

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Microfinance is a small scale financial services that aim to support the marginalized, disadvantaged and deprived communities with the noble objective of enhancing their quality of life and mainstreaming them. It is a financial service for small entrepreneurs to help them in developing self-employment opportunities and various income-generating activities. Usually, micro finance is a program that serves larger number of clients with reference to women/ deprived people and works at grassroots level with financial services. The main objective of micro finance program is to provide quality financial services to the larger number of deprived population of the country and to ensure the availability of such services to their households.

In the 1970's experimental programs in Bangladesh, Brazil and few other countries extended tiny loan to groups of poor women to invest in small businesses. This type of micro enterprises credit was based on unity group lending in which every member of a group guaranteed the repayment of all members (www.wikipedia.org). But, the microfinance was first set up in the form of Grameen Bank in 1976 by Bangladeshi economist Prof. Muhammad Yunus as micro loans. (www.microfinancegateway.org).

At present micro finance is being increasingly used in the form of development strategy for achieving the developmental plans. Clients of micro finance institutions are usually poor and low income people; often living an awful overcrowded setting, living in remote areas with limited access to basic amenities such as education, water, electricity, banking services, health services, market facilities etc. Many of them are women, playing a double bottom line role of a provider and caretaker at household level. The poor people do not have enough land for farming; opportunities of off farm employment are very few. Additionally, they lack access to convenient, affordable and appropriate financial services (Sigdel, 2008).

For facilitating the access to credit to the rural poor, micro finance practitioners, around the world, have been found very effective for upbringing rural poor economic and social status thereby assisting in poverty reduction. It is because micro credit to

the poor creates small business opportunities that help to improve socio-economic condition of women and or deprived communities especially in rural areas. In the Nepalese context too, micro finance have been used and more importantly could be used as a powerful tool for gradual reduction of poverty. It enables poor and destitute to take advantages of existing opportunities, build up their assets, generate self - employment avenues, develop micro enterprise, raise income level, build up self confidence, empower women and provide opportunities to escape from abject poverty and inequality (NRB, 2008).

In Nepal, the necessity of involving women in the development process was explicitly realized only after the sixth five year plan. The initiatives have been taken to mobilize and involve women both as agents and beneficiaries in the development process. Appropriate measures have been taken to strengthen their roles through better access to health care, educational training and formal credit (www.cmfnepal.com).

Nepalese women who comprise half of the population of the country have always been involved in national development, although deprived of control over economic resources like property, income, employment as well as other resources. Besides this, Nepalese women are also underprivileged and disadvantaged in terms of their socio-economic status in comparison to their male counterparts.

The women development is related to long term changes in the society which is associated with the growth and expansion of material and social welfare of women. Thus women development is a relative concept which has to be measured with the relative growth in material welfare and change in the women's social, economical, political, legal, educational and cultural structure of the society. In broad view women development includes humanitarian, physical and intellectual satisfaction. This development is the result of relative, incessant integrated progressive and structural changes. The main purpose of women development is to increase the women participation in income generating activities and other political, legal, social and organizational aspects. It can be measured physically although it becomes obvious with other indicators of development. Microfinance can play a significant role in enhancing women's awareness, mobility, skill development, empowerment at community level, ownership of assets within the household and access to financial services. Management of enterprise within the household and economy indicates the

development of women in the country. These types of activities have been considered as the effectiveness of microfinance program.

1.2 Statement of the Problem

Microfinance has come to play a major role in many gender and development strategies because of its direct relationship to both poverty alleviation and to the empowerment of women (Gobezie,2010). As Cheston and Kuhn (2002) observed that microfinance helps mobilize women's productive capacity to alleviate poverty and maximize economic output by giving women access to working capital and training. Additionally, investing in women has proven to increase the positive impact of microfinance programs since women are more likely than men to spend their income on household and family needs. Microfinance lending is often focused on women for a number of reasons. First, there is a growing body of evidence that gender inequalities in developing societies inhibit economic growth and development. The greater the level of gender-based discrimination in a given society, the more likely the society is to experience higher levels of poverty, stagnant economic growth, and weaker governance. Additionally, those within societies where gender discrimination is the greatest tend to also have a lower standard of living (Mayoux, 2009).

Gender disparity has been one of the most widespread and persistent features of Nepalese society. The Global Gender Gap Index (2012) ranks Nepal in 123rd position with its value 0.6026 out of 135 countries. This is very lower ranks if we compare with South Asian countries (Srilanka 39th, Bangladesh 86th). This rank has also been worsened as the rank was of 110th in 2009. Similarly the Gender Inequality Index of Nepal was 0.558 in 2012 (BTI, 2012). These indices are far below the regional and global average level. These facts reveal that there is a great disparity between men and women in Nepal and reflect that women are still living far behind than their male counterpart. The women participation in economic, political and professional sphere is very low in Nepal. Women are still deprived from the opportunities. This is mainly because of the limited access to economic resources like property, income, employment as well as other resources due to illiteracy, ill health, poverty and conservative social taboos. Widespread poverty, low perception of their personal capabilities, limited opportunities, and inaccessibility of external resources and a low

or non-existent personal savings, assets etc. are the other reasons behind weak performance of the women.

Many global evidences show that microfinance programs have helped to improve women's social position through running their own business, women have become more mobile geographically. Because of the success of many female businesses, women say that they become more respected in their communities, and their opinions and power to influence decisions in the household and the community may carry more weight. Many women clients of microfinance claim they now feel less isolated; they express satisfaction for belonging to solidarity groups or informal client groups, where they feel encouraged, understood and supported by their peers. A significant feature in the microfinance sector is the visibility and evidence of women as key actors in social and economic development. Women have become more visible as successful micro entrepreneurs; disciplined credit payers; investing the proceeds from their businesses to improve their households and the family nutrition, childcare, health, and education. Microfinance can also provide the power 'platform' to create a favorable context to encourage women to gain political rights FAO (2002).

In this context this research aims to study whether the microfinance institutions in Nepal are able to meet the said goals. For this purpose this research will make a case study of a women based microcredit institution named Women (MAHILA) Saving and Credit Institution of Urlabari VDC, Morang District, Nepal. This institution has all women members and provides financial services of saving and deposit at a small scale. This institution has been providing financial services for its members who are exclusively women on group basis for small income generating activities like retail business, vegetable farming, beauty parlour, tailoring etc. the credit is provided under group guarantee basis. Therefore, this study aims to answer the following questions:

1. What is the current socio-economic status of the women in the study area?
2. Whether the microfinance program has changed status of women?

1.3 Objective of the Study

The overall objective of this study is to explore the role of micro finance program for changing status of women in Urlabari VDC, Morang. The specific objectives of the study are as follows:

1. To study the current socio-economic status of the women involved in the micro-finance program.
2. To examine the changes in the status of the women by the micro-finance program.

1.4 Rationale of the Study

One of the major challenges from the economic perspective is to build easy access to the poor people to resources. Provision of sustainable community has managed financial services which is one of the tools in reducing poverty. One of the approaches of micro finance is to provide micro credit to the poor women to enable them to take any enterprise of their own. Another approach is the group approach, group savings schemes and acceptance of joint liability to access credit from commercial banks.

The socio-economic situation of the Nepal, in general, and women in particular is quite grim. The plans, programs and projects made in Kathmandu with the help of donors, usually flow like rely on the surface. One approach is to provide microfinance program to the women to enable to undertake their enterprises under their interest. The stagnant agriculture sector could achieve a boost in production if women are engaged in income generation activities. They will also be able to participate in economic activities and hence in the mainstream development of the country.

Simply getting cash into the hands of women in the form of working capital can lead to increase self-esteem; control and empowerment by helping them to achieve greater economic independence and security, which in turn gives them a chance to contribute financially to their households and communities.

Many factors are decisive about the impact of micro finance. So a study of on the impact of programs appears vital to rectify possible defects, strength and the prospects

for success. The findings may also indicate target group members' perceptions, desire and problems. This would enable officials/NGOs staffs concerned to formulate and revise the program activities accordingly. And these kinds of case studies of specific VDC explore the special problems and prospects of those places, making it easy to formulate specific program for those places.

1.5 Limitations of the Study

The study has following limitations:

- This study, basically is concentrated on Urlabari VDC of Morang District, so the study may not represent the true picture of the whole project,
- Due to time and budget constraint overall impact of micro finance is not studied in the study.
- Due to diversity in social, cultural, traditional, geographical and economic norms, the findings of the project may or may not be generalized in micro finance programs running in other parts of the country.

1.6 Organization of the Study

The present study is organized into five different chapters. The first chapter is an introductory chapter covering introduction of the study, specification of the problems, the objectives, significance and limitation of the study. The second chapter covers the review of the literature including both theoretical and empirical aspects. The third chapter explains the methodologies that were employed in this study. In the fourth chapter analysis is performed. In the fifth and final chapter summary, conclusions and recommendations of this study is presented.

CHAPTER TWO

REVIEW OF LITERATURE

A brief review on the background, role, importance and impact of micro finance, the significance of micro finance in order to uplift economic condition and inter-relation between women and micro finance, different models of micro-finance especially income generation of rural poor women has been reviewed in this chapter. This chapter is based on the available reports, manuals, workshop reports, papers, proceedings and studies on micro finance program undertaken globally and nationally.

2.1 Theoretical Perspective

Ledgerwood (1999) explains that microfinance has evolved as an economic development approach intended to benefit low income women and men. The term microfinance refers to the provision of financial service to low-income clients including the self-employed.

Microfinance activities, according to her, usually involve small loans, typically for working capital, informal appraisal of borrower and investment and collateral substitutes such as group guarantee of compulsory saving. It also involves streamlined loan disbursement and monitoring, secure saving procedures and access to respect the larger loans based on repayment performance.

Although some microfinance institutions provide enterprise development service such as skill, training, marketing and social services such as literacy training and health care, however they are not generally included in definition.

In the context of Nepal, the microfinance institutions follow the same idea which is presented by Ledgerwood. They provide the small loan to their members in the group guarantee basis. Microfinance institutions provide skill, training and marketing and social services.

Robinson (2001) stated that microfinance refers to small scale financial services, primary credit and savings provided to people who farm or fish or herd, who operate a

small enterprises or micro enterprises where goods are produced, refined, repaired or sold, who provide services who work for wages, commission, who gain income for refining out a small area of land, vehicles, draft animals or machinery and tools and other individuals and groups at the local level of developing countries both rural and urban.

In her study she has also explored the two leading views on microfinance programs. The financial system approach and poverty lending approach are the two leading views. Both approaches share the goal of making financial services available to poor throughout the world.

The financial approach focuses on commercial intermediation among poor borrowers and savers; its emphasis is on institutional self sufficiency. On the other hand the poverty lending approach focuses on reducing poverty through credit and other services provided by institutions that are funded by donor and government subsidies and other occasional funds. A primary goal is to reach the poor, especially the poorest of the poor with credit.

From this study, one can conclude that there are basically two approaches viz. financial and poverty lending approaches. Self-sufficiency is the main goal of financial approach where as reducing poverty is the main goal of the poverty lending approach. Considering the main goal, poverty lending approach is more suitable to our country where nearly one third of the people are below poverty line.

CECI (2001) has reported that women are among the poorest segment of the population. They have lower status and mobility in society. Access to and management of credit and savings increases their status and mobility and also builds self-confidence. It is necessary to focus microfinance programs to women to better distribution of benefits and better performance in repayment. It is because women spend larger portion of additional income earned on household expenses and basic needs that benefit children in particular. In connection to repayment women members are found better than their male counterpart. So the report argued that the microfinance programs should focus on women.

Boros and Murray (2002) have highlighted that the microfinance gives access to financial and non- financial services to low income people wishing to access money for starting or developing an income generating activity. Loans and savings of the individual poorer clients can be bankable, that is they can repay in time both the principal and interests and also make savings provided financial services are tailored to suit their needs.

According to them, microfinance programs which initially targeted both male and female clients became predominantly women oriented. This was because such programs believed that poorer women were better and timelier payer than poorer men; and also that women dedicated more of the income generated from business activities to their families' well being. Microfinance programs have helped to improve women's social position. They become more respected in their communities and their opinions and power to influence decisions in the household and it carried more weight in the community. It can also provide the power platform to create a favorable context to encourage women to gain political rights. Another positive development for women in microfinance arena is the deliberate hiring of them as staff of microfinance intermediaries to management and leadership positions including as board members.

Key principles of Microfinance were developed in 2004 by Consultative Group to Assist Poor (CGAP) and endorsed by the Group of Eight leaders at the G8 summit on June 20, 2004. In line to the summit the key principles are:

Microfinance is a powerful instrument against poverty. Access to sustainable financial services enables the poor to increase incomes, built assets and reduce their vulnerability to external shocks. The poor needs a variety of financial services, not just loans.

Microfinance means building financial systems that serve the poor in order to achieve its full potential of reaching a larger number of the poor. Microfinance should become integral part of the financial sector. Financial sustainability is necessary to reach significant numbers of poor people. Sustainability is the ability of microfinance which provides to cover all of its costs. It allows the continued operation of the microfinance providing financial services to poor.

It also concludes that microfinance is about building permanent local financial institution. Building financial system for the poor means building sound domestic financial intermediaries that can provide financial services to poor people on a permanent basis. The destitute and hungry that have no income or means of repayment need other forms of support before they can make use of loans. Interest rate ceilings can damage poor people's access to financial services.

The government's role should be an enabler, not a direct provider of financial services. National government plays an important role in setting a supportive policy environment that can stimulate the development of financial services while protecting poor people's savings. Donor subsidies should complement and not compete with private sector. However the lack of institutional and human capacity in the least developed countries (LDCs) are the key constraint in the enhancement of microfinance.

Microfinance is a specialized field that combines banking with social goods and hence capacity needs to be built at all level. The importance of financial outreach, transparency, accurate, standardized and comparable information on the financial and social performance of financial institutions providing services to the poor is imperative.

Helms (2006) in his study have defined the general characteristics of the microfinance sector in Asia, Latin America, Sub-Saharan Africa, Eastern Europe, Central Asia, Middle East and North Africa.

From his study he has found that microfinance sector, in Asia, has strong social orientation. The two Asian giants, China and India, have a little sustainable development of microfinance relative to their population sizes mostly because of an extensive historic government involvement in the financial sector. In this region the microfinance programs are concentrated in densely populated rural areas and are focused on enterprise credit. Bangladesh and Indonesia are the giants from the microfinance perspective.

He has described that Latin America has the longest tradition of commercially viable microfinance system. Most microfinance clients in this region obtain services from

government regulated financial institutions. Especially in urban areas competition tends to be fierce in some countries. Interest rates have declined dramatically as a result of that competition.

Microfinance according to Helms, in Sub-Saharan Africa is underdeveloped and faces higher costs than in other regions. In most African countries, a very small minority of the population have bank accounts. Even in South Africa, the most developed economy of the region, half of the adult populations do not hold bank account. Financial co-operatives are the dominant model in French-speaking Africa, reaching several hundred thousand clients. On the other hand English-Speaking Africa and Portuguese-Speaking countries also have large numbers of financial co-operative, but specialized microfinance NGOs are more prominent in these parts of the continent than in others.

He has stated that Eastern Europe and Central Asia is newcomer to microfinance and are dominated by NGOs and other institutions that focus primarily on loans. Microfinance has developed differently in these regions than in the rest of the world. For instance, higher income and education levels partly explain larger loans offered in these regions and interestingly, institutions have rapidly achieved financial self-sufficiency when compared with other regions.

Lastly, he has explained that 70 percent of microfinance institutions in the Middle East and North Africa are NGOs and are donor dependent. Microfinance is largely perceived as charity and not a part of a financial system. Commercial banks from this region are starting to move down-market and develop services for the poor.

Armendariz and Morduch (2007) have argued that enhancing opportunities for women can be good for both efficiency and intra-household equity. Microfinance can also improve long term development, as women are the main brokers of children's health and education. Microfinance to play a role in increasing the scale and scope of self-employment opportunities and skill acquisition, protecting women's right through monitoring by third parties, for facilitating savings and for enhancing social capital. Microfinance should act as a deterrent against domestic violence, and, more generally, as an instrument for women to promote their rights and improve their bargaining

power vis-à-vis their husbands or other male family members. Microfinance increases the opportunity cost of women's time.

Poudyal (2007) stated that microfinance is increasingly being taken as a magic bullet for poverty reduction. The emphasis on microfinance for poverty presumes that the credit to the poor promotes self-employment and income generating activities. This leads to an increase in income and contributes to an accumulation of assets, which in turn reduces vulnerability due to illness, crop failures and enables better education, nutrition, health and housing of borrowers. In addition, microfinance can contribute to empower women by providing them the basis for earning of income, social mobilization and political awakening.

NRB (2007) defines microfinance as the financial services rendered to the deprived groups of the people and small entrepreneurs in savings, credit, remittance, rural insurance etc. to help them in developing self-employment opportunities and various income-generating activities. The determining characteristics of microfinance are small size of loan, group savings, small-scale entrepreneur, diversified utilization and simple and flexible terms and conditions on credit (without collateral). In Nepal, microfinance program seems as pro-poor and rural based since three decades.

Microfinance has been particularly recognized as an effective development intervention tool. The services provided through microfinance can be targeted specifically at the poor and the poorest of the poor. These services can make a significant contribution to the socio-economic status of the targeted community and the institutions that deliver these services can develop within few years, into sustainable organizations with steady growing outreach.

Difficult topography, remoteness, heterogeneous group etc. have hindered for successful delivery of microfinance in Nepal. Principally, microfinance institutions pursue the income generating activities to promote the interest of the poor by providing basic services and contribute in upgrading their economic and social standard.

Sigdel (2008) argued that microfinance could break culture of poverty especially on behalf of rural poor households, disadvantaged group, destitute women etc.

Microfinance is a program that serves large number of clients, majority of them being women and deprived people at the grass root level and tries to provide financial sustainability. In fact, meaningful economic transformation and social progress lies on the shift in the economic activities from low order to high, enabling the poor section to involve in such activities. Majority of rural households are earning less, saving less and investing less on their part so unanimous access of microfinance is desirable.

Centre for International Studies and Cooperation (2008) stated that microfinance is the provision of broad range of financial services to poor and low-income households such as micro savings, loans, payments or money transfers and micro insurance. Microfinance products in the country are micro-credit, medium and small enterprise credit, group savings, project loan and micro insurance. Although the conventional definition of microfinance is to provide banking services to lower income people targeting the poor and the very poor, the definition provided by Nepal Rastra Bank (NRB) is considered as the institutional definition of micro credit in Nepal. In its regulation it defines the loan up to Rs. 60,000 provided through Micro Development Bank (MDB) as micro-credit. In addition, Rural Self Reliance Fund (RSRF) recognizes loan up to Rs. 60,000 per borrower given to the deprived sector and a group loan up to Rs. 1, 50,000 given to the members on joint liability for project loans as micro credit.

Centre for International Studies and Cooperation (2008) discussed the diversified methods and modalities practices in Nepalese microfinance sector. The model has classified the Nepalese microfinance sector as formal and semi-formal. Government and NRB initiated microfinance programs are considered as formal sector model and NGOs, Co-Operatives and Micro Finance Development Banks (MFDBs) initiated microfinance programs as the semi-formal model.

The study has grouped the prevalent microfinance practices in Nepal into seven different microfinance models viz Grameen Model, Small Farmer Co-Operatives Model (SFCLs Model), Financial Intermediary Non-Government Model (FINGOs), Priority Sector and Deprived Sector Credit Model, Savings and Co-Operatives Model (SACCOs Model), Project based micro financing Model and Wholesale micro financing Model.

Grameen Model aims to engage the targeted rural poor with the appropriate credit delivery mechanism and on a group liability basis with sole responsibility for financing the rural poor. Government of Nepal has established Grameen Bikas Bank (GBBs) in 5 development regions between 1992 to 1996, operating on the Bangladesh Grameen model. The major institutions working under the framework of this model are Swabalamban Bikas Bank Ltd. (SB), Nirdhan Utthan Bank Ltd. (NUB), Chhimek Bikas Bank Ltd. (CBB), Depros Development Bank Ltd. Etc.

Small Farmer Co-Operative Model was initiated by Agriculture Development Bank, Nepal, in the name of Small Farmer Co-Operative Limited (SFCL). ADM/N has established Small Farmer Development Bank (SFDB) to meet the wholesale requirement of SFCL for lending to small farmers. In this model SFDB provide the wholesale loan to SFCL at 9.5 percent interest rate per annum where as SFCLs disburse loan to their clients at the interest rate ranging between 12 to 16 percent per annum and the loan has to be repaid within 2 to 5 years from the date of disbursement.

FINGOs model was started after the promulgation of Financial Intermediary Act 1998. The act has created broader scope for the NGOs to function as financial intermediaries for mobilizing saving and promoting credit activities. It is believed, more than 10,000 unregistered NGOs are operating in field of MF in social and community based development activities. Under this model, the NGOs disburse loans for microfinance on a group basis. The interest rate ranges between 18 to 25 percent per annum and the repayment system is on a very short-term periodic basis i.e. weekly, fortnightly and monthly.

Priority Sector and Deprived Sector Credit Model was introduced in 1974. Under this model, Priority Sector Credit Program (PSCP) and Deprived Sector Credit Program (DSCP) have been working ever since which provide the direct and indirect financing. Under the direct financing mechanism, Commercial Bank provides loan to the beneficiaries directly as retain lending while under the indirect financing Commercial Bank acts as a wholesale micro financier and the loanable funds are channeled through Micro Finance Institutions (MFIs), co-operatives, FINGOs and MFDBs. In PSCP the Commercial Bank charges 4 to 12.75 percent interest rate per annum where as in DSCP the interest rate ranges between 4 to 11 percent per annum.

SACCOs Model emerged in Nepal as early as 1950s. This model aims to develop the microfinance institution as a member based organization, registered with an objective of self-help development scheme among the members. Under this model the MFIs can provide Rs. 30,000 per scheme, per borrower to their member or client. RSRF provides wholesale loan to SACCOs at 8 percent per annum.

Project-based Micro-Financing Model was implemented through six major donor funded projects. Production Credit for Rural Women (PCRW), Micro-credit Project for Women (MCPW), Poverty Alleviation Project in Western Tarai (PAPWT), Third Livestock Development Project (TCDP), Community Ground Water Irrigation Sector Project (CGISP) and Rural Micro-finance Project (RMFP) were the programs under this model.

Wholesale Micro-Financing Model was introduced in 90s to cater the wholesale credit needs of microfinance institutions. The credit is for on-lending purposes as well as for institutional capacity building of MFIs and capacity building of partner organization.

From the theoretical review, it can be said that the microfinance has emerged as an essential tool to fight against poverty and deprivation of disadvantaged groups. Microfinance program can be used for sustainable and balanced economic development. It also indicates that the women clients can improve their confidence, leadership, decision-making power and entrepreneurial skills after participating in microfinance program.

2.2 Empirical Review

INAFI, SAP Nepal (2005) used primary and secondary data to assess the impact of microfinance on poverty as well as other social impacts of microfinance services in Nepal.

The study found a significant impact on clients across a wide range of economic and social indicators. This include increased income, improved nutrition, better food intake, better consumption of clothing, better housing, lower child mortality, lower birth rate, higher adoption of family planning practices, better health care, better access to education for children, women empowerment and participation in social and

political activities etc.. Thus, there is a direct link between microfinance and at least five of the Millennium Development Goals namely the eradication of extreme poverty and hunger; achievement of universal primary education; promotion of gender equality and empowerment of women; reduction of child mortality and improvement of maternal health.

The study concludes that gender should be made a part of the microfinance strategy. In general, Micro-finance Institutions (MFIs) target women clients for pragmatic reasons. Being a microfinance client is a good start, but membership by itself may be empowering. In view of this, the MFIs should be encouraged to make gender concern, more of a focus in its strategy and approach, especially in the Tarai, where culture constraints women's mobility and empowerment.

Majorano (2007) assessed the impact of the rural microfinance projects based on the observation and analysis of MFIs working in Kathmandu, Makwanpur, Dhanusa, Sunsari and Morang districts.

In her study, she found that the microfinance programs aimed at women empowerment have contributed to it in different ways. The women treated their savings as a means of building up an assets base and gaining a certain independency from their husbands. The programs have increased women's self- confidence and their influence in household decision-making process has also increased.

From her analysis, she has concluded that the microfinance services have reached the poor and the poorest families. The women clients have improved their confidence, leadership, decision-making power and entrepreneurial skills after participating in the microfinance program.

Bashyal (2008) assessed the financial access of the women and their empowerment through gender equity improvement based on survey of clients of Nirdhan Utthan Bank Limited.

The study found that microfinance has improved family's wellbeing by increasing household's food sufficiency level, assets accumulation and children's education. The effectiveness of program in improving socio economic condition is more visible in the

improvement in housing condition and possession of consumer durables. It has been credited with: empowering women by increasing their self-confidence and decision making power, enhancing family status, family co-operation, and greater say in household spending. Moreover, the access to credit not only gave women opportunity to contribute to the family business but they could also deploy it to assist the husband's business which increased their prestige and influence within the household. Micro loans have enabled women to start non-farm activities particularly, petty trade.

The study reaches to the conclusion that no unique model of microfinance is applicable for all situations. To provide micro finance services to large numbers of scattered poor people in the hills and mountains of the country through well managed operating costs, the program should be designed according to its topographical differences and diversified settlements.

Thapa and Sharma (2008) conducted a small study based on secondary information generated by Sahakarya Project to assess the impact of rural finance program in empowering women.

They found that the rural micro finance program has empowered women and disadvantaged groups of people by providing access to credit services, in rural area.

RMDC (2008) by using primary and secondary data studied to assess the impact of micro finance program on socio economic status of the ultimate beneficiaries.

The study revealed that the impact of micro finance services on participating women was positive to their household income. An increase in income improved the socio-economics of the participating women. The improved credibility of clients in other sectors through increased income and assets due to the involvement in the micro finance program is taken as a positive impact of micro finance. The microfinance program has greatly empowered the participating women in all respects.

This study shows that micro finance promotes diversification of income sources and brings about positive changes in investment, income received and savings made from each category of income sources. Microfinance program generates self-employment that generates income to meet daily necessities of the poor women and their families.

Micro finance program also improves educational status of the children of member women as they get the required information from the implementers. Participation in micro finance program improves poor women's access to resources that they could own and use on their own decision without any interference from their male counterparts.

2.3 Conclusion

The studies reviewed in this study more or less have similar views regarding the microfinance programs. However, with the help of the reviewed studies it can be concluded that microfinance is an effective development intervention tool and it has reached the poor and the poorest of the poor families. Moreover, the women clients have improved their confidence, leadership, decision-making power and entrepreneurial skills after participating in the microfinance program. However microfinance in different regions has different characteristics.

CHAPTER THREE

RESEARCH METHODOLOGY

In this chapter the methodology used in this research is discussed. The population, sample, study area and research design of this study are specified here. The sources of data, sampling technique, process of data collection and data processing techniques are explained in this chapter. Besides this the analytical procedure is also explained.

3.1 Research Design

This study is based on the micro study of microfinance program. It seeks to analyze the effectiveness and sustainability of microfinance program in the above mentioned study area. A descriptive method is adopted to analyze and interpret the quantitative and qualitative data collected from the concerned field. Loan, investment and repayment process and situation of microfinance program are covered in this study. Primary and secondary data are used to attain the objectives of this study.

3.2 Source of Data

Primary as well as secondary data are used in the study. Primary data are collected from the study area using structured questionnaire. Besides this, primary data were also collected from the knowledgeable people using checklists. The questionnaire is presented in Annex 1 and secondary data is obtained from secondary sources eg. books, Journal of MDG, ADB, CMF, RMDC, WB, WSC, Economic Survey, Various Plan documents of Nepal, different websites, NGO and Pamphlets etc.

3.3 Population and Sample

Population for this study is the member of the concerned microfinance programs conducted in Urlabari VDC of Morang district of Nepal. There are 6 groups with 145 members in the Urlabari VDC and each group consists of 15 to 25 members. The sample size of this study is 37. This figure represents 30% of the total population. Information about population and sample size is given in the following table.

Table 1.1
Population and Sample

S. No.	Particulars	Value
1.	Total numbers of Groups is Devasthan	6
2.	Total number of members	145
3.	Sample Size	37
4.	Percentage of sample size to total number of members	30%
5.	Group Size	15-25
6.	Active Members	103

Source: Field Sample Survey and Mahila Saving and Credit, Uurlabari, Morang

3.4 Sampling Technique and Process of Data Collection

For the purpose of this study, the primary data were collected with the help of a structured questionnaire, which was pre-tested. Members of microfinance program (women member), group leader, and concerned line agency staff were also interviewed separately. The required informations were collected from different sources as well. The researcher of this study had also discussed with the relevant professionals to collect their opinion in this subject matter. Besides this to collect the general opinion of the people group discussions were also conducted.

This study has adopted the simple random sampling technique to collect the relevant primary data. For this purpose the sampling frame was prepared from the list of the members involved in the microfinance program in Uurlabari VDC. From the sampling frame 37 were chosen as the sampling unit for this study by applying lottery method. Then, the key informants were interviewed and the necessary primary information's required for this study were collected through a structured questionnaire.

The population (total women members) of the study consist 145 members under which 6 groups are formed by the Mahila Saving and Credit. Out of these 6 groups, 2 groups are newly formed so only members of 4 groups are taken for this study. Out of the 115 members only 103 are active at present and the remaining 12 members are inactive borrowers. Thus, this study has focused only to active borrowers. So, the

effective population for this study is 103 women. Out of 103 members 37 active members have been selected from the population for the study. Stratified random sampling technique was applied to collect sampling unit. The four active groups were considered as one strata. From each stratum 10 members were randomly selected by using lottery method. In the time of data collection, 3 members from different three groups were not ready to provide information so the information were collected only from 37 members from four different groups.

3.5 Analytical Procedure

This study has followed the inductive method of reasoning. As discussed in chapter two, microfinance programs can be of different models but this study is based on FINGOs model. It is because the local NGOs disburse loans for microfinance program members (women member) on a group basis. The interest rate charged is 18 percent per annum and the repayment system is on monthly basis.

3.6 Data Processing and Data Analysis

The collected data are processed by using simple statistical techniques viz. measure of central tendency, measure of dispersion, correlation etc. The data are presented by using different types of table and charts. Quantitative as well as qualitative methods are applied to analyze the data.

CHAPTER FOUR

OVERVIEW OF MICRO FINANCE AND EMPIRICAL ANALYSIS

This chapter overviews the microfinance program in Nepal with empirical analysis. The first part of this chapter describes evolution of the microfinance program in Nepal and the second part analyses the collected data.

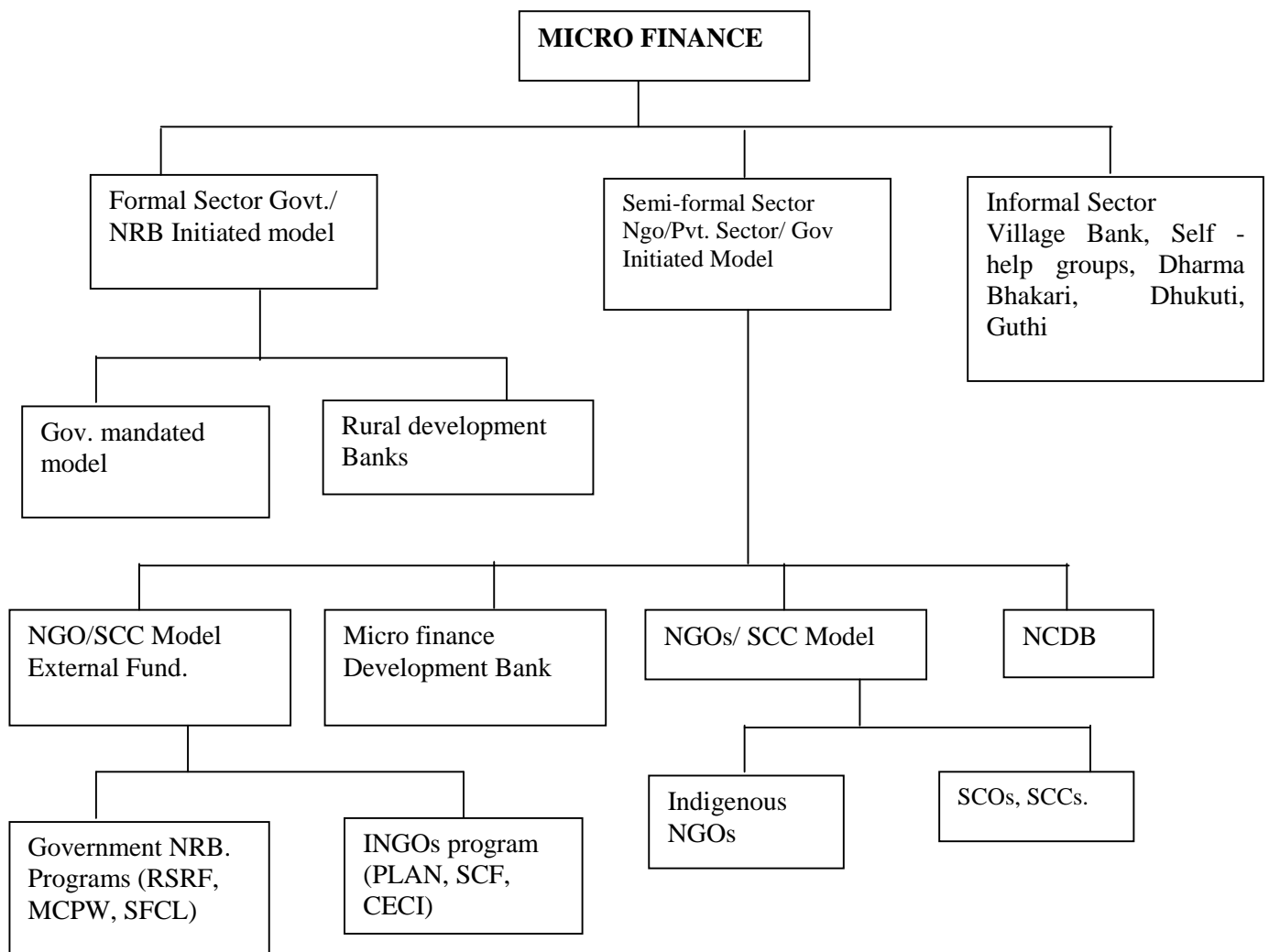
4.1 Evolution of microfinance in Nepal.

In Nepal, both formal and informal MFIs are providing financial services to generate income through employment opportunities for low income families. The formal financial markets in the country have existed for generations where as the formal sector micro lending began in 1956 with the establishment of credit co-operative in the "Rapti valley" of Chitwan district to provided financial services for those people affected by the flood.

Later, in 1963, co-operative bank was established to provide financial services to credit cooperatives. Thereafter several credit co-operatives and the ward/village committee were established to extend credit at the grassroots level along with national level institution i.e. Land Reform Saving Corporation. This institution was converted into ADB/N on 1968. Formally MF service was started in 1974 with NRB's direction to commercial banks for lending 5% of their total deposit liabilities to 'small sector' in order to increase production and employment in rural areas. The 'small sector' was renamed later as Priority Sector Credit (PSC) in 1976 which is the beginning of formal micro credit program raising the lending percentage to 7% of the total deposit liabilities. The PSC was redefined as Intensive Banking Program (IBP) in 1981. It was the main concern of government for implementing micro credit program through major commercial banks of the country viz. the RRB, NBL and NABIL Bank. The NRB also made successive changes in lending percentage and it increased to 8% in 1984 and this lending was fixed at 12% by the year 1990 (Bashyal, 2008).

Micro and small enterprises supported in enhancing employment, production and income and improve livelihood of the deprived and poor people. The micro-

enterprises have been classified into 3 sectors, as agriculture, small scale industry and services sector. The deprived sector includes men/women from low income household, landless poor and indigenous groups. Micro credit, micro saving, transfer payment services and micro insurance are defined as micro finance services. NRB (MFD) has defined the loan up to Rs.60,000 as micro credit, RSRF recognizes the loan up to 60,000 per borrower as micro credit (to deprived sector) and a group loan up to Rs. 150,000 given to the member on joint liability for project loans.



Nepalese micro finance sector can be classified as formal semi formal and informal microfinance sectors. Formal sector model is initiated by government/ NRB. The initiative so far includes the establishment of RMDC and implementation of the program like Jagriti (Women Empowerment Program), Bisheshwor with the poor, Intensive Banking Program (IBP), Small Farmer Development Program (SFDP) and Production Credit for Rural Women (PCRW). The semi-formal model initiated by

NGOs, cooperatives and MFDBs. The informal sector is also rendering microfinance services to the rural people. Village banks, self-help groups etc. are promoted and developed by cooperatives, INGOs and local people. The components of Nepalese microfinance program are presented in the above chart (NRB, 2000).

In the recent past the final draft of Three year Interim Plan (2007/08-09/10) also mentioned some aspects of the micro finance programs under the headings of 'Money, Banking and Credit. The meaningful networking of bank, corporate institutions and MFIs, the access of credit will be intensified in rural areas of Nepal during the plan period. It has also mentioned that the mechanism will be developed in such a way so that micro finance activities would be carried out from both private and non-government levels, particularly in rural areas targeting marginalized farmers, petty traders and poor household's members with the means of heterogeneous income generating activities.

4.2 EMPIRICAL ANALYSIS

Here we analyze the collected data regarding the objectives. The main component of microfinance program for women is to provide loan for women especially in income generation and in enhancing living standard as well as to encourage them for compulsory saving and voluntary saving.

4.2.1 Age Structure of the members of the microfinance program (MFP)

The youngest among the members surveyed was 22 years old while the oldest was 62 years old; this shows that there is no age bar to be a member of the group. Table 4.1 shows that more than half of the women members are between 21-50 years who have heavy financial load for the survival and other social responsibilities such as educating their children and performing marriage ceremony of their children etc.

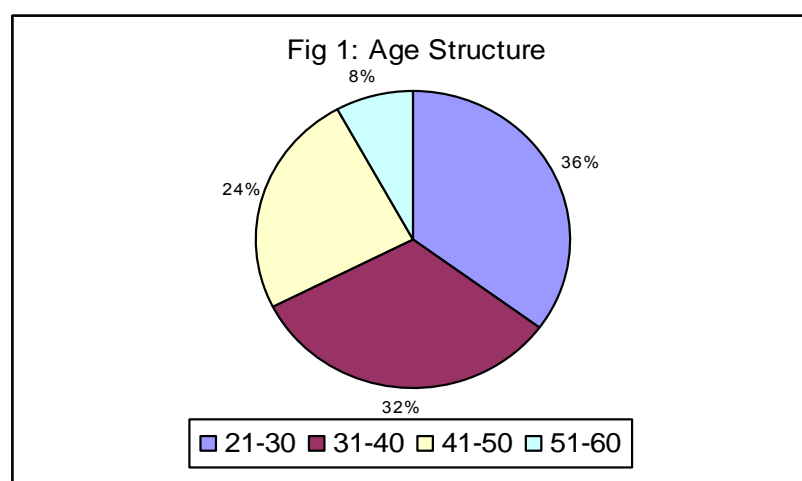
The age distribution of microfinance program clearly shows that the domination of the younger people (women member) in participating in the program. This explains that as the people become old the participation in the MFP is likely to reduce.

Table 4.1

Age distribution of the members of the microfinance program

Age Group	Total	Percentage
21-30	13	35.1
31-40	12	32.4
41-50	9	24.3
51-60	3	8.1
Total	37	100

Source: Field Sample Survey, 2013.



This may be due to the higher financial burden that has to be born by the younger people than the older people. The younger people are usually more educated and they are enthusiastic to take part in the income generating activities and for which they are bound to dependent on MFP.

4.2.2 Marital status of the members of the microfinance program

Table 4.2 shows that majorities (i.e., 94.6 percent) of the members surveyed were married and 5.4 percent were divorced. In the same way 2.7 percent were unmarried and no widow was found as the members of the Microfinance Program. The dominance of married people in the participation of MFP reveals their higher dependence in such Program in comparison to others.

Table 4.2

Marital status of microfinance program

Marital status	No. of borrowers	Percentage
Married	34	91.9
Unmarried	1	2.7
Divorced	2	5.4
Total	37	100

Source: Field Survey, 2013.

This may be due to many socio-economic factors such as for the education of their children, future security and improve their socio-economic status. On the otherhand the unmarried people are mostly dependent on their parents in case of our country and hence they are less involved in MFP.

4.2.3 Family size of the members of the microfinance program

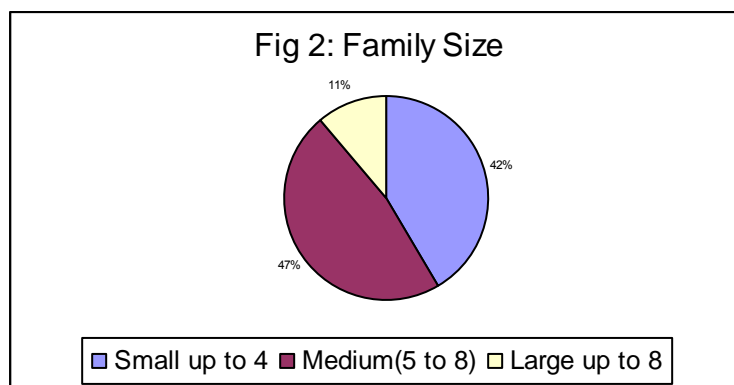
Table 4.3 shows the increasing preference towards nuclear family. 40.5 percent of the members surveyed belonged to smaller sized household with 1to 4 members. However 48.6 percent of the members have medium sized households with 5 to 8 members. And nearly 11 percent of the members have large size households.

Table 4.3

Family size of the members of the MFP

Family size	No. of Respondents	Percentage
Small up to 4	15	40.5
Medium(5 to 8)	17	48.6
Large up to 8	4	10.8
Total	37	100

Source: Field Survey, 2013.



This shows that the participated members are mostly from medium size and small size family which indicates the awareness about the burden of large family. This implies the transformation of the traditional large joint family towards small family.

4.2.4 Family Head

Table 4.4

Family head of the members of the MFP

Family Head	No. of borrowers	Percentage
Herself	14	37.8
Husband	16	43.2
Others but Male	7	27.1
Total	37	100

Source: Field Survey, 2013

Table 4.4 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. Out of the total 37 households covered in the study, 23 members (about 62.2 %) belonged to male headed households and the remaining 37.8 percentage were female headed.

Lower percentage of female-headed households reflects the dominant position of male member of family over the female member. Most of the sampled members belonged to the house headed by the male members. It indicates major and important decision

in the family is taken by the male members, no matter how serious it is towards their concerns.

4.2.5 Caste Distribution

Table 4.5 shows that in the study area majority of members belonged to ethnic groups. 35.1 percent of the members are Brahmin/Cheetri and then 24.3 Rai/ Limbu. The percentage of Dhimal and Newar members are 10.8 and 13.5 respectively. It indicates Urlabari VDC is multi ethnic VDC and all the ethnic groups enjoy microfinance program equally. In other words, microfinance service in this VDC is an unbiased service.

Table 4.5

Caste distribution of the members of the MFP

Caste	Total	Percent
Brahmin/Cheetri	13	35.1
Rai/Limbu	9	24.3
Dhimal	4	10.8
Newar	5	13.5
Others(Damai/ Kami/)	6	13.6
Total	37	100

Source: Field Sample Survey, 2013.

The higher percentage of participation of Brahamin/Chetri community explains their dominance in financial services followed by Rai/Limbu. This is due to the majority of their population.

4.2.6 Educational Status

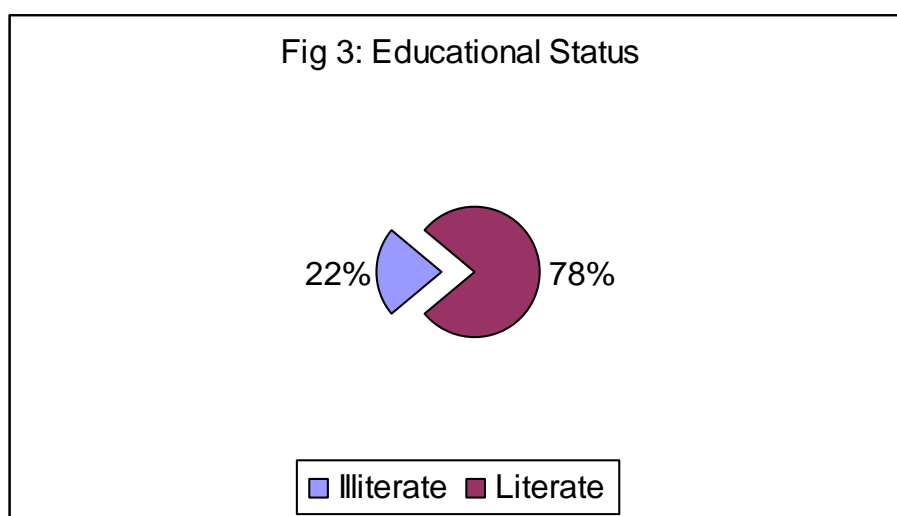
Education is one of the indicators of women's status. This is crucial factor for not only availing employment opportunities created in the process of modernization but also for communication with the outside world. Educational attainment has become a most valuable identification of women's social status.

Table 4.6

Educational attainment of members of the MFP

Education Level	Total	Percentage
Illiterate	8	21.6
Literate	29	78.4
Total	37	100

Source: Field Survey, 2013.



It was found from the study that highest number of borrowers had attained literacy that constitutes 78.4 percent. About 21.6 percent of the borrowers are illiterate. The table shows that the literate or educated more participated more in microfinance program than illiterate people. This signifies that education plays a key role in the success of the microfinance program.

4.2.7 Land holding

Table 4.7 shows the land area, which the borrowers' family holds in their own names. This status gives the real picture of the borrower's economic status. The land holding of borrower's family is shown below.

Table 4.7

Size of land holding by respondents family

Size of land holding	No. of respondents	Percentage
Land less	8	21.6
Below 1 Bigha	4	10.8
1 to 5 Bigha	16	43.2
6 to 10 Bigha	5	13.5
11 to 20 Bigha	3	8.1
Total	37	100

Source: Field Survey, 2013.

Table 4.7 shows the size of land holding of the family of the members surveyed. 43.2 percent of the women members' family surveyed held land between 1 Bigha to 5 Bigha. This data reveals the scatterness of land among many, which really hampers the commercial purpose of production. 21.6 percent of the member's family, in the study area found land less. This also indicates the poor economic condition of the members. Size of land holding depicts the economic status of household as well as women themselves to some extent. This implies that most of the people don't have sufficient land to grow food for them. This implicitly suggests that the women engaged in the microfinance are poor. Hence, the Microfinance Program conducted in the study has been able to embrace poor people and is helping to reduce poverty in the study area.

4.2.8 Land ownership of the members of the MFP

In terms of the title of the land in a family, women members are not in a good position. Table 4.8 shows that 73 percent of the respondents do not have land ownership in their own name and it remained constant during the program period that is to say, the women members have not been able to acquire additional land in their name even after they were involved in the microfinance program. Only 27 percent of the respondents had title of land but it has remained constant up to now.

Table 4.8

Land ownership of the members of the MFP

Category	No. of Respondents	Percentage
Did not have land title and Still do not have	27	73.0
Have land title but remained constant	10	27.0
Total	37	100

Source: Field Survey, 2013

Data on Table 4.8 shows that most of the women members involved in the program deprived of land ownership. It indicates women are in deprived position and because of this they have to work to improve their status. This may be the reason why a large percentage of women without land title are involved in the program. As we can see in table 4.8 the land title of the women members has remained constant even post to their involvement in the microfinance program. This suggests the program has not been able to empower their members. The program may not have been able to empower their members because of their docile nature.

4.2.9 Occupational Status

In the study area, occupation denotes employment of the people (women member) in different sectors for earning purpose. Table 4.9 shows that before joining the microfinance program 37.8 percent of the members surveyed claimed that their main occupation was shop and 35.1 percent as agriculture. 8.1 percent identified as Livestock/Poultry raiser.

After the introduction of MFP the occupational structure and mode of payments have changed significantly. There has been expansion of cash crops farming and development of local market. Occupation of shop keeping has increased from 37.6 percent to 48.6 percent after the intervention of the MFP. Whereas traditional farming as an occupation has decreased from 35.1 percent to 18.9 percent within the same period of time.

Table 4.9**Main occupation of the members of the MFP**

Before Joining MFP		Occupation	After Joining MFP	
Percentage	Total		Total	Percentage
35.1	13	Farming	7	18.9
37.8	14	Shop	18	48.6
8.1	3	Livestock/Poultry	5	13.5
2.7	1	Teaching	1	2.7
8.1	3	Housewife	2	5.4
5.4	2	Weaving	4	10.8
5.4	2	Other	-	-
100	37	Total	37	100

Source: Field Survey, 2013.

The occupations like shop keeping, weaving has increased significantly after the introduction of MFP in this area. This shows that MFP has reduced the dependency on agriculture and has increased the people's involvement in other income generating activities like shop keeping, livestock/poultry farming and weaving etc. similarly; the decrease in the percent of the housewife after joining MFP indicates that the women are becoming more conscious and independent. The data clearly suggest, the MFP program has reduced the people's dependency on land and has encouraged people to adopt occupations that need only limited land to increase their productivity and production. a significant change in occupational structure due to MFP intervention is likely to reduce poverty, in the study area.

4.2.10 Loan Purpose

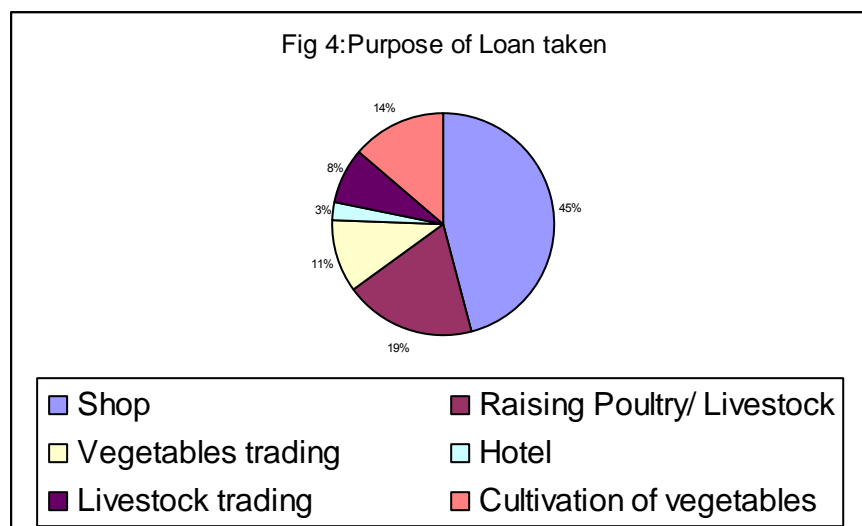
Table 4.10 and Fig 4 show the mentioned purpose of taking loan from the micro finance institutions. 45.9 percent of the loan was taken for the purpose of retail shops. 18.9 percent of loan was taken for Poultry/livestock farming. 13.5 percent were taken for cultivating vegetables. 18.9 percent of loan was taken for trading purpose and 2.7 percent of loan was taken for running hotel.

Table 4.10

Purpose wise loan disbursement

Purpose of Loan	Total	Percentage
Shop keeping	17	45.9
Poultry/ Livestock Farming	7	18.9
Vegetables trading	4	10.8
Running Hotel	1	2.7
Livestock trading	3	8.1
Vegetable Farming	5	13.5
Total	37	100

Source: Field Survey, 2013.



This higher percentage of loans taken for the purpose of shop is due to the daily transaction and easy repayment from such activities. While vegetable trading, hotel and livestock trading takes longer time and this type of trading is not well developed in the villages. The loan disbursed for shop keeping, poultry/livestock farming, vegetable farming, running hotel, livestock trading and vegetable farming are 45.9%, 18.9%, 10.8%, 2.7%, 8.10% and 13.5% respectively. It clearly suggests MFP has been providing loan to seen petty business and commercial farming. MFP has provided 67.6 percent of its total loan to conduct petty business and 32.4 percent to commercial farming. It suggests MFP has been providing loan to innovative

members. the structure of loan provided by MFP on the one hand has diversified the occupational structure of its members on the other it is highly likely to help to reduce poverty, in the study area.

4.2.11 Spent on Purpose

Table 4.11 shows, 78.4 percent of the total loan is used on the specified purpose which has helped to increase trade in this area whereas 21.6 percent of the total loan is not spent on specified purpose. That is to say, nearly 22 percent of the loan is misutilized in the study area.

Table 4.11

Distribution of purpose wise use of loan

Use of loan in specific purpose	Total	Percentage
Spend	29	78.40
Not Spend	8	21.60
Total	37	100

Source: Field Survey, 2013.

However the majority of the members are using the borrowed money properly. it indicates majority of the members are serious enough to improve their economic status. And it also shows that members are sincere to spent loan. However, nearly 22 percent of the members are mis-utilizing the resources. It may be because; their income is not sufficient enough to fulfill their daily needs, they may have suffered from unseen problem, they may have used the borrowed money to fulfill their social obligation and they may not have proper idea to use resources. in the other words, some of the borrowers may not have acquired the skill to use the resources in the specified projects.

4.2.12 Loan Amount

Table 4.12

Distribution of loan according to amount

Loan amount borrowed till third phase of investment (in Rs.)	No. of Borrower	Percentage of Total borrowers
2000	4	10.81
5000	10	27.02
10,000	12	32.43
15,000	6	16.21
20,000	2	5.40
25,000	3	8.10
Total	37	100

Source: Field Survey, 2013.

Table 4.12 shows the scenario of the loan amount borrowed, and percentage of the borrowers according to the amount of loan. More than 70 percent of the members have borrowed Rs. 10,000 for less than Rs. 10,000 the higher percentage of borrowers borrowing a small amount of money clearly suggest the poor economic condition of the members. They demand according to their entrepreneurship talent. Out of the 37 borrowers 32.43 percent have taken the loan amount of Rs. 10,000 and nearly 28 percent have taken the loan amount of Rs. 5000. This indicates that the borrowers are concerned about the loan amount and their ability to use the borrowed money properly and productively. In nutshell, the borrowers seem to behave rationally.

4.2.13 Impact of the Program

Impact is measured with the help of the following indicators: Family Planning, Assets Purchase, Children Education, and Social Gathering and involved in other institutions. More than 80 percent of the respondents are aware of family planning which indicates a higher awareness about reproductive health and family size. This may be due to social exposure of the members of the microfinance program.

Table 4.13

Awareness of the respondents

Involvement increased of the Members post to MFP Program	No. of Respondents	Percentage of Respondents
Family Planning	30	81.08
Assets Purchase	26	70.27
Children Education	34	91.89
Social Gathering	29	78.37
Other Institutions	35	94.59

Source: Field Survey, 2013.

More than 70 percent of the respondents have purchased the asset which indicates their increased saving habits after they have involved in the microfinance program. Besides this it also suggests that the members have become aware about their future security.

The table reveals that more than 90 percent of the members are aware of the importance of education. Nearly 92 percent of the members have increased their expenditure in their children education, which shows an increased educational awareness of the participant of the microfinance program.

More than three-fourth of the respondents are involved in social gathering which indicates that they are more informed and more exposed. Similarly, more than 94 percent of the respondents are involved in many other institutions which indicates that the members are adopting more dynamic socio-economic life due to the involvement in microfinance program.

4.2.14 Effect of Training

56.76 percent of the respondent reported that the training they gone through were helpful to run the project. But 24.32 percent were of the opinion that the training was not useful. According them it was mainly because the training packages were improperly designed. 18.92 percent of the respondents hadn't received training yet.

The figures clearly reveal that the training is useful to most of the women members. however there is sufficient room to improve training packages.

Table 4.14

Effectiveness of the training to the members of the MFP

Category	No. of respondents	Percentage
Helpful	21	56.76
Not Helpful	9	24.32
Did not receive training	7	18.92
Total	37	100

Source: Field Survey, 2013.

The program suffers from some defects. It is because; it has failed provided training to nearly 19 percent of its members. That is to say, nearly 19 percent are given money without providing them the idea to use the resources. Hence the chances of misutilization of resources are there. The successes of microfinance program depend on education and training of the participant. Hence, this shortcomings of the program need to be fixed promptly.

4.2.15 Confidence on Income Generating Activities

Table 4.15 and Fig 5 indicates that 67.57 percent of the respondents who have received training from the microfinance institution increased their confidence level on income generating activities, whereas 27.03 percent of the respondents reported that their confidence level on income generating activities have remained constant due to lack of appropriate type of training. 5.4 percent of the respondents reported that they are deprived of training provided by the MFI.

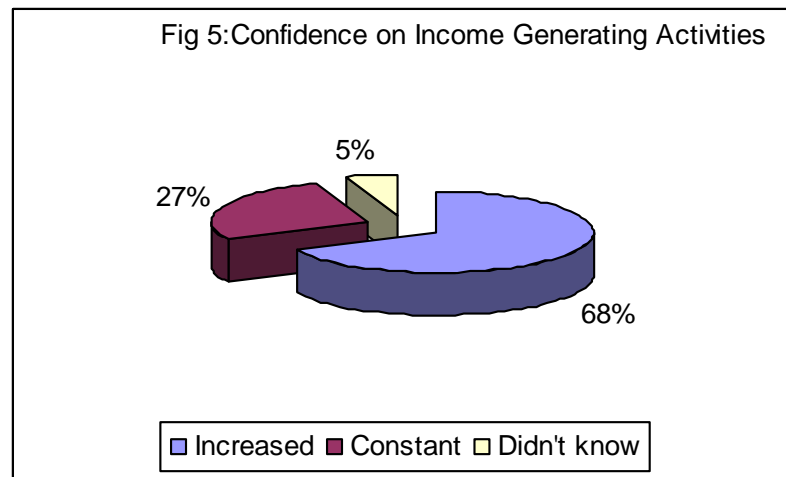
This implies that the confidence on income generating activities increased after the intervention of the program. This also shows that the women are less dependent on the other family members and can generate income if they are provided suitable training.

Table 4.15

Confidence on income generating activities

Category	No. of respondents	Percentage
Increased	25	67.57
Constant	15	27.03
Didn't know	2	5.4
Total	37	100

Source: Field Survey, 2013.



4.2.16 Income Status

In this study income denotes the additional earning of the borrowers by using resources borrowed from the program. The income may be in the form of money or in kind as food grain, milk, animal husbandry and so on. The income earned in kind is converted into money by using local price. However, the product consumed by the borrowers themselves is not included. Borrowers' self-consumption wasn't included mainly because the borrowers were not able to provide this information. Exclusion of the borrower's self consumption of goods and services have under estimated the income generated by the borrowers by using resources borrowed from the microfinance program. Definitely this is one of defect of this research. However, it is not going to hamper the objective of this research. The objective of this research is to find the change in income brought about by the program. Hence this shortcoming is

compromised in this study. To know the changes in income before and after the program intervention the personal questionnaire has been used.

Table 4.16

Monthly income before and after joining the MFP

Before Borrowing		Income Group Per Month (Rs.)	After Borrowing	
Percentage	No. of borrower		No. of borrower	Percentage
59.45	22	Less than 500	5	13.51
24.32	9	500-1000	4	10.81
10.81	4	1000-2000	20	54.05
2.70	1	2000-3000	2	5.40
2.70	1	3000-4000	3	8.10
-	-	4000-5000	2	5.40
-	-	Above 5000	1	2.70
100	37	Total	37	100

Source: Field Survey, 2013.

Income effects of the program have been found positive in the study area. Table 17 shows that before joining the microfinance program about 60 percent of the respondent had monthly income of less than Rs. 500 while after joining microfinance program only less than 14 percent of the respondents have income less than Rs. 500. Similarly, the respondents with monthly income between Rs. 1000 to Rs. 2000 have remarkably increased from less than 11 percent to more than 54 percent. This shows that the microfinance program has been helpful in uplifting the income of the participant.

This fact has proved that the members associated with the program have significantly increased their average income after intervention of the program. In the other words, the microfinance program is helping to reduce poverty in the study area.

4.2.17 Living Standard

Living standard of the respondent is often analyzed in terms of consumption pattern and clothing pattern. Here both quantitative and descriptive tools are used to see whether the living standard has changed or not before and after program intervention.

a) **Consumption Pattern**

Table 4.17

Consumption pattern of family members of the respondents

Food	Before Borrowing	After Borrowing
Traditional Food	26	13
Non- traditional Food	11	24
Total	37	37

Source: Field Survey, 2013

Table 4.17 presents the consumption pattern of the households of the members prior and post to program intervention. The table clearly shows that participant's food habit has changed from traditional food (Dhido, Dal, and Bhat) to non-traditional food (Meat, Egg, and Milk) after joining the program. This change in food habit is an indication of an improved living standard of the family of the members. So, we can conclude that the microfinance program intervention is significant in increasing the consumption pattern of the family members.

b) **Clothing Pattern**

Table 4.18

Clothing pattern of family members of respondents

Category	Before Borrowing	After Borrowing
Traditional cloth	24	12
Relatively Better off	13	25
Total	37	37

Source: Field Survey, 2013

Table 4.18 reveals that the clothing pattern has increased after the program intervention. This indicates that the participant's clothing habit have changed from traditional clothing to relatively better clothing. This change in clothing habit of the participant's is due to the increase in income and social status. In other words intervention of the microfinance program in this area has uplifted the living standard of the families of the women members of the microfinance program.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of the Study

The study has explored the role of microfinance program in uplifting the women in Urlabari VDC of Morang. The main objectives of this study has is to find whether the socio-economic status of the participant women in the program has improved or not. And it also has assessed the impact of MFP program on the beneficiaries' earning and living standard. The study is based on the case study of Urlabari VDC and has used qualitative and quantitative analytical techniques.

Some of the findings of this study are summarized as:

From the study, it is found that the younger women members' participation dominated the program. More than 90 percent of the participants are found a married in the study area. Only 37.8 percent of the participants are found women headed. More than three-fourth of the participants are educated (literate). From the study, it has been found that the members are sincere to spent loan to specific purpose. Most of the women beneficiaries from microfinance program are relatively poor women having income less than Rs. 2000 per year. So the program has attained it's of helping the women. The overall impact the microfinance program on women beneficiaries earning and living standard is found significantly positive. The program has also some positive impact on children's education, use of family planning devices, sanitation and other social reforms. Repayment rate of program is found reasonable in good condition in Devasthan VDC. Repayment rate of the women participants involved in agriculture activities is less than the participants involved in business activities. The involvement in the income generating activities has enhanced the self-confidence of the women.

5.2 Conclusions

Microfinance program serves the deprived populace 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 of the poor due to the inability to 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 results have not been achieved due to some managerial challenges encountered by the micro finance institutions all over the country.

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, efforts to link formal and informal financial sectors involved in microfinance programs and flexibility in financial management regulation. Additionally, financial institutions themselves need to develop business planning practice and efficient management of human resources within the institutions.

Following conclusions are drawn based on this study:

- Involvement in the microfinance program has empowered in varying degree. It has offered opportunities for the 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 generating activities has helped to enhance the self-confidence of the women participants. Besides this it has increased women's access to resources and hence women participants are spending more for their and their family's benefit.
- In spite of an increase in monthly income their average working hours have remained the same. They are still stuck on the traditional farming activities. The positive change in clothing and consumption pattern found in this study indicate a positive impact of the project on living standard of the people of the study area.
- Training for improving farming techniques and micro-enterprise has helped members to shift from the traditional agriculture to cash crop production and petty business. This has helped to increase income of the participants.
- At monthly group meetings, women discuss health issues, which they follow in their day-to-day lives. this has increased their awareness on healthcare,

including women and children's health , family planning, sanitation and reduction in smoking and alcohol consumption habit.

- Community people are supportive of microfinance program in the study area. Most of the community's people know about the programs. Males of the community provide support to women members to enable them to participate in microfinance program by helping them in household's chores, reminding them of meetings dates and joining hand in community development activities.
- The availability of loan from program has helped in reducing the interest rate charged by moneylenders.
- Members have become more aware of the gender equality, human rights and women's 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 and exposure visits. They do not hesitate to meet outsiders, unlike the past when they had not joined the microfinance program.
- Saving group is an important part of the program. Besides the income generating project group members are taking credit from within the group at the time of emergency. So group saving has become a reliable source of credit. In the absence of this, they had to depend on moneylenders.
- In connection to financial intermediation, it can be concluded that, although the phenomenon is new in Nepal, it is the right time to fulfill the financial needs of the poor. Reaching to the poor through financial intermediaries is found to be cost effective and targeted group can be reached efficiently.

- Microfinance program should widen their area by appointing staffs to address the problem of the poor and to find out the alternatives as well as solutions. So that they may not be victimized by excess financial burden.
- Providing loan in small amount (i.e. Rs.2000-5000) cannot give satisfactory results. The borrowers may use such small amount of loan for their daily requirement and use for repayment of the previous loan. Economic upliftment through such small amount is hard to come. Hence, a reasonable amount of loan should be provided to attain the perceived objectives
- 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.

The shortcomings of the programs are as follows:

- Probably the most serious shortcoming of the program is the selection of the target group. There is some indication of the possible bias in favor of those who did not represent the poorest of the poor.
- The majority of women the participations were illiterate, due to this reason the program has suffered quite a bit.
- Most of the participants being basically farmers have hard time paying their dues in time. This has hampered the flow of the capital of the MFP.
- This program is powerful instrument for poverty alleviation in Nepal but there is no clear cut strategy and policy of the Government of Nepal. Therefore, the government should design and implement policies that focus on strengthening the microfinance program to be implemented in the rural hilly areas.
- due to the shortcomings of the program underutilization of the loan is also found in study area, this might have made poor participants poorer than before.

5.3 Recommendations

To increase financial access to small businesses and low-income households need financial institutions. However it should be able to serve these segments in a financially sustainable manner. Providing credit profitably to small businesses and low income household requires a high level of efficiency with high level of professionalism and technical skills. Despite the government's efforts to increase access to formal financial services for low income household, the access to them is declining. Thus, based on this empirical study the following recommendations are made to enhance the access of the poor in the credit market.

1. Banks procedures for small business loans and a low income group of people are too complex, making lending unnecessarily long and expensive for both lender and borrower. The interest rates that banks charge on loans to small businesses do not adequately reflect the cost of serving them. Similarly banks require high levels of immovable collateral, while small businesses tend to have only movable assets. So banks need to minimize transaction costs and generate large number of high quality loans to serve the poor profitably.
2. Nepal's formal microfinance institutions could play a key role in delivering financial services to low-income households. Yet, the performance of this sector is disappointing specially in the remote hills and mountains. It is necessary to devise appropriate operational microfinance modalities to enhance hill and mountain poor peoples' participation in the credit market.
3. By recognizing the critical role that credit can play in alleviating rural poverty in a sustainable way, innovative credit delivery systems should be promoted throughout the country. An efficient way of improving rural households' access to formal credit with minimal government involvement should be initiated.
4. Informal credit is mostly used for consumption while formal credit is used for agricultural production purposes and investment in non-farm income generating activities. Based on this it is recommended that credit institutions should diversify their loans. Lending from formal institutions should address not only production and income generating activities but also to form human capital like educational loan.

5. The government should create a technical assistance fund to help banks with potential develop appropriate products and procedures for profitable lending to small business. With the help from its development partners, the government can support grant-funded technical assistance programs to help selected banks adapt their lending procedures to significantly increase small business and poor household lending. Not every bank will be a suitable candidate for small business and poor household lending, so technical assistance should be provided only to those fully committed to it. The technical assistance program should be comprehensive and cover the entire loan cycle.
6. The government should develop an enabling environment that makes small business lending safer, cheaper and faster. A supportive environment would enable banks to lend profitably to small business. To reduce information asymmetries between lenders and borrowers, Nepal's credit bureau should be strengthened.
7. The government should promote the microfinance industry by upgrading technical skills, reenergizing the sector and reforming state-owned providers. The government should also articulate a vision for the sector with a road map on how to improve access to financial services for low-income households and identify that the shift in the sector is a priority.
8. An increase in access to the poor in the credit market is a must if the government really wants to materialize its main development agenda of poverty reduction. The government needs to implement targeted credit programs and priority sector lending with greater coverage and efficiency.
9. From the study it is found that even the limited access of the households on the credit market is skewed against the targeted groups and communities. So it is recommended that the government should extend the financial institutions with appropriate policies and products to promote the government's agenda of inclusive growth and equity.

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Annex 1

Individual Questionnaire, 2069

PERSONAL INFORMARION

1.1 Name of Respondent:

VDC: Urlabari

Cluster.

1	2	3	4	5	6
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Locality:

Age:

1.2 Caste/Ethnic Group

1.3 Education :

Illiterate Literate Level of Education:.....

1.4 Family Head:

Respondent Herself:

Husband/Other :

1.5 Marital Status : Married/ Unmarried/ Widow / Divorced

1.6 Household Information

S. No.	Name	Age	Occupation	Relation to Respondent	Level of Education School/ College(P/G)	Marital Status

ECONOMIC BACKGROUND

2.1 What is your land size holding and production?

S. No.	Khet (In Bigha)	Production(In man=40 kg)	Bari (In Bigha)	Production(In Mon=40kg)

2.2 who cultivate the land?

Owner Cultivate Herself

Tenant Cultivates

Land on Rent

2.3 Do you have land in your name?

Yes No

2.4 Do you have to sell agricultural products?

Yes No

If Yes, How much:

2.5 Do you have to buy any agricultural products?

Yes No

If Yes, How much:

2.6 What was your occupation or job before joining the microfinance program?

- Agriculture
- Household Activities
- Poultry/ Livestock
- Government Services
- Small Business
- Other jobs, Specify,

PARTICIPATION IN MICRO-FINANCE PROGRAM

3.1 How did you know about the microfinance program?

By Friend By Radio
By News Paper Other, Specify:

3.2 Why did you join in the Program?

- a) To earn more income and to improve family condition
- b) To give company to friends
- c) To be self-dependent
- d) To be social person
- e) Others, specify:

3.3 What benefits you have received from microfinance program?

-
-
-
-

3.4 Have you taken loan from the program?

Yes No

3.5 Before joining in the program, was there any debt to pay for anyone by your family?

Yes No

3.6 Have you paid the debt, after joining the program?

Yes No

3.7 How many times, have you borrowed the loan from the program and how much?

First Loan Second Loan
Third Loan Fourth Loan

3.8 If you have taken loan from the group?

When?: How much?: Interest rate?:.....

3.9 Who decides regarding the utilization of the loan that you have received?

Self Household Head Common decision

3.10 How much was the amount and what was its purpose?

S. No.	Amount	Purpose	Due Loan	Date of Loan

3.11 Is the loan fully spent in specified purpose or not?

Yes No

3.12 If, No then where have you used it?

Keep in Cash Household Expenditure

Other:

3.13 Are you benefited from the loan?

Yes No Don't Know

3.14 How do you reimburse interest?

From Profit Getting Next Loan

From other sources Others:

3.15 How do you pay back the loan?

Partially Installments Basis Not paid yet

If paid, How much:

3.16 Have you ever faced difficulties paying back your dues?

Yes No

If Yes, What difficulties, how did you solve it?

.....

3.16 Do you have any saving or not?

Yes No

3.17 What have you taken in daily meal?

.....

Is if changed after joining the program?

.....

3.18 Are you vegetarian?

Yes No

3.19 Do you take fruit or meat in?

Weekly Monthly

3.20 How frequently do you buy clothes?

Quarterly Yearly Occasionally

Is it changed after joining the program?

.....

3.21 Have you purchased any goods for household use after joining the program?

Television Mobile Radio Gas

3.22 Have you purchase any land or house after joining the program?

Yes No

3.23 Does household head asked while doing new work?

Yes No

3.24 Does s/he accept your purpose?

Always Sometimes Never

3.25 Have you joined as a member in any other institutions?

Yes No

3.26 Have your involvement in program increased your access in the different areas?

Yes No

If Yes, what they are,

3.27 Who manage your household expenses?

Self others (specify):

3.28 Where do you go for your medical treatment?

Health Post Clinic Govt. Hospital

3.29 Where do you go to give the birth of your child?

Home Hospital

3.30 Do you suggest to go for regular check up while pregnant?

Yes No

3.31 Do you know about family planning?

Yes No

3.32 Do you have used any of means of family planning?

Yes No

3.33 What type of means you have used?

Temporary Permanent

If Temporary, Specify:

3.30 Do your family members help to participate in program?

Yes No

3.30 After joining the program, is there any work that you can perform now which

You could not do earlier?

.....

OTHERS

4.2 Has the training increased your skill?

Yes No

4.2 After receiving the training, has your confidence on income generating activities increased?

Yes No

4.3 Is there any problems you have faced after joining the program?

Yes No

If, yes what are they,

-
-
-
-

4.4 Did you get any co-operation to solve the problem from NGO, Bank and Government?

Yes No

IF, yes what are they

-
-
-

4.5 Any suggestion or comment from your side that can help to make the program more effective?

-
-
-
-
-