



# **Impact of Micro-finance on Educational Change of Women**

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## ***Abstract***

*Women cooperatives have been established to provide the poor women with the financial support in order to transform their socio-economic status. The present study has attempted to find out the educational changes among the client women in the study area after the intervention of women cooperatives. This study had adopted descriptive and analytical research design and mixed method – whereby the client women of Women Cooperative Society Limited, Thankot Branch were taken as population and 62 of them were sampled for data were collection. The primary data were collected through a set of questionnaires, and for secondary data, different documents of WCS's central branch and Thankot branch, Central Bureau of Statistics, Ministry, research reports, relevant books and journals were consulted. From the study it was found that socio-economic status of poor women was changed through WCS micro-finance programme. The result also showed that saving and income were increased to 17.74 percent and 10.72 respectively. Education and literacy level of households are changed by 35% and 8% respectively.*

**Keywords:** Micro-finance, educational change, efficacy, collateral free credit

## **Background**

Nepal is a developing country having the population of 26,494,504 – with 1,36,45,463 are females and 1,28,49,041 males. From economic point of view, 25.16 percent people are below the poverty line (CBS, 2011). Although female population is more than male population, female participation is less than male in decision making process. Out of the poor section of population, four-fifth are either self-employed in agricultural sector, or engaged as agricultural labourers with or without tenancy(CBS,

2016). The only important asset which the poor possess is unskilled labour force to sell their toil at extremely low wage.

Women play active role as decision-makers and as participants in most of the works related to rural development. They also take the responsibility for fetching water, collecting firewood, grass for domestic animals, carrying grains to the mills for grinding, planting and harvesting etc. in the rural areas in particular. They are mostly engaged in unproductive activities (CBS, 2011).

In Nepal, there is a persistent rise in gender gap, a large number of people are still illiterate and most of them are females. To minimize the gender inequality, different kinds of financial organizations such as Grameen Bikas Bank (GBB), Women Co-operative Society Ltd (WCS) etc. have been established – which have supported the poor women through micro credit without collateral taking the concept of Muhammad Yunus who was declared as the father of micro-finance (and felicitated with the Nobel Peace Award in 2006).

The WCS Ltd, a cooperative financing Organization promoted by 28 women promoters, was established in 1995 under the Cooperative Act 1992. The main objective is to provide micro credit and collateral free credit to the poor women and bring them into development mainstream micro-finance programme. WCS has tried to reduce poverty through women empowerment by raising their economic and educational status. According to the achievement report of WCS, it has gained success in uplifting the economic status of poor women (WCS, 2018). The present study attempts to find out the changes of the education of poor women after the intervention of women cooperatives in the study area.

### ***Statement of problem***

The issues related to poverty and its impact on development are serious in the least developed countries (LDCs) like Nepal. Nearly two-third of the population is engaged in agricultural sector in the country, which is the backbone of development in the least developed countries. But, due to the lack of irrigation, fertilizers and agricultural credit, productivity has been declining in this sector, and people are in difficulty to maintain the household expenses. In Nepal, most people are facing the vital problem of poverty.

WCS concerns particularly with the participation of poor women in economic activities. In Nepal, 25.2% people are poverty stricken and

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surviving in miserable condition (CBS, 2011). Poverty eradication was one of the objectives of the eighth five year plan (1992-1997), ninth five year plan (1997-2002), tenth five year plan (2002-2007) and three year interim plan (2007-2010); but poverty reduction indicators have not shown hopeful results as we expect.

WCS provides loan to the poor women without collateral. However, illiterate Nepalese women in particular may not know how to handle a big amount of loan. If the loan is misused, it will become a burden and the progress of WCS will decline. Thus, whether the loan provided to the target group by WCS is effectively utilized towards transforming the status of women is one of the concerns for exploration.

### **Objective of the study**

The study aimed to identify the impact of WCS on the personal and household life of cooperative members. Particularly, the study aimed to analyze the educational changes among the client women in the study area.

### **Review of Literature**

Cooperatives as the engine of economic development of the country can accumulate the scattered money and mobilize such capital to the needy persons. In this context, economists and planners have raised the voice that cooperatives can provide micro-credit in better and more effective model to reduce the poverty of people; thus micro-credit supports to increase their income, and can be supportive for bringing changes in their education. In this context, the government of Nepal specially focused on poverty alleviation of the economically deprived group: women, Dalit, Janajatis, conflict affected people etc., and self-employment fund was provided to them (Ministry of Finance, 2014).

The main aim of WCS (1995) is bringing most of the rural women in active participation. Most of the women have participated in WCS programme to become economically capable by handling the household level saving. They have also participated in other programmes like fortnightly meeting, loan proposal, repayment, compulsory deposit. Previous works done in this area have contributed to the socio-economic and other transformations of clients after the intervention of micro finance. Some of the relevant previous works are discussed here.

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Sharma (1996) stated that in the decade of seventies the overall rural development programmes like Sajha Campaign, the Area Development Programme including a number of rural development programmes such as District Development Programme and the Integrated Rural Development Programme (IRDP) were initiated. But all these past efforts have turned out to be ineffective to uplift the living standard of the poor people because the concerned small and marginal farmers are inefficient, tradition bound, illiterate, irresponsive to economic opportunities, and unwilling to adopt new ideas or information. Under such circumstances the benefits of development were largely driven by the relatively better sector. Thus, the gap between large and small farmers continued to be wider and the poor became poorer, and the number of poverty ridden people continued to increase.

Likewise, the contribution of Yunus (1997) is remarkable in the field of micro-finance, mainly for poor women's economic promotion. In his study 'A Bank for the Poor', Yunus declares that the provision of micro-finance is one of best means of emancipating the needy women from poverty. Such financial support improves their economic condition. His study concluded that the intervention of microfinance was able to alleviate poverty, end inequality and gender discrimination in Bangladesh.

Dogarawa (2005) conducted a research to investigate the ways in which co-operatives can act as the agents towards sustainable community development. Descriptive survey method was used in this study; and the findings showed that co-operatives have been rapidly increasing and working successfully by facilitating job creation, economic growth and social development. The researcher mentioned that cooperatives must continuously achieve two interrelated goals which are: (i) to enhance viability and improve the ability to serve its members; and (ii) to remain an economically viable, innovative and competitive enterprise. The study also proved that cooperatives provide an economic boost to the community.

In the context of Nepal, Shrestha (2007) completed a study to find out the role of Small Finance Cooperative Limited (SFCL) and describe the root causes of the problems in it. As found by the study, SFCLs were playing significant role to promote the financial performance of the stakeholder members by providing credit facilities. Further, SFCLs were also assisting them through training, social and community development facilities.

Khumawala (2009) stated that microfinance movement has spread in several countries in an unprecedented effort to reduce poverty. Ensuring that the

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doors of capital, opportunity and knowledge are allowed to be opened for the poorest sections of population is a challenging task. He also focused that existing microfinance firms should be mobilized to add the education programmes like children scholarship programme. These types of programmes increase capital regulating of self small industries.

Tesfay and Tadele (2013) conducted a research entitled “The role of cooperatives in promoting socio-economic empowerment of women” in the south-eastern zone of Ethiopia. The study in particular aimed to identify women’s economic participation in cooperatives and to assess the role of cooperatives in social empowerment of women. The findings revealed that women participation in the cooperative was very limited. More than eighty percent respondents were involved in farm activity, however, only five percent were found to have been engaged in paid work. Among the total population, ninety percent of the respondents were found to have joined their cooperatives to access financial sources and improve their bargaining power. The study also showed that women members have improved their income, livestock holidays, autonomous decision making and spending power after joining the cooperatives, however, their regularity was limited.

In a survey done by Amin and Uddin (2014) conducted to identify the problems and prospects of cooperative societies in Bangladesh, 100 community members were randomly selected from 500 cooperatives in Sadar South Upazila of Comilla district. The findings showed that the cooperatives have to play significant role for sustainable community development. However, the study also saw some barriers such as lack of efficiency in management, illiteracy, lack of trust, nepotism and corruption due to which the cooperatives have not been effectively running in Bangladesh.

Shrestha (2014) researched on agricultural development of community people through co-operatives – with a view to find out the impact of co-operatives on socio-economic sectors of stakeholder women, whereby it was found that the impact of co-operatives was positive in the study area. After launching the co-operative programme, significant impacts were observed among community people. The financial activities related to agriculture were found rapid in the presence of co-operatives. Women were found most effective agents for mobilization of resources.

As Hadi and others (2015) stated, there was good reason to combine education with microcredit for poverty alleviation in the poor communities of the developing world, including Indonesia. Poverty is dangerous, and it deprives

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people from their right to education, good health, freedom of speech, democracy, financial services; and, of course, to knowledge enhancement. These factors are much crucial to living a better life. If we plan and well integrate within the microcredit services, education can serve a lot towards poverty alleviation. Their study stated how education and microfinance had been used in combination to alleviate poverty in Indonesia.

Maharjan (2016) in a research entitled “Impacts of cooperatives in Nepal: A case study of Kirtipur Multipurpose Cooperative Limited” aimed to find out the patterns of loan distribution and its economic impact among the borrowers. The study was conducted using mix method design; and data were collected using secondary sources, for example financial and annual reports of the cooperatives. It showed that the cooperative was able to provide business loan, higher purchase loan, construction loan, and home loan. It shows that the roles of cooperatives in the study area were important and significant to change the economic status of borrowers although there had been some internal and managerial drawbacks of the cooperative, mainly in loan distribution patterns.

The study conducted by Haque and others (2019) in the context of Malasia adopted mixed method based on primary data – which found that microcredit has contributed to empowerment in all categories of economic issues. It has supported to generate income activities, create self-employment opportunities and to achieve other forms of economic access in women. It showed that the role of microfinance was significant in the economic empowerment of women.

The aforementioned studies in the review of related literature have mostly emphasized income increment and poverty reduction, though some of them have discussed the relationship between micro-finance and educational change as the contribution of microfinance. After the study of these attempts, the need for statistical study was realized on relation between educational change and microfinance, with a view to see the impacts of microfinance on education in an explicit way. In this connection, the study reported in this paper attempted to present the changes in education using statistical information explicitly.

### ***Methodology***

*This study employed a descriptive analytical research design with mixed method which included qualitative and quantitative methods. The study aimed at identifying the impact of WCS micro-finance on educational change among the WCS members. For this, 62 client women were*

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*randomly selected out of 112 total members of the cooperative (WCS, Thankot Branch). The study used both primary and secondary sources for data collection. A set of questionnaire was prepared and administered among the sample population to collect primary data. I also participated in the group meeting while filling up the questionnaires. Authentic books, reports, articles, unpublished reports were studied for secondary data. The collected responses from the informants were analyzed using simple statistical tool (e.g. percentile).*

### **Analysis of data**

The WCS lies in the central part of Nepal, Kathmandu. Here, the study stated literacy and educational changes – seeing how far the income is reflected upon education. The responses of informants were analyzed and interpreted statistically by demonstrating the data in tables and percentage.

This study highlights the educational changes of the borrowers and their households after the intervention of WCS micro-credit programme. The progress of any micro-credit programme depends on members' saving and actual loan distribution. This sort of transformation in income and the change in education of the borrowers and their households have been discussed.

### **Loan amount of WCS**

WCS loan amount and its disbursement has been studied here. The study has tried to analyze loan disbursement by considering the amount of loan and number of borrowers. WCS collected saving from the income of its members and disbursed the fund among the needy women.

The total loan amount borrowed by the clients was Rs 1698861/- and average loan amount was Rs 27401.98 only. Here, WCS disbursed small amount of loan but impact was greater; and the financial support to women through this loan helped in increasing the members' income which in turn changed their educational status.

### **Income condition of members and their households**

The study has discussed the average income of the borrowers and their households as well as their percentage changed after the intervention of WCS micro-finance programme. Similarly, the study has also shown the average monthly saving of the households and their percentage changed after the same intervention.



**Table 1****Average income and saving of the borrowers and borrowers' households**

<i>Income Condition</i>	<i>Before Micro-finance Programme</i>	<i>After Micro-finance Programme</i>	<i>Change in Percentage</i>
Average monthly income of the borrowers	Rs. 7772.73	Rs. 10196.43	31.18%
Average monthly income of the households	Rs. 38287.78	Rs. 42392.16	10.72%
Average monthly saving of the households	Rs. 11196.43	Rs. 13183.64	17.74%

Source: Field survey, 2020

As shown in table, the average monthly income of borrowers was Rs 7772.73 before loan, and it was Rs. 10196.43 after loan. Thus, after borrowing loan, income of the borrowers has increased by 31.18 percent per month. The table shows that average monthly income of the household was Rs 38287.78 before loan which was increased to Rs 42392.16 after loan. It shows that after borrowing loan, monthly income of the household has increased by 10.72 percent per month. The table shows that average monthly saving of the household was Rs 11196.43 before loan, and after loan it was Rs 13183.64. It reveals that after borrowing loan, the saving of a household has increased by 17.74 percent per month.

***Educational condition***

In the context of Nepal, women in large population are poor, uneducated and engaged in agricultural and household sector. In the study area also, women were poor and uneducated; and most women were involved in traditional farming and labour before the intervention of WCS micro-finance programme. So, the study focused on literacy and educational status of the borrowers before and after borrowing loan from WCS. Here, the researcher categorized educated and uneducated women taking into account the educational qualification of School Leaving Certificate (SLC) or equivalent

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– whereby the borrowers having SLC were considered as educated and those who have not received the certificate of SLC were considered as uneducated.

**Table 2**  
**Educational status of the sample borrowers**

Status of clients	Before loan		After loan	
	Number	Percentage	Number	Percentage
Educated	22	35.48	44	70.97
Uneducated	40	64.52	18	29.03
Total	62	100	62	100

Source: The field survey, 2020

Table 2 presents that majority of the sample borrowers (64.52 percent) were uneducated and 35.48 percent of them were educated before borrowing loan.

It shows that a few clients' educational status was found to have been changed through the impact of WCS loan intervention. The table also shows that the number of uneducated borrowers was found decreased and educated borrowers were increased through WCS loan programme. It also proves that about 70.97 percent borrowers were educated and 29.03 percent remained uneducated after WCS loan intervention.

### **Literacy condition of the borrowers**

Women in majority are illiterate and uneducated in Nepal. They are dominated by social structure and male-headed society. Here, the researcher has described literacy change in women as demonstrated by the field data to find out their literacy before and after the intervention of WCS micro-finance programme. Although there was no system to directly draw loan for literacy programme, the increment of income has indirectly influenced change in education, thus income has become the cause of increase in literacy.

**Table 3**  
**Literacy condition of the borrowers**

	<i>Before Loan</i>		<i>After Loan</i>	
	Number	Percentage	Number	Percentage
Read/write				
Literate	46	74.19	51	82.26
Illiterate	11	17.74	7	11.29
Not stated	5	8.06	4	6.45
Total	62	100	62	100

Source: The field survey, 2020

The literate borrowers were able to read and write name only. The table has demonstrated that about 74.19 percent borrowers were literate and 17.74 were illiterate and 8.06 percent did not give literacy data before borrowing loan. It has also shown that 82.26 percent borrowers were literate and 11.29 percent were illiterate after intervention of WCS programme, while 6.45 percent borrowers did not state about their literacy status. In the field, the borrowers were found involved in literacy classes through government agency. Though WCS itself did not start literacy classes, it encouraged the members to join the literacy classes and provided scholarship to the children of the members who joined these classes.

### **Findings and discussion**

The analysis in the previous section shows that the borrowers' income was remarkably changed after borrowing loan. Similarly, the household income had also changed after borrowing the loan. The households' saving was positively changed.

This study proved that borrowers' education and literacy status were found changed through the WCS loan programme. The change has indicated that WCS micro-finance programme had more efficacy. Similarly, the borrowers' literacy has been changed positively. In this way, the WCS small loan had greater impact. In this study, the respondents who were able to write their name and address were considered as the literate ones and those who had passed SLC and above level as educated.

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From the field survey and calculation, it was found that loan amount, income, saving, literacy and education have increased through the WCS micro finance programme. In this way, it is understood that WCS micro-credit programme has contributed much to minimize poverty, earn education and bring the poor women into development mainstream. This finding is also supports the results of the previous studies mentioned above in review of literature.

The study of Sharma (1996) proved that all past efforts have turned out to be ineffective to uplift the living standard of the poorest people. The gap between rich farmers and poor farmers had continued to be wider, but this study proved that borrowers of loan from WCS succeeded to collect saving; and they utilized the money for appropriate purpose such as education.

### **Conclusion**

WCS has been successful to reduce the level of poverty among the targeted women through micro-credit programme. It has helped to generate income that has been used to increase the level of their education. They have been somehow empowered through the intervention of WCS finance credit programme. Women were idle in general in the study area but now after the WCS's intervention, they have become productive and earning members of the family. The attitude of society and family towards women has been changed, thus women are not regarded as idle persons. Education has helped to increase skills and empowered them. On the other hand, when people are able to earn money, they can use their income to increase education.

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