

**EFFECTIVENESS OF MICROFINANCE
ON POVERTY REDUCTION**

(A Case of Nirdhan Utthan Bank Ltd., Chhaling Branch, Bhaktapur)

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RECOMMENDATION

The thesis entitled **Effectiveness of Microfinance on Poverty Reduction (A Case of Nirdhan Utthan Bank Ltd., Chhaling Branch, Bhaktapur)** by **Chetana Ghimire** has been prepared under my guidance and supervision. I recommend this thesis for final approval.

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APPROVAL LETTER

The thesis by **Chetana Ghimire** entitled **Effectiveness of Microfinance on Poverty Reduction (A Case of Nirdhan Utthan Bank Ltd., Chhaling Branch, Bhaktapur)** has been accepted as partial fulfillment of requirements for the Degree of Master of Arts in Economics.

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ABBREVIATIONS

ADB	:	Asian Development Bank
ADBL	:	Agriculture Development Bank Limited
ASA	:	Association for Social Advancement
BS	:	Bikram Sambat (Nepali Calendar Year)
CBO	:	Community Based Organization
CBS	:	Central Bureau of Statistics
CEDAW	:	Convention of Elimination of all types of Discrimination against Women
CGAP	:	Consultative Group to Assist the Poorest
CMF	:	Center for Microfinance
CSD	:	Center for Self-Development
CSICP	:	Cottage and Small Industry Credit Program
DSLPP	:	Deprived Sector Lending Program
FINCA	:	Foundation for International Community Assistance
GBS	:	Grameen Banking System
GNP	:	Gross National Product
GTZ	:	German Technical Cooperation
MCPW	:	Microcredit Program for Women
MF	:	Microfinance
MFI	:	Microfinance Institutions
MFP	:	Microfinance Program
NG	:	Nepal Government
NGO	:	Non-Government Organization
NHDR	:	National Human Development Report
NUBL	:	Nirdhan Utthan Bank limited
PCRW	:	Production Credit for Rural Women
RMDC	:	Rural Microfinance Development Center
SACCOs	:	Saving and Credit Cooperatives
SFCL	:	Small Farmer Co-operatives Limited
SFDP	:	Small Farmer Development Project
SSCP	:	Small Sector Credit Program
UN	:	United Nation
VDC	:	Village Development Community
WCS	:	Women Cooperatives Societies
WDD	:	Women Development Division
WDP	:	Women Development Program

CHAPTER-I

INTRODUCTION

1.1 General Background

Microfinance is relatively a new innovation in the age-old banking industry. Microfinance is an effective tool for poverty reduction of rural areas in Nepal. Especially from 1990s, the development of Microfinance Institutions (MFIs) has contributed to diminish the poverty of the country comparatively than previous days, by providing microfinance to the poor people. But still 25.4 percent of the total population is under poverty (MOF, 2016). To make these microfinance institutions more accessible to the poor is a crucial agenda for the country. Whereas there are a lot of savings and credit cooperatives (SACCOs), multipurpose cooperatives and small farmer cooperatives governed by Cooperative Act-2074 and Banks & Financial Institutions (BAFIA) Act-2073(NRB, 2017).

There is also Financial Intermediary Act-1998 to control the activities of Financial Intermediary Nongovernmental Organizations (FINGEs). The procedures for getting services from the different modalities of MFIs differ. So there is a need of one umbrella act to make microfinance simple, and easy to understand and get the access with. Microfinance has received a global recognition today not only as a powerful instrument for poverty reduction and empowerment of women, but also as a promising sector of financing for the banks, financial organizations and NGOs. Countries with sound microfinance system have succeeded in reducing poverty and improving socio-economic conditions of women significantly. Millennium Development Goal (MDG) calls for reducing world poverty in all its forms by the year 2015 with significant improvement in education, gender equality, health care and overcoming hunger and environmental degradation through microfinance intervention (NPC, 2016).

The microfinance sector in Nepal has expanded considerably in recent years. The earliest initiatives for establishing microfinance services in Nepal can be dated back to the early 1960s when the first credit cooperatives were established and primarily intended to provide credit to the agriculture sector. So, the cooperative movement

becomes the first vehicle of microfinance in Nepal, as cooperatives provided flood victims access to financial services adapted to their specific needs. In parallel, rural finance institutions were established such as the Agriculture Development Bank Limited (ADBL) of Nepal, which aimed at providing credit and marketing support agriculture. In 1974, the two state-owned commercial banks, Nepal Bank Limited (NBL) and Rastriya Banijya Bank (RBB) were directed by the central bank, Nepal Rastra Bank, to invest at least a portion (first 5 percent to increase as high as 12 percent) of their deposit liabilities in 'small sector'. This marked the beginning of the directed credit system in Nepal. In 1976, the scope of the small sector was broadened to include agriculture, cottage industry and services, and has since then been called the 'priority sector'. The credit didn't reach the poor, as only influential and well-connected people, with collateral, were able to access the program. This led to the development of targeted initiatives, such as the Intensive Banking Program (IBP) in 1981, initiated by the government and the central bank, through partnership with commercial bank (Lindgren, 2002).

Under this approach, group guarantee for loan repayment were used instead of physical collateral (Sinha, 2001). Starting in 1975, the Small Farmers Development Program, implemented by the Agricultural Development Bank of Nepal, mobilized farmers groups using a credit plus approach, and was the first experience of group-based lending in Nepal. Unfortunately, it failed due to political pressure for a fast expansion, overemphasis on credit high delinquency levels and the overall not satisfactory performance of the system (Sinha, 2001).

In 1982, the cottage and small Industries project and the production credit for rural women all provided new directions to priority sector lending, focusing on project viability rather than collateral, and therefore provided a financing window to the poor through commercial bank collaborating with local development organizations. The commercial banks perceived this program as more of an obligation towards the central bank than a business interest. In 1990, the government of Nepal established the Rural Self-Reliance Fund (RSRF), with the objective of providing wholesale loans to NGOs, cooperatives and other financial intermediaries for on lending to the poor. The microfinance department of NRB acts as the secretariat of the RSRF and management committee headed by the NRB (Sinha, 2001). In 1992, the government of Nepal,

following a recommendation from the NRB, established Regional Rural Development Bank (RRDB) in each of the five development regions of Nepal, modeled on the Grameen Bank methodology. It is called Grameen Bikash Bank (GBB). The majority of the ownership is in the hands of government, Nepal Rastra Bank (the central bank) and public commercial banks, while other private commercial banks have small equity stakes. During the same period, private initiatives led by NGOs, such as Nirdhan and the central for self-help Development, also used the Grameen Bank methodology, resulting in a generally more efficient and successful replication. In the 1990s, with technical assistance from GTZ, local branches of ADBL under the small farmer development program, stated to be reorganized into federations of small farmer groups, the 'Small Farmer Cooperating Ltd(SFCL); each operating as an autonomous cooperative. With the promulgation of the Development Bank Act in 1995, Nirdhan was the first NGO (1998) to transfer its microfinance portfolio into an autonomous microfinance rural bank (Nirdhan Utthan Development Bank). Since 2000, three other microfinance rural banks were created through the same process first initiated by Nirdhan with DEPROSC Development Bank in 2000, Swabalmban Bikas Bank in 2001.

Acknowledging the poor performance of the GBBs, under public ownership, the central bank started a restructuring program, which will lead ultimately to the privatization of the five GBBs, (Kayastha, 2010). With the view of providing a source of wholesale fund to regulated Microfinance Institutions (MFIs) the Rural Microfinance Development Central (RMDC) was established in 1998, and later on opened its lending to other MFIs. In 2001, the Small Farmer Development (SFD) was established under the Development Bank Act to provide wholesale funds to Small Farmer Cooperatives Ltd (SFCLs), which were formed after the transformation of small farmers Development project, promoted under the small farmers development project, into cooperatives that SFCLs majority ownership will grow over time (Kayastha, 2010).

Generally, the microfinance institution in Nepal can be divided into two types (1) Community Based MFIs such as SCCs and SFCLs, (2) commercial oriented MFIs such as MFDBs, GBBs, FINGO, etc so there are several modalities of MFIs in Nepal. Microfinance is an important and relevant financial service to poor. It also

included other measures to promote human development: education, health and other minimum infrastructures required, enhance broad financial activities in rural area. Poor can improve socio-economic condition. Microfinance not only the tools of poverty reduction but also increase the income level and self-employment to poor through various types of income generating activities World Bank designs microfinance as “The provision of financial services to low-income clients including the self-employed, it includes both financial and social inter-mediation, it is not simply banking but also is a development tools.” Microfinance can help to increases income build viable business and reduce their vulnerability to external stocks. It can also be a powerful instrument for self-employment by enabling the poor, especially women to become economic agent of change. Now formal sector are also much more sensitive for providing microfinance services to the poor. I/NGOs and governments lend different programs with different modalities which have significant role on reducing poverty. There are various causes which make the poor to remain outside from the financial sector services. Ordinary banks they consider poor people are not credit worthy. The operation cost of on many small amounts of loan is high. Banks are centered in large town. But poor centered in rural areas. Poor people have limited economic opportunities, limited saving and the condition of the women is miserable. The poverty depth of women is higher than men. Poor people have less control over economic decisions. The main causes of poverty is being unemployed. Due to the lack of reliable employment survey and forecast in Nepal, the estimation of actual status of employment has been complex (Lidgerwood, 2006).

The main objective of rural finance/microfinance is to increase access of rural people to financial services to undertake income generating activities and improve their livelihoods and to improve socio economic conditions of the poor and deprived women. With a view to facilitate this process, both government and non-government organizations have launched various programmers. However, the microfinance has set the following objectives:

- To promote the quality of life and their living standard, provide financial and non-financial services based on need of operation. Microfinance assesses larger loans, based on repayment performance to create income and employment opportunity for the poor people by mobilization of saving. To provide assistance to the poor and

marginalized women of Nepal, promote the locally available technology for the best use of the internal available resources (Robinson, 2001)

1.1.1 Program of Nirdhan Utthan Bank Ltd.

Nirdhan Utthan Bank Limited, "the bank for upliftmen of the poor" is a microfinance bank established in November 1998 under Company Act of Nepal 1997 (now Company Act 2006). Nepal Rastra Bank, the central bank of Nepal granted a license in April 1999 to undertake banking activities under the Development Bank Act-1996. It started its formal operation from July 1999. Now, operated under Bank and Financial Institution Act-2006, Nirdhan Utthan Bank Ltd (NUBL) provides microfinance services such as loans, deposits, micro insurance and remittance services to poor families of Nepal. NUBL follows group lending based on Grameen Bank, Bangladesh model as well as group lending based on NUBL developed Self-Reliant Group model through a network of 178 branch offices spread over all 75 districts of Nepal.

Though, legally established as a company in 1998, the operation of NUBL is a continuation of microfinance services provided by an NGO called "Nirdhan" which was providing microfinance services since March 1993. The story behind the establishment of "Nirdhan" starts from 1986 when Harihar Dev Pant, the Chief Executive Officer of NUBL/Executive Chairman of "Nirdhan" (then senior officer with central bank of Nepal) visits Grameen Bank in Bangladesh. The visit inspired him to launch microfinance program in Nepal resulting the birth of "Nirdhan" or "people without money" in 1991. Nirdhan began its microfinance operation in March 1993.

Nirdhan, as an NGO has a limited recourses and capacity to satisfy unmet demand of poor people in different part of the country. This results the establishment of Nirdhan Utthan Bank Limited, Nirdhan being a lead promoter. In July 1999, Nirdhan transferred all microfinance operations to NUBL. Strategic reasons for promoting NUBL are:

Development banks are supervised and regulated by the Central Bank, which will enforce banking standards. A development bank can have access to different source of

funding enabling it to satisfy financial need of poor people. The bank can lend to a wider range of clients, including micro entrepreneurs graduated out of the bank's regular clientele. Further, a bank can accept collateral for potentially large and diverse loan products;(http://www.nirdhan.com.np/about-us/)

1.1.2 History of Microfinance

Microfinance and Microcredit are relatively new terms in the field of development, first coming to prominence in the 1970s, according to Robinson (2001) and Otero (1999). Prior to then, from the 1950s through to the 1970s, the provision of financial services by donors or governments was mainly in the form of subsidized rural credit programs. These often resulted in high loan a default, high loses and an inability to reach poor rural households (Robinson, 2001).

Robinson states that the 1980s represented a turning point in the history of microfinance in that MFIs such as Grameen Bank began to show that they could provide small loans and savings services profitably on a large scale. They received no continuing subsidies, were commercially funded and fully sustainable, and could attain wide outreach to clients (Robinson, 2001). It was also at this time that the term “microcredit” came to prominence in development (MIX3, 2005). The difference between microcredit and the subsidized rural credit programs of the 1950s and 1960s was that microcredit insisted on repayment, on charging interest rates that covered the cost of credit delivery and by focusing on clients who were dependent on the informal sector for credit (ibid.). It was now clear for the first time that microcredit could provide large-scale outreach profitably. The 1990s “saw accelerated growth in the number of microfinance institutions created and an increased emphasis on reaching scale” (Robinson, 2001). Dichter, 1999 refers to the 1990s as “the microfinance decade”. Microfinance had now turned into an industry according to Robinson (2001). Along with the growth in microcredit institutions, attention changed from just the provision of credit to the poor (microcredit), to the provision of other financial services such as savings and pensions (microfinance) when it became clear that the poor had a demand for these other services (MIX, 2005). The importance of microfinance in the field of development was reinforced with the launch of the Microcredit Summit in 1997. The Summit aims to reach 175 million of the world's poorest families, especially the women of those families, with credit for the self-

employed and other financial and business services, by the end of 2015⁴ (Microcredit Summit, 2005). More recently, the UN, as previously stated, declared 2005 as the International Year of Microcredit. Microfinance has been successfully used as developmental tool to reduce poverty in many countries. At present, microfinance is being increasingly used in the form of development strategy for achieving the developmental goals. However, the strategy would prove successful only if it is able to strike balance between development and finance. Clients of microfinance institutions are usually poor and low income people, often living in overcrowded setting or living in remote areas with less access to basic amenities and education, water, electricity, banking services, health services, market facilities, etc.

Microfinance has evolved as an economic development approach intended to benefit low-income women and small farmers. The term refers to the provision of financial service to low-income clients, including the self-employment. Financial services generally includes saving and credit, however, some microfinance organizations also provide insurance and payment services.

Many MFIs provide social intermediation services such as group formation, development of self-confidence and training in financial literacy management capabilities among members of a group. Thus the definition of microfinance often includes both financial intermediation and social intermediation. Microfinance is not banking, it is a development. A microfinance activity usually involves Small loans, typically for working capital, Informal appraisal of borrowers and investments collateral substitutes, such as group guarantees or compulsory saving access to repeat larger loans, based on repayment performance streamlined loan disbursement and monitoring secure saving products.

Some MFIs provide enterprise development services, such as skills training and marketing, and social services, such as literacy training and health care; these are not generally included in the definition of microfinance. MFIs are non-government organizations (NGOs), savings and loan co-operatives, credit unions, government banks, development bank, commercial banks or non-banking financial institutions. Microfinance clients are typically self-employed, low income entrepreneurs in both urban and rural area. Clients are often traders, street vendors, small farmers, service providers and artisans and small producers. Essentials of microfinance is targeted to

the poor, group approach, no tangible collateral, doorstep service, small loan size, frequent repayment, sustainable interest rates, simple procedure of operation, free choice of economic activities by clients, disciplined clients, effective pre-group training.

“Microfinance” is often defined as financial service for poor and low-income clients. In practice, the term is often used more narrowly to refer loans and other services from providers that identify themselves as “microfinance institutions” MFIs. These institutions commonly tend to use new methods developed over the 30 years to deliver very small loans to unsalaried borrowers, taking little or no collateral. These methods include group lending and liability, pre-loan saving requirements, gradually increasing loan sizes and an implicit guarantee of ready access to future loans if present loans are repaid fully and promptly. More broadly, microfinance refers to a movement that envisions a world in which low income households have permanent access to a range of high quality financial service to finance their income-producing activities, build assets, stabilize consumption, and protect against risks. These services are not limited to credit, but include saving, insurance, and money transfers.”(<http://www.microfinancegateway.org/section/faq.html>.2010: Nov 03).

Microfinance is playing greater and important role to uplift the living standard of poor people. “In case of Nepal, the poverty reduction rate is slower. If proper model is used to the hill and Terai region, poor people’s life standard could be raised very fast. Diversify of regulatory act shows that it is necessary to cater all the MFIs under one act for licensing, regulating, and supervising and needs to make national policy on microfinance”(Sharma, 2004). This microfinance means providing small loans to very poor families to help them engage in production activities. “Typical microfinance clients are poor & low income people that do not have access to other formal financial institutions. Microfinance clients are usually self- employed, household based entrepreneurs. Their diverse “micro enterprises” include small retail shops, street vending, artisanal manufacture & service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing & trade some but far from all are farmers” (<http://www.microfinancegateway.org/section/faq.html>.2014: march 17).

Microfinance is a part of development finance of rural or urban, targeted towards specific groups of people, male or female, falling in the lower class of society. It refers to the provision of the broad range of financial services such as deposits, loans payment services, money transfers, and insurance to the poor and low incomes households and their micro enterprises (ADB, 2000). MFIs are related to small saving from group members. Financial service includes credit and other services such as micro money transfer and micro-insurance. This service is differential by different types of service employment and income oriented target groups, target community, target area and credit at home.

Microcredit programs are important institutional devices for providing small credit to country poor in order to improve poverty. These programs, first developed and initiated in Bangladesh in the late seventies and later replicated in many other countries including the south and Southeast Asian and some African countries, have now been recognized as useful instrument for poverty alleviation in Nepal too. The Grameen bank is the pioneer among the microfinance institutions (MFI) to introduce Microcredit programs. During the last two decades or so the number of such MFIs, including Government and Non-government Organizations (GOs and NGOs) operating at national or various local level in Bangladesh, has increased to well over 850 (Latif, 2001).

Under the microcredit programs collateral free loans are provided to the rural poor who do not have assets to offer collateral and have limited access to the formal financial institutions like the commercial banks. The prime objectives of these microcredit programs is to create credit market and there by create self-employment and increase the productivity and earning of the poor.

Microcredit can influence saving in number of ways. First, there are compulsory saving schemes associated with microcredit programs. For most MFIs, the persons seeking membership and qualifying for getting loans are required to form a small co-operative group among themselves and deposit regularly a certain amount of cash to the saving fund for a short periods, prior to becoming memberships. When they became regular members and receive loans, small proportion of granted loan amount is deducted by deposit as saving to client's accounts. Second, the utilization of Microcredit in productive activities increase employment and income which is

likely to have direct positive income effect on saving. And third, besides the direct income effect, there is indirect effect as well. As the income rises resulting from investment of loans in productive activities the borrowers get incentives for voluntary saving out of their current income in order to make reinvestment of such saving in further productive activities” (<http://www.microfinancegateway.org/section/faq.html>.2010: Nov 10).

1.1.3 Evolution of Microfinance

The earliest initiatives for establishing microfinance in Nepal date back to the 1950s, when the first credit cooperatives were established. For providing rural financial services, this was first step. These cooperatives primarily intended to provide credit only to the agriculture sector. The next milestone was Small Farmer Development Program (SFDP) in 1975 within ADB/N. This program covers the entire country and aims to organize farmers into small groups to provide credit without collateral. In 1981, the chief monetary body of the country, Nepal Rastra Bank (NRB) introduced to the commercial bank to finance at 7 percent on the priority sector which was further increased 12 percent in 1990. Now this compulsion is being phased out gradually.

In 1992, Grameen Bikas Bank were initiated by the government sector, crossing a milestone in rural micro-financing in Nepal and NGOs started grameen (rural) banking activities in certain areas. Governments run MF program-Bisheswor with the poor, Women’s Awareness Program, Government Peace Movement, etc. are also there to provide financial relief and help the poor rural people.

1.1.4 Microcredit Policy

The MFIs are providing the microfinance to the ultra-poor even without collateral, guarantees and requirement they need to fulfill for credit eligibility. Even at aggravating situation in the country due to present ongoing conflict, the MFIs are consistently providing such services to the ultra-poor communities. NRB is gradually reducing the priority sector loan program within 5 years as this priority sector loan is assumed against the liberal and pro market economy policy. Due to the policy the MFIs are more active to delivering the microcredit to the poor and ultra-poor. After the implementation of Financial Intermediation Institution Act (First Amendment), 1999, the numbers of financial institutions are mushrooming in microcredit operation.

Various types of MFIs are implementing microfinance program to provide self-employment opportunities and income generation through extending the microcredit to ultra-poor in the community. However, the microfinance service is not adequate to fulfill the increasing demand of poor people. It is desirable to expand institutional microfinance services and to increase the access of poor and ultra-poor to the institutional microfinance services and unify services. Government of Nepal has announced to formulate the microcredit policy, 2052 and enact in the beginning of the current fiscal year, no concrete policy has not been sought and implemented in order to flow the microcredit to the poor. This year too, the budget speech announced by ministry of finance could not get a clear point and no new policy on microcredit to the poor and no new policy on the microcredit was realized. Rather, it continued to stick on the old issues of formulating the credit policy.

BAFIA 2073 is expedient to amend and consolidate forthwith the prevailing legislation relating to banks and financial institutions and make it timely in order to promote the trust of the general public in the overall banking and financial system of the country and protect and promote the rights and interests of depositors, provide quality and reliable banking and financial intermediary services to the general public through healthy competition among banks and financial institutions, minimize risks relating to the banking and financial sector, boost and consolidate the economy of the State of Nepal by liberalizing the banking and financial sectors and make necessary legal provisions relating to the establishment, operation, management and regulation of banks and financial institutions; Banks and Financial Institutions Act, 2063.

1.1.5 Microfinance Clients

Typical microfinance clients are poor and low income people that do not have access to other formal financial institutions. Microfinance clients are usually self-employed, household-based entrepreneurs. Their diverse “microenterprises” include retail shop, street vending, artisanal manufacture, and service provision. In rural areas, micro entrepreneurs often have small income-generating activities such as food processing and trade; some but from all are farmers.

Hard data on the poverty status of clients is limited, but it tends to suggest that microfinance clients fall near the poverty line, both above and below. Household in

the poorest 10 % of the population, including the destitute, are not traditional microcredit clients because they lack stable cash flows to repay loans. Most clients below the poverty line are in the upper half of the poor. It is clear, however, that some MFLs can serve clients at the higher end of bottom half. Women often comprise the majority of clients. Over the past decade, a few MFLs have started developing a range of products to meet the needs of other clients, including pensioners and salaried workers. Although little is known about the universe of potential clients, the number of households without effective access to financial services is enormous.

1.1.6 Microfinance in Nepal

Within Nepal, there are a wide range of institutions activities in the microfinance sector, each with its own way of going about the task of making financial services accessible to the poor. Some writers distinguish between the so-called informal and formal sectors, given that many of the informal organization are in fact registered societies, the preferred terms to use are community based sector and institutional.

a. Nepal Rastra Bank (NRB)

NRB is the central bank and an apex institution of the financial system. It has placed various efforts to develop the microfinance system in Nepal. It introduced the priority sector (small sector) lending program in 1975 and the intensive banking program in 1981. Further in 1992, NRB participated in equity and management to develop the Garmeen banking system by introducing regional rural banks as a replication of Bangladesh Garmeen Banking model. NRB plays the vital role to develop the microfinance system in Nepal through introducing policy, systems and institutions as well. It has the authority in determining, controlling and policies of the financial institutions of the country.

b. Rural Self Reliance Fund (RSRF)

In 1990, the Government of Nepal introduced a fund of NRs. 10 million to provide the wholesale fund for small cooperatives and rural based NGOs to lend the micro entrepreneurs. Further in 1999, Government provided additional support of NRs 10 million to the RSRF. Since the beginning, the fund has been handling by NRB. Up to

mid July 2013, RSRF sanctioned loans to 48 NGOs and 10000 approx. cooperatives amounting to NRs 18.15 million and 34.21 million respectively.

c. Small Farmer Development Program (SFDP)

A great majority of the world's population still resides in rural isolation confronted by problems such as poverty, disease, illiteracy, inadequate resources and such others. About 900 million people of the Asia and the Pacific region are poor. Poverty is still rampant in South Asian region where about half billion people fall under the acute poverty line. In the context of Nepal, it is estimated that about two million household (about 38 percent of the total population) are below poverty line. Incidence of poverty is higher in rural area as compared to the urban and semi-urban area of Nepal. Therefore, reduction of poverty is the main challenge for the development of Nepal, and hence has been the main focused program in the past as well as present national development plan of the government.

To conquer the problem, the Small Farmers Development Program (SFDP) was initiated in 1975. It was, the outcome of the FAO/UNDP joint regional project named “Asian Survey of Agrarian Reform and Rural Development” (ASARRD), which recognized the fact that special efforts were needed to support the poor and disadvantaged groups. As a pilot project in Nepal, it was first tested at Mahendranagar in Dhanusha District (Terai/plain region) in 2032 Bhadra (August 1975) and at Tupche in Nuwakot (Hill region) Districts in 2032 Falgun (February 1976). The Agricultural Development Bank Ltd (ADBL) of Nepal was entrusted with the responsibility of executing the project (Adhikari, 2008).

The main objective of the program is to raise the socio-economic status of the small farmers, land less labors including women by bringing them into the mainstream of the development process and by institutional development of their own grass-root level organizations.

Raise the income level of small farmers by increasing their production and productivity of on-farm as well as off-farm activities their social status by empowering and involving them in social and community activities. Create additional opportunity for employment generation by mobilizing their skill, labor, locally available resources in meaningful and productive manner. Adopt the local delivery

mechanism of government agencies and other institutions to the needs of the small farmers. Develop self-reliance and independent grass-root level organization of the small farmers so that they would be able to organize themselves to plan and carry out the activities for their own development. Enable small farmers to develop their own institutions and formulate plan and programs and implement them accordingly at grass roots level.

In order to achieve the above objectives a systematic procedure is followed based on the group approach involving various development agencies, local agencies and small farmers.

The program comprises of various essential socio-economic development program together and is the first target oriented program for the overall development of small farmers. The main features are as follows:

The small farmers are identified and categorized on the basis of income and expenditure i.e. annual income up to Rs.2,500.00 (at 1987/88 prices) per capita. However, to bring the ultra-poor in the mainstream of development, more priority is provided. Ultra-poor is considered as those whose per capita annual income is less than Rs.1,200.00 program implementation on the basis of group approach. SFDP organizes groups of men and women. No discrimination among any community and religion: The small farmer of any community is eligible for group membership, enhanced knowledge and skill of small farmers by organizing different training/workshop. Implements saving and credit program together. Group liability and group guarantee loan on the basis of capacity and capability of the small farmers more priority for women groups.

Implementation of essential social and community development program with the involvement of small farmers and other potential agencies. Non-small farmers are also benefited from social and community development program (such as drinking water, community irrigation, repair and maintenance of village road and construction of local village to village and link road) in empowerment and leadership development of small farmers. Service package to women small farmers by the women SFDP (where group organizer is women and only women small farmer is eligible), Holistic approach (implementation of economic, social and community development activities together),

Participatory (involvement of small farmers in planning, programming, project identification, appraisal, project implementation, supervision, follow-up, monitoring and evaluation). Have taken up (beginning as SFDP) and landing (exit as Small Farmers Cooperative Limited) system, Pioneer in poverty alleviation program and worldwide appreciation.

1.1.7 Production Credit for Rural Women (PCRW)

PCRW program was initiated in fiscal year 2012/013 as a first women-focused credit program in Nepal. NBL, RBB and ADBL were three participating banking institutions. Initially it was started in 5 districts and by the end of 2012; it had covered 67 districts of the kingdom. PCRW was implemented in IBP and SFDP branches. Govt.'s Women Development Section (WDS) staff identifies the target groups and motivates them to form a group of 4 to 10 poor women. They also assist group member to select the viable project. They recommended the newly formed groups to IBP and SFDP offices. Both the staff of banks and WDS monitors and supervises the credit projects.

The recovery performance of PCRW is not satisfactory. Its recovery was found 64 percent in 2012//013. The operating cost was around 27 percent whereas PCRW loan was distributed at 14 to 15 percent. The impact evaluation study conducted by the Women Development Division of the ministry of Local Development has revealed that PCRW has greatly contributed for the socio-economic uplift for the rural poor women of the project area.

1.1.8 Microcredit Project for Women

Government introduced microcredit project for women with some different modality using NGOs and self-help groups as credit agents for linking clients to commercial banks. Loan was collaborated between ADB/N with central bank and govt. in 1993 and project loan completion date as March 2000 (Bashyal, 2008). The main objectives of MPCW are improvement of the socio economic status and condition of women, Provision of financial and non-financial services to women, institutional supports to NGOs, and development of NGOs as cooperative. This Project has properly utilized the lesson learned from PCRW. MCPW is fully committed to develop and involved NGOs. It is the first project in which financial intermediaries are involved in a public

sector credit program. The borrowers of the project are women from both urban and rural areas.

1.1.9 Introduction of NUBL

“Nirdhan” which means “people without money” was created in April 1991. Nirdhan began its microfinance operation in March 1993 and obtained a limited banking license from the Central Bank of Nepal in 1994. Under its limited banking license, it was permitted to mobilize voluntary savings only from its members/clients. In November 1998, Nirdhan Utthan Bank Limited (NUBL), “the bank for upliftment of the poor”, was registered as a company. In April 1999, The Central Bank granted a license to NUBL to undertake banking activities under the Development Bank Act of 1996. In July 1999, Nirdhan NGO transferred all microfinance operations to Nirdhan Utthan Bank Limited. It started its formal operation from July 1999. Now, NUBL is operated under Bank and Financial Institutions Act 2016.

As its mission statement explains, NUBL is a real market player in the microfinance sector and governed by banking laws of Nepal that really make some sense. Its parent organization Nirdhan NGO is looking after the social development issues they encounter while handling rural and poor borrowers. Their products are very simple as a like a formal bank and insurance company: savings, loans and insurance. But the non-financial service their parent organization is offering to their clients is entrepreneurship development training that also makes sense. They really are creating base for their investment that means they mean business. 'Nirdhan Social' is planning to expand its area on primary education, technical education for youth/adults, and health insurance too in the near future.

The vision of Nirdhan Utthan Bank is to be a bank with a social conscience that enables poor to contribute equally to a prosperous, self-reliant rural society through self-employment and social awareness, and help to reduce poverty in Nepal.

The mission of Nirdhan Utthan Bank is to extend financial services and social awareness to the poor in under-served and un-served areas of Nepal in a sustainable manner.

The primary goals of Nirdhan Utthan Bank are to:

- Reach a maximum number of poor households with potential and financial viability by adopting proven delivery mechanism.
- Develop a well-managed institution with high staff morality.
- Enhance women's "self-respect" through social awareness, proper use & on-time repayments of loans, regular savings and provision of related micro-finance services.

NUBL is providing loan to its clients as follows:

Loan	Loan Size	Loan Term	Interest Rate (Declining Method)	Repayment Frequency
General	Up to Rs.3,00,000	1 to 3 Years	18%	Monthly/Quarterly
Agriculture	Up to Rs.1,00,000	0.5 to 2 Years	18%	Monthly/Quarterly
Housing	Up to Rs.3,00,000	2-5 Years	18%	Monthly
Micro Enterprise	Up to Rs.5,00,000	Up to 3 Years	18%	Monthly/Quarterly
Energy	Up to Rs.40,000	Up to 2 Years	17%	Monthly
Energy (Collateral)	Up to Rs.60,000	2-5 Years	17%	Monthly
Foreign Employment	Up to Rs.2,00,000	Up to 2 Years	18%	Monthly/Quarterly
Education	Up to Rs.1,00,000	Up to 3 Years	16%	Monthly/Quarterly
Emergency	Up to Rs.40,000	Up to 2 Years	10%	Monthly/Quarterly

Source :<http://www.nirdhan.com.np/loans/>

NUBL at Glance, as at 16th January, 2018:

Loan Outstanding (NPR)	13.55 Billion
Saving Deposit (NPR)	7.33 Billion
Number of Active Clients	304,282
Number of Loan Clients	207,251
Number of Centers	15,193
Total Staffs (Including Trainee)	865
Number of Branch Offices	178
Number of Regional Offices	10
Working Districts	75
Working VDC & Municipalities	1,837
Number of Female Staffs	217

Source :<http://www.nirdhan.com.np/loans/>

1.2 Statement of the Problem

In Nepal, different types of programs have been launched such as priority sector credit program (PSCP), small farmers Development programs (SFDP), Integrated Rural Development program (IRDP), production credit for Rural women (PCRW), Participatory District Development Program (PDDP) which in fact is intended to uplift the rural poor, especially women (Regmi2000). But there are various constraints of the microfinance program to achieve its objective and development goals. Utilization of loan is not easy in the beginning period. The misutilization of the loan results the poor as poorer both economically and morally. Nirdhan Utthan bank Ltd is one of the major contributions in the sphere by bringing all the rural people in participation. Women's participation is also its much emphasized aspects to make women economically strong by handling the rural level saving and other programs weekly meeting, loan proposal, repayment, compulsory deposits etc. The research

focuses on effectiveness of microfinance program for women to improve the status of them and poverty reduction in their families. The Nirdhan Utthan Bank Ltd is also microfinance institution focused on women and small farmers. NU BL is one of the best microfinance programs of Nepal. For last 13 years, NUBL is working in Bhaktapur. There are some problems. So this research paper deals with the following research questions.

- a. What is the existing situation of Nirdhan Utthan Bank Ltd, Chhaling Branch Bhaktapur?
- b. Is the program effective to the poverty reduction and improving the overall status of women or small farmers?

1.3 Objectives of the Study

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

- a. To analyze the existing position and condition of Nirdhan Utthan Bank Ltd, Chhaling Branch, Bhaktapur.
- b. To examine the effectiveness of the program of Nirdha Uthan Bank Ltd, Chhaling Branch, Bhaktapur in the context of poverty reduction and improving the living standard of small farmers.

1.4 Significance of the Study

Microfinance is coined as the financial service rendered to the deprived group of the people and small entrepreneurs to help them in developing self-employment opportunities and various income generation activities. Usually, microfinance is a program that serves a large number of clients with reference to women/deprived people and works at a grassroots level with financial sustainability. Nepal has three decades of experience in microfinance. Although many programs have been implemented for poverty alleviation in Nepal, only microfinance programs are seen as pro-poor and rural based. The microfinance revolution has changed attitudes towards the poor in many countries and income has provided substantial flows of credit, often to very low-income groups or household, who would normally be excluded by

conventional financial institution. Microfinance empowers women by putting capital in their hands and allowing them to earn an independent income and contribute financially to their households and communities. Microfinance activities can give them a means to climb out of poverty.

Thus it is hoped that the research findings will provide a wider ground for further research in the field of women. The study is carried the rural areas test of MFIs. This is beneficial to know the perception of rural women and small farmers on MFIs activities. How rural peoples are participating on MFIs? How they get services from there? And what types of activities are done through such services is interpreted? Therefore, the further researchers and microfinance practitioners are mainly benefited after the completing the study.

1.5 Limitations of the Study

This study basically concerns to particular microfinance only. The conclusion of this study may or may not be applicable to other areas due to difference in socio-economic conditions.

1.6 Organization of the Study

The Research paper is divided in to five chapters.

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

Second chapter consists of review of literature, conceptual framework of microfinance, international context, Nepalese context, reviews of related studies and Research Gap.

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

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

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

CHAPTER-II

REVIEW OF LITERATURE

A critical review of the other literature helps the researchers to develop a thorough understanding and insight into previous research works that relates to the present study. It is a way to avoid investigation problems that have already been definitely answered. Thus a literature review, the process of locating, obtaining, reading and valuating the research literature is the area of the student's interest (Pant, 2005). This chapter concern on the past event that has be done in the research problem. Literature review is an important topic of the research. It supported to the researcher to define the problem and choose the appropriate methodology and also give the guide lines for collecting information.

2.1 Theoretical Concept

A theoretical (or conceptual) definition is an abstract concept that defines a term in an academic discipline. Without a falsifiable operational definition, conceptual definitions assume both knowledge and acceptance of the theories that it depends on.

Microfinance, according to Otero (1999) had explained about the provision of financial services to low-income poor and very poor self-employed people. These financial services according to Wood (1999) generally include savings and credit but can also include other financial services such as insurance and payment services. Schreiner and Colombet (2001) define microfinance as “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector.

In the literature, the terms microcredit and microfinance are often used interchangeably, but it is important to highlight the difference between them because both terms are often confused. (Sinha, 2001) states “microcredit refers to small loans, whereas microfinance is appropriate where NGOs and MFIs¹ supplement the loans with other financial services (savings, insurance, etc.)”. Therefore, microcredit is a component of microfinance in that it involves providing credit to the poor, but

microfinance also involves additional non-credit financial services such as savings, insurance, pensions and payment services (Okiocredit, 2005).

2.2 International Context

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

In Bangladesh, the Bangladesh Rural Advancement Committee and The Grameen Bank have succeeded in combining community development with Microcredit. In serving as the birthplace of the microfinance movement, they are particularly useful counterexamples to other, floundering microfinance operations. The Bangladeshi microfinance movement is rooted in three core principles: The provision of loans to community groups of micro enterprises, a community-based incentive for loan repayment and business development and education programs that augment the loans.

There is evidence to suggest that short term loans and expectations of rigid repayment schedules are incompatible with the long term goals of building sustainable rural financial networks. The average loan size is \$60, with an 86 day maturity. Although practical in theory, short term micro loans appear less effective in significantly altering the poor’s deleterious patterns of consumption. Orthodox Microcredit theory

posits that loans are to be issued without any development or community-building assistance, based on an abiding faith in the poor's ability to transform credit services into long term, sustainable capital growth. Yet it may be that the terms of the microfinance loans are too short, as suggested by experiences in countries like Bangladesh and Pakistan (Lachman, 2011).

2.3 Nepalese Context

The microfinance sector was served by cooperatives (1950-1960s) and normal banks (1970-1980s) until 1980 when a number of pilot projects and initiatives were implemented to introduce the financial and banking services to help poor and women. However, few groups of poor people were benefited, but the end these services were found ineffective.

During the 1990s and early 2000s, the government moved further to strengthen the microfinance Institutions to provide financial service to poor and women, with the formation of five regional Development Banks (RDBs) in each Development region based Grameen model with the sole objective to provide Microcredit services to the poor and women. Eventually these Regional Development Banks transformed to Microfinance Development Banks (MFDBs) after privatization and licensed as class 'D' financial Institutions

2.4 Reviews of Related Studies

Ana (2002) challenged the validity of two of the basic premises underlying existing theoretical and empirical studies: that microfinance can be a successful market solution to resolve credit market failures and that solidarity sentiment prevail among the members who constitute microfinance groups. Given these premises, current studies argue that a set of incentives can be devised, without resort to public welfare funds, to correct information asymmetries between borrower and lenders. Studies also argue that group members will practice mutual support because they originate from poorer segments of society-demonstrating tendency in such studies to romanticize the nature of social relations in community-based networks. Evidence from research undertaken in urban and rural communities of Peru, as presented in this

paper, shows that group-based microfinance schemes are often unable to harness local information and hence resort to inflicting increasingly.

Hulme and Moore (2006) concluded that microfinance involves the delivery of small loans and other financial services which the poor can use to build up their assets, establish or further develop a business, increase their wealth and protect against risks. Pioneered by Mohammad Yunus who founded the Grameen Bank in Bangladesh during mid-seventies, MFIs today are spread all over the world and count over 100 million of the world's poor as their clients. This segment of the population has often not had access to traditional banks. Subsidized government lending schemes, which have tried to reach the poorest have often proved inefficient to overcome the screening, monitoring and enforcement problems that restrict the access of the poor to the formal financial sector.

Ministry of Finance (2016) stated that the microfinance program has provided substantial help and facility to the ultra-poor families. The Microfinance Institutes (MFI) are providing door to door Microcredit services to those ultra-poor families who have no collateral guarantees to produce, and are not capable of fulfilling the banking requirements for credit eligibility. Such families are able to create their own assets by paying their Microcredit in small installments out of their earnings made by engaging themselves in small entrepreneurial activities. Microfinance institutes have been helping these ultra-poor families to be self-reliant through the process of social mobilization. Even in the present conflict situation whereby the banks have closed or merged their branches/sub-branches, these MFIs have been constantly delivering door to door Microcredit services to the ultra-poor communities. Credit recovery rate of these MFIs is above 98 percent.

Rooij and Puri (1999) concluded that International Labour Organization (ILO) makes comparative assessment of the impact of Microcredit grants and loans in Nepal and Uganda. The impact is examined in terms of output, asset accumulation, employment, income, enterprise performance and socio-economic characteristics (e.g. impact of expenditure on education, nutrition, and health care services). Baseline survey was conducted in 1996 followed by midterm survey in 1997 and final survey in early 1999.

Findings of the survey show an increase in recipients' income in both countries. In case of Nepal, recipients' income increased by 58 percent in a little over two years compared to the control group in the area, which witnessed an income growth of some 24 percent during the same period. In Uganda also both the grant and credit recipients saw their income increase more than two fold (227 percent and 233 percent respectively). In case of assets, borrowers in Nepal were able to double (203 percent) their capital base in two years as compared to the baseline period and, as for the control group the figure was 210 percent. In case of conditional grant the value of asset increased by 159 percent and 154 percent for the control group. Findings were similar in case of Uganda also. Both credit recipients' and grant recipients' asset increased by 194 percent and 169percent respectively. In terms of the performance of income generating activities, after more than 2 years, 80 percent of the income generating activities in Nepal that started with grants continued to exist while 95 percent of the businesses financed by loans continued to do so. The socioeconomic impact on the households was less visible due to the limited time-period of the study. In both countries, the transaction costs of administering the grants and the loans were in the range of 10-20 percent of the value of the capital provided.

SFPS and RD (2004) stated that very few researches have been undertaken in the past for measuring the impact of microfinance in Nepal. In 2004, National Planning Commission (NPC) had funded study to assess the impact of microcredit program on poverty reduction. The study was designed to assess the access of the poor to the institutional credit, to examine the effectiveness of the credit in helping to graduate the poor from absolute income poverty, to evaluate the social indicators of benefits from the microfinance services, to assess effectiveness of the program in gender development and empowerment, and to review the sustainability of MFIs in general. The Centre for Policy Studies and Rural Development, Kathmandu conducted the study. The study was based on both primary and secondary data, and focused on measuring impact on outreach of microfinance programs and their coverage of the poor, social and economic changes noticed among beneficiaries and sustainability of microfinance institutions. The study covered six districts – three hills and three Terai, and covered both the private and the government supported microfinance institutions. Altogether, 479 client samples were examined for collecting primary data. The study estimated the outreach of microfinance covering 35.25 percent of the poor. However,

the outreach was not confined to the poorest of the poor, as they constitute only 68.6 percent of the total microfinance borrowers. It is interesting to note that 84.1 percent of the sample reported that they could make profit from the first loan and receive profits at decreasing rates from the succeeding loans.

A small proportion of sampled households (24.4 percent) also felt improvement in their social and economic conditions after their participation in the microfinance programs. A change in principal occupation among the sampled households was also noticed particularly from agriculture to petty trading. Dependence on agriculture reduced from 56 percent to 48percent, while dependence on petty trading increased from 11.1percent to 32.2 percent. The respondents witnessed some positive changes in their possession of assets like better-roofed houses, radio, television, bicycles, hand-pumps, etc. They also noticed improvement in their food self-sufficiency status after enrolling in the microfinance programs. The frequency of consumption of nutritious food items, such as fruits, eggs, meat and fish has also increased. Due to the program efforts, the literacy rate among the members of microfinance programs has risen from 52 percent to 89.8 percent. The proportion of the respondents knowing about HIV/AIDS and its transmission mode has also been found increased and many of them were made aware by the microfinance programs about their health care facilities. With the program, the gender division of works is also getting less value and the men also started performing activities which were considered to be the responsibility of only women, such as cooking, washing utensils, taking care of babies, etc. The percentage of women reporting the increased control over income has also increased from 13.3 percent to 19.1 percent. However, this study has indicated that microfinance programs have not been effective in contributing to the reduction of poverty level as MFIs have not been able to extend their outreach to the ultra-poor and the poor in the hills.

RMDC(2008)initiated an impact study of microfinance program on the socioeconomic dimensions of the clients of its partner organizations in order to see whether the objective of improving socio-economic conditions of the ultimate clients has been attained or is being attained. The study has focused on impacts of microfinance services on (i) loan transactions from various sources, (ii) income-source-wise investment, income and savings, (iii)living and non-living assets, (iv)

food self-sufficiency and nutritious food consumption, (v) clothing and housing type, (vi) health care measures and education of children, and (vii) participation in social and political events, and empowerment of women. The study sample included 192 respondents of the 200 sample of ultimate beneficiaries from eight microfinance institutions that include: Swabalamban Laghubitta Bikas Bank Ltd. Nepal Mahila Utthan Kendra, Jeevan Bikas Samaj, Forward, Mahila Sahayogi Sahakari, and Centre for Self-help Development. It has revealed positive improvements in investment, income received, and savings made through activities undertaken with the increased funding support in successive years. Assets, both living and non-living, were found to have increased both in terms of quantity and value. Food self-sufficiency situation did improve remarkably when compared to situation before participation in the MF program. Number of daily food intake and frequency of nutritious food intake per month were also found greatly impacted by the program. There is also remarkable improvement in housing, health care, and education of children. Improvements were also observed in participation in social and political events and found significant positive changes in the empowerment of women members on the whole.

Lindgreen (2002) simply comments, "Microfinance and women's empowerment in Bangladesh" conforms that with growing interest in and support for micro enterprises programs in developing countries, many of which have been directed towards poor women. Controversy mounts over the effectiveness of MF efforts. Bangladesh largely through the effort of Muhammad Youns has been a leader in the MF movement."

Stock (1995) explained that it is necessary to prove impact on the intended beneficiaries. This is not easy an immediate question on what impact may be measured on income, wealth, food security, child nutrition or gender relation argues that the tools of impact assessment have so far neglected an assessment of effects which go beyond users or the institutions which serve them to the nature and functioning of financial markets. This may be because micro- credit programs are currently promoted as a strategy for both poverty alleviation and women's empowerment.

Khandker (1998) said that lack of saving and capital make it difficult for many poor people to become self-employed and to undertake productive-employment generating activities. Providing credit seems to be a way to generate self-employment

opportunities for the poor. But because of lack of physical collateral, they have almost no access to institutional credit. In formal lenders can be a source of credit, but poor households do not gain from investing in productive income-increasing activities because of high interest rates. And these sources are not reliable to poor and they cannot save enough through such informal sector. Microcredit programs which are able to provide credit to the poor at affordable cost and can help them become productive self-employed. Microcredit program have thus emerged as an antipoverty instrument in many low income countries. Microfinance target the poor especially women, with financial services to help them become self-employed in rural non-formal activities of their choice. In his article entitled, Microfinance for Achieving Millennium Development Goals in Nepal.

Dhakal (2010) highlighted that financial services would assist to improve incomes and build assets of poor populace. Dhakal stressed that the poor needs sound financial services and specialized activity with a long term commitment Dhakal points out that direct link exists between Microfinance and Millennium Development Goals (MDG). Hence, Dhakal mentions that microfinance instructions can fulfill the objectives of MDG. Further, Dhakal highlights that strong management and efficient operations are required in microfinance institutions to reach the millions of people targeted financial services in Nepal. Finally, Dhakal conclude the article by stating that microfinance activity could not be considered as the substitution of investment in education, health or infrastructure. Ghimire has conducted the thesis entitled Impact of Microfinance, A Case Study of Microcredit Program for Women in Nepal. The main objectives of this study were: to analyze the position of existing credit, measure the relationship between investment and income, assess the effect of training on standard of living of the people, assess the perception of users group towards the program and financial sustainability of the program.

The main conclusion of the study was the group activities, regular saving and investment, high rate of repayment and utilization of loan have been satisfactory. This shows that financial sustainability and viability of the program in Kahun VDC is guaranteed. The positive correlation between investment and changes in income level of the participants show that the capability of the entrepreneurs for the repayment of the loan in due time is good. Saving on the basis of the investment is found to be

highly effective aspect of the program upon which training and income generating activities is based. Training and awareness program are the most crucial component of the program for making a energetic entrepreneur to run their enterprises effectively and successfully. The program has provided basic and awareness training, skilled and management training, agriculture training etc. to the participant women. It is found to be satisfactory to empower standard of living of the people.

Poudyal (2005) conducted research for M.A. (Economics) on the topic "Microfinance and its impact on Economic Upliftment of Women "by taking main objectives were analyze the impact of microfinance on the economic upliftment of women and suggest appropriate measures to improve Microfinance on the basis of economic upliftment of women.

Study gives the conclusions were microfinance program is the best way to uplift women economically as well as socially. Similarly MFP is fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities especially women and MFP should widen their area by appointing staff to hear. Understand their problem and find out alternative as well as solution. So that, they shouldn't be victimized by excess burden of debt.

It has qualitative study as well as quantitative for collecting the information: secondary and primary both methods of data collection are under in practices as well as field survey rapport building process had been commonly used for gathering the information. It has tried to make research quantitative rather than qualitative Poudyal has done a research in good manner that I agree with her. But she has used only economic perspective. Economic upliftment is affected by other things like their social awareness, and consumption pattern of food. But she neglects these aspects of women. She is only limited on economic aspect (income, occupation, saving). So, my research will be another piece to study on economic impact of microfinance in Nepal.

Kabeer, quoted in Mosedale (2003) stated that women need empowerment as they are constrained by "the norms, beliefs, customs and values through which societies differentiate between women and men". She also states that empowerment refers to the "process by which those who have been denied the ability to make strategic life choices acquire such an ability", where strategic choices are "critical for people to live

the lives they want (such as choice of livelihood, whether and who to marry, whether to have children, etc.)” (Kabeer, 1999). Therefore MFIs cannot empower women directly but can help them through training and awareness-raising to challenge the existing norms, cultures and values which place them at a disadvantage in relation to men, and to help them have greater control over resources and their lives.

Littlefield, Murdugh and Hashemi (2003) stated that access to MFIs can empower women to become more confident, more assertive, more likely to take part in family and community decisions and better able to confront gender inequities. However, they also state that just because women are clients of MFIs does not mean they will automatically become empowered. Hulme and Mosley (1996) also make this point when they refer to the “naivety of the belief that every loan made to a woman contributes to the strengthening of the economic and social position of women”. However, with careful planning and design women’s position in the household and community can indeed be improved.

According to Littlefield, Murdugh and Hashemi (2003) the Women’s Empowerment Program in Nepal found that 68% of its members were making decisions on buying and selling property, sending their daughters to school and planning their family, all decisions that in the past were made by husbands. They refer to studies in Ghana and Bolivia, which indicated that women involved in microfinance projects, had increased self-confidence and had an improved status in the community (ibid.).

Sachs (2005) was amazed to find that women spoke to had only one or two children, when he was expecting them to have five or six as he had become accustomed to for Bangladeshi women. When he asked those with no or one child how many children they’d like to have, the majority replied two. He calls this a “demonstration of a change of outlook” (2005, p.14). He refers to a new spirit of women’s rights, independence and empowerment among clients, showing the positive empowerment effects the project has had on the women (ibid.).

2.5 Research Gap

Research gap focuses that the researcher how much trying to give new things from his/her study with compare to previous studies held by different researcher. Due to

changing the time and circulation of environment the previous and present may be different in many ways. This is a research gap between the present research and previous research. Though many affiliated researchers have been done in this area but these have been very few exclusive researchers on this subject. This study may be a new study in this field and no study has been made in these topics in Tribhuvan University. The study mainly fulfills the gap of previous studies by addressing, effectiveness of microfinance in Nepalese economy.

CHAPTER-III

RESEARCH METHODOLOGY

3.1 Research Design

Research design is the basis plan, which guides the data, the collection and analysis phases of the research report. It is a framework, which specifies phase of research information, collected the sources of the data collected and data collection procedure. This study is based on descriptive and analytical research design. This study is mainly focused on microfinance program and case study of NUBL program in Chhaling, Bhaktapur. It is intended to find out economic impact and social benefit in specific area. A descriptive research design is applied to analyze and interpret the quantitative and qualitative data collected from the concerned field. Loan investment, repayment process and other development process are related to microfinance program. Primary and secondary data are used for the study of rural poor women, small farmer and staffs of NUBL.

3.2 Nature of the Data

This study is based on the primary as well as secondary data. This study was mainly based on primary data, which was collected from the field survey using structured questionnaire, focused group discussion and the observation method. The related secondary data is obtained from secondary sources e.g. books, pamphlets, articles, reports, web-sites, journals, annual reports, economic survey and difference sources.

3.3 Population and Sampling

Nirdhan Utthan Bank Ltd. Chhaling, Branch is providing its services in 2 Municipalities (Changunarayan and Suryabinayak) of Bhaktapur district. 625 members are active in microfinance program. In Changanarayan Municipality Ward No. 4 & 5, there are 180 active members, at present. Thus, the study only focuses on these active borrowers. The populations under this study are 180 women and small farmers and among them 63 individuals were selected as the convenience sampling method. 35 percent out of 180 women and small farmers are taken as sample to obtain accurate and real scenario and its effect on economic impact.

The list of the rural poor women and small farmers was provided by NUBL at Changanarayan Municipality Ward No. 4 & 5 convenience sampling method was used to fill up the questionnaires. From the list of sample, 63 members were drawn by applying simple random sampling method to fulfill the purpose of study.

3.4 Tools and Method of Data Collection

Members of women and farmer group leader, concerned line agency staffs were interviewed separately. To collect necessary information the researcher had also discussed with professionals and used observation method. Inter discussion quantitative as well as qualitative method had also been implied to obtain desirable result.

3.5 Tools and Method of Data Analysis

Data are managed and analyzed in proper table with formats, interpretations and explanation made. Regression Analysis is use to analyze the collected data. Some diagrams like line graph, pie chart, bar graph were used. The applied formula to obtain significant result is Regression.

CHAPTER-IV

PRESENTATION AND ANALYSIS OF DATA

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

4.1 Features of Respondents

4.1.1 Age Group

Age group of the respondents 4.1 presents the profile of the respondents in terms of their age. There are 63 respondents table that more than half percentage of the women and small farmer members are between 30 to 50 years who have heavy financial loan for their survival and other social responsibilities. The last decades have seen major changes in the way family life is organized in all European countries. In the past, People more often lived a standard life course people left the parental home to get married and have children age group of the respondents are following.

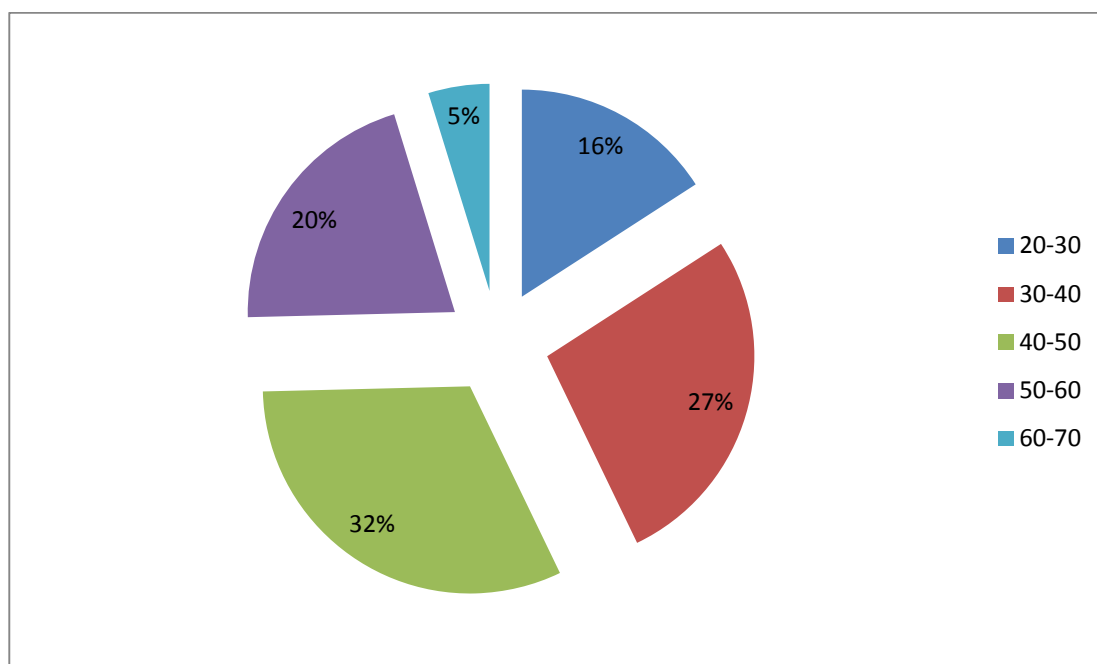
Table 4.1
Age Group of the Respondents

Age group	Number of Respondents	Percentage
20-30	10	15.87
30-40	17	26.98
40-50	20	31.63
50-60	13	20.74
60-70	3	4.78
Total	63	100

Source: Field survey, 2017

The Table 4.1 shows that the youngest among the members surveyed was 20 years old while the oldest was 67 years old. We find very little members who had 60 years over were only 4.78 percent. Table shows that more than half percentage of the women and small farmer members are between 30 to 50 years who have heavy financial load for their survival and other social responsibilities such as giving education, marriage of their children.

Figure: 4.1
Age Group of the Respondents



Source: Table 4.1

The figure 4.1 shows that the youngest among the members surveyed was 20 years old while the oldest was 67 years old. We find very little members who had 60 years over were only 4.78 percent there are 63 respondents table that more than half percentage of the women and small farmer members are between 30 to 50 years who have heavy financial loan for their survival and other social responsibilities. The last decades have seen major changes in the way family life is organized in all European countries.

4.1.2 Family Size

In the table 4.2 Family size of the respondents are family member are Number of Family member 1-3 members and 7-9 members are respectively. The total family size of the respondents is following.

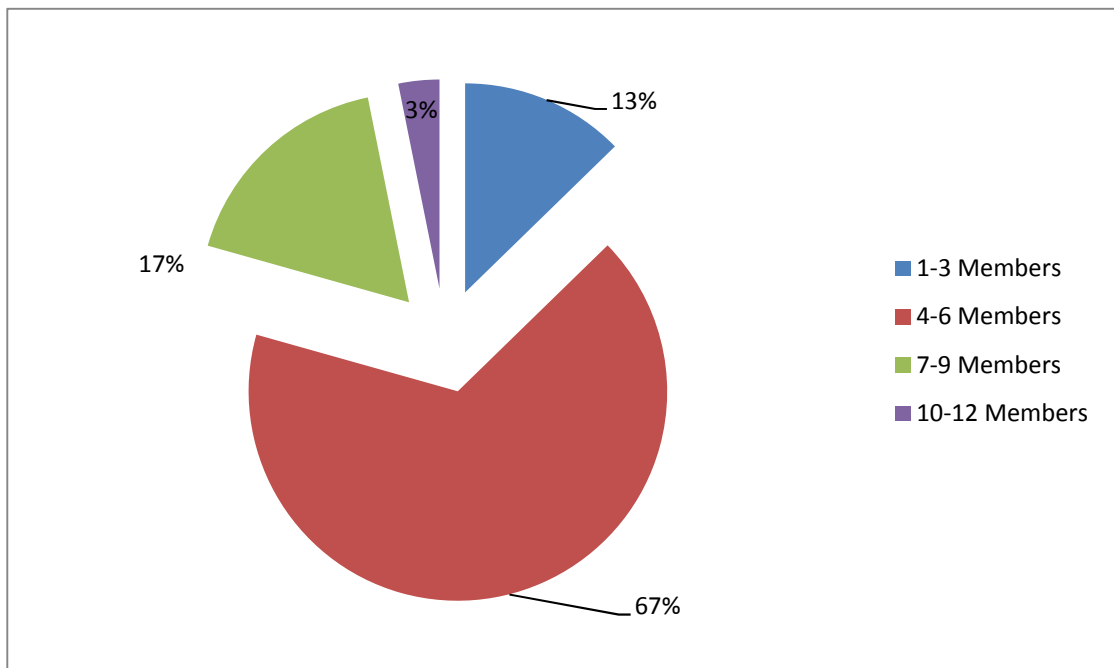
Table 4.2
Family Size of the Respondents

Number of family member	Family member	Percentage
1-3 Members	8	12.7
4-6 Members	42	66.76
7-9 Members	11	17.5
10-12 Members	2	3.17
Total	63	100

Source: Field survey, 2017

Table 4.3 shows the increasing preference towards nuclear family. 12.7 percentages of the member served belongs to small sized households with 1-3 members. However, 66.67 percentages come from medium sized households with 4-6 members and negligible percentage (3.17) had large sized family member with 10-12 persons.

Figure 4.2
Family Size of the Respondents



Source: Table 4.2

In the figure 4.3 shows the family size of the respondents are family member are Number of Family member 1-3 members and 7-9 members are respectively.

Increasing preference towards nuclear family. 12.7 percentages of the member served belongs to small sized households with 1-3 members. However, 66.67 percentages come from medium sized households with 4-6 members and negligible percentage (3.17) had large sized family member with 10-12 persons.

4.1.3 Family Head

The table 4.3 shows that the family head of the respondents. Majority of households are mostly male headed, clearly showing the patriarchic family system, which is often blamed for the lower efficiency of the family as a production unit and the main cause of repression of women within a family and society.

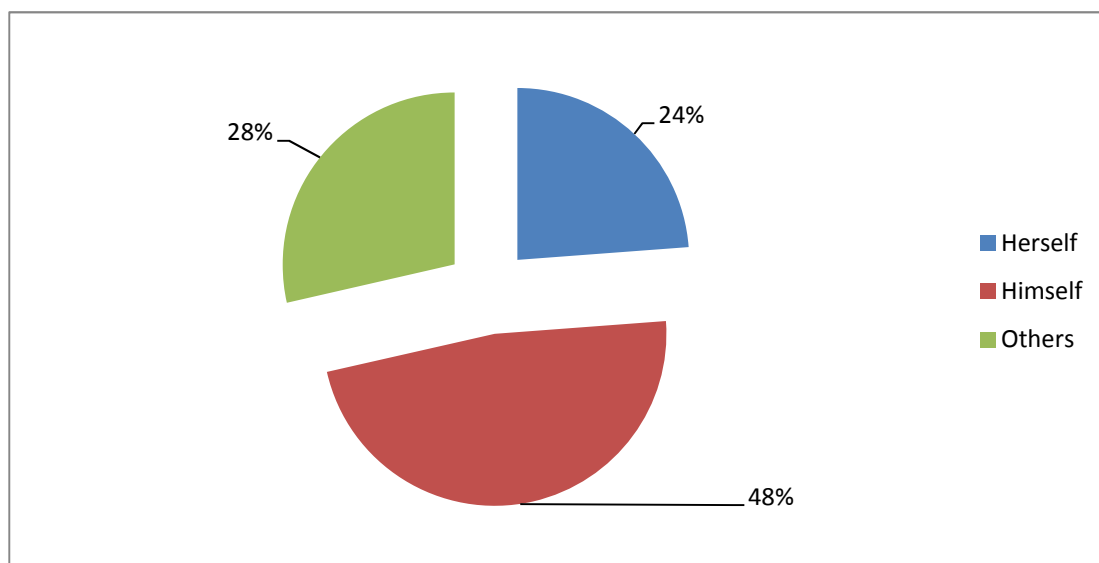
Table 4.3
Family Head of the Respondents

S.N	Categories	Frequency	Percentage
1	Herself	15	23.8
2	Himself	30	47.6
3	Others	18	29.6
Total		63	100

Source: Field survey, 2017

The table 4.3 shows that, the majority of households are mostly male headed, clearly showing the patriarchic family system, which is often blamed for the lower efficiency of the family as a production unit and the main cause of repression of women within a family and society as a whole. The total 63 respondents covered in the study 53 percent belonged to male headed household and others remaining 47 percent are female headed. Lower percentage of female headed household reflects the dominant position of male member of family over the female member. Most of the sample members belonged to the house headed by the male members, means major and important decision in the family is taken by the male members, no matter how serious it is towards women of their concerns.

Figure 4.3
Family Head of the Respondents



Source: Table 4.3

The figure 4.3 Family Head of the Respondents total 63 respondents covered in the study 53 percent belonged to male headed household and others remaining 47 percent are female headed. Lower percentage of female headed household reflects the dominant position of male member of family over the female member.

4.1.4 Cast and Ethnicity

This study used the sustainable livelihood approach to examine the extent to which the access to various capital influence a household's live hood transition from farming to non-farm activities also called farm exit in a poor rural agricultural cast and Ethnicity of respondents setting of Nepal.

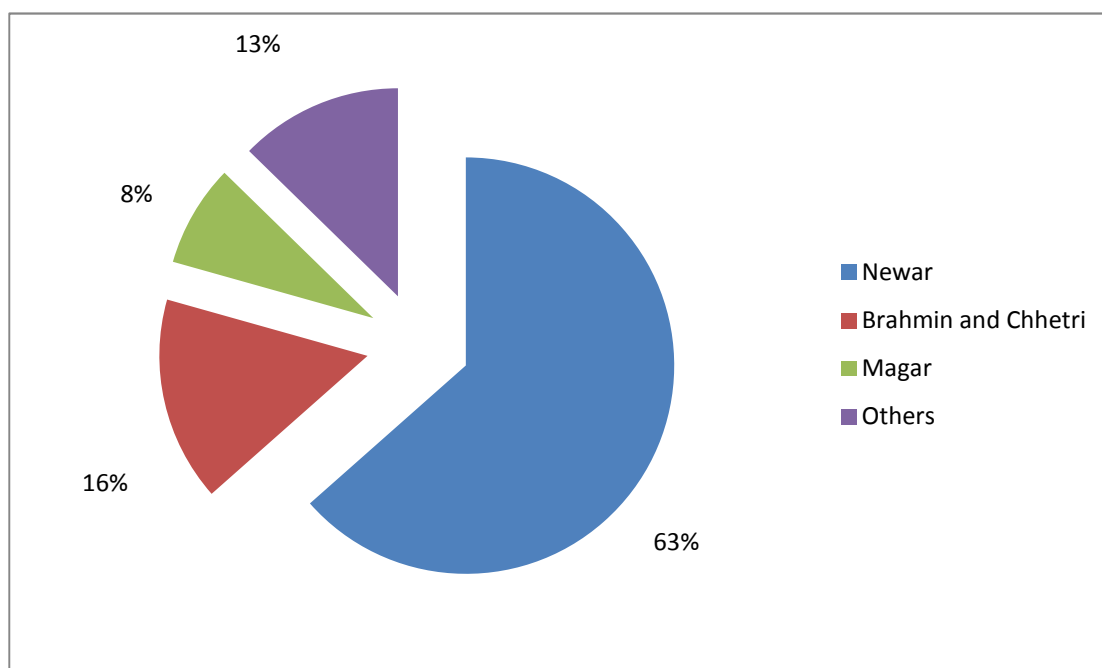
Table 4.4
Caste and Ethnicity of Respondent

Caste	Total Member	Percent
Newar	40	63.49
Brahmin and Chhetri	10	15.87
Magar	5	7.94
Others	8	12.70
Total	63	100

Source: Field survey, 2017

The Table 4.4 depicts that in the study area, majority of members belongs to Newar, which is i.e. 63.49% Similarly, Brahmin and Chhetri. 15.87 percent are Magars, 7.94 and rest 12.70 percentage are from other cast. Thus the Chagunarayan Municipality of ward no 4 and 5 are multi ethnic world comprising prominently three ethnic groups.

Figure 4.4
Caste and Ethnicity of Respondent



Source: Table 4.4

The figure 4.4 depicts that in the study area, majority of members belongs to Newar, which is i.e. 63.49% Similarly, Brahmin and Chhetri. 15.87 percent are Magars, 7.94 and rest 12.70 percentage are from other cast. Thus the Changunarayan Municipality of ward no 4 and 5 are multi ethnic world comprising prominently three ethnic groups.

4.1.5 Education

The table 4.5 shows that the majority of households are mostly male headed, clearly showing the patriarchic family system, which is often blamed for the lower efficiency of the family as a production unit and the main cause of repression of women within a family and society as a whole.

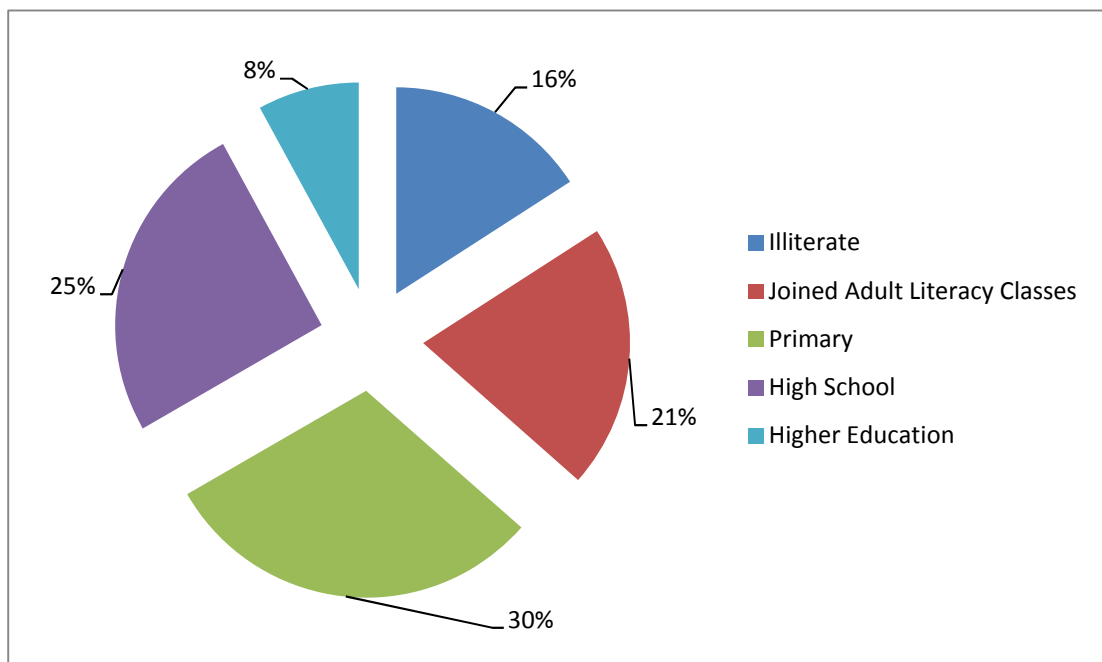
Table 4.5
Education of the Respondents

Education Level	Number of respondents	Percentage
Illiterate	10	15.87
Joined Adult Literacy Classes	13	20.63
Primary	19	30.15
High School	16	25.40
Higher Education	5	7.95
Total	63	100

Source: Field survey, 2017

The table 4.5 indicates that the pitiable educational condition of the member in the periphery of Bhaktpur district. 15.87 percentages of the members surveyed had no formal education. 20.63 percentages of these without formal education had joined adult literacy classes. Only 7.95 percentages reached the Higher Education. It indicates sheer negligence of concerned authority in education.

Figure 4.5
Education of the Respondents



Source: Table 4.5

The figure 4.5 shows that the majority of households are mostly male headed, clearly showing the patriarchic family system, which is often blamed for the lower efficiency of the family as a production unit and the main cause of repression of women within a family the members surveyed had no formal education. 20.63 percentages of these without formal education had joined adult literacy classes. Only 7.95 percentages reached the Higher Education.

4.1.6 Size of Land Holding

The land holding size of the respondents' island holding size of the respondents landless below percentage 5aana to 20 aana below table follows:

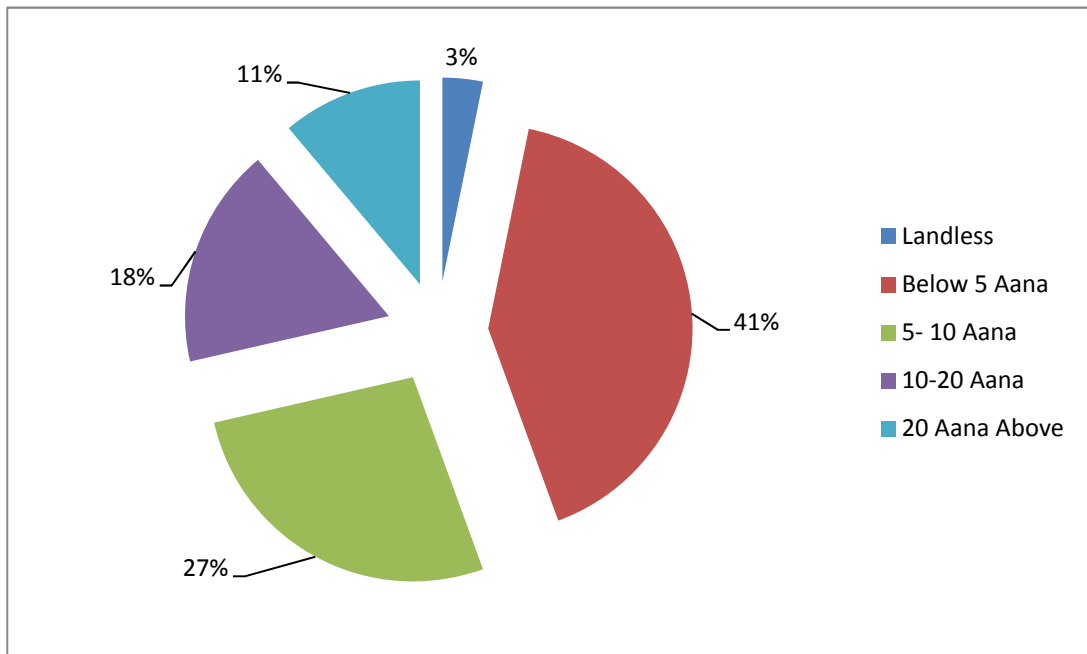
Table 4.6
Land Holding Sizes of the Respondents

Size of Land	Number of respondents	Percentage
Landless	2	3.17
Below 5 Aana	26	41.27
5- 10 Aana	17	26.98
10-20 Aana	11	17.46
20 Aana Above	7	11.11
Total	63	100

Source: Field survey, 2017

The table 4.6 depicts that 3.17 percent of the total sample do not have their access on land. 41.27 percent have the land below 5 Aana, 26.98 percent have their land from 5 Aana to 10 Aana, 17.46 percent have the land from 10 Aana to 20 Aana. And the remaining 11.11 percent of the respondent have more than 20 Aana land. This indicates that on few percent of respondent has the enough land.

Figure 4.6
Land Holding Sizes of the Respondents



Source: Table 4.6

The above 4.6 depicts that 3.17 percent of the total sample do not have their access on land. 41.27 percent have the land below 5 Aana, 26.98 percent have their land from 5 Aana to 10 Aana, 17.46 percent have the land from 10 Aana to 20 Aana .The land holding size of the respondents is Land holding size of the respondents landless below % aana to 20 aana.

4.2 Existing Position & Condition of NUBL Program

4.2.1 Purpose of Join the Program

The table 4.7 purpose of join in microfinance Programs, microcredit, or microfinance, is banking the unbankables credit, saving and other essential financial services within the reach of Millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without. Purpose of loan to develop economic health with friends the number of respondents.

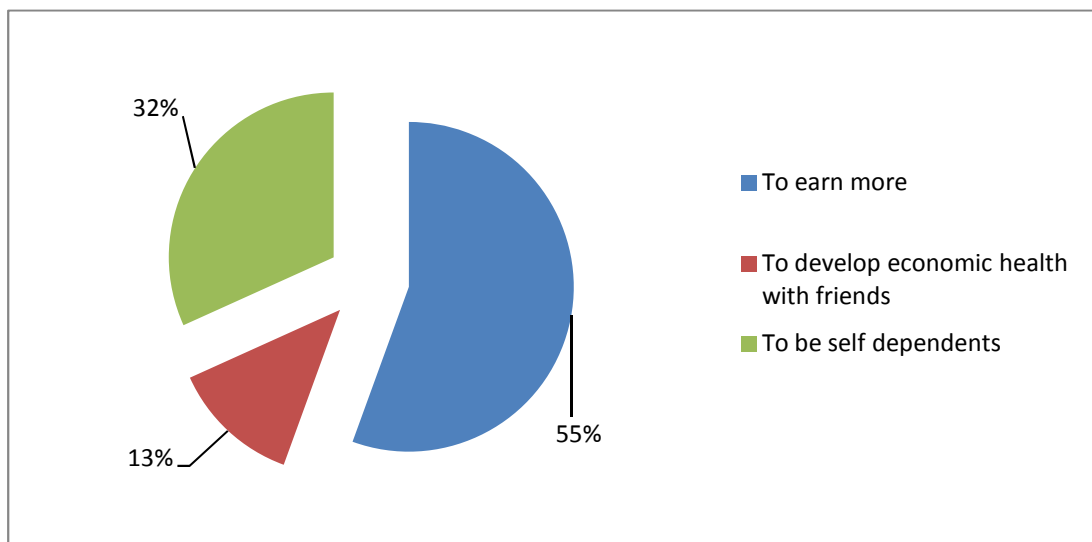
Table 4.7
Purpose of Join in Microfinance Programs

Purpose of Loan	Number of respondents	Percentage
To earn more	35	55.55
To develop economic health with friends	8	12.7
To be self-dependents	20	31.75
Total	63	100

Source: Field survey, 2017

The table 4.7 depicts that the main purpose of join in Microfinance programs. Normally they join for three purpose, many of them (55.55 percent) join for to earn more and increase their life standard. 12.7 percentages of them were joining to developed economic health with friends; they wanted to do some things. Rest 31.75 percentages were joining for self-dependent. They wanted to run own microenterprise. This program helps for fulfillment of their purpose although they were different.

Figure 4.7
Purpose of Join in Microfinance Programs



Source: Table 4.7

The figure 4.7 purpose of join in microfinance programs purpose of join in microfinance programs microcredit, or microfinance, is banking the unbankables credit, saving and other essential financial services within the reach of Millions of

people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral.

4.2.2 Main Occupations before this Program

The main occupation of the respondents before this program are purpose of loan are laborer, Homemade wine seller farming small entrepreneurs and government jobs are following table 4.8 are below.

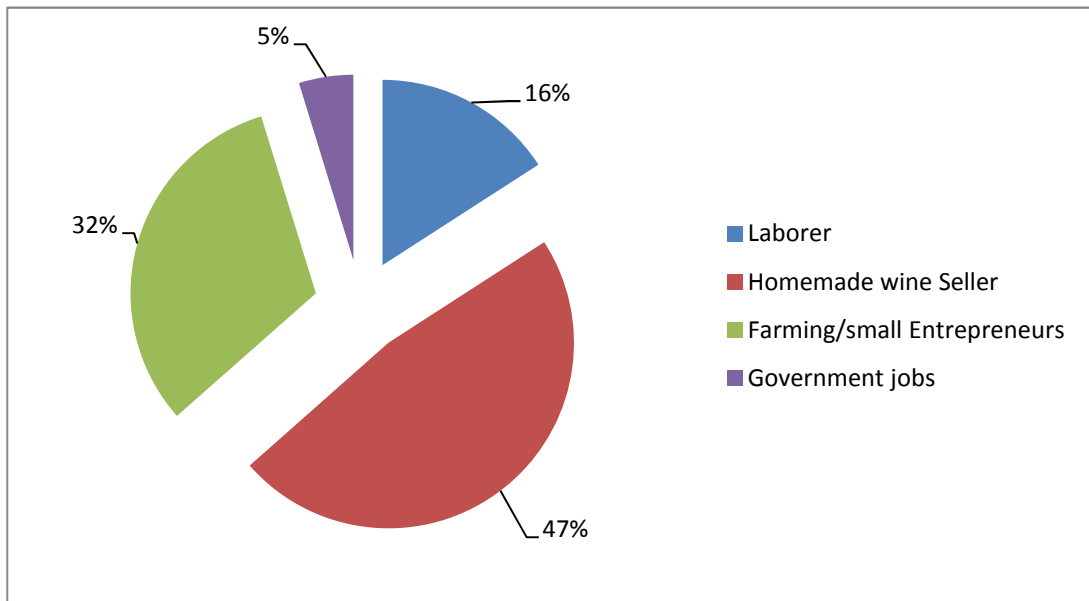
Table 4.8
Main Occupations of the Respondents before this Program

Purpose of Loan	Number of respondents	Percentage
Laborer	10	15.87
Homemade wine Seller	30	47.62
Farming/small Entrepreneurs	20	31.75
Government jobs	3	4.76
Total	63	100

Source: Field survey, 2017

The table 4.8 shows that 15.87 percent of the members surveyed and claimed that their main occupation was laborer, 47.62 percent identified him or her as wine cellar. The field survey shows that the occupations are very much influenced by caste/ethnic group. Mostly Newar/ Magar women have adopted home made wine selling. Brahmin/Chhetri Farming as their occupation i.e.31.75percentages identified them as Farming/Micro entrepreneur engaged in mill and making cloth. Only 4.76 of the respondent are found engaged in different type of government sector.

Figure 4.8
Main Occupations of the Respondents before this Program



Source: Table 4.8

The figure 4.8 shows that 15.87 percent of the members surveyed and claimed that their main occupation was laborer, 47.62 percent identified him or her as wine cellar. The field survey shows that the occupations are very much influenced by caste/ethnic group. Mostly Newar/ Magar women have adopted home made wine selling.

4.2.3 Main Purpose of the Taking Loan

The following main purpose of the taking loan are main purpose of loan household needs celebration of festival real estate luxurious goods very little respondents were taking loan to celebrate festivals and luxurious goods, which is not the productive work are following.

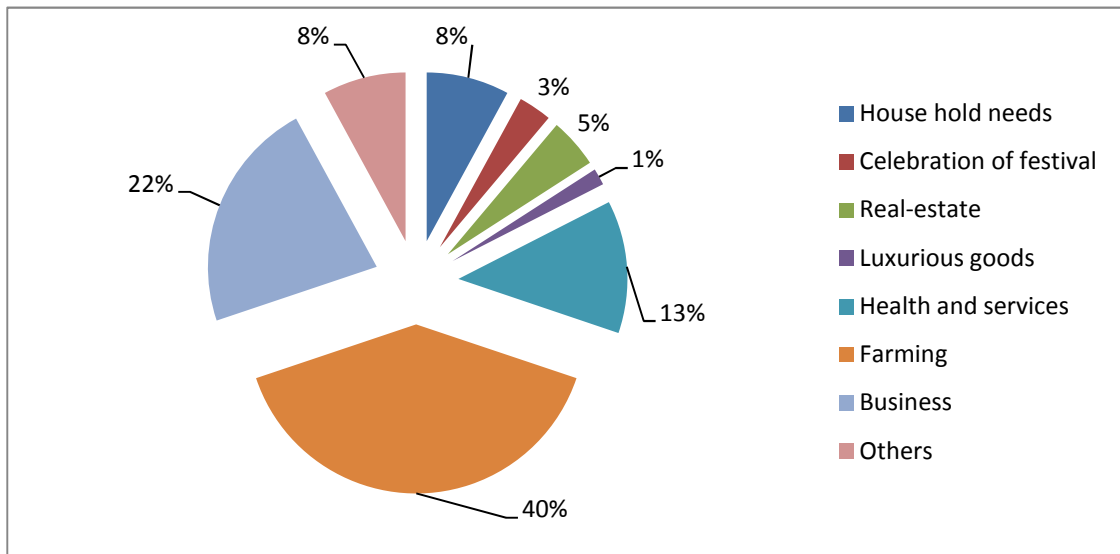
Table 4.9
Main Purpose of the Taking Loan

S. No	Main Purpose of Loan	No of Respondents	Percentage
1	House hold needs	5	7.94
2	Celebration of festival	2	3.17
3	Real-estate	3	4.76
4	Luxurious goods	1	1.59
5	Health and services	8	12.70
6	Farming	25	39.68
7	Business	14	22.22
8	Others	5	7.94
Total		63	100

Source: Field survey, 2017

The table 4.9 shows the mentioned purpose of taking loan from the Microfinance. Maximum no of respondent (39.68) percentages were taking loan for the purpose of Farming. Very little respondents were taking loan to celebrate festivals and luxurious goods, which is not the productive work. Very small amount of loan was provided for this purpose. 7.94 percentages were taking for the fulfillment of their house hold needs. 4.76 percentages respondents were taking loan for the Real-estate. In this way different person takes loan for the fulfillment of their own needs and wants. MIFs institutions help to fulfill in their income generating works.

Figure 4.9
Main Purpose of the Taking Loan



Source: Table 4.9

The figure 4.9 main purpose of taking loan is household needs celebration of festival real estate luxurious goods very little respondents were taking loan to celebrate festivals and luxurious goods, which is not the productive Very little respondents were taking loan to celebrate festivals and luxurious goods, which is not the productive work. Very small amount of loan was provided for this purpose. 7.94 percentages were taking for the fulfillment of their house hold needs. 4.76 percentages respondents were taking loan for the Real-estate.

4.2.4 Status of Loan Uses in Specific Objectives

The table 4.10 status of loan used in specific objectives are finance a loan is the leading of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt provided by an entity organization or individual to another entity at an interest rate, and evidenced by a promissory note which specifies, among other things, the principal amount of money borrowed the interest rate the lender is charging and date of repayment. A loan entails the reallocation of the subject assets for a period of time between the lender and the borrower.

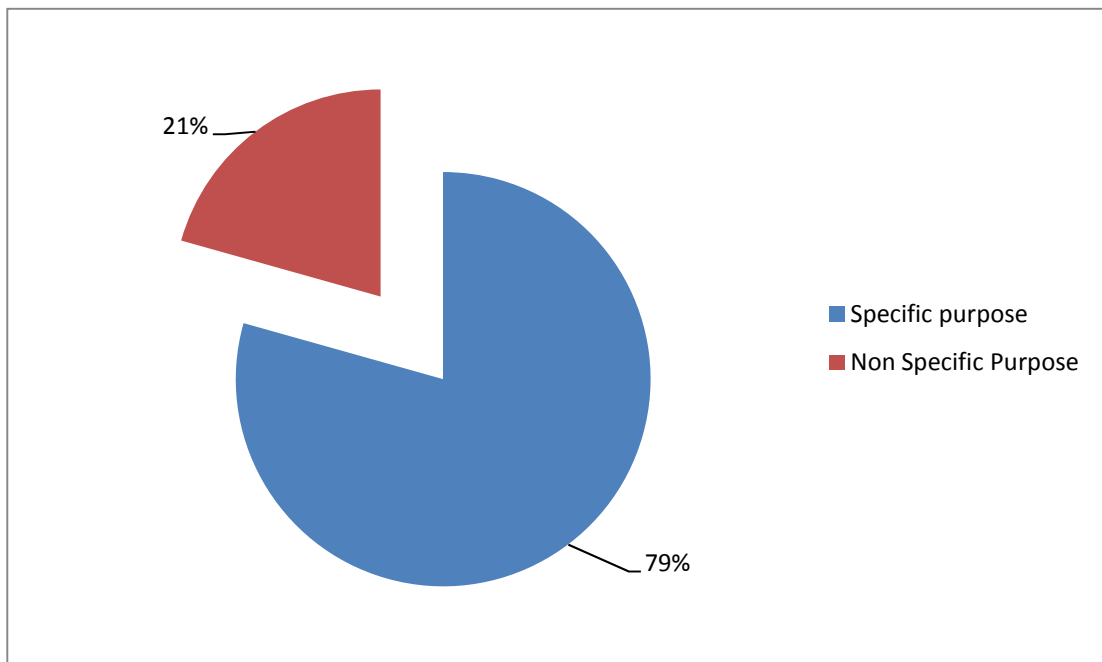
Table 4.10
Status of Loan uses in specific objectives

Status of Loan uses in specific objectives	Number of respondents	Percentage
Specific purpose	50	79.3
Non Specific Purpose	13	20.7
Total	63	100

Source: Field survey, 2017

The table 4.10 shows, 79.3 percent of loan are used in specific purpose which increased business in this area whereas 20.7 percent of loan is not spent in specific purpose for which the loan has been taken, it indicates that the number are not skilled, trained and capable enough to utilize their resources due to which it is misused.

Figure 4.10
Status of Loan uses in specific objectives



Source: Table 4.10

The figure 4.10 shows, 79.3 percent of loan are used in specific purpose, which increased business in this area whereas 20.7 percent the table 4.10 status of loan used in specific objectives are finance a loan is the leading of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt

provided by an entity organization or individual to another entity at an interest rate, and evidenced by a promissory note which specifies, among other things, the principal amount of money borrowed the interest rate the lender is charging and date of repayment.

4.2.5 Loan Amount and Frequency of Loan Taken

The loan amount and frequency of loan taken are some loan officers would prey on unsuspecting homeowners by refinancing their loan over and over again for their gain. This is considered churning and is illegal. Back then a dodgy lender would refinance their clients on a frequent basis, lowering their rates marginally without charging costs, which would create huge premiums from lenders.

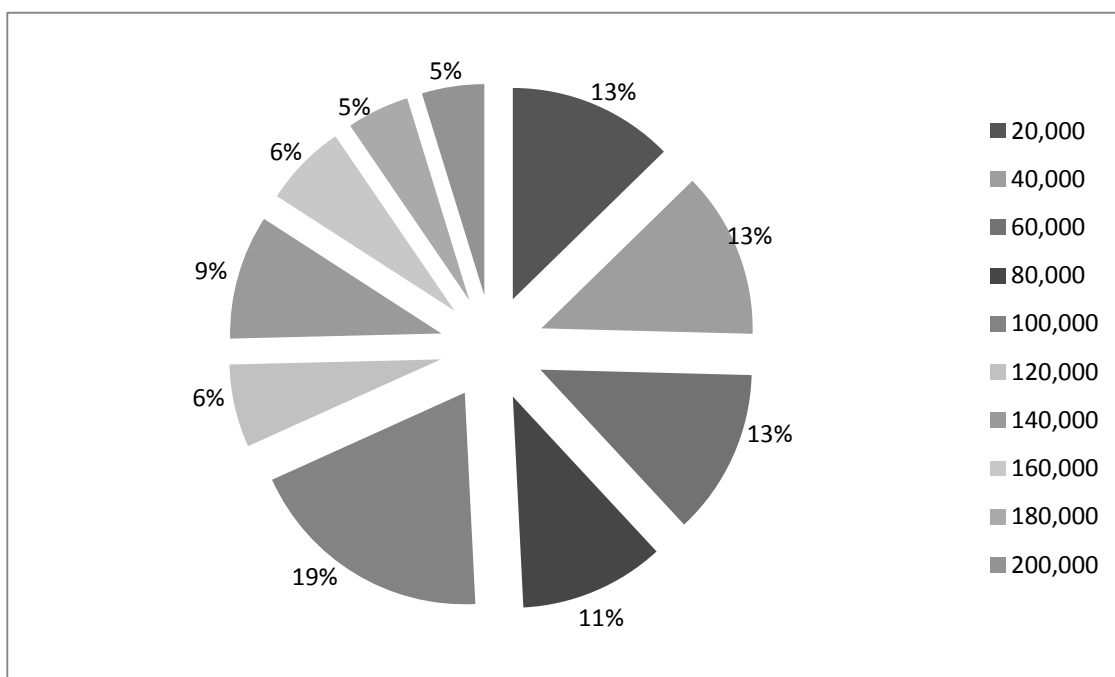
Table 4.11
Loan Amount and Frequency of Loan Taken

Loan amount borrowed (in Rs)	Frequency of borrowing the loan	Percentage
20,000	8	12.70
40,000	8	12.70
60,000	8	12.70
80,000	7	11.11
100,000	12	19.05
120,000	4	6.35
140,000	6	9.52
160,000	4	6.35
180,000	3	4.76
200,000	3	4.76
Total	63	100

Source: Field survey 2017

The table 4.11 shows the loan amount and frequency of loan taken by the respondent. 19.05 percent of the respondent said that they have taken the loan from microfinance amount rupees 100000 which is the highest and 4.76 percent of the respondent said that they have taken the loan amount rupees 180000 and 200000 which is the lowest.

Figure 4.11
Loan Amount and Frequency of Loan Taken



Source: Table 4.11

The Figure 4.11 indicates that the Loan Amount and Frequency of Loan Taken are some loan officers would prey on unsuspecting homeowners by refinancing their loan repeatedly for their gain. This is considered churning and is illegal. Back then, a dodgy lender would refinance their clients on a frequent basis.

4.3 Effectiveness of the program of NUBL on Poverty Reduction

Responses regarding the effectiveness of NUBL on Poverty reduction are as bellows. The data shows that NUBL has played a role of corner stone to change the socio-economic status of Bhaktpur and helps to reduce the Poverty in some extent. The answer of the respondents indicates that without the membership in NUBL the people

cannot make saving of their income. Similarly, most of respondent replied that they are not enjoying the health services due to their limited income. Most of the respondent spent their 50 percent of income in the consumption of daily necessary goods. Likewise, they are unable to have quality education as they have limited income. However, after enjoying the service of NUBL they have make a change in their living standard. The saving has reached to 10 percent of their income, they have to spent less percent of their income on consumption i.e. 50 percent has decreased to 20 percent due to rise in their income. Similarly they are getting quality education as they are able to spend their 8 percent income in education. Likewise they are able to spend some part of their income in health service. Thus the figure shows that the establishment of NUBL in this community helps to reduce the poverty in some extent.

4.3.1 Monthly Income before and after Joining the MFP

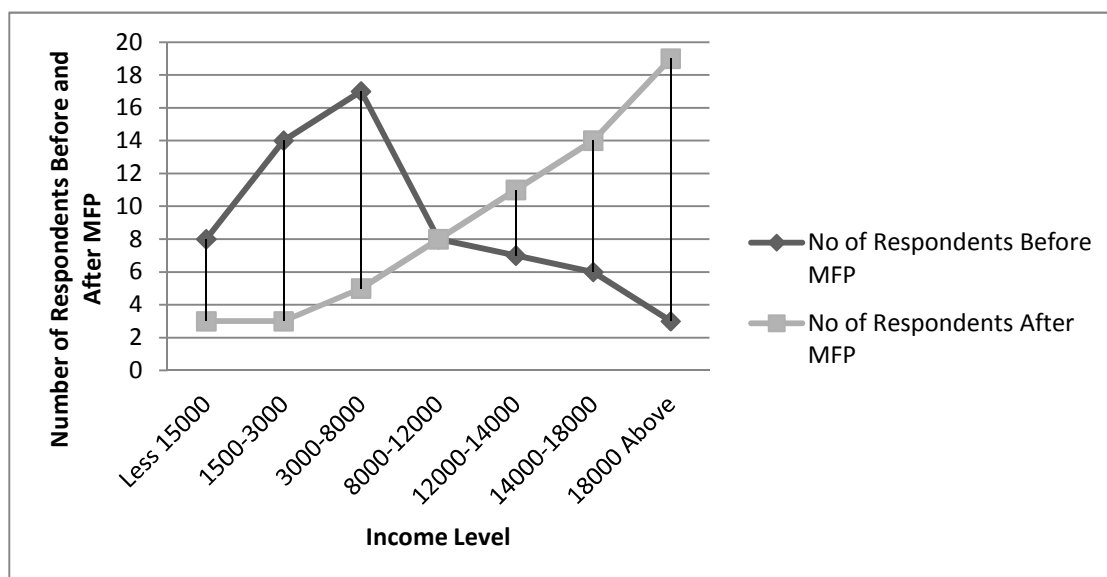
Monthly incomes before and after joining the MFP of respondents shows the difference between their income level before and after involve in microfinance program of Nirdhan Utthan Bank Limited.

Table 4.12
Monthly Income before and after Joining the MFP

S.N.	Income in Rs.	No of Respondents		Change (After- Before)
		Before MFP	After MFP	
1	Less 1500	8	3	-5
2	1500-3000	14	3	-11
3	3000-8000	17	5	-12
4	8000-12000	8	8	0
5	12000-14000	7	11	4
6	14000-18000	6	14	8
7	18000 Above	3	19	16
Total		63	63	

Source: Field survey, 2017

Figure 4.12
Monthly Income before and after Joining the MFP



Source: Table 4.12

The table 4.12 and figure 4.12 indicate the income status of the respondents before and after MFP. Before microfinance programs there were 8 person out of 63 had income less than Rs. 1500 but, after programs this number is only 3. In this way, number of respondent who earn between Rs 3000-8000 were 17 but this is reduce by 12 numbers. This clearly shows that the families are poor in terms of income. Agriculture production is not sufficient to feed their family year-round, whereas well-off household had surplus agriculture production. Before Microfinance programs only 3 respondents earn above Rs 18000 but now this number is reached to 19. Monthly income is increased due to joining the program. MIFs savings and credit services provided an opportunity for their members to undertake different enterprises, including micro enterprises. This helped the members to generate self-employment and increase their incomes, thereby contributing towards reducing their poverty to same extent.

4.3.2 Employment Status before and after Joining the MFP

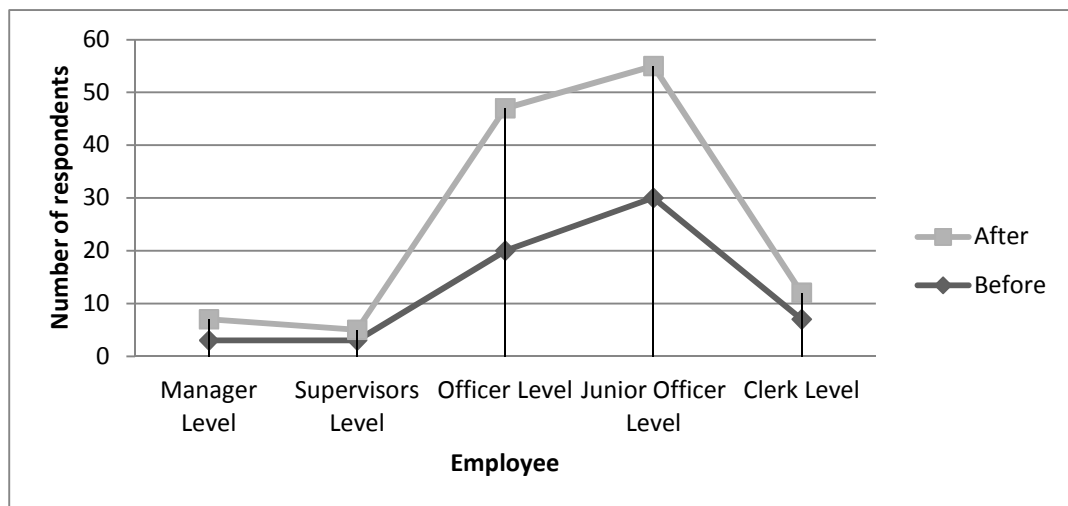
The employment status before and after joining NUBL by respondents indicates that the change in opportunity of employment. It is effective in changing their level of employment in increasing their income and social status.

Table 4.13
Employment Status before and after Joining the MFP

Variable	Before	After	Change (After-Before)
Manager Level	3	4	1
Supervisors Level	3	2	-1
Officer Level	20	27	7
Junior Officer Level	30	25	-5
Clerk Level	7	5	-2
Total	63	63	

Source: Field survey, 2017

Figure 4.13
Employment Status before and after Joining the MFP



Source: Table 4.13

The table 4.13 and figure 4.13 depict that, officer level employee has rapidly increased which is i.e. change 5 employees but, reversely Junior officer level employee have gradually decline before than after ie.5. Similarly, Manager level's employee have also minimally increased and Supervisor and Clerk level employee have decline. It finds that, upper level post of employee has gradually increased.

4.3.3 Awareness Level about MFP before and after Joining the Program

This study will focus on the awareness level of microfinance. That is whether people have heard about microfinance, if yes, from where, and whether they are already a member of microfinance. This study will throw light on the awareness level of the people with respect to the various schemes under micro finance. It will explain the various services and schemes in microfinance and the provisions these schemes has for reducing poverty and improving the living standards of microfinance clients.

Table 4.14

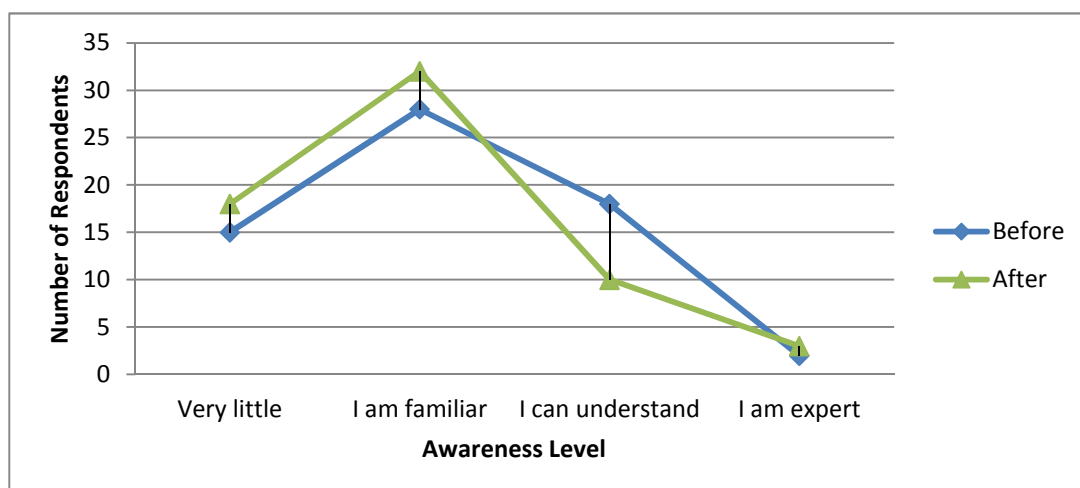
Awareness Level about MFP before and after Joining the Program

Familiar	Before	Percentage	After	Percentage
Very little	15	23.81	18	28.57
I am familiar	28	44.44	32	50.79
I can understand	18	28.57	10	15.87
I am expert	2	3.17	3	4.76
Total	63	100.00	63	100.00

Source: Field survey, 2017

Figure 4.14

Awareness Level about MFP before and after Joining the Program



Source: Table 4.14

The table 4.14 and figure 4.14 indicate that, the growing 4.67 percent of the respondents said that they are very little familiar with MFP of NUBL after joining and 6.35 percent of the respondents said that they can understand, after joining MFP of NUBL. Similarly, the declining 12.7% respondents said that they are understand about the program of NUBL and rest 1.59 percentage of the respondents said that they are claim as a expert in this field. The majority of the respondents are found familiar percent is high.

4.3.4 Socio Economic Status before Joining NUBL by Farmer

The socio economic status before joining NUBL by farmer are NUBL is effective in changing their level of income effective in increasing access on education and health service Effective in enhancing the participation on social work and effective to increase the access on ownership.

Table 4.15
Socio Economic Status before joining NUBL by Farmer

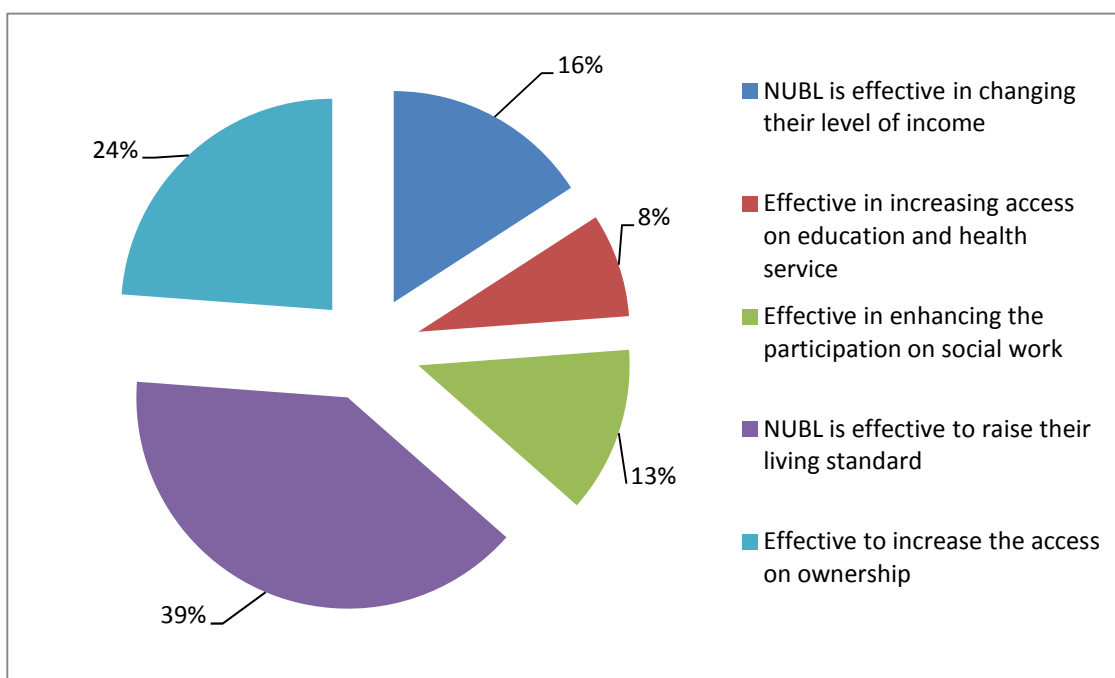
Variables	Respondents	Percentage
NUBL is effective in changing their level of income	10	15.87
Effective in increasing access on education and health service	5	7.94
Effective in enhancing the participation on social work	8	12.70
NUBL is effective to raise their living standard	25	39.68
Effective to increase the access on ownership	15	23.81
Total	63	100

Source: Field survey, 2017

The table 4.15 depicts that 15.87 percent respondents said that membership of NUBL is effective in changing their level of income, 7.94 percent of respondent said that it is effective in increasing access on education and health service, 12.70 percent of the respondent replied that it is effective in enhancing the participation on social work ,

39.68 percent of the respondent said that membership on NUBL is effective to raise their living standard and remaining 23.81 percent of respondent said that it is effective to increase the access on ownership. By comparing the Socio-economic status before and after joining the NUBL by Small farmer, it is found that this microfinance play a Heroic role in order to improve the socio-economic status of its members. The amount of loan provided by the microfinance in different headings such as Agriculture, Livestock, Business, Educational settlement, Foreign employment ,Social work and Real state has increased the level of income, consumption pattern, ownership, knowledge and participation on social work.

Figure 4.15
Socio Economic Status before joining NUBL by Farmer



Source: Table 4.15

The figure 4.15 socio economic status before joining NUBL by farmer respondents said that membership of NUBL is effective in changing their level of income, 7.94 percent of respondent said that it is effective in increasing access on education and health service, 12.70 percent of the respondent replied that it is effective in enhancing the participation on social work , 39.68 percent of the respondent said that membership on NUBL is effective to raise their living standard and remaining 23.81 percent of respondent said that it is effective to increase the access on ownership.

4.3.5 Educational Status before Joining NUBL by Women

The educational status before joining NUBL by women are variables primary level education, lower secondary level, higher secondary, 10+2 and bachelor level are respondents are following.

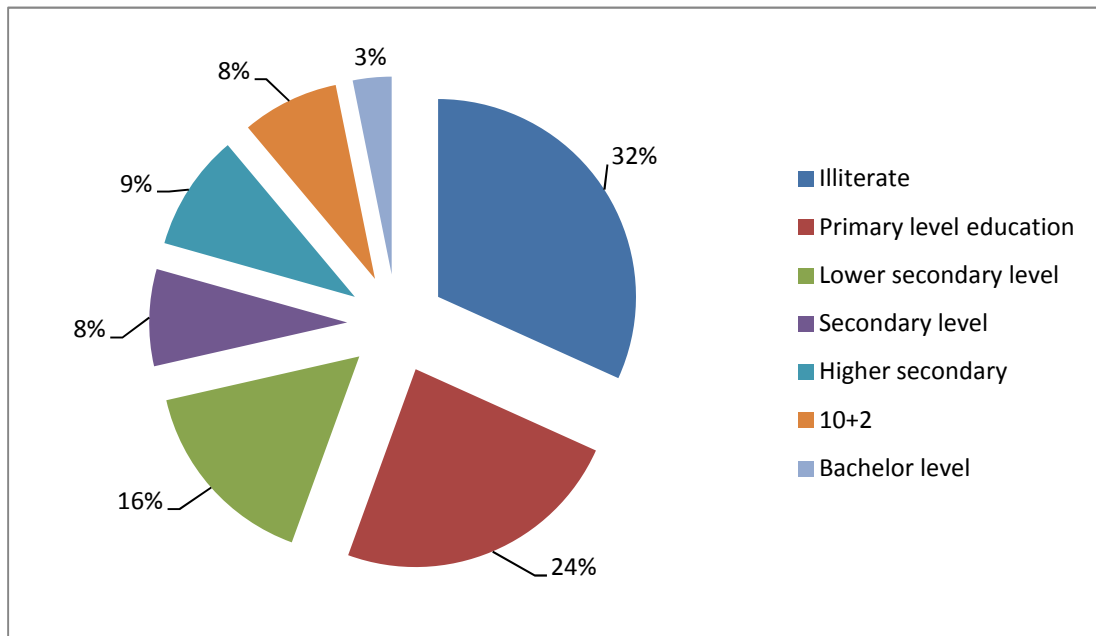
Table 4.16
Educational Status before Joining NUBL by Women

Variables	Respondents	Percentage
Illiterate	20	31.75
Primary level education	15	23.81
Lower secondary level	10	15.87
Secondary level	5	7.93
Higher secondary	6	9.53
10+2	5	7.93
Bachelor level	2	3.18
Total	63	100

Source: Field survey, 2017

The table 4.16 shows that 31.75 percent respondents said that before the membership of NUBL they were illiterate, 23.81 percent of respondent said that they have primary level education, 15.87 percent of the respondent said that they have lower secondary level, 7.93 percent said secondary level, 9.53 percent said higher secondary, 7.93 percent said 10+2 and 3.18 percent said bachelor level of Education. This indicates that the level of educational attainment of women before joining NUBL is at poor level.

Figure 4.16
Educational Status before Joining NUBL by Women



Source: Table 4.16

The figure 4.16 Educational Status before joining NUBL by Women are variables primary level education, lower secondary level, higher secondary, 10+2 and bachelor level are respondents the membership of NUBL they were illiterate, 23.81 percent of respondent said that they have primary level education, 15.87 percent of the respondent said that they have lower secondary level, 7.93 percent said secondary level, 9.53 percent said higher secondary, 7.93 percent said 10+2 and 3.18 percent said bachelor level of Education.

4.3.6 Educational Status after Joining NUBL by Women

The level of education attainment of women after joining NUBL is increase by comparing the education status before and after joining the NUBL by women, it is found that the microfinance play a heroic role in order to improve the education status of its women member is following.

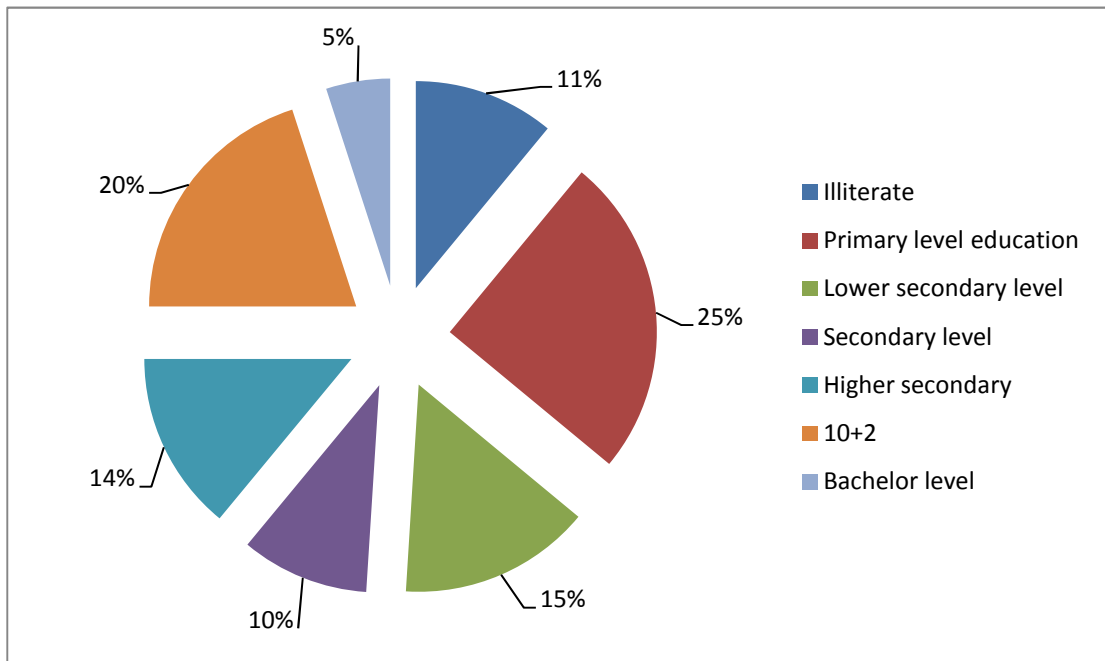
Table 4.17
Educational Status after Joining NUBL by Women

Variables	Percentage
Illiterate	11
Primary level education	25
Lower secondary level	15
Secondary level	10
Higher secondary	14
10+2	20
Bachelor level	5
Total	100

Source: Field survey, 2017

The table 4.17 shows that the illiterate percentage is decreased from 30.75 percent to 11 percent after participation in NUBL. 25 percent of respondent said that they have primary level education, 15 percent of the respondent said that they have lower secondary level, 10 percent said that secondary level and 14 percent respondents said that higher secondary level, 20 percent said that 10+2 and 5 percent said bachelor level of Education. This indicates that the level of educational attainment of women after joining NUBL is increase. By comparing the education status before and after joining the NUBL by Women, it is found that the microfinance play a Heroic role in order to improve the education status of its women members. NUBL is found to be effective in providing their services to their members and it proved that microfinance is a good instrument to address the educational problem. Therefore the respondent said that establishment of NUBL is very effective to changing their educational status.

Figure 4.17
Educational Status after Joining NUBL by Women



Source: Table 4.17

The figure 4.17 Educational Status after joining NUBL by Women education attainment of women after joining NUBL is increase by comparing the education status before and after joining the NUBL by women it is found that the microfinance play a heroic role in order to improve the education status of its women member. This indicates that the level of educational attainment of women after joining NUBL is increase. By comparing the education status before and after joining the NUBL by Women, it is found that the microfinance play a Heroic role in order to improve the education status of its women members.

CHAPTER-V

MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Major findings

Microfinance program has been designed to uplift the poorest of the poor from the society those who are deprived, socially backward, economically weak and from the indigenous groups. From the field survey it shows majority of clients are illiterate they are not qualified and skilled. Most of them depend on agriculture or small grocery in front of the house. Really, they are under employed they do not have sufficient work to do. Most of the clients answer to involved in the programs to enhance their economic status and better education for their children. The field survey shows with the intervention of MFPs client are much more conscious, their working hour increase which supported to increases the income level. A client left of few have pay their installment in time and the repayment rate is seems to be sent percent. The programs really empower the clients and also played a crucial role on decision making process. MFPs also support to smooth the consumption.

The scent percent client involving in the MFPs have demand a creative and skilled training which supports them to generated income: Cutting, sewing, Pickle making, chalk making, about handicraft, dolls and decorating material, painting , beauty parlor are the listed trainings that the clients demand to strengthen their economic status. The finding and outcomes of MFPs were MFP has provided the banking services to those who are under served from the traditional banking services. It has supported to respect the needs of the poor small clients of small loan due to the MFPs women and indigenous groups of deprived sector are greatly benefited.MFP developed as a magical tool to poverty reduction.MFP has supported to increases the income level of the poor. On the other hand it helped to utilize the skills and optimum mobilization of resources that present in local level.MFP initiates to empower the women and take engage in the community development activities. The consumption and clothing pattern has also changed with the involvement in MFPs.MFP has done a great task of creating the employment by providing loan in especially rural areas. Because of its intervention the working hour of the people has been extended. It has supported

people to commercialize their occupation and get the economic benefit from there. It is also helpful to develop entrepreneur skills in the local level. It supports to develop the micro enterprises.

The strategic challenges are related with planning, controlling mechanism and external policy environment. Unclear vision and mission statement, lack of commitment, multiple regulatory framework and policy inconsistencies constrain the sustainable growth of Microfinance institutions in the country. Inadequacy of resources and lack of linkage mechanism between informal and formal financial sector, duplication of activities, widening intense competition in urban and semi-urban areas, inadequate attention towards the loan delinquency management and control to poor human resources development efforts are perceived as the operational challenges. The Microfinance institutions need to adopt strategic approaches in order to address these managerial challenges as a supportive policy with one door controlling and monitoring mechanism, effort to link formal and informal financial sectors involved in Microfinance programs and flexibility in financial management regulation.

Additionally, financial institutional themselves need to develop business planning practice and efficient management of human resources within the institutions. Involvement in the Microfinance programs has empowered women in varying degree. It has offered opportunities for poor women to come out of their household confines, to organize themselves in group and to work in productive and social activities. The program with its focus on group activities and income generation has helped to enhance the self-confidence and increased right to spend, thus increasing the access to resource. Training for improving farming techniques and micro-enterprises has helped members to shift from the traditional agriculture to cash crop production, which yields higher returns. Awareness of healthcare, including women and children's health, family planning, sanitation and reduction in smoking, alcohol consumption, etc., have increased. At monthly group meeting, women discuss health issues which they follow in their day-to-day lives. The availability of loan from microfinance has helped in reducing the interest rate charged by moneylenders from 60 percent to 36 percent. Competition in the financial market has helped to improve the quality of services and it reduces the interest rate but it is still too high.

5.2 Conclusions

Microfinance program serves the deprived population of the country at their doorstep with the aim of improving their socio-economic condition. As Microfinance has been considered as an effective and efficient mechanism to reduce poverty all over the world, however Nepalese microfinance institutions are not being able to reach the poorest due to inability of proper identification of the poor and lack of commitment and clear vision of their action. Despite the financial sector, liberalization policy of the government aimed to encourage financial institutions to contribute in poverty reduction endeavor of the government, the satisfactory result have not been achieved due to some managerial challenges encountered by the Microfinance institutions all over the country. The challenges faced by the institutions vary depending upon the type of financial institutions as banks, finance companies, NGOs, co-operative societies and self-help group that are participating in this program with different functional strategies. These challenges are concerned with strategic, operational, financial and manpower management.

Members have become more aware of gender equality (participant of the Focus Group Discussion said that man and women are equal in social aspects, it is wrong to wait for the birth of a son and increase family size), human rights and women rights issues. They know that violence; both physical and mental against women should not be tolerated. They have also become aware of their voting rights and right to parental property. Women's mobility has increased due to their participation in monthly meetings, trainings, meetings with outsiders, unlike in the past when they had not joined the microfinance. Saving groups is an important part of the program. Besides the income generating projects group members are taking credit from within the group at the time of emergency. So group saving has become their good source of money otherwise they would have to go to the moneylender and it is accumulating the source of future use. They all left that it has culminated a good habit of saving whether the source of saving is from project income or any other sources. In respect to financial intermediation, it can be concluded that, although the subject is new in Nepal, it is the right way to fulfill the financial needs of rural poor. Reaching to the poor through financial intermediaries is found to be cost effective and targeting can be done correctly. MFP should widen their area by appointing staffs to hear and understand

their problem and to find out alternative as well as solution. So that, they should not be victimized by excess burden of debt. Getting loan in small amount of Rs.3000 to Rs.5000 cannot give optimistic results. The borrowers use loan for their daily requirement and keep for repayment. Economic upliftment through such findings is impossible. In order to have optimum utilization of loan, group investment should be done like small cottage industries, factories, enterprise on the group consent. So that amount of loan taken will not be used for consumption purposes rather it is invested for productive purpose. Effective follow-up, supervision and monitoring are essential to utilize loan in actual purpose. Otherwise many of the borrowers have to pay back loan by selling their property.

5.3 Recommendations

Based on the study following suggestions are recommended for further improvement and successful implementation of the program;

- I. If the income level of the respondent is seen in the study area, we find some women who have a clearly higher level of annual income of their family and there remains some possibility of leaving the poorest of poor untouched by the program. So there should be proper identification and selection of the target group by the MFIs to insure that the really poor, backward communities are not left behind.
- II. To supervise the use of loan and to provide effective skill to advice on the proper management of the loan, field staffs should be trained regularly. The clients of the programs received technical as well as managerial guidance to manage Microfinance program.
- III. Literacy program is an integral part of rural Microfinance program. Curriculum is amended toward economic orientation rather than conventional one.
- IV. Volumetric and physical expansions of transaction are being encouraged rather than productive lending. Potential market based activities be encouraged rather than replication of the same activities.
- V. Women are more likely to take part in multiple activities simultaneously to support their families and to improve understanding of women's skills while formulating program.

- VI. Participation of women in the program is ever increasing, which makes them overloaded. Time and drudgery reducing program be integrated. Gender sensitization training is imparted from the initiation.
- VII. There is a gender division of labor at the household level and women lack access to control of resources. Learn about the relationship of the household level information like- Who does what? Who control what? Identify and implement strategies for change within the family and community.
- VIII. The program should develop practical and varied training courses to the women and small farmer related development activities as the need particular community.
- IX. The agriculture sector is dominant in absorbing the program. Mostly the loan is used for investment like beekeeping, poultry farming, goat farming, and pig farming, Buffalo farming and agriculture with vegetable farming. So livestock sickness and livestock death makes emergency burden to the borrowers. To solve the problem, following points are purposed
 - a. Healthy livestock should be supplied to the borrowers.
 - b. Necessary vaccine should be arranged at appropriate time.
 - c. Who can fully devote time to provide services?
 - d. Through there is the provision of insurance (in the case of death of livestock) but it has not smoothly implemented. So there is needed of smooth implementation of insurance provision as well as the provision of insurance to livestock suffering from disease too.
- X. There is the marketing problem, it was indeed observed that there were marketing constraints to solve the farm produce, mostly in vegetable farming. Women produce vegetables with expensive cost but in the time of sale of produce there is the problem of market, which must be solved.
- XI. When lending, it is noted that family of the members are the consumers. So in our community there may be necessary two shows, one tailor, two or three milk suppliers to surely necessary goods for community.

- XII. The position of the program staff should be permanent, so that could perform their responsibility with confidence and concentration. Given the field orientation nature of work of the program allowance should be raised.
- XIII. There is need to shift the program from agriculture based to small industry and other business promoted activities. Since there is higher operational cost in agriculture base activities.
- XIV. The effective crosscutting programs are necessary for microfinance program.
- XV. Microfinance program is formed operating their transactions without due consideration for their financial viability and sustainability. For the viability and sustainability, effective government policy is also necessary. So interest must be charged at the rate and cost must be minimized where the institution is viable.
- XVI. Microfinance program is not a family business, so member of board and executive committee of the institution must be awarded of their role and responsibility.

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ANNEXURE-I
QUESTIONNAIRE
EFFECTIVENESS OF MICROFINANCE ON POVERTY REDUCTION
(A Case of Nirdhan Utthan Bank Ltd., Bhaktapur Chhaling Branch)

Respondent's Name:-.....

Address:-.....

Age :.....

1. Personal Details

1.2 Your marital status (Tick)

a) Married b) Unmarried

c) Divorced d) Widow

2. Family information (Tick)

Children: - 0-14 years Female Male

Adult: - 15-64years Female Male

Older: - 65and above Female Male

2.2 Members who earn from (Tick)

a) Government services b) Business Service

c) Private firm/industries d) on own firms

2.3 Who is the head of your family? (Tick)

a) Self b) Others

3. Economic Background

3.1 Do you have land of your own? (Tick)

a) Yes b) No

3.2 What was your main occupation?

Sector	Before	Income	After	Income
Agriculture				
Business				
Private sector				
Government				

4. Participation in Microfinance

4.1 How did you know about the MF Program?:-.....

4.2 How did you enter in the group?:-.....

4.3 What is your position in the group? :-

4.4 How did you feel to enter in the group? (Tick)

a) Very difficult b) Difficult

c) Normal d) Easy

e) Very easy d) others

5. Loan received, use and repay

5.1 From where do you receive loan?

Sources	Before		After	
	Amount	Rate of interest	Amount	Rate of interest
Local money lender				
Co-operative				
Bank				
Microfinance				

5.2 Who decided utilization of the loan? (Tick)

- a) Self b) Family head c) Common decision

5.3 Why did you join this program? (Tick)

- a) To earn more income and to improve family condition.
- b) To have company with friends.
- c) To be self-dependent.

5.4 What is the purpose of taking the loan and how much is it?

S.N	Items	Before(amount)	After(amount)
1	Consumption expenditure		
2	Celebration of festival		
3	Real-estate		
4	Luxurious goods		
5	Health and services		
6	Farming		
7	Business		
8	Other		

5.5 How do you pay back the loan? (Tick)

- a) Partially b) At once c) Not paid yet

5.6 Have you ever faced difficulties to pay back the loan and interest?

- a) Yes b) No

If yes, what are the difficulties? How did you solve it? :-

.....

5.7 Have you conduct any literacy class?

Program	Before	After
Adult literacy class		
Woman literacy class		
Pre-primary class		

6. Family Statuses:

6.1 What changes has been occurred after joining this program?

S.N	Subject	Before	After
1	Access on electric device		
2	Expenses on luxurious goods		
3	Meat eating habit		
4	Expenses on entertainment		

6.2 How do your family members and relatives deal with you after joining the group? (Tick)

a) Appreciate b) Criticize c) Others.....

6.3 In your opinion, what are the main benefits of joining MF group?

.....
 ...

7. Question for the management

7.1 Do you investment on the following heading?(Tick)

a) Agriculture b) Pastorals

c) Business d) Education

e) Social program

7.1 How much investment has been done by NUBL?

Heading	Minimum(Amount)	Maximum(Amount)
Agriculture		
Pastorals		
Business		
Education		
Social program		

7.2 How do make your investment? (Tick)

a) Without collateral b) With collateral

c) With risk bearer

7.3 How do you return back the loan? (Tick)

a) With low interest rate. (.....%) b) Without interest rate.

c) Installment payment. d) Full payment. e. Trainings

8.1 Have you taken any training from microfinance program? (Tick)

a) Yes b) No

8.2 How helpful has the training you received form MFI been in your enterprise operation?(Tick)

a) Very helpful b) Helpful

c) Not helpful d) Others.....

8.3 Has the training increased your skill? (Tick)

a) Very much increased b) Normally increased

c) Not increased

8.4 After receiving the training, has your confidence on income generating activities increased?(Tick)

a) Yes b) No

8.5 Do you think your employment opportunity in labor market has increased due to training you received from MFI? (Tick)

a) Increased b) Decreased
 c) Constant d) don't know

9. Effectiveness on poverty reduction

What changes has occurred on the following headings

Heading	Minimum(Amount)	Maximum(Amount)	% Change
Saving			
Consumption pattern			
Education			
Education			
Health and services			

10. Are you happy involving in this Microfinance? (Tick)

a) Yes b) No

11) What types of benefits you have from this MF?

Status of respondent	Having It	Having Not
Economical independent		
Social awareness		
Literacy program		
Basic skill development		
Decision power development program		
Gender equality		

12) What social and economic changed has been appears from MF?

Status of respondent	Before joining MF		After joining Mf	
Agriculture				
Pastorals				
Business				
Employment				
Education				
Celebration of festival				
Participation on				

Thank You