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A STUDY OF MICROFINANCE AND WOMEN EMPOWERMENT IN NEPAL

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ABSTRACT

There is a general consensus that microfinance is not equal to all poor women but has positive consequence in the life of Nepalese women. The study investigates the role of Micro-credit and its effect on its borrowers. The study is based on the self-made questionnaires to the women in Nepal. The data is collected via telephonic interview from two different areas in Nepal and then analyzed and compared. The research findings proved that there is an improvement not only in economic terms but also in social terms. The results show a positive impact in income and saving despite of different interest rate charged by the companies. Although MFIs are mushrooming in Nepal, the poor villagers are remained under high interest rate with less accessible of money lending comparing to the women in Nepal.

Keywords: Microfinance, micro credit, poverty, woman oriented, Nepal.

INTRODUCTION :

Nepal being a landlocked country between China and India is one of the countries that suffers from poverty. It is a country with least development and is highly relies in foreign aid. The country is divided into three ecological zones: the lowland, the midland and the highest. Out of 28.17 million (2014), more than 80 percent of people in Nepal lives in rural areas where over 30 percent earn less than US\$14 per person in a month as per 2010-2011 national living standards survey. These people do not earn enough to feed their families due to which everyday about 1,500 Nepalese are leaving to abroad for betterment of job opportunities. The condition became worst when recent national disaster of 7.8 massive earthquake occurred a year ago in 25 April 2015 which may push the poverty line by 2.5-3.5 percent more. It means the poverty may rise from 700,000 to 982,000 people. So to overcome from these problems, microfinance can be a pivot which aims of alleviation of poverty by proving micro loans and saving opportunities to the poor in sustainable way.

Socio-economic status of people in Nepal :

Nepal ranked 151 in global ranking, is listed among the poorest and least developed countries with low socio-economic status in the world. Having one-quarter of its people (7.05 million) are living under poverty line, the country's main economy is based on agriculture employing 70% of the population and contributes 37% of GDP (Gross Domestic Products). However, in recent years, remittances play significant role in the economy of the country contributing 29% in GDP. As per the World Factbook, there is a growth in GDP by 1.3% in 2014 from 4.1% in 2013 to 5.4% in 2014 which later decreased sharply to 3.4% in 2015. Inflation is increased by 7.9% in 2015. The GDP-per capita income in equivalent to US \$2,500 in 2015 US \$100 more from 2014 and US \$200 more from 2013 (Agency, 2016).

Nepal however has seen some progress over last years. The progress has been made in education, health and gender. The effective impression of progress is made in the life of people who were living less than 2 USD a day- from 53% in 2003-2004 to 25% in 2010-2011 (Bank, 2015).

Despite of agriculture as a national economy of the country, only 20% of land is arable. Another 33% is forest and

rest is mountainous. This cultivable land produces rice, wheat, maize, coffee, herbs, sugarcane, and potatoes as major crops in plain area known as Terai region. In mountain region, poultry farm plays vital role in the economy of people. These, however is not enough for local people to depend on due to the increase in population and environment degradation (Encyclopedia, 2016). This resulted into people seeking job in abroad and too dependency on remittances that grew 15.2 percent to RS. 427.37 billion in the review period compared to a growth of 4 percent in the previous year (Department, 2015-2016). Manufacturing is still in baby phase that represents less than 10% of the GDP.

Status of women in Nepal :

History indicates that the status of women a century before was lower than that of men. But the present days, the social and economic position of women in Nepal are very much improved by various plans and programs working for their betterment. They have got major priority in various legal and social measures. Many women in the city have gained higher position in various fields.

The reasons behind this are Nepalese socio-culture beliefs, rural poverty, and traditional barrier, lack of resources and realization. Moreover, literacy rate is a main factor among all of the above reasons. In childhood, girls are considering as others property and the parents do not bother to invest money on their daughters. This is the reason the World Bank states that less than 50 % of adult women are literate in Nepal. Due to this reason, when grown up women are economically weak and are paid very low money when comes to unskilled job. They have least participation in decision making as well. After marriage, most of the women only play a role of housewife and are expected to support their men by performing in-house activities properly so that men can perform outside of the house enthusiastically. Their ability to make communication with their husbands and family members indicates the freedom they have in decision making power. The culture of Nepal is male oriented. The birth of son brings happiness, prestige, identity and dignity to a mother where birth of a daughter considers as a burden to the family. Even when they are expecting a child they cannot visit to the doctor without a permission of her

husband, mother-in-law or the head of the family. This is one of the reasons that Nepal has one of the highest maternal mortality rates in South Asia estimating 40% of pregnancies are highly risky for both mother and unborn child. Women in Nepal play significant role in the development of nation. They are multi-talented people with so many roles in the society. They do contribute in economy of the country no matters whether it is agriculture or small enterprise or labor but their contribution is less accounted to the GDP. Despite of continuous effort, they do not play major role in income generation. They are backward in terms of human rights.

On the other hand, women in Nepal faces many challenges in their daily life. They face various forms of discriminations due to family practices, patriarchy, inheritance and property ownership, early marriage, less access to health, education and violence against women.

RESEARCH METHODOLOGY:

For this paper, both Primary and secondary data have been used. Primary data has been collected via telephonic interview. Similarly, secondary data have been collected from few books, articles, journals and thesis, research literatures as well as sources from internet.

OBJECTIVES OF THE STUDY:

The overall objective of this study is to assess the impact of micro credit program in empowerment of women. The specific objectives of the study are;

- To find out the economic empowerment of women through micro credit in Nepal.
- To forward recommendation for making the role of women effective in their economic and social empowerment.

REVIEW OF LITERATURE:

Microfinance is all about financial services provided in name of small loans to the poor to start or expand their small business that may improve their living standard by improving earning capacity as well as empower women by enabling them to make economic decisions and alleviate poverty. Micro-financing is available to poor entrepreneurs and to the low-income households who have no collateral and lack access to standard bank loan. Microfinance programs have been introduced with the aim of developing microenterprises; in addition to help existing business to grow by diversifying their activities and coping poverty among the needy people of the developing countries.

According to **Sohail (2014)**, empowerment has two inter-related elements, namely, resources and agency. Resources include both tangible and intangible assets. While tangible resources are financial and material assets, intangible resources are knowledge, skills, and ability, and participation in political and social activities. Resources are not merely used as empowerment, but as catalysts for empowerment.

Acharya (1994), States that women in Nepal are the poorest and disadvantaged group due to social, legal and intra

household discrimination. As a result, education health and nutrition status of women including girl child are much lower than that of men particularly in rural areas. They work harder and longer than men, women's work at home and outside are 11 hours as against 8 hours per day of men. Even, then, women rarely won land because land is inherited patriarchal. This hinders the women from obtaining micro credit. Lack of micro credit limits access to improved technology, agricultural inputs and information. Therefore, there is a need of such programs for women which can make equal access to the economic activities and resources and other social programs to activate them to meet the contemporary rural development program.

Shrestha, Neera (2005) due to participation of micro credit project for women (MCPW) there are changes in the economic status of women participation. At the individual level of women, the income of women associated with the program is greater than women outside the program. Through program, women are able to get easy credit without collateral and on low interests. They have developed the habit of saving regularly. Most of the women are involved in income generating activities such as livestock rising, agricultural farming and micro enterprises.

Empowerment is an ability on women to make strategic life choices which were somehow in some point had been denied to be provided in their life (Sevefjord & Olsson, 2000). It is a process for women to increase self-reliance, independent right to make choices, and to control available resources which will assist in challenging their own subordination. It is very used in present context in developing countries in various ways. One of them is in the Millennium Development Goals (MDGs) by UN as 'Gender equality and women's empowerment' in form of the third goal (Kabeer, 2003).

History of Micro finance in Nepal :

The MIFs in Nepal begins at 1956 AD when the first 13 credit cooperatives were established in Rapti Valley of Chitwan district under the management of government and with the support of USAID (United States Agency for International Development) Nepal to provide credit to the flood-stricken people. Later in 1963, GoN (the Government of Nepal) established the first cooperative banks which by the time converted into ADBN (the Agricultural Development Bank, Nepal). In 1974, NRB (Nepal Rastra Bank) -the central bank of Nepal made it compulsory to two commercial banks to invest of 5% of their total deposits into the 'small sector'. These contribution was utilized in 1976 to the agriculture, cottage industries, and the service sectors known as 'priority sectors'. However, this contribution of least investment to the commercial banks are now increased to 12% (Sharma, 2003). In 1975, ADBN conducted a program known as SFDP (Small Farmers' Development Program) to assist small farmers financially. This project avoided physical collateral for the very first time and brought an idea of group formation and group-based lending. This was a huge success to the government and expanded its root to other parts of the nation. After 6 years of this project, in 1981, NRB lunched the IBP (Intensive banking Program) under which CBs were required to lend a certain percentage to the people of their priority sector and who are

below poverty line as group-based lending without asking any physical collateral. In 1982, the GoN initiated the first women-focused socio-economic program called PCRW (Production Credit for Rural Women) collaborating with UNICEF (United Nations Children's Emergency Fund), NRB, CBs (Commercial Banks), and ADBN. This program was implemented in 55 districts and conducted to generate skills to the poor women by MLD (Ministry of Local Development) staff by involving them into small credit groups.

Another breakthrough performance by the GoN and NRB in 1992 was to bring two institutions that follows GB (Grameen Bank) model that established in the east and the west. In ten years of the time, the sector developed into private GB-style banks, semi-formal institutions such as FINGOs (Financial Intermediary Non-Government Organizations), SACCOSs (Savings and Credit Cooperative Societies) and SFCLs (Small Farmer Cooperative Limited), as well as the proliferation of informal community-based organizations, self-help groups, and others (Nepal, 2013). In 1994, MLD commenced another project entitled 'Micro project for Women' under ADB financial assistance in 12 districts and five municipalities. It was under NGOs financial support. In 1990, the GoN also established RSRF (Rural Self-Reliance Fund)-a wholesale lending institution and funded Rs. 10 million through fiscal year budget for two consecutive years. Another wholesale lending institution RMDC (Rural Microfinance Development Centre Limited) is established in 1998. Similarly, in 2000, CMF (Centre for Micro-finance) and SKBBL (Sana Kisan Bikas Bank Limited) started in 2001 started wholesale financing to SFCLs (Small Farmers Credit Cooperatives). In 2006, there were more formal financial service providers came into exist.

MICRO FINANCING FOR LOCAL PEOPLE IN NEPAL:

Microfinance plays as a fulcrum between poor and their economy life. It is a tiny tool among those who are not touched by the big commercial banks in the society. Micro credits are lunched to reach poor especially women through group-based lending who lack formal financial support. According to Gokul Pyakurel, a financial expert for MEDEP (Micro Enterprise Development Program) only 15% people have access to banking services within 30 minutes of walking distance and 17% of it gets financial support from cooperatives. MIFs (Microfinance Institutions) plays important role to those living in rural living without access to the technology and banking services. MFIs helps to create micro entrepreneurs by preparing the poor to compete in the job market where many of them are prepared from childhood to attract potential employers to earn few monies. MIFs opens a door to the poor by creating self-employment opportunity to escape from unemployment and poverty.

However, government in Nepal is not playing enough role to support such MFIs. On the behalf of government, MFIs are working on rising social awareness to alleviate poverty. The MFIs are in the need of proper regulations & supervision from NRB, strict rules for disbursement and utilization check of the loan disbursed, compulsory CIB (Commercial

International Bank) information to be obtained for every loan disbursed, and strict policy for license of new MFIs etc.

DISCUSSION :

Since poverty is a huge problem in Nepalese society many people are earning less than \$14 a month. This does not only put Nepalese people life in difficult situation to survive, but also forces many youths to leave country in search of better working opportunities in abroad. As per International Labor Organization in Nepal, female leaving to work abroad might be as high as percentage of total workforce abroad.

In Nepalese society, poverty and backwardness are commonly used to women than to male. Women living in village suffer more due to less access into many field in family and society. Despite of the fact that women can perform actively and can go hand in hand with males, do not get enough support from society to prove their caliber. To erase this kind of situation, micro finance has been playing as an effective tool since 1980s.

Micro-finances in Nepal have been operated in many parts in the country, targeting especially women to help them in developing self-employment opportunities and various income generating activities. As per their requirement, they are trained and are provided small loan to start micro organization without collateral. However, they are regularly monitored and made compulsory in saving to avoid late loan repayment.

Women development is very necessary for a small country like Nepal where the development can bring long term changes in the society in terms of material and welfare of women. Their development need to be measured through women empowerment where they can participate in income generating activities and can make decision for themselves for their own benefits. The fundamental of women empowerment is based on putting capital into the hand of women who are believed to be wise investors, investing the sum into income generating business rather using it haphazardly. Capital in their hand can generate income contributing financially to their households and communities empowering them both economically and socially. This at the end leads in increment of self-esteem, respect and offer forms of empowerment for women beneficiaries.

CONCLUSION :

The study also establishes the concept about poor villagers as less risk taker to continue credit as they are highly depending on agriculture sector. Since urban women are completely on commercial business (no matter the type of business), they tend to be determined to continue loan rather dropping out caused by natural disasters for instance, floods.

Women agree that the microcredit program has positive impact in their self-confidence. To prove this 52% of women in city and 78% of women living in village are encouraged to take up leadership positions in their families. The program has helped women in creating decision making opportunities inside their household matters.

With the loan they not only able to increase their income but also had impact on financial and social life. The results show the positive side in decision making power within the family which can be associated in building up strong social and economic empowerment.

The analysis of the data when compared between rural and urban women indicates that the amount of money borrowed by city women is higher than village women but the interest rate paid by poor villagers is higher by 4%. It shows micro-credit interest rate is not reasonable for women in village and found difficulty in obtaining adequate volumes of credit due to which they are not being able to save enough for their living. Thus, it is necessary to reduce the interest rate by MFIs in the village. It helps borrower to pay less interest and they can save more earning.

Furthermore, micro-funding is specially designed for people living in village, the loans should be made easily available. After calculating data from city and village, the results that young women are repaying loan faster than middle aged women due to their active participation in business.

In this case, MFIs are actively participating to eliminating poverty in Nepal. But unlike their situation, this is totally inapplicable to bring changes in their lifestyle effectively. It can be said that they are the people who needed to be helped financially on long term basis. Thus, it helps on sustainability of MFI and borrower vice-versa.

Overall, the analysis shows positive impact of MF on living standard of women economically as well as socially. The women who were living in veil before and following to the words by their family members are now turned into small entrepreneurs. Their confident level has grown up to make any decision inside family. This became possible because of one micro economist, Muhammad Yunus, who thinks women have potential in converting their skills into productive activities leading to an improvement in their status related to men.

Finally, the government can perform more rather by NGOs and MFIs in reducing poverty by providing the rural areas with good infrastructure so that the rural women have alternative sources of financing without depending only one moneylender that charges higher interest rate.

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