A CASE STUDY ON THE IMPORTANCE OF GRIEVANCE MANAGEMENT FOR THE JUSTICE OF EMPLOYEES OF THE PRIVATE ORGANIZATIONS IN SURKHET

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Abstract

This study attempts to explore the one of the most crucial aspects of the human resource management. The main purpose of this study was to assess the ways in which the grievance management policy, strategies and practices enhance the organizational productivity and efficiency. The study was conducted at five private organizations in Birendranagar, Surkhet. Harmonious workplace relationship, bolstering of employee loyalty and commitment, as well as improvement of overall organizational productivity and performance can be obtained in effective management procedures. The poor employee grievance management in organizations gives rise to negative organizational outcomes such as reduced productivity, absenteeism problem, disobeying of orders, indiscipline behavior and reduced quality of work. It has been recommend to all organizations to highlight the significance of grievance management systems for the all round development of the organization. The grievance procedure define the Public Service Commission policy on handling grievances for its employees and the approach to dealing with them.

Key Words: Grievance Management, Justice, Human Resource, Productivity and Efficiency

Introduction

Grievance is defined as any kinds of discontent or dissatisfaction, it may be expressed or not and furthermore it can be valid or not, arising out of anything connected with the organization which an employee thinks, believes, or even feels is unfair, unjust or inequitable. It refers to any dissatisfaction or sense of bias which is felt by an employee in relation to his pay, working conditions, leave, recoveries of dues or other aspects of employment. Broadly speaking, it is either any dissatisfaction or frustration that badly affects the relation of an organization and productivity (Jucius, 1978). It may sometimes be expressed and sometimes not. Even sometimes, it may not be valid also. The grievance arises when the labourer feels that something’s happening or going to happen unfair and unjust to him in the organization.

There are specific type of complaints and frustration from employees affecting one or more individual employees related to their salary and benefits, overtime, transfer, upgrade, leave, position, work assignment, and discharge etc would create grievance. With regard to the points at dispute are of general applicability or considerable scale, they will fall outside the scope of this procedure Government of India. (1969). Although, it is also said that some type of grievances may be beneficial for the organizations, as it concentrates the attention of the employer/management for the improvement of the working conditions, incentive plans, leave plans etc. When grievances, generally, minor one are not expressed by the employees they just gather and lead to major conflicts inside the organization such as lockouts, strikes or any other collective disputes. Thus, proper administration of grievance and grievance handling is necessary in an organization as unattended grievances may support to hindrance, low productivity, decreasing attendance, feeling of disgruntlement and many more.

Objective of the Study

The objective of this study intended to explore the situation and need of grievance management for the justice of employees in the private organizations of Surkhet.

Significance of the Study

The significance of grievance management is one of the evergreen issue. The development of science and technology in the field of human resource management has been contributing for the globalization which has highlighted the importance of the grievance management in new and higher level. The study will provide a solid basis for management to know the way and how the grievance can affect work...
performance and the way to handle them in their organizations. The research will help Trade unions and other set up grievance machinery to have a new knowledge in the discipline of grievance management. The study also will be significance to organizations’ Management to identify and dealing with the nature and causes of grievances in organizations. Lastly, it will help the management and other set up grievance machinery to make wide and good channel of receiving complaining in their organizations.

Limitation of the Study

The study was limited to five private organizations in Surkhet. It was limited to the qualitative research design by using in-depth interview of the employees and employers. The study was confined to the employees justice and organizational productivity.

Review of Literature

A grievance is specific, formal dissatisfaction expressed through an identified procedure (Gupta, 2006). Also grievance in a simple words, can be defined as any form of dissatisfaction or discontent, either expressed or not and either valid or not, that simply arises when an employee out of anything deals with the organization which an employee assumes or feels or behaves is unfair, undeserved or undemocratic (Dwivedi, 2009). The International Labour Organization also defines that a grievance is a grumble in relation with the wages, conditions of work, allowances, and interpretation of service stipulations, covering such areas as overtime, leave, promotion, seniority, job assignment and termination of service transfer, (Singh, 1990).

Grievance cannot be handled in a short period of time. Its handling mechanism is considered gradual in nature. In this case, the worker has to press for address of a concern by the management (Francois, 2004). By this, the formally lodged complaint is transitive from one level to another. The formal engagement in communication by authorities and their workforce can be considered as properly in place grievance procedure.

Grievance is also directly related to the development of an organization which is no longer uniquely the preserve of external process mentors with the behavioural science backgrounds. Instead it is a zone often occupied in the organization and acting, in effect, as internal advisors, business-oriented people. They include HR specialists who are there not just because they know about HRM but because they are familiar with how businesses operate and where people management fits in.

The organization development processes with which internal specialists and their colleagues are concerned will be determined by the outcome of diagnostic reviews. The reasons behind these outcomes will always be different, and similar to the case for organizational development programs. Regarding this view point we simply do not such thing as a standard approach, as was formerly the case. A number of approaches are available, but which to use and how to use is a matter of choice depending on the facts of the situation. This is why the initial analysis and diagnosis is so important. (Armstrong 2001, & Bagaim, 2007)

The general scenario of grievance resembles that an organization a grievance may be presented by a worker or a group workers, with respect to any measure or a situation that directly affects the individual or is likely to affect, the conditions of employment of many workers. The general claim falls outside the scope of grievance handling procedure because it is a collective grievance and also it falls under collective bargaining in such case a grievance is transformed into a general claim, whoever raises the issue either by the union, or by a group of employees.

According to Gupta (2006) and Opatha (2001), the reasons of arise of employee grievances can classify in to four groups:

1. **Grievances arising out of working conditions**
   - The grievances arising out of working conditions include; physical conditions of work place is poor; Very strict production standards; Poor tools are not available and machines; the policies and procedures are neither planned nor scheduled. Letdown to maintain proper discipline; Lacking in right person in right place; and unhealthy relationship with the supervisor.

2. **Grievances arising from Management Policy**
   - Similar to working conditions, grievances also arises from the policy formulated by the management which include; wage rates and method and schedule of wage payment; provision about overtime and incentive schemes; transfers; upgrade; seniority; downgrading and discharge; lack of opportunities for career growth; penalties imposed for misconduct; leave; and hostility towards trade union.

3. **The Theoretical Framework and Theories analysis of Grievances Management**
   - The concept of grievance management has been defined and explained by various scholars, like Gamage and Hewagama (2010) have conducted research of Grievance. The research entitled “The Settlement and Labour Management Relationship of Apparel Industry in Sri Lanka” was conducted in order to identify the effectiveness of the grievance settlement procedure of executive level employees of apparel industry in Sri Lanka, to examine the perceived degree of labour management relationship of executive level employees of apparel industry in Sri Lanka, and also to identify the relationship between the grievance settlement procedure and dimensions of Labour Management Relationship namely: union & management co-operation, understanding between parties, participative decisions making & dispute settlement of executive level employees of apparel industry in Sri Lanka. The study was not link direct the effect of grievance management with the worker’s performance. The importance of the grievance process. In his study explained the strong and weakness of grievances. Also the scholar did not emphasises on the importance of grievance management in organization by comparing with work performance. Peterson, 1992; Feuille& Delaney, 1992) presented the reviews of Grievance procedure research. The emphasis of those review is limited to...
the usage and operation of grievance procedures for the proper understanding and handling it, and also excludes the consequent impact of grievances on organizational performance and the behavior of the employees. We also exclude non-union grievance procedures which have been recently reviewed elsewhere.

In conclusion, both the grievance and productivity are interrelated and the relationship between them is highlighted by various researches. The study was unique looking at micro-level data suggests that significant links exist between economic and industrial relations performance by documenting a significant opposite relationship of plant production and grievance rates. This direct effect of grievance filing on productivity may account for some of the observed relationship, and a rough estimate of its potential magnitude can be obtained. It is argued in the theoretical model of this paper that this significant inverse relationship reflects greater discrepancies between reported and effective labour hours as grievance rates increase.

The knowledge gap in this study compared with other study were, the scholar explain the relationship with the grievance and productivity like many scholars, but he formulate with the relation by using companies in Europe’s where they have different culture, policies, practices, etc comparing with Tanzania. This study try to investigate the effective of grievance in aspect of culture, policies, laws and rules management in enhancing work performance in our organizations. Tanzania has quite different environment, culture, policies, laws and rules to compare with other countries (Feuille, and Chachere, 1995).

There are different theories which try to explain Grievance and Conflict Management in organizations. However, for the purpose of this study the three supporting theories namely, power-based methods, rights-based methods and interest-based methods which are based on different assumptions about dispute perseverance in organizations as discussed below.

**Overview of Theory**

A theory is the set of ideas or opinion which explains the way things are and or why they exit. These ideas and opinions have to be explained systematically and scientifically, basing on facts and rules related to the phenomena in question.

**Theory of Dispute Resolution**

The Theory of Grievance and Conflict Management projected a theory of ‘dispute systems design’. There are mainly three primary ways and methods of dispute resolution. First, disputes might be handled and ultimately resolved through ‘power-based methods’, such as strikes, lockouts or other coercive sanctions. Second, they might be handled through ‘rights-based methods’, where the parties seek a resolution on the basis of rules or principles, such as those set down in collective agreements or in legislation concerning employment rights. Examples of this are provided by the operation of grievance procedures, mediation and arbitration. Finally, disputes would simply be addressed on the basis of ‘interest-based methods’, where the stakeholders seek to categorize and address their needs or ‘interests’ through joint methodical and associated techniques (Greenberg, 2005).

Therefore, from those three theory, this study has been preferred the rights-based method which involves the practices as mediation, facilitation and joint problem solving initiatives. The advantages of rights-based over other methods of managing workplace conflict on the grounds that right-based methods are less costly and more satisfactory or versatile by being capable of addressing more of the concerns of disputants than other methods (Ureyt et al., 1988). It is also documented that one cannot solely based on the rights-based methods because which may not always be optimal or It equally may not be effective and which dispute resolution systems needed to be highlighted to provide low-cost rights-based methods as a backup to rights-based methods (Costantino et al., 1996). The theory of rights-based method base the resolution procedure to base in the rules and principles. Thus can help the selected organizations to solve their grievance and conflict base on their laws and regulations. This also can guide and direct the organizations in our country to follow policies, laws and rules of Tanzania. The theory can help the organizations to make grievance management policy, strategies and practices to accompany with Tanzania’ laws and rules. The effectively grievance management can harmonize the working environment in order to motivate and encourage working performance and productivity of the organizations.

**Symptoms of Grievances**

Grievances is more interrelated to the human psychology and perception. It is exceedingly circumstantial and based on the relation of employees to the organization in which they are working. In a broader perspective, grievance would include any discontent or dissatisfaction experienced by employee which has direct impact on the performance of the organization. An employee can be aggrieved at the treatment meted out to him by his superiors or the management, on his conditions of service, the nature of job and a host of other organizational factors. But the feeling of dissatisfaction sometimes may be verbally shared or kept within or it may be expressed in written or oral forms. Nevertheless as long as the dissatisfaction with the system persists, an employee’s performance may be adversely affected (Hoffmann, 2005). A grievant also faces recurring health problems, indulges in self-criticism, develops negativism and in extreme cases tries to destroys the valuable property of the organization. If adequate and appropriate attention is not given, the employee in extreme cases may submit a resignation from the organization (Dwivedi, 2009).

Generally, there are some workers do not show their interest to express their dissatisfaction before any one in any form but discontent exists. It may be because of their personality characteristics, childhood experiences, position in the family and social-economic and cultural background (Huczynski & Buchanan, 2007). Other employees also are reluctant to
complain for a number of reasons including, to avoid tension, do not like to be called ‘chronic complainers’ or have a greater tolerance. This type of discontent among employees is very dangerous because it is not known when they may erupt. There are symptoms which can be observe from the behaviour and actions of the individual employee. These symptoms include absenteeism, alcoholism, accident, late coming, lack of cooperation and withdrawal attitude of an employee in the place of work than his/her previous behaviour. Other visible symptoms could be bad tempered behaviour and appearance, moodiness, worry and tension, insubordination, frequent request for transfer, increase in wastage and decline in the productivity of the worker.

The popularly and commonly accepted and attempted to practice grievance procedure is it has to be handle and practice in a formal network. A grievance procedure should provide a formal framework, setting limits on the arbitrary exercise of management authority and power. If someone desires to handle the grievance, requires the skills of advocacy which is considered to be partial-judicial in nature. In this way, Grievance procedure can be put in place in any kind of factor. However the type of grievance procedures applied will vary from factory to factory according to the size of the organization, its management structure and resources available. Normally the assigned division of implements this practice. Whenever possible, a worker’s grievance should deal with as immediately as possible and at the bottommost potential level within the organization. Such grievances may be fixed and settled informally in a discussion between the worker and the line manager or supervisor. In case the grievance of our employees is not settled from the usual discussion, it should go to a more formal procedure. The person who handles grievance on the behalf of the organization should try to set time limits for the solution of grievances, also has to certify that the person while making the decision on the grumble, s/he should be competent enough to decide and be unbiased, and should develop a list of options of solutions as a variety of options to decide on the outcome (Fiortio, Gallagher and Fukami, 1988).

The grievance procedure model from “Good Practice Guide of the Factory Improvement Programme (FIP)”, prepared by ILO will taken as the real model for an operative grievance managing procedure. The form of grievance procedure model from FIP is as shown below:

- The person aggrieved raises the issue with the immediate supervisor;
- Failing settlement, the matter is referred to a boss/manager;
- Failing settlement, the aggrieved workers can refer the issue to the shop steward;
- The shop agent or delegate can enter the case and request a meeting with the manager or someone from the personnel or human resource department;
- Failing the above, a senior trade union official can intervene;
- Failure at the domestic level can lead to a third party intervention e.g. an employers’ federation;
- The final stage is conciliation or arbitration.

Thus, Grievance is usually filled by an employee when he or she feels that his rights has been violated and when a person entered in an organization with this aspect of work agreement then there is a big chance of altering the scenario of the organization is either personally or through agreement in group of union has been altered. A grievance therefore could be simply not properly raised or interpreted, administrated or suspected the violation of the general or specific terms of the collective agreement between managements and labour, and when employees’ expectations remain unfulfilled from the organization because of which a feeling of disapproval and disappointment arises. Bean (1994) believes that grievances and dissatisfaction are interrelated and felt by workers with their working conditions and procedures. This highlights the significance, relation and affecting factors with regard to grievance.

All those above mentioned research based literature review as well as the theoretical framework have attempted the scenario and importance of grievance management in a professional and proper way. However, the city like Birendranagar which is emerging rapidly in economics, trade, technology and working culture in relation to private organizations more specifically, the hotels, banks, hospitals, colleges and schools. This study tries to fulfill the gap by relating its conclusions with the already conducted researches and studies.

**Research Methodology**

The study used qualitative research design. This method of research is conducted by combining the interviews, observations, and document reviews. It highlights on looking at variables in the natural setting where they are noticed. The procedure of qualitative research should create the atmosphere where the interaction of the variables is possible. The procedure of the collection of the responses should be in detail by using the open ended questions which helps the researcher to receive direct quotations from the respondents. The interviewer is an integral part of the investigation. In this study, the data were collected from five private business organizations of Surkhet. The open ended and interviewed based questionnaire was the tool for the collection of the responses. The collected data was analyzed and discussed in a simple descriptive pattern.

**Results and Discussion**

The results of the study was derived from the information of collected data. The analysis and discussion was made through the simple qualitative and descriptive pattern. Whatever be the causes of grievances, the grievance of the employees was concentrated to the aspects such as working condition, management policies and practices, violations of rules and regulations, job enlargement and enrichment, job safety and security as well as personality traits.

The top level management of the private organizations in Surkhet were found less active in the process of grievance settlement. The results of the study are systematically categorized and analyzed as follows:
Total Respondents from 5 private organizations were chosen from each organization. Three respondents were from each organization. The names of the organization were as follows:

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Conditions of Grievance

As per all the respondents of 5 private organizations in Surkhet were confirmed that the grievance was inseparably concerned with the working condition where they have to struggle the unsafe and unpleasant working conditions, inadequate toilet facilities, dirty toilets, non-availability of necessary raw material as well as tools and machines. Misfit between worker’s ability and job also directly interlinked with worker’s ability and job.

Along with the above scenario in relation to the actual condition of grievance in those private organization in Birendranagar, Surkhet, for the sample, Respondent 1 of the Hotel said, "Management policy and practices was another important aspect responsible to grievance which simply contains the wage rate and its payment, incentive, seniority, promotion, transfer along with fines, punishments and penalties'’.

In the same way, almost all the responses highlights the violation of rules and regulations as one of the prominent causes of grievance that includes the organizational rules and regulations, civic laws, past practices and procedure of collective bargaining.

However, the result of this study does not highlights the personality traits that includes fault-finding attitude, over-ambitious, mental-tension, negative approach to life and excessive ego feelings.

(1) Forms of Grievances

The respondents of private organizations in Birendranagar, Surkhet mainly focused to the three types of grievances which are almost similar to the scenario of all five organizational working setting. According to the junior level staffs of the hotel, bank and hospital, the first form of grievance was facial in which an employee is dissatisfied with his work because of defilement of employment contract as per genuine or sincere reasons by the employers or unfulfilling of any other factual needs. The grievance is regarded as factual.

The second form of grievances for the employees of the private organization of Birendranagar Surkhet is imaginary where an employee is dissatisfied with his employment because of erroneous perception, wrong attitude or incorrect information, it gives rise to imaginary grievance. Though for such case the management is not liable but still the responsibility to resolve the problem rests with it. The last one is disguised form that is the dissatisfaction among employees in such case may be due to the reasons that are not known to the employees themselves. This dissatisfaction may be due to the pressure from other directions like family, friends, neighbors etc. The manager himself has to detect such grievances and resolve them through counseling the related employee.

(2) Effects of an Undressed (Unidentified) Grievance

All the junior level staffs of private schools and colleges informed that the grievances remain unidentified and thus undressed had the major effects in the organizations in Birendranagar. Respondent 3 of a private school said, "It is because they afraid to expose or they do not know the appropriate and formal institutional way to table the grievance which obviously has played instrumental and vital role to pollute the healthy working environment. In this regard, the employer and manager of the institution has to start thinking and treating the employees based on their needs and interest for the all round development of the institution otherwise it has strong negative impact in the institution.”

In this way, the private organization of Birendranagar have been struggling and suffering various problems such as it reduces the quality and quantity of production, increases the wastage of material and thus the cost of production, increases the rate of absenteeism and rate of accidents at the work place, it reduces the morale of employees and thus reduces the level of commitment and sincerity of work, indiscipline cases increases which gives rise to increase in supervision and increase in industrial conflicts.
The major problem in the settlement of grievance of employees at the private organizations in Birendranagar was mainly concerned with the lacking of grievance procedure, employees facing problems must be listened carefully and provided with prompt responses. For this an effective grievance procedure must be followed by the institution. Grievance procedure helps employees to raise their concerns, if any, about their job with the management. The concerns may be related to their working conditions, wages, leaves, promotions etc. There is a specific procedure adopted by every institution. This procedure is made well known to all the employees and they raise their grievances according to that procedure only. Employees could use the procedure freely without any fear. According to the respondents the benefits of well and systematic grievance procedure were mentioned as follows:

- Grievance procedure helps an organization to identify and the grievance, its nature and its causes.
- It provides an organization with an established and well known method of processing grievances.
- The procedure helps employees to show their feelings to the management.
- The problems which can’t be solved by the first line managers can be easily resolved by it.
- It helps the management to detect faults in working conditions and take corrective measures for their settlement.
- It helps in increasing employees’ morale and his productivity.
- It helps in keeping a check on the employers if being biased against the workers, as their actions can be challenged by the employees.
- It helps the management to know the feelings and opinions of the employees about the rules and regulation of the organization.
- It provides uniformity in the grievance handling.
- It helps in solving conflicts and disputes within an organization and thus strengthening good industrial relations.

### Conclusion and Recommendations

The study concludes that the grievance of the employees was concentrated to the aspects such as working condition, management policies and practices, violations of rules and regulations, job enlargement and enrichment, job safety and security as well as personality traits. The respondents of private organizations in Birendranagar mainly focused to the three types of grievances which are almost similar to the scenario of all five organizational working setting. The effects of an undressed grievance were also creating the challenges in the settlement of the employees grievance. Last but not the least, there were lots of benefits of proper grievance settlement in the organizations. Therefore, the top level management of the private organizations in Surkhet were found less active in the redressal of the employees grievance. Last but not the least, all five organizational working setting. The effects of an undressed grievance were also creating the challenges in the settlement of the employees grievance. Last but not the least, there were lots of benefits of proper grievance settlement in the organizations. Therefore, the top level management of the private organizations in Surkhet were found less active in the redressal of the employees grievance. Last but not the least, all five organizational working setting.

### References

This paper discusses the nature and impact of the relationship between the bank’s promotional strategies and its performance and seeks to determine the importance of promotional strategies in explaining the bank’s performance. Promotional strategies include advertising, personal selling, direct marketing, sales promotion which are very important for every banking organization for long run success. In today’s cut throat competition in banking sector promotional strategies play vital role to attract potential customers. Promotional strategies become more crucial when they are executed to design, distribute and promote banking services. The present study is descriptive in nature and takes out significant differences in the promotional strategies adopted by private and public sector banks in India. This paper explains various promotional strategies which are necessary for a banking sector organization for effective performance in today’s competition.

**Keywords:** Promotional Strategies, USP, Promotional Strategies.

**Introduction**

Promotion is the direct way an organization attempts to reach its publics and is performed through the five elements of promotion mix including advertising, sales promotion, personal selling, public relations, and direct marketing (Czinkota & Ronkainen, 2004). Promotional strategies are the direct way in which an organization tries to reach its public. This is performed through the five elements of the marketing mix. With the growing importance of the financial sector, there is requirement for more effective promotional strategy management of the financial services. Effective promotional strategies are the key to frontline sales performance. Banking institutions typically use a variety of techniques and processes to achieve their sales goals. Among the best practices of those with highly successful sales programs is having the promotional strategies provided to management and front line staff at all branches that describes tools and processes in detail, helping to ensure that everyone involved in sales, no matter how remotely, operates on a coordinated basis. Promotional strategies and sales performance has been grounded on marketing mix theory and theory of push and pull. Marketing mix theory is still used today to make important decisions that lead to the execution of a Promotional plan. The idea of a marketing mix theory is to organize all aspects of the marketing plan around the habits, desires and psychology of the target market (McCarthy, 2004). The theory of push and pull is applied in today’s market; pushing solutions are not good for the organization and sometime they ignore by the customers due to information overload. Pulling solutions has always been a part of most organizations. Through pull Solutions Company attract customer toward their product and customer visit organization and ask question and someone would answer them. Banking institutions that emphasize the push theories often do so to increase efficiency. They believe that if, for instance, they create the penultimate user manual that will cover all the questions the customer might have; they will limit the amount of contact the customer needs to make to the Banking institutions (Richard, 2009).
present, it has become very tricky due to the changing trends of the industry, increasing competition and efficiency of regulatory environment, and the financial system. The complexity in the banking services is also an issue of vital importance. This is the time when banks are offering new and innovative services; frequently in the market. The most frustrating aspect of bank marketing are lack of management support, lack of inter-departmental co-operation, crisis management, government intrusion and advertising and media problems (Berry et al., 1980).

Role of Promotional Strategies

These are some major role promotional strategies in organization: • To Target the market: Promotion is the communicated on by marketer to its target customers regarding its product or services. In advertising, sales promotion and publicity it is unilateral. In personal selling it is fully bilateral, but in public relation it is up to some extent bilateral. No marketer can depend 100% on any form of promotion i.e. advertising, personal selling, sales promotion, publicity and public relations. The marketer must use effective mixture of three basic elements of sales promotion, advertising, personal selling, sales promotion keeping in view the type of product, number of customers, geographical area of market. • To Provide Effective Communication: Advertising is a non-personal communication of the message regarding a product of service, product by the media. The role of advertising is important in the when they are consumer goods.
Personal selling is contacting prospective buyers personally by the salesman. In the case of durable consumer's items, products having high technical value and industrial product use of personal selling more effective. All other method including advertising and personal selling, sales promotion which are used to boost the sale of the product and services. • To Appropriate Selection of Various Techniques: In the promotion, the role of effective technique is very important. There are several techniques to motivate the consumers and dealers to purchases the company's product in more quantum. Public relation also plays a significant role in promotion of a product of service. The role of promotional strategies likes advertising, sales promotions and public relations are used to increase sales. Through promotions customers try the product and service of company. Promoting high-quality products or services main focus on get customers to return and spend more money. Ultimately, companies use promotions to gain a loyal customer base, which increase both sales and profits. Promotions like television, radio and magazine advertising used to provide information related to the brand and product. If people frequently hear and see about company's brand and product then they know about its brand and product.SBI use various promotional strategies like Print media and audio visual media such as Radios, Hoardings, Newspaper advertisements, TV-commercials, movies, etc. Its tagline, 'The Banker to every Indian' which show it's presence all over the India. SBI use modern advertisement to convey the message. Famous personality or person used by SBI to reinforce the idea of trust and Place SBI brand in the mind of customers. Public relation and sponsorship largely used by SBI for creating good image of bank. The promotion strategy of ICICI Bank includes direct and indirect communication to the customers. Besides emphasizing on the modernization of its banking facilities main focus on benefits provide to customers by using the banks services. ICICI bank highlights their products in term of quality and benefit so customer become impressed and they motivate show their interest in services of this bank. Under the promotional strategy, ads have been placed in the print media and famous personalities have been roped in for visual media. It has been a huge boost for ICICI Bank to hire Amitabh Bachchan, the famous actor, in the advertisements. All the ads related to the bank denote 'trust' and this has helped them immensely as trust is a rare commodity in today's world.

Promotions are also done through films like Baghban. Technology has been use to identify the unsatisfied demand and wishes of potential customers. For internationalization of banking services ICICI and Amway have formed an alliance for a credit card. The bank has also patched with Indian Railways and many services are provided for the benefit of the customer. ICICI Bank give charity and donation to various social institutions for build their good image in front of public. ICICI Bank's tag line is very appropriate 'Hum Hain Na' because it promotes credibility, trust and financial solutions to every customer. It has been successful in its endeavor to project a sophisticated image with modern concept.

Blue Print for Effective Use of Promotional Strategies in the Banking Sector

- Banking institution must determine the most effective media, tactics, tools, channels to reach targets.
- Banking institution should use of online marketing to reach potential customers.
- Need of identify which communication tools and components are needed at each stage.
- Banking institution should must determine media, channel which are the best suited for the message and each target audience.
- Need of Grow Business Using Social Media like face book, twitter.
- Banking institution should used public relation tool like press release, sponsorship etc. to create positive image of banking institution.
- Need of Proper use of direct marketing to reach customer.
- Banking institution need to Identify the flow/continuum of actions from inquiry to sale to customer retention.

Get the edge in leveraging customer and managerial insights How do others see your brand? Explore perceptions both internally and externally.

Application of Promotional Strategies in Banking Sector

- To increase brand awareness: Application promotional strategies are to creating brand awareness. With the help of various media like the TV, billboards, radio or local newspaper news, you can provide information about your brand and company, which helps people to find out more about you and look into your products and make purchases.
- To provide appropriate information: Promotional strategies is use in banks for provide appropriate information to potential customer about the banking product
- To increase Customer Traffic: Use of promotional strategies in increasing customer traffic. The more you promote your brand, the more will the customers know about you and your company and the more they be interested in your products. In promotion company give free sample to customer, they use the product and finally come to you and make purchases.
- To build sales and profits: Use of promotional strategies is to create awareness about the banking product which help in increase the sale and profit of the banking institution.
- To Segment Identification: Application of promotional strategies is to identify target segment. Promotional strategy and marketing plan can help you identify different segments of consumers in the market which provide better results.

Promotional Strategies Used by SBI and ICICI Bank

Following table show promotional strategies used by SBI and ICICI bank:

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Gain a better understanding of your customers’ needs through the lens of behavioural economics.

Learn how to apply a customer-centric strategy without bias.

Test the impact of branding decisions using experimental research in a safe environment.

**Develop your brand strategy**

Define your brand promise. Embed the customer voice within your organisation’s strategy, clarify your identity and resonate with your target audience.

**Implement your brand strategy to drive growth**

Examine the principles and practices to design and manage the customer experience across several touch points.

Create communication tools to deliver customer value, and pricing tools to capture value.

Implement consistent brand strategies to generate business growth based on consumer and management’s insight.

Banks have to Seize the opportunities brought by the digital revolution and turn challenges into possibilities.

**Conclusion**

Promotion has different aspects for different industries, products and services. Its final goal is to communicate positive words and image among existing and potential customers about the corporate, product and service. In banking the customers must be ensured that services provided by a particular bank have been designed to give them maximum value of their money. In brief, it can be said that in India wherever the dilemma of private and public sector comes always two things are considered. Public sector is more reliable but not so good in the quality and innovativeness. Private sector is not reliable as compare to public sector because there may be hidden charges in services and false advertising about the product but they are better in service quality. Private sector bank use pull approach to attract customers whereas public sector use push approach and are almost same. Private Sector banks are adopting more push strategies to attract and catch the customers whereas public sector bank use pull approach to attract customers.

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HIGHER EDUCATION PROCESS IN KNOWLEDGE MANAGEMENT WITH SPECIAL REFERENCE TO INITIATIVES BY REGULATORY BODIES

Ragi T S*

Abstract

Knowledge is that power which go about as a fuel that drives human life as it is a deep and detailed idea on a particular thing, subject, place, person or anything else which is acquired through information based on experience, education by perceiving, discovering, or learning. If an organization is willing to accomplish its objective then it should centre on the learning administration so that it can make the correct information accessible to the ideal individuals. It should be tied in with ensuring that an association can learn, and will have the capacity to recover and utilize its information resources in current applications as they are required. Knowledge administration is in charge of understanding the level up to which your association knows and where that learning is found, regardless of whether it is in the certain frame or unequivocal shape and how an association is putting away that learning to utilize it as an advantage. So a study is made to conceptualize what a Knowledge management is and what are the initiatives taken by the government of India to initiate Knowledge management.

Keywords: Higher education, Knowledge administration. Knowledge Management, Stakeholders

Introduction

Knowledge Management

According to Gartner, “Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise’s information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers.” “Knowledge Management is the process of gathering and making use of a firm’s collective expertise anywhere in the business. A firm seeks to add value by creatively identifying, applying and integrating knowledge in unprecedented way” (Elias M. Awad & Hassan Ghaziri)

Knowledge management is a process of capturing knowledge, communicating and using that knowledge for achieving the objectives of the organization and thereby increasing the financial performance. Ramanujan and Kesh (2004) described KM as “an organization’s ability to gather, organize, share and analyze the knowledge of individuals and groups across the institution in ways that directly impact performance”. It is a process through which organizations generate value based on their intellectual capital. Horwitz and Armacost (2002) KM is the creation, extraction, transformation and storage of the correct knowledge and information in order to design better policy, modify action and deliver results.

History Of Knowledge Management

If reviewing about the history of knowledge management a number of management theorists have contributed to the evolution of knowledge management like in 70’s Peter Drucker said the information and knowledge as organizational resources, Peter Senge stated the “learning organization” and Leonard-Barton’s well-known case study of “Chaparral Steel”, a company having knowledge management strategy somewhere shown the existence of knowledge management. In the same way around 80’s, management of knowledge that relied on work was done in artificial intelligence and expert systems and the Knowledge management-related articles began appearing in journals and books. In 90’s the number of management consulting firms had begun in-house knowledge management programs. Knowledge management was introduced in the popular press, the most widely read work to date is Ikujiro Nonaka’s and Hirotaka Takeuchi’s. In the same way in many forms the existence of knowledge management was found in this era like The International Knowledge Management Network (IKMN) went online in 1994 and the Knowledge management has become big business for such major international consulting firms such as Ernst & Young, Arthur Andersen, and Booz-Allen Hamilton.

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India perhaps is one such a country in which the existence of KM can be found from ancient period. Some of the oldest forms of such documented knowledge from the Indian continent include religious texts such as the Bhagavad Geeta, The epic is traditionally ascribed to the sage Vyasa who described history that led to the war of Kurukshetra between the Kauravas and the Pandavas. The epic is also said to describe the Guru-shishya tradition that traces all great teachers and their students of the Vedic times. The Ramayana is another such epic that was documented in its final form during early 4th century BC. It is not just the story of Rama and his consort Sita, but it presents a narrative allegory of ancient Hindu sages. The Mahabharata by itself is an immense source of Information and Knowledge on all aspects of life like Politics, administration, astrology, management, cosmology, and mathematics. The knowledge in these texts served as a guiding principle to life in general.

Knowledge Management enhances the organization effectiveness as it is not only what is present in the written and documented form within the organization but also includes the practices, routines and process followed by the employees who are the biggest repository of knowledge in any organization. The use of knowledge management reduces the operational cost and saves the loss of time in recreating existing knowledge. It is useful and widely utilized in all the sectors and different industries like banking sector and software companies.

Knowledge Management in Higher Education
The prime motto of KM in Higher education is to unlock the hidden value of information. Knowledge Management practices in an organization is relevant because it considers knowledge as an actual asset, rather than as something intangible. In doing so, it enables the firm to better protect and exploit what it knows, and to improve and focus its knowledge development efforts to match its needs. As organizations needs the Effective knowledge management, especially to accelerate the knowledge creation which is the driver for innovation. In the same way the Higher Education Institutions (HEI) is also a platform of knowledge and it performs an important role in creating the knowledge rooted economy. The increase of knowledge assets is itself the seeds of higher education and it clearly contribute to the future of economic and social development. In fact, knowledge management (KM) is gaining acceptance in the academic sector in the last few years, once it becomes clear that universities have a major role to play in the knowledge economy, bringing new challenges for HEI being learning organizations, they are able to extend knowledge skills, produce top quality graduates, enhance innovation and creativity and contribute effectively to the knowledge production and intellectual property development. During the review of available literature we found that most of the studies are conceptual based and it was observed that few are empirical study, but those are not very systematic and conclusive Brian (Bo) Newman et al. (2000) identified the framework which allowed a given tool to be described in terms of its interactions with the various elements of knowledge flows and their associated subtypes. An organizational Capabilities Perspective examined the issues of effective Knowledge Management from the perspective of organizational capabilities and with the support of structure equation modelling presented the strong evidence regarding the impact of KM capabilities on KM effectiveness.

Role of KM in Higher Education: Creation & Management of Knowledge
Higher education being the highest point of education imparting quality education is mandatory for the growth of the economy. Importance of higher education is unavoidable for developing countries like India. Higher education system has witnessed significant expansion in last few years, both in terms of the number of institutions and colleges as well as the student enrolment in various courses. Indian higher education system is growing very fast irrespective of various challenges but there is no reason that these Challenges cannot be overcome. With the help of new-age learning tools, it is easy for country like India to overcome these problems and bring a paradigm shift in the country’s higher education sector. If knowledge is imparted using advanced digital teaching and learning tools and the society is made aware about that where we are currently lagging behind, our country can easily emerge as one of the most developed nations in the world. Mohammad Reza Sarmadi et al. (2017) tried to answer the role of culture in Knowledge Management and identified the effective cultural factors. And concluded that the interaction between culture, educational institutions and other institutions is necessary for the development and globalization so for Knowledge Management there should be communication at improved organizational culture.
A system with pondering learning proposes have two fundamental kinds of knowledge that is unequivocal and implied also called as the explicit and tacit Knowledge. Sangeeta Namdev Dhamdhere (2015) did a study stating the importance of Knowledge Management in higher education. Explicit knowledge is documented information that can facilitate action. It can be expressed in formal, shared documents and tacit knowledge is know-how and learning embedded within the minds of the people in the organization. Universities and other higher education institutions are involved in knowledge creation, dissemination and learning and this flow of knowledge is possible with implementation of knowledge management practices in institutions.

<table>
<thead>
<tr>
<th>KM Practices</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communities of practice</td>
<td>Communities of practice are formed by people who engage in a process of collective learning in a shared domain of human endeavor: who deal with a common organizational process, who have interest in solving similar problems, who work in the same project, etc.</td>
</tr>
<tr>
<td>Best Practices</td>
<td>Identifies and incorporates the practices considered most suitable to each task. It may result from benchmarking or incorporation of best practices among organizations.</td>
</tr>
<tr>
<td>Learned lessons</td>
<td>Represent the acquired and validated knowledge, as a result of the development of a particular project or activity.</td>
</tr>
<tr>
<td>Formal training</td>
<td>Structured sessions with instructional material designed to support the processes of teaching and learning about a particular subject; it can include seminars, conferences, workshops.</td>
</tr>
<tr>
<td>Social interaction</td>
<td>Collaboration, social bookmarking, chat rooms, discussion forums.</td>
</tr>
<tr>
<td>Competence maps</td>
<td>Is consists in the representation of knowledge and skills / competences available in the organizations.</td>
</tr>
<tr>
<td>Corporate Education</td>
<td>Strategy to develop and educate employees, customers and suppliers, in order to align them with business strategies.</td>
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</tbody>
</table>

Knowledge Management practices can be implemented in an organization if it follows the different practices such as engaging the stakeholders of institution in to the process of collective learning in a shared domain as well as developing the needed project or activity to validate the knowledge and giving an opportunity to have a social interaction and formal training with different structured sessions to support the processes of teaching. Veli Denizhan Kalkan et al. (2017) contribute to the understanding of university Knowledge Management via conceptualizing the basic aspects of the process and identified a conceptual model using the phases such as knowledge acquisition, internalization, sharing and use. And identified few challenges faced by the higher education due to emergence of new knowledge-creating actors.

Knowledge Management Initiatives by Regulatory Bodies in Higher Education Through ICT

There are different initiatives taken by government of India for supporting and uplifting the Higher Education Institutions and had tried to share the resources openly with the institution and other stakeholders. This initiative by regulatory bodies like government organizations, ministries are providing maximum information on their website is a step towards maintaining a proper Knowledge Management which is beneficial to all citizens. Government is promoting use of technology in terms of funds and trainings too and it leads to create transparency in their system.

National Academic Depository (NAD) is an initiative by government of India which is facilitated by the Ministry of human resource development. It is an online digital depository of academic awards and inter-operable digital depositories which allows the lodging of awards by approved institutions storage, retrieval & verification of academic awards in online repository and it can be assessed by all the stakeholders like MHRD/University Grants Commission (UGC), Depositories (NDML and CVL), Academic Institutions, and Students & Verifiers.

Digital India is such a recent initiative by the government of India which is helpful in Knowledge Management. UGC has research projects from the researchers and different research thesis available on their repositories and made them available online to motivate the more research work and benefiting the researcher by having ease access on wide variety of topics. Provides funding for conferences, seminars, workshops etc. is also an initiative by regulatory bodies in promoting Knowledge Management by knowledge sharing and dissemination activity. UGC CEC has a vast repository of 17000 educational video programs and nearly 1000 such programs are being added to this collection every year. Programs are telecasted through Vyas Higher Education Channel.
UGC has already covered different institutions and universities across the country for achieving the desired objectives by using Broadband, Wireless, DSL, Leased line/TDM/FTDMA VSAT/SCPC/DAMA/Radio Frequency link for establishing connectivity depending upon the geographical location for accessing global resources including multimedia based educational content though networking of colleges and universities and providing platform for collaboration among teachers and students using communication networks and better access to e-contents. An infibnet initiative named Vidwan is also an initiative by MHRD which can be set as an example of having a Knowledge Management. A MHRD project VIDWAN is the premier database of profiles of scientists/researchers and other faculty members working at leading academic institutions and other R & D organisation involved in teaching and research in India. It provides important information about expert’s background, contact address, experience, scholarly publications, skills, and accomplishments, researcher identity, etc.

Through eprashala of “infibnet project http://epgp.infibnet.ac.in/about.php MHRD”, under its National Mission on Education through ICT (NME-ICT) has assigned work to the UGC for development of e-content in 77 subjects at postgraduate level. UGC gives funds about 7 lakh per subject to the project investigator to create the content and its quality is the key component of education system.

**Conclusion**

The mind-set of people should change from my knowledge to our knowledge. The requirement is proper cooperation, coordination and collaboration among the employees in the higher institution. So there is a need to understand the significance of managing knowledge within the University for Successful Collaborative Innovations and if a right knowledge reaches the right person it will lead to development so there is need of implementation and maintenance of knowledge management system in higher education system in India.

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THE ROLE OF ENTREPRENEURSHIP EDUCATION FOR THE PROMOTION OF ENTREPRENEURSHIP DEVELOPMENT

Bhim Bahadur Khadka*

Abstract

Entrepreneurship education practically initiates the entrepreneurship because of its core existence in the curriculum. Entrepreneurship education has been contributing to the development of entrepreneurship by promoting knowledge and skills, creativity and innovation. A qualitative research design was employed to explore the role of entrepreneurship education towards entrepreneurship development. The respondents of the study were 5 graduates who started their own enterprise (small/medium-sized) after completing their MBS degree 2 years ago from the Central Campus of Management at Mid-Western University. Tools for collecting data were administered by using observation and open-ended questionnaires for gauging their perception of the role of entrepreneurship education on entrepreneurship development. The conclusion of the study asserts that the role of entrepreneurship education for the promotion of entrepreneurship development was very weak, and there was no direct impact and obvious result as per the expectation of students and curriculum.

Keywords: Entrepreneurship Education, Enterprises, Promotion, Curriculum, Entrepreneurship Development.

Introduction

Entrepreneurship education plays a vital role in promoting entrepreneurship almost in all countries. Many countries in the world have taken various initiatives to market entrepreneurial activities. There is enough evidence that highlights entrepreneurship education plays a key important role in promoting entrepreneurship. It is the drive of each society to realize a sustainable level of economic development. This could be possible by embarking on entrepreneurial activities by the citizens of the society. Furthermore, the success of a society depends on skills and education acquired by the entrepreneurs. Education also equips an individual with relevant skills which might lead him to raise performance in his chosen career.

In recent years we have seen many universities taking specific actions to adapt to the new social and business needs. Formal degrees in entrepreneurship studies are typically hosted by a business school/faculty to supply a mixture of theoretical grounding in business management also as training in practical aspects of entrepreneurship (Frank 2007). One initial measure to increase the level of entrepreneurship skills teaching would be to make relevant learning outcomes more explicit and to contextualize them with respect to employability and entrepreneurship (Frank 2007). Roberts and Eesley (2011) observed that universities play a crucial role in many economies through their core education, research and development, and other activities. To support the economic process through entrepreneurship, universities must create a culture and programs that make entrepreneurship widely accessible to students.

Entrepreneurship is defined by different organizations and different scholars in several countries and in several ways. William (1990) defined that entrepreneurship is often characterized by eight themes like an entrepreneur, innovation, creation of an organization, creation useful, profit motive, growth, uniqueness and thus the owner-manager. According to Adeyeye (2008), entrepreneurship has got to do with the work of having creative and innovative ideas as well as management and organizational skills, so that they would be able to integrate man, machines and other organizational resources for the aim of satisfying the identified needs of the customer, thereby creating wealth. Similarly, Mainoma and Aruwa (2008) are of the conviction that entrepreneurship may be a dynamic process of vision, change and, the creation that needs the utilization of energy and passion to develop and execute innovative ideas and solutions.

Review of Literature

Entrepreneurship has been always present throughout the history of humanity since it’s inherent thereto. During the last decades, this idea has become a necessity to cross constant and increasing economic problems. Education of entrepreneurial ideas and skills becomes an essential element for the adaptability of new job markets. Since entrepreneurship may...
be a great area of research, the interest in seeing how it is promoted through educational programs.

Management education institutions of learning can partner to nurture innovation and entrepreneurship. Bailetti (2011) opined there are several roles that the university can play in fostering entrepreneurship development. This includes increasing the stock of knowledge to attract and retain productive lecturers with business experience who can increase the stock of knowledge that can be commercialized, providing mentors to students to help define and strengthen opportunities. In the same vein, the university can also provide students with entrepreneurship support using the same support level used to support in teaching and researching activities, support of fund to students with viable opportunities, and increase individual capabilities of the students by providing them with experiential training and mentors to develop capability to identify and refine opportunities, acquire resources and champion ventures.

Entrepreneurship education has also been described as a structure of learning that inculcates in students/trainees the ability to identify, screen and grab available opportunities in the environment in addition to skill acquisition (Jones and English, 2004). Garayan and O’cinneide (1994) observed that the specific objective of entrepreneurship education is to develop enterprising people and instill an attitude of self-reliance using appropriate; learning processes. In other words, business training programs are aimed at stimulating independent small business ownership or the development of opportunity seeking managers within established companies. Entrepreneurship education as an important part of management education has also been described as a formal or informal structured learning that inculcates in students/trainees the ability to identify, screen and seize available opportunities within the environment additionally to skill acquisition (Sexton and Smilor, 1997; Jones and English 2004).

Entrepreneurship Education

The term entrepreneurship education is employed interchangeably with entrepreneurship training and skill acquisition. Entrepreneurship education is a learning process that enables traits and competencies to the learners/students such as team spirit, leadership, problem-solving, negotiation, self-direction, and self-management skills (Gabadeen and Raimi, 2012). Akinola (2012) defined entrepreneurship education is the willingness and skill of an individual to accumulate educational skills to explore and exploit investment opportunities to establish and manage a successful commercial enterprise.

Entrepreneurship education is a reality in constant progress. It contributes to the construction of an entrepreneurial culture (starting with the youngest people, and children). Society is getting advantages by enhancing these entrepreneurial activities, even beyond that, it is supporting for taking new entrepreneurial initiatives. An academic entrepreneurship program could be defined as any educational program or process used to develop entrepreneurial attitudes, skills, and competencies to develop qualities required to create new businesses (Fayolle et al., 2006).

Role of Educational Institutions for the Promotion of Entrepreneurship Development

The educational institutions play an important role in the development of entrepreneurial competencies through various courses, training and development programs. At the entrepreneurship education institute, the programs are developed to cater to students of all disciplines. It is a well-known fact that universities and educational institutes play a dominant role in entrepreneurship climate. As educational institutions focus on creating new inventions and knowledge, they serve as an important input for knowledge and innovation exploited by the new ventures (Shane, 2004; Edmosdson & Mcmanus, 2007). Similarly, Oteh (2009) opined that Universities have a tremendous impact on innovation and entrepreneurial development.

In short, the university must integrate entrepreneurship into each of its aspects, show excellent leadership in all its levels, innovative schools with tangible impact on their resources that deliver education, strong involvement with their students along with several opportunities of learning, businesses, and the local community. In addition, it must show a long-term commitment to developing entrepreneurship and started businesses (Arnaut, 2010). According to this author, this transformation of traditional universities into entrepreneurial universities would mean integrating social and economic development, ensuring a better education standard.

Objectives of the Study

The objective of the current paper is to explore the linkage between entrepreneurship education and entrepreneurship development. Likewise, the study also aims to identify the significant role of the curriculum and pedagogies of entrepreneurship education in the development of entrepreneurship. Similarly, it is to know the effectiveness of entrepreneurship education delivered by the Central Campus of Management, Mid-Western University through its MBS program with respect to the area for creating entrepreneurs.

Methodology

A qualitative research design was employed to explore the contributions of entrepreneurship education towards entrepreneurship development. The respondents of the study were 5 graduates who started their own enterprise (small/medium-sized) after completing their MBS degree 2 years ago from the Central Campus of Management at Mid-Western University. Tools for collecting data were administered by using observation and open-ended questionnaires for gazing their perception of the role of entrepreneurship education on entrepreneurship development. Questions were specifically formulated for the purpose of this study. Broadly, it consisted of three parts: firstly, the relation between entrepreneurship education and entrepreneurial development.
education and entrepreneurship development, secondly, curriculum and pedagogies of entrepreneurship education, and finally entrepreneurship education and activities of Central Campus of Management at Mid-Western University for the promotion of entrepreneurship development.

Limitations of the Study

This study had some limitations as authors were not capable to distribute the questionnaire all over the Birendranagar, time period to carry out the study was very limited, some of the respondents did not answer the questions seriously, sample size was limited, which cannot be easily liable to the whole population and all respondents cannot retain same level of precision in answering the questions due to lack of time and concern. It may create slight divergence to some extent in formulating conclusions.

Results and Discussion

The findings of the study have been drawn on the basis of the information collected through the response taken from the respondents.

a) Entrepreneurship Education and Entrepreneurship Development

In this section here the research questions are developed based on the previous developed literature and area for the research. The major objective in this section is to identify the relationship of entrepreneurship education in the development of an entrepreneurial environment and the promotion of entrepreneurship development.

Studies suggested that entrepreneurship represents a set of learned skills and can be taught (Fiet, 2001, et. al.). Most evidence suggests that entrepreneurship can be taught, but there is not nearly as much agreement in defining elements of successful entrepreneurship education. Thus, the question framed was: Can entrepreneurship be taught in university education or does it emerge spontaneously? To this question, respondents 1, 2, and 4 mainly focused that entrepreneurship can be taught in university education. Respondents 4 and 5 said that it emerges spontaneously and we need not do something drastically different as an instrumental change.

Mitra and Matlay (2004) argued that entrepreneurship education provides many start-up knowledge and skills that seem not to be acquired from experience. The study of Clark et al., (1984) also supported the positive effect of entrepreneurship education on new venture creation. Based on these findings the raised question was: Can we develop entrepreneurship through entrepreneurship education? Responding to this question, respondents 1, 2, 3 and 4 put forward their view that they can develop the entrepreneurship through entrepreneurship education whereas, respondent 5 disagreed, considering the fact that there are many other constraints/ factors which determine entrepreneurship even after having completed entrepreneurship education.

The need for the universities to encounter the challenges of the upcoming days has announced the concepts of learning university, innovative university, and the entrepreneurial university(Kristensen 1999) as similar to the teaching university, the research university, the elitist university, and therefore the mass university which are supported disciplinary education and research (Rinne and Koivula 2005). Based on the literature next raised question was- To encourage entrepreneurship in society, should entrepreneurship be a direct stream/course or should it be just a part of general management education? In this regard, respondents 1, 3, 4 and 5 said that it should be a distinct stream/course in and respondent 2 said that it should be part of general management education. In the main essence in their response was that we can do it by being a distinct stream with full package the thrust is entirely on entrepreneurial education. While the lowest felt that being a credit course in general management education would also suffice.

Nurturing the entrepreneurial attitudes and intentions through entrepreneurship education is important to promote entrepreneurship. That is, factors influence entrepreneurial behavior through influencing intention, which is derived from attitudes. As attitudes and intentions are perceptions-based, they are learnable (Krueger &Brazeal, 1994). Does the entrepreneurial intention depend upon entrepreneurship education or parental status? The response from the respondents, 1 and 4 viewed that entrepreneurial intention nurtured because of the grooming and environment provided in entrepreneurship education. Whereas respondents 2, 3, and 5, emphasized that the entrepreneurial intention lots depend on their parental status rather than the education.

McMullan and Long (1987), argued entrepreneurship education should include exposure to technological innovation and new product development. Based on this the question raised was- Should there be enough scope for nurturing new ideas and innovation among students in entrepreneurship education? For this question, all the respondents mainly emphasized that there should be enough scope for nurturing new business ideas among students in entrepreneurship education. Furthermore, respondents 2 and 4 added in a similar sense that the major part of entrepreneurship education is to educate students to develop creative business ideas but technological innovation is not the scope of entrepreneurship education.

b) Curriculum and Pedagogies of Entrepreneurship Education and Entrepreneurship Development

In this section here the research questions are particularly related to the content and relevancy of the entrepreneurship education curriculum. The core areas of research in this section are centered in the content of curriculum and teaching-learning pedagogy.

Some researchers suggested that educators should increase the theoretical content of entrepreneurship courses/programs because cognitive skills for entrepreneurial decision-making are largely developed through theory-based activities (Fiet,
Moreover, entrepreneurship education programs are evaluated, success is usually defined and measured in terms of the volume of business plans completed and entered into competitions, student intentions to start a business, and/or the particular launching of a new venture (USASBE, 2010). Thus, the raised question was- Should business plan competitions, which could fuel interest in entrepreneurship, be given maximum importance in the curriculum? While responding to this question, the entrepreneur respondents agreed that business plan competitions should be given maximum importance in the curriculum. Furthermore, they respond that business plan competitions help them to be aware of identifying business opportunities, and their intentions to start enterprises would be increased. The responses of the entrepreneurs were fully in line with previous research findings.

Byers et al. (1997) recommend that entrepreneurship education should be given a greater emphasis on social processes and social behavior. Hence, the framed question was- Should the curriculum of entrepreneurship education include the social and leadership aspect to foster entrepreneurship development? While responding to this question, respondents 1, 2, 4, 5 shared the similar view that the courses taught for entrepreneurship education should include social and leadership skills needed to the entrepreneurs and respondent 3 mainly disagreed with the question probably being skeptical because these things require other arrangements like the trained teacher, well-equipped teaching-learning environment. Furthermore, he also suggested that these skills are difficult to be taught rather they should have been inculcated earlier.

Plumy et al (2008) concluded, stating that ‘reality-based teaching-learning methods’ embedded in courses secured to skill-building are better suited to entrepreneurship education than more traditional teaching-learning pedagogies that specialize in knowledge building, such as in the area of accounting or management. Based on the issue raised question was- Should the curriculum and pedagogies of entrepreneurship education embedded with reality-based teaching-learning methods to foster entrepreneurship development? While answering this question all the respondents agreed and expressed a similar view that entrepreneurship education needs to be embedded with reality-based teaching-learning methods to foster entrepreneurship development.

2001). However, other commentators argued that adoption of a more practically focused and active-based approach to entrepreneurship education is more valid (Plaschka & Welsch 1990). So the question follows - Should the curriculum of entrepreneurship education focus more on practical or theoretical based activities to promote entrepreneurship development? To the response of this question, all respondents agreed with this issue. As they mentioned, it is always better if the curriculum includes more practical education.

Gasse (1985) argued for the importance of identifying and evaluating entrepreneurial potential at the secondary level. Similarly, Filion (1994) suggested that high school is the most determinant level in the development of young people’s entrepreneurial potential. Relating to this issue, the raised question was: Entrepreneurship, as a special course, should be designed at the higher secondary level or only introduced at the university level? To this question, respondents 1, 4, and 5 focused that the entrepreneurship course should be started at the higher-secondary level and respondents 2 and 3 put forward his view that it should be introduced only at the university level.

c) Entrepreneurship Education and Activities of Central Campus of Management, Mid-Western University and Entrepreneurship Development

In this section here the research questions are identified based on the previous developed literature and area for the research. The core areas of research in this section are the quality of curriculum for developing practical entrepreneurial knowledge and skills, entrepreneurial intention & motivation, entrepreneurial platform, business idea and support and content and relevance of entrepreneurship education.

In a study by Luthje & Franke (2002), respondents were asked to rate the different aspects of entrepreneurial education and support. The findings suggested that the most striking discrepancy was related to the “atmosphere” that may inspire graduates to develop ideas for new ventures. Thus, the raised question was-Does the Central Campus of Management, Mid-Western University provide a platform for visibility among the entrepreneur respondents agreed with this issue. As they mentioned, it is always better if the curriculum includes more practical education.
In terms of teaching methods, some researchers suggested problem-based learning for entrepreneurship, where learning is student-centered with teachers acting as facilitators (Hanke et al., 2005). In the line of these findings, the question asked to the respondent was—Does the MBS curriculum designed by the Central Campus of Management, Mid-Western University provide students with the sufficient student-centered practical knowledge and skills required to start new enterprises? While answering the question, respondents 1, 3 and 4 said that they have benefited from the curriculum of the MBS at the Central Campus of Management, Mid-Western University. They also highlighted that the curriculum of the MBS program and teaching-learning environment of Central Campus of Management, Mid-Western University is student-centered which helps him to provide the sufficient practical knowledge and skills required to start a new enterprise. But the rest of the respondents 2 and 5 were viewed that their MBS curriculum designed by the Central Campus of Management, Mid-Western University is not student-centered and it is not able to provide sufficient practical knowledge and skills as required to start new enterprises. Additionally, respondents 3 and 4 said that Mid-Western University should launch entrepreneurship education as a distinct course; they further added that it should not be part of general management education.

Some studies have investigated the influence of education and training on the entrepreneurial attitudes and intention of participants and reported that entrepreneurship education influences the entrepreneurial intentions and start-up actions (McMullan et al., 2001). Based on this literature the raised question was—Does the MBS curriculum designed by the Central Campus of Management, Mid-Western University provide students with a sufficient level of entrepreneurial intention and motivation to start a new enterprise? While answering the question respondents 1 and 2 said that they were motivated and their entrepreneurial intention increased through the education they get in MBS at the Central Campus of Management, Mid-Western University. But the respondents 3, 4 and 5 were negatively viewed that their curriculum never geared up their entrepreneurial intention and motivation to start a new enterprise. Furthermore, respondent 5 negatively comment that the designed the course of MBS does not really works and it is totally impracticable.

**Conclusion**

To conclude, comparatively there is more agreement that entrepreneurship education would lead to the level of entrepreneurship though some respondents disagreed as there are many other constraints/ factors which deter entrepreneurship. A majority was of the view that instead of being a part of general management education it should be a distinct stream/course in management. Almost more than half of the respondents opined that entrepreneurial intention depends on the parental status, i.e. they started their venture by the inspiration of their parents, and the environment they got from the family. Comparatively, a great majority of the respondent was of the view that to create that atmosphere and entrepreneurial attitude, entrepreneurship education should be introduced right at the higher secondary/under-graduation level. The curriculum of entrepreneurship education should include more practical exposure with enough scope for innovation and in this sense, all the respondents have a similar observation that entrepreneurship education should include more reality-based teaching-learning pedagogies. It seems total respondent has given more important on the practical uses of business plan competitions to foster entrepreneurial skills and competence. The majority of the respondents agreed that courses taught for entrepreneurship education should include and trained the students to build the social and leadership skills needed for entrepreneurship development. All the respondents were of the view there should be enough scope for nurturing new ideas and innovation among students in entrepreneurship education.

All the respondents agreed that the Central Campus of Management, Mid-Western University, and its MBS program is not able to provide students with the knowledge required to be an entrepreneur as well they are lacking to visible relations among the ventures capitalists and related angles network. However, few of the respondents have a view that their university provides business idea and support through practicing them to prepare business plan report in the relevant business area. The majority of the respondent entrepreneurs agree that their curriculum of the MBS program and teaching-learning environment of the university does not help them to provide with sufficient practical knowledge and skills required starting a new enterprise and creating the entrepreneurial intention as well as motivation for launching their venture.

Thus, the conclusion of the study asserts that the role of entrepreneurship education for the promotion of entrepreneurship development was very weak, and there was no direct impact and obvious result as per the expectation of students and curriculum. The students are given more theoretical knowledge rather than practical knowledge about entrepreneurship. Similarly, the content and relevancy of curriculum are not quite confined to distinct specialized knowledge as to foster more entrepreneurial intention, motivation, and confidence. Today’s educational institutions are not just to teach entrepreneurial education beyond that they are a great platform where students can enjoy a visible connection with capitalist and angel network for the getting entrepreneurial idea and generating fund support, in this context the entrepreneurship education seems completely unproductive in Nepal as well as in Central Campus of Management, Mid-Western University.

**Implications**

Forentrepreneurship education to successfully contribute to entrepreneurship development there are several factors that should be kept in mind. While observing students, the majority of the students should be developed the ability to take risks and
the initiative to be on their own venture. There should be a blend of experienced academic faculty members for the theoretical base as well as entrepreneurs on board to have practical exposure. Apart from classroom education, learners should be given attitudinal training and to hand in the field of entrepreneurship to bring out that confidence to engage in business. They should have exposed to enough of real-life situations by participating in business plan competitions on a regular basis, handling live industry projects more often, and the like. Successful entrepreneurs should be linked in, to share their experiences with the students—things like challenges faced by them, opportunities in the market, knowledge about financial assistance. More and more interaction with entrepreneurs through guest lectures and seminars/conferences and fruitful relations with experienced executive, innovative companies would go an extended way in developing future entrepreneurs. Both government and private entities should take an active interest in nurturing the entrepreneurial venture.

Many places worldwide do not have as easy access to entrepreneurship education and more, especially entrepreneurship education programs as compared to the developed countries. Therefore, entrepreneurship education programs should not be only for private, or public universities, but for any institutions that can teach education, such as public, or private schools, from primary and secondary schools.

Our higher educational institutes and universities should be constantly evaluated to measure their effectiveness and viability in the creation of competencies, and the value of entrepreneurial intention in students. However, to actually be a pillar of education, they ought to be fully integrated into various academic curriculums. The entrepreneurship education must transcend its entrepreneurial education as a separate discipline which means that it should not be made a part of general management education so that a specialized education format is created, otherwise entrepreneurship education will be only discussed superficially.

Acknowledgments

I would like to take this opportunity to thank all those who have contributed in the course of this research.I would also like to thank Prof. Dr. Deep BahadurKawal and Dr. Akhilesh Chandra Pandey for his invaluable support during the research. I am also thankful to previous researchers who have provided me a strong ground to further, the field of study. I am also indebted to the women entrepreneurs who provided me with their valuable information to complete my study.

References


**MICROCREDIT LENDER AND CLIENTS’ WELFARE MAXIMIZATION**

Prof Narayan Prasad Paudel*

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**Abstract**

Microfinance has attracted a great deal of international attention in recent years, as an effective instrument for reducing poverty and improving welfare of households. The current study attempts to examine at the outcomes of the borrowers from each category of lenders. The lenders category in this study include non governmental organizations, private Microfinance Development Banks and government owned Regional Rural Development Bank that lend relatively small amounts to the lower income populations for the case of Nepal. The results of the current study reveal that the type of lender does indeed influence the welfare of the borrower. A loan from a private Microfinance Development Bank has the greatest positive impact on the borrower, with government owned having the next greatest impact. In addition to having the greatest impact, every respondent in the study had a positive change in consumption with a private organization. The type of lender, the length of time a client is a member of a financial institution and the initial loan amount all has an impact on welfare.

**Key Words:** Microfinance, Rural Development, Nepal, welfare, lender types

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**Introduction**

Nepal introduced various microfinance programs with diversified methods and modalities including: public vs. private sector modality, project based modality, wholesale lending based modality, community and deprived sector based modality, etc. (Nepal Rastra Bank (NRB), March, 2008). To ensure regular financial services to the poor with easy and affordable cost NRB introduced Deprived Sector Credit for banks and financial institutions. NRB has made the provision of deprived sector credit directives under unified directives. NRB further stressed that financial instability hurt the poor most. In the case of Nepal, the rule to keep 10 percent of a bank’s reserves specifically for micro-finance has largely been ignored and the consequence of a fine has been paid. This is because the banks would rather spend their resources with large investments that have a more secure payout than dealing with a population that are generally under educated, less likely (1) (see: Appendix IV) to default on their loan and will yield a much lower return on investment.

Various literatures reveal the fact that the incidence of rural poverty is still relatively high and there is also great disparity in the distribution of income among the different development regions of the country despite the various programs conducted throughout the country along with micro-credit facilities. Even so, the effects of microfinance have been found to be positive in many cases. The Centre for Policy Studies and Rural Development (2007) Kathmandu has found that “85 percent felt an improvement in their overall socio-economic conditions after participation in the RSRF [Rural Self-Reliance Fund] program. The study goes into further detail of the areas of the country and their breakdown of improvement. The impact of the program affected different aspects of their clients’ lives such as schooling, knowledge of health and hygiene, and nutrition. The empowerment of women within the country was also affected, the study resulted in increased female involvement in social organizations and “self-confidence in terms of ability to put their own interest” within their homes and organizations that they are a part of (Centre for Policy Studies and Rural Development, 2007).

The rapidly expanding banks and financial institutions particularly micro credit development banks have contributed to increase in access to finance of the rural poor. It is evident from the NRB report (2010) that the government policy has been playing very positive role in the establishment of MFIs. It has been often found in the previous literature that the borrowers of the small loans are members of the lower income brackets and that the outcomes of these small loans have significant positive impacts on the borrowers. A question arises when wanting to see the magnitude of the impact depending on the type of issuer of the loan and the question becomes, does the type of lender impact the change in welfare of the borrower? A look is taken to see what other aspects of the lender play a role in the change in welfare that the borrower faces once they have taken out the loan.

**Literature Review**

Microfinance Focus (2009) reports that extreme poverty affects at least 10 per cent of the population in many parts of the Asia

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and Pacific region, Microfinance Focus report lists 19 economies where more than 10 per cent of the populations were living on less than $1.25 a day in the latest year for which data are available. Seemi Waheed (2009) conducted a study in the Punjab of Pakistan looking in the effects of micro-finance on low income households. The breakdown of income of households was split into two groups, poor and non-poor which is determined by the ownership of less than four acres of irrigated land or landless, respectively. The data used to conduct the study is from secondary data collected between the years of 1999 to 2004 as well as the primary data that was collected during 2005. The results of the study showed that the types of people that applied for the micro-finance were not only the poor but also the non-poor, and both groups of people could find benefit from the loan. Also, the credit amount per capita was lower for the poor than the non-poor while the wealthier population held more credit.

Banerjee, Duflo, Glennerster, & Kinnan (2009) concluded that in the short-term, microcredit may not be the miracle that it is sometimes claimed to be. It, however, does allow households to borrow, invest, and create and expand businesses. As a percentage of the population, most of the loans are held by the poor. The percentage decreases as the wealth of the household increases, until the smallest percentage of the population holding loans, which is the very poor. Waheed (2009:31-47) also finds that the variables associated with education, family size, tangible and intangible assets and micro credit all had a positive significant relationship with annual income. Education and micro credit were more significant than the other factors. Waheed(2009:31-47) concludes with a discussion about how micro-finance does not improve the livelihood of the people who participate due to the fact that the loans are used to purchase short term needs instead of long term investments.

Centre for Policy Studies and Rural Development (2007) has conducted impact study of RSRF. The study aimed at evaluating the impact of Rural Self-Reliance Fund instituted by the Nepal Rastra Bank in 1991 for poverty reduction. Financial resources contributed to the Fund by the Nepal Rastra Bank and the Government are used to provide wholesale credit to the cooperatives and the NGOs at subsidized rate of interest to on-lend to the poor. The policy study found that for a large majority of borrowers (62.5 percent) the fund credit was sufficient to undertake the proposed activity. Likewise, the proportion of clients reporting sufficiency of credit was 71.5 percent in the terai, 63.6 percent in the mountains and 42.4 percent in the hills. The study reports that an overwhelming majority of clients (85 percent) felt an improvement in their overall socio-economic conditions after participation in RSRF program. The proportion reporting improved condition was the highest in the hills (91.5 percent) and the lowest in the mountains (45.4 percent), with the terai in between (85.4 percent). It is further evident from the study that all the clients have used credit for starting income generating activities with some using it for other purposes as well. The main activity has been buffalo/cow raising (43 percent), followed by retail shop (26.5 percent) and vegetable farming (14 percent). Hatlebakk (2009:70-86) finds that informal lending leads to a higher price for lending. This makes sense because when there is a disconnect in information between the lender and the borrower, the lender requires a higher payment in order to give the loan. The study was done using the LSMS data of Nepal. The results of the study show that “loan size has no significant effect on the interest rate” (Hatlebakk, 83). The high interest rates cause cycles of repayment requirement that cannot realistically be repaid causing further indebtedness. Land value is shown to be one way to determine the interest rates (Hatlebakk, 2009:85-86).

Similar to the finding of Hatlebakk (2009), Daru, Churchill and Beemsterboer (2005:132-154) also find that workers in southeast Asia have an extremely hard time paying back their loans. The reasons for taking out the loans have been found to include social expenses such as religious ceremonies and dowries, investments in one’s home or household enterprise, and vices such as drinking and gambling” (Daru, Churchill and Beemsterboer, 134). Once the loans are taken, the ability to repay is found to be hard, especially to the lowest income families. In order to remove people from these cycles of non-payment, Daru, Churchill and Beemsterboer (2005:135) found that an integrated approach is best. Micro-finance along with social awareness is required to minimize the default rate. Social awareness includes training and information for the borrowers of the loans.

**Methodology**

**Procedure of data collection**

Specifically, the team of research has initiated the effort to reach out to the grass-root level and engage microfinance clients in defining the impact of microfinance as a poverty alleviation strategy and clients welfare improvement. In order to examine the relationship between human development/poverty alleviation and microfinance, both quantitative and qualitative methods are used. The methodology for carrying out quantitative and qualitative field research in the study included a variety of research tools. In few of the cases an experimental group and control group is determined and categorized. Meaning is that the experimental area where researcher evaluated the implementation of the program and the control area with no exposure to the program.

**Data**

The data used in the study was cross sectional data collected in 2010 in Nepal. They survey asked questions about the effects of the loans that the respondents had received in terms of income, consumption, assets and many other areas. The questions were all asked at the same time and referred to details from the past year and from two years ago. The questions that were particularly useful for this study were the ones that pertained to consumption and income changes, age, technology changes, the district, occupation, and initial loan amount. Appendix I: Table 1 describes the summary statistics.

The variables Private, NGO, Government, Duration under two, Duration under two to four and Duration more than four are all considered as dummy variables. The variables Changes in income, Changes in consumption and initial loan amount
are taken as continuous variables. The log of the continuous variables was taken to scale the values. A more detailed description of the variables will be given in the next section. Gender is a variable which is normally included in a study like this but was excluded because the respondents to the survey were all female.

Research Design
One of the most important aspects of microfinance in Nepal is economic and social empowerment, which is explained in detail in the study. Besides, effective source of borrowing, interest rate structure, purpose of saving, severity of microfinance problems, major income activities of the MF clients are also assessed and analyzed. The study used the blend of descriptive as well as analytical research design to make the research more inferential and understandable.

Model
The dependent variable in the models tested was a measure of welfare, which is not observed and may change from respondent to respondent. In that case a measure of income or consumption may be used instead as can be comparable across the peoples of an area. Income can pose some problems though because of the hesitance of the respondents to answer accurately or even at all. A better measure has been found in using the information given from consumption levels. Given that the data available was panel data, to find the change in consumption, we took the difference of total consumption for the past year and total consumption for two years ago. To scale the resulting values we took the natural log of the total consumption in each year before we differenced them. The resulting values made up the dependent variable, CHANGE IN CONSUMPTION. A variable, CHANGE IN INCOME, was created in order to see the relationship in the income and consumption patterns. Given that the patterns were different, we conclude that the reported values for income were not an accurate portrayal of welfare and conducted all following tests with CHANGE IN CONSUMPTION as the dependent variable.

The independent variables that were used in this study were a combination of both continuous and dummy variables. The continuous variables that were used included CHANGE IN CONSUMPTION and INITIAL LOAN AMOUNT. CHANGE IN CONSUMPTION was represented the change in welfare that the respondent experienced. The consumption amounts were given in rupees. The natural log of each total average amount was taken in order to scale the values. Consumption was then calculated by taking the difference in the natural log of the average monthly consumption from the previous year and subtracting out the natural log of the average monthly consumption from two years ago. Initial loan amount was also given in rupees. Similar to that of consumption, the natural log of the amount loaned was taken in order to scale the values. Dummy variables were created for the model and included PRIVATE, NGO, GOVERNMENT, DURATION UNDER TWO, DURATION TWO TO FOUR and DURATION MORE THAN FOUR. The variables Private, NGO, and GOVERNMENT referred to the types of lending organizations in which the respondents belonged to. PRIVATE had a value of one if the respondent had gotten their loan from Nirdhan Bank; NGO had a value of one if the respondent had gotten their loan from Srijana Bikas Kendra; and GOVERNMENT had a value of one if the respondent had gotten their loan from Mid-western regional rural development bank (MWRRDB). The lenders were split by district as well where Nirdhan Bank was located in Banke, Srijana Bikas Kendra was only located in the Kaski, districts and MWRRDB was located in the Surkhet district.

The variables DURATION UNDER TWO, DURATION TWO TO FOUR and DURATION MORE THAN FOUR represented the amount of time in which they had been a member of the financial group (PRIVATE, NGO, and GOVERNMENT). DURATION UNDER TWO refers to the clients which have been members of their respected financial group for less than two years, DURATION TWO TO FOUR refers to the clients which have been members of their respected financial group for more than four years. These variables were used to see if the time that a person was a member had an impact on the welfare of the respondent.

The models were derived in order to test to see which variables had the greatest impact on the welfare of the respondents. PRIVATE and DURATION UNDER TWO are excluded from the following models in order to act as the base categories. The models are estimated in the following format:

\[
\text{CHANGE IN CONSUMPTION} = \beta T(x) + \beta M(t) + \beta C(y) + \epsilon
\]

From the model, T(x) represents the vector of types of lending organizations. The variables that are included in that vector are GOVERNMENT and NGO. M(t) represents a vector of the time duration variables, including DURATION TWO TO FOUR and DURATION MORE THAN FOUR. C(y) represents the vector of ‘amount’ characteristics. These variables include INITIAL LOAN AMOUNT and CHANGE IN INCOME. These variables are given in rupees. The coefficients , , and give the magnitude of the impact of the type of lending organization, time duration, and amount variables respectively. represents the error term.

Discussions and Results
Models one through three are run using a regular Ordinary Least Squares (OLS) regression while the fourth model is run using a logit model. The OLS regression results give the predicted impact that each variable has on the dependent variable, CHANGE IN CONSUMPTION. The logit model gives the likelihood of a change in welfare given the type of lender a respondent chooses.

Graphing CHANGE IN INCOME and CHANGE IN CONSUMPTION by the different lender types gives an easier way to see the effects that each has in terms of welfare. The graph shows that GOVERNMENT had the greatest impact on the CHANGE IN INCOME. NGO has the next greatest impact...
with PRIVATE having the smallest impact. In terms of CHANGE IN CONSUMPTION, we see that PRIVATE gives the greatest change, with GOVERNMENT and NGO following. The differences in the impact levels of the two variables can be contributed to the unwillingness of respondents to accurately report their actual income levels. The following graph shows the average change in consumption and income over the two year period.

In Model 1, the coefficients and are set to zero so the time duration variables and the amount variables are not included. In order to see whether or not the type of lending organization changes consumption patterns, we test our first hypothesis: H0: = 0; HA: ≠ 0. If we find that does equal zero, then we will know that the type of lending organization does not matter in changing consumption patterns. This model shows how each of the different lenders affects welfare in relation to each other. Because we know that PRIVATE will have the best result in terms of welfare, we set that variable to be the base. The results show that NGO has a statistically significant negative relationship with CHANGE IN CONSUMPTION at the 99 percent level. This shows that if a borrower were to borrow from an NGO, then their change in welfare is expected to be 24 percent less than that of a private company. GOVERNMENT does not show statistically significant results but 1, the coefficient on GOVERNMENT, is a negative 6 percent which also shows that borrowing from a government lender will have less of an effect on welfare than borrowing from a private company. Because the coefficient on GOVERNMENT is less than the coefficient on NGO, we can conclude that the second best lending entity would be a government. Appendix II: Table 2 shows the results of the regression.

Model 2 takes into account how long the borrower has been a member of the financial organization as well as the type of lender the financial organization is. The variable is set to zero in order to see the affects of the time variables and the organization types. The hypothesis tested is H0: = 0; HA: ≠ 0. If we do find that is zero, then we would conclude that how long a person has been a member of a financial institution does not matter. The significance levels, signs and magnitudes for the type of lender are very similar to that of Model 1. The variables that take into account how long a client has been a member do not prove to be statistically significant but have positive values. This result is as expected because the base variable refers to if a client has been a member for less than two years. We would expect that the longer the client has been a member of a financial organization, the greater the impact on their welfare would be. We see that if the membership time increases one year then the CHANGE IN CONSUMPTION would change about 6 percent, regardless of if membership is between two and four years or if greater than four years. Appendix II: Table 2 shows the results of the regression.

The third model adds in the effect of the initial loan amount and the change in income, then controls for the CHANGE IN INCOME. The hypothesis tested is H0: = 0; HA: ≠ 0. If we find that does equal zero, then these amount variables do not matter in the changes in consumption. We see that the type of lender is now significant at least at the 95 percent level and the length of membership is significant at the 90 percent level. The signs on the coefficients do not change but the magnitudes do change. GOVERNMENT has a 12.9 percent smaller impact and NGO has 24.7 percent smaller impact than PRIVATE on consumption. When increasing the membership at a financial institution by a year, the CHANGE IN CONSUMPTION is affected by almost 15 percent in either case. The result for the initial loan amount is somewhat counter intuitive in that it is a negative relationship, which means that as the initial loan amount is increased by one percent, the impact on welfare is reduced by 7.7 percent. Appendix II: Table 2 shows the results of the regression.

Model 4 is a logit model which describes the likelihood levels of a CHANGE IN CONSUMPTION from the different lender types. Similar to Model 1, and are set to zero. GOVERNMENT is used as the base in this model instead of PRIVATE like was originally used in Model 1. The hypothesis

![Graph showing average change in consumption and income over two years.

<table>
<thead>
<tr>
<th>Lender Type</th>
<th>Mean of Consumption Change</th>
<th>Mean of Income Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>[Graph values]</td>
<td>[Graph values]</td>
</tr>
<tr>
<td>NGO</td>
<td>[Graph values]</td>
<td>[Graph values]</td>
</tr>
<tr>
<td>Private</td>
<td>[Graph values]</td>
<td>[Graph values]</td>
</tr>
</tbody>
</table>
tested is the same as in Model 1, H0:  = 0; HA:  0. The standard error for PRIVATE is omitted from the results because of perfect predictability. This tells us that everyone in the sample who had received a loan from a private lender had a positive impact on CHANGE IN CONSUMPTION. We know that not everyone had a positive CHANGE IN CONSUMPTION which tells us that not every case of microfinance is one which increases welfare. The results of this regression can be seen in Appendix III: Table 3.

Conclusion and Implications

Despite of gradual development of microfinance activities in Nepal still the country has experienced some fundamental problems and issues in microfinance including problems in identifying target groups, identifying potential projects that can be easily managed by the client’s needs. The results of this study show that the most important aspect of improving welfare when using micro-finance is the type of lender. The type of lender has shown in this case to be the most significant on the change in welfare, with a private lender having the greatest impact. We also found that every borrower who had gotten their loan from a private company had an increase in their consumption over the two years. The reasons behind why this is true for private companies and not for government and non-governmental organizations should be researched. Then changes could be made to the other types of organizations in order to increase the benefit for the borrowers. The curious result of a negative coefficient on the initial loan amount shows that a small loan can have a positive impact on welfare but as that amount increases, the smaller that impact becomes. This shows that the structure of the loans, the interest rate and payback outline, are geared towards small loans and should be used in these cases. When the loans reach a certain point, a different structure should be applied in order to maximize the benefits for both the lender and the borrower.

Data that would be useful in furthering this study would be some of the practices of each of the lenders. This would include the training and information that each lender has for its clients both before and after they receive a loan. If the practices are formal, the client may behave more responsibly with the money and have a better outcome in terms of welfare. The process the lender takes when collecting the money may have an impact on how clients use the money they receive from a loan as well. An interesting bit of information would have been the default rate of each type of lender. This could be used to see if micro-finance is being used for the reasons the clients first specified and how that affects welfare.

References


Appendix I

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Observations</th>
<th>Mean</th>
<th>Std Dev</th>
<th>Min / Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in Income</td>
<td>Percentage change in Income</td>
<td>286</td>
<td>.438</td>
<td>.638</td>
<td>-0.845 / 9.17</td>
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<tr>
<td>Change in Consumption</td>
<td>Percentage change in Consumption</td>
<td>299</td>
<td>.306</td>
<td>.385</td>
<td>-1.386 / 1.954</td>
</tr>
<tr>
<td>Private</td>
<td>Private Lender</td>
<td>301</td>
<td>.332</td>
<td>.472</td>
<td>0 / 1</td>
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<tr>
<td>NGO</td>
<td>Non-government Lender</td>
<td>301</td>
<td>.329</td>
<td>.471</td>
<td>0 / 1</td>
</tr>
<tr>
<td>Government</td>
<td>Government Lender</td>
<td>301</td>
<td>.332</td>
<td>.472</td>
<td>0 / 1</td>
</tr>
<tr>
<td>Duration</td>
<td>Membership under 2 years</td>
<td>301</td>
<td>.163</td>
<td>.370</td>
<td>0 / 1</td>
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<td>Under Two</td>
<td>Length of Membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Duration Two</td>
<td>Membership between 2 - 4 years</td>
<td>301</td>
<td>.342</td>
<td>.475</td>
<td>0 / 1</td>
</tr>
<tr>
<td>to Four</td>
<td>Length of Membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration More</td>
<td>Membership more than 4 years</td>
<td>301</td>
<td>.485</td>
<td>.501</td>
<td>0 / 1</td>
</tr>
<tr>
<td>than Four</td>
<td>Length of Membership</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initial Loan</td>
<td>Log of Initial Loan Amount</td>
<td>298</td>
<td>9.429</td>
<td>.687</td>
<td>7.601 / 11.156</td>
</tr>
</tbody>
</table>

Source: Field survey 2010
Table 2: Regression Results for Models 1, 2, and 3

<table>
<thead>
<tr>
<th>Variable</th>
<th>Model 1</th>
<th>Model 2</th>
<th>Model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Coefficient</td>
<td>Std. Error</td>
<td>Coefficient</td>
</tr>
<tr>
<td>Government</td>
<td>-.065</td>
<td>.053</td>
<td>-.069</td>
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<tr>
<td>NGO</td>
<td>-0.245***</td>
<td>.053</td>
<td>-0.234***</td>
</tr>
<tr>
<td>Duration</td>
<td></td>
<td></td>
<td>.064</td>
</tr>
<tr>
<td>Under Two</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than Four</td>
<td></td>
<td></td>
<td>.061</td>
</tr>
<tr>
<td>Initial Loan</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in Income</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Number of Observations: 299
R Squared: .073

* refers to significance at 10%
** refers to significance at 95%
*** refers to significance at 99%

Source: Field survey 2010

Table 3: Regression Results for Model 4

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>Z</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGO</td>
<td>-13.426</td>
<td>1.424</td>
<td>-9.43</td>
</tr>
</tbody>
</table>

Number of Observations: 299
Pseudo R Squared: 0.0681

Source: Field survey 2010

Less likely (1) = result indicates that microfinance loan default on payment is less than the default rate on large loan amount.