

The Microfinance and Its Impact

(A case Study of Small Farmer Co-operative Limited Semlar, Rupendehi)

**A thesis Submitted to
Office of the Dean
Faculty of Management
Tribhuvan University**

**Submitted by:
Krishna Raj Aryal
Central Department of Management
Tribhuvan University
T.U. Reg. No. 7-2-52-332-2001
Campus Roll No. 348/061**

**In the partial Fulfillment of the Requirement for the
Degree of Masters in Business Studies (MBS)**

**Kirtipur, Kathmandu
July, 2009**

RECOMMENDATION

This is to certify that the thesis

Submitted by

Krishna Raj Aryal

Entitled

“The Microfinance and its Impact”

(A case Study of Small Farmer Co-operative Limited Semlar, Rupendehi)

has been prepared as approved by this department in the prescribed format of the faculty of management. This thesis is forwarded for examination.

.....
Prof. Jaya Krishna Pathak (Ph. D)

Supervisor

.....
Prof. Jaya Krishna Pathak (Ph. D)

Chairman

Research committee

.....
Prof. Dev Raj Adhikari (Ph.D)

Head of Department

Date: 2066/04/

VIVA-VOCE SHEET

We have conducted the viva-voce examination of the thesis presented

by

Krishna Raj Aryal

Entitled

“The Microfinance and its Impact”

(A case Study of Small Farmer Co-operative Limited Semlar, Rupendehi)

And found the thesis to be the original work of the student and written according to the prescribed format. We recommend the thesis to be accepted as partial fulfillment of the requirements for the degree of Master's in Business Studies (M.B.S.).

Viva-Voce Committee

Chairperson, Research Committee

Member (Thesis Supervisors)

Member (External Expert)

Member (Central Department of Management)

Date: 2066/04/

DECLARATION

I hereby declare that the work reported in this thesis entitled “microfinance and its impact” submitted to Central Department of Faculty of Management, Tribhuvan University, is my original research work done in the form of partial fulfillment of the requirement for the Master’s Degree in Business Studies (MBS) under the supervision and guidance of Professor Jay Krishna Pathak (ph. D), Central Department of Management, T.U.

Aryal Krishna Raj

Researcher

Central Department of Management, T.U.

T.U. Regd. No. 7-2-52-332-2001

Roll No. 348/2061-2063

Date: 2066/04/

ACKNOWLEDGEMENT

First of all, I am taking this opportunity to express my sincere gratitude to my supervisor Prof. Jay Krishna Pathak, Central Department of Management, for encouraging and providing me ideas to complete this thesis. I am grateful to him for his guidance, it would be almost impossible to present this thesis in this form without his guidance and supervision.

While it is impossible to thank everyone by name, I appreciate the solidarity expressed by each small farmer respondent who has been actively involved in this research period. I thank those participants and their inputs have contributed greatly to the shaping of this report.

I am very indebted to Rishi Raj Dawadi Sir and Mukunda Prasad Rimal Sir for their suggestions and cooperation. I would like to thank all the member of Viva Committee as well.

I am also expressing my gratitude to my family members for their valuable suggestions and cooperation.

Last but not least, I would like to thank all those who have directly or indirectly supported me to complete this thesis.

Aryal Krishna Raj

TABLE OF CONTENT

Page No

RECOMMENDATION	
VIVA-VOCE SHEET	
DECLARATION	
ACKNOWLEDGEMENT	
TABLE OF CONTENT	
LIST OF TABLE	
LIST OF FIGURES	
ABBREVIATIONS	
CHAPTER-ONE	
INTRODUCTION	
1.1 Micro Finance in Nepal	3
1.1.1 Introduction of study area	7
1.2 Focus of the study	7
1.3 Statement of the Problem	8
1.4 Significance of the Study	9
1.5 Objectives of the Study	9
1.6 Limitation of the Study	10
1.7 Chapter Plan	10
CHAPTER –TWO	
REVIEW OF LITERATURE	
2.1 The Microfinance Sector in Nepal	16
2.1.1 Informal Sector	16
2.1.2 Formal Sector	16
2.1.2.1 Small Farmer Development Program	17
2.1.2.2 Women Development Program of SFDP	18
2.1.2.3 Production Credit for Rural Women (PCRW)	18
2.1.2.4 Regional Rural Development Banks (RRDB)	18

2.1.2.5 Micro Credit Project for Women (MCPW)	19
2.1.2.6 Nirdhan	19
2.1.2.7 Self-Help Banking Program/Center for Self-Help Development (SBP/CSD)	20
2.1.2.8 Intensive Banking Program (IBP)	20
2.1.2.9 Jagritee	21
2.1.2.10 Bisheshwor among the Poor	21
2.2 Regulatory Environment	22
2.2.1 Interest Rate Regulation	24
2.2.2 Interest Rate in Microfinance	25
2.2.3 Research Gap	29

CHAPTER –THREE

RESEARCH METHODOLOGY

3.1 Research Design	31
3.2 Population and Sample	31
3.3 Data Collection Procedure	32
3.4 Primary sources	32
3.5 Data Processing	32
3.6 Statistical Tools	32
3.6.1 Hypothesis	32
3.6.2 Paired t-test for difference of Means	33
3.6.3 Chi-Square Test (t^2)	35
3.6.4 Standard Deviation	35
3.6.5 Coefficient of variation (C.V.)	36
3.6.6 Techniques of Data Analysis	36

CHAPTER-FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Impact Assessment of Respondents from MF	37
4.1.1 Educational Level of Sampled Respondents	38

4.1.2 Number of Children going to School	39
4.1.3 Pattern of Paying Loan	40
4.1.4 Cause of Change in Income of Respondents	41
4.1.5 Income Generation of Sampled Respondents	42
4.1.6 Sanitation Used by Respondents	48
4.1.7 Impact of microfinance in family decision making, Political Awareness and Human Right	50
4.2 Small Farmers Participations before and after Handover of SFCL	51
4.3 Share Capital	52
4.4 Profit	53
4.5 Position of Saving, Borrowed Loan and Other Liabilities	54
4.6 Analysis of Ratio	56
4.6.1 Current Ratio	56
4.6.2 Return on Total Assets Turnover Ratio	57
4.6.3 Return on Fixed assets ratio	58
4.7 Effect on Other Social Status after SFCL	60
4.8 Findings of the study	60
4.8.1 Other Findings (Field Observations and interviews)	64
CHAPTER FIVE	
SUMMARY, CONCLUSION AND RECOMMENDATION	
5.1 Summary	65
5.2 Conclusions	66
5.3 Recommendation	68
5.4 Direction for Future Research	70
List of Appendices	
Annex –I Questionnaire	
Annex – II Profit and Loss account	
Annex –III Balance Sheet	

LIST OF TABLES

	Page No
Table 4.1: Education Level of Sample Respondents	39
Table 4.2: Number of Children Going to School	40
Table 4.3: Pattern of Paying Loan	40
Table 4.4: Causes of Changes in Income of Respondents	42
Table 4.5: Annual Incomes in View of Respondents	43
Table 4.6: Comparative Analysis of Income Generation of Respondents	44
Table 4.7: Statistic Summary	46
Table 4.8: Hypothesis Test of Different Classes of total Income before and after Involvement in MF	46
Table 4.9: Toilet Used By Respondent	49
Table 4.10: Calculation of Observed and Expected Frequency	50
Table 4.11: Small Farmer's Participation in SFCL Semlar after and before Handover	51
Table 4.12: Position of Share Capital before and after Handover of SFCL	52
Table: 4.13: Position of Profit before and after Handover of SFCL	53
Table 4.14: Position of Saving, Borrowed Loan and Other Liabilities	55
Table 4.15: Calculation of Current Ratio before and after Handover of SFCL	57
Table 4.16: Return on Total Assets Turnover Ratio	58
Table 4.17: Calculation of Fixed Assets Turnover Ratio	59
Table 4.18: Effect on Other Social Status after SFCL	60

LIST OF FIGURES

	Page No
Figure 1.1 Overview of Nepalese Financial Sectors	4
Figure 1.2 Micro Finance Sectors in Nepal	6
Figure 4.1 Percentage Increase in Share Capital After Handover of SFCL	53
Figure 4.2: Increase of Net Profit after Handover of SFCL	54
Figure 4.3: Increase in total assets and Revenue after Handover of SFCL	58
Figure 4.4 Increase in total Revenue and Fixed Assets after Handover of SFCL	59

ABBREVIATIONS

ADB/N	Agriculture Development Bank of Nepal
F/Y	Fiscal Year
GBB	Grameen Bikas Bank
GTZ	German Technical Co-operation
NG	Nepal Government
IDP	Institutional Development program
INGO	International Non- government Organization
MA	Master of Arts
MCPW	Micro Credit Project for Women
MFI	Micro Finance Institution
MOAC	Ministry of Agriculture and Co-operation
MOF	Ministry of Finance
MOLR	Ministry of Land Reforms
MPA	Master of Public Administration
NGO	Non-Government Organization
NRB	Nepal Rastra Bank
PCRW	Production Credit for Rural Women
RSRF	Rural Self Reliance Fund
ROA	Return on Total Assets
SCC	Saving and Credit Co-operation
SFCL	Small Farmers Co-operation Limited
SFDC	Small Farmers Development Center
SFDP	Small Farmers Development Program
SPOs	Sub- Project Offices

CHAPTER-ONE

INTRODUCTION

Micro finance has evolved as an economic development approach intended to benefit low income people. The term refers to the provision of financial service to low income clients including the self employed. Its main purpose is to serve the needy people in rural areas who have no access to modern physical facilities. Private sector banks do not have branches in such areas. There is an acute need to help by setting up more Rural Development Bank, NGOs & INGOs to extend credit. They can play a vital role in eliminating poverty. Microfinance plays the role of financial as well as social intermediation. It is regarded as “an economic development approach” consisting of the provision of financial services to low income clients. It is not simply banking but a developmental tool too.

Micro finance is the provision of board range of financial services such as saving (deposit), loans payment services, money transfer and insurance to poor and low income households and other enterprises which are usually considered non bankable. It is such a program which provides opportunity to low income groups to save small amount of saving, to receive loans at their doorsteps without or with collaterals in a simple way and at a reasonable interest rate. It also facilitates for small scale financial services such as guarantee, saving, insurance, leasing and remittance. Micro finance is targeted to small size loan for short duration at a slightly high interest rate than market rate to cover all costs and run the project with simple procedure. The special feature of microfinance is financing without collateral on group liability basis.

Micro finance activities usually include:

- a. Small loans, typically for working capital.
- b. Informal appraisal of borrowers and investment

- c. Collateral substitutes, such as group guarantees or compulsory saving
- d. Access to large loans, based on repayment performance
- e. Streamlined loans disbursement and monitoring secured saving products.

Micro finance clients are typically self employed low income entrepreneurs in both urban and rural areas, and clients are often traders, street vendors, small farmers, service provides, hair dressers, rickshaw drivers and artisans and small producers such as blacksmiths. Usually their activities provide a stable source of income; they are not considered to be the "poorest of the poor".

Microfinance is a tool for empowerment of the poorest. Higher the income, better the asset position of the borrower. It is essentially the promotion of self employment. The opportunities of wages employment are limited in developing countries. Microfinance helps to increase the productivity of self employment in the informal sector of the economy. It is generally used for (a) direct income generation (b) rearrangement of assets and liabilities for household to participate in future opportunities and consumption smoothing. It is not just a financing system but a tool for social change, especially of poor. It does not spring from market forces alone, it is potentially welfare enhancing because micro credit is aimed at the poorest.

There are various financial institutions providing financial services to the people. However, many of such financial institutions are focused on urban people who have medium and high income. Although many programs have been implemented for poverty reduction in Nepal, only micro finance program is seen as poor targeted and rural based peoples.

Today, nation is also depending open micro finance activities to get better result and success in the overall development of nation. This

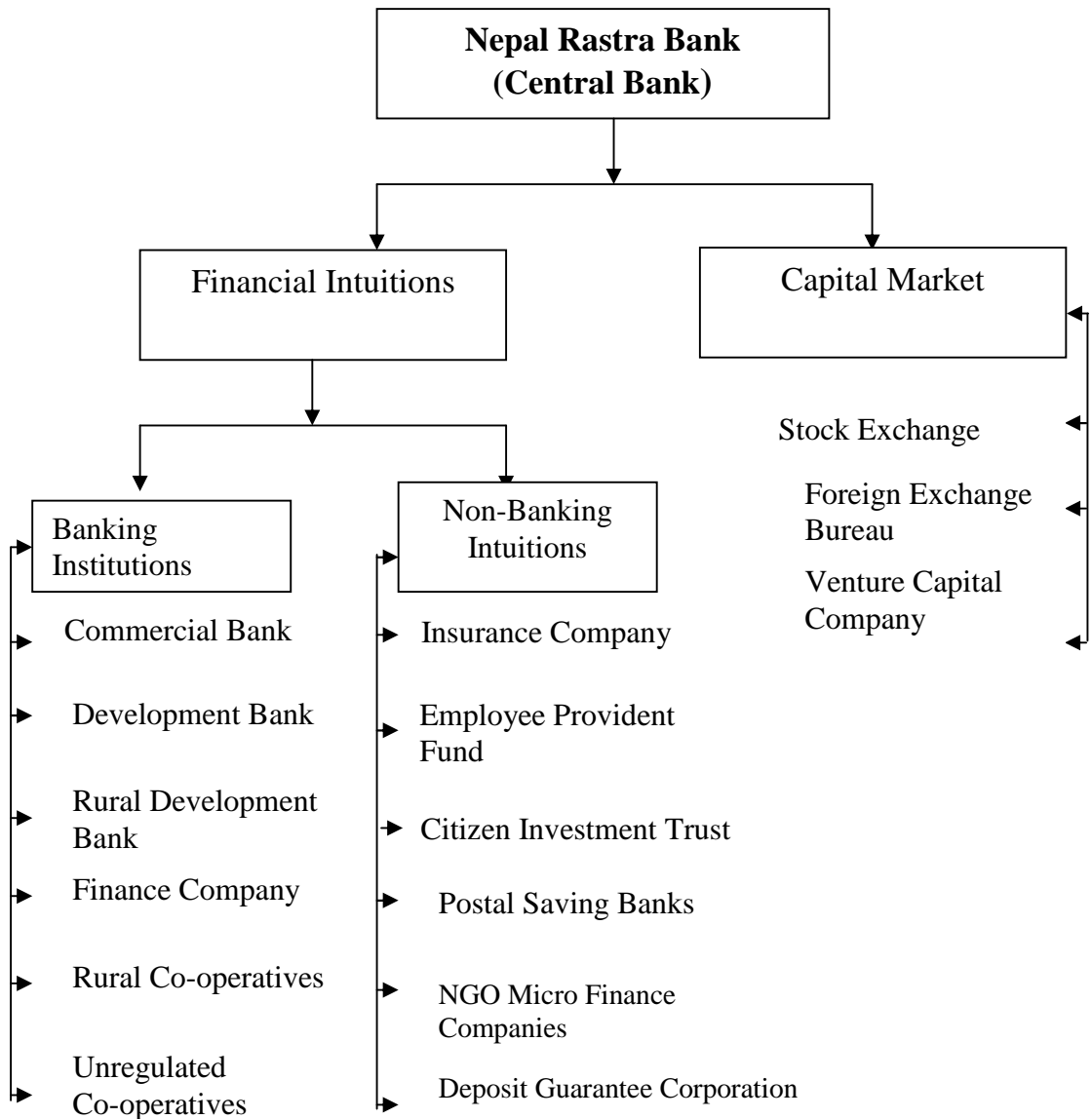
research paper helps to evaluate the performance of microfinance activities on poor and deprived society for their upliftment and modernization.

1.1 Micro Finance in Nepal

The history of financial sector development in Nepal is quite new. The first commercial bank in Nepal by the name of Nepal Bank Limited was established in the year 2037. The central bank of the country came in to existence in 1956 A.D. It was then followed by a couple of public sector financial institutions like Nepal Industrial Development Corporation (1959), Rastriya Banijya Bank (1966) and Agriculture Development Bank (1968). After the adoption of liberalized economic policy, in 1980's a number of banks have come into existence. Nabil Bank Ltd. (formally Nepal Arab Bank Ltd.) is the first joint venture foreign bank established in Nepal in the year 1984.

Since then there has been a rapid expansion in the financial market. It is expected that after 2012 some foreign banks would start their operation in Nepal as it has already become a member of WTO.

Figure 1.1: Overview of Nepalese Financial Sector



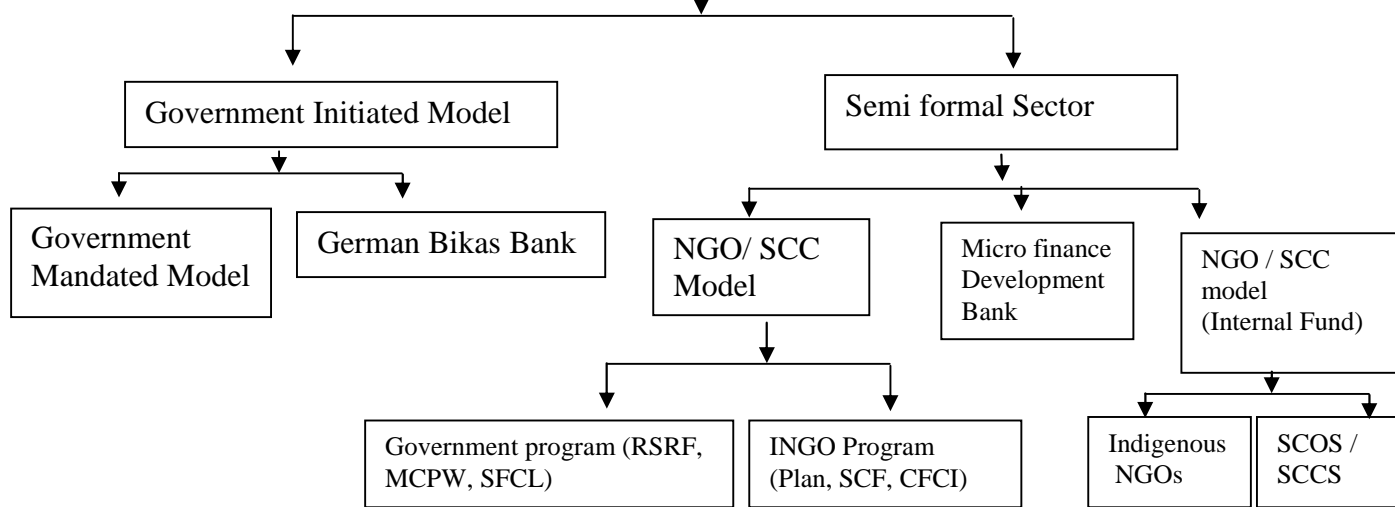
The financial activities have been basically concentrated in and around urban areas. Rural areas where absolute poverty persists have been deprived of financial services. Poverty alleviation program of the government will not succeed unless rural people are served with the necessary financial facilities. In this context microfinance is the only hope, and feasible for them.

The history of microfinance in Nepal is quite new. It was started only in the year 1975. The traditional practice of Dhikuri and 'Guthiyar' can be taken as the origin of microfinance in Nepal. After the restoration of democracy in 1990 and the adoption of liberal economic policies by the government, a number of different types of microfinance institutions have emerged with governmental, non-governmental and donor initiatives. At the same time different types of community based organizations have also been established. Presently there are 6000 cooperative institutions registered in Nepal. Among them about 1600 are saving and credit cooperatives. Nepal Rastra Bank, Agriculture Development Bank, Rastriya Banijya Bank and Nepal Bank Limited have also delivered several microfinance programs. Some of the international non governmental organizations are also contributing in organizing people, collecting regular saving and investing in income generating activities. These activities on micro finance can be classified as government efforts in micro finance development and NGO or voluntary agencies contribution.

Nepal government designed a poverty alleviation program called small farmer development program in 1975. The program was implemented through Agricultural Development Bank. This program is now considered a successful program in Nepal for poverty alleviation to some extent. Government recognized micro finance as a tool for poverty alleviation and thus lunched it in the Sixth Plan (1980/81-1984/85). Various programs to ensure poor, particularly women and disadvantaged and marginalized people was designed and implemented during that period. This program gained momentum after the restoration of democracy in 1997 with the establishment and promotion of Grameen Bikash Bank and other micro finance institutions like production credit

for rural women, micro credit project for rural women, rural self reliance fund, rural development bank, etc.

Figure 1.2: Micro Finance Sectors in Nepal



Micro credit programs in Nepal have different modalities. Some are community based such as saving and credit cooperatives. Some are sector based such as 'priority sector' program which includes agriculture, cottage and small industries and services, and implemented through commercial banks. Though the history of micro credit started since 1950s, its importance has increased when regional rural development banks were established in 1992 by Nepal government and Nepal Rastra Bank as reapplication of Grameen Bank of Bangladesh, focusing on extremely poor people. The main objectives of RRDB is to empower rural people economically by providing them economic opportunities which in turn empowers them socially, economically, politically and psychologically.

Nobel peace prize winner of 2006, Mohammad Yunus of Bangladesh, the brain child of Grameen Bank, aptly regards poverty as "The denial of human right. A poor person has no right at all, no matter what one puts into the book" (Yunus, 1987)

Thus poverty is multidimensional in nature. It is the presence of hunger, malnutrition, illiteracy or insufficient education, starvation, frequent outbreak of communicable disease, remarkable poor housing,

bare clothing, landlessness and so forth. The dynamics of poverty inequality and nutritional deficiency are related to each other through a complex chain of interactions. This phenomenon reinforces the other, and they are influenced at the same time by a number of other socio-economic parameters.

1.1.1 Introduction of the Study Area

Semlar VDC which is located in Rupandehi District possesses all the characteristics of a Tarai village. However it lack physical infrastructure which are the common hindrance to development in rural areas. Although people here have access to electricity and motorable roads, they face problems such as lacks of their own resources, inequalities in allocation of resources etc. Most of the households do not have minimum land for their living. Due to the lack of irrigation and other input facilities, production is quite low. Lack of sanitation, low level of education status, low income of people is other major problems of this area. Great disparities in the living standard of people also act as a hindrance to development in this area. For the poor and helpless women in this scenario, Grameen Bikas Bank and Sana Kishan Bikash Bank have taken a positive step by attempting to provide loan that would generate opportunities for gainful employment for their livelihood, security and empowerment.

1.2 Focus of the Study

Poverty is today's world problem. Every country focuses on this problem. This is a great barrier for today's world. Nepal is a least developed country. Presently 31% of the people are under poverty and without solving this problem; Nepal cannot get success in its development efforts. Micro finance program is the tool to get relief from this problem. With the initiation of microfinance program Nepal can expect some achievement in poverty alleviation which in turn will help

rural people to raise their living standard and socio-economic status in the society.

This research paper focuses on microfinance in Nepal and how can it help to poverty reduction of country with the help of case study of SFCL (which is one of the best micro finance program of Nepal rated by SFDB) Researcher has tried to identify how it help to develop local level small farmers organization, how it help to enhance the financial and managerial capability of grass root organizations through imparting knowledge and skills and to create confidence among the poor people about savings and mobilizing rural saving through micro finance activities.

1.3 Statement of Problem

SFCL Semlar is one of the best SFCL of ADB/N out of 287 SFCL. In SFCL Semlar, the female participation is very high. The SFCL seems to be financially self - sufficient.

Apart from its financial services, SFCL also provides non financial services to its member like milk collection, irrigation program, vegetable production, animal housing, beekeeping, small cottage industry etc. as per their interest, experience and market potentialities which in turn stimulates in reducing poverty by generating employment and income.

There are various constraints of the microfinance program to achieve its objective and development goals. People under the study area are not so literate; women literacy rate is less in proportion to men. The micro credit program is focused on ultra poor to improve their economic condition in a sustainable manner. Converting labor mind into a business mind is a difficult task. Similarly utilization of loan is not so easy in the beginning period. If the loan is not utilized in the proposed works, it will further become a burden in future. As a result the poor become poorer, both economically and morally. SFCL, the government initiated model is

an autonomous; self help organization, handed over to the local farmers and registered under the co operatives Act. The mission of microfinance is to reduce poverty, empowerment of people in terms of self confidence and self reliance.

In our study area, small farmers are facilitated by SFCL since 2055 B.S. but still there are large mass of small farmers suffering from poverty and illiteracy. Therefore, our study may help to identify the condition of small farmers and their living standard in this area after their involvement in SFCL.

1.4 Significance of the Study

Micro credit program is related to the poverty alleviation and women empowerment for the sustainable development. The government of Nepal has been initiating microfinance programs as well as promoting the development banks, rural banks, NGOs, INGOs for such programs toward targeted group. Therefore, this study is significant for decision makers for long term future planning in micro financing sector and helps identify better solution from the problem which will arises in future. In addition, the study helps identify the status of poor people in the rural areas as per self dependency.

1.5 Objectives of the Study

The overall objective of the study is to make an assessment of impact of micro finance program for poor people in Semlar VDC Rupandehi district. The specific objectives of the study are as follows:

- a) To study the financial sustainability and viability.
- b) To examine the improvement on the status of people from the program in selected VDC.
- c) To identify the major problem faced by SFCL.

Based on the findings of the study, an attempt will be made to outline relevant suggestions for the effective functioning of the program.

1.6 Limitation of the Study

This study is undertaken for the partial fulfillment of MBS degree and will be under taken within the boundaries of limit area, subject and time.

The limitations of the study are as follows:

1. The study is confined in a selected area of Rupandehi, and the findings may not be suitable for generalization.
2. The study covers a period of five years.
3. Time and resource constraints also limit the level of study.

1.7 Chapter Plan

The study is divided into the following chapters.

- | | | |
|---------|----|--|
| Chapter | 1: | Introduction |
| Chapter | 2: | Review of Literature |
| Chapter | 3: | Research Methodology |
| Chapter | 4: | Data Presentation and Analysis |
| Chapter | 5: | Summary, conclusion and recommendations. |

Chapter 1: Introduction

The present chapter includes background of the study, focus of the study, statement of the study, objectives of the study and limitation of the study.

Chapter 2: Review of Literature

This chapter reviews the relevant literature on microfinance program and its implication on poverty reduction.

Chapter 3: Research Methodology

This chapter includes the details of the sources of data, process of data collection, analysis tool, and other relevant matters.

Chapter 4: Data Presentation and Analysis

In this chapter tabulated data, figures, charts and other analyzed results are presented along with the interpretation and finding.

Chapter 5: Summary, Conclusion and Recommendations

This chapter includes the summary conclusion and recommendations based on the findings of the study.

CHAPTER -TWO

REVIEW OF LITERATURE

The objective of this chapter is to review the available literature regarding the micro credit programs. An attempt has been made to cover such programs and its effectiveness for poverty reduction, uplifting the living standard and empowering the poor farmer. This chapter also briefly presents major programs under operation in various parts of Nepal.

Nepal is one of the poorest countries in the world and the poorest in South Asian region. Its poverty reduction rate is low. The main reasons for this include (i) low capita income, (ii) concentrated urban growth and (iii) high population growth rate. Out of a population of 27.4 million, 31% live below the poverty line (economic survey report 2066). Most of the poor people living in rural area have very little opportunities. Microfinance could help poor who have no collateral, but willingness to work and a desire to do some business activities from which he/she will acquire employment as well as income. Microfinance has increasingly emerged as one of the most potent instrumentalities for poverty reduction in low income countries like Nepal. In Nepal itself, microfinance initiatives have now become one of the most widespread development efforts in the country and have together been able to reach out to a very large, although indeterminate, number of the poor all across the country (Shrestha P & Shrestha B.K., 2006).

Before entering the main issues of microfinance it will be better to have general information about the concept of microfinance. Mohammad Yunus of Bangladesh was the first person who developed the concept and applied it in Bangladesh. Grameen Bank Project on Yunus was born in the village of Jobra, Bangladesh, in 1976 as a result of action research project on Chittagong University. The action research project became a pilot project in 1979 and covered an entire district. This was undertaken

with the financial support of the Central Bank of Bangladesh. In October 1983, Grameen Bank was established as an independent financial institution under a special law passed for its creation. It is owned by the poor borrowers of the bank who are mostly women. It works exclusively for them. At present 94% of the total equity of the bank is owned by the borrower of Grameen Bank remaining 6 percent by the government of Bangladesh. Grameen Bank does not require any collateral against its micro-loans. The bank does not wish to take any borrower to the court of law in case of non repayment. It does not require the borrower to sign any legal instrument. Although each borrower must belong to five member group, the group is not required to give any guarantee for a loan to its member. Prepayment responsibility solely rests on the individual borrower, while the group and the centre oversees that everyone behaves in a responsible way and none gets into repayment problem. There is no form of joint liability.

Despite its rather recent emergence as an instrument of national development, particularly for poverty reduction in poor countries, the term microfinance has been defined in a wide variety of ways. One of the major players in the field, the Asian Development Bank (2000) has defined microfinance as “the provision of a broad range of financial services such as deposits, to poor and low income household and their micro enterprises”. Referring to the distinction between the two terms, micro credit and microfinance used almost interchangeably in Nepal, Kunwar (2003) suggests that the latter, i.e., microfinance is broader in scope than the former, it also includes savings. He then elaborates that microfinance includes group responsibility including promoting literacy among people. He also maintains that due to the micro credit being collateral free, it should be short term, spanning not more than a year, and

income earned from it should be enough to repay the principal and monthly interest.

Lack of saving and capital make it difficult for many poor people to become self employed and to undertake productive employment generating activities providing credit seems to be a way to generate self employment opportunities for the poor. But because of lack of physical collateral, they have almost no access to institutional credit. Informal lenders can be a source of credit but poor can not save enough through such informal sector. A micro credit program which is able to provide credit to the poor at affordable cost and can help them become self-employed in rural area from activities of their choice (Khandker, 1998)

In Nepal agriculture based co operatives were initiated in the 1950s as a first step in microfinance. Poverty alleviation rural programs were initiated through the Small Farmer Development Program (SFDP) on a pilot test basis in 1975 by the ADB/N. The success of the pilot tests in Dhanusa and Nuwakot districts encouraged policy makers to expand formal rural based microfinance programs.

The SFDP is now being transformed into several autonomous, self-help organizations called Small Farmer Cooperative Limited (SFCL) which are managed by farmers themselves. Other microfinance development programs such as Priority Sector Lending Program (PSLP), Intensive Banking Program (IBP), Micro Credit Program for Women (MCPW) and Rural Self-reliant Fund (RSF) have been implemented. After studying pros and cons of various microfinance development programs government begun to rethink the delivery mechanisms of microfinance.

In 1992, government set up two Grameen Bikash Banks as a replication of the Bangladesh Grameen model of microfinance delivery. Government also created a situation to encourage participation in the

microfinance by the private sector. Subsequently Nirdhan, CSD, Chhimek and other organizations came into existence. RMDC was also established to support microfinance institutions by giving wholesale credit, initiating training and other necessary support to the MFLs. Some government directed programs (TLDP, Bisheshwor with poor, PAPWT, Community Ground Water Project etc) have been implemented with NRB. MFLs are dependent on small savings from group members. As a definition microfinance is, as part of development finance, rural or urban, targeted towards specific groups of people, male or female, falling in the lower bracket of society. Financial services include savings, credit and other services such as micro money transfer and micro insurance. This service is differentiated by types of service employment and income oriented objectives, target groups, target community, target area and credit at home.

According to a 1995 World Bank estimate, in most developing countries the formal financial system reaches only the top 25 percent of the economically active population-the bottom 75 percent have no access to financial services apart from moneylenders. In Nepal too the formal financial institutions have not been able to reach the poor households, and particularly women in the unorganized sector. Structural rigidities and overheads leads to high cost of making small loans. Organizational philosophy has not been oriented towards recognizing the poor as credit worthy. The problem has been compounded by low level of influence of the poor, either about their credit worthiness or their demand for saving services. The Global Summit on microfinance held in Washington in Feb 1997 set a global target of covering 100 million poor families with credit by 2005.

2.1 The Microfinance Sector in Nepal

In Nepal a number of institutions are active in the microfinance sector, each with its own way of going about the task of making financial services accessible to poor. MF sector of Nepal may broadly categorize under two heading (a) Informal Sector; and (b) Formal Institutions.

2.1.1 Informal Sector

Informal leading system exists in Nepal for a long time in villages as well as urban areas. Most of the poor are still dependent on this sector. Informal sector includes individual moneylenders, merchants, goldsmiths, landlords, friends and relatives, they tend to lend either with gold or silver as collateral or with labor services or land as security. Due to high interest rate the poor are more often exploit at all levels, they keep repaying interest regularly and principal remain unpaid. Throughout life of poor people are indebted, and pass it on from generation to generation. Such loans are not used in production. Generally they are used for emergency purposes such as medical crisis, wedding and funerals. The proportion of household borrowing from informal sources is quit high in remote villages.

2.1.2 Formal Sector

The earliest initiative for establishing microfinance services in Nepal can be dated back to the 1950s when the first credit cooperative was established. It was primarily intended to provide to provide credit to the agricultural sector. ADB/N emerged as a result of the shortfall on the supply of funds for agricultural loans experienced by the credit cooperatives. A well structured and specialized program to cater to the financial needs of the poor was provided impetus with the launching of the SFDP in 1975.

Some of the major programs of micro credit in Nepal are described below:

2.1.2.1 Small Farmer Development Program

Small farmers development program (SFDP) executed by the ADVN since mid 1997, proved successful from the stand point of ameliorating the socioeconomic condition of the marginal and small farmers. However, ADBN with a view to contributing to the upliftment of the rural people through their own institution in the village development committee (VDC) level started institutional development by this program since 1993 with the support of German Technical Cooperation (GTZ). Institutional Development of SFDP is an innovative and cost effective model of rural development for the rural people themselves own and manages the institution built under the institutional development process of SFDP. The local institution is named Small farmer cooperatives limited (SFCL) after the sub-project office (SPO) by the village level is handed over the local farmers and is duly registered under cooperatives act in the concerned District cooperatives office SFCL has three groups. In the village level, inter groups in ward level and main committee at the VDC level. Multi service organization, which aims to enhance the socioeconomic status of its member provide both financial and non-financial support services to its members, In course of institutional development process, 284 Spos has been transferred into SFCLs till to the end of 2065/66 B.S. out by total 287 Spos. With the realization of the fact for the need by constant financial and technical support by the apex institution for their sustainability and efficiency, Sana kishan Bikas Bank (SKBBL) was registered in order to extend both financial and non financial support to the SFCLS and similar other grassroots level MFIs (SKBBLs) is a specialized wholesale lending MF development Bank established with the aim by promoting and Strengthening grassroots level SFCLs which was registered in Ashad 22, 2058 under company alt. The promoters by SKBBLs are Nepal Bangladesh Bank, Nabil Bank SFCLs,

Nepal government and Agriculture Development Bank limited with the ownership of 4%, 2%, 19%, 17% and 58% respectively.

2.1.2.2 Women Development Program of SFDP

ADB of Nepal launched Small Farmer Development Program as a pilot program in two districts 1975 and now it has been extended to all the 75 districts of Nepal. It is considered as a major poverty alleviation program of the Government of Nepal. The main objective of SFDP is to improve the socio-economic condition of the small and landless farmer including women, and to reduce rural poverty.

Under SFDP both men and women can join the group and get credit facilities. But since Nepal is the male dominated society, it is very natural that men would get better access to SFDP facilities and women would lag behind unless special window is created for them. With this realization, Women Development Program (WDP) was initiated as a special window in 1981. As of mid July 1995, WDP was operating through 133 sub-project offices in 47 districts of the country.

2.1.2.3 Production Credit for Rural Women (PCRW)

In 1982, HMG/N and UNICEF jointly initiated the PCRW program to alleviate poverty and improve the overall quality of life of the low income and socially disadvantaged rural women with a per capita income below Rs. 2511 per annum in 1989. The PCRW is executed by Women Development Division (WDD). At the center the program is executed by the WDD of the Ministry of Local Development (MLD).

2.1.2.4 Regional Rural Development Banks (RRDB)

RRDB are established in each of the Far western, Mid-western, Western, Central and Eastern Development Regions, The Far western and Eastern Rural Development Banks were established in 1992 whereas Mid-western and Western Rural Development Banks were established in 1995. The Central Rural Development Banks were established in 1996.

Each RDB consist of five members of BOD. The Deputy Governor of NRB serve as a Chairman and the Bank's Executive Director, who acts as the CEO. He is assisted by an Assistant Director. The Central Office is responsible for the overall management of the bank.

All the RDBMS are based on the principles of functioning model of Grameen Bank of Bangladesh and thus they are called the Grameen Bank Replicators. These banks are established with an intention to provide institutional outreach to those sections of the society which still remain outside the targeted credit programs such as SFDP/WDP, IBP (PSLP).

2.1.2.5 Micro Credit Project for Women (MCPW)

MCPW was initiated by the Ministry of Local Development in 1994 under the loan cooperation from Asian Development Bank to finance the credit component. The group formation and training component is financed by Japan Special Fund where as NGO strengthening component is financed by the Government of Norway.

Objectives:

The main objective of the project is to improve the socio-economic status of women and promote their greater participation and integration in national development thereby contributing towards poverty reduction. This project is designed to provide financial services such as credit and savings and non financial services such as preparation and skill training to women and institutional support to NGOs.

2.1.2.6 Nirdhan

Nirdhan was started as an action research project to eradicate the poverty of rural women of Siktahon VDC of the Rupandehi District in January 1983. It was extended to 47 VDCs of Rupandehi and Nawalparasi district by mid July 1996, the project is implemented by replicating GB model of Bangladesh. Nirdhan is jointly funded by Asian

Pacific Development Center (APDC) and Grameen Trust of Bangladesh through the United Nations Capital Development Fund (UNCDF).

The objective of Nirdhan is to provide credit to poor women who possess less than 0.67 hectare area of land per household for income generating activities and to mobilize local resources for the same. Although Nirdhan is an NGO, its consideration is different from that of other NGOs. Its main objective and consideration is a credit supply to the rural poor women, whereas other NGOs consider credit a minor component and emphasize more on other self development community aspects.

2.1.2.7 Self-Help Banking Program/Center for Self-Help Development (SBP/CSD)

SBP was started in the September 1993 by the center for Self-Help Development (CSD). The SBP was launched as a replication of the model of GB of Bangladesh. SBP also aims to empower the poor women by promoting the formation of self help groups and facilitating their access to credit and training for their socio economic upliftment. The program is funded by Grameen trust Bangladesh, Himalayan Bank Limited and Nepal Churiya Forest Development Project, GTZ Nepal.

2.1.2.8 Intensive Banking Program (IBP)

The IBP was started in 1987. It was one of the nation level credit programs in the country. This program was implemented by HMG Nepal with an objective to promote the income and employment status of low income families in rural and urban area as well through assisting in increasing production and productive employment opportunities by providing credit and technical know how to operate small scale projects relating agriculture, cottage industry and services which was redesigned as priority sector in 1978.

2.1.2.9 Jagritee

The government came up with still another program called jagritee or Women Awareness and income Generation Program in 1999/2000 with the objective of uplifting the socio-economic status and political awareness of women. The strategies and activities of the program followed the normal microfinance approach, now more or less firmly established in the country, such as social mobilization, group approach, compulsory saving, external institutional credit and training.

This new initiative got under way in 1954 VDCs to start with and aimed to cover the whole country in five years, only to aborted the very next year apparently “due to lack of resource” (Mahila Vikash Bibhag, 2005).

2.1.2.10 Bisheshwor among the Poor

This is purely government funded program and named after an eminent political leader of country, late Bisheshwor Prasad Koirala, and was conceived and lunched when the Nepali Congress Party was in power around 1999/2000. The program is aimed at improving the living standard of ultra poor, estimated to be 17.1 percent of the population, is targeted to cover 100 ultra poor families (landless, share croppers, bonded labor and income less than NRs. 2,100 per family) in each electoral constituency. While the overall target of all initiative has been to cover 2 lakhs ultra poor families in five years in all 75 districts, as of mid-July 2004. The program has been implemented only in 415 VDCs of 75 district covering 61,585 households who are organized into 4701 groups. The participants are provided with training and seed money and are encouraged to promote saving and credit and access ADBL credit line to expand their business (Ministry of Local Development).

In many villages informal sectors are dominating with high interest rate by exploiting poor people. Thus, it is not possible to conduct income

generating activities from those sectors. On the other hand institutional loan without collateral is quite impossible. Credit is the basis of uplift for human being if it is used properly. Therefore, it was necessary to establish such institutional mechanism which allows opportunities even for poor women to take loan without collateral. As first people could not believe credit without collateral even for the poor that it would not be repaid, but the result became better. None gets the repayment problem.

In 1992 Government of Nepal set up two of five RRDB as replication of the Bangladeshi Grameen Model of MF delivery system. Government also created a situation to participate in the micro credit by the private sector, subsequently Nirdhan, Chhimek, and other private sector developed MFIs came into existence. RMDC is established to support microfinance institution by giving wholesale credit, training and other necessary supports to the MFIs.

During last decade of the 20th century it is accepted that MF is one of the most significant contributors for poverty alleviation. In Nepal, the poverty reduction rate is slower. If proper model is used to the hill and Terai region poor people's life standard could be raised very fast. Diversity of regulatory act show what it is necessary to cater all the MFIs under one act for licensing, regulatory and supervision and needs to make national policy in better than the government owned MFIs. So, it becomes necessity to handover all RRDBs to the expert ground of micro financing area, there is large participation of private sector. So, the role of government, NRB and other microfinance institutions should be defined as early as possible.

2.2 Regulatory Environment

There is no specific regulation that applies to MFIs in Nepal. Until the advent of the Financial Intermediary Societies Act, 1998(FISA), there was no single Act that was pertinent to MF rather one or more Acts

govern all institutions there are engaged in MF in Nepal. The commercial banks function under the commercial Bank Act, 1984 and are supervised by NRB Act, 1955. Cooperatives work under the cooperative Act, and some licensed by NRB for deposit taking under the NRB Act. NGOs operate under the Society Registration Act, 1987 and the social Welfare Act, 1991; and a few are licensed for deposit taking under the NRB Act. There are large number of NGOs and 800 cooperatives undertaking lending and saving mobilization in the latter case, even from non-members. Though under the NRB Act no institutions can undertake credit and savings activities without NRB's prior approval, this has been tolerated an account of the importance of microfinance for poverty alleviation and also since the transactions has been considered insignificant in volume.

While poverty alleviation has been an important issue since the 1950s, it is only over the past few years that the increasing focus on microfinance and a significant growth of informal sector saving and credit organizations. Efforts have been made to develop a more orderly environment for this sector. The first attempts to provide any regulatory basis for financial promotion activity in the country was made when NRB devised the concept of the limited banking license for NGOs and cooperatives. This license provides for supervision by NRB of the registered MFIs in exchange for permission to undertake limited deposit taking members.

Contrary to popular perception, however the limited banking license does not carry with it any right to generate deposits from non-members. On the other hand, licensed cooperatives already generating deposits from non-members under the cooperative Act, have used the stamp of approval implicit in the limited banking license to demonstrate

their financial soundness to the general public and thereby to fuel their deposit taking activities.

However, the most recent initiatives to provide a regulatory framework to microfinance in Nepal have turned into something of a fiasco. The FISA requires that all NGOs registered under the Registered under the Registration of Associations Act, 1977 with the objective of working as a financial intermediary are to be registered with NRB and to be regulated by it. Saving and credit organizations are either unregistered or after, registered under the Cooperative Act and are therefore not covered by this Act. One of the provisions of the FISA is for “the final obligation to meet such financial liability relating to the financial intermediation of the society as can but be met from the society’s assets in the Bank”. At the same time, the Act is silent on the issue of deposit taking/saving mobilization from members or non member’s by such societies. This has been interpreted by NRB’s legal department as a ban on deposit taking by all societies registered under the Act.

Thus, before it can take effect, the FISA has come to be known as a guarantee instrument for facilitating microfinance. It is widely expected in Nepal that the Act will need to be substantively amended before it can be realistically implemented.

2.2.1 Interest Rate Regulation

Interest rate regulation for the banking sector was abolished as early as 1989 as part of financial sector reform but more specific restrictions were continued. Banks and finance companies were not allowed to have a spread rate of more than 6 percent on deposits. Commercial banks were obliged to publish their interest rates and variations were permitted only to extend of 1 percent on deposits and 2 percent in the lending rates between borrowers for the same purpose. The latter restriction is reported to have been imposed to deter the banks from

engaging in unhealthy competition. The official restriction on interest spread has been removed but continues to be treated as moral obligations.

2.2.2 Interest Rate in Microfinance

Poverty may be almost universal problem. But solution to it varies from country to country. MF is providing small loans and saving services at all doorsteps of those people who have been deprived of financial institutions. Unlike the general banking system, where clients go to the banks for financial services in microfinance banks goes to the doors of the clients (Pathak BP, The Kathmandu Post, June 2, 2004).

The multi-microfinance models implemented by the Nepali microfinance institutions have almost common objectives; (i) increasing service scale (ii) reaching the poor (iii) changing the lives of the poor and (iv) attaining financial viability for sustainability. However, interest rate on lending varies from 12 percent to 25 percent per annum, for example, in many cases, local development Fund charges 10 percent to the self-help groups and the self help group re-lend on an average rate of 12 percent to clients. ADB/N charges 12 percent into SFCLs and SFCLs charge 16 to 18 percent to the clients. In most of the community based rural saving and credit cooperatives the average interest rate on lending is 18percent. The interest rate is comparatively higher in Grameen Model. The government regulated regional Grameen Bank charges 20 percent interest per annum while interest rate in the private microfinance development bank range from 17 percent to 25 percent. The operation cost is relatively higher in microfinance as compared to commercial finance because of small loan size and additional cost require for social mobilization including doorstep services. Furthermore, because of high risk, the microfinance institutions keep loan less reserve relatively higher to cope with unexpected events and natural calamities like in the other financial institutions business earning (for capitalization) is essential for

program expansion. Further investment is only possible if there is return on investment.

In China many rural credit cooperatives suffered losses over most of the past 50 years, because of high cost, the burden of previous bankrupt borrowers, restructuring and relatively low profit margins in loans to farmers. Most farmers borrow small amounts and struggle with the high interest rates which restrict profit margins (China Daily: Small Stakes, October 31, 2005) There are three kinds of costs the MFI has to cover which it makes micro loans. The first is the cost of the money that it lends, second is the cost of loan defaults and the third one is transaction cost.

In the context of Nepal, a number of issues arise: Is the present interest rate charged by the microfinance institution appropriate? Do the microfinance clients, who are mostly deprived, have the capacity to pay, considering the return on credit supports project? How does it differ with informal interest rate? What is the ultimate goal of the program it is just making business with the poor or do we want to uplift them from poverty? Some microfinance practitioners used to argue that for the poor access to credit is important and not the interest rate because rate of return is high in micro projects implemented by the microfinance clients. Few good cases where the clients have succeeded have been cited as examples in favor of the arguments. But the question is of the approximately 600,000 households within the cover of microfinance, what is the average rate of return of the project? No study has probably been ever done to answer this question; MFI may need to consider the ultimate goal of poverty reduction while making any decision, MF institutions should not take advantage of the destitute situation of the vulnerable groups, illiteracy and limited exposure. The financial services offered by the microfinance institutions should give higher benefits to the clients to improve their socio-economic situation, which could be possible only if the clients can

save more after paying back the interest of the credit. Of the interest charge referring the cases of Indonesia and Bangladesh (which is different from Nepal) the formal microfinance program could be legal exploitation replacing the informal sectors.

It does not mean that financial viability and sustainability of the institutions be ignored. There are various ways of reducing the cost and providing services at lower interest rate. The staff efficiency can be increased by giving intensive care during staff recruitment, regular technical training and more importantly, by developing efficient delivery system. The behavior of the frontline staff affects effectiveness and efficiency. Client friendly flexible financial products could contribute in reducing the cost and increasing efficiency. The policy which would allow microfinance development banks in diversifying the products/services would help to provide the credit at lower interest rate to the deprived groups. The state can contribute in reducing the interest rate by managing resources (loan fund) at lower interest to the microfinance intuitions.

At present, the provision of 25%to 30% lending on the deprived sector for the Commercial Banks (CBs) have been found effective for managing loan fund for MFIs. It has been proved in many countries that investment in rural development has been successful and has enriched the country in due course of time. The economy and prosperity of a country is based in its villages and rural areas. And if this countryside are developed properly, what we call rural finance, the country's economy would surely receive boost. In spite of its effectiveness, there are many problems and obstacles that these banks, institutions and cooperatives societies have to face such a political instability, terrorist activities and inadequate infrastructure. The system has not been as effective as per the target set in this initial stage. This is because of the lack of market and

access of the produced goods to the towns. Inadequate financial structure, various institutional weaknesses, weak cooperative and financial governance, lack of proper auditing and accounting systems, improper management and information system and inadequate regulatory and supervisory environment and framework are some of the drawbacks seen rural financing in Nepal (Indira Addhakari, Microfinance lends support to rural economy, The Raising Nepal, January 29, 2003).

According to Tilak Rawal, “the microfinance sector is gaining ground in the rural areas of Nepal as a solution to the economic problems of the rural masses.” He highlights the importance of this sector “micro finance is the key to poverty elimination and lot of opportunities are open to the rural masses because of proper resource mobilization under this concept”.

Nepal's extreme level of poverty and difficult geographic circumstances make the delivery of financial services to the poor particularly challenging. Limited economic opportunities and minimal arable land result in low incomes and reduced saving capacity. Women in Nepal are significantly poorer than men, have little access to education and have less control over economic decisions. They are predominately confined to domestic and structural activities and have few economic opportunities, working mostly as semi-skilled or unskilled general wage workers.

Microfinance organizations in Nepal appreciate the costs and benefits associated with microfinance. However, outreach is limited, particularly in the remote hill areas, and financial management is poor, leading to microfinance institutions, which are largely unsustainable over the longer term. The microfinance sector in Nepal is characterized by a social service approach rather than a business approach. Continued reference to microfinance clients as beneficiaries is characteristic of a

‘social banking’ approach rather than sustainable ‘clients focused’ financial intermediation. Ultimately microfinance organization in Nepal will have to adopt an approach focused providing valued services to ‘clients’ rather than treating them as beneficiaries who require handouts and subsidies. This is not to suggest that social intermediation’ services are not required. Social intermediations an integral component of the provision of effective microfinance services in South Asia. However, paper specifically addresses financial intermediation and suggests that social service delivery should not be mixed with the delivery of financial services. Further, it suggests that all microfinance activities should be designed to meet the need of the clients, i.e. be demand-driven rather than supply-driven, taking into account the particular needs of women.(Ledgerwood;1997)

United Nations (UN) declared year 2005 as International Year of Micro- credit with reorganization to microfinance as an effective tool for poverty reeducation. The importance of the microfinance is an integral part of our collective effort to meet the millennium Development Goals (MDGs), especially the overcharging to helping extreme poverty by generative income creating, jobs, allowing children to go to school, enabling families to obtain health care and empowering people to make the choice that best serve their needs. The great challenges before us are to address the constraints that exclude people from full participation in the financial sector. Together, we can and must build inclusive financial sector that improve their lives.

2.2.3 Research Gap

The study on microfinance in Nepal is quite limited. There are some studies undertaken by microfinance offices for their own use. Some studies focusing on a particular unit have been undertaken by master level students. Mostly the researches in this filed are empirical so that it is

difficult to clear the picture of the impact of microfinance program in Nepal and making suggestion to make more effective. The researcher has made an attempt to study the sustainability and viability of MF program and impact of micro credit programs on small farmers in particular area. Poverty eradication, improvement of status of living, empowerment is not conceptually new for us. These are the main issues we have heard in every development program. However, such ambitious programs can be assisted through SFCL implementation as per determined goal. In this study, the researcher tries to find out the impact of such program on ultra poor farmers who are living below poverty line. Moreover the sustainability and viability of small farmer's cooperative limited is also studied here. The researcher could not found the dissertation written on focusing such type of objectives; in this context this study hopefully adds bricks on those researches who have tried to make efforts to generalize the sustainability and viability of SFCL and status of clients of microfinance after their involvement in MF programs.

CHAPTER -THREE

RESEARCH METHODOLOGY

In this chapter an attempt has been made to describe the research procedures followed by us in analyzing the problems with objectives outlined in chapter first.

3.1 Research Design

The study follows descriptive as well as analytical research design. In order to describe the present status and past experience of clients of microfinance program, case study research design has also been followed. This study facilitated a long discussion with interacting clients regarding the impact of microfinance. Attitudes, values, perceptions and behaviors of the participants of the microfinance program have also been explored. Descriptive research design is used for accessing the opinions, behaviors or characteristics of given beneficiaries, and describe the situation and events occurring at present. Analytical approach has been used to analyze the collected data and information more accurately and critically.

3.2 Population and Sample

Sana Kisan Bikas Bank Ltd. has been conducting micro credit projects for poor farmers since 10 years at Semlar VDC. Therefore, majority of beneficiaries are members of SKBB Ltd. Hence all the microfinance beneficiaries will be considered as a total population. Thus, the total number of clients of this cooperative limited in year 2063/64 is 1325 representing the total population for the study and total number of groups is 265. However for the purpose of the present study, out of 265 groups of small farmer, 5 groups i.e. 25 farmers live in ward number 1. Thus this ward is taken as sample through simple random sampling method as target sample for the study. During the field survey, information is gathered through group discussion, structured questionnaire, interview and observation of the respondent farmers.

3.3 Data Collection Procedure

Information needed for the study has been collected from both the primary as well as secondary sources. The primary sources of data are collected from questionnaire, field observation, and triangulation and focused group discussion, directly related to micro finance program. The secondary data re mainly based on booklets, journals, reports of related NGOs, INGOs & GOs, wherever possible websites of different organizations have been used.

3.4 Primary Sources

Primary data are gathered through the structured questionnaire, interview, and discussion made with respondents. Basically the sources of primary data will be gathered from the sample beneficiaries. Discussion and interview are made to those who are included as sample. Since, the study will concentrate on cases, attempts is made to assess the sustainability and viability of SFCL and to assess the socio economic condition of the farmers of Semlar VDC, i.e. the members of SFCL Semlar.

3.5 Data Processing

The collected data will be edited, coded, classified and tabulated using Microsoft word and Microsoft Excel. The processed data exhibit an appropriate situation of the performance related activities under microfinance program.

3.7 Statistical Tools

3.7.1 Hypothesis

Testing of hypothesis is one of the most important aspects of the theory of decision making. It consists of decision rules required for drawing probabilistic inference about population parameters. In this regard, one of the most important applications of statistical inference is test of hypothesis. To test whether the assumption is right or not, sample

is selected from population. In our case small farmer respondent among whole beneficiary of MF are selected. Sample statistics will be observed, the difference, between sample mean and population will be hypothesized, and then test will be done whether the difference is significant or insignificant.

According to the data used and research methodology different types of hypotheses test can be used. In the present case, relevant data are compared the testing of significance associated before and after joining microfinance program. In this context, the statistical tools such as pair t-test and chi-square test will be used as test of significance as per the data demanded.

Hypothesis-1

$H_0: \mu_1 = \mu_2$, There is no significant change in average income before and after joining in microfinance program.

$H_1: \mu_1 \neq \mu_2$, there is significant change in average income before and after joining in microfinance program.

Hypothesis-2

$H_0: \mu_1 = \mu_2$, There is no significant change in proportion of health and sanitation (Using 'pakka' toilet) facilities used by respondents before and after joining MF program.

$H_1: \mu_1 \neq \mu_2$, There is significant is proportion of health and sanitation (Using 'pakka' toilet) facilities used by respondents before and after joining MF program

3.7.2 Paired t-test for Difference of Means

When two samples are independents of each other then this types of test will be used. However there are many situations where the samples are dependent in each other, for example is we are testing the income generation of respondents, testing of socio economic empowerment of women before and after involving of MF are related to each other. In such

situation, we are concerned with the difference between the pair of related observations instead of the value individual observations. Pair t- test for difference of means can be applied under when:

- i. The sample sizes are equal. This is, $n_1=n$ (30).
- ii. The same set of samples is treated twice on the same subject matter.
- iii. The sample observation (X_1, X_2, \dots, X_n) and (Y_1, Y_2, \dots, Y_n) are purely dependent by making the pairs of observations $(X_1, Y_1), (X_2, Y_2), \dots, (X_n, Y_n)$ correspondent to 1st, 2nd,nth unit respectively.

Step-1

$H_0: \mu_x = \mu_y$ or $\bar{d} = 0$, there is no significance difference in the observations before and after involving in MF Program.

$H_1: \mu_1 \neq \mu_2$ or $\bar{d} \neq 0$, there is significance difference in the observations before and after involving in MF Program.

Setp-2

Compute the test statistic: Under H_0 , the test statistic is,

$$t = \frac{\bar{d}}{\frac{s}{\sqrt{n}}} = \frac{\bar{d}}{\sqrt{\frac{s^2}{n}}}$$

Where

$d = Y - X =$ difference between two sets of observations.

$$\bar{d} = \frac{\sum d}{n} = \text{Mean of the difference}$$

and,

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

$$s^2 = \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum \bar{d})^2}{n} \right]$$

Step-3

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

Step- 4

Decision: Make decision by comparing the calculated value of 't' with the tabulated of 't', if calculated value of 't' \leq tabulated 't', it is not significant and H₀ is accepted. Otherwise, it is rejected.

3.7.3 Chi-Square Test (χ^2)

Chi-square test is a non-parametric test because it depends only on the set of observed and expected frequencies are degree of freedom. Chi-square is a test, which describes the magnitude of difference between observed frequency and expected (theoretical) frequencies under certain assumptions. In other words, it describes the magnitude of the discrepancy between theory and observation. It is defined as,

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

Where,

O= Observed Frequencies

E= Expected frequencies

This test is good for nominal or ordinal scale of measurement. Nominal scale of measurement deals with the data which can only be classified on two categories. Where as the ordinal level of measurement assigns different rank to above categorized data.

3.7.4 Standard Deviation

The standard deviation is powerful and useful measuring tools in dispersion in order to measure the size of deviation from the average. Standard deviation is the positive square root of the average mean of the squares of the deviations of the given observations from their mean. It is

denoted by sigma (). Thus of x_1, X_2, \dots, X_n is a set of n observation then the standard deviation is given by;

$$\dagger = \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}$$

Where,

n = total number of observations.

3.7.5 Coefficient of Variation (C.V.)

It is relative measure of dispersion based on standard deviation. Since standard deviation is by far the best measure of dispersion for comparing the homogeneity or heterogeneity of two or more distributions we generally compute coefficient of standard deviation. C.V. is defined as:

$$\text{C.V.} = \frac{\dagger}{\bar{X}}$$

For comparing the variability if two distribution we compute the coefficient of variation for each distribution. A distribution with smaller C.V. is said to be more homogenous or uniform or less variable than the other and the series with greater C.V. is said to be more heterogeneous or more variable than other.

3.7.6 Techniques of Data Analysis

In the study both the analytical as well as descriptive approach will be utilized. For this purpose, necessary statistical tools will be used. Keeping in mind the objectives of the study following procedures followed in analyzing the data.

- ❖ Collection of relevant information
- ❖ Classification and tabulation of data
- ❖ Analysis and interpretation of data using various statistical tools
 - ❖ Identification of data suited to fulfill purpose of the study
- ❖ Conclusion based on the analysis.

CHAPTER-FOUR

DATA PRESENTATION AND ANALYSIS

This chapter consists of presentation and analysis of primary and secondary data related with different variable using statistical tools. The basic objective of this chapter is to analyze the relevant information collected by us to verify the objectives set in chapter1. In order to achieve these objectives the gathered data are presented and analyzed with the help of different tools and techniques.

Hence, it is the focal part of this study which helps us to assess the impact of MF to the beneficiary clients. This chapter also tries to elaborate the fact and general views of clients about the micro credit programs in terms of their poverty reeducation, social recognition, raised standard of living and decision making by themselves, etc.

4.1 Impact Assessment of Respondents from MF

International aid donors, governments, scholars, and other development experts have paid much attention to microfinance as strategy capable of reaching poor and involving them into development process. Micro finance programs promote social solidarity at some level, most micro finance organizations tend to focus their attention on promoting changes at an individual level, and for instance, it is possible to poor to focus their attention on promoting changes at an individual level. For instance, a small farmer is able to send their children at school, negotiate lower prices for their raw materials, or even dream bigger dreams for themselves, their family and theirs business. The achievements of small farmers can have a powerful impact on the way poor and perceived and treated within their communities. However, the level of empowerment of poor are usually limited if they as a group are generally disempowered. For that reason many organizations include

elements designed to uplift poor and disadvantaged groups and communities collectively rather than just an individual.

Any development process that is implemented has been measured in terms of their success or failure in the context of their specific objectives. In this way microfinance program is also one of the emerging revolutions in the field of poverty reduction, especially on deprived and marginal groups. We know that microfinance program changes the lifestyle of people economically and socially. Here social economic status of sample respondents will be analyzed in terms of economic, social as well as other various indicators with regard to their decision making capacity, educational level and occupation. This study is expected to conclude with the changes in real life style of small farmers who are involved in MF program.

4.1.1 Educational Level of Sampled Respondents

Education plays a key role for the empowerment of every people in society and helpful for the improvement of economic status. Educating and providing awareness among poor is itself one of the most important programs. During the field observations, researcher found that some women have joined “Proudh Kaksha” and they write their name properly. Little effort on education makes very positive impact in society. Even writing name has been considered as one of the important aspects of education in our context and hence the poor people came to know the value of education. Therefore, they are sending their children for better education.

Table No. 4.1 Education Level of Sample Respondents

Level of Education	No of Respondents	Percentage
Illiterate	8	32
Literate	10	40
Primary	4	16
Secondary	1	4
S.L.C.	2	8
Intermediate	0	0
Total	25	100

Source: Field Survey 2063/64

Note: the respondents who can write their name and can read Nepali alphabets are taken as literate.

Table 4.1 shows that in 25 sampled respondents, 8(32%) small farmers are illiterate which means they do not read and write their names and they just depend upon their family members and relatives when they needed. They are literally blind in education Further we can see that 10(40%) people are literate which mean they can simply write their names and read only.

Only 2(8%) farmers were SLC passed and none of the farmers studied intermediate level. The respondent farmers who have at least primary level of education is quite financially sound and they know the importance of education. From the discussion with the respondents the researcher came to the conclusion that they should be imparted some basic education at least to transact in their business.

4.1.2 Number of Children going to School

The number of children going to school before and after the involvement in microfinance has been presented in table below.

Table 4.2: Number of Children going to School

Particulars	Before	After	increase
Son	120	160	40
Daughter	80	100	20
Total	200	260	100

Source: Field Survey 2063/64

From the table the impact of micro finances is seen in terms of number of children going to school before and after the program. The number of school going children has increased by 30 percent. This is definitely a positive sign this clearly shows that the illiterate farmer are conscious of the importance of micro finance in daily life.

4.1.3 Pattern of Paying Loan

Regarding the payment of loan, MF institutions have their own rules and regulations. Every client should have to pay loan on a monthly basis. The interest rate is exposed to about 16% annually. The pattern of paying loan by beneficiary farmers has been tabulated below.

Table 4.3: Pattern of Paying Loan

Types	No of responded	percentage
Paid fully	10	40
Paid partially	13	52
Not paid yet	2	8
Total	25	100

Source: Field Survey 2063/64

According to the information depicted from table 4., 10(40%) of respondents replied that they paid loan fully and 13(52%) of respondent repaid they had partially paid loan while 2(8%) of respondent are unable

to payback the loan due to the failure of their businesses. The defaulter replied that they did not get benefit rather than to bear loss and further add loan taken from bank add financial burden to their family and they are dissatisfied.

From the information above, it can be observed that the poor framers are honest even though they are very poor. Therefore we can conclude that all poor farmers participating in the microfinance program are paying their loans in time. Moreover, the respondents replied that they pay loan from the sources like income earned from business, collecting family member's income and doing labor by 60%, 35% and 5% respectively.

4.1.4 Cause of Change in Income of Respondents

After the involvement of MF program most of the respondents replied that their income level has increased. But due to uncertain risks such as death of cattle, increase in credit on retail trade, some respondents faced loss during the period of 8 years. Some had changed their economic condition dramatically and some had faced loss after few years. However, most of the respondents increased their level of income in their family after the involvement of MF rather than before. But some did not improve their level of economic condition even in the long period of time of involvement.

Table 4.4: Causes of Changes in Income of Respondents

Reason	No of respondents	%	Remarks
Expansion of business	8	32	Increased
Start of new business	4	16	Increased
Increase in production	7	28	Increased
Decrease on sales	1	4	Decreased
Failure in business	2	8	Decreased
Other risk	3	12	Decreased

Source: Field Survey 2063/64

According to table 4.4, researcher found that 8(32%) respondents income is increased due to expansion of business and 4(16%) replied that their income is increased after the establishment of new business. Similarly 7(28%) respondent's income is increased due to the increment in production. (cattle, livestock, farming and fishing etc.) Despite the above answer, some respondents have bitter experience of loss. 6(24%) of the respondents relied that they aren't in good position even after joining the MF program due to the various reasons like decrease in sales due to increase in credit on trade, due to death of cattle etc. For them who succeed, microfinance is effective tools for empowering and uplifting small farmers and enabling entrepreneurship as well. Therefore we can conclude that MF programs should be conducted by incorporating facilities such as Insurance and training programs.

4.1.5 Income Generation of Sampled Respondents

Small farmers have shown to spend more of their income on their households. When poor farmers are helped to increase their incomes, the welfare of the whole family and community is improved. Poor farmer's increase in income benefits their children particularly in education, diet, healthcare, clothing, and sanitation. Increase in income has an impact on

their decision making power as well as their ability to speak and act against inequalities, injustice and violence in the community. The ownership of working capital is a means to building a poor's confidence, self respect and the capacity to use their voice to shape their life and the lives of their family members. In this context income generation makes significant role for the empowerment of small farmers. Income generation of respondents before and after involvement in MF program has been presented on following table.

Table 4.5 Annual Incomes in View of Respondents

Annual Income	Mid value X	Before involvement			After Involvement		
		$F_{1x} = X$	% of Respondents	F_2	$F_{2x} = Y$	% of Respondents	
Below 20	10	3	30	12	1	10	4
20 to 30	25		100	16	2	50	8
30to 40	35	5	175	20	3	105	12
40 to 50	45	2	90	8	5	225	20
50 to 60	55	6	330	24	8	440	32
60 to 70	65	3	195	12		260	16
70 & above	75	2	150	8	2	150	8
Total		25	1070	100	25	1240	100

Source: Field Survey 2063/64

As depicted from the table above, 3(12%) respondents were below the annual income of Rs. 20000 but after joining MF program only 1(4%) respondent earn annual income below 20,000. similarly 6(24%) respondents earn annual income below 60,000 but 8(32%) are able to earn annual income up to 60,000 after joining MF programs.

From the above presentation, the microfinance program has significantly affected to beneficiary clients for income generation. The trend of income generation is increasing. There is not only financial help

to clients but also acute need of technical help by microfinance institutions.

Table No 4.6 Comparative Analysis of Income Generation of Respondents

Annual Income	Mid value X	$d = \frac{X-45}{10}$	Before involvement			After Involvement		
			F_1	F_1d	F_1d^2	F_2	F_2d	F_2d^2
Below 20	10	-3.5	3	-10.5	36.75	1	-3.5	12.25
20 to 30	25	-2	4	-8	16	2	-4	8
30to 40	35	-1	5	-5	5	3	-3	3
40 to 50	45	0	2	0	0	5	0	0
50 to 60	55	1	6	6	6	8	8	8
60 to 70	65	2	3	6	12	4	8	16
70 & above	75	3	2	6	18	2	6	18
Total			25	$\sum F_1d = -5.5$	$\sum F_1d^2 = 93.75$	25	$\sum F_2d = 11.5$	$\sum F_2d^2 = 65.25$

Before Involving in MF Program

$$\bar{X}_1 = A + \frac{\sum F_1d}{n} \times h$$

1) Mean: $= 45 + \frac{-5.5}{25} \times 10$
 $= 42.8(\text{In } 000)$

2) Standard Deviation (\dagger_1)

$$\begin{aligned} \dagger_1 &= \sqrt{\frac{\sum Y_1d^2}{N} - \left(\frac{\sum F_1d}{N}\right)^2} \times h \\ &= \sqrt{\frac{93.75}{25} - \left(\frac{-5.5}{25}\right)^2} \times h \\ &= \sqrt{3.75 - 0.484} \times h \\ &= 3.7016 \times 10 \\ &= 37.016 \end{aligned}$$

3) Variance(t_1^2)

$$t_1^2 = (37.016)^2 = 1370.184$$

4) Coefficient of Variance (C.V.)

$$\begin{aligned} & \frac{t_1}{\bar{X}} \\ &= \frac{37.01}{45} \\ &= 0.8225 \end{aligned}$$

After Involvement in MF Program

1) Mean:

$$\begin{aligned} \bar{X}_2 &= A + \frac{\sum F_2 d}{n} \times h \\ &= 45 + \frac{11.5}{25} \times 10 \\ &= 49.6 \text{ (In 000)} \end{aligned}$$

2) Standard Deviation(t_1)

$$\begin{aligned} t_2 &= \sqrt{\frac{\sum Y_2 d^2}{N} - \left(\frac{\sum F_2 d}{N}\right)^2} \times h \\ &= \sqrt{\frac{65.25}{25} - \left(\frac{11.5}{25}\right)^2} \times h \\ &= \sqrt{2.61 - .2116} \times h \\ &= 2.3984 \times 10 \\ &= 23.984 \end{aligned}$$

3) Variance(t_2^2)

$$t_2^2 = (23.984)^2 = 575.232$$

4) Coefficient of Variance (C.V.)

$$\begin{aligned} & \frac{t_2}{\bar{X}_2} \\ &= \frac{23.984}{49.6} \\ &= 0.4835 \end{aligned}$$

Table 4.7: Statistic Summary

Statistic	Before involvement	After Involvement	Result
Mean	4.28	49.6	Increase
S.D.	37.016	575.232	Decrease
Variance	1370.184	0.4835	Decrease
C.V.	0.8225	0.4835	Decrease

From the above table 4.7 we conclude that the average annual income is increased by Rs. (49.6-42.8) 6.8 thousand after the involvement in MF program. In the same way standard deviation of income after involving in MFIs decreased which shows that the income level after involvement in MF program is consistent moreover the decreasing CV also indicate that the clients have uniform or consistent, income after rather than before involvement in MF program.

Table 4.8 Hypothesis test of Different Classes of Total Income before and after Involvement in MF

S.N.	X	Y	D=Y-X	D ²
1	30	10	-20	400
2	100	50	-50	2500
3	175	105	-70	4900
4	90	225	135	18255
5	330	440	110	12100
6	195	260	65	4225
7	150	150	0	0
			d= 170	d ² =42,350

Where,

X= mid value X frequency 1 = total income before involvement

Y = mid value X frequency 2 = Total income after involvement

Testing hypothesis

H₀: $\mu_x = \mu_y$ that the average income level of small farmers before and after the involvement in MF program is same.

H₁: $\mu_x < \mu_y$ (One tailed test), that the average income level of household before and after involvement in MF program is significantly increasing.

Test statistic: under H₀, the test statistic is

$$t = \frac{\bar{d}}{\frac{s}{\sqrt{N}}}$$

Where,

$$s^2 = \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum \bar{d})^2}{n} \right]$$

We have,

$$\begin{aligned} \bar{d} &= \frac{\sum d}{n} = \frac{170}{7} \\ &= 24.28 \end{aligned}$$

And

$$\begin{aligned} s^2 &= \frac{1}{n-1} \left[\sum d^2 - \frac{(\sum \bar{d})^2}{n} \right] \\ &= \frac{1}{7-1} \left[42,350 - \left(\frac{170}{7} \right)^2 \right] \\ &= \frac{1}{6} [42350 - 589.8] \\ &= 6960.033 \end{aligned}$$

The test of statistic is

$$\begin{aligned}t &= \frac{\bar{d}}{\frac{s}{\sqrt{N}}} \\ &= \frac{24.28}{\sqrt{\frac{6960.033}{7}}} \\ &= \frac{24.28}{31.5325} \\ \therefore t &= 0.77\end{aligned}$$

Degree of freedom= $n-1=7-1=6$

Level of significance, $\alpha = 0.05$

Critical value: The Tabulation value of t at $\alpha = 0.05$, and 6 degree of freedom for left tail test is 1.943

Hence, $t_{\text{tab}} = 1.943$, and $t_{\text{cal}} = 0.77$

Decision: since the calculated value of ' t ' 0.77 is less than tabulated value of ' t ' 1.943, it is insignificant and the null hypothesis H_0 is accepted which means the average income of sampled respondents after the involvement in MF program is not significantly increasing.

4.1.6 Sanitation Used by Respondents

Health and hygiene is the biggest of every person so that proper sanitation and disposal of garbage is very important for people's health. Healthy peoples are great assets for nation. They are nation builders. If the sanitation is not proper, people get infected from various transmitted disease. That why the researcher has tried to find out the level of awareness about health and sanitation of respondents after joining the MF program.

Table 4.9 Toilet Used by Respondent

Particulars	Before involvement		After involvement	
	Number	Percentage	Number	Percentage
Only toilet	10	40	13	52
Toilet and Bathroom	5	20	8	32
Bathroom only	0	0	2	8
Nothing	10	40	2	8

Source: Field Survey 2063/64

Viewing the above table 4.9 10(40%) of the respondent replied that they neither se toilet nor bathroom and 10(40%) replied that they use only toilet. Viewing the pattern of using toilet and bathroom after being involved in MF program we can conclude that MF programs has created awareness program regarding sanitation which helps to control pollution in some extent which exist from toilet.

Hypothesis:

H₀: There is no significance difference in the number of user and not user of toilet before and after the evolvment in MF program.

H₁: There is significance difference in number of user and not user of toilet before and after the involvement in MF program.

Test statistics: under H₀ the test statistical is

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

Where,

O= Observed Frequencies

E= Expected frequencies

And E can be calculated by using the following formula

$$E = \frac{RT \times CT}{N}$$

Table 4.10 Calculation of Observed and Expected Frequency

O	E	O-E	(O-E) ²	$\frac{(O-E)^2}{E}$
10	11.3	-1.5	2.25	0.1956
5	6.5	-1.5	2.25	0.346
0	1	1	1	1
10	6	4	16	2.667
13	11.3	1.5	2.25	0.195
8	6.5	1.5	2.25	0.346
2	1	1	1	1
2	6	-4	16	2.667
			(O-E) ² = 19	$\sum \frac{(O-E)^2}{E} = 8.146$

$$\begin{aligned}
 \text{Degree of freedom} &= (r-1)(c-1) \\
 &= (4-1)(2-1) \\
 &= 3
 \end{aligned}$$

Tabulated value of X^2 at 0.5 for 3 degree of freedom is 7.82.

Decision: since the tabulated value of X^2 is greater than tabulated value of X^2 i.e. cal 8.42 > X^2 tab 7.82. Hence, alternative hypothesis is accepted which indicate that there is significance difference in the toilet user respondents after involvement rather then before involvement of MF program. In this regard we ca say that level of sanitation used by respondent is increasing trend.

4.1.7 Impact of Microfinance in Family Decision Making, Political Awareness and Human Right

Respondents were asked by the researcher about the family decision making, political awareness and knowledge of human right has

changed or not after joining of MF program. Most by them said that decisions are made on mutual understanding and discussion after MF program. They said due to joining MF program and generating some income, their family member's attitude is remarkably changed. Group discussion among the group's members has gained momentum to change the society's attitudes and beliefs.

After joining the microfinance program and interacting with the field staff of banks or institutions from where they have taken loan, they have built the confidence level, increase bargaining ability. As a result respondents are free and frank to express their views and raise question. After the involvement of MF programs respondent's knowledge about political awareness and human right issues has significantly increased. This means MF programs definitely changes the status of small farmers in family and society. Microfinance has created positive impact if the members in relation to decision making and awareness issues such as political, human and women right, social development and quality of life.

4.2 Small Farmers Participations Before and After Handover of SFCL

Table 4.11 Small Farmer's Participation in SFCL Semlar after and before Handover

Particulars		Before Handover	After Handover				
		057/58	058/59	059/60	060/61	061/62	062/63
Group Member	Female	28	40	73	100	120	160
	Male	44	52	40	70	95	105
Total		72	92	113	170	215	265
Member Ship	Female	140	200	365	500	600	800
	Male	220	260	200	350	475	525

Total	360	460	565	850	1075	1325
-------	-----	-----	-----	-----	------	------

Small farmer's participation in SFCL is increasing which gives better sign. In those give years, every year number of participation is growing which account better performance of SFCL in society. Female participation is higher than male; this also proved that SFCL has help empowered the women by various method.

4.4 Share Capital

The share capital is one of the main internal sources of SFCL which help to make self sufficient in internal resources. The share capital of SFCL Semlar is as follows.

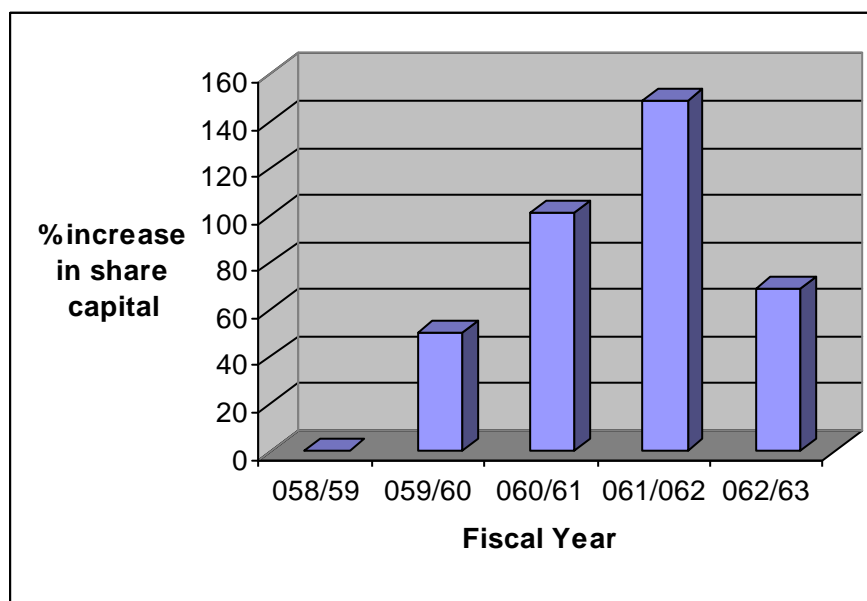
Table 4.12 Position of Share Capital before and after Handover of SFCL

Fiscal Year	Share Capital	% increase
058/59	30,000	-
059/60	45,000	50
060/61	90,500	101.11
061/062	2,25,000	148.62
062/63	3,80,000	68.69

The position of share capital of SFCL Semlar is in ascending trend. In F/Y 2059/60 it is increased by 50%. In every year the share capital is increasing because the number small farmer's participation has increased every year which affect the share capital. Although in the fiscal year 2062/63 the number of small farmer participation has reduced resulting in the decreased growth rate in share capital.

Percentage increase in share capital is presented in the diagram below.

Figure 4.1 Percentage increase in share capital after handover of SFCL



4.4 Profit

Profit stands the success of program. Without profit no any institutions go ahead whether it is profit oriented or service oriented. Although SFCL Semlar is service oriented but also it gets profit from its activities and it is now growing in an increasing way which is presented below.

Table: 4.13 Position of Profit before and after Handover of SFCL

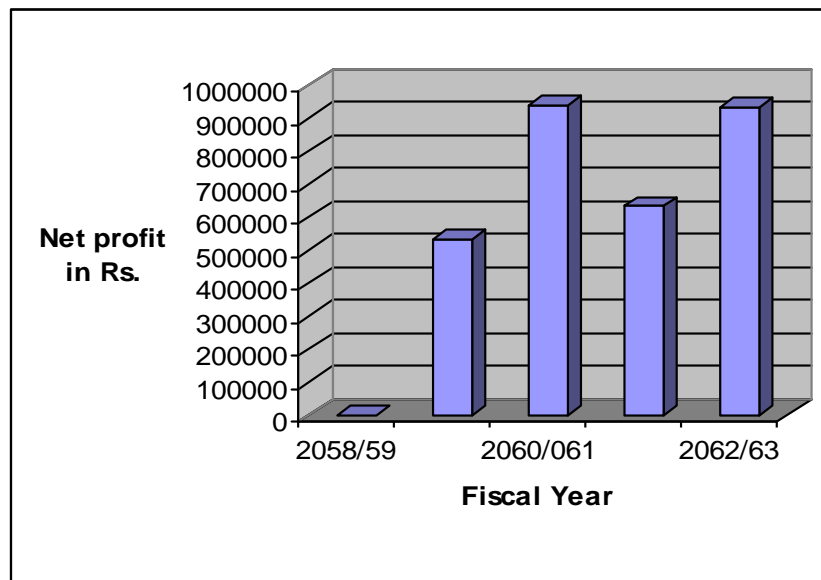
F.Y	Net profit	% Increasing
2058/59	0	-
2059/60	532116	-
2060/061	940860	76.81
2061/62	633311	-32.69
2062/63	932881	47.30

The profit earning situation of the SFCL is better in the fiscal year 2060/61 because of too large investment and increase participation of small farmers. In the fiscal year 2061/62 the profit growth rate is negative

because of the extreme violence of Maoist party and other political condition. But in the fiscal year 2062/63 it has good sign because the percentage rate of profit is positive profit also measure the performance effectiveness of SFCL and also reflect the financial viability of SFCL which is in better positive.

The Percentage Increase in profit can be illustrated by following diagram.

Figure 4.2 Increase of Net Profit after Handover of SFCL



4.5 Position of Saving, Borrowed Loan and Other Liabilities

Saving helps to increase the internal sources of SFCL, SFCL depends upon saving which is collected in certain amount every month fixed by SFCL. For its member borrowed loan is associated with ADB/N's loan which is taken before SFCL or SFDP's level. Other liabilities are paid to ADB/N by SFCL. The level of saving, borrowed loan and other liabilities of SFCL Semlar or as follows.

Table 4.14 Position of Saving, Borrowed Loan and Other
Liabilities

Fiscal year	Saving	Borrowed loan	Other liabilities
058/059	5771221	4560200	997650
059/60	1033870	5600000	535009
060/61	227787	5581330	170860
061/62	5479860	4700110	117190
062/63	11170122	7022811	90227

* Included: Payable interest+ payable liabilities.

Analysis of Saving

SFCL depends upon saving which is collected amount every month fixed by SFCL for its members. Increasing term of saving shows strong financial position and sustainability of small farmers and SFCL. The saving has increased by 80.99%, 120.32%, 140.57% and 103.84% in the fiscal year 2058/59 to 2062/63 respectively saving increasing order shows that SFCL has sufficient internal financial sources. This also proves that financial availability and sustainability of SFCL is better.

Analysis of Borrowed Loan

Borrowed loan refers to the liability of SFCL which was taken from ADB/N before handover and after during the phase of SFDP Increasing borrowed loans shows SFCL is weak position in managing its internal sources whereas decreasing borrowing loans shows positive sign for SFCL. i.e. the financial position of SFCL is strong. The borrowed loan has increased in the fiscal year 2059/60 than in 2058/59 and is in decreasing trend for further two year. In 2062/63 the borrowed loan has increased by 49.42%. The shows that the SFCL should be able to rely on and manage its internal sources to have standard performance in the forth coming year.

Analysis of Other Liabilities

Other liabilities are also a factor that influences the financial position of SFCL. Increasing liabilities are not good for every firm or SFCL. Whereas, decreasing liabilities shows positive sign in financial position. Every year the other liabilities of SFCL are in decreasing order. Other liabilities are in decreasing order because of the decrease of payable interest. The decreasing percentage of other liabilities is 46.37%, 68.64%, 31.41, and 23% respectively.

4.6 Analysis of Ratio

For finding the financial sustainability and viability of SFCL, the following ratios are examined and evaluated.

- A. Current Ratio
- B. Return on Total assets turnover ratio
- C. Return on fixed assets turnover ratio

4.6.1 Current Ratio

Current ratio is a relationship of current assets and current liabilities. Current assets include cash and those assets which can be converted into cash within one year or accounting period. Such as cash in hand and bank, debtors, inventories, Advance and marketable securities.

The current liabilities includes creditors, Bills Payable, accrued liabilities, short term loans, income tax liabilities, unearned income and long-term debt maturing in the current year. The current ratio measures the short term solvency position of the firm. It is calculated by dividing the current assets by current liabilities. The higher current ratio is better for liquidity position. In many businesses, 2:1 ratio is a standard ratio. Lesser the current ratio, the firm might find difficulty for meeting short term obligations whereas high current ratio hampers the firm in its earning capacities because it's resources lose productivity.

Table 4.15 Calculation of Current Ratio before and after Handover of SFCL

Fiscal Year	Ratio CA/CL	Analysis
2058/59	0.3375	Excessive bad
2059/60	0.800	Bad
2060/61	0.7199	Bad
2061/62	1.6289	Good
2062/63	6.20	Excessive high

The current ratio of SFCL is very bad till to the fiscal year 2060/61. However it is excessive high in the fiscal year 2062/63. Therefore the firm should be able to forecast the actual requirement of current assets and manage it to meets its short term obligations. The Current ratio of SFCL in the fiscal year 2062/63 is excessive high which indicate that the firm is over capitalized. The SFCL should reduce its current assets and need to invest in other potential sectors.

4.6.2 Return on Total Assets Turnover Ratio

Assets are the source of revenue they are used to generate sales or revenue. There fore, a firm should manage its assets efficiently to maximize sales or revenue. The relationship between revenue and total assets is called total assets turnover. Total assets include net fixed and current assets. The ratio is calculated by dividing revenue by total assets. A higher ratio means better utilization of total assets and vice-versa.

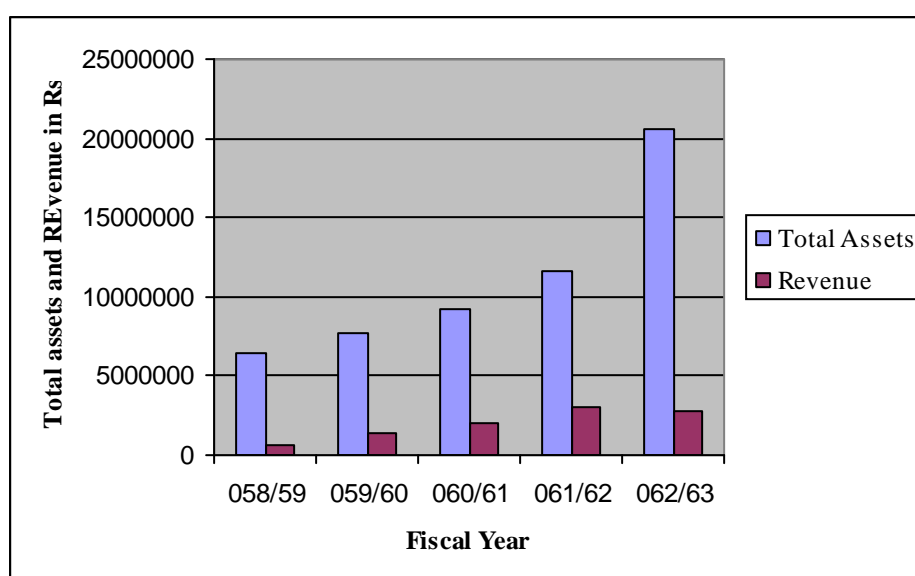
The total assets and revenue during the five fiscal years is given below.

Table 4.16 Return on Total Assets Turnover Ratio

Fiscal Year	Total Assets	Revenue	$Ratio \frac{Revenue}{Total Assets}$
2058/59	6484961	680273	0.1049
2059/60	7738858	1341350	0.1733
2060/61	9260111	1963139	0.2112
2061/62	11613081	3044310	0.02619
2062/63	20620138	2755144	0.01336

The total assets and revenue is illustrated in the following diagram

Figure 4.3: Increase in Total Assets and Revenue after Handover of SFCL



Return on total assets is in increasing order every year except in the fiscal year 2062/63. This is due to increase in total assets. Therefore it is necessary for SFCL to decrease total assets by investing in potential and fruitful areas to enhance the earning capacity of the SFCL.

4.6.3 Return on Fixed Assets Ratio

A relationship between revenue and fixed assets is known as fixed assets turnover. It shows the efficiency of utilizing fixed assets. Higher

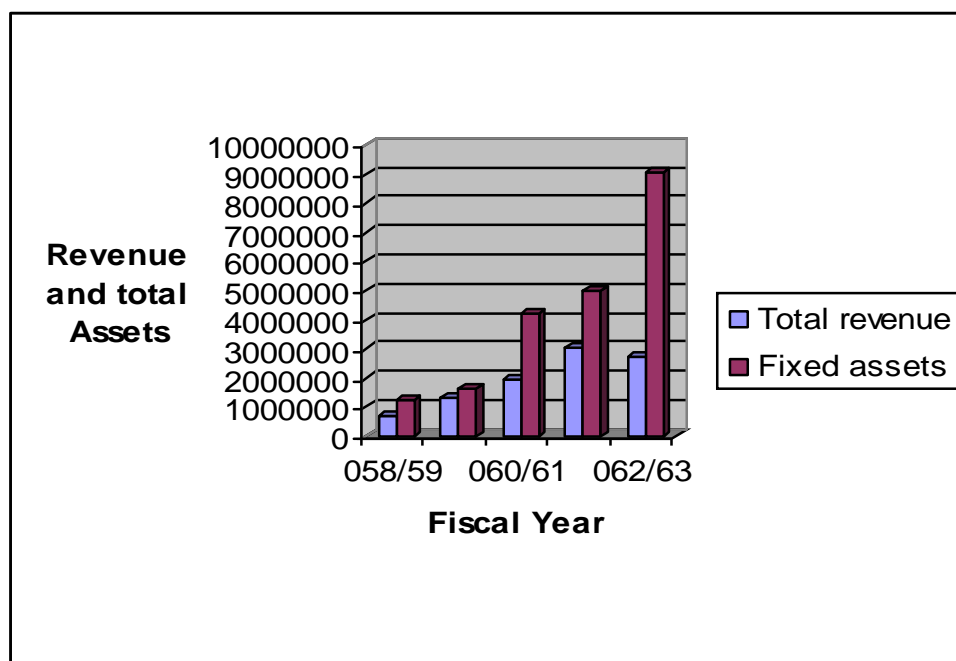
ratio indicates more efficient the management for utilizing the fixed assets. A low ratio indicates poor utilization of existing plant capacity.

The fixed assets turnover ratio is calculated by dividing revenue by net fixed assets.

Table 4.17: Calculation of Fixed Assets Turnover Ratio

Fiscal Year	Total revenue	Fixed assets	Ratio $\frac{TR}{FA}$
2058/59	680,273	12,64,885	0.2216
2059/60	13,41,350	16,65,381	0.8054
2060/61	19,63,139	42,32,150	0.4639
2061/62	30,41,310	50,16,177	0.6063
2062/63	27,55,144	90,80,133	0.3034

Figure 4.4 Increase in total Revenue and Fixed Assets after Handover of SFCL



Return on fixed assets (ROFA) of the SFCL on the different five fiscal years is flexible. In the later years the ratio is in declining trend. Therefore the SFCL needs to reduce its fixed assets and invest in the concerned and priorities sectors.

4.7 Effect on Other Social Status after SFCL

SFCL also gives positive sign in different sector of society. Some effects of SFCL in society are collected by questionnaires methods as below.

Table 4.18: Effect on other Social Status after SFCL

S.N.	Description	yes		No	
		Number	%	Number	%
1	Literacy program	120	50	120	50
2	Group saving participation	235	97.92	5	2.08
3	Forest conservation	160	66.67	80	33.33
4	Improved seeds and fertilizer	210	37.5	30	12.5
5	Observation tour	240	100	-	-
6	Livestock insurance	120	50	120	50

7	Market management	150	62.5	90	37.5
8	Training	200	83.33	40	16.67
9	Technical services	170	70.83	70	29.17
10	Charity /donation	60	25	180	75
11	Involvement in community work	190	79.17	50	20.83
12	Concern in politics	220	91.67	20	8.33

4.8 Findings of the Study

Out of 240 responded, all give the positive response about SFCL, they take participation in group saving and are able to get the chance for observation tour. 97.92% of members participate in group saving which help each member to use money in their needs. Observation tour also helps member to increase their knowledge, capabilities and skills in their professions.

Literacy program is one of the best programs to change the norms of the society. It also helps to increase the understanding power of small farmers. The literate people mean to provide new knowledge and skills. After SFCL, 50% responded accepted that they took part in literacy program held by SFCL to improve their knowledge and skills.

SFCL also assist small farmers for the use of improved fire stove and about forest conservation by means of training and awareness programs. About 66.67% accepted that they took part in literacy program for the shake of conservation of the forest area.

Modern agriculture system helps to increase production capacities by improving their traditional agricultural system. After SFCL people of that area started to use improved agricultural system, chemical fertilizers and improved seeds, 87.5% responded accepted that they get knowledge about modern agriculture system after SFCL.

Training is another importance part to improve people in their profession. It gives knowledge about new technology. Training such as women empowerment, income generation, social mobilization, production management and marketing etc. help local people to improve their expertise, skills and knowledge. Here out of 240 responded, 200(83.33) accepted that they took part in different kinds of training program held by SFCL.

Although, SFCL tries to manage local market but its not succeeding because only 62.5 responded accepted that they do business in local market. Likewise, livestock insurance program and technical service is not made available to its members as per the need.

After the analysis of primary data and secondary data the flowing result are find.

The position of share capital is in increasing trend. It highly increased during four year after SFCL by 50,110.11, 148.62 & 68.69 percentage respectively. In the fiscal year 2062/63, the share capital has increased in decreasing trend due decrease in the number of farmer's participation in MF program.

Profit position of SFCL has increased in the fiscal year 2061/61 by 76.81% but has a negative profit growth rate (-32.69) in the fiscal year 2061/62 because of the violence in the nation, some of the SFCL were closed. Even then SFCL Semlar is able get profit from its activities which is the great achievement for SFCL Semlar whether it is less or more.

The position of saving is in increasing trend every year Rs. 571221, Rs. 1033870, Rs. 2277871, Rs. 5479860 and Rs. 11170122 respectively during the five years. This shows financial viability and sustainability of SFLCL is better. Borrowed loan and other liabilities are in decreasing trend which shows that SFCL is self reliant and depend in its internal financial sources, it also give sign of financial viability and sustainability.

The position of current ratio in the fiscal year 2062/63 is excessive high which shows that SFCL is over capitalize, to get the standard size SFCL need to reduce it by investing in the potential sectors. Return on fixed assets give flexible result in every year due to increasing in fixed assets excessively than revenue.

1. From the field observation the researcher found that after handover of SFCL most of the members are involved in different types of employment activities i.e. 80.34% viz. out of 240 responded.
2. Out of 240 responded, 75% accepted after SFCL, they use clean drinking water.
3. Out of 240 responded, 87.5% and 37.5% accepted that after handover of SFCL in village, they know about improved toilet and improved fire stove.
4. By observation tour, small farmers increase their knowledge and other capacity. 100 percentages responded accepted that they got change for observation tour.
5. After SFCL people practicing in literacy program is increasing which help to improve the literacy position of village. Out of 240 responded, 50% of people took participation in literacy programs.
6. SFCL is also succeeding to convince the people about the importance of group saving and impact of forest conservation. Out of 240 responded 235 accepted that they save the money in group and are also interested in forest conversation program.
7. SFCL give knowledge to small farmers about improve seeds and chemical and organic fertilizer. Now mostly farmers use it. 87.5 percentage of responded accepted it.

8. SFCL also gives the different types of training to small farmers which help them to increase their efficiency, expertise, skill and knowledge here 83.33 % of responded accepted that they look part in either kind of training organized by SFCL.
9. The fruitful result of SFCL is it has decrease unemployment and vocational employment.
10. SFCL help the society by making people literate, spread awareness, program oriented training, improve modern life style, and raise living standard of small farmers.
11. SFCL introduce innovative practices and norms in society and hence traditional concept and methods are eliminating.
12. SFCL is unsuccessful to manage local market and also unable to give technical service to small farmers, most of the responded accepted that they have business in local market only.

4.8.1 Other Findings (Field Observations and interviews)

1. Enhanced women empowerment by increasing their participation in SFCL.
2. Achieving a success in harnessing people's participation for creation of infrastructure such as community building, schools, canals, milk collection,
3. Improved in health and hygiene situation.
4. Lack of alternative leadership
5. Insufficient support from line agencies.
6. Insufficient professionalism in entrepreneurship development.
7. Politicization and financial undisciplined in some cases.
8. Lack of inspection from government side

CHAPTER-FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Summary

Globally around one billion people are living below one dollar per capita income per day. The most challenging task for the policy maker and practitioner is to reduce the world's poverty and improve the life standard of that billion faces. The hope is that poverty can be alleviated and economic and social structure can be transformed fundamentally by providing financial services to low income households. Poor people use loans, deposits and other financial services to reduce their vulnerability, cash opportunities and increase their earnings definitely micro finance improves quality of life, reduces poverty level, women's empowerment and create awareness. Nearly 31% of Nepalese are below the extreme poverty line .The population is increasing day by day and resources are limited .Eradicating poverty and maintaining quality of life is the main issue of modern world .microfinance is a tool which has the potential to transfer power relation, and empower poor people who have less access to resources. Even our many donor agencies, government and community micro finance has become a central component. However, simply throwing financial resources in the hands of poor people is not enough for empowering and improving small farmers .Small farmers access to financial resources and services could provide greater decision making power provide confidence and enhance dependency. This power may have significant implication on families and communities. As a result small farmers can promote nutrition, health and literacy within their families. The access of microfinance has improved farmers skills, mobility, and access of knowledge. It has also supported for making their own networks. Status of small farmers with in the community for decision support and idea generation has also been enhanced. These

changes are reinforced by group formation, leading to wider movements for social and political change.

In the above perspective, micro finance is a tool for empowerment focused on poor and disadvantaged small farmers in rural areas. So, that for empowering and improving the status of poor farmers, different programs have been initiated by government and donor agencies. Semlar is also a backward village which has all the characteristics of remote village. Setting the objective of evaluating the financial sustainability and viability of small farmers involved in small farmer cooperative limited of Semlar V.DC., 5 years historical data are used and different ratios are calculated to analyze it. Similarly for evaluating the impact of microfinance on poverty reduction and improvement on the status of small farmers' necessary statistical tools are used such as hypothesis testing, standard deviation, covariance etc. The impact analysis of microfinance in small farmers Development Programs, different indicators have been presented and analyzed in the perspective of poverty reduction, Improvement on status and social awareness.

5.2 Conclusions

Microfinance is a tool for empowerment of the poorest; it has potential to have a powerful impact especially on rural peoples. Microfinance mainly focuses on poor and disadvantaged and marginalized people because they lack access to resources. Empowerment is a complex process of somewhat differently.

After the study of micro credit program for small farmers at Semlar V.D.C., little impact of micro finance has been seen in the clients. In respect to education, even they are illiterate; they are sending their children to school for children's bright future. They are aware of education before and after joining in MF programs. Majority of the families are joint family and male members are found head of the family.

From the field study, nearly 50% of the respondents are economically active in sample respondent's house. In view of respondents annual income, after the involvement in microfinance program farmer's average annual income is increased by Rs 6800 annually. Standard deviation and variance is decreasing. The decreased C.V. indicates the income of respondent is uniform after the involvement in MF programs. By testing the hypothesis of income level of respondents it has found that average income of sampled respondent is not significantly increasing. Similarly, about to spend the income generated by respondent himself, mostly they do expenses on mutual understanding between husband and wife. After the involvement in MF program, the discussion over the society's well being is increase than before. The respondent's confidence level to speak freely is built up. In the respect of awareness in health and sanitation, comparing sampled respondents are increased. The user of toilet is increased than before. This is proved by chi – square test. In the same way, as per the respondent's response open family decision making, political awareness and human right, they said there is significant change upon these issues before and after involvement in MF program. They have better known about it than before.

Only the microfinance has made it possible to expand financial services to reach a larger segment of the poverty stricken population.

The challenges of microfinance are derived from a number of factors, which include the transaction service being expensive, the risk involved in lending to poor clients and the cost involved in lowering these risks is high and risk of losses from default is high.

SFCL is the major successful programs for the poverty reduction in Nepal incurring cost effectiveness, efficiency, profit earning, quality investment, timely repayment, cohesiveness and optimum utilization of resources so far. Although SFCL face new problems like lack of

alternative leadership (Board members and staff) insufficient support from line agencies, politicization, insufficient professionalism in entrepreneurship development financial undisciplined etc, for SFCL Semlar, it should focused its attention in participatory planning, demotic resources mobilization, human capital formation and promotion of self helps groups at the grass roots level. SFCL particularly emphasize democratic norms, empowerment of backward people, access of potentialities and local resources to the development of their settlement territory by themselves. Share capita of SFCL is in increasing trend. Apart from it, sanitation, literacy attainment, community and social development are major contribution of SFCL Semlar in society. Finally concluded that the financial viability and sustainability of SFCL is in better position and SFCL also helps to change the socio economic condition of its members.

5.3 Recommendation

On the basis of the findings, conclusion and field survey experience the following suggestions and recommendations have been forwarded for effective implementation of microfinance program and its targeted people.

- Microfinance s the most effective tools to combat poverty. Poverty can reduce if there is proper allocation and use of resources. Loan taken from the microfinance institutions should be really invested in the proposed fields and foremost, supervision should be done by MFIs.
- According to the field observation and direct discussion with all respondents, most of them replied that they had taken loan for livestock and agricultural purpose. But the productivity is very low due to lack of specific knowledge of farming techniques and improved varieties of crops. Due to this they have got economic

burden rather than getting profit. Therefore there is a need to diversify investment in other profitable sector. Moreover to tackle these problems MFIs should provide training to their clients so that they will not get loss financially and loss in social status.

- MFIs should develop practical and varied training courses related to skill development, entrepreneurship development, income generation and business expansion, diversification and promotion as the need of particular community.
- To supervise the use of loan and to provide effective skill to advice on the management of the loan, field staff should be trained regularly. So that the clients of the program received technical as well as managerial guidance to manage microfinance program.
- There is needed to shift the program from agriculture based to small industry and other business promoted activities because this type of business is more effective than agricultural based occupations. The operational cost could not be borne from agricultural sector. So, there is the need of shift agricultural loan to others profitable business.
- The credit facilities should conveniently be extended to the rural people who have genuine desire to obtain the financial assistance for undertaking the income generating activities to uplift social status. However, the loan should be granted on the basis of guarantee of the other family member and group guarantee.
- It is desirable to create an appropriate legal framework for microfinance and MFI in general. Specific fiscal advantage could be granted to those microfinance institutions that have a stronger impact on the status of small farmers.

- Government of Nepal should encourage the investors to invest in the microfinance Development Bank in order to develop the microfinance as a major measure of alleviation of poverty and expand its services to the rural areas.

Similarly, continuous leadership training and skill oriented, awareness programs should be made access to local people and manager of SFCL to develop alternative leadership.

Politicization in SFCL can be reduced through enhancing the feeling of mutual trust, help, co-ordination, education and co-operation among the members. Financial undisciplined in SFCL can be controlled by ADB/N's and micro finance division through time to time inspection, supervision, monitoring, directing controlling and guiding the activities of SFCL

Insufficient professionalism in entrepreneurship development program is solved through organizing training, Seminar, workshop in several field for it's every members as per the needs and priorities, awareness program to enhance knowledge and skills for entrepreneurship development to explore profitable business.

5.4 Direction for Future Research

It is impossible to include all the aspect related to MF. Some major aspects are needed to be undertaken.

- Effort has been made to analyze the impact of MF concerning only one MFI. The future researcher can study and analyze comparatively taking two or more MFIs.
- The sample size is small. Only 25 small farmers are taken. The future researcher can take more samples and analyze broadly.
- The opportunities and challenges of MFIs can also be major aspects for future study.
- Profitability of MFIs and their operational efficiency can also be studied.

Bibliography

- Centre for micro-finance (2005): **An Overview of the Micro-Finance Sector in Nepal**, October 15, 2005.
- Central Bureau of Statistic (2004): **Nepal Living Standard Survey**, Vol.2, CBS and National Planning Commission Secretariat, His Majesty's of Government of Nepal.
- Ghimire, Narayan (2005): **A Case Study of Micro-Credit Program for Women**, Unpunished Masters Thesis, P.N. Campus, T.U.
- Gupta, S.C. (1992): **Fundamentals of Statistics**, Himalayan Publishing House, Delhi, India.
- Gurugharana, K.K. (1998): **Poverty Reduction Agenda in Nepal**, Kathmandu, Nepal.
- Joshi, P.R. (2061): **Research Methodology**, Buddha Academics Publishers and Distributors Pvt. Ltd. Kathmandu, Nepal.
- Khandker, S.R. (1998): **Fighting Poverty with Micro Credit, Experience in Bangladesh**, Oxford University Press.
- Kunwor, K.B. (2003): **The Himalayan Poverty Prosperity through Rural Development** (2nd ed.), Mina Prakashan, Kathmandu.
- Ledgerwood, Joanna (1996): **Critical Issues in Nepal's Microfinance Circumstances**, Development Project Service Center, Nepal.
- Ledgewood, Joanna (1999): **Microfinance Handbook**, An Institutional and Financial Perspective, Oxford University Press.
- Ledgewood, Joanna (2000): **Mahila Vikash Bibhag ko Barsik Pratibedan**. (Annual progress Report of women Development Department 2005), Lalitpur, Mahila Vikash Bibhag Shree Mahal.
- National Planning Commission 91997): **Approach to the Ninth Plan** (1997-2002), NPC/HMG, Kathmandu, Nepal.
- National Planning Commission (2002): **The tenth Plan** (2002-2007), NPC/HMG, Kathmandu.

- Pathak, B.P. (2004): **Small Loan**, The Kathmandu Post.
- Poudyal, U. and Shrestha B. (1998): **Institutional Capability Evaluation of Nirdhan/Microfinance Institution of Women**, A study for plan international, Nepal.
- Shrestha, Minu (2005): **Microfinance in Nepal and Role of RMDC in Micro Credit Development**, Unpublished Masters Thesis, public Youth Campus, T.U.
- Shrestha, P. and Shrestha B.K. (2006): **Agriculture Credit**, small Farmers Development Bank Limited.
- Simkhada, Nav Raj. (2004): **A Case Study of Four Saving and Credit Cooperative Society operating in the Hills of Nepal**, Centre for Microfinance and Foundation of Development Corporation.
- Sinha, S. (1998): **Micro Credit Impact, Targeting and Sustainability**, IDS bulletin, Vol. 29 No.4.
- The World Bank (1995): **The World Bank's Strategy for Reducing Poverty and Hunger**, A Report to Development Community, The International Bank for Reconstruction and Development.
- The World Bank (2004): **The Poverty Reduction Strategy Initiative**, The World Bank, Washington DC.
- Uprety, T.P. (2003): **Microfinance in Nepal**, Nepal Rastra Bank Samachar.
- Wolff, H.K. and pant P.R. (2005): **Social Science Research and Thesis Writing**, Buddha academics Publishers and Distributors Pvt. Ltd., Kathmandu.
- Yunus, M. (1987): **Group Credit, A means to Improve Information Transfer and Loan Repayment Performance**, Economic Review journal.
- Yuuus, M. (1991): **Grameen Bank, Anubhav ra Anubhuti**, Mirmire, Nepal Rastra Bank, Kathmandu.

ANNEX

Annex-1

Questionnaire for Targeted Small Farmer Respondents

1. Personal Information

Name :

Caste :

Age :

Address :

Locality :

Ward No. :

2. Marital Status

I) Married

II) Unmarried

III) Divorced

IV) Widow

V) Separated

3. Education

I) Illiterate

II) Literate

III) Primary

IV) Secondary

V) SLC

VI) Intermediate

4. Main Occupation

S.N.	Occupation	Before involvement	After involvement
1	Retail trade and shop		
2	Agriculture		
3	Animal husbandry		
4	Service		
5	If other (specify)		

5. Why did you decide to take loan?

I) To be self dependent

II) Other purpose (If any specify)

6. From which Institution did you take loan?

.....

Information about Family

7. Family Structure

I) Nuclear Family (up to 5)

II) Joint Family (medium 6 to 9)

III) Joint Family (large above 10)

8. Household Composition

I) Total Number of male members.....

II) Total Numbers of female members.....

9. Specify the number of family who are economically active

.....

10. What is the occupation of your economically active member?

I) Public service

II) Job in Private Organization

III) Self Business

IV) Specify (if other)

11. How many children you have send for school?

Before involvement son.....daughter.....

After involvement son..... daughter.....

12. In what kind of school your children are studying?

Before involvement Private Government

After involvement Private Government

13. Why the number of child going for school increased? (Only if increased)

I) Due to age of Children

II) Due to the increment in income level after joining microfinance program

III) Now, I have known the importance of education

IV) Specify (if other)

14. Why the numbers of children going to school decrease? (Only if decreased)

I) Due to marriage of child

II) Getting job

III) Not interested by children

IV) Specify (if any)

Economic Information

15. Have you taken any loan from the program?

I) yes

II) No

16. From which institution did you take loan?

.....

17. How have you taken loan, with collateral or without collateral?

I) with collateral

II) With out collateral

18. If you have taken loan, on what scale did you take?

1000 – 5000

5000 – 10000

10000 – 15000

15000 – 20000

20000 – 25000

25000above

19. For what purpose you have taken loan?

I) Farming

II) Retail trade

III) Animal husbandry

IV) Specify (if other)

20. Did you invest your loan amount in your proposed field?

I) Yes

II) No

21. Do you know the repayment schedule of your loan?

I) Yes

II) No

22. Have you repaid any of the loans?

I) paid fully

II) Paid partially

III) Not paid yet

23. How do you pay your loan? (Only if paid loan)

I) Income earned from investing loan

II) Taking loan from other lenders or friends

III) Specify if others

24. Have you taken loan from other institutions?

I) Yes

II) No

If yes specify: Name of institution.....

Purpose.....

Amount.....

25. You have taken loan and made investment, is there difference between economic conditions/ before and after involvement in MF?

I) No changes

II) Yes, economic condition is better now

III) Little improved

26. After involving in MF program, your asset holding position increased or not?

I) yes increased

II) No

III) No decreased

27. What is your monthly income?

Before Involvement

After Involvement

Below 2000

Below 2000

1000 – 2000

1000 – 2000

2000 – 3000

2000 – 3000

3000 – 4000

3000 – 4000

4000 – 5000

4000 – 5000

5000 – 6000

5000 – 6000

6000 above

6000 above

28. If your income increased after involvement please specify why?

I) Due to expansion of business

II) Establishment of new business

III) Increase in production of agriculture

IV) Specify (if others)

29. Why your income decreased? (Specify only if decreased)

I) Decrease in sales

II) Low production in agriculture

III) Illness of family member

IV) Undesired death of cattle

V) Specify (if others)

30. How do you spend your income?

I) Independently

II) Depending others

III) I don't have any right to spend

31. How is the expenditure pattern comparing before and after involvement in MF program?

I) Increase in expenses

II) No change in expenses

III) Decrease in expenses

32. On what, expenditure is changed? (If only changed)

I) Education of children

II) Daily consumable goods

III) Health and sanitation

IV) For shelter

V) All

33. Do you think after joining this program, your poverty has reduced?

I) Yes

II) No

III) I don't know

Involvement in Decision making related information and level of awareness of political & human right.

34. Do you involved in any important decisions making in your family?

Before After

Yes Yes

No No

35. Is there any involvement in cooperative discussion?

Before Involvement Yes No

After Involvement Yes No

36. How your society looks about your participation in MF program?

I) Negatively

II) Positively

III) I don't know

37. There is any change in the consumption of nutritional food before and after involvement?

I) Yes

II) No

38. What is the condition of toilet and bathroom?

Please tick

Before Only Toilet, Toilet & Bathroom, Bathroom only,
Nothing

After Only Toilet, Toilet & Bathroom, Bathroom only,
Nothing

39. Do you happen to know the political situation of our country?

Before Yes No

After Yes No

40. Do you happen to know about human right?

Before Yes No

After Yes No

Thank you very much for your participation