

**ROLE OF MICROFINANCE IN POVERTY REDUCTION  
(A CASE STUDY OF MICROFINANCE PROGRAM OF MANUSHI IN  
GOLDHUNGA VDC OF KATHMANDU DISTRICT)**

**A Thesis Submitted to  
Central Department of Rural Development  
In partial fulfillment of the requirements for the Degree of Master of  
Arts in Rural Development**

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## **LETTER TO RECOMMENDATION**

I recommend the Thesis entitled **Role of Microfinance in Poverty Reduction: A Case Study of Microfinance Program of Manushi in Goldhunga VDC of Kathmandu District** completed by Bhola Nath Regmi under my supervision in partial fulfillment of the requirements for the degree of Masters of Arts of rural development for final evaluation and acceptance.

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### **APPROVAL CERTIFICATE**

This is to certify that the thesis entitled **Role of Microfinance in Poverty Reduction: A Case Study of Microfinance Program of Manushi in Goldhunga VDC of Kathmandu District** written and submitted by *Bhola Nath Regmi* has been examined. It has been declared successful for fulfillment of the academic requirement towards the completion of Masters of Arts in Rural Development

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## **ABSTRACT**

*One of the common solutions to resolve poverty, a big issue in both Nepal and in the World, is national programs that have given small credit for the poor. However, financial services alone cannot improve poverty effectively because poverty can be caused by multiple reasons. Microfinance (MF) intervention for poor women is considered as an appropriate way to attack poverty. The impact of Microfinance Institution (MFI) on livelihoods of poor women households through accumulation of social, human, financial, natural, and physical assets that contributes to poverty reduction needs to be examined.*

*In recent decades, microfinance – small-scale financial services to low-income households – has given the promise of improving the lives of hundreds of millions of people across the world. The literature on microfinance identifies outreach, impact, and sustainability as the three goals of microfinance institutions. This thesis focuses on qualitative and quantitative impact of microfinance program on participating women of Goldhunga Village Development Committee of Kathmandu district.*

*The main objective of the study is to make an assessment of the effectiveness of microfinance program and to analyze the effect of Microfinance in living standard and empowerment of women participants in the study area in Goldunga VDC of Kathmandu District.*

*The research was conducted in Sixty members of Manushi, a financial intermediary non government organization registered under district administrative office of Nepal government. It has been operating Microfinance program in the study area. It was done through filling up detailed questionnaire through personal interview with members of microfinance program.*

*The study shows that above 95 percent respondents send school to their children which is just 61 percent in the national data. Drinking water supply with personal tap is observed satisfactory as 78.33 percent respondents have the facility. The study also shows that 95 percent respondents have hygienic toilet in their home. Health services to the respondents seen satisfactory as 60 percent respondents getting moderate health services and 33 percent respondents getting adequately. The respondents are basically use loans for the improvement of their agricultural and animal husbandry activities as 89 percent respondents have some land to cultivate and 67 percent respondents use the loans for animal husbandry. The microfinance program has positive impact on respondents as 90 percent of them have able to expand their business activities and 100 percent respondents feel that there is improvement in their livelihood through Microfinance program.*

*The main findings were the importance of maintaining Women Savings and Credit Groups; the vulnerability context of the poor; the process of accumulation and interaction among livelihood assets of members' households; the combination of livelihood activities and the use of livelihood assets for maximizing income and minimizing vulnerability in order to reduce poverty. The study also shows emerging constraints of the process of MF in poverty reduction and perspectives of different stakeholders relating to MF. The thesis further finds that MF is a dynamic tool to intervene in the accumulation and interactions among social, human, financial, natural and physical capital of poor women. However, MF has been a small scale and subsidized by donors so the outreach of it needs interplay among formal credit institutions, extension, local organizations, MF researchers and appropriate policies.*

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## ACRONYMS/ABBREVIATIONS

ADBL	:	Agricultural Development Bank Limited
NIDC	:	Nepal Industrial Development Corporation
RMFDB	:	Rural Microfinance Development Banks
SACCOS	:	Savings and credit co-operative societies
CB	:	Commercial Bank
CBS	:	Central Bureau of Statistics
DB	:	Development Bank
DDC/S	:	District Development Committee/s
FINGO	:	Financial Intermediary Non-government Organization
FY	:	Fiscal Year
GB	:	Grameen Bank
GO	:	Government Organization
GDP	:	Gross Domestic Production
IMF	:	International Monetary Fund
MCPW	:	Micro Credit for poor Women
PCRW	:	Prodction Credit for Rural Women
NBL	:	Nepal Bank Limited
NGOs	:	Non Governmental Organization/s
NLSS	:	National Living Standard Survey
NRB	:	Nepal Rastra Bank
RBB	:	Rastriya Banijya Bank
RSRF	:	Rural Self Reliance Fund
SCS	:	Saving and Credit Societies
SFDP	:	Small Farmers Development Project
VDC	:	Village Development Committee/s
WB	:	World Bank

