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Impact of Poverty Alleviation Fund's Revolving Fund for Income Generation Programme in Lalbandi, Sarlahi

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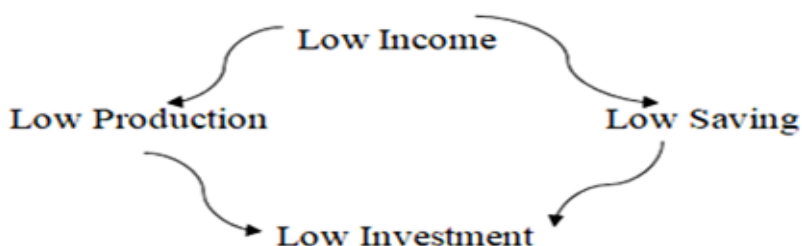
Abstract

This study has been conducted to evaluate the management, efficiency, and effect of the Poverty Alleviation Fund's revolving fund for Income Generating Program in Lalbandi Sarlahi. It aimed at eradicating absolute poverty and reducing relative poverty in community organizations at Lalbandi Municipality. The study employed research methods such as field observations, surveys, and group discussions. Although the program is faced with challenges including uneven income distribution among members of the organization and climate change resilience, this does not deter it from supporting 15 community-based organizations which received NPR 32,553,675.50 as of the fiscal year 2075/76. Nevertheless, the program's banking transactions are impeded by financial audits beginning in 2073 due to the COVID-19 pandemic. Despite playing a significant role in local development, an emphasis on financial management and regulation is necessary for increased policy effectiveness in ensuring long-term poverty reduction strategies.

Keywords: Community, financial management, income generation, partner organization, Poverty Alleviation Fund, seed money, social mobilization

Introduction

Poverty is a pervasive issue that affects millions of people globally, depriving them of basic human needs and opportunities for a better life. Nepal, despite its efforts and progress, continues to grapple with the complexities of poverty, both absolute and relative. Recognizing the multifaceted nature of poverty, the country has implemented various strategies, policies, and programs to alleviate the plight of its vulnerable populations.



The Poverty Alleviation Policy of 2076 B.S. in Nepal reflects the commitment of the government to address economic inequality and reduce the percentage of the population living below the poverty line. The policy emphasizes a comprehensive approach, considering dimensions such as income, consumption, access to resources, education, health, and social disparities. However, despite these efforts, challenges persist, including a lack of international cooperation, difficulty in identifying actual poverty, political instability, and the effectiveness of empowerment approaches over welfare approaches.

Nepal's legal framework, including the Constitution of 2072 B.S., the National Agricultural Policy 2061 B.S., and the National Forest Policy 2076 B.S., provides provisions for social justice, labor rights, and poverty alleviation. The 15th Plan outlines ambitious goals to reduce the poverty rate to 11%, and the Sustainable Development Goal National Report 2015 aims for a poverty rate of 5% by 2030. However, achieving these targets requires concerted efforts and effective implementation of poverty alleviation programs.

One significant initiative in Nepal's quest to eradicate poverty is the establishment of the Poverty Alleviation Fund (PAF). The PAF, created in 2060 B.S., operates as an autonomous entity with the goal of actively involving extremely disadvantaged groups in the mainstream development process. It emphasizes social, economic, and cultural transformation to empower marginalized communities and make them active participants in their own development.

The PAF operates based on five guiding principles: targeting the poor, social inclusion, demand-driven efforts, transparency, and direct payment to community organizations of the poor. These principles aim to ensure that the funds are efficiently utilized for the benefit of the impoverished communities, fostering sustainable development in the long run.

The PAF's focus on income-generating activities as a means to improve the economic status of poor households aligns with the broader goal of societal transformation. The fund operates in collaboration with community organizations, leveraging financial contributions from the Nepalese government and international partners like the World Bank and the International Fund for Agricultural Development (IFAD).

An analysis of the Poverty Alleviation Fund's impact in the Sarlahi district, particularly in Lalbandi Municipality, provides insights into the challenges and successes of poverty alleviation efforts. Lalbandi Municipality, with its rapid urbanization and commercial growth, serves as a focal point for the implementation of poverty alleviation programs.

Non-governmental organizations (NGOs) such as Child Protection Organization Lalbandi, Sipred Nepal, and Rural Development Organization Haripur have actively collaborated in implementing the poverty alleviation program in Lalbandi Municipality. The program, spanning from the fiscal year 2062/63 to 2074/75 B.S., aimed to empower marginalized communities and transform them into self-reliant entities.

Despite the collaborative efforts, challenges have emerged in the management of funds and the transition of community organizations into cooperative models. The

lack of clear operational procedures and frameworks at the local level has hindered effective fund management and preservation. Reports indicate that 136 community organizations and 3,729 households are benefitted within Lalbandi Municipality.

The Poverty Alleviation Fund's impact in Lalbandi Municipality reveals a mixed picture. On one hand, significant contributions have been made to sectors like animal husbandry, agriculture, and business, comprising 56% of the total investment. On the other hand, challenges such as ineffective fund management, lack of clear guidelines, and discrepancies in fund allocation based on population and poverty status have been observed.

The Poverty Alleviation Fund's investment in various community organizations within Lalbandi Municipality is outlined in the list of Income Generation Activity (IGA) sub-projects. These sub-projects, implemented by different community organizations, reflect diverse economic activities aimed at uplifting the impoverished communities.

A comprehensive review of these sub-projects indicates varying levels of success and challenges. Community organizations like Sandesa, Safalta, Namuna, and Parijat have received substantial contributions from the Poverty Alleviation Fund for income-generating activities. However, issues such as discrepancies in fund allocation, stagnant banking transactions, and a lack of regular financial audits have hindered the effective functioning of these organizations.

The impact assessment of the Poverty Alleviation Fund's Revolving Fund for Income Generation Programme in Lalbandi, Sarlahi, underscores the importance of addressing operational challenges and enhancing transparency in fund management. The success of poverty alleviation programs depends on clear frameworks, effective collaboration, and the active involvement of local communities.

The Poverty Alleviation Fund in Nepal, with its focus on social, economic, and cultural transformation, plays a crucial role in addressing the complex issue of poverty. The case study of Lalbandi Municipality in Sarlahi provides valuable insights into the challenges and successes of poverty alleviation efforts at the local

level. Moving forward, addressing operational complexities, enhancing transparency, and fostering community participation will be essential for the sustainable impact of poverty alleviation programs in Nepal.

Objectives of the Study

- To evaluate the management and effectiveness of the funds under the Poverty Alleviation Fund within Lalbandi Municipality, with a particular focus on the community organizations formed.
- To research the operation, preservation, and overall effectiveness of the fund highlighting the concerns of stakeholders.
- To analyze the sustainability and transparency status of the community organizations involved.

Research Questions

- Is the Management of Funds Efficient within the Poverty Alleviation Fund?
- How Effective has The Management of the Fund been to The Performance of Community Organizations in Lalbandi Municipality?
- What operational procedures and preservation methods are used for the Poverty Alleviation Fund?
- How are the stakeholders perceiving the efficiency of the used practices?
- To what extent are the community organizations that emerged from the Poverty Alleviation Fund in Lalbandi Municipality sustainable and transparent?

Literature Review

In 2003, the Nepalese Parliament passed a special act creating the Poverty Alleviation Fund (PAF). The Government of Nepal (GoN) uses this specifically created institutional mode to carry out certain initiatives that are meant to enhance the lives, livelihoods, and self-determination of the rural poor. Groups that have

historically faced discrimination and exclusion due to factors such as gender, caste, ethnicity, and geography are given special consideration (Regmi et al., 2018).

Financial service providers in Nepal include formal entities such as banks, microfinance institutions, and cooperatives, as well as informal entities such as moneylenders, unofficial groups, and friends. The status of financial inclusion in Nepal is unsatisfactory, with three-fourths (75%) of the population still without bank accounts at formal financial institutions (World Bank, 2014). Due to low financial inclusion, a considerable number of people rely on the informal loan sector, particularly in rural and hilly areas. To guarantee that the majority of people have access to formal financial services, effective financial inclusion is essential. This is a difficult endeavor that takes a lot of time, energy, and dedication (KC, 2019).

The PAF programs have achieved remarkable strides toward social inclusion. Seventy-eight percent of Community Organization (CO) members are women, and sixty percent of CO members are Muslims, Dalits, or Janajatis (PAF, 2016). According to PAF's coverage, 32% of its beneficiaries are Janajatis, 24% are Dalits, and 79% of its beneficiaries are women. The demographic makeup of the areas is reflected in the acceptable coverage of Dalit and other marginalized groups. (Regmi et al., 2018).

Commercial banks in Nepal are exploring alternate banking models such as branchless banking and digital banking. Learnings from these pilots will inform future projects aimed at enhancing financial inclusion led by the Government of Nepal. Micro finance, operated through group lending and nearly solely targeting women, is now a fashionable approach to fighting poverty all over the world. MF is one of the key components of development finance targeting FS and poverty reduction in developing nations such as Nepal (Dhungana, 2018).

The generation of the Revolving Fund for Income Generating under Programme of Action for Fellow (PAF) has revealed the socio-economic uplift of the vulnerable groups of Nepalese society. However, the problem of equal opportunities for employment for women and members of a discriminated minority

still exists. Despite these problems, the examples of successful initiatives and high levels of women's and minority's employment indicate the program's efficiency for combating poverty.

Methods

A multi-faceted research method was utilized to examine the impact of the Poverty Alleviation Fund's Revolving Fund for Income Generation Programme in Lalbandi, Sarlahi. It involved an approach that combines field observations, survey methods, targeted group discussions with stakeholders. The aim of such a multi-method was to be able to hear different voices, use diversified data, and evaluate the results and achievements of the income generation program.

Field Observations

Field observations played a crucial role in understanding the ground realities and dynamics of the Poverty Alleviation Fund's Revolving Fund for Income Generation Programme. Researchers engaged in direct observation of the activities, operations, and challenges faced by community organizations within Lalbandi Municipality. This involved firsthand experiences, noting interactions among community members, and observing the utilization of funds in income-generating activities.

Survey Methods

Surveys were conducted to collect quantitative data on the economic impact of the income generation program. A structured survey questionnaire was designed to capture information on various aspects, including household income changes, employment generation, and the overall economic well-being of the targeted communities. The survey covered a representative sample of beneficiary households to ensure the reliability and generalizability of the findings.

Targeted Group Discussions with Stakeholders

Targeted group discussions were organized to facilitate in-depth conversations with key stakeholders, including community organization members, local government representatives, and implementing organizations. These discussions provided qualitative insights into the social and cultural aspects of the program, as well as the challenges faced by different stakeholders. It helped in understanding the perspectives of the beneficiaries and other actors involved in the poverty alleviation efforts.

Questionnaire Design

Structured questionnaires were administered to gather detailed information from community organization members and beneficiaries. The questionnaires covered a range of topics, including the utilization of funds, challenges faced, perceived benefits, and the long-term sustainability of income-generating activities. Open-ended questions allowed respondents to express their opinions, providing a more nuanced understanding of the program's impact.

Analysis of Profiles and Program Reports

The research involved a thorough analysis of profiles and program reports from collaborating organizations and the Poverty Alleviation Fund. This included examining the financial records, project plans, and progress reports to assess the implementation of the income generation program. It helped in evaluating the adherence to the fund's guiding principles, such as targeting the poor, social inclusion, demand-driven efforts, transparency, and direct payment to community organizations of the poor.

By combining these diverse research methods, the study aimed to generate a comprehensive and nuanced understanding of the impact of the Poverty Alleviation Fund's Revolving Fund for Income Generation Programme in Lalbandi, Sarlahi. The triangulation of data from different sources and methods strengthened the validity and reliability of the findings, providing valuable insights for policymakers,

practitioners, and researchers working in the field of poverty alleviation and community development.

Findings

Economic Conditions of Community Organization Members

The total savings amount of NPR 93,981,128 from the Poverty Alleviation Program among the 15 actively operating community organizations in Lalbandi Municipality underscores the significant financial impact of the program. This collective savings showcases the success of the revolving fund in mobilizing resources for community development.

Table 1: *Economic Conditions of Community Organization Members*

Serial No.	Community Organization Name	Savings Amount from Poverty Alleviation Program
1.	Panch Kumari Community Organization	NPR 32,560
2.	Kalika Community Organization	NPR 317,520
3.	Nandeshwar Community Organization	NPR 514,800
4.	Narayanyi Community Organization	NPR 130,000
5.	Sunakhari Community Organization	NPR 120,000
6.	Navasrijana Community Organization	NPR 100,000
7.	Phulbari Community Organization	NPR 625,913
8.	Manakamana Community Organization	NPR 499,821
9.	Jalkeshwar Community Organization	NPR 427,899
10.	Buddhabhumi Community Organization	NPR 954,500
11.	Sagarmatha Community Organization	NPR 1,258,590
12.	Unnati Community Organization	NPR 896,850
13.	Deurali Community Organization	NPR 997,175
14.	Navasrishti Community Organization	NPR 1,081,000
15.	Navadeep Community Organization	NPR 1,154,500
Total	-	NPR 93,981,128

Source: *Field Study, 2023.*

The above table depicts the detail account of fund saved by different community organization of Lalbandi Municipality through Poverty Alleviation Program. Altogether, there is an overall saving of NPR 939,811, while at the same time, the saving differs remarkably many of the organizations. Sagarmatha community organization topped the list with the financial contribution of NPR 1,25,859; Navadeep and Navasrishti Community Organizations where second and third in the list having financial contribution of NPR 1,15,450 and NPR 1,08,100. Such high figures may mean good management of the funds as well as the profitability of income-generating activities. On the other hand, organizations such as Panch Kumari has savings of NPR 32,560 only and Sunakhari has NPR 120,000 only, which might defy basic problems in their business and financial aspects. Altogether, considering the analyzed data, one can identify certain issues that may reveal discrepancies in the economics of the community organizations and their performance, that might need specific interventions.

Monthly Income Analysis of Members

The analysis of monthly income among 75 members from these organizations provides a nuanced understanding of the economic diversity within the community. With over 25 percent of members earning less than or equal to NPR 10,000 per month, it highlights the presence of lower-income households. Conversely, the 2.25 percent of members earning more than NPR 40,000 likely indicates successful economic activities, potentially linked to foreign employment. The middle-income majority, with 19.5 percent earning between NPR 10,000 and NPR 20,000, suggests stability and economic growth within the community.

Table 2: *Monthly Income Analysis of Members*

Serial No.	Monthly Income	Number of Members	Percentage (%)
1	0-10,000	30	22.5
2	10,000-20,000	26	19.5
3	20,000-30,000	12	9.0
4	30,000-40,000	4	3.0
5	40,000-50,000	3	2.25

Source: Field Study, 2023.

The above table encompasses an assessment of the income structure obtained by the members of the community organizational groups in Lalbandi Municipality on a monthly basis. The largest students' group consists 30 respondents (22.5%) who receive up to NPR 10000 per month; that points to the high percentage of households with a comparatively low income. This is succeeded by 26 respondents (19.5%) earning from NPR 10,001 up to NPR 20,000 per month. Very few are having a higher monthly income; 12 members (9%) of them having between NPR 20000-30000; 4 members (3%) between NPR 30000-40000; and 3 members (2. These statistics point towards the fact that overall, the members of the community organizations, though active in organizing themselves, have small to medium incomes and such concerns should be extended help and work on better poverty reduction plans to help improve their financial statuses.

Prioritization of Investment

The survey's indication that 30 percent of members prioritize investment in livestock, 15 percent in vegetable farming, and 11.25 percent in business reflects the diversity of economic activities within the community. Livestock and agriculture-related investments signify a connection to the agrarian economy, while business investments suggest entrepreneurial ventures. This diversification showcases a well-rounded approach to economic development.

Table 3: *Investment Prioritized of Community Members*

Serial No.	Basis of Prioritization	Number	Percentage (%)
1	Livestock	40	30
2	Vegetable Farming	20	15
3	Business	15	11.25
Total	-	75	-

Source: Field Study, 2023.

Utilization of Funds

The utilization of funds aligns with the economic activities of the community members. The organization's focus on directing funds to areas associated with

subjects processed based on its reach indicates a strategic approach to resource allocation. This aligns with the organization’s operational needs, demonstrating a thoughtful use of the revolving fund to support ongoing activities.

Caste-Based Details

The caste-based details indicate an inclusive representation within the community organizations. The following table data shows the majority belonging to the ethnic (12.5%) highlights efforts toward inclusivity. The representation of Dalits (15%), Kshetris, and Madhesis (7.5% each) further reflects diversity. This inclusive composition within the community organizations contributes to social cohesion and harmony.

Table 4: *Caste and Ethnic Composition of Community Members*

Serial No.	Caste/Ethnicity	Number	Percentage (%)
1	Brahmin	5	3.75
2	Kshetri	10	7.5
3	Ethnic group	30	12.5
4	Dalit	20	15
5	Madhesi	10	7.5

Source: Field Study, 2023.

Role of Local Government

The pivotal role of community organizations under the Poverty Alleviation Fund in addressing the diverse needs of marginalized groups necessitates effective regulation and collaboration with local authorities. Transparent operations, with a focus on development activities targeting poors, Dalits, marginalized indigenous communities, women, and other disadvantaged groups, form the cornerstone of their impact.

A significant stride towards operational efficiency is observed in Lalbandi Municipality's unified management of the revolving fund. This strategic move not only enhances coordination but ensures that funds are deployed judiciously, addressing the specific needs of the community with maximum impact.

The research emphasizes the critical importance of a robust record management system. Leveraging records from non-governmental organizations as supportive bodies enhances the overall functionality of community organizations. Regular updates to the revolving fund records, based on provided information, contribute to accurate decision-making and informed strategies.

Administrative responsibility takes center stage in ensuring the meticulous handling of community organization records. Delegating record management to a specialized technical unit enhances efficiency and accuracy, reinforcing the foundation for sound operational practices.

Facilitation of operations through regular meetings is paramount for fostering a sense of community and shared responsibility. These gatherings provide a platform for members to discuss issues, share insights, and collectively address challenges, ensuring the sustained relevance of community organizations.

Inclusivity is championed through adherence to the directives of the Poverty Alleviation Fund Program Operation Directive 2067 B.S. The research advocates for inclusive changes in leadership, ensuring representation from diverse community segments. This commitment to diversity and inclusivity strengthens the organization's ability to address the varied needs of its members.

Regular examinations of community organizations' existence are deemed essential to adapt to evolving needs. Simplifying operations through efficient record management and inclusive practices ensures the sustained impact and relevance of community organizations within the municipality.

The monitoring of fund utilization and a balanced impact assessment are identified as critical components of successful community organization management.

Aligning the revolving fund with the economic conditions and needs of community members prevents the concentration of benefits and ensures equitable distribution across the entire community.

Involving representatives of community organizations in the formulation of local plans is crucial for considering diverse perspectives. Additionally, providing technical support for business plan development aligns with the overarching goal of enhancing members' income and earnings, contributing significantly to sustainable economic growth.

Capacity development through tailored training programs, as outlined in local plans, empowers community members. Transparent financial oversight, including regular audits through banking channels, builds accountability and trust in the financial management of community organizations.

Encouraging community organizations through the implementation of additional funds or programs related to poverty alleviation in a unified manner provides vital support for their mission. This encouragement ensures that community organizations remain dynamic and responsive to evolving community needs.

The research underscores the local level's pivotal role in reducing poverty and contributing to the formation of an entrepreneurial society. The positive impact on the economic and social development of every member within Lalbandi Municipality highlights the significance of community organizations in achieving these overarching goals.

Drawing inspiration from successful practices in other municipalities, Lalbandi Municipality holds the potential to enhance community organizations at the local level. This involves formulating effective procedures and ensuring proactive and efficient management, as demonstrated by Aamchowk Rural Municipality.

Recommendations for Local Government

The research provides a comprehensive set of recommendations for the local governments. These recommendations range from record management and

administrative responsibility to facilitating operations, leadership change, regular examination of community organizations, and fund utilization monitoring. These recommendations aim to create a robust framework for effective governance and support community organizations in achieving their poverty alleviation goals.

Community Organization Impact

Elevating the standards of community organizations within Lalbandi Municipality has not only contributed to economic development but has also led to social upliftment. The positive impact on every member economically and socially indicates that community organizations can be powerful instruments for holistic development.

Comparative Context with Other Municipalities

Drawing attention to the positive experiences of other municipalities, such as Aamchok Rural Municipality in Bhojpur, adds a valuable comparative context. Successful formulation and implementation of Poverty Alleviation Fund Management Procedures in these municipalities suggest replicable models for effective poverty reduction. Lalbandi Municipality can draw insights from these experiences to enhance the efficiency of its community organizations.

Conclusion

The Poverty Alleviation Fund's Revolving Fund for Income Generation Programme in Lalbandi Sarlahi, Nepal, is a vital initiative against absolute and relative poverty. Financial audits have been absent since the year 2073 B.S., though there have been quite impressive strides achieved in that area. The economic diversity of community organizations can be demonstrated by their collective savings of NPR 93,981,128, which further shows the program's financial impact. The use of diversified investment strategies and the integration of inclusive approaches are examples that imply sustainable economic and social development. The role played by the local government in ensuring effective management of the unified fund is

commendable, while suggestions are geared towards improving transparency and inclusivity. An encouraging study for Lalbandi Municipality has led to the adoption of successful models from other municipalities that have been effective in poverty reduction. Nepal's operational clarity, transparency, and community involvement are some of the key drivers for sustainable poverty eradication, which have a broader societal vision as pronounced by the Poverty Alleviation Fund.

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