CHAPTER - I

INTRODUCTION

1.1 Introduction

Nepal is one of the poorest country in the world and the poorest in the South Asia region. As a result, the people are far behind the development, although, Nepal is full of resources. But these resources are not being utilized. Some basic infrastructure policies have not been well formulated and implemented to bring the rural ultra-poor communities into the mainstream of development. Thus poverty reduction rate of Nepal is low. The main reasons for this low poverty reduction rate are: (i) low per capital income, (ii) concentrated urban growth, and (iii) high population growth rate. Out of a population of 25 million, 31% are below the poverty line. Most of the poor people live in rural areas and there is no enough opportunity to do work and earn money. Micro-finance could help poor people who have no collateral, but willingness to do some business activities from which he/she will acquire employment as well as income.

Although many programmers have been implemented for poverty alleviation in Nepal, only micro-finance programme is seen as poor targeted and rural based women. The institutional micro credit in Nepal was first introduced in 1956 when credit cooperatives were established in the Rapti District and then after several multipurpose co-operatives were established in the country. These cooperatives had played a very leading role to enhance the economic activities of them faced financial and managerial problem. An important milestone was achieved when the cooperatives Bank was established in 1968, later on converted into Agricultural Development Bank (ADB/N). Poverty alleviation rural based programmes were initiated through the small farmers development programmes (SFDP) on a pilot test basis in 1975 by the ADB/N. The success of the pilot tests in Dhanusa and Nuwakot districts encouraged the policy makers to expand formal rural based micro-finance programmes.

The SFDP is now being transformed into several autonomous, self-help organizations called Small Farmers Cooperatives Limited, which are managed by farmers themselves. Other micro-finance development programmes, such as Priority Sector

Lending Programmes (PSLP), Intensive Banking Programme (IBP), Production Credit Project for Woman and Rural Self-Reliant Fund (RSF) have been implemented. After studying the pros and cons of various microfinance development programmes, government began to rethink the delivery mechanisms of micro-finance.

1.2 Background of the Study

Microfinance development programmers has been emerged as major strategies that have been accepted the world over by governments and NGOs alike. While Micro-credit facilitate to the poor has been quite successful in many countries, the utilization of the credit for adequate income is a cause of concern for most of the stakeholders of micro-credit programmers.

Micro-Credit Project for Women (MCPW) is a joint programmed of Nepal Sarkar (Government of Nepal) and Asian Development Bank (ADB) since, 1994 is taken as the first women development programme targeted for the women in Nepal. The ninth plan and ongoing tenth plan have stressed on poverty alleviation as a prime goal .To achieve this, specific programmers are focused on women. They include education, health and income generating activities based on microfinance service. As social mobilization is very much important for empowerment and human resource development, microfinance activities are linked with other components of social Development. Micro-finance is the provision of broad range of financial services to low income clients, including self-employees. It includes both financial and social intermediation. It is not simply banking but it is a development tool such as deposits, loans, payments, money transfer and insurance to the poor and low-income households and enterprises (ADB, 2000).Micro credit activities are similar with micro financing activities (Gyanwali, 2000).

In Nepal, Rural Development Banks, Cooperatives Banks, International Non Government Organizations and donor institutions-ADB, UNDP, JICA, European Union, DANIDA, International Funds for Agriculture Development-through NGOs, Local Governments and Nepal Government are rendering microfinance services. In addition, informal institution such as Dhikuti Association, user groups, indigenous bankers and businessmen are providing microfinance services to low income households, poor, and micro-enterprises (Baral, 2004).

1.3 Introduction of Bharatpokhari V.D.C.

Bharatpokhari VDC is the one of the 23 VDCs of Kaski district wedged statically between Dulegaunda VDC Tanahun in the East, Nirmalpokhari VDC in the west, Taksar VDC and Firfire Dhorfirdi VDC the South and Pokhara and Lekhnath Municipality in the North spans 36.62 Square Kilometers. The population of this VDC is 12,408, out of which 6,100 (49.16%) are males and 6,308 (50.84%) are females. Approximately 32.53 % people live in under poverty, out of which 6.43% are under absolute poverty line. The literacy rate of this VDC is found to be 86.25%. The main ethnic groups residing over this village are Brahmin, Chhetry, Gurung, Magar, Kami, Damai, Sarki, Newar, Bhujel, Thakuri, Giri, Dura, Gandarbha etc. Hindu is the main religion in the village. Besides them Bauddha, Islam, Christian religions are in exist . In Bharatpokhari VDC micro-credit programme has been launched since 2056(1999) by LDF with assistance of UNDP. *Source:Sirjana Ka Lahar By Kamal Prasad Acharya.*

Now a days besides UNDP programme different types micro credit organizations like Chhimek Bikas Bank, Deprox Development Bank, NESTO Nepal, Muktinath Bikas Bank micro credit Department and Bharatpokhari Saving and credit co- operates, Suraksha Saving and Credit Co-Operates and Paluwa saving and Credit Co-Operatives, Different types of Social Organizations are acting on micro credit activities in the VDC.

1.4 Statement of the Problem

Nepal is facing challenge possessed by acute problems of poverty. Microfinance institutions have succeeded in reaching the poorest of the poor by delivering innovative strategies. These include the provision of small loans to poor people, especially in rural areas, at full-cost interest rates, without collateral, that are repayable in frequent installments. Borrowers are organized into groups, which reduces the risk of default. These are also effective mechanisms through which to disseminate valuable information on ways to improve the health, legal rights, sanitation and other relevant concerns of the poor. Above all, many micro-credit programmes have targeted one of the poorest people in society. Women who live in households that own little or no assets are assisted by providing opportunities for self-employment; many studies have concluded that these programmes have significantly increased women's security, autonomy, self-confidence and status within the household.

In many developing countries, overall interest rates charged by micro-lending schemes are quite high when the risk premium is added. Many of these micro-institutions claim a high rate of repayment. This is attributable to the informal participatory structures, which create an atmosphere in which debtors respect their obligations. While this phenomenon is certainly true of the better-run institutions, it is not possible to verify whether this is a universal feature. There is little by way of "global" research in this area, even though the literature on micro-credit has proliferated in recent years. Although a large number of studies undertaken so far on the impact of micro-credit programmes on household income show that participants of such programmes usually have higher and more stable incomes than they did before they joined the programmes. Some practitioners still have reservations about the findings of those studies. Moreover, not many micro-credit programmes can afford to undertake impact assessments because they are generally expensive and time-consuming. There are serious disagreements among experts on the validity of methodologies used in some of the published studies. There are limits to the use of credit as an instrument for poverty eradication, including difficulties in identifying the poor and targeting credit to reach the poorest of the poor. Added to this is the fact that many people, especially the poorest of the poor, are usually not in a position to undertake an economic activity, partly because they lack business skills and even the motivation for business.

Micro-credit programme carried out by Local Development Fund (LDF) with assistance of UNDP is taken as the target programme for this research. The aim of programme is to play the catalytic role for the improvement of socio-economic status of poor and unemployed women with keeping them in the centre of development process. Without making a detail and depth study of the programme appropriate programme-model for women can’t be identified and ideal plan for the future can't be formulated. With this circumstance the proposed study will be reasonable and a researcher expects that the study on selected topic will be able to solve the following research problems.

i) The position of existing credit situation problem.

ii) The relationship between investment and income.

iii) How the training programme affected the standard of living of the people?

iv) What is the perception of user groups towards the programme?

1.5 Objectives of the Study

The objective of the study is to make assessment of impact of micro-credit programme in Bharatpokhari V.D.C. The specific objectives are:

i) To analyze the position of existing credit of the Bharatpokhari VDC.

ii) To measure the relationship between investment and income of credit user group.

iii) To assess the effect of training on living standard of people of Bharatpokhari VDC.

iv) To explore the perception of people of Bharatpokhari VDC towards the programme.

1.6 Focus of the Study

The study aims to analyses the performance and impact of the programme by using descriptive, cross sectional and analytical research design. This study is basically concentrated towards the livelihood of the people of Bharatpokhari VDC, Kaski especially women. More specifically the study focuses on existing position of credit and saving, relationship between investment and changes in income, impact of training and awareness programme upon the standard of living of the people, perception of the participant women towards the microcredit programme, repayment rate, utilization of loan etc. This study wants to focus on determination of impact of microcredit programme implemented by Local Development Fund (LDF) with assistance of UNDP in Bharatpokhari VDC.

1.7 Importance of the Study

Nepal has been lunching a number of programmes in order to uplift the women's participation in such a development endeavors but the expected result is not yet to be realized. Thus women are remaining a disadvantaged group in our society. If we look at the daily activities of our lives, we would find that men and women are the two pillars in development. In this regard assessing the importance of women's socio-economic characteristics is felt necessary. It will be useful for researchers, donors and students to increase knowledge on Microfinance credit. Similarly, this present study is hoped to be a milestone for all foreign economists and sociologists wishing to conduct the similar study about women. In addition to this, this study may provide guidelines to government, NGOs and INGOs for future planning.

1.8 Limitation of the Study

Basically this will be an academic study for partial fulfillment of MBS (Master of Business Studies) degree. This will be under taken within the boundaries of limited area, subject and time. The study is taken only on a Bharatpokhari VDC. Thus, it is only a micro level study. The overview of the study has been analyzed on the basis of performance of participant women of the Bharatpokhari VDC only. The study takes consideration of last five years data. Sustainability of the programme is analyses on basis of saving, utilization of loan, and repayment of the loan. Similarly standard of living of the people is analyses only with three determinants such as consumption, clothing, and sheltering facility of the women. Thus the findings and conclusions drawn from this study may not be widely generalized exactly in the same manner for the other cases of micro-credit practice in Nepal. Obviously, some generalization can be made while considering the cases of micro credit practice in Nepal.

1.9 Organization of the Study

This study has been organized into five chapters. Chapter one deals with major issues of the study along with general background, focus of the study, statement of the problem, objectives of the study, study area, importance of the study, limitation of the study and organization of the study. Chapter two comprises review of literature which consists of conceptual review and review of related studies. These all in this chapter provide a framework with the help of which this study has been conducted. Chapter three describes the research methodology used in this study which deals with research design, population and sample, nature and sources of data, data collection techniques, and method of data analysis. Chapter four deals with presentation and analysis of data which consists existing position of credit, relationship between investment and changes in income, relationship between training and standard of living, correlation analysis, regression analysis, trend analysis and others. Chapter five consist summary, conclusions and recommendations.

CHAPTER - II

REVIEW OF LITERATURE

This chapter is basically concern with review of literature relevant to the topic. The previous study can’t be ignored because they provide the foundation the present study. There must be continuity in research. This continuity in research is insured by linking the present study with past research studies. This chapter highlights the literature that is available in concerned subject, research work and relevant study on this topic, review of journals and article and review of thesis work performed previously. The literature survey also minimizes the risk of pursuing the dead- ends in research (Wolff and Pant: 2002). This chapter comprises 2 parts viz conceptual review and review of related studies.

2.1 Conceptual Review

2.1.1 Introduction

As a definition, micro-finance is, as a part of development finance of rural or urban, targeted towards specific groups of people, male or female, falling in the lower bracket of society. It refers to the provision of a broad range of financial services such as deposits, loans payment services, money transfers, and insurance to the poor and low income households and their micro enterprises (ADB 2000). MFIs are dependent on small savings from group members. Financial services include savings, credit and other services such as micro money transfer and micro-insurance. This service is differentiated by different types of service employment and income-orientated target group, target community, target area and credit at home.

Micro credit programmes are important institutional devices for providing small credit to the rural poor in order to alleviate poverty. These programmes, first developed and initiated in Bangladesh in the late seventies and later replicated in many other countries including the South and Southeast Asian and some African countries, have now been recognized as useful instrument for poverty alleviation. The Grameen Bank is the pioneer among the MFIs to introduce micro credit programmes.

During the last two decades or so the number of such MFIs, including Government and Non -Government Organizations (GOs and NGOs) operating at national or various local levels in Bangladesh, has increased to well over 850 (Latif: 2001). Under the micro credit programmes collateral free loans are provided to the rural poor who do not have assets to offer collateral and have limited access to the formal financial institutions like the commercial banks. The prime objective of these micro credit programmes is to create credit market and there by create self-employment and increase the productivity and earnings of the poor.

Microcredit can influence saving in a number of ways. First, there are compulsory saving schemes associated with micro credit programmes. For most MFIs, the persons seeking memberships and qualifying for getting loans are required to form a small co-operative group among themselves and deposit regularly a certain amount of cash to the saving fund for a short period, prior to becoming members. When they become regular members and receive loans, small proportion of granted loan amount is deducted and deposited as saving to the client's accounts. Second, the utilization of micro credit in productive activities increases employment and income, which is likely to have direct positive income effect on saving. And third, besides the direct income effect, there is indirect effect as well. As the income rises resulting from investment of loans in productive activities the borrowers get incentives for voluntary savings out of their current income in order to make reinvestment of such saving in further productive activities.

In the past decade, micro-finance has been recognized as an effective development intervention for three basic reasons:

a. The services provided can be targeted specifically at the poor and poor.
b. These services can make a significant contribution to the socio- of the targeted community.
c. The institutions that deliver these services can develop, within a few years, into sustainable organizations with steadily growing outreach.

Some general features of micro-finance credit are as follows:

a. It promotes credit as a human right.
b. Its mission is to help the poor families to help themselves to overcome poverty. It is targeted to the poor and particularly to poor women.

c. Most distinctive feature of Grameen credit (rural credit) is that it is not based on any collateral or legally enforceable contracts. It is based on "trust", not on legal procedure and systems.
d. It is offered for creating self-employment for income-generating activities and housing for the poor, as opposed to consumption.
e. It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be "not creditworthy". As a result it rejected the basic methodology of the conventional banking and created its own methodology.
f. It provides service at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
g. In order to obtain loans a borrower must join a group of borrowers.
h. Loans can be received in a continuous sequence. New loan becomes available to a borrower if his/her previous loan is repaid.
i. All loans are to be paid back in installments.
    a. Simultaneously a borrower can receive more than one loan.
    b. It comes with both obligatory and voluntary savings programmes for the borrowers.
j. Generally these loans are given through non-profit organizations or through institutions owned primarily by the borrowers. If it is done through non-profit institutions not owned by the borrowers, efforts are made to keep the interest rate at a level which is close to a level commensurate with sustainability of the programme rather than bringing attractive return for the investors. Grameen credit's thumb-rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible, without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders' rate. Reaching to the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.
k. Grameen credit gives high priority on building social capital. It is promoted through formation of groups and centers, developing leadership quality through annual election of group and centre leaders, electing board members when the

institution is owned by the borrowers. To develop a social agenda owned by the borrowers, it undertakes a process of intensive discussion among the borrowers, and it encourages them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology, like mobile phones, solar power, and promote mechanical power to replace manual power.

Microfinance is more than the provision of credit. It involves the provision of other financial services (most usually savings and insurance) and recognizing that even the poor have a variety of needs, not just credit.

Securing sustainable access to micro-finances for low-income communities involves building (or reforming) micro-finance institutions not just the delivery of time-bound micro-finance programmes (such as offering short-term revolving funds).

2.1.2 Introduction of Bharatpokhari V.D.C.

Bharatpokhari VDC is the one of the 23 VDCs of Kaski district wedged statically between Dulegaunda VDC Tanahun in the East, Nirmalpokhari VDC in the west, Taksar VDC and Firfire Dhorfirdi VDC the South and Pokhara and Lekhnath Municipality in the North spans 36.62 Square Kilometers. The population of this VDC is 12,408, out of which 6,100 (49.16%) are males and 6,308 (50.84%) are females. Approximately 32.53 % people live in under poverty, out of which 6.43% are under absolute poverty line. The literacy rate of this VDC is found to be 86.25%. The main ethnic groups residing over this village are Brahmin, Chhetry, Gurung, Magar, Kami, Damai, Sarki, Newar, Bhujel, Thakuri, Giri, Dura, Gandarbha etc. Hindu is the main religion in the village. Besides them Bauddha, Islam, Christian religions are in exist. In Bharatpokhari VDC micro-credit programme has been launched since 2056(1999) by LDF with assistance of UNDP. *Source:Sirjana Ka Lahar By Kamal Prasad Acharya.*

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Operatives, Different types of Social Organizations are acting on micro credit activities in the VDC.

2.1.3 Objectives of Microfinance in Bharatpokhari VDC

The general objective of the micro credit programme is to improve socio-economic conditions of the poor and deprived women. However, the specific objectives are:

a. To improve the quality of life and their living standard.
b. To provide financial and non-financial services based on need of operation.
c. To provide necessary institutional support to other institution having similar objectives.
d. To assess larger loans, based on repayment performance.
e. To create income and employment for the poor people by opportunity mobilization of saving.
f. To provide assistance to the poor and marginalized women of Bharatpokhari VDC, regardless of where they live in and who they are.
g. To promote the locally available technology for the best use of the internal available resources. *Sources: District Development Committee, Kaski*

2.1.4 Policy, Legal and Regulatory Framework

Various laws regulate micro credit institutions. These are: Nepal Rastra Bank Act (2002), Agriculture Development Act (1967), Cooperative 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 micro-finance activities. The ultimate responsibility to develop, regulate, monitor and supervise is of NRB. Recently, on February 24, 2003, NRB has issued regulations for the development banks, which are engaged in micro-finance, as a guide line to develop MFIs activities.

2.1.5 Microfinance Policy

The history of microfinance in Nepal is over three decades old. However, there was not any stated policy of the government on microfinance prior to the announcement of the microfinance policy by the Ministry of Finance of the Government of Nepal in 2008.

The demand for microfinance services by the poor and the destitute is ever increasing in the country. In light of the tremendous achievements made by countries such as Bangladesh, India, the Philippines, Indonesia, Pakistan and other developing countries in the reduction of poverty through massive flow of financial services down to the poorest segment of the rural and the semi urban communities, the government of Nepal, on the advice of the Nepal Rastra Bank promulgated “National Microfinance Policy, 2008” in order to do away with the problems related to organizational and legal issues with a view to smoothly providing microfinance services in the rural areas, increasing the access of the destitute class to such services, creating a healthy and competitive atmosphere among MFIs, and encouraging the private sector to get involved in the task of providing such services on a sustainable basis, Microfinance Policy, 2008 was introduced as a new mechanism to boost up microfinance industry. It aims to improve the smooth flow of funds to the poorest segment of the rural populace by creating a national fund for microfinance. It also has envisaged establishing a regulatory and supervisory body for regulating and supervising MFIs in the country such that they discharge their services effectively and efficiently. The highlights of the policy are as follows:

1. Enhance the supply of microfinance services to the rural and urban poor to suit to their geographical, social and economic situation.
2. Improve for the smooth flow of microfinance services with or without collateral (group guarantee) to the poor and the destitute by establishing a standard procedure for identifying the target groups.
3. The government will provide necessary help to microfinance institutions for social mobilization, capacity development, organizational development, re-structuring, and will encourage wholesale micro credit providers both from the public and the private sectors.
4. The government will also integrate microfinance with various poverty alleviating programs and projects and will implement these in a coordinated manner.

5. The government will coordinate its activities with the institutions responsible for micro-enterprise development and will assist the targeted poor for their enterprise development.
6. The government will establish relations with microfinance service providing institutions (MFIs) such as Community Organizations (COs), and Savings and Credit Groups (SCGs), by making a legal provision to easily recognize these MFIs.
7. The government will also motivate destitute classes to mobilize their savings in order to improve their access to microfinance services.
8. The government will make the necessary institutional and legal arrangements, and create a separate institution under the direct control of NRB to make the microfinance service providers (MFIs) self-regulatory for timely operation, monitoring, supervision, and evaluation such that they can provide microfinance services to the poor in a sustained manner.
9. In order to mobilize resources for the long term easy access of the poor to microfinance services, a "National Microfinance Development Fund" will be established. Assistance for microfinance from foreign and national donors will be mobilized through this fund.
10. Conduct a survey to know the exact members of existing cooperatives and microfinance institutions, extension of services and access to services.
11. Organize trainings to improve the capacity of people engaged in the microfinance sector.
12. Adopt a policy of relaxation in permitting savings deposits to MFIs based on the services they provided and their share capital status,
13. Adopt a flexible tax policy on the income of MFIs and tax on interest earnings of the poor.

2.1.6 Regulatory Authorities and Regulated Institutions

a. Nepal Rastra Bank (NRB)

The Nepal Rastra Bank is the regulatory body for all types of banks and financial institutions licensed by it and classified as Class 'A', Class 'B', Class 'C' and Class 'D' banks under the Bank and Financial Institution Act 2006 and the Financial Intermediary NGOs registered under the Financial Intermediary Act 1998. In addition to these, some cooperatives which have been given limited banking licenses also come under its control and supervision.

b. The Department of Cooperatives (DoC)

The Department of Cooperatives under the Ministry of Agriculture and Cooperatives is the regulatory body for the Cooperatives societies including Saving and Credit Cooperatives registered under the Cooperative Act 1992.

2.1.7 Laws and Regulations

a. Nepal Rastra Bank Act, 2002
b. Bank and Financial Institutions Act, 2006
c. Cooperative Societies Act, 1992,
d. Financial Intermediaries Act, 1998,
e. NRB Directives for Microfinance Institutions, 2003,

a. Nepal Rastra Bank Act, 2002

This Act defines the role of NRB in formulating effective policies, developing secure, healthy and efficient payment system, regulating, supervising and inspecting banking and financial institutions and promoting a credible banking and financial system. It prohibits NRB to buy a share of CBs or financial institutions. NRB, however, plays a developmental role through a special fund, the Rural Self-Reliance Fund (RSRF), which operates with an interest rate below market rates. NRB's financing role through RSRF undermines the steady development of other apex institutions in rural and microfinance sectors. The justification for the continued operation of RSRF is based on the need to serve weak institutions that cannot meet the eligibility criteria of other wholesale lending institutions.

b. Bank and Financial Institutions Act, 2006

This umbrella Act, "Bank and Financial Institutions Act" (BFIA) came into force in 2006 and replaced the Bank and Financial Institutions Ordinance (BFIO) of 2004. All the commercial banks, development banks, finance companies, and microfinance development banks are regulated under this umbrella act as Class A, Class B, Class C and Class D institutions, respectively. A small Microfinance Development Bank (MFDB) can be established with a paid up capital of Rs. 10 million to operate in three districts outside the Kathmandu valley. In order to operate in 4-10 districts outside Kathmandu, MFDB has to have a paid up capital of Rs. 20 million and for a national level MFDB the paid up capital must be at least Rs. 100 million. MFDB can increase the number of districts if it can increase paid up capital. In order to adjoin additional district, it is required to increase paid up capital by Rs. 2.5 million. The promoters can retain 70% of the share capital and must float the remaining 30% share to the general public. An MFDB operating in 10 districts with a capital of Rs. 20 million can operate in another five districts in the hills without any additional capital. This act has a provision in which even a foreign bank or FI can provide MF services in the country. Under this act, NRB has the responsibility to supervise the Board of Directors and to take over management in case of the banks own mismanagement. It is also responsible for initiating actions for liquidation if required by circumstances.

c. Cooperative Societies Act, 1992

The Cooperative Societies Act was introduced in Nepal in 1992. Under this Act, cooperatives can be formed with 25 persons as its members. These autonomous institutions are entitled to formulate their own bylaws or operational procedures through their General Assembly (GA) meetings. Each cooperative will have a Board of Directors and an Accounts Committee (AC) consisting of members duly elected by the members through General Assembly using the one-man one vote principle. The term of Board members and members of Account Committee (AC) is also determined by the GA but not exceeding 5 years. The Board appoints a management team or prescribes other body that carries out the day-to-day activities of a cooperative. The AC is responsible for the internal audit and is accountable for the accounting and financial operations to the General Assembly. Under the act, the Department of Cooperatives is fully authorized to register, supervise, appoint auditor, take necessary actions for improvements and reforms and liquidate all types of cooperative societies.

d. Financial Intermediaries Act, 1998

In 1998, NRB introduced the Financial Intermediaries Act in order to regulate the financial intermediary NGOs carrying out microfinance activities. This was claimed to be a significant step in encouraging NGOs to undertake microfinance activities for the poor. However, this Act did not permit FINGOs to accept savings deposits from their clients, which is considered to be a vital aspect for the sustainable operation of microfinance services. Consequently, in 2001, this act was amended allowing FINGOs also to accept saving deposits from their members. According to this Act, an NGO intending to carry out microfinance activities is required to obtain license from NRB. The FINGOs need to maintain a minimum of Rs. 100,000 as their capital to get a license. After receiving a license from NRB, they can apply for funds from the wholesale lending institutions, such as RSRF, RMDC and Commercial Banks. The FINGOs are required to renew their license every two years. NRB is responsible for the supervision of FINGOs to ensure that they are performing well to the interest of the target groups and the institutions that provide them financial support.

e. Nepal Rastra Bank (NRB) Directives related to Microfinance Institutions

NRB issued 'Directives' for microfinance institutions with the objective of promoting a healthy, organized, transparent and standard operation of microfinance banks. The main features of the 'Directives' are summarized under the following headings:

Minimum capital adequacy requirement:

- 4% primary capital (paid up capital, share premium, general reserve, retained earning loss)
- 8% primary and supplementary capital (loan loss provision, asset revaluation reserve and other reserve)

Fund mobilization:

- It can mobilize fund up to 30 times of core capital through group savings, borrowing and debentures.

Compulsory reserve and liquid assets:

- It is required to maintain a compulsory minimum reserve of 0.5% of the total borrowed fund with NRB or any other Class A Commercial Bank.
- It is also required to maintain liquid assets of 2.5% of individual, group and special savings of members. Liquid assets are defined as cash reserve at hand, investment in government bonds, investment in NRB bonds and deposit in commercial banks.

Loan loss reserve

Classification of Loans	Overdue Period	Loan Loss Provision (%)
A. Good	Not overdue or overdue up to 3 months	1
B. Substandard	3-6 months	25
C. Doubtful	6 months-1 year	50
D. Bad	More than 1 year	100

Source: NRB Unified Directives

Expansion of Branch and Geographical Area

- MFDBs must take permission from NRB prior to expanding branches and geographical areas.

Norms of Corporate Good Governance

- MFDBs should clearly spell out the rules for the appointment of a Board of Directors and CEO and should specify their functions and job responsibilities.

Loan Limit to Individual Group Member

- Extension of loan up to Rs. 60,000 per member without collateral security
- Extension of loan up to Rs. 150,000 to individual member for starting microenterprise with collateral security.

Interest Rate and Service Charge

- MFDBs are given the freedom to fix interest rates on deposits and loans and advances, service charge and penalty interest rate for overdue loans.

Reporting Requirement

MFDBs, FINGOs and Cooperatives licensed by NRB are required to report to the Financial Institutions Regulation Department and Bank and the Financial Institutions Regulations Department according to the Unified Directives and other directives related to MFIs. If they fail to comply with the prudential norms of reporting or reporting late, they are penalized according to the Bank and Financial Institutions Act, 2006

The Non Bank Financial Institution Supervision Department of NRB is supposed to monitor and supervise the operations of the MFDBs and other forms of MFIs. However, owing to a lack of adequate manpower and trained staff it has not been able to discharge these responsibilities effectively, and many MFIs are failing to comply with the requirements of the NRB Directives.

f. Financial Intermediaries Regulation 1999

After the promulgation of the Financial Intermediary Act 1998, the Nepal Rastra Bank introduced the Financial Intermediary Regulation in 1999, which was amended in 2003. The regulation has specified that documents be submitted by an NGO to the NRB for obtaining an FI license along with a Rs. 25 license fee. Moreover, this license has to be renewed every two years by paying a Rs.100 renewal fee. FI-NGOs have to classify outstanding and overdue loans in four categories such as good, sub-standard, doubtful and bad, and create a reserve for loan loss provision. There is no need to make provisions for good loans (0-3 months) however for the other categories, the rate of loan loss provision should be 10% for substandard loans (3-6 months), 50% for doubtful (6 months to 1 Year) and 100% for bad loans (above one year) at the end of the fiscal year. The regulation has restricted FI-NGOs from purchasing shares and debentures taking loans from board members or their family members, and purchasing fixed or movable property for commercial purpose without NRB's permission.

2.1.8 Implementation of Laws and Regulations of Financial Intermediaries

a. Cost of regulation

Regulation of microfinance services is a very important task. There is a great need to establish a separate institution to regulate, monitor and supervise MFIs in order to improve their institutional performance. This involves a lot of cost. For this, MFIs also need to bear considerable costs for the registration and renewal of their institution. In Nepal, any bank or a financial company must get registered at the Company Registrar's Office of GoN, before obtaining an operational license from the central bank. To this effect, a bank or a company, if it is a public limited company with an authorized capital of up to Rs. 10 million shall pay a fee of Rs. 15,000, with an authorized capital above Rs. 10 million upto Rs. 100 million shall pay a fee of Rs. 40,000, with an authorized capital above Rs. 100 million upto Rs. 200 million shall pay a fee of Rs. 70,000, and so on. It is presented in Table 30. However, they do not require to pay any fee to NRB.

Table 30: Paid up Share Capitals and Registration Fees

SN	Paid Up Share Capital (Rs.)	Registration Fee (Rs.)
1	10,000,000	15,000
2	10,000,001-100,000,000	40,000
3	100,000,001-200,000,000	70,000
4	200,000,001-300,000,000	100,000
5	300,000,001-400,000,000	130,000
6	400,000,001-500,000,000	160,000
7	500,000,000 and above	@ Rs.3,000 per Rs.10 million share capital

FI-NGOs also get registered at the Chief District Office (CDO), GoN first and then at NRB. The CDO office charges a Rs. 1,000 registration fee and a Rs. 500 renewal fee every year. At NRB, they are required to pay a small amount of Rs. 25 for registration and Rs. 100 for renewal at two year intervals. Cooperatives (SCCs) are not required to pay a fee for registration and renewal. Class "D" banks are not required to pay NRB for a license, nor do they need to pay any annual fees. Moreover, NRB does not charge any fee for its supervision of both MFDBs and FINGOs. However, NRB has a requirement of maintaining liquidity of 0.5% of the total borrowings in the form of deposits at its banking office by the Class "D" banks, on which it does not pay any interest. The current supervision of NRB to MFIs both in terms of quality and quantity is not up to standard. To this effect NRB should improve its supervisory system through the development of professional skills and capacities among its concerned staff and charge an annual fee to MFIs for their supervision.

b. Effectiveness of Self-regulation and Regulatory Authority Supervision

Self-regulation is required for maintaining self-discipline in financial transactions. Self-discipline in financial transactions saves a lot of costs, and makes the transactions more effective and target oriented. Self-regulation devoid of commitment and clear vision on how to proceed, however, could be disastrous. Wrong judgment, misinterpretations of prudential rules and regulations, and frequent manipulation in financial transactions could lead organizations to complete failure, if organizations left for self regulation only.

Cooperatives could be one good example of self-regulated microfinance institutions in Nepal. The Department of Cooperatives, under the Ministry of Agriculture and Cooperatives, requires cooperatives to follow some general principles of cooperatives, however, it has allowed grass roots' level cooperatives to make and follow their own bylaws, rules and regulations. Many cooperatives with well-informed and professional executive members could lead their institution effectively and come up with good results through the adoption of strict self regulation norms. However, in the absence of proper cooperative education among the executive and general members, there are likely to be serious violations of financial norms and rules contradicting the guidelines provided by the Department of Cooperatives (DOC). There are examples of savings and credit cooperatives, which have been accepting deposits from the general public or non members against the norms fixed by the Cooperative Act 1992 and most of the principles of cooperative have been thwarted. There are a large number of SCCs, which do not maintain proper records and accounting, lack an internal control mechanism, and the funds are being misused by the board officials. There are many cases where the top officials had fled with member/public deposit money. The DOC could not properly monitor such cooperatives, as there is a lack of effective monitoring and supervision and also a lack of adequately trained staff for the supervision of thousand of cooperatives on time.

Similarly, NRB also finds it very difficult to adequately supervise MFIs. It is solely responsible for supervising MFDBs, FINGOs and Cooperatives with limited banking licenses and Cooperatives which are the borrowers of RSRF. NRB supervises these institutions only once every three year, which is quite inadequate to keep these institutions on the right track in their operations and financial management. In the case of RMDC's partner MFIs, they are being constantly followed up and supervised by RMDC's staff, and they seem to be operationally and financially better managed than other MFIs.

The government needs to develop separate regulatory bodies for FI-NGOs and cooperatives, and follow a strict supervision mechanism. Otherwise, many unwanted problems might crop up in their operation causing risk to public deposits. SCCs take huge sums of public deposit money, and there is no institution really responsible for monitoring and supervising the enforcement of prudential norms.

MFI networks such as the Microfinance Bankers' Association of Nepal (MBAN), a network of practitioners such as GBBs and PMFBs, the Microfinance Institutions Association of Nepal (MIFAN), a network of FINGOs, Nepalese Federation of Saving & Credit Cooperative Union Ltd. (NEFSCUN), a network of saving & credit cooperatives, the Centre for Microfinance (CMF), an institution involved in the research and training of microfinance, could be instrumental in developing standards and norms for their MFI members by constantly following up to ensure the compliance by concerned members. They also can play an advocacy role by bringing a conducive policy environment to microfinance in Nepal.

2.1.9 Challenges in Micro-Credit Delivery in Nepal

Nepal has a varied topography in different development regions .The mix of different cultures and different ethnic groups which brings difficulties in the successful delivery of micro-finance. The major challenges are:

a) Formulating a micro-credit delivery mechanism which is better suited to the people in hills and mountains.

b) Successfully extending the outreach to the hills and mountains. Redesigning existing programmes of the formal MFIs to better target the poorest.

c) Unsustainable delivery mechanisms of government initiated MFIs and programmes.

Sources: An Investment Guide to Nepal: Opportunities and Condition , January 2003 Various issues of World Development Reports and Asian Development Reports.

2.1.10 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 writers distinguish between the so-called informal and formal sectors, but given that many of the informal organizations are in fact registered societies, the preferred terms to use are community-based sector and institutional sector.

Microfinance Sector in Nepal

Institutional Based Sector

a) Nepal Rastra Bank
b) Rural Self Reliance Fund
c) Rural Micro-Finance Development Centre
d) Commercial Banks
e) Small Farmer Development Bank
f) Development Bank

Community Based sector

a) Financial Intermediary Non-governmental.
Organization
b) Saving and Credit Co-operatives
c) Savings and Credit Groups
d) Traditional Savings and Credit Groups

Sources: <http: www.cmfnepal.org/mf-nepalp.htm>.

2.1.10.1 The Institutional Sector

a) Nepal Rastra Bank (NRB)

NRB is a central bank and an apex institution of the financial system. It has placed various efforts to develop the micro-finance system in Nepal. It introduced the priority sector (small sector) lending programme in 1975 and the intensive banking programme in 1981. Further, in 1992, NRB participated in equity and management to develop the Grameen (Rural) Banking 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, HMG/N introduced a fund of NRs. 10 million to provide a wholesale fund for small cooperatives and rural based NGOs to 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 handled 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)

In 1998 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 2002, RMDC had approved NRs. 204.8 million in loans to 17 MFIs and disbursed NRs. 107.8 million. Its mandate includes capacity building for MFIs and ultimate borrowers in addition 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 the deprived sector. CBs are extending the 3 percent fund in equity and also providing wholesale loans to MFIs. At present, 19 commercial banks are extending credit to the deprived sector, amounting more than to NRs. 3482.6 million.

e) Small Farmer Development Bank (SFDB)

SFDB was established in 2002 under the development bank act of 1996 to provide wholesale funds to Small Farmer Co-operatives Ltd. (SFCLs). 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 within the SFCL is 3,434.

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 micro- finance development banks established by private sector. At Present there 19 Development are working position. Source (NRB 2004 Economic Indicator)

2.1.10.2 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 engage in financial intermediation activities. These activities are defined as the borrowing and on-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. Now there are more than 58 financial intermediary working in the country

b) Saving and Credit Co-operatives (SACCOs)

SACCOs are member owned, controlled and capitalized organizations, which provide financial services to members. There are more than 2,300 SACCOs registered with the Co-operative Department in Nepal and approximately 400 of these are members of the national federation.

c) Savings and Credit Groups (SCGs)

There are ten thousands 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 programmes, water and forestry user groups, mother and child programmes, etc.) into which a savings component had been introduced, if only to strengthen the livelihood that the group would continue to meet and be activities, after the specific programme intervention had been completed. Given the limited prospects of such smaller groups, and the problems that promoting agencies face in maintaining outreach to large numbers of scattered, small groups, considerable attention is being paid nowadays to mechanisms for federating and institutionalizing these 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 savings and credit association which known locally as Dhukuti or similar terms. These tend to be non-registered, but quite formally structured in terms of membership rights and obligations.

2.1.11 Evolution of Micro-Finance

The earliest initiatives for establishing micro-finance in Nepal date back to the 1950s, when the first credit cooperatives were established. For providing rural financial services, this was the first step. These cooperatives primarily intended to provide credit only to the agriculture sector. The next milestone was SFDP in 1975 within ADB/N. This programme covers the entire country and aims to organize farmers into small groups to provide credit without collateral. In 1981, NRB introduced the Intensive Banking Programme (IBP) and compelled to the commercial bank to finance at least 7 percent on the priority sector, which was further increased to 12 percent in 1990. Now this compulsion is being phased out gradually. In 1992, Grammen Bikash Banks were initiated by the government sector, crossing a milestone in rural micro-financing in Nepal and NGOs started grameen (rural banking) banking activities in certain areas. Government-run MF programmes - Bisheswor with the Poor, Women's Awareness programme, government peace movement, etc.

2.1.12 Brief History of Microfinance

The term microfinance was not used in the earlier past of the history of rural microfinance. It has been found used in Nepal only since the late 1990s. Rural credit in Nepal began in 1956 with the opening of Credit Cooperatives in Chitwan Valley to provide loans to the re-settlers coming from different parts of the country. Through the creation of the Cooperative Development Fund (CDF), the government arranged some credit support to the resettles. In 1963, the government established the Cooperative Bank, which was later converted into the Agricultural Development Bank Nepal (ADBN) in 1968. The Cooperatives faced problems of shortage of fund for credit disbursement to their members on the one hand and misappropriation of borrowed fund for personal uses by some of their officials on the other. Hence, the government commissioned a fact-finding mission in 1968 to probe the operations of 1489 cooperatives then registered with the Department of Cooperatives and the mission found most of them at defunct stage and recommended for liquidation.

Thereafter, the government introduced the Cooperative Revitalization Program in 1971. It authorized the Agricultural Development Bank Nepal to run cooperatives under its guidance and management. In 1976, ‘Sajha Program’ was launched and the Cooperatives were renamed as ‘Sajha Societies’. The compulsory savings collected under the Land Reform Program of 1964 (2021 B.S) were converted into the share capital of the Sajha Societies. The NRB conducted a benchmark survey in 1983/84 to assess the situation of the cooperatives. The study found that 94% of cooperatives were dealing with transactions of agriculture inputs and 85% were also found extending credit. Most of the cooperatives were running at losses and over 75% of the outstanding loan was overdue for more than 1 year.

ADBN launched the Small Farmers Development Program in 1975 – first as pilot project at two sites, Sakhuwa Mahendranagar of Dhanush district in the Terai and Tupche of Nuwakot district in the hills. The strategy was to organize small farmers, tenants and landless laborers into groups and strengthen their receiving mechanism for tapping resources from service delivery agencies. Credit was provided under group guarantee. It also focused on developing a habit of thrift and personal savings among the members of the groups. They also started group savings to realize self-reliance in financial resources. A total of 142,711 members who were organized into 19,597 groups were benefited from the program by July 1991/92.

After the reinstallation of multiparty democracy in 1990, the government appointed a seven member National Cooperative Consultation Committee (NCCC) and dissolved the 'Sajha Central Committee'. It also constituted 11 members National Cooperative Development Board (NCDB) to provide policy directives to the cooperatives. The government enacted a new Cooperative Act in 1992 to ease the promotion and development of cooperatives as a vehicle of economic development in rural areas. The government also emphasized the role of cooperatives for extending credit facilities and other services to the rural people in its Eighth National Plan.

The Nepal Rastra Bank (NRB) initiated Small Sector Lending in 1974 directing the commercial banks (CBs) to invest 5% of their deposit balance in Small Sector, which was later designated as "Priority Sector Lending" in 1976. The NRB subsequently initiated the "Intensive Banking Program" (IBP) in 1981 to boost up PSL lending to low income groups and required CBs to raise PSL to 8% of CBs' loans and advances, which was further raised to 12% in 1989. The main partners of PSL were the Nepal Bank Ltd. (NBL) and the Rastriya Banijya Bank (RBB) - the two state controlled CBs. The share of NBL and RBB in rural credit supply was 4.1% and 2.4% in the Sixth and 12.3% and 6.7% in the Seventh Plan periods. Loans under PSL were classified into agriculture, cottage industries and services. Target groups under PSL are low-income families with Rs. 2,511 or less per capita income per year. The beneficiary must contribute 20% of the project cost if the loan size was more than Rs. 15,000. NBL and RB charged 15% to 16% interest rates on priority sector loans. They provided loans up to 80% of the appraised value of the collateral for low income and 70% for high-income families. However, these CBs provided loans to the group members of Production Credit for Rural Women (PCRW) formed by Women Development Section (WDS) of the Ministry of Local Development and the groups formed by bank staff without collateral on just group guarantee. The loan limit for such loans was Rs. 30,000.

The Grameen Bank model of Bangladesh was replicated in Nepal with the establishment of Eastern and Far-Western Grameen Bikas Banks (GBBs) in 1992. The target groups included the framers in the Terai with holdings less than 1 Bigha (0.67 ha) and in the hills with holdings less than 10 ropani (0.5 ha), and the landless. It followed the group approach in extending credit. Credit discipline was given top priority and loans were extended without collateral security on group guarantee. The board of directors of the GBBs comprised the NRB and CB representatives and headed by the Deputy Governor or Executive Director of NRB. The share capital of the first two GBBs was mainly contributed by the government and the NRB (75%), and by the CBs (25%). The first two GBBs started functioning from the middle of 1993. They charged 20% interest and the main source of funding for lending came from NRB and CBs. In the meantime, two NGOs – the Nirdhan and the Centre for Self-help Development (CSD) also launched microfinance programs replicating the Grameen model in 1993 and 1994 respectively.

The financial Intermediaries Act was enacted in 1998 to regulate the financial intermediaries NGOs (FINGOs) on carrying out microfinance activities. This was claimed to be a breakthrough in legalizing the operation and activities of NGOs as microfinance operators. With the enforcement of this Act, two FI-NGOs, Nirdhan, and the Centre for Self-Help Development (CSD) also got registered under it. Later 47 NGOs got a license from the NRB to operate as FI-NGOs.

In 2004, the government introduced the Banks and Financial Institutions Ordinance (which was converted into an Act in 2006) which has a provision of licensing microfinance banks as class 'D' banks. As a result, 13 microfinance banks have been issued a license by the NRB to date. In order to avail small wholesale funds to cooperatives and NGOs providing loans to low income groups, the government had created a fund called Rural Self-Reliance Fund (RSRF) in 1991 with Rs. 20 million contributed from the government itself. The government with the assistance from ADB and NRB, also established the Rural Microfinance Development Centre Limited (RMDC) in 1998, to provide larger wholesale loans to MFIs through implementation of the ADB assisted Rural Microfinance Project (RMP). After the operation of RMDC, several MFIs were added to the microfinance market and the coverage by microfinance institutions also increased with faster speed. The government had also instituted another wholesaler, the Sana Kisan Bikas Bank Limited (SKBBL) in 2001 to provide wholesale funds to the Small Farmers Cooperative Limited (SFCL) in 2001. With all these initiatives and efforts microfinance has gained a new momentum as an industry. Besides this, all these self-help groups were also promoted by several rural and community development projects, as well as donors providing small credit to self-help group members through grants for seed funds.

2.1.13 Microfinance Models

There are quite a few prominent models of microfinance in the country. These include the Cooperative model, the SFCL model, the Grameen Bank model, and the Community based organizations (COs) or Self-Help Groups (SHGs) model. In addition, Production Credit for Rural Women (PCRW) and Village Banks are also considered separate programs/models of microfinance in Nepal. Programs like the Decentralized Local Governance Support Program (DLGSP), the Poverty Alleviation Fund (PAF) and some other rural development programs have also included microfinance as a component, following the SHG model. Each model has its historical background and a modus operandi of its own. They are highlighted below:

a. Cooperative

The history of cooperative societies in Nepal dates back to 1956, when the government first started 13 cooperatives societies in Chitwan district. In 1963, the government established the Cooperative Bank, which later was merged into the Agricultural Development Bank, Nepal in 1968. Rural based cooperatives were established mainly to distribute loans for agricultural inputs to farmers and trading of agricultural inputs and consumer goods to the local people both in cash and credit. These cooperatives were initially managed by the members and supervised by the Department of Cooperatives. Later, in 1973 the government decided to hand over the management of these cooperatives to the Agricultural Development Bank initially for a period of five years, which was subsequently extended by another five years. Later, the management of the cooperatives was again handed over to the members themselves in 1992.

In 1991, the government of Nepal enacted the Cooperative Act 1992. Under this Act, a group of 25 persons from a community can form a cooperative by registering it with the Department of Cooperatives, Ministry of Agriculture and Cooperatives. The Savings and Credit Cooperatives (SCCs) do not come under the regulatory framework of the Nepal Rastra Bank (NRB). However, some cooperatives that have been licensed from NRB for limited banking services have been providing services to non-members as well. They come under its regulation and supervision.

b. Small Farmer Cooperative Limited (SFCL)

The Agricultural Development Bank Nepal (ADBN) initiated the Small Farmer Development Program (SFDP) as a pilot project in 1975. The Food and Agriculture Organization (FAO) donated US dollar 30,000 to initiate pilot testing of SFDP at two sites, Sakhuwa Mahendranagar in Dhanusha district (Terai) and Tupche in Nuwakot district (Hills). At that time, FAO was providing technical assistance to seven nations of Southeast and South Asia to implement this program. After finding the successful implementation of the program in two pilot sites, the ADBN expanded the SFDP gradually to 422 sites covering a total of 652 VDCs in 75 districts, which catered around 188,000 small farmer families. Unfortunately, the quality of service was reduced due to the high speed of expansion without developing staff capabilities, and SFDP's failure to resist political pressure in implementation.

Later, an attempt was made with the technical and financial support of GTZ – German Technical Cooperation, Nepal to convert the Small Farmer Development Program Sub-Project Offices (SPOs) into Small farmer's Cooperatives. Institutional development for this conversion was initiated in 1988 under GTZ's Rural Finance Nepal Project (RUFIN). In 1993, four SPOs of Dhading district were first registered as Small Farmer Cooperative Limited (SFCL). At present more than 228 SFCLs in 41 districts have been registered covering 139,368 members and 111,494 borrowers. Out of this, 11 SFCLs are entirely managed by women members and 219 SFCLs are affiliated to the Sana Kisan Bikash Bank Ltd. (SKBBL) – a bank established in 2001 to provide wholesale finance to SFCLs. The SFCL model has been honored with CGAP/IFAD Pro-Poor Innovation Challenge Award-2003, as the best model of poverty alleviation.

c. Grameen Bank

The Grameen Bank concept of lending, propounded by Prof. Muhammad Yunus of Bangladesh, was introduced in Nepal during the 1990s by the GoN and NRB by establishing five regional Grameen Bikas Banks (GBBs), one in each of Nepal's 5 development regions. At the same time, two national level NGOs, namely Nirdhan and the Centre for Self-help Development (CSD) also launched microfinance programs replicating the same Grameen model, and later they established two microfinance development banks, Nirdhan Utthan Bank Limited (NUBL) at Bhairawa and Swablalmban Laghubitta Bank Limited, (SB bank) at Janakpur, adopting the Grameen model. Similarly, other prominent NGOs - Chhimek, DEPROSC, NRDSC, FORWARD, and Jeevan Bikas Samaj (JBS) - also started their microfinance programs following this model. At present, GBBs, Private Microfinance Banks (PMFBs) and a host of FI-NGOs and SCCs are also providing microfinance services to the poor following the Grameen model.

d. Self-Help Groups (SHGs)/Community Organizations (COs)

In Nepal there are several forms of informal self-help groups such as '*dhukuti*', mothers' groups, and many other groups with specific objectives. These types of

SHGs need not be pro-poor focused, and mostly involve lower middle or middle class people.

A very popular informal self-help group is the *Aama Samuha* (mothers' group). They are mainly formed and activated by local women with one or more objectives: they could be related to income generation aspects and/or removing social evils and bringing about positive changes in their society. Women empowerment is the main objective of most mothers' groups. These mothers' groups organize campaigns against alcoholism, injustice to women, girl trafficking, and other social evils. They also mobilize their savings and provide credit to needy members. These are not necessarily targeted at the poor. They are very common in the hills and mountains. They have been in practice now for more than 3 decades. They used to be widely practiced in the hills and mountains of the Western Development Region. These groups are not recorded anywhere.

In India, the SHG model is widely applied in a number of states by banks with a view to extending microfinance services to a large number of poor communities at a lower cost of transaction. They are also linked with commercial banks for loans. However, in Nepal SHGs are not tied up with formal banking institutions as yet, except those promoted by WDS. SHGs or COs are formed and promoted under a number of rural development programs implemented by different agencies, such as Production Credit for Rural Women (PCRW – started in 1982), Participatory District Development Program (PDDP) and Decentralized Local Governance Support Program (DLGSP) supported by UNDP, and Poverty Alleviation Fund (PAF) funded by the World Bank.

Rural development programs also organize Community Organizations (COs) or Self-help Groups (SHGs) as vehicles for expediting people's participation in these programs. Such programs focus on poverty reduction through local capacity building as in DLGSP and PAF. In most cases, SHGs/COs undertakes savings and credit activities as well for enterprises development and livelihood improvement. In DLGSP, the COs receive some counterpart funds as seed money for the groups or the COs to provide financial support to their members for implementing economic activities or entrepreneurial development programs. The projects also provide various capability enhancement trainings to the COs. Some development agencies have converted these into savings and credit cooperatives by registering them with the Department of Cooperatives. However, most of them have remained informal and have gradually become non-functional after the projects are phased out. They have also failed to develop linkage with formal financial institutions due to lack of legal status.

e. Village Banks

The Village Bank (VB) model was evolved from Latin America and was tried out in Nepal between 1998 and 2001 in a USAID funded Women Empowerment Project (WEP) through PACT-Nepal. Village Banks are grassroots level financial institutions – community-managed savings and credit associations aimed at providing financial services to community women through the mobilization of their own resources with the aim of achieving financial self-reliance. They have been promoted by the Pact Nepal in collaboration with some local NGOs and Cooperatives in the Terai region of Nepal. The project also lent some money to build up the external account of the VB, which was then lent to its members. However, they have not been linked up with financial institutions and most such banks have been non-functional after the phase out of the project.

2.2 Review of Major Empirical Studies

This section is devoted to review of important empirical works, concerning microfinance /micro-credit and MCPW. The empirical works on microfinance or micro-credit are numerous and here, it is not easy to survey and review of all the empirical works extensively and presents them in detail. Some important Nepalese studies are reviewed here.

2.2.1 Review of Major Journals and Articles

This part includes these major empirical studies such as: Acharya's study, Baral's study, P.R.sharma's study, S. R. Sharma's study, Uprety's study, etc.

Acharya (2001) had conducted the study on "Poverty in Nepal: Challenges, Efforts & Remedies". He has identified some major characteristics of the micro-finance are: saving product, small loans, micro enterprises women and disadvantaged ethnicity without collateral, group guarantee, diversified activities, frequent meeting, short repayment, strict follow-up of rules and regulation, participatory process, good governance, macro coverage, insurance, money transfer and finally include community and social activities.

He has found that currently micro-finance has focused basically three key aspects such as (i) buying of money means emphasize the domestic saving with paying of reasonable interest to the beneficiaries/members. (ii) selling of money means investment of the saving product in the micro enterprises/income generating activities with adding the operational cost and plus small margin of profit and (iii) earning of money means receiving the profit from investment of domestic saving in the micro income generating projects.

In order to improve the economic well-being of the people he has suggested restructuring the economy and building appropriate mechanism to ensure higher economic growth rate. Similarly he further suggested for emphasizing on micro-finance such as Small Farmers Cooperative limited, Saving and Credit Cooperative Limited for improving social economic condition of the rural poor. Finally he has recommended that investment in education, health, drinking water, road, electricity, and telecommunications should be increased. *(Source: Journal of Business Studies, May, 2002, Vol. 3, PP 12-16)*

Baral (2004), is "Microfinance: Good Portfolio and Management of Delinquency ". He has made some important improvements in the field of Microfinance. He has concluded that loan recovery rate is a measure of quality of loan.

The finding of study shows that the recovery rate of loan mobilized under different programmes in Kaski is found to be satisfactory. He has also clarified “the term delinquency is used to imply the situation when overdue loan is remaining unpaid. In the context of Nepal, high loan recovery rate indicates that microfinance institution do not have to face much more problem relating to delinquency". He identified two kinds of irregularities committed by both MFIs and borrowers.

On the part of MFIs the irregularities were commonly found on selection of target area, identification of target group, irregularities in formation of group, mobilization of loan on the basis of securities, and emphasis of investment and recovery of loan. Similarly following irregularities has found from the side of borrowers such as misuse of loan, non repayment of due installment, and repayment of loan from different sources.

He has suggested that the MFIs should not select the target area on the convenience of the project or employees serving for it, and on the basis of vested interest. He has also suggested that there should be a mechanism in concerned project and institution to monitor the target group or as per the operation manual of the concerned project and institution. He has further suggested that the concerned project and institution should not consider only the target of investment and recovery of loan but also consider the effectiveness of the mobilized loan. ***(Source: www.nepalmicrofinance.com)***

Chhetry (2006) conducted the study on the topic of production credit for rural women in Nepal.

He has found that PCRW is the first programme which addresses the need of rural women, it introduce credit to the women on group liability, the main thrust of the programme is that women do not have asset but they have capacity to generate income if right help and direction are provided. Similarly he has found that the main causes for low involvement of women in credit activities are lack of surplus capital, lack of enough loan amounts, unrelated skill development training, lack of time period to learn new skills, and difficulty of getting loan when it is needed. He has found that the main weakness of the programme is lack of women organization in VDC level and lack of coordination among the groups. *(Source: www.nepalmicrofinance.com)*

Pradhan and Shrestha (2004) had conducted the study of the microfinance and women in Nepal.

They concluded that most of the MFIs are facing the serious problem of sustainability due to high administrative and overhead cost, heavy service delivery cost, absence of self-regulatory mechanism and fully committed Professionalism. They further concluded that the role of the central bank in microfinance development is still important in Nepal where private sector institutions are just evolving. They have mentioned that many activities have to be coordinated new skill and technology should be added, and micro-credit programme should be expanded to reduce the ratio of poverty. *(Source: www.cmfnepal.org.)*

Sharma (2006), conducted the empirical work "Microfinance: A Powerful Tool for Social Transformation, it Challenges, and Principle". He performed his study on private, public and non-governmental institution to assess sustainability and financial efficiency. He has also focused on delivering microfinance services to the poorest of the poor.

He has found that MFIs were not being able to reach the poorest of the poor due to inability of proper identification of the poor and lack of commitment and clear vision of their action. He has mention that they were suffering from the problems such as inadequacy of resources, inappropriate regulations, loss of confidence of depositors, narrow level and area of operation, excessive overhead and ineffectiveness of activities. In addition to these, peace and security situation of the country, strategic planning, operation cost and interest rate, delinquency management etc. are equally challenging for its sustainability.

He has suggested that MFIs should need to enter in a new paradigm of financial market and develop business planning practice and efficient management of human resources within the institution. He has further suggested that strategic approach should be adopted in order to address management challenges, controlling and monitoring mechanism, effort to link formal and informal sector involved in micro-financing programme, and flexibility in financial management regulation. *(Source: www.cmfnepal.org.)*

Sharma (2007) had made a study on "Microfinance Against Poverty: The Nepalese Scenario". He has found that major problem faced by MFIs in attaining financial sustainability are attaining operation self sufficiency and financial self sufficiency.

He found that MFIs have to bear five type of cost such as social cost, service delivery cost, fund cost, provisioning for loan loss, and inflection. He has recommended different suggestions to NRB, commercial banks and Nepal Government in the context of poverty alleviation.

He has suggested to NRB that it should stop direct involvement in running and managing MFIs, act as a facilitator, and innovate other alternatives that would take the responsibility of supervising MFIs. He further suggested that it should continue both priority and deprived sectors lending policies, carryout other promotional activities such as pilot projects, research, data collection and publication, advocacy, and training in support of microfinance.

Similarly he has suggested that the commercial banks that it should emphasize indirect lending in the deprived sector and provide wholesale loan to the microfinance development banks, the licensed FINGO and SCGs.

Finally he has suggested Nepal Government that it should demonstrate for commitment towards poverty alleviation, stop direct involvement, encourage private sector, create favorable policy environment to develop microfinance practices. *(Source: Journal of Business Studies, May, 2008, Vol. 9, PP 21-25)*

Uprety (2007), in the topic of MFIs in Nepal. His study focus on regulation, supervision, and rationale, current polices, and challenges of the development of MFIs. He has identified some major issue in MFIs are: (i) dominance of government and its agencies in microcredit. (ii) need for restructuring and privatise the GBB to reduce the public sector dominance, (iii) limited outreach in the hills areas.(iv) diffused or not concentrated focus, and (v) sustainability and interest rate. *(www.microfinance.com.np)*

He found that the MFIs have to be the part of country's major economic policy of achieving growth with equity capable of facing challenges of the new millennium. He has mentioned that MFIs could not attained self-sufficiency in recent years due to much more market oriented policy. Thus he has suggested that the policy maker and practitioners have to consider the issues in regulation and supervision of MFIs in the context of market reform and find ways to deal with the emerging scenario.

He has recommended that for fair implementation of micro-financing in Nepal government role should be as a guardian and referee by which all players can play fairly and it is necessary to cater all the MFIs under one act for licensing, regulating and supervising and need to make national policy in microfinance.

Pant and Rai (2008) said "Micro-credit/Finance schemes give women financial independence and decision making power within and outside their household. Not only these have helped women to diversify income but also the economic gap between men and women has lessened to some extent. Thus, microcredit programmes must be expended and more and more women must be involved." *(www.microfinance.com)*

2.2.2 Review of Theses/Dissertations

This part includes review of major theses or dissertations which are conducted in

Nepal in the topic of Microfinance/credit.

Dhakal (1995), conducted research work to assess socio-economic impact of SFDP in Kaski district. He had taken two villages such as Kahun VDC and Bhalam VDC for his research work.

Main Objective:

The main objectives of his study were to find out socio-economic impact of SFDP up on small farmers.

Major Findings:

The major finding of his study shows that the majority of farmers have been found depending upon agriculture, the target and achievement of loan

investment and loan repayment have generally been seen increasing in last four years, and there is positive impact of SFDP regarding the target and achievement of loan investment and repayment. Similarly other finding of the study reveals that SFDP has good impact upon community and training programme in the project area, the target and achievement of loan investment and loan repayment have been increasing , and all farmers have been found taking loan from SFDP office.

He has suggested that there should be proper management of agricultural marketing in project area in order to sell the product of farmers at reasonable prices, the provision of loan disbursement to farmers should be based upon the proper evaluation of the economic viability of projects, there should be proper mobilization of group saving among all the members of the group and interest rate should be reduced. He has further recommended that the farmers should be widely informed about the modern farming system, sufficient veterinary and J.T.A. services should be provided in project area, and social and community level programmes should be operated. Finally he has recommended that the framers should be encouraged to take part in social and community development programmes.

Pandit (2004), carried out a study on "An Economic Impact on Women Development under PCRW Programme: A Case Study of Jamune VDC of Tanahun District."

The major objectives of his study were: (i) to ascertain the factors affecting the benefits enjoyed by borrowers when they received loans from the programme. (ii) to assess the strengths and weakness of PCRW in planning aspects and implementation process. (iii) To provide appropriate suggestion for future implementation of the programme. **He has found that** the programme has rightly addressed the problem faced by women especially in rural areas. He has concluded that it needs some correction even from the responses of key inform men who are women leader, social worker, ward chairman, party leaders etc. Similarly he has further concluded that loan repayment has been highly successful in comparison to other similar programmes launched in the country. He has recommended that the women development programme should be expanded to cover the whole country, regular monitoring and evaluation of activities of the PCRW programme should be carried out by the monitoring and evaluation unit of WDS on regular basis, training should be in Nepali language and if necessary it should be in one of the local language. He has further recommended that the programme should be effectively taken to backward areas, all should be treated equally, women should receive education and be well informed, even men should be encouraged to participate in the programme etc.

Paudel (2003), conducted research work "Microfinance: Production Credit for Women at Rajar Village Development Committee in Nawalparsi". The broad objective of his study was to make assessment of the PCRW. He has found that majority of respondents were informed about programme by women development section field staff. He has concluded that most of participants considered themselves to be better off in their quality of life since, the programme has started. He has mentioned that the social status, decision making power and skill of the respondents are improved. His suggestions for future improvement are: (i) the loan of PCRW programme should be distributed to ultra poor women or low income rural women. (ii) The position of WDO should be made permanent rather than temporary. (iii) Healthy livestock should be provided instead of providing credit in cash. (iv) Vaccination of animals should be arranged. (v) Community development programme like water supply facility, sanitation programme for family planning should be provided on priority basis etc.

Maskey (2006) conducted the study on the topic of empowerment of women through income generating programme in Dhankuta district. To examine the status of women in relation to decision making process was the major objectives of her studies. Her study was fully based on primary sources of information. She has conducted that the programme like PDDP was found to be essential for development in all the villages of Nepal, women were actively participate in all the activities, they have good co-operation among themselves, people earned a lot of money by their business etc. The recommendations made on the basis of her study are: (i) monitoring and evaluation of the programme should be done regularly. (ii) Literacy programme should be expended. (iii) Women should be involved in different training provided by the programme.

Khadaka (2006) carried out a study on "Micro Credit project for Women: A case study of Pokhara". The objectives of his study were to find out sectoral nature of investment and loan. He had used both primary and secondary data for the purpose of the study. The major finding his study evidenced that group loan is more effective than individual loan, the share of retail shop sector is significant, Nepal Bank Ltd. located at Bagar-1 accounted the highest share of investment and highest share of loan has disbursed among the upper caste People. Similarly the study concluded that participant's monthly income and employment level have been increased after the implementation of the project, loan distribution varied in different wards, and employment and income is generated significantly. He has suggested that loan should be provided in the productive sector, time and area of the programme should be extended, loan should be provided in equal proportion in each ward, and loan should be provided to lower caste to raise their living standard etc.

Gyanawali (2007) had done a study about a case study on the Micro credit project for women in Pokhara .The study had focused on identification of target women, analysis of site selection procedure, and group formulation knowledge of participating women of MCPW. He had also tried to assess overall performance of implementing agencies. He has found that the literacy rate of the adult women was satisfactory, the involvement rate of one woman from a house was 95%, and average rate of loan utilization is 72%. He has also found that the majority of participating women are engaged in small business, and they have own house having proper drinking water facility. He has concluded that the majority of women are not accepting conflict among group members, and they are from the same locality. He has suggested that Government should monitor the MFIs to follow the project guideline properly.

Ojha (2007) conducted the study on MCPW in Pokhara Sub-Metropolitan. His study was based on three sectors. They were agriculture production, small business and micro enterprises. The major objectives of his study were: (i) to examine the state of loan disbursement, repayment, outstanding and overdue, (ii) to assess the overall performance of participating women., and (iii) to analyze the state of loan recovery in terms of loan repayment.

He has found that the overall overdue ratio had exceed the standardized criteria, majority of participating women were found literate, most sampled women hah not maintain the record of income and expenditure. Similarly other finding of his study evidenced that most of the group members has less difference in economic condition, the condition of loan recovery has a positive impact upon the regularity of loan repayment, the majority of participants women recovered to repay both the principal and interest, and the relationship between investment and income is found positive.
By using the regression model and statically tests, he has concluded that training programme is essentially required component of making the participant more skilled in executing the enterprise successfully, outreach of the programme that helps to identify the target women, saving is the basis of investment and loan disbursement, and the state of loan recovery and repayment was found to be positive. He has suggested that the misused and diversification of disbursed loan should be controlled, MCPW should be expanded to the rural areas and other part of the urban areas. He has also suggested that loan disbursement should be made on target women, confidence of

the women should be raised, and priority of the participating should be found. He has further suggested that lending project should be supervised regularly; the participant women should be made well conscious about the proper utilization and mobilization of saving.

Shrestha (2009) conducted research work " An Impact of SFDP in Rural Area: A Case Study of Kaski District" The major objectives of his studies were: (i) to show whether the MCPW project in rural area of Kaski district has been providing the microcredit facilities to the rural poor women or not. (ii) to measure the ratio of loan disbursement and repayment rate, and (iii) to find out whether any change have been seen in the livelihood of the poor women. He has found that the impact of the project is positive, most of group leaders have responded curiosity about saving and credit cooperatives in all the VDC of the project area, and the blanket approach is not effective even within the project area. He has suggested that there should be a good facility to transfer group saving in cooperative account, livestock insurance product needs to make more effective and practical, and there should be an effective participatory monitoring and evaluation system to sustain MCPW in Kaski district.

Regmi (2008) conducted the study on" Socio-Economic Status of Women: A Case Study of Mahandevsthan VDC, Kathmandu District". Some important objectives of her studies were: (i) to draw the socio-economic profile of the women at Mahandevsthan VDC and (ii) to examine the nature of women's poverty at Mahandevsthan VDC. The study reveals that 75% women of the Mahandevsthan VDC were found to be literate, agriculture and household work is the main occupation of the women and agriculture is the main source of family income, women involvement in decision making process is very low etc. Based on the primary as well as secondary sources of information and more importantly. In the field survey she has made some important recommendations are:(i) women should be trained in cottage industries such as weaving, handicraft, production and sewing etc. (ii) guardians should be conceived about compulsory primary education to girls. (iii) population education should be given to the women for effective implementation of family planing etc.

Dargi (2009) had made a study of the women's economic participation to their house hold management in Terhanthum district.

The objectives of his studies were: (i) to study the socil economic condition of women.(ii) to assess the role of women in their economic support to their families (iii) to study women's participation in the household activities and decision making process.(iv) to suggest measure for uplifting their status in the society. His research work is mainly based on field survey.

The finding of his study reveals that the women are found to have concentrated mainly on household and kitchen chores coupled with substance farm management, women are found relatively backward, they have nominal share in property ownership, decision making role increases as the age of the women increases, the population is engaged and depends mainly on the agriculture etc. He has suggested that the overall literacy rate should be increased with special emphasis upon promoting higher literacy rate among the women, employment opportunities should be made available for the educated girls and women, the government should lunch various poverty alleviation programmes with special focus as the poor and disadvantaged women etc.

2.3 Research Gap

After the review of above literature it is observed that there are numerous studies conducted in the field of micro-finance program in foreign as well as Nepalese context. Almost all studies have attempted to disclose the success and failure of the program. These studies fail to study the impact of programme on the economic condition, life style, change in occupation, perception regarding program of the participant. These studies are basically based on the overall analysis of the micro-credit program rather than a particular program lunched in any typical rural VDC.

Thus this study attempts to evaluate the overall as well as specific micro-credit program lunched in Bharatpokhari VDC Kaski. It attempts to study the impact of micro-credit program on change in life style, economic condition, perception towards the program and change in occupation of the program member of Bharatpokhari VDC, Kaski.

CHAPTER - III

RESEARCH METHODOLOGY

Introduction

This study attempts to make assessment of performance of micro-credit programme for women. To accomplish these objectives the study follows the methodology described in this chapter. This chapter has been divided into five sections. Section 1 presents the research design, while section 2 and 3 describe population and sample, and nature and sources of data respectively. Section 4 explains data collection techniques. Similarly method of data analysis is indicated in section 5.

3.1 Research Design

The research design is the outline of a plan to test the hypothesis and should include all the procedures that follow. Research design is the plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variance (Kerlinger: 2000). The research design refers to the entire process of planning and carrying out a research study (Wolff and pant: 2002). To conduct these studies descriptive, cross-sectional and analytical approach has been adopted. Descriptive approach has been utilized mainly for conceptualization of the problem. Cross-sectional approach has been used to identify changes or similarities between two periods of time. Analytical approach has been followed mainly to analyze the relationship between income, investment and other variables.

3.2 Population and Sample

There are 20 groups of MCPW by the end of Chitra 2065 B. S. in Bharatpokhari VDC, under Local Development Fund (LDF) which is regarded as size of population for the study.

Table 3.1

List of Groups of Microcredit Programme for Women in Bharatpokhari VDC

S. No.	Name of Community Development Group	Ward	N	n	(n/N%)

		No.			
1.	Janachetana Group	8	19	4	21.05
2.	Annapurna Group	8	11	5	45.45
3.	Bhavisya Nirman Group	8	20	3	15.00
4.	Chandi Group.	9	13	5	38.46
5.	Gandaki Group	9	24	6	25.00
6.	Lali Gunras Group	6	11	5	45.45
7	Nabodaya Group	6	28	4	14.29
8	Janajagriti Group	4	22	4	18.18
9	Mujur Pankhi Group	4	30	3	10.00
10	Suva Lav Group	5	21	6	28.57
11	Manakamana Group	5	22	6	27.27
12	Milansar Group	7	31	7	22.58
13	Milanchowk Group	3	25	6	24.00
14	Pooja Group	3	15	5	33.33
15	Machhapuchchhre Group	1	17	6	35.29
16	Pragati Group	1	15	3	20.00
17	Pratima Group	1	17	6	35.29
18	Kopila Group	2	30	4	13.33
19	Shiva Shakti Group	2	19	6	31.58
20	Janajyoti Group	2	22	6	27.27
Total			**412**	**100**	24.27%

Source: District Development Office, Kaski

Note: 'N' indicates the total number of women in the group and ‘n’ indicates the number women selected for the study.

This study covers all the 20 groups. But it does not considered all the member of women for the purpose of study due to the limitation of time, budget, area, and non respondent of information among the 412 women, the study has been confined to only 100 women via simple random sampling method. These women selected for the study are considered as representative of the population are shown in Table3.1

3.3 Nature and Sources of Data

This study is basically based on primary data. These primary data are both qualitative as well as quantitative. Emphasis has been given to collect qualitative data or information. But some important quantitative information is also gathered. Similarly other relevant secondary data and information used in this study have been collected from different sources such as:

a. Audit reports microcredit programme for women of Bharatpokhari VDC which is submitted in District Development Committee of Kaski district.
b. Annual reports of LDF of Kaski district.

c. Website of UNDP, ADB/N and others related Microfinance /micro credit.
d. Various research studies, dissertations and articles related to the study.

3.4 Data Collection Techniques

This study is mainly based on primary data. So the required data are collected from the different primary data collection techniques. According to the nature of the problem, required data's information is collected with help of Personal Interview and Questionnaire survey.

3.4.1 Personal Interview

This is also called directed Interview. It is used to collect the information related to credit, saving, investment, interest collection, repayment rate etc. The respondents of personal interview are chairman and managers of each 20 group.

3.4.2 Schedule Questionnaire Survey

Questionnaire survey is conducted to achieve qualitative information. But some important quantitative information is also collected. The respondents of questionnaire survey are the sample members, group leaders and chairman of the programme.

3.5 Method of Data Analysis

Analysis is the careful study of available facts so that one can understand and draw conclusion on the basis of established principles and sound logic (Mahajan, 1988). The collected data are classified, tabulated and analyzed through the model and statistical tools etc.

3.5.1 The Model (Coefficient of Regression)

This model (Coefficient of Regression) is used to describe the relation between income and investment. Theoretically, this model explains that income is influenced by amount of investment. The functional relationship of this statement is explained by following simple regression equation:

$$\mathbf{Y} = \alpha + \beta\, \mathbf{I}$$

Where,

Y = Changes in Income

I =Investment

α = Regression Constant

β = Regression Coefficients

3.5.2 Statistical Tools

Various statistical tools have been used for the study such as arithmetic mean, percentage, pie chart, coefficient of determination (R^2), standard error of estimates (SEE) and student t-statistics. In this study, the statistical parameters are calculated with the help of computer via-SPSS 10.0. A brief explanation of statistical tools employed in this study is as follows: −

I Mean (X)

Mean is the central value on an average. A simple arithmetic mean is determined by dividing the sum of values by number of the observations.

$$\bar{X} = \frac{\text{Sum of Values}}{\text{No of Observations}}$$

$$= \frac{X1 + X\,2 + \cdots + Xn}{N}$$

Where,

N = No. of observation

Xt = Individual value for t period.

$X_1, X_2 \ldots\ldots X_n$ are 'n' observation then the arithmetic mean

II Coefficient of Determination (R^2)

The coefficient of determination is a measure of the degree of linear association or correlation between two variables, one of which happens to be independent and the other being dependent variable(s). In other words, R^2 measures the percentage of total variation independent variable explained by explanatory variables. The value of R2 is calculated by:

$$R^2 = \frac{\text{Explained Variation}}{\text{Total Variation}}$$

The range for R^2 is from o to 1(0-1). If $R^2 = 1$, then hundred percent of total variation in the dependent variable has been explained by the model. This rarely, if, ever, occurs in practice. A value of 1 can occur only if the unexplained variation is zero, which simply means that the data points in the scatter fall exactly on the regression line. But in general a large value of R^2, the fit is the best.

III Regression Constant (α)

Regression constant synonymous with the numerical constant determines the distance of the fitted line directly above or below the origin. The value of the constant which is the intercept of the model indicates the average level of dependent variable when independent variable(s) is zero. In other words, a constant indicates the mean or average effect on dependent variable if all variables omitted from the model.

IV Regression Coefficient (β)

The regression coefficient of each dependent variable indicates the marginal relationship between that variable and value of dependent variable, holding constant the effect of all other independent variable in the regression model. In other words, the coefficient describes how much change in independent variable affect the value of dependent variable estimate. It is also known that the numerical constant, which determines the changes in dependent variable per unit, changes in independent variables (i.e., slope of the line).

V Standard Error of Estimate (SEE)

With the help of regression equations, perfect prediction is practically impossible.

SEE is a measure developed by statisticians for measuring the reliability of the estimating equation, indicating the variability of the observed points around the regression line i.e., the extent to which observed values differ from their predicted values on the regression line. The larger the SEE, the greater happens to be the dispersion or scattering, of given observation around the regression line. But if the SEE happens to be zero then the estimating equation is a perfect estimator of the dependent variable. Thus, with the help of SEE, it is possible to ascertain how well and representative the regression line is as a description of the average relationship between two series.

VI Correlation (r)

It is the statistical tools that can be describe the degree to which one variable is linearly related to another (Mahajan, 1991). Higher the positive value indicates higher the relationship between variables and vice versa. The value of 'r' ranges from $-1 \leq r \leq +1$.

VII Standard Deviation (σ)

The standard deviation of a series of value is defined as the square root of the mean of the distribution. It measures the absolute variability of the distribution. A small value of standard deviation indicates a high degree of uniformity of the observation as well as homogeneity of a series. The opposite is true in case of large value of standard deviation.

VIII Chi-Square Test

The χ^2 test tells the presence or absence of an association between two events or characters but it does not measure the strength of association (Mahajan; 1999). Often population may be classified in accordance of two criterions and then after each criterion into several levels, to test whether or not these two criterions are independent .We makes use of χ^2 tests. These criterions are said to be independent if the distribution of one criteria in no way depends on the distribution of the other criteria, Thus χ^2 distribution is called non parametric. The application of χ^2 test is the test of independence of two attributes of Characteristics.

$\chi^2 = \sum (fo\text{-}fe)^2$

Where,

fo = Observed Frequency

fe = Expected Frequency

For applying χ^2 distribution, the χ^2 values are calculated first and compared with the critical values at a certain level of freedom. If calculated value of χ^2_{df} is higher or lower than the χ^2_{df} value given in the table, it is significant at that particular level of significant or insignificant to which the reference is made for comparison.

CHAPTER - IV

PRESENTATION AND ANALYSIS OF DATA

Introduction

This chapter attempts to study and analyze impact of Microfinance on socio-economic condition and living standard of people of Bharatpokhari V.D.C. Micro-credit programme encourages women to deposit certain amount of money regularly. This programme is initiated to increase self reliance, strength and group cohesiveness among group members and it also help to maintain sustainability of the programme. This chapter is fully devoted to analyze the various issues of this study to fulfill the research objective.

4.1 Position of Credit

Here, primary as well as secondary data has been used to know the existing position of credit (loan). Total investment in Bharatpokhari VDC in different year has been shown by using secondary sources of information and total loan of the respondents are shown by using primary data.

4.1.1 Investment

Group saving and the other funds provided by micro-credit programme are invested to the members on the basis of group's guaranty without collateral to increase the income of the women. Total investment of micro-credit programme in Bharatpokhari VDC since, its establishment to the end of Chaitra 2065 is presented in table 4.1

Table 4. 1

Sector wise Investment in Different Years in Bharatpokhari VDC

(Rs in 000)

S.No	Year	2061	2062	2063	2064	2065	Total	%(Percentage)
	Investment Sector							

1	Agriculture	825	1242	1818	2220	2600	8705	43.99
2	Poultry Farming	374	562	771	998	1230	3935	19.88
3	Retail Business	335	481	661	840	1560	3877	19.59
4	Buffalo Keeping	223	389	500	940	1220	3272	16.53
Total		**1757**	**2674**	**3750**	**4998**	**6610**	19789	**100%**
Percentage (%)		8.88	13.51	18.95	25.26	33.40	**100%**	

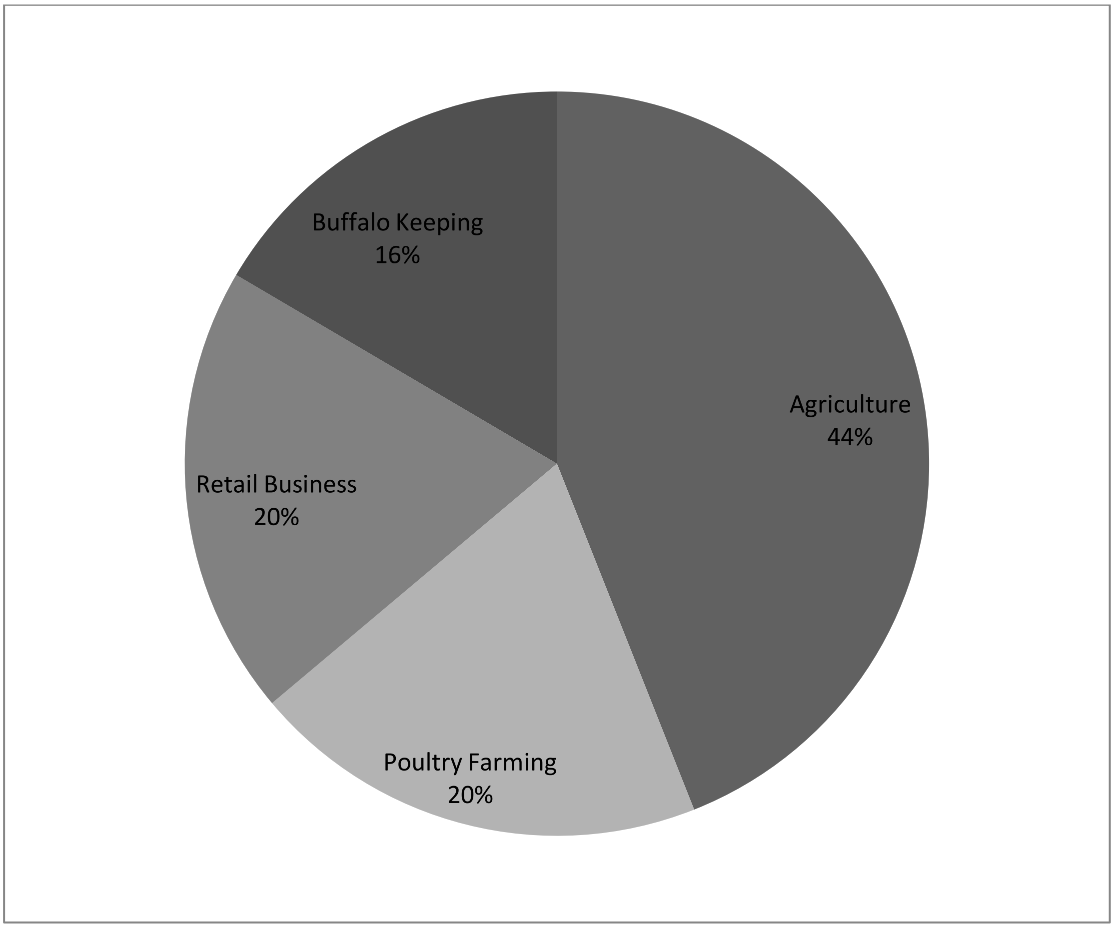
Source: Annual Report, Ashad 2066, District Development Committee, Kaski

The Table 4.1 shows that out of the total Rs. 19789 thousand investment for five year of micro-credit programme, 43.99% (i.e. Rs. 8705 thousand) investment is made in agriculture sector, 19.88% (i.e. Rs.3955 thousand) investment is made in poultry farming, 19.59% (i.e. Rs.3877 thousand) investment is made in retail business and 16.53% (i.e.Rs.3272 thousand) investment is made in buffalo keeping respectively. Similarly the above table 4.1 shows that out of the total investment of Rs 19789 Thousand, 8.88% (i.e. Rs.1757 thousand) investment is made in year 2061 for agriculture, poultry farming, retail business and buffalo keeping and 13.51%, 18.95%, 25.26%, and 33.40% in year 2062, 2063, 2064, and 2065 respectively.

Figure 4.1 shows that the highest coverage of investment is made in agricultural sector (i.e. Rs. 8705 thousand out of 19789), where as the lowest coverage of investment is made in buffalo keeping (i.e. Rs.3272 thousand out of 19789 thousand).

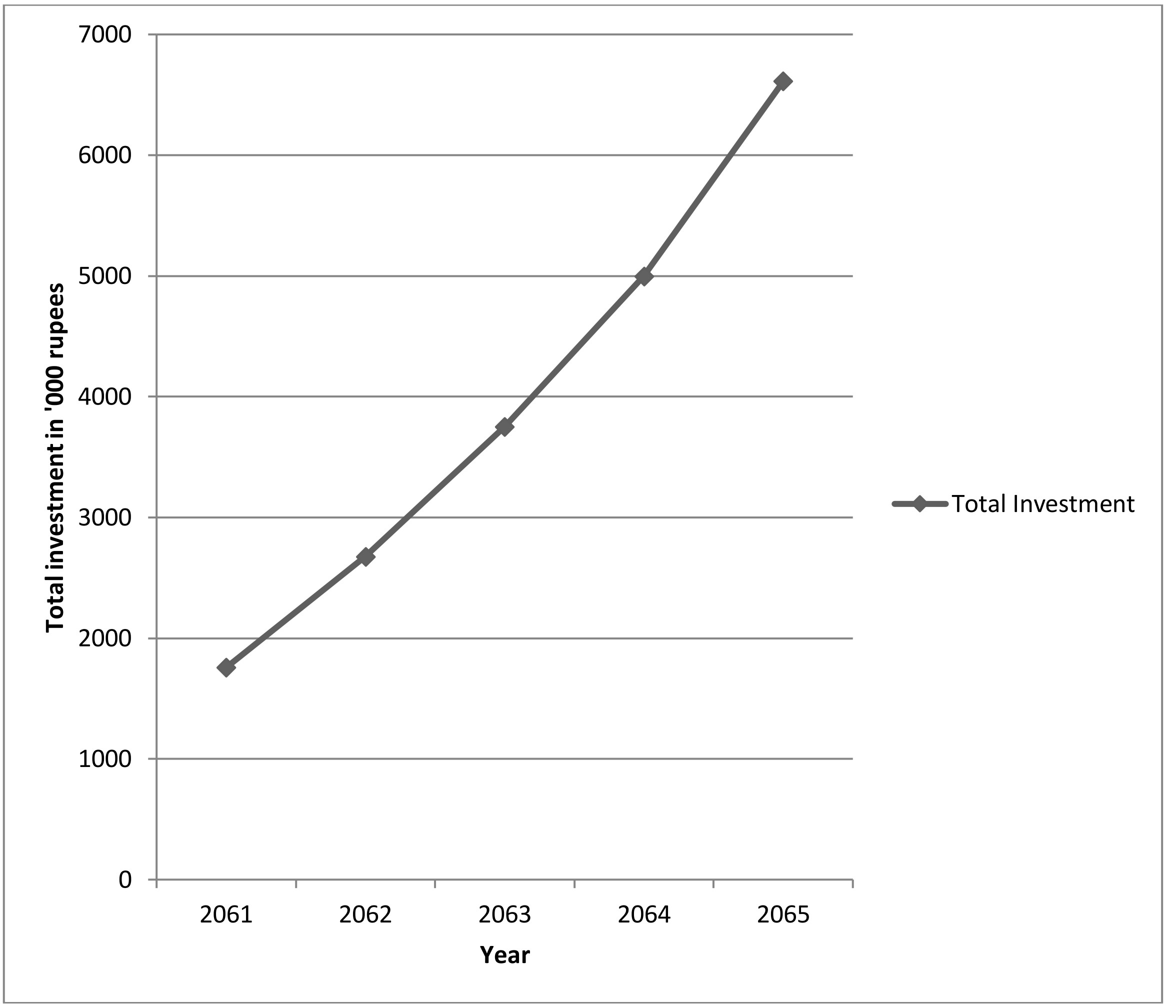
Figure 4.1

Sector wise total investment in Five Years in Bharatpokhari VDC



Similarly five-year trend line (figure4.2) indicates the upward movement or increasing trend of investment in each year from the intervention of the programme to the end of 2065B.S.

Figure 4.2
Trend Line of Investment Over Five Years Period



4.1.2 Loan Disbursement to the Sample Women

Out of the 100 sample women, cent percent women have received loan from the programme at least one time. Total loan disbursements to the respondents of sample survey are presented in table 4.2.

Table 4.2

Loan Disbursement to the Borrowers

S.N.	Investment Sector	No of Borrowers	%	loan Disbursement (Rs in 000)	%
1	Agriculture	52	52	1835	47.48
2	Poultry Farming	15	15	560	14.49
3	Retail Business	27	27	1245	32.21

4	Buffalo Keeping	6	6	225	5.82
	Total	**100**	**100**	**3865**	100.00

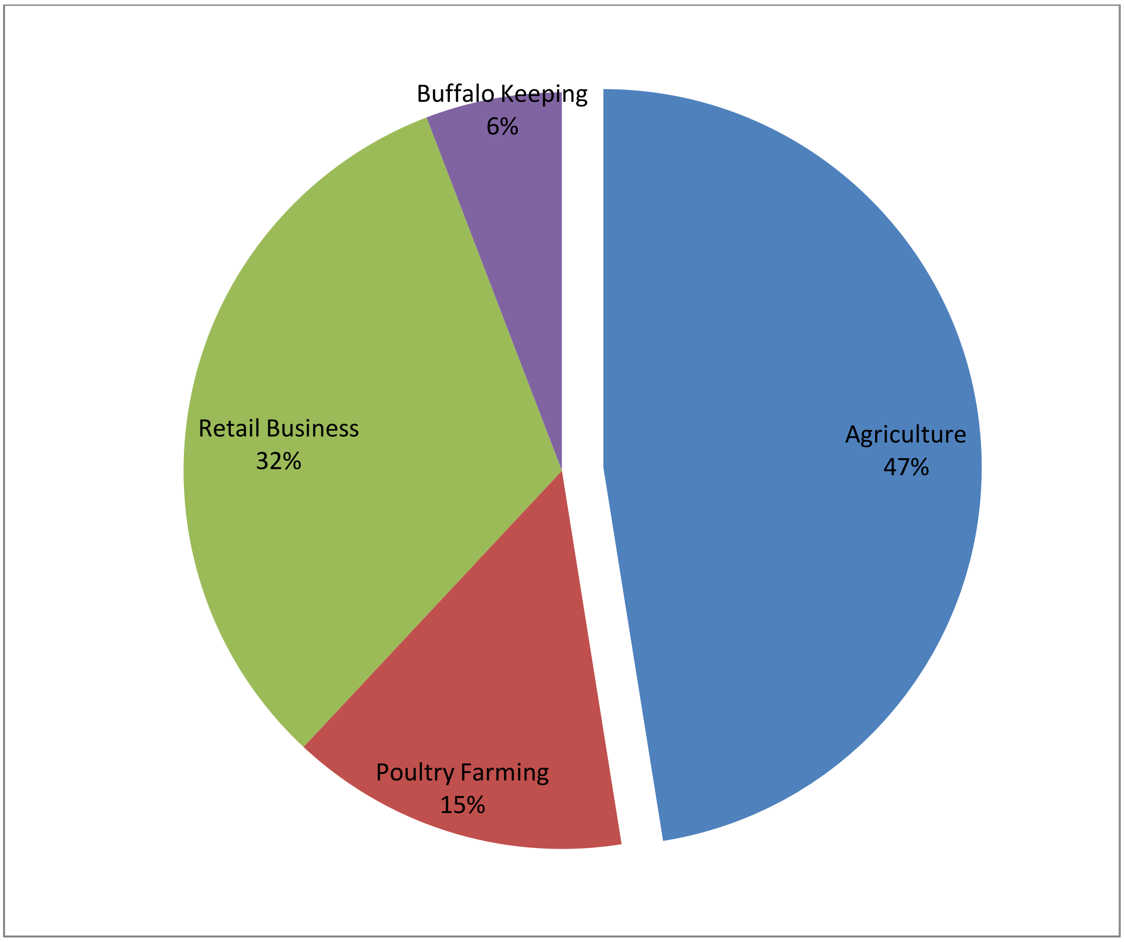
Source: Field survey 2066

Table 4.2 reveals that out of the 100 borrowers of Sample survey, 47.48% women received loan to invest in agriculture sector, 14.49% women received loan to invest in poultry farming, 32.21% on retail business and 5.82% on Buffalo keeping respectively. Similarly from the above table it is seen that total loan amount received by respondent was Rs 3865 thousand, out of which they have invested 47.48% (i.e.Rs.1835 thousand) on agricultural sector. Proportion of other sector of investment such as poultry forming, retail business, and buffalo keeping was 14.49%, 32.21%, and 5.82% (i.e. Rs.560,1245and 225 thousand) respectively.

Similarly the figure 4.3 indicates the highest proportion of investment is made in agriculture sector (i.e. 1835 thousand invest), and lowest proportion of investment is made in buffalo keeping (i.e.Rs.225 thousand invest).

Figure 4.3

Loan Disbursement to sample women (Rs in 000)



4.1.3 Loan Amount of the Borrower

Out of 100 sample women from the total 20 group, the highest 40% of the women are taken loan for agriculture (i.e.41.32% of 3013 thousand) in the range of 35000-40000 and similarly the lowest 2% of the women taken loan for the retail business and buffalo keeping in the range of 5000-10000. The details are shown as under.

Table 4.3

Loan Amount and Numbers of Borrowers

S.N.	Loan Amount	Number of Borrowers	Percentage of Borrowers	Sector
1	0-5000	4	4	Retail & Housing exp.
2	5000-10000	2	2	Retail & Buffalo
3	10000-15000	5	5	Buffalo farming.
4	15000-20000	7	7	Poultry & buffalo

5	20000-25000	5	5	Poultry Farming
6	25000-30000	11	11	Agriculture & Poultry
7	30000-35000	26	26	Agriculture & Poultry
8	35000-40000	40	40	Agriculture
Total = 60,90,000		**100**	**100**	

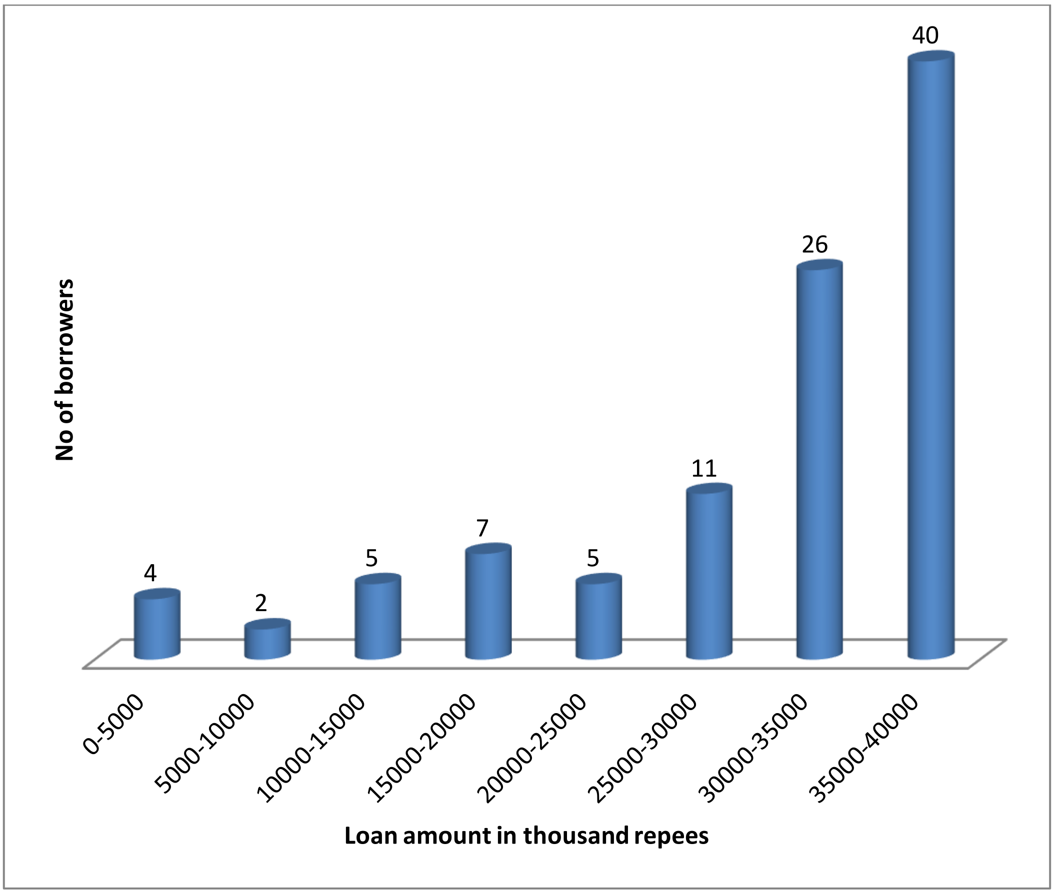
Source: Field Survey2066

Table 4.3 shows the scenario of the loan amount and percentage of the total borrowers. Since, the borrowers are curious about the use of the loan for agriculture, poultry farming, retail business and buffalo keeping, they demand accordingly to the need of their enterprise. Out of 100 sample women, about 26% of the sample women have borrowed Rs 30000 to Rs 35000 and 40% women have borrowed Rs 35000 to Rs 40000.

Figure 4.4 shows loan amount taken buy respondents in different range. Out of 100 respondents 66 respondents have taken loan above Rs. 30,000.

Figure 4.4

Loan Amount of Borrowers



Only 6 respondent women have taken loan below Rs. 10,000 for their respective purpose.

4.1.4 Purpose of Loan and Its Proper Utilization.

Micro-credit programme has mobilized loans for various purposes. In this study, attempt has been made to find out whether mobilized loans are properly utilized or not. Loan utilization schedule of the sampled women are presented in table 4.4

Table 4.4

Loan Utilization Schedule of the Sample Women

S.N.	Investment Sector	Women Using the Loan for the Very		Women Misusing the Loan		Total Number of Borrowers
		No	%	No	%	
1	Agriculture	40	76.92	12	23.08	**52**
2	Poultry Farming	10	66.67	5	33.33	**15**
3	Retail Business	21	77.78	6	22.22	**27**

4	Buffalo Keeping	4	66.67	2	33.33	**6**
	Total	**75**	75.00	**25**	25.00	**100**

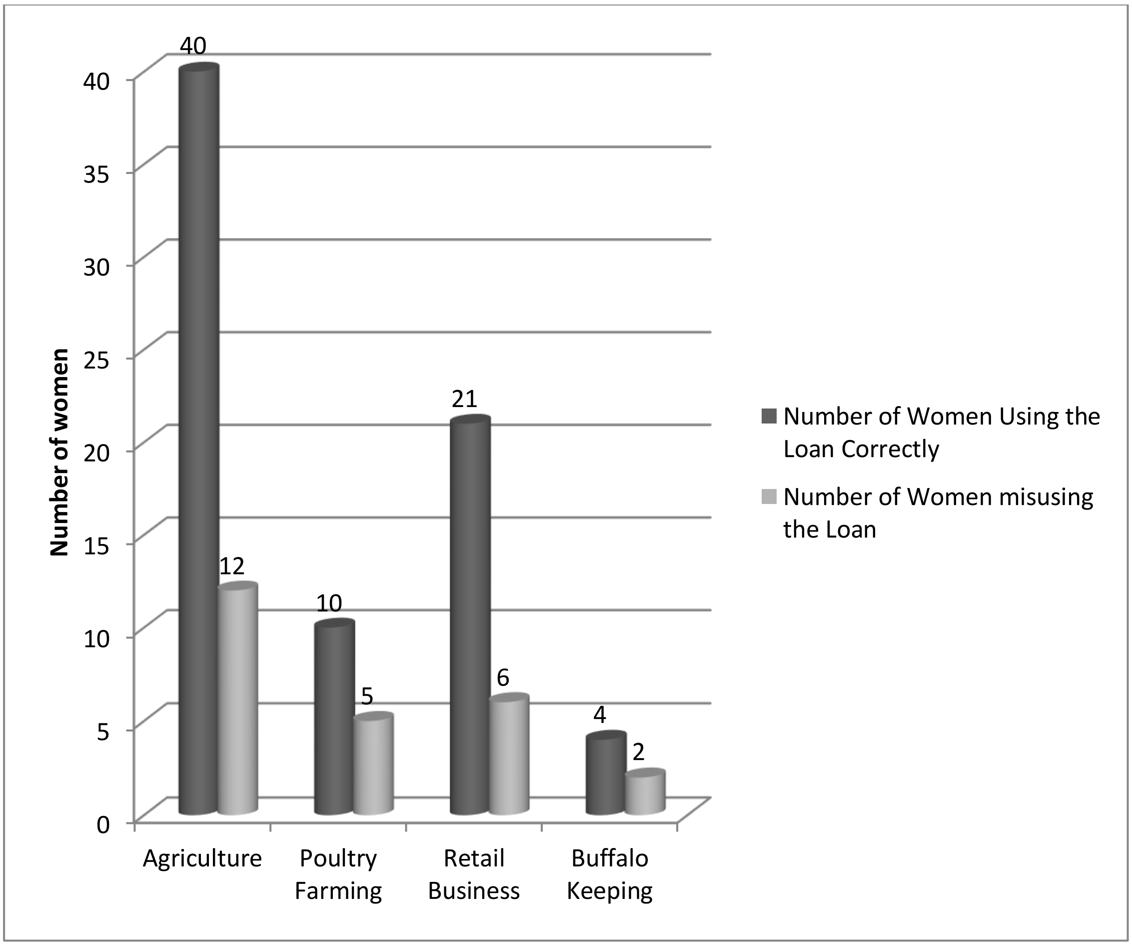
Source: Field Survey2066

The table 4.4 denotes that among the total participants, 75 percent women have used the loan for the very purpose and 25 percent women have used their loan for various purposes other than the objectives of the loan (i.e. misusing the loan).

On sector wise basis, 76.92 percent from agriculture, 66.67 percent from poultry farming, 77.78 percent from retail business and 66.67 percent from buffalo keeping have invested their loan on the very purpose. Likewise, respectively from the same group 23.08 percent, 33.33 percent, 22.22 percent and 33.33 percent misused their loan.

Figure 4.5

Sector wise Loan Utilization Position



Analyzing the figure 4.5, it has been found that larger numbers of women have used the loans for the very purpose and smaller numbers of women used the loan for various purposes other than the objectives of the loans.

In further analysis, it is observed that women generally misused their loan to pay old debt and few of the women misused their loan even for household expenses. Following table 4.5 clarifies the situation.

Table 4.5

Number of Women Misusing the Loan

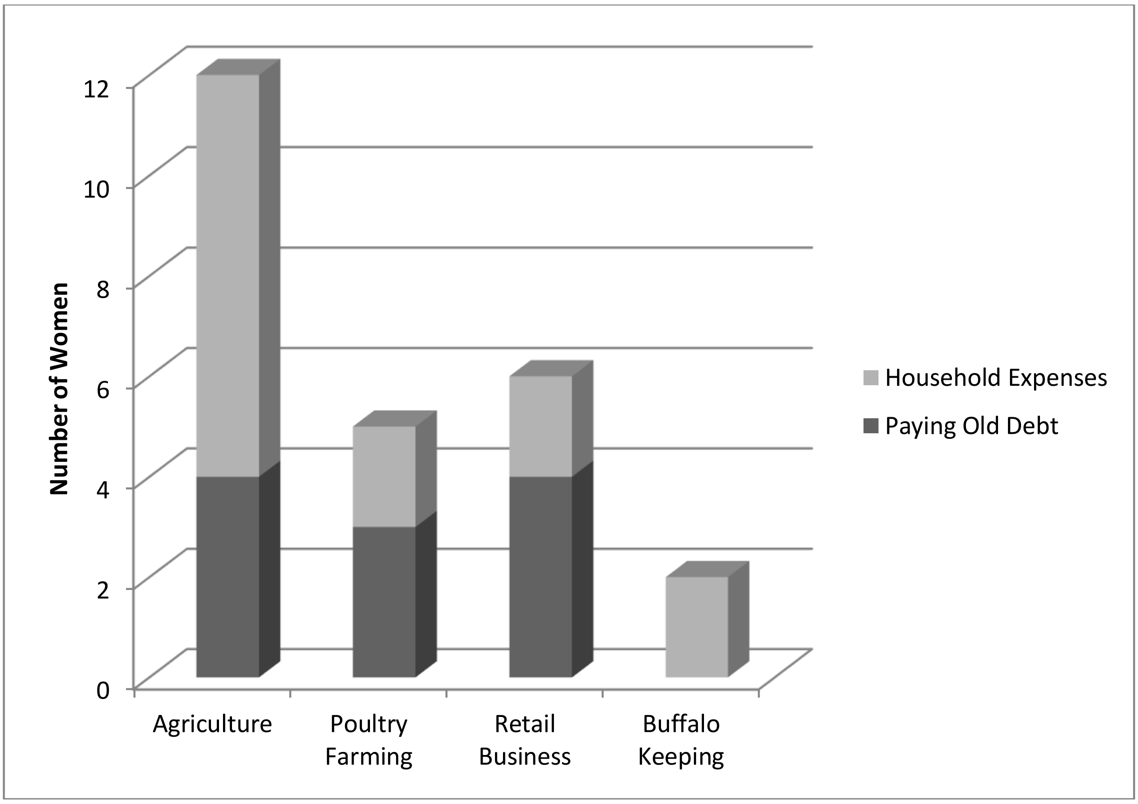
S.N.	Investment Sector	Paying Old Debt	Household Expenses	Total
1	Agriculture	4	8	12
2	Poultry Farming	3	2	5
3	Retail Business	4	2	6
4	Buffalo Keeping	0	2	2
	Total	**11**	**14**	**25**

Source: Field Survey2066

From the table 4.5 and figure 4.6 it is clear that almost 50% of women misusing loan belongs to occupation agriculture. Out of them majority of women have misused their loan for household purpose. Out of total women taking loan for poultry farming, 3 are misusing loan for paying old debt and 2 are misusing loan to meet household expenses. In retail business, majority of women are misusing their loan to pay old debt.

Figure 4.6

Purpose of Misusing the Loan



In buffalo keeping, all women missing loan are meeting their household requirement.

4.2 Occupation and Income Level

Occupation represents regular employment of the people for earning purpose. It is a basis to generate income. The pattern of women as well as household occupational confinement in the study area seems to differ among every community. Their occupational involvement largely seems dual in character. But for the purpose of the study only one major occupation of the Women is considered.

4.2.1 Occupation of the Respondents before Involving in Micro-credit Programme

Table 4.6 reveals that the sample women were engaged in varieties of economic activities before lunching micro-credit programme.

Table 4.6

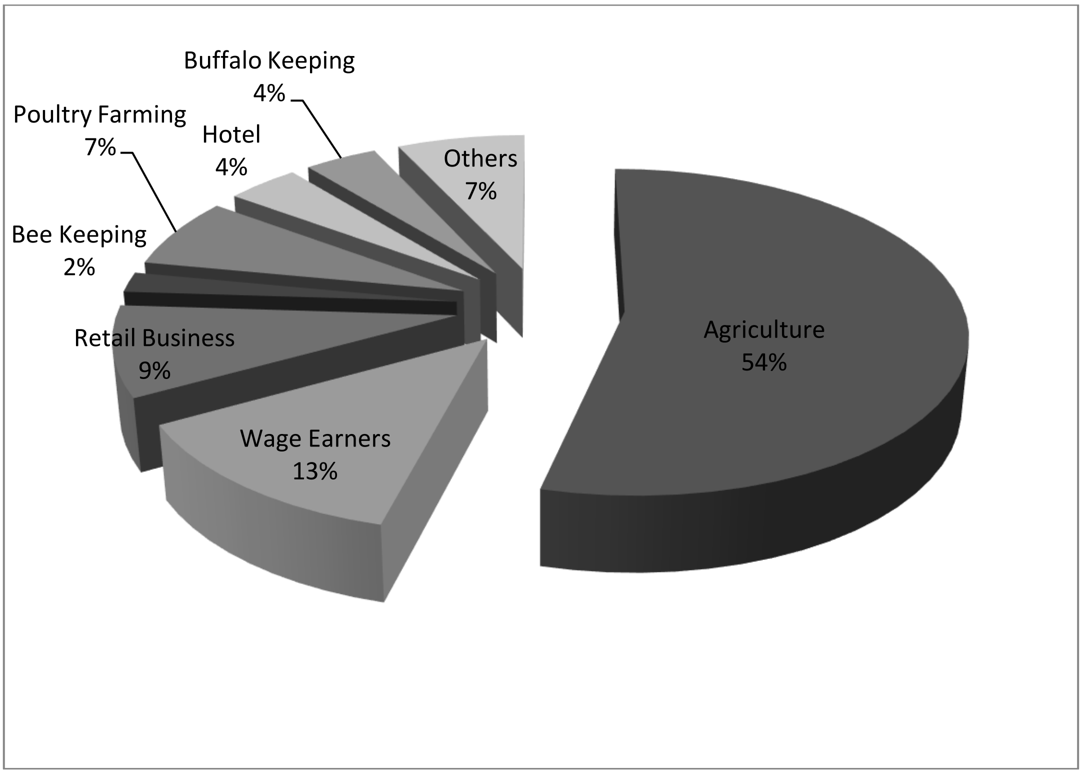
Occupation of the Respondents before Borrowing

S.N.	Occupation	No of Borrowers	Percentage of the Borrowers
1	Agriculture	54	54
2	Wage Earners	13	13
3	Retail Business	9	9
4	Bee Keeping	2	2
5	Poultry Farming	7	7
6	Hotel	4	4
7	Buffalo Keeping	4	4
8	Others	7	7
	Total	100	100%

Source: Field Survey2066

Figure 4.7

Occupation of the Borrowers before Borrowing



Out of total borrowers of sample survey, 54% were engaged in agriculture, 13% were engaged as wage earners and rest in other occupation.

4.2.2 Occupation of the Respondents after Involving in Micro-credit Programme

Table 4.7 shows that 38% of the respondents are engaged in agriculture, 11% in buffalo keeping, 18% in poultry farming 16% in retail business and rest on other business.

After implementation of the programme, women have started different occupation according to their own entrepreneurship talents.

Table 4.7

Occupation of the Respondents after Borrowing

S.N.	Occupation	No of Borrowers	Percentage of Borrowers
1	Agriculture	38	38
2	Buffalo Keeping	11	11
3	Poultry Farming	18	18
4	Retail Business	16	16
5	Wage Earners	4	4

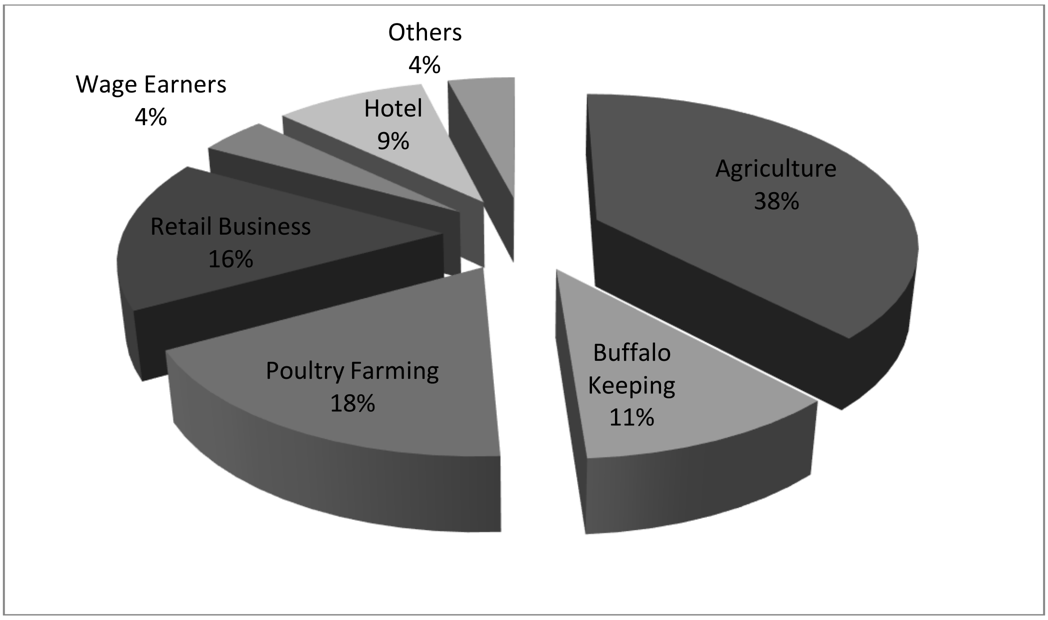
6	Hotel	9	9
5	Others	4	4

Source: Field Survey2066

Thus after implementing micro-credit programme, women have left previous traditional occupation and have started such business, which are economically beneficial.

Figure 4.8

Occupation of the Borrowers after Borrowing



Major shift has been observed from agriculture, buffalo keeping and wage earners to poultry farming, retail business and hotel business.

4.2.3 Impact of the borrowing

While studying impact of Micro-credit Program in the VDC it is observed that multiple impact on income level, change in occupation and change in living standard (i.e. consumption pattern, sheltering pattern, clothing pattern etc.) is more pronouncing. The detailed analyses have been presented as below:

4.2.3.1 Changes in Income Level

In the study area income denotes the earning of the borrowers from any productive activity. For the purpose of the study only the income which is earned by the sale of product is considered. Following table 4.8 shows the increase in income level of the borrowers after taking loan from micro-credit programme in different investment areas of occupation.

Table 4.8

Annual Income of the Borrowers

SN	Investment Sector	No of Borrowers	Net Income Before the Programme	Net Income After the Programme	Increase in Income Due to investment
1	Agriculture	52	95400	135900	40500
2	Poultry Farming	15	61300	94200	32900
3	Retail Business	27	41600	62500	20900
4	Buffalo Keeping	6	33800	47600	13800
	Total	**100**	**232100**	**340200**	**108100**

Source: Field Survey2066

Table 4.8 shows that the income of sample women has been increased significantly after the program in each area of occupation. This fact has proved that the members associated with the programme have significantly increased their annual income.

Figure 4.9

Comparison of Net Income before and after the Program

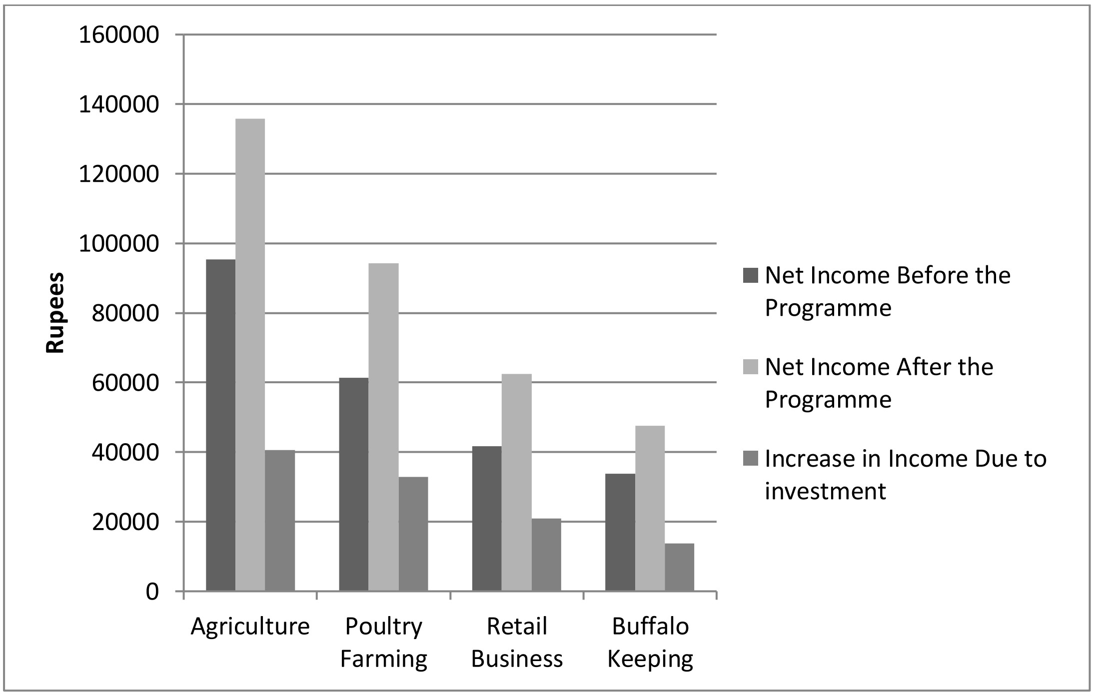


Figure 4.9 indicates that in all occupation level of income has been increased significantly after implementation of micro-credit program.

Correlation Analysis

Correlation analysis is useful in examining the extent to which a linear relationship exist between the investment (X) and increase in income level (Y).

The relationship between increases in income per month due to investment in different sector has been analyzed with the help of correlation analysis and regression analysis.

Table 4.9

Total annual Investment and Income of Sample Group

year	Total annual investment	Total annual income of borrowers
2061	2050000	80000
2062	2520000	105000
2063	3560000	120000
2064	4830000	270000
2065	**6090000**	**340200**

We have,

Correlation coefficient is given by,

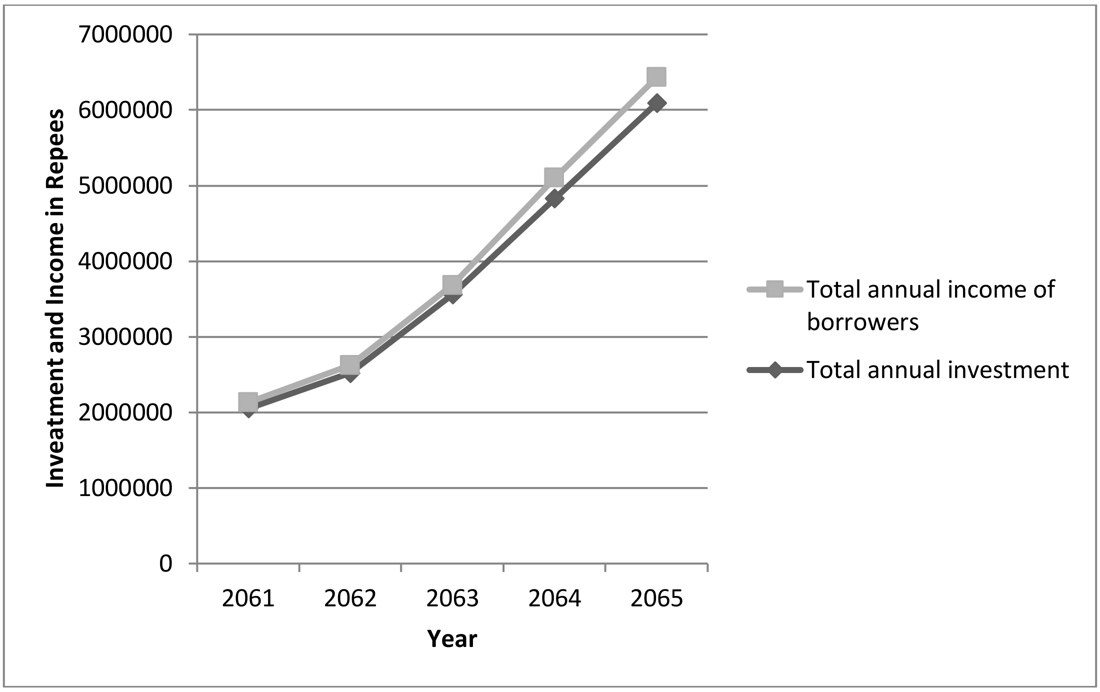
$$r = \frac{N\Sigma XY - (\Sigma X)(\Sigma Y)}{[\{N\Sigma X^2 - (\Sigma X)^2\} * \{N\Sigma Y^2 - (\Sigma Y)^2\}]^{1/2}}$$

The coefficient of correlation (r) = + 0.973

Thus, investment is positively correlated with changes in income level of the respondents.

Figure 4.10

Trend Line of Investment and Income



From the figure 4.10 it is clear that as level of investment increases level of income also increases. Thus, we can conclude that micro –credit program has significantly improved the earning capacity of the surveyed women in the VDC.

Regression Analysis

Here, for the purpose of examining the relationship between investment and increase in income level per year regression analysis has been used. Whether the level of investment could raise the income sufficiently or not is a matter of quest. It is also equally important to find out the impact of the programme. If the investment does not raise income level than entrepreneurs will not be motivated for further investment.

The data on the relationship between investment and changes in income is shown in table 4.10.

Table 4.10

Annual Change in income and investment of sample group

year	change in Investment	change in income
2061	0	0
2062	470000	25000

2063	1040000	80000
2064	1270000	85000
2065	1260000	70200

Table 4.11

Computation of Regression Equation of Income on Changes in Investment

{Regression Equation: Y = α + βI}

	Coefficients	t-value	Sig.	R^2 = 0.856
(Constant)	-3183.554	-0.153	0.892	
:hange in investment	0.068*	3.455*	0.075	

: Variable: change in Income
nt variable: change in investment

*Note: * denote the co-efficient is significant at 10% level of significance.*

Thus, Y = -3183.55 + 0.068 I

Coefficient of change in investment of 0.068 indicates that Rupee 1 increase in investment leads to increase the income of sample women by Rupee 0.068.

The beta coefficient of investment is positive (i.e. 0.068) which indicates that one rupee investment leads to 0.068 rupees increased in income level per year. The regression analysis shows a positive trend between investments and increased in income level of the sampled women.

Value of 'R^2' is 0.856. This indicates that only 85.6 percent of variation of income is explained by the investment on an average.

4.2.3.2 Training Programme and Standard of Living of the People

Training is a learning experience in that it seeks a relatively permanent change in an individual that will improve the ability to perform on the job/occupation. It seeks to change in skill knowledge, attitude, or behavior. (Robbins and David, 2004) It is another major component of micro-credit programme. Women can upgrade their knowledge, attitude, behavior and skill through training. Training increases people's skill in the related field. So it is necessary to provide training to participant women to increase their capability on related field. During the survey it has found that out of the 100 sampled women 82 women have got opportunity to participate in one type of training programme or other. Chances of achieving training are unequally distributed. Though every member has strong incentives to participate in every training programme, priority is given to the manager and president of the group members.

Standard of living refers to the usual scale of our expenditure, the goods we consume and the services we enjoy. It includes the level of education, employment status, food, dress, house, amusements and comforts of modern living. (Nagpal and Sell, 1985). Here, for the purpose of the study impact of investment and training programme on consumption, clothing and sheltering pattern of the people are assessed to measure changes in the standard of living of the people.

4.2.3.3 Change in Consumption Pattern of the People

The table 4.12 shows that out of the 100 sampled women 62% sampled women's family consume traditional food regularly on their family meal. After intervention of the programme only 22% women have used traditional food on their meal. Thus the table itself presents that the standard of living of people has been improved. To know whether the standard of living of the people in the study area has been improved after intervention of the programme the table 4.12 provides the clear picture.

Table 4.12

Consumption Pattern of the People in Study Area

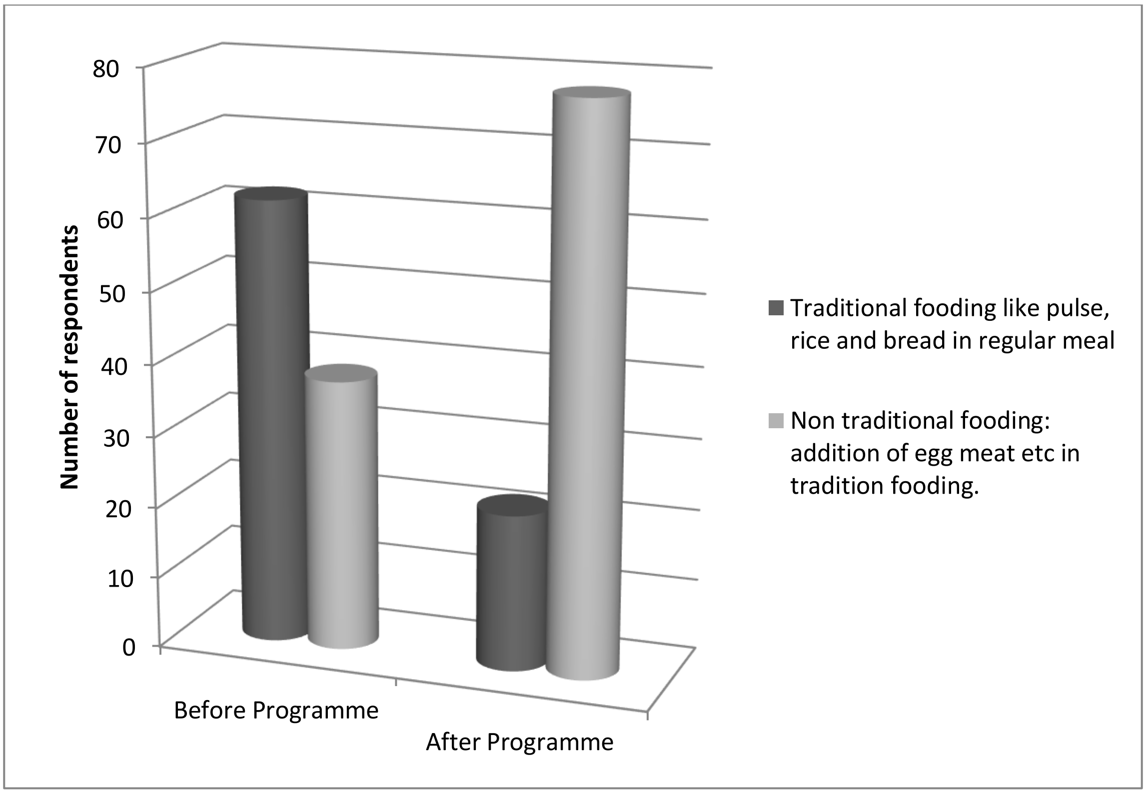
S.N.	Fooding	No of respondents	
		Before Programme	After Programme
1	Traditional fooding like pulse, rice and bread in regular meal	62	22
2	Non traditional fooding: addition of egg meat etc in tradition fooding.	38	78
	Proportion of non tradition fooding	P_1=38/100	P_2=78/100

Source: Field Survey2066

Thus, from the above table it is clear that investment and training programme has improved standard of living of the people in study area.

Figure 4.11

Comparison of Consumption Pattern of People



After implementation of Micro-credit program, proportion of non- traditional fooding people has been increased from 38% to 78%.

The figure 4.11 reveals that significant number of family has shifted to superior fooding habit.

4.2.3.4 Change in Clothing Pattern of the People

Following table 4.10 reveals that out of the sample population 39% women have regular clothing problem on their family before intervention of the programme. After the intervention of the programme only 23% women have clothing problem on their family.

Table 4.13

Clothing Pattern of the People in Study Area

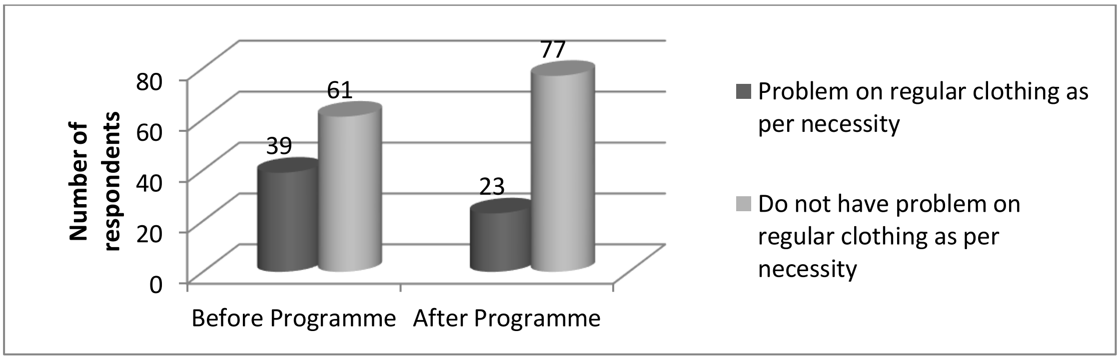
S.N.	Clothing	No of Respondents	
		Before Programme	After Programme
1	Problem on regular clothing as per necessity	39	23
2	Do not have problem on regular clothing as per necessity	61	77
	Proportion of Facilitated women on clothing	$P_1 = 61/100$	$P_2 = 77/100$

Source: Field Survey2066

Thus, the investment and training programme has improved standard of living of the people in study area.

Figure 4.12

Comparison of Clothing Pattern of People



The figure 4.12 reveals that significant number of family has no problem on regular clothing as per necessity after intervention of the program.

4.2.3.5 Change in Sheltering Pattern of the People

Sheltering is another component of standard of living. During research study it has found that all the respondents have their own house. Out of the sample population only 58% women's family have facility of toilet, bathroom and bio-gas facility before the intervention of the programme. After intervention of the programme 79% women's family have been benefited by the facility of toilet bathroom and bio-gas on their house.

Table 4.14

Sheltering Pattern of the People in Study Area

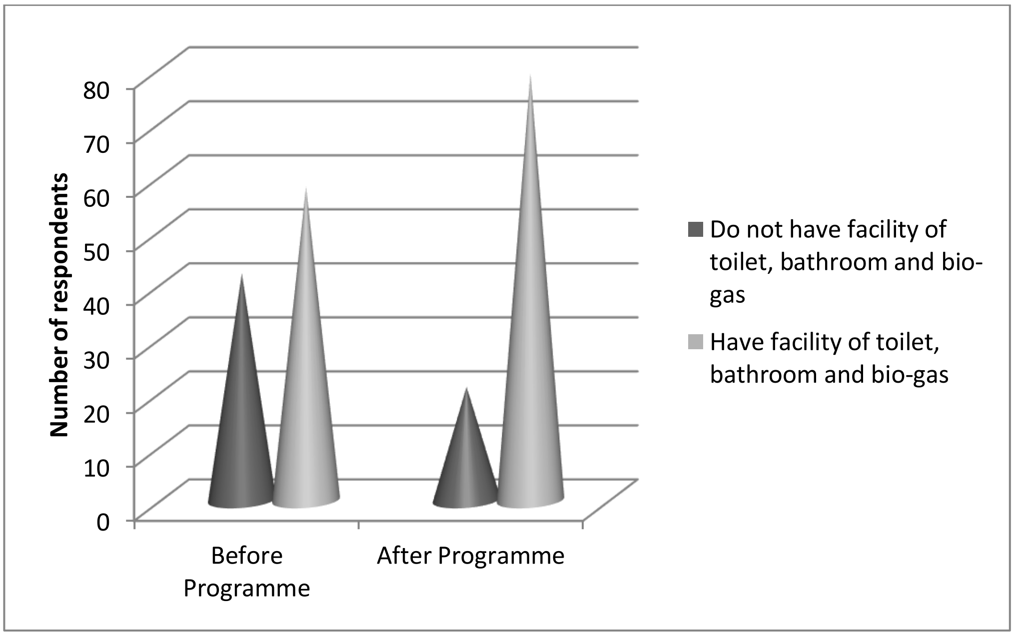
S.N.	Sheltering	No of respondents	
		Before Programme	After Programme
1	Do not have facility of toilet, bathroom and bio-gas	42	21
2	Have facility of toilet, bathroom and bio-gas	58	79
	Proportion of Facilitated women on sheltering	P_1=58/100	P_2=79/100

Source: Field Survey2066

Thus from the above table it is clear that investment and training programme has improved standard of living of the people in study area.

Figure 4.13

Comparison of Sheltering pattern of the People



The figure 4.13 reveals that significant number of family has facilities of toilet, bathroom and bio-gas after intervention of the program.

4.3 Perception of Users Group

Perception is the set of process by which an individual become aware of and interprets information about the environment (Griffin, 2002). During the study it has found that the programme has benefited all the respondents. Out of the sample population, 58% women have perceived high benefit from the programme and 42% women have perceived low benefit from the programme. Here, for the purpose of the study perception of the sample women towards the programme with respect to age structure and educational level are presented and analyzed by using χ^2 test.

4.3.1 Age Structure

From the survey it has found that all the sampled women are married and the age structure of sampled women are in the range of 20-65 years. Distribution of the sampled women with respect to age structure towards the perception of the programme are shown in table 4.12

Table 4.15

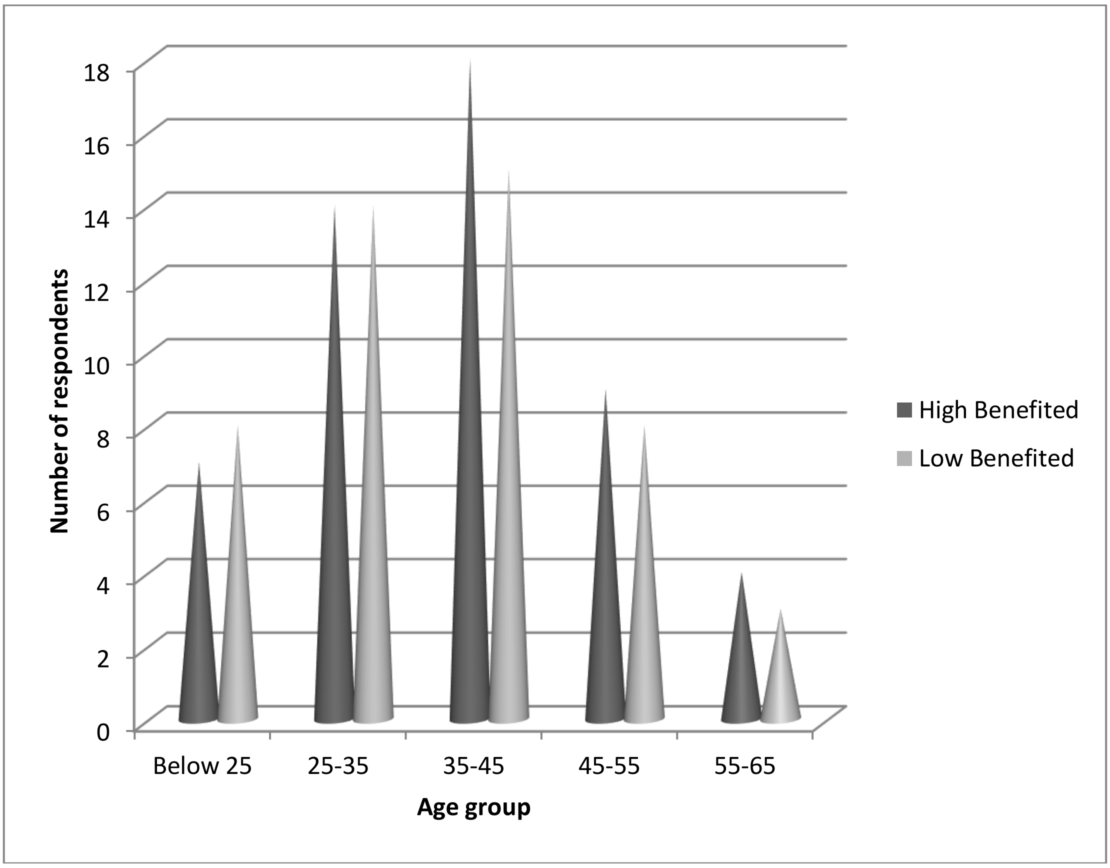
Distribution of the Sampled Women with Respect to Age Group

S.N.	Age Group	Perception Towards the Programme		
		High Benefited	Low Benefited	Total
1	Below 25	7	8	15
2	25-35	14	14	28
3	35-45	18	15	33
4	45-55	9	8	17
5	55-65	4	3	7
	Total	**52**	**48**	

Source: Field Survey2066

The above table 4.12 itself reflects that highest numbers of participant of the programme are in the age group of 35-45 years followed by the age group of 25-35 years.

Figure 4.14
Perception towards The program across age group



To determine the relationship between age group and perception of the sampled women χ^2 test is used.

H0: There is no relationship between age group and perception of women towards the programme.

H1: There is relationship between age group and perception of the women towards the programme.

Computation of χ^2

S.N.	Observed Frequency(O)	Expected Frequency(E)	(O - E)	$(O - E)^2$	$(O - E)^2/E$
1	7	7.8	-0.8	0.64	**0.082**
2	14	14.56	-0.56	0.3136	**0.022**
3	18	17.16	0.84	0.7056	**0.041**
4	9	8.84	0.16	0.0256	**0.003**
5	4	3.64	0.36	0.1296	**0.036**

6	8	7.2	0.8	0.64	**0.089**
7	14	13.44	0.56	0.3136	**0.023**
8	15	15.84	-0.84	0.7056	**0.045**
9	8	8.16	-0.16	0.0256	**0.003**
10	3	3.36	-0.36	0.1296	**0.039**
Total					**0.383**

Degree of freedom = (r -1) (c -1) = (2-1) (5 -1) = 4

Tabulated value of χ^2 at 5% level of significant and (r -1)(c -1) degree of freedom i.e. χ^2 0.05,v = 4 is 9.488.

Since, χ^2 calculated = 0.383 is less than χ^2 tabulated = 9.488, the Ho is accepted. Hence, there is no relationship between age group and perception of women towards the programme.

4.3.2 Educational Level

Education is taken as an indicator of the development of the nation without which social, agricultural and economic development cannot be possible. Though, education is the lamp of the world, majorities of the sampled women is under S.L.C. in Bharatpokhari VDC. Distribution of the sample women with respect to educational level towards the perception of the programme is shown in

Table 4.16

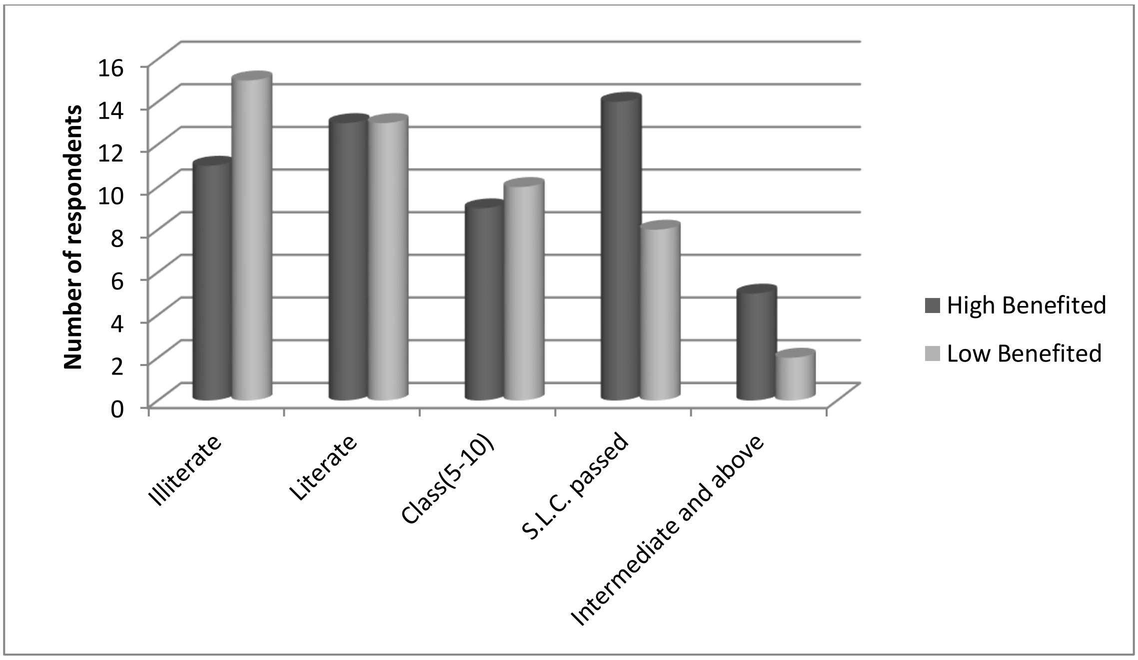
Distribution of the Sampled Women with Respect to Educational Level

S.N.	Educational level	Perception Towards the Programme		Total
		High Benefited	Low Benefited	
1	**Illiterate**	11	15	26
2	**Literate**	13	13	26
3	**Class(5-10)**	9	10	19
4	**S.L.C. passed**	14	8	22
5	**Intermediate and above**	5	2	7
	Total	**52**	**48**	**100**

Source: Field Survey2066

The table 4.16 indicates that among the sampled population only 29% women are S.L.C. passed and above.

Figure 4.15
Perception towards The program across age group



This situation depilated shows that the programme has been able to attract and involve even illiterate and uneducated women.

The relationship between educational level and perception of women towards the programme is analyzed by using χ^2 test.

H0: There is no relationship between educational level and perception of women towards the programme.

H1: There is relationship between educational level and perception of the women towards the programme.

Computation of χ^2

S.N.	Observed Frequency(O)	Expected Frequency(E)	(O - E)	$(O - E)^2$	$(O - E)^2/E$
1	11	13.52	-2.52	6.3504	**0.47**
2	13	13.52	-0.52	0.2704	**0.02**
3	9	9.88	-0.88	0.7744	**0.078**
4	14	11.44	2.56	6.5536	**0.573**
5	5	3.64	1.36	1.8496	**0.508**
6	15	12.48	2.52	6.3504	**0.509**

7	13	12.48	0.52	0.2704	**0.022**
8	10	9.12	0.88	0.7744	**0.85**
9	8	10.56	-2.56	6.5536	**0.621**
10	2	3.36	-1.36	1.8496	**0.551**
		Total			**4.202**

Degree of freedom = (r -1) (c -1) = (2-1) (5 -1) = 4

Tabulated value of χ^2 at 5% level of significant and (r -1) (c -1) degree of freedom i.e. χ^2 0.05, v = 4 is 9.488.

Since, χ^2 calculated =4.202 is less than χ^2 tabulated =9.488, the Ho is accepted. Hence, there is no relationship/association between educational level and perception of women towards the programme.

4.4 Sustainability of the Programme

Sustainability is the development process in which the exploitation of resources, direction of the investment and institutional changes are made consistent with future as well as present needs (Dahal: 1998). Here, for the purpose of the study repayment rate of loans is assessed to measure the sustainability of the programme in Bharatpokhari VDC.

4.4.1 Repayment Rate

Repayment rates measure the amount of payment received with respect to the amount due. The repayment rate measures the historical rate of loan recovery (Lenderwood: 1999). The capacity of loan repayment has a consequential impact upon the state of loan recovery. Regularity in the repayment of loan is an essential condition of the performing loan. The response on regularity situation of loan is shown in table 4.17

Table 4.17

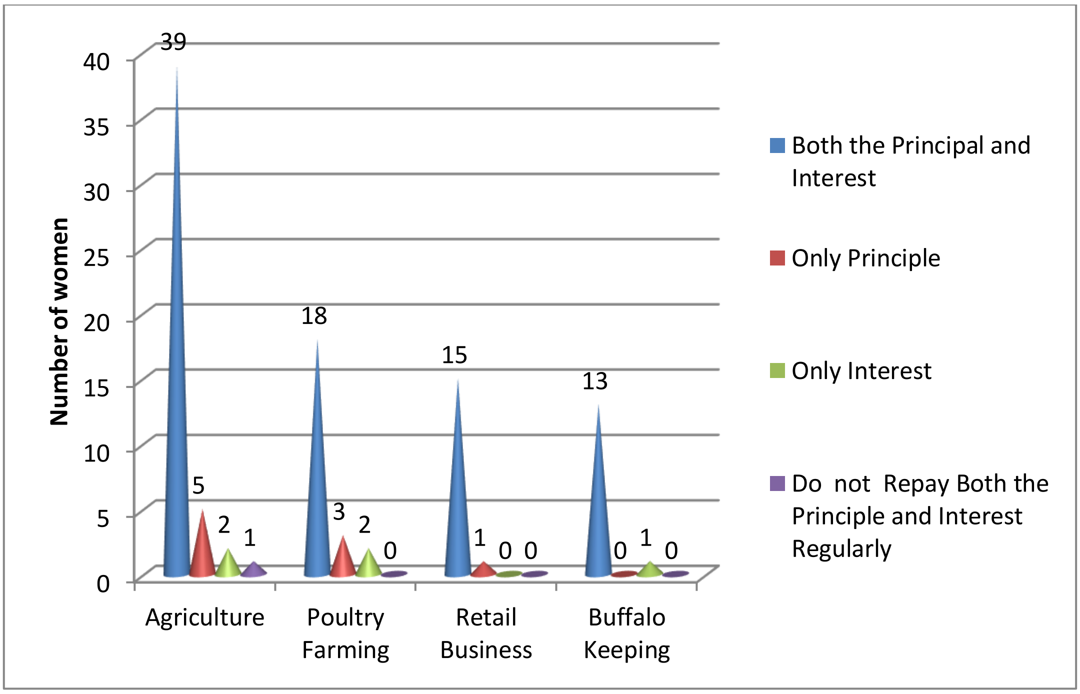
Response on Regularity Situation of Loan Repayment

Investment Sector	Sample Women	Regularity in the Repayment of						Do not Repay Both the Principle and Interest Regularly	
		Both the Principal and Interest		Only Principle		Only Interest			
		No	**%**	No	**%**	No	**%**	No	**%**
Agriculture	47	39	**83**	5	**11**	2	**4**	1	2.10
Poultry Farming	23	18	**78**	3	**13**	2	**9**	0	**0**
Retail Business	16	15	**94**	1	**6**	0	**0**	0	**0**
Buffalo Keeping	14	13	**93**	0	**0**	1	**7**	0	**0**
Total	**100**	85	**85**	9	**9**	5	**5**	1	**1**

Source: Field Survey2066

Figure 4.16

Loan Repayment Schedule



The table 4.17 reveals that out of the total 100 sample population, 85 percent women are found to be regular in the repayment of both the principal and the interest in time. Similarly 9 percent women are found to be regular in repayment of principal only and 5 percent women are found to be regular in repayment of interest only. But 1 percent women are found to be irregular in repayment of both principal and interest.

On sector wise basis, 83 percent from agriculture, 78 percent from poultry forming, 94 percent from retail business and 93 percent from buffalo keeping are found to be regular in repayment of both the principal and the interest. Likewise, 11 percent from agriculture, 13 percent from poultry farming and 6.3 percent from retail business are found to be regular in repayment of principal only in due time. Similarly 4.3 percent from agriculture, 8.7 percent from poultry farming, and 7.1 percent from buffalo keeping are found to be regular in repayment of interest only but not the principal in due time. Similarly it has found that 2.1 percent women from the agriculture sector are found to be irregular in repayment of both principal and interest. The result signifies that the ratio of participants repaying of both principal and interest is significantly higher. But still some of the members from all the group have been failed to paid principal and interest in due time. Among the different groups, the regular repayment situation of retail business and buffalo keeping is better than the repayment situation of agriculture and poultry farming. Why borrowers are not repaying the loan in time? The reason behind is high household expenses, high interest rate and traditional attitude of non-payment of government loan in time with the expectation of rebate and discount from the programme.

4.5 Major Findings of the Study

This study used descriptive statistics analysis, correlation as well as regression analysis, χ^2 test, trend analysis etc to accomplish the objectives of the study. Correlations and simple regression equations were used to test the relationship between investment and changes in income. χ^2 test is used to identify the perception of the sampled population about the programme performance. Similarly different indicators such as histogram, trend analysis, Pie chart, and repayment rate and loan utilization schedule are used to fulfill the objectives of the study. The major findings of the study are noted as below:

- Out of the total investment of micro credit programme, highest proportion of investment is made on agriculture sector followed by poultry farming, retail business and buffalo keeping
- Total annual investment in different occupational sector is increasing throughout the study period.
- After the intervention of the credit program, major shift has been observed

from occupation agriculture, buffalo keeping and wage earning to poultry farming, retail business and hotel business.

- Majority of individual borrowers of Micro-credit Program are taking loan in between Rs. 30,000 and 40,000.
- 75% of the borrowers are using their loan properly but 25% are misusing their loan for other purpose to pay old debt and household expenses (i.e. other than the objective of the loan).
- Out of total loan misused, almost 50% of borrowers belong to agriculture occupation and most of them are misusing their loan for meeting their household expenses.
- There is significant increase in level of income of borrowers after the intervention of the credit program. This fact is also supported by the correlation coefficient between investment and income of the borrowers and trend line of investment and income (i.e. positive correlation of 0.973 has been observed between investment and income and trend line is upward sloping).
- Regression analysis shows a positive coefficient of 0.068 that indicates each rupee increase in investment will lead to increase income of borrowers by Rs. 0.068. Thus, Micro-credit program is beneficial to uplift the economic condition of the rural people.
- Though there is no relation between age structures of women with perception towards the credit program, 52% of women are highly benefitted from the program and most of them belong to age 25 to 45 years.
- Although two third (75%) of women are participated in any one type of training programmes or others. Most of the training programmes are attended by group leader and chairman of the groups.
- It is observed that standard of living of the borrower have been increased due to investment programme (i.e. increase level of income, change in consumption pattern, change in clothing pattern, change in sheltering has been observed.) 52% women have perceived high benefit and 48% women have perceived low benefit from the program.
- Although the participant women have their own house. Around, 25% of women are deprived of general facility of house such as toilets, bathrooms and bio-gas even after the engaging in the programme.

- All the participant women are married and the age structure of sample women are in the range of 20-65 years.
- Most of the participant women are found to be literate. According to sample survey 74% women are found to be literate and only 26% women are found to be illiterate. Thus, literacy rate of participant women is more than national literacy rate of the women.
- Most of the participant women repay the loan in due time. On observation, it is found that 85% women repaid the loan in due time but 15% women did not repay the loan in due date.

CHAPTER - V

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

Women represent half of the world population and one third of formal labour force, but receive only one percent of world income and own less than one percent of the world property (UN Conference 1980). Almost half of the people in the country live in an unacceptable condition of poverty. The majorities of the women are illiterate and engaged in agriculture for their livelihood.

Women are the important source of energy for their development and their group can be an effective channel for resources aimed at meeting the need of poor people in the rural as well as in urban areas. This potential can be best realized if they are integrated into the whole spectrum of development programme rather than regarded as a marginal group of the society.

In recent years, there has been a growing realization of the importance of women's participation in development process. As a consequences numerous national as international organization have been established which carry out programmes targeted at enabling women to become aware of their situation and exploit potential to gain relative economic independence together with a better position in their household and society. Provision of credit is generally regarded as a strong potential force for achieving the goal of poverty alleviation.

Although, the cooperative movement has long history in Nepal, the micro credit programme targeted to the women is a recently development strategy to bring about changes in quality of life of women. The strategy has adopted the concept of poverty alleviation by providing both the credit and technical services such as training and other productive input and services.

Micro-credit programme for women in Bharatpokhari VDC under LDF with assistance of UNDP is only a recent development in the field of microfinance/credit. The programme has just completed 5 years in Bharatpokhari VDC. In this connection, the study has tried to identify the overall impact of the programme to the women.

This study has been carried out in Bharatpokhari VDC covering all 9 wards. The broad objective of this study is to examine the performance of the programme. The total participants of the programme are 412. Out of this 100 women were taken as sample for the study purpose. The study is generally based on primary data. To conduct these studies descriptive, correlational, causal and comparative and analytical approach of research design has been adopted.

The study has found that the participant women have significantly increased their economical income, social status and awareness after involving in the programme. The volume of investment, income and saving are positively increased in each year.

The study shows that there has not any association to the perceived benefit from the programme towards the age group and educational level of the participants. Similarly improvement in the facility of consumption, clothing and sheltering shows the significant improvement in the standard of living of the people. Majorities of the participants have got training. The relation of investment is found to be positive with earning of the respondent. Similarly the study reveals that most of the respondent has repaid loan and interest in due time and majority of the participant has utilized their investment properly. Thus overall impact of the programme is found to be positive; their standard of the living has been improved significantly.

5.2 Conclusion

Some of the conclusions can be derived about the programme implemented in the study area of Bharatpokhari VDC. The conclusions can be mentioned as follows.

The group activities, regular saving and investment, high rate of repayment and utilization of loan are found to be satisfactory. This shows that financial sustainability and viability of the programme in Bharatpokhari VDC is guaranteed. However, there is still chance for improvement with regard to management of misused of loan. The positive correlation between investments and income level of the participants shows that the capability of the entrepreneurs for the repayment of the loan in due time is good. Saving on the basis of the investment is found to be highly effective aspect of the programme upon which training and income generating activities is based. Training and awareness programmes are the most crucial component of the programme for making skilled energetic entrepreneur to run their enterprise effectively and successfully. The programme has provided basic and awareness training, skilled and management training, agriculture training etc to the participant women. It is found to be satisfactory to empower standard of living of the people. There is no evidence of association between factors such as age group and educational level with perceived value of the benefit from the programme. It shows that once the women are involved in programme they have been able to achieve some kind of benefit from the program. The overall impact of the programme is found to be satisfactory. All the participants of the sample survey have been able to increase their income and the programme intervention has brought significant change in livelihood of the members' family. Increase in income along with empowering process increased in standard of living of women's family which endeavored change in their living standard.

5.3 Recommendations

On the basis of findings and conclusions of the study some suggestions has been provided. The researcher believes it would be helpful for enlistment of the present situation and it would also provides guidelines for further planning and implementation of micro credit practice in other VDC of the nation.

- Group saving is of great importance in the rural economy. Though, the credit groups are supported to deposit a certain amount but there is need to adopt incremental approach, i.e., saving should be increased as income starts to increase from the programme.
- Investment has increased the income still the productive investment should be raised, which may promote loan repayment and utilization of the loan.

- Out of 100 sample women from the 20 groups 25% of women are using the loan amount other than objective and 1% of the women are not paying both the principal and the interest regularly. 52% women have perceived high benefit and 48% women have perceived low benefits. So regular supervision, follow up programme and awareness programme are to be to implemented to increase the house hold income that leads to pay the loan and principle in time.
- The provision of loan disbursement to the women should be based upon the proper evaluation of the economic viability of the projects.
- Training should be made well conscious about proper utilization and mobilization of saving and investment. The effort on monitoring and supervision should be increased to make effective use of loan and to sustain the programme in Bharatpokhari VDC.
- Training should be provided to the entire group members but not only to the group leader and chairman of the group.
- This study has used limited respondents from a large population. It would be better to replicate this type of study taking large sample.

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