

CHAPTER- I

INTRODUCTION

1.1 Microfinance in the Context of Nepal

With the recent introduction of the Grameen Bank methodology in microcredit programs, it is hoped that rural development will finally impact poverty alleviation in Nepal. However, extreme poverty and hostile topography, and hence lack of markets, make it very difficult for any microcredit program to have much impact. It is argued here that the government should continue to place heavy emphasis on two key issues in any future program: expansion into the hills and mountain regions and specifically targeting poor women. Without these two elements, no microcredit program is going to have much impact on poverty reduction.

The utility of employing microcredit strategies to enhance rural development has been a subject of much focus of late, and it has generated considerable attention in light of the 1997 Microcredit Summit in Washington, DC. This writing details the general as well as policy context of microfinance and microcredit programs in Nepal, and it discusses some key issues and problems associated with these programs. Over and above the usual problems associated with implementation, microcredit programs in Nepal are also conditioned by the fact that there is a dynamic than the stagnant hill/mountain economies.

The General Context

Nepal is a small landlocked country located in south Asia. It is very mountainous, and topographically it has three distinct regions that run more or less parallel east to west. In the north bordering Tibet are the high Himalayan mountains covering a little over one-third of the total land area but supporting only about 5% of the population. Agriculture is negligible in the region as are industries and any form of infrastructure. Access to markets is thus hindered, and monetization is minimal with barter trade being the norm in most places.

The harsh economic conditions also require many poor families to take out loans from individuals in the informal sector, and the cycle of rural indebtedness is hard to break.

Parallel to the Himalayan region is a swathe of high hills and some valleys in the middle of the country, notably the capital region of Kathmandu Valley, occupying about 42% of total land area and supporting about an equal proportion of the total population of the country. With the exception of pockets of urban areas, this region also is characterized by fairly remote location, although in many places road and air transport has brought the region within the ambit of modern trade and monetization.

A small strip of flat land in the south bordering India's Uttar Pradesh and Bihar states, and known as the Terai, is where most of the microfinance activities are concentrated. This is because this region is densely populated, with one-half of the population and the bulk of the urban areas located here. Transportation is not a problem, both agricultural production and productivity are higher than elsewhere, and proximity to India's two most populous state markets has resulted in a fertile ground for microfinance activities to flourish.

The Political System

From 1962 until 1990, Nepal had what was termed a Party-less political system (the Panchayat) in which the King was the supreme source of power. This centralization of power was inimical to the growth of nongovernmental organizations (NGOs) that are so important when the State is too weak to carry out its functions. In 1990 a popular "revolution" reduced the King to a mere figurehead. With political liberalization and the corresponding economic changes a few years later, political parties sprouted, and along with them came the inevitable NGOs, which also acted as credit agents and as financial intermediaries in microfinance activities.

1.2 Role of Microfinance

About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or saving, which further fuels the “Vicious Cycle of Poverty”. If the people of LDCs have a limited capacity to invest in capital, productivity is restricted, incomes are inhibited, domestic savings remain low, and again, any increases in productivity are prevented. A lack of access to financial institutions also hinders the ability for entrepreneurs in LDCs to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are neither financially nor environmentally sustainable (existing for continuing future use). Microfinance serves as a means to empower the poor and provides a valuable barriers, and obstacles limit the roles of microfinance, entrepreneurship and sustainability in reducing poverty in LDCs around the world.

In the last 20 years, the “microfinance industry” has emerged. During the 1980’s and 1990’s, particularly in Asia, Africa, and Latin America, thousands of microfinance NGOs (Non Government Organization) were established to provide microloans, using individual and group lending methodologies. In the 1990’s, while many of the NGOs failed to reach scale or financial sustainability, others led the way in demonstrating that:

- J Poor people, particularly poor women, are excellent borrowers, when provided with efficient, responsive loan service at commercial rates.
- J Microfinance institutions can provide microloans to poor people in an efficient and financially sustainable way.
- J Microfinance-lending savings, and other financial services to poor people is an effective way to help poor people help themselves build income and assets, manage risk, and work their way out of poverty.

Loans in LDCs are made for a variety of purpose. Loans are made for housing and for “start up” loans so farmers can buy inputs to agricultural production: rice seeds, fertilizers and agricultural tools. But loans might also be used for a

variety of non-crop activities such: dairy cow raising, cattle fattening, poultry farming, weaving, basket making, leasing farm and other capital machinery and woodworking. Of course, funds may be used for a number of other activities, such as crop and animal trading, cloth trading and pottery manufacture. Credit is also issued to groups consisting of a number of borrowers for collective enterprises, such as: irrigation pumps, building sanitary latrines, power looms, leasing markets or leasing land for cooperative farming. The potential for loan users are virtually endless, and differ between villages and countries. And due to the fact that there is no such thing as a 'typical' developing country, loans provide a sources of income for diverse activities chosen specifically by the borrower, to create their *own* life.

Strategies to promote the capability and capacity of microfinance to reach the world's poor are a primary objective of the World Bank Group. They have announced a "strategy to increase to financial services and low-income households", which addresses three principal areas:

-) Fundamental framework: the policy, legal and regulatory framework that allow innovative financial institutions to develop and operate effectively.
-) Institutions building: exposure to and training in best practices that banks and microfinance organization need to expand their outreach and develop sustainable operations, along with performance-based support for capacity building; and
-) Innovative approaches: leasing and other products to increase access of small and medium-size enterprises to financial services.

1.3 Introduction of Uthan Saving and Credit Co-operatives Limited Shaktikhor-8, Chitwan

According to the international labor organization, "A co-operative organization is an association of persons, usually with limited means, who voluntarily join together to achieve a common economic and through the formation of a democratically controlled organization making equitable contributions, to the

capital require and accepting a fair share of risk and benefits of the undertaking.”² A co-operative organization may be defined as a voluntary association of person, usually of limited means, joining together on equal basis for the promotions of certain economic or business interests. Such as association registered each and every plan of Nepal has given attention to the development of co-operatives movement. Every five year plan focuses the improvement of the economic condition of the farmers. For that, the concept of Small Farmer co-operatives is widely use in the country.

Uthan Saving and Credit Co-operative Limited Shaktikhor, Chitwan(USCCLS) registered under the company act of Nepal 2021 and operate under the Development Bank act, 2052, It was establishment in 2056 B.S. The office of the co-operative limited is located in Shaktikhor Village Development Committee Ward no 8 Chitwan. The total numbers of shareholder are 400. Similarly, the opening capital of the institution is one million. It has working on the field of micro finance since its establishment.

The equity participation of USCCL is NRB (Central Bank of Nepal) 50%, Nepal government and 50% from common people. Poverty is the major problems of Nepal, Hence extreme poverty is the major problem in front of the Nepal’s development and it is widely accepted that poverty of Nepal can be eliminate effectively only through micro-credit program.

Grameen Bank has appeared as a focal point of poverty alleviation in Nepal with believe that poverty alleviation in Nepal with believe that poverty alleviation cannot start only by realizing rural socio-economic life and their behavior and function from rural people especially women through providing them credit and other social services in any easy way in their own place. (brochure of USCCL, 2064)

1.4 Statement of the Problem

According to the census of 2058B.S, 44% of people in rural area are under the poverty line and 86% population lives in village among which 76% depends on agriculture sector. In that situation, the banks, financial organization cannot reach to the rural area, lack of the accessibility of the banks, financial agencies, rural people cannot utilize their self skills, capacity, labor in productive and better way, without money is nothing possible like that, people of rural area are compelled to take loan from individual or private sector rather than banks or financial agencies that result to repay with high interest rate, they can fulfill only their basic needs, food cloth and residence so that the study show the private sector inviting the more powering in rural area and another important thing is the field of microfinance is only in the rural area, there is large scale opportunity to enter microfinance program so the attempts made how the financial sectors enter in rural area for poverty alleviation and what has done to uplift their lifestyle by enhancing microfinance programme.

1.5 Focus of the Study

The study focused on the answers of the following research questions:

-) What is the role of micro finance on rural women development?
-) Does the program meet the objective of the institution?

1.6 Objectives of the Study

The main objectives of the study is to analyze the impact of USCCL Shaktikhor, and its contribution in health, sanitation, education and employment of the beneficiaries.

The major objective of the study is as follows:

-) To find out the changes in the business, employment and income of the beneficiaries.
-) To analyze the contribution of micro financing program of USCCL Shaktikhor in health, nutrition and sanitation.
-) To suggest and recommended on the basis of major finding.

1.7 Limitations of the Study

This study has concerned only to the macro financing institutions business plan. The study has following limitations:

-) The study only for partial fulfillment of MBS programme of TU.
-) The study has been chosen only one financial institution, Uthan Credit and co-operative limited, Shaktikhor, Chitwan .
-) Analysis has been concentrate in the some financial aspects and managerial aspects.
-) Basically, secondary data has been analyzed to interpreted the result emerging from the decision consequently the result depend on reliability data.
-) The study is only a case study not been drawn in application in all types of saving and credit co-operative.
-) The limited resources and time at the disposal of the researcher has not been allowed much more extensive analysis of the subjects in research questions.

1.8 Organization of the Study

This study has been organized into five different chapters.

Chapter- I: Introduction

The first chapter has been deal with the subject matter consisting introduction, back grounding of the study, statement of the problem, objectives of the study, significant of the study, limitation of the study and organization of the study.

Chapter- II: Review of the Literature

The second chapter has been mainly focused on literature review that included a discussion on the conceptual framework on loan management and review of major – studies relating with lending decision.

Chapter- III: Research and Methodology

The third chapter describes the research methodology used to conduct the present research. It deals with research design, sources of data, data processing procedures, population and sample; period of the study, method of analysis and financial and statistical tools.

Chapter - IV: Data Presentation and Analysis

The fourth chapter is concerned with analytical framework. It includes the analysis of financial indicators.

Chapter - V: Summary, Conclusion and Recommendations

The fifth chapter includes the summary, conclusion and recommendations of the study which deals about the main theme of study and comparison of lending policy of the banks with recommended for improvement of loan management of the selected banks. The bibliography and annexes are also incorporated at the end of the study.

CHAPTER - II

REVIEW OF LITERATURE

2.1 Conceptual Review

Micro finance program originated in the early 1980s with the DEPTICISM Bank in Bangladesh (Dichter,1996:Schmidt and Zeitenger, 1996 A and 1996 B). The concept behind micro finance program is that, given the correct circumstances, poor households are reliable borrowers and will utilize a range of financial services to improve their welfare. Though the ideas were initially meet with depticism, Grameen and similar programmers are now implemented worldwide (Hulme, 1990). Considerable uncertainty remains, however, regarding the viability and sustainability of Grameen Bank and other MFIs. A financially viable MFIs must generate sufficient revenue to cover all operating costs. Two key factors affecting viability are a MFIs loan repayment rate and operating efficiency. Evidence to date suggests much room for improvement in both categories. For example, Bennet et al.(1996) found that loan repayment rates for five MFIs in south Asia ranged from 52 to 95%.Schmidt and Zeitinger (1996A) cite evidence from 15 Latin American MFIs whose costs were so high that all but one incurred annual losses. Not surprisingly, the authors believe that most MFIs are generally incapable of covering their operating costs (Schmidt and Zeitinger, 1996B).

Financial sustainability implies both operating profits and freedom subsidies (Von Pischhke,1996;) though few MFI's have achieved financial sustainability (Schmidt and Zeitinger,1996B; Basix and Ramola, 1996) , Morduch (1999) cites one estimate that only one percent of all MFI's are financial sustainable. Hassen (2002) also explains how Grameen Bank achieves operating profits only because it fails to account for all training and development costs.

Yet there are indications that MFIs can achieve financial sustainability if they implement sound management practices. Bennet et al. (1996) and Yaron

(1994) argue that strong client-owner structures and adequate member savings can lead to financial sustainability. Huppi and Feder (1990) provide examples from Cameroon, the Dominican Republic, Honduras, Korea and Taiwan region. Ashe and Parrot (2002) discuss sustainable women's savings groups in Nepal's Terai region. There is evidence that community based SCOs naturally encourage sustainability via strong client –owner structures, reliance on member savings and accurate information about borrowers (Cuevas, 1992; Huppi and Feder, 1990). Other authors are skeptical toward SCOs due to cost inefficiencies, insufficient portfolio diversity, and failure to mobilize savings from deficit households (Schmidt and Zeitinger, 1996A) Huppi and Feder (1990). Other authors are skeptical toward SCOs due to cost inefficiencies, insufficient portfolio diversity and failure to mobilize savings from deficit households (Schmidt and Zeitinger, 1996A) Huppi and Feder (1990) also discuss how SCOs suffer from moral hazards since loan default by some borrowers can quickly spread . Local communities may also hesitate to penalize delinquent borrowers. In general, however the global evidence on SCOs and cooperatives is mixed (Rochin and Nyborg, 1988).

2.1.1 Concept of Microfinance Programme

Microfinance is financial services to the poor. This goes for the definition in Nepal too. As the government in Nepal has its whole national plan focused on poverty reduction Microfinance has a key role to play in achieving the goal of our government. Microfinance is definitely one of the tools of eradicating poverty and empowering poor people. However, it is also not a panacea. Poor people like rich have their financial needs therefore financial services be it savings, loan or insurance is a necessity of life for them. The major strength of microfinance is that it provides these services to the poor people and helps them to improve their economic & social conditions (Microfinance Development in Nepal, 144).

Program which provide opportunity to those who are usually considered non bankable, to save small amount of savings, receive amount of loans at their doorsteps without or with collateral in a very simple way, receive or with collateral in a very simple way, receive insurance and other financial are micro finance program.

In Nepalese context Small Farmer Development Program(SFDP) Small Farmer Credit Line (SFCL), Production credit for Rural Women (PCRW) and MCPW and RSRF Programs are recently scaled up establishing DEPROSCD Development Bank with major equity participation of Agriculture Development Bank, Nepal Bank Ltd, Nabil & Lumbini Finance and leasing co (Microfinance Development in Nepal, 105).

2.1.2 History of Microfinance

The idea of MF is derived from England; “REKADEL PIONEER SOCIETY”, is the pioneer of micro finance. It 1950s development projects began to introduce subsidized credit program targeted at specific communities. There subsidized schemes were rarely successful. Rural development banks suffered massive erosion of their capital base due to subsidized lending rates and poor repayment discipline and funds did not always reach the poor often ending up concentrated in hands of shelter of farmers. In 1976 Prof. Yunus implemented the Mc experimental program in Bangladesh. Brazil and other few countries extended thing loans to groups of poor woman to invest in micro business. This type of micro enterprise credit was based on solidarity group lending in which every member of a group guaranteed the repayment of all members. Through 1980s and 1990s Mc program through the world improved upon the original methodologies and bucket conventional wisdom about financing the poor. The year 2006 has proved to be very important year for micro finance development. The observation of 2005, as the international year of micro credit by the united nation followed by organization of Global Micro Credit

Submitted 2006 in Canada. Nobel Peace Prize Award awarded to Prof. Mohammed Yunus who is the founder of Grameen Bank of Bangladesh.

Nepal has long experience of three decades in micro financing. In an effort to reduce poverty in the country, NRB as the central bank of country has been involved in the MFPs as the promoter and facilitator since 1974. Since then many MF focused program have been launched in the country and significant amount of financial resources have been allocated for the promotion of this sector. At present 5 Regional Grameen Bikash Banks (RGBBs), 6 Micro Finance Development Banks (MFDBs), 47 Financial Intermediary Non-Governmental Organizations (FINGOs) and 19 Saving and Credit Co-operatives (SACCOPs) are licensed by NRB and directly involved in providing micro credit services in far and remote area.

Micro financing practice in Nepal has Originated from traditional practices of co-operatives like Guthi, Dhikuri, Dharam Bhakari etc. at present there are numerous Co-operatives, Societies, NGOs, INGOs and Governmental Organizations (GOs) are working under this sector. After the financial sector policy liberalization Nepalese financial Sector expanded massively.

NRB introduced Intensive Banking Program (IBP) under priority sector credit program in 1981-82 in which every Commercial Bank (CB) has to invest at least 12 percent of its' total annual disbursement. Similarly, Deprived Sector Credit Program (DSCP) was launched in 1991-92 in which CB are required to invest 2.5-3 percent of their total loan. Since 1994 Micro Credit Program for Women (MCPW) has Supplement Production Credit for rural Women (PCRW) Launched in 1982 realizing the important role of women in socio-economic development of nation. Banking with Poor (BWTP) implemented since 1991 is a program executed by NGOs in association with self help groups. In addition, Rural Self Reliance Fund (RSRF) was initiated by government in 1991 through NRB to support the NGOs and saving and credit co-operatives working in

micro credit program. ADB/N introduced Small Farmers Development Program (SFDP) in 1975 with the aim of providing micro finance services through group approach; later on ADB/N introduced another Small Farmers Co-operatives Limited (SFCL) Program as a means of graduation from SFDP by consolidating SFDP group in to self sustaining co-operatives by transferring the assets and liabilities of SFDP. Government runs MFP, BWTP, and Women Awareness Program (WAPs).

The earliest initiative for establishing MFPs in Nepal is dated back to 1950s when the first credit co-operatives were established for providing rural financial services that was the first step Those co-operatives primarily intended to provide credit only to agricultural sector. The next mile stone was SFDP in 1975 with in ADB/N.

The institutional sector that are working to develop micro finance sectors are NRB, RSRF, RMDC,CB, DB, FINGO, saving and co-operatives, Traditional saving and credit program. Till the date SFDP, SFCL, PCRW, EGB, CCB, WGO, MWGB, NOBL, CSD, DEPROSC, Chhimek, Samaj, NRDSC, Priority sector lending are covering 7,11,000 members, among them 6,76,000 are borrowers (WWW. RMDC).

2.1.3 Microfinance: A Tool for Women Empowerment

Kathmandu: The Micro-finance Summit Campaign has prescribed four core themes for the industry: reaching the poorest; reaching and empowering women; building financially self-sufficient institutions; and ensuring a positive and measurable impact on the lives of clients and their families. The impact of micro-finance services claim that the programs have helped in reducing poverty, improving education and nutrition, making housing conditions better, decreasing child mortality and enhancing the status of women.

No discussion of poverty in Nepal can be complete without discussing the impact of poverty on women. Historically, women in Nepal have always been discriminated against. They do about 86% of all household work and 60% of all farm work (Development Project Services Center [DPSC] and Ledgerwood, 1997, p.5). On average, they do 3 or 4 hours more of work than men, their holdings are marginal for they are hereditarily not entitled to parental land, and their income levels are at most only 80% that of men. Even though as of 1997 there is mandatory election of women to at least 20% of local village councils and the national parliament, there is little evidence to show that the role that women can play in household and national affairs has been internalized by male policymakers.

Rural women and their families rely largely on individual saving and borrowing strategies rather than group-based strategies to mitigate and cope with risks. They use a mix of formal and informal finance: borrowing from savings and credit cooperatives, family and friends, and moneylenders; jointing rotating credit and savings groups; and savings in various places and forms. These strategies do not work equally well for everyone. For many poor families, borrowing places long term economic stress on their household and increases their vulnerability to other risks. For others, the money provided does not cover the full loss or is not available on a timely basis. Borrowing from the same source does not work for repeated risks; and borrowing from multiple sources can cause a snowball effect of indebtedness. Cooperative savings and credit organizations and other micro-finance institutions are playing an important role in reducing the vulnerability of rural women by providing accessible and lower cost savings and credit services.

2.1.4 Microfinance: Powerful Instrument for Poverty Alleviation

Under the trickle down theory in the planning process it was expected that women will equally benefit along with men. This has been belied by actual development. The ninth plan document recognizes, inspite of development

measures and constitutional legal guarantees-women have lagged behind in almost all sectors.

In India, the emergence of liberalization and globalization in early 1990's aggravated the problem of women workers in unorganized sectors from bad worse almost of the women who were engaged in various self employment activities have lost their livelihood. Despite in tremendous contribution of women to the agriculture sectors, their work is considered just an extension of household domain in remains non -monetized.

Microfinance is emerging as a powerful instrument for poverty alleviation in the new economy. In India, Microfinance scene is dominated by Self Help Group (SHGs)-Bank Linkage Programme as a cost effective mechanism for providing financial services to the "Unreached Poor" Which has been successful not only in meeting financial needs of the rural poor women but also strengthen collective self help capacities of the poor, lending to their empowerment. Rapid progress in SGH formation has now turned into an empowerment movement among women across the country.

Economic empowerment results in women's ability to influence or make decision, increased self confidence, better status and role in household etc. Micro finance is necessary to overcome exploitation, create confidence for economic self reliance of the rural poor, particularly among rural women who are mostly invisible in the social structure.

This paper puts forward how micro finance has received extensive recognition as a strategy for economic empowerment of women. This paper seeks to examine the impact of Micro finance with respect to poverty alleviation and socioeconomic empowerment of rural women. An effort is also made to suggest the ways to increase women empowerment.

Empowerment implies expansion of assets and capabilities of people to influence control and hold accountable institution that affects their lives (World Bank Resource Book). Empowerment is the process of enabling or authorizing an individual to think, to behave, take action and control work in an autonomous way. It is the state of feelings of self-empowered to take control of one's own destiny. It includes both controls over resources (Physical, Human, Intellectual and Financial) and over ideology (Belief, values and attitudes) (Batliwala, 1994).

Empowerment can be viewed as a means of creating a social environment in which one can take decisions and make choice either individually or collectively for social transformation. Its strength is innate ability by way of acquiring knowledge power and experience.

Empowerment is a multi-dimensional social process that helps people gain control over their own lives communities and in their society, by acting on issues that they defines as important. Empowerment occurs within sociological psychological economic spheres and at various levels, such as individual group and community and challenges our assumptions about status quo, asymmetrical power relationship and social dynamics. Women Empowerment puts the spotlight on education and employment which are an essential element to sustainable development.

2.1.5 General Characteristics of Micro credit

The general characteristics of micro credit are as follows:

-) Different financial services of micro services.
-) Separate provision for non-financial services.
-) Business rather than donation.
-) Meeting the financial services needs of poor and ultra poor.
-) Very simple producer for all types of services.
-) Services available at the door steps of the client.

- J Able to cover the cost of the services.
- J It helps for creating self-employment for generating activities and housing for the poor as opposed to consumption.
- J In order to obtain loans a borrower must join a group of borrowers.
- J It is a continuous sequence because new loan available if 1st loan repaid.
- J All loans are to be paid back in installments (weekly, of bi-week).
- J Simultaneously a borrower can receive more than one loan.
- J Generally these loans are given through non-profit.

2.1.6 Growth of Microfinance

In the 1950sm development was conceptualized in terms for economic growth models. These models were based on the nation of capital investment. Which was seen as a necessary prerequisite for increasing income and growth (Rondinelli, 1990; Bryant and White, 1982). During this period development finance institution and related government program made available subsidized sector ally and targeted loans. At the macro and micro levels subsidized (Adams and Von picket, 1992) the key assumption was that poor people were too poor to pay market interest rates and generate appreciable waving. It was thus argued that subsidized credit was important to increase capital accumulation and income of specific target groups, which would result in regarding income inequalities.

By the 1960s and 1970s redistribution with growth and the basic need approach emerged as alternative development discourses. These approaches aimed at removing the structural barriers for promoting rapid economic growth. Targeted poverty alleviation became central to the development strategy, with the ideas of reaching the poorest and the most disadvantaged. However, development planning and implementation continued to be seen as functions of the state, bases on top-down systems, involving very participation of the target groups (Rodeneli, 1990; Bryant White, 1982).

2.1.7 Sustainable Credit and Savings lead to Sustainable Development

Sustainability, this word is much used in development, but often lacking, unfortunately in precise meaning. This is certainly due to the fact that it means different things in different development contexts. With respects to the environment, the word usually refers to the non-deterioration of the resource base. In community development, sustainability conveys the sense of local people acquiring new capacities and the ability to solve their problems independently.

In micro finance, however, sustainability relates primarily to financial resources. Financial sustainability is the ability of a credit and savings institution to maintain or increase the flow of the benefits it delivers through internally generated funds. In other words it is financial self –sufficiency leading to the ability to generate surplus. To those who deliver credit and savings services to the poor, sustainability is a vitally important goal. Why is this so?

First, there is an enormous unmet need for financial services among the world's poor. Some estimate demand for micro enterprise credit at 500 million individuals worldwide. At present, even in the countries where micro finance is most developed, perhaps 5% of the demand is satisfied. In most countries, less than 1% of the potential demand for micro finance services is now being met. Traditional development projects based largely on welfare and subsidy will never succeed in responding to this need. The solution lies instead in creating many more professional many more professional institutions capable of delivering financial services to the poor on a massive scale and in a sustainable way.

Second, donor resources are totally insufficient to help micro finance organization met their present financing needs, much less to meet much greater projected micro credit demand. Additional fund must come from elsewhere.

Sustainable MFIs offer the hope of bringing new funds into economic development by mobilizing savings, gaining access to commercial bank funds and generating their own profits for reinvestment.

Micro finance offers hope for another reason. So far, it is the only area of development that has shown how poor people can pay the full cost of development institutions. (Maximizing the outreach of Micro Enterprise Finance: Christen, Rhyne and Vogel. 1994. Moving Forward: Emerging strategies for sustainability and Expansion, The SEEP Network).

Here are some rapidly translated extracts of five different zonal managers in the process of addressing and interacting with the women in the workshops of Grameen Bank of Bangladesh.

"Before joining 'Grameen Bank, your only problem was that you did not have money to start some business activity of your own. Now you can utilize your credit. It is a great source of pride for us if you prosper and develop will."

"If you don't learn well in this workshop, all our work will be in vain. Try to utilize your loan in the proper way. Where we visit your centers we want to see even better things than before."

"Love and care for your children or else you can't be a member of our Grameen Bank. Your children are very beautiful; no one would know they were the children of landless women. Your children have abilities not less than city children. Now you have enough money to feed and educate your children. But also children must earn. You should have savings in the children's welfare fund. A mother fund and gave it to her children. With that money they have earned 1400 taka."

2.1.8 The Social Negation of Women

The description of the culture of poverty is incomplete and inaccurate without an analysis of a predominant social reality. Her work starts at sunrise and may finish as late as nine or ten in the evening. There are few opportunities for rest. A time allocation study shows that the average peasant women spends 43% of her time on activities related to farm production, about the same on actual household work, and about 11% on child –care and other family matters. By using following cultural barrier women are socially negotiate from the financial role.

Purdah and Bari

The social reality of Purdah and Bari, allow us to understand a little the kind of norms affecting women's role in rural Bangladesh in rural, poor areas of Bangladesh, It means that women should not be seen by males outside the family. The logical extension of this norm is that women are largely restricted to work that is possible within the Bari i.e. the family homestead religious decorum prefers women to wear a standard garment which covers the body completely and loosely if they travel outside of the Bari. Very poor Moslem women do carry out trade and small business activities in public, forced to by economic necessity. However, they must then sustain the negative status attached to this condition, despite an attitude concession made on behalf of widows and destitute women when business require travel to markets or other village for purchase, trade or selling of goods, women rely on husbands ,brothers or other male persons to carry out this aspect of the work.

The Labor Situation

The majority of poor women who find paid employment, work almost exclusory as domestic laborers or in rice processing in rear by weather homesteads. In the rice husking process, women use a traditional mortar hallowed out in the hard clay ground in combination with a foot operated pestle, a Dheki. With the introduction of diesel or electricity operated rice

husking mills, this opportunity is diminishing, Husking by mills is cheaper than by traditional technology. The result is a worsening of the situation of poor families dependent on the supplementary income from source. Again, wealth is transferred to households which are already wealthier and to the rice mill owners. Ownership of rice mills becomes, for women, a primary development issue.

Marginalization

Together, these social, economic and technological forces are leading to a marginalization of women in the labor process. Even more disturbing is the pervasive social revolution of women which accompanies intensified marginalization. The social negation of women is the end result of a culture of poverty. However, to ascribe this situation to patriarchal attitudes alone is too simplistic an explanation. The social negation of women is reflected in other sector and practices not directly considered economic. For example, the health and nutritional care of female children is often neglected among the poor considerable variation will be found in the degree to which parents treat sons and daughters unequally. However, there is enough documentation to show that gender favoritism is practiced. At meal times, the best food or the bigger portions will often be given to the sons.

Violence Against Women

In any culture, the crime rate rises in periods of acute unemployment and economic distress. Recent studies document that rape, physical torture and murder are not uncommon during this period the police records and news papers document murder as a major crime against women. Husbands uniformly stand as the single most reported assailant in the murder of women, which usually takes place within the homestead. The course of death, often preceded by long periods of torture, is by beating and kicking it using sharp weapons. Rape the second major kind of crime against women, appears to be on the increase. Young girls and female children from 5 to 15 years are usually the.

Also, a hidden type of violence exist which results in suicide by women. It appears that women in the prime years of their youth, 15to 25, revert to suicide in sheer desperation. The studies reveal that women in lower socio – economic levels are vulnerable to emotional disorder such as anxiety, neurosis and depression.

Dowry

The final and very dominant issue in the negation of women is dowry. Earlier in Islamic tradition, the practice was quite the opposite. The groom or his family paid in cash or in kind a sun to the bride which symbolized her worth to the bridegroom. He was called Mohr. From an economic interpretation, the practice of giving Mohr is a consequence of an expression of an appreciation the need for female labor in the groom's household. The practice of dowry, which is more and widespread, correlates with the decreasing size of land – holdings and the resultant decline in the importance of female labor in post harvest processing activities. (PARTICIPATION AS PROCESS –PROCESS AS GROWTH, Published by Grameen trust Mirpur to Dhaka 1216, Bangladesh)

2.1.9 Women's Situation: An Overview

The process of debate between women around the world of using the UN as a forum, war to clarify issues, to raise horizons to sharpen perspectives to hammer out a comprehensive set of objectives, spanning the range of women's priorities and relevant to all societies. If we thought that those adjectives would be easily attainable in political terms in the shortest of time spans, we either underestimated the problem or overestimated our strength. But what women have done to raise ideas and build awareness. It is a spark that now it will not be extinguished.

Nepal has ratified all major international human rights instruments that include convention on economic , social and cultural rights , convention against all

forms of racial discrimination , convention on the elimination of all forms of discrimination against women, convention on the rights of the child and convention against torture and other cruel, inhumane and degrading treatment or punishment. As a signatory those instruments would create obligation to the state to respect for the rights and obligations enunciated in those conventions.

Human development report of 2002 indicates that in respect of legal right of political participation of women, Nepal has deserving records. The laws of the kingdom of Nepal allowed. Women to participate in the political process by casting votes and contesting elections form 1951, decades before many countries in Africa, Asia and Latin America. However, the result aspect is not encouraging. Over five decades of legal and constitutional pledge for right to participation for women, only 5.9% of them respected the House of Representatives, 15% represented the national assembly followed by 14.8%, representation in the cabinet in 2000. In addition, women's participation in the household chores and similar nature of work is approximately 75% in average. Their participation in industrial and services sector is very low. Except in agriculture both in industrial and services sector women's participation is lower than that of men.

Literacy rate of women above 15 to 2000 was low as 24% followed by 59.6% among men population. Similarly overall youth literacy in the same year was 49% followed by 56% men and 44% women. The school enrolment at all levels female represents 52% against 67% among males. But the enrolment in the tertiary institution is estimated as low as 20% of women against 80% of male enrolment. Estimated annual income by female is in the ratio of 880 followed by 1752 by the male.

Women's representation in the civil services and in particular the decision making positions are negligible and estimated less than 10%. Their representations in the judiciary, police services and. Military are even

negligible. Their representation in the banking, teaching and health sector are relatively better, though as low as approximately 20% of total work force. This brief data reveals that we as a state stand far behind in the cause of development of women. This situation obviously indicates that our effort on the protection, promotion and respect for the right of women enunciated by various international instruments including CEDAW are still at the bottom of expectation.

2.1.10 Women in the Economic Sphere

Chinese leader Mao - utse Tung had once said "Women hold up half of the sky". It is because half of the world's population is women. Women are regarded better half of the society. However, the status of women is still miserable, Women are still 70% of world's poor and two third of worlds illiterate. They have occupied merely 14% managerial and 6% in council of ministers. In most of the legal systems they are still unequal poverty has women's face (HDR, 1995). Hence, the conclusion of human development report, 1995 was "Investing in women's capabilities and empowering them to exercise their choices is not only valuable in itself but is also the surest way to contribute to economic growth and overall development (Entrepreneurship development, 2050:6).

Since sixth plan his Majesty's government had adopted women participation in development as a national policy. In line with this policy has been implementing regional programmes for women development and has also been making institutional development. However, overall picture is that the social and economic status of women is still low. Due to legal and social reasons women are far from the access to economic sources such as property, employment, and income. Similarly due to low level of education and social reason women and administrative decision making of the total literacy of 48% women literacy is 30% whereas male literacy is 66%. There is wide economic and social disparity between male and female on account which still

women have not been able to participate in development works, Nepal has been showing commitment in world women conferences and Nepal is effortful to raise the status of women (Entrepreneurships development, 2059:78).

Out of 9.5 million people who are currently working in Nepal, only 1.5 million (16%) are in paid employ. Out of this number, 1.2 million are men and less than 400000 are women. Eight million people (about 84%) of the economically active population are self-employed, with the proportion of self –employed, women being much higher than that of men (CBS, 1999). Eighty two percent of employed women are self-employed vs. 12% of those who are wage employed. The figures for men are 69%and 27%respectively (Tuladhar, 1996). In some ethnic communities, especially in the Newars and Tibeto –Burman highland groups such as the Sherpas, Gurungs or Thakalis, women entrepreneurs have traditionally been present, by the idea of women on business has only recently spread throughout the whole country (Tuladhar, 1996). Women normally work more hours than men and rural women work more hours than women in urban areas (ESCAP, 1996). The most common business activities for women in the informal sector are vending, petty trade clique making and vegetable selling (ESCAP,1996).

Although women in Nepal are facing a lot of social, financial, religious and cultural problems. The biggest obstacle facing women entrepreneur is access to credit (Scarborough and Zimmerer). Access to financial resources by low – income women is a key factor in human development (HDR, 1995), Due to attitude women cannot stay alone in faraway places. Women have to face the social pressure of bringing up their children, look after household affairs and maintain family unity. Due to this women cannot work full time whole heartedly in their business (Entrepreneurs development, 2059).

The women of developing countries lack of entrepreneurship capable of taking risk due to the lack of education, among the 900 million illiterate people of

developing countries women are double of men. In present time there is constitutional and legal provision that there will not be any short of discrimination between male and female. But it has not happened in practice. Women are considered weak and looked with despise. In this way, the male dominating has also considered the women in entering into business (Joshi, 2002).

2.1.11 Evolution of Grameen Financial System

It is the starting point for Grameen as a counterculture that it considers government institutions ineffective and incapable of solving the problem of poverty in Bangladesh. It is therefore imperative to build institutions which are more capable. Grameen Bank itself is an attempt at that and, for the same reason, has become more than and something different form and institution in a conventional sense. The process that takes place in the Bank is better characterized as organizational development for participation. Yunus has expressed this view in this way, "The most essential element I would emphasize in any development strategy is its focus on the human being. It should not aim at any physical accumulations and achievements. An integral part of that focus would be particular attention to the structure of institutions and organizations and the processes keeping these operational forms which help people achieve their potentials. In doing so I would focus particularly on the poorest, the bottom 50% of the population. The upper 50% are usually the beneficiaries of the existing institutions, practices and processes. Creation of new institutions will either take some benefits away from the upper half of they will not see any new benefit in them.

I would lay emphasis on creating local self-government institution at the village level. The smaller local government territory is the better the chance is for the poor to participate in decision making. I would be opposed to all kinds of hand-me-down resource transfers. I would be tough in negotiating "prices"

each payments are not meant for me. People would be required to pay to themselves for a better future".

This basic philosophy of organizational development will explain to the reader much of the events and processes inside and around Grameen Bank to be described in this book. Since the first borrower, Sophiya Khatoon, took her loan of taka 50 in august 1976, the Bank has expanded at an exceptional yearly rate. It now has more than 1.5 million members and disburses yearly about 2500 million taka in loans through 1000 branch offices. It was officially recognized as a Bank in 1983. This process of organizational growth and development has some basic features the reader should be familiar with from the outset. Firstly, the leaders talk about the difference between induced and acquired growth. An enterprise of this nature with heavy staff costs needs to reach a high loan volume quickly in order to break even and become economically viable and perform effectively. To induce such growth by pushing for it through various types of costly promotion efforts would not be economically effective. From an organizational development point of view, the issue was to acquire at the outset a self- generated accelerating growth capacity. The demand for loans was there. The staff candidates could readily be selected from among the unemployed well- educated youth of the country.

2.2 Review of Tenth Plan

The government of Nepal has adopted poverty alleviation as its main goal as reflected through tenth plan (2002-2007). Microfinance play very important role in poverty alleviation and in the creation of employment in village by promoting agricultural and other business.

"Micro and rural finance" has been recognized as one of the most effective and efficient tools for poverty reduction in the development countries. Nepal which has 38% population living under the poverty line, a line where people survive at an annual per capital income of Rs 4404 (equivalent to 45 and 60) has

greater scope of micro finance in attaining the government target of poverty reduction. Considering this fact the current tenth plan (2002-2007), has emphasized micro credit as a poverty reduction tool in attaining the target of reducing the existing poverty level to below 32% by the end of plan period. For this the plan has allocated a total amount of Rs 101 billion to be disbursed as micro credit through differential micro financial institution (MFI's) including five Grameen Banks. Likewise, various programs focusing towards rural poverty have also been formulated in a separate heading under "Rural and Agricultural finance policy has also entrusted that micro credit services should be delivered in a sustainable basis where the government and central bank (Nepal Rastra Bank-NRB) would act as policy coordinator. NRB, through the micro finance department is acting as coordinating agent in the implementation of micro finance policies and other related programs in Nepal (The tenth plan2002:186).

2.3 Review of Poverty Situation of Nepal

As poverty is a multidimensional concept, that covers a wide range of human conditions. The Nepal living standards survey, the NPC estimated the incidence of poverty in Nepal to be 31% wide variation in poverty was estimated to much more sewer rampant, deeper and more sovereign rural areas. Similarly , poverty in the mountain and hill was found to be more rampant, deeper and more severe (NPC, 2003). As for the variation in poverty incidence , if any , across gender , based on the NLSS data set , there were evidence to suggest that "female –headed household in general , and widow headed household in particular much more likely to be poor if there is no adults male present (World Bank ,1999) .

The human development report 2004 estimated the human development index (HDI) for Nepal at 0.504 with rank of 140 out of 171 countries, which three places up from last year's 143rd position. Nepal's HDI has improved slightly from 0.499 in 2003 to 0.054 in 2004. Nepal has thus moved from lower case to

middle case for the first time ever the report stated that Nepal's GDP per capital value is U.S. \$1370 a slight rise from U.S. \$1310 in 2003. The average GDP per capita of south Asian nations is U.S.\$2658. The human poverty index (HPI) value for Nepal 69th. Among 95 developing countries the gender development index (GDI) value for Nepal in 0.484. Nepal ranks 73rd among 144 countries in this ranking. Nepal is the poorest country in Asia and it has one of the poorest education sectors. (<http://www.unf.org/english/countries/nepali>).

Women who belong to the lower caste group are deprived of in most aspects of life for example as reflected in a very poor level of literacy rate and then in addition to a very poor level of other indicators (NESAC, 1993). In Nepal poverty is mostly a rural phenomenon. NLSS data suggested that poor not only have access to land but also less productive land that is suitable for rich cultivation (World Bank 1999). In particular in rural areas the poorest households are consistently more deprived of than others in terms of the quality of land they cultivate and access to use of input.

2.3.1 Review of Articles and Journals

Various researchers have argued that in democratic societies, small farmers have a right to participatory role (progress approach) and full ownership of microfinance organizations including planning, management, and decision – making (Weitz, 1982: 30 – 33; Wehnert and Shakya, 2003: 25; Shah, 1999; Sharma and Nepal, 1997: 75). The basis of the argument is that farmers have access to local knowledge, which is unknown to official experts. The supporters of this school of thought have argued that microfinance institutions should not be run by public sector organizations; it should rather be handed over to small farmers in order to generate a sense of ownership among small farmers (Weitz, 1982: 30 – 33; Shah. 1999; Sharma and Nepal, 1997: 75) and to attain institutional sustainability of microfinance institutions (MFIs).

Acharya & Acharya (2006) had prepared research paper titled “*Sustainability of Micro Finance Institution from Small Farmers Perspective*”. This paper was published in International Review of Business research paper Vol.2, no.2, Pg 117-126. It is a well known among the students and researcher on SFDP that due to difficulty in managing the small groups of farmers and low level of repayment ADBL decided to form a SFCL and hand over the group formed under SFDP to SFCL. The creation of SFCL was under the initiation of IDP in Nepal. The researchers argue that for the continuation of the poverty alleviation program through micro finance the institution that provides the service should be self sustaining. Researchers further claim that research is to understand the sustainability with the perspective of small farmers who are the target of this program.

Different people have defined sustainability differently. From bankers’ perspective, a microfinance institution is said to have reached sustainability when the operating income from the loan is sufficient to cover all the operating costs (Sharma and Nepal, 1997). This definition adopts the bankers’ perspective and sticks to ‘accounting approach’ of sustainability. But in the due course of research it was found out that the farmers’ view on sustainability is quite different from the view of other microfinance professionals. For this purpose research was conducted in Chitwan district. The sample SFCLs for the study comprises of both best performing SFCL as well as least performing SFCL. The sample SFCLs were taken from Khumroj, Megahauli and Piple Village Development Committee (VDC). Among the interviewed farmers 80% gave a view that the individual sustainability due to ‘trickle – up’ effect. Most of the farmers referred to individual economic prosperity, while defining sustainability. They pointed that by emphasizing more on institutional sustainability Government is improving financial liability on poor and abstaining from its social obligation.

From banker's perspective, the term 'sustainability' in microfinance refers to 'the ability of a microfinance institution to develop a methodology that ensures loans successfully reach the poor while covering all of its costs without subsidy' (Unitus, 2005: 4). Opposite to this view 80% of the farmers wanted the micro credit to be subsidized or in the form of grant. The attitude of the farmers, were shaped by social problems found in the locality which tend them to perceive sustainability in terms of instant benefits and utility. Many farmers were primarily concerned with getting out of their debt, emancipation from sharecropping (Adhinya), fixed contract cultivation (Bandaghi, Thekka) and land leasing. The review of this paper shows that bankers reference to sustainability is more focused on repayment, administrative overhead and other financial factor together with institutional development. Where farmers viewed sustainability from the utility side which has the direct economic and social benefits. The research suggests that average overhead cost for the SFCL is 27% where as the institution charges in average 15-19% in interest from the borrowers. From a rough calculation also we can know that the rate of income is less than the cost. If the interest rate is raised in order to cover the cost then the farmers will be at the losing side. So, how can SFCL become sustainable questions the researcher. The researcher further suggests it would be better to provide employment opportunity to the farmers instead of giving them unsupervised credit.

The farmers also viewed that the transformation of SPO in to SFCL by transferring old debts with it is a 'burden of failure'. The study reveals that the term sustainability in the point of view of higher official and banker has largely ignored the local understanding and meaning given by small farmers. In the conclusion the researcher has said that lack of sense of ownership towards the organization and apathy towards the institutional sustainability were some of the loan default among the small farmers. The findings revealed that a divergence between the interest of professionals and small farmers, differing expectations between lenders and borrowers, difference in frame of reference

of sustainability, conflict between executive and non-executive committee members (small farmers) caused the problems in repayment of the loan resulting in high credit defaults. The majority of small farmers viewed that some economic programs and projects need to be initiated for sustainable microfinance in the remote areas. Rural industrialization, introduction of massive commercial farms and rural market centers are the preferred strategies for sustainable microfinance scheme from small farmers' perspective. The basic demand of small farmers was the introduction of local industries or factories that could provide them shift work (day and night) so that the industries could utilize the abundant (surplus) labor force at low-priced rate.

Purusottam Shrestha in his research paper, "*A Micro Finance Model for Poverty Reduction*" has expressed that "The World Bank has estimated that there are 500 million economically active poor people associated with micro – enterprises and small business and they are unable to get access to sufficient financial services. In order to meet the substantial demands of microfinance services, micro entrepreneurs, micro finance practitioners and donors are suggested to look in to this solution to the problem and develop policies and strategies in long term perspectives to serve the micro entrepreneurs'. In this article he has presented the background to the SFDP and its implementation in several districts. In his findings he has basically pointed two problems in the implementation of the successful micro finance program.

-) The program was expanded all over the country which raised question on its financial viability and sustainability.
-) The research also pointed that there is shortage of competent staff who could work in harmony with the people of remote areas.

On the basis of his study the researcher claims despite some constraints microfinance has had positive impact on social and economic life of poor people. The economic impact of the project is that poor people have access to financial service. The evidence suggested that borrowers have been able to

increase their income from farming, livestock, dairy production etc through which they have been managed to improve their living condition.

Production of vegetables, cereals, dairy products, are also the positive consequences of this projects. The social impact of the project is that people have improved their living condition. They are becoming literate and has managed to enhance their productivity. Similarly due to involvement of women in the program their leadership quality has been harnessed aiding the cause for women empowerment. People have become more aware of their health and environment.

The project has casted doubt on its sustainability which is essential for the future of the project. Other problems as per the researcher lack of alternative leadership, insufficient support from line agencies, politicization and financial indiscipline in some cases.

Sharma (2003), In the article “*Micro Finance Against Poverty*” the Nepalese Scenario” has expressed the role of micro-finance as follows; Micro-finance is the financial service such as deposits, loan, payment service, money transfer and insurance to poor and low income households and their micro-enterprises”. Studies in Nepal and elsewhere have clearly indicated micro-finance as one of the most powerful tools for alleviating poverty. Micro-finance institutions (MFI) in Nepal are serving primarily the micro-enterprises. Accesses to micro-enterprises to micro-finance services provide them with an important tool for improving their efficiency, productivity and welfare while reducing risk. In other words ,MFI is both an formal and informal, providing financial services which help in creating job opportunities to the micro-enterprises, both wage and self- employment and there by generating income among the poor.

Vokes (2000), resident representative of ADB/N “In the financial sector, the focus of ADB support is on improving the legal and regulatory formwork and the sustainability of the non-bank and MF sector. At the same time WB is providing support in the commercial banking reform while the IMF is supporting the government’s effort to improve the overall regulatory and supervision environment and strengthens the capacity of the NRB. Inside corporate and financial sector reform undoubtedly represent a great challenge to the region and Nepal. An even greater challenge is the task of improving the quality of life of the millions of people who remain in poverty. According to a commonly used definition of poverty – those who live on less than Us \$ 1 a day “(Asian Development Outlook 2000”, A political and Business Weekly, April 27th – May 2000).

2.3.2 Review of the Past Thesis

Regmi (1999), has done the research on ‘*Women, Micro Credit and Poverty Alleviation: A case study of Micro – Credit Project for Women (MCPW) in Manglapur VDC of Chitwan.*’ The research has the objective to (i) assess the impact of MCPW on beneficiary’s earning and living standard, (ii) examine the improvement in the status of women by MCPW, (iii) evaluate the impact in the contest of poverty alleviation, and (iv) suggest with appropriate measures.

The thesis is doing comparing the women before and after where 70 women samples are taken out of 372. Major indicators used include loan amount, loan disbursement by purpose, income, living standard and women status. Living standard is analyzed with consumption pattern-traditional food to none traditional food – clothing pattern. Similarly, women status is reviewed by land ownership by women, none land assets, women’s autonomy, control over decision making and relative access to resources.

The major findings of the thesis include: income is raised but at marginal level; there are positive social impacts on child education, family planning, sanitation

and other social reform; repayment rate of MCPW is low (75%) where some 20 per cent clients have not paid at all and 50 percent clients have paid partially. The thesis further criticize that program is based against poor, loan purpose is not identified well, volume of loan size is not enough. Impotently, the project has not been able to income raising opportunity thus potential use of loan has not happened and women clients need to rely on their husbands therefore, women have further lost their independence.

Pathak (2001), has carried out a thesis entitled “*Rural finance in Nepal; A case study of Lamatar VDC, Lalitpur*” with the objectives of identifying and analyzing the present sources of income generation and expenditure pattern and the relation between them.

He has selected 72 households as sample out of 1295. Data was collected through interview and questionnaires which are presented in to charts, diagram and tables.

The thesis is concludes saying agriculture sector contributes about 55% of the total income of the households and women contribution to income of the family is as equal.

Shrestha (2002), Micro finance division chief of ADBN, has presented a paper entitled "*SFCL A micro Finance Model for Poverty Reduction*" at executive development program for cooperatives and rural financing institutions jointly organized by ADBN, NBL, RBB etc. The conclusion of the paper was that micro finance is a tool for improving the overall well being of the weaker section of rural Nepal. The rural poor however have not been able to benefit to the desired extent due to lack of target group oriented policies and their implementation.

Prior to 1975, there was no sound institutional mechanism to look into larger interest of rural poor. SFDP, which involved as micro finance development program in 1975 m, has the major task of identifying the poor, organizing them into homogeneous groups with the help of group organizes and get them involved in productive activities. Evidences suggest that farmers within SFDP are better benefited from the view point of income, employment and social status than their counterparts outside SFDP. Because of the positive impact, the SFDP has greater degree of its demand for expansion of ADBN; however, it has its own limitation faced as it is with staggering over lead cost. Transformation of SPOs into SFCL has shown positive impact on performance of the SFCLs in terms of loan disbursement, collection, saving, generation, capital formation and lower operating cost. For the development of such organization in an accelerated manner, financial support of government is urgently required. Thus the SFCL replication strategy could help bring large number of real poor within the ambit of the program to receive demand driven saves in sustainable manner. There by reducing abysmal rural poverty and inequalities.

Bhattacharai (2005), in his thesis written on “*Micro Credit: An empowerment and livelihood scheme for poor women: A case study of Dhapakhel VDC, Lalitpur*” has a comparative study with control group. The sample of 60 households from wards has the objectives of identifying and comparing socio-economic status of women microfinance clients with the control group. Specifically, the thesis attempted to examine livelihood security as well as empowerment of women through micro credit program has used indicators like curtail unproductive benefits, develop saving habit, saving mobilization to assess economic benefit and indicators such as social awareness, lowered social evils, health and sanitation to assess none economic benefits.

The thesis has findings such as: land holdings and food adequacy is better among clients; saving habit has increased; client women are more

entrepreneurial; widows and other women have face less discriminations, average annual income has increased; and clients women's perspectives, attitude, authority, prestige, knowledge, ability and social relationship have improved.

She further trace out that Grameen Bank program has focused relatively active women rather than poorest of the poor, the increased income has not raised the overall status of women and she further criticized the methodology of microfinance if women has to empower.

Poudyal (2005), has written a thesis on "*Micro Finance and Its Impact on Economic Upliftment of Women: A case study of Baluwa VDC of Kathmandu District, Nepal in 2005*" with the objectives of evaluating the impact of microfinance on economic upliftment of women and examine the enhancement in the status of women.

Poudyal has used primary as well as secondary data applying questionnaire as well as observation methods. Data revealed from 72 sample out of 228 members of 7 centers are analyzed with correlation, regression and chi – square test.

Her findings include that microfinance has improved their earnings and equality stimulated their living standards. However repayment rate of the program is only 80 percent in Baluwa VDC, and the loan has not seemed to be utilized on the said purpose. Based on chi – square result, caste and ethnicity does not affect the control over earnings. Moreover, women do not have their own control on their earnings; joint control exists widely in the VDC.

Despite, she concludes that, microfinance program is best way uplift women economically as well as socially. A country like Nepal cannot mobilize the resources for the optimization of benefits by excluding women from the

development model. Hence providing credit for women to income generating activities as well as multi- prolonged strategy with systematic relationship between income promoting activities and social and institutional development activities would strengthen the entire connection in the solution of the problem to uplift poor women.

Rijal (2005), has conducted a thesis on “*Continuity and Sustainability of Community Based Saving and Credit Organizations; A Case Study of Nuwakot District of Nepal* ” The thesis has focused on the performance and sustainability of saving and credit co-operatives using the standard indicators- PEARLS- developed by the World Council of Credit Union (WOCCU) taking samples of 13 such co-operatives of Nuwakot.

The thesis finds that socio-economic empowerment of women has happened in many aspects such as developing saving habit, exposing them to extend world, providing them opportunity to organize but concludes that the continuity and sustainability of the sample saving and credit co-operatives itself is in question.

2.3.3 Review of Different Websites

Since the concept was born in Bangladesh almost three decades ago, microfinance has proved its value in many countries as a weapon against poverty and hunger. It really can change people for the better especially the lives of those who need most. A small loan, a saving account, an affordable way to send a pay cherub home, can make the difference to a poor or low income family. With access to microfinance, they can earn more; build up assets and better prospects themselves against unexpected setbacks and losses. They can move day today survival towards planning for the future. They can invest in better nutrition, housing, health and education for their children. In short they can break the vicious circle of poverty. Let us be clear: Microfinance is not charity. It is a way to extend the same rights and services to low income households that are the solution, not the problem. It is a way to build on their

ideas, energy and vision. It is a way to grow productive enterprises and so allow communities to prosper (<http://www.plcsf-bd.org/un.microcredit05/message>).

At full development, target rural women would earn significantly higher incomes from livestock, crop production, nonfarm enterprises and irrigation. The number of people benefiting from community development activities would be even higher. In addition, the project would seek to (i) institutionalize linkages between national institutions district administrative units and the community. (ii) improve linkage between rural women extension staff and banks. (iii) improve self-reliance and self-esteem of rural women and (iv) generate social benefits such as better health and nutrition.

Three important assumptions underlying design were : First the overall situation of poor rural women is best advanced through a gender directed project , with female extension officers providing services to rural woman , second , the empowerment of rural women is best achieved if linked to ultimate credit provision for an economic activity , and third , the provision of WDD services in social mobilization can become a bridge towards reaching sustainable provision of financial services by regular commercial banks (<http://www.villagebanking.org/>) .

The NRB together with the NBL, RBB and the project should establish standard criteria for the required critical mass of second follow on loans that are required for a bank branch office to break even under the PCRW lending.

The question remains as to the scope of the commercial banks to assume the transaction costs associated with follow on loans for the PCRW clientele. Indicates financial statements and balance sheets for bank branch offices should be established to demonstrate the minimal lending volumes required under given condition as to cost of funds, risk and interest spread.

Overall PCRW and bank transaction costs should be lower for handling second of follow on loans after successful repayment of the initial one , moreover with higher lending rates for successive loans at higher loans amounts profit margins improve assure sustainability of credit institution should be aimed for at least after five to ten years institutional and financial viability of rural credit institutions over time necessarily is more important than continued uniform parceling out of credit and slow build-up of credit volumes (<http://www.worldbank.org/cgap/note3.htm>)

2.4 Research Gap

The microfinance is an emerging issue to overcome the poverty. Many organizations words on that field but how are they working in that field, what did impact the rural women not clear. Many researchers are conducted on that field they could not draw the clear picture, so that is the research gap, another is this is the first research about JSCL, Haraicha, Morang. The study was aimed at exploring the impact, prospects of microfinance in JSCL, Haraicha and making broad recommendations to make program effective. This study has also made an effort to raise general awareness among those people or organizations who were working for the rural women.

CHAPTER - III

RESEARCH METHODOLOGY

Research Methodology describes the method and process applied in the entire aspects of the study focus of data, data gathering and processing and methods of analysis. Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research so done scientifically. In it we study the various steps that are generally adopted by a researcher in studying her research problem along with the logic behind them. (Kothari, 1990:10).

This chapter will includes research design population and samples, sources of data, data gathering procedure, hypothesis of the study, data processing procedures and analysis tools.

3.1 Research Design

As per the nature of the study, case study, field study, descriptive and analytical research design has been followed. The case study research design describe about current status of the clients of microfinance program case study was intended to assemble more detailed qualitative information from a few selected entrepreneurs. This method facilitated the capturing of interesting clients and important impact statements. Field study research design describes the attitude, values, perceptions and behavior of the participants and non participants of the microfinance program. The descriptive research design used to assess the opinions, behaviors or characteristics of sample beneficiaries and to describe the situation and events occurring present Analytical research design makes analysis of collected information and data & makes a critical evaluation of it.

3.2 Selection of Study Area

To obtain relevant information about microfinance program of Uthan Saving and Credit co-operative Limited, Shaktikhor V. D. C. Chitwan mid, Nepal, the

selection of the suitable field side is a foremost requirement. This study intends to analyze the impact of microfinance program on the status of rural women largely based on the formal credit model of the, USCCL Shaktikhor is selected for this study. Characteristic for the present study 145 sample beneficiaries has been selected out of 275 household beneficiaries from 10 groups of the survey area.

3.3 Population and Sample

All the microfinance beneficiaries of USCCL, Shaktikhor are considered as a total population. Out of them microfinance beneficiaries within Shaktikhor VDC are considered as a target population for the study the list of beneficiaries from whom the information collected has been given in the table.

3.4 Sampling Procedure

This study is thesis writing and attempts to assess the socio-economic condition of rural women changes in terms of income, community, status of the society, improvement on the welfare of their families. Hence this research work is based both on exploratory and descriptive statistics. The commotional sampling method has been used for sample. Though it is recorded that there are 20 groups under the USCCL office, of the total only 13 groups are the sample for the research, purpose. Each center is in the study –sampling frame households are the key sampling units for the study interviews are taken to 145 household from these 13 groups which have total 371 beneficiaries. The total sample has been 39% of the total house hold in the study beneficiaries.

Table 3.1
Beneficiaries and Sample Size

Name of the Center	(Group)	Total Beneficiaries	No. of Beneficiaries
kalika	1	35	11
Braha	2	14	7
Chisapani	3	25	10
Newreni	4	12	2
Birta basti	5	10	5
Magar Gaun	6	10	5
Bgaicha	7	27	12
Katar boat	8	34	15
Simale	9	54	12
Rama Gaun	10	40	15
Ganeshpur	11	25	11
Majha Gaun	12	39	15
Naharpurwa	13	32	15

Source:-Field Survey 2066/67

3.4.1 Sources of Data

Primary data are collected from the field by using different tools and techniques such as questionnaires, direct interview, observation and group discussion etc.

3.4.2 The sources of Primary Data

Primary data are collected through a schedule of self- structural questionnaire (Annex-2) interview and discussion. The sources of primary data are the sample beneficiaries. Primary data has been collected through the administration of questionnaires and direct interview with beneficiaries. The questionnaire collected both quantitative data from the individual who felt within the sample. As the majority of the respondents of the study are illiterate, the research himself administered the questionnaire. In order to assess the socio economic condition of the beneficiaries the observation method has been adopted.

3.4.3 The Sources of Secondary Data

Secondary data are actually the result and source of secondary data are published annual reports of USCCL, Shaktikhor. Similarly, related books, magazine, journals, articles, reports, village profiles, Bulletin newspaper, NRB's publications related websites etc. as well as other supplementary data are also used as source of secondary data. Previous related studies to be subjects are collected as the source of information.

3.5 Data Collection Procedure

Only one set of questionnaire are used to ask respondents. A total of 20 questions are asked and their responses are recorded. Questions covered the general information about beneficiaries, health, and education, information about households, buildings activities, depending and utilization of loan, assets possession, and decision making of the sample beneficiaries.

A list of groups where the microfinance program launched by USCCL was obtained from USCCL head office. Similarly details area of the Shaktikhor V.D.C. Morang, district where the micro financing program launched by USCCL.

The interview method of collecting data for this research purpose involved the presentation of oral-verbal stimuli and reply in terms of oral verbal purpose. In order to take the interview with household members of the microfinance program, initially the purpose of the research work are clearly stated. Questions for the interview were explained to the interview. Structured interview basically focused on information on following aspects.

Introduction: In this section respondents were asked about their name, demographic aspects and length of the involvement in microfinance program question was also asked on the factors that them to involved in program.

Question also asked about social, ecological aspects, their annual income, profession their problems, business types, education, health. kitchen garden, quality of using toilets, Changes in lifestyle after involvement in micro finance program. Of the secondary data required for the study, the data relating to the USCCL, Shaktikhor-8 Chitwan performance.

3.5.2 Data Processing Procedure and Analysis Tools

Firstly, the collected questionnaires are edited to ensure their accuracy and completeness. The edited data then presented by using presentation style such as table and graphical notation. The descriptive analysis tools such as frequencies and percentage were applied to analyze the data. In order to test the significance of association between before and after joining the micro finance program, the inferential statistical tools such as z test , chi-square (χ^2) test, t-test, average and coefficient of variance (C.V.) were used in comparative analysis has been appended below.

3.5.2.1 Chi- Square (χ^2) Test

The chi-square test enables to find out whether the values for the two variables are independent or associated. It is based on a comparison of the observed values in the table with what might be expected if the two distributions were entirely independent. This is designed to work with nominal data (saunders, Lewis and Thronhill, 2002:358). To use a chi-square (χ^2) hypothesis test we must have a sample size large enough to guarantee the similarity between the theoretically making correct distribution and our sampling distribution. To avoid making incorrect inferences from χ^2 hypothesis tests, follow the general rule than an expected frequency of less than 5 in one cell of a contingency table is too small to use. When the contingency table contains more than one cell with an expected frequency of less than 5, we can combine these in order to get an expected frequency of 5 or more (Richard and Rubin, 2002:578).

In a 2*2 chi-square contingency table both observed and expected frequencies should be greater than or equal to 5. If any cell frequency of 2*2, contingency table is less than 5, then one should apply correction for contingency rather than pooling the expected frequencies. The working rule for the application of the correction is to add 0.5 to all the cell frequency which is less than 5 and adjust the remaining frequencies accordingly by fixing the row total and column total (Sharma and Chaudhary, 2002:387).

In order to test whether there is an association or relationship between the two characteristics or attributes, the steps in χ^2 test for independence of attributes are as follows:

Step-1

Set up the null hypothesis and alternative hypothesis as follows:

Hypothesis Ho: There is no significant difference in the status of rural women before and after launching the microfinance program.

Alternative Hypothesis H1: There is significant difference in the status of rural women before and after launching the microfinance program.

Step-2

Compute the test statistics under χ^2 the test statistics is:

$$\chi^2 = \sum \frac{f_0 - E}{E}^2$$

f_0 = Observed frequency, E = Expected frequency the expected frequency in a cell is the product of its row and column total divided by the total frequencies.

Step-3

The degree of freedom for R*C contingency table is (r-1) (c-1) degree of freedom. The most commonly used is $\alpha = 5\%$.

Step-4

Make a decision by comparing the calculated t_2 with tabulated t_2 . If the calculated $t_2 < \text{tabulated } t_2$, it is not significant and H_0 is accepted otherwise, it is rejected.

3.5.2.2 T-Test

To deal with small samples for testing of hypothesis concerning population means difference between two population means and an observed. Sample correlation coefficient, new techniques and new test of significance known as exact sample test have been developed. It is very difficult to have clear-cut distinctions. Between small samples and large samples, however from practical point of view in most of the situations, a sample is termed as small if $n \leq 30$. It should be born in mind that exact sample tests (techniques) can be used even for large samples but large sample theory cannot be used for small samples.

A British statistician W.S. Gosset in 1908 developed a method of dealing with small samples. He showed that if we used the same procedures for small samples as we used for large samples, then type 1 error would be made more often. It was first by Gosset through the adopted the pen name "student" and later of it has extended by prof. R.A. Fisher. Thereafter, t-distribution is commonly called student's t-distribution or simply student's distribution (Sharma and Chaudhary, 2002:278).

Assumptions

-) The parent population (s) from which the sample (s) is drawn is (are) normally distributed.
-) The sample (s) is (are) random and independent of each other.

Paired t-test for Difference of Means

In the t-test for difference of means the two samples were independent of each other. However, there are many situations where the sample is fairly dependent

to each other. For examples if we are testing the impact of microfinance on women's economic and social empowerment after lunching the microfinance program and so on. Then the data before and after lunching the microfinance program are related to each other. I such situation, we are concerned with the difference between the pair of related observations. Paired t-test for difference of means can be applied under when.

- a. The sample size is equal. That is $n_1=n_2=n$ (say)
- b. The same set of samples is treated twice on the same subject matter.
- c. The sample observations (x_1, x_2, \dots, x_n) and (y_1, y_2, \dots, y_n) are pairly dependent by making the pairs of observations $(x_1, y_1), (x_2, y_2), \dots, (x_n, y_n)$ correspond to the 1st, 2nd,nth unit respectively.
- d. The steps in testing pored t-test for difference of means are as follow:

Step-1

Set up null hypothesis and the alternative hypothesis as follows.

Null Hypothesis: H0: that is there is significant difference in the observation before and after lunching microfinance program.

Alternative Hypothesis: H1: that is, there is significant difference in the before and after lunching microfinance program.

Step-2

Compute the test statistic: under H0, the test statistics is

$$t = \frac{\bar{d}}{\frac{s}{\sqrt{n}}} \times \frac{d}{\sqrt{\frac{s^2}{n}}} \mid \text{tn } Z1$$

Where,

$d = x - y$ difference between two set of observations.

$\bar{d} = \frac{\sum d}{n}$ = mean of the difference.

n

$$s^2 = \frac{1}{n} \sum_{i=1}^n (d_i - \bar{d})^2$$

$$= \frac{1}{n} \sum_{i=1}^n d_i^2 - \frac{(\sum_{i=1}^n d_i)^2}{n}$$

Step-3

Obtain the tabulated value of t for (n-1) d.f. at α level of significance according as whether the alternative hypothesis is one tailed test and two tailed test.

Step-4

Decision: Make a decision by comparing the calculated value of t with the tabulated value of t.

If calculated $t \leq$ tabulated t, it is not significant and H_0 is accepted. Otherwise it is rejected (Sharma and Chaudhary, 2002: 302-303).

3.5.2.3 Average

It is the central value of mass of data which is a proxy value (Authority).

3.5.2.4 Standard Deviation

Standard deviation is often powerful and helpful measure of dispersion in order to measure the size of deviation from the average. Standard deviation is the positive square root of the average of the square of the deviations of the measurement from their means. It is denoted by σ

Standard deviation of a set of n number of x_1, x_2, \dots, x_n is given by

$$\sigma = \sqrt{\frac{1}{n} \sum_{i=1}^n (x_i - \bar{x})^2}$$

Where,

n= total number of observation (Sthupt,et.al., 2005 :7:13).

CHAPTER- IV

DATA PRESENTATION AND ANALYSIS

4.1 Socio Economic Characteristics of Benefices Women

The impact of any development program is measured in terms of changes in socio economic background of sample beneficiaries. Therefore the socio economic profile of sample beneficiaries has been analyzed in this section to assess the socio economic condition of rural women first the characteristic of sample beneficiaries in terms of caste , nature and size of family , marital , status, educational status , occupation and related aspects ate presented. Microfinance program is more appropriate in areas where the sense of community is strong among the population.

4.1.1 Age Composition of Respondents

The age structure of sample beneficiaries has been presented in table.

Table 4.1
Age Structure of Sample Beneficiaries

Age of Respondents	Mid. value	No. of Respondents (f)	fx	Percent
20-30	25	6	150	17.20
31-40	35.5	61	2165.5	24.40
41-50	45.5	45	2047.5	31.30
51-60	55.5	33	1831.5	38.20
Total		145	fx =6194.5	100.100

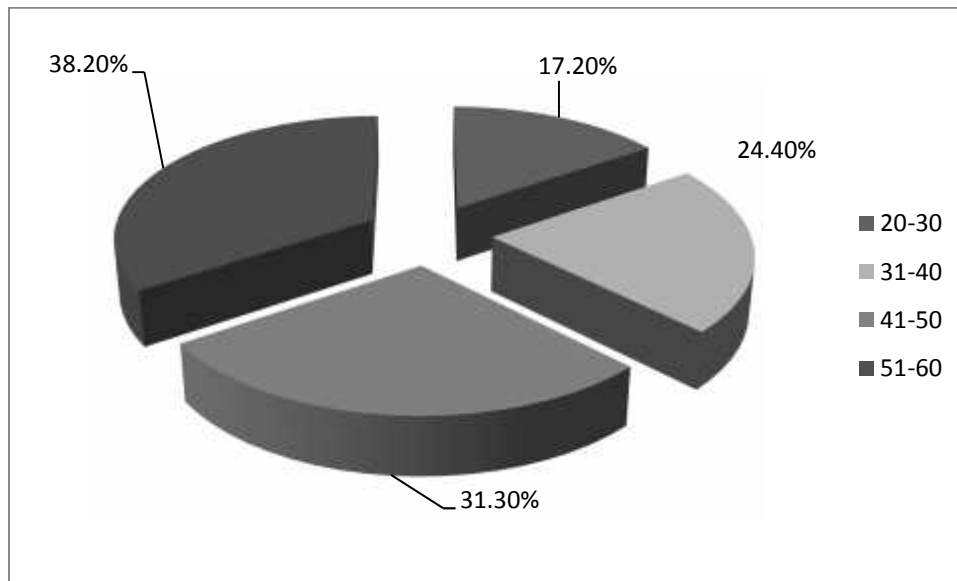
Source: Field survey. 2010

Calculation of Mean

Mean age of respondents of involving in microfinance program.

$$(\bar{x}) = \frac{fx}{f} \times \frac{6194.5}{145} \times 42.72 \text{ years.}$$

Figure 4.1
Age Structure of Sample Beneficiaries



Viewing the age structure of sample beneficiaries, it was found that most of the respondents in the sample fell in the age group of 31-40 years followed by these in the age group of 41-50 years and 51-60 years.

The proportion of respondents' age 21-30 years was almost non-existent. The near absence of young aged micro finance clients was mature in terms of their age. So it was seen that the age of 30 through 50 years of women are the significant age group, which are involved in the microfinance program.

The negligible participation of old aged women in the microfinance program might be explained by the fact that old aged women are not involved in earning activities by obtaining loan from the co-operative.

4.1.2 Distribution of Respondents by Caste /Ethnicity

Nepal's ethnic diversity is well known. The involvement in microfinance program of women appeared to be uniform rather than diverse in terms of ethnic composition. The ethnic group to which they were related traditionally affects the social and economic activities of rural people. Further more social

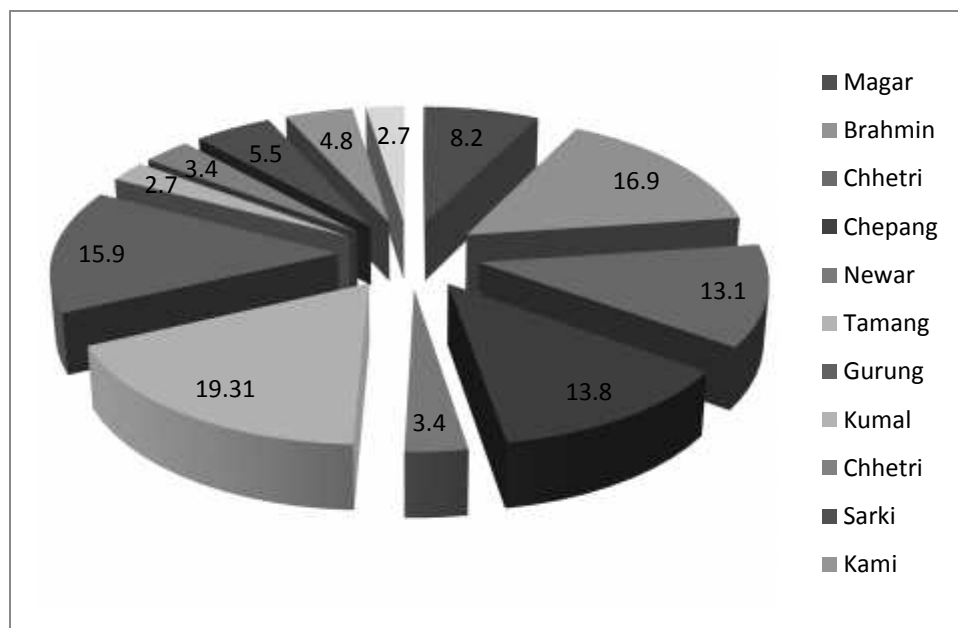
and economic activities greatly differ by cast and ethnic group irrespective of any financial feasibility. The caste composition of women covered by the study has been presented in table below.

Table 4.2
Distribution of Respondents by Caste/Ethnicity

Caste group	No. of Respondents	Percent
Magar	12	8.2
Brahmin	10	16.9
Chhetri	19	13.1
Chepang	20	13.8
Newar	5	3.4
Tamang	28	19.31
Gurung	23	15.9
Kumal	4	2.7
Chhetri	5	3.4
Sarki	8	5.5
Kami	7	4.8
Sherpa	4	2.7
Total	145	100

Source: Field Survey 2010

Figure 4.2
Distributions of Respondents by Caste/Ethnicity



In the above table shows that Chhetri, Brahmin, Magar and Gurung were the main caste that involved in the microfinance program. Mostly in hilly area of Chitwan. Chepangs, Magar, Gurung and Tamang are majority and Newar, Sarki, Kumal, are in very small size because they believe on their own business so they were not so actively involved in the program. The percentage of Respondents involved in the table.

4.1.3 Educational Status of Respondents

No. of educated population (including school going, attends ECD and SLC passed and above of Shaktikhor VDC is shown below.

Table: 4.3

Educational status of Respondents

Ward No.	Educated Population			Uneducated Population.		
	Female	Male	Total	Female	Male	Total
1	12	80	92	150	110	260
2	1	54	55	300	200	500
3	6	59	65	198	174	372
4	8	69	77	222	216	438
5	8	51	59	339	335	674
6	3	12	15	166	165	331
7	7	40	47	160	159	319
8	6	84	90	219	178	397
9	7	24	31	144	127	271
Total	58	473	531	1898	1664	3562

Source: V.D.C. Survey: 2010

Female	1.38%
Male	11.24%
Illiterate Female	26.38%
Illiterate Male	21.00%

Figure 4.3
Educational Statuses of Respondents

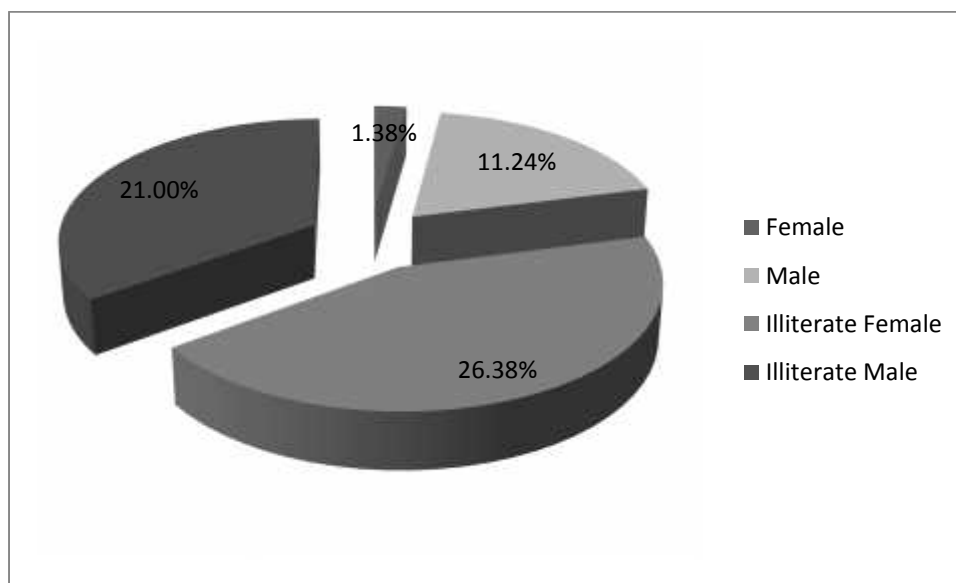


Table shows female are in very small size (only 58) and illiterate women are very high number i.e. 1952. Education status of women plays a key role in the effort of any endeavor to uplift a society from repression and scarcity, needless to say it has a positive role in the success of women. Educating and raising awareness among women itself is one important task of the microfinance program. Not only the women but also educational status of husband and or other family member has a significant effect in women's success.

Table 4.4
Educational Status of Respondents

Level of Level	No. of Respondents	Percent
Illiterate	78	53.8
Under SLC	43	29.7
Under IA	23	15.9
Under Diploma	1	0.69
Total	145	100

Source: Field Survey: 2010

Figure 4.4
Educational Status of Respondents

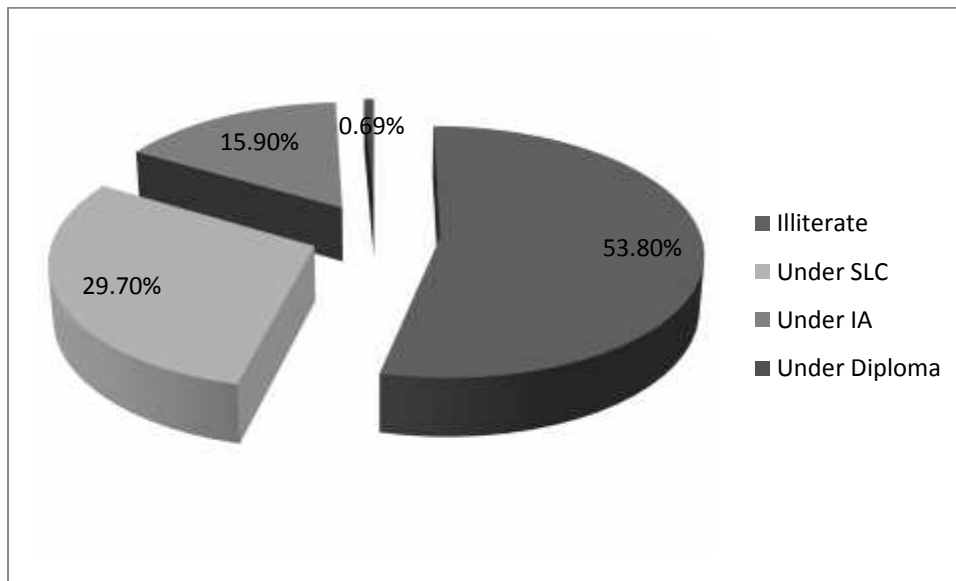


Table above displays the distribution of respondents based on the level of educational attainment. It can be observed from the table 4.5 and figure-2 that, out of 145 respondents, 78 (53.8 Percent) were illiterate, 43 (29.7 percent) were below SLC, 23 (15.9 percent) were under IA, and 1 (0.69 percent) were under diploma most of them were simply illiterate and attain only primary level education. A small number of respondents. i.e. 1 (0.69%) had attained under diploma level of education.

4.1.4 Marital Status of Respondents

Micro finance practice shows that, this program is much effective with women than men. Women accept more easily to be grouped because men are more individualists. According to the rule of bank, all clients must married women so the 100 percent clients of the microfinance programs were married but the status of some clients after married were changed as divorce, widow and separate. The following table shows the marital status of sample beneficiaries.

Table 4.5
Marital Status of Respondents

Marital	No. of Respondents	Percent
Married	97	66.9
Widow	24	16.5
Divorce	5	3.4
Separate	19	13.1
Total	145	100

Source: Field survey-2010

Figure 4.5
Marital Status of the Respondents

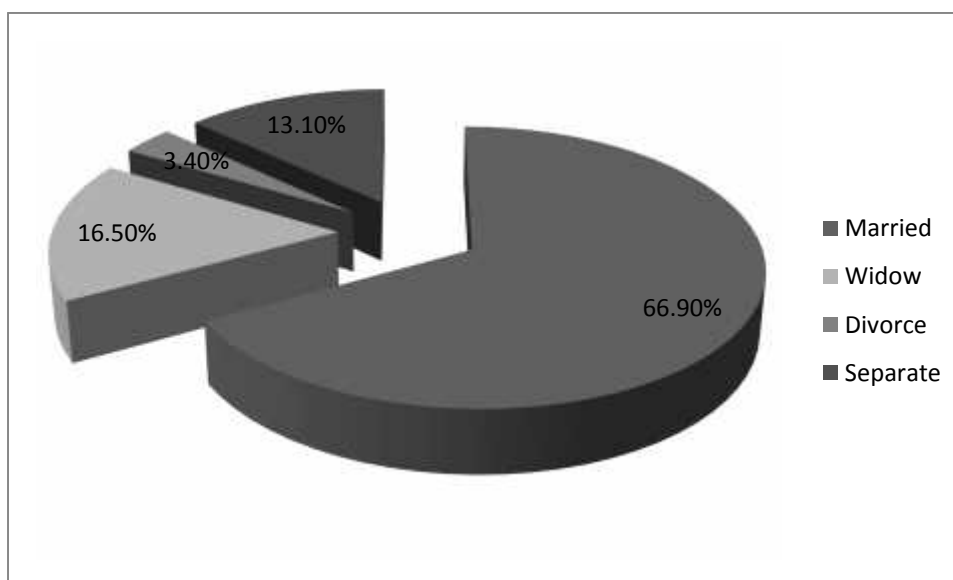


Table 4.5 shows that 97. (66.9%) women were married, 24 (16.5%) were widow, 5 (3.4%) were divorce and 19 (13.1%) were separate. Separate means women who did not get married. Viewing table 4.5 to 4.6, this can be conducted that married, matured but illiterate women were the significant group of women who involved in the microfinance program.

4.1.5 Head of Household

Head of household represent the having greater decision making role in entire household so it is important to measure the status of rural women. The situation of head of household is represented below.

Table 4.6
Head of Household

Head of Household	No. of Respondents	Percent
Male	93	64.1
Female	41	28.3
Jointly	11	7.6
Total	145	100

Source: Field Survey 2010

Figure 4.6
Head of Household

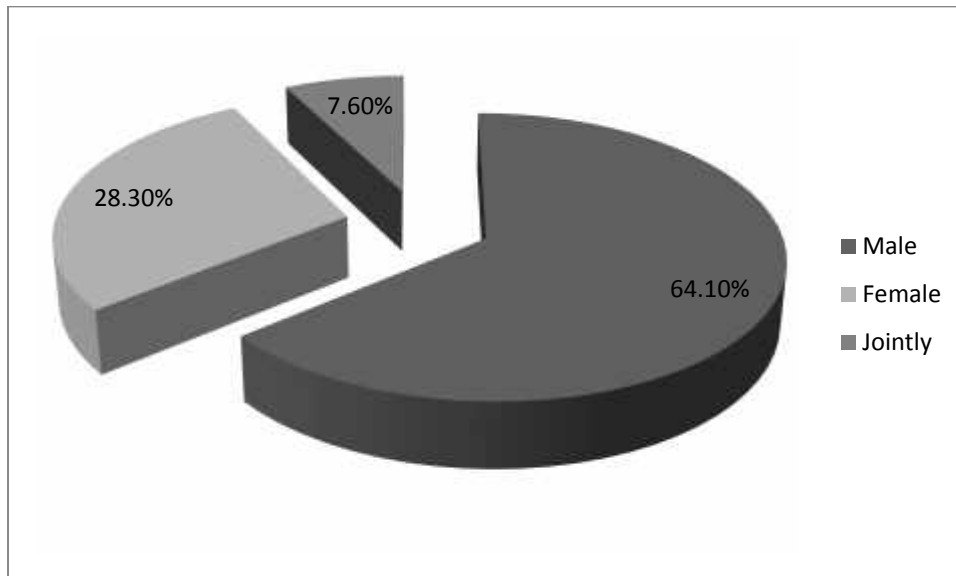


Table 4.6 shows that most the clients among those interviewed came from a household headed by a husband 93(64.1%) 41 (28.3%) female headed while the rest are jointly headed.

4.1.6 Change in occupation of Respondents

The relevant information regarding the occupation of the respondents before and after involving in microfinance has been presented below.

Table 4.7**Change in Occupation by Introducing the MF Program of USCCL**

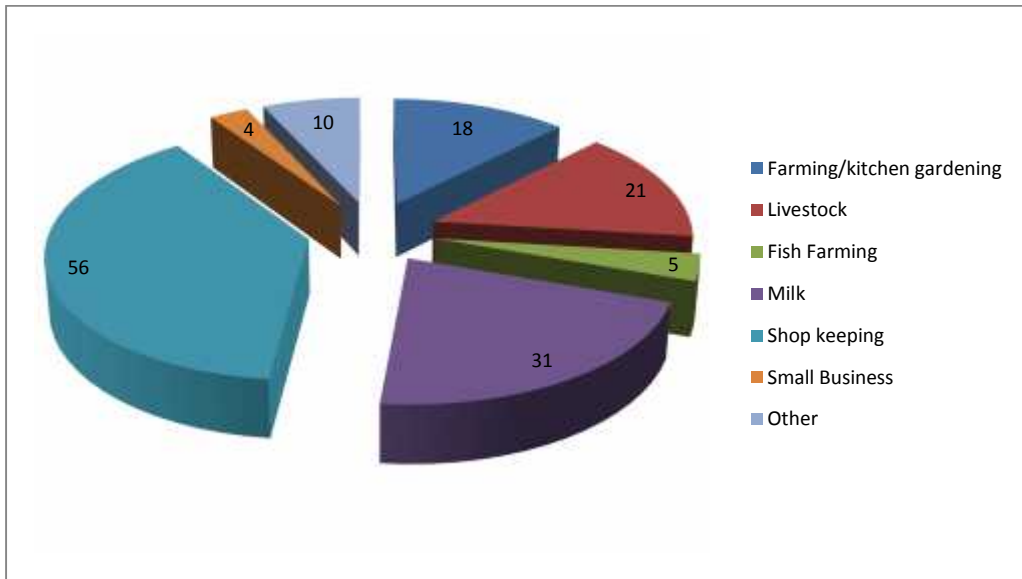
Occupation	No. of Respondents			
	Before Joining in M.F.		After Joining in M.F.	
	No.	Percent	No.	Percent
Farming/kitchen gardening	18	12.4	20	12.26
Livestock	21	14.5	21	12.88
Fish Farming	5	3.54	7	4.3
Milk	31	21.4	36	22.1
Shop keeping	56	33.6	61	37.42
Small Business	4	2.7	7	4.3
Other	10	6.9	11	6.7
Total	145	100	163	100

Source: - Field survey -2010

The above table shows the change in occupation before joining in MF Program and after joining in MF. According to the above table the number of people engaged in Farming, Kitchen and Gardening was 18 before joining in MF but after joining the MF Program the number of people engaging in those occupations is slightly increase. In this way the percentage of people engaging in Livestock was 14.5 before joining the MF but it was decrease in after joining MF Program. In this way in other occupations like Shop keeping and Small business there is slightly increase after joining MF Program than before joining MF Program.

Figure 4.7

Change in Occupation by Respondents



The data shows that the no. of kitchen gardening fish farming, rickshaw shop keeping, small business and other are increasing while the livestock business is constant decreasing constant.

Table 4.8

Change in Occupation of Respondents

Occupation	Number of Respondents	
	Before joining in MF	After joining in MF.
Milk	31	36
Shop keeping	$x_1 = 56$	$x_2 = 61$
	$n_1 = 87$	$n_2 = 97$

$H_0 := P_1 = P_2$ there is no significant change in proportion of households whose main occupation is rickshaw and shop keeping before and after involving in microfinance program.

$H_1 : P_1 \neq P_2$ there is significant change in proportion of household whose main occupation of household whose main occupation is rickshaw and shop keeping before and after involving in microfinance program.

P1 = Sample proportion of respondents whose major occupation is business (rickshaw, shop keeping).

$$\text{before microfinance program} = \frac{x_1}{n_1} = \frac{56}{87} = 0.64367$$

P2 = Sample proportion of respondents whose major occupation is business after involving in microfinance program = $\frac{x_2}{n_2} = \frac{61}{97} = 0.6288$

Where n1 and n2 total number of respondents involve in business (Rickshaw, shop keeping) before and after involving in microfinance program respectively.

x1 and x2 total number of respondents whose main occupation is business before and after involving in microfinance program respectively.

Test statistics.

Under H0 = P1 = P2 = P, the test statistic is

$$Z = \frac{p_1 - p_2}{\sqrt{\hat{p}\hat{q}\left(\frac{1}{n_1} + \frac{1}{n_2}\right)}}$$

Where $\hat{p} = \frac{n_1 p_1 + n_2 p_2}{n_1 + n_2} = \frac{56 + 61}{87 + 97} = \frac{117}{184} = 0.6358$

$\hat{q} = 1 - \hat{p} = 1 - 0.6358 = 0.3642$

$$Z = \frac{0.64367 - 0.6288}{\sqrt{0.6358 \times 0.3642 \left(\frac{1}{87} + \frac{1}{97}\right)}} = \frac{0.0148}{\sqrt{0.6358 \times 0.3642 \times 0.01149}} = \frac{0.0148}{\sqrt{0.0050478}}$$

$$= \frac{0.0148}{0.071047} = 0.2083$$

$$= 0.200$$

Tabulated value of z at 5% level of significance for right tailed test is 1.645 i.e. $z_{0.05}=1.645$.

Result : Since the calculated value of z is small than tabulated value of z it is not significance it means H0 is accepted , which mean there is not significant change in proportion of household whose major occupation is business before involving in microfinance program.

4.2.1 Health Care and Sanitation

Table 4.8

Respondents view on the Source of Drinking water they used

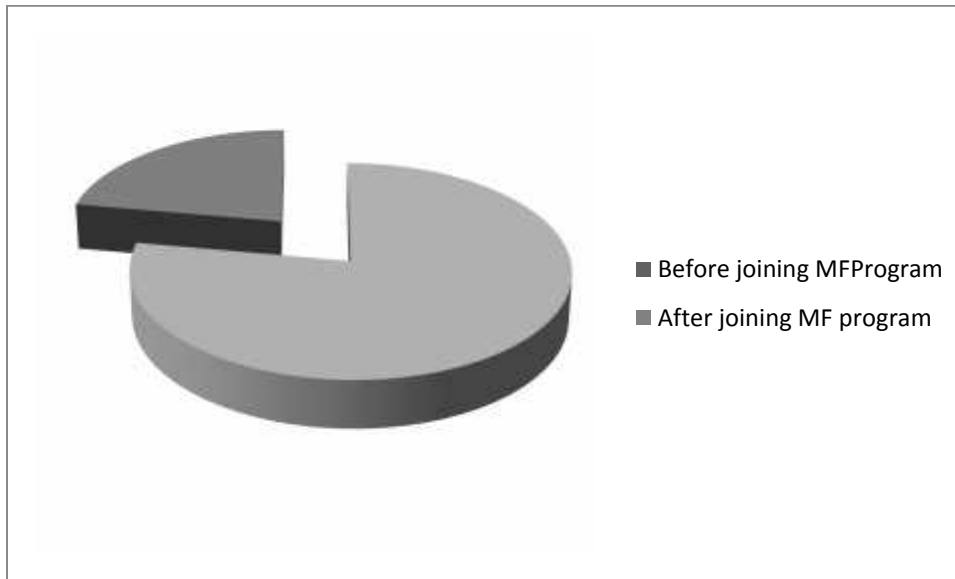
Particular	Tap		River		Total (ct)
	No.	%	No.	%	
Before joining MF program	94	64	51	35	145
After joining MF program	112	77	33	22	145
Total RT	206		84		290

Source: Field survey, 2010

According to the above table the number of people using the tap water is 64% before joining the microfinance. but number of people in percentage of using the tap water is 77% after joining the microfinance programme. In this way the number of people using the river water is 22% before joining in microfinance programme. But after joining in microfinance programme the number of people using the river water is decreased and it is 22% which is the positive influence microfinance programme.

Figure 4.8

Respondents view on the Source of Drinking Water they used.



Test of Hypothesis

H0: There is no significance difference in number of household drinking water used before and after involving in microfinance program.

H1 : There is significant difference in number of household drinking water used before and after involving in microfinance program.

Test Statistics

Under H0, the test statistics is chi –square (χ^2), which is given as :-

$$\chi^2 = \frac{(O-E)^2}{E} = 5.40$$

Calculation χ^2

Cell	o	$E = \frac{CT*RT}{n}$	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
(1,1)	94	103	-9	81	0.780
(1,2)	51	42	9	81	1.92
(2,1)	112	103	9	81	0.78
(2,2)	33	42	-9	81	1.92
					$\frac{\sum(O-E)^2}{E} = 5.40$

Degree of freedom $(C-1)(R-1) = (2-1)(2-1) = 1$

Result Since, the calculated value of χ^2 is greater than tabulated value χ^2 , this is significant. Hence, H_1 was accepted which implies that there is significant difference in number of source of drinking water used by household before and after the involvement in microfinance program.

4.2.2 Respondents view on the use of Toilet

Respondents recognized the importance of toilet after involving in microfinance program.

Table 4.9

Respondents view on the use toilet, they used

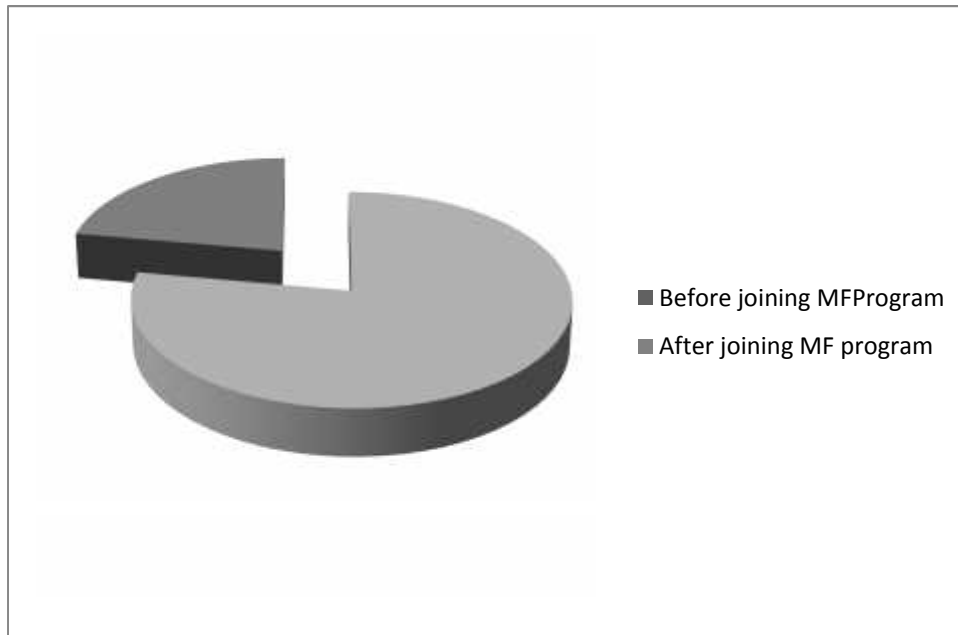
Particular	No Toilet		Have Toilet		Total CT
	No.	%	No.	%	
Before joining MF program	82	56	63	43	145
After joining MF program	24	16	121	83	145
Total RT	106		184		290

Source: Field survey, 2010

However, 82 (56 percent) respondents replied that they had no toilet before joining the microfinance program but now 121 (83 percent) out of 145

respondent replied that they had toilet. Respondents they used open ground; riverbank and some of them show no response. Involvement in microfinance also has changed the awareness of people towards toilet is also helps to control the common diseases.

Table 4.9
Respondents view on the use toilet, they used



Test of hypothesis

H0 : There is no significant difference in number of toilet used by household before and after involving in microfinance program.

H1: There is significant difference in number of toilet used by household before and after involving in microfinance program.

Test Statistics.

Under H1, the test statistics is chi-square (χ^2), which is given as

$$\chi^2 = \sum \frac{(O-E)^2}{E} = 50$$

E

Calculation χ^2

Cell	O	$E = \frac{CT*RT}{n}$	O-E	$(O-E)^2$	$\frac{(O-E)^2}{E}$
(1.1)	82.	53	29	841	15.86
(1.2)	63	92	-29	841	9.14
(2.1)	24	53	-29	841	15.86
(2.2)	121	92	29	841	9.14
Degree of freedom (C-1) (R-1) = (2-1)(2-1) = 1					$\frac{\sum(O-E)^2}{E} = 50$

Result:

Since, the calculated value of chi- square (χ^2) is greater than tabulated value (3.841) of χ^2 , this is significance. Hence, H1 was accepted which implies that there is significant difference in number of toilet facility used by respondent before and after involving in microfinance.

The above two test proved that significant improvement was reported in the situation for health and sanitation of the respondents.

4.3 Major Findings

Summary of the findings of this study are presented below in bullets:

-) MFPS of USCCL are poor and target group oriented. MFPS are provided to thirteen different castes.
-) Being economically self dependent or easily getting MFSSs Women are slowly changing their traditional occupation. This is positive impact of micro lending of MFIs.
-) Most of the borrower had taken the loan for agriculture and livestock purpose. But the out put from the agricultural sector is very low due to the lack of knowledge of up to date farming techniques and improved seeds.

- J Execution and implementation of policy is weak, therefore relationship of target actual disbursement and target actual collection are in significant.
- J USCCL has made provision for compulsory saving, so women are saving even a small amount of money.
- J In aggregate socio-economic condition of women seems better than their perception of past. It means they are getting credit and awareness as well.
- J Today women are able to make decision about their food, cloths, entertainment and education as well because of financial assistance of MFIs.
- J Women are also making decision about land, livestock. Agriculture, bank loan borrowing and repayment which were used to take by male only. Which is the sign of self-dependency?
- J Most of the women are economically active to make decision about their personal health and treatment as well.
- J Rural women are becoming politically aware, today they are taking part in family planning and other decision making sectors.
- J Rural women are started to take part on social discussion and household sanitation programme. It signifies that they are internally empowered.
- J Women perceive MFSs positively social response and reaction is also good in the study but it is not as good study in practice. It signifies that MFSs are desirable in rural areas of chitawan.
- J Women are becoming self reliant and self motivated to become as dynamic as their male partners.
- J Socially and economically backward population of women are also gradually taking part in MFPS.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The bank is concerned with the poor depending on their basis of security. The consecutive disbursement of loans to the landless per individual basis cannot in itself, ensure this. The size of the loans and the return on the investment are, in relative terms, too small for much wealth to accumulate. The families still itself at the mercy of a number of unpredictable events from illness to floods which could plunge it once again into object poverty. To cope with the spectrum of needs that comfort and to offer them security in the likelihood of emergencies, saving and credit co-operative limited and Grameen Bank have responded by creating a variety of fund saving schemes. There is little evidence of impact on household income compared to base years although Uthan credit and co-operative limited, Shaktikhor client's findings suggest increased in income with programme participation. Women access to savings and credit gives them greater role of decision. A woman optimizes her own households' welfare when she makes decisions pertaining to credit and savings. Investment in a woman's economic activity will enhance her empowerment. A woman gains more respect and more active role in the family and community through microfinance program. It provides her greater economic empowerment and inspire her to be a member of women's organizations. Administrators and political parties, adding her contribution to collective decision –making.

Uthan credit and co-operative limited was established in 2058. Under the co-operative act 2048 to serve the poor and deprived people of the Shaktikhor V.D.C. , of Chitwan District. The institution (co-operative) had disbursed total loan of NRs 56965206 by mid Jan 2008. The repayment amount is 50328448 where the outstanding Rs is 66367577. It also reflect a basic loophole in the system, where in the subsidized funds meant for the poor were getting diverse to commercial lending was reasonably good. The operating costs of the co -

operative was reasonable considering while also operating in rural area where the clients are scattered. The co-operative had done well to improve overall operational efficiency by merging some branches and reducing some administrative staff. The sample respondents were married women because the Uthan saving and credit co-operative limited took the policy of having 100 percent married women clients. Out of 145 sample respondents participated in the microfinance program. 24 were widows, 5 were divorced, 19 separate. (Married but living separate). Ethnic composition of the respondents are Magar (8.2%), Brahmin (16%), Tamang (19.31%), Gurung (15.9%), Chepang (20%), Chhetri (19%). The average age for the sample of microfinance client was 42 years. The sample clients between the age of 20-30 were 6, 31-40 were 61, 41-50 were 45, 51-60 were 33 out of 145 respondents. Majority of the sample respondents were illiterate. Out of 145 respondents 78 (53.8%) were illiterate, 43 (29.7%) were under S.L.C, 23 (15.9%) were under I.A. and 1 (0.69%) were under bachelor degree. The majority of the sample respondents fell into the medium sized family who were 71 (49%) consisting 4-8 members, 46 (32%) were in small family consisting maximum 4 members, 15 (10%) were in large family consisting 9-12 members and 13 (9%) were in very large family which has more than 13 members out of 145. The impact of micro finance program of this cooperative limited is as follows. The sample respondents interviewed who had the access to drinking water from the tap were 94 (64%), 51 (35%) had the access of drinking water from the river before joining microfinance program. Similarly the result of hypothesis tested (X_2) showed that there is significant difference in proportion of using pipe water as a source of drinking water.

- J About 82 (56%) of the respondent were using roadside riversides, farms and jungle side for defecation only 63 (43%) respondents were using toilet before joining microfinance program.
- J But that was changed into 24 (16%) only were not using toilet but the most of the respondents were using toilet. 121 (83%) respondents after joining the microfinance program. The result of hypothesis (x_2) test also

- proved that there is significant change in proportion of toilet facility used by respondents before and after joining in microfinance program.
- J The households' income of most of sample respondents was increased. The major reason behind increased was expansion of business after borrowing loan from bank but respondents whose household income was decreased replied the decreased in sales of goods was the major reason.
 - J During the survey, we couldn't collect the actual data related to income increase before and after joining the microfinance program, the main reason behind this was the most of the respondents were invested their loan for personal and they took loan for one objective but invest in other business, so they could not reply actual income with in the year so we couldn't calculated coefficient of variation for measurement of consistent before and after joining in microfinance program.
 - J The decision making situation of sample respondents was improved after joining in microfinance program. So in family planning, 95 (65%) female takes own decision about family planning after joining the microfinance program. In Terai area the most of the decision are taken by the male only some were shared by the husbands and wives. The decision about the children marriages, buying and selling property and sending daughter to school is constant before and after joining the microfinance program.
 - J Out of 145 sample respondents 18 (12.4%) involved in kitchen gardening /farming, 21 (14.5%) involved in livestock, 56 (38.4%) involved in shop keeping, 31 (21.4%) involved in milk production. The majority of sample respondents mostly involve in rickshaw and shop keeping business, 5 (3.4%) were involved in fish farming, 4(2.7%) involved in small business and 10 (6.9%) in other business. The hypothesis (Z) test proved that these changes are not significant, before and after joining micro finance program. There should be more changes in occupation not only quantitative but qualitatively.

5.2 Conclusion

Micro finance program serves the derived populace of the country at their door step with the aim of improving their Socio-economic condition. As micro finance has been considered as an effective and efficient mechanism to reduce poverty all over the world however , Nepalese micro finance institutions are not being able to reach the poorest due to inability of proper identification of the poor and lack of commitment and clear vision of their action sector liberalization polity 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 same management challenges encountered by the micro finance institutions all over the country.

The challenges faced by the institutions vary depending upon the type of financial institution as saving and credit co-operative, finance companies, NGOs cooperative societies and self –help groups that are participating in this program with different functional strategies. These challenges are concerned with strategies. These challenges are concerned with strategic, operational, financial and manpower management.

The social empowerment of rural women achieved through microfinance program, underlines the importance of group meetings and participation in microfinance activities. These two mechanism are particularly relevant, where women are not often allowed to interact with other people (men in particular) unless they are relatives group meetings are good opportunity for rural women to get together and exchange experience and ideas. Rural women are in a better position. Several are active not only in their microfinance institutions, but also in local public institutions and political parties.

5.3 Recommendations

- J Saving and credit co-operative recommended strongly focusing on implementation of pre-determined program, regarding lending and collection of loan, to achieve the target disbursement and collection because these are highly positively correlated.
- J Micro-financing program is recommended to determine next year's target disbursement according to this year actual collection.
- J Execution and implementation of policy is weak, therefore relationship of target–actual disbursement and target –actual collection are in significant. So implementation of policy should be primarily focused. Proposed program should be implemented at any rate.
- J Saving and credit co-operative should adopt the promotion policy through advertising medias such as radio and television for the promotion of program to grass-root level.
- J Bank is recommended to monitor and supervise the schedule. For this bank should focus on motivation to its employees , it is recommended to adopt basic plus performance pay system, Incentives to the employees should be provided on the basis of loan the collected.
- J From the study it is observed that most of the borrower had taken the loan for Agriculture and livestock purpose. But the output from the agricultural sector is very low due to the lack of knowledge of up to date farming techniques and improved varieties of crops. Similarly, the borrowers have not become able to generate expected return from livestock due to the lack of necessary veterinary services. Therefore, it is desirable to assist them in the matters of new techniques of farming and livestock insurance scheme is suggestible to duce the risk of the borrower.

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APPENDICES

Annex-I Questionnaire

Questionnaires for the member of the Uthan Saving and Credit Co-operative Limited.

1. Name:

2. Age

i) 16-25 ii) 25- 40 iii) 40- above

3 Sex

i) Male ii) Female

4 Education status

i) Illiterate ii) Literate iii) SLC iv) Above SLC

5. Address: i) Zone District..... V.D.C..... ward no.
Tol....

6. Occupation

i) Farming ii) Business iii) Service Sector iv) Others

7. Type of family

i) Joint ii) single

8. If you have joint family how many family members in your family?

9. Do your children go to school?

- i) Yes ii No

10 Which of the following are regular income source of your family?

- i)Salary ii) wages iii) no regular income source

11. When did you join in this Uthan saving and credit co-operative limited?

12. Before joining the institution what did you do?

13 if you see any change in your life after joining the institution?

14. Why do you involve join this program?

15 how much rupee do you have earn anally?

- i) More than 10,000 ii) less than 1,00,000

16. What are the other improvement do you see in your life after joining the program?

- i) Improving in health
ii) improve in education status
iii) improve in over all life style

17. Do you have any comment on the microfinance program which is run by the co-operative?

- i) Yes ii) No

Annex - 2

Report of the Uthan Saving and credit co -operative Limited Shaktikhor

g) TLDP Loan Disbursed	6594000	4378500	4311000	4274800	1354500	4155000	25067800
Repaid	4442524	2761633	2357421	2101604	800389	2240338	14703909
Outstanding	2151476	1616867	1953579	2173196	554111	1914662	10363891
No. of Members	0	74	78	101	18	71	342
h) single loan Disbursed	1980000	1185000	936000	21440000	300000	1833000	8378000
Repaid	850798	405153	331140	748632	90200	645285	3071208
Outstanding	1129202	779847	604860	1395368	209800	1187715	5306792
No. of Members	0	14	9	21	3	18	65
i) Bio-gas Loan Disbursed	80000	0	164500	30000	0	0	274500
Repaid	52105	0	57865	30000	0	0	139970
Outstanding	27895	0	106635	0	0	0	134530
No. of Members	0	0	7	1	0	0	8
j) Soalr Loan Disbursed	0	0	0	0	0	0	0
Repaid	0	0	0	0	0	0	0
Outstanding	0	0	0	0	0	0	0
No. of Members	0	0	0	0	0	0	0
k) Group Fund Loan Disbursed	8825100	3317000	2119062	816900	713630	244000	16035692
Repaid	8161169	3174775	2078670	798230	649730	244000	15106574
Outstanding	663931	142225	40392	18670	63900	0	929118
4. Total Group, Center Fund & Save	5235306	5458509	2939448	5754678	1501003	9496090	30385034
a) Total Group Fund & Center Fund	4349438	4164410	1957158	2085759	972239	5251624	18780628
i) Group Fund	4066842	3884573	1832869	1884377	924825	4901613	17495099
ii) Emergency Fund	282596	279837	124289	201382	47414	350011	1285529
Total Saving	885868	1294099	982290	3668919	528764	4244466	11604406
i) Personal Savings	504186	594368	290825	749562	350250	1933429	4422620
No. of Personal Saving Holders	595	657	449	876	131	1565	4273
ii) Speical Saving	0	77669	0	81387	0	92495	251551
No. of Members	0	5	0	10	0	12	27
iii) Staff Saving	67960	87980	33901	21162	12826	946662	1356741
iv) Single Saving	317922	521178	657564	2426260	165688	1118216	5206828

No. of Members	0	40	99	292	19	132	582
vi) Bal mamata Saving	0	12904	0	200098	0	153664	366666
No. of Members	0	8	0	111	0	56	175
5) Staffing	8	7	6	9	2	7	39
a) Female	4	2	3	5	0	6	20
b) Male	4	5	3	4	2	1	19
11. Performance indicators	0						
Centre Per Staff	6	7	5	4	5	7	34
Group Per Staff	40	41	24	27	21	56	209
Member Per Staff	178	187	107	116	94	335	1017
Borrower Per Staff	144	120	75	91	73	194	697
Group Per Centre	7	6	5	6	5	8	37
Member Per Group	4	5	4	4	5	6	28
Member Per Centre	30	28	21	26	21	45	171
Borrower Per Centre	24	18	15	20	16	26	119
Loan Outstanding Per Staff Rs.	1970957	1694674	1176324	1374273	1680036	2278677	10174941
Loan Outstanding Per Field Staff Rs	2627942	2372543	1764485	1766923	3360071	3190148	15082112
Average Loan Outstanding Per Borrower	7537	8818	7963	8863	13689	8062	54932
Total income form loan	1361519	1063788	442498	831360	237818	1420249	5357232
Total income	1383231	1097708	477962	878412	246067	1452177	5535557
Total Expenses	1333007	1077121	726024	1133043	308138	1196102	5773435
Net Los/Profit	50224	20587	-248062	-248062	-62071	256075	-237878
Total Loan outstanding 2066 Ashad	14319583	10822018	6400789	6400789	3134369	159828853	60318451
Average Loan Outstanding	15043618	11342367	6729365	6729365	3247220	15966796	63348015
Overdue & Irregular Loan	1871301	1120967	143477	143477	204508	166470	3972055
Repayment Rate	89	89	97	97	91	98	93
YOP	9	9	7	7	7	9	8
PAR Percentage	12	9	2	2	6	104	34