

**SOCIO-ECONOMIC IMPACT OF MICROFINANCE  
IN RURAL COMMUNITY: A CASE STUDY OF  
CHIMMEK LAGHU BITTA,  
RATNANAGAR,  
CHITWAN**

**A Thesis**

**Submitted to the Department  
of Economics of Birendra Multiple Campus,  
Faculty of Humanities and social sciences, Tribhuvan University,  
in Partial Fulfillment of the Requirements  
for the Degree of  
MASTER OF ARTS  
in  
ECONOMICS**

**By**

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**July, 2022**

## DECLARATION

I, PRASTUT RIJAL, hereby declare that this thesis entitled "**SOCIO-ECONOMIC IMPACT OF MICROFINANCE IN RURAL COMMUNITY: A CASE STUDY OF CHIMMEK LAGHU BITTA, RATNANAGAR, CHITWAN**" submitted to the Department of Economics of Birendra Multiple Campus is my own original work unless otherwise indicated or acknowledged in the thesis. The thesis does not contain materials which has been accepted or submitted for any other degree at the University or other institution. The results of this thesis have not been presented or submitted anywhere else for the award of any degree or for any other proposes. I assure that no part of the content of this thesis has been published in any from before.



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## LETTER OF RECOMMENDATION

This thesis entitled "SOCIO-ECONOMIC IMPACT OF MICROFINANCE IN RURAL COMMUNITY: A CASE STUDY OF CHIMMEK LAGHU BITTA, RATNANAGAR, CHITWAN" has been prepared by MR. PRASTUT RIJAL under my guidance and supervision. I, hereby, recommend it in partial fulfillment of the requirements for the degree of MASTER of ARTS in ECONOMICS for final examination.

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### APPROVAL SHEET

We certify that the thesis entitled "SOCIO-ECONOMIC IMPACT OF MICRO FINANCE IN RURAL COMMUNITY: A CASE STUDY OF CHIMMEK LAGHU BITTA, RATNANAGAR, CHITWAN" submitted by PRASTUT RIJAL to Department of Economics, Birendra Multiple Campus, Bharatpur, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of MASTER OF ARTS in ECONOMICS has been found satisfactory in the scope and quality. Therefore, we accept this thesis as a part of the said degree.

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## **ACKNOWLEDGEMENT**

This thesis entitled “SOCIO-ECONOMIC IMPACT OF MICRO FINANCE IN RURAL COMMUNITY: A CASE STUDY OF CHIMMEK LAGHU BITTA, RATNANAGAR, CHITWAN” is written in partial fulfillment of the degree of Master of Arts in Economics.

First of all, I would like to express my gratitude to Mr. Deepak Regmi, Associate Professor of the Department of Economics of Birendra Multiple Campus for his proper guidance and supervision from beginning to ending of this study. I would also like to thank Associate Professor Mr. Surya Narayan Paudel, (head of the Department of Economics) and the entire team of my respected faculties of Birendra multiple campus for their valuable support and suggestions.

I would also like to extend my gratitude to Mr. Hari Prasad Upadhyay for his continuous and untiring support during my thesis writing. Lastly, I would like to thank Mr. Uttam Raj Kattel, Chief Accountant of Chimmek Laghu Bitta Sanstha for his help and invaluable suggestion during my thesis writing period.

Prastut Rijal.

## ABSTRACT

This thesis entitled “SOCIO-ECONOMIC IMPACT OF MICRO FINANCE IN RURAL COMMUNITY: A CASE STUDY OF CHIMMEK LAGHU BITTA, RATNANAGAR, CHITWAN” has been conducted to study the roles micro finances play to increase the socio-economic and living statuesque of rural households of Ratnanagar. Micro-finances are one of the most basic banking institutions for household who have no access to big banks because of their service charge. This study makes an assessment on what role does microfinance play on socio-economic upliftment of rural households on different aspect after involvement in Microfinance such as, education, status of health, consumption, access to real assets, income generation capacity etc.

A descriptive research design was used in the study. Similarly, non-probability purposive sampling technique was used including rural areas as sub-section. This study is based on primary data, which has been collected in the filed with the help of structured questionnaire and interview. The collected data were then analyzed in excel and interpretation were made.

Majority of Household head were Male (75.40 percent) and most of the family members were literate i.e., only (9.75 percent) reported to be illiterate. The average family size was found to be 4.87 members. Likewise, a big portion of sample household population belong to 16 to 61 age group which is (53.2 percent). Similarly, majority of sample household come from Brahmin/chettri and Tharu ethnicity. Likewise, the main source of household income was from trade/business and foreign employment.

The study concludes that more people are now aware of various benefits that microfinance can bring into their lives. The study found microfinance has contributed in health, education, quality of life, income level and consumption capacity. Hence, if the government makes the policy which makes microfinance to reach out more people from rural aspect of economy, then it will be very crucial for household and development of country as well.

*Keywords: Microfinance, socio-economic status, rural economy, households, Chimmek Laghu Bitta*

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>i</b>
<b>LETTER OF RECOMMENDATION .....</b>	<b>ii</b>
<b>APPROVAL SHEET .....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT .....</b>	<b>iv</b>
<b>ABSTRACT .....</b>	<b>v</b>
<b>TABLE OF CONTENTS.....</b>	<b>vi</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>LIST OF FIGURES .....</b>	<b>ix</b>
<b>ACRONYMS AND ABBREVIATIONS.....</b>	<b>x</b>
<b>CHAPTER I: INTRODUCTION .....</b>	<b>1</b>
1.1 Background of the study	1
1.2 Statement of problem	4
1.3 Objectives of the study	5
1.4 Significance of study	5
1.5 Limitation of Study	6
1.6 Organization of study	6
<b>CHAPTER-II: REVIEW OF LITERATURE.....</b>	<b>8</b>
2.1 Conceptual Review	8
2.2 Empirical Review	9
2.3 International context	12
2.4. Nepalese context	13
2.6 Research Gap	14
<b>CHAPTER-III: RESEARCH METHODOLOGY .....</b>	<b>15</b>
3.1 Research Design	15
3.2 Nature of the Data	15
3.3 Population and Sampling	15
3.4 Tools and Method of Data Collection	16
3.5 Tools and Method of Data Analysis	16
<b>CHAPTER-IV: PRESENTATION AND ANALYSIS OF DATA.....</b>	<b>17</b>
4.1 Socio-demographic features of Respondents	17
4.1.1 Age and Sex composition of households.....	19

4.1.2 Caste .....	19
4.1.3 Family structure.....	20
4.1.4 Literacy and Education.....	21
4.1.5 Occupation.....	22
4.2 Socio-economic features of Respondents	23
4.2.1 Possession and types of Houses .....	23
4.2.2 Ownership of land Holdings.....	24
4.2.3 Annual income of the Household .....	25
4.2.4 Annual expenditure of the household.....	26
4.2.5 Main Purpose of Joining Micro-finance.....	27
4.2.6. Purpose for Loan .....	28
4.3 Socio-economic impact of Micro-Finance on client members lives	29
4.3.1 Impact of Micro-finance on economic activity .....	29
4.3.2 Impact of Microfinance on Health .....	30
4.3.3 Impact of Micro-finance on consumption .....	31
4.3.4 Impact on Access to Real assets .....	31
4.3.5 Schooling of children .....	32
4.3.6 Impact on possession of Durables .....	33
4.4. Economic empowerment of client members after micro-finance intervention	33
4.5. Awareness level of Micro-finance	34
4.6. Attitude of client members towards Microfinance	35
<b>CHAPTER-V: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS .</b>	<b>36</b>
5.1 Summary	36
5.2 Conclusions	37
5.3 Recommendations	38
<b>REFERENCES.....</b>	<b>39</b>
<b>ANNEX 1 .....</b>	<b>42</b>



## LIST OF TABLES

Table 4.1: Age wise distribution of respondents in the study area .....	17
Table 4.2: Age of Household head.....	18
Table 4.3: Sex of Household head .....	18
Table 4.4: Age and sex composition of the household .....	19
Table 4.5: Caste and Ethnicity of Household .....	20
Table 4.6: Family Size of Household.....	20
Table 4.7: Type of family .....	21
Table 4.8: Literacy Rate of the Household Family Members .....	21
Table 4.9: Main Occupation of Family Member (16 years and above).....	23
Table 4.10: Tentative Source and Amount of Household Income During a Year.....	25
Table 4.11: Tentative Annual expenditure of household.....	26
Table 4.12: Impacts on Schooling of children Age 5-15 years.....	32
Table 4.13: Attitude of respondents towards Micro-finance .....	35



## ACRONYMS AND ABBREVIATIONS

ADBN	: Agriculture Development Bank of Nepal
CBS	: Central Bureau of Statistics
CLBSL	: Chimmek Laghu Bitta Sanstha Limited
COVID	: Corona Virus Disease
ERDB	: Eastern Rural Development Bank
FWRDB	: Far Western Development Bank
IRDP	: Integrated Rural Development Program
LPG	: Liquid Petroleum Gas
MF	: Micro Finance
MFDB	: Micro Finance Development Bank
MFI	: Micro Finance Institution
MFP	: Micro Finance Program
NABARD	: National Bank for Agriculture and Rural Development
NGO	: Non-Governmental Organization
NRB	: Nepal Rastra Bank
OLS	: Ordinary Least Square
PCRW	: Production Credit for Rural Women
PDDP	: Participatory District Development Program
PPP	: Private Public Partnership
PSCP	: Priority Sector Credit Program
RCC	: Rod, Concrete and Cement
RDB	: Regional Development Bank
SFDP	: Small Farmer's Development Program
SHG	: Self Help Group

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the study

Situated in the sub-Indian continent, Nepal ranks at 95<sup>th</sup> position compared with largest country in the world based in land size. Home to Mount Everest and birthplace of lord Buddha, Nepal occupies 0.03 percent of total land mass. Blessed with natural resources, the country still is staggering behind due to fickle politics and graft bureaucracy. Nepal is one of the poorest countries in the world. About 16.67 percent of population live under abject poverty (CBS, 2021). One of the many ways through which the poverty could be reduced is thought to be microfinance and cooperatives.

Microfinance is the financial services provided to the deprived group and people of society. Those people, who cannot get any financial services from other financial institutions because service charge of big banks is high, are better served by microfinance. Microfinance institutions provide different services to the deprived group of people such as saving, micro-credit, insurance, remittance e.tc. Microfinance is a type of banking that targets unemployed or low-income individuals or groups who would otherwise have no means of gaining financial services. Microfinance is a source of financial service for petty entrepreneurs and small businesses lacking banking services in terms of low savings and credit, which helps low-income people including women, who are deprived of economic activities. It helps to those people in the society who have no access to take financial services form the commercial banks. Besides that, low-income people don't have any property to keep as collateral to take a loan from a commercial bank are thus, benefitted by microfinance.

Microfinance has been successfully used as an antipoverty and developmental tool in many countries. The clients of microfinance institutions are poor, low-income people, who are sequestered from economic political mainstream and are often living in rural areas with less access to basic amenities such as education, water, electricity, banking services, health services, market facilities, etc. Microfinance is one of the most important tools of the development that can raise the living standard of poor and low-income group of men and women. It provides a small size of the loan, helps to

develop entrepreneurship and to establish small-scale enterprise at simple and flexible term and fosters savings.

Most of the microfinance institutions and agencies focus on poor men and women in devolving countries who are financially vulnerable. When we talk of poverty, living standard survey of 2010/2011 indicated that about 25.2 percent of people are below poverty level, of which 27.43 percent are rural poor and 15.46 percent are urban poor. Likewise, National planning commission 2021 estimated about 4.98 million of total population to live under abject poverty. The success story of microfinance in Bangladesh led by Mohammad Yunus, however portrays a promising picture for poverty alleviation in Nepal.

Over the last decade, the microfinance industry has achieved immense growth and unprecedented public celebration. Its promise of reducing global poverty has been complemented by sizeable profits for some microfinance institutions (MFIs) and their investors. Microfinance is one of the appropriate mechanisms to identify the poor and disadvantaged community and to address poverty by providing income, employment and capacity building opportunity to the poor, disable, marginalized group and destitute including women and their social mobilization with the support of socio-economic empowerment (Schicks, 2010).

Empowerment is related to the process of internal change and to the capacity and right to make the decision. It consists of change, choice and power. It is the process of change by which individuals and groups with little or no power gain the ability to make a choice that has power over their lives. The structure of power directly affects the choices that poor and marginalized make about their livelihood (Kulkarni, 2011).

Microfinance has been contributing not only to poverty reduction and financial sustainability but also to series of virtuous spirals of economic empowerment, increased well-being and social and political empowerment for men and women, thereby addressing the goal of financial security, equality and empowerment.

Microfinance for poor and women have received extensive recognition as a strategy for poverty reduction and for economic empowerment. Increasingly in the last five years, there is questioning of whether microcredit is the most effective approach to economic empowerment of the poorest and, among them, women and marginalized in particular. Development practitioners in India and developing countries often argue

that the exaggerated focus on microfinance as a solution for the poor has led to neglect by the state and public institutions on addressing and livelihood need of the poor.

Many developing countries in the world have the problem of unemployment, poverty and low economic growth. Therefore, people of these countries cannot improve their economic condition because the poor people of these countries have no access to proper financial services. The empowerment of marginalized men and women is one of the very important issues in developing countries. As these people are an integral part of society, their status and participation in decision making, as well as economic activity, are very low. Thus, in developing countries microfinance program is used to eradicate poverty, to instill economic literacy, improving economic status and empowering the left-outs by contributing to economic activities and improve economic growth.

The history of microfinance is from Bangladesh which started in the late 1970s and it is a very successful project. In Nepal microfinance was initiated with the advent of Small Farmers Development Program (SFDP) in 1975 as targeted as well as pro-poor program focusing only on the rural poor. The overarching objectives of SFDP are to improve the social economic condition of small farmers, the rural poor. This is the executing responsibility of SFDP, working in tandem with Agriculture Development Bank Nepal (ADBN) since 1975. SFDP is a credit plus program. Here, it provides not only the credit facility but also the technology training, social and community development facilities to the beneficiaries (Shrestha, 2013).

The current MFI's loan program launched in Nepal is modeled around the program of Rural Bank Bangladesh, started by Professor Mohammad Yunus. However, the credit for starting Microfinance in Nepal goes to Dr. Harihar Dev Pant (Deputy Governor, NRB). NRB started a micro-credit program, which was later called Microfinance. This Micro-credit program was started by Grameen Bank from Governmental sector and NGOs from private sectors. This was later transformed into concept of Microfinance.

From 1990, NRB introduced the provision for investing three percent of total loan to the poor. At that time, Non-governmental Organization and private sector had already started the micro-finance program. Similarly in 1992, NRB along with the investment

of Government of Nepal established ERDB (Eastern Rural Development Bank) and FWRDB (Far western Rural Development Bank). The establishment of rural banks were based on the financial system of Rural Bank of Bangladesh. Immediately after that, in the year 1994 non-governmental financial organization such as Nirdhan Utthan, Chhimek Laghu Bitta Sanstha (CLBSL) and other micro-finances came to play their key roles. ([www.investopapers.com](http://www.investopapers.com))

## **1.2 Statement of problem**

In Nepal, different types of programs have been launched such as priority sector credit program (PSCP), small farmers Development programs (SFDP), Integrated Rural Development program (IRDP), production credit for Rural women (PCRW), Participatory District Development Program (PDDP) which in fact is intended to uplift living standard of poor and indigent people, especially for increasing financial empowerment and foster socio-economic transformation of poor, marginalized men and women both in rural and urban areas. But there are various constraints of the microfinance program to achieve its objective and development goals. Micro finance is supposed to increase financial liberty and financial empowerment, but utilization of loan is not easy in the beginning period. The misutilization of the loan results the poor as poorer both economically and morally.

Chhimek LaghuBitta Sanstha is one of the major contributions in the sphere by bringing all the urban and rural people in participation. The participation of uneducated, financially dependent, marginalized people and women of all walks of life is its much-emphasized aspects to make them economically strong by handling the rural level saving and other programs such as weekly meeting, loan proposal, repayment, compulsory deposits etc. The research focuses on effectiveness of microfinance program to change lives of financially unskilled and uneducated, financially bridled to improve their socio-economic status, teach income generating skills to their families and empowerment of rural poor. CLBSL is one of the microfinance programs of Nepal and for last 16 years, CLBSL is working in Ratnanagar. But there are still many rural poor and left-outs in Ratnanagar, so this research paper deals with the following research questions:

- I. What are the socio-economic characteristics of rural respondents of Ratnanagar municipality involved in CLBSL?

- II. Is the program effective in increasing socio-economic status of its client members?
- III. How far has CLBSL been able to instill economic empowerment of the respondents after being affiliated with Microfinance?

### **1.3 Objectives of the study**

Microfinance is emerging concept of Nepal. The value of microfinance in Nepal is increasing day by day. The general objective of the study is to make an inquiry into CLBSL program in Ratnanagar Branch. The specific objectives of the study are as follows:

- I. To analyze socio-economic realities of respondents of the study area.
- II. To examine the socio-economic impact of CLBSL in rural community.
- III. To analyze the economic empowerment of the respondents after affiliation with Micro-finance.

### **1.4 Significance of study**

Microfinance is coined as the financial service rendered to the financially uneducated and deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generation activities. Usually, microfinance is a program that serves many clients with reference to poor, financially unskilled, women/deprived people and works at a grassroots level with financial sustainability. Nepal has three decades of experience in microfinance. Although many programs have been implemented for fostering socio-economic restitution, financial education and freedom and poverty alleviation in Nepal, only microfinance programs are seen as pro-poor and rural based. The microfinance revolution has changed attitudes towards the poor and uneducated in many countries and income has provided substantial flows of credit, often to very low-income groups or household, who would normally be excluded by conventional financial institution. Microfinance empowers financially uneducated, economically dependent, marginalized and women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. Microfinance activities can give them a means to climb out of poverty.



Thus, it is hoped that the research findings will provide a wider ground for further research in the field of financially disempowered, financially illiterate, economically dependent, marginalized, small entrepreneurs and women. The study is carried to test the efficacy of Microfinance on rural households who are poor, illiterate, marginalized and people who are left out of socio-economic mainstream. This is beneficial to know the perception of rural poor, illiterate, economically dependent and small farmers on MFIs activities. How people who are left out of rich banks with huge service cost are participating on MFIs? How they get services from there? And what types of activities are done through such services is interpreted. Therefore, the further researchers and microfinance practitioners are mainly benefited after completing the study.

### **1.5 Limitation of Study**

This study is not the only research done about micro-finances and does has its limitations which are as follows:

- I. This thesis is concentrated in Ratnanagar only. This report has been prepared on the basis of accounts provided by rural households affiliated with Microfinance. So, the findings shouldn't be generalized in other areas with different socio-economic fabric.
- II. The result and conclusion drawn will be reliable only for certain time due to constant change in socio-economic variables.
- III. Some participants hesitated to reveal their economic realities, income and expenditures might be inflated. Similarly other data about their economic realities could be exaggerated.

### **1.6 Organization of study**

The Research paper is divided into five chapters.

First chapter is the introduction that includes background, profile of CLBSL, statement of problems, objectives of the study, significance of the study, limitation of the study and organization of the study.

Second chapter consists of review of literature, conceptual and empirical framework of microfinance, international context, Nepalese context and research gap.

Third chapter is the Research methodology that deals with research design, nature of the data, population and sampling, tools and method of data collection, tools, and method of data analysis.

Fourth chapter is the presentation and analysis of data and applying various statistical tools are used. Major finding, tables and graphs are also interpreted to accomplish the objective of the study.

Fifth chapter is the major consideration of this study. Summary, conclusions and recommendations are mentioned in this chapter.

## **CHAPTER-II**

### **REVIEW OF LITERATURE**

A critical review of the other literature helps the researcher to develop a thorough understanding and insight into previous research works that relates to the present study. It is a way to avoid investigation problems that have already been answered. Thus, literature review is the process of locating, obtaining, reading, and valuating past studies. The research literature is the area of the student's interest. This chapter concern on the past event that has been done in the research problem. Literature review is an important topic of the research. It supports the researcher to know the problem and choose the appropriate methodology and give the guidelines for collecting information.

#### **2.1 Conceptual Review**

Microfinance encompasses the management of small amount of money through arrange of products, and a system of intermediary functions that circulates money in an economy. Microfinance is small in value amounts targeted at low-income clients. It includes loans, savings, insurance, transfer services and other financial services (Sharma, 2005). Rhyne and Otero (2007) have explained Microfinances that it is all about the provision of financial services to low-income poor and very poor self-employed people who have been sequestered from big banks and lack financial services such as credit, savings, insurance and other financial products. Rahman (2010) explains that microfinance has evolved as an economic development approach. It refers to the provision of financial services to low-income clients including the poor and the self-employed. Microfinance is considered as a powerful tool to fight poverty. Poor families and households use financial services provided by the different microfinance institutions (MFIs) to raise income, build their assets, and cushion themselves from external shocks.

Microfinance is a wider concept than microcredit as it includes the provision of other financial services like saving funds and insurance services in addition to the provision of microcredit; however, the two terms (microfinance and microcredit) are often used interchangeably. It is an attempt to improve access to small deposits and small loans

for poor households neglected by banks. It also includes the mobilization of savings and disbursement of microcredit to the economically active poor, so as to provide employment and means of sustainability to improve the living standard in an economy (Awojobi, 2011).

Among the MF organizations, Grameen Bank has attracted worldwide attention with its innovative and successful group-based credit program for the rural poor. The Grameen Bank micro-credit model has been successful in providing financially viable lending structures in a number of countries in ways that economically empower impoverished men and women by giving them access to credit. It provides credit and organizational input to the poor who are otherwise excluded from the formal credit system because of their lack of material collateral. Grameen Bank has replaced the requirement of material collateral by group responsibility where individual access to credit is determined by group repayment behavior. Parallel to its group-based credit and savings process, Grameen Bank has developed a comprehensive social development program. This program is disseminated as the sixteen decisions, which are guidelines for codes of conduct and activities aimed at improving the poor people's social and financial conditions like health, nutrition, education and productivity. It also organizes workshops in order to train members on various topics, including its operational rules and procedures, livestock and poultry care, health and nutrition, and other social issues. However, microfinance institutions performance is not in the scope of this research rather it's about how far Microfinance is relevant in changing socio-economic status and economic empowerment of rural poor (Shukran & Rahman, 2011).

## **2.2 Empirical Review**

Shinde k. (2014) in his analysis about the study conducted about NABARD revealed that financial services required by poor households are: safe-keeping of small surpluses in the form of thrift; access to consumption loans to meet emergency needs and other financial services. The benefits are in terms of higher income, consumption, and savings matter for the poor, the focus here is broader, as an attempt is made to assess some key dimensions of poor men and women's empowerment-defined broadly as expansion of freedom of choice and action to shape their own lives. This research concludes stating the need of further research emphasizing on review on

SHGs, the experiences of several leading NGOs involved in the formation of SHGs and need of acknowledging the experiences of chief executives and staff of other NGOs/ projects promoting SHGs.

Das S. K. and Chanu A.I.(2014) states that Microfinance gained impetus primarily because it promised the social and economic uplift of marginalized men and women in developing countries throughout Asia. Countries in these regions have patriarchal societies that harbor gender-biased traditions preventing the liberation of women. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to marginalized men and women has a significant impact on their families' quality of life. Of these methods, microfinance tend to involve the husbands of their female clients when talking business, because his support is vital. Additionally, any plan to fight poverty cannot solely focus on one gender and circumstances therefore; many microfinance programs serve men as well.

Mafukata M.A, Kancheya and Dhlandhara (2014) in their paper investigated the factors having the most influence on the alleviation of poverty amongst the household's adopting microfinance in Zambia. Ninety-nine (n=99) respondents were randomly and purposively selected from amongst 340 microfinance adopters of the so-called Micro Bankers Trust program operating a microfinance business in the Makululu Compound of Kabwe, Zambia. Socio-demographic primary data were collected through face-to-face interviews based on a semi-structured questionnaire instrument. Majority of the respondents thought microfinance had improved their well-being in some crucial areas. The results of the empirical model found that some respondents were indeed alleviated from poverty through microfinance. Conclusion drawn in this paper is that microfinance does alleviate poverty of the poor and emboldens their economic realities.

Taiwo, Agwu, Argean & Ikpefan (2016) found that in order to alleviate poverty and improve the living standard of the people of South-West Nigeria, it is imperative that micro/small financial services such as credit, insurance, money transfer, etc. are provided in order to engage them actively in productive activities. Globally, there are several failed policies by governments, particularly in Nigeria over the years aimed at poverty alleviation. This study examined microfinance scheme towards the dispersion of credit amongst the working poor; draws from the data collected from field survey

and these were reported using tables, frequency counts and cross-tabulations to draw inferences and a loan demand model was specified and estimated using the Ordinary Least Squares (OLS) econometric technique. The study used cross-sectional data collected from selected respondents in selected areas of both the Lagos and Ogun States of Nigeria respectively. The study found that majority of the Microfinance banks in Nigeria are model after the Grameen Bank which is aimed at the poor and people with basic, little or no education and that loan demand is interest rate insensitive.

Tariq, Aleemi and Iqbal (2015) investigated the role of micro finance on the economic and social development of people in the rural areas of the Province of Sind Pakistan. This study considers and compares two situations of the respondents: economic and social conditions before and after taking micro loan. The study considers descriptive as well as statistical analysis such as Chi square, OLS estimation and one sample T test. The study concludes that there is no change in economic conditions of borrowers after accusation of micro finance. The micro finance could not improve their business growth as well. However, in social development, there is significant improvement in the life style of borrowers, whereas, there is no significant improvement in health and education needs of buyers before and after taking of micro finance. The study further concludes that borrowers believe that the loan amount provided is not sufficient for their needs and both the repayment schedule and interest rate are not reasonable to facilitate them.

Muharremi et al. (2018) examined the impact of microfinance loans in improving the living conditions of borrowers. This study is based on an empirical investigation of 384 structured questionnaires directed at microfinance institutions in the regions of Vlore and Fier, Albania. Hypothesis assessed the impact of widening the access to microcredit in order to improve the standard of living for borrowers, if the loan is used for investment purposes and not for personal consumption. The results showed that there is a positive association between the variables that were considered important in this empirical study. Microcredit used for investments leads to increased living standard for borrowers; specifically, it increases the income level. This is expected since many researchers around the world have concluded to the positive impact that microcredit has on low-income families or socially marginalized individuals or communities. It would be interesting to assess and compare the impact

of micro credit loans in Albania if the borrowers would be poor people, but from data collected regarding their income level it was concluded that they are people with average socio-economic profiles and not poor people or belonging to marginalized groups.

### **2.3 International context**

Microfinance has both a dubious and triumphant track record as an agent of financial empowerment which fosters poverty alleviation. The movement remains rooted in the fundamental premise that people can increase their income if given financial skills and loans to help build their small businesses. Long overshadowed by generally unsuccessful government-sponsored poverty alleviation programs, microfinance has made notable strides in positioning itself as a credible tool in financial literacy and poverty reduction. In addition, by marrying loans with community and social development initiatives, microfinance has initiated a profound restructuring of the social dynamics that have long marginalized men and women in the poor, rural marketplace, giving them both the financial resources and social impetus to succeed on their own terms. A nascent movement with a one-dimensional solution to financial education and poverty, microfinance has often been unable to translate a sustainable and consistent formula for success across a multitude of competing political, social, and economic constructs. As microfinance continues to be evaluated along multiple, disparate metrics, it is important to view each case study within the context of the underlying motives of the provider or lender and the country in which it seeks to operate (Harper, 2005).

Karim(2017) on his work on socio-economic impact of micro finance programs on the development of Bangladesh argues microfinance programs play a significant role in the development of Bangladesh by providing financial assistance to the lower income but self-employed people. According to the study, the poverty level is minimized and increases the household income of the clients by around one third. It creates positive impact on children's schooling and smoothening consumption level and reducing vulnerability of life of people. MFIs play a role in eradicating poverty, promoting education, improving health and empowering women.

## **2.4. Nepalese context**

Pant (2009) analyses micro-finance business in Nepal. Micro-finance has made satisfactory progress during the last one and half decade. This progress was achieved purely at the public initiative. It has mostly concentrated in the terai (plain areas) and cities. There is strong need to expand it to the hills, mountains and far-flung areas of the terai. However, strong support including policy and finance from the government and other agencies would be necessary to extend it to all places within Nepal.

Adhikari and Shrestha (2013), studied about the economic impact of microfinance of Manamaiju VDC, Kathmandu. Both qualitative and quantitative research methodology is used. The study 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.

Dhungana (2013) assesses the accessibility of micro-finance services through Grameen Bikash Banks of Nepal. The government owned Grameen Bikash Banks have played crucial role for maintaining financial inclusion by expanding their outreaches in the rural part of Nepal but still not sufficient. There is need to expand such services to all the districts of Nepal. Government should develop a good mechanism to expand micro-finance services to the target people by encouraging public private partnership (PPP) models so that high accessibility of micro-finance services can be maintained to the vulnerable people.

Dhakal and Nepal (2016) focused on the contribution of microfinance on socio-economic development of rural community of Syangja. Poor, disadvantaged, marginalize and women are in mainstream of microfinance's programs. The study was based on cross-sectional data and adopted purposive sampling technique. The study reported that there is significant contribution of micro-finance in social change and development. So, microfinance services are more effective to reduce the poverty level and promoted the saving and credit habit of people.

Chapagain and Aryal (2018) focused on the impact of micro finance intervention on livelihood status of Pokhara. The study is based on the randomized control trial



approach. Respondents were taken through stratified sampling. The research finds that microfinance intervention has association with occupational status, micro enterprise creation, frequency of loan taken and occupational change. Independent sample t-test shows micro finance intervention increases income level, capital expenditure, consumption expenditure and saving. The study shows that micro finance intervention changes the livelihood status of women of rural areas.

Now, microfinances are creating many entrepreneurs, who are the real revolutionaries of economy. Hence, it is safe to say that microfinances are creating more assets rather than just debt accumulations. It's been proven that if borrowers can cut cost and risk, microfinance can substantially increase their wellbeing through their enterprise (Pant. J, 2019).

## **2.6 Research Gap**

Due to change in time and environment, the previous and present research may be different in many ways. Though much affiliated research has been done in this area but there has been very few exclusive research about MFIs and its impact on financial empowerment and socio-economic impact in lives of rural populace. This study may be new in this field. This study mainly fulfills the gap of previous studies by addressing, how far has microfinance been efficacious to ameliorate socio-economic lot of rural population and how far it's been successful to embolden the economic empowerment of rural population.

## **CHAPTER-III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Design**

Research design is the basic plan, which guides the data, the collection and analysis phases of the research report. It is a framework, which specifies phase of research information, the sources of the data collection and data collection procedure. This study is based on descriptive and analytical research design. This study mainly focuses on microfinance program and case study of CLBSL program in Ratnanagar, Chitwan. It focuses on MF's socio-economic impact on everyday lives of rural households and empowerment of those households in Ratnanagar vicinity. A descriptive research design is applied to analyze and interpret the quantitative and qualitative data that are collected from the concerned field. Impact on health, schooling of children, access to real assets, state of economic activities before and after intervention of MF, economic wellbeing, awareness level of microfinance, attitude towards MFIs and overall socio-economic status related to microfinance program is ascertained and scrutinized. Primary and secondary data is used for the study of rural poor who are financially sequestered from big banks, disempowered, small farmer to ascertain how far this MFI has been able to uplift socio-economic wellbeing of rural populace of Ratnanagar.

#### **3.2 Nature of the Data**

This study was based on the primary. This study primarily relies on primary data, which is collected from the field survey using questionnaire, focused group discussion and the observation method.

#### **3.3 Population and Sampling**

The total client members associated with CLBSL were determined to be 2,365 active loanees that are in Chitwan alone. However, in Ratnanagar there are 122 active borrowers which are the population under study and the list of these client members has been ascertained by visiting the CLBSL. Non probability purposive sampling technique was use for data collection. Using purposive sampling technique and data

were chosen using rural area throughout the municipality as sub-sections. 61 household out of 122 population are the sample of the study.

### **3.4 Tools and Method of Data Collection**

Members of CLBSL who are considered living in fringe and poor and who are clients of the microfinance are questioned about their socio-economic situation from their experience before and after joining the microfinance, their economic empowerment, level of financial awareness are ascertained. Illiterate, marginalized, financially dependent, group leaders of concerned agency staff are interviewed. To collect necessary information, the researcher discussed with professionals and used observation method and interviewed with structured questionnaire to household members. Quantitative as well as qualitative method is also applied to obtain desirable result.

### **3.5 Tools and Method of Data Analysis**

Data is managed and analyzed in proper table with formats, interpretations and explanation are made. Statistical tools are used to analyze the collected data. Collected data was check for completeness and then coded with numbering and then entered in MS excel. Data analysis was done using SPSS16 software. This is a descriptive study so categorical variables were present in the form of appropriate tables, using frequency (with percentage) and for continuous variables mean and SD were calculated.

## CHAPTER-IV

### PRESENTATION AND ANALYSIS OF DATA

This chapter includes data presentation and analysis. The data and information collected from the respondents are presented and analyzed according to response of respondents. All the questionnaires are distributed and collected by the researcher himself. The collected data are analyzed using different tools and techniques. Results found from the analysis were systematically presented and carefully interpreted or explained in the following sections.

#### 4.1 Socio-demographic features of Respondents

It is imperative to know what kind of socio-economic features the respondents generally have, to know their basic reality. Hence, following were the various features of the respondents that were studied under this thesis.

**Table 4.1: Age wise distribution of respondents in the study area**

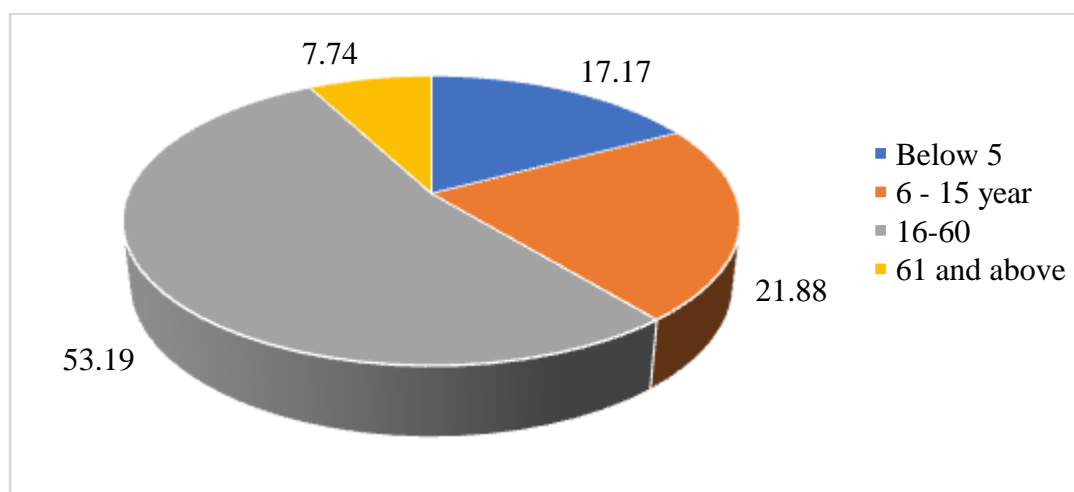
(n=61)

<b>Age Group</b>	<b>Number of respondents in study area</b>	<b>Percentage</b>
Below 5	51	17.17
6-15	65	21.88
16-60	158	53.19
61 and above	23	7.74
<b>Total</b>	<b>297</b>	<b>100</b>

*Source: Field survey 2022*

Above table 4.1 shows the age wise distribution of household. Regarding the age, majority of the people in the study area are in the age group 16-60 years followed by the age group 6-15 years and least were in the age group 61 and above.

**Figure 4.1: The Age Composition of the Family Members**



Source: Field survey 2022

Age of family members ranges from less than 1-year infant to 87 years. Of the total family members (297 members), more than half (53.19 percent) belong to working age group of 16-60 years, while about one fifth (21.88 percent) belong to school aged children (6-15 years) as shown in the Figure no 4.1 and a fringe of family members (7.74 percent) belong to old age 61 and above.

**Table 4.2: Age of Household head**

(n=61)

Age Group	Households No	Percentage
<40 years	25	40.98
≥40 years	36	59.01

Above table shows the age of household head. Which shows that majority of the household head were more than 40 years of age while 40 percent were less than 40 years of age.

**Table 4.3: Sex of Household head**

(n=61)

Head of family	Households No	%
Male	46	75.40
Female	15	24.60
<b>Total</b>	<b>61</b>	<b>100</b>

Source: Field survey 2022

Above table shows the sex of household head. In more than one third (75.40 percent) household, household head were male while in (24.60 percent) house, household head were female.

#### 4.1.1 Age and Sex composition of households

Of the total family members (297 persons), 162 persons (54.55 percent) are males and 135 persons (45.55 percent) are females. Which is starkly antipodal to national average of (48.96 percent) males and (51.04 percent) females (CBS, 2021).

**Table 4.4: Age and sex composition of the household**

Age Group	Male		Female		Total	
	No.	%	No.	%	No.	%
Below 5	26	16.05	25	18.51	51	17.17
5-15	36	22.22	29	21.48	65	21.88
16-60	86	53.08	72	53.33	158	53.19
61 and above	14	8.64	9	6.67	23	7.74
<b>Total</b>	<b>162</b>	<b>100.0</b>	<b>135</b>	<b>100.0</b>	<b>297</b>	<b>100.0</b>

*Source: Field survey 2022*

By sex, the proportion of population of different age group is somewhat same among male and female. Among males (162 persons), about 53.08 percent belongs to working age group viz. 16 to 60 years age group, and about one fourth (22.22 percent) belong to the school age of 5-15 years. About 8.64 percent (14 persons) belongs to old age of 61 years and above. Among the females too, the facts were found similar as male.

#### 4.1.2 Caste

Cast and ethnicity is one of the most important variables to show the social information of the household. From the study it is found from the total 61 household covered by the study, less than one third (32.78 percent) belong to Tharu caste. Nearly equal to the same extent, (31.14 percent) belong to Brahmin and Chhetri caste. Likewise, about some fringe of household belong to Tamang /Gurung Caste (13.11 percent). Similarly, about (9.83 percent) said they were Madhesi. Similarly, about (4.92 percent) said they were Newar and Untouchables respectively as shown in table no 4.5 Similarly, a tiny fraction of sample household, about (3.28 percent), reported to be Muslim and Christian.

**Table No: 4.5: Caste and Ethnicity of Household**

<b>(n= 61)</b>		
<b>Caste/Ethnicity</b>	<b>Household No.</b>	<b>Percent</b>
Tharu	20	32.78
Brahmin/Chettri	19	31.14
Tamang/Gurung	8	13.11
Madhesi	6	9.83
Newar	3	4.92
Muslim/Christian	2	3.28
Others (untouchables including Dalit)	3	4.92
<b>Total</b>	<b>61</b>	<b>100%</b>

*Source: Field survey 2022*

### **4.1.3 Family structure**

#### **Family size**

Family size of sample household ranges from one to eleven members. About one-half (50.82 percent) belong to small family (up-to 4 members). Similarly, more than two fifth (44.26 percent) belong to medium family size. Rest of the sample household, a modicum of (4.92 percent) belongs to extended family i.e., more than 8 members. There are 297 family members in the sample household of 61, that renders the average number of family members in household to be 4.87, which is more than the national average of 4.32 members (CBS, 2021).

**Table 4.6: Family Size of Household**

<b>(n = 61)</b>		
<b>Family size</b>	<b>Household No.</b>	<b>Percent</b>
1-4 members	31	50.82
5-7 members	27	44.26
8 and above	3	4.92
<b>Total</b>	<b>61</b>	<b>100</b>
Total Number of family members	297	-
Average family size	4.87	-

*Source: Field survey 2022*

#### **Family types**

More than one half of the population of sample household belongs to nuclear family (55.74 percent) whereas rest of the sample population reported to be living on joint

family system which is (44.26 percent). This shows that the remaining vestige of extended family is still extant in rural part of the community.

**Table 4.7: Type of family**

Type of households	Households No.	(%)
Nuclear	34	55.74
Joint	27	44.26
<b>Total</b>	<b>61</b>	<b>100</b>

*Source: Field survey 2022*

#### 4.1.4 Literacy and Education

Literacy is one of the most important factors of social status. Higher the literacy rate indicates higher level of social development. From the study of the respondent household's family members of 5 years and above age (246 persons), 90.25 percent are literate and the remaining 9.75 percent are illiterate. Among the males, the literacy rate is 94.24 percent, while the female literacy rate is 86.36 percent, are larger than the national figures of the total literacy (67.91 percent), male literacy rate (78.60 percent) and the female literacy rate (59.72 percent).

**Table 4.8: Literacy Rate of the Household Family Members**

Descriptions	Male		Female		(n=246) Total	
	No.	%	No.	%	No.	%
Illiterate	9	6.61	15	13.64	24	9.75
Simple literate	12	8.82	22	20.00	34	13.82
Basic level	28	20.58	18	16.36	46	18.70
Secondary level (upto +2)	46	33.82	36	32.72	82	33.33
Bachelor and above	41	30.14	19	17.27	60	24.39
<b>Total</b>	<b>136</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>	<b>246</b>	<b>100.0</b>

*Source: Field survey 2022*

The literate persons have different levels of education, such as simple literate are 13.82 percent, basic school education 18.70 percent, secondary school education upto +2 level are 33.33 percent, and bachelor or above are 24.39 percent.

The levels of educations of the literate males include simple literate (8.82 percent), basic education (20.58 percent), secondary education up to +2 (33.82 percent), and

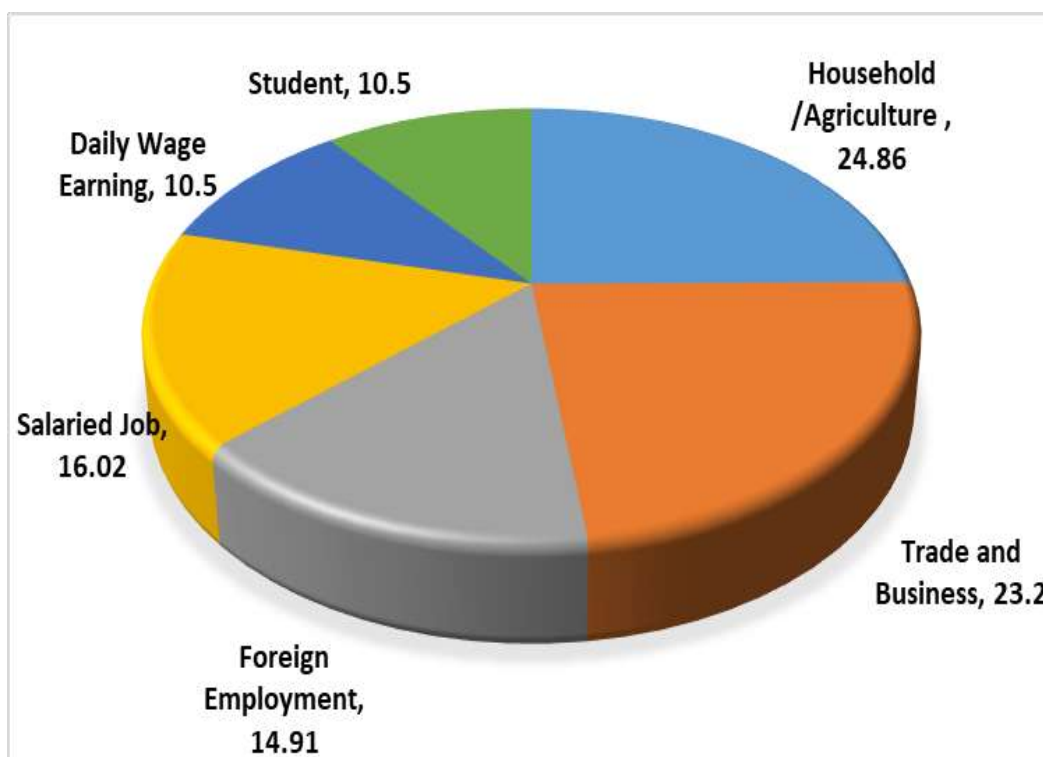


bachelor and above (30.14 percent). The literate females also have different levels of education, such as simple literate (20.00 percent), basic education (16.36 percent), secondary level upto +2 level (32.72 percent), and bachelor or above (17.27 percent). The distribution of the male and female population by levels of education shows some distinct pattern. In case of simple literate and Illiterate the number of females is higher than that the proportion of male. Whereas in case of higher levels of education, the proportion of males is higher than that of female.

#### 4.1.5 Occupation

In the household covered by the study, the family members have taken different occupations. Of the total 181 family members above 16 years, about one fourth of the household member (24.86 percent) have been involved in household work and their own agricultural work followed by (23.2 percent) in their own trade and business. As shown in figure 4.2, (16.02 percent) were engaged in salaried job and (14.91 percent) are in foreign employment. Likewise, about (10.50 percent) have reported to be engaged in daily wage earner and same ratio of the students.

**Figure 4.2: Main Occupation of the Household Member**



Source: Field survey 2022

In case of sex, the distribution of male and female according to occupation shows some distinct pattern. As found in the study and presented in the table no 4.9, the main occupations, in case of trade and business, foreign employment, salaried job and daily wage earning, the involvement of male population seems to be higher.

**Table 4.9: Main Occupation of Family Member (16 years and above)**

(n=181)

Descriptions	Male		Female		Total	
	No	%	No	%	No	%
Household /Agriculture	13	13	32	39.5	45	24.86
Trade and Business	18	18	24	29.62	42	23.2
Foreign Employment	25	25	2	2.47	27	14.91
Salaried Job	22	22	7	8.64	29	16.02
Daily Wage Earning	13	13	6	7.4	19	10.5
Student	9	9	10	12.34	19	10.5
<b>Total</b>	<b>100</b>	<b>100</b>	<b>81</b>	<b>100</b>	<b>181</b>	<b>100</b>

*Source: Field survey 2022*

However, in the cases of household work and their own agricultural work, the proportion of women seems to be higher. This validates the meta-narratives of Nepali society that women are better for household jobs, thus corroborating the gender stereotypes.

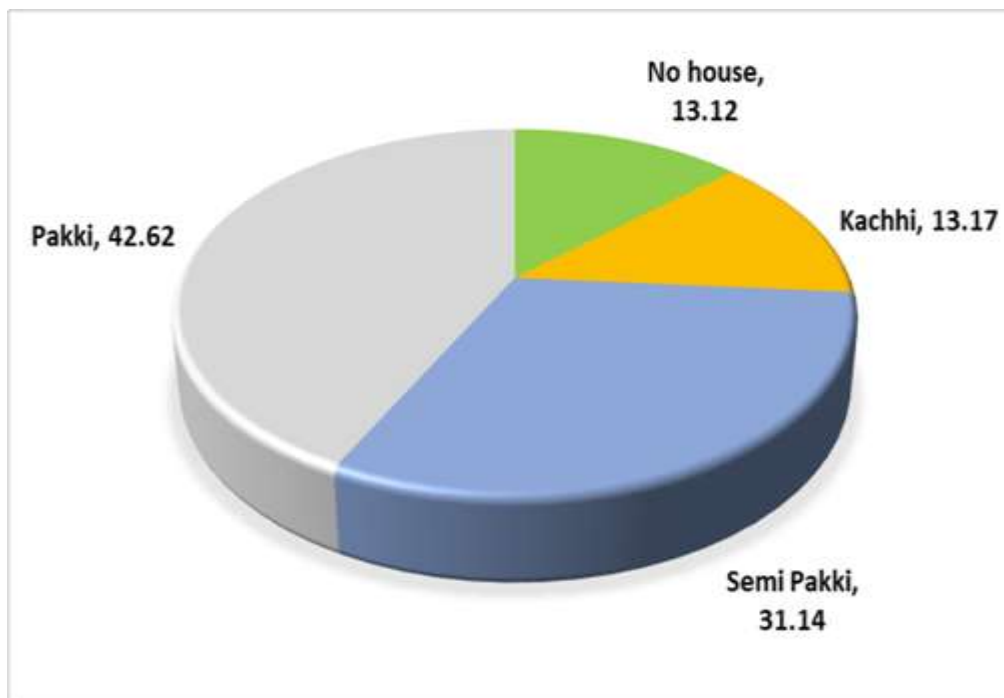
## 4.2 Socio-economic features of Respondents

### 4.2.1 Possession and types of Houses

The sample household were asked whether they had house of their own. About (13.12 percent) reported to not own house of their own. While rest of the household reported to live in their own house. Based on the criterion of the construction materials of the roof and wall, the type of house of the sample households were grouped into three broad categories, namely *pakki*, *semi-pakki*, and *kachchi*. The *pakki* houses are those, which are roofed with RCC (rod concrete and cement) or corrugated sheets and have wall of brick with cement. The *semi-pakki* houses are those which are roofed with corrugated sheets or tiles and have wall of brick with mud or blocks with cement or

wooden planks. The *kachchi* type of house includes those houses, which are roofed with thatch and have wall of thatch or wood or bamboo or stone with mud.

**Figure 4.3: Possession and types of houses owned by Respondents**



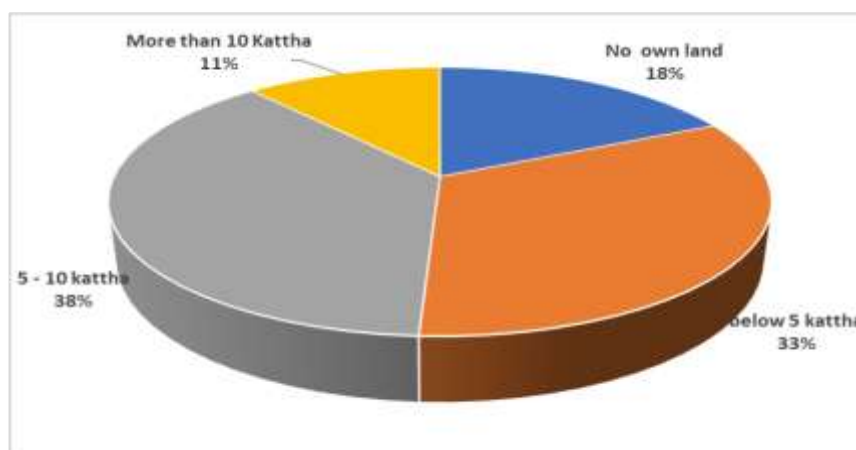
*Source: Field survey 2022*

Of the total sample household that reported to have house of some kind, majority reported to have Pakka houses (42.62 percent), similarly, another chunk of total sample household, (31.14 percent) reported to live in semi-pakka houses. Lastly, a fringe of total sample household viz. (13.17 percent) reported to be living in Kaccha houses.

#### **4.2.2 Ownership of land Holdings**

Out of total household covered by the study, (18 percent) reported about not having land for cultivation purpose. While rest of the sample household (82 percent) reported to have some of their own land. For the shake of simplicity, the possession of land for shelter and cultivation reason has been grouped as, below 5 kattha, 5 to 10 kattha and above 10 kattha. The Figure Number 4.4 shows the percentage of household owning some or no land.

**Figure 4.4: Ownership of land holdings**



*Source: Field survey 2022*

About (33.42 percent) of the household have reported to have land below 5 kattha, similar to that respect a majority of sample household (37.70 percent) have reported to own land between 5 to 10 kattha, while, a modicum of sample household viz. (11.47 percent) reported to have land well above 10 kattha of land holding.

#### **4.2.3 Annual income of the Household**

From the 61-sample household covered by the study, questionnaire was asked to list out their annual income tentatively. The household reported that the source of income includes Trade and Business, foreign employment, salaried jobs, wage earnings, agriculture and livestock and old age pensions. Following table shows the various proportion of tentative household income of past year from various sources.

**Table 4.10: Tentative Source and Amount of Household Income of During a Year**

<b>Income Sources</b>	<b>Amount</b>	<b>(%)</b>
Trade and Business	821600	24.4699
Foreign Employment	1012400	30.1525
Salaried Job	428800	12.771
Labor/Wage earning	210800	6.27829
Agriculture and Livestock	84000	2.50179
Pension/ social security allowances	96,000	2.85919
Other	704000	20.9674

*Source: Field survey 2022*

The sample household reported that trade and business, remittance and salaried job to be the most common sources of their cash income. Upon inquiring the proportion of each source contributing to total income of household, about (30.15 percent) of total income are contributed from foreign employment. Likewise, about (24.46 percent) of total household income is contributed from trade and business. Similarly, about one-fifth (12.771 percent) of total household income are contributed by salaried job of some sort. Likewise, about (6.27 percent) of the total household income has been contributed from daily labor and wage earning. Similarly, a tiny fraction, about less than (3 percent) total household income have been contributed by agriculture. Lastly, an inconsequential fringe of total household income (2.85 percent) has been contributed by pension.

#### 4.2.4 Annual expenditure of the household

From the 61-sample household, comprising 297 people, questionnaire was asked to report their annual tentative expenditure in various heading of past year, that includes food and grains, clothes, education, festivals and celebration, meat and milk, vegetables and fruits, tea-sugar-oil-spices, gas and energy, health and treatment and others. Following were the findings.

**Table 4.11: Tentative Annual expenditure of household**

<b>Expenditure headings</b>	<b>Amount</b>	<b>(%)</b>
Food and grain	385818	15.89
Education	181630	7.48
Festivals and celebration	178100	7.34
Meat and Milk	76920	3.17
Vegetables and Fruits	69800	2.88
Tea, Sugar, Oil and Spices	452880	18.66
Gas and Energy	796120	32.80
Health and Treatment	125200	5.16
Clothes	89600	3.69
Liquors/tobacco/cigarettes	29300	1.21
Others	42100	1.73

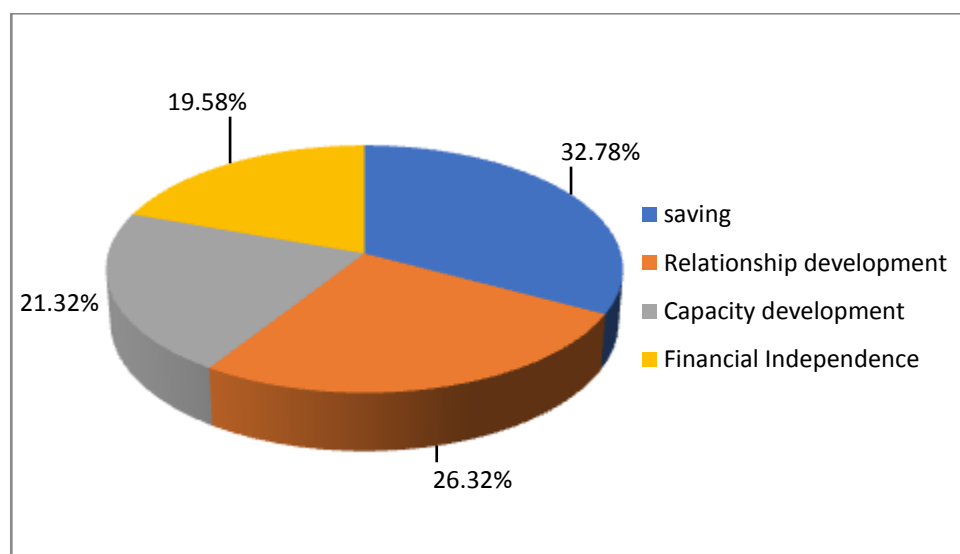
*Source: Field survey 2022*

In terms of expenditure incurred by household, the data shows some distinct pattern. About some (15.89 percentage) of total expenditure are incurred in Food and grains. This is because these headings are generally exorbitant for the household and is required for daily subsistence. Similarly, about (7.48 percent) of total expenditure were incurred in education. Followed by (7.34 percent) of expenses on celebration of festivals. Similarly, about (3.17 percent) of total expenses were incurred in meat and milk. Likewise, (2.88 percent) of the total expenditure are incurred in vegetables and fruits, since these are the most necessary victuals and comestibles required by household for daily consumption. Similarly, about (18.66 percent) of the expenses were reported to be incurred in tea-sugar-oil-spices. Similarly, about (32.80 percent) of expenditure were incurred in gas and energy. Likewise, about (5.16 percent) in health and treatment and (3.69 percent) in clothes were reported by household. Lastly, a fringe of total expenses viz. (1.21 percent) was incurred in liquors, tobacco and cigarettes. And about (1.73 percent) of the expenses were reported to be spent on some sources that the household didn't specify.

#### 4.2.5 Main Purpose of Joining Micro-finance

The respondents of the sample household were asked the main reasons for joining the microfinance. As shown in Figure 4.5 Following chart shows the various motivation behind sample household joining the microfinance.

**Figure 4.5: Main purpose of joining the Microfinance**



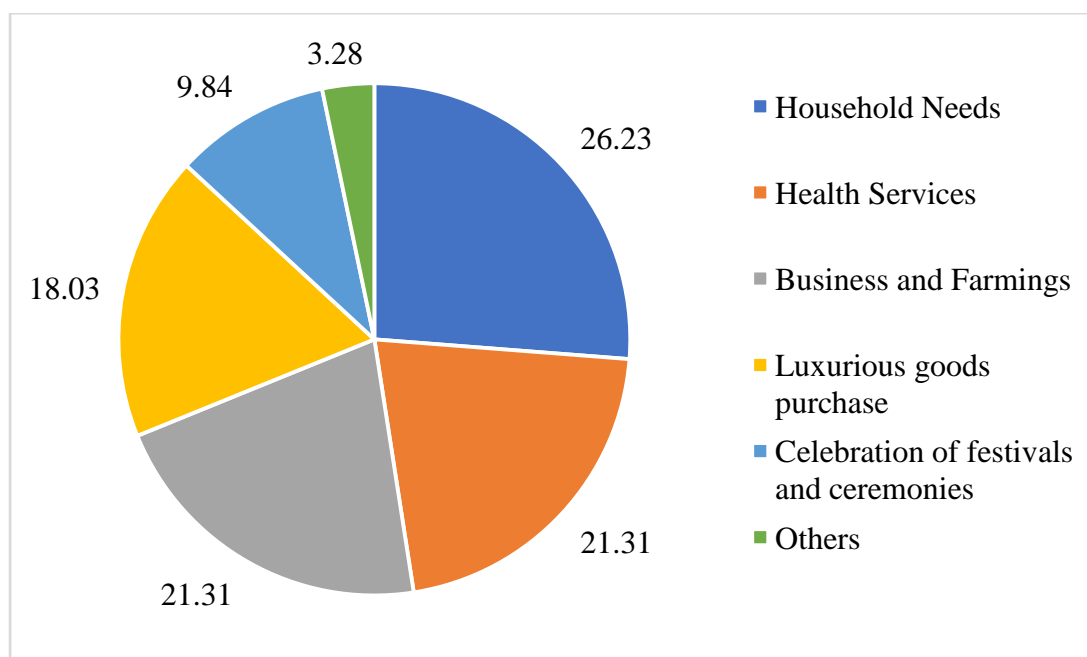
*Field Survey 2022*

Out of 61 sample household, 20 households (32.78 percent) reported their motive for joining MF to be for Savings reasons. Similarly, 16 households (26.32 percent) reported their reasons to be for Relationship development. Likewise, 13 households (21.32 percent) purported their reason as capacity development for loan and insurances. Rest of 12 households (19.58 percent) reported their reason to be financially independent.

#### 4.2.6. Purpose for Loan

Sample household were asked about the reason behind taking their loan. Out of the total household, 16 households (26.23 percent) reported they took loan for everyday household needs. Similarly, 13 households viz. (21.31 percent) reported they took loan from microfinance for health services and business/farming reason respectively. Similarly, about 11 households (18.03 percent) reported their loan was for luxurious goods purchase. Similarly, a modicum of 6 households viz. (9.84 percent) reported their loan was for celebration of festivals and other ceremonies. Likewise, 2 household (3.28 percent) reported some other reason for their loan which they didn't specify.

**Figure 4.6: Purpose of Loan**



Source: Field survey 2022.

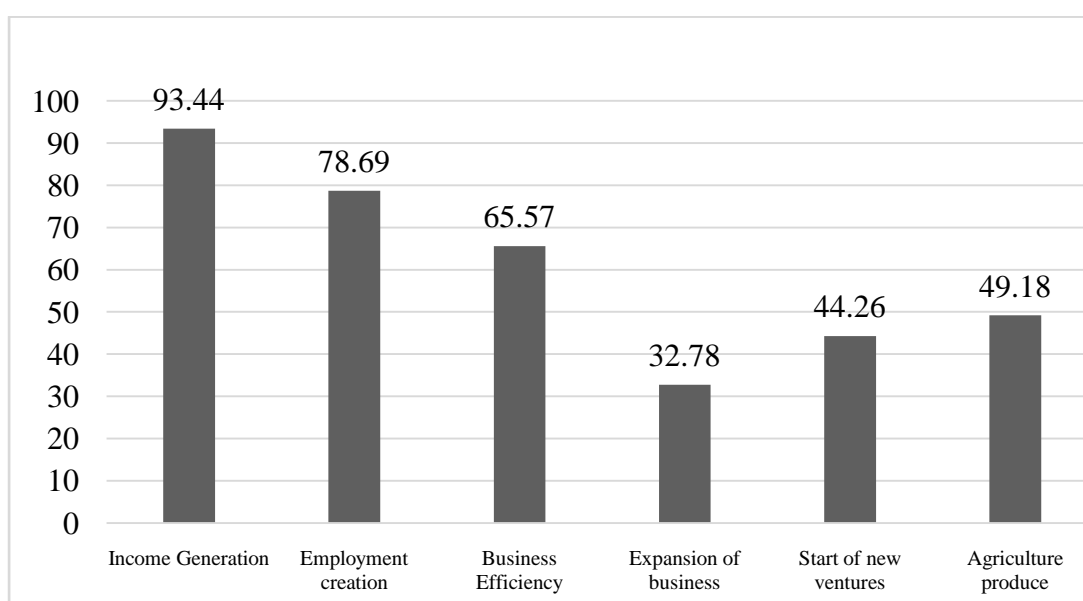
### 4.3 Socio-economic impact of Micro-Finance on client members lives

Questionnaire were asked to sample household of 61 to report their socio-economic wellbeing on various aspects of their lives, including impact on economic activity, health, consumption, access to real assets, schooling of children and possession of durables, after MF investment and intervention. Following results were then ascertained about the socio-economic impact Micro-finance made in everyday lives of the respondents.

#### 4.3.1 Impact of Micro-finance on economic activity

Sample household were asked whether their economic activities has increased after affiliation to microfinance or not. Majority of household reported increase in economic activities in terms of Income generation (93.44 percent), Employment creation (78.69 percent), Business efficiency (65.57 percent). A relatively small proportion of sample household (32.78 percent) reported expansion of business after affiliation of microfinance. Similarly (44.26 percent) reported to have started new ventures and about less than one-half of sample population viz (49.18 percent) have reported increase in agriculture production after MF intervention. All this amply suggest that microfinance investment and intervention on the lives of rural population of Ratnanagar had positive impact on their economic affairs.

**Figure 4.7: Impact on economic activity after MF affiliation**



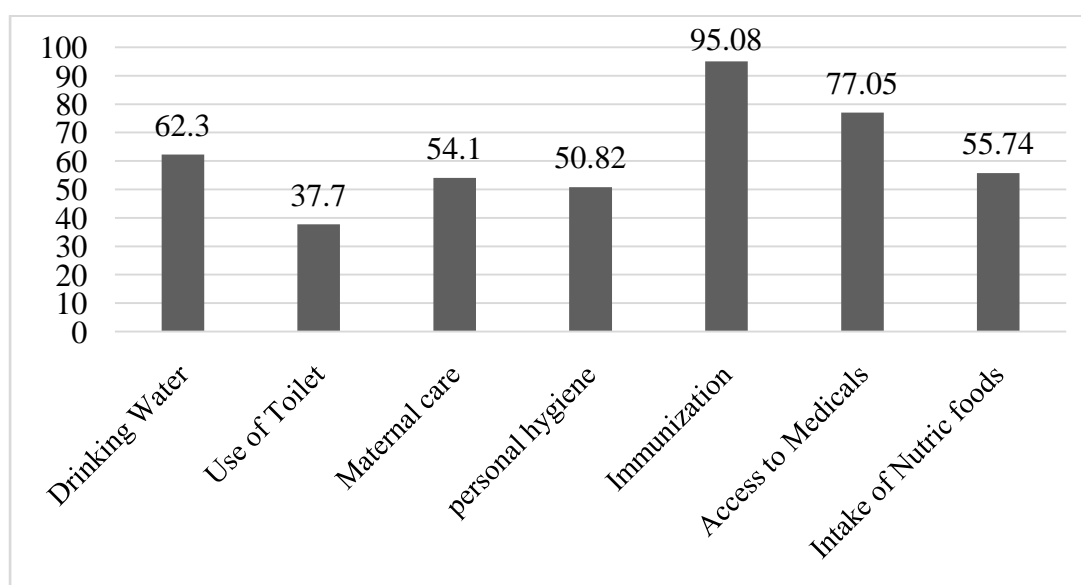
Source: Field survey 2022



### 4.3.2 Impact of Microfinance on Health

Households head were inquired whether the health condition of their family has improved or not after their involvement in Micro-finance. The improvement in the family health was assessed in terms of access to safe drinking water, condition of the toilet facilities, personal hygiene, maternal child health, immunization of child and COVID, access to health facilities in case of sickness and intake of nutritious food. In which 38 households (62.30 percent) reported to now have improvement in access to clean and safe drinking water, 23 household (37.7 percent) reported to have improvement in quality of clean toilet and sanitation. 33 households (54.10 percent) reported to have increase in access to maternal-child care and sanitary pad on the time of period. One half of the household (50.82 percent) which is 31 household reported to have increment on quality of their personal hygiene. While a large segment of households reported to have been immunized. Both basic immunization and COVID immunization viz. 58 households (95.08 percent). Similarly, 47 household reported to have increased access to medicals in times of sickness viz. (77.05 percent). Likewise, more than one- half of the sample household, 34 household (55.74 percent) reported to now have increased access to nutritious diets. The data amply shows that investment and intervention made by Micro-finance on the lives of rural community of Ratnanagar had positive impact on client members lives in terms of quality of health.

**Figure 4.8: Impact of Microfinance on Health**

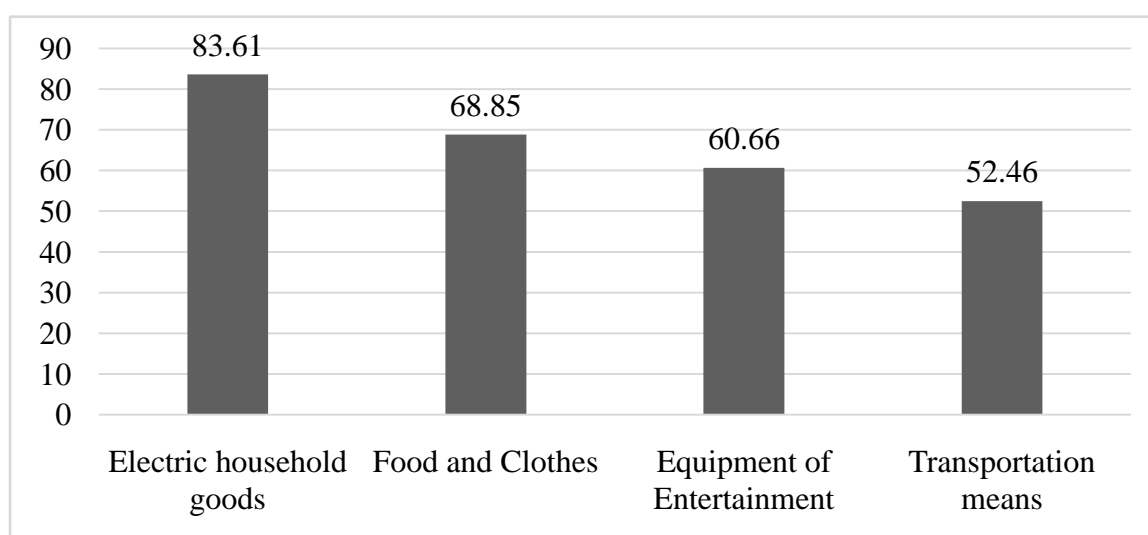


Source: Field survey 2022

### 4.3.3 Impact of Micro-finance on consumption

Household head were inquired about whether their various subjects of consumption in everyday lives have increased or stayed the same. About majority of household, (83.61percent)i.e., 51 households reported an increase in consumption of electric household goods. Similarly, about 42 households (68.85 percent) reported to have increment in consumption of food and clothes. Likewise, about three-fifth (60.66 percent) which is 37 households reported to have increase in consumption of equipment of entertainment. Lastly, more than one-half of sample household (52.46 percent) which is 32 households reported to have increase in ownership of transportation means. All these data amply indicate that investment made by Micro-finance has been appurtenant to the client member's lives in terms of consumption.

**Figure 4.9: Impact of Micro-finance on Consumption**



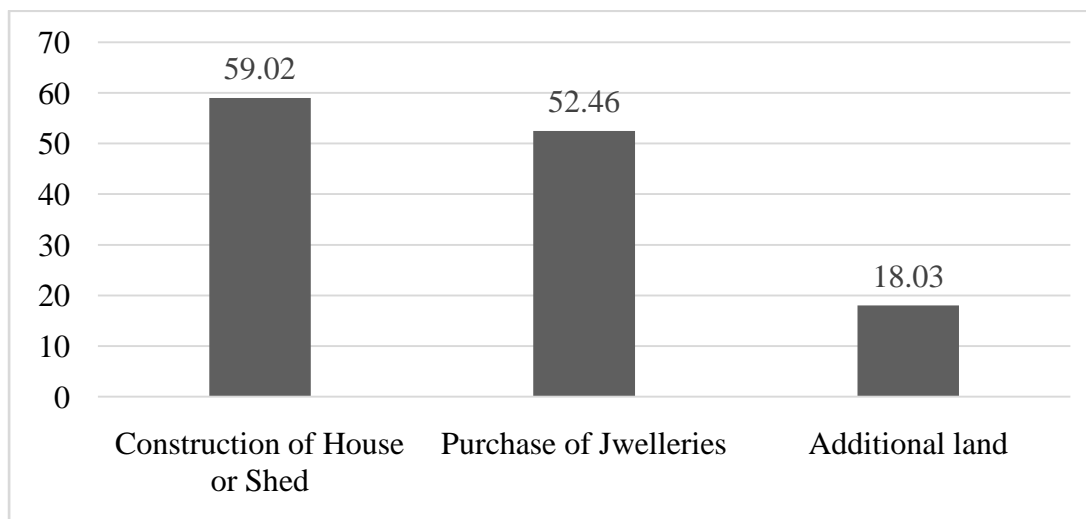
*Source: Field survey 2022.*

### 4.3.4 Impact on Access to Real assets

Sample household were inquired whether their real assets has increased or stayed the same after affiliation to microfinance. About 36 households (59.02 percent) have reported to construct house or shade, similarly more than one-half (52.46 percent) viz. 32 households have reported to purchase jewelries or other valuables. Similarly, a fringe of the sample household i.e., 11 households which comprises (18.03 percent) have reported to purchase land. This amply suggest that microfinance's investment and intervention has been fortuitous and propitious to client member's lives, by

increasing their access to possession of real assets. Following figure depicts the impact that microfinance has made in access to real assets for its client members.

**Figure 4.10: Impact of Micro-finance on Real assets**



Source: Field survey 2022

#### 4.3.5 Schooling of children

In the sample household, the total number of children of school-going-age (5 to 15) is 65. Of which 36 are boys and 29 are girls. All the children of school going age are either enrolled in private boarding school (67.70 percent) or public schools (32.30 percent).

**Table 4.12: Impacts on Schooling of children Age 5-15 years**

							(n = 65)	
School enrollment	Male	(%)	Female	(%)	Total	(%)		
Enrolled in private Boarding schools	27	75.00	17	58.62	44	67.70		
Enrolled in Public Schools	9	25.00	12	41.38	21	32.30		
<b>Total enrolled</b>	<b>36</b>	<b>100.00</b>	<b>29</b>	<b>100.00</b>	<b>65</b>	<b>100.00</b>		

Source: Field survey 2022

By sex, among both boys and girls the proportion of children enrolled in private school (boys-75 percent and girls- 58.62 percent) is higher than those enrolled in public schools (boys- 25 percent and girls- 41.38 percent). Relatively higher proportion of boys are enrolled in private boarding schools, which shows some sort of gender discrimination in schooling of children. It is quite noteworthy that all children

of schooling age have been enrolled in schools. This shows that the investment made by microfinance in client members lives has positive impact on education of kids, since all the children of schooling age have been sent to school. Moreover, more proportion of children are sent to private school, thus increasing the access of rural sample population to qualitative education.

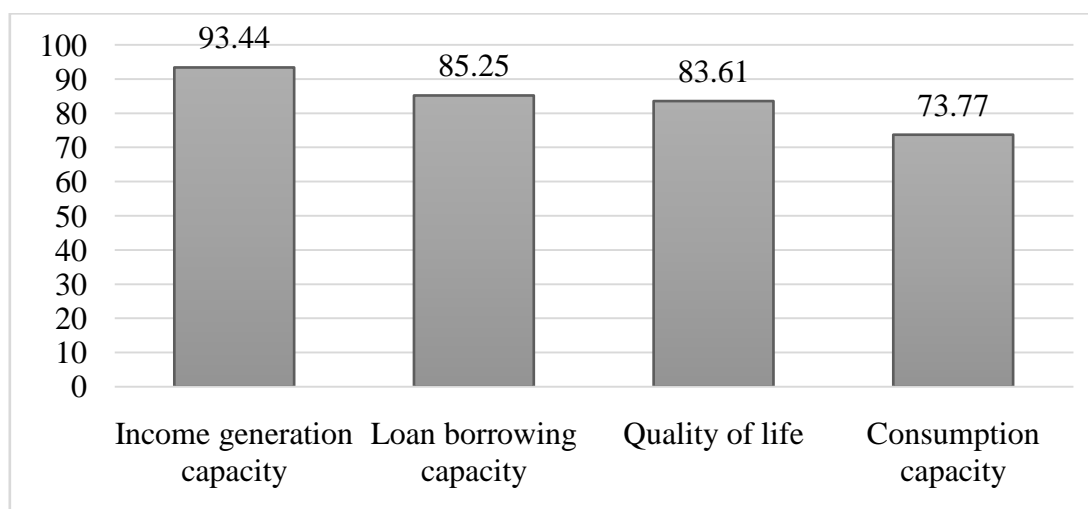
#### **4.3.6 Impact on possession of Durables**

After MF intervention, households were inquired about their status of possession of durables (at least one of them) from basic durables to articles of opulence, which included television, telephones, motorcycle, fridge, washing machine, inverter, LPG gas and mobile. About cent percent have reported that they possess mobile and LPG gas cylinders. Similarly, majority of household (95.08 percent) reported to possess television. Refrigerator (59.01 percent) motorcycle (57.38 percent). Relatively a fraction of household reported to possess, Inverter (29.50 percent) telephone (24.59 percent), and washing machine (22.95 percent). This shows that investment and intervention of microfinance in rural sample household has embolden and buttressed their economic lot.

#### **4.4. Economic empowerment of client members after micro-finance intervention**

Households were inquired about how far has microfinance been instrumental to economically empower them, by the measure of- income generation capacity, loan borrowing capacity, quality of life and consumption capacity. About 57 households (93.44 percent) reported to have increment in income generation capacity. Likewise, 52 household (85.25 percent) reported to have increment in Loan borrowing capacity. Which is followed by, 51 households (83.61 percent) who reported to have increment in their quality of lives. Lastly, 45 household (73.77 percent) reported to have increment in consumption capacity.

**Figure 4.11: Economic empowerment of sample household after MF intervention**



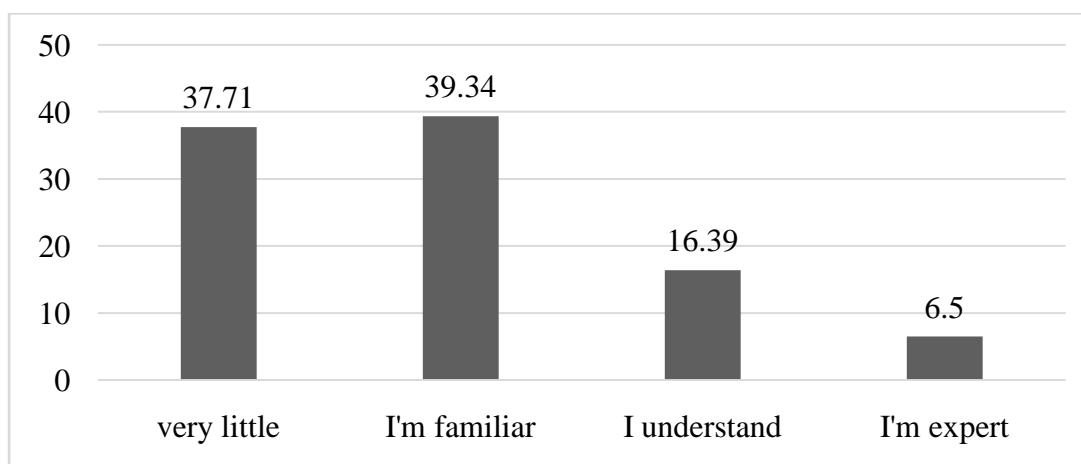
*Source: Field survey 2022.*

The data clearly indicates that MF intervention has economically empowered the rural sample household of Ratnanagar by the holistic approach for redress and restitution of their economic realities. The above figure delineates how far microfinance has been able in economically empower and embolden the lot of the rural household of Ratnanagar municipality.

#### **4.5. Awareness level of Micro-finance**

Household heads were inquired to reflect upon their awareness level of microfinance after their involvement in microfinance. Out of 61 household, 23 household heads (37.71 percent) reported that they knew very little about microfinance. Similarly, about 24 household heads (39.34 percent) reported they were familiar about Microfinance and various programs they offer. Likewise, 10 household heads (16.39 percent) reported they understand the microfinance programs and prospects. Lastly, a fringe of total household viz. 4 household heads (6.56 percent) reported to be an expert about microfinance. All these data amply indicates that Micro-finance intervention has illuminated their financial knowledge. The following figure depicts how far the awareness level of household heads has been changed after involvement in micro-finance programs.

**Figure 4.12: Awareness level of Microfinance of sample household**



Source: Field survey 2022

#### 4.6. Attitude of client members towards Microfinance

The rural sample households of 61 were inquired about how they felt about microfinance and various programs it proffered. Attitude scale were created with various statements to know what they related with most.

**Table 4.13: Attitude of respondents towards Micro-finance**

Descriptions	No.	(%)
CLBSL is effective in changing income level	12	19.67%
Effective in increasing access to education and health	14	22.95%
CLBSL is effective in raising standard of living	14	22.95%
Effective in increasing the access to ownership	10	16.40%
Effective in enhancing participation in social work	11	18.03%

Source: Field survey 2022

Among the total respondent of CLBSL, 19.67 percent related with micro-finance being effective in changing income level. Similarly, 22.95 percent respondents resonated with micro-finance being appurtenant in increasing access to education and health related services. Equal to that, 14 households (22.95 percent) related with statement that micro-finance being effective in increasing standard of life. Similarly, about 10 households (16.40 percent) related with micro-finance being effective in increasing access to ownership. Likewise, 18.03 percent reply that microfinance is effective in enhancing participation on social work.

## CHAPTER-V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary

Microfinance program has been designed to uplift the socio-economic status of poor and penurious from the society, who are deprived, socially backward, economically weak and from the indigenous groups, both in rural and urban settings. From the field survey it shows majority of clients are illiterate, superficially literate and financially inept. Most of them depend on agriculture, remittance, small petty grocery in front of the houses. They are under employed and they do not have sufficient work to do. Most of the clients answered to be involved in the programs to enhance their economic status, quality of life and for better education for their children. The field survey shows that after the intervention of MFPs, clients are much more conscious, their working hour increase which supported to increase the income level. Thus, they seem to enjoy the independence which comes with extra cashflow in household which they can spend for nutrition, education, investment in Assets and saving for unforeseen events. The programs really empowered the clients and played a crucial role on everyday lives. MFPs also support to smooth out the consumption. Following were the summary of the thesis:

- I. While, 90.25 percent are literate and the remaining 9.75 percent are illiterate. Among the males, the literacy rate is 93.4 percent, while the female literacy rate is 86.36 percent are larger than the national figures of the total literacy.
- II. Also, 18.03 percent reported about not having land for cultivation purpose. While rest of the sample household 81.97 percent reported to have some land which they use for cultivation reasons.
- III. Out of the total household, 26.23 percent reported they took loan for everyday household needs. Similarly, 21.31 percent reported they took loan from microfinance for Health services and Business/Farming reason respectively.
- IV. Likewise, 62.30 percent reported that they have improvement in access to clean and safe drinking water, 37.7 percent reported to have improvement in quality of clean toilet and sanitation, 54.10 percent reported to have increase

in access to maternal-child care and sanitary pad on the time of period and One half of the household (50.82 percent) reported to have increment on quality of their personal hygiene.

- V. After involvement in microfinance, 67.70 percent students are joined in private school while 32.30 percent were involved in public school.
- VI. Also, 93.44 percent reported to have increment in income generation capacity. Likewise, 85.25 percent reported to have increment in Loan borrowing capacity and 83.61 percent reported to have increment in their quality of lives.
- VII. Nearly 40 percent respondents are aware about microfinance.
- VIII. Among the total respondents, 19.67 percent related with micro-finance being effective in changing income level, 22.95 percent respondents resonated with micro-finance being appurtenant in increasing access to education and health related services and 22.95 percent related with statement that micro-finance being effective in increasing standard of life.

## **5.2 Conclusions**

Microfinance institutions are developed with the common purpose of contributing in the socioeconomic changes of community. Microfinances were not just working in the field of saving and credit but also providing the skill-based income generating activities to uplift the economic status of people. The importance of microfinance was felt more in rural areas than the urban areas because of the less infrastructural development in the former. Microfinances activities are more effective to reduce the poverty level. It has promoted the saving and credit habit of people. Microfinance has promoted the business activities by providing the loan facilities. Microfinance institutions accepted that they charged higher interest rates than the other banking institutions because of its own sustainability strategy. It was necessary to monitor the microfinance activities from the government to strengthen the capacity of management and promote the effectiveness of communities' services.



### **5.3 Recommendations**

Based on the study, following suggestion are recommended for further improvement and successful implementation of the program:

The main purpose of involving in microfinance is for saving and for loan, so it has made positive impact to uplift the socio-economic condition of the rural society. Microfinance has made positive impact in society and for sustainable livelihood. So, more microfinances need to be established and government should develop policies that are in harmony with microfinance internal practices. Similarly, it has been commonly generalized that woman are the main target population of the MFPs, which is erroneous. This is because, people who are poor and living in fringe are the real target of MFPs, who are often excluded from the big banks. This study has also shown that agriculture is not the only occupation of people who are engaged with microfinances, because there were many instances where people were often engaged in small petty grocery stores. Hence, if these things are considered during policy making in state level and in Microfinances internal policy making then, it won't take long time to bring rural economy to mainstream socio-economic discourse.

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## ANNEX 1

### QUESTIONNAIRE

Socio-Economic Impact of Micro Finance in rural community: - A case study of Chimmek  
Laghu Bitta, Ratnanagar, Nepal

- A. 1. Name of Household Head.....  
 2. caste and Ethnicity.....  
 3. Address: I) Ward No. .... ii) Municipality.....  
 B. Details of Family Members:

1) How Many Family Members are there in your Family?

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

SN	Name of Family Member	Relation with Respondent	Age	Sex	Marital status	Education	Main Occupation	Side Occupation
1	Respondent's Name	Himself/ Herself						

2) Type of Family: ..... Nuclear .....Joint

3) Who Makes Main financial decision in your family?

..... Male Head ..... Female Head

C. Socio economic impact of MF intervention

1. Did Membership to MF made any changes to you on following respect:

S.N.	Economic Activities	Increase (Tick)	Same (Tick)
1	Income Generation		
2	Employment Generation		
3	Business Efficiency		
4	Expansion of Business		
5	Start new Ventures		
6	Agriculture Produce		

2. How many Children of schooling age (5 to 15) are there in your family? How many of them have enrolled in government or private school?

Children:	Boys	Girls	Total
School age child (5 to 15)	.....	.....	.....
Enrolled in private school	.....	.....	.....
Enrolled in Public School	.....	.....	.....

3. Change in status of Health in Family

S.N.      Status of Health              increase              same

1.      Drinking Water
2.      Use of Toilet
3.      Maternal Care
4.      Personal Hygiene
5.      immunization
6.      Access to Medical in sickness
7.      Intake of nutritive Food

4. Change in Consumption level of family after MF Intervention.

S.N.              Consumption                      Same              Increase

- 1              Food and Clothes
- 2              Equipment of entertainment
- 3              Means of Transportation
- 4              Electric household goods

5. Has the affiliation to MF increased the access to real assets like following.

S. N              Variables                      Increase              Same

1.              Additional Land
2.              construction of House or shed
3.              purchase of Jewelry

6. What was the tentative annual income of your household of past year from following sources?

Income Heading	Amount
Agriculture and Livestock	
Trade and Business	
Salaried Job	
Labor / Wage Earning	
Foreign Work or Remittance	
Pension	
Others	

7. What was the annual expenditure (Tentative) of Past year on the following Headings?

Expenditure Headings	Amount
Food Grains	
Clothes	
Health & Treatment	
Education	
Festival & Ceremonies	
Vegetables & Fruits	
Meat & Milk	

Tea, Sugar, Oil, Spices	
Tobacco, Cigarettes, Liquors	
Gas & Energy	
Others (not Specified)	

D. Details of Respondent

1. Do you have your own house?  
.....Yes .....No; if Yes
2. What kinds of house: ..... Pakka ..... Semi Pakka ..... Kachha
3. Do you have cultivable land of your own? ..... Yes .....No  
If yes ..... Bigha .....Kattha .....Dhur

4. What kinds of Durables do you have in your house after MF Intervention? Do you have at least one of the following?

S.N.	Durables	Check
1	Television	
2	Telephone	
3	Motorcycle	
4	Refrigerator	
5	Washing Machine	
6	Inverter	
7	LPG Gas	
8	Mobile	

E. About Chhimek Laghu Bitta

1. How did you know about micro finance program?  
.....
2. How did you feel to enter the group? ..... very Difficult ..... difficult  
..... easy
3. What was the main purpose of joining MF? ..... Savings .....to be independent  
..... Capacity building for loan and insurance ..... Relationship Development

4. What was purpose of taking loan?

S.N.	Variables	Check
1.	Household needs	
2.	Health service	
3.	Business/Farming	
4	Luxurious goods purchase	
5.	Celebration of festivals	
6.	Others	

5. Who Decided utilization of loan? ..... Self .....Family Head  
 .....common Decision

6.Awareness level of MF before and after intervention?

Variables	Before	After
Very Little		
I'm familiar		
I understand		
I'm Expert		

7. Attitude towards MF

Among the following, which statement do you relate to most?

- A. CLBSL is effective in changing income level.....
- B. Effective in increasing access to education/Health.....
- C. Effective in increasing standard of living.....
- D. Effective in increasing access on ownership .....
- E. Effective in enhancing participation on social work.....

F. How far has Microfinance been helpful on economic empowerment for your household?

<b>Variables</b>	<b>Increase</b>	<b>Same</b>
Income Generation Capacity		
Loan Borrowing Capacity		
Consumption Capacity		
Quality of Life		

Thank You