



**Empowerment of women through microfinance  
in Jabdi Village Development Committee,  
Nepal**



**A thesis submitted in partial fulfillment of the requirements for  
the degree of Master in International Relations**

**By**

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**December, 2014**

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## **Declaration**

I, Nisha Khadka, declare that this thesis is a result of my research investigations and findings. Sources of information other than my own have been acknowledged and a reference list has been appended. This work has not been previously submitted to any other university for award of any type of academic degree.

Signature.....

Date.....

## **Acknowledgments:**

I offer my sincere gratitude to my supervisor, Mr Mohamed HuseinGaas, whose experience, understanding and patience has continuously encouraged me to complete the thesis.

I specially thank Mr Chudamani Baral, for accompanying me in the fieldwork. His local knowledge and familiarity with the respondents and the study area made my fieldwork efficient and effective in Nepal.

I also thank the staff of Jabdi SFCL (Small Farmer Cooperative Limited), Nepal, for providing me the needful information about the institution. Furthermore I would like to thank all the participants, who willingly shared their precious time during the process of interviewing.

I would like to thank the department of NORAGRIC and its staff for wonderful academic experience.

Finally, I would like to thank my Husband, Mr Milan Shree Karki for his continuous support during my fieldwork and writing process.

NishaKhadka

Ås, December 2014

## **Abstract**

During the last three decades, microfinance has been advocated as being a powerful means to alleviate poverty and socio-economic development. Further, it has been recognised as an effective tool for empowering women. However, some studies have highlighted the adverse result on empowering effect of microfinance programs. This study is to identify the role of microfinance in empowering rural women in Jabdi VDC, Sarlahi District, Nepal. Small Farmer Cooperative Limited (SFCL) model was chosen among the various models of microfinance, since it serves poor farmers of rural areas. The study analysed whether the Jabdi SFCL has made an empowering effect on participating women in the area. Qualitative method was used in the study for data collection. Fifty respondents were interviewed; focus group discussions were conducted to investigate the empowering effect of Jabdi SFCL Program.

The findings of the study reveal that the Jabdi SFCL has taken the initiation to empower women. Most of the respondent realized a significant difference in the level of confidence, ability to communicate and make a decision, and acknowledgment by family. On the other hand, it was also found that most of the women borrowers had not control over the loan as their husband or male members had control over the loan. Moreover the loan was used as means to cover the necessary cash shortage of household and there were no any significant change in the gender relations in families except for few cases. The conservative patriarchy society, poverty and illiteracy directly challenge the strategies of the Jabdi SFCL in empowering women. The study also suggests the SFCL to invest the agriculture friendly industry to provide employment opportunities to women in the Jabdi VDC.

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## List of Abbreviations

ADB	Agricultural Development Bank
ADBL	Agricultural Development Bank Limited
ADBN	Agricultural Development Bank of Nepal
BOD	Board of Directors
CBS	Census Bureau Statistics
CSD	Centre for Self-help Development
FAO	Food and Agricultural Organisation
FGD	Focus Group discussion
GDI	The Gender Development Index
GEM	Gender Empowerment Measure
GDP	Gross Domestic Product
GESI	Gender equality and social inclusion
GON	Government of Nepal
GTZ	German Technical Cooperation
HDI	Human Development Index
IG	Inter-Group
MC	Main Committee
MFI	Microfinance Institution
NBL	Nepal Bank Limited
NGO	Non Government Organisation
NIDC	Nepal Industrial Development Corporation
NRB	Nepal Rastra Bank
RBB	RastriyaBanijya Bank
SEDP	Small Farmer Development Program
SFCL	Small Farmer Cooperative Limited
SFDB	Small Famer Development Bank
SFG	Small Farmer Groups
SHG	Self-help Group
SKBBL	Sana KisanBikas Bank Limited
SRG	Self-Reliant Group
SPO	Small Farmer cooperatives
UNDP	United Nation Development Programme
USAID	United States Agency for International Development
VB	Village Bank
VDC	Village Development Committee
UNDAF	United Nations development Assistance Framework

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# 1. INTRODUCTION

## **Background and rationale of the study**

For the last few decades, empowerment of women has been increasingly emphasized in the international development agenda due to the realization of their contribution to the social and economic development (Malhotra and Schuler, 2005). Despite this, gender inequality persists, yet the much-pronounced empowerment anticipated to bridge the inequality gap between men and women has yet to materialise. In this regard it has been argued that the problem of gender inequality is persistence due to the fact that it's embeddedness is in societal norms and values that has cultural, relational and material component (Smith, 1989). Such system creates a common ideology and normative system, which decides the principles of social life like organizing families, allocating wealth and defining relation between men and women. Therefore, individual or a group 's choice is highly influenced by the ideology, and normative system of a society one belongs to and hard to change (K. O. Mason and Smith, 2003).

Women in developing countries are less advantaged and have to face discrimination due to the existence of deeply rooted patriarchy system in the social, economic, legal, and political structures. Therefore, weaker bases of entitlements of women in developing countries limit them to unpaid work in the households and farms and compel them not to participate in economic activities. As a result, women become financially dependent to men (Baden and Milward, 1995; Buvinic, 1983; Loutfi, 1987; Noreen, 2011; Rogers, 2005). Further, Cheston and Kuhn (2002) point out that the economic growth and development is adversely affected where women discrimination is relatively high. As a result, there is higher unemployment rate of women than men virtually in every country. They are often engaged in the informal sector of most economies (Sarumathi and Mohan, 2011). Thus, of about 70% among the world's poorest are women (Noreen, 2011).

Many studies suggest that providing financial access and income generating activities to women can reduce their vulnerability. Such reduction in vulnerability can also translate into empowerment, as greater financial security can allow the women to become more assertive in household and community affairs (Cheston and Kuhn, 2002; Mayoux, 2007).

Moreover, Mayoux (2007) also adds that in Women's economic empowerment at the individual level can have potential significant contribution at the macro-level, as empowered women can be agents of economic growth and actors in policy decision. Therefore development agencies, governments promote microfinance as an effective anti-poverty intervention.

Microfinance is a type of banking services, which provides access to financial and non-financial services to low income or unemployed (Dhakal, 2004). Microfinance works as a bridge to connect the monetary world with the non-monetary world much more than other institution (Kulkarni, 2011). It's distinctive characteristics like it's functions and potentials; make it different from other formal banking sectors (Noreen, 2011). Many of the microfinances are inclined towards women to improve their livelihoods by empowering them financially. The goal of microfinance is not limited to financial empowerment, it goes beyond, as it includes social, cultural and political sphere in which borrowers are embedded (Kulkarni, 2011). Microfinance is also successful in reaching millions of people worldwide bringing them together in organized groups (Mayoux, 2007). Therefore, micro finance has been recognized as the key factor that can help to empower of women (Hashemi, Schuler, and Riley, 1996; Hulme, 2000; Mayoux, 2003; Rankin, 2002).

In the process of the rapid expansion of microfinance, which target women empowerment, three different paradigms have emerged (Mayoux, 2000). First is the development paradigm: in this context empowerment means to be economically secured, expansion of individual choice and capacities for self-reliance. Second, is the Poverty alleviation paradigm, in this, empowerment is understood as an increased wellbeing, community development, and self-sufficiency. The third is the Feminist empowerment paradigm: according to this empowerment is transformation of gender power relations in society. For Kutty (2003) (cited in Khan and Nooreen, 2012) women empowerment is "increasing women awareness so that they can be economically productive, politically active, and independent enough to make the intelligent decision in the matters that affect them and their nation".

Although many scholars and agencies have advocated microfinance as an effective tool for reducing poverty and empowering women, there have been also many arguments against it. The loan borrowed becomes debt that accompanies stresses and responsibilities for both men and women. In the case of women being in debt, can be more stressful because they retains

responsibility for paying off the loans but in many cases it is reported that husband or male member of the family uses the loan taken by women (Cheston and Kuhn, 2002; Goetz and Gupta, 1996). The workload of women also increases with the loan, as they have to work extra as they cannot skip household chores (Mayoux, 2006).

As Brau and Woller (2004) suggest that the formal financial systems in economically weak countries almost fully excluded the poor population. Nepal is no exception, only 30 -35% of the population has access to financial institutions. It indicates that 65-70 % have to rely on other resources like moneylender, merchants, and traditional cooperative. Relying on other informal resources means higher interest rates, exploitation of poor people by obliging them to give gifts, premium, free labor, bonded laboretc, which again push them towards poverty(Bank, 2008). Therefore, Nepal has been liberalizing the financial sector with the goal of alleviating widespread poverty(Acharya, 2003). Government of Nepal (GON) introduced the Three-Year Interim Development plan 2007-09 (TYIP) with the aim to reduce unemployment, poverty, and inequality. GON is implementing inclusive approach to free people from social classes, communities, and regions who are unable to join the mainstream development due to economic, social and cultural reasons. Such targeted programs cover women, Dalits, indigenous people, Madhesis, and backward sections (Shrestha, 2009).

Among many developmental programs implemented in Nepal, microfinance programs are preferred to provide financial services to the huge section of population excluded from formal financial services as it has strong rural orientation (ibid). Therefore, thesis focuses on the role of microfinance in empowering women in Nepal.

Microfinance in Nepal practice various approaches of financial services to the rural poor. The list of institutions and programs engaged in serving rural areas is enormous and includes informal credit and saving associations, savings and credit cooperatives, multi-service co-operatives, Grameen Banks, village banks, government and privately owned development banks as well as microfinance(Wehnert and Shakya, 2001).

Majority of the population (80%) is engaged in agriculture in Nepal living in rural areas, depending on subsistence farming. Agriculture Development Bank (ADB) of Nepal is the largest rural credit provider in the country. In 1950, the first agriculture based cooperative was established as a first step in microfinance in Nepal(Bank, 2008).

In 1975, a well-structured and specialized Small Farmer Development Program (SEDP) was implemented by Agricultural Development Bank Limited. SEDP was launched to organize farmers below the poverty line into small groups and provide credit on the group basis (Dhakal, 2012). Due to rapid expansion, the program had to face various technical, financial and political hurdles. With the technical assistance of German Technical Cooperation (GTZ) the program was converted into community managed and owned Cooperative known as Small Farmer Cooperative Ltd (SFCL). At present there are more than 228 SFCLs in 41 districts out of 75 (Shakya, 2008).

## 1.2 Problem Statement

Nepal's poverty is acute, massive, and stubborn. The Per Capita Gross Domestic Product (GDP) has been hovering around \$200 for many years now (B. K. Shrestha, 2004). The Human Development Index (HDI) is 0.463, which place it at 157th place out of 187 countries (Factbook, 2014). According to the national living standards survey 2010-2011 more than 30% of the Nepalese populations live in less than US \$14 per person, per month. Social discrimination and gender inequality plays a significant role in the continuation of poverty in rural Nepal. There is a wide gap between women and men in terms of access to healthcare, nutrition, education, and participation in decision-making. The illiteracy is far more prevalent among women than men. For instance the literacy rate of Nepal is 65.9% among which male literacy rate is 75.1 % and female 57.4%. (CBS, 2011). The difference is much more higher in the rural and remote areas. Therefore, many rural women live in the extreme poverty, without any means of improving conditions for themselves and their families. The orthodox Hinduism also plays a significant role in making women vulnerable in Nepal. In orthodox Hinduism, women have inferior status across all caste and class categories. The main task of women in orthodox Hinduism is to serve men. Hindu society is male dominated society with patriarchy structure. Discriminatory marriage and inheritance laws are imposed in the name of religion, which assign women to lower status in the society (Shrestha, 2004). In the rural areas of Nepal only 18.2% women own the fixed assets (CBS, 2011).

GON has realized that a major factor behind low per capita income and widespread poverty in Nepal is due to low participation of women in profitable economic activities. Although, government has liberalized the financial sector, still the redistribution of credit for more

employment generation in rural sectors has neither been achieved nor effective counteracting measures have been thought (Acharya, 2003).

However, different models of microfinances are putting constant effort to reach the poor men and women. Among the different models the Small Farmer Cooperative limited(SFCLs) are the second largest organization (first is the Grameen Bank), providing microfinance service in Nepal. Today SFCLs are recognized as holistic model for rural development (Kochet al., 2004).

SFCL is a community based grassroots level microfinance institution. SFCL specialise in social mobilization, self-help group formation, skill development, women empowerment, leadership development and local resources mobilization(Shrestha, 2004). SFCLS have positive impact on the socio –economic situation of their member. They claim that living conditions of almost 80% of members had improved due to access to credit. Many members were engaging themselves in non-agriculture income opportunities(Koch et al., 2004; Wehnert, 2004).

The thesis analyses the effect of the SFCL in a Jabdi Village Development Committee (VDC) of Sarlahi District in Nepal. Sarlahi is one of the least developed districts in Nepal. 79% women in the households of Sarlahi, neither own the house nor any land. Caste, ethnic and gender discrimination are common in the VDC. Only 12% of women of above 20 years have completed basic education and half as many has attained School Leaving Certificates (CBS, 2011)

Most of the households are engaged in agriculture in Jabdi VDC. Men here are almost as powerless as women in access to material resources in public domain, but still men remain privileged within the patriarchal structure of the family.

The study has tried to analyse the situation of the rural women in Jabdi VDC who has access to financial resources through the Jabdi SFCL. The vast literature suggests that the microfinance can empower women, but in the real world the ability of the microfinance program to empower uneducated rural women, who have not seen their life beyond their household is very challenging. Therefore, the thesis analyses the effort of the Jabdi SFCL to empower women. The research is based on the interviews of the women who are the borrowers of the SFCL. Although the Jabdi VDC is just a kilometre far from the one of the busy highway, East-West highway in Nepal, there hashardly been any research conducted.

Therefore, the quest for the knowledge about the changes in life of the rural women of Jabdi VDC who had access to the financial resources through Jabdi SFCL lead to this research.

**Research Question:** What is the role of Microfinance in empowering women in rural areas?

**Sub research question:**

- What are the positive and negatives impacts microfinance program on women participating in such programs in, Jabdi VDC of Sarlahi District in Nepal?
- How women participant uses the loan provided by Jabdi SFCL?
- How do the women participants of Jabdi SFCL feel after participating and whether this has led them realize the increased sense of empowerment in social, economical and political environment around them?

### 1.3 Objective of the study

- To describe the factors encouraging women to participate in micro-finance program.
- To examine if the loan is used by women participant for the same purpose for which loan was obtained.
- To explore whether or not and how it contributed to an increased sense of empowerment in social, economic and political environment around them?

### 1.4 Structure of the thesis

The thesis starts with the introduction in which the general knowledge about global understanding of empowerment of women and its significance in today's world is discussed. It also outlines the problem statement, research question, and objective of the study. The second chapter deals with the literature reviews in which the information from the books, journals and reports has been reviewed regarding the empowerment theory, empowerment of women, relationship between microfinance and women, status of women in Nepal.

The third chapter is about the financial and non-financial history of Nepal. The focus of this chapter is to build the knowledge about financial sector in Nepal from past and in present. Here the different models of microfinance are introduced, and the Small Farmers Co-operative Limited (SFCL) is discussed in detail as the thesis analyses the role and its effect in



empowerment of women borrowers. The fourth chapter is the research methodology. In this chapter, analytical framework along with population and sample, sampling technique, method of data collection like interview, key informant review, focus groups, case studies and limitation of research has been discussed. Following the methodology the fifth chapter is the setting and functioning SFCL in Jabdi VDC has been discussed because having knowledge about the study area is essential to complete research. In this chapter, the information regarding the background of the respondent like age, education, caste and ethnic composition, occupation, landholdings are gathered. The sixth chapter is the findings from the information gathered in the previous chapter. In the findings the loan taking pattern, amount of loan taken by the respondents and changes that occurred in the respondent life after having access to financial resources are presented. The seventh chapter is the discussion of the findings from the sixth chapter. In this chapter the loan disbursement and repayment pattern, uses and control of the loan, personal and social impact and the sustainability of the Jabdi SFCL have been discussed. In the end, the thesis is concluded.

## **2. LITERATURE REVIEW**

### **2.1. Introduction**

This section reviews the literature regarding microfinance and its impact on empowerment of women. As the literature review is an essential academic skill that enables the researcher to identify the knowledge gap and get insights in the subject's matter of the research. Merriam (1988, P.6) describe the literature review as “ an interpretation and synthesis of published work.” Books, articles, and other relevant matters including report were studied, not only to understand but also to capture present theoretical and empirical debates on empowerment of women, and microfinance, and its impact on empowerment of women.

The section begins with the concept of empowerment so that the general knowledge about empowerment can help further understand other related topics. Next discussion is about empowerment of women. Having a good knowledge about it is crucial as the study is focused to it. Microfinance and women empowerment follows it. This topic explains the relation between microfinance and its role in empowering women. It also points out the positive and negative impact of microfinance on women empowerment. After this measurement of empowerment is discussed. Measuring empowerment is complicated and confusing so it is crucial to have knowledge about it. At last, the status of women in Nepal is considered as

the study took place here. So having knowledge about status of women in Nepal provide the real picture and help relate to the whole study.

## **2.2. Concept of empowerment**

Empowerment is not an easy concept to define as various scholars define it differently. There are many contesting and converging definitions of empowerment; the idea is interesting in itself and could mean different things for different people making the concept more problematic. However, Page and Czuba (1999,p.5) define empowerment as “the process that boost power in people, to better their lives, communities, and society, by acting on the issues that are important to an individual or group to gain control over own lives”.

For Cheston and Kuhn (2002, p.12) “empowerment is the ideal combination of change, choice and power. It is a process of change by which disempowered gain control and ability to make decisions that affect their life.”

Similarly the World Bank (cited in Swani, 2007, P. 63) defines empowerment as “the process of increasing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes”.

Similarly “empowerment is a process by which individuals gain mastery and control over their lives and a critical understanding of their environment” for Rappaport (1987, p.122). Similarly Perkins and Zimmerman (1995, P. 570) define empowerment as" the process by which an individual participate in community and is gain control and resource mobilization skill as an outcome".

The above definitions albeit but they all conceptualize empowerment as a process. These above definitions sum up empowerment as a process that guide an individual or groups towards change, to live a better life according to their will. Change is only possible if external control and inner transformation can be achieved. The inner transformation strengthens the consciousness, which enable to overcome external barriers to access resources or changing traditional ideology (Presser and Sen, 2000). Without external and internal change a genuine empowerment is rarely sustainable. For example, a women empowerment program providing access to resources is not enough, building the self-

confidence to use the resources is equally important. However, one always has to keep in mind that internal empowerment is self-realized not bestowed by outsider (ibid).

### **2.3. Empowerment of women**

Many development interventions have set the goals to empower women. Despite this, organizations fail to define what empowerment means in their context and to what level they have succeeded to achieve their goal. Instead, traditional development goals like better health or increased income are cited as evidence of empowerment (Mosedale, 2005).

Kabeer (1999) stresses to understand empowerment, first one have to understand disempowerment. Disempowerment is the inability to make choices by an individual. Therefore, people who can make choices in their life cannot be empowered because they never were disempowered. So according to her the empowerment of women is the process by which the ones who are denied the ability to make strategic life choices become able to make the choices.

However, to Keller and Mbwewe (cited in Rowlands, 1995,P. 89) empowerment of women is “a process whereby women become able to organize themselves to increase their own self-reliance, to assert their independent right to make choices and to control resources which assists in challenging and eliminating their own subordination”.

Most of the authors accept four of the following aspects. Firstly to be empowered one has to be disempowered and being women they are disempowered relative to men. Secondly, the third party cannot bestow the empowerment. They can only facilitate women to be empowered by creating favourable conditions. Women who would empower must claim it. Thirdly, empowerment enables women to make and carry out important decision of their lives. Finally, empowerment is an on-going process rather than a product. People are empowered or disempowered in relation to other, or more importantly relative to themselves in relation to previous time (Mosdeal, 2005).

Despite the various issues and elements, often the women empowerment is taken for granted and consequently approached as a universal framework by the western feminist. They stress,

women in the developing world have similar aspiration and empowerment need as them. But there are many scholars who criticize the feminist assumptions and point out that the empowerment need of women around the world is not similar. Among them Mohanty, Russo and Torres, (1991) suggests that the western framework does not take social relations and institution into account. But, in fact, the construction of different societies in the world shape and affect the empowerment needs and its process due to which generalization does not work. The study adapts to this understanding for two reasons. First, the study is in Nepal, which lies in South Asia. Women in this area share similar social, political and institutional structure, which is male dominated and is very much different from the western context. Second, realizing such differences of context, institutions, and societal framework when studying empowerment is arguably not only important but could further our understanding on the research subject focus.

Srilatha Batliwala's work with 25 other organizations is an important benchmark to understand empowerment across South Asia by grassroots women and development organization. In 1992, Baltiwala published a document 'Women's empowerment in South Asia: Concepts and Practices'. According to this document, empowerment of women is defined as "a process, transforming the relations of power between individuals and social groups" (Batliwala, 2007, P 115). The process of transferring social power is very critical as it is deep rooted. The author suggests three ways to shift social power: first, by challenging the ideologies because it justifies social inequalities like gender or caste. Second, changing prevailing patterns of access and control over economic, natural and intellectual resources as the prevailing patterns does not support all equally. Lastly changing the systems and structures, as they sustain and reinforce the existing one, like a family, state, market, education and media (ibid).

Likewise, Chandra 1997 (cited in Sahay, 1998, P.18) define "empowerment of women as the redistribution of power that challenges patriarchal ideology and male dominance". She focus on transforming the structures or institutions that reinforces and perpetuate gender discrimination in order to enable women to gain access and control of the different resources.

In the context of Pakistan, Zafar(2002) claims empowerment of women is based on three things. First, improving the bargaining power of women within and outside the family.

Second, creating a visible foundation of economic and social benefit. Lastly, making way for women to participate at institutional and policy level. The changes within the household, community, and at a broader institutional or policy-making level will facilitate the empowerment of women. But at the same time women themselves must be able to analyse the transformation within. Therefore according to him empowerment of women is a process through which they transform their self-perceptions in relation to their evolving society.

#### 2.4. Microfinance and Women Empowerment

Asian Development Bank (ADB) cited in Sinha (2011, p.1) defines microfinance as "institution, which provide broad range of financial services like deposits, loans, payments services, money transfers, insurance to poor and low-income households and their microenterprises". Microfinance is also proved to be effective way to assist and empower women as they make the significant proportion of the poor and suffer disproportionately. Therefore, donors are making the microfinance program a major plank to make strategies of poverty alleviation especially among women (Mayoux, 2000a).

For evidence Cheston and Kuhn (2002) used USAID's annual Microenterprise Results Report of 2000, according to which approximately 70 % of USAID- supported microfinance's clients were women. Similarly, the State of the Microcredit Summit Campaign 2001 Report, also states that 14,2 million of the world's most impoverished women had access to financial services through specialized microfinance institutions, banks, NGOs and other nonbank financial institution.

Sinha (2011) also states that the State of the Microcredit Summit Campaign Report 2011 shows that at the end of 2009 the microfinance services reached 104.7(81.7%) million women, out of 128.2 million poorest clients.

Cheston and Kuhn (2002) suggests mainly three reasons for targeting women:

**Women are the poorest of the poor:** Swani (2007) argue that women are amongst the poorest and the most vulnerable of the underprivileged. According to Human Development Report 1995, among the 1.3 billion people living on less than \$1 per day 70 % are women. Similarly the World Bank's statistics database shows that women have a higher unemployment rate than men in every country. It is also found that women are engaged in lower paid jobs or unorganized informal sector in most the economies (Cheston & Kuhn, 2002).

In the context of developing states Baden and Milward, (1995) and Mayoux (2007) agree that both men and women live in poverty, but women are poorer than men due to patriarchy societies and households. Once poor women have fewer options to escape from poverty. Brau and Woller (2004) also claim that most of the women are denied of basic human rights, individual dignity, economic and educational opportunities compared to men and are forced to live in the margins of society. Therefore, many microfinance programs are designed to prioritize financial access to women.

**Efficiency and Sustainability:** Cheston and Kuhn (2002), Littlefield, Morduch, and Hashemi (2003) and Mayoux (2007) agree that women have often proved to be better savers and repayment rates are far superior to those of men. Likewise, women are more willing to form groups to collect savings, which decrease the delivery cost of the institutions making it more sustainable. Many programs have also found women to be more cooperative.

**Women spending pattern:** Bali Swani (2007), Brau and Woller (2004), Cheston and Kuhn (2002), Littlefield et al. (2003) and Mayoux (2007) agree that women spend more of their income on their households. An increase in women's resources results in the well being of the family, especially children. Women tend to invest additional earnings in the health and nutritional status of the family and schooling of the children.

Cheston and Kuhn, (2002) points out that many poor women are encouraged to join microfinance programs because it avoid the financial formalities like collateral requirements, male or salaried guarantor requirements, documentation requirements, cultural barriers, limited mobility and literacy to have access to financial resources.

Many studies and researches are conducted to see the impact of microfinance in empowering women. Some of the studies have shown positive impact of microfinance in empowerment of women.

Kabeer (1998) stated that the financial resources to women acted as an agency, as they felt a sense of power within themselves. Due to the financial contribution made by women in household there was significant reduction in abuse and the relationship with their husband was strengthened.

Hashemi (1996) found women's access to credit made contributions like increment in mobility, political participation and involvement in major decision in households and community. There was also remarkable increase in asset holdings in women's names.

Littlefield et al. (2003) stated that being a member of the microfinance would not empower women automatically. But only if women use the credit provided to them in financial generating activities then they would be more confident, assertive, and be able to take part in family and community decisions. This can also lead women to confront gender inequality. For example, according to the authors, Women's Empowerment Program in Nepal, found that 68% of their members were making decisions on buying and selling property, sending their daughters to school and planning their family, all these decisions were earlier made by husbands.

Khandker and Pitt (1998) used both male and female participants of the Grameen Bank and two other group-based microcredit programs in Bangladesh. They found that credit program has a larger effect on the behaviour of women than in men. For example, annual household consumption expenditure increases 18 taka for every 100 additional taka borrowed by women, compared with 11 taka for men. So they concluded microfinance impact is greater when credit is targeted to women.

Khandker and Pitt (2003) study found that participation in the credit program had a positive impact. They found that providing access to financial and economic resources increased the bargaining power of women with husbands that enhanced the women's role in household decision-making, which helped the couple to communicate about family planning and parenting.

Holvet (2005) study realized that providing credit to women through groups or combine the loan with social intermediation, instead of providing a direct loan was more fruitful. Usually, it is human nature to follow the norms. Therefore, social intermediation helps women to realize their bargaining power in decision making. Social intermediation can also further transform groups into actors if local institutional change.

According to Shrestha (1999) the Centre for Self-help Development (CSD) in Nepal women, were not only respected within household but also were empowered in their communities. They were respected and accepted without veil (purdah) in public spaces.

Although the above evidence suggests that many programs can reach the poor women and has been successful to empower, there are still other sceptic studies about the significant impact of microfinance on empowerment of women. There are the numbers of issues: like conflict over loans, increasing domestic violence and difficulties on repayments, which has proved to be adverse impacts on empowerment of women.

Goetz and Sen Gupta (1996) studied four Bangladeshi credit organization, which provide credit to women. They found that only 37 % of the loan provided by the organization was entirely controlled by women. They argued that if the husband or other men members of the family controlled the remaining 63 % of the loan, then women automatically lost meaningful control over their investment and limited the ability to develop. They also pointed out the cases in which women were unknown about how their credit was used; participating in the activities funded by that credit was out of the question.

They pointed out three possible repayment scenarios of the credit used by men, all with negative implication for women. In the first scenario husband or male members took the responsibility to repay the loan. Although women had nothing against it, the authors believed that developmental objectives of lending women neglected. In second, men were unable to repay the entire amount of loan and in this case without having any control of the credit, women had to take responsibility to repay the loan. Women used their savings, cut back their consumption or sell their utensils to repay. In the third case men did not show any interest to repay. In this case women had to bear whole burden, which caused tension within households and usually turned into violence.

Hunt and Kasynathan (2002) used the interviews of the village women's groups and staff from three NGOs in Bangladesh and one in India. They found only minorities of women were controlling their loans. Most of the women were acting as a channel to pass the loan directly to their husbands, sons or sons-in-law, with little or no access to the income generating activities. Women were getting only the amount that would be enough to repay weekly loans. He also argued microfinance reached only to the poor and usually excluded the poorest. The poorer women were either neglected by microfinance or were least benefited due to their little resources base, lack of skills and market contacts. Women who were already better off were only benefitting from the microfinance programs.

Mayoux (1997,2002) also agree to the possible negative impact of microfinance on women empowerment. Even though women use their loan to set up small enterprise, the increased income is limited and comes with the cost of heavier workloads and repayment pressures. As women have to combine both production and reproductive tasks. In some other cases, the husband or other male members of the family use the credit, due to which women lose



control over it. As a result, women sometimes end up being employed in unpaid family workers with little benefit. In some cases if the income of women increases, men decreases their contribution in certain types of household expenses due to which women cannot use their income for themselves. Their expenditure decisions may continue to prioritize men and male children while daughter or daughter-in-law bear the brunt of unpaid domestic work.

Mayoux (2001) also warns about the dangers of using social capital to minimize the cost of the microfinance program. The microfinance program can sometimes have an adverse effect on women as well as the program. She claims that reliance on peer pressure instead of individual incentives and penalties may create disincentives and corruption within groups.

Vonderlack- Navarro (2010) argues that the microfinance extend small loans, which cannot create a path toward financial autonomy for women. Therefore, to manage the debt many women depend on the husband and other family members. His report on the ethnographic study of women's participation in Tegucigalpa, Honduras indicated that male partner's behaviours matter a lot in empowering women. The men can both facilitate and limit women's use of loans and repayment.

Bateman (2010) argued that initial model of microfinance institutions was based on donor and government subsidies. But since 1990s, the entry of subsidy- free neoliberal model of capitalism changed the not for profit philosophy to a profit maximizing. The microfinance also included significant bonuses and gains for their managers. A new- wave of microfinance has applied too high interest rates for profit maximization. Therefore, he argues that the microfinance does not work as a means for poverty reduction but instead against it.

Some of the borrowers could not repay the loan due to high-interest rate and committed suicides. According to Ashta, Khan, and Otto (2011) there had been reports of 54 suicides by microfinance borrowers in Andhra Pradesh, India. Biswas (2010) also reported that according to Indian government more than 80 people had committed suicide in 2010 within few months after defaulting on micro-loans.

Therefore there is a significant dilemma about negative and positive impact of microfinance. But Mayoux (2006) argues that microfinance has a massive capability to reach and empower the poor women through microfinance, but the microfinance has to plan empowerment strategically in their programs.

## 2.5. Measurement of empowerment

By the above argument, it is clear that the microfinance has both positive and negative impact on women and their empowerment. The entire microfinance program assumes that giving women access to financial resources provides them an opportunity to live their life on their own. But the assumption is affected by geographical location, social -culture, economic as well as the political environment, which is multidimensional. Therefore, measuring empowerment of women is essential and at the same time complicated (Malhotra and Schuler, 2005).

Cheston and Kuhn (2002) also stated that the process of empowerment of women in the developing world has a close link with the culture of the community they belong to.

Empowerment of women and its measurement can only be realistic if one considers various issues of culture and society. Some of the issues follow below:

- **Multidimensionality:** M. Acharya and Bennett (1981) states that men and women have different roles and power according to their status in different societies. Accordingly men or women use and control the available resources of the society in different stages of their life cycle. Mason (1986) also agrees that the allocated power causes gender inequality and is inherited by generations. As a result the inequality spread in different social, economic, political and psychological dimensions.

Therefore, to minimize inequality empowering women in various aspect of life is essential. Hashemi et al. (1996) and Malhotra and Mather (1997) remind that if women are empowered in one area of life it is not necessary that they will be empowered in others. However Malhotra and Schuler (2005) add that in some cases, it works and in some it does not. For example, an intervention program can empower women at home sphere but not in the political sphere. But in the long run there is possibility that the change in one dimension can help to bring about change in other. For example the women empowered in household today has more potential to be empowered in political sphere in future.

- **The importance of context:** Malhotra and Schuler (2005) points out the behaviour and attributes are contextual and has different meaning in different places. Sometimes the context varies within the same sociocultural setting. These variations in nature across and within

contexts can challenge consistency and comparability in measurement. Therefore, parameters should be established to define empowerment in specific country and development project context. For example, taking the children to hospital without the husband or other family members in Bangladesh is empowerment of women. Whereas, in urban Peru women often move freely in public on their own. So the same parameters of empowerment cannot be applied in two places.

**•Difficulties in Measuring a Process:** Most of the writers agree that the empowerment is a process. Ackerly (1995) agree that it is difficult to measure the process, especially with the tools that are available to social scientists. The process cannot be measured directly, rather through proxies such as health, education level, and knowledge.

Although measuring empowerment of women in complex still there are some key methods to measure empowerment. Kulkarni (2011) and Bali Swani (2007) points out the two indices introduced by the UNDP's Human Development Report of 1995: The Gender Development Index (GDI) and Gender Empowerment Measure (GEM). They further clarify that the GDI indicator measures the inequalities between men and women in terms of access to the basic need whereas GEM evaluates women's access to political and economic posts. The quantitative surveys, ethnographic investigations, focus group discussions and case studies are also used for measurement of empowerment. Kulkarni (2005) highlights the repayment rate and controls over loan as commonly used tool to measure empowerment. Eventhough, it is agreed that certain key measures like decision-making, self- confidence, self- esteem, mobility are complicated to measure, several author like Cheston and Kuhn (2002) and Hashemi et al. (1996) used it in their study.

## **2.6. Status of women in Nepal**

### **Overview of Nepal**

Nepal is Southern Asian nation located between China and India. It has the total area of 147,181 square kilometres. It is one of the poorest and least developed countries in the world. Its estimated population is around 30 million (until July 2013). Out of the total population 83 % of the total population reside in rural areas. Agriculture is the principal occupation of the 70 %of the population, which just accounts of a little over one-third of Gross Domestic Product. Almost about one- quarter of the population is living below the poverty line. The literacy rate for people aging from 15 and above who can read and write is 57.4%. Among

which, 71.1% are male 46.7% are female. The political uncertainty and difficult business climate has hampered domestic as well as foreign investment. Nepal's growth is affected by its landlocked geographic location, persistent power shortage, underdeveloped transportation and infrastructure, civil strife and labour unrest and its susceptibility to natural disaster (Factbook, 2014).

Nepal is a multi-ethnic and multicultural country with more than 125 cast/ethnic groups and more than 123 languages spoken as mother tongue. Among them 81.3 % of the population follows Hindu religion, 9 % Buddhism, 4.4 % Muslim, 3 % Kirant, 1.4 % Christian, 0.5 % other and 0.2 are unspecified (Factbook, 2014). According to the Hindu caste system traditions, people have been divided into four groups. They are Brahmin (scholars and priests), Chhetri (warriors), Vaishya (merchants and traders) and Sudra (peasants and labors). The Sudra is lowest ranking caste that is considered to be impure and "untouchable". Now they refer themselves as Dalit. Despite the abolition of the caste-based discrimination in 1963, the social hierarchies and division still prevail in Nepal (ADB, 2010).

### **Women in Nepal**

The legal and sociocultural norms like presence of discriminatory institutions; structures and ideology of Nepal have forced women to face poverty and inequality to a greater degree (ADB, 2010). For instance, Nepali society is characterized as patriarchal. Land and property inheritance has been patrilineal, and residence pattern is patrifocal (Pandey, 2010).

The influence of patriarchy in Nepal begins within the family spreading to the community and to the nation. Women here are responsible for reproduction, household chores. However, reproduction is not treated as work and house holding is not considered as productive work by government. Desire for son is too high, and many had many daughters in aspiring of having son (UNDP, 1996).

According to R. M. Dhakal and Misbah (1997) Nepalese girls and women work far more than boys and men, particularly in rural areas. They spend 25 to 50 % more time on household tasks and in economic and agricultural activities.

Adding to this Furuta and Salway (2006) state that daughters get a large share of household works and less to eat compared boys. Girls in their adulthood are only recognized for

reproduction and household chores. They are barely recognized for engaging themselves in income generating activities out of the house.

Similarly Luitel (1992) describes women as the peripheral and dependent members in Nepali family structure. The parents feel secured to marry the girls in the early age. Marriage limits women within her home boundary where her foremost duty would be to please her in-laws to secure her future life. Women bear the household work burden with the lowest position in the house.

According to Acharya and Bennett (1983) women are placed in low social and moral values in the society. Although they perform the most arduous job throughout her life but often still possess a lower self-esteem and self- image then men.

Pandey (2010) states that gender inequality and vulnerability of women is not only limited in household but is even rooted in the Nepalese property law, which is based on the laws of Manu. Manu describes the rules of life in the Hindu society. According to Manu women, are considered to be incapable of thinking and living independently. Therefore, women are supposed to live under the control of the father until they are married and after marriage under the husband and after the death of the husband under their sons.

Furuta and Salway, (2006) and Gilbert (1991) points out that the women in Nepal have limited land rights despite their active role in agriculture. Men here are more stable and secured as they inherit ancestral property and land.

Furuta and Salway, (2006) also adds that the opportunity to access knowledge, economic resources and the modern avenues of employment first goes to the male. Bhadra (2001) agrees to the existence of patriarchal norms throughout history in Nepal that has restricted women from the access to resources and services. Therefore Allendorf (2007) states that women rights in Nepal are usually defined in terms of their relation to men.

Gilbert (1991) points out that the constitutions of Nepal has defined the women as full citizens politically, but has only granted them partial citizenship. Women need husband`s or father`s name to get citizenship. Women were prevented from transmitting citizenship.

According to Asian Development Bank (ADB) (2010) the Nepali Citizenship Act 2006 allows children to claim citizenship in their mother's name if the father is a foreigner. Still the 2007 Interim Constitution and certain articles and provisions of the Constitution Act limit the right of women to issue citizenship based on matrimonial. ADB also points the inequality in the literacy rate among men and women of Nepal. Although, the rate is above 50 % in national level, there are vast disparities among castes, ethnic groups, and regions. For example in Terai region, 85 % of Dalit women and 75% of Madhesi women are illiterate. In Muslim group men were four times as like as literate than women.

ADB (2010) states that the government of Nepal has recognised Gender equality and social inclusion (GESI) as critical to its development partners. Therefore the interim constitution 2007 of Nepal guarantees the social justice and affirmative action for women. But the gender inequality and social exclusion in rural infrastructure are inextricably linked to the wider social – cultural, political-economic and the old habits of thought and daily behaviour endure.

The literature above suggests that microfinance has potential to empower poor and vulnerable women only if they strategize their plan. Otherwise there can be negative impact on empowerment of empowerment. From above discussion it is also clear that Nepalese women need to be empowered as most victim of poverty and lack opportunity in access of resources. Therefore the study tries analyse the role of microfinance in empowering rural women of Nepal.

### **3. History of financial and non-financial sector in Nepal**

Financial sector is the significant part of the economy of any state. Adhikary, Pant and Dhungana (2007) states that the financial sector has to be competitive, affordable and within the reach of all the general public. The history of formal financial sector in Nepal begins with the establishment of Nepal Bank Limited (NBL) the first commercial bank in 1937. It was a joint venture between the government and the private sector holding 51 and 49 % of the share respectively. NBL was the only bank then. The savings were either in cash or were deposited in Indian Banks before the establishment of NBL (Bank, 2012).

The financial system in Nepal gained momentum after 19 years in 1956, after the establishment of the Central Bank of Nepal, The Nepal Rastra Bank (NRB). Within a decade,

along with first commercial bank, RastriyaBanijya Bank (RBB), many other institutions were established in the public sector. These included Nepal Industrial Development Corporation (NIDC), Agriculture Development Bank (ADB), the Employees Provident Fund Corporation, the Credit Guarantee Corporation, Nepal Insurance and the Securities Marketing Centre (Acharya, 2003; Bank, 2012).

In 1980s, the government liberalized the financial sector by bringing a significant structural change in policies, regulation, and institutional developments. The government also allowed foreign banks to open joint venture Banks in Nepal to encourage the investment from the private sector. Although structural changes were made in mid-80s, the financial sector accelerated significantly since 1991(ibid).

Today Nepalese financial sector is composed of banking and non-banking sector. NRB and commercial banks lie in the banking sector while development banks, microcredit, finance companies, co-operative financial institutions, non-government organization (NGOs) performing limited banking activities lie in non-banking sector. Other financial institutions include insurance companies, employee's provision fund, and citizen investment trust, postal saving offices and Nepal Stock Exchange (Bank, 2008).

In the last three decades, financial institution in Nepal witnessed a tremendous growth. There are 265 banks and non-banks financial institutions licensed by NRB by the end of mid-July 2012(Bank, 2012). Besides these institutions, there were more than 3000 registered saving and credit cooperative and more than 10000 NGOs by mid-Jan 2007(Bank, 2008).

Nepalese banking system now has a wide geographic reach and institutional diversification. Unfortunately, the growth is uneven and is concentrated in urban and town areas, or near the highways. Private sector banks operate mostly in large cities; commercial banks operate only to serve big business houses and elite population (Acharya, 2003). This indicates that the financial institution is only able to cover 30-35% of the population, excluding 65-70 % who are the rural poor population having low earning, savings and investment (Bank, 2008).

The excluded poor population has to depend on informal sources like merchant, moneylenders, and traditional cooperatives for financial needs. These informal sources often exploit the poor by charging high interest, demanding give gifts, forcing to pay premiums, asking free labor and even forcing for bonded labor which results the endless cycle of debt

and poverty (Bank, 2008). But, Acharya (2003) suggests that the financial sector should spread deposit and credit to the rural poor population to end the perpetual cycle of indebtedness and poverty.

In many countries microfinance has been recognized and adopted as an effective tool to reach the rural poor (Robinson, 2001). Similarly in Nepal among many other poverty alleviation programs implemented, only microfinance has been seen as pro-poor and rural based (Bank, 2008). Microfinance history dates back to 80s (Badruddoza, 2011). Microfinance is the informal financial sector with the broad range of flexible, appropriate services tailored to the needs of poor (N. H. Dhakal, 2004). For example microfinance provides financial services to deprived groups and small entrepreneurs so that they can develop self-employment opportunities and various income generating activities (Bank, 2008).

There are few prominent models of microfinance in the Nepal. These include

- Cooperative model
- Small Farmer Cooperative Limited (SFCL) Model,
- Grameen Bank model,
- Self-help Groups (SHGs)/ Community Organizations (Cos)/ Self-Reliant Group (SRG) Model,
- Village Bank (VB) Model (Badruddoza, 2011; Bank, 2008; Shrestha, 2009).

### **3.1 Introduction of Small Farmers Co-operative Limited (SFCL)**

In 1975, the Agricultural Development Bank Limited (ADBL) initiated the Small Farmer Development Program (SFDP) targeting pro-poor program focusing only in the rural poor as a pilot project (Wehnert and Shakya, 2001). The Food and Agriculture Organization (FAO) donated 30,000 US dollar to initiate pilot testing of SFDP at two sites, SakuwaMahendranagar in Dhansuha district (Terai) and Tupche in Nuwakot district (Hills). After the successful implementation of SFDP in two pilot sites, the ADBN expanded the SFDP gradually to 422 sites covering a total of 652 VDCs in 75 districts, which catered around 188,000 small farmer families. Despite the enormous coverage, the services of the SFDP were somehow affected by the higher speed of expansion without developing the staff capabilities. The political pressures added negative impact on its implementation (Shrestha, 2004; Shrestha, 2009; Wehnert and Shakya, 2001; Y. P. Achary and Acharya, 2006;).



Therefore, later in 1987/88 GTZ- German Technical Cooperation, Nepal provided technical and financial support to ADBL in an attempt to convert the Sub-Projects offices (SPOs) into Small farmer's Cooperatives. In 1993 four SPOs of Dhading district were first registered as Small Farmer Cooperative Limited (SFCL).

In 2002, Sana Kisan Bikas Bank Limited (SKBBL) in English Small Famer Development Bank (SFDB) a specialized, wholesale lending microfinance development bank was established, to promote and strengthen grassroots-level Small Farmers Cooperative Limited (SFCLs) and other similar other microfinance institution (MFI). It provides short and medium term wholesale credits or refinancing services to SFCLs. Along with financial services it also provides technical support for SFCLs by providing training, planning, monitoring, and information system. It also develops and delivers a variety of financial and non –financial products through SFCLs (Shrestha, 2009; Wehnert and Shakya, 2001). SKBBL has been honoured with CGAP/IFAD Pro-Poor Innovation Challenge Award-2003 as the best model of poverty alleviation (Shrestha, 2009).

By July 2007, there were more than 228 SFCLs in 41 districts out of 75 districts registered covering 139,368 members and 111,494 borrowers. Out of this 11 SFCLs were entirely managed by women members and 219 SFCLs were affiliated to SKBBL (Shakya, 2008; Shrestha, 2009).

SFCL is community-based, grassroots level microfinance institution. It is designed to deliver not only financial, but also non-financial (training technical assistance) services to its member in rural areas (Wehnert and Shakya, 2001). It is owned, managed and controlled by the local small farmers and are concentrated in social mobilization, self-help group formation, skill development, women empowerment, leadership development and local resources mobilization. SFCLs educate its members on the importance of savings to cope with the adverse situation, offers insurance products and remittance services. It also undertakes social, and community development activities related to health education, environment protection and little infrastructure development.

SFCL has a three-tiered organizational structure. For example, groups in the village level, inter-groups at the wards level and main committee at the VDC level. This organizational structure ensures the involvement of most of the members in the decision-making process (Shrestha, 2004). The three- tiered organizational structure is depicted below:



Figure 1: The organizational structure SFCL (Staschen, 2001)

- **Small Farmer Groups (SFG):** SFG members (5 -12) represent the small farmers at the grassroots level. The SFGs decide on the collection of savings, loans and community development programs in the village.
- **Inter-Group (IG):** Two or more SFGs form an IG at the ward level. The IG supervises and coordinates activities of SFGs.
- **Main Committee (MC) a Board of Directors (BODs) of SFCLs:** All the IG chairpersons from each IG form the BODs at the VDC level. The BOD formulates plans, policies and appoints staff. The BOD is accountable to the General Assembly (GA). Manager carry out daily operation with the help of assistant manager and staff (SKBBL, 2014).

## 4: RESEARCH METHODOLOGY

### 4.1 Analytical framework

Empowerment of women has been studied from a variety of methods. There are enormous numbers of quantitative surveys, ethnographic investigation, and qualitative research that include both focus group discussions and case studies or either of them (Kulkarni, 2011).

The methodology is crucial throughout the study as it act as a guide or the checklist of indicators. The indicators of the methodology can be collected form the site and some form literature review. The methodology should be both systematic and should be able to specify local population or groups to create the appropriate indicators (Leedy and Ormrod, 2005).

The qualitative research method is employed in the study, as it is most useful for deeply rooted studies that attempt to explain social reality (Cohen, Manion, and Morrison, 2013). Gender issue is controversial, critical and very difficult to quantify. Therefore, qualitative analysis is believed to provide an adequate understanding of the subject. The qualitative method specializes in the design, conduct and interpretation of the research studies, which uses in-depth interviews and focus groups discussion to interpret the diverse voice and experience of women (Ritchie and Lewis, 2003).

In accordance with the above, the thesis is adopting qualitative method to assess the areas and extent of empowerment resulting from the intervention of microfinance and also identifying the challenges and problems faced by both clients and the microfinance in the undertaking. On measuring empowerment, Kabeer (1999) defines empowerment as the process through which those who have been denied the ability to make strategic life choices acquire such ability. She highlights three different essential elements: Resources, agency and achievement to measure empowerment.

- **Resources (pre-conditions):**Resources includes various material resources as well as human and social resources (family, market, community), which serve to enhance the ability to make decisions. The choices one make is entirely influenced by the prevailing resources. Access to these resources is not equal to all because of the rules and norms. The rule and norms govern the allocation and distributionsof the resources in the past for future. For example head of households, chief of tribes or elites within the community are endowed with decision-making authority with the virtue of their positions.

- **Agency (process):** Agency means the ability to set one's goal and act upon them. It encompasses the meaning, motivation, and purpose, which individuals bring to their activity, to their sense of agency or create the power within. Agency can take the form of bargaining and negotiation, deception and manipulation, subversion and resistance as well as more tangible, cognitive process of reflection and analysis. She further divides agency into two senses. First in the positive sense, what she calls 'power to' which means the ability of the individuals to define their life choices and goals and act upon them even in the presence of opposition. Whereas in the negative sense agency is 'power over' which means the capacity of an actor or category of actor to override the agency of others through use of violence, coercion, and the threat.

- **Achievements (outcomes):** Achievement is well outcome. With the given resources and agency one can determine the result. The achievement is a perceived way of doing or being by individual. The failure to achieve one's goal should not be due to one's laziness, incompetence or personal preference because it is irrelevant to the issue of power. The failure of performance should be due to the deep-seated constraint on the ability to choose.

As mentioned above, control is also one of the most used indicators. Goetz and Sen Gupta (1996) emphasized control over loan borrowed by women. Control of loan indicates how women translate loan into various valued achievement. Therefore, they used Managerial Control index to classify the borrowers into five categories ranging from no control to full control of the loan. The five categories are as follows:

- **FULL** = It means women having full control over the loan and invest it in the productive process where she has full control of the organization and market.
- **SIGNIFICANT** = this means women have control in the production but not marketing.
- **PARTIAL** = this means women do not have marginal control over the productive process but make inputs as labor.
- **VERY LIMITED** =minimal input into the production process.
- **NO INVOLVEMENT**= the women did not contribute to any production process or did not have any idea where the loan was being spent by husband.

Hashemi, Schuler and Riley (1996) combined sample survey and ethnography study to determine the change in empowerment of 1300 married women under the age of 50, who were members of Grameen Bank and Bangladesh Rural Advancement Committee of Bangladesh. They used eight different dimensions to measure women empowerment:

- **Mobility:** meaning going outside the house to market, movies, and hospital, outside village alone or with the company.
- **Economic security:** if the women owned house or land in her own name. The cash savings were also regarded as economic security.
- **Ability to make small purchases:** like small items used in daily food preparation of the family.
- **Ability to make larger purchases:** like pots and pans, clothes for own self and children and family's daily food.
- **Involvement in major decision making:** like making decision alone or with husband in the matter like renovating house, raising goat for profit, deciding to lease land, buying land.
- **Relative freedom from domination by the family:** if money, land, jewellery or livestock was taken against her will. If the women were prevented from visiting their natal home, or from working outside home
- **Political and legal awareness:** women were asked the name of local government, member of parliament, name of minister and the significance of their marriage registration.
- **Participation in public protest and political campaigning:** women were asked if they had campaigned for any political candidate or had ever gathered in protest for issues like a man beating his wife, abandoning his wife, unfair wages and unfair prices.

Women were given score for each dimension. They had to obtain a certain point in each dimensions depending upon the criteria they set. If they managed to get the point assigned they would be empowered or vice versa.

The study has adopted above-mentioned indicators but has not assigned the numbers, as the study is qualitative. However, the impact felt by the participant in these indicators has been analysed.

Cheston and khun (2002) has also identified and measured empowerment of women in similar manner but with different terms: impact on decision- making, on self-confidence of women, on their status at home, on family relationships and the incidence of domestic violence on their involvement in the community, on their political empowerment and rights.

Following the above indicators and parameters, a qualitative design was adopted to explore the different domains of women member who borrowed the loan from the Jabdi SFCL. Following are the details of the methodology.

#### **4.2 Population and sampling**

The research method used in this study is both primary as well as secondary. The primary data were collected from the field survey conducted in Jabdi Village Development committee (VDC), Sarlahi district. The study covers all the rural women who borrowed the loan from Jabdi Small Farmer Cooperative limited (SFCL) until 1st August 2013. The total borrowers of the cooperative are 840 among them 447 are women, and 393 are men.

#### **4.3 Sampling technique**

Random sampling techniques or equal probability selection method produces the representative samples. If the goal of the study is to understand the characteristics of a population based on the sample, then representative sampling is appropriate (Onwuegbuzie and Collins, 2007). Thus among 447 women borrowers a sample of 50 borrowers were randomly drawn as the representative of this population. Since the borrowers were homogenous in their socio-economic behaviour, the sample size is believed to be representative enough for this study the total population. First, a complete list of all the borrowers of the VDC was received from the Jabdi SFCL. Then, from that list a sample of fifty borrowers was randomly drawn. A lottery system of simple random sampling without replacement was used to draw a sample from the population of the study.

#### **4.4 Method of Data collection**

The study includes both primary and secondary information. The primary data were collected using a questionnaire, which was pre-tested. Interviews were conducted and the researcher herself filled the questionnaires systematically. Secondary data were obtained from Jabdi SFCL, Nepal Rastra Bank, Agriculture Development Bank, Sana KishanBikas Bank, World Bank report, Central Bureau of statistics (CBS) and various other research organizations.

#### **4.5 Techniques of Data collection**

According to the framework of the study, the appropriate techniques of data collection for the study are different kinds of interviews with employees and women members of Jabdi SFCL. They are explained below.

#### **4.5.1 Interview**

An interview is a conversation with a purpose (Bingam, 1931). Interviews are particularly useful for getting participant's experiences as it seeks to cover factual meaning (Brinkmann and Kvale, 2009). Most of the information of household level required for this study was taken by door-to-door interviews with the targeted population of the study. Both structured and unstructured interviews schedules were used while conducting the interview. The structured interview or the open-ended question helped to gather information faster and were easy to analyse. Similarly, informal meetings or fixed- response interview asked the same question too and asked to choose the answer among the same set of alternatives. These interviews helped to obtain information about the SFFCL program and the change it brought in empowering women of the study area.

#### **4.5.2 Key Informant interview**

Key informant interview is qualitative in-depth interview with the people who have extended knowledge about a particular subject. The purpose of using key informant is to gather information and obtain required data, which could not be collected by other interview or case studies. It also provides flexibility to explore new ideas and the issues, which might not have been anticipated (Kumar 1989). The data related to Jabdi SFCL such as its working strategy; institutional structure, operation and management of the progress were collected through key informants. The views of the key informants on the impacts of the program on its women members were analysed in the study.

The board members, senior staffs and leader of the women groups, were the key informants of the study.

#### **4.5.3 Focus Group Discussion (FGD)**

A FGD is loosely structured discussion conducted with small selected group of people, led by the interviewer. The interview is mostly planned and outlined so that the specific topics and individual's views and experience can be explored, which cover the study area (Litosselite, 2003).

Therefore, an FGD was organized among the members of the cooperative to obtain the data depth. An FGD guideline in consultation with the supervisor was developed before carrying out FGD. The focus group included the women members, manager, and board member.

Discussions were focused upon the change brought in women members by the programs with emphasis on the empowerment of women.

#### **4.5.4 Case Studies**

Case studies are a useful tool for the study focused on contemporary events within the real-life context. Usually understanding social phenomena is complex as one has little control over the events. Case study can help investigators to retain the holistic and meaningful characteristics of real-life events (Yin, 2003).

Few women were taken purposively for the case study to examine the empowerment of women in detail. Women from different socio-economic background were interviewed intensively to prepare detailed case study and to incorporate individual's experience in the Jabdi SFCL to measure the empowerment of the women.

#### **4.6 Limitation of the study**

The study has numerous limitations on its parts that are explained below:

Area: Since the study is a part of an academic curriculum it would only cover a small area within a limited time. So generalization cannot be made about every settlement because the scenario might be different in other areas.

Methodology: In order to make this research achievable, researcher only used limited research method, such as interview schedule for data collection with limited observation and group discussion.

Respondents: The numbers of respondent were limited (50). Therefore, the result of thesis study cannot be generalized to all the settlement areas in the country. Moreover, the respondents are women who had reluctance in sharing their problem and giving the right information. So all the information given might not be a 100 % real.

Others: Some of the respondents were so shy they even didn't show their face and ran away. Although the samples collected were from all the wards from the Jabdi VDC. However, the absence of public transport in the VDC affected the data collection.



# CHAPTER 5: THE SETTING AND FUNCTIONING OF SMALL FARMER COOPERATIVE LIMITED JABDI

## 5.1 Background

Jabdi is a Village Development committee (VDC) in Sarlahi district in Janakpur zone. The zone lies under the central development region of Nepal. According to Central Bureau of Statistics report 2011, the total population of Jabdi district is 8771 among which 4146 are males and 4625 are females. It has 1808 households. (CBS, 2011) People in Jabdi, belongs to different castes. Most of them are Tharu, Bahuns, Chettri, Yadav, Mushar, teli. Particularly, in this VDC majority of the people are from Dalit (untouchables), Janajati (ethnic minorities) along with high caste (Brahmin, Chettri,). Almost all people respect and follow Hinduism and likewise traditions with slight variation. Most of the people speak maithali a local language and among them 25 % are unfamiliar with the Nepali language (UNDAF, 2013).



Figure 2: Map of Nepal showing Sarlahi District. (Google image) (Access on :09/08/14)

People here are lagging behind in every sector of life due to miserable economic condition, illiteracy, lack of awareness and employment problem. The village lies 1 Kilometre south from Mahendra highway. People have to walk or use private transportation to reach the Mahendra highway and to connect to nearby villages and market. People depend on

agriculture, livestock farming and some on wages-labor for their livelihoods. Few manage to go abroad to work as labors. Even though agriculture and livestock farming is the main occupation here, for many people even to manage food from their production for 12 months is difficult. The only local market that runs once or twice a week near highway is the main centre to sell the agricultural products and buy the daily needs (Nepal, 2012).

## **5.2 Background of the respondents**

The respondents were selected purposively. All the respondents were women as the study focus on the empowerment of women through microfinance. Male members of the Jabdi SFCL were ignored. 50 women member from 8 wards of Jbadi VDC were randomly selected as the sample of the study.

### **5.2.1 Caste and Ethnic Composition**

The caste and ethnic division plays a vital role to unite society and keep solidarity among its members. Nepal includes gender-based social stratification, which exists in the different caste and ethnic hierarchies that shape economic and social relationship. These hierarchies define the role of men and women according to caste and ethnic group they are born in (BK, 2008). In the study quite diversity was observed in the caste/ethnic composition of the respondent. The respondents were from different caste/ethnic group such as Brahmin, Chhetri, Tharu, Madhesi, and Dalit. Caste and ethnic composition is the important social characteristics of respondents.

Most of the settlement in the VDC is divided according to the caste/ethnicity. Among the eight wards of the VDC chosen for the survey, Tharu was the dominant group in the VDC. They were settled in ward number 4,2,7,8 and 5. Madhesi was settled in wards number 6, 3, 1 and 4. Brahmin and Chhetri and Dalit were found in ward number 8. The table below presents the cast and ethnic composition of women interviewed.

**Table 1: Caste/Ethnicity**

S.No.	Caste/Ethnicity	No. of Respondents	Percentage
1	Brahmin/Chettri	14	28
2	Tharu	20	40
3	Madhesi	11	22
4	Dalit	5	10
	Total	50	100

Source: Field Survey, 2013

Table no.1 shows out of the total samples interviewed majority of women were Tharu (40%). Brahmin and Chhetri were 28% followed by Madhesi 22% and Dalit (10%).

### 5.2.2 Age Composition

Age is an individual characteristic that directly affects the socio-economic status of any respondents. The table below shows the age wise composition of the respondents.

**Table 2: Age composition**

S.No.	Age group	No. of Respondent	Percentage
1	Below 30	10	20
2	30-35	17	34
3	35-40	12	24
4	40-45	3	6
5	45-50	3	6
6	50 and above	5	10
	Total	50	100

Source: Field Survey, 2013

Table 2 presents that out of total respondents 20% of women were aged below 30. 34 % of women were between 30 to 35 years. This shows that women from this age group were most active in the microfinance programs. Women aged from 35 to 40 were 24%. Age group 40 to 45 and 45 to 50 were 6% each. 10% of the respondents aged above 50.

### 5.2.3 Marital Status

Most of the women in this cooperative were married women. The following table reveals the marital status of the respondents.

**Table 3: Marital Status**

S.No.	Marital status	No. of respondents	Percentage
1	Married	42	84
2	Unmarried	0	0
3	Widow	8	16
	Total	50	100

Source: Field Survey, 2013

The table shows that 84% of women were married, and 16% of women were widow. None of the unmarried women were the participant of the SFCL.

### 5.2.4 Educational Status

Majority of the respondents were illiterate. Few of them were able to write their names as they were enrolled in adult literacy program. The table below depicts the educational background of the respondents.

**Table 4: Educational Status**

S.No.	Literacy status	No. of respondents	Percentage
1	Illiterate	28	56
2	Primary level	12	24
3	Secondary level	10	20
4	Higher secondary and above	0	0
		50	100

Source: Field Survey

The above table shows 56% of women were illiterate. Only 24% of the respondent has attendant primary level of school and remaining 20% had completed their secondary level of school. None of them had the opportunity to educate themselves up to college level. Education is one of the factors, which influence the empowerment of any individual. But in the VDC the respondents' educational background was very nominal.

### 5.2.5 Occupation

The Jabdi VDC as mentioned above lies the Terai region where agricultural land is abundant. Most of the families are directly or indirectly related to agriculture. The table below shows the occupation of respondents.

**Table 5: Occupation of respondents**

S.No.	Occupation of respondents	No. of respondents	Percentage
1	Agriculture	20	40
2	Cattle farming	9	18
3	House wives	13	26
4	Small business/ Services	8	16
	Total	50	100

Source: Field Survey, 2013

In the table above 40% of the respondents are involved in agriculture. They work in fields own by the family or if nuclear than husband. 18% of the respondents had buffalos, goats or cow as cattle. They sell the goat for meat and sell milk of buffalo and cow so that they can have some cash earning. 26% of respondents were housewives. Some of the respondent's husbands were abroad who send money for the survival. Few respondents' husbands had governmental job, and few had the small business. The respondents were totally dependent on the earnings of the husband or a family. Only 19% of the respondents owned small business. They had small grocery shops, tailor, spice grinding mill, some sell vegetable in cart.

### 5.2.6 Landholding

The economic status of any individual can be evaluated by the property they hold. During the survey, there were some landless respondents and some had only patch of land. The table below shows landholdings of the respondents' family.

**Table 6: Landholdings of Respondent**

S.No.	Landholding in kattha*	No. of respondents	Percentage
1	Landless	5	10
2	0-5	20	40
3	5 to10	9	18
4	10 to 15	9	18
5	15 and above	7	14
	Total	50	100

Source: Field Survey, 2013(\*1 Kattha=3638.2square feet)

The above table shows that 10% of respondents were landless. They used to work in other's field as tenants. They work in other fields and share the half of the harvest with the landowner. 40% owned 0 to 5 Katha of land. This indicates that they had minimum landholding. Some of them had only house and little vegetable garden around. Some had small land for growing paddy or maize. Usually, family that has less amount of land would also work in other's fields as tenants. Because working in a small field would not be enough for survivable. 18% of the respondents owned 5 to 10 kattha of land, and another 18% of respondents owned 10 to 15 kattha of land. 14% of respondents owned more than 15 kattha of land. The family owned more land would rent out the land so that they do not need work but still can have half of the harvest. Usually, the wife whose husbands were abroad or had jobs outside village rented out their land.

### 5.2.7 Land ownership

Nepal being patriarchal society ownership of land is enjoyed by men. Married women have no legal rights for ancestral land but have only legal rights in her husband's property if she separates. In this scenario, there are very few women who have land in their name. The table below shows the land ownership of respondents.

**Table 7: Land ownership status**

<b>S.No</b>	<b>Land ownership status</b>	<b>No. of respondents</b>	<b>Percentage</b>
<b>1</b>	Personal	2	4
<b>2</b>	Husband	18	36
<b>3</b>	Family	30	60
	Total	50	100

Source: Field Survey, 2013

The table above shows that only 4% of women had some land in their name. 36 % had land in husband's name as being nuclear family, and 60% of women who lived in extended family had the land owned by head of the family.

## CHAPTER 6: Findings

### 6.1 Information of the program

The SFCL is an effective means towards poverty reduction. It is a grassroots level microfinance institution, which is owned, managed and controlled by the local small farmers. It focuses on social mobilization, self-help group formation, skill development, women empowerment, leadership development and local resources mobilization. It also educates members on the importance of savings to cope with the adverse situation (Shrestha, 2009). Out of 50 women interviewed, 30% had heard about the Jabdi SFCL through members of the SFCL. The members or representative of the SFCL go around village and gather women and council them to join the SFCL by forming groups among them. Other 45% of the respondents heard about the program from the friends who had already joined the program and motivated others to do so. Rests of 25% were encouraged by the family members or relatives to join the SFCL.

A majority of women respondent (70%) said that they discussed with husband before they joined. 10% said they decided to be the members on their own, and the remaining 20% were either forced by husband or other family members like mother in-law, father in-law, brother in-law or son.

### 6.2 Loan Taking Pattern

One of the important aspects to measure the impact of Jabdi SFCL on women is to evaluate the times of loan taken by the member. Each member can take a loan as their need following the rules and regulation determined by the SFCL.

**Table 8: Number of times loan taken**

S.No	No.of times of loan taken	No. of respondent	Percentage
1	Once	16	32
2	Twice	20	40
3	Thrice	8	16
4	More than thrice	6	12
	Total	50	100

Source: Field Survey, 2013



The table above shows that 32% of women took loan once, 40% took twice, and 16% thrice and 12% took more than four times.

According to the table, it is found that most of the respondents are taking loan more than once, which is a positive impact of microfinance. It indicates that women are benefiting from the loan and are inspired to borrow again.

### 6.3 Loan received by the respondents

The minimum amount a member of the SFCL can borrow is Rupees (Rs) 10,000 and maximum is Rs 200,000 according to their needs. The table below shows the size of loan respondents are borrowing.

**Table 9: Size of loan**

S.No	Size of loan (in Rupees*)	No of respondent	Percentage
1	30000-50000	12	24
2	50000-80000	14	28
3	80000-100000	8	16
4	100000-150000	7	14
5	150000 and above	9	18
	Total	50	100

Source: Field Survey, 2013(1 US Dollar = 99.68 Nepalese Rupee. Date: 14-12-2014)

The table above shows that 24% of respondents took loan from RS 30000 to 50000 whereas majority of respondent 28% of respondents took loan from 50000 to 80000. 16 % of women took loan of Rs 80000 to 100000. Likewise, 14% took loan up to 150000 from 100000. The remaining 18% took loan above Rs 150000. The table shows that more than half of the respondents are borrowing only up to Rs 80, 000. Only few respondents have dared to borrow above 100,000.

### 6.4 Change in Economic status of women after joining Jabdi SFCL

After joining the Jabdi, SFCL women had access to economic resources and were able to engage in economic activities. Most of the respondents claimed that they benefited from the loan, directly or indirectly. The feeling that they were able to contribute to family income has given them confidence to some extent.

Some women respondents got opportunities to earn at least something rather than nothing and were not any more fully dependent on their husbands or in-laws to make small expenses. Having their income raised, their economic status automatically raised to some extent.

#### 6.4.1 Income of the women after the program

After borrowing loan from the Jabdi, SFCL respondents had engaged themselves in some kind of income earning activities. Many of the respondents used their loan in rearing goat and cattle. Therefore, it was difficult to estimate the monthly income, as one does not have monthly income. Some who owned shops or engaged themselves in services were able to quantify their monthly income. There were some respondents who used the borrowed amount to send their husband abroad to earn money claimed that their monthly income was undoubtedly increased.

#### 6.4.2 Savings in the family

SFCL collects the minimum amount of savings from its members every month and deposit it. SFCL pays interest on the savings. The table below depicts the details about the ability of the respondent to contribute savings in the family.

**Table 10: Ability to save**

S.no	Assist to savings	No. of respondent	Percentage
1	Strongly agree	18	36
2	Agree	21	42
3	Disagree	0	0
4	No opinion	11	22
Total		50	100

Source: Field Survey, 2013

In the table above 36% of women strongly agree that they could save some money for the family in the needs. Whereas 42% of respondents just agree to it as the savings amount were not as much as they had expected. 22% had no opinion about it.

#### 6.5 Change in social status

Most of respondents claimed that after joining Jabdi SFCL their personality has changed and their status in the family and society has improved. They have increased their ability to talk in

front of family, community, and public spheres. Their decision-making power, control over household income, group activities mobility has increased substantially. All these points are discussed separately below:

### 6.5.1 Level confidence in women

When asked about the impact of SFCL in their individual life, 44% strongly agreed that due to their membership to SFCL they had enhanced their confidence level (Table 11). In order to make it easier to analyse the result of collected data below table is presented.

**Table 11: Confidence Level of respondents**

S.no	Increase in level Confidence	No. of respondent	Percentage
1	Strongly agree	22	44
2	Agree	21	42
3	Disagree	0	0
4	No opinion	7	14
	Total	50	100

Source: Field Survey, 2013

The table shows that 42% of respondent just agreed that their confidence had grown due to the involvement in the SFCL. Remaining 14% did not give any opinion about the change in their confidence level. Therefore, it is inferred that most of the women had progressed being a part of microfinance.

### 6.5.2 Ability to make Decision

**Table 12: Decision making ability of respondent**

S.no	Decision making ability	No. of respondent	Percentage
1	Strongly agree	18	36
2	Agree	24	48
3	Disagree	0	0
4	No opinion	8	16
	Total	50	100

Source: Field Survey, 2013

The table above shows that 36% of the respondents strongly agree that their decision-making ability has improved. They can decide confidently on any matter and the family. Other 48% agreed their decision-making ability had improved to some extent. After joining SFCL, they take a decision for themselves and the family than before. They do not need to ask other for making small purchases, small decisions. No, any respondents disagree to it. All the respondent respondents said their was change for certain, but to different extend. The remaining 16% did not give any opinion about it.

### 6.5.3 Ability to communicate in society

Most of the Nepalese women are confined in the four walls of the house. They even hesitate to talk in groups or to men. During the survey, my husband and one of the male employees of the Jabdi SFCL accompanied me. In one of the wards we were interviewing a group of women and one of the women did not even show her face to us due to presence of men. She was so shy that she turned her back and sat for the while and when I asked her question she went away from there. The table below shows the improvement in communication of the respondents after joining SFCL.

**Table 13: Ability to communicate by respondent**

S.no	Communicate more clearly	No. of respondent	Percentage
1	Strongly agree	21	42
2	Agree	18	36
3	Disagree	0	0
4	No opinion	11	22
	Total	50	100

Source: Field Survey, 2013

In the above table, 21% of respondent strongly agreed that they could communicate more clearly and confidently than before. 18% of respondent agreed that they were able to communicate to some extent. 11% of the respondents said they did not have any opinion regarding it. There were no changes for them.

#### 6.5.4 Acknowledgement in family

Role of women in Nepal is limited to reproductive. They are not recognized for their economic roles. So to know the influence of respondent in the family they were asked if their work and effort have been recognized in the family or not. The table below shows opinion of the respondent.

**Table 14: Acknowledgement in the family**

S.no	Family acknowledgement	No. of respondent	Percentage
1	Strongly agree	20	40
2	Agree	21	42
3	Disagree	0	0
4	No opinion	9	18
	Total	50	100

Source: Field Survey, 2013

Most of the people in Nepal believe that it is only men who take care about the money matters in family. But after respondent join that SFCL and began earning, family acknowledges their work. In the table above 40% of responded strongly agreed that they were appreciated in the family than before. Whereas 42% of respondents just agreed that their family has changed their attitude towards of them but not so significantly. 18% of the respondent had no opinion regarding the acknowledgment of family.

#### 6.6 Opinion about Microfinance

Most of the respondents were positive about the Jabdi SFCL. They are satisfied by its role. Many more women from the VDC want to join SFCL. The SFCL had mostly positive impact on its members. Having access to cash or loan in low interest is very difficult in the village. In this situation if SFCL's credit to its members especially for women is very helpful. Below are the tables, which explain the opinion about the SFCL.

**Table 15: Opinion about the Jabdi SFCL**

<b>S.no</b>	<b>Opinion about being involve</b>	<b>No. of respondent</b>	<b>Percentage</b>
<b>1</b>	Good enough	45	90
<b>2</b>	Neutral	5	10
<b>3</b>	Not fair	0	0
	Total	50	50

Source: Field Survey, 2013

The table above explains the opinion of women respondents regarding their participation to microfinance. The women respondents when asked about the opinion on joining the microfinance, 90% found it good enough to be part of it and even suggested other women to join the groups. Those who expressed the positive opinion towards joining the micro finance advocated that involving in microfinance helped them save money and use in the time of need at low interest. 10% of respondent had neutral viewpoint.

### 6.6.2 Provision for loan

SFCL assesses credit needs of the members for income generating activities based on their individual capacities. But borrowing loan once is not enough. So it is the duty of microfinance to provide loan in the time of need. The table below shows the loan provision in the time of need.

**Table 16: Provision of loan for respondent**

<b>S.no</b>	<b>Loan provision</b>	<b>No. of respondent</b>	<b>Percentage</b>
<b>1</b>	Strongly agree	21	42
<b>2</b>	Agree	20	40
<b>3</b>	Disagree	2	4
<b>4</b>	No opinion	7	14
	Total	50	100

Source: Field Survey, 2013

The table above shows 42% of respondents strongly agreed that they could easily get the loans in time of need from Jabdi SFCL. 40% agreed that they could get loans but not at the

time of the exact need but anyway loan was helpful. The remaining 14% had no opinion on it and said that their name was used to borrow the loan, but they had not anything to do with it.

## **7. DISCUSSION**

This chapter deals with the discussion in relation to women's participation and empowerment as impacted by Jabdi SFCL in the study area.

The Basic theory of microfinance is to empower women by providing them access to financial resources. In return they can earn and become independent and able to contribute to the family and communities. But just by providing access to financial resources do not empower women automatically. Women should use their financial and other resources for the purpose they choose. The economic empowerment is expected to generate increased self-esteem, respect, and other forms of empowerment (Cheston and Kuhn, 2002).

Economically empowered women have a say in the economic decisions on the households. They can increase the well being of themselves and their children (Mayoux, 2000b).

The discussion below, analyses how respondents get loan and use it and if loan help to empower them. From the fieldwork, it is evident that empowering women through microfinance is very challenging. There are lots of social, economic and political constraints. The Jabdi VDC has severe poverty, socially it is very conservative, and the literacy rate is disappointingly low. The proportion of excluded groups like Madhesi, the indigenous group like Tharu and Dalits are higher compared to higher caste population (Brahmin and Chettri).

### **7.1 Loan Disbursement and repayment**

The SFCLs main effort is to alleviate poverty and to develop the people of rural areas of Nepal by providing financial and non-financial products. In Nepal the SFCLs are the second largest provider of microfinance services after the Grameen Bank (Wehnert, 2004).

The SFCL works in three-tier system. Employees of the SFCL organize meetings for group of women and try to make them aware about importance of saving and encourage them to take a loan to invest it into income generating activities. Only 40% of respondents took the loan due to the recommendation of the Jabdi SFCL. Rest of 60% took loan with recommendation of friends and relatives. Currently, Jabdi SFCL is around 40% self-financed, and 60% is financed by Sana Kishan Bikas Bank Limited (SKBBL), the guardian bank. To qualify as the member of the Jabdi SFCL one has to buy at least one share worth Rs100. Then members are required to make a voluntary savings in their respective groups

with the managing committee. The savings earn a regular interest. The savings ranges between Rs 5 to 20 or even higher monthly.

The member of the SFCL has to buy minimum 50 shares worth Rs 5000 to be eligible to borrow loan. But if the members are very poor and cannot afford to buy 50 shares can buy fewer number shares starting from 5 to one's ability. All the members who need the loan should keep the land as collateral. If a member is landless, they can borrow up to Rs 20,000 without collateral.

According to the existing rule of SFCL, they should at least have 10% women members. But the actual proportion of women member is much higher as women are considered as discipline borrowers and responsible homemakers. Unlike men, women members are more available in the village and attend group meetings regularly. On top of this, women do not drink and smoke like men, and moreover they hardly engage in politics and are trustworthy (Kayastha, 2012). Other research like (Mark M Pitt and Khandker, 1998) also claims that women are more reliable and have higher repayment ratios. The similar view was seen in the study. The key informant stated that females are more responsible and put keen interest in repayment of the loan whereas men had to be reminded about interest and instalment. So the SFCL gives priority to women to join the SFCL.

Most of the women have borrowed the loan up to Rs 80,000 and more than once (see table 8 and 9). Jabdi SFCL provides four types of loan with different interest rates. The lowest interest rate is for livestock rearing that is 9 or 10% interest is charged, and they get longer time frame of repayment loan. They get 36 months to repay the loan with interest and instalment. If the fund is available with the cooperative it charges 9% and if the fund available is borrowed from the SKBBL they charge 10 %. For self-employment loan, the cooperative charges 12% interest per annum and 15% interest per annum for small cottage industry loan. The repayment timeframe of the loan is one year except for livestock raising loan, which could be extended to maximum additional two years. In this survey, it was found that most of the respondents has taken loan under the livestock rearing as it has the least interest rate.

One of the employees (key informant) was asked how the SFCL disburses loan for the second time to the member he replied as below.



*“If a respondent pays her previous loan with interest, she is eligible to take the loan next time. And in some cases if respondent is not able to the previous loan but still needs the loan we sanction the loan in one condition. She has to repay the old loan with a loan she takes for the second time. For example, if a respondent took loan of Rs 30,000 and she still needs Rs 20,000 we sanction loan of RS50, 000. And from that amount she pays the old loan and her new account is activated with appropriate interest”.*

If a member is unable to repay the loan after the extension, the SFCL has rights to hold the group prosecution where executives of the group would take appropriate action. But until now the SFCL has not reached a stage to prosecute any members that conclude there were no bad debts.

The study also found that most of the respondents were encouraged to borrow due to its easy availability, cheaper interest rate compared to other financial institutions or the private moneylenders and the long timeframe for repayment of principle amount.

Although there were very few bad debts, the SFCL was not self-sustained. During the establishment of the SFCL, it owned 75% share, and only 25% was owned by SKBBL, the guardian bank. But instead of increasing its share it has decreased to 40% and now 60% is owned by SKBBL. According to an employee, the reason is the expansion of the cooperative, not bad debt or delayed payment. The members of the cooperative and their demand have increased, and the cooperative is not able to meet the demand on its own. Therefore, it borrows loan from SKBBL to meet the demand of its member.

According to data of the study, most of the respondents had only paid the minimal amount of principle. As (Acharya and Acharya, 2006) in their study concluded that small farmers generally were not concerned about institutional sustainability when they borrowed the loans. There were conflicting expectations between lenders and borrowers, which can cause problems and delay repayment of the loan. Likewise in the study, most of the respondents had paid only 30% of total principle amount. Even if some respondent paid the loan with interest, they again applied for a new loan with a bigger amount. As a result, SFCL is becoming more and more dependent in the SKBBL. In long run sustainability of the SFCL on its own can be difficult.

## 7.2 Uses and control of the loan.

Most of the respondents were illiterate (see table 4) and were confined to reproductive role in the household. Therefore, getting loan and getting involved in financial activities was new and challenging for most of the respondents. Respondents had to meet certain criteria to get a loan. For example, borrowers had to keep land as a collateral. Without collateral, they would only get a minimal amount of loan.

Women have very limited land rights according to Nepal's law. Usually, men own the ancestral land and property, except few female who inherit husband's assets after his death. Even if women show interest to take a loan and do some earning on her own she cannot do it by herself. She has to have consent of the husband or head of the family (probably father-in-law or elder brother-in-law) member. It is the husband or family who decided the need the loan. So the women members must use the land of husband or the family's land as a collateral. So when the loan is borrowed it is usually borrowed to fulfil household needs. There are very few families or husband who thinks about using loan for wife. The following discussion shows what respondents did with the loan from the cooperative.

According to findings of (Goetz & Gupta, 1996; Kabeer, 1998; Rozario, 1997) loans borrowed by women were mostly used by their husbands or male members of the family. Goetz and Gupta, 1996's in qualitative study of 253 women members of four organizations from Bangladesh concluded that only 37% of women had full control over loan whereas remaining 63% had either partial, very limited or no control.

A similar situation has been found in this study. Only 18% of the respondent had full control over loan, and the 82% had either partial, very limited or no control over loan. There is one more thing to be noted that among the 18% of respondent who has full control over loan few are widow whose household in female-headed. So we can analyse that women gain full control more likely in the absence of male members. But in some cases, widow's son, father-in-law or brother-in-law had control over loan.

In the study, it was found that the respondents were not fully investing the loan for the purpose it was borrowed. Out of total respondent 25% used their loan to send their husband abroad in Middle East to work as labor. Among this 25% respondent, most of them belonged

to Brahmin, Chhetri. Only few belonged to Tharu, Madhesi and Dalits. These respondents were not poorest, but were well off poor who had easy access to loan due to their ability to show collateral and pay the interest of the loan. Loan is easily disbursed to them, and they use their loan in such way that they increase their family income. For example, most of these respondents borrowed loan under the livestock category and bought two goats and rest of money was handed to husband to send them abroad. There are various studies, for example, Scully Nan Dawkins (cited in Hermes and Lensink, 2011) claims that microfinance does not reach the poorest poor. Core poor people hesitate to take a loan because there is high risk as the loan become burden if they will not be able to benefit from it. So well off poor utilize the loan to their benefit.

Other 22% of the respondent started the small business like grocery shop, spices grinding mill, tailor and vegetable cart, etc. Although these businesses were started in the name of the respondent, they were not fully running their business. According to the (Swani, 2007) a large number of business which women member start with the loan from a financial institution are jointly run, with husband in charge of externals and large purchases. Another study by (Montgomery, Bhattacharya, Hulme, and Mosley, 1996) in Bangladesh also showed that only 9% of first-time female borrowers were primary managers of the loan-funded activities. While the rest, 87% shared the management with husband or family.

Other 16% or respondents used their loan to buy land and to build the house instead of investing in financial activities. Similarly Dalla Pellegrina (2011) study found that borrowers invested the loan on fixed assets. She stressed that it in the long term improving the living standards of members is essential. So to develop productive activities investing on fixed asset is common. She compared microfinance and other sources of finance like banks and informal credit and pointed out that microfinance are less effective than bank for long-term loan. But in this study Jedi SFCL is playing a significant role in helping the respondents' family to accumulate assets although being a cooperative. The reason for this contrast is that Jabdi is a small village where high investment is not necessary to renovate the house and buy the small piece of land. So 16 % of respondent are using their loan on buying and renovating fixed asset.

Similarly, Kabeer (1998, P.28) finds that the microfinance has been effective in increasing incomes and assets, although certainly not in the poorest households. Women tend to spend

income, when they do control it, on household consumption and 'security-related assets' such as homestead land.

One of the respondents was asked why she would invest her money in land but not in some other financial activity. Below is what she has to say:

*"If my husband buys land now, I am sure the price of that land will increase in the future. So that will automatically increase future income. We are sure that we can pay interest and instalment with my husband's earning so we thought we would make a higher profit from land".*

Other 12.5% of respondent used their loan in marriage of the family members like son or daughter and 9.5% used their loan for health treatment of the family member. Other 9.5% of the respondents invested their loan in son or husband business. In one of the study in Bangladesh by White (1999) found that approximately 50% of the loan taken by women was used for men's productive activities.

Remaining 5.5% of women used their money to raise livestock, for household expenses or to buy things that were necessary for farming on rented land.

There were even few respondents who did not have any control over the borrowed loan as their names were used only to borrow.

From the above discussion what we can conclude, socio-cultural environment also affects the services of the microfinance institution. The study area is remote, and most of the respondents are illiterate and belong from very conservative society where men hold the primary position. They have always perceived their role as secondary to men. The rooted gender inequalities seriously constrained most of the respondents to utilize their loan.

Mayoux, (2007) agree to the fact of gender inequalities in household, the local economy, and distribution of labor and assets force women to invest the loan in men. Women have few profitable alternatives for investment in their activities compared to men (Mayoux, 2007).

Most studies like Everett and Savara, (1991) and Montgomery et al. (1996) claims that even if women control the loan, the income out of the investment can be very small or even sometimes negative.

Most of the respondents in the study have shared the similar views. They contribute their loan, as a means that facilitate their family in needs. As suggested by Mayoux, (2007) women themselves see the loan as means to make a greater contribution to household's wellbeing rather than self-investment.

Jabdi SFCL's loan is replacing the loan that they used to borrow from their neighbours or local moneylenders in lower interest rates and low pressure of repayment. As suggested by Sengupta and Aubuchon, (2008) microfinance has become a desirable alternative to informal and exploitative source of finance. As the microfinance target the poor who do not have access to larger financial sources and are not able to invest their borrowings to the most productive use. This indicates that poor borrow mostly to finance their consumption needs as suggested by (Aleem, 1990; Bhaduri, 1977).

I asked my key informant (employee of Jade SFCL) what do you think about the respondents who were not using a loan for other purposes they borrow? This is what he has to say

*“Our village is small, and lots of people are poor. We know that the loan is not being used where it should be in many cases. They are using it to repair their mud houses into semi modern houses, to buy land, to send their husbands abroad. We cannot neglect the fact that they are victim of poverty. So if a borrower is paying interest and instalment in time we do not have any problem. We are here to help in anyway”.*

Of course, these loans are making the life of respondents easier but the vision and mission of empowering women through microfinance service are fading somewhere.

### **7.3 Personal and Social Impact**

The study of Hashemi et al. (1996) suggests that the involvement in credit programs empower women. In ethnographic study of six villages of Bangladesh they concluded that women participation in microfinance program increases their mobility, ability to make purchases and major household decisions, their ownership of productive assets, their legal and political awareness and participation in public campaigns and protest. They emphasized the access to minimalist credit programs improve women position in the house due to their ability to negotiate gender barriers by increasing their control over their lives.

In this study also similarity is observed. Respondents claimed that there had been changes in their social and personal life (see table 11 to 14). These tables conclude that most of the women agreed that after participating in Jabdi SFCL their level of confidence has increased to some extent. Most of the respondents also agreed that there was improvement in decision-making.

At least while borrowing loan many of the respondents' family members discussed with them. In the case of Brahmin and Chhetri respondents who wanted to send their husband abroad, mutually decided to take a loan and repay it with remittance. There were few couples from Tharu and Madhesi group who decided to take a loan for the respondent as they recognized the opportunity to have extra income in the family. Two couples opened small grocery shops, and one of them started a small spices grinding mill.

One of the Tharu couple bought the land and made the house in the wife's name. They also bought some goat and planted saleable trees. There is one thing to be noted here. In all these family at least either husband or wife or both was literate and less conservative than other respondents. So we can conclude that the husband's and other family members support is a must in empowering women, especially in rural areas where women are vulnerable in compared to men in every aspect. Vonderlack- Navarrow (2010) also found that male partner's behaviour matter a lot in empowering women as the men can both facilitate and limit the women's use of loan and repayment.

Many of the respondents also agreed after joining Jabdi SFCL they enhanced their communicating skill. The group meetings gave them a platform to speak and put their views in front of each other. The meetings also made the respondent more confident than before in the family and community. In many cases, it was found that respondent could also have a say in their family because respondent became one of the sources of finance. Becoming source of finance in rural areas is a great deal. As mentioned earlier there is always scarcity of cash. Therefore, most of the respondents admitted that they were acknowledged in family better than before after they had borrowed a loan. An overwhelming majority (88%) of SHG respondents reported an increase in self- confidence after joining the group (Swani, 2007).

Shrestha(1999) found that women in CSD programs of Nepal were gaining autonomy. But at the same time researcher also noted that there were no noticeable changes in the nature of gender relations and their prescribed roles and responsibilities within the household. Women's mobility increased in terms of income-generating activities, but the social stigma of women's mobility was same.

This indicates that women empowerment is much more than access options. So for the overall empowerment of women these program needs to consider some strategic or structural changes and incorporate gender-mainstreaming actions.

#### **7.4 The Sustainability of Jabdi SFCL**

On 24th December 1995 Jabdi SFCL was established with 75% shares self-financed and rest of 25% of shares were financed by the SKBBL, guardian bank. Today the JabdiSFCL has only 40% share, and SKKBL has 60% shares. These changes are the result of growing numbers of the members and their growing demand of loan in the JabdiSFCL. This data suggests that the SFCL is successful in reaching many poor from the VDC with the credit received from the SKBBL. The employee of the Jabdi SFCL claimed that if their SFCL could to be self-sustained if it invests within their cooperative budget. But targeting as many members as possible force them to borrow from SKBBL.

There are various literatures that suggest the sustainability of community level organization depend on the economic prosperity and well being of local people (Chambers, 1993). Similarly, if SFCLs in Nepal are working for sustainability of the community as well as of the organization then thinking about rural industrialization can be more fruitful.

Accordig to Dale (cited in Acharya andAcharya, 2006 p: 123) noted that only rural industrialization could transform the subsistence economy into a market economy. The introduction of small-scale industries within rural areas can be very rewarding to farmer in many ways. When industrialization takes the place farmer, change the process of farming so that they can produce the raw material that the industry needs. It creates a market for the raw materials of farmers and employment opportunity for the farmers (Weitz, 1982).

During the survey, respondent were asked if they would prefer a job in the factory to increase their financial income or take loan to earn income? 90% of respondent admitted that if given opportunity they would join factory, which would provide them a salary on a monthly basis. Illiteracy, lack of managerial skill to run business, high dependency on husband and male members of the family and small market are the few factors discourage women to invest.

One of the respondents was asked why would she prefer job than to do something on their own. This is what she has to say:

*“I have never been out of the village on my own. Although SFCL provide training to make pickle and grow unseasonal vegetables, it is not very helpful as we lack access to the market. So I do not want to invest. But if I get a job in the factory I would prefer that. That would be more secure”.*

Weitz (1982) suggests that the industrial enterprises should be classified as per small farmer's needs and capable of integrating the production of the small farmers. This encourages the farmer to produce more and generate both on-farm and off-farm employment opportunity. For example in Jabdi VDC, almost the entire farmers were producing paddy and maize. If a cooperative invest in the factory, which refine paddy into rice and market it to the city it will be a win-win situation for all. Farmers can sell their paddy, and the unemployed women can work in the factory. There are several other areas where SFCL can invest instead of providing individual loan to women. Giving access to financial resources is very important but not necessarily as a loan. Loan can change few lives, but creating jobs can change many more lives.



## 8. Conclusion

The study focused on the role of microfinance in empowering rural women. It has employed qualitative research methods to collect the data for the study. The respondents were the members of the Jabdi SFCL in Jabdi VDC, Sarlahi District. The interviews and focused group interviews, the key informant interview were analysed to see the impact of the SFCL on the respondents. The study found that the microfinance has been able to reach the women of the rural area and shows potentiality of empowering them. Some respondent have experienced some degree of empowerment. In the study empowerment has been viewed as the process, which bring changes as suggested by (Batliwala, 1994; Kabeer, 1999; A. D. Mason, 2001; Rappaport, 1987; Rowlands, 1995). Cheston and Kuhn (2002) points out to bring the women in the process of empowerment providing financial base and economic contribution to women's in the families and community, can play an important role. So in this respect we can conclude that the process of empowerment has begun but it's very slow and the result or outcome is not up to the mark. There are various reasons for this. As Acharya and Bennett, (1981), Hashemi et al., (1996) Malhotra and Schuler, (2005) and Mohanty et al.(1991) suggests that culture, traditions religion, geopolitics plays a significant role in the process of empowerment. Cheston and Kuhn claims that the social system, traditions and values permeates all aspect of our lives from our family to our communities, from personal dreams and aspirations to our economic opportunities. So the intervention of microfinance cannot alter the power and gender relations' completely. In third world countries, patriarchy is deeply rooted in our social systems and values causing higher gender inequalities.

The case with the Jabdi SFCL is no different. The study area is remote, most of the women are illiterate and the society is completely male dominated. Most of the respondents acknowledged that they benefited from the loan they receive. Mostly women value non-economic benefits. They claimed that they felt the changes in their social status, level of confidence and were more able to make a decision, communicate in the society and even were acknowledged in the family. But there were no significant change in the gender relations and enormous personal economic gain. For instance in the questionnaire, respondent were supposed to mention who was the head of the family. Most of them answer men and few who were actually the head of the family also answered men. The deep-rooted patriarchy and gender inequality in this area does not allow women to be head of the family. Men are always head of the family even if they are not in real. The loan borrowed was being used to meet the financial shortages of households, to buy land or house, invested for male members business.

If the empowerment is to be pursued seriously by SFCL than they should revise the strategies. They should try to educate and train respondents about the potential impact of their programs. The microfinance products, services and design should have mechanisms that mitigate negative impacts and positive impact.

The study also suggests that SFCL can invest in some agricultural friendly factories so that women can directly or indirectly earn the financial income. All most all the respondent showed high interest in getting some stable job to have financial resources rather than having

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## Appendix:

### Questionnaires for the members of Jabdi VDC: Household survey question

#### A. Respondent background

1.Name of respondent: - .....

2.Age: - .....

3.Education: - a. Literate ( ) b. Illiterate c. Completed secondary level ( )

d. Completed higher secondary level ( ) e. University graduate ( )

4.Address .....VDC, Ward No... Tole... District.....

5.Marital status: - a. Married ( ) b. Single ( ) c. Widow ( ) d. Divorced ( )

6. Religion: - .....

7.Occupation: - .....

8.Family Head: - a. Respondent herself ( ) b. Husband ( ) c. Others ( )

#### B. Economic Background:

1.What are your income sources in family?

a. Agriculture ( ) b. Poultry farming( ) c. Cow farming ( ) d. Business

e . Politics ( ) f. Others ( )

2.What is your land holding (in kattha)?

	Khet	Bari	Homestead	Landless
Before				
After				
Remarks				

#### 3. Occupation

a. Before borrowing

i. Main .....

ii. Secondary.....

b. Business started with borrowed loan.....

4. Borrowing

a. Date of borrowing.....

b. Amount of loan borrowed up to now.....

c. Investment phase.....

5. Income

a. Income per month before borrowing .....

b. Income per month generated with business started with borrowing.....

6. Is the income sufficient to maintain daily expenses?

a. Food ( ) b. Clothing ( ) c. Sheltering ( ) d. Fertilizer( )

e. Interest payment ( ) f. Others ( )

7. House ceiling made of:

	Primitive (Wood, soil and straw)	Semi –modern (Wood, soil and tile)	Modern (Brick cement and iron)
Before			
After			

8. How do you spend your income?

a. Independently oneself ( ) b. Depending on others ( )

9. Are you satisfy with your current income?

a. Yes ( ) b. No( )

10. Do you want to increase income level?

a. Yes ( ) b. No ( )

**C. Saving and credit:**

1. How many times have you taken loan?

2. Who spend the loan and for what purpose?





**D. Empowerment/ Social status:**

S.No.	Changes Seen	1) Strongly Agree 2) Agree 3) Disagree 4) No opinion 5) Strongly disagree
1.	I have enhanced my confidence level	1( ) 2( ) 3( ) 4( ) 5( )
2.	I have better decision making power in the family	1( ) 2( ) 3( ) 4( ) 5( )
3.	I am able to assist in the family savings	1( ) 2( ) 3( ) 4( ) 5( )
4.	I am provided with loans in time of need	1( ) 2( ) 3( ) 4( ) 5( )
5.	I am able to communicate more clearly in the society	1( ) 2( ) 3( ) 4( ) 5( )
6	I am respected more in the family and society	1( ) 2( ) 3( ) 4( ) 5( )

2. How good do you think is involvement in the microfinances for the women?

A. Good enough ( )      B. Neutral ( )      C. Not fair ( )

3. What are the factors that encourage you to join the micro finance program?

.....

4. Do you think Microfinance programme is best for reducing poverty and empowering or is there any other alternative?

.....

5. Field supervisor view