Role of Microfinance Program on Socio-Economic Development of the Client Families of Chapagaun Village Development Committee

Submitted to:

Central Department of Sociology/ Anthropology in Partial Fulfillment of the Requirement for the Degree of Master in Sociology.

By: Bishnu Prasad Pathak

May, 2011

#### TRIBHUVAN UNIVERSITY

### CENTRAL DEPARTMENT OF SOCIOLOGY/ ANTHROPOLOGY

### KIRTIPUR, KATMANDU

### LETTER OF RECOMMENDATION

This thesis entitled "Role of Microfinance Program on Socio-Economic Development of the Client Families of Chapagaun Village Development Committee" has been prepared by Mr. Bishnu Prasad Pathak under my supervision. I hereby recommend this thesis for examination by the thesis committee as a partial fulfillment of the requirements for the Degree of Master of Arts in Sociology.

.....

Dr. Tulasi Ram Pandey (Thesis Supervisor)

Date: March 27, 2011

## **APPROVAL LETTER**

We certify that this thesis entitled " Role of Microfinance Program on Socio-Economic Development of the Client Families of Chapagaun Village Development Committee" submitted by **Mr. Bishnu Prasad Pathak** has been accepted as the partial fulfillment of the requirements for the Degree of Master of Arts in Sociology

Thesis Committee:		
Supervisor	Dr. Tulasi Ram Pandey	
External Examiner		
	Dr. Chuda Mani Basnet	
	•••••	
Head of the Department	Prof. Dr. Om Gurung	

Date: May 25, 2011

## Acknowledgement

This study on 'Role of Microfinance Program on Socio-Economic Development of the Client Families of Chapagaun Village Development Committee, Lalitpur, Nepal is undertaken as per partial requirement for fulfillment of Master Degree in Sociology. During this study, I have received supports from number of persons and institutions. I would like to express my sincere gratitude and thanks to all of them, who directly and indirectly assisted me to complete this study.

At the outset, I would like to express my sincere gratitude and deep appreciation to my thesis advisor Dr Tulasi Ram Pandey, teaching faculty of Anthropology/Sociology for his continuous encouragement, outstanding support, guidance and valuable feedback through accomplishment of this study. Similarly, I would like to extend my sincere gratitude to Pro. Dr. Om Gurung, Head of the Department, faculty of Anthropology/ Sociology for his special support on undertaking this study. I am equally indebted to other respected teachers for their cooperation.

I am deeply indebted towards all the leaders, staff and members of DDBank, CSD and WCS for their support during undertaking the field visits. My special thanks go to the staff of MFIs at the central office for providing me updated information.

During the study, I have taken the help of various books, articles, journals and periodicals and publications of different institutions and persons, I am indebted towards them.

Lastly, I don't like to state that this is a complete study. There may be various shortcomings and deficiencies. I am alone responsible for those shortcomings and deficiencies.

March, 2011

Bishnu Prasad Pathak

# **Table of Contents**

Ackr	אסו	vledgement	
Tabl	e o	f Contents	
List	of <sup>-</sup>	Tables and Figures	7
Abbr	ev	iations	
Chap	ote	r I: Introduction Error!	Bookmark not defined.
1.	E	Background Error!	Bookmark not defined.
2.	S	Statement of the Problem Error!	Bookmark not defined.
3.	C	Dbjective of the study Error!	Bookmark not defined.
4.	S	Significance of the study Error!	Bookmark not defined.
5.	L	imitation of the Study Error!	Bookmark not defined.
6.	C	Drganization of the Study Error!	Bookmark not defined.
Chap	otei	r II: Review of Literature Error!	Bookmark not defined.
1.	De	evelopment Error!	Bookmark not defined.
1	.1	Indicators of Development	Error! Bookmark not defined.
1	.2 T	Theories of Development	Error! Bookmark not defined.
1	.3	Rural Development	Error! Bookmark not defined.
1	.4	Experiences of Rural Development	Error! Bookmark not defined.
	.5 efine	Microfinance as one of the Effective Tools of Develored.	opment Error! Bookmark not
2	S	Social Development Error!	Bookmark not defined.
2	.1	Nature of Social Development	Error! Bookmark not defined.
2	.2 S	Social Development Achievement in India	Error! Bookmark not defined.
2	.3	Economic and Social Development	Error! Bookmark not defined.
2	.4	Social Development Principles	Error! Bookmark not defined.

3.		Economic Development Error!	Bookmark not defined.
3.	1	Economic Theories	Error! Bookmark not defined.
3.	2	Poverty	Error! Bookmark not defined.
4.		Microfinance Error!	Bookmark not defined.
4.	1	Evolution of Microfinance	Error! Bookmark not defined.
4.	2	Key Operating Principles of Microfinance	Error! Bookmark not defined.
4.	3	Microfinance in other Part of the World	Error! Bookmark not defined.
4.	4	Microfinance in Nepal	Error! Bookmark not defined.
4.	5	Microfinance Policy in Nepal	Error! Bookmark not defined.
4.	6	Livelihood and Microfinance	Error! Bookmark not defined.
4.	7	Social Institutions and Microfinance	Error! Bookmark not defined.
Chap	ote	er III: Research Methodology Error!	Bookmark not defined.
1.		Research Design Error!	Bookmark not defined.
2.		Selection of the Study Area Error!	Bookmark not defined.
3.		Sampling Technique and Procedure Error!	Bookmark not defined.
4.		Data Collection Methods Error!	Bookmark not defined.
4.	1	Primary Data Collection	Error! Bookmark not defined.
4.	2	Secondary Data Collection	Error! Bookmark not defined.
5.		Data Analysis and Presentation Error!	Bookmark not defined.
Chap not d		er IV: Socio-Economic Condition of Client Fa ined.	miliesError! Bookmark
1.		Overview of Microfinance Service Providers Error!	Bookmark not defined.

2. Socio-Economic Condition of the Participating Families. Error! Bookmark not defined.

CHAPTER V: Role of Microfinance on Economic Development ...... Error! Bookmark not defined.

1. Sources of Borrowings Before and After the MFIsError! Bookmark not defined.

- 2. Changes in Economic Activity ..... Error! Bookmark not defined.
- 3. Changes in Disposal of Income ..... Error! Bookmark not defined.

Chapter VI: Role of Microfinance in Social DevelopmentError! Bookmark not defined.

1.	Social Development Level Error! Bookmark not defined.	
2.	Social Performance Level Error! Bookmark not defined.	
3.	Social Theory and Findings Error! Bookmark not defined.	
Chapter VII: Summary and Conclusion Error! Bookmark not defined.		
1.	Summary Error! Bookmark not defined.	
2.	Conclusion Error! Bookmark not defined.	
Bibliography Bibliography		
Appendix-1 Error! Bookmark not defined.		
Appendix-2 Error! Bookmark not defined.		

## List of Tables and Figures

Name of Figures and Tables	Page Number
Figure 1: Multidimensional Poverty Index	30
Figure 2: Causes of Poverty	31
Figure 3: Millennium Development Goals	32
Figure 4: Models of Microfinance in Nepal	38
Figure 5: Research Process	47
Table 1; Overview of the Service provider	50
Table 2: Family Structure by Sex and Age	55
Table 3: Educational Status	56
Table 4: Gender wise Changes in School Enrollment	57
Table 5: Economically Active Family Members	57
Table 6: Housing types	58
Table 7: Land Holding Pattern	58
Table 8: Food Security Situation	59
Table 9: Sources of Borrowings and Interest Rate Before MFIs	61
Table 10: Sources of Borrowings and Interest Rate After MFIs	61
Table 11: Loan Use Pattern	62
Table 12: Changes in Disposal Income	64
Table 13: Average Expenditure	64
Table 14: Role in Social Development	66
Table 15: Linkages with Line Agencies	66

## Abbreviations

ADB/N: AKRSP: BRI: CGISP: CSD: CECI: DDBank: FINGOS: HDI: LGP: LDP: MFIS: MFDB: MOLD: MCPW: NGO: NCB: PCRW: PDDP: PAPWT: RRDB: RMDC: RSRF: SFDP: SCOS: SFCL: SEEDS: SFDB: TLDP: UNCDF: UNCDF: UNDP:	Agricultural Development Bank, Nepal Aga Khan Rural Support Program Bank Rakyat Indonesia Community Ground Water Irrigation Sector Project Center for Self-help Development Centre for International Studies and Cooperation Deprosc Development Bank Financial Intermediary Non Government Organizations Human Development Index Local Governance Program Local Development Fund Microfinance Institutions Microfinance Development Bank Ministry of Local Development Microcredit Project for Women Non Government Organization National Cooperative Bank Production Credit for Rural Women Participatory District Development Program Poverty Alleviation Project in Western Tarai Regional Rural Development Bank Rural Microfinance Development Program Savings and Credit Organizations Small Farmers Development Program Savings and Credit Organizations Small Farmers Development Program Savings and Credit Organizations Small Farmers Development Bank Third Livestock Development Bank
UNDP:	United Nations Development Program
USAID: VDC:	Unites States Agency for International Development Village Development Committee
WCS:	Women Cooperative Society Ltd.s