



Microfinance and Woman Empowerment

Kristina Shakya

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<p>Abstract:</p> <p>Poverty always exist into the world in various forms. It is precisely known to the poor countries where people still fight for basic daily needs. This study is made on the basis of women in Nepal where poverty and women empowerment are the main problem. In other to support to alleviation of poverty and encouraging women to gain status in life, Microfinance institutions are playing as one of the main tools. 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 Microcredit and its effect on its borrowers. The study is based on the self-made questionnaires to the women of city and village. It is also based on various previous research. 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 city.</p>	
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FOREWORD

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List of Abbreviation

ADB	: Asian Development Bank, Manila
ADBN	: Agricultural Development Bank of Nepal
CBs	: Commercial Banks
CBS	: Central Bureau of Statistics
CIB	: Commercial International Bank
CMF	: Centre for Microfinance
FINCA	: The Foundation of International Community Assistance
FINGOs	: Financial Intermediary Non-Government Organizations
GB	: Grammen Bank
GDP	: Gross Development Products
GoN	: Government of Nepal
IBP	: Intensive Banking Program
MEDEP	: Micro Enterprise Development Program
MFI	: Microfinance Institutions
MLD	: Ministry of Local Development
NGO	: Non-Government Organization
NRB	: Nepal Rastra Bank
PAPWT	: Poverty Alleviation Project for Western Tarai
PCRW	: Production Credit for Rural Women
RMDC	: Rural Microfinance Development Centre
RMP	: Rural Microfinance Program
RSRF	: Rural Self-Reliance Fund
SACCOSs	: Saving and Credit Cooperatives Societies
SFCLs	: Small Farmers Cooperatives Limited
SFDP	: Small Farmers Development Program
SKBBL	: Sana Kisan Bikas Bank Limited
TLDP	: Third Livestock Development Project
UNESCO	: The United Nations Educational, Scientific and Cultural Organization

UNICEF : United Nations Children's Emergency Fund
UNO : United Nations Organization

1 INTRODUCTION

1.1 Background of study

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 (Portal, 2016). 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 (Spotlight, 2016). 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 (F.World, 2015). 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 (Rhyne, 1998).

1.2 Research Aim

The research aim is to figure out the effectiveness of Microfinancing Institutions and Cooperatives in Nepal that are increasing in numbers to help poor to fight against poverty and uplift the economic standard. The main objective of study is to understand the reason behind the MIFs providing 99% of micro loan to the women only and evaluate the socio-economic impact from the loan in the life of these Nepalese women with special reference of few organizations that are mainly operated to grant loan to the poor Nepalese women to overcome from poverty. But, the report will be written by comparing two microfinance organizations to know the effectiveness of microfinance in alleviating poverty.

1.3 Research question

Main question:

Why does microfinance focus on women? What are the reasons for promoting women's participation in microfinance programs? Does microfinance effect for women empowerment in Nepal?

1.4 Limitations of study

The report is prepared by survey with the prospective clients of the micro finance via telephone. The entire report is based on the data provided by the clients during the interviews. Since, there are many MFIs in Nepal, the author has limited research on few MFIs expecting to be applicable in similar areas.

2 METHODOLOGY

2.1 Research Methodology and Data Collection

The research is the base of any thesis, it can be done in various method but there are two methodologies to get the perfect research. They are qualitative and quantitative research method. These two methods are tool for research process. But, research method should be selected as per the plan and objective of research. Similarly, it can be conducted with in two different ways such as deductive reasoning method and inductive reasoning method. Deductive reasoning is helpful for further research on actual matter but inductive reasoning method is different. In inductive reasoning method the topic needed to be created and have to do further research as per the need of the topic (Maanen, 2000).

For this thesis, both Primary data and secondary sources 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. Internet sources cannot be 100% reliable thus the author limited the use of this to the web pages like World Bank.

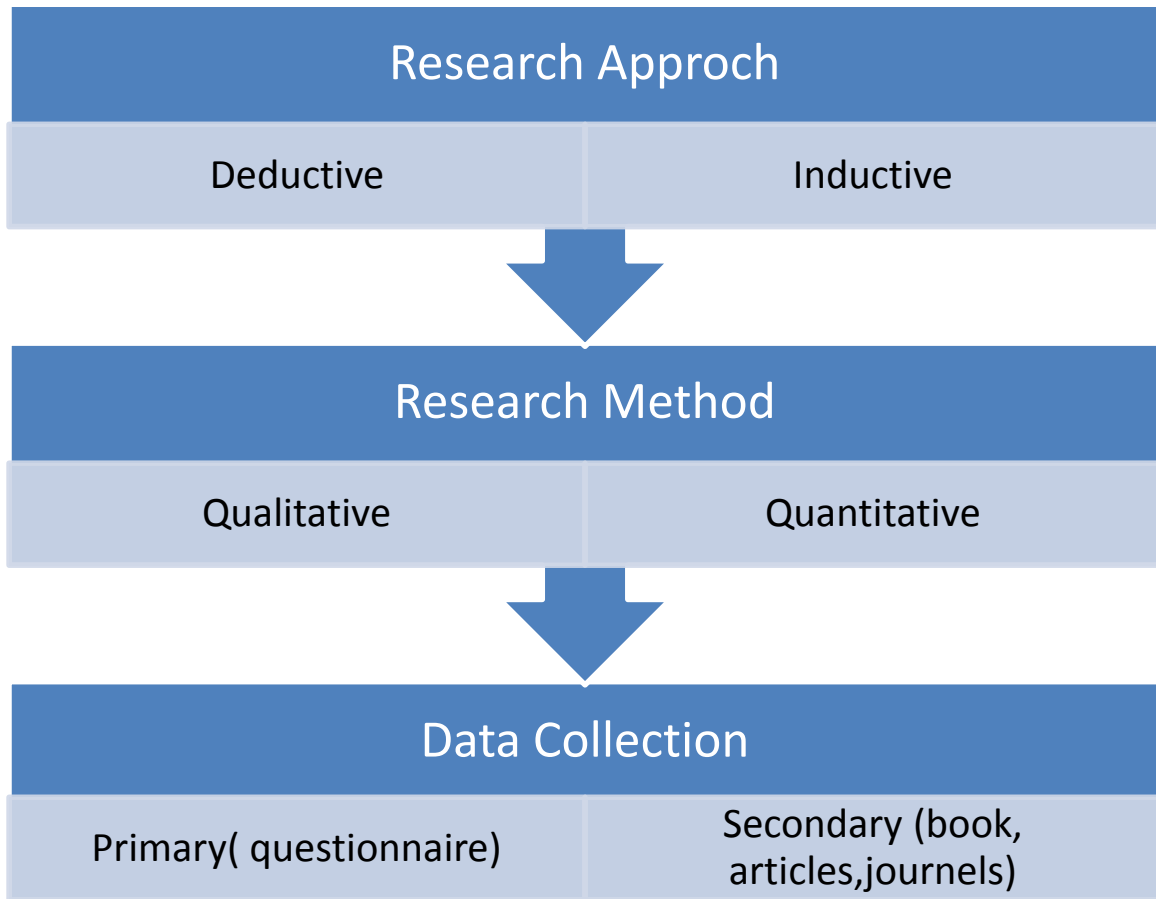


Figure 1: Research method details (self-created, 2016)

2.2 Research Approach

The reason for this research is to find out the reasons behind MIFs providing micro loan to women only. There are various ways to carry out this research method and the author has used both qualitative and quantitative methods for collecting data. The questionnaires are self-made and information are collected through telephonic interview. The questionnaires are in English. There are thirteen questions. Later the survey answers are analyzed with the help of graphs and charts into excel texts to drag out the result and conclusion. The questions will be attached as an appendix later.

In this research, micro financing and woman empowerment has been focused and further information has been collected to understand the nature of micro financing and its process in Kathmandu and Chitlang. Qualitative research methods provide statistical figures in this research to evaluate the current microfinancing process and progress. Likewise, quantitative research method provides the up to date information based on micro financing report from Nepal government and other non-profit organizations. Thus, both research method has been implemented here.

3 REVIEW OF LITERATURE

3.1 What is micro-financing?

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 ADB's (Asian Development Bank, Manila) Microfinance Development Strategy microfinance is the financial service such as deposits, loans, payment services, money transfers, and insurance to poor and low income households and their microenterprises (Bank, 2000).

Microfinance, according to Schreiner and Colombet is “the attempt to improve access to small deposits and small loans for poor households neglected by banks.” Therefore, microfinance involves the provision of financial services such as savings, loans and insurance to poor people living in both urban and rural settings who are unable to obtain such services from the formal financial sector (Schreiner & Colombet, 2001).

The 2000 Microcredit Summit Campaign illustrated the concept of microfinance very precisely: “Microcredit is about much more than access to money. It is about women gaining control over the means to make a living. It is about women lifting themselves out of poverty and vulnerability. It is about women achieving economic and political empowerment within their homes, their villages, their countries” (Campaign, 2000).

3.2 Models of microfinance

Various microfinance institutions in the world have adopted various Credit lending models. Some of them are described below.

3.2.1 Grameen model

Grameen model is set by the Prof. Mohammed Yunus in Bangladesh targeting women from low –income group as the main borrower. In this model, a bank manager and workers visit villages to explain the purpose and model of operation of the bank to the local people. In first stage, two out of five people in a group receive loan. The group are then monitored for a month to see if they are following the rule of the bank. The other member of that group can borrow money only when the first two borrowers repay money with interest within fifty weeks of lending period. This pressurize the group to keep individual record clear (Bank, 2014).

3.2.2 Group model

In this model, if a member faces difficulty in paying back loan, then other members put pressure on that member to pay it back soon. But it does not work then the whole group will repay the loan on the behalf of that member (Johnson & Rogaly, 1997).

3.2.3 Individual model

This model does not need any group to formulate as micro loan is provided directly to the individual. So there is no peer pressure for repayment (Bank, 2014).

3.2.4 Community banking

This banking model is mostly run by NGOs and other organization to develop community by introducing community development programs. For this, semi-formal or formal institutions are launch in the community to give out micro loan and train the community members into different financial activities in generating income and saving (Bank, 2014).

3.2.5 Bank guarantees

In this model, a commercial bank plays role of lender in which it arranges money from external donor or government agency or by internal source using members' savings. Loans are provided directly to an individual or a self-formed group. Many international and UNO have been creating international guarantees funds that banks and NGOs can contribute to start micro funding programs (Bank, 2014).

3.2.6 Rotating saving and credit associations

This model is designed in such a way where a group of people contribute certain amount per month. Then, this collected amount is lent to other member by lottery or other agreed methods that will be paid back in regular or further monthly contributions (Bank, 2014). According to (Harper, 2002), this model is a very common form of savings and credit. He states that the members of the group are usually neighbors and friends, and the group provides an opportunity for social interaction and are very popular with women.

3.2.7 Village banking model

This model was formed in mid-1980s by Foundation for International Community (FINCA). Village Banks are community-managed credit and savings associations established to provide access to financial services in rural areas, build a community self-help group, and

help members accumulate savings (Otero & Rhyne, 1994). Membership in a village bank usually ranges from 30 to 50 people, most of whom are women. Membership is based on self-selection. The bank is financed by internal mobilization of members' funds as well as loans provided by the MFI.

3.3 Poverty

The word 'Poverty' indicates the situation where people cannot meet their basic requirements for livelihood of food, shelter and clothing. It is not only about fulfilling these basic needs, it is also about not getting a chance to participate in major requirements of life, for instance, sending kids to school, not being able to pay for illness, or making any trip as per own wish (Brunswick, 2016). Poverty gets even worst when poor are recognized with little representation and less public and political priorities in the society. This problem may vary from nation to nation but always exists in rich or poor countries. In general, research suggests that the longer a person has been poor, the less likely it is that he or she will escape poverty (Iceland, 1997). According to the World Bank's 2012 report, approximately 12.7 percentage of people in the world are living under poverty earning less than \$1.90 a day. However, it has gone down from 37 percentages in 1990 (Bank, 2016). Despite the fact of declining ratio from the world, the progress is uneven. It indicates there has yet to be done more work to eradicate it globally. It may be the reason that countries bring different programs to sort out this problem. Even UNO (United Nations Organization) brought the 2030 Agenda for Sustainable Development Goal aiming to eradicate poverty from everywhere (Nation, 2016). However, it is not that easy for United Nation to perform alone. In this regards, microfinance could be a strong base for countries to development financially as it has primary aim to alleviate the poverty. Microfinance is about providing financial services to poor people to help them come out from poverty. Providing microfinance to the poor can protect their livelihoods by providing them loan capital (Johnson & Rogaly, 1997).

According to the World Bank's (1980) definition of poverty, "A condition of life so characterized by malnutrition, illiteracy, and disease as to be beneath any reasonable definition of human decency".

According to the World Bank Organization, "Poverty is hunger. Poverty is lack of shelter. Poverty is being sick and not being able to see a doctor. Poverty is not having access to school and not knowing how to read. Poverty is not having a job, is fear for the future, living one day at a time.

Poverty has many faces, changing from place to place and across time, and has been described in many ways. Most often, poverty is a situation people want to escape. So poverty is a call to action -- for the poor and the wealthy alike -- a call to change the world so that many more may have enough to eat, adequate shelter, access to education and health, protection from violence, and a voice in what happens in their communities."

3.4 Types of poverty

Poverty is classified into six different types: absolute, relative, situational, generational, urban and rural. Urban and rural poverty is based on location people live in.

3.4.1 Absolute poverty:

Sometime also known as 'extreme poverty', absolute poverty is a condition where people cannot reach to basic needs. Family under this poverty line need to focus on day-to-day survival. One in six around the world live in absolute poverty with less than \$1 a day (VISTACampus, 2008). According to definition made in the Declaration of Copenhagen 'Absolute poverty is a condition characterized by severe deprivation of basic human needs,

including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services' (Academy, 2016)

3.4.2 Relative Poverty:

Relative poverty compares one's living standard with other member of the society. It means, an individual with less items and opportunities in compare with other in the society is considered as poor. For instance, a family can be considered poor if it cannot afford vacations, or cannot buy presents for children at Christmas, or cannot send its young to the university. Even though they have access to government support for food, water, medicine and free housing, they are considered poor because the rest of the community have access to superior services and amenities (eschooltoday, 2010).

3.4.3 Situational poverty:

This poverty normally lasts for few periods due to various external factors like environmental disasters, divorce, or several health problems. Even a small amount of assistance can help people to get rid of this poverty situation. For example, if the father is the main earner and dies, the mother does not have the ability to work, and the children are not old enough to make a living. In this situation of life income from a pension or life insurance policy can play vital role to overcome from situational poverty (Brainz, 2016).

3.4.4 Generational poverty:

When at least two generations in a family born into poverty then it falls on generational poverty. In this poverty condition, it is very difficult for family to come out of the situation. According to Dr. Payne, attitude is the main factor in being able to distinguish whether

someone is from generational or situational poverty. If the individual or family feels that society owes them a living, they are considered to be in generational poverty (Payne, 2005).

3.4.5 Rural poverty

Rural poverty exists in the areas where there are less than 50,000 populations. In other word it can be said that rural poverty occurs in nonmetropolitan areas where the job market is limited and people have less access to high income preventing them to improve their finances and reaching to certain services (Stewart, 2007).

3.4.6 Urban poverty

Urban poverty occurs in metropolitan areas where 50,000 or more people dwell. In this poverty, according to the World Bank (Bank, 2016), people have limited employment opportunities and income, inadequate and insecure housing and services, violent and unhealthy environments, little or no social protections and limited access to adequate health and educational opportunities.

3.5 Lending to poor women

MFIs has emerged as a strategy for economic survival in the life of poor women. The main idea is to empower them by generating income for themselves or for household by providing earning opportunities (Lendwithcare, 2016). This may lead in the growth of self-esteem, self-confidence and their status within the family and society. According to Katharine (Esty, 2014), MFIs target women because women make better use of small loans in compare to men which means women value money by not spending it into luxurious items. Instead they make proper use of it by investing into some small business, for instance, in poultry farms which over the time improves the health and education, contributing to the cycle of poverty alleviation.

(Hossain & Rahman, 2001) had mentioned that women living in rural developing countries position in bottom line in both class and gender. Moreover, social, economic, legal structure and cultural factors restrict them having control over their own life. They find difficult in productive activities as commercial banks show less faith in women as debtors due to little or not having any collateral. Even when they seek loan from the bank, the manager questions them if their husbands are made aware of that or not. This kind of barrier allow them to very little chance in financial autonomy, spatial, and occupational flexibility. That is why MFIs target rural poor women as main borrowers to help them enhance their income and contribution to economic growth. MF ensures that women get control over resources, land, employment and income to improve their status relative to men.

According to (Cheston, 2004), women tend to have higher saving ability and repayment of loan is higher than men. It is stated that rural poor women despite of being illiterate, work on group base and guarantees rather collateral. They focus not only in investing opportunities for income but also manages risks against emergencies and planning for their kids' future and family members. They therefore value saving and are more careful about investment decision which helps to continue business for long term.

However, it has been argued that the MF services do not reach the very poorest of the poor. Whether it is true or not true, MFIs still reach to millions of poor who do not get loans from commercial banks easily. Before MF starts poor used to get loan from landlords and other rich people in excessive interest rate. This used to take borrowers into a lifelong debt cycle or even slavery (Yunus, 2009)

3.6 Forms of lending loan to women

Loan can be in different forms: cash or in kind. If the loan is 'in kind' by scheme then it is in the form of seeds, tools, fertilizers, or livestock. If it is cash based loan, then the borrowers

are provided cash credit for certain period in the commitment of repaying it on specific time with interest. Thus, MFIs requires applicants to specify what loan they are looking for and how they are going to use it. Cash credit can be better option since the borrowers can use it as per their requirement. It is also easier to transport as transportation of seeds, tools or machineries can be cost expensive to the providers and less advantage to the borrowers unless they are provided high quality goods and products with a short-term guarantee. Nevertheless, MFIs feel lending cash is useful in breaking a chain of poverty if invested in productive purpose rather than consumption (Johnson & Rogaly, 1997).

3.7 Women empowerment

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). According to her, “the empowerment of poor women must clearly be part of an agenda that addresses the empowerment of the poor in general. At the same time, however, poor women are generally subordinate to poor men. The reduction of poverty thus has to take account of gender inequalities among the poor, including inequalities of power.”

For Oxfam, empowerment is about challenging domination and inequality. It states, ‘Empowerment is a challenge to face domination in the society that exists in millions of people’s life which are inequitable, or in ways which deny their human rights (Oxfam, 1995).

Important India explains Women Empowerment as an environment for women where they can make decisions for themselves for personal benefits and for the society by increasing and improving social, economic, political and legal strength by making them confident enough to claim their rights and get their voices heard (India, 2015).

3.8 History of micro financing and success stories in world

The history of microfinancing can be tracked back in the 1846 when the theorist Lysander Spooner, activist and entrepreneur, pointed about benefits that farmers can get through small credits to overcome poverty in rural America. However, the modern concept of microfinance is started with Dr. Muhammad Yunus from Bangladesh in the 1970s who loaned \$27 from his own pocket to 42 people of Jobra- a tiny village in Bangladesh in 1976 for zero interest (microcredit, 2016). The idea was to help poor from going through traditional way of banking, based on collateral deposits (Hossain & Rahman, 2001). These poor were neglected by commercial bankers that as they thought the poor were less capable of paying back the loan on time due to the low breakeven point needed by banks to generate positive revenue on the transaction they make. Later he found it difficult to self-finance an expansion of his mission and decided to look for government assistant and establish Grameen Bank. Grameen Bank which means ‘Village Bank’ when translates takes the banks to the people looking for financial assistance. It provided loan without collateral deposits. The maximum loan taker at Grameen bank are poor rural landless women who use these loans in different non-agricultural activities. The bank regularly makes weekly and monthly visits at the borrowers’ house to make sure the loan has been utilizing properly and they repay the loan on time. The loan is based on group borrowers of five who guarantee each other’s loan and it is obligatory to join a group (Hossain & Rahman, 2001). Since the repayment rate remained high, the bank expanded its service to other part of the country and started to work independently without government support and received consistent tentative repayment rates about 98%. In

2006 Dr. Yunus and Grameen bank received the Noble Peace Prize for their support to the poor (Justice, 2016).

The success of Grameen Bank can be measured with the increasing number of new micro finance institutions in the 1970s and 80s started with the help of grants and subsidies from public and private source commenced by NGOs (Non-Governmental Organization) (MicroWorld.org, 2016). The World Bank estimates to have 160 million people in developing countries are getting benefited by micro funding (Kiva, 2016). The success does not stop here. In 1990s, the micro institutes could not only depend on grants they were receiving thus, they decided to involve commercial investors and apply formal business practices to sustain and improve working condition. Between 1997 and 2002, MIFs grew rapidly from 618 to 2,572 demanding to have 65 million clients that sprung from 13.5 million in 1997. In Latin America, where commercial financing grew rapidly, gets 54% of micro borrowers and provides 74% of region's loan. In 2005, MIFs lending jumped from \$513 million to \$981 million (Justice, 2016). And now, it is estimated that over 10,000 MFIs exist today, including credit unions, NGOs, cooperatives, private and commercial banks, and governmental agencies.

3.9 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.

Nirdhan Utthan Bank Ltd., Chhimek Bikas Bank Ltd., and Swabalamban Bikas Bank are the top three Microfinance Institutions in the country.

3.10 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.

3.11 Status of women in Nepal

There are three different measurements to calculate the status of women- education, employment status, decision making power in the household activities. 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.

But these opportunities are limited for those who live in rural areas. 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 (Matsumura & Bina, 2001). 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 if 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 (SAHAYOGEE, 2016).

3.12 Possible support of micro financing for local people in context of 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 (Hossain & Rahman, 2001). 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 (Spotlight, 2016). 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 (Hossain & Rahman, 2001).

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. (based on personal communication with Mahila Sahayatra Microfinance Bittiya Sanstha LTD.)

3.13 Previous studies

Since 1995, micro financing has been actively participating, first cooperative was initiated based on agriculture were called SFDP. From the early stage, micro financing has significant impact on rural and village life in Nepal. At early stage, Non-government organization and cooperative society work widely under community based model of financing. Some of the NGO's lunched project based micro credit program, which was known as PCRW. Similar kind of micro financing were implemented to uplift other sector of rural life. Along with PCRW, there were PAPWT (Poverty Alleviation Project in Western Tarai), TLDP (Third Livestock Development Project), RMP (Rural Microfinance Program) and Community Ground Water Irrigation service project. These project had already phased out, their impact on society can be seen. It has helped to uplift the rural society. Specially, women were the

targeted group, these program focused to reduce poverty in return they assisted in capacity building of participating financial institution.

Micro financing became back bone of rural society to uplift their economic condition, helping them to enhance the better productivity. The following changes took place after successfully completion of said project.

- Encouraged to women for actively participating in institutional loan for better productivity.
- Guided to get micro credit to stablish their micro business activities.
- Supported to Increase their income and employment for poor people by engaging them in livestock management and productivity.
- Poverty Alleviation project worked with poor people and changed their life style transforming them into active participant in the micro business activities in Tarai (Plain Land).
- Irrigation projects supported them to increase their agricultural productivity by providing irrigation facilities, such as ground water irrigation came into practice since then.
- Stage by stage, supported them to change their productive activities into high value commodities.

A stage has already successfully completed, now they are waiting for further uplifting their productivity. It is right time to evaluate their success, as a result we could have seen such an encouraging mass of women are actively participating every now and then to become a successful woman in the society. There are number of examples, which could be an encouraging success stories for them who are still waiting for support and willing to change their socio economic status (BANK, 2013).

3.14 What is still missing from previous studies?

Most of the previous work on Microfinance works on eradication of poverty and empowering women. MFIs provides loans to mainly women whom they think has less social and economic status. The focus on lending women is as common for micro-funding schemes as they think women are containing lots of caliber in paying back the loan in time than men. However, it does not clear the facts on difficulties these women face when they have to perform duel role inside as well as outside of the house. Neither has it stated the level of support they get from their family members especially husbands.

4 EMPIRICAL FINDINGS AND ANALYSIS

4.1 Study area



Figure 2: Nepal Between India and China

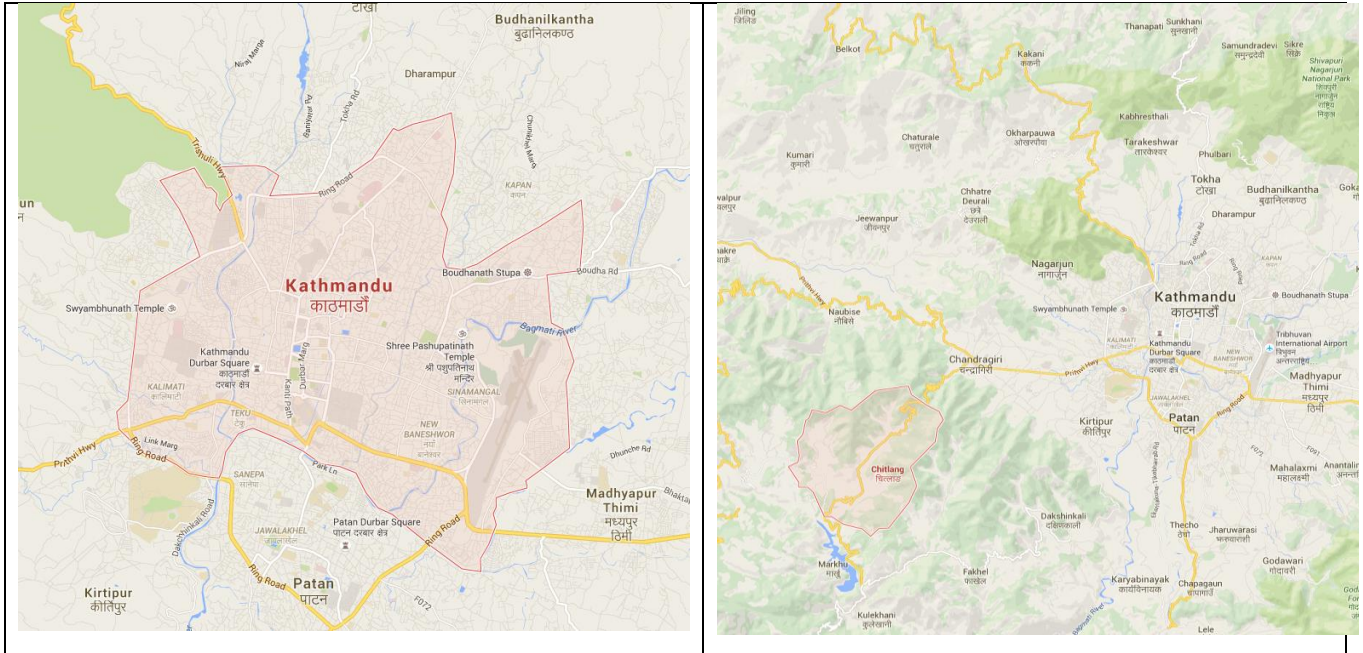


Figure 3: Study area; Kathmandu (left) and Chitlang (right) [Source: Google Earth]

The selection of women for this thesis is chosen from two different areas of the country. One from Kathmandu- the capital of Nepal with population of 985,000 in 2015 (Review, 2016) and Chitlang- a village development committee with the population of 7802 according to Population Census 2011 (Wikipedia, 2016).

Kathmandu valley which is positioned in seven UNESCO (the United Nations Educational, Scientific and Cultural Organization) World Heritage Sites is located in the northern part of about 1300 meters' altitude. Chitlang on other hand, located in Makwanpur District is about 22 KM far away from Kathmandu valley in South West direction in mid-hills. Women chosen for interview from Kathmandu valley are originally belong from other parts of the country but came to the city in search of job opportunities but ended as micro loan borrowers. They at the moment live in one of the commercially and locally famous areas. Some of them live with their families in their own building where some has been living renting an apartment. People living in these location are considering as middle to high class society. Even the MIFs picked for this thesis are established in the heart of Kathmandu Valley within few km away from different part the city.

4.2 Data collection

4.2.1 Telephonic interview

Secondary data for this thesis is gathered with the help of few books, articles, journals and thesis, research literatures as well as sources from internet. For primary data, telephonic interview is conducted. There are thirteen questions relevant for the thesis which is attached as appendix which were later used to draw final results. The actual telephone number received were 40 from city and 30 from village by the related organizations out of which only 31 from city and 18 from village were came to contact. The rest could not be reached due to poor telephone network connection and some were out for personal work. It took several days to contact them. It lasted from April 30th 2016 to May 2nd 2016. Since, the time difference is almost 3 hours between Finland and Nepal (in summer), the telephonic interview was made during day time.

The literature part includes necessary contains for research questions and the survey questions covers necessary areas related with thesis topic. It can be said all are inter- related and essential changes were made while working on thesis as per the requirement of research.

The questions are in English but while conducting interview, they were asked in Nepali language for respondents' comfortability. Later, the author transferred them into English.

The respondents were also asked some general questionnaires related with women empowerment and their socio-economic changes after borrowing micro-loan.



Figure 4: Respondents during interview

4.2.2 Participants number

ALL participants are only female from aged 20 to 60. They are chosen randomly. Most of them are married with minimum qualification and many from Chitlang village have no qualification. The average loan they borrowed is equivalent to US \$3,000.

4.2.3 Criteria for participant's selection

Selection is based on age bar and should not belong to rich family. The participants must be 18 + and needed to have loan on their name. They should have used it to start their micro business on their name not for their family members.

4.3 Conceptual Framework

This research is based on MFIs in Nepal. Here we are identifying to why and how loans are playing important role in the empowerment of women in Nepalese society. Foremost, the author has identified the process of loan borrowing and its nature of repayment process. The payment process should be done within fixed period of time from the income of their daily, weekly or monthly basis. The borrowed amount would have invested into business for their income process. Same income could be the sources for repayment. MFI's provides various training and supports for the skill development of women. Their knowledge they implement for the process of income generating. Business has given them further insight to understand and prospective of life and providing ample of support to their families. This is how they are enjoying their good income which is being a social status for their life. It shows significant change in women's life day after day. Their income after all the expenses are raising day by day so their habit of depositing ratio has increased. The outcome of overall process can be seen on the confident level of women in the society. Their confident level has building up; hence the report shows their role in the society in increasing every moment.

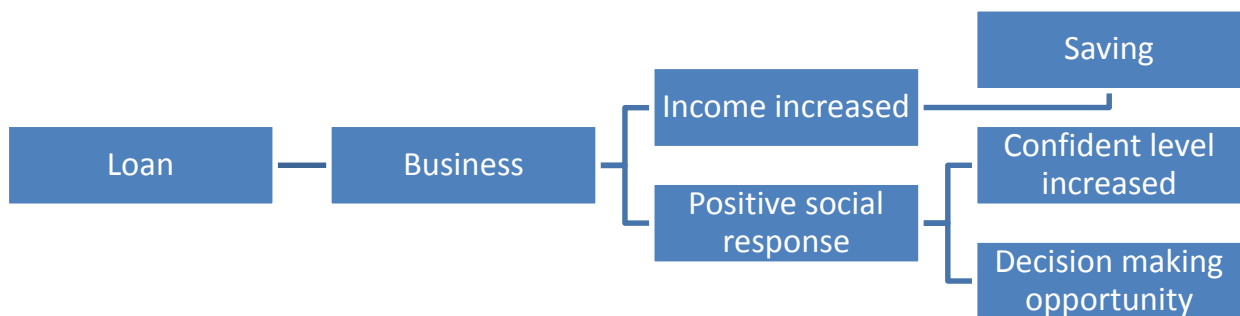


Figure 5: Self- created (2016)

Figure 5 explains overall consequences of micro loan. The process starts with loan. It is then invested into business by the borrowers. Despite of different size and nature of the business, all investors' income has increases in certain level after few periods. The commencement of business not only helps in increment of regular income providing ample of opportunity for saving but also helps women in gaining positive social feedback and appreciation for being an icon in the society. This strengthen their confident level empowering them more in decision making opportunity in household and in business areas.

4.4 Company chosen

The companies from Kathmandu valley are Vrikuti Credit and Saving Cooperative and Satyam Saving Credit Cooperative Ltd. The name of Microfinance from Chitlang village is Mahila Sahayatra which is operated since 2012 AD to reach women in mountain and the hills. The reason for choosing these cooperatives is simple. They all work on micro loan to promote a creative, entrepreneurial spirits to empower poor in both rural and urban surroundings. They fight for gender inequality, unemployment driven out-migration, and poverty as well as have many success stories in past.

5 RESULTS (GRAPHS AND FIGURES)

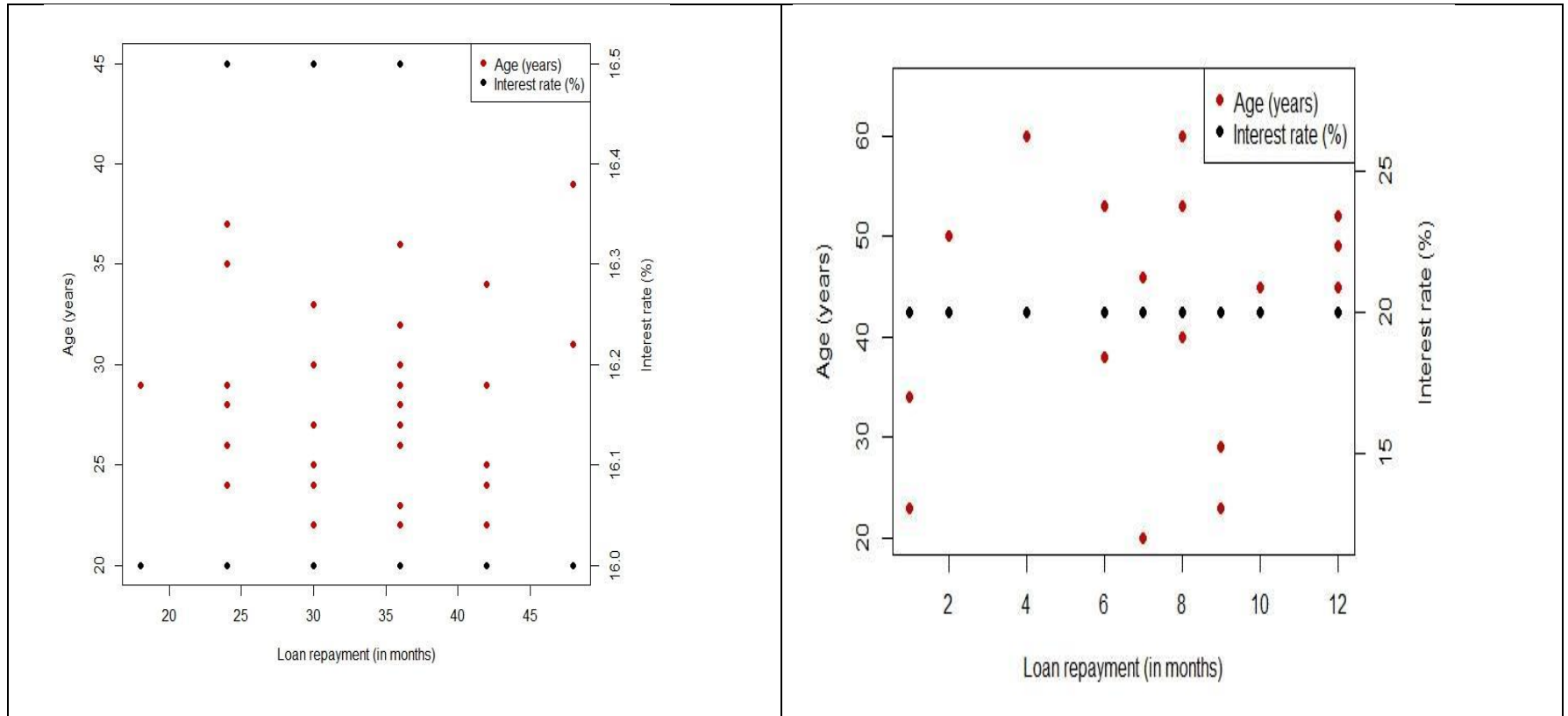


Figure 6: Comparisons between Loan repayment with Age and Interest rate of data from Kathmandu (left); Chitlang VDC (right)

Comparisons between Loan repayment with Age and Interest rate of data from Kathmandu

The above scattered plot contains two different comparisons on the basis of monthly loan repayment made by women. First, it is trying to analyze which age group takes higher time period to pay back the loan borrowed. For this, the age is categorized between 20- 45 with the interval of 5 consecutive years. Taking two different age group of 22 and 39, 22 years' woman takes almost 3 years to clear loan where 39 years' woman requires one more year comparing to 22 years for loan repayment. Thus, the result illustrates co-relation between age group and loan repayment period.

The second comparison is between monthly loan repayment and interest rate. The aim to compare them is to know how interest rate effects the loan payback time. When it is trying to analyze with the data provided by the borrowers and put them back into the graph above, the result explains no relation between loan repayment time and interest rate.

Comparisons between Loan repayment with Age and Interest rate of data from Chitlang

Above graph is trying to understand how age and interest rate effect loan repayment period. But they have borrowed money in for 20% interest rate promising to pay back within a year. And when plotting the collected data from Chitlang borrowers, the result says: despite of same interest rate, different age group has different payback time to clear the loan. So there is no correlation between age and loan repayment period.

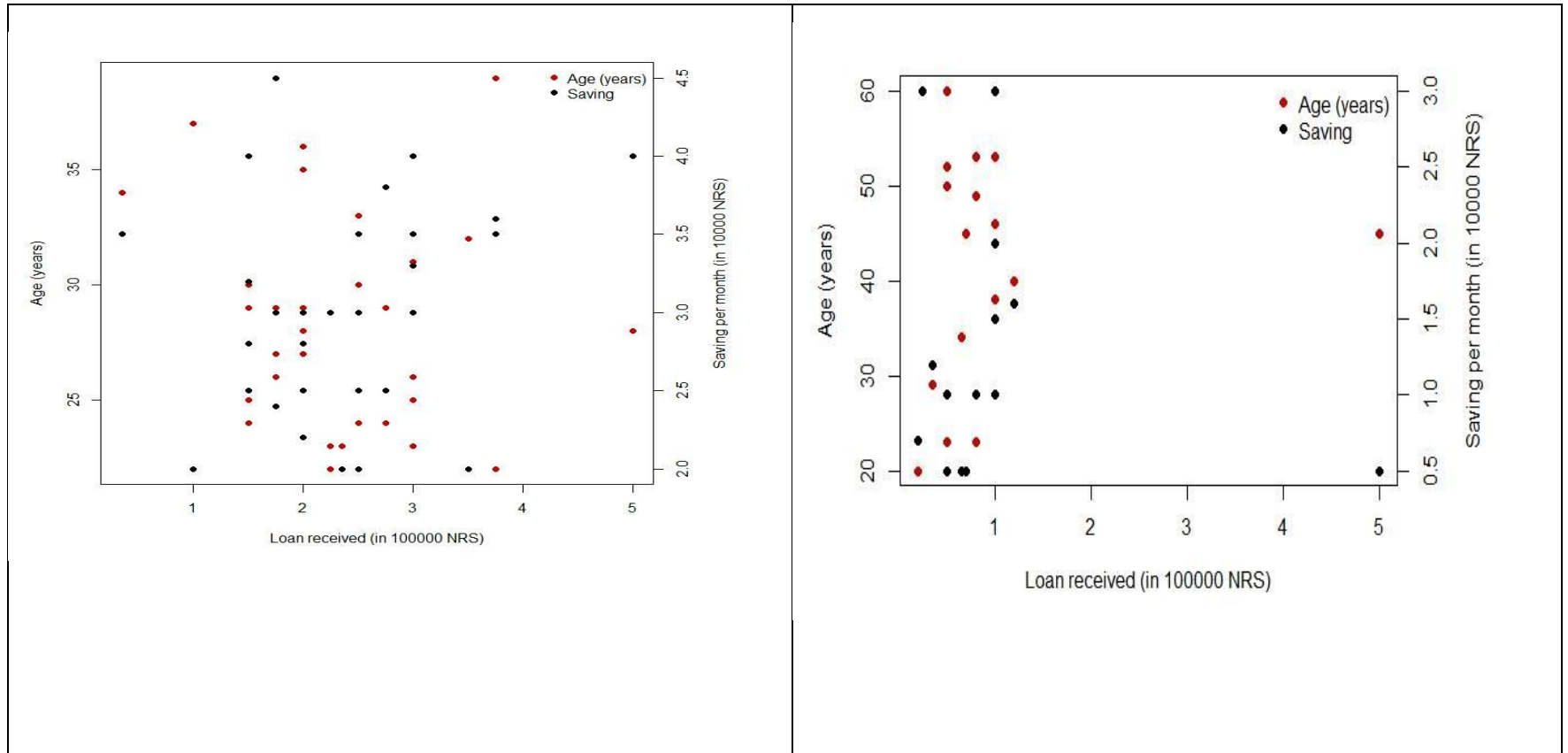


Figure 7: Comparisons between Loan received in (100000 NRS) with Age and Saving rate from data from Kathmandu (left) and Chitlang (right).

Comparisons between Loan received in (100000 NRS) with Age and Saving rate from data from Kathmandu

The above graph's motive is to find out which age group get how much loan and with that loan invested how much they can save in a month. If talking about the saving, the women aged up to 30 saves more with the loan they receive between two to three hundred thousand. It clears the thinking that higher loan doesn't contribute on more savings. They also have more tendency to saving money.

Comparisons between Loan received in (100000 NRS) with Age and Saving rate from data from Chitlang (right)

The above graph's motive is to find out which age group get how much loan and with that loan invested how much they can save in a month. The graph shows the maximum amount of loan taken is 500000 NRS with less saving of 5000 NRS per month. 45-55 aged group women keep more tendency to borrow loan less than 200000 NRS but saving is higher in women aged 20-40.

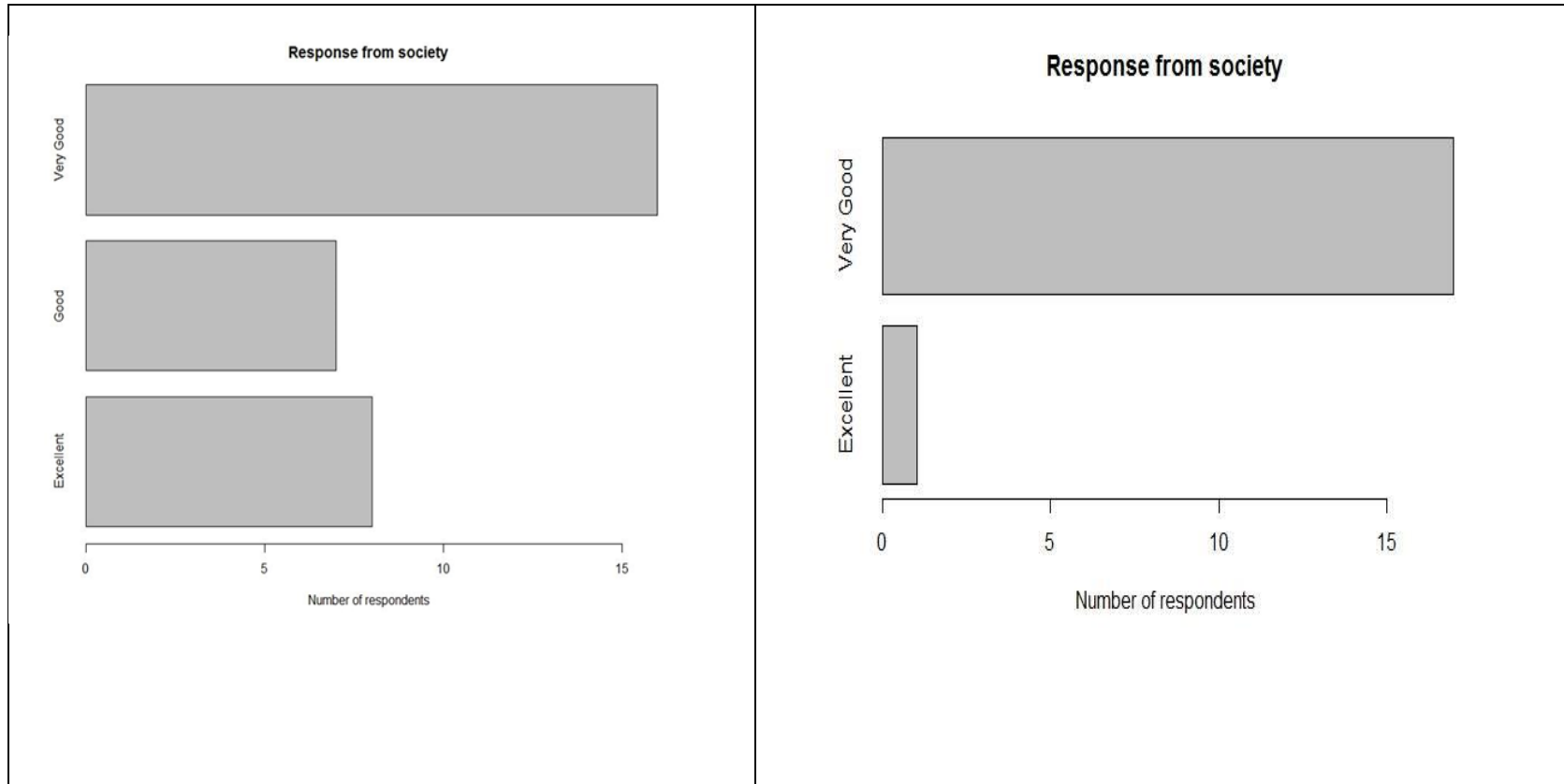


Figure 8: Response from society to Kathmandu borrowers (left) and Chitlang (right)

Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)

Response from society to Kathmandu borrowers

Above bar diagram illustrates the response the borrowers receive from the society after the commencement of their business with the micro loan. Everyone has positive feedback from the society which indicates they can be a source of inspiration for other women in the society who live in veil and expected to follow men just because they live in male dominated society.

Response from society to Chitlang borrowers

The above graph is clear enough to understand the response obtained by Chitlang village women. They replied the questionnaires about society's behavior towards their new step on micro loan is answered with positive feedback and support from society. It means they succeeded in gaining new identity in the society they are living.

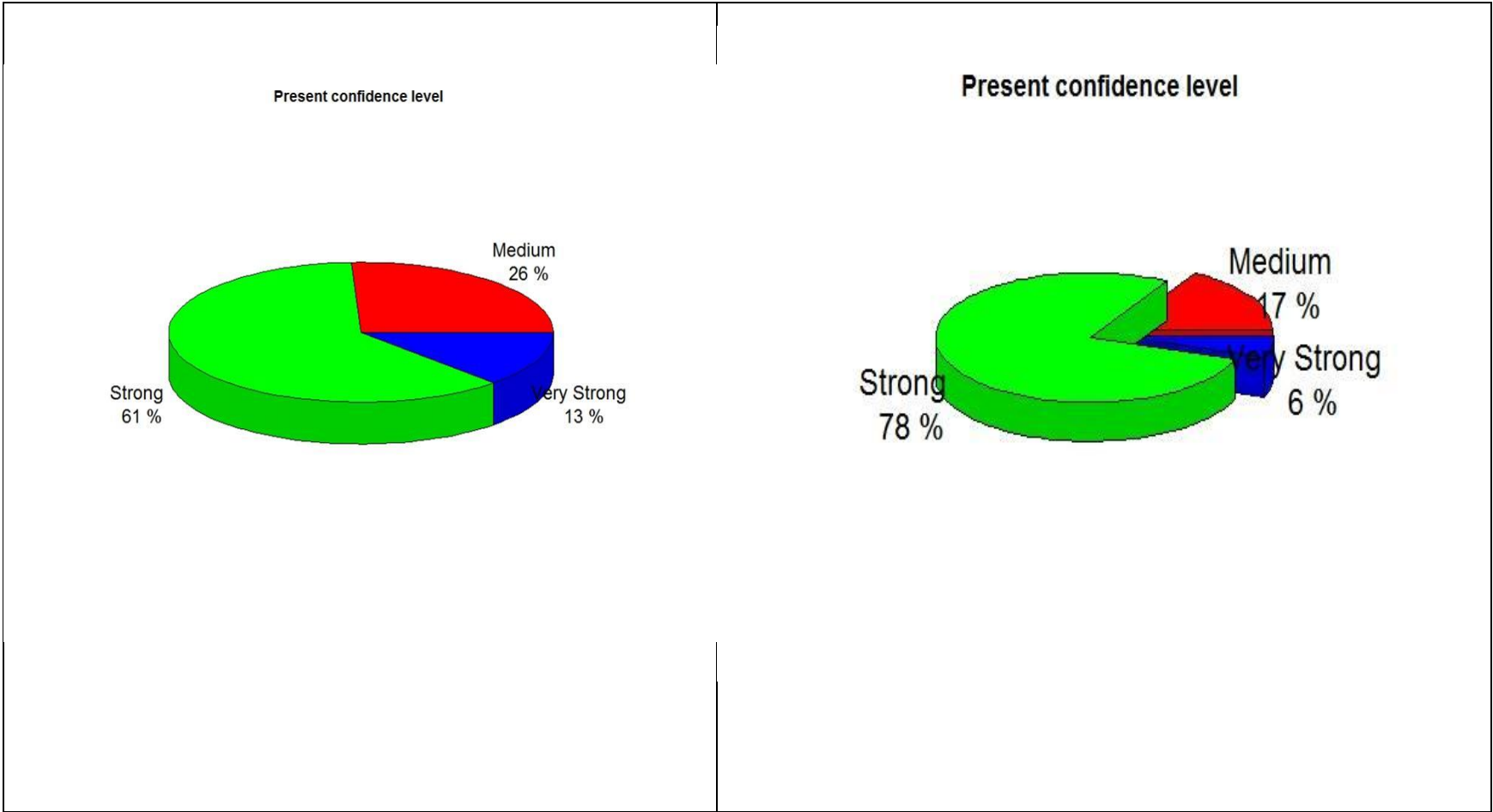


Figure 9: Confident level among Kathmandu borrowers (left) and Chitlang (right)

Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)

Confident Level	City	%	Village	%
Medium (3)	8	26%	3	17%
Strong (4)	19	61%	14	78%
Very Strong (5)	4	13%	1	6(approx.) %
Total no.	31	100%	18	100%

Source: Based on telephonic interview 2016

Confident level among Kathmandu borrowers

Since the micro loan helped the women to earn identity in the society with positive response, the above pie chart is a source of indication of confident level the women achieved after micro business. The confidence level is measured from 1 to 5 and 61% of them ranked their confident to 4 as strong while only 13% gained very strong confident due to fresh new business in their life.

Confident level among Chitlang borrowers

Regardless of the reality of being poor village women, Microfinance became a successful tool in generating confidence level within these poor women. 78% gained strong confident level after micro-loan for their career boosting where there is no one who think micro finance is not helping in confident build up.

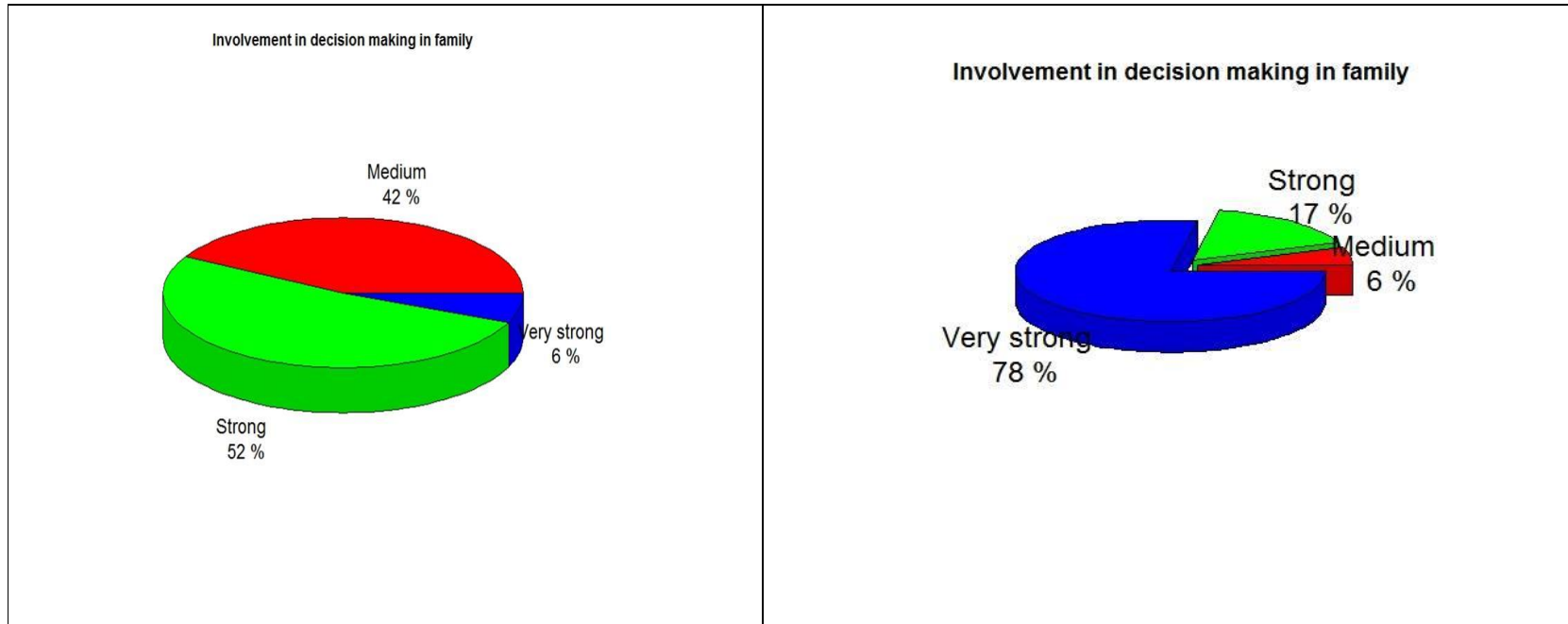


Figure 10: Decision making involvement opportunity for Kathmandu based women (left) and Chitlang (right)

Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)

Decision making role	City	%	Village	%
Medium (3)	13	42%	1	5%
Strong (4)	16	52%	3	17%
Very Strong (5)	2	6%	14	78%
Total No.	31	100%	18	100%

Source: Based on Telephonic interview 2016

Decision making involvement opportunity for Kathmandu based women

Decision making involvement is a great opportunity for Nepalese women as they are expected to follow the elders. But micro finance is trying to help these women to overcome from this grief by providing them an opportunity in the society through micro business with micro loans. The above pie chart indicates the same. After the women started their business, their confident level has been increased which can be seen in fig. 4; 58% of women borrowers play significant role in decision making in the family out of which 6% has very strong decision making role.

Decision making involvement opportunity for Chitlang based women

Despite of living in village area of the country, Chitlang women has very strong participation in family decision making which happened after micro loan user.

6 DISCUSSION

The main question for this research is “Why does microfinance focus on women? What are the reasons for promoting women's participation in microfinance programs? Does microfinance effect for women empowerment in Nepal?” To make it simple and easy, it is reformulated on the basis of literature review: ‘Microfinance will empower woman’. Thus, this part of thesis is based on the literature that has been reviewed.

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.

The institutions chosen for this research involve women as micro credit borrowers. These Micro-funding institutions receive support from national institutions such as banks and non-government organizations (NGOs), and cooperative registered within the existing regulatory framework of the country. Though they both have same purpose of economic empowerment of women, social empowerment of women in respective areas of the country, charges high interest rate for borrowed money. Nevertheless, it surprises even more when the poor women in the village are charge additional 4% in comparison of city well living women making them difficult in saving and asking more loan for further expansion on their business.

7 CONCLUSION

A focus on lending to women is common in microfinance initiatives as women registers higher repayment rates. It is linked to women empowerment and economic development by creating self-confident. They are categorized as an important borrower due to the capability of using small loans into wise investment instead of spending money on luxurious goods. They also have right to access capital who before were restricted to any financial autonomy.

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.

From figure 4 and 4.1, 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.

The analysis is women oriented, which means entire work is based on women with primary education. They are of aged 20-60 and started business by taking micro loan from MFIs. 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.

This part of thesis deals with the comparison made between women from city and rural area of the country. In this the result from the study is discussed; based on two different data collected from three different MFIs. The objective is to find out the amount of loan that can be accessed by women living in different geographical location and the impact of microfinance on reduction of poverty through the loan they received. It also deals on women empowerment and the status they gained after micro loan.

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.

Some positive factors faced by these women is the appreciation from the society which created more women to participate in microloan program. However, it is not clear enough if the positive feedback is from same community or had they faced any challenges to start new business?

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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APPENDICES

Appendix 1: Questionnaires

Name of Student: Kristina Shakya

Contact: shakyakr@arcada.fi or, kristina.shakya@hotmail.com

Arcada University of Applied Science, Helsinki, Finland

Student of Bachelors in International Business (BBA)

Thesis Topic: Microfinance and Woman Empowerment

NAME OF RESPONDENTS & AGE	
1. Amount of loan received (in local currency)	
2. Interest rate (in percentage)	
3. Loan Period (for how many years?)	
4. Use of loan (where the loan amount has been used?)	
5. Loan repayment time (in months)	
6. Saving per month/year (in Nepalese rupee)	
7. Response from society [Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)]	
8. Confidence level increased [Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)]	
9. Present working status (employer or still works as employee?)	
10. Involvement in decision making in family [Label: very poor (1), poor (2), medium (3), strong (4) and very strong (5)]	
11. Assest increased (yes/no)	
12. Income Level (thousands per month in Nepalese rupee)	
13. Education and general skill level	

Appendix 2: Photos



Picture : Photo of Chitlang Microfinance



Picture 2: Brochure



Picture 3: A house destroyed by last year earthquake



Picture 4: Handful of houses in Chitlang village



Picture 5: People Participating for telephonic interview.



Picture 6: A microloan borrower with meat shop.