

Economic Effects of Microfinance Program Does Positive Impact for Women in Nepal?

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Abstract:

Present Study is designed with the aim of identifying the effect of microfinance program in Nepalese context. Based on a descriptive research design, the researcher has taken a sample of 54 women of Kirtipur Municipality Kathmandu, involved in microfinance, by using the convenience sampling method. The data are collected from field visit using a questionnaire and supported by the secondary source from Nepal Rastra Bank report. The collected data are interpreted through percentages, tables and figures wherever necessary. Analyzing data, there were positive improvements regarding income received and saving mobilization through activities undertaken with increased funding supports in successive years—the change in income affects the change in savings of the client. Improvements were also observed in participation in social and political events, decision making, leading in household activities, building self-confidences, involvement in community work, all in all show the significant positive changes in the empowerment of women members. But despite of constraints like high repayment pressure, the debate about the higher interest rate, rigid time period of fixed loan installment payment period Microfinance Institutions are focusing on achieving their goal of alleviating poverty, improving the status of the poor women in the society as well as in the family and also contributing in the human development programs in Nepal.

Key Word: *Economic Impacts, Income Status, Social Status, Social Empowerment, Effectiveness, Constraints*

I. Introduction

The history of micro credit programs in Nepal can be traced back to the beginning of the first five-year plan, which commenced with the establishment of cooperatives in 1956. Official policy got recognition of importance of this sector in alleviating poverty in the fourth national plan with the establishment of Small Farmers Development Program (SFDP) in 1975. Formal credit plan have been started in 1981/82 with the introduction of Women Development Program (WDP) within the operational framework of SFDP to ensure empowerment of women. Soon after, in 1982, Women Development Division (WDD) of Ministry of Local Development (MLD) introduced Production Credit for Rural Women (PCRW) project with two public commercial banks (Nepal Bank Ltd. and Rastriya Banijya Bank) and UNICEF as their partners.

Microfinance practice in Nepal has originated from traditional practices of co-operative like Guthi, Dhukuti, Dharma Bhakari, Perma etc, at present there are numerous co-operative societies, NGOs, INGOs and governmental organizations (GOs) working under this sector. After the financial sector liberalization policy in 1992 as a replication of Grameen Bank of Bangladesh, in Nepal Regional Grammen Bikas Bank established then Nepalese MFIs have expanded massively. For the poor people formal credit and savings institutions have found d providing customers who were traditionally neglected by commercial banks a way to obtain financial services through cooperatives and development finance institutions (Mathema, 2008). Micro finances are effective in reducing poverty, empowering women and creating awareness which finally results in sustainable development of the nation. The main aim of microfinance is to empower women (Mohan & Sarumathi, 2011). It can be possible because microfinance is the means by which poor people get access to savings, credit and insurance facilities. Microfinance also helps poor people to improve their social status because microfinance helps in improving the capacity of people in decision making, adoption of better technology, proper access of market, resource allocation which in overall helps in improving the economic growth and development. As most of the poor people rely on the meager self-finance and the informal source for credit instead of using MFIs, they are not able to actively participate in and benefited from the development opportunities that MFIs are providing. Microfinance is very useful in providing assistance and empowering poor people, especially women who have suffered from poverty. Microfinance can contribute to the development of the overall financial system through the integration of the financial market. Micro-finance is relatively a new innovation in the age-old banking industry.

Enactment of a number of acts such as the Cooperative Act 1992, Development Bank Act 1996, Financial Intermediary Act (First Amendment) 1999 are some of the prominent policy interventions for the promotion of the microfinance sector in Nepal. As a result, a number of MFIs emerged in the country and were

categorized as (i) Bank and (ii) Financial Institutions, in 'Bank and Financial Institutions Ordinance 2005'. Bank represents the microfinance development bank and financial institutions consist of all other MFIs (FINGO and Cooperatives). Following this development, microfinance is exclusively focused on women. All most all microfinance development banks and FINGOs have women as their clients. One of the major rationales behind targeting women in microfinance is that they are honest, hardworking and sincere in mobilizing and repaying credit funds besides the objective of empowering them socioeconomically.

II. Statement of Problem

Women in Nepal are among the poorest and disadvantaged groups due to social, legal and intra household discrimination. As a result, the education, health and nutrition status of women, including girls, are much lower than that of men particularly in rural areas. In Nepal, land is an important asset. Even then women rarely own land because land is inherited patrilineal. This hinders the women from obtaining credit. Lack of credit limits affects the women in access to improved technology, agricultural inputs and information. Although women work much harder and for longer hours 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 (Shrestha, 2001).

In this regard, there is the existence of microfinance in the form of financial development which helps in alleviating poverty and help poor people to improve their social and economic conditions. It provides the basic financial services, like credit, savings and insurance, etc. Poor women in particular benefit from microfinance services. Women's status, both in their homes and in their communities, is elevated when they are responsible for managing loans and savings. The ability to generate and control their own income can further empower poor women. Research shows that credit extended to women has a significant impact on their families' quality of life, especially their children.

However, microfinance has always been the issue of debate whereas it should be completely business oriented or it should carry some social responsibility of social development, capacity building, linkage and coordination. Thus, it is important to assess the socio-economic impacts on women and to find out the critical issues prevailed with women focus microfinance.

Arguments made under Innovative Financial Institutions (IFIs) that poor do not need subsidy which destroys the market equilibrium, reduce optimal scale, siphon off the best borrowers therefore simply access to the loan facility is the major provision to be made in rural financial market. Particularly Latin American experience of gaining higher returns by MFIs than the commercial banks working in the same area (CGAP, 2001) might have higher influences among the MF practitioners to firmly believe on sustainable microfinance. But these all, might have challenged the socio-economic empowerment of women through microfinance services. That is why, it is necessary to analyze whether microfinance services has really enhanced the socio-economic empowerment level of women in Nepal further detailing into what extent microfinance services has created economic impact (physical and financial capital) on the lives of women. Has access to microfinance empowered women in building up their social status and social capital and is women focus microfinance a strategic tool for their empowerment or only a means for successful microfinance. So, this to answer the following research question:

1. What are social and economic impacts of the microfinance services on women?
2. What are the measures for enhancing the effectiveness of micro credit for women in Nepal?
3. What are the constraints faced by women clients?

III. Literature Review

Nepal is one of the least developed countries in the world and in South East Asia. Having a great scope for tourism and agriculture, most of the people in Nepal especially women are uneducated and jobless. They even do not have sufficient food to eat in a day. Most of them lived in rural and remote areas where there is no access to road and other facilities. The government has also overshadowed these areas. These days there is no legal government in the country, and the political parties are fighting with each other for the post of prime minister. But even after the round five elections they are not able to elect a Prime minister as none of the parties are able to obtain majority seats out of 601 lawmakers. In this situation, what can people in the country expect from them and how can the various microfinance programs be implemented in the country.

The government has made various microfinance program plans in the past. But most of the programs are implemented in the areas near a city where there is access to everything. Few programs have reached the remote and rural areas like Karnali, Rolpa, Rukum etc. And is the program reached to the village, women are overshadowed. There could be various reasons for that. But the main reason is they are not supported by their husband and family. In fact, women are taken as a housewife who has to look at household works, family, children etc. So they do not get any opportunities.

But the situation is improving slowly in even the remote areas of Nepal. The credit goes to the various microfinance institutions working in such places. But the numbers of microfinance working in remote and rural areas are very few. Nowadays, most microfinance organizations prioritize the women because they believe that educating women means educating the whole family.

From the data presented above, we can say that there is some improvement in the poverty level. But the status of women is not satisfactory even today. Women lag behind women in every sector. If we go to remote areas, the status is so devastating. Women even are not allowed to come outside the house. A woman participating in the social and financial sector is possible only in the imagination. Women's participation in every sector is tiny in comparison to males. Neither in the family nor the outside world is women not given equal opportunities. The government has recently declared that the parliament should have a 33% women participation and involvement and made compulsory to the political parties to have at least 33% women candidate in the party but why 33% and why not 54%. We can imagine the situation of women from this.

But there are some organizations that are working truly in the welfare, poverty reduction, and empowerment of women such as Maiti Nepal, WEAN (Women Entrepreneurs Association of Nepal), DEPROSC (Development Projects Service Center), RMDC (Rural Microfinance Development Center) etc. Due to these organizations, the current status of women in Nepal is slightly better than in the past. But still, there are many things that need to be done to empower women socially and economically. Until the government supports every microfinance program, it's not possible to make the program successful. So, every sector needs to contribute from their side to empower women not only in urban areas but also in rural and remote areas.

IV. Research Methodology

The selected study is Kirtipur Municipality of Kathmandu district, province number 3, Nepal. Women are the oldest indigenous dweller of this village. The study is based on a descriptive and analytical research design. The population for our study includes the women who have been engaged in microfinance activities for minimum a year. Out of the total microfinance clients, only 54 clients are selected in this study as the sample. Data required for conducting this research is basically obtained from primary sources conducting field surveys, telephone calls and emails. However, a secondary source of information is used to some in the relevant areas reviewing official documents and periodic reports of Microfinance institutions like DEPROSC Nepal, WEAN, and other related literature.

Microfinance itself is a vast and broad term. So both the quantitative and qualitative methods are applied in this study to explain the obtained information in a more effective way. Different types of statistical tools will be used to interpret the data obtained, such as bar charts, pie charts, frequency counts and t-tests as per the requirements. The economic impacts will be accessed by using quantitative analysis tools and the social empowerment will be analyzed using qualitative indicators.

V. Result

Economic Impact

Economic impacts of microfinance on women are measured through some visible indicators that sample women have felt. The overall status of women (increase in physical assets land, building, livestock and other household amenities), the status of income, status of savings and employment are measured and analyzed to find out the economic impact of microfinance on women.

Income Status

Many researches show that the average monthly income received from the sector/ source is the cash income received from marketable surplus by the respondent household. The women after participating in the microfinance program are able to earn some money by using the loan amount. The majority of the women are satisfied with the program and are able to pay the loan comfortably. They are able to earn a satisfactory income from their investment. From this research, we have been able to identify that there is a significant improvement in the status of income of women after participating in MF program which can be seen in the below figures. 81% of the respondent mentioned that their income status has improved. But there are some women whose income status has not changed even after participating in the program. The main reason after that is the lack of help and support, they receive from their family, especially husband and the other (society, MF institutions etc.).

Table no. 1: Income Status

Variables	Measuring Group	No. of women	Percentage (%)
Status of income level after participating in MF program	Yes	44	81
	No	10	19

Source: Field Survey,2019

From the above table, we can quickly determine whether the microfinance program is effective or not. Since the majority of the women has mentioned that their income status has improved, we reject the null hypothesis and accept the alternative hypothesis, which means there is a significant difference between the income statuses of women after participating in microfinance program. So that the microfinance program is quite effective in terms of income status.

Savings

Savings from a particular income source is the money saved from the received income of that source in that particular season or time. It is not exactly the difference amount between received income from and investment in that income source. There is also a substantial increase in savings from different income sources after participation in the microfinance program, as per the respondent.

Table no. 2: Savings

Variables	Measuring Group	No. of women	Percentage (%)
Saving increases after using MF loan	Yes	43	80
	No	11	20

Source: Field Survey,2019

The above tables will explain about the effectiveness of microfinance programs in terms of savings. The women after participating in the microfinance program are able to earn some money by using the loan amount and are able to save some money from the profit they earn. The majority of the women are satisfied with the program and are able to pay the loan comfortably. They are able to earn a satisfactory income from their investment. There are also some women who are not able to save even after participating in the microfinance programs. But these numbers are very low, which represent 20% of the total sample. Almost 80% of the sample is able to save some money from the income they generate from the investment they made as microfinance. Some women who have not made enough income from the investment find difficulties even in paying the loan amount they have taken as microfinance. So, some of them use savings from other sources to pay back the loan amount.

Savings from the proceedings of various enterprises make the clients more capable for further productive investment and for meeting their consumptive expenses. Saving deposits at MFI are the major savings of the beneficiaries. Savings at bank, MFI and home are found increased substantially at present when compared with the situation before joining the MF program. The increases in savings at MFI, commercial banks, and at home is due to the fact that the women participating in the microfinance are in essence, receiving more income through household-level enterprises they are undertaking with the loan support from the MFI. They also tend to spend their husband's earnings for household expenses and save all that they earn from MFI programs.

Social Empowerment

The microfinance program has been found very effective among the group and individuals who are using the facilities. It has been successful not only in improving the economic status of the women in Nepal but also helps women in social and political empowerment. Microfinance program components on the capacity building have improved women's stature socially and politically through measuring improvement on their speaking capacity, feeling of leadership development, respect from family and society, access to resources, and overall empowerment.

Social Status of Women

Most of the women spend their time in household works. They are not given the freedom to participate in any social activity. So, women in Nepal lack behind in every sector. The impacts of microfinance on their social status are described below

Table no. 2: Social status of women

Variables	Measuring Group	No. of women	Percentage (%)
Status after participating in Microfinance programs	Yes	38	70
	No	8	15
	Not sure	8	15

Source: Field Survey,2019

The above table shows the impact of the microfinance program on women in Nepal. From the table, we can analyze that there is a huge impact of microfinance on women. Almost the status of 70.00% of the respondent has changed after participating in microfinance. There has been some change in their assets, income,

savings, and a number of living assets (goat, cows etc.) after participating in microfinance. Land, livestock, and home to live in are the three major assets that significantly affect the overall position of a poor household and after participating in the microfinance program, there has been some improvement in these things. Some respondents who failed to utilize on the microfinance program lack behind. Their status has not changed even after participating in the program because they have not utilized the loan effectively. There are some women whose status neither improved nor decline after participating in microfinance program.

Most of the women did not have full access to the financial resources before participating in the microfinance program. The main reason for that was the lack of experience and education and knowledge. Most of the financial resources were under the control of men and women have to depend on them for any financial matters. But now the situation has changed. Microfinance makes women socially and economically capable. They have access to the financial resources as they are able to earn as men. But there are still some improvements that need to be made to improve their access to resources.

After participating in the microfinance program, women are brought outside of their household life and do something of their own. They got a chance to interact with the outside world and able to know different things. This has not only improved their knowledge but also improve their speaking ability. They have also gained confidence and feel that they can do beyond their household works. So, they are now participating in various awareness programs and have engaged themselves in various activities from which they can benefit economically as well as socially.

The engagement of women in business was taken as not good by the society in the past. But these days we can find women involvement in every sector. After participating in the microfinance program, women have gained some respect from their family members and society. They consider this as a economic prosperity and their changed look towards contributing towards contributing to the community activities. Not only this, women now have started participating in the decision-making process at home as well as in their works. But this is not a similar case in every household. Women still wait for their husbands or household head for decisions to be made. It was also reported by some respondents that if women take the decision in the husbands' absence, they more likely have to endure abuses or even slapping from them.

Proactive participation of women in leadership development was a rare thing to observe in Nepal. But microfinance has been able to change this to some extent. Leadership change in the MFI center by rotation every year might have also impacted the feeling of leadership. Feeling leads to determination, and determination pushes oneself to be proactive in carrying out activities that lead to develop leadership.

Effectiveness of Micro-Credit for Women

As women are being involved in microfinance, its challenges and opportunities both are arising. Women are facing problems and on the other hand, they are able to maintain their living standards and are able to maintain their livelihood due to their credit worthiness but for enhancing the micro-credit for women, as per operating cost interest rate should be maintained. Regulation and supervision from concern authority is needed to be done for the increment of microcredit for women for their empowerment. Nowadays, many micro finances are established, so one woman is involved in many institutions, which may result in failure in disbursing and repayment of the loan. So, involving in much microfinance must be avoided. As in the name of providing loans in a nominal interest rate, many women are being cheated by microfinance. So, such cheating and stealing are avoided to enhance the microcredit for women in Nepalese society.

Constraint Faced in the Study Area by Women

Despite the number of positive impacts that the sampled women have enjoyed from microfinance, they are facing a number of constraints since the microfinance program is discipline-based; thus, every activity has to be done with limited flexibility. The details of the constraints faced by sample clients are presented in the table below.

Micro Finance Programs	Constraints Faced by women
Loan and borrowing	Taking loans and borrowing money has increased irrational feelings amongst the sample females because the loan has been passed in their name and has resulted the economic pressure amongst people.
Interest	Male counterparts are keeping less interest and wanted to be free from any household responsibility, which has increased out tension.
Installment Payment	The installments need to be paid on specified days. Even if females are ill, it has to be managed anyway, which is difficult. Delay in paying the installment by any member brings about heated discussions and arguments amongst the village members. Often this has led to social conflict and unrest
Forwarding applications	Women are facing problems if they need to go out; however, there is a provision for forwarding applications. If the application is not put in the time, we have to pay the penalty.
Meeting and Discussion	Regular meetings and discussions have brought difficulty in managing household activities.

Series in the Microfinance	Discussions which extend till late in the evening have created problems at home as elderly members do not allow females to be out that late.
	Entire process has to be done by the females and under their presence which put them under pressure and made them worry as they have their family and children to look after. Further, problems are seen to feed and send children to school.
Common Decision	Since it is a joint effort of the entire village and all have to be present together to work thus has become more problematic and difficult.

Source: Field Survey, 2019

Among the various constraints faced by women, the most affecting constraint is the pressure of repayment. Due the lack of regular income source most of the women are not willing to take loan and facilities from the microfinance.

VI. Discussion

The microfinance program has brought a positive impact on the improvement of the overall status of women socially, economically and politically. There is an improvement in speaking capacity, leadership qualities, ability to access resources and overall development. The major discussions drawn from the field survey are presented below:

1. Positive economic impacts are observed in their livelihood structure: assets creation, enhanced food security, improved health, sanitation, and nutrition status, and self-employment creation.
2. Women are aware of the importance of educating children, health and hygiene, money management, women's role in the household economy, etc.
3. Increment in social interaction at the community level, harmony, and mutual co-operation.
4. Due to group liability to repay the loan, there seems social conflict.
5. Difficulty in time management for women in different activities like visiting their birthplace, household work as well as external due to increased responsibility through participation in microfinance program.
6. No specific skill development training was conducted; due to this, no occupational culture is developed.
7. Lack of skill and knowledge, they are not empowered to unite themselves in putting pressure on the demand of services.
8. Mostly, loans are invested in agriculture, livestock, and trade since they have not enough skill and knowledge for market-oriented value addition in micro-enterprises.
9. However, the significant economic impacts, increased awareness, confidence, and living in a more dignified life style are remarkable achievements in the area of poverty alleviation, social change, and women empowerment.

VII. Conclusions

The microfinance program has been considered one of the major tools to reduce the poverty level in the country. It has been taken as a major tool to empower women socially and economically these days. It has been seen in the above analysis that microfinance has helped women in empowering socially and economically after they participate in the microfinance programs. Microfinance has improved the overall status of women socially and politically as it helps to improve their speaking capacity, feeling of leadership, access to resources and overall development.

Access to microfinance services from the field surveyed has positive impacts on the life of sample women in Kathmandu district. Positive economic impacts are observed in their livelihood structure: assets creation, enhanced food security, at improved health, sanitation, and nutrition status, and self-employment creation.

Moreover, microfinance services have empowered women in many ways, such as awareness and knowledge on basic issues such as the importance of educating children, child health and hygiene, importance of money management, their role in household economy etc. The program has made participating client women more disciplined and conscious of time management. Further, awareness of enterprises handling, trading, and local economic scenario have upgraded. Their social interaction and community level, harmony, mutual cooperation is magnificently increased; however, at the same time, the threat of having social conflict has raised because of group liability to repay the loan. Domestic level violence and discrimination have also been reduced, and their role in household-level economic activities and participation in decision making process has been acknowledged.

Despite these all, women are also facing problems created through participation in microfinance program like increased responsibility to look after household as well as external affairs, therefore, difficulty in time management. Even some respondents mentioned they do not find time to go to their birth home (Maiti)

because of rigid and time-bound participation in microfinance centers and the responsibility to mobilize the loan fund properly. Sample women are not empowered to that level that they can unite and put pressure on the government line agencies and other developmental organizations to demand services. On top of these, sample clients are very much cautious in maintaining their social dignity by repaying the loan installment in time. Thus, they felt most pressured; however, it has been said that their husbands are also taking responsibility. Probably, this is one of the main reasons that microfinance is focused towards women. Sample clients even have to adopt some coping mechanisms, sometimes borrowing from more than one place to repay the loan in time, which has enlarged the threat of putting them into a debt trap. However, good repayment cannot be rationalized only with discipline and pressure but also with a better return from their investment, which has been proven from the analysis.

Besides, the notion of microfinance services to women is to capacitate them holistically. For which, availability of support services: input supply, infrastructure development, market, and friendly legal environment become integral part which is not adequately addressed. Moreover, the loans are mostly invested in agriculture, livestock, and trade since participating women are not capacitated with upgraded skills and knowledge for market-oriented value addition in micro-enterprises. Despite having a number of areas to improve and strengthen, microfinance services targeted to women clients have opened up many avenues of empowering them. The significant economic impacts, increased awareness, confidence, and living a more dignified life itself are remarkable achievements in the field of poverty reduction, and women empowerment thus cannot view only with the strategy of successful microfinance.

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