

**A STUDY ON ROLE OF COOPERATIVE IN POVERTY  
REDUCTION:  
A CASE STUDY OF SHREE KHAIRENITAR WOMEN  
DEVELOPMENT MULTIPURPOSE COOPERATIVE  
LIMITED, TANAHU**

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## **RECOMMENDATION**

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**A Case Study of "Shree Khairenitar Women Development Multipurpose  
Cooperative Limited" Tanahu**

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## **ABBREVIATIONS/ ACRONYMS**

ACBS	Assessment of Central Bureau of Statistics
ADB/M	Asian Development Bank / Manila
ADB/N	Agriculture Development Bank / Nepal
BRAC	Bangladesh Rural Action Committee
BS	Bikram Sambat
CBs	Commercial Banks
CGAP	Consultative Groups to assist the poor
CRECER	Credito Con Educacion Rural (Started by the US NGO Freedom from Hunger, as a Bolivian NGO in 1999)
CSD	Center for Self-help Development
DDC	District Development Committee
Dr.	Doctor
FGD	Focus Group Discussion
FORA	Fund Opportunity Russia
GBB	Grameen Bikas Bank
GDP	Gross Domestic Product
GTZ	Deutsche Gesellschaft Fuer Technissche Zusammenarbit (German Technical Cooperation)
ICA	International Cooperative Alliance
IG	Inter Groups
IYC	International Year of Cooperatives
KI	Key Informants
MC	Microcredit
MCPW	Microcredit Project for Women
MFPs	Micro-finance Programmes
MFI	Microfinance Institution
MPC	Microcredit Planning Commission
NGO	Non-governmental Organization
NPC	National Planning Commission
NRB	Nepal Rastra Bank
OECD	Organisation for Economic Co-operation and Development



PCRW	Production Credit for Rural Women
RMDC	Rural Microfinance Development Center Ltd.
RUFIN	Rural Finance Nepal
RVDP	Rapti Valley Development Project
SFCL	Small Farmers Cooperative Ltd.
SEWA	Self Employed Women's Association
SLC	School Leaving Certificate
SPSS	Statistical Package for Social Science
TQT	Think Quest Team
UN	United Nation
UNDP	United Nation Development Program
VDC	Village Development Committee

# CHAPTER I

## INTRODUCTION

### 1.1 Background

Nepal is one of the least developed countries of the world with majority of its people (86 percent) living in rural communities and 38% are in below the poverty line. Nepal is basically an agricultural country and more than 80% of the economically active workers in Nepal are engaged in agriculture, however, agriculture is still in its traditional style in large parts of the country, particularly in hills (Upadhaya, 2003). Majority people living in rural communities are categorically the small farmers, tenants and landless poor. Meeting basic food and cash requirement for family maintenance is the main challenge for the farm families of rural Nepal. Survival strategy is the main philosophy of farming transformed from generation after generation. Nowadays, poverty is considered as the main unbalancing element of the human being and nature. It is therefore truly said, ‘Poverty anywhere is threat to everywhere’. Its effect is becoming alarming day by day. Not only the developing countries but also the developed ones cannot protect themselves from the negative effect of neighboring countries facing the problem of poverty. All the evils i.e. dissatisfaction, desperation, anger, anxiety, diseases and hunger are the consequences of poverty (Thakuri, 2010).

A cooperative is essentially an organization owned and operated by a group of individuals for their benefit. In fact, cooperatives can be defined as autonomous associations of people mutual who get together voluntarily to meet their common economic, social, and cultural needs and aspirations through jointly owned and democratically controlled organizations (ICA, 2007). The United Nations (UN) has declared 2012 the International Year of Cooperatives (IYC), highlighting the contribution of cooperatives to socioeconomic development, and in particular recognizing their impact on poverty reduction, employment generation, and social integration (UNDP, 2010).

Cooperative is a way of bringing people together to conduct activities to support for their livelihood and economic situation for the poverty reduction in Nepal. It inspires the members to have the common goal to meet their economic, social and cultural needs with joint and collective approaches. The cooperative in Nepal was introduced for the first time when the first five year plan 1956 made provision about it. The cooperative has been directly contributing for economic life of people. There are different types of cooperatives in Nepal such as saving and credit, multipurpose, agricultural, consumer, science and technology, coffee, milk cooperative (Thakuri, 2010).

Microcredit has been considered one of the most significant innovations in the development field worldwide in the last thirty years (Pant, 2010). It is the extension of small, collateral-free institutional loans to jointly liable poor group members (especially women) for their self-employment and income-generating activities (UNDP 2010). It has come to occupy a central place all over the globe in providing financial resources to the poor. According to United Nations Development Programme (UNDP) six out of ten of the world's poorest people are women. Shrestha (2009a) defines poverty as following: "Poverty is pronounced deprivation in well-being, and comprises many dimensions. It includes low incomes and the inability to acquire the basic goods and services necessary for survival with dignity. Survival strategy is the main philosophy of farming transformed from generation after generation. Nowadays, poverty is considered as the main unbalancing element of the human being and nature. It is therefore truly said, 'Poverty anywhere is threat to everywhere.'" Its effect is becoming alarming day by day. Not only the developing countries but also the developed ones cannot protect themselves from the negative effect of neighboring countries facing the problem of poverty. All the evils i.e. dissatisfaction, desperation, anger, anxiety, diseases and hunger are the consequences of poverty.

By the time of third five year plan period 1965-1970, the total number 1489 cooperative societies were established in 56 different districts out of 75 districts of Nepal. Mostly the cooperative societies concerned with financial activities are functioning or focused on the urban areas while sectorial cooperatives concerned with

other activities are based in peri-urban areas of the country (Acharya, 2008). The process of cooperative development in Nepal has been accelerated since then. However, this sector still lacks a proper guidelines and required resources (Thakuri, 2010). Most of the cooperatives have the transaction focusing on savings and credit activities.

According to department of cooperatives, presently there are 23,301 primary cooperative societies which are federated into specific subject cooperative unions at the district level; ultimately they form central level cooperative association and a national level cooperative federation in the national level. The national level federation is the apex level representative body of all the cooperatives working in the field. Among the 10,997 Savings and Credit Cooperatives, 4075 Multi-purpose Cooperatives, 3612 Agriculture Cooperatives and 1747 Milk Cooperatives are there in the country (GoN, 2010).

However, the saving and credit cooperative constitute the largest share 47.2%, multipurpose cooperative 17.49% and Dairy cooperative has share only 15.50% of the total cooperatives numbers in Nepal. It is estimated that the total contribution of the cooperative sector to GDP is about 1%, whereas the contribution in the financial sector is around 7% (Khanal, 2007).

Microcredit has created enormous interest among development practitioners and policymakers in many parts of the world. It has also got wide support from aid agencies, governments, non-governmental organizations (NGOs), and the public at large. Simply, microcredit means small loans made to poor households to finance small-scale entrepreneurial activities (Shrestha, 2009b). Microcredit is a Grameen Bank innovation, defined as an extension of small amounts of collateral-free institutional loans to jointly-liable poor group members for their self-employment and income-generating activities (Dhakal, 2010).

Microcredit is an innovative technique that was initially developed by 2006 Nobel Peace Laureate Dr. Muhammad Yunus, founder of the Grameen Bank in Bangladesh. Dr. Yunus established the Grameen Bank in 1983, and this model of microcredit has been adopted in almost 70 countries worldwide within 2009 (Haque and Harbin 2009). It has come to occupy a central place all over the globe in providing

financial resources to the poor and changing their livelihoods. These pro-poor borrowers lack access to formal loans or credit (Shrestha, 2009b).

### **Role and Structure of studied cooperative (Shree khairenitar women development multipurpose cooperative)**

Nepal has been listed as the eleventh poorest country in the world and the poorest in the South Asia Region. Out of 23 million people, 38 percent lie below the poverty line and most of the poor live in rural areas without having any opportunities. Rural micro finance mechanism in such a situation may be helpful to those women who have no collateral, but they have aspiration to do work.

As per the statement of cooperative, this cooperative was established in 2059/02/7 BS, with the 314 active women now the member increased to 1280. The main function of the cooperative is to channel funds to the small business sector, Agriculture, Education, Loan for overseas employment, Livestock farming, Poultry farming and it is devoted to increase the income of poor. It becomes more important and popular in the Khairenitar and Dulegauda VDC of Tanahu district as majority of female has no collateral. This cooperative is the premier lending institution specializing in agricultural and livestock farming in Tanahun District of Nepal. The cooperative supplements its capital sources mainly by small deposits of Rs 50 to 1000 per month from women with the 12% interest of deposit. The cooperative provides short, medium and long term credit with the interest rate of 18% to individuals, recommendation by the female group of microcredit. Short term loans are advanced to finance seasonal operations of inputs like seeds, fertilizer, labor services and food of livestock and hatches. Medium term loans are extended for the purchase of farm machines, tools and machinery and implements for agro industries similarly, for repair of cottage for livestock. Loans for livestock rising and warehousing loans are also made for the medium term. Cooperative has been providing credit to rural women for agriculture, cottage and agro based industries, livestock and rural enterprises. This cooperative operates following three types of activities (Field survey, 2013):

- Development of financing to the women for agricultural development, livestock farming and start small scale business.

- To run the Microcredit Program to support the poverty alleviation program of the government.
- Commercial Banking functions for the mobilization of domestic resources.

This cooperative has three-tiered organization with small women's groups, inter-groups and a central committee as the main pillars. The small women's groups are the basic unit at the grassroots, and collect savings from individual members every month and deposit it with the center, assess credit needs of members for income generating activities based on their individual capacities. There is a probation period of six months for new members to be eligible for loan.

The inter group's (IGs) function as the bridge between the women groups and the management committee. The IG is composed of the representatives of the women groups of village. The main function of the IGs is to ensure timely loan recovery from the women groups based on which further loans are recommended to the MC. The IGs also undertake saving activity for development purposes.

The MC is the team of 11 Board of Directors of the cooperative and is composed of the representatives of the IGs. One representative of each IG joins the main MC from the village level. To handle the daily operations of the organization, a chief manager, an assistant manager and a helper are employed by the cooperative. All the staffs of cooperative like; manager or the assistant manager should be female.

### **Function and responsibility of cooperative**

- It unites people and make responsible to the development of the society.
- It acts as a bridge between the people and government.
- It helps to adopt people-friendly policy, rule and regulation to operate the cooperative smoothly.
- It enhances the bargaining power of the member producers.
- It promotes market guarantee for the products produced by the member producers
- It collects the money from city to the village level
- It searches the international market for the products.

### **Multipurpose cooperative**

The present cooperative ideology is largely in favor of single-purpose cooperatives, simply because this type of cooperative has a long and successful track record. In contrast, multi-purpose cooperatives (MPCs) appear to have encountered many failures. MPCs are more complex to manage - they require a sound management and good market knowledge. In the past, MPCs were a prime target of supply-oriented government programmes. This did not only make them unmanageable, but spoiled their character and made the representatives easy to be affected by corruption and selfish behavior (Koch, 1986).

As the SFCL model in Nepal demonstrates, there might be specific rural conditions that could justify a multipurpose approach (RUFIN, 2004). This approach will require the absence of government interference, the establishment of a profitable core business (such as financial services), a sound and experienced management and a demand oriented approach. Under these circumstances, MPCs will be attractive for their members and will have a fair chance to be successful and to prosper.

### **Microfinance and its need to rural people**

Micro finance is regarded as an effective tool for poverty alleviation. The Asian Development Bank has recognized micro finance as a powerful tool to promote economic growth, reduce poverty, support human development and improve the status of women. For the past 20 years, the government, international agencies and social organizations have been focusing on women's development programs. The main priority of the Tenth Periodic Plan was poverty alleviation, women's empowerment and gender mainstreaming (UNDP, 2010).

Most of the poor people live in rural areas and have little opportunity. Therefore, Microfinance could help poor people who have no collateral, but a willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income. Most Nepalese micro entrepreneurs are economically isolated, which means that their market is often local, small and does not offer any demand growth prospects. Commercial banks and other financial institutions normally do not like to go in that area because of the geographical constraints, underdeveloped infrastructure and

other physical constraints. However on the other hand, there is a substantial demand of micro credit in the rural areas. In this scenario, locally operating micro finance institutions could obviously play an important role to mobilize local savings, extend credit as well as channelize borrowed fund/grant to the local rural people (Dhakal, 2010).

Micro finance is equally important to both men and women. Women's experience of poverty is different and more acute than that of men because of gender-based forms of exclusion. Women become poor through deterioration in the household's access to resources. Women's lives are governed by more complex social constraints and responsibilities than men's and they are more concentrated in the non-monetized sector. In almost every Asian country, women comprise a large percentage of the poor. The existence of the gender complexities in the handling of income affects the quality of family life, the quality of children's nutrition and education, as well as household stability. Unless and until women do not have access to economic opportunities, poverty cannot be reduced.

## **1.2 Statement of the problem**

Micro finance is regarded as an effective tool for poverty alleviation. The Asian Development Bank (ADB, 2009) has recognized micro finance as a powerful tool to promote economic growth, reduce poverty, support human development and improve the status of women.

Lack of access to income opportunities or skill-based training opportunities keep many people in Nepal shackled to poverty. Unemployment is high, forcing many people to seek work in India or more distant countries. Until and unless rural people are not brought into the mainstream for economic and social change, we will fail to bring change in rural development. They need to be organized for the decision of their choices and voices.

Prevalence of poverty is quite high among rural population. They need to be the main focus of any poverty alleviation program as they comprise a major section of the poor population in Nepal and suffer disproportionately from poverty. Among the poor,



women are considered the most disadvantaged due to their limited access to economic opportunities and basic social services and the excessive burden of household chores on them.

Economic and social issues are closely intertwined, one reinforcing the other. People's access to credit is limited because both formal and informal credit institutions are geared to fund property owners. All formal credit institutions seek tangible collateral from loan and they are sidelined from institutional credit since they have no access to the inherited property. The village moneylenders are also interested more in earning high interest or acquiring the debtor's property rather than financing people in need. In case of women, their access to institutional credit is further restricted by their confinement to household activities and lower level of awareness and educational attainment. The major problem in the current economic practice is the fact that a large proportion of women's contributions to GDP and household maintenance activities are still not recognized in economic calculations (Acharya, 2008). This makes women labor contribution to social reproductions process and women themselves invisible in economics except as consumers. Women's experience of poverty may be different and more acute than that of men because of gender based forms of exclusions.

The general problem of the study related to role of cooperative in poverty reduction and other specific problems are as follows:

- What is the socio-demographic and economic situation of member of Cooperative?
- What are the achievements on managerial skills and opportunity in the society to the members of MC program?
- Is the members are satisfied with the program of cooperative in the sector of saving, credit and investment?
- Any further way of improvement of cooperative they suggested and are not implemented?

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

The general objective of the study is to analyze the overall social and economic situation of women and how the cooperative working as a microfinance for the pro-poor women of Khairenitar VDC, Tanahu. However another specific objectives of the study are:

- To examine the socio-economic status of the member of cooperative.
- To assess the achievements on managerial skills and the opportunity they get in the society by the women after being the member of the cooperative.
- To analyze the satisfaction of the member of cooperative in the sector of saving, credit and investment.
- To explore the overall impact of programme and suggest for the improvement.

### **1.4 Significance of the study**

This study was mainly focused on the people involving in microcredit groups of Shree Khairenitar women Multipurpose Cooperative Limited, Tanahu and tried to find out how they getting benefit from the program. This study provided the information about the people how they benefited from the credit and saving facilities. This study also encouraged to all other institutions and individuals to work in a group and fight against the existing poverty of the country. Along with this, this study helped to find out the role that the women's groups were playing for their empowerment. The study also helped to show how women can properly utilize the resources if opportunities were given to them for the betterment of the society.

### **1.5 Limitation of the study**

There are various limitations was in this study. Some of the limitations of the study are as follows:

- This study was limited only in the cooperative members which are organized in Khaireni, Tanahu district.

- The field survey confined within the members of different microcredit groups managed by Shree Khairenitar multipurpose women cooperative limited, Tanahu.
- The study was mainly based on the primary data.
- The study was based on the response of different women members of cooperative to whom questionnaire were administered.

## **1.6 Organization of the study**

This study has been categorized into five chapters:

- Chapter one provides about the background of the study, Statement of the problem, Objective of the study, Significance of the study, limitation of the study.
- Chapter two was concerned with review of the literature with conceptual framework of the study, review of foreign and Nepalese researches, reports, articles and books.
- Chapter three contains the research methodology including the research design population and sample ,nature and sources of data ,data collection procedure, data processing and analysis, data analysis tools and limitations of the methodology.
- Chapter four contains the presentation and analysis of data with major findings of the study.
- Chapter five contains the summary, conclusions and recommendation of the study.

# **CHAPTER II**

## **LITERATURE REVIEW**

### **2.1 Conceptual Review**

The World Bank in its microfinance handbook defined microfinance as "the provision of financial services to low income clients, including self-employees, includes both financial and social intermediation. It is not simply banking, it is a development tool" (Koch, 1986). The word "micro" means small, and the word "credit" means "the ability to buy with a promise to pay, or the ability to obtain title to and receive goods for employment in the present although payment is differed to a future date. Different academics and individuals have defined microfinance in their own way. The ADB defines micro loan as "loan size, for example , a loan which is equal to or less than the value of average gross domestic product (GDP) per capita or by clientele for example, finance, which serves micro enterprises operating in the formal sector" (ADB/M, 1999).

Credit in monetary theory is defined as the "use of someone else's funds in exchange for a promise to pay (usually with interests) at a later date" (Mayoux, 1998). In development theory, credit is supposed to play a vital role in dealing with the problems of rural development. Availability of credit also determines the credit worthiness of potential borrowers, who are considered as high- risk groups in traditional financing system (Mallick, 2002).

Cooperative is a form of community organization where its entire member works together in order to fulfill their common needs. All the members of this organization are obliged to maintain their democratic, participatory and transparent decision-making procedure because it is jointly owned, and commonly operated on the value of self-help, mutual help and self-responsibility. The members of cooperative's have a common goal in order to meet their economic, social and cultural needs under the control of joint approach by its own members so that their members are directly responsible for benefiting themselves and ultimately to the society in general (ADB, 2009).

Microfinance leads to social and economic changes in the borrowers after the participation in the programs. Increasing income among borrowers results increase in food sufficiency, consumption of nutrient food, good caring of children health, health awareness and preventive measures of health, good education of the children, repair and maintenance of home (Sharma, 2011).

## **Theories and concept of microfinance**

### **International concept**

More than 1.96 million formerly very poor rural households in Bangladesh and of the poorest countries in the world have improved their level of living significantly through Grameen Bank approach (Gibbson and Meehan, 2002).

Most microfinance clients in the region obtain services from government regulated financial institutions. Especially, in urban areas competition tends to be fierce in some countries. In this region, interest rates are dramatically low, as a result of that competition to get loan is fierce. According to Reille and Helms, microfinance in sub-Saharan Africa is underdeveloped and faces higher operating costs than in other regions. Reille further discussed that the microfinance program has produced the positive impacts in reducing the poverty status of rural economy. The Asian experiences are the proofs that the micro-finance programs in rural areas can help the poor people who are living under the absolute poverty line (Reille and Helms, 2004).

Most of the rural women depend on their male counterpart. Their duties had been limited to beget child and domestic chores. In the absence of microfinance program they have hardly participated in any social activities and income generating program (Armendaring and Morduch, 2007).

The development works better when it is approached through the vary people that it claims it wants to help and argues that banking is possible without collateral. According to him, Grameen Bank has demonstrated that the poor can be mobilized to work in their own interest that illiteracy is not the impediment to progress that it is usually thought to be. Pant, has further noted that the social impact of the bank is seen in the gradually changing attitudes among both the landless and the rural elite; they produce a future generation that values hard work and abhors the practice of dowry (Pant, 2010).

## **National concept**

The loan amount borrowed from GBBs has significantly diverted the rural women from traditional sector to nontraditional sector and there has been significant increase in the income level of the borrowers, consumption pattern, sheltering and clothing is significantly improved which implies the living standard of the rural poor is uplifted (Shrestha, 2004).

Rural microfinance development center has studied to assess by using primary and secondary information. The study has revealed that the impact of microfinance services to the involved rural poor people and their household income has moved in the other sectors through their increased income. This was possible because of their involvement in the microfinance program. It has been considered as a positive impact of micro finance. Involvement of microfinance program gives opportunities to women to own the program and use on their own decision without any interference from their male counterparts (RUFIN, 2004).

Income effect after the GBB intervention has been positive on the borrowers of the bank in the study area. All the people create more income after borrowing loan. He also stated that when loan amount is increased the income amount of the borrowers is also increased and when income is increased the saving amount of the borrowers is also increased. On the basis of his sample analysis, he concluded that there has been satisfactorily increased in income, saving, consumption pattern, educational status, sheltering condition, health condition, clothing condition, employment condition are increased in the entrepreneurship talent. He also found out that the loan amount borrowed from P-GBB has significantly diverted the poverty ridden rural women from traditional to non-traditional sector (Khanal, 2007).

Purbanchal Grameen Bikas Bank, has claimed that the Grameen Bank program had significant impact on income, living standard and in other social status of the borrowers. Housing condition, general awareness and economic activities were also found to be improved. Dhakal, in his study, found the change in socioeconomic status of the women, who were involved in GB program and it played a vital role for generating income, living standard and in order social status of the borrowers. He has also recommended in his study that there is high demand for loan but there is not sufficient

supply of loan and bank should increase its lending capacity with low interest rate, which must help to increase life-standard of lenders (Dhakal, 2010).

### **Key principles of microfinance**

CGAP has developed some principles of microfinance especially focusing building financial system for the poor. These principles were developed and endorsed by the CGAP and its 31 member donors, and further endorsed by the Group of Eight Leaders at the G8 Summit on June 2004. These Principles are given below (Pant, 2010).

- The poor need a variety of financial services, not just loans.
- Microfinance is a powerful instrument against poverty.
- Microfinance means building financial systems that serve the poor.
- Financial sustainability is necessary to reach significant numbers of poor people.
- Microfinance is about building permanent local financial institutions.
- Micro credit is not always the answer.
- Interest rate ceilings can damage poor people's access to financial services.
- The government's role is as an enabler, not as a direct provider of financial services.
- Donor subsidies should complement, not compete with private sector capital.
- The lack of institutional and human capacity is the key constraint.

### **International movement**

In the global context, cooperative movement was commenced from the mid-19<sup>th</sup> century with initiating the saving of 28 pounds from a group of factory workers of 'Rochdale society of equitable pioneers' in the United Kingdom (B.K., 1993). This Cooperative society grew up rapidly since a decade through establishing a flourmill, a textile mill and a shoe factory.

The popular model of microfinance developed in latter century is Grameen Bank model pronounced by Mohammad Yunus in 1976 (Bashyal, 2008). Similarly in Asia, The concept of cooperative introduced officially in 1904 from India and further extended to other countries (Devkota, 2002). Initially it was started as a small pilot project in Chittagong village of Bangladesh and now it has become a world's largest independent banking institution for the poor. Basyal further stated that, Yunus, the committed leader

in community development, realized that the formal financial systems never intend for poor people due to three major obstacles as a) collateral requirement, b) guarantor requirement, and c) distance of commercial banks from the rural sector. Thus microfinance emerged as a tool of poverty reduction to provide financial services to the poor in the concept that 'poor are also bankable'.

Microcredit is an innovative technique that was initially developed by 2006 Nobel Peace Laureate Dr. Muhammad Yunus, founder of the Grameen Bank in Bangladesh (Dhakal, 2010). Dr. Yunus established the Grameen Bank in 1983, and this model of microcredit has been adopted in almost 70 countries worldwide (Haque and Harbin, 2009). Consequently, microcredit is playing a significant role in eradicating poverty, social development, women empowerment, household economic development, and livelihood diversification

A cooperative is an autonomous association of the people having similar status of social and economic difficulties, who are associated voluntarily on the basis of equal voting rights (Agrawal and Shrestha, 1985). All the members of this organization are obliged to maintain their democratic, participatory and transparent decision-making procedure because it is jointly owned, and commonly operated on the value of self-help, mutual help and self-responsibility (National Cooperative Federation Nepal, 2010).

### **National movement**

The Co-operative Movement in Nepal was started in 1954 with the formation of 'Cooperative Department'. Within the same time 13 co-operative societies were established under the Rapti Valley Development Project (RVDP). The first plan of Nepal (1956-60) emphasized the extension of the Co-operative Department. By the end of the 1st plan there were 378 organized Agricultural Co-operative Societies. After some years it was felt that a separate institution was necessary to finance and supervise the co-operatives and finance the credit needs of the farmers through cooperative societies. In 1971 the management of agricultural co-operatives was entrusted to ADBN. Under the management of ADBN many reforms were made in the operation of co-operatives. Meanwhile the Sajha Program (Massive extension of co-operative societies) was launched in 1975 and co-operatives were organized in almost every village. But most of the newly registered co-operatives could not run successfully and became inactive. In



1978 the management responsibility of cooperatives was transferred to the people under the supervision of Co-operative Department. The new Cooperative Act of 1992 had provided a more liberal and democratic legal framework for organizations to be registered as cooperative societies (ACBS, 2006).

### **Principles of cooperatives**

International cooperative alliance (ICA) has suggested seven guiding principles of cooperatives, which serves as a guideline for practical implementation of values and norms to operate the cooperative smoothly as mention below.

**Table 2.1**  
**Seven guiding principles of cooperative**

SN	Principles	Values
1	Voluntary and open member ship	Openness
2	Democratic control by members	democracy, equality
3	Economic participation of members	Justice
4	Autonomy and independent	Self-help, self-responsibility
5	Education, training and communication	Honesty
6	Cooperation among cooperatives	Solidarity
7	Concern about community	social responsibility

Cooperative organizations are aware of the importance of member involvement and through training programmes try to increase participation in relation to the society. The fact that each member has only one vote is particularly important; in the case of public companies, individual shareholders find it difficult to effectively control the management of a company unless they have a controlling interest through owner ship of a large number of shares (Thakuri, 2010).

### **2.2 Review of Related Studies**

A cooperative is an autonomous association of the people having similar status of social and economic difficulties, who are associated voluntary on the basis of equal voting rights. Ultimately they are obligated to fulfill their own common needs and moral benefits. It has a specific method of working procedure which assists to enhance both the

social and economic status of the members. The nature of work of the cooperative is more concern with the field of both social and economic sector of the members. The economic aspects affect the business enterprise whereas the social aspects are directly concerned with the association of persons comprising the society, particularly as they affect the membership and personnel relationship between the members and the concern people with the cooperative (Agrawal and Shrestha, 1985).

MFPs divert resources and/or the attention of women themselves from other more effective strategies for empowerment. The promotion of MFPs for women has therefore become increasingly controversial. There has been no systematic cross cultural or inter-organizational comparison of relative impacts of different models and strategies (Ebdon, 1995).

Freedom from Hunger credit with education program in Thailand operated through village banks. The result shows positive benefits. However, although non-participants in non-programs villages are used as control groups, there are problems in accepting the results (MkNelly, Watetip and Dunford, 1996).

Control group approach looking at the changes in income for households villages with Microfinance programs and changes for similar households in India, Indonesia, and Banglades, (for example, in terms of initial income, gender, education and location) in non-program areas. They concluded that the growth of incomes of MFIs borrower always exceeds that of control group. Increase in borrower income larger for better-off borrowers (Hulme and Moseley, 1996).

Of the target households in Asia-Pacific, less than 5 percent have access to financial services. If we exclude Bangladesh-the only country large numbers have been reached the number, to whom Microfinance services have been extended, falls less than 1 percent of the target group (Getubiget, 1997).

Poverty impacts of the schemes appear highly dubious. Months of village banks membership have no impact on any asset or income variables and there is no evidence that village bank loans were directed to productive purposes. The small size of loans means that they were largely used for consumption, but one of the reasons there is a weak

poverty impact is that there was a tendency for wealthier households to self-select into village banks (Coleman, 1999).

There has been far less questioning of the dominant financial sustainability paradigm in Africa than in South Asia. What is most disturbing in current debates is the frequent lack of concern about the program impact on empowerment. The requirement for funding from the enormous CGAP budget the main driving force behind Microfinance development in Africa are solely concerned with financial sustainability indicators and contain no reference to gender strategies. Failure to explicitly incorporate empowerment strategies into program design will at best miss an important contribution to development. At worst it may lead to dis-empowerment of significant numbers of women through burdening them with debt and diverting resources from more effective empowerment strategies (Mayoux, 1999).

Eleven criteria for 'good practice' policy and regulation, covering the policies of governments and donor agencies to support Microfinance; the regulation of non-bank Microfinance institutions; and the regulation of banks. He concludes that there is scope for improvement in all nine countries including Nepal. Overall, Philippines and Bangladesh have the policy and regulatory environments that most conducive to sustainable Microfinance, while Pakistan has the one that is least conducive (Mcguire, 1999).

However, different countries have strengths in different areas and no country is strong in all areas. The main observations are,

a) To be effective, support should focus explicitly on maximizing the outreach and sustainability of Microfinance sector. Moreover, the role of government should generally to make policy and create an enabling environment. Direct provision of Microfinance by government has rarely been successful, and is likely to damage the longer-term sustainability of the Microfinance sector.

b) The regulatory environment for MFIs is very important if the Microfinance services are to achieve significant outreach on a sustainable basis. MFIs should charge interest rates and fees that are sufficient to cover their cost. Interest rate

ceilings and other restrictions on interest rate impede the development of Microfinance on a sustainable basis.

c) MFIs require loan-linked deposits or compulsory saving deposits as a condition to receiving a loan. Such compulsory savings requirements are an integral part of Microfinance. MFIs should therefore be permitted to impose compulsory saving requirements.

d) Microfinance is an inherently costly activity, and if it is to be sustainable, interest rate on micro loan must be higher than on other loans. Interest rate ceilings on small loan should be removed or at the very least set at levels that are sufficient to able banks to operate Microfinance program sustainable.

Village bank methodology, which relies on self-selection by loan size and monitoring by frequent meetings, may not reach the poorest. Impact is larger on richer committee members rather than on rand-and-file members (Coleman, 2001).

Bolivian Microfinance organizations are relatively effective at reaching the poor but not the poorest and that other anti-poverty modalities need to be brought into play when attempting to reach the poorest. The achievement in Microfinance is noticeable in comparison to other nation (Mosley, 2001).

Political empowerment of Microfinance clients, in terms of participation in political mobilization or running for political office, is not well documented. However, there are many instances of such occurrences. Women clients of Opportunity Microfinance Bank in the Philippines have been elected to the local government. CRECER in Bolivia, CSD in Nepal, Grameen and BRAC in Bangladesh, and World Education, all report clients running for local government office and being elected. FORA in Russia organized a campaign for democracy in the Russian elections. Members of both SEWA and the Working Women's Forum in India have organized to get better wages and better rights for informal women workers, to resolve neighborhood issues, and to advocate for legal changes (CGAP, 2001).

observed that results of the Freedom from Hunger studies in Bolivia and Ghana indicate that program participation led to increased self-confidence in women and improved status within the community. Participants in Ghana played a more active role in

community life and community ceremonies, while participants in Bolivia were actively involved in local governments (Barnes and Carolyn, 2001).

Average income increase rises for MFI's (SEWA, India) clients in comparison with control group. Little overall change in incidence of poverty, but substantial movement above and below poverty line (Chen and Snodgrass, 2001).

Different scholars defined microcredit differently; the definition of microcredit that was adopted in the Microcredit Summit held in Washington, D.C., 1997 is that microcredit programs extend small loans to very poor people for self-employment projects that generate income, allowing them to care for themselves and their families (Grameen Bank, 2001).

A similar result in terms of rationing micro credit in favor of better-off groups or members is found in a study of six villages in Vietnam. There, whilst credit availability is linked with production and income, household economic position and prestige in a village plus the amount of credit applied for are the main determinants of how credit is allocated (Doung and Izumida, 2002).

MFIs and other MF providers have expanded their outreach from a few thousand clients in the 1970s to over 10 million in the late 1990s. The poor, especially the women, have emerged as creditworthy clients, enabling MF service delivery at low transaction costs without relying on physical collateral. It has strengthened the social and human capital of the poor, particularly women, at the household, enterprise and community level. The expansion of the outreach of savings services has a potentially significant impact on both institutional sustainability and poverty alleviation (Shrestha, 2004).

A member of MC has been recognized by the cooperative members that, women are more responsible managers of household finances and are disciplined. Beside economic gains, women also acquire other various skills by joining the microcredit groups (Shrestha, 2004).

Microfinance can be used for various purposes based on the priority of needs and thus productive opportunities can be made available to generate income. Evidence suggests that microfinance increases which previously forced poor people to sell their productive assets i.e., land, livestock etc. It helps to improve the management of

consumption requirements over the year in order to maintain adequate levels of food intake (Mitchell, 2004).

Major reason behind women managing the committee is that female members are more reliable credit clients and better co-operators than males. Microcredit program have brought positive change in women's participation and found greater potentialities of leadership development and increase in decision-making capability (Khanal, 2007).

Microfinance has been playing an extensive and far-reaching role for poor people in the less developed countries for the decade. Widespread evidence from research around the world has proved that microfinance is an effective and innovative tool for alleviating poverty UN, (2010), further stated, UN Secretary General calls it "a critical anti-poverty tool for the poorest, especially women" (Thakuri, 2010).

Consequently, microcredit is playing a significant role in eradicating poverty, social development, women empowerment, household economic development, and livelihood diversification (Dhakal, 2010).

Microfinance programme through DDC kaski is for minority people. The programme is using fund from different way and collecting different way. The majority of participants of microcredit programme are investing their loan in agriculture. Majority of people of Tripathi's research agree that they are able to increase their living standard after investing the loan in agriculture. It mean that, microfinance programme is more likely programme in poor people because they don't have to deposit any collateral for loan purpose and interest rate also low so they are getting more benefit. He further stated that, the programme has made positive impact on people living standard by generating employment and increasing productivity are most important and effective programme is to the basis to uplift the economic condition of poor people (Tripathi, 2011).

The word cooperative indicates to be united and work together for the welfare of a group of people involve in a community. "Co" stands for together and "operative" for working. Hence, we can say that the actual meaning of cooperative is living together, thinking together and working together for the mutual benefits of the members. Thakuri also said that the cooperative do not have any relation with the property of a member holding a lot of land and all these things but only have the relation or concern with the

capacity, knowledge and skills of doing some business for the benefits to the group or community where s/he is involved. So it can also be said that cooperative is a method of doing common business with the help of knowledge and skill of the member of the cooperatives, which made a grand support to the group members concerned to the cooperatives (Thakuri, 2010).

Mallik (2002) stated that, empirical studies give strong evidence supporting that, although micro credit has had a positive effect on national development, it has failed to reach the poorest of the poor. Microfinance initiatives have been attacked by heavy criticism regarding high interest rates, exploitation of women, loan repayment, unchanging poverty levels and failure to effectively cater for the target groups. This is a result of lack of understanding of the specific nature and characteristics of the rural economy and of different patterns in poverty dynamics (RUFIN, 2004). Microcredit alone is not necessarily the best way to help the poorest of the poor (Dhakal, 2010). Furthermore, many microfinance operators have adopted the attitude that simply providing microfinance services will be an ineffective treatment for development problems, thereby ignoring the specific circumstances of the target population and society in general (Thakuri, 2010). Similarly, Dhakal (2010) points out that, if the objectives of achieving financial sustainability and serving the poor contradict each other, it is likely that sustainability will be sacrificed.

Mayoux (1998) in his study, microfinance is a tool used to improve the quality of life of people with limited access to permanent financing. That's why, development NGOs and other social organizations have adopted microfinance programmes as a core component in their development interventions in several countries in Africa, Asia, Latin America and elsewhere (Khanal, B. 2007). The first and foremost objective of microfinance has been outlined as being poverty alleviation. Bashyal, (2009), agrees that, it is generally believed that microfinance programmes will raise incomes and broaden financial markets by principally providing credit, among other services, to small-scale entrepreneurs.

### **Impact of Microfinance Activities in Nepal**

Three studies have been undertaken on the impact of micro credit in the country in the recent years:

GTZ and ADB/Nepal (2001) "A decade of pro-poor Institutions Building in Nepal-Innovations and lessons Learned from the Small Farmer Cooperatives Ltd. (SFCL)" Concluded a systems approach, vision and peoples ownership have been identified and reconfirmed as important prerequisites of a successful program approach. Finally, they suggested ten points, which are as follows:

- Building sustainable, pro-poor institutions, particularly in the field of rural finance, is an excellent vehicle to fight poverty.
- The process of institution building has to be guided by a vision to be shared by all the stakeholders and should be truly based on the ownership of the people.
- Views and insights gathered elsewhere are not to be treated as "holy cows". They can be overrun by own experiences based on a special situational context.
- Multipurpose cooperatives might have competitive advantages over single purpose cooperatives, depending on the environment they are operating in.
- Early refinancing of self-help organizations may work, provided the self-help spirit is intact the motivation and interest in keeping up the institutions is there.
- Cooperation with a strong government partner works that provided the long-term partnership is really built on trust.
- Successful institution building programs will trigger social and economic changes in the villages, which will go far beyond providing, advanced financial services only.
- Building vertical or apex structures is a pre-requisite for long lasting success, but only if these structures provide appropriate and economically sound services and if they are firmly supported by the primary institutions.
- In terms of crisis and armed conflict, good local leadership and management are of particular importance to the survival of grassroots organizations.
- Building sustainable grassroots institutions needs time and is in an ongoing process. Results will not come overnight. Donors wishing to support institutions should have at least a medium term perspective of 5 years.

A study attempts to analyze the extent of the access provided, and the generation of employment opportunities by the formal and semi-formal Microfinance institutions on the basis of secondary data. The study also identifies the problems faced in attaining



financial sustainability of Microfinance institutions and suggests a series of recommendations to be adopted by the government, NRB, commercial banks (CBs) and MFIs (Sharma, 2003).

The study shows that as of mid-January 2003, a total of Rs. 20,366 million micro credit was disbursed to 716 thousands micro entrepreneurs for agricultural activities, micro entrepreneurs, petty trade and service activities. The outreach of micro finance program is estimated to be 44.3 percent using the poverty figure of 38 percent. The author is of the view that the number of MFIs in Nepal is not adequate to cater to the financial needs of the poor households. The suggestions forwarded include (i) encouraging people in establishing new MFIs (ii) strengthening the capital base and institutional capabilities of the participants in the Microfinance market, (iii) creating an enabling environment for MFIs to expand service area, (iv) cutting down social and service delivery costs, (v) promoting growth and (vi) reduction of government intervention in GBBs.

### **Poverty definition and features:**

Poverty is global phenomenon. It is complex and multi-dimensional societal problem. Poverty exists in almost every country in the world except of highly industrialized countries like: OECD countries with difference only in its extent. Poverty is domain but unfortunate aspects of human life in most of the developing countries. To identify the poor in quantifiable terms, a poverty line dividing the poor from the non-poor is used by putting price on the minimum required level of food, clothing, shelter, and fuel and so on. Thus the poverty line is the minimum level of income required to achieve an adequate standard of living in a given country. The estimates of incidence of poverty vary widely in the region, depending on the concept of poverty and its method of measurement.

### **What is poverty?**

Many economists, institutions and social workers had defined poverty different ways. In social terms, "Poverty commonly is defined as insufficiency of basic needs" (Roach, 1972). Basic needs are the necessities that all human beings must have: food and water, shelter, clothing, education, medical care, security, etc.

While in conventional economic terms, poverty can be viewed as lack of money. It is about not having enough money to meet basic needs including food, clothing and shelter. It is the situation of having insufficient money to purchase those basic necessities. However, poverty is much more than just not having enough money. Poverty has various causes. It exceeds all social, economic and political boundaries. Thus it is an issue which needs everybody's attention.

According to World Bank as in World Development Report 2001/02, "Poverty is more than inadequate income or human development-it is also vulnerability and lack of voice, power and representation."

### **Relative poverty and Absolute poverty**

There are various statistically defined methods to measure and quantify poverty. The simple methods often used to define poverty are relative poverty measurement and absolute poverty measurement (TQT, 2006). The relative poverty approach defines poverty relative to appropriate comparator groups while an individual may have more than enough income to sustain life, which may be very low compared to the rest of the community. The relative poverty arises due to the unequal distribution in income. Relative Poverty measurement is the simple way to determine the extent of poverty in individual countries as in this method, the entire population of a country is ranked in term of income per capita (TQT, 2006). It is the condition of having less income or resources than others within a society or country, or compared to worldwide averages.

Absolute poverty measures set a 'poverty line' at a certain income amount or consumption amount per year, based on the estimated value of a 'basket of goods' (food, shelter, water, etc.) necessary for proper living. The line is drawn on the basis of minimum nutritional requirements which are measured by first measuring the minimum food requirements of the community. The income or consumption of people is another measurement of the absolute poverty (TQT, 2006). The most commonly used definition of global poverty is the absolute poverty line set by the World Bank. Poverty is set at an income of \$2 a day or less, and extreme poverty is set at \$1 a day or less. The World Bank's long-held estimate of poverty of the number of people living on the equivalent of \$1 a day has now been changed to \$1.25 a day (Shah, 2010).

Poverty also characterized by lack of participation in decision making in social and cultural life. These are all costs of being poor. Those people who are barely able to pay for food and shelter simply can't consider these other expenses. When people are excluded within a society, when they are not well educated and when they have a higher incidence of illness, there are negative consequences for society. We all pay the price for poverty. The increased cost on the health system, the justice system and other systems that provide supports to those living in poverty has an impact on our economy (WB website).

**Approaches to poverty mitigation:**

There are no end of debates about the very question of poverty and the approaches to alleviation. And along with these debates, there are also the different theories and the models. Various government and non-governmental agencies are pursuing those in practice. But poverty still remains, as it were, the most incomprehensible problem before the development thinkers and the practitioners of its various theories and models (Syed and Aban, 2010).

Poverty is not purely an abstract, economic issue. On the contrary, she considers it as an issue related to human rights. She thinks if the poor are empowered enough, they would be able to take their own decision on how to lift themselves out of the trap of poverty (Khan, 2009).

In her book titled, "The Unheard Truth: Poverty and Human Rights," Khan asserts that deprivation, insecurity exclusion and powerlessness that characterize a poor person's life have their origin in the denial of human rights they are entitled to. So, according to her, the first thing to do is to empower the poor person and enable her/him to assert that right. This is no doubt a novel way to approach the complicated question of poverty. Khan identifies this critical component of the whole gamut of issues that constitute poverty and stresses that it should be taken into account before devising a proper strategy to fight poverty effectively. Thus, while talking about poverty, human rights also come. Everyone has the right to a standard of living adequate for the health and well-being of him/herself and his/her family, including food, clothing, housing and medical care and necessary social services.

Income and associated with increases in saving, investment and asset accumulations. Clients have alternative sources of financing and need not to depend upon money lenders. Comparatively the borrowing was possible at low rate of interest (Sharma, 2011a).

Increasing overdue loans of the MFIs requiring them to making sufficient funds provisions for bad and doubtful loans have caused high cost of operation and decreased profitability. Poor targeting of clients, inadequate training to staff and improper and weak supervision and follow up system of MFIs have led to increasing default by clients threatening the conviction that the poor are bankable (Sharma, 2011a).

MFIs have been running in profit and have achieved operational self-sufficiency. They are geared up towards attaining financial self-sufficiency as well. But they have been heavily depended on external sources such as RMDC and commercial banks for financial resources to meet the loan demands of their clients. They receive wholesale loan from commercial banks (CBs) under deprived sector allocation. However, in case of deprived sector is phased out, they may not receive loans from them at lower rate. Hence, it is a challenge for them to identify and tap financial resources that would be regularly available to meet their needs (Sharma, 2011a).

Some challenges in the book, "Impact of Microfinance of Women Empowerment" are given below (Sharma, 2011b).

- Difficulties in expanding microfinance programming into hills and mountains of Nepal has been one of the major challenges in the country due to the lack of local financial institutions and the unwillingness of large MFIs to existing their operations in those areas. The few existing local cooperatives do not have adequate institutional capacity or governance to expand outreach considerably;
- Rural and remote areas, where most of the poor population resides, have limited physical infrastructure and economic opportunities for the people, microfinance operations cannot flourish in such areas. The government should get involved to actively develop the basic infrastructure required for improving agriculture and local economy.

- The ultra-poor, the marginalized castes (dalits and janjatis) and the destitute are still excluded by the existing microfinance programs even in the Tarai regions where microfinance programs are concentrated. MIFs need to focus on their services to these vulnerable groups urgently.

In Sharma's book he concludes as: There are many microfinance institutions (MFIs) cropped up in recent years. Most of them are concentrated in areas which have easy proximities in market and also have high density of population. They have not been able build up right approach to outreach the neediest downtrodden masses.

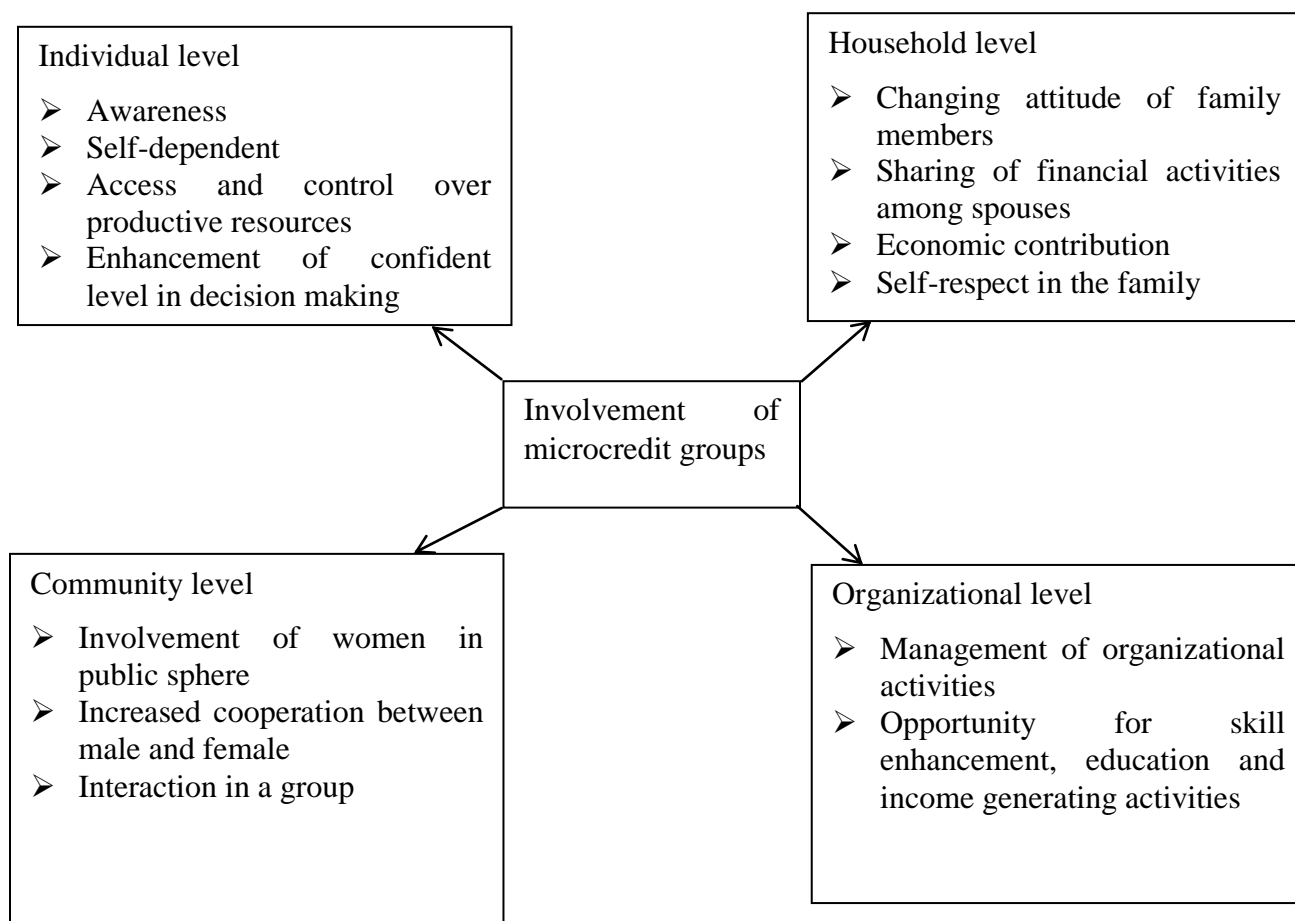
Microfinance industry promotes the dual objectives of sustainability of services and outreach to the women and poor. When deciding to fund specific MFIs, donors and other social investors in the sector consider both objectives, but their relative importance varies among funders. Furthermore, many practitioners, donors and experts perceive a tradeoff between financial sustainability and depth of outreach, although exact nature of tradeoff is not well understood. On the basis of this research study the followings recommendations are made to improve microfinance services for substantial contribution on poverty reduction and sustainability of the MFIs.

#### **Government's attempt for Poverty reduction:**

Poverty alleviation Programme is the priority of Nepal government. Poverty reduction is overriding goal of development plans and policies in Nepal. But though the continuous efforts through large number of Programmes and projects to alleviate poverty, poverty has not been reduced significantly in the country. Poverty is more widespread and deeper among women, indigenous group and Dalits living in backward areas, particularly in mid and far west hill and mountain districts (NPC/UNDP, 2004).

Country's economic and social development is not possible unless employment creation, resource generating activities, and economic self-dependency Programmes are not implemented effectively. NGOs in Nepal are working side by side with government in promoting micro-credit projects, rural bank, skilled education and employment Programmes, fair trade, skill enhancement of women, agriculture and livestock, and other economic activities, running campaigns for rights on resources, and have received some successes, as well.

**Figure 1. 1**  
**Conceptual Framework**



*Source: Literature reviews*

### **Modalities of Nepalese microfinance sector**

Micro-finance programs are set up and accelerated in Nepal with diversified methods and modalities. They are deprived vs private sector modality, gender based modality, project based modality, wholesale lending based modality, community vs deprived sector based modality, etc. The micro-credit programs such as PCRW, MCPW, GBBs Replicates, etc., fall under gender based programs while the programs come under project based micro credit programs.

Lack of market for products and very limited economic activities due to low density of population have posed problem to the financial institutions to expand their operation in the remote hill and mountains. Lack of alternative to subsistence farming is

also hindering microfinance services in these areas. Moreover, market for the agricultural products is constrained due to high transportation cost (Sharma 2011b).

The overall impact seems to be satisfactory in both ecological belts. Ecologically, Terai shows a relatively greater change in family relationship and domestic violence. Independence and authority in Teria also increased in higher proportion as compared to the Hill. It shows the program has generated better impact on Terai-belt. It has statistically confirmed that the calculated chi-square value of Terai was 8.26 as compared to Hill 4.62, on which table value is 7.815. The result shows the change is statistically significant at Terai but not in the Hill (Sharma 2011b).

### **Research gap**

From the above literatures researcher concluded that, there were various studies were done in Nepal in the related topic of "Micro-finance". Most of the researcher found that "microfinance plays vital role for rural people in poverty alleviation". All the above research identified about the effectiveness of Micro Finance Credit Programe and Co-operative. For the analysis of "impact" on "poverty alleviation" of this proposed cooperative was not studied previously. So this study was most important.

This proposed study was related with that cooperative which was very successful especially in the poor groups in Khairenitar VDC of Tanahun District, Nepal. It was prominent in micro credit user group context as the VDC comprises "Shree Khairenitar Women Development Multipurpose Cooperative Limited" which was fully managed by women with 11 management committee and 1280 women members managing 30 microcredit groups.

### **Rational of site selection**

Some rationales for the study area selection were as following.

- It represents the inclusiveness in micro credit program.
- This cooperative is awarded by the government for Best cooperative of the hill area of Nation.
- The area is the familiar to the researcher. The researcher knows some of the aspect of socio-cultural, economic and political situation of the place further,

being a member of same VDC. More than the site is near form the residential site of researcher, the project produce opportunity of low-cost field work.

- Moreover such type of study had not been carried out on Khairenitar VDC before.



# **CHAPTER III**

## **RESEARCH METHODOLOGY**

**Research methodology** is a way to solve the research problems systematically. This chapter 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, reliability of the study, analysis and presentation of the data and the limitation of the study. Research methodology employed in this study is presented below.

### **3.1 The Research Design**

The research design is an organized approach and not a collection of loose, un-related parts. It is an interrogated system that guides the researcher in formulating, implementing and controlling the study. Useful research design can produce the answers to the propped research questions. The research design is thus an integrated frame that guides the researcher in planning and executing the research works (Wolf and Pant, 2002)

This study was focused on the case study research design. Within case study design descriptive and analytical methods are applied. Study questionnaire were designed as per the research question and objective which fulfill the goal of the study, and survey conducted in Khairenitar VDC.

A house to house visit was made and the information was collected by interviewing the member of Microcredit group.

### **3.2 Study Population and sample**

The population for this study comprised all the members those are involve in cooperative. Altogether 1280 women formed 30 micro credit groups.

69 members were selected with a ratio of 18:1 using systematic random sampling. So that the members of the each microcredit groups can be represented by the sample.

### 3.3 Sampling Procedure

This study was based on Hill region of Nepal. Altogether 1280 women formed 30 micro credit groups. All MC groups are following the rule of cooperative and total members were involving in the program. Below given formula was used for calculation of Sample size.

$$n_0 = \frac{t^2 pq}{d^2} \dots\dots\dots(i)$$

Where,

t = Abscissa of normal curve (1.96)

p= proportion of sample on population estimate

q= 1-p

d= margin of error (degree of error) 0.05

$$n = \frac{n_0}{1 + (n_0)1/N} \quad \text{And,} \quad \dots\dots\dots(ii)$$

Where,

n = sample size

N= Population is 1280 which is the number of microcredit groups managed by the cooperative.

The study follows probability sampling method. It is believed that the total numbers of members are fixed and it is 1280.

Calculate sample size used 95% confidence interval for p that is expected to be about 50% (0.50) with a margin of error (d) no more than 0.05

To attain margin of error d = 0.05,

p = 0.50 (to obtain a sample that is big enough to ensure precision)

t= Abscissa of normal curve (1.96)

$n_0=72.99$  (after putting the value on formula)

putting the value on 2<sup>nd</sup> formula

n=69 (Which is our sample size) with 0.05 degree of error.

### **3.4 Nature and Source of Data**

Both primary and secondary sources of data were used in this study. The secondary data were collected from documents, reports, journals. Primary data were collected from interview with individual members of microcredit groups, key informants and management committee personnel.

### **3.5 Data Collection techniques and tools**

Primary data were original data gathered by the researcher expressly to solve the problems under consideration at that time. Those data had not been previously collected or assembled for any other known project. Primary data were collected by the researcher himself; in short, the data which are used in this study are not previously used in any study.

The primary data were gathered by applying the following research techniques: household survey: focus group discussion: observation: key informant interview:

### **3.6 Method of data analysis**

The collected data were analyzed by using computer software like Ms-excel, Word, SPSS than the report is generated. The information collected from the field study was processed manually. The collected data were obtained from the scheduled questionnaire was edited, coded, tabulated and classified according to the objective of the study. Collected data were enter in the SPSS 13.0 version. After entering of data in SPSS, the data were analyzed by using various statistical and mathematical tools like frequency distribution; cross-tabulation and percentage analysis were carried out under descriptive analysis. The indicator of economic empowerment and social empowerment change in to ordinal scale of data to ratio scale to identify level of empowerment. After identification of economic and social empowerment through UN model of ratio scale, it was cross tabulated with various socio-demographic and socio-economic variables.

### **Validity and reliability**

Validity and reliable of this research study cannot be claimed in absolute terms of mathematical precision. To minimize possible errors like under, over counting and misreporting by respondents, certain measurements were applied:

- Validity and Reliability was maintained by pretest and necessary modification.
- Consultation was done with supervisors/guide/subject experts.
- Questionnaire was asked in simple Nepali language though it was prepared in English language
- A close report was developed with the respondents during the interview which encouraged the respondents, to help the researcher actively by providing the necessary information.
- Respondents were member of microcredit.
- Researcher oneself completed all forms and checked and rechecked. If any information was missing or doubtful, a revision was made for completion.
- Editing of the entered data was done very carefully which would help to maintain the data accuracy.

### **3.7 Pre-testing of the tool**

Pre-test of Questionnaires was conducted on 15% women of microcredit group.

### **Ethical consideration**

The purpose of this study was to give first preference to the respondent at the time of Interview. Data was collected with verbal consent not forcefully. The respondents were ensured of full confidentiality. All information belonging to respondents were kept confidential. The result was used only for the purpose stated in study. No information was published which break the anonymity of the respondents.

## CHAPTER IV

### DATA PRESENTATION AND ANALYSIS

This chapter contains two sections i.e., data presentation and analysis and major findings of the study. The parts of these sections are divided in socio-economic status, achievement and opportunity, level of satisfaction and working environment, and decision making and impact were analyzed.

#### 4.1 Data Presentation and Analysis

##### **Socio-economic status of the member of cooperative.**

Socio-economic and demographic background includes sex of the respondent, age structure, caste and ethnicity, educational status and type of family. Similarly, economic status of respondent also analyzed in this section.

##### **Caste/ethnic Distribution of the Respondents:**

One of the characteristics of Nepali culture is its caste system and different ethnic groups. Caste system is an important component of every society in Nepal. Every society is divided into various castes with a lifestyle of its own. In the same way Khairanitar VDC also has people from different ethnic groups and castes (Table 4.1).

**Table 4. 1**

##### **Caste/ethnic distribution of the respondents**

<b>Caste/ethnicity</b>	<b>Number</b>	<b>Percent</b>
Brahmin/ Chhetri	29	42.0
Magar	11	15.9
Gurung	6	8.7
Dalit	12	17.4
Newar	8	11.6
Kumal	3	4.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Dominant group of this VDC is Brahmin/Chhetri community which is 42.0% of the total studied sample. Similarly, the other castes are Dalit 17.4%, Magar 15.9%, Newar 11.6%, Gurung 8.70% and Kumal 4.3% only (Table, 4.1).

#### **Education and Work relation:**

Education affords the individual the opportunity to access formal, government or white color jobs. It equips the individual with the skills to read, write, record, receive training and seek information. The mentioned skills are very necessary when seeking a formal job. The formal sector is regulated and it has assured public pension. On the contrary, those without education had to be content with employment offered by the informal sector. The informal sector covers a wide range of enterprises including individual home-based processing and manufacturing, petty trading, and street merchants. In comparison with the formal sector, the informal sector enterprises are very small, labour intensive and make up apparently a large proportion of women (Macdonald, 1999).

**Table 4. 2**

#### **Educational status of sampled member of cooperative**

<b>Educational status</b>	<b>Number</b>	<b>Percent</b>
Illiterate	29	42.0
can read and write	9	13.0
Primary	2	2.9
Lower Secondary	9	13.0
SLC	7	10.1
Above SLC	13	18.8
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

In the studied VDC, among the total sample population, 42% population are still illiterate. Similarly, 18.8% of the sample women hold the education level above SLC, and other 13% lower secondary, 10% SLC and only 2.9% primary (Table 4.2).

### Marital Status of Respondents

Marriage is a social practice for the re-organizing of the society; it is important for the formation of new relationship with different group of society. In other words, marriage plays a vital role on the establishment of new and entrenchment of old social relationship. (Nukunya, 1992).

In Khairenitar VDC the studied area, women do not own productive resources like land. It is only men who have primary ownership of land. Women only have secondary ownership of land through marriage. Married women with children are more respected than those who are not in Nepal and in the Hindu culture as well as in the studied area. And to gain prestige in society, most women have to marry.

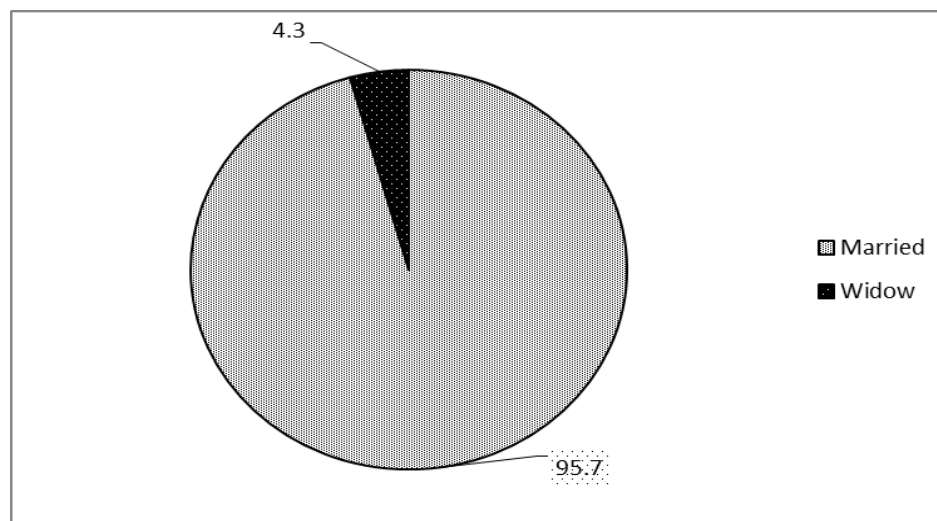
**Table 4. 3**  
**Marital status of sampled member of cooperative**

Marital Status	Number	Percent
Married	66	95.7
Widow	3	4.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

**Figure 4. 1**

**Marital status of sampled member of cooperative**



From the data trend in table 4.3, most (95.7%) of the women are married remaining and nominal that is, 4.3 percent female respondents were widows. Marriage in Nepali tradition is a social institution and highly cherished for social, economic and sociological reasons. So girls who get to the age of 18 are mostly required to marry in order to fulfill their reproductive roles. In this cultural community, the unmarried are often shunned, making marriage looks as if it is compulsory.

### **Type of Family**

The old Nepalese family (joint family) consists of father, mother, grandparents and children, and they lived under the same roof and shared same food and earnings. Male members earned income and women did the domestic activities like cooking by sharing among the females.

Due to development of technology and capitalistic concept, Nepalese family has moved towards the concept towards of nuclear family where there exist father, mother and just their children. In the joint family, the younger generation learned to live disciplined life and got the knowledge about the culture and tradition of our country from the older generations but in nuclear family, parents have to take care of their children with their own knowledge and earnings. So there is greater possibility of having children with minimum knowledge about the culture and tradition of own community and culture. In nuclear family, women have to do all the household tasks by themselves and also have to work outside to run their family. In this section we come to know the situation of types of family of studied area.

**Table 4. 4**  
**Type of family of sampled member of cooperative**

<b>Type of family</b>	<b>Frequency</b>	<b>Percent</b>
Nuclear	43	62.3
Joint	26	37.7
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*



Above displayed table 4.4 shows that, the people of studied VDC are more likely to stay in nuclear system of family management. Table described more than 6 out of 10 are nuclear family and 4 out of 10 are with their joint family.

### Situation of House-hold head

Nepalese society is patriarchal rather than matriarchal. The head of the family is a male member, father or grandfather or the eldest brother. The advanced and educated people prefer the single family to the joint family system.

**Table 4. 5**  
**Head of family of sampled member of cooperative**

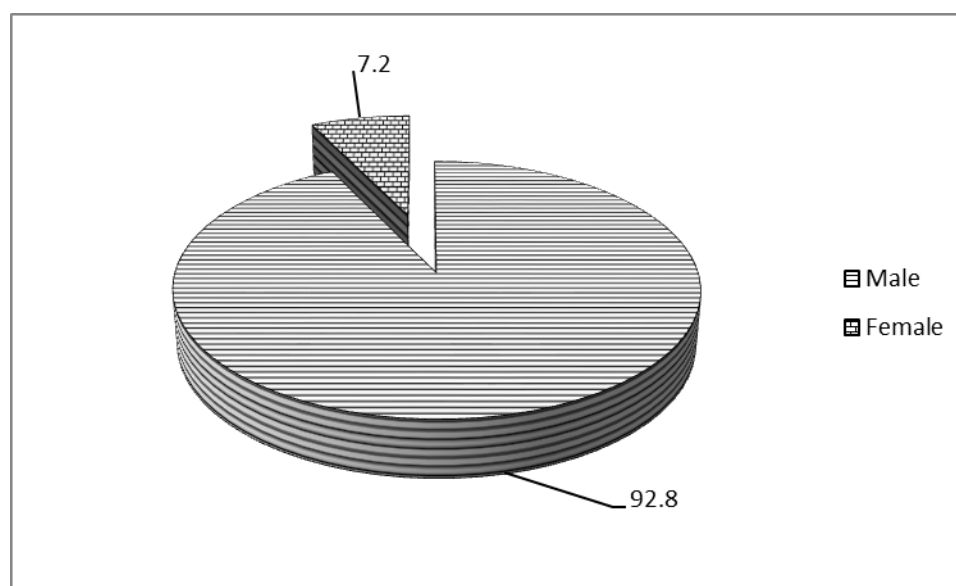
Head of family	Frequency	Percent
Male	64	92.8
Female	5	7.2
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Table 4.5, describes the situation of household head of the studied VDC. All most all (92.8%) house hold head are male, and remain 7.2% household head is female.

**Figure 4. 2**

**Head of family of sampled member of cooperative**



### Added assets

Adding assets is a concept in economics and accounting, it refers to any kind of real or physical capital (fixed asset) that is not used up in the production of a product and is contrasted with circulating capital such as raw materials, operating expenses and the like; such as land, buildings, vehicles, plant and equipment. In this section we analyze women of MC group what types of fix assets are added by them after joining MC group.

**Table 4. 6**

**Assets added by the income from the women's occupation.**

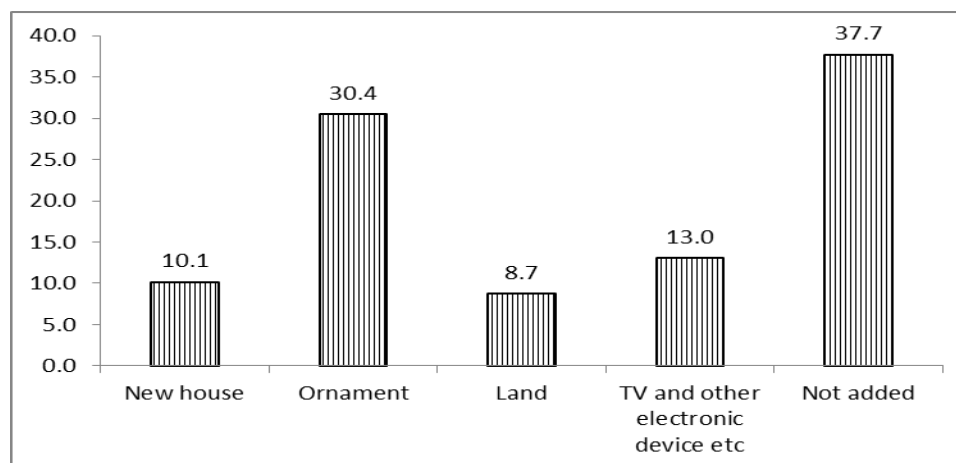
Types of assets	Number	Percent
New house	7	10.1
Ornament	21	30.4
Land	6	8.7
TV and other electronic device etc.	9	13.0
Not added	26	37.7
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Table 4.6, by the income of established business 37.7% women did not added any assets. 30.4% of women added ornaments; secondly 13% of them added TV and other electronic goods, 10.1% buy new house and 8.7% women added land.

**Figure 4. 3**

**Assets added by the income from the women's occupation.**



### **Increase of livestock**

The objective of this section is to examine the role of microcredit in the livelihoods of the livestock farming. It is evident from the study that livelihood improvement largely depends upon the selection of a viable project and wise use of the credit money. Below given table 4.7 describes how much the household able to increase the livestock for the betterment of income of household.

**Table 4. 7**  
**Increase in livestock after taking loan from MC (MR)**

<b>Animal</b>	<b>Increased</b>		<b>Not increased</b>		<b>Total</b>
	No.	%	No.	%	
Cow	23	33.33	46	66.67	69
Buffalo	66	95.65	3	4.35	69
Goat	67	97.10	2	2.90	69
Ox	27	39.13	42	60.87	69
Pig	5	7.25	64	92.75	69
Other	67	97.10	2	2.90	69

*Source : Field survey, 2013*

Most of the women (97.10%) increased number of goat because, it is easy than other livestock; secondly (95.65%) increased buffalo, 39.13% ox, 33.33% cow and least number of women increased the pig farming i.e., 7.25%. In the contrary, table described that, interest of increasing pig, cow and ox is lower, the reasons pig farming is not acceptable for all caste people, milk of cow is not sold in market with comparison of buffalo similarly ox too not use in all month of year (Table 4.7).

### **Access on communication and information services**

The world is in the midst of a communication and information revolution, complemented by an explosive growth in knowledge. Information and knowledge have become a factor for societal and economic development, as generic technologies, information and communication technologies permeate and cut across all areas of economic, social, cultural and political activity. In this section we discussing about the technology of communication and information using by the women of MC group.

**Table 4. 8****Added type of communication / information services**

<b>Services</b>	<b>Frequency</b>	<b>Percent</b>
Radio/ cable service	35	50.7
mobile / telephone	24	34.8
newspaper/ post box	10	14.5
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Half of the member have added radio and cable services, more than one third (34.8%) have added mobile and telephone too and 14.5% added and used the facility of information i.e., newspaper and post box (Table 4.8).

### **Achievements and Opportunity of the Member of the Cooperative**

Microfinance institutions represent one such mechanism to increase both capital accumulation and savings despite a low initial level of both in a saving trap model. They can offer incentives to save through different channels. MFIs can direct their clients' saving behaviour through the provision of microcredit and small loans which positively affect disposable income and hence savings. Also, a way to achieve positive and increasing savings and/or saving rates is to guarantee the opportunity to save within a secure environment provided by an MFI's authority. The image of a microfinance institution produced by experience can increase local trust, which can enhance the willingness to accept credit and therefore promote savings, as well. If these factors (and first and foremost microcredit) have a significant effect on savings, then microfinance institutions do contribute to development within a country (The Norwegian Nobel Committee, 2006).

### **Reasons for the women to join Microfinance Programme**

By the interview, it is known that the family heads of the participating women are most farmers. Income from this farming is not enough to support their family expenses. The expenses are also on the rise. So, the family heads want the female members to join such income generation Programme.

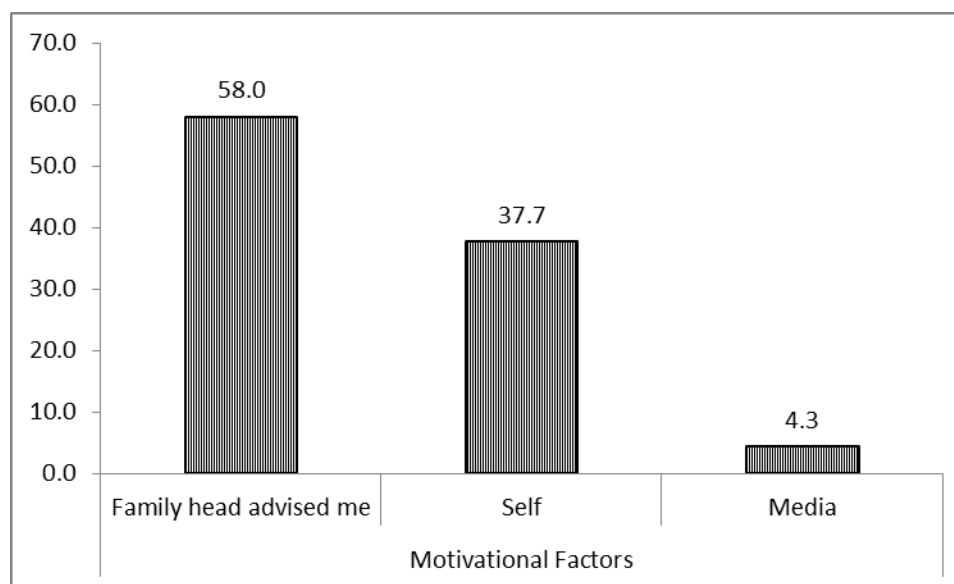
**Table 4. 9**  
**Motivational factor for joining the programme**

Motivation factors	Frequency	Percent
Family head advised me	40	58.0
Self	26	37.7
Media	3	4.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

**Figure 4. 4**

**Motivational factor for joining the programme**



When asked with the family members, more than half (58%) family heads during interview said that they themselves encouraged the female members, particularly the mothers to join the Programme. During interview, the participating women said that they don't want to sit idle at home. Most of the participating women have grown up children who can manage themselves, or there are senior people in the family to take care of the children. Similarly, around 38 percent of women self-motivated to join the Programme because they felt that they need to do something for the family and they can earn income. Whereas 4.3% women say that come to know about the programme by media (Table 4.9, Figure 4.4).

**Table 4. 10**  
**Opportunity after joining MC group.**

<b>Type of agree</b>	<b>No.</b>	<b>Percent</b>
Yes	34	49.3
No	34	49.3
Some how	1	1.4
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

While we talk about the opportunity, table 4.10 describe half-half (49.3%-49.3%) women think after joining MC group they are getting opportunity and half think they are not getting any opportunity, while one member think somehow she is getting opportunity.

#### **Training arranged for the member of Microfinance**

About the motivation of the participating women in the Programme, most of the women suggested that, the women should be given education opportunity supported by various types of skill-based trainings. They should not only be limited within household chores rather they should be given opportunity to work hand in hand with the society. Now-a-days the women want their voice to be heard in the family and outside. They don't want to depend in all respects on the decisions of others. It is no more like that the women is remain engaged in household works only.

#### **Training Programme conducting by MFI**

Microcredit has evolved over the years and does not only provide credit to the poor, but also now spans a myriad of other services including savings, insurance, remittances and non-financial services such as financial literacy training and skills development programmes; microcredit is now referred to as microfinance (Armend and Morduch, 2010). Accepting the emerging issue and key feature of microfinance studied MFI has been the arranging targeting to the women, in the result they perform better as clients of microfinance institutions and that their participation has more desirable development outcomes.

**Table 4. 11**  
**Participation on the trainings**

<b>Participation</b>	<b>No.</b>	<b>%</b>
Not participated	18	26.09
Yes, participated	51	73.91

*Source : Field survey, 2013*

Among the women member of microfinance, majority of them, 74% had asserted that they joined the training by themselves. Little more than one fourth of them (26.09%) didn't join any training programs because of time constraints and family members.

**Table 4. 12**  
**Trainings for the members of programme**

<b>Trainings</b>	<b>Frequency</b>	<b>Percent</b>
Animal husbandry	16	31.4
Vegetable farming	29	56.9
Gender awareness	6	11.8
<b>Total</b>	<b>51</b>	<b>100.0</b>

*Source : Field survey, 2013*

All of them are from farmer family so they need training related farming. Most of them 57% participated in vegetable farming training, secondly 31% participated on animal husbandry training programmes, and few of them participated in gender awareness programs too i.e., 12% (Table 4.12).

#### **Level of satisfaction and working environment of the programme**

The following table 4.13 displays the view of respondent about their level of satisfaction with the working environment of management committee of MFI. This level of satisfaction women answered yes or no by evaluating the program of MFI on variables, procedure of loan taking, operational assistance, employment opportunity and reasonability of interest rate of micro credit. All the variables show the satisfaction level to be more than average level of satisfaction.

**Table 4. 13****Level of satisfaction with MC programme**

<b>Level of satisfaction</b>	<b>Frequency</b>	<b>Percent</b>
yes	61	88.4
No	8	11.6
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

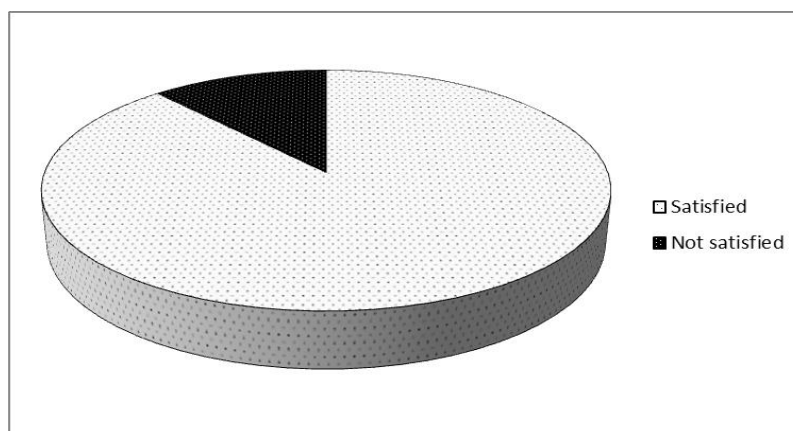
**Figure 4. 5****Level of satisfaction with MC programme**

Table 4.13 and figure 4.5, clearly shows that, majority (88.4%) of members are satisfied with the activities of microcredit programme, remaining 11.6% are not satisfied with.

**Table 4. 14****Working environment of MC**

<b>Working environment</b>	<b>Frequency</b>	<b>Percent</b>
Friendly	14	20.3
Helpful	38	55.1
Lack of Population	3	4.3
No new programs	14	20.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*



The question of feeling of working environment of MC groups and its members, more than half 55.1% answered they are helpful, 20.3% respondent answered that, the member of management committee are friendly and same time 20.3% of member says there is no new programs with the MC group. Similarly, few of them (4.3%) feel that still there is no sufficient member involved in the MC groups (Table 4.14).

**Table 4. 15**  
**Their activities as microcredit members**

<b>Activities</b>	<b>Frequency</b>	<b>Percent</b>
Providing training	1	1.4
Organizational activities	57	82.6
Management of organizational activities	1	1.4
Leadership Role	6	8.7
Total	65	94.2
Not answer	4	5.8
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

The respondents were asked the question "In which activities they are involving?". More than half i.e., 82.6% were answered they are involving in organizational activities, 8.7% of them plays a leadership role, one member of the respondent is involving in providing training and other one is involving in management of organizational activities. There were 5.8% member didn't answered the question (Table 4.15).

### **Situation of saving and credit of Member of the Cooperative**

It is important, that the women are generating the income by taking loan from the microcredit programme, participating in the different training programs. Following the training and motivations to work as it is hypothesized that women are earning income following their involvement in Income Generation Programme. As discussed with some women they could not involve in earning income works after training. In this section, earning after participating the programme and taking trainings from women was analysed in order to find out the average income per month.

### Loan amount taken by members

It is necessary to study for the purposes and amount of loan have been taken by the local people or demanding for it. According to the result of this study, they need credit for many different purposes in which credit for raising livestock and farming is the most common in the community. Besides, some households demand credit for purchasing farming machines to lease and serve their own production.

**Table 4. 16**  
**Loan amount taken by members**

<b>Loan amount</b>	<b>Frequency</b>	<b>Percent</b>
Less than Rs. 5,000	2	2.9
Rs. 10,000 to Rs. 20,000	7	10.1
Rs. 20,000 to Rs. 30,000	18	26.1
Above Rs. 30,000	28	40.6
Not taken	14	20.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Table 4.16 shows that, 80% members have been taken loan from microfinance. Many of them (40.6%) has been taken loan above 30,000. Similarly, 26.1% taken 20,000 to 30,000, few (10.1%) members have been taken 10,000 to 20,000 and very few 2.9% has been taken less than 5,000.

**Table 4. 17**  
**Use of loan by members**

<b>Using sector</b>	<b>Frequency</b>	<b>Percent</b>
Started own business	12	17.4
Child education	12	17.4
Invested in agriculture	26	37.7
Invested in animal husbandry and cattle farming	19	27.5
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Accepting loan from MFI's is not a big deal but using it for earning money is more important so 37% of loan takers used their money in agriculture, 27.5% used for animal husbandry and cattle farming. Similarly, 17.4 percent for starting own business and same number of member used loan for child education (Table 4.17).

#### **Effect of microcredit on women's income:**

Obtaining skill and utilizing it for income generating activities are two different things. Once the women get training, they can use it as daily skill worker for other organizations, can use it occasionally at home or can establish self-business. It is generally agreed that having skill and proper use of capital can make profit. Following table describes what amount of profit earning by the women after training and establishing of their own business.

**Table 4. 18**

#### **Effect of microcredit Programme on women's income**

	<b>Before joining MC</b>		<b>After joining MC</b>	
	Number	Percent	Number	Percent
No earning	11	15.9	5	7.2
Up to 1500	15	21.7	5	7.2
1500-3000	34	49.3	40	58.0
3000 - 5000	8	11.6	3	4.3
above 5000	1	1.4	16	23.2
<b>Total</b>	<b>69</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>

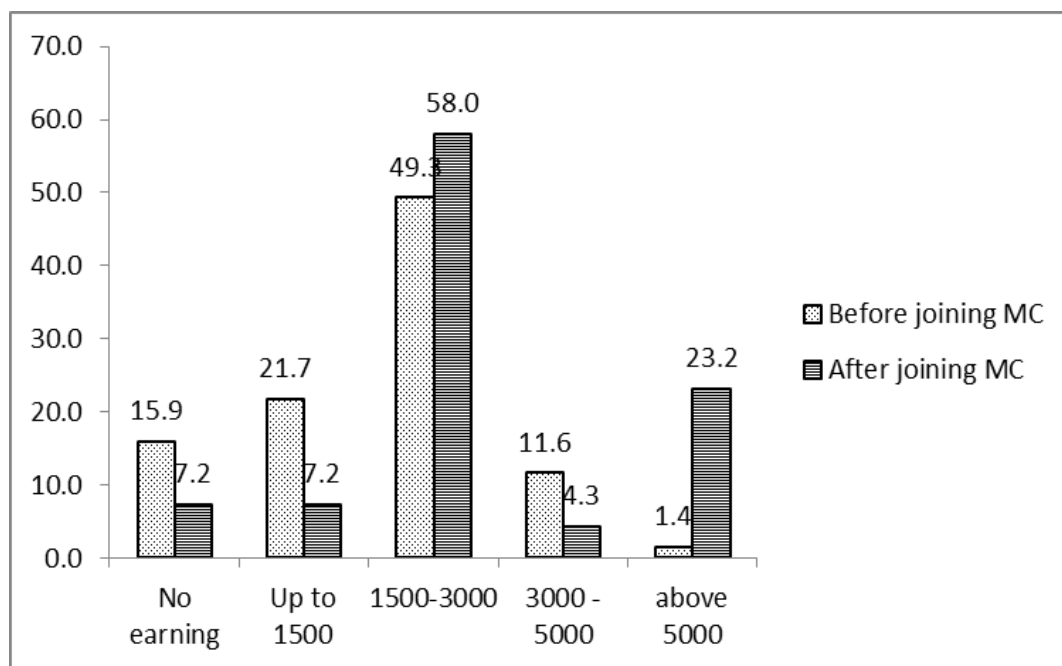
*Source : Field survey, 2013*

Following the skill training and sufficient amount of money, most of them were engaged in small but regular and formal business and works related to their skills. Some of the participant women i.e. 16% did not earn anything before joining the MC. Rest of them 84% of total participants have agreed in their business that they had increased some earnings. The MC Programme has added an income up to NRs. 1500-3000 to 58% of the women followed by 23.2% of women added income of more than 5000, few of them

7.2% of women remain who earning up to 1500. Since some (7.2%) did not work or involve in income generation related works. Similarly, 4.3% of women remain in earning group 3000 to 5000 (Table 4.18).

**Figure 4. 6**

**Effect of microcredit programme on women's income**



Thus generally, participation in the trainings and taking loan from MC Programmes had brought members new earning opportunities and, as a result, their income has increased. This shows the involvement of women in such Programme leads to rise in level of income.

The discussion presented below has explained how MC Programme has changed the income level of participating women. In this section the relationship between members of MC Programme, their level of Income and Empowerment has been discussed. MC Programme is found to be a tool for the poor women in the village, for whom a little increase in income means significant contribution to the personal and family causes. MC Programme adds a block to capacity building of earning by women. As there is rise in the level of women's earning, there are increasing concerns about the control over these incomes

**Table 4. 19**  
**Use of earned profit money**

<b>Using sector</b>	<b>Frequency</b>	<b>Percent</b>
Spend it in household expenditure	16	23.2
Save the money	31	44.9
Spend it in children's education	18	26.1
Spend for personal needs	1	1.4
Total	66	95.7
Not answered	3	4.3
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Table 4.19 shows that, majority 44.9% of women likely to save the earned money; secondly 26.1% of women spending earned money to their children's education, similarly 23.2% of women spending in household expenditure and least only one women answered that, she is spending earned money for her personal needs. Some of women (4.3%) didn't want to answer of this question.

### **Decision making**

Women's participation in decision-making at personal, household and MC group level is studied. To analyze women's participation in decision-making, various areas of decision making, both household (personal and family level) and professional are distinguished.

On personal level, the following areas are inquired: buying personal items, arranging recreational facilities and meeting with the people, decision making at family level, purchases is inspected. These areas largely correspond with Parvin, Gulsan, Ahsan, Reazaul and Chowdhury, (2004).

- Buying personal items: how much she can decide to buy the commodity she wants or needs.

- Arranging recreational facilities: how much changes she can record in entertainment facilities.
- Purchase: who decides in making small and big purchases in the family, where small purchases refer to oil, kerosene, soap, clothes etc., and big purchases refer to assets, furniture, lands etc.

### **Cooperation with male members of household**

The women following skill training under the MFI's, formed groups among themselves or joined the existing the savings and credit mobilization groups. The women save money at the same time, spend small amounts in the household. While interviewed, one woman said, she spends money for kids like their school fees, tiffin etc. In this section we analyze how the female feel their male members are cooperating with them.

**Table 4. 20**

#### **Cooperation from the male member of household**

<b>Type</b>	<b>Number</b>	<b>Percent</b>
Good	36	52.2
Ok	30	43.5
Not answered	3	4.3
<b>Total</b>	<b>69</b>	<b>100</b>

*Source : Field survey, 2013*

The researcher asked the question after your involvement with MC group how they feel the behavior of male member of household. There is no vast difference between who feel good behavior and just ok type of behavior i.e., 52.2% and 43.5% out of 69 (100%) and few of them 4.3% didn't want to answer of this question (Table 4.20).

### **Decision on utilization of women's savings**

In this study utilization of earned money by women and household decisions were usually made by the male member of the family. In this study researcher asked the women loan borrowers about who makes the family decisions and whether the males share with them.

**Table 4. 21**  
**Decision maker of women's saving**

<b>Decision of</b>	<b>Number</b>	<b>Percent</b>
Myself	22	31.8
Husband	34	49.3
In-laws	9	13.0
Children	4	5.8
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

For spending from their savings, the women mostly don't decide on their own. 68.2% of the women consult with their family members for their savings spending, while 31.8% of women can decide on their own how they would spend their money. 49.3% of women responded that their husband, 13% with In-laws, few of them 5.8% consult with their children members decide how to use saving spending. Women still need to negotiate or seek prior permission from their husbands or other male members of the family in order to dispose their savings (Table 4.21).

### **Impact Assessment and suggestions for the Programme**

The respondents were asked about the impact assessment and the suggestion, which were opined as follows.

**Table 4. 22**  
**Made change on members of MC**

<b>Change on women</b>	<b>No.</b>	<b>%</b>
Can handle family	30	43.48
Can talk at social meeting	21	30.43
Can handle women group (MC)	11	15.94
Decision took place	7	10.14
<b>Total</b>	<b>69</b>	<b>100.00</b>

*Source : Field survey, 2013*

After being member of MC and participating on the various trainings, women find they have been changing on their behaviors. Table 4.18 describes that, majority of

women (43.48%) are able handle their family; in this section they are able to control investment on study of their child, decisions of schooling, decisions of business and livestock. Following it 30.43% of women feel they are being able to talk at social meetings (Water and road user committee and other social gatherings), 15.94% women able to handle the women group of MC. Few but not least 10.14% of women feel their decisions are taking place on every places either family or society or microcredit groups. In conclusion, we can say women are empowering themselves by involving in microcredit group (Table 4.22).

### **MC group vs. social evils and discriminations**

A social evil and discriminations (also called a social problem or a social ill) are the issue that relates to society's perception of people's personal lives. Different societies have different perceptions and what may be "normal" behaviour in one society may be a significant social issue in another society. Social issues are distinguished from economic and other social issues. Below mentioned table describe if there joining MC group change the perception of such social ill?

**Table 4. 23**

#### **MC group success in overcoming the existing social evils and discriminations**

<b>Options</b>	<b>No.</b>	<b>Percent</b>
Yes	12	17.4
No	10	14.5
Somehow	47	68.1
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

The women were involved in the studied microcredit program with the expectation that borrowing would increase their income and sustain self-employment. At the same time women want to make positive change on the social evils and discriminations, in this section we describe how much the programme able to make it. Approximately two third of women (68.1%) belief this programme is able to change somehow the society. 17.4% have full belief that the programme success in change the



thinking and social evils and discrimination in the same time 14.5% think the program have not power to change such evils of society (Table 4.23).

### **Level of satisfaction with MC program**

Whether participation does in fact reduce poverty and help increase income and employment on a sustained basis can be measured directly. Change in income is the direct and major indicator of microcredit impact. In this study, researcher assessed the impact of microcredit by measuring the level of satisfaction after being involved in the microcredit program. Here by asking if they are satisfied with the program is calculated grossly.

**Table 4. 24**

#### **Satisfied from the achievements that you get after joining MC group?**

<b>Level of satisfaction</b>	<b>Frequency</b>	<b>Percent</b>
Fully satisfied	34	49.3
Partly satisfied	26	37.7
Not satisfied	9	13.0
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Providing financial services to the poor is one of the many ways to help increase their incomes and productivity and make them self-reliant. The main purpose of the microcredit program is to help the poor become self-employed and engage in alternative income generation, thus reducing poverty. Being self-employed and economically rich and satisfaction with the program are different part, so in this study, researcher asked the individual microcredit borrowers about their level of satisfaction. Half of them (49.3%) answered they are fully satisfied, 37.7% have partly satisfaction and 13% of borrowers have not satisfaction (Table 4.24).

### **Having Bank accounts of MC members**

A bank account is a financial account between a bank and a customer. A bank account can be a deposit account, a credit card, or any other type of account offered by a financial institution. A fund that a customer has entrusted to a bank and from which the

customer can make withdrawals. In this section we analyze how many women having bank accounts and have knowledge of the system of banking.

**Table 4. 25**  
**Having bank saving account.**

<b>Accounts in other bank</b>	<b>Number</b>	<b>Percent</b>
Yes I have	40	58.0
No, I don't have	29	42.0
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

Table 4.25 describes that, more than half women are having bank accounts and they know knowledge of banking system, 42% women don't have any bank accounts but they know the banking system. Women who don't have bank account in other banks but they already open their own account in this studied MFI.

### **Changes in life style**

A lifestyle is a means of forging a sense of self and to create cultural symbols that resonate with personal identity. Here we discussing about the women feel the change upon their style of living.

**Table 4. 26**  
**Changes in life style after taking MC**

<b>Effect</b>	<b>No.</b>	<b>Percent</b>
Change in life style	56	81.2
No change in life style	2	2.9
Some how	11	15.9
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

There were most of the women (81.2%) feel change in their life style, 15.9% feel somehow change and few 2.9% thing they have no any change in their life style (Table 4.26).

### **Changes related to gender discrimination / Violence /social abuse in society.**

Women having little or no power in the home and violence against women are widespread in the rural societies of Nepal. The patriarchal ideology, i.e. women's absolute dependency on men, makes them vulnerable to violence and powerless in society. In this study it was revealed that most of the female loan borrowers (wives) were in a better position in their family than before entering into the microcredit program. The women explained that male members (husbands) of their family were more caring, and stopped or reduced verbal aggression and physical assault to them once they brought loans into the family, as compared to before. Microcredit can thus be used as a means of changing male attitudes and behaviors towards the women of their households.

**Table 4. 27**

#### **Changes related to gender discrimination / Violence /social abuse**

<b>Change</b>	<b>Frequency</b>	<b>Percent</b>
Yes (minimizes)	41	59.4
No (don't minimize)	28	40.6
<b>Total</b>	<b>69</b>	<b>100.0</b>

*Source : Field survey, 2013*

The table 4.27 shows that, 59.4% of women agree on there in the V. D. C., discrimination/ violence and social abuse with women has been minimized. Less than half 40.6% women answered no any minimization of discrimination/ violence and social abuse.

### **Suggestion and recommendations for the effective operation of MC group**

On the basis of qualitative type of question which was asked for the suggestions from member of microcredit, the following recommendations are found.

- Education related trainings should be conducted and it is important to make women more educated.
- Easy and fast service should be made.
- Loan amount should be increased.
- It is necessary to increase the number of member and type of training.

- New program should be introduced
- Saving amount should be increase
- Helping program for poor should be added.

#### **4.2 Major Findings of the study**

- MFI is Brahmin/chhetree dominated i.e., 42% and Kumal shows lower participation of 4.3% in the cooperative.
- Sixty percent women are literate, and 18.8% are above SLC.
- Approximately all women are married and 4.3% widow.
- Majority ( 62.3 %) of women live in nuclear family.
- Ninety two percent family had their head of the family is male.
- 62.3 % women added assets and same time they saved their money too, 30.4 % women added ornaments.
- By the loan, 97.1 % women likely to increase number of goat and 95.65 % increased buffalo because these animals are fast profit giving animals.
- Fifty percent women have access of radio/ cable TV as communication/ information service.
- Fifty eight percent women motivated by their family head i.e., male to join microcredit group.
- Forty nine percent women feel they are getting opportunity after joining MC group.
- Seventy three percent women participated on the training organized by cooperative.
- Fifty nine women participated on training of vegetable farming secondly 31.4 % participated in animal husbandry similarly 11.8% in gender awareness.
- Eighty eight percent women satisfied with the microcredit programe.
- Fifty five percent women feel working environment of microcredit member is helpful and friendly.
- Eighty three percent respondent are working for organizational activities.
- Forty percent women getting opportunity of taking loan above Rs. 30,000.
- Thirty seven percent respondent satisfied by investing loan in Agriculture sector.

- Before joining MC, 1.4 % women earning above 5000, after joining it increased to 23.2 % women earning this amount and 58 % women earning 1500 to 3000.
- Forty five percent women satisfied by saving their own earned money secondly 26.1 % women love to spend in children's education.
- Fifty two percent women satisfied because they feel there is good cooperation by male member of family while they working in cooperative.
- Forty nine percent women were used to ask to utilize their own savings with husband and one third 31.8 % makes decision by them.
- The impact of joining MC group, 43.48 % women able to handle family, 30.43 % can talk in social meetings, 15.94 % handle MC groups and 10.14 % agree on their decision took place in every places.
- Sixty eight percent women agree on somehow MC group success in overcoming the existing social evils and discrimination in the contrary, 17.4% says yes the program is success on such part of society.
- Forty nine percent women fully satisfied with the achievements that getting after joining MC group.
- More than half (58%) women having bank account for savings.
- Eighty nine percent women agree they feel change in their life style after joining cooperative.
- More than half (59.4%) of women agree there is change related to gender discrimination/ violence and social abuse.

## **CHAPTER V**

### **SUMMARY, CONCLUSION AND RECOMMENDATION**

#### **5.1 Summary**

This study is based on the information from the 69 households of Khairenitar VDC, Tanahu district, women member of Shree Khairenitar women development multipurpose cooperative Limited group which were practicing mobilization of saving and credit and other local organization like Co-operatives, microcredit, also practicing the same type of financing aimed at uplifting the socio economic condition of the rural people. This study has assessed the characteristics of rural people and their achievements and accessibility of microcredit. In addition to this, the study has explored the role of microfinance in poverty reduction and their empowerment.

A great majority of the world's population still reside in rural isolation confronted by problems such as poverty, disease, illiteracy, inadequate resources and such others. Incidence of poverty is higher in rural area as compared to the urban and semi-urban area Nepal. Therefore, reduction of poverty is the main challenge for the development of Nepal, and hence poverty reduction has been the main focused program in the past as well as present national development plan of the government. Improving access to financial services, especially credit, has been commonly viewed as a strong tool to fight poverty. Most of the rural people suffer from the problems of lack of Agriculture inputs. There is less savings and less agriculture capital. Due to the reason rise of rural agriculture sector through rural credit is one of the great steps towards the developmental activities in Nepal. The saving and credit mobilization group is one of the leading sectors to finance in rural sector. Therefore saving and credit mobilization group is being popular among the rural dwellers. It is providing financial credit and other social services to the credit needy people who want to earn something by utilizing the credit. It is providing different financial credit and other social services. It is one of the great contributions of such group to expand the group savings. It is a great initiation to mobilize the small

saving in rural area. Despite widespread rural poverty, the rural poor are able to generate their own savings.

All the group members are found interested to join such group, therefore 95% of households are joining the group, for it's another reason was also that the low interest rate and small amount compulsory saving facility. The groups in the study were primarily based upon the saving and credit. Group member found it easy to participate in the group because it is their local area and the groups were homogenous. Each and every member was involved in making group decisions. As the group members are from the same locality it is easier for the members to participate in monthly meeting. Rural people such participation in group has been found effective in exploring their potentiality, developing leadership capability and managerial skill. Most of the people in the study area are engaged in agriculture sector. Agriculture is the main source of income in the family and they do have small pieces of land which is not sufficient for their livelihood. So they have to depend upon other sources of income also. Most of them have invested the money in agriculture and animal husbandry as this is their main occupation. Some of them have used it in establishing their own business. Similarly, there is a lack of adequate technical services in the areas of agriculture and livestock.

Microcredit group in itself does not promote any kind of business activities among the members but MC provides the loan to the member and they can start their own business. The investment of loan is done on an individual basis. It has been noticed that microfinance group role in promoting its members for new area of investment is very much needed in rural context. Moreover micro credit to the poor helps in economic empowerment which improves socio-economic condition of the community people. During the time of research talking with women members, women without money do not have the freedom to make their own decisions and do as they want. Due to economic dependency they have to face problems like domestic violence, psychological domination and no decision making power in the family. Therefore microcredit practitioner group has been found as one of the best models for poverty alleviation of rural people by providing financial security and only then socio economic development becomes possible.

The cooperative is Brahmin/chhetri dominant, most of members are literate and among literate their level of education is above SLC and all of them are married and few

of them 4% are widow. The member are likely to stay in nuclear family, household head are male.

Member of the cooperative join the MC group because their family head advised them where as head of family is male so male member are supporting them to join and work with cooperative. Three third of women participated in any kind of training program and most of them participated in vegetable farming and secondly animal husbandry by the various type of programs the member are satisfied with the cooperative and they find the management committee members are helpful and friendly similarly, the respondent are actively participating in organizational activities.

Regular saving a small amount of money, from this saving taking loan, starting business, making profit are the activities of women of cooperative. Women are more likely to take loan above Rs. 30,000, this amount they invested in agriculture, animal husbandry and cattle farming, started own business and some of them invested in child education. Majority of women saving 1500 to 3000 per month, this amount of money they likely to save, spend in children's education and household expenditure.

Women empowerment is calculated in the form of decision making power of women. Decision on buying personal items by themselves, visiting places, visiting markets or institutions, arranging recreational facilities, arrangement of child education and health, purchase the goods for household by their own decision are include in the empowerment characteristics of women. Women are largely supported by male member of family, and they would like to consult with the male members. Nepalese women are very obedient and they spend their own income and profit with asking husband some women make decision by themselves.

Impact also calculated by this study, after being member and taking participant on various training programs, women able to handle their family, can talk at social meeting and handle the women of MC group. Women agree on somehow they success in overcoming the existing social evils and discriminations made by society. Most of the member of MC group partly or fully satisfied with the MC programe, they are likely to increase the number of goat and buffalo for livestock farming because they find more benefit from these. From the income of women, they likely to add new ornament to them and electronic goods for household. More than half respondent open bank account in



different financial institutions. They are conscious of communication and information services, among them half of them have radio and cable service. Half of them feel there were change in lifestyle, minimized gender discrimination/ violence and social abuse. Similarly, Half of them feel they are getting opportunity by being member of Cooperative. Some suggestion made by them, i.e., education related training, fast service, loan amount should increase, number of member should increase, new training programs, regular saving amount should be increased and programs for helping poor should added.

## **5.2 Conclusion**

From the study of 69 women of Shree Khairenitar women multipurpose Cooperative Limited, the researcher concluded the following aspects.

- The cooperate is Brahmin/chhetree dominant and 60 percent women are literate.
- All women are married and living in nuclear family whose head of family is male.
- Most of the women likely to save their earned money and invest in fast returning sector like livestock farming. They have added radio and cable TV too.
- Male are motivating them to join MC group and women feel as an opportunity.
- Majority of women participating in the training organized by MFI like; vegetable farming and women are satisfied with the programe.
- Working environment of MC member is helpful and most of them working for organizational activities.
- Taking loan without collateral is an opportunity and most of the women benefited by the loan amount of above 30,000.
- Women are investing loan in agriculture sector and earning more than 5,000 per month which is increasing the habit of saving.
- Cooperation of male member is satisfactory, and majority of them are asking with their husband and little number of women are making self-decision for investing their earnings.
- Women are being able to handle the family as well as talking and making decision on social meetings.
- Many of women are satisfied with cooperative.

- Having account on different financial institutions, feeling of decreasing gender discrimination/ violence and social abuse are the major impacts of programe which made them feeling of change in life style.

### **5.3 Recommendation**

On the basis of the finding of this study, the following recommendations are made to the concerned authorities in order to increase people's participation in different development activities.

- Inclusive should be considered at the time of expansion.
- Literacy related educational programe should be increase.
- Commercial agro-cattle farming should be encouraged.
- Managerial nature of training should be focused to build their managerial capacity.
- Increment in loan amount should be emphasis according to their savings.
- Women should be encouraged to make the large amount of profit by increasing their loan amount and investing in commercial agro cattle farming.
- Women should be encouraged to make their decision by themselves in their saving and at the time of investment.
- It should be investigated the reason; why some of the women are not satisfied with the program.

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## APPENDIX I : QUESTIONNAIRE

Hello, My name is Pitamber Timilsina,

I am a student of Masters in business studies, currently doing a research on “Role of Cooperative in Poverty Reduction (A Case of "Shree Khairenitar Women Development Multipurpose Cooperative Limited" Tanahu)” as a part of my study. Your participation in this survey is voluntary. I would like to request for valuable support by answering the following questions. I assure you that your answer will be kept confidential and will be used only for the purpose of this study. I am looking forward for your kind cooperation.

Thank you.

### Questionnaire

Date:

#### General Information of Respondent

- 1) Name of respondent:
- 2) Address: .....V.D.C.....Ward.....Tole
- 3) Caste/Ethnicity: (A) Brahmin/ Chhetri (B) Magar (C) Gurung (D) Dalit  
E) Newar F) Kumal G) Others
- 4) Level of Education: A. Illiterate B. can read and write C. Primary  
D. Lower Secondary E. SLC f. Above SLC
- 5) Marital Status: (a) Married (B). Unmarried (C) Widow
- 6) Type of Family: A. Nuclear B. Joint
- 7) Head of family : A. Male B. Female

#### Information regarding micro credit (MC) group

- 8) Source of encouragement to join MC ?  
A. Family member advised me B. Self  
C. Media D. Others (Specify) -----
- 9) Are you satisfied with the activities of MC ?

A. Yes                      B. No

9. a) If not, why? -----

10) How do you feel about the working environment of MC?

A. Friendly

B. Helpful

C. Lack of cooperation

D. No new programs

E. Others (Specify) -----

11) What are the activities that you are involved in MC?

A. Providing training

B. Organizational activities

C. Management of organizational activities

D. Leadership Role

12) Is there any training programme conducted and you got to participate?

A. Animal husbandry

B. Vegetable farming C. Gender Awareness

13) How much loan have you taken?

A. Less than Rs. 5,000

B. Rs. 5,000 to Rs.10,000

C. Rs. 10,000 to Rs. 20,000

D. Rs. 20,000 to Rs. 30,000

E. Above Rs. 30,000

F. Not taken

14) What did you do with the loan you have taken from MFIs?

A. Started own business

B. Child education

C. Invested in agriculture/vegetable farming

D. Invested in animal husbandry/ cattle raising

E. Others (Specify) -----

15) Amount you saving per month? Before: ----- After .....

16) What do you do the earned money?

A. Spend it in household expenditure

B. Save the money



- C. Spend it in children's education                      D. Spend for personal needs  
E. Others (Specify) -----

17) How is the cooperation from male and female member of your family?

- A. Good          B. Ok                  C. Bad                  D. Others (Specify) -----

18) Who take the decision for investing of money?

- A. Myself                  B. Husband                  C. In-laws  
D. Children                  E. Others (Specify) -----

19) After joining MC group, is any change on attitudes towards you from family members?

- A. Changed    B. No any change    C. Some how

20) What kind of changes did you find within yourself? Specify:

- A. Can handle family                  B. Can talk at social meetings                  C. Can handle  
women groups (MC)                  D. Your decision took place

21) Is MC group success in overcoming the existing social evils and discriminations?

- A. Yes                  B. No                  C. Somehow

22) Are you satisfied from the achievements that you get after joining MC group?

- A. Fully satisfied                  B. partly satisfied                  C. Not satisfied

23) Which livestock dose increased after taking MC?

- A. cow ..... B. buffalo ..... C. goat ..... D. ox ..... E. pig ..... F. other .....

24) Have you added any valuable asset by the income from your occupation?

- A. New house                  B. ornament                  C. land  
D. TV and other electronic device etc.                  D. No E) other specify--

25) Do you have bank saving account after taking the loan?

- A. Yes                  B. No

26) Do you added of the following communication / information services?

