

CHAPTER I

INTRODUCTION

1.1 Background

Statistics prove that Nepal is the poorest country in Asia and even the poorest among South Asian nations. She has the lowest annual per capita income of US\$ 250 (NRS 19468 in 2002/03 at current prices, with total population 24.20 million for the same year) (CBS, 2004). The country has the lowest GDP growth rate (3.5 percent), and the highest population growth rate of 2.24 percent. Though Nepal with this per capita income ranks in the 12th position in purchasing power parity terms, its per capita income makes it the 30th poorest country in the world (World Bank, 2002). Nepal had 5.5 percent GDP growth rate for the year 2000 because of favorable conditions in agricultural production depending largely on weather condition. The recent estimate of the GDP for the year 2002/03 is 3.09 (CBS, 2004).

Since the late seventies or after the Sixth Five Year Plan, (80/81), the poverty alleviation approach was integrated into the country's mainstream financial system, recognizing microfinance as an official poverty alleviation program. The sector gained further momentum after restoration of democracy in 1991 with the establishment of Grameen Bikas Banks (GBBs) in the five development regions. Since that period, other different forms of MFIs have been set up. The Nepalese microfinance sector currently comprises a wide variety of models e.g., cooperatives, the private and the government-owned GBBs/replications, government supported microfinance programs, and authorized Financial Intermediary Non-Government Organizations (FINGOs).

Microfinance practices reflect the diversity of landscape and population density in Nepal. In the Terai region (plain); more densely populated, with better transport infrastructure and easier access to clients; the Grameen Bank model has been adapted by a large number of organisations. It is also a region where traditional financial organisations, such as commercial and development banks, operate. In the hills and mountains, community-based organisations, such as Self Help Groups, Credit and Savings Associations and Cooperatives seem the most adapted to the remoteness and isolation of local communities (Khanal, 2004).

In the past decade Micro-Finance has been recognized as an effective development intervention. Many Micro-Finance institutions and programs targeted to the poor have been emerged with the intervention by HMG, Multi/Bi lateral agencies, INGOs and NGOs. Within Nepal there are a wide range of institutions active in the Micro-Finance sector, each with its own way of going about the task of making financial services accessible to the poor ([www.microfinance in Nepal](http://www.microfinance.in)). In this predominantly agricultural based economy Micro-credit is largely applied to agricultural and allied activities and livestock development. The small and marginal farmers benefit greatly from the Micro-Finance programs.

The microfinance sector in Nepal has expanded and became more diversified in recent years and apart from serving the poor, particularly women, may also fill the gap left by the progressive withdrawal of commercial banks from rural areas, due to the insurgency and cost savings measures. Diversification has from the commercialisation of leading NGOs and their transformation into rural microfinance banks. They compete with pre-established public Regional Rural Development Banks, using the same Grameen Bank methodology as many of the smaller Nepali microfinance institutions ([www.microfinance in Nepal](http://www.microfinance.in)).

There are more than 700 registered Savings and Credit Cooperative Societies which provide financial services to their members. In addition to that there are large numbers of Savings and Credit groups promoted by NGOs and INGOs in the villages which are helping the poor to pool their savings and offer credit for the various needs of the members. Two large NGOs: NIRDHAN and CSD also provide Micro-Finance services to a large number of Women clients through Grameen bank replication. There are many other NGOs, which have been providing micro-finance services to the poor through different models.

There are major micro-finance programs initiated by Nepal government aimed at providing Micro-Finance for productive activities to women: Production Credit for Women (PCRW), Micro-Credit Project for Women (MCPW), Intensive Banking Program (IBP), and Rural Self-Reliance Fund (RSRF). The formal financial sector providing micro-finance services through mandated Govt. Programs include the Nepal Rashtra Bank, the Agricultural Development Bank of Nepal, the Nepal Bank Ltd, the Rashtriya Baniya Bank and the Regional Rural Development Banks ([www.microfinance in Nepal](http://www.microfinance.in)).

Despite ongoing development efforts, poverty remains rampant in Nepal with approximately 31% of the population living below the poverty line. The incidence of poverty is highest in rural areas, particularly in the remote areas. Currently, more than 2 million individuals in the rural population have access to microfinance services. This figure represents approximately 8% of the population and approximately 26% of the people living below the poverty line.

Microfinance has been one of the few effective tools for poverty reduction over the past years. Through the creation of sound microfinance institutions and systems, poor people can safely deposit money and accumulate funds for future investments or emergencies as well as access loans for productive purposes leading to higher incomes. Additionally, microfinance produces an impact in other areas including good governance, participation in the political processes, women empowerment, social inclusion and conflict transformation. The outreach of sustainable and sound microfinance institutions to the rural and urban poor still needs, however, to be increased in order to further diminish poverty (www.microfinance.in Nepal).

1.2. Statement of Problem

In Nepal different types of programs have been launched such as Priority Sector Credit Program (PSCP), Small Farmers Development Programs (SFDP), Integrated Rural Development Program (IRDP), Production Credit for Rural Women (PCRW), Participatory District Development Program (PDDP) which in fact is intended to uplift the rural poor, especially women (Regmi, 2000).

Women comprise at least 50 percent of this Himalayan kingdom's 19.5 million people. But in a society with strong patriarchal traditions, they do not inherit parental property, own assets or have a say in household decisions. More than 75 percent of Nepali women are illiterate. The status of Nepali women is further devalued by discriminatory cultural values and practices and a tradition where scarce resources are invested preferentially in sons. Studies show that Nepali women spend 25 percent more time than men on subsistence activities and domestic work. More than 16 percent of their daily labor involves fetching fuel and fodder (Bhattarai, 2000). The most unprivileged classes like women are to be

especially targeted to effectively achieve overall poverty reduction in the country (Regmi, 2000).

Although contributions of women in Nepal are considered unimportant: there is a brief that given opportunities- women are capable to do all works efficiently. Recent studies in developed countries indicate that poorer households are more dependent on the earning of women and in order to service, they engage in a much greater diversity of income generating activities (Dahal, 1998).

Micro finance is one of the major contributions in the sphere by bringing all the rural people in participation. Women's participation is also its much emphasized aspects to make women economically strong by handling the rural level saving and other programs weekly meeting, loan proposal, repayment, compulsory deposits etc. the aim of the research is to measure the effectiveness of the micro finance on income generation of rural women in the area situated for the study and suggest for the improvements in our male dominated society where women are not practically free either in choosing economic and income- generating activities or to dispose her earned income (Dahal, 1998).

So, micro finance institutions should fund their loans through savings accounts that help poor people especially women, manage their myriad risks (Rutherford, 2000).

1.3. Objectives

This research study has two fold objectives:

Overall objective of this study is to explore the impact of Micro Finance (MF) Program for women in the study area.

Specific objectives:

-) To analyze the impact of microfinance on income generation of rural women.
-) To examine the change in economic status after intervention of micro finance program.
-) To evaluate the role of microfinance in poverty alleviation program.

-) To identify measures for more effective implementation of the micro finance program.

1.4. Rationale of the study

Widespread context of rural poverty in the country, emergence of large numbers of MFIs, and the increased volume of loan investment are rationale of the study. The genuinely poor, especially women lack the skills, confidence and resources to approach the formal banking sector. The rural women are capable of doing anything. The purposed study will not only find the impact of the launched programs under the micro finance program but the procurement of using the fund for the women.

The ultimate findings may also reveal target group member's perceptions, desires and problems, the knowledge of which could enable officials concerned to modify the program activities accordingly.

In addition, the upliftment of women needs a little encouragement. So, the proposed study will be useful for the policymakers, the concerned target groups and the stake holders working in the related fields.

1.5 limitations of the study

-) Concentrating only on Chakchaki VDC of Jhapa district, the study may not represent the actual picture of other areas of the country.
-) Collecting information from all members is not possible. So the study is based on sampling method.
-) Due to time and budget constraint, overall impact of microfinance in all aspect cannot be studies thoroughly.
-) All direct and indirect impact of the mf cannot be studied due to time and budget limitation.
-) Due to diversities in social, cultural, traditional and economic norms the recommendation suggested and conclusion derived may not be applicable in other areas of the country.

1.6 organization of the study

The present study is composed of six chapters

-) The first chapter comprises background, statement of problem, objectives of the study, rationale of the study, and limitations of the study.
-) The chapter two deals with literature review concerned with conceptual review, poverty and microfinance, women and microfinance and review of past studies.
-) Chapter three explains the research methodology comprising conceptual framework, site selection, research design, population and sample, sources of data, process of data collection, data processing and analysis.
-) Chapter four highlights the microfinance in Nepal including microfinance sector development, practices of microfinance, providers of microfinance, regulations in MF, funding organization and supporting organizations.
-) Chapter five focuses on data analysis of respondents that comprises general background of respondents, main occupation after MF, changes in income level and living standard.
-) Chapter six is the last and important chapter which reveals summary, conclusion, and recommendation of the study.

CHAPTER II

LITERATURE REVIEW

2.1 Conceptual Reviews

2.1.1 Definition of microfinance

According to the World Bank the term “microfinance refers to the provision of financial services to low income clients, including the self employed. Financial, generally include savings and credit; however, some microfinance organizations also provide insurance and payment services. In addition to financial intermediation, many MFIs provide social intermediation services such as group formation, development of self confidence, and training in financial literacy and management capabilities among members of a group”. Thus the definition of MF often includes both financial intermediation and social intermediation. Mf is not simply banking; it is a development tool (World Bank, 1997).

As a definition, micro finance is, as a part of development finance of rural or urban, targeted towards specific groups of people, male or female, falling the lower bracket of society. It refers to the provision of a broad range of financial services such as deposits, loan payment services, money transfers, and insurance to the poor and low income households and their micro enterprises (ADB/2000).MFIs are dependent on small savings from group members. Financial services include savings: Credit and other services such as micro money transfer and micro- insurance. This service is differentiated by different types of service employment and income orientated target group, target community, target area and credit at home. (Ghimire, 2005).

The term microfinance refers to the practice of sustainably delivering those services. More broadly, it refers to a movement that envisions “a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers.”(www.microfinance.com)

The NABARD of India has defined microfinance as “provision of thrift, credit, and other financial services and products of very small amounts to the poor in rural, semi-urban, or urban areas for enabling them to raise their income levels and improve living standards”. The concept of MF indeed is mainly related to rural development and target group focused programmes specially that of lending to agricultural and related businesses, with an objective of attaining growth with social justice. People who normally live below poverty line demand such credit.

Actually, microfinance practitioners define it more specifically in terms of its quantity, targeted beneficiaries, and lending objectives. Microcredit symbolizes small loans extended to the poor for undertaking self-employment projects that would generate income and enable them to raise their living standards. In other words, it seems different only because of its demand for and its use, as it is demanded by small borrowers (both men and women) to meet their production (financing small business and consumption needs).

The term "micro-finance" means the financial business of providing institutional financial services to the destitute and low-income families desirous of operating self-employment enterprises. The financial business of this type covers micro-credit, micro-insurance and small remittance payment system. The term includes financial services of supplying small credits, providing unsecured financial services in a quick and efficient manner against collective guarantees and repaying installments in a simple manner aiming at increasing access to financial services by extensively covering the destitute class and areas which currently remain deprived of micro-financial services. (www.microfinance.com)

2.1.2 Evolution of Microfinance

Microfinance arose in the 1980s as a response to doubts and research findings about state delivery of subsidized credit to poor farmers. In the 1970s government agencies were the predominant methods of providing productive credit to those with no previous access of credit facilities people who had been forced to pay usurious interest rates or were subject to rent seeking behavior. Government and international donors assumed that the poor required cheap credit and saw this as a way of promoting agricultural production by small landholders.

These programs, first developed and initiated in Bangladesh in the late seventies and later replicated in many other countries including the south and Southeast Asian and some African countries, have now been recognized as useful instrument for poverty alleviation. The Grameen Bank is the pioneer among the MFIs to introduce microcredit programs. During the last two decades or so the number of such MFIs including government and non government organization operating at national or various local levels on Bangladesh has increased. (www.microfinance.com)

Both formal and informal MFIs in Nepal are providing financial services to generate income through creation of job opportunities for the low-income families. The informal financial markets in the country have existed for generations, whereas the first formal sector micro lending began in 1956 with the establishment of Credit Cooperatives in the Rapti Valley of Chitwan district to provide financial services in rural Nepal (Sharma and Nepal, 1997). Later in 1963, the Cooperative Bank (converted in ADB/N in 1968) was established to provide financial services to the credit cooperatives. Thereafter, several credit cooperatives and the ward/village committees were established to extend credit at the grassroots level along with a national level institution, i.e. Land Reform Savings Corporation. Thus, 1956-1970 is the beginning phase of formal MF in Nepal.

2.1.3 Beginning of Microfinance in Nepal

Microfinance formally started in 1974 following the Nepal Rastra Bank's (NRB) direction to commercial banks for lending five percent of their total deposit liabilities to "small sector" in order to increase production and employment in rural areas. The small sector programme was renamed later as Priority Sector Credit (PSC) in 1976 raising the lending percentage to seven percent of total deposit liabilities (NRB, 1996). Actually, PSC is the beginning of formal MF programme in Nepal, which again was redefined as Intensive Banking Programme (IBP) in 1981, and it was the main concern of government for implementing microcredit programme through major commercial banks of the country, viz. RRB, NBL, and NABIL Bank (the joint venture bank). NRB also made successive changes in lending percentage and it increased to eight percent in 1984, and this lending target was fixed at 12 percent for the year 1990.

Priority sector is defined as an integration of "micro" and "small enterprises" that

support for enhancing production, employment, and income, and improve the living standards of deprived and low income people. The micro and small enterprises have been classified into three sectors, as agriculture, cottage and small-scale industry, and service sector. The deprived sector includes men/women from low-income households, and landless people. Microcredit, micro savings, transfer of payment services, and micro insurance are defined as MF services. Similarly, the loan size, ranging from Rs. 5,000 to 30,000 is defined as microcredit by the credit manual of NRB (NRB, 2000a). To fulfill priority sector and deprived sector lending requirements, commercial banks can also lend ADB/N, rural development banks, authorized Savings and Credit Cooperatives (SCCs) and FINGOs, which have been defined as actual microfinance institutions (MFIs) in Nepal.

Deprived sector credit scheme was introduced by NRB in 1990. Since that time the commercial banks were mandated to lend at least three percent of total loans and advances to the deprived sector from their priority sector loan portfolio, and are penalised for the shortfall (NRB, 1996). The act of providing loans by commercial banks to prioritised (agriculture, cottage industry, and service sectors) and deprived sectors or the “hard-core-poor” is a non-traditional banking scheme for commercial banks. Therefore, considering guarantee compensation against default on such lending as crucial, the Credit Guarantee Corporation was established in 1974 with the joint investment of NRB, NBL, and RBB. This corporation provided credit guarantee to these two commercial banks for providing priority sector loans. The corporation has also started guaranteeing loans for cattle since 1987/88 (NRB, 1996).

Despite lots of efforts for credit flow to rural poor through many poverty alleviation programmes in the past, a wide gap is persisting in the coverage of credit from institutional sources. The Nepal Rural Credit Review Report (1994) revealed the fact that 18 percent in 1969/70, 24 percent in 1976/77, and only 25 percent borrowers/farm families in 1991/92 had utilised the institutional credit in Nepal (NRB, 1994). Thus, in the beginning of the Eighth Plan period, the coverage of rural finance from the formal sources was just one fourth and the informal sources four fifths.

2.1.4 Objective of microfinance

The main objective of rural finance/microfinance is to increase access of rural

people to financial services to undertake income generating activities and improve their livelihoods and to improve socio economic conditions of the poor and deprived women. With a view to facilitate this process, both government and non-government organisations have launched various programmes. However, the specific objectives are:

-) To promote the quality of life and their living standard.
-) To provide financial and non financial services based on need of operation.
-) To provide necessary institutional support to other institution having similar objectives.
-) To assess larger loans, based on repayment performance.
-) To create income and employment opportunity for the poor people by mobilization of saving.
-) To provide assistance to the poor and marginalized women of Nepal, regardless of where they live in and who they are
-) To promote the locally available technology for the best use of the internal available resources.

2.1.5 Features of Microfinance

Some general features of MF are:

-) It promotes credit as a human right.
-) Its mission is to help the poor families to help themselves to overcome poverty.
-) It is targeted to the poor and particularly to the women.
-) The most distinctive feature of mf is that it is not based on any collateral or legally enforceable contracts. It is based on trust not on legal procedure and systems.

-) It is offered for creating self-employment for income generating activities and housing for the poor, as opposed to consumption.
-) It was initiated as a challenge to the conventional banking which rejected the poor by classifying them to be “not creditworthy”. As a result it rejected the basic methodology of the conventional banking and created its own methodology.
-) It provides services at the door-step of the poor based on the principle that the people should not go to the bank, bank should go to the people.
-) In order to obtain loans a borrower must join a group of borrowers.
-) Loans can be received in a continuous sequence. A new loan becomes available to a borrower if his/her previous loan is repaid.
-) All loans are to be paid back in installments.
-) Simultaneously a borrower can receive more than one loan.
-) It comes with both obligatory and voluntary savings program for the borrowers.
-) Generally these loans are given through nonprofit organizations or through institutions owned primarily by the borrowers. If it is done through nonprofit organizations not owned by the borrowers. Efforts are made to keep the interest rate at a level commensurate with sustainability of the program rather than bringing attractive return for the investors. Mf’s thumb rule is to keep the interest rate as close to the market rate, prevailing in the commercial banking sector, as possible without sacrificing sustainability. In fixing the interest rate market interest rate is taken as the reference rate, rather than the moneylenders’ rate. Reaching to the poor is its non-negotiable mission. Reaching sustainability is a directional goal. It must reach sustainability as soon as possible, so that it can expand its outreach without fund constraints.
-) Mf gives high priority on building social capital; it is promoted through formation of group and centers, developing leadership quality through annual election of groups and centre leaders, electing board members when the institution is owned by the borrowers. To develop a social agenda owned by the borrowers, it undertakes a process of intensive discussion

among the borrowers, and it encourages them to take these decisions seriously and implement them. It gives special emphasis on the formation of human capital and concern for protecting environment. It monitors children's education, provides scholarships and student loans for higher education. For formation of human capital it makes efforts to bring technology. Like mobile phones, solar power. And promote mechanical power to replace manual power.

2.1.6 MF activities usually involve:

-) Small loans, typically for working capital
-) Informal appraisal of borrowers and investments
-) Collateral substitutes, such as group guarantees or compulsory saving
-) Streamlined loan disbursement and monitoring
-) Secure savings products.

2.1.7 Reasons to grow MFIs

-) The promise of reaching the poor. Mf activities can support income generation for enterprises operated by low income households.
-) The promise of financial sustainability. Mf activities can help to built financial self sufficient, subsidy free, often locally managed institutions.
-) The potential to build on traditional system. Mf activities sometime mimic traditional system (such as rotating saving and credit association. they provide the same services in similar ways, but with greater flexibility, at a more affordable price to micro enterprises and on a more sustainable basis. This can make mf services very attractive to a large number of low income clients.
-) The contribution of MF to strengthening and expanding existing formal financial systems. Mf activities can strengthen existing formal financial institutions, such as savings and loan cooperatives, credit union networks, commercial banks, and even state run financial institutions, by expanding their markets for both savings and credit and potentially, their profitability.
-) The growing number of success stories. There is increasing number of well documented, innovative success stories in settings diverse as rural Bangladesh urban Bolivia and rural Mali. This is in stark contrast to the records of state run specialized financial institutions, which have received

large amounts of funding over the past few decades but have failed in terms of both financial sustainability and out reach to the poor.

-) The availability of better financial products as a result of experimentation and innovation. The innovations that have shown the most promise are solving the problem of lack of collateral by using group based and character based approaches; solving problems of repayment discipline through high frequency of repayment collection, the promise of higher repeat loans; solving problems of transactions costs by moving some of this costs down to the group level and by increasing outreach; designing staff incentives to achieve greater outreach and high loan repayment; and providing savings services that meet the needs of small savers.

2.1.8 Key principle of microfinance:

-) Poor people need a variety of financial services, not just loan.
-) Mf is a powerful tool to fight poverty.
-) Mf means building financial systems that serve the poor.
-) Mf can pay off for itself and must do so if it is to reach the very large number of poor people.
-) Mf is about building permanent local financial institutions, especially among the derived sector.
-) Microcredit is not always the answer and it is not the best tool for everyone in every situation.
-) Interest rate ceiling hurt people by making it harder for them to get credit.
-) The role of government is to enable financial services to expand, not to provide them directly.
-) Donors' funds should complement private capital, not compete with it the key bottleneck is the shortage of strong institutions and managers.
-) Mf works when it measures and discloses its performance and makes it transparency.(Mathema, 2008).

2.1.9 Institutions Involved in Microfinance

The institutions involved in microfinance include national and international institutions. The national institutions include banks, non-government organisations (NGOs), and cooperatives registered within the existing regulatory framework of the country. International institutions include bilateral and multilateral agencies and international non-government organisations (INGOs) supporting directly or indirectly for the expansion of MF activities in Nepal. Formal and semi-formal financial institutions operating in Nepal are: Agricultural Development Bank of Nepal (ADB/N), Commercial Banks (CBs) and Development Banks (DBs), Regional Rural Development Banks (RRDBs), Finance Companies (FCs), Savings and Credit Cooperatives (SCCs), Financial Intermediary NGOs (FINGOs), and Social and Financial Intermediary-NGOs (SFINGOs). Particularly, these are the rural credit providers in the Nepalese context. There are separate Acts to govern these financial institutions. Central bank takes the responsibility of keeping records of credit and reimbursing the participating banks. It also provides refinance facilities to the ADB/N, RRDBs and also executes donor-funded MF program/projects through participating institutions. ([www.microfinance](http://www.microfinance.in) in Nepal)

2.1.10 Magnitude of MF

Magnitude of the microfinance would differ country to country, however microfinance might be generally categorized as: (a) Nepal Rastra Bank had defined the loan up to NRs 60,000/- as MF lent by MF Development Banks (b) Rural Self Reliance Fund has treated loan up to NRs 60,000/- per borrower and NRs up to 150,000/- provided in group basis (joint liability of the group members) to the deprived sectors is treated as micro credit (monetary policy 2007/08). Before that, this amount was limited to Rs 30,000/- Rural Development Banks had started providing loans up to RS 5, 000/- only at the initial stage of their establishment.

Although some MFIs provide enterprise development services, such as skill training and marketing, and social services, such as literacy training and health care, these are not generally include in the definition of microfinance. MFIs can be nongovernmental organizations (NGOs), savings and loan cooperatives, credit unions, government banks, commercial banks, or nonbank financial institutions, MFIs clients are typically self employed, low income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw drivers), and artisans and small producers, such as blacksmiths and seamstresses. Usually their activities provide a stable source of

income (often from than one activity). Although they are poor, they are generally not considered to be the “poorest of the poor”. (World Bank, 1998)

2.1.11. Access of micro-finance services in Nepal:

Like in other country in South Asia, many studies and research has found that the Micro-finance program has made a remarkable contribution to poverty alleviation in Nepal. No doubt those micro-finance institutions are providing financial services to rural poor households living in below subsistence economy. The micro-finance rural development banking program, financial intermediary NGOs and savings and credit cooperatives extends their collator free credit services generally targets to married and household heads either in the form of group guaranty and with collator to individuals. The quarterly newsletter of Rural Micro-finance Development Centre data showed that around 2,048,742 rural people have already access to microfinance services in Nepal, which is 8.09% of the total population and 26.1% of those are living below the poverty line, of which 1,233,058 are women, representing 9.37% of all Nepalese women. This information has clearly shows that unmarried youth and male youth cannot access to financial services provided by the micro-finance institutions. So this is obvious that micro-finance institutions does not target to youth population for their service (Pradhanang, 2008).

2.2 Poverty and Microfinance

2.2.1 Concept of Poverty

Poverty and social marginalisation are significantly affecting the lives of many rural people in developing countries seriously hindering economic development. Though much has been talked, much has been written and several governments and planners have included poverty reduction as over-riding objective in their development programmes, the poverty has still not been alleviated from developing and less developed countries in the world. Since the concept of "absolute poverty" is wide and common in comparison to "relative poverty," the government, planners, and the researchers have focused on this type of poverty. Absolute poverty is usually contrasted to relative poverty. The relative poverty compares the relative living standards of different groups or individuals and considers those with lower living standards to be in poverty (Sen, 1982; Townsend, 1979). On the other hand, the absolute poverty cannot be compared relatively to other people's standard of

living. It is measured through a hypothesised poverty line, and the proportion of population below this line, are considered as absolute poor.

Poverty has been defined in various ways. CIDA (1994) made some restatements of poverty “The idea that poverty is multi-faceted has been widely accepted and apart from material deprivation, it is not unusual to include health status, illiteracy, and several types of vulnerability, powerlessness and absence of choice...”(CIDA, [1994], cited in Wright, 2000, p. 9). In the words of Sharif (1997), “Poverty...is not only about having inadequate income or income below the poverty-line but is also about the inability to sustain a specified level of well-being” (Sharif, 1997), quoted in Wright 2000, p. 8.

Yunus defined poverty on the basis of his own country experiences “Poor is a much larger collection of people than the small or marginal farmer that excludes women and children who constitute over half of the total population of the country” (Yunus, 1993, p. 6). He further classified the poor into three categories: P1 or hard-core-poor or absolute poor; in many countries it would be the bottom 20 to 25 percent; P2 bottom 35 to 40 percent; P3 bottom 50 to 55 percent. Within each category of poor, there may be sub-classifications on the basis of region, occupation, religion, ethnic background, sex and age group. Similarly, the Summit Campaign defines “poorest” as the bottom half of those living below their nation’s poverty line. The poorest in developing countries refers to families, whose income is in the bottom 50 percent of all those living below their country’s poverty line (Summit Report, 2002).

A further category of poor is recognised as “vulnerable poor” who are associated with certain type of risks. The World Development Report 2000 focused this risk and vulnerability aspect of poverty with a focus on both risk mitigation and risk prevention faced by the poor people. The vulnerable poor have higher exposure to a variety of risks and also lack access to risk management instruments. Vulnerability can be exposed not only in the level of consumption, but also in a number of other dimensions such as children’s health and development, physical well-being, social capital, family sizes, and insecurity of old age (World Bank, 2002c). Poverty is generally associated with deprivation of health, education, food, knowledge, and influence over one’s environment (social mobility) that are forcing them for mere surviving (World Bank, 2002a). These groups are not able even to meet their families’ essential needs (Simanowitz et al., 2002). Amartya Sen viewed that “In a

poor community... the perception of poverty is primarily concerned with the commodity requirements of fulfilling nutritional needs and perhaps some needs of being clothed, sheltered, and free from disease” (Sen, 1982, p. 161).

2 .2.2 Poverty Incidences in Nepal

There is an extreme inequality of income distribution in Nepal making a vast gap in the standard of living of the people. Because poverty in Nepal is directly related to income, and therefore the national poverty estimation is calculated on the basis of basic needs of the people like income, consumption, and access to facilities. Besides, poverty is the result of “landlessness” or the “marginal land holders” as 69 percent people hold below one hectare of land (NESAC, 1998). Underemployment rather than unemployment is the more challenging problem in Nepal. With a given 2.24 percent population growth rate, country faces a challenge of absorbing 300,000 persons entering into labour force each year along with the large numbers of underemployed people (47 percent approximately) (ADB/M, 2003).

The Tenth Plan has looked at poverty aspect more from human and social dimensions. The Interim Poverty Reduction Strategy Paper (I-PRSP 2001) prepared under the suggestion of Nepal Development Forum meeting 2000, had set a goal of reducing poverty rate to 30 percent by the end of the Tenth Plan period. Actually, PRSP is the reorientation of policies and programmes towards achieving Millennium Development Goals (MDGs) as it has incorporated most of the contents of MDGs such as, literacy, birth/death rates, and access to the basic social and economic infrastructures with particular focus on the deprived classes, women, and remote area.

However, the incidence of poverty between 1995/96 and 2003/04 has declined by eight percent according to the recently published poverty monitoring report (2005) by the Central Bureau of Statistics. According to this report, the estimated poverty headcount is 31 percent as compared to 42 percent estimation provided by the Nepal Living Standard Survey (NLSS) report 1996. Similarly, the rural poverty has declined from 43 percent to 35 percent; and urban poverty declined from 22 percent to 10 percent during the same period (CBS, 2005).

Table 2.1: the poverty incidence of Nepal

source	year	population below poverty line%			No of poor population(000]
		Urban	Rural	Nepal	
NPC	1977	17.0	37.2	36.2	4,897
MPHBS	1985	19.2	43.1	42.5	6,852
NLSS\CBS	1996	21.6	43.3	41.8	8,560
NLSS\CBS	2004	9.6	34.6	30.8	7,640

Source: Reading in Human Development, UNDP, Kathmandu, Nepal 2006

Poverty is a major challenge for the development of Nepal because of difficult geographical position, socio cultural and resource constraints among the higher percentage of population. These constraints compel them to lead a life below the poverty line. Traditionally the concept of poverty was linked with income level of the population but in fact poverty is being analyzed from different perspectives as well. In addition to income, overt y is also related to living at standard of the people and their participation in the society. The analysis of poverty is multidimensional and is to be examined from the perspective of status of income, human development and social inclusion. These prospective are international with each other. Therefore, poverty as such embraces the aspects of economic, social and political dimensions.

The development assistance committee guideline on poverty reduction identifies five core dimensions of poverty which reflects the derivation of human capabilities. They are, economic (income, livelihoods, decent work), social (health, education), political (empowerment, right, voice), culture (status dignity) and protective (insecurity, risk vulnerability). The guidelines state that for reducing poverty in all these core areas, strategic polices and plans need to be adopted to cater the needs of gender equality together with taking care of the needs of the indigenous populations, minority and socially disabled and excluded groups, refugees or displaced persons, and people living with hiv aids. These groups, in general, strategically fall under the population vulnerable to poverty and are among the

poorest of the poor in most countries. They therefore require special attention in policy and action for poverty reduction.

With respects to the multidimensional concept of poverty, initially the focus should be on poverty reduction and not poverty alleviation. This is because poverty alleviation is somewhat difficult to achieve in a short run due to it's in depth intensive and extensive challenge and what is possible is poverty reduction. Different factors behind the poverty situation of the people that need to be considered.

Since poverty is related to different dimensions of derivation resulting in human capabilities, three definitions have been internally accepted as standard institutional definition on the level of poverty. Liton(1985)used the percentage of household expenditure sent on food as the basis of poverty line demarcation. Household sending more than 70% of the total expenditure on food alone are considered as poor. Research laboratory and food and agriculture organization used the value of the lowest actual daily consumption expenditure for other basic necessities (other food items, clothing and foot ware, education and health, fuel and light) this criterion at that time resulted in a level of poverty of 40.3%. A World Bank study recommended an income of us\$150er person per year as the baseline to measure the level of poverty (Mthema, 2008).

In spite of the progress achieved in reducing the level of poverty, the major strategy for the development of the country will still have to be poverty reduction with long term perspective. These findings indeed provide strategic guidelines for the plans, policies and programs that have to be considered in formulating remarkable and sustainable reduction in the poverty level in the country. Further, these finding also that the income poverty are the prominent characteristics which dominate the overt status of the rural population in the country. Providing access to resources through the provision of microfinance schemes to generate employment opportunities in the micro economic sector can be an effective measure to solve the income poverty of rural population. In order words, microfinance services can contribute sustainable impact to relieve the income poverty and consequently to enhance the human development indicator as a tool to reduce the poverty of people. It acts as a source for the supply of microfinance services to reach the target rural poor population to lift them from below the poverty line. (Mathema, 2008)

2.2.3 Role of microfinance in poverty reduction

Poverty has always been a concern of mf. In the early days of the mf revolution, practitioners celebrated the creation of new financial methodologies that allowed institutions to reach families below the poverty line. As the mf field has matured, subfields have emerged. Some mf institutions use methodologies that target the very poor as a separate client group, while others are based on non-targeted financial services for all those who lack access to formal credit institutions. As these various branches of mf have developed, the field has seen increasing debate about which programs and methods serve not only the poor, but also the poorest of the poor.

There are multiple efforts under way to identify the depth of outreach of programs in poor communities some undertaken by practitioners and others by donors. For practitioner organizations, these efforts have typically been attempts to empirically test whether they are reaching their target clientele. More recent practitioner and donor efforts have tried to collect information from a wide range of MFIs, looking for poverty assessment methods that have been successful. Micro finance is defined as financial services to the poor. It means microfinance can be defined easily if defined poverty, which itself is not as easy as it seems.

The given definition of mf indicates the role and importance of micro finance is widely accepted as a tool of poverty reduction, not only tool, it helps clients to attain self employment, generate employment and income to poor families, commitment, development, awareness building and helps to develop society as a whole. Mf approach and models as field of knowledge and study also has broken barriers of traditional assets based lending of commercial banking theories. It has created new and woeful knowledge that poor are bankable; they could be good client of financial services industry, if the model is clearly and carefully built and operated. Mf best practices in different countries of the world demonstrate very clearly that it is a very effective tool of empowerment not only of economic but also of social condition. The center stage of all of this is access to finance, which has a multiplier effect in the ignition process of development. It also creates institutional base and breaks barriers created by exorbitant informal finance in case of Nepal

There is general consensus worldwide that mf is useful and powerful tool for poverty reduction if not alleviation. Its major achievement are considered as enhancing income of the poor, enhancing their decision making abilities, fostering self employment, uplifting empowerment level of poor and also woman and overall term increasing productivity in the country, this process helps vicious cycle of poverty and inducing economic growth of the country. Because of this benefits many international regional and local initiatives to foster mf has been initiated. Examples m credit summit campaign, women's world banking Grameen bank financial system and its replications.

2.3 Women and Microfinance

2.3.1 Relation between MF and Women

The role of mf in the improvement of lives of women is discussed in the following paragraphs. The ideas and studies related to mf and women are highlighted as follows

Women Saving and Empowerment states that Economic poverty and social marginalization are two significant elements shading the lives of many rural elope. This particularly true for the women of the hill regions of Neal, where limited access to services and fortuities are complicated by the remote and difficult geography as well as by the complex demands of culture and tradition. Over the last few years, development agencies have attempted to address some of these problems by introducing mf program offering saving and credit services to rural communities. Many of the mf initiatives, which have the economic goals of reducing poverty, also attempt to tackle the marginalization of the poor, often of women.

Gender and development theory; the subordination of women by men has restricted their access to resources and power and has marginalized them in economic development activities and decision making. The socially constructed relations between men and women are inherently unequal and culturally specific and that oppressive and unequal gender relations are embedded in all major institutions and the household provides insights into power relation between men and women in society.

Money cannot buy me love; the denial of voice to the women most affected by a development intervention in evaluating its impacts on their lives carries the danger of reinforcing precisely the muteness of women within their communities and denying them a voice a second time around participatory assessments which require us listen to them can contribute important insights into the lived experience as opposed to academic theorization, of gender subordination and into different forms it takes in different parts of the world (www.usaid.gov/gn/nrm).

Empowering women to achieve food security, one important achievement of the MF movement has its relative success in deliberately reaching out to poor women living in diverse socio economic environment of the nearly 90 thousand village bank members worldwide that have received loans from the Foundation for International Community Assistance (FINCA). 95 percent are women. The Association for Social Advancement (ASA), one of the most prominent mf institutions in Bangladesh has provided USS 200million exclusively to women borrowers. In Malawi, 95 percent of loans of loans, provided by Malawi Mujdi fund go to women borrower. Since 1979, women' world banking has made more than 200,000 loans to low- income women around the world. Literally hundreds of similar example can be found in Asia, Africa and America. Women are thought to make better borrowers than men, timely repayment of loans in more likely to take place when women borrow” (www.microfinance gateway.org).

“Bangladeshi groups with a higher proportion of women had significantly better repayment rates”. International aid donors, governments, scholars and other development experts have paid much attention to mf as a strategy capable of reaching women and involving them in the development process. The mf industry has made stride toward identifying barriers to women’s access to financial services and developing ways to overcome those barriers. from Bangladesh and Bolivia to the united states: replicating successful mf program, “ poor women often have the best credit ratings, in Bangladesh, for women default on loans less often than men, and credit extended to women has a much greater impact on household consumption and quality of life for children. Women’s status, both in their homes and communities, is improved when they are responsible for loans and for managing savings. When they generate and control their own income, women gain a level of power that means that can make decisions independently and command more respect” (www.microfinance gateway.org).

On the impact of micro credit project for women found that the most of the respondent have used their loans to start their own enterprises and have as a result become more confident, mobile and enterprising. Their social status has perceptively increased within the family and society. Their increased involvements in group and community activities are to a large extent supported by the men and other members of control over their assets and incomes. The women believe that the effect of this on their attitude, decision making power, participation in community activities and leadership capabilities has been substantial.

“Women’s empowerment through MF” explain that the majority of women in Nepal are involved in self- employment activities as a means of generating income and supporting their families. Most of these activities do not earn them a sufficient income but women lack the technical and management skills that could otherwise raise them out of poverty. Beijing platform for action, fourth nations world conference on women, 1995 highlights that empowerment of women and gender equality are perquisite for achieving political, social, economic, cultural and environment security among all peoples. (Scogging, 1999).

Women’s entrepreneurship development trust fund in Zanzibar, Tanzania, women’s increased benefits their children particularly in education, diet, health care and clothing. Empowering women through mf, women have been shown more of their income on their households, therefore when women are helped to increased their incomes, the welfare of the whole family is improved. Micro credit program and socio economic upliftment of women, Involvement in the MCPW program has empowered women in varying degree. It has offered opportunities for poor women to come out of their household confined to organize themselves in groups to work in productive and social activities

MF program in poverty alleviation, the participating families were benefited as their income had increased and they had to ay fewer amounts as interest from local money lenders. Micro credit and poverty alleviation explains that the program is toward a satisfactory trend to alleviate poverty but there are still many things to be done and considering the solution of the existing problem there is need to planning in the future. Micro credit for women poverty reduction shows that the program is toward satisfactory trend to reduce poverty but there is still many things to be done

and considering the solution of the existing problem there is need to planning in future (www.microfinance gateway.org).

2.3.2 Women development program of microfinance in Nepal

Women development program is under department of women development, ministry of women child and social welfare. The objective of the program is to enhance the socioeconomic status of women in Nepal to bring them in the mainstream of development based on empowerment and gender balance. The program activities consist of institutional building, training, community development, environment and appropriate technology and income generating activities. The program started in 1981, with the establishment of women development section under the then ministry of panchayat and local development and latter it was upgraded to women development division in 1991 under the then ministry of local development and women development department in 2000. With the establishment of ministry of women child and social welfare, women development department has also been transferred under that ministry, three projects have been implemented so far in the contest of income generation program with microfinance model. The projects are production credit for rural women, micro credit project for women and women awareness and income generation program (Mathema, 2008).

1. Production Credit for Rural Women

Production Credit for Rural Women (PCRW) program is the first women target micro credit program of Nepal and also the first program launched by GON in coordination with the banking sector in 1982. The execution of the project was directly done through the women Development Division of the Ministry Of Local Development, GON.

The Women Target Group Development Division under the Ministry Of Local Development is the main government body to operate supervises and also implements the program under the PCRW program the credit is canalized by NRB and the loan is disbursed through the Participating Banks Nepal Bank Limited, Rastriya Banijya Bank and Agricultural Development Bank

WDS launched the production Credit for Rural Women (PCRW) in five districts with UNICEF support in 1982 and gradually increased its activities to cover 24 districts. The PCRW is the pioneer project for women empowerment which is conceptually based on empowering women through the micro credit support. The conceptual basis of the PCRW project lies with the findings of the studies on status of women empowerment through banks and financial institutions. The program is the strategic approach for women empowerment through access to resource

The main objectives of PCRW program are as follows:

-) Improve economic and social status of rural women in the society. this would be done through a combination of credit for income generating activities, training and community development activities
-) Establish self reliant women's group to enable them to initiate and undertake productive activities.
-) Integrate women into regular service delivery system for credit and technical support service
-) To develop the capacity of WDD to ensure that women's interest is fully reflected in the development policies of the country.

2. Micro Credit Project for Women

With the success of PCRW program the micro credit project for women was launched with the loan agreement between GON and Asian Development Bank, Manila. Under this project, ADB provided a period up to July 2002 which later on was extended by two more years.

The main components of the project can be specified as group formation and training of women beneficiaries, institutional strengthening of selected NGOs and provision of credit to women. Out of these, department of women development was the executing agency for the former two and the third one is executed by NRB. The

partners are Nepal bank limited and Rastriya Banijya Bank and the partners of the project included 87 NGOs and 8scs.

The objective of the project was to assist GON in improving and enhancing socioeconomic status of women and promote their participation and integrating in national development, thereby contributing toward poverty reduction in Nepal. In addition to this, the project aims to improve the income and employment of poor women in selected rural and urban areas.

2 Women Awareness And Income Generating Program

The women awareness and income generating program is the program of GON which is synonymous to the previous PCRW and MCPRW programs for women development. The program was implemented in FY 1999\2000 in 942 VDC on the basis of the success and lesson learned from PCRW and MCPRW programs with some modification. The program intends to cover all the 3914vdc of Nepal

The main objective of the program is to uplift socio economic status and increase political awareness of women. Basically, waig program is focused on women empowerment

2.4 Review of past studies

There are very few dissertations written by various researchers in previous years. Some of them which are supposed to be relevant have been reviewed and presented in this section.

Mr. William f. Steel Stephanie Charitonenko has conducted the thesis entitled Rural Financial Services implementing the bank's strategy to reach the rural poor in March 2003.

The main objectives of this study were as follows:

-) To seeks to expand by rural poor to a suitable diversity of products and institutions that fill the financial needs of income rural clients in income generation and reduction of vulnerability.
-) To expand the characteristics of rural financial markets and constraint to their development.
-) To review recent implementation experience of bank RMF operations and emerging issues.
-) To develops approaches for strengthening implementation of the bank's strategy for rural financial market development at the levels of macro policies, institutions, communities and clients.
-) To focus on the access of the rural poor to financial services and development of the capacity of rural and micro finance institutions RMFIs to deliver services.
-) To elaborate rural finance aspects of the World Bank's rural development strategy by giving an overview of recent implementation experience, discussing current issues, and highlighting priorities for the future.
-) To articulate how the bank views current best practices in rural finance and attempts to incorporated them into its operations, as a common frame of reference for policymakers in client countries, bank staff, and other donor agencies.
-) To prepare an operational framework for the bank and its regional operations to revitalize rural development activities.

The main conclusion of this research was:

This study elaborates rural finance aspects of the World Bank's rural development strategy by giving an overview of recent implementation experience, discussing current issues, and highlighting priorities for the future. The wide range of rural finance issues discussed in this paper can be grouped into three critical areas that confront task managers in a variety of sectors in trying to respond to the demands of developing countries for assistance in rural development.

-) Achieving real sector objectives in agriculture and rural infrastructure,
-) Commercializing mf in rural areas, and

-) Addressing problems of resource transfer to the very poor, post conflict situations, and hivaidis.

This chapter is intended to chart a course that will be illuminated through subsequent more detailed operational notes and guidelines on particular issues, drawing on lessons of experience.

The emphasis of project is supports the financial systems approach to developing rural finance based on the principle that commercially viable institutions are most likely to reach large numbers of clients on a sustained basis and building the capacity of RMFIs to respond to demands from rural households and enterprises. On the whole, the research is focused on reaching reliable access to credit needed is more important to smallholders and poor than the interest rate and that savings mobilization is an effective tool for expanding outreach and achieving financial self sustainability.

Mr. Narayan Ghimire has conducted the thesis entitled Impact of Microfinance, A Case Study of Microcredit Program for Women in Nepal

The main objectives of this study were as follows:

- a. To analyze the position of existing credit.
- b. To measure the relationship between investment and income.
- c. To assess the effect of training on standard of living of the people.
- d. To measure the perception of users group towards the program.
- e. To assess the financial sustainability of the program

The main conclusion of this study was:

The group activities, regular saving and investment, high rate of repayment and utilization of loan have been satisfactory. This shows that financial sustainability and viability of the program in Kahun VDC is guaranteed. The positive correlation between investment and changes in income level of the participants show that the

capability of the entrepreneurs for the repayment of the loan in due time is good. Saving on the basis of the investment is found to be highly effective aspect of the program upon which training and income generating activities is based.

Training and awareness program are the most crucial component of the program for making skilled energetic entrepreneur to run their enterprises effectively and successfully. The program has provided basic and awareness training, skilled and management training, agriculture training etc to the participant women. It is found to be satisfactory to empower standard of living of the people.

Mr. Joanna ledger wood of mf international, Canada and development project service center, Nepal (DEPROCS Nepal 1997, has jointly conducted research on Critical issues in Nepal's Microfinance circumstances.

The specific objectives of this study were:

-) To review the circumstances regarding current micro finance activities and create a snapshot of the micro finance,
-) To identify and confirm critical issues in microfinance in Nepal
-) To suggest means of creating favorable conditions to support both expansions to poor groups not current served (particularly woman and mechanisms to improve the long term sustainability of micro finance institutions.
-) To examine the term sustainability and outreach of mf organizations in Nepal, leading to the identification of critical issues currently faced by these organizations.

In particular, it is necessary to identify which models work best for both expansion and sustainable provision of mf services to those who need it most rural poor woman. The critical issues identified include:

-) Financial viability of mf institutions, including financial self sufficiency, financial reporting and subsidies,
-) Transformation of government programs from retail to wholesale banking
-) Expansion of the provision of financial services to the hill

-) Encroachment or unfair competition between mf institutions
-) Lack of appropriate institutional structure and the inability to form a federation of mf institutions

This study examines the current circumstances of mf in Nepal; assess the critical issues, and provider's recommendations to improve the efficiency and effectiveness of the mf sector.

The main findings of this study were:

Microfinance organizations in Nepal appreciated the cost benefits associated with MF. However, outreach is limited, particularly in the remote hill areas, and financial management is poor, leading to mf institutions which are largely unsustainable over the longer term. The MF sector in Nepal is characterized by social services approach rather than a business approach. Continued reference to MF clients as beneficiaries are characterized of a social banking approach rather than sustainable client focused financial intermediation.

Ultimately mf organization in Nepal will have to adopt an approach focused on providing valued services to clients rather than treating them as beneficiaries who require hand outs subsidies it suggest that all mf 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. Financial reporting of mf activities in Nepal is better than in many south Asian countries, because mf organizations in Nepal take into consideration the financial and operating costs of financial intermediation.

A number of subsidies are provided to mf institutions in Nepal, including subsidized capital for on lending, technical assistance, and government interest rate subsidies to borrowers, subsidies should only be provided for capacity building of institutions, developing organizational capabilities of groups, and in social isolated circumstances, for initial capital funds for on lending. The government and donor support the development of local NGO INGO saving and credit cooperatives in the hill areas using village banking models designed in Latin America and West Africa, and community loan funds. The Grameen have also proposed modification such as

subcontracting local individuals for services provision, and this type of experimentation can be encouraged. Continued support may be requiring providing incentives for organizations to work in remote areas.

CHAPTER III

RESEARCH METHODOLOGY

3.1 Conceptual Framework

To the growth and expansion of material-welfare of women, women development is a relative concept, which indicates the growth in material welfare and changes in the women as social, economical, legal, educational and cultural structure of society. In board view women development includes humanitarian physical and intellectual satisfaction. This development is the result of relative incessant integrated progressive and structural changes. The main purpose of women development is to increase the women participation in income generating activities and other political, legal, social organization aspects. The women development is also related to long term changes in the society. It can be measured physically although it becomes obvious with other indicators of development. In reality, changes in women's qualification, training, skill level and entrepreneurship indicate the development of women in the country. However earning activities have considered as the effectiveness of microfinance program.

3.2 Site selection

To meet the objective of the purposed study, Chakchaki VDC of Jhapa district is selected as study area. It is one of the rural areas where more women residing in the poverty, where the micro finance programs have been implemented to uplift women for the economic status and possible alternative of income generating activities. So the Chakchaki VDC is taken as research site.

3.3 Research Design

This study is mainly focused on the micro study of microfinance program. It is intended to find out the impact of micro finance program in the specific study area. A descriptive research design applied to analyze and interpret the quantitative and qualitative data collected from the concerned field.

3.4 Sources of Data

This study is mainly based on the primary as well as secondary data which is followed by using structured questionnaire research technique, key informant questionnaire, observation method.

3.5 Population and Sample

The simple random sampling method is used by taking 50 respondents as sample. Out of total 200 members under MF program in Chakchaki VDC 50(25%) women has been selected as the sample population for this study to obtain accurate and real scenario and its effect on income generation activities.

3.6 Process of Data Collection

The primary data were collected by structured questionnaire, which was pretested according to objectives. Borrowers, women group leader also interviewed separately and the required data were collected. To collect necessary information the researcher had also discussed with mainly professional, which was very much useful to present report in this and necessary tabulation is made for analysis the data.

3.7 Data Processing and Analysis

Data collected during the field study is analyzed by using descriptive method, for better evaluation and interpretation simple percentage method is used.

CAPTER IV

MICROFINANCE IN NEPAL

4.1 Microfinance Sector Development

In the early 1960s, the cooperative movement became the first vehicle of microfinance in Nepal, as 13 cooperatives provided flood victims access to financial services adapted to their specific needs. In parallel, rural finance institutions were established such as the Agricultural Development Bank of Nepal, which aimed at providing credit and marketing support to agriculture.

In 1974, the two state-owned commercial banks, Nepal Bank Ltd. and Rastriya Banijya Bank were directed by the central bank, Nepal Rastra Bank, to invest at least a portion (first 5% to increase as high as 12%) of their deposit liabilities in the 'small sector'. This marked the beginning of the directed credit system in Nepal. In 1976, the scope of the small sector was broadened to include agriculture, cottage industry and services, and has since then been called the 'priority sector'. The credit didn't reach the poor, as only influential and well-connected people, with collateral, were able to access the program. This led to the development of targeted initiatives, such as the Intensive Banking Program in 1981, initiated by the government and the central bank, through partnerships with commercial banks. Under this approach, group guarantee for loan repayment were used instead of physical collateral.

Starting in 1975, the Small Farmers Development Program, implemented by the Agricultural Development Bank of Nepal, mobilised farmers groups using a credit plus approach, and was the first experience of group-based lending in Nepal. Unfortunately, it failed due to political pressure for a fast expansion, overemphasis on credit, high delinquency levels and the overall not satisfactory performance of the system.

In 1982, the Cottage and Small Industries Project and the Production Credit for Rural Women all provided new directions to priority sector lending, focusing on

project viability rather than collateral, and therefore provided a financing window to the poor through commercial banks collaborating with local development organisations. The commercial banks perceived this program as more of an obligation towards the central bank than a business interest.

In 1990, the government of Nepal established the Rural Self-Reliance Fund (RSRF), with the objective of providing wholesale loans to NGOs, cooperatives and financial intermediaries for on lending to the poor. The Microfinance Department of NRB acts as the secretariat of the RSRF and management committee headed by the NRB deputy governor oversees the fund.

In 1992, the government of Nepal, following a recommendation from the NRB, established Regional Rural Development Banks (RRDB) in each of the five development regions of Nepal, modelled on the Grameen Bank methodology. The majority of the ownership is in the hands of government, Nepal Rastra Bank (the central bank) and public commercial banks, while other private commercial banks have small equity stakes. During the same period, private initiatives led by NGOs, such as Nirdhan and the Center for Self-help Development, also used the Grameen Bank methodology, resulting in a generally more efficient and successful replication.

In the 1990s, with technical assistance from GTZ, local branches of the ADB/N under the Small Farmer Development Program, started to be reorganised into federations of small farmers groups, the 'Small Farmer Cooperatives Ltd (SFCL); each operating as an autonomous cooperative.

With the promulgation of the Development Bank Act in 1995, Nirdhan was the first NGO (1998) to transfer its microfinance portfolio into an autonomous microfinance rural bank (Nirdhan Utthan Development Bank). Since 2000, three other microfinance rural banks were created through the same process first initiated by Nirdhan, with DEPROSC Development Bank in 2000, Swabalamban Bikas Bank Ltd and Chhimek Bikas Bank in 2001. Acknowledging the poor performance of the RRDBs under public ownership, the central bank started a restructuring program, which will lead ultimately to the privatization of the five RRDBs.

With a view to provide a source of wholesale fund to regulated microfinance

institutions, the Rural Microfinance Development Center (RMDC) was established in 1998, and later on opened its lending to other microfinance providers. In 2001, the Small Farmer Development Bank was established under the Development Bank Act to provide wholesale funds to Small Farmers Cooperatives Ltd. (SFCLs).

4.2 Practices/Models of MF

Microfinance practices reflect the diversity of landscape and population density in Nepal. In the Terai region (plain); more densely populated, with better transport infrastructure and easier access to clients; the Grameen Bank model has been adapted by a large number of organisations. It is also a region where traditional financial organisations, such as commercial and development banks, operate. In the hills and mountains, community-based organisations, such as Self Help Groups, Credit and Savings Associations and Cooperatives, seem the most adapted to the remoteness and isolation of local communities.

4.2.1 Grameen Bank methodology

First introduced to Nepal in the early 1990s, it has been adapted by a large number of organizations, mostly operating in the Terai region (plain), where the population is dense and road, market and other infrastructures are comparatively more developed than in the hills and mountains. The methodology is based on peer groups of five members incorporated into centres of up to ten groups. Weekly meetings are used to collect compulsory payments from members to contribute to the group's fund - incorporating both savings and loans. The group fund, managed by the group, may be used to make additional loans to members. Loans are made initially to two members, then to two others and finally to the last member, with a four to eight week interval between each disbursement. The group members guarantee each other's loan repayments.

Microfinance providers using the Grameen methodology will typically offer general loans, seasonal loans, specific loans (sanitation, housing) and the loans issued from the group fund. Savings products are generally the compulsory group fund savings, and any additional personal, voluntary savings. In recent years, several leading microfinance providers have started to move away from the traditional Grameen

model, to focus on new practices for Nepal, such as a streamlining of operations, the introduction of customer friendly products, and a strong emphasis on institution and staff capacity building. New products have also been offered to clients by several organisations, such as micro insurance covering risks related to health, life and livestock.

4.2.2 Community-based models,

Savings and Credit Cooperative Societies (SCCS), provide a wide range of savings and loan products to their members. They tend to serve a well-off population but also the poor, with a stronger emphasis on the disadvantaged in the case of organisations established by development programs. They commonly require compulsory savings, but also offer individual or group saving products, deposits, and festival and educational savings services. Loans provided by SCCS have a minimum term of 3 months and can be extended for more than 18 months, covering specific purposes, such as agriculture, microenterprise, housing, or, in some cases, emergency or social reasons. In addition, as successfully demonstrated in India, self-help Groups can be linked to commercial banks, an approach taken by the **Banking with the Poor Program** implemented by the Rastriya Banijya Bank (RBB). Despite the institutional challenges and necessary methodological adjustments to be made, RBB has lent directly to self-help groups under this program.

Small Farmers Cooperatives were also initiated under the Small Farmers Development Program of the Agricultural Development Bank of Nepal (ADBN), which was the first Nepali program to use a group-based methodology. The program has faced major difficulties in terms of portfolio quality (38% NPL) and the dependency of groups towards ADBN loan capital. GTZ has supported methodological changes to the ADBN, which is also under restructuring phase, led by the ADB. Under a joint Nepali-German program, RUFIN, GTZ has provided technical assistance to the ADBN in transforming the groups into sustainable Small Farmers Development Cooperatives (SFCLs), now largely financed by an apex bank. Despite the recent successes in revitalizing the program, problems still persist such as recapitalisation and sustainability issues.

4.2.3 Village Bank model

It was also used in Nepal, with the Women Empowerment Program of Pact Nepal, between 1998 and 2001. Adapted from the model used in Latin America, village banks are community-managed credit and savings associations designed to provide financial services to members living in rural areas. This methodology focuses on empowering relatively large groups of people (20-40 in Nepal) in building their own financial institution, with a savings first approach. First, the village bank promoters, in this case local NGO partners of Pact Nepal, provided training to the village banks, focusing on building the capacity of membership and management committees. The promoters also lend fund capital to build up the 'external account' of the village bank, which is then on lent to members. Repayments from members are collected by the village bank, which repay its main obligation to the promoters. In parallel, the village bank members build up their 'internal account' through savings and on lend internally this fund. This model was successful in Nepal, as it combined training in literacy and business development with financial services and was able to obtain a large outreach at low cost. However, of the few weaknesses, was the dependency created by the financial links between village banks and promoters.

4.2.4 Other group and individual lending methodologies

The two public-owned commercial banks, Nepal Bank Ltd. and Rastriya Banijya Bank, representing 95% of the rural branches of commercial banks in Nepal, are reducing their presence in rural areas. Their branches were considerably weakened by the consequences of the local conflict and the growing pressure from the restructuring program supported by the World Bank. Under the deprived sector requirement, commercial banks can choose to provide equity or wholesale funds to microfinance institutions, or lend directly to the poor. In the later case, they typically provide loans not exceeding Rs.30, 000 to individuals or groups, most often in the context of a government-sponsored program (Intensive Banking Program for example). Government programs such as the Micro-Credit Project for Women (MCPW) provide opportunities for NGOs to borrow wholesale funds for loans to groups of poor people. With the introduction of this program, the Financial Intermediary Societies Act 1998 enabled NGOs to provide microcredit to their group members. With the first amendment of the Act, NGOs were also able to acquire a

limited banking licence from the central bank and act as **Financial Intermediaries NGOs (FINGOs)**, and therefore acquired the possibility to mobilize savings of their members.

The development of microfinance practices in Nepal still faces many challenges. There is a need to undertake further research on developing a model adapted to the hills and mountains. Based on initial research conducted by CMF, a federative model of Savings and Credit Cooperatives Societies (SCCS) could significantly increase the outreach of microfinance services in the hills. As in many countries, deepening the outreach in targeting the poorest is still a difficult task in Nepal. Moreover, the political context and the current insurgency do not provide the ideal conditions for microfinance methodologies to be the most efficient, given the additional costs related to the insecurity situation in rural areas.

4.3 Providers of MF

The microfinance market in Nepal can be divided into three sectors: formal, semi-formal and informal.

4.3.1 Formal Sector

It is composed of: 17 commercial banks, 10 development banks, 57 finance companies and 9 rural microfinance banks. The rural microfinance banks are comprised of a group of nine Grameen Bank replications. Five ‘Grameen Bikas Banks’, or Regional Rural Development Banks (RRDBs), are publicly owned, with each of them operating in the five development regions of Nepal (Far Western, mid Western, Western, Central and Eastern). Despite easy access to funding sources and impressive outreach in the Nepal context, these organisations have not been successful in terms of sustainability and portfolio quality; in consequences three of them have accumulated substantial losses. The Grameen Bikas Banks is currently going through a restructuring process, led by the NRB, which will ultimately result in their privatization. Operating in the Western Development Region ‘Paschimanchal Grameen Bikas Bank Ltd’, the most successful Grameen Bikas Bank is currently in the last stage of complete privatization. In comparison, the four private rural microfinance banks are doing better than their public counterparts. The two largest are: Nirdhan Uttan Bank Ltd and Swabalamban Bikas Bank Ltd., which both originated from the transfer of the microfinance portfolios of their NGO parent

organisation, respectively Nirdhan and the Center for Self Help Development. In addition, Chhimek Bikas Bank was promoted by the NGO Neighbourhood Society Service Center (NSSC), while the DEPROSC Development Bank Ltd was established by the NGO DEPROSC.

4.3.2 Semi-Formal Sector

It comprises savings and credit cooperatives, societies and financial intermediary NGOs. Savings and Credit Cooperatives Societies (SCCS) have been created through different processes. The most common being community-based organisations that have evolved from informal self-help groups to credit and savings organisations status, and then graduated to become formal Savings and Credit Cooperatives Societies. As of mid-July 2002, there were 2,262 Savings and Credit Cooperatives Societies registered with the Department of Cooperatives. Generally, SCCS emerged spontaneously but were sometimes assisted by local or international NGOs. They usually comprise between; 25 to 200 members, while the largest could reach 9,000 members. With increased external support to their institutional development, these organisations could have a very high potential to be linked to formal source of funds.

Some of them have been very innovative in targeting the poor while reaching financial sustainability, and made a positive impact on the lives of their members. 34 SCCS with a stronger focus on microfinance have registered with the NRB (under the FIA), and are now supervised by the central bank, which has issued them a limited banking license, allowing the provision of financial services to non-members. Some prominent cooperatives are the Women's Cooperative Society and BISCOL, both combining Grameen Bank methodologies and cooperative principles with their microfinance clients. Some SCCS are also supported and funded by organisations such as the Rural Microfinance Development Centre, Rural Self Reliance Fund operated by the central bank, and small enterprise development department of commercial banks. Some cooperatives, called Small Farmers Cooperative Ltd (SFCLs) are federations of small farmer groups organised under the Small Farmers Development Program of the Agricultural Development Bank of Nepal, with technical assistance from GTZ. 149 of them are formally registered according to the Cooperative Act, 11 of them have obtained limited banking license from NRB. They can access wholesale fund from Sana Kisan Bikas Bank, an apex institution in the field of wholesale lending, and the RMDC and RSRF, other apex funds

44 Financial intermediaries NGOs are currently registered with the NRB, which gives them a limited banking licence, allowing them to borrow from commercial banks for lending to clients. The most important NGOs are the organisations at the core of rural microfinance banks (such as Nirdhan, CSD, etc) and ‘regular’ NGOs such the Nepal Rural Development Society Center (NRSDC), Nepal Rural Development Organization (NERUDO) and Tharu and Razi Women Society (TRWS). Some international NGOs are also supporting microfinance services at different levels. In the past, PACT Nepal implemented the highly successful ‘Women Empowerment Program’, between 1998 and 2001, through 240 local partner organisation implementing a credit plus approach, combining literacy, business development services and a village banking methodology. The program reached 6,500 groups with 130,000 members in the lowland Terai region of Nepal.

4.3.3 Informal Sector

It gathers informal community-based organisations at different stages of institutionalisation, such as self-help groups and informal savings and credit organisations. Moneylenders, traders, friends and relatives can also be included in this group as they provide an informal source of finance used by the majority of the poor population in Nepal. Dhikuti are informal groups that pool funds to extend informal credit to their members.

Despite the vibrant microfinance landscape in Nepal, there is still a scarcity of MFIs in Nepal. A very few cooperatives can be considered MFIs, as they lack focus and institutional capacity. Most NGOs are also at an earlier stage of development, with gaps in terms of systems, leadership, staff development and organisational structure. The growth of microfinance in Nepal is therefore constrained by the lack of new microfinance providers, the difficulties of public-owned RRDBs and the government promoted projects, for which the quality of their portfolio has severe impact on their sustainability. NGOs operating as financial intermediaries are also limited in their growth, as commercial borrowing requires a personal guarantee from their directors. Overall, the scaling up of existing MFIs is also dependent on political and security issues and the high capital requirements.

4.4 Regulations in Microfinance

Priority sector lending program: The central bank (NRB) imposes 'priority sector' lending to commercial banks, which entails lending a certain percentage of their deposit liability to deprived population. The ratio of priority sector lending has increased from 5% to 12%, of which, 0.25 to 3% must be invested in the 'deprived' sector, targeting the poorest of the poor.

Development Banks Act 1995: The two apex organisations as well as the five Regional Microfinance Rural Development Banks (RRDBs) and the four private rural microfinance banks are registered under Development Bank Act 1995. This Act was merged under BAFIO-2004.

Financial Intermediary Act 1998: The NGOs providing microfinance services are registered under the 'Financial Intermediary Act 1998', which provides a limited banking license to NGOs. To date 47 NGOs are registered under this Act and providing financial services.

Cooperative Act: Cooperatives are regulated by the Cooperative Act and supervised by the Ministry of Agriculture, Department of Cooperatives. Out of various types of cooperatives savings and credit cooperatives are providing microfinance services. There are 8000 registered Cooperatives of which 2700 are savings and credit cooperatives.

4.5 Funding and Supporting Organisations of Microfinance

4.5.1 Funding Organizations

Each having a specific purpose and clientele, wholesale lending organisations provides a substantial amount of lending to microfinance providers. The Rural Self-Reliance Fund (RSRF) was established in 1990 by the government of Nepal to support organisations providing financial services at a grassroots level in rural areas. These included: Savings and Credit Cooperatives, NGOs, and Grameen replications. RSRF is currently managed by Nepal Rastra Bank, with a portfolio of Rs. 19.2 million outstanding as of mid January 2004.

The Rural Microfinance Development Centre Ltd. (RMDC) provides wholesale funding to regulated microfinance organisations that comply with a strict set of criteria related to their institutional capacity, focusing on the poor and financial performance. As of January 2004, RMDC had Rs.956 million in loans outstanding, approximately 47% with private Grameen Bank replications. RMDC has had difficulties in disbursing all of its available funds due to the small pool of partners able to satisfy its criteria (on institutional development, sustainability and poverty focus), and the cap put on the level of lending to each borrower institution (Rs. 40 million). Moreover, its lending rate (6.5%) is in direct competition with the commercial bank's low interest rate (4%) under their deprived sector lending obligations. Moreover, RMDC has been a key stakeholder in the development of microfinance in Nepal, by providing training services to thousands of officials, MFIs staff and clients, and by influencing policies and regulations for microfinance.

Another apex organisation, Sana Kisan Bikas Bank (Small Farmer Development Bank) was established in 2001 by the Agricultural Development Bank of Nepal (ADB/N) to outsource the wholesale funding to Small Farmers Cooperatives Ltd (SFCL), which was formed after the transformation of Small Farmers Development Projects, promoted under the Small Farmers Development Project, into cooperatives. SKKB is owned by: ADB/N, the Ministry of Finance, two commercial banks, and a group of SFCLs. It is envisaged that SFCLs majority ownership will grow over time.

In Nepal USAID focuses on education, gender and microfinance programs. It has provided substantial funding to Pact Nepal for the Women Empowerment Program until 2001. USAID will continue to promote microfinance and education through recent grants to World Education to support the WEEL project (Women Economic Empowerment and Literacy) and to Save the Children under the IGP grant program.

4.5.2 Supporting Organisations

The Centre for Microfinance is one of the key organisations supporting microfinance in Nepal. It aims at strengthening the microfinance sector through capacity building, research and consultancy services. It is also involved in policy development, an innovation catalyst (partner in a micro insurance pilot scheme), and impact assessment. CMF currently partner with Impact, an international project

focusing on the social impact of microfinance, funded by the Ford Foundation and implemented by three UK universities.

The Institute for Integrated Development Studies (IIDS), established in 1990, is an independent research institute, under NGO status, focusing on development issues in Nepal. It undertakes research studies as well as action-research programs. In microfinance, it implements the 'Self-Reliant Development of the Poor by the Poor program', which covers 18 village development committees in Western Tarai and has reached 3,000 beneficiaries from the poor and underserved communities. The program supports the formation, development and transformation of self-help groups, which ultimately become registered cooperatives with access to external capital. IIDS also provides self-help groups with credit for development activities and the constitution of revolving loan fund for income generating activities. Approximately 180 groups have been supported, some of them operating under cooperative rules and accessing funds from RSRF. IIDS has also provided technical assistance and capital funds to women's groups.

Over the years, local microfinance networks have been established in Nepal, such as the Microfinance Association of Nepal (MIFAN), the Grameen Replications Network and several cooperative networks and federations. However, they are now mostly inactive, due to a lack of funding and the diversity and geographical isolation of their members. Plan International, an international NGO, encourages the creation of a national microfinance forum, which would involve policy makers, academics and microfinance providers. This forum would focus on issues such as product development, pro-poor methodologies, regulations and standards.

Plan also supports microfinance providers in increasing their outreach, and provides Nirdhan with financial assistance in establishing linkages with self-help groups and building the capacity of cooperatives. It also collaborates with the Women Credit Union. Through collaboration with Nirdhan, Plan provides capacity building assistance in monitoring the impact of financial products in the lives of clients and their barrier to growth. Plan also manages the education component of the credit plus approach implemented by Nirdhan.

RUFIN is a joint Nepali-German project, implemented by the Agricultural Development Bank of Nepal, with technical assistance from the German Agency for

Technical Cooperation (GTZ). RUFIN aims at bringing sustainable financial services to the rural poor and has supported the transformation of SFD Projects promoted under the Small Farmers Development Project into Small Farmers Cooperatives (SFCL) and in the establishment of Sana Kisan Bikas Bank - SKBB- (Small Farmer Development Bank) in 2002.

CHAPTER V

DATA ANALYSIS AND PRESENTATION

This chapter is aimed to display and evaluated the collected data regarding the objectives. The main component of microfinance program for women especially to income generation activities and poverty alleviation, enhance living standards as well as to encourage them for compulsory saving and voluntary saving.

5.1 General Background of Respondent

5.1.1 Caste Distribution of Respondents

Table 5.1

Caste	Total	Percentage
Bramhin	17	34
Chhettry	12	24
Rajbansi	13	26
satar	5	10
Madesi	3	6
Total	50	100

Source: Field survey, 2008

Table shows that caste structure of respondents in the study area. The majority of respondents were Bramhinn with 34 percent. The other caste like Chhettry, Rajbansi, Satar and Madesi were 24, 26, 10 and 6 percent respectively.

5.1.2 Age Distribution of Respondents

Table 5.2

Age group	Total	Percentage
20 to 30	10	20
30 to 40	15	30
40 to 50	12	24
50 to 60	8	16
60+	5	10
Total	50	100

Source: Field survey, 2008

The table shows that more than half (54) of the respondents were between 30 to 50 years old who have heavy financial load for the survival and other social responsibilities such as giving education, marriage of their children. The youngest among the respondents was 20 years old while the oldest was 60+ years.

5.1.3 Marital Status of Women

Table 5.3

Marital status	Total	Percentage
Married	45	90
Unmarried	1	2
Widowed	3	6
Separated	1	2
total	50	100

Source: Field survey, 2008

Table shows that majority of the members surveyed were married (90%), 6 percent respondents were widowed and 2, 2 percent of respondents were unmarried and separated women.

5.1.4 Educational Attainment of Respondent

Table 5.4

Educational level	Total	Percentage
Illiterate	33	66
Literate	9	18
Under SLC	4	8
SLC pass	3	6
Intermediate and above	1	2
Total	50	100

Source: Field survey, 2008

Table shows that pitiable educational condition of the respondents. The majority of women were illiterate (66%), 18 percent respondent can write their name only, 8 percent were under SLC and 6 percent respondents completed their SLC. Only two percent respondent reached at intermediate or above education level.

5.1.5 Family Sizes of the Respondents

Table 5.5

Family size	Total	Percentage
1 to 5 members	36	68
6 to 10 members	11	22
11+members	5	10
total	50	100

Source: Field survey, 2008

Table shows the increasing preferences towards nuclear family, so the 68 percent of member belonged to smaller sized households with 1 to 5 members. However, 22 percent came from medium sized family members with 6 to 10 and 10 percent had larger sized family members. The increasing trend of migration of youngster to the city areas is the main cause of small sized family in rural areas.

5.2 Occupations of Respondents

In the study area occupation denotes employment of the people in different sector for earning purpose. Women of the study area are involved in different occupation such as agriculture, wage earnings, buffalo farming etc.

5.2.1 Occupation Of Respondents Before Involvement Of Program

Table 5.6

Occupation	Total	Percentage
Agriculture	20	40
Wage earner	17	34
Buffalo keeping	2	4
poultry farming	4	8
Goat farming	3	6
pig farming	2	4
tailoring	2	4
Total	50	100

Source: Field survey, 2008

Table shows that respondents are engaged in varieties of economic activities before intervention of program such as agriculture, wage earners, poultry farming, goat farming, pig farming, buffalo farming, tailoring etc. out of total member more than one third were engaged in agriculture and one third were

engaged in wage earners. Only 26% percent were engaged in other different occupations. This means there were traditional occupations.

5.2.2 Occupational change after intervention of program

Table 5.7

Occupation	Total	Percentage
Agriculture	10	20
Wage earners	7	14
retail business	3	6
hotel	2	4
poultry farming	4	8
goat farming	14	28
pig farming	3	6
buffalo farming	3	6
tailoring	4	8
others	1	2
total	50	100

Source: Field survey, 2008

Table shows that out of total respondents 28 percent engaged in goat keeping, 20 percent engaged in agriculture 14 percent engaged in wage earning. There are new occupation like retail business and hotel after program intervention. Respondents having different viewpoint have started different occupation according to their own entrepreneurship talents. After intervention of the program members have left previous traditional occupation and have started such business which are economically profitable.

5.3 Changes in Income Level

In the study area income denotes the earning of the borrowers of the program through any productive activity. The income may be in the form of money, articles as food grain, milk, and animal husbandry small industries etc. to know the changes in income before and after the program intervention.

Table 5.8

Before			After	
Percentage	Total	Income per month	Total	Percentage
26	13	0-500	1	2
20	10	500-1000	2	4
18	9	1000-1500	6	12
16	8	1500-2000	8	16
10	5	2000-2500	8	16
4	2	2500-3000	10	20
4	2	3000-3500	7	14
2	1	3500-4000	5	10
-	-	4000-4500	3	6
100	50		50	100

Source: Field survey, 2008

Income effect after the intervention of microfinance program has been positive on the respondents at the study area. Table shows that before involvement of the program 46 percent of the total respondent having income below Rs.1000 per month whereas it has declined to 6 percent after involvement. Before there was no

any respondent having of Rs. 4000 or above where as it has reached to 6 percent after intervention of program.

5.4 living standards

Living standard of the respondent is often analyzed in terms of consumption pattern, sheltering pattern, clothing etc.

5.4.1 Consumption Pattern of Respondent

Table 5.9

Fooding	Before		After	
	Total	percentage	Total	Percentage
Traditional fooding like rice, bread, pulse and vegetable	35	70	18	36
Nontraditional fooding adding milk, egg, meat etc. In traditional fooding	15	30	32	64
Total	50	100	50	100

Source: Field survey, 2008

The table shows that before intervention of program there were 70 percent respondents consume traditional food regularly on their family meal. After intervention of the program only 36 percent have used traditional food on their meal. This table itself presents the real picture of the consumption pattern has increased after the program intervention.

5.4.2 Clothing Pattern of Respondent

Table 5.10

Clothing	Before		After	
	Total	Percentage	Total	Percentage
Problem on regular clothing as per necessity	20	40	12	24
Do not have problem on regular clothing as per necessity	30	60	38	76
Total	50	100	50	100

Source: Field survey, 2008

Table shows that out of 100, 40 percent women have regular clothing problem on family before intervention of the program. After the intervention of the program only 24 percent have clothing problem on their family.

5.4.3 Sheltering pattern of respondent

Table 5.11

Sheltering	Before		After	
	Total	Percentage	Total	Percentage
Traditional compose of wood, soil & straw	34	68	15	30
Modern compose of wood, soil, brick, tile.....etc.	16	32	35	70
Total	50	100	50	100

Source: Field survey, 2008

Table shows that the sheltering pattern of the respondents, before intervention of program 68 percent respondents have traditional pattern of house like composed with wood, soil and straw. But after the intervention of program it was 30 percent only. So we can say that the sheltering pattern of respondent have change after intervention of program.

CHAPTER VI

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary

Women in Nepal works for longer hours, but the society does not make into account their share of productive activities. Majority of women are forced to work at low wage in unsafe working conditions. Most of the women work in rural area and in the informal sector so they are working without remuneration. Because of the maternity role to be played by women, they have dual workload and it has affected their employment outside domestic chores. The women comparing of the total population are relatively disadvantages in terms of opportunities to participate in the main stream of development. Their level of literacy, life expectancy and income is not satisfactory. Those men and proportion of women as parliamentarians, bureaucrats and professional are quite small.

Almost half of the people in the country live in the world today in unacceptable conditions of poverty and a majority of them are women. The majority is illiterate and engaged in agriculture for their livelihood. Women are the important sources of energy for development and their groups can be an effective channel for resources aimed at meeting the needs of poor people in the rural area. These potentials can be best realize if they are integrated into whole specterm of development program rather than regulated to the marginal sector currently reserved for women.

In recent years there has been growing realization of the importance of women participation in the development process and need for their advancement. As a consequences numerous national as well as international organization have been established which carry out program targeted at enabling to women to became aware of their situation and exploit potential to gain relative economic independence together with a better position in their households as well as society. Provision of credit is regarded as one of the potentiality strongest force to be towards achieving this goal. Microfinance since its evaluation has been roved as an effective tool to strengthen various programs to reduce poverty and itself as a way to attack poverty the implementation of microfinance program, focusing on women

as a target group has produced substantial impact on economic empowerment of women through their economic self sufficiency.

The major findings of the study were

-) Most of the beneficiaries of the microfinance program are relatively poor. Women having no income of their own. So the program seems target group oriented.
-) The study has found that overall impact of microfinance program for the women on benefiting earning, poverty alleviation and living standard is positive and social status is increasing.
-) The involvement in the income generating activities has built self confidence of village women in their abilities. New type of occupations like hotel and retail business appeared in women groups.
-) The women beneficiaries from microfinance program have improved their economic status and equally stimulate their living standard.
-) Women's poverty has reduced after intervention of microfinance program.

6.2 Conclusion

The country like Nepal whose economy is based on agriculture and the majority of women involved in this sector. Microfinance program is the best way to uplift women economically as well as socially. Physically and geographical access in remote area is not favorable for large investment of banking sector.

Under these circumstances, microfinance program is relevant where commencing of big industries, factory, and enterprises in remote and rural area by the people living there is out of their capacity. Taking loan from bank is cumbersome and need long procedural to be followed. Due to lack of education the rural poor daren't go to bank for loan. They never tired to do something to ameliorate their living, as they have been habituated to be satisfied from their traditional agriculture process and production.

Poverty alleviation is the main target of government in developing countries. In the process of development, Nepal has adopted a free economy, especially after the restoration of democracy in 1990. Under the free market economy, NGOs are put forward for the development of country as an art of private sector. In Nepal the 8th plan emphasized the importance of NGOs in enhancing production activities and socio economic development. The 9th and 10th plans continue this emphasis on NGOs role in development.

Microfinance program fruitful initiative as it reaches door to door of rural poor and promotes them to save and do economic activities especially women, who are confined in the home and household chores. Mf is also one of the worthiest ways to expose women in the society. So, they can realize their equal important in the society. They can understand their ability, their hidden talent.

Change in attitude of people is an important as the material achieving through community development during the initial stages of development. Therefore, better reliance as the participation of women in community project makes vigorous development program. People get involvement in the program planning and its execution by them are organized in to farmers organization, youth club or women association. Realizing this fact Government of Nepal has conducted many institutions for microfinance program. The whole impact of the program is to be associated in multidimensional ways, which in this study is not possible due to various constraints. Anyway the impact of program of income generation and living standards is positive though it is not satisfactory.

6.3 Recommendations

Based on the study following suggestion are recommended for further improvement and successful implementation of the program

-) The program should develop a practical and varied training courses to the women related development activities as the need particular community
-) The agriculture sector is dominant in absorbing the program. Mostly the loan is used for investment like beekeeping, poultry farming, goat farming, and pig farming. Buffalo farming and agriculture with vegetable farming. So

livestock sickness and livestock death makes emergency burden to the borrowers. To solve the problem, following points are purposed

- a. Healthy livestock should be supplied to the borrowers.
 - b. Necessary vaccine should be arranged at appropriate time.
 - c. Who can fully devote time to provide services?
 - d. Through there is the provision of insurance (in the case of death of livestock) but it has not smoothly implemented. So there is needed of smooth implementation of insurance provision as well as the provision of insurance to livestock suffering from disease too.
-) There is the marketing problem, it was indeed observed that there were marketing constraints to solve the farm produce, mostly in vegetable farming. Women produce vegetables with expensive cost but in the time of sell of produce there is the problem of market, which must be solved.
-) When lending, it is noted that family of the members are the consumers. So in our community there may be necessary two shows, one tailor, two or three milk suppliers to surely necessary goods for community.
-) The position of the program staff should be permanent, so that could perform their responsibility with confidence and concentration. Given the field orientation nature of work of the program allowance should be raised.
-) To supervise the use of loan and to provide effective skill to advice on the management of loan, field staff should be trained regularly. So that the clients of the program received technical as well as marginal guidance to manage microfinance program
-) The program should be included with literacy classes as well as orientation classes in which the women development section staff should provide all information about loan, repayment schedule and interest rate etc. this will be great important because the researchers has so many respondents who says that they did not pay the loan because they heard that the money has come from outside for the poor of Nepal.
-) There is need to shift the program from agriculture based to small industry and other business promoted activities. Since there is higher operational cost in agriculture base activities.

-) The program should be started in to the VDC, through the VDC level seminar where leader of NGO, GO and Ama Samuha should be invited. The active role of local political leader and teachers must be necessary to the success of program.
-) The effective crosscutting programs are necessary for microfinance program.
-) Microfinance program is formed operating their transactions without due consideration for their financial viability and sustainability. For the viability and sustainability, effective government policy is also necessary. So interest must be charged at the rate and cost must be minimized where the institution is viable.
-) Microfinance program is not a family business, so member of board and executive committee of the institution must be awarded of their role and responsibility.

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APPENDIX 1
IMPACT OF MICROFINANCE ON INCOME GENERATION OF RURAL
WOMEN OF CHAKCHAKI VDC, JHAPA DISTRICT

Household Questionnaire

1 Name of respondent:

3. Age:

(a) 15- 25 (b) 25-35 (c) 35-45 (d) 45-55 (e) 55-65 (f) 65+

4. Caste/Ethnicity:

(a) Brahmin (b) Chhettry (c) Rajbansi (d) Satar (e) Others

5. Marital Statuses:

(a) Married (b) Unmarried (c) Widow (d) Separated

6. Education:

(a) Illiterate (b) literate (can write name) (c) Under S.L.C (d) S.L.C pass

(e) Intermediate level and above

8. Family size:

(a) 1 to 5 members

(b) 6 to 10members

(c) 11+members

9. Occupation:

Occupation	Before	After
buffalo keeping		
agriculture		
wage earner		
retail business		
bee keeping		
poultry farming		
hotel		
others specify		

10. What is your land tenure status?

land tenure status	Before	After
owner		
tenant		
share cropper		
others specify		

11. What is your monthly income before and after intervention the program?

(a) Before: Average Rs.....

(b) After: Average Rs.....

12. What is the purpose for taking loan?

- (a) Buffalo/cow rising for milk shelling
- (b) Goat/pig rising/poultry farming
- (c) Grocery/tea shop
- (d) Farm cultivation
- (e) Vegetable farming
- (f) Fruitshop
- (g) Tailoring
- (h) Manufacturing
- (i) Consumption purpose
- (j) Other, specify

13. How is your business performance?

- (a) Highly profitable
- (b) Profitable
- (c) Not profitable
- (d) Losses

14. living standard of women

- (a) What is your consumption pattern?
- (b) What is your clothing pattern?
- (c) What is your sheltering pattern?

15. Has your household expenditure increased after joining the credit program or within five years period?

- (a) Yes
- (b) No

If yes, give the increased amount of expenditure on following items.(monthly)

Description	Before	After	Change
) Food expenses (monthly)			
) Clothing			
) Children's education			
) Social expenditure			
) Health and Sanitation			
) Medical treatment			
) House repairing			

16. Do you think your poverty has been reduced by joining the programme?

(a) Yes (b) No (c) Do not know

17. Do you have any suggestions and comments from your side to make this programme more effective?

