

IMPACT OF MICROFINANCE IN POVERTY REDUCTION IN THE CONTEXT OF NEPAL

A Dissertation submitted to Office of the Dean, Faculty of Management in
Partial fulfillment of the requirements for the Degree of
Master in Business Studies (MBS)

by

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Impact of Microfinance in Poverty Reduction in the context of Nepal**”. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Ms. Rojina Rai has defended research proposal entitled “**Impact of Microfinance in Poverty Reduction in the context of Nepal**” successfully. The research committee has registered the dissertation for the future progress. It is recommended to carry out the work as per suggestions guidance of supervisor Asso. Prof. Dr. Kapil Khanal and submit the thesis for the evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**Impact of Microfinance in Poverty Reduction in the context of Nepal**” presented by Rojina Rai candidate for the degree of Master of Business Studies (MBS). We hereby certify that the thesis is worthy of acceptance.

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This entitled dissertation “**Impact of Microfinance in Poverty Reduction in the context of Nepal**” has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management Tribhuvan University is based on research models involving the use of quantitative aspect of microfinance in poverty reduction. Every project will be successful due to the effort of a number of wonderful people who have always given their valuable advice or lent a helping hand. I sincerely appreciate the inspiration; support and guidance of all those people who have been instrumental in making this study a success.

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Researcher
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ABBREVIATIONS

BFI	: Bank and Financial Institutions
CV	: Coefficient of Variation
DM	: Decision Making
EE	: Economic Empowerment
ES	: Economic Status
IG	: Income Generation
IT	: Information Technology
LK	: Level of Knowledge
LS	: Living Standard
Ltd.	: Limited
MFI	: Microfinances
NRB	: Nepal Rastra Bank
OC	: Occupation Change
PR	: Poverty Reduction
SD	: Standard Deviation
TU	: Tribhuvan University

ABSTRACT

The study is concern about the impact of microfinance on poverty reduction in the context of Nepal. This research specify the objective to analyze the impact of microfinance on poverty reduction in the context of Nepal. Poverty reduction and financial inclusion is one of the main task of microfinance. Microfinance plays vital role for the financial development of the developing country like Nepal. This paper is aimed at examining the impact of microfinance in poverty reduction in the context of Nepal. This research has employed descriptive and explanatory research design. Variables like occupation change, income generation, decision making, living standard, level of knowledge and economic status are taken as independent variables and poverty reduction, economic empowerment are taken as dependent variables. From this study it is found that there is significance impact of microfinance on poverty reduction in the context of Nepal.

Key Words: *Occupation Change, Income Generation, Decision Making, Living Standard, Level of Knowledge, Economic Status, Poverty Reduction and Economic Empowerment.*

CHAPTER - I

INTRODUCTION

1.1 Background of the Study

Microfinance is widely known as a provision and mechanism for different financial services to the targeted group of people who are deprived of access of conventional financial services. Basically microfinance provide services such as deposit, credit, saving, training and loan to group for the collective benefits to raise the earning without collateral for the poor people. Microfinance is an emerging, leading, powerful and effective mechanism for poverty alleviation in the today's dynamic economy and support the financial inclusion program. Microfinance encompasses a comprehensive range of financial services aimed at improving the living standards of impoverished individuals, low-income populations, marginalized groups, disadvantaged women, and other underprivileged communities. Its primary objective is to offer financial resources to low-income and unemployed clients, particularly in group settings, to enhance their economic conditions. The main objective of Microfinance aims to offer financial services to underprivileged individuals residing in isolated regions without access to modern infrastructure, ultimately enhancing their quality of life through engagement in economic endeavors. There exists a critical necessity to address the requirements for microfinance by establishing additional rural development banks and international non-governmental organizations to facilitate credit provision. This initiative is essential for alleviating poverty, empowering disadvantaged individuals, and offering vital support to the national economy. Microfinance plays a crucial role in expanding the scope of economic activities and supporting underprivileged communities in enhancing their income levels. Subsequently, they will be able to combat the poverty and satisfy their households' needs independently and consistently. Hence, microfinance has arisen as a hopeful strategy to offer social welfare to both clients and society (Esther, 2011).

Microfinance deals with the small scattered saving, deposit, loans and financial service to the poor and needy people. Microfinance provides consultant and training service to the

client and support to them for the economic empowerment. The main objectives of microfinance is to improve the economic status and poverty reduction through mobilizing the small scatter saving in different parts of country. Microfinance provide small amount of loan without collateral for the exceeded people who are needy people. Microfinance now a days promoting the self-employment program by providing training and motivating unemployed people and facilitate them by needed capital for their entrepreneur skills. The main purpose of micro finance to provide small scale of loan and collect the small scale of scatter saving to facilitate the economy status of lower income level who are living below the poverty line. It is found microfinance facilitate by forming the group of such needy people and provide loan for the social welfare by the collateral of group guarantees. Besides providing financial services microfinance used to play the role of consultant of those needy people, motivate the people for the social welfare, conduct training program for the self-employment of the needy people and so on for uplift the status of backward people in the economy (Louise, 2003).

Poverty is the stage of lack of means and sources to fulfill the satisfy of the basic need of the human. It can be said to exist when people lack the source to satisfy their basic need for their living. Poverty reduction, poverty relief, or poverty alleviation, is a set of activities for economic and humanitarian development that are intended to permanently uplift people out of poverty. Poverty reduction is the task to assess some factor such as food, shelter, medical care, education and employment activities. Even poverty occurs in developing countries and developed countries. While poverty is much more widespread in developing countries, both types of countries undertake poverty reduction measures. Poverty has been historically accepted in some parts of the world as inevitable as non-industrialized economies produced very little, while populations grew almost as fast, making wealth scarce. Poverty alleviation also involves improving the living conditions of people who are already poor. Aid, particularly in the medical and scientific areas, is essential in providing better lives loan (Kelvin, 2015).

Microfinance provide special financial services such as collecting small scattered saving, provide small loans, and other financial services to assess the financial service as per the need and requirement of their beneficiary. Microfinance has both direct and indirect

effect on poverty reduction. The main objective of microfinance is to assess the financial services to the poor and needy people to such as saving, credit, training and other financial service to their. Microfinance usually provide service to their client for the personal and collective benefit for the uplift and overall economic development to their client. (Shaheen, 2013).

1.2. Problem Statement

Microfinance is a relatively new concept in Nepal, and many poor households in the country still struggle to access formal financial services. Despite some progress in reducing poverty, a significant portion of the population remains below the poverty line, highlighting the need for various measures, including improved access to financial resources. Enhancing the operational efficiency of existing microfinance institutions and expanding their reach require careful attention and policy interventions to address poverty effectively. Several incidents of microfinance institutions failing and going bankrupt in Nepal have prompted a study on how the credit market should function and how microfinance institutions can be structured to fulfill their development goals. In addition to the challenge of limited funds, the efficient utilization of available financial resources and strategies for raising additional funds are crucial issues facing the microfinance industry in Nepal. This study aims to address these research questions.

- What is the present scenario of microfinance program on poverty reduction?
- Is there any relationship between microfinance service on occupation changes, income generation, decision making, living standard, level of knowledge and economic status on promoting economic empowerment and poverty reduction?
- What is the impact of microfinance services on occupation changes, income generation, decision making, living standard, level of knowledge and economic status on promoting economic empowerment and poverty reduction?

1.3 Objectives of the Study

The primary objective of the research is to examine the effects of a microfinance program on the socio-economic status of marginalized individuals living in poverty. Some other specific objectives are as follow:

- To assess the present scenario of microfinance program on poverty reduction.
- To examine the relationship between microfinance services on occupation changes, income generation, decision making, living standard, level of knowledge and economic status on promoting economic empowerment and poverty reduction.
- To analyze the impact of microfinance services on occupation changes, income generation, decision making, living standard, level of knowledge and economic status on promoting economic empowerment and poverty reduction.

1.4 Rationale of the Study

The research focuses on the efficient administration of microfinance initiatives. Given the disorganized nature of rural credit practices in Nepal concerning small-scale microfinance projects, it is imperative to evaluate the performance of current organizations when expanding microfinance services. The importance of this study lies in its aim to investigate the influence and provision of microfinance projects for impoverished individuals linked to microfinance.

1.5 Limitations of the Study

There are different models of microfinance programs exist in Nepal. This research will focus specifically on microfinance institutions and their effects on alleviating poverty. Following are the limitation of the present study.

- Only five microfinances are taken as sample.

- The study concern only with impact of microfinance on poverty reduction other factors are ignored in this study
- Few selected statistical tools and techniques are used for the analysis purpose and other aspects may not be address.
- The overview of the study will take into consideration of the microfinance so this study might not cover the whole microfinance institutions.
- Due to the illiteracy of respondents the statistical bias may exist.
- The study is based on the opinion expressed by microfinance clients, the reliability of the study depends upon the response of the respondents.
- The research will concentrate on evaluating the effects of microfinance operations conducted by a selected microfinance institution.
- The study's comprehensibility and accuracy will rely on the data provided by the relevant organization, as well as the open-ended responses given by the participants in the research survey.

CHAPTER II

LITERATURE REVIEW

This chapter incorporates the review relating to the impact of microfinance in poverty reduction in the context of Nepal in detail and descriptive manner which includes conceptual review, review of related literature, books, dissertation, articles, journal, reports and magazines. The previous thesis prepared by the researcher in the previous years have also been collected for the purpose of review for gaining and incorporating better understanding of the concern field in context of Nepal to broaden the base and enrich the study. Review helps us to increase and develop the better understanding in the research in the concern field of study.

2.1 Theoretical Review

Microfinance

Microfinance is one of the important and emerging financial sub- sector in developing and underdevelopment countries. Microfinance plays a crucial role in enhancing financial accessibility for impoverished individuals and small economic entities, thereby contributing to asset accumulation and assisting in poverty reduction. It is essential to acknowledge microcredit as an effective instrument in the fight against poverty and dependency. A global initiative has been established to support 100 million of the world's most disadvantaged families by providing them with credit for self-employment and various financial and business services. (Shrestha, 2021).

Microfinance plays an important role to create employment in various sectors by motivate people through training and development program. Microfinance is taken as small scale financial sector that aims to support and motivate the marginalized and disadvantaged communities with the main objective of enhancing their quality of life and main streaming them for the financial abilities and knowledge. The primary function of microfinance deals with uplift the living of financial backward community, women, and work as grassroots level with different financial services. With the quality financial services large number of deprives population of the region and to ensure the financial

services and ability such service to their household. Roughly 75 percent of the global poor live in rural areas, and the current trends indicate that the percentage of rural poverty is decreasing at a slow pace. The high poverty rates largely stem from the significant and well-documented challenges that the rural population faces (Ravallion, 2000).

Microfinance is a tool that, when implemented correctly, caters to a wide spectrum of individuals, including the most impoverished individuals residing below the poverty threshold. Although there may be individuals within this demographic who are unsuitable for microfinance due to factors such as mental health conditions, the exclusion of this minority is unlikely to pose a significant operational challenge for MFIs (Sharma, 2015).

The effects of financial activities' growth and development via microfinance services differ across households within countries, as well as nationally. The growth of the rural sector, including both farm and non-farm sectors, relies on various factors such as asset distribution, access to social and physical services, and geographical conditions. Growth alone is not sufficient in the rural poverty mutual growth for the group benefits leads the society to the financial development and poverty reduction. Developing in the agriculture and productivity, especially for small household financial activities and expanding employment helps the poor community to generate the financial involvement. Proper financial involvement leads the society towards the development of financial knowledge and activities that leads to poverty reduction(Louise, 2003).

Poverty

Poverty is the condition in which person or community lacks their minimum standard of living or lack of financial resources to fulfill their essential. Poverty is the stage in which individual or groups lacks proper housing, healthy food and medical service in need. The definition varies on the cultural, economic and social contexts but it can be concluded as if the constitutes basic needs lacks it is the state of poverty. Government and different other national and international organization work to reduce poverty through policies, programs and sustainable development goals. Poverty encompasses more than financial hardship its impact on health education and overall well-being of human(Sharma, 2015).

Poverty and Society

Discrimination based on social, cultural, and religious factors poses a significant barrier to the social advancement of impoverished individuals, as well as the overall progress of Nepalese society. The economically disadvantaged are often subjected to various forms of discrimination rooted in patriarchal beliefs, fatalism, and superstitions. The social and cultural environment in which the poor are raised directly impacts their societal standing, as they face exploitation and discrimination in multiple forms within the existing social framework. These unjust treatments are not only illogical but also culturally degrading, severely impeding the social progress of impoverished communities (Sharma, 2015).

Economic Status

Out of total population of 29 million the proportion of employed population below \$ 1.9 purchasing power per day was 5.1 percent. The unemployment rate was 11.12 percent. As per the latest government data, per capital income has reached \$1,362 as per the central bureau of statistics. In certain ethnic communities, like the Newars and Tibeto-Burman highland groups such as the Sherpas, Gurungs, or Thakalis, women entrepreneurs have historically existed. However, the concept of women in business has only recently gained traction across the entire nation (Ravallion, 2000).

Micro-Finance in Nepal

Nepal ranks among the least affluent nations globally and is the most impoverished country in the South Asian region. The rate of poverty alleviation in the country remains notably low. Several factors contribute to this sluggish progress, including a low per capita income, concentrated urban development, and a high population growth rate. Of the 29 million inhabitants, 15.1 percent live below the poverty line. A significant portion of the impoverished population resides in rural areas, where opportunities are scarce. Micro-finance initiatives could provide assistance to those lacking collateral but possessing a strong work ethic and a desire to engage in business activities that could lead to employment and income generation (Asian Development Bank, 2018)

Challenges in Micro-Credit Delivery in Nepal

Nepal's diverse topography, with varying levels of development, along with a blend of cultures and ethnicities, poses challenges to the effective implementation of micro-finance. Developing a micro-credit delivery system that caters specifically to the needs of those residing in hilly and mountainous regions. Expanding outreach efforts to reach remote areas in the hills and mountains. Enhancing the targeting of the most vulnerable populations through the revision of current programs offered by formal MFIs. Addressing the sustainability issues associated with government-led MFIs and programs.

Microfinance Sector in Nepal

There exists a diverse array of institutions operating within Nepal's micro-finance sector, each employing unique approaches to provide financial services to the underprivileged. While some categorize these institutions as either informal or formal sectors, it is more accurate to refer to them as community-based and institutional sectors, respectively, considering that many informal organizations are officially registered as societies.

Evolution of Micro-Finance

The inception of micro-finance in Nepal can be traced back to the 1950s, with the establishment of the first credit cooperatives. This marked the initial effort to provide financial services to rural areas, focusing primarily on the agricultural sector. Subsequently, the SFDP was launched in 1975 under ADB/N, aiming to organize farmers into small groups to offer credit without requiring collateral. The Intensive Banking Program (IBP) was introduced by NRB in 1981, mandating commercial banks to allocate a certain percentage of financing to the priority sector, which was later increased to 12 percent in 1990. The establishment of Grammen Bikash Banks by the government in 1992 marked a significant milestone in rural micro-financing, with NGOs also engaging in grameen banking activities in specific regions (Asian Development Bank 2018).

South Asian Microfinance

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financial services to rural areas, focusing primarily on the agricultural sector. Subsequently, the SFDP was launched in 1975 under ADB/N, aiming to organize farmers into small groups to offer credit without requiring collateral. The Intensive Banking Program (IBP) was introduced by NRB in 1981, mandating commercial banks to allocate a certain percentage of financing to the priority sector, which was later increased to 12 percent in 1990. The establishment of Grammen Bikash Banks by the government in 1992 marked a significant milestone in rural micro-financing, with NGOs also engaging in grameen banking activities in specific regions (Blaine Stephens and Hind Tazi 2006).

2.2 Empirical Review

Hotman, et. al. (2024) conducted a research on Islamic microfinance: addressing poverty alleviation and entrepreneurship development. The primary aim is to examine the correlation between various financing methods, accessibility to Islamic financial services, governmental regulations, entrepreneurship levels, household income, and the growth of micro and small enterprises. This study delves into the impact of Islamic microfinance on poverty reduction and the advancement of entrepreneurship. Through a methodical review of existing literature, the study scrutinizes how different financing methods, access to Islamic financial services, government policies, and entrepreneurship levels influence household income and the progress of micro and small businesses. The results indicate that Islamic microfinance can serve as a potent tool in fortifying the economic foundation of marginalized communities, particularly by incorporating Islamic principles into the financial framework. The researcher employed primary data collection for data analysis, utilizing regression analysis to draw conclusions. The findings underscore the potential of Islamic microfinance in bolstering the economic standing of underprivileged populations by adhering to Islamic principles in financial operations.

Lal, et. al. (2023) examined the impact of microfinance on poverty reduction: A case study of Khushhali Bank. The main objectives of the study is to find out the impact of micro finance on income level, living standing and poverty reduction. Descriptive research design was used for the systematic analysis and interpretation of data. The study aims to investigate the influence of microfinance on poverty reduction in the Mirpurkhas district, with a focus on Khushhali Bank. It assesses the impact of MF loans on the

income levels of recipients, considering factors such as loan size, living standards, and their correlation with poverty rates. A sample of 300 respondents was randomly selected using a close-ended questionnaire targeting Khushhali Bank customers in Mirpurkhas. The raw data was analyzed using SPSS 22.0 and PLS software. The results indicate that microfinance plays a crucial role in alleviating poverty by boosting income levels and enhancing the quality of life for the underprivileged.

Ahmed and Ramanathan (2023) conducted a research on The impact of microfinance programs on monetary poverty reduction. The study adopted the control group approach. The results indicate that the microfinance program offered by SMFIs has effectively alleviated financial hardship among its participants. Additionally, the findings suggest that individuals who received a higher loan amount experienced a lower level of poverty compared to those who received smaller loans.

Qadri (2023) had examined the influence of microfinance on poverty reduction in Pakistan: An analytical approach. The primary aim of the study is to empirically assess the impact of microfinance tools on Pakistan's poverty alleviation efforts. The analysis utilized a One Step Robust System GMM model to account for endogeneity and heteroskedasticity. The main focus of this paper is to investigate the influence of gross loan portfolio on poverty reduction in the country. Contrary to the hypothesis, our findings disprove the negative association between the two. Additionally, the macro level control variable of unemployment rates was found to be significant, supporting the hypothesis that unemployment has a negative impact on poverty. The regression analysis also indicates that OSS and TA are negatively correlated with poverty. Furthermore, the study revealed that the income of most respondents improved after participating in the program, leading to a positive impact on their living standards.

Vishwakarma and Mujjoo (2023) conducted research on Role of microfinance in poverty alleviation in India with the main objectives to assess the impact of microfinance on low-income individuals, such as those living in rural poverty, individuals with low income and small business proprietors who possess limited operational capital can obtain financial support through microfinance initiatives. The research employed both random

and purposive sampling methods for data collection. A binary logistic regression analysis was conducted to ascertain the primary factors influencing the income enhancement of the participants. In India and other developing countries, microfinance is widely acknowledged as an effective strategy for alleviating poverty. Various entities, including banks, non-banking financial companies (NBFCs), Section 25 organizations, cooperatives, non-governmental organizations (NGOs), and microfinance institutions (MFIs), are actively engaging with rural markets, positioning microfinance in India as a potentially vibrant sector with numerous stakeholders offering diverse products and services to economically disadvantaged populations. Microfinance specifically aims to provide financial assistance to individuals in need, particularly those residing in impoverished regions who aspire to achieve self-sufficiency. Utilizing a one-way ANOVA, the study examined the distribution of bank loans allocated to self-help groups (SHGs) over the past seven years. The results indicated that a majority of participants experienced an increase in income following their involvement in the program, which subsequently contributed to an enhancement in their living standards.

Chikwira, et, al. (2022) examined the impact of microfinance institutions on poverty alleviation. The study focus to examined the role of microfinance in poverty alleviation. The analysis of the collected data employed a vector error correction model, focusing on quarterly time-series data. The study highlights a significant long-term relationship among the variables of poverty, microfinance, small and medium enterprises (SMEs), and agricultural growth. Contrary to initial expectations, it was observed that microfinancing tends to exacerbate poverty in the long term. In contrast, both SMEs and agricultural development contribute to a reduction in poverty levels over the same period. In the short term, regression analysis indicates that the growth of SMEs helps to alleviate poverty, while an increase in poverty levels stimulates the growth of microfinance loans within the country. The expansion of SMEs serves as a mechanism for poverty reduction, while the rise of microfinance institutions is also influenced by prevailing poverty conditions. This indicates that continued mismanagement of microfinancing could lead to an escalation of poverty to undesirable levels. The results suggest that the growth of microfinance loans is not being utilized effectively or as intended. These findings underscore the importance of not only providing financial resources but also ensuring their appropriate application.

Duong and Nghiem (2021) conducted a research on the impact of microfinance on poverty reduction in Vietnam. The research is centered on investigating the ever-changing connection between access to microfinance and poverty alleviation. To conduct the study, a panel data set and regression analysis were utilized. The current research employs the Generalised Method of Moments to explore the dynamic relationship between access to microfinance and poverty reduction. The panel data set is derived from the Vietnam Household Living Standard Surveys conducted from 2002 to 2008. The findings indicate that access to microfinance in the previous period significantly enhances per adult-equivalent income and household consumption in the current period. Nevertheless, prior involvement in microfinance programs alone is not adequate to lift households out of poverty. Furthermore, both private and government bank loans play a significant role in enhancing household per adult-equivalent income, consumption, and poverty levels. The empirical outcomes suggest that a larger loan size, varied loans for different consumption purposes, and enhancements in infrastructure and amenities, particularly in rural areas, are crucial in reducing poverty.

Ssembajjwe and Newadi (2020) examined an evaluation of the impact of microfinance on poverty alleviation: Evidence from Uganda. With the main objective and focus to analyze the effect of microfinance on poverty reduction. To reveal the role of microfinance on poverty alleviation in Uganda. Poverty remains a widespread and significant global challenge, attracting considerable attention due to its extensive reach and serious consequences. Numerous approaches, such as microfinance, have been adopted to address this urgent issue. One notable initiative is the Microfinance and Small Loans Centre (MASLOC) in Ghana, which seeks to alleviate poverty. Nevertheless, the effectiveness of MASLOC in reducing poverty has not been comprehensively evaluated, resulting in ambiguous outcomes and highlighting the need for this research. A single case study methodology was employed to fill this research void and yield meaningful insights. A detailed dataset was gathered through interviews and observations involving 40 beneficiaries and officials associated with MASLOC. By examining the relationships among loan amounts, family employment, total income, and education, microfinance institutions could significantly contribute to poverty reduction efforts in Uganda.

Hadidi (2020) conducted a research on the impact of microfinance on poverty reduction in Egypt. The study objective was to examine the role of Egyptian microfinance on household income. Microfinance now a days became critical aspect in the credit market where as it is taken as effective tools for poverty reduction and socio and economic development of under developing countries. The findings revolves that microfinance has positive impact on household income of women borrowers who spent three years in the scheme as compared to new borrowers who have not received treatment.

Vachya and Paramanik (2014) had conducted a study to examine microfinance impact on women's decision making; a case study of Andhra Pradesh. The research aims to investigate the influence of microfinance and various socio-economic factors on women's empowerment through their involvement in decision-making, income, and job creation initiatives. The study utilized an exploratory and descriptive research approach for analysis. The results indicate that variables like the member's and her husband's earnings, family size, and the regularity of self-help group gatherings have a generally positive impact on women's empowerment. Additionally, income-generating activities, age, income of self-help group participants, total household income, and loan amounts were found to have a positive effect.

Table 1

Empirical Review of Journal and Articles

S. N.	Date and Author	Topic	Objectives	Methodology	Findings
1	Hotman, Hilman and Ahmad, (2024)	Islamic Microfinance: Addressing poverty alleviation and entrepreneurship development	To analyzes the relationship between types of financing, access to Islamic financial services, government policies, and the level of entrepreneurship with household income and the	There is used primary data collection. Regression analysis was used.	The findings show that Islamic microfinance can be an effective instrument in strengthening the economic base of underprivileged communities, especially through the integration of Islamic principles in the financial system.

2	Lal, Kumar and Mutaza, (2023)	Impact of Microfinance on poverty reduction: A Case study of Khushhali Bank.	development of micro and small businesses. To find out the impact of micro finance on income level, living standing and poverty reduction.	Descriptive research design.	Finding concludes that microfinance is an efficient instrument for reducing poverty, as it contributes to higher earnings and enhanced quality of life for those in need.
3	Ahmed and Ramanathan, (2023)	The impact of microfinance programs on monetary poverty reduction.	To examine the impact of microfinance programs sponsored by Sudanese microfinance institutions (SMFIs) on monetary poverty reduction.	The study adopted the control group approach.	The results indicate that the microfinance initiative offered by SMFIs has contributed to a decrease in monetary poverty among its participants. Furthermore, the data suggests that beneficiaries who obtained larger loan amounts experienced a greater reduction in poverty compared to those who received minimal loan sizes.
4	Qadri,(2023)	Influence of microfinance on poverty reduction in Pakistan: An analytical approach.	This study's goal is to empirically examine how microfinance tools have affected Pakistan's efforts to combat poverty.	One Step Robust System GMM model.	The finding revealed that most of the respondents' income improved after they joined the program which impacted positively in improving their standards of living.
5	Vishwakarma and Mujjoo, (2023)	Role of microfinance in poverty alleviation in India.	To assess the impact of microfinance on low-income individuals, such as those living in rural poverty, low-income customers, and small business owners with little capital for	Both random and purposive sampling techniques were used for data collection. The study used a binary logistic regression to identify the key determinants of the income	The finding revealed that majority of the participants experienced and increase in income after enrolling in the program, leading to a positive impact on their overall quality of life.

			operations, can receive financial assistance via microfinance.	improvement of respondents.	
6	Chikwira, Vegesai and Mandude (2022)	The impact of microfinance institutions on poverty alleviation.	To examined the role of microfinance in poverty alleviation.	Vector Error Correction Model on quarterly time-series data.	The results reveal a significant long-run relationship among the variables poverty, microfinance, SMEs, and agricultural growth.
7	Duong and Nghiem, (2021)	The impact of microfinance on poverty reduction in Vietnam.	To examine the dynamic relationship between access to microfinance and poverty reduction.	Panel data set and Regression analysis was used.	Microfinance in the previous period significantly positive effect on adult-equivalent income and consumption of the households in the current period. However, previous participation in microfinance programs is not sufficient to help households escape from poverty.
8	Ssembajjwe and Ncwadi, (2020)	An evaluation of the impact of microfinance on poverty alleviation: Evidence from Uganda.	To analyze the Effect of Microfinance on Poverty Reduction. To reveal the role of microfinance on poverty alleviation in Uganda.	A probit regression model, a principal component analysis (PCA) and the analysis of variance technique.	Through the interplay of loan sizes, family employment, gross income and education, MFIs could play a significant role in poverty alleviation in Uganda.
9	Hadidi, (2020)	The impact of microfinance on poverty reduction in Egypt.	To examine the role of Egyptian microfinance on household income.	Descriptive analysis.	Microfinance has positive impact on household income of women borrowers who spent three years in the scheme as compared to new borrowers who have not received treatment.
10	Vachya and Paramanik, (2014)	Microfinance impact on women's decision making;	To examine the impact of microfinance and other socio-	Exploratory and descriptive research design.	Factors such as member and her husband's income, family size and frequency of self help

a case study of Andhra Pradesh.	economic factors on women empowerment as viewed from their participation in decision making, income as well as employment generation activities.	group meetings have overall positive influence on women empowerment. Income and employment generation activities, age and income of self help group members, their household income and amount of loan are found to have positive effect.
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2.3 Research Gap

Numerous individuals have established micro or small-scale businesses, yet a majority of them operate within the informal economy, lacking social protection and facing risks to their livelihoods and even their lives. Micro-finance offers tools to manage these risks and serves as a valuable resource for individuals to start producing goods for sale, engaging in trade, or providing services within their communities. Despite this, there has been limited exploration of the potential synergies between micro-finance provision and the development of micro and small enterprises (MSEs). The cultural and legal environment, as well as national policies on poverty alleviation, are the main factors influencing poverty reduction and social empowerment in a country. Initiatives led by micro-finance institutions to provide financial services and advocate for policy and legal reforms are crucial for achieving greater economic and social empowerment. A significant number of impoverished individuals worldwide are involved in income-generating activities to support themselves and their families.

However despite its significance, microfinance industry has very low coverage reaching only minimum number of the total population. It has been observed from the literature review that, a lot has been written on the area of microfinance and poverty but still access oriented problems to microfinance products persist among the low income earners. It is apparent that the available studies have not been able to identify specific mechanisms that have greater impact on access expansion to microfinance products.

CHAPTER III

RESEARCH METHODOLOGY

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a certain topic. In a research, the methodology section allows the reader to critically evaluate a study's overall validity and reliability. Systematic study needs to follow a proper methodology to achieve pre-determine objective of the specific study. Research methodology can defined as “a systematic process that is adopted by the researcher in order for studying problem with certain objective and view”. Research methodology encompasses the techniques and processes utilized throughout the study, focusing on data, instruments for data collection, procedures, data tabulation, processing, and analytical methods. It represents a systematic approach to critical thinking, involving the identification and redefinition of specific issues, the formulation of hypotheses or proposed solutions, and the collection, organization, and evaluation of data, leading to informed decision-making and conclusions. This methodology serves as a structured pathway for addressing research dilemmas, ultimately aiming to achieve the fundamental objectives of the research problem. It includes a concise overview of the research design, the nature and sources of data, data collection methods, and the analytical tools employed.

3.1 Research Design

This study is based on the descriptive research design and casual comparative research design to analyze the impact of microfinance on poverty reduction in the context of Nepal. Descriptive research design is a type of research methodology that seeks to describe various aspect of group or phenomenon. Descriptive research design address what, how, question. To achieve the objectives of this research collected data are evaluated and analyzed in the systematical method. This study has been aimed to find the impact of microfinance in poverty reduction in Nepal. Therefore the survey research design was adopted for the study.

3.2 Population and Sample, and Sampling Design

The total population comprise 52 microfinance operating in Nepal. This study encompasses the people who have been engaged in microfinance activities for at least two years and live in Solukhumbu district of Nepal. I chose the people with a long experience in microfinance activities because they are well informed and know much about the pros and cons about its activities, so they can reflect better to the studied questionnaire. The study sample has included 400 respondents of 400 sample of ultimate beneficiaries from 5 microfinance institutions it includes Mirmire Laghubitta Bittiya Sanstha Limited, NIC ASIA Laghubitta Bittiya Sansthan Limited , Deprosc Laghubitta Bittiya Sanstha Limited, Chhimek Laghubitta Bittiya Sansthan Limited, and Swambalamban Laghubitta Bittiya Sanstha Limited.for Solukhumbu District. A structured questionnaire was utilized to gather data through interviews with clients associated with the MFIs. The interviewees were chosen at random. In order to obtain the contact information and details of the interviewees in various locations, assistance was sought from staff members at the local branches of MFIs and from residents of those specific areas. The data collection procedure was started from Salleri, where the microfinance activities are highly prolific and then other area of Solukhumbu. To gather the primary information on impact of microfinance on poverty reduction questionnaire survey was conducted with 450 respondents and 420 are collected and 400 are taken as sample.

3.3 Nature and Sources of Data and the Instrument of Data Collection

Primary as well as secondary sources are used for the purpose of this research. For primary sources of data, questionnaire has distributed and collect data. For secondary data, various sources like internet, books, and journals are used. Quantitative data are taken for the study .Here the nature of data has the combinations of both quantitative and qualitative information where analytical methodology is applied for this research. Quantitative methods of research and analysis has provided to add value of identifying exploring intangible factors. Quantitative data collection use for numeric estimates and

provide opportunity for uncomplicated data analysis. The data collected has analyzed statistically to interpret findings and results.

3.4 Method of Analysis

Questionnaire Design

The survey included demographic questions regarding gender, age, education, family size, and socioeconomic status, as well as inquiries about income, savings, and investments. The questions were standardized for all participants, and they were asked in a structured format with predetermined response options, including both multiple-choice and dichotomous questions. Likert Scale' (considered on 1-5 points scale) is used to measure the respondents' perceptions based on few statements to perceive the impact of microfinance on their overall living standards. The points of the scale indicate the degree of satisfaction or agreement level of the household or a person after he or she has received loan from a MFI. '1' represents the lowest level of satisfaction or high disagreement, whereas '5' represents the highest level of satisfaction or high agreement. The pre-test of questionnaire was carried out with the member of Swambalamban Laghubitta Bittiya Sanstha Limited.

Secondary Sources Collection

Although the result of the research is highly dependent on the primary sources that have gathered from the structured interview, but it also required some secondary sources to understand the concepts, definitions, theories and empirical results. I have used several books, research literatures, articles, journals and thesis, as secondary sources for study. Internet sources are also used as a secondary source for thesis. Since the internet sources are less reliable, I have limited the use of those sources to the web pages of prominent organizations like World Bank, NPC, CBS, NRB, NUBL, and CBBL. The majority of the sources are dependable and are widely accepted. Additionally, manuals and annual reports from several MFIs in Nepal were utilized. Nevertheless, it can be challenging to locate the right research materials for the thesis. Numerous studies have been carried out on microfinance in recent decades. However, this research carefully selected the most suitable literature for the thesis. As a result, a multitude of references pertaining to this

topic were consulted to identify the appropriate materials. These materials were primarily gathered from the university library and through the use of available search tools.

Statistical Tools

Various statistical tools can be used to analyze the data available to the researcher. These tools are used in research in order to draw the reliable conclusion through the analysis of financial data. Standard deviation, mean, coefficient of variation, correlation analysis and multiple regression are used for the analysis

Mean or Average

The most commonly used average is the arithmetic mean, which is obtained by adding all the variables together and then dividing by the number of variables. The mean represents the arithmetic average of a variable.

Standard Deviation

The standard deviation (S.D.) is widely recognized as the most valuable measure of dispersion, providing insight into the extent and magnitude of deviation from the central or mean value. It quantifies the absolute spread of data. A higher standard deviation signifies greater variability, while a lower standard deviation indicates less variability. It is calculated as the positive square root of the average sum of the squares of the deviations of individual observations from the arithmetic mean of the distribution.

Correlation analysis

Correlation is an essential statistical measure that quantifies the relationship between variables. Put simply, correlation assesses the extent to which changes in one variable are associated with changes in another variable. When two or more variables are correlated, it means that fluctuations in one variable are connected to fluctuations in the value of another variable. Correlation solely indicates the strength of the relationship between variables and does not provide any information regarding causation. Correlation may be positive or negative. Correlation lies between -1 & $+1$. When Pearson's correlation(r) is close to 1 then there is strong relationship between two variables. This

means that change in one variable are strongly correlated with change in second variable. When correlation(r) is close to zero then there is weak relationship between two variable

Regression analysis

A technique for determining the statistical relationship between two or more variables where a change in a dependent variable is associated with, and depends on, a change in one or more independent variables. Multiple regressions is a statistical tool used to derive the value of a criterion from several other independent, or predictor, variables. It is the simultaneous combination of multiple factors to assess how and to what extent they affect a certain outcome. It can be used to forecast effects or impacts of changes. The multiple linear regression analysis can be used to get point estimates.

Regression model

$$P \ \& \ E = \beta_0 + \beta_1 \text{ OC} + \beta_2 \text{ IG} + \beta_3 \text{ LS} + \beta_4 \text{ LK} + \beta_5 \text{ ES} + \varepsilon$$

Where,

Dependent variable

PE = Poverty Reduction and Economic Empowerment

Independent variables

OC = Occupation Change

IG = Income Generation

LS = Living Standard

LK = Level of Knowledge

ES = Economic Status

ε_{it} is the error term.

β_0 is constant and $\beta_1, \beta_2, \beta_3, \beta_4$ and β_5 are the beta coefficients of the explanatory variables to be estimated.

3.5 Research Framework and Definition of Data Collection

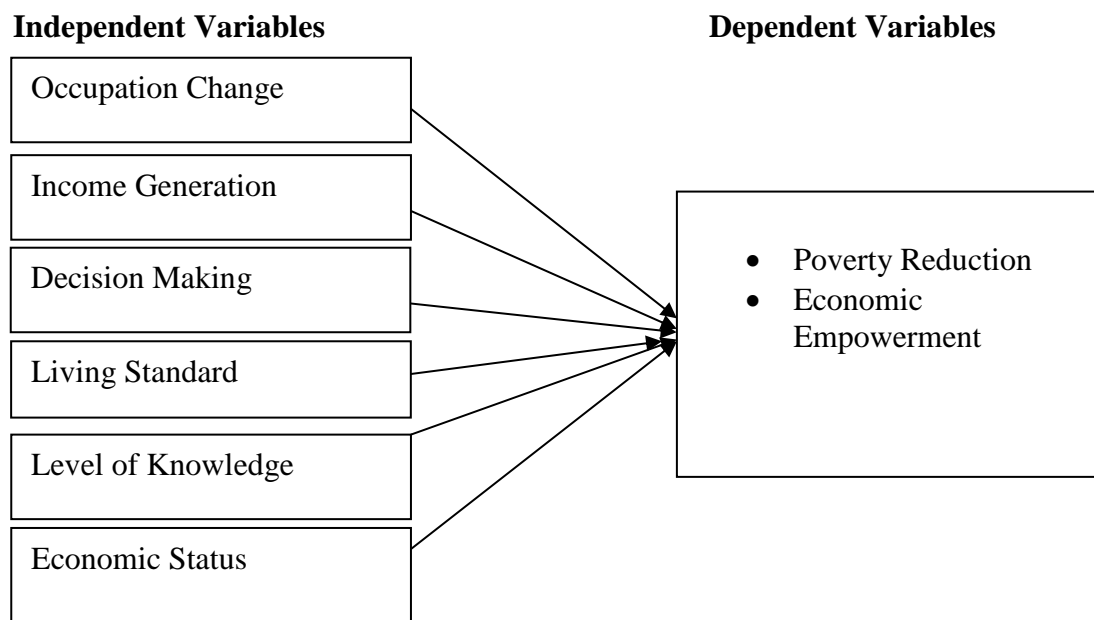


Figure 1 Research framework

Source : Ssembajjwe, B., & Nwadi, R.(2020)

Poverty reduction

Microfinance services are considered as an entry point or vehicle towards Poverty reduction . Members of microfinance institution (MFIs) have more contribution to saving and income generating activities, household decision making and activities beyond household sector. In this study this is the dependent variables.

Economic empowerment

Economic empowerment refers to enabling to uplift the economic condition of people. Economic empowerment consist of economical, skill, education, living standard and all round development of monetary condition.

Occupational change

Involuntary occupational changes often lead to lower pay in the new job, the majority of workers changing occupations after job. In this study this variables is independent.

Income generation

Micro finance in general is a practice of providing the poor with credit, savings and insurance facilities to set up or to expand Income Generating Activities. In this study this variables is independent.

Decision Making

Decision making is one of the important variable and critical field of research. Decision making may effect on poverty reduction and economic empowerment.

Living standard

Microfinance can be effective in poverty reduction if it is integrated training, utilization of loan, standard of living, education status. In this study this variables is independent.

Level of knowledge

Finance Programs and Poverty Reduction on the whole, the impact of micro-finance program on reducing the poverty level of the. In this study this variables is independent.

Economic status

Microfinance's activities are focused on reducing poverty level explore the contribution of micro finance in socio-economic status of beneficiaries. In this study this variables is independent.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter presents and delivers the a detailed result and discussion of the study and interpretation of the findings in line with the research specific objectives is to analyze the impact of microfinance service on occupation changes, income generation, decision making, living standard, level of knowledge and economic status on promoting economic empowerment and poverty reduction in Nepal. This chapter has attempted to analyze and draw inferences from the collected facts following the outline laid down in the research plan. The collected data has been systematically classified, tabulated analyzed and presented using various modules, tables, and interpreted. The discussion that would follow the responses from the beneficiary of microfinance.

4.1 Results

This study is based on primary data analysis, which mainly deals with quantitative aspects in terms of poverty reduction through the microfinance. This section reports the result of respondents response on questionnaire survey conducted among the clients of microfinance. Questionnaire survey was designed to meet the objectives of this research. Variables i.e. occupation changes, income generation, decision making, living standard, level of knowledge and economic status are used to analysis the poverty status and economic empowerment through microfinance. Multiple choice and likert scale questions are provided to the respondents to collect the data.

4.1.1 Socio-demographic Profile of Respondents

This section deals with the social-demographical variables to interpretation of primary data collected through the questionnaires. In this section respondent's profiles was analyzed in term of age, marital status, connected time period, education experience, number of family member, business experiences, sources of capital, loan amount and motivating factor. Out of the 450 potential customers only 400 responses were received and collected and analyzed. All respondents were from Solukhumbu district of Nepal.

Table 2*Socio- demographic Profile*

Variables	Frequency	Percentage
Period of Connected to Microfinance		
More than two years	278	69.5
Two years	122	30.5
Total	400	100
Marital Status		
Married	324	81
Unmarried	76	19
Total	400	100
Age		
Less than 30 years	84	21
(30-45) years	204	51
45 and more	112	28
Total	400	100
Education Experiences		
Not at all	156	39
Up to SEE	146	36.5
Plus 2	44	11
Bachelor	29	7.25
More than bachelor	25	6.25
Total	400	100
Number of Family Member		
Less than 2 member	19	4.75
(2- 5) members	343	85.75
More than 5 member	38	9.5
Total	400	100
Business Experiences		
Yes	123	30.75

No	277	69.25
Total	400	100
Source of Initial Capital		
Saving	67	16.75
Friend and relatives	84	21
Loan from microfinance	165	41.25
Other	84	21
Total	400	100
Amount of Loan		
Less than 50 thousand	128	32
(50- 100) thousand	193	48.25
More than 100 thousand	79	19.75
Total	400	100
Motivating Factor		
Microfinance staff	167	41.75
Friends	182	45.5
Self	51	12.75
Total	400	100

Source: Opinion Survey, 2024

Table 2 shows the socio- demographic profile of respondent from Solukhumbu district of Nepal. Questionnaire were distributed to the beneficiary of microfinance connected minimum from two year or more. From the table frequency and percentage of the response shown and represent the socio-demographic profile of the respondents.

From 400 of respondents it is found that 69.5 percentage of respondents are connected with microfinance from more than two years and rest of 30.5 respondent are connected from two years. Which indicate that majority of respondent are connected more than two year periods. From the total population of respondents 81 percentage of respondents are married and rest 19 percent are unmarried. It is found that the majority of respondents are married.

Out of 400 respondents 21 percent of respondent are below 30 years in age group, 51 percentage of respondents are in age group between 30 to 45 years and rest 28 percent of respondents are above 45. This demographical profile shows that majority of respondents are in the age group from 30 to 45 age group. Out of 400 respondents 39 percent of respondent have no educational experiences, 36.5 percent of respondent are up to SEE, 11 percent of respondent are plus 2, 7.25 percent of respondent get bachelor degree and rest of 6.25 percent have get more than bachelor degree. Which indicates tat majority of respondents has no educational experiences.

From the total of 400 respondents 4.75 percent respondents have less than 2 family members, 85.75 percent respondents have 2 to 5 family members, 9.5 percentage of respondents have more than 5 family member. The majority number of family member lies in 2 to 5 members in the family of respondents. Out of 400 respondents 30.75 percent of respondents have business experiences and rest of 69.5 percent of respondents have no any business experiences before entering in microfinance program. The majority of respondents have no business experiences.

From the total of 400 respondents 16.75 percent of respondents use their saving as the initial capital, 21 percent of respondent take fund from friend and relatives as the initial capital, 41.25 percent of respondents take loan from microfinance as their initial capital and 21percent of respondent use other source for their initial capital for their start up. Majority of respondent have take loan from microfinance as the initial capital. Out of the total respondent 32 percent of respondent have less than 50 thousand as loan amount from microfinance, 48.25 percent of respondent have 50 thousand to 100 thousand as loan from microfinance and 19.75 percent of respondent have more than 100 thousand in microfinance. The majority of respondent take 50 thousand to 100 thousand loan from microfinance. From 400 respondents 41.75 percent of respondent are motivated from microfinance to involve in microfinance, 45.5 percent of respondent are motivated from friends and rest 12.5 percent of respondent are self-motivated to be involve in microfinance program. The major respondents are motivated from friend to involve in microfinance.

4.1.2 Descriptive Statistics

For the analysis of the collected data mean and standard deviation are used. Higher mean value means more respondent are agreed that the variable could have higher impact on poverty reduction from microfinance.

Table 3

Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
Occupation Change	400	1	5	3.41	1.304
Income generation	400	1	5	3.41	1.285
Living Standard	400	1	5	3.43	1.269
Level of Knowledge	400	1	5	3.31	1.330
Economic Status	400	1	5	3.47	1.226
Decision Making	400	1	5	3.46	1.195
Poverty Reduction	400	1	5	3.40	1.242
Economic Empowerment	400	1	5	3.39	1.250
Valid N (listwise)	400				

Source: IBM SPSS 26

Table 3 shows the descriptive statistics of variables under the study on impact of microfinance in poverty reduction. The highest mean value considered of 3.47 with the statement of economic status and the lowest mean considered of 3.31 with the statement of level of knowledge. The mean value ranged from 3.31 to 3.47, indicates that consistency in the respondents on the specified likert scale. The mean value of statement occupation change is 3.41, the mean value of statement income generation is 3.41, the mean value of statement living standard is 3.43, the mean value of statement level of knowledge is 3.31 which is the lowest mean, the mean value of the statement economic status 3.47 which is the highest mean among the mean of variable used, the mean value

of decision making is 3.46, the mean value of poverty reduction is 3.40 and the mean value of statement of economic empowerment is 3.39. The highest standard deviation is 1.33 of level of knowledge and the lowest standard deviation is 1.195 of the statement of decision making. It means the standard deviation lies between 1.195 to 1.33.

4.1.3 Correlation Coefficient

This study is based on the primary data of sample size of 400. Person's correlation analysis has been carried out for the analysis purpose. Degree of relationship between two or more variable are calculated and analyzed to know to what extent the research variables are correlated each other. Positive correlation reveals that there is positive relationship between variable which means if one variable increase the another variable will be also increase and negative correlation reveals that if one variable increase another variable will be decrease. Correlation analysis is used to summarize the relationship between dependent and independent variables. A correlation analysis is to summarize the relationship between two variables with a single number that falls within -1 and +1. This section includes the analysis of the correlation between dependent and independent variables. Bivariate Pearson Correlation analysis was used to test the relationship between the dependent and independent variables at an appropriate level of significance. Likert scale questions have been used for each element to find out the impact of human research management practices on employee's performance variables like compensation, performance appraisal, recruitment and selection, training and development, career planning and employee's performance as control are used for the analysis.

The following table presents the Correlation analysis between the study variables taken under the study. Specifically, the table shows the correlation between dependent and independent variables as well as among independent variables.

The correlation coefficient between poverty reduction and occupation changes is 0.968 and correlation between economic empowerment and occupation change is 0.963. It shows that occupation change have a positive relationship between these two variables. it is found that there is a significance relationship of occupation change with poverty

reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

Table 4

Correlation Matrix of Dependent and Independent Variables

	Occupation change	Income Generation	Living Standard	Level of Knowledge	Economic Status	Decision Making	Poverty Reduction	Economic Empowerment
Occupation Change	1							
Income Generation	.981**	1						
Living Standard	.988**	.969**	1					
Level of Knowledge	.961**	.975**	.951**	1				
Economic Status	.960**	.977**	.963**	.963**	1			
Decision Making	.963**	.959**	.966**	.947**	.958**	1		
Poverty Reduction	.968**	.984**	.962**	.974**	.979**	.952**	1	
Economic Empowerment	.963**	.979**	.954**	.972**	.977**	.945**	.992**	1

** Correlation is significant at the 0.01 level (2-tailed)

*. Correlation is significant at the 0.05 level (2-tailed)

Source: IBM SPSS 26

The correlation coefficient between poverty reduction and income generation is 0.984. Correlation between economic empowerment and income generation is 0.979. It shows that income generations have a positive relationship between these two variables. It is found that there is a significance relationship of income generation with poverty

reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

The correlation coefficient between poverty reduction and living standard is 0.962. Correlation between economic empowerment and living standard is 0.954. It shows that living standard have a positive relationship between these two variables. it is found that there is a significance relationship of living standard with poverty reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

The correlation coefficient between poverty reduction and level of knowledge is 0.974. Correlation between economic empowerment and level of knowledge is 0.972. It shows that level of knowledge have a positive relationship between these two variables. it is found that there is a significance relationship of level of knowledge with poverty reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

The correlation coefficient between poverty reduction and economic status is 0.979. Correlation between economic empowerment and economic status is 0.977. It shows that economic status have a positive relationship between these two variables. it is found that there is a significance relationship of economic status with poverty reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

The correlation coefficient between poverty reduction and decision making is 0.952. Correlation between economic empowerment and decision making is 0.945. It shows that decision making have a positive relationship between these two variables. it is found that there is a significance relationship of decision making with poverty reduction and economic empowerment at 1 percent level of significance which means that there is positive correlation between these two variables.

4.1.4 Regression analysis

Regression analysis is a set of statistical process used to determine the impact of two or more variable between one another. The result is measure and analyzed statistically and helps to make predicates of one variable on the basis of another variable. In this research paper, dependent variable are poverty reduction and economic empowerment and independent variables are occupation change, income generation, living standard, level of knowledge, economic status and decision making.

The following table presents the model summary of dependent variables with independent variables taken for the study.

Table 5

Model Summary (Poverty Reduction)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989 ^a	.977	.977	.188

a. Predictors: (Constant), Occupation Change, Income Generation, Living Standard, Level of Knowledge, Economic Status, Decision Making

b. Dependent variable: Poverty Reduction

Source: IBM SPSS 26

The table 5 shows the R square for this model, which is 0.977. It means that the variation in dependent variable poverty reduction can be explained 97.7 percent by independent variables (occupation change, income generation, living standard, living standard, level of knowledge, economic status, decision making). R is 0.989, adjusted R square is 0.977 and the standard error of the estimate is 0.188.

The table 6 shows the R square for this model, which is 0.973. It means that the variation in dependent variable economic empowerment can be explained 97.3 percent by independent variables (occupation change, income generation, living standard, living standard, level of knowledge, economic status, decision making). R is 0.986, adjusted R square is 0.973 and the standard error of the estimate is 0.206.

Table 6*Model Summary (Economic Empowerment)*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.986 ^a	.973	.973	.206

a. Predictors: (Constant), Occupation Change, Income Generation, Living Standard, Level Of Knowledge, Economic Status, Decision Making

b. Dependent Variable: Economic Empowerment

Source : IBM SPSS 26

The following table presents the analysis of variance (ANOVA) of dependent variables with independent variables taken for the study.

Table 7

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	601.902	6	100.317	2837.116	.000 ^b
	Residual	13.896	393	0.35		
	Total	615.798	399			

ANOVA -I

a. Dependent Variable: poverty reduction

b. Predictor (Constant), occupation change, income generation, living standard, living standard, level of knowledge, economic status, decision making

Source : IBM SPSS 26

Table 7 represents the fitness of the model which is stated by F-value of 2837.116 at 0.00 percentage level of significance. This implies the research model is good fit in explaining the impact of microfinance program on poverty reduction in the context of Nepal.

Table 8*ANOVA -II*

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	606.653	6	101.109	2375.913	.000 ^b
	Residual	16.754	393	0.43	6	
	Total	623.378	399			

a. Dependent Variable: economic empowerment

b. Predictor (Constant), occupation change, income generation, living standard, level of knowledge, economic status, decision making

Source : IBM SPSS 26

Table 8 represents the fitness of the model which is stated by F-value of 2375.913 at 0.00 percentage level of significance. This implies the research model is good fit in explaining the impact of microfinance program on economic empowerment in the context of Nepal.

Regression Coefficient

Regression coefficients are estimates of the population parameters and describe the relationship between a predictor variable and the response. In linear regression, coefficients are the values that multiply the predictor values.

Table 9 shows the regression coefficient among the independent variables and poverty reduction as dependent variable under this study. Occupation change has p-value 0.669 which is higher than that of significance level of 0.05 it can be concluded as there is insignificance relation between occupation change and poverty reduction. Income generation has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between income generation and poverty reduction. Living standard has p-value 0.734 which is higher than that of significance level of 0.05 it can be concluded as there is insignificance relation between living standard and poverty reduction.

Table 9*Regression Coefficient of Independent Variables with Poverty Reduction*

	B	Std. error	t-stat	Sig.
(Constant)	.097	.031	3.119	.002
Occupation change	.028	.064	.428	.669
Income generation	.407	.056	7.285	.000
Living standard	.019	.056	.340	.734
Level of knowledge	.219	.033	6.610	.000
Economic status	.334	.043	7.811	.000
Decision Making	-.037	.034	-1.098	.273

a. Dependent Variable: poverty reduction

Source : IBM SPSS 26

Level of knowledge has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between level of knowledge and poverty reduction. Economic status has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between economic status and poverty reduction. Decision making has p-value 0.273 which is higher than that of significance level of 0.05 it can be concluded as there is insignificance relation between decision making and poverty reduction.

Table 10*Regression Coefficient of Independent Variables with Economic Empowerment*

	B	Std. Error	t-stat	Sig.
(Constant)	.100	.034	2.928	.004
Occupation change	.234	.071	3.322	.001
Income generation	.256	.061	4.173	.000
Living standard	-.175	.062	-2.827	.005
Level of knowledge	.251	.036	6.931	.000
Economic status	.497	.047	10.595	.000
Decision Making	-.096	.037	-2.599	.010

a. Dependent Variable: Economic empowerment

Source : IBM SPSS 26

Table 10 shows the regression coefficient among the independent variables and economic empowerment as dependent variable under this study. Occupation change has p-value 0.001 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between occupation change and economic empowerment. Income generation has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between income generation and economic status. Living standard has p-value 0.005 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between living standard and economic empowerment.

Level of knowledge has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between level of knowledge and economic empowerment. Economic status has p-value 0.00 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between economic status and economic empowerment. Decision making has p-value 0.010 which is lesser than that of significance level of 0.05 it can be concluded as there is significance relation between decision making and economic empowerment.

4.2 Discussion

In this discussion section the result, analyzed and findings are presented by support with the findings of the previous research in the concern area. The findings and result from the previous section is undertaken to obtain and the reference from the analysis made in the previous section to examine the impact of microfinance on poverty reduction in the context of Nepal.

The mainly focused of the study is to analyze the impact of microfinance program on poverty reduction in the context of Nepal. For the purpose of the study independent variables like: occupation change, income generation, living standard, level of knowledge, economic status and decision making are used whereas poverty reduction and economic empowerment are taken as dependent variables. The result acknowledged based on the response of 400 respondents of solukhumbu district.

The main objective of this study is to present scenario and impact of microfinance program on poverty reduction in the context of Nepal. However after analyze the collected data it can be evaluating the present scenario of microfinance in Nepal and the relationship between microfinance and poverty reduction, the specific objective is examine the impact of microfinance program and poverty reduction.

There have been various studied conducted on the field of microfinance but those study lacks to examine the impact of microfinance on poverty reduction and economic empowerment. 400 respondents are main source of data for the study purpose. This research is based on primary data sources through questionnaires and this study implies the descriptive statistics. For the analysis purpose regression analysis is done.

From the demographical profile of respondents, it is found that there is majority of the responds are connected to microfinance more than two years. Majority of the respondents are married from the total population. It is found that most of the respondents are in the age group 30 to 45 age group. Majority of the respondents have no any education experiences. Majority of respondents have 2 -5 family members. Majority of respondents have no business experience before entering the microfinance program. Majority of respondents have use loan from microfinance for the initial capital. Majority of respondent have took 50-100 thousand as the loan from microfinance and majority of the respondents have took friends as motivating factor to involve in microfinance program.

The result from correlation coefficient shows that there is positive relationship between microfinance program and poverty reduction. Independent variable such as occupation change, income generation, living standard, level of knowledge, economic status, decision making have positive relationship between dependent variable as poverty reduction and economic empowerment.

The regression analysis shows that occupation change, living standard, and decision making is found to be statistically insignificance impact with poverty reduction. Whereas income generation level of knowledge, and economic status have statistically significance impact on poverty reduction. The regression result shows that occupation change, income

generation, living standard, level of knowledge, economic status, and decision making have statistically significance impact with economic empowerment.

The result reveals strong positive and significance impact between the combination of the variables (i.e. income generation level of knowledge, and economic status) and dependent variable as poverty reduction whereas the combination of variables (i.e. occupation change, living standard and decision making) and dependent variable as poverty reduction have positive and insignificance impact. The result revels strong positive and significance impact of independent variable (i.e. occupation change, income generation, living standard, level of knowledge, economic status, and decision making) with dependent variable economic empowerment.

The findings of the study similar to the fining of the study by Qadei (2023) the study revealed that most of the respondents' income improved after they joined the program which impacted positively in improving their standards of living. The finding of the study support the finding of Lal, Kumar and Mutaza (2023) the finding concludes that microfinance is an effective tool for poverty alleviation, as it helps increase income and improve the living standards of the poor. The finding of this study is similar to the finding of Hotman, Hilman and Ahmad, (2024) the findings show that Islamic microfinance can be an effective instrument in strengthening the economic base of underprivileged communities, especially through the integration of Islamic principles in the financial system.

CHAPTER-V

SUMMARY AND CONCLUSION

In this chapter the summary and conclusion has been presented along with recommendation as per the finding of the above analysis of data. in this chapter a brief introduction to overall study and summary of the findings are summarized. In addition the major summary and conclusion on the basis of findings of the study on impact of microfinance on poverty reduction and economic empowerment in Nepalese context are drawn. This chapter ends with the scope and uses of the further future study in the same field.

5.1 Summary

The study made a clear description of the impact of microfinance program on poverty reduction in the context of Nepal. There are various factor affecting the microfinance on poverty reduction among these variable some of the important factors taken into consideration to identify the impact of microfinance on poverty reduction were occupation change, income generation, living standard, level of knowledge, economic status, and decision making. The finding of the study are based on quantitative survey of Nepalese microfinance on poverty reduction.

The dependent variables of this study are poverty reduction and economic empowerment. The independent variables are occupation change, income generation, living standard, level of knowledge, economic status, and decision making. The specific research question for the research are, what is the present scenario of microfinance program on poverty reduction? What is the relationship of microfinance on promoting income, consumption and assets of poor and excluded people? What is the impact of microfinance on promoting income, consumption and assets of poor and excluded people? The literature review of the research is based on articles and precious scholars of concern sectors. Articles are reviewed both from national and international context of the concern sector. Descriptive analysis method has been applied to analyze the collected data.

For the research unipolar self-administered five likert scale questionnaires are distributed to the client of microfinance as respondents. Random sampling method is used for the selection of respondents. 400 sample size is taken from the microfinance client from Solukhumbu district of Nepal. IBM SPSS 26 and Microsoft excel has been used for the analysis of collected data for the required result of this study.

The finding result from correlation matrix show that poverty reduction have positive relations with occupation change, income generation, living standard, level of knowledge, economic status, and decision making it shows that microfinance program have positive relationship with poverty reduction. The positive coefficient of correlation estimated of the correlation implied that there was direct relationship with poverty reduction and microfinance program. The regression analysis shows that occupation change, living standard and decision making have insignificance impact on poverty reduction whereas income generation, level of knowledge and economic status have significance impact on poverty reduction. In addition regression analysis shows that occupation change, income generation, living standard, level of knowledge, economic status, and decision making have positive and significance impact on economic empowerment.

5.2 Conclusion

Based on the analysis of data and discussion of the result and the objective of the study and concluded shows the microfinance have positive and significance impact on poverty reduction. The specific objective of the study was to examine the present scenario of microfinance program on poverty reduction, to analyze the relationship of microfinance in promoting income, consumption and assets of poor and excluded people, to examine the impact of microfinance on promoting income, consumption and assets of poor and excluded people. The findings of this study can be concluded:

From the analysis of demographical variables it is found that there most of respondent are involved in microfinance program more than two years, majority of people are married, majority of respondent are in (30-45) age group, majority of respondents have no any education experiences, majority of respondents have (2-5) family members, majority of

respondents have no business experiences before entering in microfinance, majority of respondents use loan from microfinance their initial capital, majority of respondent have taken loan (50-100) thousand from microfinance and majority of respondents are motivated from their friend to involve in microfinance.

The relationship between occupation change, income generation, living standard, level of knowledge, economic status, and decision making with dependent variables as poverty reduction and economic empowerment shows that positive relationship. It result increasing microfinance program and service have positive relation with poverty reduction.

The result from correlation coefficient suggest that there is positive impact of income generation, level of knowledge, economic status on poverty reductions. Whereas occupation changes, living standard, and decision have no significance impact on poverty reduction. Additionally occupation change, income generation, living standard, level of knowledge, economic status, and decision making have positive impact on economic empowerment. From the regression result it can be concluded that microfinance have a positive and significance impact in poverty reduction. It means microfinance plays important role to reduce poverty in the context of Nepal.

5.3 Implications

According to the analysis of the data following implications will fit form this study. There are various use and implications of this study directly and indirectly some of the major implications are as follows.

- This study reveals only on impact of microfinance in poverty reduction in the context of Nepal. Further research can be carried out using large sample size and from different aspect of microfinance.
- This study limited to the analysis of primary data only. Further research can be carried out using primary as well as secondary data which may yield different result.

- Different government policies and NRB policies may affect the performance of microfinance so to compare and find a better understanding in the concern field of study this study will be useful.
- This study will be useful to the microfinance, shareholders, government, NGOS working on poverty reduction under different conditions, management team, policymaker and researcher for the better understanding in the field of microfinance.

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QUESTIONNAIRE

Namaste! I am Rojina Rai, now I am studying Masters Degree at, Shanker Dev Campus, Kathmandu and as per the requirement of my degree I am conducting a research entitled “Impact of Microfinance in Poverty Reduction in the Context of Nepal”. I have designed the following questionnaire for the study of the Impact of microfinance in poverty reduction and further scope of development, which required for my the dissertation work as an integral part of my study. I have adopted the policies with respect to the confidentiality of submitted data and information:

I would highly appreciate if you fill this three-page questionnaire. It will take approximately 10-15 minutes. I expect your kind cooperation in this respect.

Name of Respondent:

1. How long has you been connected to Microfinance program ?

More then Two years Less then two years

2. What is your marital status?

Married Unmarried

3. What is your age?

Less than 30 years (30-45) years 45 and above

4. Do you have any educational experience?

Not at all up to SEE Plus 2 Bachelor More than bachelor

5. How many family members do you have?

Less than 2 members (2-5) Members More than 5 Members

6. Did you have any business experience before entering this program?

Yes No

7. What is the source of your initial capital?

Savings Friends and relatives Loan from Microfinance Others

8. What amount of loan you have received from the microfinance ?

Less than 50 thousand (50-100) thousand More than 100 thousand

9. What factors motivated you to enter in this microfinance as clients

Microfinance staff Friends Self

10. The numbers of following table indicates the degree of satisfaction or agreement level (on a scale of 1-5*) of the household or a person after he or she has received service from the selected microfinance. Please circle the number, which accurately reflects your opinion.

‘1’ represents the lowest level of satisfaction or high disagreement, whereas ‘5’ represents the highest level of satisfaction or high agreement

S.N.	Indicators	Scale
A. Occupation Change		
1	Microfinance create better job opportunity.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
2	After involve in microfinance do you experience level up in job.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
3	Microfinance provide training for job.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
4	Microfinance consult better opportunity.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
B. Income Generation		
5	Microfinance assist to income generation activities.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
6	Income increase after involving in microfinance program.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
7	Involvement in increase source of income.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
8	Microfinance provide consulting program for increase income.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
C. Living Standard		
9	Living standard and purchasing activities are increase.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5

10	Experience of fulfillment of basic needs.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
11	After involvement microfinance health and education facilitated.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
12	Improvement of purchasing power.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
D. Level of Knowledge		
13	Microfinance increase entrepreneurial skill of its member.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
14	Microfinance helps to understand basic financial terms.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
15	Level of social and financial knowledge increases.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
16	Understand the basic financial terms and conditions under banking system.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
E. Economic Staus		
17	Economic activities are increased after involvement in microfinance	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
18	Experience of increase in economic independency after involvement in microfinance	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
19	Purchasing capacity increase after involving in microfinance	Strongly disagree ←————→ Strongly agree 1 2 3 4 5

H . Economic Empowerment		
30	Increase in purchasing power after involving in microfinance.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
31	Increase in living standard after participating in microfinance	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
32	Increase opportunity to involve financial decision making.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5
33	Saving and expenses are increase.	Strongly disagree ←————→ Strongly agree 1 2 3 4 5

Thank you very much for your cooperation

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ABSTRACT The study is concern about the impact of microfinance on poverty reduction in the context of Nepal. The main

objective of the study analyze the impact of microfinance on poverty reduction **in** the context **of**

Nepal. Poverty reduction and financial inclusion is one of the main task of microfinance. Microfinance plays vital role for the financial development of the developing country like Nepal. This paper is aimed at examining the impact of microfinance in poverty reduction