

MICRO-CREDIT AND WOMEN DEVELOPMENT

(A Case Study of the Rajahar VDC, Nawalparasi District)

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**By
Shankar Babu Adhikari**

**Central Department of Economics
Tribhuvan University
Kirtipur, Kathmandu**

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LITTER OF RECOMMENDATION

This dissertation entitled "**Micro-Credit and Women Development: A Case Study of the Rajahar VDC, Nawalparasi District**" has been prepared by **Mr. Shankar Babu Adhikari** under my supervision and guidance. I hereby recommend it for acceptance.

Dr. Madhavi Singh Shah
(Professor)
Central Department of Economics
Tribhuvan University
Kathmandu, Nepal

Date:

APPROVAL LETTER

We certify that this thesis entitled "**Micro-Credit and Women Development: A Case Study of the Rajahar VDC, Nawalparasi District**", submitted by **Mr. Shankar Babu Adhikari** to the Central Department of Economics, Faculty of Humanities and Social Sciences, Tribhuvan University, in partial fulfillment of the requirements for the Degree of Master of Arts in Economics has been found satisfactory in scope and quality. Therefore, we accept this thesis as a part of the said degree.

Thesis Committee

Prof. Dr. Madhavi Singh Shah

Department Head

Ms. Chapala Koirala

Gender Specialist

External Examiner

Prof. Dr. Mdhavi Singh Shah

Supervisor

Date:

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ACRONYMS

| | | |
|---------|---|---|
| ADB/N | : | Agricultural Development Bank of Nepal |
| ASDB | : | Asian Development Bank |
| CBS | : | Central Bureau of Statistics |
| CECJ | : | Canadian Center for International Studies and Cooperation |
| CMF | : | Center for Micro Finance |
| CSD | : | Center for Self-help Development |
| FAO | : | Food and Agricultural Organization |
| FINNIDA | : | Finish International Development Association |
| GNP | : | Gross National Product |
| GBP | : | Grameen Bank Program |
| GTZ | : | German Development Service |
| HDR | : | Human Development Report |
| IFAD | : | International Fund for Agricultural Development Bank |
| LRDP | : | Integrated Rural Development Program |
| MCPW | : | Micro Credit Project for Women |
| MLD | : | Ministry of Local Development |
| NBL | : | Nepal Bank Limited |
| NGO | : | Non-Governmental Organization |
| NRB | : | Nepal Rastra Bank |
| PDDP | : | Participatory District Development Program |
| PCRW | : | Production Credit for Rural Women |
| RBB | : | Rastriya Banijya Bank |

| | | |
|--------|---|---|
| RSRF | : | Rural Self Reliance Fund |
| SPCL | : | Small Farmer Cooperative Limited |
| SFDP | : | Small Fanner Development Project |
| SHGs | : | Self Help Groups |
| UNDP | : | United National Development Program |
| UNICEF | : | United Nations Children' s Fund |
| UNFW | : | United Nation' s Fund for Women |
| USA | : | United States of America |
| USAID | : | United State Agency for International Development |
| VDC | : | Village Development Program |
| WB | : | World Bank |
| WDD | : | Women Development Division |
| WDO | : | Women Development Officer |
| WDP | : | Women Development Program |
| WDR | : | Women Development Report |
| WDS | : | Women Development Section |
| RMDC | : | Rural Micro Finance Development Center |
| FI | : | Financial Institution |

CHAPTER ONE

INTRODUCTION

1.1 General Background

Nepal, naturally gifted, agriculture based, landlocked country occupies the area of 147,181sq.km. Nepal is the least developed country in South Asia with 31% of the population in absolute poverty. Though population below poverty line is in declining trend in recent few years, the gap between the rich and poor has widened. Poverty rate has been higher in the rural areas compared to the urban areas. Again, even in rural areas, the spread of poverty is higher among women and low caste communities. From HDI perspective the country is at 140th position out of 174 countries in the world having 314 US\$ per capita per annum. The GDP growth rate is 1.99 percent per annum, which is lowest in South Asia. Obviously the gender empowerment level is also excessive low. This is simply because literacy rate of female is strongly low i.e. two-third of male, they have poor health condition, no property right and no decision making power. These factors are the leading issues which constraints the women to have access to income and employment opportunities.

Although women constitute half of total population, only 5 percent of them have got the opportunities of formal sector job while rest of them have been bound in informal sectors where working condition is very difficult and even within it like reproductive role and family care responsibilities have been not considered as productive jobs.

Women have been playing vital role in family institutions any society throughout the world. Nepalese society is also not exception to this. Women's socio-economic status has been changed with the new laws moving participation in political and economic sectors. Although some women are working as doctors, engineers, lawyers, administrators etc. in these days, most of the women with limited access to economic resources and control over it, limited opportunity to get education, training and technology are still primarily involved in self-employed activities as a means of supporting their families. Either most of their activities are not access to economic value or under valued so that they are unable to generate sufficient income and when they are considered as low income earner, rural traditional society does not take appropriate step to their health condition, and Education, and under the absence of these elements poverty reduction becomes only a sadistic story. Deprivation from proper technical knowledge and managerial skill they are also left out from the credit market and resources. Thus, they are less able to make significant improvement in their economic condition.

Leaving the male centric rote aside most of the countries in recent time have given priority to women participation in the development process considering as man and woman are two wheels of a cart. Consequently, large number of national and international organizations have been set up and carried out various specific programs to enable women's roles and rights. These programs including formal and informal education, health awareness activities income earning and self employment generating activities have been launched with micro-credit facilities. Observing the successful experience of Bangladesh and Indonesia, Thailand, and many other developing countries, it is believed

that micro-credit has strong potentialities to reduce the poverty of women in Nepalese context.

Although Nepalese women constitute half of the total population and have always been involved in national development, their qualitative condition is too much sympathetic, it is because they have been tied up by the vicious circle of poverty. They have low literacy and life expectancy rate as compared to their male counterparts, poor maternal health condition etc. The main reasons are: they lack economic resources in the form of property income and employment, human resources as the form of skill and training and other resources.

In Nepal, women were hardly participated in development process before 1980s AD. Only after the sixth five-year plan (1980/81-1984/85), the necessity of women's participation was realized. At the very period UNO had also celebrated 'UN Decade for women' (1975-1985). Since then, various initiatives have been taken to mobilize and participate women both as the agents and the beneficiaries in the development process. Adoption of open and liberal economic policy by the Government of Nepal to assimilate the globalisation since mid of 1980s, and its complete implementation leaving the interest rate flexible to the market forces with the rebirth of multiparty system enabled women about their roles and rights through better access to health care, political participation, free education facility, technical and managerial skill, formal credit facility etc.

Micro-credit has been proved to be a most significant facilitator to poverty reduction and women empowerment. It is an inevitable means of breaking the vicious circle of poverty and to uplift the economic status of the poor women. Nepal initiated rural micro-financing since 1970 through the establishment of credit cooperatives, implementation of Priority

Sector Credit Program and Small Farmer Development Program (SFDP). However, this present study only covers the use side of the fund and its impact on women development. The goal of micro-credit services is to create income and employment opportunities for the rural people especially women and low caste communities. The ninth plan (1977-2002) of country considered rural credit as a key of poverty reduction. Similarly, the 10th plan (2002-07), claimed as poverty reduction in targeted areas and communities. In recent decade it has been realized that the status of women has been improved partly because of micro-credit programs.

Micro-credit programs in Nepal have been found in different modalities; community based, sector based, gender based etc. The Production Credit for Rural Women (PCRW), Micro-credit Project for Women (MCPW) and Rural Development Banks are gender based programs which have been focused to women. In recent years, micro-credit programs for women have become one of the most effective programs of the Government of Nepal to uplift rural women. The production credit for rural women was the first step in this area initiated by the government (Ministry of Local Development) and NRB with its line offices. Government of Nepal and NRB have also their share participation in Grameen Bikash Banks. The NRB's policy to grant limited banking license to NGOs and Credit Co-operatives Societies (SCCs) is also a new approach to promote micro-credit institutions. The Government of Nepal has also established the Rural Self Reliance Fund (RSRF) in 1990 with the objective of providing wholesale loan to SCCs and NGOs. Similarly, with the Asian Development Bank, Government of Nepal and NRB, Rural Micro-finance Development Center (RMDC) has been registered on October 30, 1998 with a mandate to operate as a

development bank and provide also wholesale credit to financial intermediaries working in micro-credit field.

Development of micro credit program in Nepal has many challenges; socio-cultural, financial, and political. Some common problems related to women are: low level of education, inadequate health and nutrition facility, rarely owning land, high participation rate in traditional agricultural with low wages, limited scope to generate income and low social status and all of which have been interlocked and circular in manner and barriers to have access credit facilities. Similarly some problems arise in supply side i.e. sustainability of the institution due to heavy service delivery cost, shortage of loan able funds, lack of broad based wholesale lending agencies, absence of self regulatory mechanism and fully committed professionalism. Again some credit programs implemented by the VDC under the line of DDC and PDDP may be politicized. Recent internal insecurity is also another problem, which has created the problem for the expansion of micro-credit institutions. Social mobilization is also difficult when people are in conflict.

Generally loans are provided on the group guarantee without any physical collateral, building a rule of thumb that when someone betrays to repay rest members are fully responsible even for that repayment so that group is formed from same geographical region with similar socio-economic background. Thus the whole study focuses the effectiveness of micro-credit for the women development.

1.2 Significance of the Study

Man is poor because he is poor but micro-credit programs have become milestone to remove this traditional thought because poverty is not associated with destiny or fate of men, rather it exists and extended with the performance of poor himself and his government. After micro-

credit program it is said that man is poor because he is deprived from human and economic resources; free and qualitative education, proper health and nutrition facilities, employment opportunities etc. and all these are the key responsibilities of the government to their citizens. And some of these duties may be supported and initiated by SOs, NGOs, INGOs, and other private institutions. Thus when micro-credit facilities associating with other facilities are provided to deprived and disadvantaged rural poor breaking vicious circle of poverty becomes comfort.

Micro-credit program has been directed towards the poor women to enable them to undertake their farming, and enterprise according to their interest. The subsistence agriculture sector in which the large part of national GDP depends can achieve a boost in production when women are engaged in income generating activities through this approach. When women are participated in the program, their participation will enhance their socio-economic status. As they are economically active they will have strong contribution in the national developmental process.

The study is important because in Nepal the government and its central bank have initiated micro-credit program since three decades as a means of poverty reduction. In Nepal, it is in an infant stages but realizing the experience of many developing countries like Bangladesh, Indonesia, Thailand and many others it is expected that the program would be to much effective to break the vicious circle of poverty. Although the study has its own general as well as specific objectives it is intended to satisfy the main goal of micro-credit services i.e. generation of income and employment opportunities for the rural people, especially women providing credit and mobilizing their savings. Thus micro-credit program is significant to accelerate the growth of agriculture, reduce the poverty and to raise the status of women.

Micro-credit program needs participatory approach, which in turn requires proper human resource development. When the quantitative and qualitative aspect of this resource is better, then a nation can expect broad based sustainable economic development. Therefore micro-credit program raises the participation rate, which in turn facilitates economic development.

The study observes the different kinds of people and their communities and institutions working in this field and examines many challenges faced by them. It evaluates the impact of program to the beneficiaries. Thus through the study the impact of the program can be assessed and attempts can be made to rectify possible defects and strengthen this program. This study may expose the targeted groups' perceptions, desire and problems and suggest to the concerned offices to modify their launched activities if necessary.

1.3 Statements of the Problems

Nepal is a developing country with masses of population below the poverty line. The intensity of poverty is high in rural areas, especially among rural women because they lack access to health, education, and economic resources and have to live in a conservative culture. In Nepal, land is important asset. Even then women rarely own land because land is inherited paternally. This hinders the women for obtaining credit hence income generating activities.

Labour force participation rate of women in Nepal is relatively high (66%) but most (93%) of them are employed in low productive agriculture sector. There are mostly unpaid family labours involved in traditional household production activities. Participation of women in relatively modern and more productive non agriculture sector is quite low

(7%)¹. Even the non agriculture sectors in which they work have low wages and low job security e.g. garment, carpet, weaving, wool spinning etc. In practice, there is also cruel discrimination in wage distribution because female workers are paid less as compared to their male counterparts for a same work.

Although women work much harder and for longer hours means high burden of work, they have been living in difficult socio-economic condition. Again their contribution to the national economy does not get properly accounted for. This is because of traditional household chores are usually not monetized and as such do not get included in the national account.

To overcome the problems occurring in the front of Nepalese rural women, sufficient developmental and promotional initiatives should have been launched. Deprived women should be facilitated free education and health services, agro training like goat and poultry farming, bee keeping, buffalo husbandry, vegetable production, cereal grinds, handicraft making, and training to develop entrepreneurial ability etc. Skill and training are inevitable but not the sufficient condition to run their businesses and farming. Thus rural poor must be provided appropriate credit facilities so that they are able to implement their skill and knowledge in to operation.

In Nepal different types of programs have been launched since the decade of 1970s under the direction and supervision of Government and NRB. Some of the activities in this area are: small sector credit program (1974), Priority Sector Credit Program (1976), Intensive Banking Program (1981), Production Credit for Rural Women (1982), Cottage and Small Industry (CSI) Credit Program (1985), Land Bank Scheme(1988),

1. ADB (2001), Micro-finance Development in Nepal., p. 8.

Deprived Sector Credit Program(1989), Rural Self Reliance Fund(RSRF) 1991, Micro-credit Project for Women(MCPW) 1994, Grameen Banking System(1992), Participatory District Development Program(PDDP). All of which in fact intended to uplift the rural poor, especially women. The government has also established Rural Micro-finance Development Centre (RMDC) in 1998 which is executed by NRB and which is undertaken to provide wholesale loan to the MFIs. However all the micro-credit institutions are in infant stages and their credit programs have not successfully reached to targeted groups because of inappropriate policies, inefficient administration and lack of proper monitoring. Again most of the MFIs working in this field have not yet attend "operational self sufficiency" which is only necessary condition of attaining financial sustainability and achieving "financial self sufficiency", which is considered as a sufficient condition where MFIs are able to adjust inflation in the interest rate and they can mobilize their resources internally that is, through equity, deposits, and retained profits instead of depending on government or donor resources for them, is still a long way for them. And sometimes MFIs are bound by political and social reasons so that they can not fully adjust inflation in the interest charges and when it increases the cost of financing.

The women of Rajahar VDC, Nawalparasi district, like those living elsewhere in the rural areas, have been involving in agriculture as manual worker, reproductive and family care activities. They have high responsibility either in indoor or outdoor works but, it is true, are living in poor social and economic condition. It is because some of their works are not access to economic value considering as non-productive jobs and even for productive jobs, especially in agricultural field, there is vast discrimination in wage rate as compare compared to their male

counterparts. For example in cutting rice plant male labours are paid Rs.60 where as female workers are paid only Rs.40. Similarly, they are also deprived from property ownership of land following the rule of patriarchal conservative culture and this in turn restricts them from the stream of loan market because underdeveloped loan market requires sufficient mortgage.

The community where women have low income, low saving and low capital formation, there certainly happen vicious circle of poverty. Therefore, simultaneous actions should have been performed to break that circle and raise women's status. Simultaneous actions require collaborative performance of government, NRB, MFIs, NGOs, INGOs and rural communities. But lack of proper coordination there may be fragmentation between them, which may sometimes create obstacle to achieve objectives.

Male dominated society with conservative culture eyes the women as a low status family member and hardly considers their activities as a productive job. And low level of literacy, not owning land, limited scope to generate income and low social status are the burning issues occurring in the front of Nepalese women which are interconnected and circular in nature and which have pushed them into the misery of poverty. The low social attitudes towards the women deprive them from human and other economic resources, and then addressing the poverty becomes mere story. However, PDDP, MCPW, Grameen Bikas Banks, and SFDP have been oriented to reduce such deprivation. Loan is provided on group approach or joint liability forming the group of 5 or more than 5 members according to the lending procedure of the concern institutions/programs. The group members are formed from the same geographical area with similar socio-economic background. Utilization of loan is supervised by

the lending institutions because inefficient use of loan brings burden in future which in turn affects mobilization of fund.

Thus the present study focuses on the effectiveness of micro-credit for women development in the concerned area observing some indicators which are either fully or partly responsible in improvement of women status. The study also focuses the methods of implementation of the program.

1.4 Objectives of the Study

The general objective of the study is to find out the effectiveness of micro-credit programs in women development of Rajahar VDC, Nawalparasi district. However the specific objectives are as follows:

- I. To examine the improvement of women status by the micro-credit programs.
- II. To find out the impact of the program to the poverty reduction.
- III. To access the impact of program on the beneficiaries earnings and living standards.
- IV. To recommend viable measure for the policy makers as well as community level beneficiaries.

1.5 Limitation of the Study

The study will have following limitations:

- I. This study will be very specific like socio-economic studies. The conclusion might not be generalized for the whole.
- II. The study will be based on primary data. However secondary data are also presented when needed.
- III. Required statistical tools will be used to collect and analyse the data.

IV. This study completely based on and limited to the beneficiaries groups and credit institutions formed and operating within the territory of Rajahar VDC.

CHAPTER TWO

PROFILE OF THE STUDY AREA

2.1 The Village Development Committee

Rajahar is one of the VDC among 74 VDCs of Nawalparasi district, Lumbini zone. This VDC lies in the inner terai region and forms the part of Mahabharat Mountain in the north. Narayani river is flowing in the south side of the VDC and other small rivers Gharai Khola and Mukunde khola have been flowing on the east and west side forming its geographical boundary. It is 20-22 km ahead to west from big trading city Narayanagarh. The east-west Mahendra highway have passed from its east west side which is about 2 km and north-south distance of this VDC is about 8 km. It is situated 500 to 5000 ft from seaside so that two types of climate are seen in the VDC.

2.2 Historical Background

Before 2032 B.S. this VDC was known by the name of Siswar Panchyat. Except Rahahar VDC there were other 4 VDC of present were involved in Siswar panchyat. At that time Rajahar area was covered by vast jungle and uncultivated land. At the same year the branch office of Nepal Punarbas company had distributed land to the people naming it as 'Rajahar Bayabasta Sthel' then people started cultivation cutting bushes and trees. Thus it is a new place of new society which have been formed with different casts and ethnic groups.

2.3 VDC Profile

According to VDC office the total population of the village is 11752 and there are altogether 1707 households. Out of total population 5950 are males and 5876 are females. Almost all the people who reside in this VDC are farmers but their farming is not above than subsistence farming. There are few people who go to work out side mainly to India. A very small number of people are engaged in governmental and non governmental services. Beside farming, some people are also engaged in cottage industry, trade, tea shop, carpentry etc.

Although there is a health center in its neighboring VDC, health service facilities are very poor in this village because there is lack of efficient doctors and required medical equipments. Similarly there is electricity but it has not been used for productive purposes. Again there is primary schools in each ward and a secondary and higher secondary schools in the VDC but number of people to send their children into school is very low because they do not know about the benefit of education and they have not proper income so that they engaged their children in their farm activities. Only four wards of this VDC has drinking water facilities and the remaining wards have been deprived of such facilities. Therefore they rely either on well or hand pumps for drinking water. There is no such market where the villagers could at least manage at all their primary needs. People usually go to their primary needs. People usually go to either Narayangarh or Kawasoti for marketing and other services. In such context their produced vegetables, food grains and livestock cannot be marketized. The general subsistence is based on agriculture which is traditional. The main crops of this area are paddy, whet, wheat (corn) and mustard. Herding and livestock rearing

are also prevalent in this VDC. Herding system are existed traditionally but high breed livestock domestication is spreading slowly.

People of the various casts and creed inhabitant in this VDC. They are of different ethnic groups such as Bramin, Chhetri, Magar, Gurung, Tharu, Newar, Kumal, Bishwokarma, Majhi-bote etc. Nepali language is the medium of general communication but Magar and Tharu language are also spoken by the people of these ethnic groups.

In Rajahar VDC, the micro-credit program was initiated since 1997. Out of 5876 female only 430 individuals were formed in groups under the program in the VDC. There are all together 30 women groups within the 430 women members. Only the women of eight ward out of nine wards have been able to form groups. The program has not yet been launched in ward number nine named Barakol of this VDC because of various reasons. First of all it is remote and hilly area, second people of this ward are poor and illiterate and third most of the sophisticated staffs of banks and FI-NGOs do not want to go and invest in this remote ward.

Table No. 1
Major Occupation of Person in Rajahar VDC

| S.N. | Occupation | Population | Percent |
|------|---------------|------------|---------|
| 1. | Agriculture | 7801 | 66.38 |
| 2. | Dally wages | 2089 | 17.76 |
| 3. | Business | 480 | 4.08 |
| 4. | Job | 440 | 3.74 |
| 5. | Miscellaneous | 942 | 8.02 |
| | Total | 11752 | 100 |

Source: VDC office

Table 1 shows that 66.38 percent of total population has been engaged in agriculture and 17.76 percent of population have been involved in wage earner. Both these sectors have been proved as a subsistence sector so that life of people in these sectors is very difficult and miserable. Only 3.74 and 4.08 percent population are engaged in job and business sectors respectively. However living standard of the people in these sectors is relatively better.

Rajahr VDC is located in the rural setting and it is out of access from the proper infrastructure facilities. Yet modern values are slowly penetrating in to their lives: women have no inheritance rights as it is a national problem so that they are deprived from the stream of loan market because underdeveloped loan market requires sufficient mortgage. The people of this area are poor. Among poor some are in such a miserable condition that they have insufficient food to feed their children throughout the year. Women are still engaged in non-remunerative activities. Although they have contributed hard labour, they do not possess any economic power.

CHAPTER THREE

LITERATURE REVIEW

3.1 Literature Review Related to Micro Credit Programs

3.1.1 Small farmer development program

Small Farmer Development Program, a well-structured and pioneer group based and physical collateral free micro-credit program to cater financial needs of the small farmers, was initiated as a pilot project in November, 1975 by Agricultural Development Bank (ADB\N). The program which covers the entire country, aims at organizing "Small Farmer "into small credit groups and provide credit on a group guarantee basis.

The main objective of this program is to improve the overall wellbeing of the small farmers through provision of basic inputs e.g. micro-credit, technology, training, and other related social and community development services.

As mentioned above SFDP follows group approach in delivery and recovery of micro-credit. The group organizer who is an employee of ADB/N plays a supportive role in this process. First of all a particular village is selected and small farmers are identified to be eligible for SFDP member on the basis of required per capita income level defined by ADB/N i.e. small farmer are those who basically possess less than 0.5 hector of cultivated land per family and/or per capita income less than Rs.2500 (at 1987/88 price). Villagers must be small farmer, tenant or agriculture labour dependent on agriculture, small craft or cottage industries for their livelihood and have sharp willingness to work together

with the group members. The program is based on group liability so that small farmers are motivated to organize themselves into groups and these groups or individuals are financed to generate income by undertaking productive activities. A study conducted by the Agricultural Project Centre (APROSC) in 1980 found that SFDP was effective in reaching small farmers and in response Government of Nepal proclaimed SFDP as a national program for development of rural people. 'SFDP currently operates 291 SPOs in 67 districts of the kingdom covering more than 140717 small farmer families. Under this program, a sum of Rs.5.95 billion has been disbursed and Rs.4.17 billion has been repaid by the end of FY2000/01. The types of credit include agriculture, livestock, poultry, agriculture implements, irrigation, and cottage industries. The women participation in the program comes to 29 percent.'²

The program also provides training and other inputs and technician services to assist the small farmer productive activity. A process of institutionalizing the small farmer groups into the "Small Farmer Co-Operative Limited (SFCL)" has been initiated since 1993/94. The purpose of this initiative is to create locally-owned and managed MFIs that can take over the activities of SFDP on a self sustaining basis. 'By mid January 2003, 125 such SFCLs are in operation in 32 districts. Up to that period SFCLs has been providing Rs 1829 million, here Rs.849 million rupees have been recovered where as saving amount was reached to Rs.165 million'³. It is considered a land mark in this front that for the first time the marginal population was included into the net of minor-credit.

² SFDP, ADB/N (2001) Part B, p. 10

³ Economic Review (2003), p. 40

It was thought that service delivered through SFDP to men would automatically 'trickle down' to the family but a conference on the occasion of international decade for women held in Kathmandu in the late 70s concluded that the development program broadly aimed to improving the condition of rural people often failed to benefit women and their conditions were still deteriorating. Therefore women groups were formed in the name of women development program (WDP) first in two and second in five in the preceding years in SFDP areas. The observation found positive impact of the program implementation so that women development program was initiated in SFDP in 1981/82. Later the program was expanded to cover wider geographical areas and women population. It represented an important attempt to integrate women in economic development plan. The program became very successful to create awareness and consequently a desire among poor to participate in micro-credit program for development activities.

The main objective of the WDP is to improve the socio economic status of rural women establishing self reliant women's group with regular credit delivery system to enable them to initiate and promote various income generating activities and strengthen the organizational capacity of women. Except providing credit for income generation, training and community development activities are also integrated to develop skill and productive endeavour of women.

By the end of 1984/85 the program has launched in 19 SFDP sites located in various districts covering 51,141 members in which 17,763 are women. In recent years, this trend is in increasing order. The WDP as a micro credit program mobilizes local savings and links it institutional credit of ADB/N. The women group meets regularly and discusses their problems and reach to a solution for their own and community

development. Member of the group collects monthly amount (Rs.5 to 10 or above) as set by themselves into the group saving fund and which is deposited in a local bank. The group members also provide credit to member in need from their saving fund. The fund is also used to pay for developing community assets and infrastructures. Lending procedure and use of the credit in terms of WDP are same as explained above. Members are also provided recognized training like poultry farming, bee keeping, kitchen gardening, sewing, etc. Health and social awareness program are also launched to them which have partly been supporting their productive activities and children. Benefit derived through this program has become effective to fulfil some of their Socio-economic needs. The WDP under the SFDP however, has served only around 29% of the women as against the total number of small clients.

3.1.2 Production Credit for Rural Women (PCRW)

The ministry of local development (MLD) in collaboration with UNICEF, NRB, CBs and ADB/N initiated the first women focused socio-economic program "Production credit for Rural Women (PCRW)" in 1982. It is a gender based program. This program involved organization of poor women into small credit groups and appropriate skill training by the MLD staff and extension of group based loans by the participating banks.

The main objective of this program is to uplift the socio-economic status of rural women. For this, the program increases the income of rural women by participating them into productive activities associating with regular credit facilities and other technical services. It needs to form the self reliance women's group because in it women are able to tackle their

problem and fulfil their needs. The program also strengthens the ability of the banks to serve women in rural areas.

"The program had covered 67 districts by July 2000. As of mid-July 2000, CBs and ADB/N disbursed a total loan of more than Rs.831.2 million to 74571 rural women through 163 bank branches in 67 districts. Total outstanding loan has been estimated as 546 million. The average loan size of the program is about 7000⁴.The program follows a simple implementation mechanism. The women development division (WDD) motivates women to form group of appropriate size from layer of low income and helps to obtain credit from different banks. Loans are delivered for productive activities such as agriculture, livestock, cottage industries, small enterprises, and trade and service sectors. PCRW has presented a unique feature that it utilizes commercial bank's financial resources allocated and disbursed under the priority sector program of intensive banking program and the credit funds made available through ADB/N and donors. Here it is noted that by mid-July 1997, over 260,000 borrowers of all categories were benefited by the IBP of commercial bank with outstanding loan of Rs.2.2 billion. Unlike SFDP, women member of PCRW receive bank credit with out any physical collateral up to Rs.30 thousand at a concessional rate of interest under the priority sector lending program. The women development section (WDS) also encourages women members of the group to save regularly. Different mechanisms are used to mobilize saving i.e. either compulsory or voluntary saving schemes. Savings have been used for financial formation as well as consumption needs of the group members into productive activities. The activities like training, group organization, community development inputs and services etc. required for capacity

⁴ ADB/N(2001):Micro-finance Development in Nepal., Part. B, p. 14

development of the groups are delivered in assistance of multilateral and bilateral donors arranged by the government. The capacity measures are found to be instrumental in making credit more productive.

PCRW program has helped women to work together engage in individual or group level productive work to generate income. It has stipulated them to show their hidden talents and ability. The sign of 'trickle down' effect to the family and child welfare has been clearly seen through participation of women in PCRW.

3.1.3 Micro-Credit Project for Woman (MCPW)

Learning lesson from the PCRW program, micro-credit project for women (MCPW) was initiated in 1994 by the government of Nepal under financial assistance of Asian Development Bank (ADB) with an objective of developing NGOs as appropriate financial intermediaries that would provide quality micro-credit services to the rural poor women over time. 'The project is under implementation through 95 NGOs in 12 districts and 5 municipalities. As of 31December, 2001, these FIs had 1619 borrowers with an outstanding loan of Rs18.13 million'⁵. Nepal Rastra Bank (NRB), however, occupies sole responsibility to administer these program by channeling funds through commercial banks, agricultural development banks, Nepal Bank limited (NBL), and FI-NGOs. And it is noted that bank loan is made available to women beneficiaries initially through WDS in the recommendation of NGOs.

To provide an access of credit to the women in both the rural and urban areas is the primary objective of this program while issues like poverty reduction and human development are regarded as secondary

⁵ NRB, Mirmire (2005) P,289

objective. The over all objective of this program is however to improve the socio-economic status of women and promote their participation in national development. In order to have this goal, the aim of this project is to generate income and employment in selected rural and urban areas.

Like other targeted credit programs, the program has been designed to cater financial services such as credit and savings. Non- financial services such as organizing women in group, providing skill and training etc. are also provided to stimulate their ability of handling productive activities. First of all poor women are identified on the basis of per capita level less than or equal to Rs.4400 and mobilized and organized into self help group of 25members. These members are provided bank credit for multiple purposes such as agro- farming, small business and enterprises. The amount of loan ranges from 30 thousand to 250 thousand per borrower. Members are encouraged to save regularly and cultivate saving habits. Group savings thus deposited are lent to its members for productive as well as consumption purposes.

The program has become successful in bringing large number of poor, deprived and disadvantaged women into the safety net of formal credit and helps them to generate self employment opportunities initiating income generating activities which would uplift their socio- economic status through reducing poverty of their family, village, and the country as a whole.

3.1.4 Grameen Banking

During the period of 1992-1996, five regional development banks (Grameen Bikash Banks), following the grameen bank model of Bangladesh were set up to cater the financial needs of the deprived

sections of the society in rural areas especially women for undertaking income generating activities. In the beginning, the rural development banks, one each in the eastern and for western development regions, were established towards the end of 1992. By June 1996, other three banks, one each in the other three development regions, were also set up. In aggregate, NRB and HMG hold about 33% and 10% respectively.

The basic objective of these banks is to provide financial resources required for different types of income generating activities by forming group of deprived women of rural areas and help reduce the level of poverty among the rural households. Identification and motivation of targeted groups, compulsory training about rules and regulation of bank and its lending procedure, easy loan at door step without any physical collateral, 2+2+1 lending scheme to observe the performance of preceding loan receiver and compulsory saving scheme are some of the sound features of Grameen Banking. These features have partly stimulated the clients to achieve high and more stable income with proper employment generation and which in turn raise the repayment rate. The present fragmentary studies have shown that repayment rate of grameen banks is as high as 95% so that these banks occupies in better position than earlier launched programs.

The operation modalities of Grameen Bank is first to identify the poor women in the village. Then motivate and organize women in group of five. Each woman are given compulsory training among the group members for at least seven days to provide information on banks credit and their lending procedures and made women aware of their farming and business. The training also makes women to read and write even their own name. The Grameen Banks provide and collect loans at the door step and loans are distributed to individual group members against group

guarantee in the field of agriculture, micro-enterprises, trade, and service sectors, Any rural women from rural households with less than 0.6 hector in Tarai and 0.5 hector in hills are eligible to join the group recognition test then the group member becomes eligible for the loan. The loans are extended following 2+2+1 model means in the group, rest will be facilitated at last observing the performance of earlier member. There may be four weeks gap between first and second phase and within sixteen weeks all borrowers get loan. The bank goes to the borrowers themselves during the group meeting at the villages. The purpose of loan is to provide an opportunity to the rural women for undertaking and promoting their farming, small enterprises, and trade and service activities. The bank lends credit up to 5 thousands rupees per borrower in the first phase and this amount gradually increases up to Rs.25 thousands in the successive period. The banks regulate 20% interest rate per annum for all purposes. In this respect it is severely higher than the loan provided by Banijaya Banks due to their high service delivery cost and it is not considerable. Again rural people need banking services at the doorstep rather than high interest rate. Although the interest rate of development bank is high, the program is highly satisfactory because clients have been able to achieve high and more stable income with massive employment opportunities and which are the region of high repayment rate. Saving in group is compulsory and each week every member has to save Rs.1 or 2 in the group fund where Rs.1 daily during training period and 5 percent of received credits is also deposited. The group fund is mobilized for emergency purpose or to over come the problem of households' credit.

By mid- January 2005, these banks have already formed 35,435 groups through the 4,961 centres of 1,003 VDCs of 43 districts and forwarded micro-credit without collaterals to 147,949 members for

income generating activities by mobilizing local skills. As of now, these banks have provided micro-credits totalling Rs11.55 billion. Of this, Rs10.16 billion has been recovered with Rs1.39 billion as outstanding in credit. Total amount of saving deposited by these groups reached Rs471.60 million including collective savings Rs.416.80 million and individual savings Rs.54.80 million by mid January 2005.⁶

Recently, four NGOs have been transformed into the private development banks under the development bank act 1995 with a view to expanding their scope and scale of micro- finance operations. These are Nirdhan Utthan Bank Ltd. NUBL (1998), Swavalamban Bikas Bank Ltd., SSBL (2001) DEPROSC Development Bank Ltd., DDBL (2000) and Chimek Bikas Bank Ltd., CBBL (2001). However, last two banks don't follow the grameen bank pattern and the former one was the first introduced in grameen banking system since early 1992 in the name of Nirdhan Program. Up to mid- January 2005, these banks provided credit totalling of Rs.4.62 billion to 113,122 members of 24,547 groups through the 4,658 centres of 881 VDCs. During the same period Rs.3.89 billion has been recovered while total outstanding loan has been reached to 737.10 million.

3.1.5 Rural self Reliance Fund (RSRF)

Rural self reliance fund was established in 1990 by the government of Nepal, as a pilot-scheme, with the objective of providing wholesales loan to financial intermediaries (SCCs and NGOs) that had difficulty in obtaining access to credit for on lending to the rural poor. Nepal Rastra Bank Development Finance Department is the executing agency of this program. This program is the first step in Nepal in the direction of

⁶ Economic Survey (2004/05) P,16

exploring alternative means of credit delivery to the poor. RSRF provides credit on the instalment basis based on the performance of the borrowing institutions. The internal rate charged by the fund is just 8% and it returns 75% of interest if the concerned institutions repay principal and interest on the schedule time- so that the effective interest rate is just 2 percent.

The targeted group of the fund is the individual households holding less than 15 ropanis of land in the hills or less than 1 bigah of land in the Terai. The SCSs or NGOs who act as financial intermediaries between the fund and the beneficiaries (target group) are responsible for social mobilization, group formation, skill training, saving mobilization, demand assessment, loan approval, disbursement and supervision and flow ups. Loan is provided up to Rs. 30,000 without any physical collateral depending on group approach or liabilities. The SCCs or NGOs may on lend the loan from the fund only in those VDCs and municipalities where no more than 3 commercial bank or their branches (including banking offices of Agriculture development Bank) have been operating at present.

But SRSF stopped lending to the NGOs since 1998/99 for the reason that financial intermediary society Act, 1998 had not allowed NGOs to accept saving, and RSRF' s one of the policies being that of lending a SCC or NGO to the extent of ten times the saving it had collected. Now the amended version of FISA allows FI-NGOs to collect saving from their group members, therefore, NRB needs to take initiatives to make RSRS funds available to the FINGOS as earlier. For RSRF to continue lending to FI-NGOs does not have to wait for amendment in the financial intermediary society by laws. It can be done internally with little bit of push from NRB. Such an initiative would

improve access of RSRF fund to the FI-NGO that are not served by RMDC its strict eligibility criteria.

“It has disbursed loans equivalent to Rs. 72.8 million through 50 NGOs in 26 districts and 159 co-operatives in 40 districts as of mid July 2004, hence 8996 households of 47 districts were benefited as mid July 2004. NRB has been contributing to this fund from its profit each year. In FY 2003/04 NRB provided the fund with Rs. 74.8 million. From FY 2003/04, the fund has been successful to operate on its own income.”⁷

3.1.6 Rural Micro-Finance Development Center (RMDC)

Rural micro-finance development center was established by Nepal Rastra Bank in 1998 realizing the fact that the MFIs operating in the micro finance market had severe shortage of funds for on lending and also needed assistance in enhancing their institution capabilities. However, RMDC became operational since 2000 only. Twenty-one banks and financial institutions, including NRB own the share of this second tier-institution.

It started functioning with the objective of contributing “to improving socio-economic condition of the poor, the landless, and the assets less through increasing their access to resources for productive undertakings and employment”⁸ Its disaggregate specific objectives are many that include, among other, to provide wholesale funds to potential and viable micro finance institutions for on lending to the ultimate borrowers for undertaking their productive activities; to help build and strengthen institutional capacity of the partner organization (POs); to

⁷ Nepal Rastra Bank, Economic Report, 2003/04, p. 26.

⁸ RMDC annual report 2003-03, p. 8.

provide financial and technical supports to MFIs; to under take research and development activities to promote new micro-finance products and develop sound practices; to strengthen their capacity through training and exposure visits and to act as a financial intermediary to channelize the resources.⁹

Till July 2004, RMDC has approved a total loan amounting to Nrs. 444.48 million for 32 MFIs and disbursed NR' s 363.71 million (81.8%) to 28 MFISs. Among 28 MFIs, 2 regional Grammen Bikas Bank, 4 private micro credit development banks 18 micro finance NGOs and 4 co-operatives societies.¹⁰

Observing the functioning of RMDC sound satisfaction has been found in case of development of micro-finance market but, it is true, it alone can not meet the financial need of MFIs in Nepal. some more institutions are urgently needed. In this context, NRB needs to come up with appropriate policy measures that would create conducive environment for entry to other second tire institutions. Without a few more second tier institutions with provision of providing wholesale loans to MFIs, it will be impossible to achieve the target of reducing population below poverty line by the end of tenth plan period.

3.1.7 Developmental and Promotional Initiative taken by NRB in Support of Micro-finance

Before 1974 only ADB/N was supplier of rural credit and which was not sufficient to meet the growing needs of rural credit because according to the data presented by NRB in 1972, ADB/N disbursed

⁹ Ibid.

¹⁰ Informations are from RMDC

Rs.13.64 million in rural financing in FY 1969/70 which was only 1.36 percent of the total credit needs of the country. Two big government owned banks, NBL and RRB's interest was mainly on financing commerce and trade in the urban areas and not in rural lending. Again there were also a few credit cooperatives and ward village committees at the grass roots level, but their financial resources and capabilities were limited. Realizing all these facts NRB took appropriate steps i.e. developmental and promotional initiatives, in support of micro-finance.

Accordingly, NRB in 1974 directed the two CB's to invest at least 5% of their deposit liabilities in the "small sector". This step was the beginning of directed credit system and also involving CBs in rural lending in Nepal. Later on in 1976, the scope of small sector was enlarged so as to cover the whole of agriculture, cottage industries and services and renamed it as "priority sector". Similarly NRB took initiatives to establish Credit Guarantee Co-operation (now Deposit Insurance and Credit Guarantee Corporation) with its major share holding to minimize the risk of default or non-repayment of priority sector loan.

In 1981, NRB introduced Intensive banking program (IBP) under which the CBs were required to provide project based loans in priority sector that were to be supervised regularly and they were to extend at least 60% of their priority sector loan to rural poor below the poverty line as group based lending without any physical collateral. Later on NRB realized that the coverage of priority sector loan was still lower than expected so that it introduced "deprived sector credit scheme" in 1990. Under this scheme CBs are required to invest a minimum of 0.25% to 3% of their total loans and advances to the "hard core poor". In the initial phase up to Rs.15000 was provided with interest subsidy by Government

through budgetary allocation. But interest subsidy was withdrawn when loan amount extended to Rs.30000.

NRB established 5 development banks, one in each development region with its major share holdings during the 1992-1996 periods. These banks provide loans under group guarantee system to rural women belonging to ultra poor category without any physical collateral. Again NRB took a lead role in establishing "Rural Micro-finance Development Centre (RMDC)" in 1998 which was brought under to overcome the severe shortage of fund and enhance institutional capabilities of MFIs operating in the microfinance market. RMDC has the provision to provide wholesale loans to MFIs licensed by NRB, for on lending to the sub-borrowers. It can also provide technical assistance, staff training etc. to the financial intermediaries.

Up to mid July 2002 there exists 827 MFIs in micro-finance market but most of them have not yet attained operational self-sufficiency and achieving financial self-sufficiency is still a longer way for them. Therefore various present studies shows that NRB's efforts should be extended in promotional activities though these have been taking since 1992 in support of micro-finance.

First promotional activity undertaken by NRB was its collaboration with the ministry of local development (MLD) in "production credit for rural women (PCRW)" project and acting as an executing agency for its credit part in 1982. The other far reaching activity was the adoption and implementation of policy to grant limited banking licenses to NGOs and SCCs engaged in micro-finance in 1990. A study report (sinha 2000) has expressed this act as a bold step in the promotion of micro-finance and unique in south Asian region. In the same year 1990, Government of

Nepal established the "Rural Self Reliance Fund (RSRF)" as a pilot scheme, with the objective of providing wholesale loan to financial intermediaries (SCCs and NGOs). In the way, Financial Intermediary Act, 1998 had created obstacle between RSRF and NGOs but after its amended version has created little bit comfort because it allows FINGOs to collect saving from their group members. This fund administered by NRB, was the first step in Nepal in the direction of exploring alternative means of credit delivery to the poor.

The other innovative/promotional role played by NRB was its active participation from conceptualization to finalization of development bank act in 1992, under which a total of 21 development banks have been incorporated by mid January 2003, of which 11 are micro-finance development banks. In 1993, NRB adopted a policy of CB's wholesale loans to Grameen Bikas Banks and licensed NGOs and amount of their (CB's) share participation in Grameen Bikas Banks as a part of deprived sector credit. The policy became effective although it was indirect way of lending. In 1994, NRB again collaborated with MLD in "Micro-credit Project for Women (MCPW)" for channeling ADB funds through NBL, RBB and FINGOs to the rural women of 12 districts and five municipalities. The most recent and potentially the most far-reaching promotional step undertaken by NRB was its important role in formulating "Financial Intermediary Societies Act 1998".

3.2 Literature Review Related to Women Status and Poverty Reduction

Acharya, Meena (1994) women in Nepal are among the poorest and disadvantaged group because of social, legal and intra household discrimination. As a result of which education, health and nutrition status

of women including girl child are much lower than that of men. They do long and harder work but live in difficult conditions because most of their works are not considered as productive job hence not accessed in national account. Again there is cruel wage discrimination so that even for same work they are paid low wage rate as compared to their male counterparts. Similarly they are also deprived from property ownership of land following the rule of patriarchal conservative culture and this in turn restricts them from the stream of loan market because under developed loan market requires sufficient mortgage. Lack of credit facilities also restricts women to have access to improved technology, training, agricultural inputs and information. Therefore, there is need of such programs for women which can make equal access to the economic activities and resources and other social programs because contemporary rural development programs have largely bypassed them.

Acharya Meena (2003) defines financial development and its impact on poverty alleviation on the basis of availability of data. Although government and non-government micro finance institutions including the co-operatives have grown fast in the 1990s, they have made very little impact in the rural credit market because most of them have been concentrated in urban areas. So that more than 80 percent of the borrowing in rural areas have still to depend on non formal sources for their credit needs. The study also presents that majority of targeted credit programs have been unable to directly cater to the needs of the bottom 20 percent households because the poor lack human and economic resources, basically they lack knowledge to benefit from the saving credit program. The study concludes that in spite of rapid growth of the financial sectors in the post liberalization period, its presence and influence in the rural areas have been declined. There seems to be no forward and backward

linkage of this financial development with the real sector of the economy and consequently to poverty alleviation.

Khadker (1998) summarize a number of different studies conducted in Bangladesh using the 1991/92 surveys and focusing on three major micro finance programs, including the Grameen Banks and the Bangladesh Rural Advancement committee (BRAC). Methodological import is accessed using a double difference approach between eligible and ineligible households (with land holdings of more than half an acre making households ineligible) and between program and non- program villages. After controlling for other factors, such as various household characteristics, any remaining difference was attributed to the micro finance programs. The study draws a number of conclusions, but the main one is that the program has a positive effect on household consumption, which was significantly greater for female borrowers. On average, a loan of 100 takas to a female borrower, after it is repaid, allows a net consumption increases of 18 takas. In terms of poverty impact it is estimated that 5% participant households are pulled above the poverty line annually.

Regmi Krishna Kumar (2002) has made an extensive study in this field to analyze micro credit to women for poverty reduction. Study was conducted in Benimanipur VDC, Nawalparasi district taking borrowers as a sample population. Some of the major findings of the study may be summarized as: first of all the program is found as target group oriented because most of the women involved in micro-credit program are relatively poor and having income less than 2000. The study found positive impact of micro-credit program for women on beneficiaries' earning and living standards. Similarly the program has also some positive social impact in terms of child education, family planning,

sanitation and other social reforms. Repayment rate is found as 80% in over all programs. However, repayment rate is lower in agriculture activities and higher in business activities. In sufficient supervision due to staff turn over, under staffing and long distance between sites and death of animals due to various reasons are the causes of low repayment rate. Among the sample borrowers 25% has totally paid the loan, 55% partially paid and 20% has not paid at all.

Some of the recommendation suggested by the study are as follows:

-) It will be better if the program would designed in such a way that identification and implementation of the program and its monitoring and supervision could be done by the community itself.
-) The program should develop a practical and varied training course related to skill development, agriculture extension, and income generation and business promotion activities as per the need of particular community.
-) Effective market mechanism should be developed for produced vegetables, food grains and livestock.

Fighting poverty with micro finance (2000) Economic development of the poor is the most difficult task as they have certain unique deficiencies, most important being (i) illiteracy and/ or lack of access to knowledge and information, (ii) landlessness or small farmers, (iii) lack of access to credit and modern inputs, (iv) lack of skill, (v) lack of marketing support.

Credit is recognized as most important inputs for the development of the poor whether it is in individual or in-group form. Many studies have pointed out that for all kinds of income generating activities based

on land, water, industry, trade, service etc, credit is one of the basic inputs and access to it by the poor is the most difficult due to the following reasons:

- a) Low credit - worthiness.
- b) Because of the multiple credit needs the credit obtained for the productive propose is diverted to non productive purpose such as consumption and social ceremonies.
- c) Though the poor have multiple credit needs, the size of credit for each item is small which are difficult to be obtained from the banking institutions.
- d) The poor needs credit very frequently for shorter duration but it is difficult to get small loans frequently from the financial initiations.

Soti, Bimal (2002) has made a study in this field to analyze the impact of micro-credit program on poverty reduction. The study was conducted in Chainpur VDC depending on sample survey data. Some of the findings of the study are as follows:

Women of Chainour VDC under the MCPW program were found as subsistence farmers. Joining in this program has empowered women in varying degree. It has provided various opportunities for poor women to come out of their non- productive household activities, to organize themselves in groups and to work in productive and social activities. The program has made women self-confidence in case of expenditure, saving and other social decision-making process. Although their income has been sufficiently increased, the nature and duration of their work have remained unchanged. It is because their projects are still not fully escape from traditional method. The positive change of majority of Women member in clothing pattern and food practices indicates the positive

impact of the project in study area. In respect to financial intermediation the program is in the right way to fulfill the financial needs of rural poor. Reaching the poor through financial intermediations is found to be cost effective and targeting can be done correctly. Although most of the project were small and unable to generate remarkable profit, 84% of the respondents have made some profit.

Some of the recommendations made by the study re as follows:

-) As there is no better alternative, rather than to continue and increase the involvement of NGOs in the delivery of financial service to rural poor, NGO should be made more efficient.
-) Training for women to run their project should be conducted frequently even if some charge is included.
-) There must be well insurance scheme for live stock husbandry and the process of insurance claim should be made easy and fast.
-) Every act which are imposed by NRB and HMG should be in the favor of development of micro finance hence poverty reduction.
-) There should be proper identification and selection of the target groups to ensure that really poor, backward communities are not left behind.

Prakash Regmi (2001) has described that women have limited or almost no control over their property, and poor access to institutional credit services and facilities is restricting them in their ability to generate income and improve their socio-economic status.

Limited access to credit is recognized as a major obstacle to the sustained development to the poor. Poor women are generally unable to have access to the formal financial sectors due to the lack of tangible

collateral with them. They must rely on the non-formal sources, which are expensive and exploitative in nature. Credit directly addresses to the economic dimensions or poverty. It mobilizes the resources and make these accessible to marginalized communicates such that they can tackle the practical problem they have to face.

Haq, Mehbub UI (2000) describes that unequal economic opportunities for women are manifested most clearly in their limited access to credit. The availability of micro credit especially for poor women, provides an opportunity for them to have some measure of economic independence. In south Asia Numerous initiatives by both government and NGOs have been able to provide credit to women. Although some of these have been very successful, there is still a huge urgent need for micro credit in the region, particularly in rural areas. His study shows that women are almost invisible to formal financial institutions. They receive less than 10 percent of commercial credit. In any case, credit alone is not a vehicle for generating income. Without substantial market incentives and infrastructure, borrowers are likely to remain in debt as they have limited option to make profitable investment. Rural credit programs with support services that include training, saving mobilization techniques and group formation are motivating women to become self-employed.

Khendker and Cowdury (1996) made a study in this field, to analyze the effectiveness of targeted credit program on poverty alleviation and resource base of the poor. The study was based on household survey data of the year 1991/92 covering 1800 households from both program and non-program villages. The study focused the three major micro-finance programs; Bangladesh Rural Advancement Committee (BRAC), The Grameen Banks (GB) and Bangladesh Rural

Development Board's Rural Development Program (BRDB-RD12). Methodological impact was assessed using a double difference approach between eligible and ineligible households and between program and non-program villages.

The main objective of the study was to examine the impact of targeted credit program on rural poverty reduction and sustaining household welfare. However, there were two specific objectives: first one was to develop a methodology to estimate the costs and benefits of group based credit program and rest was to analyze the financial and economic efficiency of the credit programs, which depend on resource intensive group formation and monitoring.

The key finding was that targeted credit program not only reduced poverty but also increase resource base of the poor in a sustainable manner on a long term basis. The data shows that Grameen Bank is considerably more effective than BRAC in terms of cost-effectiveness and that as expected loans to female borrowers were considerably more effective than loans to males. Again the data analysis shows that it takes 5 years for poor program participants to rise above the poverty line and eight years to achieve economic graduation (to stop taking loan from targeted credit program). The data analysis also shows a structural shift of traditional farm activities towards non-farm activities after launching targeted credit program because it stimulated beneficiaries to invest increasingly in non-farm rather than farm resources. The study recommends the implementation of policy interventions to use the superior skills of the graduates of these targeted programs to create more dynamism in the rural economy.

Ms Pradhan and Shrestha (2061) found micro-finance program in Nepal is at evolutionary stage because only after complete financial sector liberalization since 1989, leaving the interest rate flexible to the market forces, a number of FIs owned both by Government and private sector came into existence with a view to initiate micro-finance activities .Some of them were existed in the form of innovation and rest were in the form of replication. The goal of micro finance services is to create income and employment opportunities for the rural poor people providing micro- credit and mobilizing savings.

Although rural development banks were thought to be effective institutional mechanism for promoting micro-finance services, due to high administrative costs and increased ratio of losses, they are facing serious problem of sustainability. They are also operating in limited areas with limited outreach. There is also shortage of loan able fund and lack of broad based whole sale lending agency. Again absences of self regulatory mechanism and fully-committed professionalism have become a major issue. Finally most of the MFIs have the problem of sustainability due to heavy service delivery cost. Recovery of loan is equally challenging. And recent internal insecurity is creating problem for the expansion of micro-credit. Social mobilization is also difficult when people are in conflict.

Shalik Ram Sharma (2003) has tried to analyze problem faced by MFIs/ Programs in attaining financial sustainability. The presentation begins describing theoretical concept and ends connecting it with Nepalese context. Financial sustainability refers to the extent to which a MFI, in addition to being financially viable, mobilizes its own financial resources internally, that is, through equity, deposits, and retained profits instead of depending on govt. or donor resources.

The study explains two types of hurdle in reaching financial sustainability i.e. operational and financial self sufficiency. Expenses such as salaries and other administrative cost, depreciation of fixed assets, interest on borrowings and deposits (i.e. cost of loan able funds), and provisioning for loan loss (i.e. the cost of loan principal lost to default) out of fees and interest income are included in operational self sufficiency. Where as financial self sufficiency requires MFIs to cover all administrative costs, loan losses, and financing costs from operating income, after adjusting for inflation and subsidies and treating all funding as if it had a commercial cost. Without crossing first hurdle, second can not be expected and once this second is crossed, subsidies in the form of concessional funds are no longer required and also inflation does not erode the value of MFI's capital. Theoretically, increasing staff productivity, efficiency and loan quality, and curtailing unnecessary staff and thereby administrative cost may reduce the service delivery cost then MFIs can attain operational self sufficiency which is necessary condition of sustainability.

In Nepalese context, MFIs that have involved for many years in micro finance services have not yet achieved operational self-sufficiency level due to theoretical, social, and political reasons and achieving financial self-sufficiency is still a longer way for them. These institutions/programs have to bear five types of cost: social cost, service delivery cost, fund cost, provisioning for loan loss and inflation. If these institutions have to achieve at least operational self sufficiency level, Government of Nepal, donors or other institutions who take interest in poverty reduction should share their social cost and some portion of their costs associated to institutional capacity building, employment generation, technology transfer and research and development for the initial periods.

Ghuran Thakur (2003) defines SFDP as the pioneer of micro-finance in Nepal. The study is based on the performances of 5 SPOs (Sub Project Offices of SFDP), which on an average are only of about 4 years old and whose main target group is especially the women member of hard core poor family of the small farmer(sf). Analysis of performances show that these SPOs are evolving as a suitable model of micro-finance for the poverty alleviation programs because within short period, all have obtained operational viability and have maintained almost 100 percent qualitative loan portfolio. Loan has been provided on the basis of group approach/ joint liability and is mainly for short duration from which small farmers get quick return. The average loan size is NRs10.76 thousand.

The study found positive correlation between capital formation and the success of the program. There is significant improvement in the growth of the internal resources. On an average each SPO has accumulated one-third of internal resources of their loan outstanding. If the growth remains same for 3-4 years, these SPO will be able to manage their fund from internal resources. The analysis again found remarkable achievement in loan investment, principal and interest collection. Loan repayment rate is more than 98 percent which is similar to Grameen replicated model. The analysis also informs us that women member are comparatively more disciplined toward taking loan, loan proper utilization, regular saving collection and loan repayment and are able to provide effective peer pressure.

ADB (2003) has made a study to define the relation between poverty and micro-finance. The study defines poverty as an income level below a socially acceptable minimum and micro-finance as one of a range of innovative financial arrangements designed attract the poor as either borrowers or savers.

In principal, micro-finance can relate to the "non-destitute chronic poor" who occurs due to lack of assets and opportunities and "transitory poor" which is temporary in nature and occurs due to the results of adverse shocks. Lack of assets indicate absence of physical collateral which restricts the poor to have access of formal credit and to depend on informal credit where interest rate is high and sources are limited. So that the study advocates that if access to credit can be improved, the poor can finance productive activities that will raise income level of poor, provided that there are no other binding constraints. This is a route out of poverty for the non-destitute chronic poor. Similar effect is found in case of transitory poor. But the study found present market clearing interest rate of MFIs is unaffordable to the core poor (lower level of non-destitute chronic poor) so that they will either not take up the services or take it up and get into financial difficulties. Again they are excluded from group and ignored by office staffs due to various reasons.

Hans Dieter Seible (1996) defines that the vast majority of people in developing countries are small farmers, micro entrepreneurs and casual income earners. They constitute that part of the economy which is called informal sector, which includes small farms, fishery, animal husbandry, etc. Although people of this sector are poor, poorly educated and without access to social and financial services, this sector provides employment and income to the rural and urban people and produced basic goods and services for the increasing population. So, in every developing country there is need of strong financial system to develop their economies and alleviate poverty by regulating financial sectors and mobilizing targeted program i.e. micro credit. If financial system development is to be geared at both poverty alleviation and economic growth, it must include micro

finance policy not only for the formal sector alone but for the whole economy.

Two approaches have been identified regarding the delivery of credit to the women.

- i. Discriminating approach, that target women directly and exclusively as in Grammen bank in Bangladesh which gives membership to women only.
- ii. Non discriminatory approach, which aim at both men and women in balance way without any strong preference of either gender.

The author giving example of targeted programs like SFDP, Intensive Banking Program, PCRW, cooperative etc. and has concluded that all these programs have ignored the existence and structure of self help groups. Unlike self helps groups, which mobilizes their own, funds and enforce repayment rigidly, none of the priority lending program are even close in achieving viability and sustainability. The micro-credit program should aim at both mobilization of saving and reaching poor in one hand and achieving viability of the micro finance institution to sustain the micro credit program.

CHAPTER FOUR

RESEARCH METHODOLOGY

When we think about rural women, their living conditions and recent increasing trend of Micro credit to up-lift them there emerge various question such as: What is women development? What are the indicators of women development? How are these indicators measured? Do the micro-credit programs have strong potentiality to break the vicious circle of poverty? Have the credit programs and other initiatives associated with it-empowered women through raising their socio-economic status? These questions are the road map of this study. When all the answers of these questions including the method of testing hypothesis and the control of variance are deliberately linked up in a network, the conceptual framework of the present study is set up and which make ease to see the whole circumstances through the telescopic eye.

Women development is related to the growth and expansion of both materials and non material welfare of women. So, it is a relative concept which indicates positive changes in social, economical, political, legal, educational, physical etc. structure of women of a society. All these components are highly responsible to uplift the women and reduce their poverty. It is because socio-economic positive changes are inevitable for greater economic stability which directly impacts the life of women, their children and their communities in which they live and creates brighter future to the deprived and disadvantaged women. Again skill and education, technical and entrepreneurial ability make the women able to work in an autonomous and sustained manner. Thus, main purpose of women development is to raise the women's participation in income

generating activities. However, it is true that income generating activities of women have been considered as the effectiveness of micro-credit programs so that the present study moves round in this concept.

4.1 Research Design

This study is based on the micro-study of micro-credit program. It has been intended to analyze the effectiveness and sustainability of micro-credit program in the specific study area. Both explorative and descriptive research designs have been adopted to analyze and interpret the quantitative and qualitative data collected from the concerned field. Loan, investment and repayment of credit have been observed.

4.2 Nature of the Data

The study has mainly been based on the first hand or primary data observed and collected from the consequence area using appropriate data collection tools.

Required secondary data have also been obtained through secondary sources e.g. books, journals, newspapers, published and non published reports by MFIs, NGOs, INGOs, SOs and other institutions working in this field. The questionnaire has been presented in Annex -1.

4.3 Population and Sampling

The population under this study are the 240 individuals in the form of group formed under micro credit program in the Rajahar VDC. Out of total population 42 individuals have been chosen as the sample population for the detailed study.

4.4 Sample Technique

The list of the rural women of Rajahar VDC involving in micro-credit program was found from women development centre and other concern organization. From that list a sample has been taken by using stratified random sampling considering each ward of VDC as a separate strata.

4.5 Process of Data Collection

The primary data were collected by making structured questionnaire. Borrowers, women group leader and staffs of the concern institutions were interviewed separately and required data were collected. To collect necessary information the researcher had also discussed with many professionals, which was very much useful to present report in this form.

4.6 Data Processing and Data Analysis

Data collection during the field study period is analysed using descriptive method for better evaluation and interpretation. Similarly quantitative statistical methods mainly correlation and regression analysis are used to find out the effectiveness of total loan amount borrowed on income increase per month. Again z test is fitted to analyse whether the living standard have changed from before and after program intervention.

4.7 Correlation Analysis

Karl Pearson's coefficient or coefficient of correlation measures the degree of association between two variables i.e. x_i (loan amount borrowed in the study) and y_i (income increase per month in the study).

Therefore correlation analysis deals with the statistical technique, which measures the degree of relationship (or association) between the two variables. In other words, it helps us in analysing the covariance of two or more variables. For instance after deriving correlation analysis one can able to find the relationship between loan amounts borrowed and income increase per month. It is calculated by using following formula.

$$r_{xy} = \frac{\sum xy - \frac{\sum x \sum y}{n}}{\sqrt{\left(\sum x^2 - \frac{(\sum x)^2}{n}\right) \left(\sum y^2 - \frac{(\sum y)^2}{n}\right)}}$$

The value of correlation lies between -1 to 1 i.e. $-1 \leq r \leq 1$.

If $r = 1$ there is perfect positive relationship.

If $r = -1$ there is perfect negative relationship.

If $r = 0$ there is no correlation at all.

The closer the value of r is to 1 or -1, the closer the relationship between the variables and the closer r is to 0, the less close relationship. While estimating the value one variable from the value of other variable, the higher the value of r , the better the estimate.

4.8 Regression Analysis

Regression analysis calculates equation that provides value of dependent variables (income increase per month in this study) for given value of independent variables (loan amount borrowed in this study). The primary objective of the regression analysis is to show the relationship between total loan amount borrowed and income increased per month. For instance, after deriving regression equation one can able to find out the effect of the loan amount borrowed on income increase per month.

Income increase per month (y_i) is regressed with loan amount borrowed (x_i) to examine the value of dependent variable (y_i) for any given value of independent variable (x_i) and vice versa.

Regression equation of y_i on x_i can be expressed as:

$$Y_i = a + bx_i$$

Where, y_i = income increased per month

X_i = loan amount borrowed

a = constant

b = coefficient of loan amount borrowed

4.9 Test of Significance

There may occur the standard errors of estimate (SEE) like standard deviation, to measure the reliability of estimated equation as well as coefficient. The larger the standard error of estimate, the greater the scattered ness of given observation from the regression line which means no goodness of fit. On the other hand smaller the value of (SEE), the better will be the goodness of fit.

4.10 Test of Goodness of Fit (R^2)

R^2 is used to find the explanatory capacity of independent variable. It measures the scattered ness of observation from the regression line. It describes how the dependent variable is explained by independent variable. In other words, R^2 shows how well the change in dependent variable is explained by the independent variables. Closer the observation to the regression line, better the goodness of fit i.e. y is better explained by explanatory variables. R^2 is the square of the correlation coefficient, which shows the percentage of the total variation of the dependent

variable that can be explained by the independent variables. The value of R^2 ranges from 0 to 1. If the value of R^2 approaches to '1' the regression plane thus estimated is a good fit and if it approaches to '0', it implies the bad fit. It is because increasing R^2 means explaining more of the total variation by regression plane. Hence the coefficient of determination can be generalized as:

$$R^2 = \frac{\sum (b_{xy} - \bar{y})^2}{\sum y^2}$$

Where, $\bar{x} = \frac{\sum x}{N}$

$\bar{y} = \frac{\sum y}{N}$

4.11 Test of the significance of the parameters.

4.11.1 F Test

F test is used to examine the overall significance of the model, which can be performed as:

$$F = \frac{R^2 / k}{(1 - R^2) / (N - k)}$$

Where,

R^2 = coefficient of determination

K = number of explanatory variables

N = number of observations

The calculated f variance ratio is compared with the tabulated value at special level of significance with (k-1) and (n-k) degree of freedom. If $F_{calc} < F_{tab}$ null hypothesis is accepted. If $F_{calc} > F_{tab}$ null hypothesis is rejected.

4.12 Research Hypothesis

Hypothesis 1

In terms of food practices there is no significant difference between the proportion of relatively better off respondents before and after borrowing.

Hypothesis 2

In terms of clothing pattern, there is no significant difference between the proportion of relatively better off respondents before and after borrowing.

CHAPTER FIVE

DATA ANALYSIS

In this chapter, we analyse the collected data regarding the objectives. Since the main component of the micro credit programs for women is to provide small scale credit (up to NRs 30,000) for women to increase their income level by fully utilizing their internal resources and skill. The part of data analysis is related with loan amount and its impact upon beneficiaries earnings and living standards. Again the impact of the program on the women status and the component of the program such as saving and loan repayment data will be analysed.

5.1 Loan Amount

Loan amount of the program at first phase of investment.

Table No. 2
Loan Amount and Number of Borrower

| Loan amount borrowed at the first phase of investment | No of borrowers | Percentage of the total borrowers |
|---|-----------------|-----------------------------------|
| 500 | 3 | 7.14 |
| 1000 | 3 | 7.14 |
| 5000 | 4 | 9.52 |
| 10000 | 17 | 40.48 |
| 15000 | 8 | 19.05 |
| 20000 | 4 | 9.53 |
| 25000 | 2 | 4.76 |
| 30000 | 1 | 2.38 |
| Total | 42 | 100 |

Source: Field survey by researcher.

Table two shows the scenario of the loan amount and percentage of the total borrows. The borrowers have been found very aware in demanding loan according to their skill and entrepreneurship talent. Out of 42 borrowers 40.48 percent have taken the loan amount of Rs. 10000, and 19.05 have taken 15000. Percentage of women taking loan amount Rs. 10000 and 15000 is very high which is near to three fifth because amount less than these are considered small in size to run their project. Only 4.76 and 2.38 percent of total borrowers have taken the loan amount Rs. 25000 and Rs. 30000, respectively. These percentage are small because women are still hesitating to take big amount of loan to run their project at first phase of investment.

5.2 Loan Disbursement by Purpose

In general occupation signifies employment of the people in different sectors for income earning purpose. In the study area women are involved in different occupations such as agricultures, bee and poultry farming, labouring, trade and so on.

Table No. 3

Occupation of Borrowers before Launching Micro Credit Programs

| Occupation | No of borrowers | Percentage of the total borrowers |
|----------------------|-----------------|-----------------------------------|
| Agriculture | 16 | 38.10 |
| Retail Business | 2 | 4.76 |
| Wage Earners | 11 | 26.19 |
| Bee Farming | 1 | 2.38 |
| Poultry Farming | 1 | 2.38 |
| Hoteling | 3 | 7.14 |
| Raising Milk Buffalo | 6 | 14.29 |
| Other | 2 | 4.76 |
| Total | 42 | 100 |

Source: Field survey by researcher.

Table no. 3 presents that before launching Micro-credit program women members were involved in various economic activities such as agriculture, retail business, wage earners, poultry farming etc. Out of 42, 38.10 percent were involved in Agriculture and 26.19 percent were involved as a wage earners. Involvement percent of women in these two sectors is high because these sectors had adopted fully primitive methods of production and women with lack of skill, knowledge and training would like to choose these. 4.76 percent of total were involved in retail business and 2.38 percent were involved in each bee and poultry farming sectors. Therefore engaged percent in these three sectors was minimal because these occupations were considered little bit difficult and economically less profitable.

Table No. 4

Occupation Change After Joining Micro-Credit Program

| Occupation | No of borrowers | Percentage of the total borrowers |
|----------------------|-----------------|-----------------------------------|
| Agriculture | 8 | 19.05 |
| Retail business | 6 | 14.29 |
| Wage earners | 2 | 4.76 |
| Bee farming | 6 | 14.29 |
| Poultry farming | 7 | 16.67 |
| Hoteling | 2 | 4.76 |
| Raising Milk Buffalo | 11 | 26.19 |
| Total | 42 | 100 |

Source: Field survey by researcher.

Table 4 shows that out of 42 borrowers 26.19 percent has started raising milk buffalo and 16.67 percent women have started poultry

farming. Similarly 14.29 percent has started retail business. But after launching program engaged percent of women in agriculture and wage earners field have been significantly declined to 19.05 and 4.76 percent respectively. It is because members have left previous traditional occupation and have started such business, which are economically profitable. Even in agriculture and wage earners field introduction of modern technology, methods and skill have been found. The table shows that there is change in occupation after the program interventions because borrowers having different view point have started different occupation according to their own interest, skill and entrepreneurship talents.

5.3 Change in Income

In general income is an economic gain through economic activity. Similarly in the study area income denotes the earning of the borrowers of the program through any productive activity. The income may be money or articles as food grains, milk, animal husbandry but here in the study, for convenience, the self consumption by the borrowers is not included in income. Only the income which is earned by the sale of product and income which is earned in the firm of wages are considered. To know the change in income before and after the program intervention the personal questionnaire has been used.

Table No. 5
Income of the Member before and After Borrowing Loan from the Program

| Before Borrowing | | | After Borrowing | |
|--------------------------------|---------------------|------------------------|---------------------|---------------------------------|
| Percent of the total Borrowers | No of the borrowers | Income Group Per Month | No of the Borrowers | Percents of the total Borrowers |
| 57.14 | 24 | 0-500 | 1 | 2.38 |
| 26.20 | 11 | 500-1000 | 1 | 2.38 |
| 9.52 | 4 | 1000-1500 | 3 | 7.14 |
| 2.38 | 1 | 1500-2000 | 5 | 11.90 |
| 2.38 | 1 | 2000-2500 | 10 | 23.81 |
| 2.38 | 1 | 2500-3000 | 15 | 35.71 |
| | | 3000-3500 | 3 | 7.14 |
| | | 3500-4000 | 2 | 4.76 |
| | | 4000-4500 | 1 | 2.38 |
| | | 4500-5000 | 1 | 2.38 |
| 100% | 42 | | 42 | 100% |

Source: Field survey by the researcher.

Table no. 5 presents that income in the study area has been significantly increased after program intervention. Before launching the program there is about 83.34 percent of the borrowers who have income less than 1000 but after program intervention it has been reduced to 4.76 percent. Similarly before program there were only 7.14 percent of the borrowers with income more than 1500 but after program intervention it reached to 88.08 percent.

This fact has proved that the members associated with the program have significantly increased their average income after intervention of program.

I. Attempt has been made to find out the correlation regression related between that loan amount borrowed (x_i) and increased in income per month (y_i)

I. (a) Correlation between x_i and y_i (r)

The result was obtained by using SPSS computer software which is given as below:

Table No. 6
Correlation

| | | Loan amount borrowed | Income increased per month |
|----------------------------|---------------------|----------------------|----------------------------|
| Loan amount borrowed | Pearson Correlation | 1.000 | .803 |
| | Sig. (2-tailed) | | .000 |
| | N | 42 | 42 |
| Income increased per month | Pearson Correlation | .803 | 1.000 |
| | Sig. (2-tailed) | .000 | |
| | N | 42 | 42 |

Table no. 6 shows that correlation (r) is 0.803. This yielded value i.e. loan amount borrowed and increase in income per month are positively related. As we have out set the third objective i.e. to access the impact of program on the beneficiaries' earnings and living standards, this objective is proved by the test. Economically we can interpretate that the loan amount or investment is the only most important factor, which causes to increase in income.

I. (b) Regression of Increases in income per month (y_i) on loan amount borrowed (x_i)

We have regression line

$$Y_i = a + bx_i$$

Where,

Y_i = computed value of y

a = autonomous increase in y

b = slope of y_i on x_i [b measures how the change in dependent variable (y_i) exists with the change in independent variable i.e. x_i]

Here the result was obtained with the help of SPSS computer software, which is given as below:

Table No. 7
Summary of Regression

| Equation | Dependent variable | Independent variable | Constant | Coefficient of loan amount borrowed | t Value | f Value | Adj. R^2 |
|------------------|----------------------------|----------------------|----------|-------------------------------------|---------|---------|------------|
| $Y_i = a + bx_i$ | Income increased per month | Loan amount borrowed | 1200.848 | 0.105 | 8.536 | 72.862 | 0.646 |

Table no. 6 shows the value of a and b as:

$$a = 1200.848$$

$$b = 0.105$$

Since the coefficient b is positive there is a positive relationship between y_i (increase in income per month) and x_i (loan amount borrowed), hence increase in income is positive function of loan amounts borrowed.

We now see how the dependent variable y_i i.e. increase in income per month is dependent on loan amount or independent variable (x_i).

(1) Suppose, loan amount (investment) , $x_i = 0$

$$\text{Then } y_i = a = 1200.848$$

This illustrates that even if there is no investment autonomous function (part) exists, which simply refers to a constant value. It further implies that although loan amount has its vital role to generate income, social and other micro economic factors also have some role to generate the total income.

(2) Suppose loan amount (investment) $x_i = \text{Rs. } 100$

$$\begin{aligned}\text{Then } y_i &= a + bx_i \\ &= a + 0.105 \times 100 \\ &= a + 10.5\end{aligned}$$

This illustrates that if we invest 100 it will generate Rs. 10.5 income per month.

I. (c) Coefficient of Determination

According to table 6 the coefficient of determination R^2 is 0.646, which indicates that 64.6 percent of the total variation is explained by regression equation so that the equation itself is a good fit. Economically, We can intemperately state that 64 percent increased in income have been generated due to loan amount or investment and rest 36 percent by other factors.

Result of F test

Table 6 shows that value of F ratio is 72.862. Since the calculated F value 72.862 is greater than the tabulated F value i.e. 4.08, the regression line y_i on x_i is significant i.e. more of the variation in income increase per month is explained by the loan amount borrowed.

5.4 Living Standard

1. Living standard of the borrower/respondent before and after joining the program.

Living standard of the borrower/respondent is usually analysed in terms of food practices, sheltering, clothing etc. Here both quantitative and descriptive tools are used to see whether the living standard has changed from before and after program intervention. Among quantitative tools Z test is used for food practices and clothing pattern made by borrowers which are important dimension of living standard. Here for simplicity, traditional and relatively better off food practices and clothing pattern made by family member of respondents are analysed.

5.4.1 Change in Food Practices of Family Members of Respondents

Table No. 8

Change in Food Practices before and after Program Intervention

| S.N. | Category | Before Borrowing | After Borrowing |
|-------------|-----------------------|-------------------------|------------------------|
| 01 | Traditional | 31 | 17 |
| 02 | Relatively Better off | 11 | 25 |
| Total | | 42 | 42 |

The table no. 8 itself represents the picture that the living standard has increased after the program intervention. It can be proved from statistical tools also. Whether the number of respondents who have perceived positive change in food practice is significant or not has been tested with Z test as follows.

In the usual notation, we have

$$N_1 = 42 = N_2$$

P_1 = sample proportion of relatively better off members before borrowing

$$= \frac{11}{42} \times 0.262$$

P_2 = Sample proportion of relatively better off members after borrowing

$$\times \frac{25}{42} \times 0.595$$

Now setting the hypothesis;

Null Hypothesis H_0 : $P_1 = P_2$, there is no significant difference between the proportion of relatively better off members before and after borrowing.

Alternative Hypothesis H_1 : $P_1 < P_2$, there is significant difference between the proportion of relatively better off members before and after borrowing (left tailed test)

Since $N = 42$, we use Z test.

$$Z = \frac{P_1 - P_2}{\sqrt{PQ \left(\frac{1}{N_1} + \frac{1}{N_2} \right)}}$$

Level of significance: 5 percent i.e. $\alpha = 0.05$

Where population proportion $P = \frac{N_1 P_1 + N_2 P_2}{N_1 + N_2}$

$$X = \frac{42 \times 0.262 + 42 \times 0.595}{42 + 42}$$

$$= 0.428$$

and $Q = 1 - P = 1 - 0.428 = 0.572$

$$\text{Now } Z = X \sqrt{\frac{0.262 \times 0.595}{0.428 \times 0.572 \times \frac{1}{42} + \frac{1}{42}}}$$

$$= - 5.27$$

$$\dots /Z/ = 5.27$$

Z tabulated value at 5% level of significance for left tailed test is 1.645

Decision

Since computed Z (5.27) is greater than that tabulated value i.e. 1.645, null hypothesis is rejected or alternative hypothesis is accepted and we can conclude that the project intervention is significant in increasing the number of members who take the relatively better off food.

5.4.2 Change in clothing pattern of family members of respondents

Table No. 9

Change in clothing pattern before and after program intervention

| S.N. | Category | Before Borrowing | After Borrowing |
|-------|-----------------------|------------------|-----------------|
| 01 | Traditional | 29 | 15 |
| 02 | Relatively Better off | 13 | 27 |
| Total | | 42 | 42 |

In the usual notation, we have

$$N_1 = 42 = N_2$$

P_1 = Sample proportion of relatively better off members before borrowing

$$X \frac{13}{42} X 0.31$$

P_2 = Sample proportion of relatively better off members after borrowing

$$X \frac{27}{42} X 0.643$$

Now setting hypothesis

Null hypothesis, H_0 : $P_1 = P_2$ there is no significant difference between the proportion of relatively better off members before and after borrowing.

Alternative hypothesis, H_1 : $P_1 < P_2$, there is significant difference between the proportion of relatively better of members before and after borrowing (left tailed test).

Since $N = 42$ we use Z test

$$Z X \sqrt{\frac{P_1 Z P_2}{PQ \frac{1}{N_1} \Gamma \frac{1}{N_2}}}$$

Level of significance: 5 percent i.e. $\alpha = 0.05$

Where population proportion, $P X \frac{N_1 P_1 \Gamma N_2 P_2}{N_1 \Gamma N_2}$

$$X = \frac{0.31 \Gamma 42 + 0.643}{42 \Gamma 42}$$

$$= 0.477$$

$$\text{and } Q = 1 - P = 1 - 0.479 = 0.524$$

$$\text{Now } Z = \frac{0.31 - 0.643}{\sqrt{0.477 + 0.524 \left(\frac{1}{42} - \frac{1}{42} \right)}}$$

$$= - 5.289$$

$$\dots /Z/ = 5.289$$

Z tabulated value at 5% level of significance for left tailed test is 1.645

Decision

Since the computed value of Z (5.289) is greater than tabulated value of Z (1.645), null hypothesis is rejected or alternative hypothesis is accepted and we conclude that the project intervention is significant in increasing the numbers of members who put on the relatively better off clothing.

5.5 Savings

Saving is an important component of micro credit program so that there is provision of either compulsory or voluntary saving scheme. Women borrowers should deposit fixed amount of money into their saving fund after involving in the group. Saving is deposited either weekly or monthly scheme depending on the nature of the particular program. In general practices, women of Rajahar VDC has saved Rs. 14 per week but in case of small farmer development program they have saved Rs. 60 per month. Saving have been used for financial formation as

well as consumption needs of the group members into productive and non-productive activities.

Up to 2062 Chaitra total savings of borrower of Rajatior VDC is NRs. 27500. According to program office saving will be mobilized only after all the borrowers of the particular group pay the loan.

Table No. 10
Sources of Saving

| S.N | Source | Number of Respondents | Percent |
|-------|-----------------------------|-----------------------|---------|
| 1 | Reducing household expenses | 15 | 35.71 |
| 2 | Get from husband | 5 | 11.90 |
| 3 | Project income | 12 | 28.57 |
| 4 | Combining of 1 and 2 | 5 | 11.90 |
| 5 | Labour | 5 | 11.90 |
| Total | | 42 | 100 |

Source: Field survey by their researcher.

Table 10 shows that the main source of saving for about 35.71 percent of the total respondents is by reducing household expenses. Only about 28.57 percent of the total respondents rely on project income for amount needed in group saving. Out of total, 11.90 percent depends upon their husband to save the required amount.

5.6 Loan Repayment

The loan repayment is a crucial aspect of the lending activities of any financial institution. Loan disbursement of any financial institutions depends upon the loan repayment cycle. If loans are repaid on time, financial institutions expand loan size and the number of borrowers. But if loans are not repaid on time it will not only affects the turn over

capacity of financial institutions but also create burden of loan to the borrowers and which in turn affects borrowing and lending of the borrowers themselves.

Depending on the availability of data it has been estimated that up to mid July 2005, repayment percentage of the over all program was near about 85 percent. Among the sample household it is found that 30 percent has totally paid the loan, 55 percent has partially paid and 15 percent has not paid at all. However, in the case of Grameen Bikas Bank, the repayment rate is 98 percent.

5.7 Status of Women

The status of women refers to the extent to which women have control over their own lives and have access to knowledge, economic resources and political power. Nepalese women have lower economic as well as social status due to lack of proper education, appropriate skill, ability to decision making power and proper women's empowerment provided by our society. There are various indices of the status of women, they are:

- i) Education of women
- ii) Control over decision making
- iii) Self-confidence to live their lives.
- iv) Social prestige
- v) Women autonomy

All of the above indices are clearly influenced by the micro credit program and former are the dimension of women status. Above indices are briefly explained with the help of following table.

Table No. 11

Changes in Women Status after Borrowing the loan form MCPW.

| S.N | Indicators | Before borrowing loan | After borrowing loan | Differences | |
|-----|--|-----------------------------|----------------------------|------------------------|------------------------|
| | | | | Increase Percentage | Decrease Percentage |
| 1 | Education of women | 3 (7.14%) | 35 (83.33%) | 76.19% | |
| 2 | Decision making power | 8 (19.05%) | 31 (73.81%) | 54.76% | |
| 3 | Self confidence to live their lives | 7 (16.67%) | 38 (90.48%) | 73.81% | |
| 4 | Social prestige | 6 (14.29%) | 31 (73.81%) | 59.52% | |
| 5 | Women autonomy | 5 (11.90%) | 29 (69.04%) | 57.14% | |

Source: Field serves by researcher.

5.7.1 Education of Women

Education is the most important elements of human life. It makes easy to live human life in the society. Education brings lots of changes in life style of men as well as women. Most of the participants (women) in this program either have no education or have low education. They did not got formal education from the school and college. Educated and trained women can face the various socio-economic problem but uneducated women always remain far from such problems. However

micro credit program and its consequence trainings, seminars and group meeting have raised women's knowledge, skill and ability hence informal education. Even the women who could not write their own name can write after joining the program. Table no. 11 shows that 76.19% of women have increased their education after joining the micro credit program. They got opportunity to learn about banking system, such as lending and repayment procedure, saving scheme etc. However the project has not conducted special program for increasing female education.

5.7.2 Control Over Decision Making

An index of women's control over decision-making was constructed by asking them question about household matter on which decision has to be taken e.g. control over funds borrowed, control over business, income generating activities, control over spending or utilization of earning. Decision making power of men and women depends on their education, skill, entrepreneurial talent ship etc. If women control credit they will invest in appropriate project, which is related to their skill and ability, hence such project will generate more income. Again if women control project income then they will repay loan at time and raises saving which are the inevitable part of micro credit program. Form the fixed questionnaire it is found that women control over decision-making power has been significantly increased. Table No. 11 shows that before borrowing loan only 19.05 percent women had decision making power but after borrowing loan the percentage reached to 73.81 percent where 54.76 percent of women participants have increased there decision making power after joining the program. These women have been capable to decide by themselves about control of the

loan, to involve in the income generating activities, to spend their earning and other household matters.

5.7.3 Self Confidence to Live their Lives

Self-confidence is one of the important elements to live their lives and to run their project properly. Self-confidence depends upon the education, skill and social attitude. If there is good social attitude to look after women and if women are educated and skilful they can present leading role for their household and social development. Table no. 11 shows that 73.81 percent participants have raised their self confidence after joining the program.

5.7.4 Social Prestige

Social prestige is created within the society and depends upon the individual himself or herself. If men and women are educated, skilful and functions good for their own society, they are prestigious in the eye of society. Most of the women participants before launching micro credit program have low social prestige because they lack human and economic resources but after joining the program their social prestige has been increased. Table no. 11 shows that before launching the program only 14.29% women participants were prestigious in the society but after launching the program it reached to 73.81 percent means 59.52% women participants have raised their social prestige after joining the program.

5.7.5 Women's Autonomy

Autonomy was measured by women's ability to spend family income freely. Program participation was found to have little impact on this variable. However, the interaction term between program

participation and household income had a positive impact. This implies that program participation alone is not enough to improve women autonomy. Autonomy improves only if household income increases along with program participation. Table no. 11 inculcates that 57.14 percent of participants women have increased their autonomy after joining this program.

Over all presentation of data shows that there is positive relationship between increase in income per month (y_i) and loan amount borrowed or investment (x_i), hence increase in income is positive function of loan amount borrowed or investment which has been proved by the highly positive value of correlation (r) as well as positive coefficient (b) of regression analysis. Again the value of coefficient of determination, R^2 , clarifies the above facts that more than 60% increases in income have been generated due to loan amount or investment. Similarly computed values of z test show that the living standard of women in terms of better food practices and clothing pattern has been significantly improved as their income rises. Again it has been estimated that repayment rate of loan is strongly higher and concept of saving is being developed.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 Summary and Conclusion

Although Nepalese women work for much longer hours, they live in difficult socio-economic condition it is because most of their works are not considered as productive jobs. There is also cruel wage discrimination so that even for same work they are paid low wage rate as compared to their male counterparts. Again they are also deprived from property ownership of land and this in turn restricts them from the stream of loan market hence income-generating activities. Similarly, their level of literacy, life expectancy and income lies well below. Thus extent of poverty is higher among women, which constitute half of total population. Then the poverty has become a burning issue of the developing countries like Nepal. So that many such countries including Nepal has applied different alternatives to address the poverty. Micro credit program is one of the such recently developed alternatives which has been believed, learning the lesson from Bangladesh, Indonesia and Thailand, to have a greater potentiality to reduce the extent of poverty.

Women are important sources of energy for development and their groups can be an effective channel for resources aimed at meeting the needs of the poor people in rural areas. These potentials can be best realized if they are integrated into the whole spectrum of development programs rather than relegated to the marginal sector currently reserved for women.

Leaving the male centric rote aside most of the countries in recent time given priority to women participation in the development process

considering as man and women are two wheels of a cart. Similarly, large number of national and international organizations have been set up and carried out various specific programs to enable women's roles and rights. These programs including formal and informal education, health awareness activities, income earning and self-employment generating activities have been launched with micro credit facilities. Micro credit has been proved to be most significant facilitators to poverty reduction and women empowerment. It is an inevitable means of breaking the vicious circle of poverty and to uplift the economic status of poor women.

Nepal initiated rural micro-finance since 1970 through the establishment of credit co-operations, implementation of priority sector credit program and Small Farmer Development Program (SFDP). After the initiation of rural micro finance (micro-credit) various programs such as PCRW, MCPW, PDDP, Grameen Banking and many other FI-NGOs from government and private sector came into existence to provide financial service towards the poor women to enable them to undertake their farming and enterprise according to their interest.

WDS of Nawalparasi started micro credit program in Rajahar VDC since 1997 under which micro credit is provided for production activities for the poor women. Specially micro credit program does not require physical collateral for the disbursement of loan. Loan is provided on group liabilities. Since 1997, there are all together 18 groups which out of 240 group members engaged in income generating activities and total loan disbursement up to 2005 is 72,62,000.

Under micro credit program in Rajahar VDC, WDS- Rajahar, Grameen Bikas Bank-branch office Beldiha, and Agriculture Development Bank-branch office Rajahar provide loans. Micro credit

program for women has served women from a different ethnic groups including Brahmin, Chhetri, Newar, Tharu, Kumal, Magar, and so on but Bramhin and Chhetri are the major participants by cast.

Some of the findings of the study may be summarized as:

The rural women of Rajahar VDC under the coverage of micro credit program were relatively poor having income less than Rs. 1500 yearly. So on an average the program is target group oriented.

The study has found positive impact of micro credit program on beneficiary's earnings and living standards. Similarly, involvement in the micro credit program has empowered women in varying degree. It has offered opportunities for poor women to come out of their house hold confines, to organize themselves in groups and to work in productive and social activities. The program with its focus on group activities and income generation has helped to enhance the self confidence and increased right to spend thus increasing the access to resources.

For most of the women, despite of the efforts of FI-NGOs both of government and privet sector, the nature of their work appears to have not changed. So in spite of the increase in monthly income their average working hours have remained unchanged as they are still stuck on the traditional farming activities. Similarly most of the projects were small and unable to generate remarkable amount of profit but 84% of the respondents have made some profit.

Repayment percentage of the overall program was near about 85 percent in Rajahar VDC. Repayment is found lower in agriculture activities and higher is business activities. Low repayment rate was caused by insufficient supervision due to staff turn over and under

staffing and long distance between sites and death of animals due to various reasons. Among the sample borrowers 30 percent has totally paid the loan, 55 percent has partially paid the loan and 15 percent has not paid at all. However, in case of Grammen Bikas Bank, the repayment rate is 95 percent. Therefore, repayment rate of loan of the program in whole as well as sample can be taken as satisfactory.

Empirical findings showed that correlation is 0.803 which signifies that loan amount borrowed and increase in income per month are positively related. Similarly in regression analysis, the value of coefficient is found positive so the increase in income is positive function of loan amount borrowed. Again the value of coefficient of determination is 0.646 which reveal that 64 percent increase in income has been generated due to loan amount or investment. And from test statistics it is found that project intervention is significant in increasing the number of members who take relatively better off food and clothing hence better living standard.

Therefore looking the scenario of various facts and empirical findings of the study such as shift of occupation from traditional agriculture activities to small agriculture based industries and retail business, significant rise in average income, improved in living standard and women empowerment, developing concept of saving, and higher repayment rate it can be said that the program is toward satisfactory trend to reduce the poverty but there is still many things to be done considering the solution of existing problems so that there is need to planning in future.

6.2 Recommendation

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

-) It will be better if the program would be designed in such a way that need identification, implementation, supervision and monitoring of the program and its flow up could be done by the community itself.
-) The program should develop practical and varied training courses related to skill development activities, agriculture extension, income generation and business promotion as per the need of particular community.
-) Most of the disbursed loan goes to agriculture activities it is because our whole economy is dominated by agriculture sector. Thus following points are proposed:
 - Healthy livestock should be supplied to loaner instead of providing credit in cash.
 - Vaccination of animal should be arranged at appropriate time.
 - The program should have its at least one veterinary assistant who can fully devote time to provide services.
 - Though there is the provision of insurance in case of death of livestock but it has not been smoothly implemented. So there is need of smooth implementation of insurance provision as well as the provision of insurance to the livestock suffering from diseases too.
-) Group savings are of great importance in the rural economy. Though most of the programs have saving scheme, it is

insufficient so that there is need to adopt incremental approach i.e. saving should be increased as income starts to generate from the program.

-) In rural areas there is inefficient market mechanism. Market is settled once within a week. Where vegetable producers have felt difficult because some of the vegetables can not be stored long when it is reaped. Therefore daily effective market mechanism should be developed. Again there should be at least one cold storage on the particular area where producer can store their surplus vegetables like potato, onion etc.
-) The position of the program staff should be permanent so that they could perform their responsibilities with confidence and concentration. Given the field oriented nature of the work of the program staff, allowances should be raised. Monitoring of the overall operation of the program activities should be carried out by some independent agency. The credit project should be located at an easily accessible place where the women could gather, raise queries and get information.
-) To supervise the use of the loan and to provide effective skill to advice on the management of the loan project field staff should be trained regularly so that the clients of the credit program can receive technical as well as managerial skill properly.
-) The program should be included with literacy classes as well as orientation classes in which the WDS staff should provide all information about loan, repayment schedule and rate of interest, etc.

-) There is need to shift the program from agriculture based on small industry and business promoted activities because there is high operation cost in agriculture based activities.
-) There is lack of universal definition regarding micro-credit in the context of Nepal. The credit small in size (micro) is generally called the micro credit.
-) Quite often many micro credit advocates tends to considered poverty as cash flow problem and seek in narrow economic terms. Poverty particularly that of women can not be explained in terms of cash flow problems it has strong linkage with inequitable distribution of wealth, unequal macroeconomic policies. Any strategy for poverty reduction with main emphasis on micro credit and income generation programs in informal sector is not going to be effective in the long run. Women economic empowerment is much more than credit and income generation program.
-) In some of the case, it is found that, women's autonomy has been narrowed by their family, especially by their husband, which in turn has disturbed in investment, saving, and income. Therefore beneficiaries' family or husband should be participated in a counselling conducted by concern offices so that women autonomy can be raised.
-) As there is no better alternative, rather than to continue and increase the involvement of NGOs or FI in the delivery of financial service to rural poor, NGOs should be made more efficient. Although not highly significant but a Positive and relatively significant association between profit and perception level of support service provided by NGO had been found among the rural women covered by MCPW in Rajahar VDC.

Given this finding, all efforts should be made to deliver better services to the MPCW women members in a coordinated manner. NGOs should work in the direction so as to link women member to government line agencies and motivate them to take their service and resource, which is supposed to be helpful in starting off farm income generation project.

-) Micro-credit program can not alone be considered as the panacea of poverty alleviation so that other programs are also headed as complementary.
-) Only micro finance indeed will not bring desired change in the living condition of poor people of Nepal. Thus it needs to involve various actors/stakeholders in the poverty program. More and more local bodies should be involved in planning and mobilizing resources. Indeed they have comparatively more base and strength in the mobilization of the community. They have also resources, which can be utilized for various specialized services and infrastructure development.
-) Here the civil society should perform as a control unit of the functions made by local bodies, FI-NGOs and Government. It should manage various awareness programs so that micro credit program and its consequence components planning and mobilizing resources can only follow right and appropriate track. Again decision-making role should lie with the beneficiaries. As the beneficiaries are more aware of their local socio economic contexts they are better placed to decide about the credit priorities and processes.

QUESTIONNAIRE

1.1 Name of the Respondents

Age

VDC

Ward No.

Locality

1.2 Cast Ethnic Group:

1.3 Education: Literate

Illiterate

Completed class

1.4 Marital Status: Married/ Unmarried/ Widow/ Divorced.

1.5 Family Head:

Respondents herself

Husband

Other

2. Economic Background

2.1 What is your land tenure status?

(a) Owner cultivates

(b) Tenant cultivates

(c) Share cropper

(d) Land less

(e) other specify

2.2 What is your land size holding and production?

| S.N. | Khet (in Bigha) | Production in quintal | Pako in Bigha | Production is quintal |
|------|-----------------|-----------------------|---------------|-----------------------|
| 1 | | | | |
| 2 | | | | |

- 2.3 Do you have land in your own name?
 Yes No
 If Yes
 Did you have it earlier or owned after the program began?
- 2.4 Can you produce sufficient food for your family in your own land?
 Yes No more than necessary
- 2.5 What was your main occupation or job before joining the program?
 (a) Agriculture (b) Wage earner
 (c) Household activities (d) other jobs, specify
- 2.6 What is your monthly income before and after joining the program
 (in rupees)
 (a) Before
 (b) After

A. Question related to objectives No. 2 and 3

- A.1 Why did you join the program?
 (a) To earn more income and to improve family condition
 (b) To be self dependent
 (c) others specify
- A.2. Do you think your poverty has been reduced by joining the program?
 Yes No Do not know
- A.3. What types of benefit have you got from that program?
 Economic benefits
 Non Economic benefits
 If you have got non economic benefits then please specify it:

A.5. Have you taken any loan from the program

Yes No

A.6. If yes, how many times you have taken the loan?

A.7. What was the purpose and amount of loan?

| S.N. | Purpose | Amount |
|------|---------|--------|
| 1 | | |
| 2 | | |

A.8. Did you spend loan in particular purpose or not?

Fully spent Partial spent

Not spent

A.9. If not where did you use if?

(a) Household consumption

(b) Keeping in cash

(c) Others, specify

A.10. Are you benefited from the loan?

Yes No Do not know

A. 11 Did you pay the loan?

(a) paid totally (b) paid partially

(c) not paid at all

A.12 After paying loan, what is the purpose for which the remain income is used?

(a) Household daily needs

(b) Household other expenses

(c) Personal use

- (d) Reinvested in previous work
- (e) Others, specify

A. 13 Do you have any saving or not?

- Yes No

A.14 If yes, what is the monthly savings (in rupees)?

Monthly saving:

A.15 For what purpose the saving is used?

- (a) To pay back the loan
- (b) Taking idle
- (c) To lend the someone else
- (d) Others specify

A.16 Have you made any change in your food and clothes after joining the program?

- Yes No

If yes, what were the ingredients of your daily food before the program?

What is it now?

What did you wear before the projects began?

what did you wear now?

Related to objective No. 1

B.1. Expect income generating activities which types of program have you joined under this program?

- (i) Community development activities
- (ii) Training
- (iii) Environment and appropriate technology

(iv) Literacy classes 7 (v) others specified 7

If training, how many times have you attended?

B.2. Do you think the knowledge you received from the training is adequate to run your project.

B.3. What is your role in various intra household decision making process?

Before program:

After program:

B.4. Do you think that after joining the program you can support yourself if left alone?

Yes | No | Don't know |

B.5. Do you think that the thinking of society towards you has changed after joining the program?

Yes | No | Don't know |

C. Related to Objective 4

C.1. Is there any problems you have faced while you are performing various activities under this program?

Yes | No |

If yes, what are they? Specify

C.2. Did you get any co-operation to solve that program from NGO, Bank, Government etc?

Yes | No |

If yes what are they

C.3. Do you have any suggestions or comments to this program which can help to make it more effective?

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Appendix - 1

Loan Amount Borrowed and Income Increase Per Month

| S.N. | Loan amount borrowed (X) | Income increase per month (Y) |
|------|--------------------------------|-------------------------------------|
| 1. | 30000 | 2500 |
| 2. | 15000 | 1700 |
| 3. | 15000 | 2000 |
| 4. | 20000 | 2500 |
| 5. | 25000 | 3500 |
| 6. | 5000 | 2200 |
| 7. | 10000 | 2600 |
| 8. | 10000 | 2400 |
| 9. | 15000 | 2000 |
| 10. | 20000 | 2500 |
| 11. | 24000 | 3000 |
| 12. | 5000 | 1200 |
| 13. | 30000 | 3500 |
| 14. | 30000 | 4000 |
| 15. | 27000 | 3500 |
| 16. | 15000 | 2500 |
| 17. | 30000 | 4500 |
| 18. | 30000 | 4700 |
| 19. | 27000 | 3800 |
| 20. | 25000 | 3900 |
| 21. | 25000 | 4700 |

| S.N. | Loan amount borrowed (X) | Income increase per month (Y) |
|------|--------------------------------|-------------------------------------|
| 22. | 10000 | 2100 |
| 23. | 10000 | 2600 |
| 24. | 10000 | 3000 |
| 25. | 15000 | 3800 |
| 26. | 20000 | 3700 |
| 27. | 20000 | 3000 |
| 28. | 20000 | 3700 |
| 29. | 30000 | 4800 |
| 30. | 25000 | 4000 |
| 31. | 25000 | 4000 |
| 32. | 30000 | 4700 |
| 33. | 30000 | 4800 |
| 34. | 24000 | 3900 |
| 35. | 25000 | 3900 |
| 36. | 30000 | 4300 |
| 37. | 25000 | 3700 |
| 38. | 5000 | 2000 |
| 39. | 30000 | 4900 |
| 40. | 24000 | 4500 |
| 41. | 27000 | 4900 |
| 42. | 30000 | 5500 |

Regression

VARIABLES ENTERED/REMOVED

| Model | Variables Entered | Variables Removed | Method |
|-------|----------------------|-------------------|--------|
| 1 | | | |
| | Loan amount borrowed | Enter | |

a All requested variables entered.

b Dependent Variable: Income increased per month

MODEL SUMMARY

| | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics | | | | | Durbin-Watson |
|-------|------|----------|-------------------|----------------------------|-------------------|--------|-----|---------------|------|---------------|
| Model | | | | | R Square Change | df1 | df2 | Sig. F Change | | |
| 1 | .803 | .646 | .637 | 639.8381 | .646 | 72.862 | 1 | 40 | .000 | .476 |

a Predictors: (Constant), Loan amount borrowed

b Dependent Variable: Income increased per month

ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|------------|--------------|----------------|--------------|-------------|------|------|
| 1 | | | | | | |
| Regression | 29829051.134 | 1 | 29829051.134 | 72.862 | .000 | |
| Residual | 16375710.770 | 40 | 409392.769 | | | |
| | | | | | | |

| | | | | | | |
|-------|--------------|----|--|--|--|--|
| Total | 46204761.905 | 41 | | | | |
|-------|--------------|----|--|--|--|--|

a Predictors: (Constant), Loan amount borrowed
b Dependent Variable: Income increased per month

COEFFICIENTS

| | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|----------------------|----------|-----------------------------|------|---------------------------|------|------|
| Model | B | Std. Error | Beta | | | |
| 1 | | | | | | |
| (Constant) | 1200.848 | 281.644 | | 4.264 | .000 | |
| Loan amount borrowed | .105 | .012 | .803 | 8.536 | .000 | |

a Dependent Variable: Income increased per month

Residuals Statistics

| | Minimum | Maximum | Mean | Std. Deviation | N |
|----------------------|-----------|-----------|----------|----------------|---|
| Predicted Value | | | | | |
| 1727.3757 | 4360.0146 | 3452.3810 | 852.9583 | 42 | |
| Residual | | | | | |
| -1860.0145 | 1139.9855 | 2.599E-13 | 631.9870 | 42 | |
| Std. Predicted Value | | | | | |
| -2.022 | 1.064 | .000 | 1.000 | 42 | |
| Std. Residual | | | | | |
| -2.907 | 1.782 | .000 | .988 | 42 | |

a Dependent Variable: Income increased per month

Correlations

| | | Loan amount borrowed | Income increased per month |
|----------------------|-------|----------------------|----------------------------|
| Loan amount borrowed | | | |
| Pearson Correlation | 1.000 | .803 | |

| | | | |
|----------------------------|------|-------|--|
| | | | |
| Sig. (2-tailed) | . | .000 | |
| | | | |
| N | 42 | 42 | |
| Income increased per month | | | |
| Pearson Correlation | .803 | 1.000 | |
| | | | |
| Sig. (2-tailed) | .000 | . | |
| | | | |
| N | 42 | 42 | |

** Correlation is significant at the 0.01 level (2-tailed).