

# CHAPTER I

## INTRODUCTION

### 1.1 General Back Ground

Nepal is one of the poorest country in the world and the poorest in the south Asia region. Its poverty reduction rate is low. The main reasons for this low poverty reduction rate are: (i) Low per capital income. (ii) Concentrated urban growth. (iii) High population growth rate (iv) Instability of political situation. Most of the poor people live in rural areas and have little opportunity. Most of the people are farmers, who solely depend on agriculture.

Nepal is an underdeveloped country with gross disposable income of \$370 per annum. Approximately 81 percent population is dependent on subsistence agriculture that contributes nearly 40 percent share to the gross domestic product (GDP) and this sector provides opportunity of employment of nearly 75 percent of the total labor force of the country. Absolute poverty is still high as the poverty line still remaining 31 percent. Uneven topography has limited the scope of infrastructural development in Nepal at a desired level. The economy is still dependent of agriculture and about 77 percent of the people live in the rural areas. The productivity of agriculture sector has been largely stagnant because of its dependence of the monsoon, almost primitive method of production and unavailability of adequate irrigation facilities. The efforts made in the direction of poverty alleviation are not deemed sufficient as nearly 80 percent of the rural people are still far from the formal financial intermediation. And, similarly, the rural poverty is 34.6 percent (higher to the national index of 31 percent and 3 times higher than urban poverty as urban poverty is 9.6 percent).

Micro financing could help people who have no collateral, but willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income. Although many programs have been implemented for poverty alleviation in Nepal only micro finance programs are seen as a poor targeted and rural based women.

Micro credit for women is one of the foremost programs in the harmony of poverty alleviation and micro enterprise development in the country. The

effectiveness of the programs could be recognized on the basis of its performance analysis.

Micro credit for women is that means which consist of low borrowing costs and more return and help to transforming their lives from extreme poverty to dignified self sufficiency.

The Micro credit program for women has been implemented to improve socio-economic condition and strengthen women's capacity. Micro credit policy means small amount loaning activities to women. Micro credit activities are essential to uplift women's present situation.

Micro credit has proved to be one of the most significant contributors to poverty alleviation and women empowerment. It is an important means of breaking the vicious circle of poverty and to uplift the economic status of the poor. Nepal initiated rural microfinance since 1970 through the establishment of credit co-operatives, implementation of priority sector credit program and small farmer's development program. Micro credit activities are similar with micro financing activities. Micro financing activities are linked to with other component of socio develop of the nation. Micro financing can be a useful instrument achieves this national goal if its services are delivered to the poor and deprived people who don't have access to the financial services of the financial institution like commercial bank and development bank.

In Nepal agriculture based co-operatives were initiated in the 1950s as a first step in micro finance. Poverty alleviation rural based program were initiated through the small farmers development program (SFDP) on a pilot test basis in 1975 by the ADB/N. The success of the pilot test in Dhanusa and Nuwakot districts encouraged policy makers to expand formal rural based micro finance programs.

The SFDP is now being transformed in to several autonomous, self-help organizations called small farmers co-operative limited (SFCLs), which are managed by farmers themselves. Other micro-finance development programs, such as priority sector lending program (PSLP), Intensive Banking program (IBP), Production credit for Rural Women (PCRW) and rural self Relief fund (RSF) have been implemented after studying the pros & cons of various micro

finance development programs government began to rethink the delivery mechanisms of micro finance.

In Nepalese context, microfinance denotes the services of collection of saving from women, poor households and micro entrepreneurs and mobilization of loan from collected saving and seed money received from financial institution providing the wholesale financial service or donor agencies. Such microfinance services are rendered by formal institutions, such as rural banks and co-operatives, semiformal institutions, such as non-government organizations and informal sources such as money lenders and shopkeepers (ADB 1000,-1). In Nepal, Rural Development Banks, Co-operative Banks, international non-government organizations and donor institutions. ADB, UNDP, international funds for agriculture development through NGOs, local governments and Nepal Government is rendering micro finance services. In addition informal institutions dhikuti association, user groups, indigenous bankers and business men are providing microfinance services to low income household, provided micro enterprises.

The Micro finance institutes are providing door to door micro credit services to those ultra poor families who have no collateral, guarantees to produce and are not capable of fulfilling the banking requirement for credit eligibility. (Baral K.J.) In this context, role of micro finance institution will become more vital to deliver the micro credit to the poor and ultra poor.

Pashchimanchal Grameen Bikash Bank (PasGBB) was established as a Regional Rural Development Bank in 1995 through a joint collaboration of the government of Nepal. Nepal Rastra Bank and commercial banks are serve poor and deprived people of the Western Development Region. Modeled on the Grameen Bank Methodology, the mission of Pas GBB is to generate self employment through micro credit to the rural poor at their door step to reduce poverty level in the western region of Nepal.

## **1.2 Focus of the Study**

The study analyzes the performance and impact of the program by using descriptive, cross sectional and analytical research design. Thus the study is basically concentrated towards the livelihood of the people of Jagatra Devi VDC, Syangja, especially women. The Study focus on existing position of credit and

saving, relationship between investment and changes in income, impact of training and awareness program upon the standard living of the people, perception of the participant women towards the Pashchimanchal Grameen Bikash Bank in Jagatra Devi VDC of Syangja.

### **1.3 Statement of the Problem**

Nepal is the 12th poorest country in the world (World Bank 2000) and poorest in South Asian Region. Out of 23.6 million population, 38% lie below poverty line and most of the poor poverty alleviation in Nepal. But only microfinance program is seen as a poor target rural based program. However, the program of microfinance is not fully covering the poorest of the poor. (Pushpa Raj Sharma, 2005)

The rural area of the country is still lack advance financial activities. More than 80% of the population lives in rural area. Among them half is the women population and more than 70% of the women are illiterate. They don't have easy access on finance, so definitely the micro credit program can uplift the living standard of the women. The study is concerned with the following problems.

- What is the existing loan taking by members?
- What are the perceptions of women's towards the program of micro credit?
- What is the condition of loan recovery rate?
- What is the contribution of the micro credit of Pas GBB towards women's financial position?
- What is the change in financial activities of members?

### **1.4 Objectives of the study**

The objectives of the study is to improve access of agribusiness and rural enterprises to institutionalized micro finance services, which will reduce household valuerability, promote agribusiness and rural enterprise, increase incomes and reduce poverty in rural areas and rural women. The main objectives of the study are to make assessment of performance of micro credit program in Jagatra Devi VDC under Pas GBB. However the specific objectives are:

- To analyze the existing loan taking by members.

- to measure the positive perception of women towards the program of the micro credit of Pas GBB
- To measure the patterns of loan repayment rate.
- To determine the contribution of Pas GBB to uplift living standard of women.
- To analyze the change in financial activities of members.

## **1.5 Signification of the Study**

Mainly the purpose of the Study is Important for the researcher to fulfill of the academic requirement of the master degree. In addition to this, it will be useful for researcher, donors and student to increase knowledge on micro credit. This study may provide guidelines to government, NGOs and INGOs for future improvement. This research will definitely add the value to the endeavors of Pas GBB towards its effective financial management.

## **1.6 Delimitation of the Study**

- The study focus only on the micro credit policies of Pas GBB
- This study is taken within the boundaries of limit area, subjected and time.
- The study is taken only on Jagatra Devi, VDC
- The overview of the studies has been analyzed on the basis of the performance of participant of the Pas GBB only.

## **1.7 Organization of the Study**

Keeping the above objectives in mind, the present study has been organized in the following five major chapters besides: (bibliography and annexes, the preliminaries contain title, approval letter, recommendation and acknowledgement, table of contents, list of tables, list of figure, abbreviation.)

### **1) Introduction**

This chapter includes general background, focus of the study, statement of the problem, objectives of the study, significance of the study, delimitation of the study and organization of the study.

## **2) Review of literature**

This chapter includes concept of micro-finance institutions, objectives of micro credit in Nepal, the regularity status, challenges in micro credit delivery in Nepal, Evolution of micro-finance, MF sector in Nepal, future prospects of micro-finance in Nepal, international year of micro-credit 2005 and the various study and research that had been already studied.

## **3) The Research Methodology**

This chapter includes the research design, data collection procedure and the tool are used in the analysis of data.

## **4) Presentation and Analysis of Data**

This chapter is one of the main parts of the study. It includes almost data and graphs are interpreted in such a way, so that the objectives of the study can be achieved and the major findings of the study are also presented.

## **5) Summary, Conclusion and Recommendation**

In this chapter, summary and conclusion has been presented. So that the whole pictures of the study can be understood in short form. Recommendation for the improvement of the Pas GBB and its micro credit program has been presented.

References books, magazines, newspapers and previous dissertations are shown under bibliography.

## **CHAPTER II**

### **REVIEW OF LITERATURE**

#### **2.1 Conceptual Review**

##### **2.1.1 Introduction**

Micro credit became a worldwide poverty alleviation idea through its first "Micro credit summit" held in Washington, DC in February 1997. The summit began with this statement.

We believe that poverty does not belong to a civilized human society. It belongs to museum. This summit is about creating a process, which will send poverty to the museum. Only sixty five years after the 12 second flight of the Wright brothers' man went to moon. Fifty-five years after this summit, we'll also go to our moon. We'll create a poverty free world. (Yunus, 1997) and it ended with this declaration.

At time has come to recognize micro credit as a powerful tool in the struggle to end poverty and dependence. We have assembled to launch a global movement to reach 100 million of third world's poorest families, with credit for self-employment and other financial and business services by the year 2005 (micro credit summit,2004)

THE INTERNATIONAL YEAR OF MICRO FINANCE 2005 underscores the importance of microfinance as an integral part of collective effort to meet the millennium Development Goals. Sustainable access to microfinance helps alleviate poverty by generating income, creating jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choices that best serve their needs. The great challenge before us is to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sectors that help people improve their lives. (Secretary General Kofi Annan 29 Dec2003)

The year 2005 is knocking at the door. The micro credit promoters and practitioners believe that they will achieve the goal of serving 100million of the world's poorest families by the time of the next summit. And they have extended hands to materialize the UN millennium Development goal of reducing world absolute poverty by half by the year 2015.

Micro credit can perhaps help some poor people avoid starvation, but it is difficult to see how it could get them out of them poverty environment, let alone stop the level of "Poverty Ocean". However the most far-reaching of all global events was the micro credit resolution that the UN General Assembly passed on 18 December 1997 (Grameen Dialogue, 1998a,' United Nations, 1997). This resolution based on the Secretary General's special recognized the potential contribution of micro credit programs in poverty eradication as well as in social & human development processes. Accordingly, all involved in poverty eradication programs were encouraged to consider incorporating micro credit schemes is their strategies and adopt policies that support the development of micro credit programs. In particular, the resolution called upon:

- The international donor community to support the strengthening of existing and emerging micro credit institutions in the developing countries, especially the least developed and African countries.
- The relevant organs, organizations and bodies of the United Nations system, in particular its funds and programs and regional commissions, as well as relevant international and regional financial institutions and donor agencies involved in the eradication of poverty, to include the micro credit approach in their program as a tool for the eradication of poverty, and
- All concerned non-governmental organization other actors of civil society and the private sector to support and incorporate and appropriate micro credit and related services in their programs for the eradication of poverty.

Microfinance encompasses the management of small amount of money through a range of products, and a system of intermediary functions that circulates money in an economy (Yunus 1980). Microfinance is small in value amounts targeted at low income clients. It includes loans, savings, insurance, transfer services and other financial services. Provide of microfinance include non-government organizations (NGOs), self-help groups, co-operative, credit union, commercial bank, insurance and credit companies and other points sales.



Microfinance is unique among development interventions: it can deliver a number of social benefits on an ongoing, permanent basis and on a large scale. Many well managed microfinance institutions throughout the world provide financial services in a sustainable way

*(Pushpa Raj Sharma, 2005)*

The basic definition of micro credit adopted in the 1997 Micro credit Summit, has remained the same: Micro credit programs extend small loans to very poor people, especially women, for generating income through self-employment. Although the program features differ from country to country, depending upon socio-economic conditions, the distinguishing criteria are the following (Grameen Bank, 2004). First, the loan size is small- the average size ordinarily being about US \$100.00. Second, these loans are lent to poor households, mainly to women, called micro entrepreneurs. To obtain these loans, the borrowers must form a group and repay their loans in weekly, or biweekly installments. Third, the purpose of these loans is to create self-employment in non-formal sectors for income-generating activities. Finally, the most distinctive feature of Grameen credit is that it is given without collaterals, i.e. legally enforceable contracts.

Other features that Yunus underlines include the following:

- The Grameen credit is promoted as a human right, whose mission is to help the poor families to overcome poverty.
- It was conceived as a challenge to conventional banks, which do not serve the poor, because they are unable to supply collaterals as loan security. In other words, the Grameen credit has rejected the basic methodology of the conventional banking and developed its own methodology.
- It pursues the principle that the people should not go to banks: bank employees cooperate to them.
- On this principle, it provides banking service at the door-step of the poor.

Micro Credit programs extend small loans to very poor people for self employment projects that generate income, allowing them to care for themselves and their families.

Three C's of Credit:

**Character:** Means how a person has handled past debt obligations: From credit history and personal background, honesty and reliability of the borrowed to pay credit debts is determined.

**Capacity:** Means how much debt a borrower can comfortably handle. Income streams are analyzed and any legal obligations looked into which could interfere in repayment.

**Capital:** Means current available assets of borrower, such as real estate. Savings or investments that could be used to repay debt if income should be unavailable.

Microfinance is closely related to the ultra-poor low income household and micro enterprises. In the context of microfinance the term finance refers to savings, credit, remittance and insurance services. Therefore, micro finance refers to the provision of a broad range of financial services such as deposits loans, payment services, money transfers, and insurance to poor and low income households and their micro enterprises. (ADB 2000, 2)

The micro finance institutions are providing door to door micro credit services to those ultra poor families who have no collateral, guarantees to produce and are not capable of fulfilling the banking requirements for credit eligibility. Even in the present conflict situation where by the banks have closed or merged their branches, micro finance institutions have been constantly delivering door to door micro credit services to the ultra poor communities. Priority sector loans in against the liberal market economy policy. So, Nepal Rastra Bank is gradually reducing the priority sector loan program within 5 yrs. (MOF 2005 a, 15)

In this context, role of micro finance institution will become more vital to deliver the micro credit to the poor and ultra poor. The number of financial institutions engaged in micro credit operations is increasing after the implementation of financial intermediation institutions Act. (First amendment, 1999)

*www.cmfnepal.org.*

### **Microfinance Program in Nepal**

Microfinance programs have grown rapidly in Nepal during the last decade. Through the program of microfinance for the poor was first initiated in 1950s through cooperatives and continued in various forms such as SFDP,

PCRW, MCPW etc but the operation of microfinance its true sense was started with the establishment of Grameen Bikas Bank in the prior to adoption of liberal financial policy starting from 1991 and intensified in later year micro finance program was exclusively under the government control. However, with the initiation of liberal policies after 1991, private sector and NGOs have also been involved in micro-finance programs following Bangladesh Grameen Bank model. Micro-finance programs are implemented by government, semi government and non-government financial institutions such as commercial banks, Grameen banks, micro finance development banks, NGOs and Savings and credit cooperatives. There are 5 regional Grameen Bikas Banks one each in five development regions in the government sector, 4 micro credit development bank in the private/NGO sector, 143 small farmers' cooperatives limited, 44 FINGOs and 34 savings and credit cooperatives (NRB 2005), microfinance programs that have evolved in Nepal over the years can be categorized into 6 groups: co-operative programs, priority sector lending program, Intensive Banking Program, Specific Target Group programs, Grameen Bank Replication programs, Microfinance Development Banking. Besides the microfinance institutions stated by Nepal Rastra Bank, number of community base organizations, saving and credit co-operatives, small farmer cooperatives are delivering their services in the rural area. However the poorest of the poor is still out of the program. The main reasons are:

- (1) Self sufficiency approach of MFIs
- (2) Geographical location of the country
- (3) lack of education and awareness
- (4) Recovery rate based rating of the MFIs from Apex institution and others.

*(Pushpa Raj Sharma, 2005)*

Several factors have led to an increasing interest in microfinance in Nepal as elsewhere.

- Microfinance is gaining an increasing recognition as well as popularity as an effective instrument of poverty reduction. Credit is considered as a vital instrument of equity. Increasing people's access to all the factors of production including credit is important for poverty reduction.

- It can serve as an effective tool for generating employment opportunities for the poor by using their indigenous skills and potentials.
- Microfinance provides a fertile ground for microfinance institutions (MFIs) to substantially mobilize local resources and inculcating in the poor the habit of savings.
- It helps the poor participants in microfinance programs to acquire the sense of empowerment in that they can contribute to the society both as a provider of services and as a partner of development. It also help local community to develop their confidence to serve as a change agent for the development of their community and.
- The availability of microfinance helps utilize the latent capacity of the poor for entrepreneurship and allow them to be more self-reliant, create employment opportunities, and not least, engage women in economically productive activities.

Micro finance is a part of development finance, rural of urban, targeted towards specific groups of people male or female, falling in the lower brackets of society. Financial services include savings, credit and other services such as micro money transfer and micro insurance. This service is differentiated by types of service employment and income orientated objectives, target group, target community, target area and credit at home. In the past decade, micro finance has been recognized as a particularly effective development intervention for three basic reasons:

1. The services provided can be targeted specifically at the poor and poorest of the poor.
2. These services can make a significant contribution to the socio-economic status of the targeted community.
3. The institutions that deliver these services can develop, with in a few years, into sustainable organizations with steadily growing out reach.

Microfinance has a positive impact for beyond the individual client. The vast majority of the loans go to women became studies have shown that women are main likely to reinvest their earnings in the business and in their families. As families cross the poverty line and micro business expand, their communities

benefits, jobs are created, knowledge is shared, civic participation increase and women are recognized as valuable members of their families and communities.

### **2.1.2 Objectives of Micro credit in Nepal**

The general objective of the micro credit program is to improve socio-economic conditions & empowerment of the poor specially women. However, the specific objectives are:

- a. To improve the quality of life and living standard.
- b. to increase the public's awareness and understanding of micro credit and micro finance
- c. To create income and employment opportunities for the poor people by mobilization of saving.
- d. To reduce household vulnerability.
- e. To promote agribusiness and rural enterprise.
- f. To increase incomes and reduce poverty in rural areas.
- g. To access the sustainable of financial services for rural poor and their agribusinesses, rural enterprises through intermediation and networking between both the demand and supply for microfinance.

### **2.1.3 The Regulatory Status**

Micro credit institutions are regulated by various laws. These are: Nepal Rastra Bank Act(2002), Agriculture Development Act(1967), Co-operative Act(1972), Finance Company Act(1985), Development Bank Act(1996), Social Welfare Act(1991), Company Act(1947), Financial intermediary Act(1998) and Insurance Act. It appears to be over regulated but in reality the situation is just the opposite. There is some difficulty to regulate all micro-credit institutions because there are many MFIs established under different acts doing microfinance activities. The ultimate responsibility to develop, regular monitor and supervise is of NRB. Recently on February 24, 2003 NRB issued regulation for the development banks which are engaged in micro finance, as a guide line to develop MFIs activities.

#### **2.1.4 Challenges in Micro-Credit Delivery in Nepal**

Nepal has a varied topography at varied development stage a mix of a different culture and different ethnic groups which challenges the successful delivery of microfinance.

##### **The major challenges are:**

- a) Poverty as a vicious circle is traditionally deep rooted in Nepal.
- b) As economy is based on agriculture and the agriculture sector is based on erratic monsoon, the production and productivity is very low and uncertain.
- c) The country's rural and urban poverty gap is widening.
- d) Unsustainable delivery mechanism of government initiated MFIs and programs.
- e) Formulating a micro-credit delivery mechanism that is better suited to the people in hills and mountains.
- f) Redesigning exiting program of the formal MFIs to better target the poorer.

#### **2.1.5 Evolution of Micro Finance (Brief History)**

The informal microfinance service providers were functional, as a traditional source, since a long time in Nepal. Co-operatives started since 1956, providing saving and micro credit services. From April 1974, NRB directed the then two commercial banks to invest at least 5 percent of their total deposit in the "Small Sector".

Agriculture Development Bank, Nepal (ADB/N) started "small Farmer Development Project (SFDP)" during 1975 as a pilot project. It was in this project that the concept of group guarantee as an alternative to the requirement of physical collateral was introduced for the first time in Nepal. Most of the literatures of Nepal mention this program as the pioneer of microfinance program of Nepal.

The Ministry of Local Development (MLD) in collaboration with UNICEF, Nepal Rastra Bank (NRB, The Central Bank of Nepal ) and commercial banks initiated the first women focused socio-economic program "Production Credit for Rural Women (PCRW)" In 1990, NRB introduced the "Deprived Sector Credit Program".

Since 1990s Grameen replication MF service delivery models were introduced in Nepal as Regional Grameen Bikash Banks. In addition, the Rural Self-Reliance Fund (RSRF) and Rural Micro-Finance Development Centre (RMDC), the wholesale lending institutions started lending to the MFIs. During this period two NGOs replicating Grameen also started providing formal MF services. Similarly, additional financial intermediary NGOs and credit unions started providing micro finance services extensively from this period. By 2000 two other wholesale lending institutions:-Sana Kishan Bikash Bank (SKBB), (Small Farmer's Development Bank) and Nepal Co-operative Bank, (NCB) are in operation.

In addition, hundreds of International Non-Government Organizations (INGOs) and thousands of local NGOs also are promoting small groups that generate their own resources through their savings and lend them within their members. Most of these groups, if not disintegrated (they are mostly disintegrated when the training and technical assistance need that emerge over a period of their maturity are not provided to them as a result of the phase over of programs of such INGOs and NGOs), become savings and credit cooperatives.

Similarly, there are finance companies providing micro financial services. But a small portion of their portfolio comprise of micro loan too.

### **2.1.6 The MF Sector in Nepal**

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

#### **2.1.6.1 The Institutional sector**

##### **a) Nepal Rastra Bank (NRB)**

NRB is a central Bank and an apex institutional of the financial system. It has placed various efforts to develop the finance system in Nepal. It introduced the priority sector (small sector) lending program in 1975 and the intensive banking program in 1981. Further in 1992, NRB participated in equity and

management to develop the Grameen Banking Program system by introducing regional rural banks as a replication of Bangladesh Grameen Banking model, NRB plays a vital role to develop the micro finance system in Nepal through introducing policy systems and institutions as well.

**b) Rural Self Reliance Fund (RSRF)**

In 1990, Government of Nepal introduced a fund of Nrs.10 million to provide a wholesale fund for small cooperative and rural based NGOs to on lend to micro entrepreneurs. Further in 1999 government provided additional support of Nrs.10 million to the RSRF. Since the beginning, the fund has been handle3d by NRB up to mid July 2002, RSRF sanctioned loans to 48 NGOs and 129 cooperatives amounting to Nrs.18.15 million and 34.21 million respectively.

**c) Rural Micro finance Development Centre (RMDC)**

Under the financial support of ADB, Manila, NRB banks and financial institutions together injected equity to form the micro-finance apex institution Rural Micro Finance Development Centre (RMDC) incorporated in 1998 mainly to extend wholesale fund to the micro-finance institutions. As of mid July 2002, RMDC had approved NRS 204.8 million. Its mandate includes capacity building for MFIs and ultimate borrowers in additional to providing a fund for on lending to them.

**d) Commercial Banks (CB)**

According to the NRB directive, commercial banks need to extend at least 3 percent of their total loan outstanding to deprived sectors CBs are extending the 3 percent fund in equity and also providing wholesale loans to MFIs, At present, 17 commercial banks are extending credit to the deprived sector amounting to Nrs.8482.6 million.

**e) Small Farmer Development Bank (SFDB)**

SFDB was established in 2002 under development bank act of 1996 to provide wholesale funds to small farmer cooperative ltd. (SFCLs) were developed by the SFDP of ADB/N to make groups of small farmers self reliant and sustained. Until now the total number of SFCLs affiliated with the SFDB is



35 and the total number of groups with in the SFCL is 3434. The total loans disbursed to the group members' amounts to Nrs 25.4 million.

**f) Development Banks**

Some development banks formed under the development bank act 1996 are implementing micro-finance activities in rural areas. Prior to becoming development banks, some institutions were active as NGOs in the field of social development, as well as in micro-finance. Among these banks, 5 are regional rural development banks in the government sector and 6 are microfinance development banks established by private sector.

**g) Pashchimanchal Grameen Bikash Bank Limited (Pas GBB)**

Pashchimanchal Grameen BIKash Bank Limited (Pas GBB) was registered in 1994 as a public limited company under the company Act 1974. Currently, it is operating under the bank and financial institutions Act 2006. As a micro finance bank, the bank has been established to alleviate the hardship and sufferings of the rural people within the Western region of Nepal.

The main objective of the bank is to poverty alleviation of the rural poor through credit delivery system of the western region of Nepal. The unique features of the bank are: Area approach, well defined target group, group guarantee lending approach, no physical collateral required, disbursement of loan at the center.

Pas GBB was established as a Regional Rural Development bank in 1995 through a joint collaboration of the government of Nepal, Nepal Rastra Bank and commercial Banks, to serve poor and deprived people of the Western Development Region. Modeled on the Grameen Bank Methodology, the mission of Pas GBB is to generate self-employment through micro-credit to the rural poor at their door step to reduce poverty level in the western region of Nepal.

Pas GBB operates 39 branches in 13 districts located in the hill and terai regions in the western development region, with a stronger presence in the hills. Pas GBB has focused on two demographics in order to address poverty: women in remote hill and terai regions through a focus on women, Pas GBB have found that financial access has increased financial productivity, and the development of

women's financial management abilities and skills have exceeded their male counterparts.

The criteria used by Pas GBB to select its clients are: limited assets, no sources of regular income, no active loan with another microfinance provider and ownership of less than 0.5 hectares of land. The criteria are in place to make sure that the poorest of the poor are eligible to receive direct support from Pas GBB. The bank uses Participatory Rural Appraisal (PRA) techniques, employing various demographic measures, to determine whether clients match the criteria or not.

The head office of the bank is situated at Butwal, Rupandehi. It has started its first operation on 15th July, 1995 from the Goringhara branch of Kapilvastu district.

[www.grameenbanknepal.org](http://www.grameenbanknepal.org)

### **2.1.6.2 The Community Based Sector**

#### **a) Financial Intermediary Non-government Organization (FINGO)**

Normally, NGOs in Nepal (at least those registered under the societies Act) have not been entitled to undertake profit-oriented activities, such as financial intermediation. However, the rapidly growing engagement of NGOs in social development has created a need for extending some basic financial services such as micro finance services. To address the lack of institutions providing MF services in many areas of the country, the central Bank of Nepal (NRB) has provided a mechanism by which selected NGOs can be engaged in financial intermediation activities. These activities are defined as the borrowing and lending of funds, but do not include direct deposit taking from the public. Currently, a couple of dozen NGOs have already been licensed by NRB. The last session of parliament approved changes in the financial intermediary Act of 1998, which now allows FINGOs to collect savings from the members of groups. Those NGOs that are operating in financial services transactions and opting for an NRB license are referred to as FINGOs. There are 47 such FINGOs in Nepal and some part of the financial transactions of these FINGOs are published but their outreach is not published.

#### **b) Saving and Credit Co-operatives (SACCOS) or Credit Unions (CU)**

There were 2345 saving and credit co-operatives as of July15, 2004 in Nepal. In additional there are thousands of others multi purpose co-operatives (out of 2979 multipurpose co-operatives) that undertake savings and credit activities in Nepal. All of these co-operatives are registered under co-operative Act 1992, and are legally allowed to carry out the savings and credit activities with in the members. From the 2345 CUs, 20 CUs received approval from NRB to conduct limited banking activities.

**c) Saving and Credit Groups (SCGs)**

There are tens of thousand of unregistered SCGs in Nepal, some of which are quite large even though they are not registered either as NGOs or Co-operatives. The vast majority of these SCGs grew out of assorted development initiatives (literacy programs, water and forestry user groups, mother and child programs etc.) in to which a savings component had been introduced, if only to strengthen the likelihood, that the group would continue to meet and be active after the specific program intervention had been completed. Given the limited prospects of such smaller groups and the problems that promoting agencies café in maintaining outreach to large number of scattered, small groups, considerable attention is being paid now a day to mechanisms for federating and institutionalizing those groups.

**d) Traditional Savings and Credit Groups**

Nepal has a long history in the operation of traditional savings and credit associations, often referred to in the literature as a rotating saving and credit association, but known locally as Dhukuti or similar terms. These tend to be non-registered, but quite formally structured in terms of membership rights and obligations, etc.

**2.1.7 Future Prospects of Microfinance in Nepal**

The on-going Tenth plan, 2002-2007, has the target to bring down the number of people under the poverty line from 38 percent to 30 percent (at the targeted growth rate of 6.2 percent) at the end of the plan period. Based on the Nepal living standard survey, 1996 (NLSS), 44 percent of the rural population live below poverty line as against 23 percent for the total urban people. It is obvious that the poverty intensity in rural areas is more severe than in urban areas

the figure being 12.5 percent as against only 7.0 percent in urban areas. The per capital income of the rural areas (1999) is estimated to be Rs.1094 only which is less by 49 percent as against Rs.2133 for the urban areas.

The population census 2001 result showed Nepal's total population to be around 23.15 million 38 percent of which (8.79 million) is below poverty line. Out of this, rural and urban population constituted around 86.1 percent (22,211,031) and 13.9 percent (940,392) respectively.

In 2005, the population of Nepal is projected to have reached the level of 25.34 million. Assuming the proportion of rural population to be 86.1 percent (21.82 million) and the urban population to be of 13.9 percent (3.52 million) the number of absolute poor would have reached somewhere around 9.6 million in the rural areas and 0.81 million in urban areas. If the population projection is true, the absolute number of poor people should have thus increased along with the number of population living in rural areas. In the absence of any information on how many people have graduated up from absolute poverty level, between 1996 and 2005, no authoritative conclusion seems to be possible at the moment; yet the absolute number of poor people should have increased as indicated. This overwhelming proportion of rural people with severe poverty problem is a strong cause for them to be dissatisfied with the pace and pattern of development taking place in country.

Likewise, land holdings record reveals similar stories. In 2001/02, out of 3.36 million holdings/ holders, about 801 thousand holdings/ holders (around 23.8 percent) made use of agriculture loans. Out of this aggregate figure, loan users from institutional sources constituted only 40.4 percent and those from non institutional sources are so high that it has reached 59.6 percent. This indicates that the non-institutional sources of loan still constitute a major portion of the total agricultural loan.

Further, out of the total, only 22 percent small farmers holding less than 0.5 hectares are utilizing agricultural loans. This is the group of the farmers who are in greater need of agricultural loan whereas those big farmers holding two or more hectares constitute as high as 31 percent. Around 72 percent of small farmers use loans from non- institutional sources of loan in the agriculture sector while at the same time ensuring that overwhelming proportion of institutional loan is diverted to the small farmers.

All these trend indicate that the potentialities for microfinance is immense, and hence, a need for policy and programs that a accelerate positive changes overtime.(*Dr. Rabindra k Shakya, 2005*)

In the areas of major Development thrust of the Tenth plan (2002-2007) emphasis has been laid to women's empowerment among others in the following manner (NPC, 2003).

- # Programs for providing production credit to women will be expanded through such mechanism as micro credit for women (MCW), Production Credit for Rural Women (PCRW), Small Farmers Development Program (SFDP), Grameen Bank, ADB/N and other Bank.
  
- # In order to help women engage in self-employment and also conduct various entrepreneurial activities on their own, institutional loan facilities will be expanded and the process of providing such loan will be made simple and accessible.

### **2.1.8 International Year of Micro-credit (IYMC) 2005**

The international year of Micro credit 2005 is a key acknowledgement from the world community of the important of micro credit for overall economic development. GDRC is proud to be part of this community raising awareness and building capacity on micro credit.

"Micro credit is a critical anti poverty tool..... a wise investment in human capital, when the poorest especially women, receive credit, they become economic actors with power. Power is improve not only their own lives but, in a widening circle of impacts, the lives of their families, their communities, and their nations." Kofi Annan Secretary General of the UN

#### ***What are the millennium development goals?***

- Eradicate extreme poverty and hunger.
- Achieve universal primary education.
- Promote gender equality and empower women.
- Reduce child mortality.
- Improve maternal health.
- Combat HIV/AIDS, Malaria and other dieses.
- Ensure environmental sustainability.

- Develop a global partnership for Development.

### **Objectives of the IYMC:**

- Assess and promote the contribution of micro credit and micro finance to the millennium Development Goals (MDGs)
- Increase public awareness and understanding of micro-credit and micro-finance as vital parts of the development equation.
- Promote inclusive financial sectors.
- Supports sustainable access to financial services and
- Encourage innovation and new partnerships by promoting and supporting strategic partnerships to build and expand the outreach and success of micro credit and micro finance.

## **2.2 Review of Major Empirical Studies**

This section is devoted to review of important empirical works, concerning micro credit. The empirical works on micro credit are numerous and here, it is not easy to survey and review of all the empirical works extensively and present there in detail. Some important studies are review here.

### **2.2.1 Review of Major Journals and Articles**

#### **I) Elai & Danopouls study**

Elahi & Danopoulos conducted study on micro credit on the third world in 2004. The main objective of the study was to examine micro credit's poverty alleviating ability from the respective of moral and political philosophy. On the basis of findings of study researcher have concluded that the theory has insurmountable limitations as a model of sustainable poverty alleviation on the third world.

#### **II. Sharma's Study**

Sharma has assessed on Millennium Development Goals and International Year of Microfinance 2005. In Nepal 2005 the main objectives of the year micro credit 2005 was to eradicate of poverty. Sharma summarizes the existing progress Nepal for MDG that NPC and other development agencies claimed that poverty

of Nepal reduce to 31% in 2005 similarly the primary enrollment of 84% found in comparison to 64% in 1990. The assessment is social studies of women. Similarly it shows child mortality 82 per thousand in comparison to 91 per thousand in 1990. Similarly the assessment of 2005 shows maternal rate of 450 per lakhs in comparison 850 in 1990. 81% people are getting safe drinking water as per the current evaluation most of the objectives stated a solve can be address through microfinance directly or indirectly the result shows there is positive signal for achieving the objectives.

### **III Sharma's Study**

Sharma conducted study on microfinance is 2004. The main objectives of the study was to explore the role and important of microfinance in reducing poverty by generating the income of the poor. On the basis of finding of the study that Nepalese MIIS are not being able to reach the poorest due to inability of proper identification of the poor and lacks of commitment and clear vision of their action. This institution are suffering from the problems such as in adequacy of resources in appropriate regulation, loss of confidences of depositors, narrow label and area of operation excessive overhead and in effectiveness of activities, further researcher conclude that Nepalese microfinance institutions should need to enter in a new paradigm of financial market and for their sustainability Further more expanding micro credit program along with restructuring the whole financial system is recential so as to insure financial system to better serve the rural economic.

### **IV Baral's Study**

Baral conducted study on Microfinance Good portfolio and management of delinquency 2004. Finding of the study show that the recovery rates of loan mobilize on the different program is found to satisfactory. In the content of Nepal high loan recovery rate indicates that microfinance institution loan do not have to face much more problem relating to delinquency. Researcher has identified two kinds of irregularities committed by both MIIS and borrowers. On the part of MIIS the irregularities were commonly found on selection of target area, identification of target group irregularities in formulation of group, mobilization of loan, on the basis of securities and emphasis on investment and recovery of loan. Similarly on the part of barrowers the regulated found are misuses of loan

non-repayment of loan from different sources. Researches has suggested that their should be a strong monitoring mechanism at project in the track of nation goal poverty alleviation If not, they will make the poor more pore rather than to elevate their standard of living.

## **V. Baral's Study**

Baral conducted study on Government policy announcement on Micro finance industries is..... The main purpose of the study was to review the concept of microfinance historical aspects of micro finance in Nepal and Government policy announcement in microfinance on the basis of findings Baral conducted that microfinance institution have grown like mushroom especially after the restoration of democracy is 1190. There are thousands of microfinance is operation Government of Nepal also has seen running of the alleviation of the poverty. But must of the microfinance institution and projects are based on the Urban area or peripheri of the urban area. Further Baral conducted that some are doing business in the name of poor. Some are expropriating the money of poor for rich thousand of the microfinance institution are out of the supervision and monitoring of the concern authorities. Different types of institution are delivering these some financial product for different crises and are being run under different acts.

## **VI. Center for Micro finance conducted research on women empowerment through microfinance in 1999.**

The main objectives of the research are here: To find out the extent to which women is MCPW make production use of the loans they receive to find out the extent to which women are interested in federating their small group in to a lager organization that could eventually evolve into a village book owned and controlled by women themselves to assess the impact of the project in contribution to women's empowerment. The study was based on bank primary and secondary data standard field survey questionnaire interview focus group discussion observation and informal discussion method were used to carry out the researcher concluded that the involvement in the MCPW program has empowered women in varying degrees in the all three districts of Lalitpur. It has



offered opportunities for poor women to come out of their household confines, to organized productive and social activities. For the researcher concluded that she program with its focus on group activities has held to advanced the women's confidence and solidarity which in effect has led to a significant change is their status with in and outside their household.

**VII. Thomas conducted or research women saving and Empowerment in 2000.**

The objectives of the research project were to study how women are presently benefiting from mixed-sex SCOSs and weather SCOs are could be vehicles for women's empowerment. Individual interview focus group discussion and they informal meetings methods were used to collect the data in this research. On the basis of findings researcher concluded that women are benefiting from saving with SCOs. However these benefits are limited by women's role in decision making in homes and at the SCO and by barriers imposed by society and SCO boards. Farther researcher conduced that the most important, direct benefit of saving with the SCO which affects women's individual well-being is the building up of funds for old age security. The indirect benefit for a women's individual sense of well-being include getting greater respect from neighborhood and admiration from female friends for possessing and independent account. Other benefit were feeling are increased sense of independence and creating or boosting personal financing security.

**VIII. Baral conducted study on Government policy announcement on Micro-finance industries in .....**

The main purpose of the study was to review the concept of Micro-finance historical aspects of Micro-finance in Nepal and Government policy announcement in Micro-finance. On the basis of findings Baral concluded that Micro-finance institute on have grown like mushroom especially after the restoration of democracy in 1990. There is thousands of Micro-finance in operation Government of Nepal also has been running different Micro credit project in the name of the alleviation of the poverty. But must of the Micro-finance institution and projects are based in the Urban area or peripheral of the urban area. Further Baral conduced that some are doing business in the name of

poor. Some are expropriating the money of poor for rich though micro-finance institution thousand are running without the license of NRB. Most of the micro-finance institution are out of the supervision and monitoring of the concern authorities. Different types of institution are delivering these same financial products for different crises and are being run under different acts.

*www.cmfnepal.org*

### **2.2.2 Review of thesis/ Dissertations**

This part includes review of major these or dissertations which are conducted in Nepal in the topic of Microfinance / credit.

**I. Soti (2002)** conducted research work to assess Micro credit programs and socio-economic uplift of women. A case studies of MCPW in Chainpur VDC of Chitawan District. The main objectives of were to analyze the impact of MCPW in uplifting the socio-economic condition of women of Chainpur VDC of Chitwan Districts, to analyze the intermediary process of credit delivery in MCPW and to examine the factor affecting the profitability of income generation activities. The study was responds both primary as well as secondary data, interview and discussion method were used to conduct study. On the basic of findings researches conclude that the MCPW brings about change in the quality of life of the socially disadvantaged poor women and poverty stricken people of the rural community in Nepal; All the women members are in the range of MCPW main data of Rs.4400 per annum income. The program with its focus on group activities and income generation has helped to enhance the self confidence and increased right to spend thus increasing the access to resource positive change of majority women members' financial status. After getting the license of financial intermediary from the NRB, if it expands working area as planned and increase the efficiency, it can sustain as a financial intermediate perception level of support service has the moderate predicting value, it can be concluded that for the profit to be high performance of the NGOs should be high in terms of its service to women members.

**II. Regmi (1999)** has conducted women, Micro-credit and poverty alleviation. A case study of Micro-credit project for women (MCPW) in

Mangalpur VDC, Chitwan. The main objectives of the study was, to give some information about the philosophy of micro finance to assess the impact of MCPW on the, beneficiaries earning and living standards in Mangalpur VDC, to examine the improvement in the status of women by MCPW in Mangalpur VDC, to evaluate the impact of MCPW in the context of poverty alleviation to suggest appropriate measures to make MCPW and other similar credit programs more effective from the experience of Mangalpur VDC. The study has responds primary data were collected by structured questionnaire, which was protested, interview and discussion method were used to conduct study. On the basic of finding researcher conclude that, out of total borrower 35.8% were engaged in agriculture and 21.4% in wage earning and other in different occupations, the member, associating with MCPW have started such business which are economically profitable and significantly increased their average income after intervention of program, autonomy improver only if household income increases along with project participation, most of the women beneficiaries of the MCPW are relatively poor women having income less than Rs.2000 yearly. Soon an average, the programs is target group oriented. The study has founds that the over all impact of MCPW on beneficiaries earning and living standards is positive, although the figure of income is gross in nature and there is various aspects of living standard too. On the basic of finding researcher conclusion that the program is towards a satisfactory trend to alleviate poverty but there are still many things to be done and considering the solution of the existing there is new to planting in the future.

**III. Gharana (2001)** conducted the study on Micro credit for women's poverty reduction: A case study of the Ghaukhel VDC, Bhaktapur District. The specific objectives of the study are, to examine the improvement in the status of women the program, to evaluate the impact of programs in the context of poverty reduction, to assess the impact of program on the beneficiaries earnings and living standard, to suggest appropriate measures to improve micro credit program for women based on the experience of Ghaukhel VDC, Bhaktapur. The study has responds both primary as well as secondary data. Questionnaire methods were

used to conduct study. On the basis of finding researcher conclusion that the program is toward satisfactory trend to reduce poverty but trend is still many things to be none and considering the solution of the existing problem there is need to planning in future.

**IV. Oli (2001)** conducted the study on the topic of Empowerment of women through Micro credit program: A case study of Garameen Bikash Bank (GBB) program of Budhabare VDC of Jhapa District. The main objectives of the study are to assess the functioning of GBB in Budhabare VDC with the extended banking facilities to women to examine the empowerment of women brought by GBB activities on the role and status of women of the study area, to produce applied recommendation for better empowerment of women with reference to targeted program of GBB.

The study has responds both primary as well as secondary data interview, observation, key informant interview, focus group discussion case studies technique were used to conduct study.

On the basis of finding researchers conclude that, the research shows that income alone does not raise the status of women. The problem must be tackled both socially and economically by raising the awareness of women. The major focus of GBB was not to constitute only the poorest of the poor women of rural area as the beneficiates of the GBB programs. The activities implemented to improve the status of women by the program GBB have been focused successful to some extent to empower the poor women of the rural areas.

**V. Panthee (2004)** has conducted the study Impact of Micro credit program for women: A case study of Tikaligadh VDC of Rupandehi District. The main objectives there, to examine the improvement in the status of women by the programs, to evaluate the impact of programs is the context of poverty reduction ,to assess the impact of program on the beneficiates earning and living standard, to suggest appropriate measures to improve micro credit program for women based on the experience of Tikuligadh VDC Rupandehi. The study has responds both primary as well as secondary data. Questionnaire methods were used to conduct study. On the basis of finding researcher conclusion that, change in the

attitude of people is as important as the materials achievement through community development during the initial stages of development. The identification encouragement and training of local leadership should be a basic objective in any program. The impact of program on income generation and living standard is positive but it is not as much as it is to production only but the market of the product is also required. Two reasons can be perhaps being cited for this partial improvement in women relative well being. First exposure to income earning activities in a single generation can not perhaps wipe out centuries of cultural conditions. Secondary, owing to their low absorptive capacity of those who have got large scale credit in absence of sufficient income opportunities to the borrower women are increasingly depending on their husband in order to make better use of credit. That can be represented as loss of independence.

The program is towards satisfactory trend to reduce poverty but there are still many things to be done and considering the solution of the existing problem there is need of further planning in future.

**VI. Ghimire (2005)** has conducted the study Impact of micro finance: A case study of micro credit Programmer for women in Kahun VDC Kaski. The main objectives were to analyze the position of existing credit to measure the relationship between investment and income to assets the effect of training on standard of living of the people to measure the perceptions of users group towards the programmed, to assess the financial sustainability of the programmed. The study has responds both primary a well as secondary data. On the basis of finding researcher conclude that the group activities regular saving and investment high rate of repayment and utilization of loan have been satisfactory however, there is still room for improvement with regard to management of misuse of loan. The positive compellation between investment and changes in income level of the participants shows that the capability of the experience for the repayment of the loan in due time is good savings on the basis of the investment is found to be highly effective aspects of the programmed upon which training and income generating activities is based. Training and awareness

program are the most crucial component of the program for making skilled energetic entrepreneur to run their enterprise effectively and successfully. There is no evidence of association between factors such as age group, education level; ethnic group with perceived value of the benefit of from the program shows that once the women are invested in program. They have been able to achieve some kind of benefits in one form or their. The overall impart of the program is found to be satisfactory. Increase in income along with empowering process increased in standard of living of women's family which endeavored change in their livelihood.

### **2.3 Research Gap**

Although, various researchers has been conducted about different parts of micro credit programs and its analysis on different area of the country. But there is not related to thesis to Impact of micro credit policy on women's empowerment in Jagatra Devi VDC in Syangja Districts. Since, the present study concern with the micro credit policy and its impact on women's empowerment in Jagatra Devi VDC with various tools.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1 Research Approach**

The objective of this study is to identify the economic impact of microfinance and its role on poverty alleviation. According to Ghauri (2005, page3) “Research is a process of planning, executing and investigating in order to find answers to our specific questions. In order to get reliable answers to our questions, we need to do this investigation in a systematic manner, so that it is easier for others to understand the logic of and believe in our report”.

There are three approaches, which can be used in any research inductive, deductive and the combination of the two.

“By deduction we mean that we draw conclusions through logical reasoning. In this case, it need not be true in reality, but it is logical. The researcher in this type builds/deduces hypothesis from the existing knowledge (literature), which can be subject to the empirical scrutiny (testing) and thus can be accepted or rejected.”(Ghauri, 2005, page 15)

Deductive approach is important in a context that it uses the existing data and knowledge which is already been tested and hypothesized. In this study we analyze different school of thoughts. We study different variables associated to the problem and also relation between them.

“This not only helps the researcher to better formulate and understand the research problem, but also broaden the base from which scientific conclusion can be drawn. In other words, the verification process is more rapid and the reliability of the information and conclusion is greatly enhanced.” (Ghauri, 2005, page95)

#### **3.2 Research Design**



This study is mainly based on micro credit program and case study of Paschimanchal Grameen Bikash Bank program in Jagatra Devi V.D.C. Syangja. It is intended to find out economic impact and social benefit in specific area. A descriptive research design is applied to analyze and interpret the quantitative and qualitative data collected from the concerned field. Loan investment, repayment process and other development process are related to micro credit program. Primary and secondary data are used for the study of rural poor women and staffs of Paschimanchal Grameen Bikash Bank.

### **3.3 Nature of the Data**

This study is based on the primary as well as secondary data. This study was mainly based on primary data, which was collected from the field survey using structured questionnaire, check list for focused group discussion and the observation method. The structured questionnaire and check list for focused group discussion are presented in *Annex 1* respectively. The related secondary data is obtained from secondary sources e.g. books, pamphlets, articles, reports, web-sites, journals, annual reports, economic survey and difference sources.

### **3.4 Population and Sampling**

Paschimanchal Grameen Bikash Bank Ltd. Galyang, of Syangja branch is providing its services in eight V.D.C. 692 members are active in micro finance program covering 16 centers. In Jagatra Devi V.D.C. 235 members 63 groups and 6 centers are active, at present. Thus, the study only focuses on these active borrowers. The populations under this study are 235 women. 63 women individuals were selected as the sample population through the study. 63 women are taken as sample to obtain accurate and real scenario and its effect on economic impact.

### **3.5 Sample Technique**

The list of the rural poor women was provided by Pashchimanchal Grameen Bikash Bank Ltd., Syangja. Structure questionnaire and check list for focus group discussion were used to collect the primary data from the study area, key informants and target population were interviewed in the study area. Random sampling method was used to fill up the questionnaires. From the list of sample, 63 members were drawn by applying random sampling with out replacement. All the respondents were women.

#### **Technique of data collection**

- ) Interview of women members
- ) Group discussion
- ) Interview and discussion with staffs.

### **3.6 Process of Data Collection**

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

### **3.7 Tools**

Different tools are used to analyze the collected data:

- ) Tabulation
- ) Percentage Bar Diagram
- ) Graph
- ) Pie-chart

### **3.8 Limitation of the Methodology**

Since, the study is carried out within the framework of descriptive, cross-sectional and analytical research design; it is difficult to eliminate the limitation of the research design in which the study is based on. Simple random sampling is used to draw the sample size that is not free from its own criticism. Similarly different tools are used to analyze the collected data, which are based on certain assumptions. Thus the accuracy, reliability and validity of the study depend upon the circumstances on which the model is based.

## CHAPTER IV

### PRESENTATION AND ANALYSIS OF DATA

It has been displayed and evaluated the collected data regarding the research in this chapter. The main concern of the study is to analyze the economic impact of micro-finance on rural women, so it is tries to analyze the impact considering women's income and saving pattern along with entrepreneurship and their contribution to fulfill the household needs. Some social as well as political indications will be relevant to add here.

#### 4.1 Age, Caste and Marital Status of Women Members

##### 4.1.1 Age group of Respondents

**Table 4.1: Age group of Respondents**

Age group	No of Respondents	Percentage
20-30	6	9.53 %
30-40	16	25.40 %
40-50	29	46.03 %
50-60	8	12..70%
60-70	4	6.34 %
Total	63	100

*Source:* Field Survey, July, 2010.

The youngest among the members surveyed was 20 years old while the oldest was 66 years old. We find little women who had 60 years over were only 6.34 %. Table shows 71 percentages of the women members are between 30 to 50 years who have heavy financial load for their survival and other social responsibilities such as giving education, marriage of their children.

#### 4.1.2 Caste Distribution of Respondents

**Table 4.2: Caste Distribution of Respondents**

Caste	Total Member	Percentage
Brahmin and Chhetri	21	33.34
Newars	7	11.11
Magars	11	17.46
Damai	3	4.76
Kami	6	9.53
Muslim	8	12.69
Gurung	7	11.11
Total	63	100

*Source:* Field Survey, July, 2010.

**Figure 4.1: Caste Distribution of Respondents**

Above table and figure shows that in the study area majority of members belongs to Brahmin and Chhetri. About 33 percent of member comes from Brahmin and Chhetri. 18 percent (17.46 %) percent are Magars, 11 (11.11%) percentages from Newars, only 15 percentages are from dalits, only 13 percentages from Muslim and 11 percentages from Gurung. Although, the Jagatra Devi VDC is multi ethnic world comprising prominently four ethnic groups but the participation from the dalits are very limited.

#### 4.1.3 Marital status of the Respondents

**Table 4.3: Marital status of the Respondents**

Marital Status	No of Respondents	Percentage
Married	47	74.61
Unmarried	7	11.11
Widowed	4	6.34
Separated Divorced	5	7.94
<b>Total</b>	<b>63</b>	<b>100</b>

*Source:* Field Survey, July, 2010.

**Figure 4.2: Marital status of respondents**

Table 2.3 and Figure 4.2 shows, that majority 74.61 percentage of the member surveyed was married. Unmarried are 7 which represent 11.11 % on all respondents. 6.34 percentages are widowed and 7.94 percentages are separated divorced. This data means that 9 percentages of the members surveyed are heads of household.

#### 4.1.4 Education Attainment of the Respondents

**Table 4.4: Education Attainment of the Respondents**

Educational level	No of Respondents	Percentage
No Education/illiterate	6	9.53
Joined Adult Literacy Class	15	23.80
Primary School	13	20.63
High School	23	36.51
University Level	6	9.53
<b>Total</b>	<b>63</b>	<b>100</b>

Source: Field Survey, July, 2010.

Table 4.4 shows the pitiable educational condition of the women even in the periphery of Syangja district. 9.53 percentages of the members surveyed had no formal education. 23.80 percentages of these without formal education had joined adult literacy classes. Only 9.53 percentages reached the University level. It indicates their negligence of concerned authority to educate women in Syangja district which is developing district of modern Nepal.

## 4.2 Family size

### 4.2.1 Family size of the respondents

**Table 4.5: Family size of the respondents**

No of Family Member	No of Family	Percentage
1-4 Members	37	58.73
5-8 Members	21	33.33
9-12 Members	5	7.94
Total	63	100

Source: Field Survey, July, 2010.

Table 4.5 shows the increasing preference towards nuclear family. 58.73 percentages of the member served belongs to small sized households with 1-4 members. However, 33.33 percentages come from medium sized households with 5-8 members and negligible percentage (7.94) had large sized family member with 9-12 persons. The increasing trend of migration of youngster to the city area is the main reason of small sized family in study rural area.

## 4.3 Purpose of Joining Micro-finance Programs

**Table 4.6: Purpose of Joining Micro-finance Programs**

Purpose of Loan	No of Respondent	Percentage
To earn more	32	50.80
To have company with friends	7	11.11
To be self dependents	24	38.09
Total	63	100

Source: Field Survey, July, 2010.

Table 4.6 shows, the main purpose of join in Micro-finance programs. Normally they join for three purpose, many of them (50.80 %) join for to earn more and increase their life standard. 11.11 percentage of them were join for company with friends, they wanted to do some things. Rest 38.09 percentages were joining for self dependent. They wanted to run own micro-enterprise. This program helps for fulfillment of their purpose although they were different.

#### **4.4 Employment, family income pattern of the respondents**

##### **4.4.1 Employment status of the respondent**

**Table 4.7: Employment status of the respondent**

Status of employment	No of Respondents	percentage
Employed	5	7.93
Semi employed	42	66.67
Un employed	16	25.40
	63	100

*Source:* Field Survey, July, 2010.

Table 4.7 shows, 7.93 percentages of women are employed in any kind of services and they joined micro-finance programs for extra earnings. But 25.40 percentages of women are unemployed and they only depend upon the remittance send by their husbands from foreign employment. They have lands but they do not farming their-selves.66.67 percentages of them are semi employed as they depends upon agriculture, which provide them seasonal employment.

##### **4.4.2 Income pattern of the respondents.**

###### **4.4.2.1 Income pattern of women before the program**

**Table: 4.8: Income pattern of women before the program**

Contribution in family income	No of Respondents	percentage
Herself	6	9.53
Joint with husband	16	25.39
Husband only	41	65.08
	63	100

*Source:* Field survey, July, 2010.

Table 4.8 shows, 9.53 percentages of women bear the burden of household expenditure solely and 25.39 of the respondents help in their family



income involving various seasonal employment. The majority of the respondents (65.08) do not contribute in the family income as they are confined to households and the contribution of farming is not considered here.

#### 4.4.2.2 Income pattern of women after the program

**Table 4.9: Income pattern of women after the program**

Contribution in family income	No of Respondents	percentage
Herself	16	25.39
Joint with husband	36	57.14
Husband only	11	17.47
	63	100

*Source:* Field survey, July, 2010.

Table 4.9 shows that, 25.39 percentage of women covers their households expenditure and they don't depend on other. 57.14 percentage of women help share with their husbands and 17.47 percent still depends on their husbands. These indicators show that with the positive impact of the program, contribution of women in family income is increasing.

#### 4.5. Loan Status of the Respondents.

##### 4.5.1 Main purpose of taking loan

**Table 4.10: Main purpose of taking loan**

S. No	Main Purpose of Loan	No of Respondents	Percentage
1.	House hold needs	4	6.34
2.	Children education	7	11.11
3.	Feast and Festivals	3	4.76
4.	Agricultural	27	42.86
5.	Business	22	34.93
Total		63	100

*Source:* Field Survey, July, 2010.

**Figure 4.3: Loan status of the respondents**

Table 4.10 and Figure 4.3 show the mentioned purpose of taking loan from the Micro-finance. Maximum no of respondent (42.86) percentages were taking loan for the purpose of Agriculture. Very little respondents were taking loan to celebrate feast and festivals which is not the productive work. Very small amount of loan was provided for this purpose. 6.34 percentages were taking for the fulfillment of their house hold needs. 11.11 percentages respondents were taking loan for their children good education. In this way different person takes loan for the fulfillment of their own needs and wants. MIFs institutions help to fulfill in their income generating works.

#### 4.5.2 Utilization of the Loan

Micro finance program for Pas GBB Jagatra Devi VDC, Syangja has distributed loans for various purposes. In this research study to find out whether mobilized the loans are properly utilized or not. Loan utilization schedule of the sample women are shown in the following table.

**Table 4.11: Utilization of the Loan**

S.N.	Investment Sector	Using the Loan		Misusing the Loan		Total
		No.	%	No	%	
1.	Household needs	3	4.76	1	1.59	4
2	Children Education	5	7.94	2	3.17	7
3	Feast & Festival	3	4.76	-	-	3
4	Agriculture	23	36.51	4	6.35	27
5	Business	18	28.57	4	6.35	22
	Total	52	82.54	11	17.46	63

*Source:* Field Survey; July, 2010.

The above table shows that among the total sample women, 82.54% women have used loan for the related sector and 17.46% women have used their loan for unrelated sector.

On sector wise basis 4.76%, 7.94%, 4.76%, 36.51%, and 28.57% respectively from household needs, children education, feast & festival, agriculture and business have utilized the loan on related sector and objective of

the loan. Similarly, 1.59%, 3.17%, 6.35% and 6.35% respectively from household needs, children education, agriculture and business were misuse their loan and used for unrelated sector and objectives of the loan.

The above table shows that it has been found that large numbers of women have used the loan for the related sector and objectives of the loan and small no. of the women have used the loan for unrelated sector other than the objectives of the loan. The above data presented in the following figure.

**Figure 4.4: Utilization of Loan**

**4.5.3 Situation of regularity in repayment of loan**

Repayment rate measures the amount of payment received with respect to the amount due. The re-payment rate measures the historical rate of loan recovery. Regularity in the re-payment of loan is on essential condition of the performing loan. The capacity of the loan re-payment increase the goodwill of Pas GBB and program is regular for future time. Well managed and efficiently operated business enterprises give rise to the productivity, income earning, saving, loan recovery and make easy access to re-pay the loan in due time. The response on regularity situation of loan is shown in the following table.

**Table 4.12: Situation of regularity in repayment of loan**

S.N.	Investment sectors	Sample women	Regularity in the re-payment						Do not re-pay both the P & I	
			Both the P and I		Only principle		Only interest		No.	%
			No.	%	No.	%	No.	%		
1.	Household needs	4	2	50	-	-	2	50	-	-
2.	Children Education	7	4	57.14	1	14.29	2	21.57	-	-
3.	Feast & Festival	3	2	66.67	-	-	1	33.33	-	-
4.	Agriculture	27	19	70.37	4	14.81	4	14.81	-	-
5.	Business	22	20	90.91	-	-	2	9.09	-	-
	Total	63	47	74.60	5	7.94	11	17.46	-	-

Source: Field Survey, July, 2010.

The above table shows that among the total respondents, 74.60% women are found to be regular in re-payment of both the Principal and interest in time. Similarly, 7.94% and 17.46% women are found to be regular in re-payment principal only and interest only respectively. But no one women are founds irregular in re-payment of both principal and interest in time.

On sector wise 50% from Household needs, 57.14% from Children Education, 66.67% from Feast and Festival, 70.37% from Agriculture and 90.91% from Business are found to be regular in re-payment of both the principal and interest. Likewise, 14.29% and 14.81% from Children Education and Agriculture respectively are found to be regular in re-payment of principal only in due time but not the interest regular in time. Similarly, 50%, 21.57%, 33.33%, 14.81%, and 9.08% from Household needs, Children Education, Feast & Festival, Agriculture and Business respectively are found to be regular in re-payment of interest only in due time but not the principal re-payment regularly in time.

Among the different investment sector groups, the regular re-payment situation of Agriculture and Business is better than the re-payment situation of others investment sectors.

**Figure 4. 5: Respondents on the regularly of situation of loan re-payment**

## **4.6 Occupational status of the respondents.**

### **4.6.1 Main occupation before this program**

**Table 4.13: Main Occupation before this program**

Occupation	Total	Percent
Unemployed	21	33.34
Wage Laborer	9	14.29
Selling Wine	4	6.34
Farming/ Housing	19	30.15
Spinning	5	7.93
Weaving Machine	3	4.77
Mill	2	3.18
Total	63	100

*Source:* Field Survey, July, 2010.

The above table shows that a huge number of respondents (33.34) percentages were idle and they didn't have any occupation. Some of them totally depend on the remittance send by their husbands from foreign employment. It indicates that a notable portion of the amount of remittance is spending on consumption rather than productive areas. This also illustrates that the distribution of wealth is not proper.14.29 percent of the members surveyed claimed that their main occupation was that of wage laborer, 6.34 percent identified herself as wine seller.7.93 percent identified them as spinner. The field survey shows that the occupations are very much influenced by caste/ethnic group. Newar women involved in spinning where Brahmin/Chhetri women-Farming as their occupation. A small percentage (7.95 percent) identified them as Micro entrepreneur engaged in mill and making cloth.

### **4.6.2 Main Occupation of the Respondents after this Program**

**Table 4.14: Main Occupation of the Respondents after this Program**

Change in Occupation after MFP	Total	Percent
Unemployed	11	17.47

Farming	5	7.93
Wage Laborer	7	11.11
Spinning	8	12.70
Selling Wine	9	14.29
Livestock/Poultry Raising	6	9.52
Selling milk	4	6.34
Shop	5	7.93
Weaving Machine	5	7.93
Mill	3	4.77
Total	63	100

*Source:* Field Survey, July, 2010.

The above table shows that there is significantly change in the employment status of the respondents. The number of unemployed has decreased by 47.61 percent after the micro-finance program as it was 21 before the program and decreased to 11. The scarcity of resources has limited the chances of employment in the rural areas. Above table shows the slight changes in the occupation after the introduction of MFP in the surveyed area. Raising poultry-livestock come into existence as the occupation of 9.52 percent women. 57.93 percent have started retail shop of different types. The occupation like selling wine is still continuing and being the main occupation of 14.29 percent of the surveyed women. Traditional farming has shifted into commercial agriculture due to the MFP which enhance to the cash crops among the women.

#### **4.6.3 Loan Amount and No. of Borrowers**

To analyze those clients who have taken the first loan from the Pas GBB. Loan amount of the program at first phase of investment is given in the following table

**Table 4.15: Loan Amount and No. of Brrowers**

Loan amount (In Rs.)	No. of Borrowers	Percentages of Borrowers
1000-5000	17	26.98
5001-10000	20	31.75
10001-15000	15	23.81

15001-20000	11	17.46
Total	63	100

Source: Field survey: July, 2010.

The above table shows the scenario of loan amount and percentages of the total borrower. The borrowers are so many cautions about the loan that they demand according to their entrepreneurship talent. Out of 63 borrowers about 26.98% have taken the loan amount less than Rs.5000, 31.75% borrowers have taken the loan amount less than Rs.10000, 23.81% borrowers have taken the loan amount less than Rs.15000 and 17.46% borrowers have taken loan amount less than Rs.20000. This data is presented in figure no.5.

**Figure 4.6: No. of Borrower**

## 4.7 Earning Status of the Respondents.

### 4.7.1 Monthly Earning before and After Joining the MFP

**Table 4.16: Monthly Earning Before and After Joining the MFP**

S.N.	Income in Rs.	No of Respondents		Change (After-Before)
		Before MFP.	After MFP	
1.	Less 500	8	3	-5
2.	500-1000	14	3	-11
3.	1000-2000	17	5	-12
4.	2000-3000	8	8	0
5.	3000-4000	7	11	4

6	4000-5000	6	14	8
7	5000 Above	3	19	16
Total		63	63	

Source: Field Survey, July, 2010.

Above table can be shown by figure.

**Figure 4.7: Monthly Earning Before and After Joining the MFP**

Above figure shows the income status of the respondents before and after MFP. Before micro-finance programs there were 8 person out of 63 had income less than Rs. 500 but, after programs this number is only 3. In this way, no of respondent who earn between Rs 1000-2000 were 17 but this is reduce by 12 numbers. This clearly shows that the families are poor in terms of income. Agriculture production is not sufficient to feed their family year-round, whereas well-off household had surplus agriculture production. This survey shows the respondent who earn less than Rs 3000 were decreasing but the no of respondent who earn more than Rs 3000 were increase. Before micro-finance programs only 3 respondents earn above Rs 5000 but now this number is reached to 19. Monthly income increased due to joining the program. MFIs savings and credit services provided an opportunity for their members to undertake different enterprises, including micro enterprises. This helped the members to generate self-employment and increase their incomes, thereby contributing towards reducing their poverty to same extent.

#### 4.7.2 Women's Control over Earning

**Table 4.17: Women's Control Over Earning**

Caste	Perfect Control	Joint Control	Total Member
Brahmin/Chhetri	8	13	21
Magars	5	6	11
Newars	2	5	7



Muslim	2	6	8
Gurung	2	5	7
Other		9	9
Total	19	44	

Source: Field Survey; July, 2010.

Above table show the control power of women over the income. Only few women can use their earning on own decision. Other 69.84 percentages have joint control on earning. They use that amount on their combine decision. Due to traditional social structure, women are not independent of their earning. Joint agreement is common still in Nepalese society. This is because women take loan to fulfill their family requirement.

## 4.8 Saving Status of the Respondents

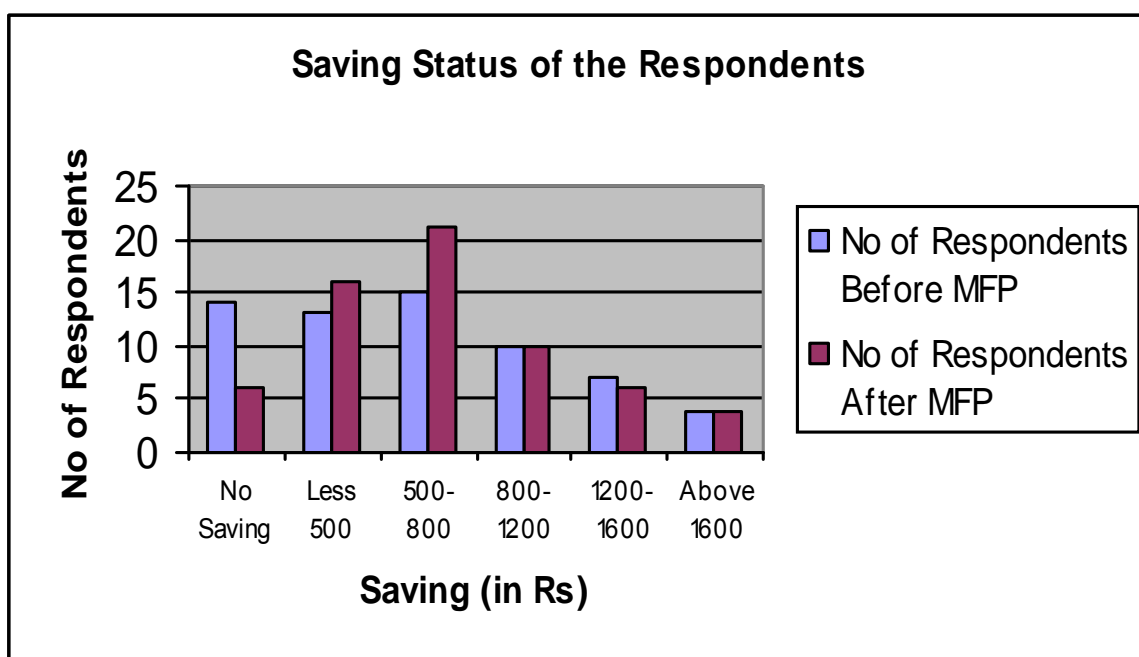
### 4.8.1 Monthly Trend of Saving of Respondents

**Table 4.18: Monthly Trend of Saving of Respondents**

Saving Amount (Rs)	No of Respondents		Changes (After-Before)	Row Total (RT)
	Before MFP	After MFP		
No Saving	14	6	-8	20
Less 500	13	16	-3	29
500-800	15	21	6	36
800-1200	10	10	0	20
1200-1600	7	6	-1	13
Above 1600	4	4	0	8
Total	63	63		

Sources: Field Survey; July, 2010

**Figure 4.8: Saving Status of the Respondents**



Above figure, shows the saving status of the respondents. Before MIFs, there were few people who used to do income generating works. Most of them were, hadn't get any work and any kind of income. So, they can't save money. This kind of people was 14 but after MFIs, people run different income generating works. They can earn some money and can save a little. The person who can't save is reducing by 8. In this way, no of people who can save is in increasing rate. Before micro-finance who saves Rs 500-800 per month is only 15 but after the number reached to 21. Although, no of people who save more than Rs.1600 are constants on only four people. It is clearly say that, after MFIs people can get more income and numbers of savers are also growing up.

Above table and figure present the truth that the saving amount is increasing after the MFIP intervention.

#### 4.8.2 Purpose of using savings

**Table 4.19: Purpose of using savings**

S. No	Category	No of Respondents	Percentages
1.	Household Needs	9	14.28
2.	Children education	13	20.63
3.	Feast and festivals	7	11.12
4.	Pay back the loan	11	17.46
5.	Health expanses	13	20.63
6.	Capital formation	10	15.88

Total	63	100
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Source: Field Survey; July, 2010

Table 4.19 shows that, 14.28 percent respondent using saving for purchase of household. Very little no of people use their saving to celebrate feast and festivals, which is not income generating works. 20.63 percentage respondents were using their saving for the purpose of children education and health expanses. This helps to increase the life expectancy and literacy level of the family.

#### 4.9 Awareness Status of the Respondents.

##### 4.9.1. Involvement on different Activities

**Table 4.20: Involvement on different Activities**

S. N.	Involvement Activities	No of Respondents		Changes (After-Before)
		Before MIFP	After MIFP	
1.	Family Planning	21	39	18
2.	Assets Purchasing	14	22	8
3.	Children Education	30	46	16
4.	Social Gathering	29	47	18
5.	Visiting Office	26	40	14
6.	Earning other than Agriculture	17	29	12
7.	Political	9	26	17

Source: Field Survey; July, 2010.

**Figure 4.9: Awareness Status of the Respondents**

Above figure and table shows, the number of aware persons in different sections which is growing up. There is maximum change in the awareness of family planning and social gathering. People are aware for their children

effective education. They frequently visit different office and inquiry about new programs. They are also aware of politics. People starts different programs with newly/modern way. They are near to IT world also. Now they can adopt any new things easily.

#### **4.10 Effect of Training to the Respondents.**

##### **4.10.1 Effect of Training to Run the Projects**

**Table 4.21: Effect of Training to Run the Projects**

S. No	Category	No of Respondents	Percentage
1.	Helpful	29	46.03
2.	No Helpful	9	14.28
3.	Did not Receipt Training	25	39.69
Total		63	100

*Source:* Field Survey; July, 2010.

#### **Figure 4.10:**

The data of the Table 4.21 and Figure shows, 46 percent found that the training they received was helpful to run the project. They had already started projects. But, 14 percent said the training is not useful in the sense that the training package is improperly designed. 40 percent of respondents had not

received the training yet. The figure clearly reveals that the training is useful to run the project but the nature of training should be demand-led rather than supply-fed.

Micro-finance provides necessary training to the client for strengthening their groups and improves or develops their clients' entrepreneurial and income-generating skills. The training programs embrace a wide variety of subjects, such as literacy and non-formal education, gender sensitization, entrepreneurial and occupational skills development, group management and development, leadership development and so on other, which help them to uplift their lifestyle.

#### **4.11 Status of life Standard of the Family Member.**

##### **4.11.1 Status of Health Condition of the Respondents**

**Table 4.22: Status of Health Condition of the Respondents**

S.N.	Category	Before MIFP	After MIFP
1.	Traditional treatment	28	16
2.	Relatively better off	35	47
Total		63	63

*Source:* Field Survey; July, 2010.

Above picture show that health condition of respondents has increased after the micro finance programs. At first health condition of the respondent was not good. They were being the victim of different disease. Death rate of infants, maternal was the great problem at that time. Due to the lack of knowledge about family planning, population was increasing day by day. People were depending upon traditional treatment like Dhama Jhakri. The main cause of all these problems was lack of awareness, illiteracy and poverty. After launching different awareness programs by micro finance, the condition of these people is changing. Now, increase death rate of infants maternal is decreasing day by day and they are taking advantages of new treatments (modern). People are also participating in family planning. Micro finance program also played a very important role to uplifting their health condition by running different programs.

##### **4.11.2 Change in Clothing Pattern of the Respondent**

**Table 4.23: Change in Clothing Pattern of the Respondent**

S.N.	Category	Before borrowing	After borrowing
1	Traditional	27	12
2	Relatively better off	36	51
Total		63	63

*Source:* Field survey, July, 2010.

Above table represents the true picture of the consumption which has increased after the MFP intervention.

#### 4.11.3 Status of Pure Drinking Water of the Respondent

**Table 4.24: Status of Pure Drinking Water of the Respondent**

S.N.	Category of water	Before MIFP	After MIFP
1	Well water	22	17
2	Steam water	23	15
3	Pipe water	18	31
Total		63	63

*Source:* Field Survey; July, 2010.

Above picture show that consumption of the drinking water has increased after the micro finance programs. At first people use to use different water sources available in the local area. Like, well, river, pond, steam etc. It was not only hygienic for them but also very far to bring, which made hard to hire and consume it. There were very less people who use tap water but after launching micro finance programs people started to use tap water near their house.

Micro finance programs are very much effective programs to improve the social life of rural people who were living unsanitary lives. Before launching program people were living and using unsanitary living substances. They used different source of water for their daily use which was not pure and good enough for their health. Hence, it caused different disease and made difficult to run their life smoothly. These problems not only increase the health problems but also affected to their life standard badly. Knowingly or unknowingly people were becoming victim of these problems because they had no sources and options to improve their drinking water. But micro finance programs became the perfect helper to solve these problems and uplift their life standard. This program

provide them knowledge and idea to make pure drinking water and awareness towards their health.

#### 4.11.4 Change in Food Consumption of the Respondents

**Table 4.25: Change in Food Consumption of the Respondents**

S.N	Category	Before borrowing	After Borrowing
1	Traditional	31	13
2	Relatively better off	32	50
Total		63	63

*Source:* Field survey, July, 2010.

Above table, it represents the picture that the living standard has increased after the micro-finance project intervention.

#### 4.12 Major Findings of the Study

There are numbers of positive impacts found within the sampled respondents that the economic as well as social condition of the rural women has gone up. Basically, the research stressed on economic impacts, it is relevant to present them in the following titles.

- ) There is interesting increase in the monthly income of women resulting by the micro-finance programs. Before micro-finance programs there were 8 person out of 63 had income less than Rs. 500 but, after programs this number is only 3. In this way, no of respondent who earn between Rs 1000-2000 were 17 but this is reduce by 12 numbers This survey shows the respondent who earn less than Rs 3000 were decreasing but the no of respondent who earn more than Rs 3000 were increased. Before micro-finance programs only 3 respondents earn above Rs 5000 but now this number is reached to 19. Monthly income increased due to joining the program. MFIs savings and credit services provided an opportunity for their members to undertake different enterprises, including micro enterprises. This helped the members to generate self-employment and increase their incomes, thereby contributing towards reducing their poverty to same extent.
- ) It is found by the study that the living standard has increased after the micro-finance project intervention. It has been proved using statistical tool which is briefly explained in 4.11.4. Consumption pattern of the respondent have risen to relatively better. Although, consumption is directly related with production and employment but it results in future only, consumption of relatively better foods and goods increase healthy life and increase personality too. It is related with the quality of life.
- ) Intact, micro-finance aims to increase the saving habits of the targeted people which will resultant in capital formation in future. A significant impact of micro-finance program has been found by the study. Before MFIs, there were few people who used to do income generating works. Most of them hadn't got any work and any kind of income. So, they could



not save money. This kind of people was 14 but after MFIs, women involved in different income generating works. They can earn some money and can save a little. The person who can't save is reducing by 8. In this way, no of people who can save is in increasing rate. Before micro-finance who saves Rs 500-800 per month is only 15 but after the number reached to 21. Although, no of people who save more than Rs 1600 are constants on only four people. It is clearly say that, after MFIs people can get more income and numbers of savers are also growing up. This will also help in the capital formation which is a key part of development. As women can save some part of their income, they will be able to start new business in future. In fact, micro-finance has directly impact on women's savings.

- ) Micro-finance programs are targeted to reduce the poverty through entrepreneurship development. This research displayed the facts that there is a simultaneously increase in retail shops and new business after the program with the credit facility provided by the program. Increasing participation of women in micro-finance will provide chances of new business.
- ) Micro-finance program has significant impact on women employment. As mentioned in the Table 7(4.4.1) 25.40 percent of women were unemployed before the program but this has decreased to 17.47 percent (Table14).This was due to the various entrepreneurship developed by the program. They started different small business such as poultry farm, weaving
- ) Entrepreneurship skills trained by the programs encouraged to start new business.
- ) Contribution of women in family income has increased due to the micro-finance program. 25.39 percent of women have shared with their husbands in family income before this program but this has increased to 57.14 percent after the program.

- ) Altering the traditional subsistence farming with new cash crops and small business is an impact of micro-finance. Thus, occupational changes will help them to get income and to be self-dependence.
- ) Social awareness has increased due to the program which will help mainstreaming women in development.
- ) Increase in income of the respondents will contribute in increasing expenses on education which proves their awareness towards education.
- ) Participating in trainings, interacting among groups increase the leading power of women which will help empowering them through involvement in social organizations.
- ) Increase in social participation of the respondents tends to their involvement in social benefits.
- ) The women beneficiaries of the micro-finance program have improved their earning and equally stimulated their living standard.
- ) The perception of user groups towards the program is positive.
- ) Perception towards the program with respects to ethnic groups in the research study it has been found that the participant women from Brahmin and Chhetri are 33.34% and others ethnics are 66.66%.
- ) Most of the participant women are found to be literate in research study, 90.47% women are found to be literate and only 9.53% women are found to be illiterate. Thus literacy rate of the participant women is more than the national literacy rate of the women.
- ) Higher educated women are low involvement in the program with respect to literate and illiterate women and they are also low benefited.
- ) Out of the respondents of the program 58.73% of sample women have taken the loan amount less than Rs.10000 and 41.27% of sample women have taken the loan amount more than Rs.10000 in first phase.
- ) The condition of the loan recovery have a positive role upon the regularly re-payment among the sample women 17.46% could re-payment only interest, 7.94% women could re-payment only principal, where 74.60% women could re-payment both the principal and interest regularly.

) Out of sample women 82.54% women have used loan for related sector and the objectives of the loan, 17.46% women have misused the loan for unrelated sector other than objectives of the loan.

## CHAPTER V

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Summary

Objectives of the poverty focused micro-finance program from the early days were to provide the financial resources to the needy section farmers, poor women, deprived and unprivileged people of the country to activate them in the development process by creating employment, income and social awareness. Nepal is a rural dependent economy as around 77 percent of population of the country resides in rural villages. Contribution of the agriculture to GDP is higher in terms of absolute amount and percentage. Agriculture holds almost 30-40 percent contribution GDP. These indicators hint us that socio-economic development of Nepal is synonymous to rural development of Nepal.

Development of rural sector is inevitable for development of the country. Credit plays vital role in development efforts, availability of credit to rural population is very much necessary. Since rural populations are poor access to loan from big financial institution is unthinkable. Therefore; emergence of MFIs providing credit to them especially women is imperative. Thus, women play vital role in the economy of Nepal. Generally, the domestic chores as well as agriculture work done by women is not considered in the national income estimation. Women access to economic resources and control over it is less.

Despite the fact that women work as high as 11 hours a day on an average, their income is very low. Majority of women are forced to work at low wage in unsafe working conditions. Most of women work in rural area and in the informal sector so they are working without remuneration. Because of the maternity role to be played by women, they have dual workload and it has affected their employment outside domestic affairs.

The traditional outlook of the society towards women did not improve as expected neither expected improvement in legal framework has introduced in the gender discrimination. However, Nepal has committed firmly to implement the

Convention on Elimination of all types of Discrimination against Women (CEDAW), Beijing Declaration and its review document including other documents related to international human rights. The interim constitution of Nepal also secured 33 percent seat in every sector for the women.

The implementation of MF program, focusing on women as a target group has produced substantial impact on economic empowerment of women through their economic self-sufficiency. The credit program with the objective of providing loan to women easily and priority to women in loan disbursement has motivated them to come forward in the society.

Different micro-finance institution has been implementing micro finance program in Syangja District. They have been providing micro-credit on different production activities on which highly rural women are involved. For example live stock raising, agriculture, production and retail shop/ petty trade. Mainly four institutions are active at Syangja district. Jagatra Devi VDC, the study area, as it is far from the headquarter; commercial banks do not interest to provide financial services. Some development banks and newly financial institutions have shown their presence recently. Agriculture development bank has been providing services since last four decades but they are not targeted to the rural poor and rural women. Paschimanchal Grameen Bikas Bank opened its branch at Jagatra Devi in **2056** and launched various micro-finance programs which are very popular and success in Jagatra Devi VDC. Grameen Bikash Bank provides micro-finance services to 4356 population of 726 members of 190 groups through 20 centers. We choose only 63 members among them as sample for this research. These 63 members represent all the members of this program at Jagatra Devi VDC.

## **5.2 Conclusion**

Micro-finance program serves the deprived population of the country at their doorstep 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. Despite the financial sector, liberalization policy of the government aimed to encourage financial institutions to contribute in poverty reduction endeavor of the government, the satisfactory result have not been achieved due to some managerial challenges encountered by the micro-finance institutions all over the country.

Micro-finance is such a tool that would bring a notable socio-economic transformation in the society through its invisible power. Grameen Bikash model introduced by Mohammad Yunus in Bangladesh has get a grand success in reducing the poverty and helped for socio-economic constellation. Micro-finance has produce a positive wave in Nepal too as it has millions of people in creating income and employment.

The efforts made in the direction of rural and upland poverty alleviation are not deemed sufficient as nearly 80 percent of the rural people are still far from the services of formal financial intermediation. And, similarly, the rural poverty is 34.6 percent. In such situation, unless, otherwise almost of the needy farmers and other section of the rural could not get access to the micro-finance, our all efforts go in futile towards the poverty alleviation

The micro-finance institutions need to adopt strategic approaches in order to address these managerial challenges as a supportive policy with one door controlling and monitoring mechanism, effort to link formal and informal financial sectors involved in micro-finance programs and flexibility in financial management regulation. Additionally, financial institutional themselves need to develop business planning practice and efficient management of human resources with in the institutions.

**Following conclusion have been drawn based on the study:**

- ) Involvement in the micro-finance programs has empowered women in varying degree. It has offered opportunities for poor women to come out of their household confines, to organize themselves in group and to work in productive and social activities. The program with its focus on group activities and income generation has helped to enhance the self-

confidence and increased right to spend, thus increasing the access to resource.

- J For most of the women, despite the effort of local NGO, INGO'S nature of their work appears to have not changed. So in spite of the increase in monthly income their average working hours have remained unchanged as they are still stuck on the traditional farming activities. The positive change of majority women members in clothing and consumption pattern indicates the positive impact of the project in the study area.
- J Training for improving farming techniques and micro-enterprises has helped members to shift from the traditional agriculture to cash crop production, which yields higher returns.
- J Awareness of healthcare, including women and children's health, family planning, sanitation and reduction in smoking, alcohol consumption, etc., have increased. At monthly group meeting, women discuss health issues which they follow in their day-to-day lives.
- J Community people are supportive of co-operative's activities. Most of the community people know about co-operative and their services. Males of the community provide support to women members to enable them to participate in co-operative's activities by helping them in households chores, reminding them of meeting dates and joining hand in community development activities.
- J The availability of loan from co-operatives has helped in reducing the interest rate charged by moneylenders from 60 percent to 36 percent. Competition in the financial market has helped to improve the quality of services and it reduces the interest rate but it is still too high.
- J Members have become more aware of gender equality (participant of the Focus Group Discussion said that man and women are equal in social aspects, it is wrong to wait for the birth of a son and increase family size), human rights and women rights issues. They know that violence; both physical and mantel against women should not be tolerated. They

have also become aware of their voting rights and right to parental property.

- ) Women's mobility has increased due to their participation in monthly meetings, trainings, meetings with outsiders, unlike in the past when they had not joined the co-operatives.
- ) Saving groups is an important part of the program. Besides the income generating projects group members are taking credit from within the group at the time of emergency. So group saving has become their good source of money otherwise they would have to go to the moneylender and it is accumulating the source of future use. They all left that it has culminated a good habit of saving weather the source of saving is from project income or any other sources.
- ) In respect to financial intermediation, it can be concluded that, although the subject is new in Nepal, it is the right war to fulfill the financial needs of rural poor. Reaching to the poor through financial intermediaries is found to be cost effective and targeting can be done correctly.

### **5.3 Recommendations**

Moving towards women empowerment, it requires a new away of thinking in which the women and men give way to a new philosophy that regards all people as essential agents of change. With equity and equality, women and men together can participate in building more just, secured and sustainable societies. To end this some recommendations are as follows.

- ) Almost all the members had taken the training provided by program. They all felt that the training they received are very useful and helpful for their project and most of them have expressed interest to take part in such training even if they will have to pay some fee. Development of skill training among the members could contribute to the sustainability programs, however small it is. In this regard members should be trained, more for basic training and arrangement should be made for more skill development training.



Opportunity to more skill training and change means they can undertake off farm income generating project besides training and exchange visit program is also an effective and essential tool to learn from other's experiences for proper development of individual member and group as a whole. The MFIs should develop a practical and various training courses to the borrowers which are related to skill development activities and that are necessary for particular community.

- ) If the income level of the respondent is seen in the study area, we find some women who have a clearly higher level of annual income of their family and there remains some possibility of leaving the poorest of poor untouched by the program. So there should be proper identification and selection of the target group by the MFIs to insure that the really poor, backward communities are not left behind.
- ) The position of the program staff should be permanent, so that they could perform their responsibility with confidence and concentration. Given the fixed orientation nature of work of the program allowance should be raised.
- ) To supervise the use of loan and to provide effective skill to advice on the proper management of the loan, field staffs should be trained regularly. The clients of the programs received technical as well as managerial guidance to manage micro-finance program.
- ) Literacy program is an integral part of rural micro-finance program. Curriculum is amended toward economic orientation rather than conventional one.
- ) Volumetric and physical expansions of transaction are being encouraged rather than productive lending. Potential market based activities be encouraged rather than replication of the same activities.
- ) Rural financing program makes women active and emotional but lack of skill and knowledge of economically productive activities pulled back their enthusiasm. Training from non-formal education to market led economic activities be imparted in order to boost of their economic productive ability.

Training should include exploration of market potentiality, identification of native talent and transfer of skill and capability.

- J Women are more likely to take part in multiple activities simultaneously to support their families and to improve understanding of women's skills while formulating program.
- J Participation of women in the program is ever increasing, which makes them overloaded. Time and drudgery reducing program be integrated. Gender sensitization training is imparted from the initiation.
- J There is a gender division of labor at the household level and women lack access to control of resources. Learn about the relationship of the household level information like- Who does what? Who control what? Identify and implement strategies for change within the family and community.
- J Women are looked upon as an object. Women should be treated as a subject and not an object. Involve them from the need assessment to the program, planning, implementation and evaluation.
- J Training and technical assistance, unless designed properly through systematic training, need analysis, does not necessarily improve the performance of MFIs.
- J MFI's should diversify their financial products as per the needs of their members for which they should conduct market research.
- J Micro finance program is formed operating their transactions without due consideration for their financial viability and sustainability. For the viability and sustainability, effective government policy is also necessary. So, interest rate must be minimized where the institution is viable.
- J Effective follow-up, supervision and monitoring are essential to utilize loan in actual purpose. Otherwise many of the borrowers have to pay back loan by selling their property



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## **ANEX I**

### **Impact of Micro-credit Policy on women's Empowerment**

**(A Case study of Paschimanchal Grameen Bikahs Bank, Jagatra Devi VDC,  
Syangja)**

#### **Individual Questionnaire**

Questionnaire no:-.....

Date:-206 /.... /...

Respondent's Name:-.....

Group name:-.....

Address:-.....

#### **1. Personal Profile**

1.1 Age

1.2 Caste/Ethnic:

a) Brahmin

b) Chhetri

c) Gurung

d) Magar

e) Damai

f) kami

g) Other Specify.....

1.3 Your marital status (Tick)

- a) Married                      i) widowed                      ii) Divorced                      b) Unmarried

1.4 What is your education level? (Tick & write)

- a) .....class of schooling.                      b) SLC                      c) Campus.....level  
d) Literate                      e) Illiterate

## 2. Family information

2.1 Your current family member (Tick)

- |                        |        |      |
|------------------------|--------|------|
| Children: - 0-14 years | Female | Male |
| Adult: - 15-64years    | Female | Male |
| Older: - 65and above   | Female | Male |

## 3. Economic Background

3.1 What was your main occupation before joining micro finance program? (Tick)

- a) Agriculture                      b) Business  
c) Govt. sector                      d) Private sector  
e) Others.....

3.2 What is your main occupation after joining micro finance program? (Tick)

- a) Agriculture                      b) Business  
c) Govt. sector                      d) Private  
e) Others.....

3.3 Who is earn in your family before joining micro finance program ? (Tick)

- a) Herself                      b) joint with husband                      c) husband only

3.4 How much was your average monthly income before joining micro-finance program?

Rs.....

3.5 How much is your average monthly income after joining micro-finance program?

Rs.....

**4. Participation in micro-finance**

4.1 How did you know about the MF Program?

.....

4.2 Why did you join this program? (Tick)

a) To earn more income and to improve family condition.

b) To have company with friends.

c) To be self-dependent.

**5. Loan received, use and repay**

5.1 First loan received date 20...../ ...../ .....

5.2 Loan amount

a) First:-.....b) Second:-.....c) Third:-.....d) Fourth:-.....

5.3 Did you spend some portion of the loan in the following items? (Tick)

a) To purchase food for family.

b) To purchase clothes.

c) To pay other loans of borrowings.

d) To health expenses

d) To celebrate feasts and festivals

e) Others .....

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

Loan's term	Purpose	Amount





- a) Increased
- b) Decreased
- c) Constant

6.2 Did you have regular clothing problems as per need?

- a) Before programming
- b) After programming

6.3 Did you change the health pattern?

- a) Before Programming
- b) After Programming

6.4 Is there pure drinking water?

- a) Before Programming
- b) After Programming

6.5 Did you have change the awareness status?

- a) Before Programming

If yes, which this program.....

- b) After Programming

If yes, which this program.....

## 7. Trainings

7.1 Have you taken any training from micro finance program?

- a) Yes
- b) No

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

- a) Very helpful
- b) Helpful
- c) Not helpful
- d) Others.....

7.3 Has the training increased your skill? (Tick)

- a) Very much increased
- b) Normally increased

c) Not increased

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

a) Yes

b) No

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

a) Increased

b) Decreased

c) Constant

d) Don't know

7.6 What do you suggest to make more effective micro-finance?

## ANEX-II

### List of Members interviewed

S.N.	Name of Member	Group no.	Center Name	Address
01	Anjali Khatung	5	Galyang Mahila Samuha	Jagatra Devi-08
02	Barsha Shrestha	1	Prasamsha Mahila Samuha	Jagatra Devi-08
03	Bhagawati Shrestha	2	Prasamsha Mahila Samuha	Jagatra Devi-08
04	Bhuma Nepali	3	Mahalaxmi Mahila Samuha	Jagatra Devi-03
05	Bijaya Neupane	4	Mahalaxmi Mahila Samuha	Jagatra Devi-01
06	Bina Shrestha	4	Prasamsha Mahila Samuha	Jagatra Devi-08
07	Chanda Gurung	2	Adarsha Mahila Samuha	Jagatra Devi-08
08	Devaka Adhikari	1	Pragatishil Mahila Samuha	Jagatra Devi-08
09	Devaka B.K.	3	Mahalaxmi Mahila Samuha	Jagatra Devi-04
10	Devi Thapa	1	Prasamsha Mahila Samuha	Jagatra Devi-08
11	Dhaki Maya Gurung	3	Prasamsha Mahila Samuha	Jagatra Devi-08
12	Durga B.K.	3	Mahalaxmi Mahila Samuha	Jagatra Devi-04
13	Gomata Bhattarai	8	Adarsha Mahila Samuha	Jagatra Devi-09
14	Gyan Maya Dhakal	1	Prasamsha Mahila Samuha	Jagatra Devi-08
15	Gyan Maya Dhakal	1	Prasamsha Mahila Samuha	Jagatra Devi-08
16	Hamida Banu	3	Galyang Mahila Samuha	Jagatra Devi-08
17	Hima Neupane	1	Mahalaxmi Mahila Samuha	Jagatra Devi-03
18	Hira Kumari Shrestha	5	Adarsha Mahila Samuha	Jagatra Devi-08
19	Indira Bhattarai	1	Adarsha Mahila Samuha	Jagatra Devi-08
20	Kalpana Basyal	3	Adarsha Mahila Samuha	Jagatra Devi-08

21	Kamala Basyal	3	Adarsha Mahila Samuha	Jagatra Devi-08
22	Khimi Sara Gaha	1	Galyang Mahila Samuha	Jagatra Devi-08
23	Kopila Basyal	1	Adarsha Mahila Samuha	Jagatra Devi-08
24	Lal Kumari Gurung	6	Galyang Mahila Samuha	Jagatra Devi-08
25	Lilawati Basyal	8	Prasamsha Mahila Samuha	Jagatra Devi-08
26	Man Sara Thapa	6	Galyang Mahila Samuha	Jagatra Devi-08
27	Mani Sara Kamu	3	Adarsha Mahila Samuha	Jagatra Devi-08
28	Masura Basyal	4	Prasamsa Mahila Samuha	Jagatra Devi-08
29	Min Kumari Gurung	5	Prasamsha Mahila Samuha	Jagatra Devi-08
30	Mina Baral	2	Adarsha Mahila Samuha	Jagatra Devi-08
31	Mina Thapa	4	Mahalaxmi Mahila Samuha	Jagatra Devi-01
32	Najuma Miya	4	Prasamsha Mahila Samuha	Jagatra Devi-08
33	Nama Bhattarai	3	Pragatishil Mahila Samuha	Jagatra Devi-09
34	Narayani Bhattarai	1	Adarsha Mahila Samuha	Jagatra Devi-08
35	Narsira Miya	1	Mahalaxmi Mahila Samuha	Jagatra Devi-03

Continue...

36	Pabitra Khatri	1	Prasamsha Mahila Samuha	Jagatra Devi-08
37	Parbati Pariyar	8	Adarsha Mahila Samuha	Jagatra Devi-08
38	Punam Gaire	9	Prasamsha Mahila Samuha	Jagatra Devi-08
39	Purba Rana	6	Mahalaxmi Mahila Samuha	Jagatra Devi-03
40	Rabina Miya	4	Galyang Mahila Samuha	Jagatra Devi-08
41	Rabina Shrestha	7	Prasamsha Mahila Samuha	Jagatra Devi-08
42	Rama Basyal	4	Prasamsa Mahila Samuha	Jagatra Devi-08
43	Ramana Shrestha	7	Prasamsha Mahila Samuha	Jagatra Devi-08
44	Roj Nisha Miya	1	Galyang Mahila Samuha	Jagatra Devi-08
45	Roja Shrestha	2	Galyang Mahila Samuha	Jagatra Devi-08
46	Sabitra Bhattarai	3	Pragatishil Mahila Samuha	Jagatra Devi-09
47	Sabitra Neupane	2	Mahalaxmi Mahila Samuha	Jagatra Devi-03
48	Safina Banu	5	Adarsha Mahila Samuha	Jagatra Devi-08
49	Sangita Gurung	13	Prasamsha Mahila Samuha	Jagatra Devi-08
50	Sarada Basyal	1	Prasamsa Mahila Samuha	Jagatra Devi-08
51	Shova Thapa	1	Mahalaxmi Mahila Samuha	Jagatra Devi-01
52	Sita Pariyar	3	Mahalaxmi Mahila Samuha	Jagatra Devi-08
53	Subun Miya	7	Mahalaxmi Mahila Samuha	Jagatra Devi-03
54	Sudha Rana	5	Prasamsha Mahila Samuha	Jagatra Devi-08
55	Sumitra Pariyar	6	Adarsha Mahila Samuha	Jagatra Devi-08
56	Tara Devi B.K.	12	Adarsha Mahila Samuha	Jagatra Devi-04
57	Tara Devi Somai	2	Adarsha Mahila samuha	Jagatra Devi-08
58	Telu Maya Thapa	6	Mahalaxmi Mahila Samuha	Jagatra Devi-01
59	Tika Kumari Gahatraj	10	Prasamsha Mahila Samuha	Jagatra Devi-08
60	Tulsi B.K.	1	Mahalaxmi Mahila Samuha	Jagatra Devi-03
61	Um Kumari Gurung	8	Prasamsha Mahila Samuha	Jagatra Devi-08
62	Urmila Gurung	5	Prasamsha Mahila Samuha	Jagatra Devi-08
63	Yagya Poudel	12	Prasamsha Mahila Samuha	Jagatra Devi-08