor, especially women, to become economic agents of change. Micro-credit is based on the principle that poor has skills which remain un-utilized or under-utilized. It is definitely not the lack of skills, what made people poor.? Charity is not the answer to poverty. It only helps poverty to continue. It creates dependency and takes away the individual it invites to break through the

wall of poverty. Unleashing energy and creativity in each human being is answer to poverty (Yunus, 2007).

The first Micro Credit Summit, held in Washington D.C. (1997) defines Micro Credit as “Extending small loans to poor people for self employment projects that generate income, allowing them to create for themselves and their families” (Swaminathan, 2007).

Microfinance, according to World Bank, is “the provision of financial services to low income clients including self-employed. It includes both financial and social intermediation. It is not banking, it is a development tool” (Koirala, 2011).

Microfinance is the financial provision of a broad range of financial services such as savings(deposits), loans, payment services, money transfer and insurance to the poor and low income household and to micro-enterprises as well (ADB, 2008).

The term microfinance as financial services such as micro saving, micro credits, transfer payment services and micro-insurance system provided to farmers and entrepreneurs of low income group (NRB, 2012).

Microfinance products are micro-credit, medium and small enterprises credit, group savings, project loan and micro-insurance etc. Although the conventional definition of microfinance is to provide banking services to lower income people targeting the poor and the very poor.

Magnitude of the microfinance might be generally categorized as (a) Nepal Rastra Bank has defined the loan up to NRs 100,000/- as microfinance lent by Microfinance Development Banks, (b) Rural Self Reliance Fund (RSRF) has treated loan up to NRs 100,000/- per borrower and up to 200,000/- provided in group basis (joint liability of the group member) to the deprived sectors as micro-credit (NRB, 2014).

Characteristics of Microfinance Are:

- Different financial services of micro size.
- Separate provision for non financial services.
- Very simple and less paper work process for all types of services.
- Vulnerable people.

- Business rather than donation or charity.
- Services available at the door step of clients.
- Collateral free loan.
- Cost recovery interest rate. (Mathema, 2008).

2.1.1 Microfinance and Micro-Credit

The concept of micro-finance and micro-credit is slightly different. Micro finance can be defined as financial services targeting and catering to clients who excluded from the traditional financial system on account of their lower status. Microfinance can include micro-credit, micro saving, micro-insurance and payment service.

Micro credit only concerns with the loaning money to those who are excluded from the traditional bank loans and micro credit is the subset of microfinance which concerns how to provide loan to its members on well defined basis. Microfinance includes financial services like saving, credit, insurance, remittance, training, self employment, and various other income generating activities. It is not the charity but it is a pivotal tool of development.

Micro-credit financial system on account of their lower economic status, Microfinance is the extension of small loans to micro-entrepreneurs who lack collateral and do not qualify for traditional bank loans. In developing countries especially, micro-credit enables very poor people to engage in self employment projects that generates income. Micro-credit is crucial to the microfinance field by providing access to financial capital. (<http://www.microfinancealliance.com>)

2.2 Evolution/ History of Microfinance in Nepal

In the early, Nepal was practicing traditional rotating saving and credit method of Dukuti, Perma and Dharma Bhakari. But, Nepal has had a history of formal implementation of microfinance for more than five decades. The history of microfinance in Nepal has started in 1956 with the establishment of thirteen credit cooperatives and it is the first approach on the part of the government to inject rural credit (Mathema, 2008).

History of microfinance is relatively short but eventful in Nepal marked by costly process of trial and errors. Access to financial services is regarded as one of the essential services to address poverty problems in Nepal since the advent of planned development efforts in mid fifties. In early 1960s, the cooperative movement became the first vehicle of Nepalese microfinance industry as thirteen cooperatives provided access to financial services to flood victims resettled in Chitwan district. Following the success of these self-help concepts, more societies were promoted in other parts of the country. In parallel, During this period, a large number of microfinance institutions (MFIs) have emerged with government, non-government and donor initiatives(Mathema,2008).

Rural finance institutions were established such as the Agricultural Development Bank of Nepal (ADBN) which aimed at providing credit and marketing support to agriculture modernization and development (ADB, Manila, 2008).

Microfinance in Nepal has evolved through strategies implemented by the Government of Nepal, the bilateral and multilateral development partners, and private sector. Today the industry reaches around 1.99 million clients mainly in Tarai regions and accessible hills. The diversity of retail MFIs is a key feature of Nepalese microfinance industry. Regulated microfinance development banks, cooperatives, financial NGOs, and community-based savings groups provide a wide range of micro finance services (Dhakal, 2010).

In 1974, the two state-owned commercial banks, Nepal Bank Ltd (NBL) and Rastriya Banijya Bank (RBB) were directed by NRB to invest at least a portion (first 5 percent to increase as high as 12 percent) of their deposit liabilities in the 'small sector'. This marked the beginning of the directed credit system in Nepal. In 1976, the scope of the small sector was broadened to include agriculture, cottage industry and services, and has since then been called the 'priority sector'. The credit didn't reach the poor, as only influential and well-connected people, with collateral, were able to access financial services linked to these programs. This led to the development of targeted initiatives, such as the Intensive Banking Program (IBP) in 1981, initiated by government and NRB, through partnership with commercial banks. Under this approach, group guarantee for loan repayment were used instead of physical collateral.

Starting in 1975, the Agriculture Development Bank of Nepal (ADBN) has initiated the efforts to conceptualize and eventually implement the Small Farmers' Development Program (SFDP). Implemented by the ADBN, mobilized farmers groups using a credit plus approach, and as a first experience of group-based lending. Unfortunately, it failed due to political pressure for a fast expansion, overemphasis on credit, high delinquency levels and the overall not satisfactory performance of the system. Another set of institutions playing the role is the commercial banks which introduced three micro credit programs- Intensive Banking Program (IBP). Production Credit for Rural Women (PCRW) and Micro Credit Project for Women (MCPW) (Dhakal, 2010).

IBP was initiated in October 1981 to provide credit both low income and other rural households under the priority sector of the commercial banks.

PCRW program was initiated in 1982, the Cottage and Small Industries (CSI) Project and the Production Credit for Rural Women (PCRW) provided new directions to priority sector lending, focusing on project viability rather than collateral, and therefore provided a financing window to the poor through commercial banks collaborating with local development organizations targeting the rural women; it had covered 17 districts by July 2000. Learning lessons from the PCRW program, MCPW was initiated in 1994 with an objective of developing NGOs as appropriate financial intermediaries that would provide quality micro credit services to the rural poor women over time. HMG/N introduced yet another scheme in February 1991 when it established Rural Self-reliance Fund with a view to providing wholesale credit to NGOs and saving and credit cooperatives (SCCS) through Nepal Rastra Bank. As of mid October, 2003 its borrowing institutions stood at 196 (49 NGOs and 147 saving and credit cooperatives). During the period 1992-1996, five Regional Rural Development Banks (RRDBS) following the Grameen bank model of Bangladesh were set up. In aggregate, NRB and Government hold about 33 percent and 10 percent of the share capital of RRDBS respectively. Recently, four NGOs have been transformed into private development banks under the Development Bank Act 1995 with a view to expanding their scope and scale of microfinance operations (Dhakal, 2010).

In the 1990s, with technical assistance from GTZ, local branches of the ADB/N under the SFDP, started to be recognized into federations of small farmers groups and transformation of SFDB sub-project offices (SPs) at VDC level into Small Farmers' Cooperative Limited (SFCL); each operating as an autonomous cooperative and the government of Nepal established Rural Self Reliance Fund (RSRF). with the objective of providing wholesale loans to NGOs, cooperatives and financial intermediaries for on lending to the poor. The Microfinance Department of Nepal Rastra Bank (NRB) acted as the secretariat of the RSRF and management committee headed by the NRB deputy governor oversees the fund (Dhakal, 2010).

In 1992, the government of Nepal, following a recommendation from the NRB, established Regional Grameen Bikas Banks (RGBBs) in each of the five development regions of Nepal, modeled on the Grameen Bank methodology. The majority of the ownership of the RGBBs is in the hands of government, NRB and public commercial banks, while other private commercial banks have small equity stakes. During the same period, private initiatives led by NGOs, such as Nirdhan and the Centre for Self-help Development, also used the Grameen Bank methodology, resulting in a generally more efficient and successful replication. Other NGOs also gradually obtained their participation and involvement in microfinance sector (Dhakal, 2010).

With the promulgation of Development Bank Act in 1995, Nirdhan was the first NGO (1998) to transfer its microfinance portfolio into an autonomous microfinance rural bank namely Nirdhan Utthan Development Bank. Since 2000, three other microfinance rural banks were created through the same process first initiated by Nirdhan, with DEPROSC Development Bank (DDB) in 2000, Swabalamban Bikas Bank (SBB) Ltd and Chhimek Bikas Bank (CBB) in 2001. Acknowledging poor performance of RRDBs under public ownership, NRB started a restructuring program. As of December 2009, four of the five RGGs located in eastern, central, western and mid-western development regions are privatized. The post privatization performance of these RGBBs is yet to be seen (Dhakal, 2010).

With a view to provide a source of wholesale fund to regulated MFIs (MFIs). government facilitated the establishment of the Rural Microfinance Development Centre (RMSC) which later on opened its lending to other microfinance service providers. Further, in order to create assured financing window to SFCLs, the

government further facilitated the establishment of the Sana Kisan Bikas Bank (SKBB) under the Development Bank Act. The SKBB provide wholesale funds to SFCLs (Dhakal, 2010).

Microfinance regulation is mainly under the Banking and Finance Institutions Act 2006 (BAFIA) and the Financial Intermediary Act. MFIs are categorized as 'D' type financial institutions under BAFIA and the prudential norms are designed in line with normal financial institutions. Capital requirement is lower for MFIs. 35 microfinance banks, 3 wholesale MFIs and 16 credit co-operatives are regulated under this Act. The Financial Intermediary Act is designed to accommodate non-government organizations under regulation. Even though prudential norms have been designed, follow-up procedures are very weak. The Nepal Rastra Bank has not taken any action for non-submission of reports or non-compliance of regulations and 28 financial NGO's are licensed under the Act (Dhakal, 2010).

Government of Nepal announced National Microfinance policy on May 4, 2008 and prior to that there was no formal policy as such. But informally or in scattered way government and NRB used to have various policy that governs microfinance operation such as Deprived Sector Lending (DSL) promoting MF by government itself by way of establishing Grameen Banks or emphasis on co-operative development, etc. The policy seeks to assist in poverty reduction through sustainable, simplified and access oriented microfinance services. The objectives of the policy are: increase the access of microfinance services for poor and weak financial status family and women group and conducting income generating and employment generation work, make microfinance service reliable and accessible through MFIs, help microfinance service supplying organizations to develop required capacity to be established in sustainable and self capable manner, formulate required law related to microfinance, and develop appropriate institutional mechanism to increase the microfinance service and to make such service disciplined (Dhakal, 2010).

Microfinance providers have faced major challenges in extending their services to remote area. Outreach of microfinance services has been stagnated in recent years as their expansion has been impeded among other by security concerns and lack of proven micro-lending methodologies. Outreach of Microfinance market in Nepal can

be divided into three sectors: institutional sector, grameen adopters sectors and projects and programs sector.

Historically, the development of microfinance as an industry has come a long way. The establishment of RMDC in October 1998 is yet another significant step in this direction. After successful implementation of micro-credit program and its positive impact in poverty reduction, the tenth plan (2002-2007) incorporated for the first time into its document as a major financial tool to overcome its objective of poverty reduction which was also continued in the Thirteen Year Interim Plan(Dhakal, 2010).

2.3 Role of Microfinance in Women's Empowerment in Nepal

Empowerment is to give somebody the power or authority to do something. Women Empowerment is a continuous process where the powerless people become conscious of their situation and access opportunities as an outcome of which women take control over their lives, set their own agenda, gain skills, solve problems and develop self-reliance Female economic empowerment is usually about the increase access of women to financial resources, income generating assets or activities, saving, increase financial decision-making power and more economic independence. Empowerment of women is one of the very important issue in developing countries. As women are integral part of society, their status and participation in decision making as well as economic activities is very low. Microfinance plays very important role in improving women decision making by contributing in economic activities. Over the years various efforts have been made by many Government and Non-Government organizations to promote women empowerment especially in rural areas. One such effort is the microfinance intervention. Microfinance institution aims to provide credit to the poor who have no access to commercial Banks. In general, this institution receives financial support from western donors, NGO's or commercial banks, who lend to microfinance institutions often against below market interest rates. Many leading public and private sector banks are offering schemes exclusively designed for women to set up their own ventures. Even the unorganized sector has been heading into microfinance movement. Microfinance institutions should strengthen and expand their support to financial resourceless poor women (Bashyal, 2005).

Nepalese women who constitute half of the population of the country have been involved in national development, although deprived of control over economic resources, property, income, employment and other recourses. Nepalese women are underprivileged and disadvantaged in terms of their socio-economic status as compare to their male counterparts. Microfinance is a very powerful tool that can be used effectively to address poverty, empowerment for the socially marginalized poor and strengthen the social fabric. Especially when directed at women, the benefits multiply many folds through microfinance (Bashyal, 2005).

In the present context of Nepal, women participation in micro financing activities has increased. Women's access to micro finance has increased substantially in the past 10 years. They have become able to independent and improve their living standard through the access of MFPs. They have started their own business and have become example in society. They are coming out from the vicious circle of poverty. But, this very situation has not been applied to all women in all areas. Some women even do not have information related to micro credit. Some do not dare to get involved in microfinance program in spite of their inner desire to get involved over there. In the same way, some women have not been able to improve themselves even by getting benefit from microfinance program due to the presence of deeply rooted traditional misconception and social dogmas although it has been observed that empowerment of women through micro credit has been moving towards to the positive way. Micro credit has supported women to engage them in income generating economic activities. This research takes into its study as contribution of micro finance in socio-economic empowerment of women. Women are targeted by microfinance because of the higher levels of poverty prevailing in the country and women have significant role in social and household wellbeing. Moreover women are accounted to have higher loan repayment rates than men and are considered a lower credit risk.

The Nepali microfinance services reached in all 75 districts and about at 2 million households and served about 7.4 million clients, and about 3.3 million clients are male whereas about 4.1 million members are women of both microfinance institutions and cooperatives' members with some duplication of members in both of the institutions in Nepal. According to these figures, about 56 percent of microfinance clients in Nepal are women. It is widely accepted that women contribute a greater proportion of

their incomes to household than men, through microfinance outlook. (The Himalayan Times, 25 Sep, 2016).

Women are more to be expected to select microcredit programs for themselves with some conditions such as small initial amounts, training sessions, weekly meetings and joint responsibility. Efficiency, self-dependency and gender equality, are the motivating factor to adopt microfinance as a tool for rural development strategy in Nepal. The issue in Nepal's rural finance is how to utilize women's capacity to undertake local development to initiate empowerment from the grass root level. Gender inequality however important to donors, is a culture-specific concept in Nepal and is considered appropriate for MF intervention. Despite this, Nepali MFIs readily employing the term "women empowerment" as a goal for microfinance programs. (Nepal, 2013).

2.4 Models of Microfinance in Nepal

Modalities of Nepalese finance sector that has practiced in Nepal Micro finance program or established and promoted in Nepal with diversification method and modalities. They are in public and private sector modality, community and deprived sector based modality. The micro credit program such as PCRW, MCPW, GBB replicates etc. fall under the gender based program while the program as PAPWT, TLDP, RRDB etc. come on project based micro credit program. The wholesale micro credit programs are SCCs, SCO, RSRF, RMDC, and SKBB etc. The micro credit activities of SACCOPS and FINGOs come based, besides, a number self-help groups also rendering Micro Finance services to the rural people. Although large numbers of MFIs are in Nepal Micro Finance Services from these institution are yet to cover the target group in full capacity particularly remote hills and mountain. (NRB, Micro finance debt, Brochure, 2009).

At present, the following are the microfinance model existing in Nepal.

Grameen Model:

The Grameen Model concept of lending propounded by Prof. Muhammad Yunus of Bangladesh. In Nepal during 1990s by the GoN and NRB by establishing five Regional Grameen Bikas Banks (RGBBs) one each in 5 development regions of

Nepal replicating the concept of Grameen Bank of Bangladesh. During the same time, two national level NGOs namely the Nirdhan and the Centre for Self-help Development (CSD) also launched microfinance programs replicating the same Grameen model and later they also established two microfinance development banks, Nirdhan Utthan Bank Limited (NUBL) at Bhairawa and Swabalmban Laghubitta Bank Limited, (SB bank) at Janakpur adopting the Grameen model. Similarly, other prominent NGOs - Chhimek, DEPROSC, NRDSC, FORWARD, and Jeevan Bikas Samaj (JBS) - also started their microfinance programs following this model. At present, GBBs, Private Microfinance Banks (PMFBs) and a host of FI-NGOs and SCCs are also providing microfinance services to the poor following Grameen model. (RMDC, Kathmandu, 2009).

Grameen model is set by the Prof. Yunus in Bangladesh targeting women from low-income group as the main borrower. In this model, a bank manager and workers visit villages to explain the purpose and the model of operation of the bank to the local people. In first stage, out of five, two people in a group receive loan. The group is then monitored for a month to see if they are following the rule of the bank. The other member of that group can borrow money only when the first two borrowers repay money with interest within fifty weeks of lending period. This pressurizes the group to keep individual record clear. In Nepal, four private sector development banks (Nirdhan, Chhimek, Swabalamban, DEPROSC-Nepal) are operated on the Grameen system of Bangladesh.

This model is based on the formation of peer groups each comprising at least five members. Three to Nine such peer groups form a center at a particular location – close to a village, where they meet once every week or month as decided by the members. Each group elects a group chairperson and in each center, a center chief to oversee the activities of group members and maintain group discipline, check utilization of loans and ensure timely repayment of loan installment. In such meet, group members collect savings and make demand for loans and also settle the loans or interest due and repay loan installments as per schedule. They do not need to provide collateral security for the loans but need to provide group guarantee for repayment. To begin with, the potential target groups are identified with Participatory Rural Appraisal (PRA) techniques or Participatory Wealth Ranking (PWR) exercise to identify the target

groups. After the target groups are identified, the eligible members participate in a weeklong Pre-Group Training (PGT) or a compulsory group training (CGT) on microfinance procedures and organization and operation of groups and centers (RMDC, Kathmandu, 2009).

Group Model

In this model if a member faces difficulty in paying back loan, then other members put pressure on that member to pay it back soon. But it does not work then the whole group will repay the loan on the behalf of that member.

Individual Model

This model does not need any group to formulate as micro loan is provided directly to the individual. So there is no peer pressure for repayment.

Community Banking Model

This banking model is mostly run by NGOs and other organization to develop community by introducing community development programs. For this, semi-formal or formal institutions are launch in the community to give out micro loan and train the community members into different financial activities in generating income and saving.

Bank Guarantees Model

In this model, a commercial bank plays role of lender in which it arranges money from external donor or government agency or by internal source using members' savings. Loans are provided directly to an individual or a self-formed group. Many international and UNO have been creating international guarantees funds that banks and NGOs can contribute to start micro funding programs.

Small Farmer Cooperative Limited (SFCL Model)

SFCL is newly developed financing model, which is based on the cooperative principle. To turn this model ADBN has initiated to convert SFDP office into SFCL under the cooperative act 1998. On the other hand ADBN has also set up Sana Kisan

Bikash Bank (SKBB) in 2002 to meet wholesale micro credit requirement of SFCL for lending to small farmers.

Financial Intermediary by NGOs (FINGOs Model)

FINGO is the latest developed in micro finance practices. It is believed that more than 70,000 NGOs operating in the country either is micro finance or in social and community based development out of these 47 have license form NRB for doing limited banking transaction.

Saving and Credit Cooperative (SACCOP Model)

SACCOP is a number based organization registered with the objective of self-development among the number at local level. As of the mid-January 2015 there are more than 4000 SACCOPs registered under the development of Cooperatives. Out of which only 16 have got license from NRB for doing limited banking transaction.

Priority Sector and Deprive Sector Credit Model

Commercial Banks have been involved in Micro Finance Since 1974. However, the Mandatory credit requirement of NRB named as Priority and deprived sector credit programs. Now NRB has declared a phasing out policy of priority sector in fiscal year 2006/07 and only the Mandatory requirement, which is 3 percent of the total credit for deprived sector, will remain unchanged.

Donor Supported Micro Credit Program Model

Nepal has undergoes various micro credit projects like production credit for rural women (PCRW). Micro credit project for women (MCPW). Poverty Alleviation Program in Western Tarai (PAPWT). third livestock development project (TLDP). community ground water irrigation sector (CGISP) and rural micro finance project (RMP). Major reason for commencing such project was to help strengthen capacity of MFIs and support them through financing for longer period. However, each micro project has its own specific objectives and working areas.

Wholesale Micro Financing Model

Wholesaling micro finance began with the establishment of rural self-reliance fund (RSRF) in 1991. Later in 2000, RMDC and RMP came to existence with an objective to later the credit needs of MFIs for on lending purpose. In this year 202, another wholesaling MIF called Sana Kisan Bikash Bank (SKBB) was also established to supply wholesale credit. Another wholesale institution called national cooperative development bank (NCDB) came into operation in 2003, with regard to wholesale financing in rural credit sector, RSRF is the pioneer and it has wide coverage with 231-partner organization in 47 districts. Among the above mentioned Model are present study is based on Grameen Bikash Bank.

Village Banking Model

This model was formed in mid-1980s by Foundation for International Community (FINCA). Village banks are community-managed credit and savings associations established to provide access to financial services in rural areas, build a community self-help group, and help members accumulate savings (Otero and Rhyne,1994). Membership in a village bank usually ranges from 30 to 50 people, most of whom or women. Membership is based on self-selection. The bank is financed by internal mobilization of members' funds as well as loans provided by the MFIs.

Self-Help Groups (SHGs)/Community Organizations (COs) Model

In Nepal there are several forms of informal self-help groups such as 'dhukuti', mothers' group, and many other groups with specific objectives. Mostly, lower middle or middle class people are involved in this type of SHGs. They have been in practice now for more than 3 decades. Closely affiliated and well-acquainted persons form a group and start contributing a specified amount at specified intervals of time. In each collection meeting, the cash collected is given to one of the needy members for use as per the rules set unanimously by the group. Rules are found generally unwritten, but agreed by all in the inception meeting. In Nepal SHGs are not tied up with the formal banking institutions as yet except those promoted by WDS. SHGs or COs are formed and promoted under a number of rural development programs implemented by different agencies, such as Production Credit for Rural Women (PCRW – started in 1982). Participatory District Development Program (PDDP) and

Decentralized Local Governance Support Program (DLGSP) supported by UNDP, and Poverty Alleviation Fund (PAF) funded by the World Bank. (RMCD, Kathmandu, 2009).

In addition, Production Credit for Rural Women (PCRW) and Village Banks are also considered separate programs/models of microfinance in Nepal. The programs like Decentralized Local Governance Support Program (DLGSP). Poverty Alleviation Fund (PAF) and some other rural development programs have also included microfinance as a component following the SHG model.

2.5 International Empirical Studies

Yunus (1994) studied Grameen Bank, The Lesson and Experiences in Bangladesh where he found that the GB is not a bank it is more than bank. It is an independent development agency catering exclusively to the landless poor people. After 16 years of operation, GB has 1.27 members, where 93 percent were women and has disbursed a total of 16 billion taka (US\$490 Million) in loan in that date. The bank goes to people and provides the taka 2000.00 to 5000.00 (US \$ 50-130) for one year loan to in its landless member without the collateral at a commercial interest rate 20 percent p. a. The borrowers invest loaned money in a micro enterprise of S/he choice, is required to share in-group fund.

Hailese (2007) studied that micro finance plays significant role in the women empowerment in Cambodia, through the provision of loans to women, particularly to poor uneducated and those who are not able to fulfill collateral requirements laid down by other lending institutions, micro finance enhance to be self-employed. Consequently, some of the women have managed to increase their income in small amount, improve saving and develop the decision making power. The author has used both quantitative and qualitative analysis in the study. Considering about 22 percent sample size the study indicates that the clients do have positive impact from the involvement in micro finance program.

Opata and Newza (2009) attempted to describe the socio economic characteristics of rural women and their involvement in informal women's cooperative through credit and saving activities in Nigeria. Data were obtained from field survey of rural community managers of informal women cooperative micro finance society and their

members in Enugu state . A multistage random sampling technique was used for the selection of respondents. 216 clients were randomly selected from the group. Both Quantitative and Qualitative method were applied in the study. Using multiple regression models, the study concluded micro finance programs have played vital role in poverty reduction and women empowerment.

Kireti and Sakwa (2014) conducted a research on socio-economic effects of microfinance services on women in Kenya, by using simple random sample of 370 was drawn from a population of 5000 women members of ROSEWO microfinance the study shows that microfinance has become an important instrument for poverty alleviation in developing countries. This study thus, sought to find out the socio-economic effects associated with the participation of women in the microfinance programs. The research objectives were to assess the socio-economic effects on the accessibility of microcredit, availability of micro-savings, micro-insurance and non-financial services on women, accomplished that microcredit services increased income levels, increased stocks and output of the enterprise as well as increased expenditure on health and education services. The availability of micro-savings services to women increased capital resources to cater for education and health care services, smoothed irregular income levels to manage consumption needs and also increased income to generate wealth. Moreover the results indicated the effects of micro-insurance services enabled women build stronger trust bonds, created more social networks as well as motivate participation in development activities. This program encouraged a good practice on preventive health measures for wellbeing of the people.

2.6 Nepalese Empirical Review

Regmi (1999) studied on microcredit project for women (MCPW) has the objectives to (i) assess the impact of MCPW on beneficiary's earnings and living standard, (ii) examine the improvement in the status of women by MCPW, (iii) evaluate the impact in the context of poverty alleviation, and (iv) suggest with appropriate measures comparing the women before and after where 70 women samples are taken out of 372. Major indicators used include loan amount, loan disbursement by purpose, income, living standard and women status. Living standard is analyzed with consumption pattern - traditional food to none traditional food - clothing pattern.

Similarly, women status is reviewed by land ownership by women, none land assets, women's autonomy, control over decision making and relative access to resources. The major findings include: income is raised but at marginal level; there are positive social impacts on child education, family planning, sanitation and other social reform; repayment rate of MCPW is low (75 percent) where some 20 per cent clients have not paid at all and 50 per cent clients have paid partially. The thesis further criticizes that program is biased against poor, loan purpose is not identified well, volume of loan size is not enough. Impotently, the project has not been able to income raising opportunity thus potential use of loan has not happened and women clients need to rely on their husbands therefore, women have further lost their independence.

Pathak (2001) studied rural finance in Nepal with the objectives of identifying and analyzing the present sources of income generation and expenditure pattern and the relation between them. He has selected 72 households as sample out of 1295. Data was collected through interview and questionnaires which are presented into charts, diagram and tables. The thesis is concluded saying agriculture sector contributes about 55 percent of the total income of the households and women contribution to income of the family is as equal to the men member but their share on expenditure decision is very poor.

Bhattarai (2005) studied on Micro Credit: An empowerment and livelihood security scheme for poor women has a comparative study with control group. The sample of 60 households from wards has the objectives of identifying and benefits develop savings habit, savings mobilization to assess economic benefit and comparing socio-economic status of women microfinance clients with the control group. Specifically, the thesis attempted to examine livelihood security as well as empowerment of women through micro credit programme has used indicators like curtail unproductive. The findings highlighted as land holding, property and food adequacy is better; saving habit has increased; women are more entrepreneurial; widows and other women indicators such as social awareness, lowered social evils, improved health and sanitation status and assessing none economic benefits have face less discriminations, average annual income has increased; and women's perspectives, attitude, authority, prestige, knowledge, ability and social relationship have improved. This further trace out that the Grameen Bank programme has focused relatively active women rather

than poorest of the poor, the increased income has not raised the overall status of women and criticized the methodology of microfinance if women has to empower.

Poudyal (2005) studied the impact on economic empowerment of Women with the objectives of evaluating the impact of micro finance on economic empowerment of women and to examine the enhancement in the status of women and has used primary as well as secondary data applying questionnaire as well as observation methods. Data revealed from 72 samples out of 228 members of 7 centers are analyzed with correlation, regression and chi-square test. Her findings include that microfinance has improved their earning and equally stimulated their living standards. However repayment rate of the program is only 80 percent and the loan has not seemed to be utilized on the said purpose. Based on chi-square result, caste and ethnicity does not affect the control over their earnings. Moreover, women do not have their own control on their earning; joint control exists widely in the study area.

Despite, she concludes that, microfinance program is best way to uplift women economically as well as socially. A country like Nepal cannot mobilize the resources for the optimization of benefits by excluding women from the development model. Hence providing credit for women to income generating activities as well as multi-prolonged strategy with a systematic relationship between income promoting activities and social and institutional development activities would strengthen the entire connection in the solution of the problem to uplift poor women.

Majorano (2007) assessed the impact of the rural micro credit bank projects based on the observation and analysis of MFIs working in Kathmandu, Makawanpur; and Dhanusha, Sunsari and Morang districts. In her study, she found that the micro credit bank programs aimed at women empowerment have contributed to it in different ways. The women treated their saving as a means of building up an assets base and gaining a certain independency from their husbands. The programs have increased the women self –confidence and greater influence in household decision making. From her analysis, she has concluded that micro credit bank services have reached the poor and the poorest families. The women clients have improved their confidence, leadership, decision making power and entrepreneurial skills after participating in the micro credit bank program.

Paudel (2007) topic of his thesis was “Impact of microfinance on Women Empowerment” has concluded in his thesis that MFPs are creating positive socio-economic impact on rural women to become socio economically empowered in the operational area of NESDO. Because of MFPs, rural women are trying to set their own status, mobility is becoming wider and their influences are giving meaning to societies they are politically, socially and economically empowering. The findings as: land holding and food adequacy is better among clients; saving habit has increased; client women are more entrepreneurial; widows and other women have face less discriminations, average annual income has increased; and clients women's perspectives, attitude, authority, prestige, knowledge, ability and social relationship have improved.

Sharma (2007) studied on microfinance practice and their sustainability to assess rural poverty alleviation efforts, policies and program initiated in Nepal through microfinance, the role of microfinance in employment creation and income generation and its contribution in general and specially, in the western and central region, to analyze the role of microfinance in women empowerment and to evaluate financial and institutional viability and overall sustainability of selected MFIs etc. The major findings were the social and economic changes in the borrowers like increasing income, increase in food sufficiency, consumption of nutrient food, good caring of children health good education of children, repair and maintenance of home etc. are considered and that women empowerment have positive changed 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 has made some recommendation were (i) the government should formulate national policies of microfinance with clear vision, objectives, strength and policies and specifying implementation modalities to direct the microfinance program to accomplish the stipulated objectives (ii) to expand the additional outreach production and sewing etc.

Shrestha (2007) stated that with the increasing demand for MF. Services in the rural areas, it is definite that there will be more and more new entrants in the microfinance market with existing branch network and manpower. It would be difficult for NRB to supervise and monitor MFIs. Thus NRB has to enhance its capability to regulate,

monitor and supervise all of them. Despite, the various efforts on enhancing the access to the formal credit sources to the poor, very little impact has been made in this respect. The effort introduced in this sector in the past did not work as expected. The ultimate challenge for government and NRB strengthening the existing MFIs and making them viable and sustainable along with creating conducive environment for more entrants in the MF market.

Bashyal (2011) assessed the financial access and women empowerment through gender equity improvement based on survey of clients of Nirdhan Utthan Bank limited. The study found that micro credit a bank has improved families wellbeing by increasing household's food sufficiency level, assets accumulation and children's education. The effectiveness of program in improving socio economic condition is more visible in the improvement in housing condition and possession of consumer durables. It has been credited with empowering women by increasing their self-confidence and decision making power, enhancing family status, family cooperation, and greater say in household spending Moreover, the access to credit not only gave women opportunity to contribute to the family business but they could also deploy it to assist the husband's business that increases her prestige and influence within the household. Micro loans have enabled women to start non-farm activities particularly, petty trade. The study reached to the conclusion that no unique model of micro credit bank is applicable for all situations. To provide micro credit services to large numbers of scattered poor people in the hills and mountains of the country through well managed operating costs, the program should be designed as according to its topographical differences and diversified settlements.

RMDC (2011) studied to access the impact of micro credit program on socio economic status of the ultimate beneficiaries by using primary and secondary data. The study revealed that the impact of micro credit services on various aspects of participating women positive their household's income moved in the expected direction. The improved credibility of clients in other sectors through increased income and assets due to the involvement in the micro credit program is taken as a positive impact of micro finance. The micro credit has greatly empowered the participating women in all respects. This study shows that micro credit promotes diversification of income sources and brings about positive changes in investment, income received and savings made from each category of income sources when

compared with before program implementation. Micro credit program generates self-employment that generates income to meet daily necessities of poor women and their families. Micro credit program also improves the education status of children of member women as they get the required information from the implementers. Participation in micro credit program also improves the education status of children of member women as they get the required information from the implementers. Participation in micro credit programmes improves poor women's access to resources that they could own and used on their own decision without any interference from their male counterparts.

Adhikari and Shrestha (2013) examined the Economic Impact of Microfinance in Nepal. This study express on the concept of micro-credit was developed to mobilize small savings of poor people to create deposit, which may be accessible to unreachable and un-bankable poor, especially women. The study has highlighted that microfinance is an effective tool for bringing positive impact on the economic status of the respondents along with their family members. It has helped to generate extra income for their family and their own use. The extra income allows the respondents family to buy nutritious food, access to modern health care services and they can afford to send their children to the school

2.7 Research Gap

Most of the empirical works have reviewed and analyzed the socio-economic impacts using similar sort of indicators such as income, expenditure, awareness, living standards etc. and the findings are similar that economic aspects of people have improved but there still need to do a lot to increase the status of people as a whole.

The review has particularly traced following gaps:

- (i) None of the studies have analyzed the constraints faced by microfinance clients of Mahila Sahayatra Microfinance.
- (ii) Moreover, research in the Okharpauwa VDC of Nuwakot district in this topic with reference to the Mahila Sahayatra Microfinance has not done so far.

CHAPTER -III

RESEARCH METHODOLOGY

This chapter explains the detailed methodology used in this study. It deals with the techniques and the procedures used during the research study. This includes the selection of the study area, research design, nature and sources of data used, sampling technique and procedure, data collection techniques and presentation of the data.

3.1 Selection of Study Area and Rationale

For this study, Okharpauwa VDC has been selected as the study area since the objective is to study the role of MF on women's empowerment of MSMF. The rationale of selecting the Mahila Sahayatra Microfinance is the easy access of the researcher to the study area and being the field of interest of the researcher. There are other MFIs working in the VDC in comparison the founder team of this MF are professionals, competent, dedicated, academicians and experienced from banking sectors, and founder team are hundred percent women. To assess the performance of such type of MF run by such team, Okharpauwa VDC is selected. Total population of Okharpauwa is 7901, in which total number of female population is 3931 and male is 3970 and majority of inhabitants are ethnic and indigenous Newar (Balami) and Tamang. Rest of the castes are Bramin, Chhetri, Magar, Damai, Kami, Sarki etc. However it resembles the national character of diversity. Total households are 1510. (CBS, Nepal, 2012).

3.2 Research Design

As per the nature of the study, the study has used both quantitative and qualitative research design. Similarly, analytical research design has been used. The study is mainly focused on MFP by Mahila Sahayatra Microfinance (MSMF) operating in Okharpauwa V.D.C. Related information is directly taken from clients of MFPs or primary sources have been used. It is micro level study and is not represent the whole economic effect of Mahila Sahayatra Microfinance (MSMF).

3.3 Nature and Source of Data

The study used only primary data. Primary data was collected from interview with sample members of MF Program, key informants and MSMF personnel's. For the collection of primary data a questionnaire was prepared and it was filled by the researcher using direct personal interview method. The researcher also observed the field and tried to get necessary information through the interactions with the members.

3.4 Population and Sampling Design

The universe of this study is the members of Mahila Sahayatra Microfinance Limited, Okharpauwa VDC, Nuwakot. Total numbers of members of Mahila Sahayatra Microfinance in Okharpauwa are total population where total 180 members beneficiaries of MSMF are there in the VDC. All beneficiaries members of MSMF in Okharpauwa V.D.C. have been considered as a total population. The sample has been taken from nine centers of Okharpauwa V.D.C. for this research purpose. 48 respondents are taken by using simple random sampling method without replacement from these centers which represents 26.66 ~ 27 percentage of total beneficiaries members.

3.5 Data Collection Techniques and Tools

For primary data collection, interview method was followed. Out of 180 members 48 members were selected by simple random sampling in this study. Interview of all sampled members was conducted by researcher.

3.5.1. Household Survey of the Members

For the data collection the household survey of the members of Mahila Sahayatra MF was done. For the survey questionnaire were developed and printed. The researcher himself filled the questionnaire visiting the selected member's house.

3.5.2. Key Informant Interview (K I I)

Key informant interview is in depth interview with the people who have extended knowledge about a particular subject. In this research key informant has been used as

a tool for information collection in study area. Three K I I were taken. The key informants were follows. i) women leader of political parties in the study area. ii) social activist working in women agencies iii) field supervisor and facilitator of Mahila Sahayatra MF. For the KII a checklist was prepared and interviewed.

3.5.3. Focus Group Discussion (FGD)

For this study two Focus Group Discussions were conducted and the participants were the members or the beneficiaries of the Mahila Sahayatra Microfinance. In one FGD, there were 5 members and in another there were 9 members. For the FGD a checklist was prepared concerning with the major issues of the study which was floated in the group and the researcher himself recorded their opinions using mobile recording device. Then, the record was transcribed and required information was extracted. Discussions were focused upon the change brought in women members by the programme emphasizing on the contribution of microfinance on women in the study area.

3.6 Tools for Data Analysis and Presentation

The information collected from the field study was processed manually. The information was grouped and sub-grouped then they were classified as per the necessity to meet the objective of the study.

The systematic analysis was done by using descriptive as well as simple quantitative statistical tools like frequency count, percentage, mean were used to describe the characteristics of respondents as well as comparing the proportion of different unit in various issues. Results obtained are presented in the form of tables, charts, graph figures etc. in a descriptive way.

CHAPTER - IV

DATA PRESENTATION AND ANALYSIS

This chapter deals with collected data regarding the main objectives. Data were collected in various heading and subheading to fulfill the main objective of the research and displayed the analysis of the various issues changed after involving MFPs, sequentially.

4.1 Socio-Economic status of Respondents

This study has incorporated various social and economic indicators in the Okharpauwa VDC. The status of the respondents are shown under the following heading systematically. Mainly, study deals with change in income, expenditure, saving occupation, consumption, sanitation, awareness, education, decision making etc after and before the microfinance intervention in the Okharpauwa VDC.

Total members of MSMF are 180 in the study area, 48 respondents from nine wards of the VDC are taken the sample clients members from Mahila Sahayatra Microfinance (MSMF). Nine microfinance centers represent all nine Wards of the VDC. The profile of respondent can be expressed as following sub-headings.

4.1.1 Age Structure of Respondents

Age plays vital role on the socio-economic status of women as the active and productive age can contribute for the socio-economic development as well as national development. In order to study the impact of microfinance participation of women of active age must be increased together with other aged women. The table below presents the age distribution of informants.

Table 4.1: Age Distribution of Respondents

Age Group	No. of Respondents	Percentage
20 – 30	16	33.33
30 – 40	19	39.58
40 – 50	11	22.92
50 – 60	2	4.16
Total	48	100 percent

Source: Field Survey, 2016

In field survey, the youngest member was 24 years old and the oldest member was 58 aged. This shows that there is no restriction on age bar to be member of the group. Table 4.1 shows that more than half percentage (72.91 percent) members are between 20-40 years. This fact shows that, age of all most all members fall on earning age.

4.1.2 Marital Status of Informants

Marital status has crucial role on the socio-economic status of women. In patriarchal societies, women’s access to resources is often determined by their marital status (Mahat, 2003: 67). In order to study the impact of micro loans on women’s income generating activities and household welfare, it is imperative to see their marital status. The table below presents the marital status of informants.

Table 4.2: Marital Status of Informants

Marital Status	Frequency	Percentage
Married	32	66.66
Divorced	7	14.58
Widow	9	18.75
Total	48	100

Source: Field Survey, 2016

The table 4.2 above shows that out of total 48 informants all are married either their current situation is divorced or widow. In Nepal patriarchal norms and values determine women’s household roles and responsibilities, as married women are more responsible towards their families. The data also indicates that total 100 percent married have increasing responsibilities that encourage women to participate in income generating activities through micro-credit.

4.1.3 Educational Status of Respondents

Educational factor is also main determinant of economic status of people. Educational status determines the life standard of people. The education status of respondents can be found in scattered position as following way;

Table 4.3 : Educational Status of Respondents

	Literate	Basic Education	SLC	Above SLC	Total
No. of Respondents	4	25	12	7	48
Percent of Respondents	8.33	52.08	25	14.58	100

Source: Field Survey, 2016

Table 4.3 shows that 8.33 percent of total respondents are literate, 52.08 percent have got basic education, 25 percent respondents passed only up to SLC and 14.58 percent respondents have passed above SLC. All the respondents are literate since government and MFIs have been providing non-formal education programme. Therefore they are able to know their transaction with MFI.

4.1.4 Distribution of Respondents by Caste/ Ethnicity

The information of distribution of respondents by caste shows whether MFP concentrated on marginalized community or not.

Table 4.4 : Distribution of Respondents by Caste/ Ethnicity

S.N.	Caste	No. of Respondents	Percentage
1	Chhetri	5	10.42
2	Brahamin	6	12.5
3	Janajati	34	70.83
4	Dalit	3	6.25
Total		48	100

Source: Field Survey, 2016

Table 4.4 shows that 10.42 and 12.5 percentage are Chhetri and Brahamin women are involved in the MFP. Other 70.83 percentage Janajati dalits women are negligible in involvement in MFP. But the data shows that 6.25 and 70.83 percent population falls in Dalit and Janjati respectively. This scenario of the VDC shows that majority Dalit and Janjati women are participating in MFP. Ethnically shows that MFP is concentrated in marginalized group.

4.1.5 Size of Respondent's Family Member

The size of family member impacts on the economic status of the family. It determines the production, consumption and saving state of a household which are directly related with life livelihood of the family.

Table 4.5 : Size of Respondents Family Member

Family Size	No. of Respondents	Percentage
Up to 3 (Small)	9	18.75
4 – 7 (Medium)	32	66.66
8 – 11 (Large)	6	12.5
Above 11 (Very Large)	1	2.08
Total	48	100

Source: Field Survey, 2016

Table 4.5 shows that 66.66 percent respondent have medium type of family, that consists of four to seven members. Secondly 18.75 percent respondents have small family size and thirdly 12.5 percent respondents have large family size. Only 2.08 percent respondents have very large family size. Different social awareness programs providing in microfinance center also have played positive role to keep medium size family to the respondents.

4.2 Contribution of Microfinance on Occupations and Other Status of (Respondents) Members

This topic deals with the effect of MFP on occupational movement. In Nepal main occupation of 76 percent of total population that is agriculture reported in economic survey 2010. In surveyed area the fact shows the changed structure of occupation and other status after the MFP intervention in the subsequent headings respectively.

4.2.1 Occupational Status of Respondents

Table 4.6 : Occupation Movement of Respondents

S.N.	Occupation	Number of Respondents & Percentage			
		Before MFP	Percent of before	After MFP	Percent of after
1	Petty Business	5	10.41	11	22.92
2	Agriculture	31	64.58	18	37.5
3	Animal husbandry, Livestock	8	16.67	10	20.83
4	Jobs (gov., private..... etc	4	8.33	7	14.58
5	Others	0	0	2	4.17
Total		48	100	48	100

Source: Field Survey, 2016

Table 4.6 shows that 10.41 percent members of total respondents were involved in petty business but After the MFP intervention, the involvement percentage of member on petty business has dramatically increased with more than two times. Credit facilities, different training related with self dependent, field observation visit given to member etc. conducted by MFI has played main role to change traditional type of occupation like agriculture in to modern occupation such as petty business, cash business like livestock farming, services etc. The percentage of agricultural occupational involvement has decreased from 64.58 percent to 37.5 percent after than before the MFP intervention. The percentage of job and other occupation has increased after than before due to MFP with 14.58 and 4.17 percent respectively. Others occupation comprising of remittance earning jobs, short time works etc. The table shows that there was no respondent involve on the other profession before MFP but 4.17 percent involve after MFP.

4.2.2 Income Earner of Beneficiaries Household

In our Nepalese society, role of women in the family is to engage in indoor work of a house as a housewife. The economic contribution of a woman is not counted in explicit form or monetary form but the income of women of different economic

activities are automatically counted. MFP has evoked the women to do various kinds of economic activities. So, in a family the economic contribution of women can be counted in explicit form. The most of respondent's household in study area found that there are more than two income earners after MFP intervention.

Table 4.7 : Income Earner of Respondents' Household

Categories	No of Respondents	
	Before MFP	After MFP
Only husband	27	9
Only wife	4	10
husband/wife	15	23
husband/wife and Other	2	6
Total	48	48

Source: Field Survey, 2016

Table 4.7 shows that more than half participant's household of total participant had single income earner i.e. only husband before MFP and found decreased numbers of households which have single income earner after the MFP intervention. In the case of two income earner, numbers of household of two income earner have increased significantly after than before MFP i.e. from 15 to 23. Similarly numbers of household of three or more than it of income earners have dramatically increased after than before i.e. from 2 to 6. All the result indicates that due to MFP additional income earners have been added in the most of the households.

4.2.3 Monthly Income of Respondents Before and After Involving MFP

Under this heading , taken both level of monthly income of respondents before and after involving MFP and analyzed by using mean and percentage.

Table 4.8 : Monthly Income Level of Respondent Before and After Involving MFP

Income Series in Rs.	Number of Participants (Frequency)	
	Before MFP	After MFP
0000 – 3000	7	2
3000 – 6000	16	6
6000 – 9000	9	12
9000 – 12000	10	6
12000 – 15000	4	7
15000 – 18000	1	9
18000 – 21000	1	3
Above 22000	0	3
Total	48	48
Mean income (RS.)	8094.75	13781.25

Source: Field Survey, 2016

Above result shows positive change on average income of respondents after involving the MFP. The average income of respondents before involving the MFP was Rs. 8094.75 and after the involvement in MFP their monthly income has increased by 70.24 percent then, the figure of average income become Rs. 13781.25. It is concluded by above mentioned fact that economic condition of almost members has been improved after MFP intervention and increased by 70.24 percent .

4.2.3.1 Causes of Change in Income Level of Respondents

Most of the respondents replied that their income level is increased after the involvement in MFP. There are various causes which are responsible to make income level increased such as increase in credit facilities by MFI, business expansion, new business establishment etc. Some respondents faced loss by death of cattle, loss in small business etc. But majority of respondent's economic condition has dramatically increased due to MFP intervention.

Table 4.9 : Causes of Increasing the Income of Respondents

Reasons	Number of Respondents	Percentage	Remarks
Increase in Cash-crops production	12	25	Increased
Business Expansion	12	25	Increased
Increase in Livestock	8	16.67	Increased
Getting Job	5	10.42	Increased
Increase in Wage rate/Salary	4	8.33	Increased
New Business Established	7	14.58	Increased
Total	48	100	

Source: Field Survey, 2016

Table 4.9 shows that the causes of increasing the income of respondents. It is found that 12 (25 percent) participant's income was increased due to being changed the traditional types of agricultural production in to cash-crops production and 12 (25 percent) respondents replied that their income level increased due to the expansion of business. Similarly, 8 (13.56 percent) and 5 (10.42 percent) respondent's income was increased due to the increment in livestock and new business establishment respectively. All these changing factors income level of respondents are directly affected by Microfinance program operated by the Mahila Sahayatra Microfinance Ltd.. It was fund that 4 (8.33 percent) and 7 (14.58 percent) respondents income was increased due to getting job and increase in wage rate/salary respectively, which factor also indirectly affected by MFP.

4.2.4 Saving Status of Respondents

Saving status indicates that what is the situation of saving condition of respondents before and after the involvement in Microfinance Program? Almost all poor people of Nepal can't save even a small portion of their monthly income due to various reasons such as lack of access of financial institution, lack of social consciousness, burden of their daily consumptions or low income level etc. After MFP intervention all members have developed saving habits. Increase in income generating activities, access of financial service, compulsory saving in every group meeting provided by MFI played vital role to change the saving status of respondents.

4.2.4.1 Monthly Trend of Saving of Respondents in the Group

Table 4.10 : Monthly Trend of Saving of Respondents in the Group

Saving Series (in Rs.)	Number of Participants (Frequency)	
	Before MFP	After MFP
No Saving	29	0
0– 200	9	13
200 – 400	7	10
400 –600	1	8
600 – 800	1	7
800 – 1000	0	4
1000 – 1200	1	2
1200 – 1400	0	1
1400 – 1600	0	1
1600 – 1800	0	1
1800 – 2000	0	1
2000 and above	0	0
Total	48	48

Source: Field Survey, 2016

Table 4.10 shows that most of the respondent 29 of total respondents had no saving before MFP but after the MFP the numbers of no saving respondent become zero. Only 7 members of total respondents were saving small portion of their monthly income Rs.200-400 before MFP but the number of respondents of saving of the same line has increased with 3 members after MFP. One respondent saved Rs. 400-600 before the program implementing, but the respondents 8 fall in the group after the MFP intervention. Above figure shows that there are 7 respondents saving Rs. 600-800 after MFP intervention when there was one to save on the same line before MFP. It is found that there is only two members who saves Rs.1000-1200 after the MFP and only one respondents who saved on the same after MFP. Above facts show that the number of members who can save are increasing than the members who used to save before the MFP. There were no members who saved more than Rs.1200 before MFPS but numbers has increased slowly on that range above Rs 1200. Since saving level is increasing gradually it is due to the increasing in the level of income as well. This result indicates that the saving status of all member who is involved in MFP have

been changed positively after MFP intervention. It is because of the level of consciousness increased about saving after microfinance programme.

4.2.4.2 Purposes of Saving

Saving can make future more productive than present but it depends on how it is used for. How the MFP has affected the saving used purpose habit of respondent after than before? It is analyzed comparing both data of before and after MFP.

Table 4.11 : Purposes of Saving

S.N.	Categories	No. of Respondents			
		Before MFP	After MFP	Changed Percent	Remarks
1	Household needs	26	10	33.33	Decreased
2	payback the loan	0	6	12.5	Increased
3	Nutritious food and children education	10	18	16.66	Increased
4	Personal Health care and sanitation	5	8	6.25	Increased
5	Traditional occupation	6	0	12.5	Decreased
6	Purchase the productive assets	1	6	10.42	Increased
Total		48	48		

Source: Field Survey, 2016

Table 4.11 shows that, out of 48 respondents, 26 used to spend the saving for household needs before MFP. The percentage of this category has dramatically, decreased by 33.33 percent after MFP. This result shows that MFP have made the respondent's saving use behaviour to change from general expenses for household need to general saving used for other purpose like as children education and health care expenses etc. Six members out of 48 members used the saving for the purpose of traditional type of business (unproductive) before MP but the number of this category has become zero after the MFP. This indicates that MFP has diverted the use of saving from unproductive sector to productive sector. The table shows that 6 of total respondents use the saving for the purpose of payback the loan after MFP and 6 out of

total 48 respondents purchase the household asset after the MFP when on these categories there were no and one respondent respectively before the MFP. The highest percent of respondent 18 from 10 i.e. 16.66 percentage variation occurred uses their saving for the purpose of child health providing nutritious food after the MFP. Similarly the percentage of using the saving for the purpose of health care expenses has also increased with 8 from 5 which is 6.25 percentage deviations in percentage after than before the MFP. This result shows that MFP has helped to increase the life expectancy and literacy level of the member's family.

4.2.5 Land Holding Size of the Respondents

Land is a main means of production, which is also a fixed asset of people. Land holding size can be considered as a measurement scale of a household. Therefore the size of land holding depicts the economic status of household as well as member themselves to some extent. Here the land holding comprising of three type of land like as the land which has been used for hose making, the land which is used for cultivation and the land taken in rent for production purpose.

Table 4.12 : Land Holding Size of the Respondents Before and After MFP

Series (in Anas)	Respondents	
	Before MFP	After MFP
Below 10 ana	17	7
10 -20 ana	9	7
20-30 ana	6	11
30- 40 ana	10	15
40- 50 ana	1	0
50- 60 ana	5	6
Above 60 ana	0	2
Total	48	48
Mean Land size (ana)	38.85	41.15

Source: Field Survey, 2016

Summary Table 4.12 shows that the positive impact on average land holding size of respondents after joining MFP. Their average land holding size before joining MFP

was 38.85 ana after the involvement in MFP their average land holding size has been increased by 9.44 percent and become 41.15 percent. By the fact we can conclude that economic status of respondents has improved due to MFP.

4.2.6 Condition of Toilet and Bathroom of Respondents

The condition of toilet and bathroom reflects the economic condition of a household. In the study area we found three types of toilet and bathroom user respondents, which are such as the people who don't have even toilet or bathroom, they use open place for both purpose. Next type is having toilet but no having bathroom. Similarly another type is having both toilet and bathroom. The comparison between the data of before and after MFP shows the changing effect on economic status of beneficiaries.

Table 4.13 : Condition of Toilet and Bathroom of Respondents

Conditions	No. of Respondents			
	Before MFP		After MFP	
open place	18	37.50	2	4.17
only toilet	25	52.08	20	41.67
toilet as well as bathroom	5	10.42	26	54.16
Total	48	100	48	100

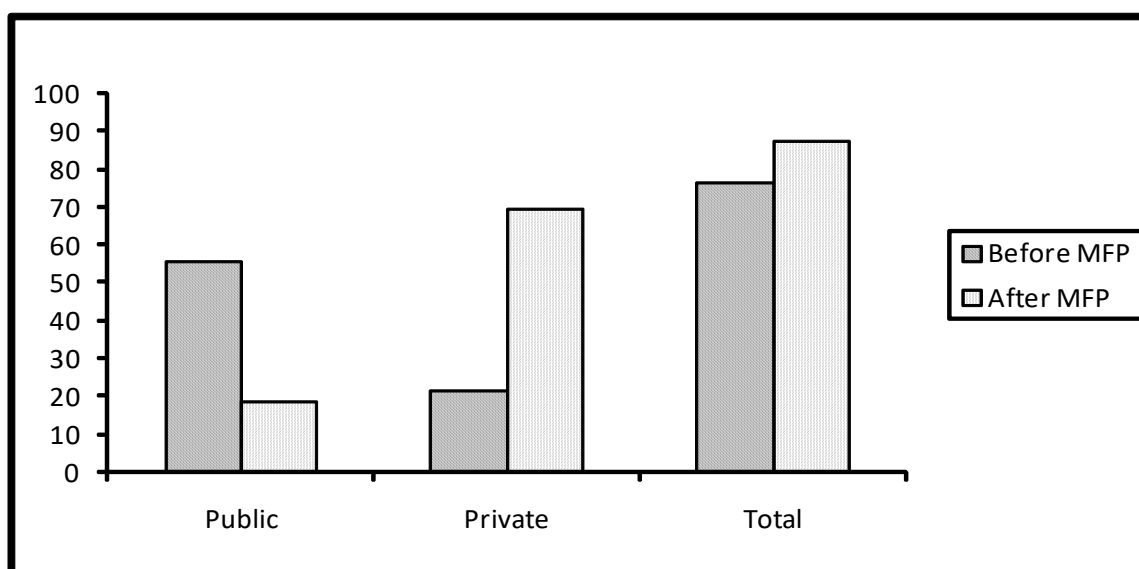
Source: Field Survey, 2016

Table 1.13 shows that out of 48 respondents 18 respondents replied that they used to use the open place for toileting and bathing before MFP, but after the MFP the number of using open place respondents decreased from 18 to 2, which is only 4.17 percent of total respondents. The percentage of using only toilet was 52.08 percent before the MFP, which percentage decreased and reached on 41.67 percent of total respondents after MFP. Here the number of using both toilet and bathroom is dramatically increased from 10.42 percent to 54.16 percent before than after MFP. It is the highest percentage of these three conditions of toilet and bathroom. Due to positive change in income level and social consciousness on respondents have increased the facilities of toilet and bathroom.

4.2.7 Children Enrolled in Private/ Public School

In present context child education is most essential responsibility of conscious parents. Every parent wants to give quality education to their children. Level of education quality is determined by economic status of a household. In Nepalese context there are two types of educational institution i.e. public and private school. The education providing by private sector is considered better than public and similarly, private education is more expensive than the education providing by public institution. The number of children sending by respondents either to private or public school could be better measuring rod of economic status of respondents. Therefore we have taken this topic to measure the effect of MFP on economic status of MFP beneficiaries of before and after MFP intervention.

Figure 4.1: Number of Children Sending for School Before and After MFP



Source: Field Survey, 2016

Figure 4.1 shows that out of 76 children, 55 children were enrolled in public school and 21 children were enrolled in private school before MFP. Then out of 87 children, 69 children enrolled in private school and rest 18 children were enrolled in public school. It is due to Increase in income level and saving of respondents thus, enrollment of children in private schools has increased after MFP. This fact indicates the positive effect of MFP on economic condition of beneficiaries.

4.2.8 Status of Source of Drinking Water of Respondent

It is said that water is life. Lives can't be imagined without water so it directly touches the human health. There are 90 percent diseases are water borne diseases in the environment. Human health affects life expectancy and well being of people. Only the pure and clean water helps to make people healthier. The water which is either pure or not that depends on its source. This topic includes three types of source of water. First private source of water, it means the member who has made private tap and water reservoir. Secondly public source of water includes tap in open place, public water well, rivulet, stream etc. and thirdly neighbor's source of water means well and tap water of neighbor. We have analyzed here direct and indirect effect of MFP on economic status of respondents through changing structure of source of drinking water. So the source of water shows the economic condition of respondents.

**Table 4.14 : Status of Source of Drinking Water of Respondent
After and Before of MFP**

Source of Water	Number of Respondents		Changed Percent	Remarks
	Before MFP	After MFP		
Private	10	35	52.09	Increased
Public	26	5	43.75	Decreased
Neighbor	12	8	8.33	Decreased
Total	48	48		

Source: Field Survey, 2016

Table 4.14 shows that the number of having private source of water has increased with 52.09 percent of total respondents after MFP intervention. The numbers of respondents of using public source of water have decreased with 43.75 percent of total respondents after MFP intervention. Similarly, after the MFP the number of using neighbor source of water also has decreased with 8.33 percent of total respondent. This result shows that health awareness program, credit, social awareness program provided by MFP has changed life standard of the respondents in study area. It is found that the most of respondents have shifted from the category of public using source of water to private source of water.

4.2.9 Consumption Pattern of Respondents

Consumption and income are widely used monetary indicators of well-being. Consumption may be better proxy than income for three reasons: actual consumption measures a person's well-being in terms of meeting current basic needs while income is just an element that allows such consumption; consumption is usually measured with more reliability than income; and consumption better reflects a family's long-term welfare as it captures that family's ability to smooth out income fluctuations. Consumption is a main component of Economics, the study of economics can't be complete without it. So this section deals the effect of MFP on consumption habits of respondents.

4.2.9.1 Consumption of Durable Consumer Goods

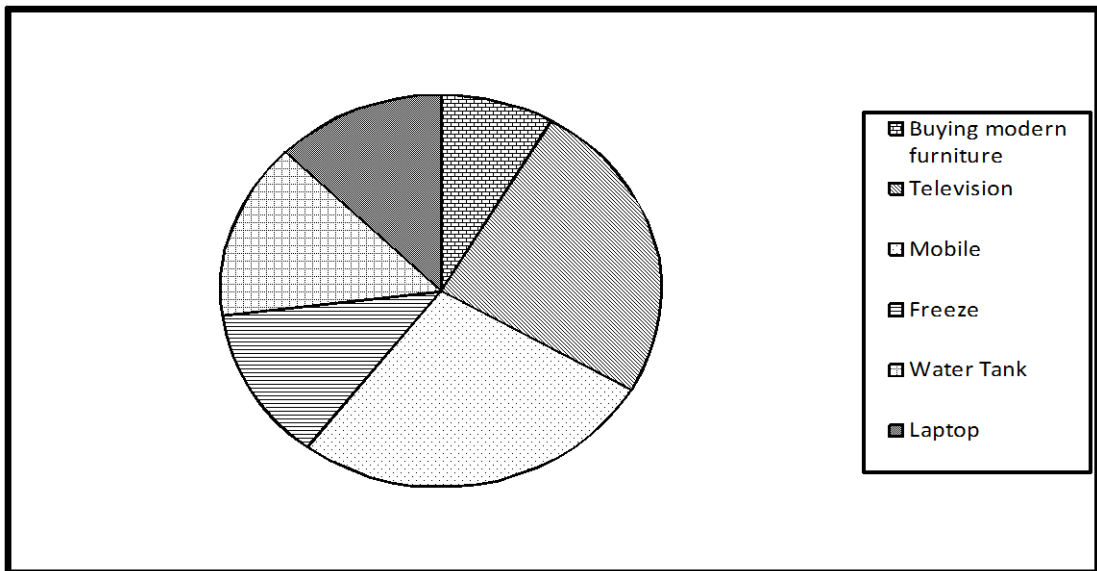
The goods bought for final consumption which is useful over an extended period of time is called durable consumer goods. According to change in time and income level of people, the consumption pattern of consumer has also been changed by them. We have taken five types of durable goods in study area, which data is the record of after MFP intervention.

Table 4.15 : Consumption of Durable Consumer Goods

Types of Durable Goods	No. of Respondents	Percentage
Buying modern furniture	4	8.33
Television	12	25
Mobile	13	27.08
Refrigerator	6	12.5
Water Tank	7	14.58
Laptop	6	12.5
Total	48	100

Source: Field Survey, 2016

Figure 4.2: Consumption of Durable Consumer Goods



Source: Table 4.15

Table 4.15 and Figure 4.2 show that the 8.33 percent respondents have bought durable modern furniture like couch set, chairs, tables, folding bed etc after MFP intervention in study area. The largest 27.08 percent respondents bought mobile, the second largest 25 percent respondents bought Television set after the MFP. Out of 48 respondents (7) 14.58 percent respondents have bought Water Tank for water collection for the purpose of cleanliness after MFP intervention. Others each 12.5 percent of total respondents have bought freeze and laptop computer respectively after MFP. According to the respondents instead of all these modern type of durable goods they had traditional types of durable goods such as radio, mat, cupboard, plastic made things etc before MFP. This result shows that the consumption pattern of respondents has changed from tradition type of goods to modern types of durable goods. So this fact shows that due to MFP intervention the economic status of respondents has increased after MFP.

4.2.9.2 Fuel Consumption

This topic concerns with fuel consumption behaviour of respondents in study area and compares between the data of before and after the MFP. In the consideration of fuel consumption we have taken three categories: first the respondent who uses only firewood as fuel, secondly the respondent using only gas as fuel and the next category is using both gas as well as firewood.

Table 4.16 : Fuel Consumption of Respondents Before and After the MFP

Categories	Number of Respondents	
	Before MFP	After MFP
Firewood	25	3
Gas	8	35
Firewood/Gas	15	10
Total	48	48

Source: Field Survey, 2016

Table 4.16 shows that the numbers of respondent using only firewood have decreased from 25 to 3 after than before MFP. Similarly the numbers of respondents using both firewood and gas have also decreased from 15 to 10 of total respondents after MFP. But the number of respondent using only gas has increased at the highest level from 8 to 35 after the MFP intervention. Behind these result there are various responsible factors that made the respondents to change their fuel consumption habits. Social conscious program and financial facility provided by MFI brought the change in fuel consumption style of respondents in study area.

4.2.10 Social Parameters of Women Empowerment

Women empowerment in social level is crucial aspect for the development of the nation, human development and gender balance. When women are empowered then; most of the socio- economic dimensions increase. A country can find prosperous, happy, healthy and pretty-fair in many aspects. So, here are some social indicators described below for the case of Mahila Sahayatra Microfinance program in Okharpauwa VDC, of Nuwakot district and, it is said that empowerment is the ultimate goal of the development. In this context, micro finance program in study area play proactive role for promoting women empowerment socially. Hence, some parameters chosen for the study which imply social empowerment of women in the study area through Mahila Sahayatra microfinance programme.

The following parameters are need to be tested out for the verification to find out the real situation of microfinance in the study area.

4.2.11 Level of Knowledge

Being together and doing together is a different kind of experience. if such group start to think and do undoubtedly that can generate new ideas and knowledge which are

relevant and significant for the development of an individual and development of the community as well as country. It is one of the important factors for human development as well.

Table 4.17 : Level of Knowledge

Level of Knowledge	Respondent	Percentage
Behaviour to exchange new ideas	15	31.25
Knowledge about saving & credit	17	35.42
social harmony behaviour	16	33.33
Total	48	100

Source: Field Survey, 2016

Here, the table 4.17 shows about the level of awareness after implementing of the MF program. To be more specify, 35.42 percent has said that knowledge about saving and credit has been increased out of 48 respondents. Similarly, 33.33 percent respondents have noticed that social harmony and 31.25 percent has noticed the behaviour to exchange new ideas has also been increased than before joining in MFP.

4.2.12 Magnitude of Empowerment on Social Issues After Joining the MFP

Table 4.18 : Magnitude of Empowerment on Social Issues After Joining the MFP

S.N.	Issues	Improved Highly	Improved Slightly	Has no Difference	I am Unaware	Total of Respondents
1	Geographical mobility	31 (64.58)	17 (35.42)	0	0	48
2	capacity building and skill development	30 (62.5)	17 (35.42)	1 (2.08)	0	48
3	Self confidence and independency	27 (56.25)	19 (39.58)	2 (4.16)	0	48
4	Self Esteem and respect	28 (58.33)	16 (33.33)	2 (4.16)	2 (4.16)	48
7	Peer support and Networking	22 (45.83)	26 (54.17)	0	0	48
5	Decision making at HH level for vital issues	17 (35.41)	19 (39.58)	12 (25)	0	48
6	Work division at HH with men and women	11 (22.92)	22 (45.83)	15 (31.25)	0	48
8	Mobilization for awareness on basic social, legal issues	25 (52.08)	16 (33.33)	4 (8.33)	3 (6.25)	48

Source: Field Survey, 2016

Note: The number in the parenthesis indicates percentage of the frequency.

From table 4.18 shows that 64.58 percent sample clients expressed highly improved geographical situation. Similarly, some 30 which is 62.5 percent clients expressed the highly improved skill development and capacity building. Likewise, the microfinance program has impacted to a larger scale for 56.25 percent sample clients on self confidence and independency and 28 which is 58.33 percentages on self esteem and respect is highly improved. Remarkably, some of 26 (54.17) percent on peer support and networking improved slightly followed by 22(45.83) percent improved highly and another important parameter for social empowerment of women is mobilization for social awareness on basic legal issues is highly improved by 25(52.08) percent. Exceptionally, 3 sample clients have no idea and 4 sample clients have made no difference with this issue.

Beside that some sample clients mentioned their opinions on decision making on HH level for important issues is not seem satisfactory out of 48 sample clients only 17 means 35.41 percent have highly improved situation and 19 which is 39.58 percent sample clients have slightly improved condition moreover 12 means 25 percent clients have made no difference at all for them this means there is no significant impact of microfinance on this issue after joining in MFP in the study area. Talking about the issue of the work division for household level cooperation with men and women has increased but not significantly only 11 means 22.92 percent sample clients mentioned highly improved situation on this issues after MFP further 15 means 31.25 percent sample clients have made no difference on this issue after microfinance program, this parameter of empowerment is not satisfactory in the study area. Despite these, the strategies need to improve on such issues which have no significant impact like the issue on decision making of women on vital issues at HH level and work division of men and women at house hold level, power dynamics within the household must be resolved to get rid from traditional roles of women at HH level and outside.

4.3 Constraints Faced by Sample Respondents of Mahila Sahayatra Microfinance

It is based on the interview question put for the respondents. Some constraints faced by them are similar in nature are, sanctioned, captured and analyzed. Moreover, what the field survey has revealed the answer related to this issue is not other purpose .It is only to understand the problems which further help the institution to settle constraints

which help to forward programme smoothly after resolving the constraints. which are mentioned points wise here below. Some of these are even related to policy issues whereas some are related to the pressure faced by MFIs and market phenomena.

4.3.1 Constraints Faced by Members of Microfinance

Despite the number of positive socio-economic impacts that women sample clients have enjoyed from microfinance, they are facing number of constraints since the microfinance program is a discipline based thus every activities has to be done with limited flexibility. Major constraints face includes the increased pressure, tension, have to performs household chores, difficulty in time management, difficulty in taking care of child, pressure of arranging loan installments, risk of need to fulfill fellow members loan installment if someone fails. The details of the constraints faced by sample clients are presented in the table below.

Table 4.19: Major Constraints Faced by the Sample Clients

S.N.	Major Constraints	No. of Respondents
1	Loan installment and repayment problem	25
2	Uncooperative behaviours of male family members	21
3	Burden of Household Chores	19
4	Changing in loan policies	25
5	No orientation to identify profit making business	22

Source: Field survey, 2016

From the table 4.19 shows that as per the questionnaire set accordingly in response to the question relating to the constraints faced by the members of microfinance of MSMF. They have been facing above mentioned problems. Despite those problems women have been participating in the microfinance interventions in Okharpauwa but constraints should be short out for the betterment of the institution and for the clients as well. In the above table highest 25 members have mentioned the problems of changing in loan policies as well as loan installment and loan repayment problem other problems are less in numbers but existing severely. Some of the constraints are related to their households' level, individuals' level and institutions' level.

CHAPTER V

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary of the Major Findings

This chapter includes the summary of the major findings, conclusion and recommendation based on findings and analysis.

The summary of the major findings are;

- (i) The age of majority of women is between 20-40 years. So that, MFP has involved only earning aged members and all women.
- (ii) Due to Microfinance Service the respondent are able to establish easy types of occupations, so they have been slowly changing their traditional occupations. This is positive effect of MFP on economic status of beneficiaries in study area.
- (iii) Women were depended on their husband's earnings before MFP, but women have also been added as an income earner in their family after MFP. It is positive effect of MFP on increasing economic independency of women in study area.
- (iv) The monthly average income level of client's household is increased to Rs. 13781.25 from Rs. 8094.75 which is 70.24 percent positive change in income level after involving MFP.
- (v) MFP concentrated and included economically marginalized household since majority of the population in the study area are ethnic marginalized women.
- (vi) The most of the households have the medium family size. Medium family size consists of between 4 to 7 family members.
- (vii) Saving behaviour of respondents have increased after joining in the MFP. They save even a small amount of money in the group. So their habit of spending unnecessarily is discouraged.
- (viii) Instead of using the saving amount on spending, it is also used for investment on productive sectors by the members after the MFP.
- (ix) Respondents have kept their land property and other fixed assets in their name legally. It is also indirect positive effect of MFP on respondent's

economic activities. If they have no alternative income sources, they can fulfill their needs by using their fixed asset too.

- (x) All most all respondents are using toilet and bathroom after the MFP. MFP does not only concerned with financial part but also concerned with social part. Social awareness and health campaign provided by MFI are responsible factors to change the using habit of respondents.
- (xi) Living standard of respondent is increased after the MFP. Similarly economic status of their household is also increased. Therefore most of the respondents have started to send their children to private school after than before MFP.
- (xii) The members involved in MFP are able to arrange the source of pure drinking water by arranging of private taps. The pure drinking water protects from decay of health condition. Better health increases the working efficiency of women members.
- (xiii) Consumption pattern of household is far better than previous. They are improving their consumption level which is positive impact to improve life style of study area.
- (xiv) There is positive effect of MFP on source of fuel consumptions. Except small parts of the respondents, most parts of the respondents use gas as a fuel after MFP.
- (xv) Social harmony as well as sharing knowledge each other in the group has increased significantly so that they can generate new ideas and able to maintain peace, happy and synchronization in the society.
- (xvi) Mobility is increased after joining in MFP. They got the opportunity to see the outer world where get chance to learn new and more from other.
- (xvii) Self confident, skill development and independency also increased significantly as they meet together conduct meeting, share ideas, participate in different training and carry on their own business made them capable on required sectors.
- (xviii) As women are together in their group, they solve their problems through team, thus data also verified that their peer support and networking has increased.
- (xix) The data shows that women have no significant access in work division at HH level since in rural part of Nepal still remaining the concept of patriarchal system that confined women more in HH chores.

- (xx) Women can able to make small purchase for HH necessities but the data shows they have not significant access in making decision on important issues like purchasing land, vehicles, new construction of house, selling land and purchasing other expensive things independently.
- (xxi) Some constraints are being faced by the women of the study area as mentioned above.

5.2 Conclusion

Microfinance is one of the best alternatives to generate self-employment. It provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self employment and income generation. Similarly it provides financial services like micro credit, micro saving, micro insurance and micro insurance and micro remittance. Women who could gain access to microfinance services have been able to create self-employment opportunities and have been economically and socially empowered through increased income earning from their small projects.

Most of the women members of MF are relatively poor; they have low income and focused by Mahila Sahayatra Microfinance (MSMF). MFPs are oriented to women members. The women beneficiaries from MFP have improved their income level and equally stimulated their living standard. The members who are involved in MFP of MSMF have become more active. They have brought change in their habit such as saving, social harmony, and helping to other. Being active to work for loan utilization, they can pay loan easily on time. On the other hand legal awareness, mobility etc. have improved significantly which is a big foundation for empowerment.

Women's greater access to financial resources and service could provide various economic opportunities. The women who have skill, interest and eagerness to make an effort to do some things but have no financial resource they have great advantage from the MFP. By the credit facilities provided by MFP, the women members have began small business, cash-crops farming, animal husbandry etc which have brought positive change on economic development of women. In the long run this financial access seems to promote nutrition, health and literacy within their family indirectly.

The main focus of the study is to see the change in socio- economic status of the women of the MSMF in Okharpauwa V.D.C. By taking required samples from study area, developed and selected the required variables, using the appropriate tools and techniques of data analysis etc. This practical study has tried to fulfill the main objective of the study as much as possible. The different variables showing economic status of beneficiaries like income, saving, consumption etc .are positively changed after the implementation of microfinance program in the study area. This study report showed major findings as to meet the objectives of the research moreover suggests concerned institutions for further betterment and improvement .In this study, what is found out about the impact of MF on socio- economic status of beneficiaries after MF intervention. The main issue of this study was whether the MFPs are powerful tool to change the socio- economic status of women or not. All the result or findings of the study showed the power and strength of microfinance program.

Socio-economic status of the entire participants can be found better than before MF intervention. Main strength of the MFP is able to find the role of MF on socio- economic condition on women positively. As a whole, there are lots of strengths than weakness of MFP in study area. All the results showed that the positive effect of MFP on socio- economic status of all beneficiaries women. So, it can be concluded that MFP is a desirable, strong and effective tool to improve socio- economic status of women members in the study area.

5.3 Recommendations

This study is a micro study so it could not represent the whole area of Nepal. But it can represent the nature of rural area of Nepal. On the basis of the findings, analysis and conclusions of the study, the following recommendations are made to the government sector and concerned authorities in order to make MFP more effective and sustainable in the future.

- (i) Along with the saving and credit facility other employment oriented training programs should also be introduced to the women farmers in order to boost up their economic productive ability. Special emphasis should be given on agricultural training since majority of the people are dependent on agriculture.

- (ii) Microfinance is the tool to uplift the marginalized caste. So, it should be concentrated on marginalized caste or community more effectively.
- (iii) MF should be inclusive to expand the horizon of its coverage.
- (iv) Effective network among the various MF groups need to be emphasized so that members can learn more from other successful groups.
- (v) For the newly joined members, detail information about the programme should be provided so that they won't face any kinds of problems.
- (vi) To strengthen the internal resources of the MFIs, saving schemes should be diversified.
- (vii) Credit programs should be linked with technical service agencies from the beginning of the MF program.
- (viii) Appropriate technologies should be introduced to get advantage of local potential such that the poor can get sizable profits and return out of their loan proceeds.
- (ix) MFPs are seemed money focusing only; they should be dynamic and vibrant with respect to social transformation and empowerment.
- (x) Unmarried women also should be given chance to take part in MFP and provide loan on the guarantee of their parents so that they can take part in income generating activities since after marriage they are a the member of next community of the country and viable member of MFI.

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Annex- 1
Questionnaire

Name of Group (Centre):-

1. Respondent's Introduction

Name:- Age:-

Caste:- Sex:-

VDC:- Ward No:-

Group:-

Total number of family member:-

2. Marital Status: i. Married ii. Divorce iii. Widow iv. Separated

3. Education: i. Literate ii. Below SLC iii. Above SLC.

4. What is your main occupation?

SN	Occupation	Before Involvement	After Involvement
1	Small Business		
2	Agriculture		
3	Animal husbandry		
4	Service (hotel, tailoring)		
5	If other (specify)		

5. What are the major sources of your income?

Specify Sources

SN	Before involvement	SN	After involvement
1		1	
2		2	
3		3	
4		4	
5		5	

6. Who is income earner of your family?

Before involvement	Tick	After involvement	Tick
Husband only			
Wife only			
Husband and Wife			
Husband ,wife and other			

7. How much do you earn from each source per month?

If you have vegetable farming, how much do you earn per month?

Before involvement:-

After involvement:-

If you have poultry farming, has earning from the poultry farming increased?

Yes:-

No:-

If other plz. Specify;

8. What is your land holding size? Plz. Mention in Annas or Ropani

Before involvement:-

After involvement:-

9. If you have taken loan from the MF Program then specify purpose and amount of loan:

S.N.	Amount (Rs.)	Purpose
1		
2		
3		
4		
5		

10. What is the source of paying back loan?

i) Income earned from investing loan

ii) Taking loan from other institution

iii) From mutually income

iv) Other sources (other family's income/salary)

V) Doing labor

11. What types of micro enterprise you have involved in? plz mention

Type of enterprises	level of income	
	before involvement	after involvement

12. How much do you save per Month?

No Saving :- Before involvement:- After involvement:-

13. For what purpose is the saving used?

- a. house hold needs b. payback the lone c. children nutrition food
 d. health expenses e. feast and festivals
 f. purchase the household assets g. if other specify

14. How much do you save from your monthly income?

Before involvement		After involvement	
Rs.		Rs.	

15. Have you bought any durable goods?

Types of Durable Goods	
Television	
Refrigerator	
Dining chairs table folding cot, sofa set	
Mobile	
Computer lap top	
Others	

16. What is the source of fuel you used?

- a. before involvement:- b. after involvement:-

17. What is the condition of your toilet and bathroom?

(only toilet, only Bathroom, both in open place, toilet as well as bathroom both made)

- a. before involvement: b. after involvement

18. Where do you send your children public or private school?

before involvement		after involvement	
public	private	public	private

19. What is the source of drinking water? (public tap, well, rivulet, private tap)

- a. before involvement:- b. after involvement:-

20. Some selected social issues of empowerment indicators for rural women are mention in the table below. What is your opinion about these? Please tick.

Issues	Improved Highly	Improved Slightly	Has no Difference	I am Unaware
Geographical Mobility				
Capacity building and skill development				
Self confidence and independency				
Self esteem and respect				
Peer support and Networking				
Decision making at HH level on vital issues				
Work division at HH with men and women				
Mobilization for basic legal and social issues				

21. What sorts of constraints (problems) are you facing while participating microfinance program ?

.....

Checklist for K I I and FGD

- (i) What do you think about the contribution of Mahila Sahayatra Microfinance in this area ?

- (ii) If you could change something about the MF program to make it ever better, what would you change about MF program?

.....

- (iii). Do you have any suggestions, complaints and constraints regarding this microfinance program?

Suggestions:.....

.....

Complains:.....

.....

Problems/Constraints:

.....

Thank you for your thoughtful response.

