

**ROLE OF MICROFINANCE INSTITUTIONS IN PROMOTING
FINANCIAL INCLUSION IN NEPAL**

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial
fulfilment of the requirements for the Master's Degree

By

Aashish Pudasaini

Roll No: 163/2076

Registration No: 7-2-148-5-2015

Exam Symbol No. : 22966/20

Shanker Dev Campus

Kathmandu, Nepal

April, 2024

Certification of Authorship

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Role of Microfinance Institutions in Promoting Financial Inclusion in 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.

Aashish Pudasaini

Signature

Date 2024 April 29

Report of Research Committee

Ms./Mr. **Aashish Pudasaini** has defended research proposal entitled “**Role of Microfinance Institutions in Promoting Financial Inclusion in Nepal**” successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor, **Dr. Pitri Raj Adhikari** and submit the thesis for evaluation and viva voce examination.

Dr. Pitri Raj Adhikari

Supervisor

Position: Lecturer

Signature:

Dissertation Proposal Defended Date:

.....

Head of Research committee

Asso. Prof. Dr. Sajeeb Kumar Shrestha

Signature:

Dissertation Viva Voce Date:

.....

Approval Sheet

We have examined the dissertation entitled “**Role of Microfinance Institutions in Promoting Financial Inclusion in Nepal**” presented by **Aashish Pudasaini** for the degree of **Master of Business Studies**. We hereby certify that the dissertation is acceptable for the award of degree.

Dr. Priti Raj Adhikari
Dissertation Supervisor
Signature

.....
External Examiner
Signature

.....
Chairperson, Research Committee
Signature

Date: 2024 April 29

Acknowledgement

I would like to offer my sincere gratitude to my respected supervisor **Dr. Priti Raj Adhikari** Lecturer of Shanker Dev Campus, Tribhuvan University, Kathmandu for his constant encouragement, guidance and valuable supervision at every stage of my work. This study would not have been materialized in the present form without his incisive observations and intellectual direction in the course of completion.

I am totally grateful to the head of department and chairperson of research committee for their help and support while preparing this thesis. I am also thankful to all the senior staffs and personnel of sample companies for providing the information and necessary data sincerely and timely. I am thankful to all the staffs of central department of management for their kind co-operation during my library visit.

I would like to thank my friends for their valuable suggestion, continuous encouragement and help through the research work.

Aashish Pudasaini
Shanker Dev Campus

TABLE OF CONTENTS	Page No.
<i>Title Page</i>	<i>i</i>
<i>Certification of Authorship</i>	<i>ii</i>
<i>Report of Research Committee</i>	<i>iii</i>
<i>Approval Sheet</i>	<i>iv</i>
<i>Acknowledgement</i>	<i>v</i>
<i>Table of Contents</i>	<i>vi</i>
<i>List of Tables</i>	<i>ix</i>
<i>Abbreviations</i>	<i>xi</i>
<i>Abstract</i>	<i>xii</i>

CHAPTER I : INTRODUCTION

1.1	Background of the Study	1
1.2	Problem Statement	3
1.3	Objectives of the Study	4
1.4	Rationale of the Study	4
1.5	Limitations of the Study	5

CHAPTER I : LITERATURE REVIEW

2.1	Theoretical Review	6
2.2	Empirical Review	13
2.3	Research Gap	23

CHAPTER III : RESEARCH METHODOLOGY

3.1	Research Design	25
3.2	Population and Sample and, sampling design	26
3.3	Nature and Sources of Data, and the Instrument of Data Collection	30
3.4	Methods of Analysis	30
3.5	Research Framework and Definition of Variables	35

CHAPTER IV : RESULTS AND DISCUSSION

4.1	Financial Inclusion by MFIs Through Micro (Saving/Credit)	38
4.2	Reach of MFIs in Marginalized Groups	41

4.3	Key Indicators of success of MFIs in promoting financial inclusion	48
4.4	Correlation Analysis	57
4.5	Regression Analysis	58
4.6	Discussion	62
CHAPTER V : SUMMARY, CONCLUSION AND IMPLICATIONS		
5.1	Summary	65
5.2	Conclusions	67
5.3	Implications	67
	References	70
	Appendices	72

LIST OF TABLES

Table No.	Title	Page No.
1	Meta Table of Empirical Review	14
2	Descriptive Statistics of Credit	39
3	Descriptive Statistics of Savings	40
4	Credit Deposit Ratio (CDR)	40
5	Distribution of Respondents by age group	41
6	Distribution of Respondents by Education	42
7	Distribution of Respondents by Gender	43
8	Saving pattern (on Saving Accounts) of Respondents	43
9	Motivating Factor to save with an MFI	44
10	Satisfaction Level with the savings products and services offered by the MFI	45
11	Impact of Microloan on financial situation	46
12	Influencing Factor to take a microloan from an MFI	46
13	Income level in the past year due to MFIs Services	47
14	Role of MFIs in Contributing to Income Growth	48
15	Number of Districts with Service Reached	49
16	Growth Rate of Number of Districts with Service Reached	50
17	Number of Employees	50
18	Growth Rate of Number of Employees	51
19	Number of Branches	52
20	Growth Rate of Number of Branches	52
21	Number of Groups	53
22	Growth Rate of Number of Groups	54
23	Number of Members	55
24	Growth Rate of Number of Members	55
25	Number of Borrowers	56
26	Growth Rate of Number of Borrowers	57
27	Correlation between Dependent and Independent Variables	58
28	Regression Analysis Taking 'Savings' as Dependent Variable	59
29	Regression Analysis Taking 'Credit' as Dependent Variable	59
30	Regression Analysis Taking 'Income' as Dependent Variable	60

List of Figure

Figure No.	Title	Page
1	Conceptual Framework	35

ABBREVIATIONS

AM	Arithmetic Mean
BAFIA	Bank and Financial Institutions
C.V.	Coefficient of Variance
CDR	Credit Deposit Ratio
Chhimek	Chhimek Laghubitta Bittiya Sanstha Limited
CY	Current Year
e.g.	Example
F.Y.	Fiscal Year
i.e.	That is
Jana	Janautthan Samudayic Laghubitta Bittiya Sanstha Limited
JVB	Joint Venture Bank
Laxmi	Laxmi Laghubitta Bittiya Sanstha Limited
Ltd.	Limited
MFI	Micro-Finance Institutions
Nirdhan	Nirdhan Utthan Laghubitta Bittiya Sanstha Limited
NRB	Nepal Rastra Bank
Pvt.	Private
PY	Previous Year
R	Correlation of Coefficient
ROA	Return on Assets
Rs/NRs.	Nepalese rupees
Sana	Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited
S.D.	Standard Deviation
TU	Tribhuvan University

ABSTRACT

This research study delves into the pivotal role played by Micro Financing Institutions (MFIs) in achieving financial inclusion objectives. Through a descriptive and analytical methodology, the study examines the contribution of microfinance services, specifically micro-credit and savings products, in enhancing financial inclusion in Nepal. The primary objectives encompass exploring the barriers to financial inclusion, assessing how MFIs can surmount these challenges to cater to underserved populations, evaluating the reach and responsiveness of MFIs towards marginalized groups, such as women and racial minorities, and identifying success indicators for MFIs in promoting financial inclusion.

Employing a comprehensive array of primary and secondary data sources, the study analyzes notable MFIs including Chhimek Laghubitta Bittiya Sanstha Limited (CLBSL), Janautthan Samudayic Laghubitta Bittiya Sanstha Limited (JSLBSL), Laxmi Laghubitta Bittiya Sanstha Limited (LXLB), Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NUBL), and Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited (SKBBL).

Key findings emanate from correlations drawn between multiple variables. The research uncovers a moderate positive correlation between "Outreach to Underserved Population" and "Geographical Coverage," suggesting a connection between outreach efforts and broader geographic reach. Conversely, "Gender and Marginalized Group" exhibit significant negative correlations with "Savings" and "Credit," implying potential financial disparities among these groups. A significant negative correlation is observed between "Savings" and "Credit," possibly signifying a trade-off between higher savings and lower credit balances. However, the analysis reveals that "Financial Products and Services" exhibit weak and non-significant relationships with other variables, suggesting their limited impact on the overall analysis.

Keywords: Microfinance, Financial Inclusion in Nepal, Saving, Credit, Income, Financial Reach in Marginalized Groups, poverty reduction, Marginalized groups

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Microfinance institutions are NGOs, saving and credit cooperatives, credit unions, government banks, commercial banks, etc. Microfinance clients are typically self-employed, low-income entrepreneurs in both urban and rural areas. Clients are often traders, street vendors, small farmers, service providers (hairdressers, rickshaw pullers), and artisans and small producers such as blacksmiths. Usually their activities provide a stable source of income (often from more than one activity). Although they are poor, they are generally not considered to be the “poorest of the poor.” Moneylenders and rotating savings and credit associations are informal microfinance providers and important sources of financial intermediation (Shrestha, 2007).

Financial inclusion is a global initiative focused on ensuring that financial services are accessible to all individuals and businesses, regardless of their economic status. It entails providing affordable and suitable financial products such as savings accounts, loans, insurance, and payment services. The fundamental aim is to empower individuals, particularly those in underserved or marginalized communities, enabling them to participate in the formal financial system and enhance their financial well-being. Key components of financial inclusion encompass access to basic banking services, credit availability, insurance offerings, digital financial services, and financial literacy education. The advent of digital technology has played a pivotal role in expanding financial inclusion, with mobile banking and digital wallets providing convenient solutions even in areas lacking traditional banking infrastructure (Gautam, 2021). Government initiatives and supportive regulatory environments further contribute to fostering financial inclusion. The benefits are wide-ranging, including poverty reduction, economic growth, and improved livelihoods. Despite progress, challenges persist, requiring collaborative efforts from governments, financial institutions, and other stakeholders to address issues such as infrastructure limitations and financial literacy. Achieving comprehensive financial

inclusion remains an ongoing global endeavor with the potential to positively impact individuals and economies alike.

In the context of Nepal, financial inclusion has emerged as a critical component of the country's economic development strategy. Nepal, with its diverse topography and a significant rural population, faces unique challenges in ensuring that financial services are accessible to all. The government, in collaboration with financial institutions and international organizations, has implemented initiatives to enhance financial inclusion and bring marginalized communities into the formal financial system (Kafle, 2011).

One key aspect of financial inclusion in Nepal is the expansion of banking services to remote and rural areas. Traditional banking infrastructure has been limited in these regions, making it challenging for people to access basic financial services. In response, the establishment of branchless banking and mobile banking services has played a crucial role in reaching the unbanked and underserved populations in the country (Gautam, 2021). These digital financial solutions have improved access to savings accounts, credit, and payment services, particularly in areas where physical bank branches are scarce. Microfinance institutions (MFIs) have also played a significant role in promoting financial inclusion in Nepal. By providing small loans and financial services to individuals who may not have access to formal banking, MFIs contribute to economic empowerment at the grassroots level. This is particularly relevant in Nepal, where a substantial portion of the population depends on agriculture and small-scale businesses for their livelihoods (Poudel, 2008).

Financial literacy initiatives have been introduced to enhance the understanding of financial products and services among the population. Improving financial literacy is crucial for ensuring that individuals can make informed decisions about managing their finances, utilizing available services, and participating effectively in the formal financial sector. Despite these positive strides, challenges persist, including the need for tailored financial products that address the specific needs of diverse communities and the importance of overcoming infrastructure constraints in remote areas. Microfinance is one of the appropriate mechanisms to identify the poor and disadvantaged community and to address poverty by providing income, employment and capacity building opportunity to

the poor, disabled, dalits, marginalized group and destitute including women and their socioeconomic empowerment with the support of social mobilization (Shrestha, 2007). Therefore, this study aims to examine the role of micro institutions in promoting financial inclusion in Nepal.

1.2 Problem Statement

Despite notable strides in financial inclusion in Nepal, a substantial portion of the population, particularly in remote and rural areas, continues to face barriers to accessing formal financial services. This is concerning given that financial inclusion is not merely a matter of economic development but also a critical driver for poverty reduction and inclusive growth (World Bank, 2018). While initiatives such as branchless banking and microfinance have expanded financial access, challenges persist in terms of tailoring financial products to the diverse needs of different communities and ensuring the effective utilization of digital financial services in areas with limited infrastructure (Gurung, 2020). Additionally, the success of financial inclusion efforts relies heavily on the level of financial literacy among the target population (Demirguc-Kunt et al., 2018). Therefore, this thesis aims to critically examine the existing challenges and opportunities in achieving comprehensive financial inclusion in Nepal, with a focus on identifying strategies that can bridge the remaining gaps in accessibility, literacy, and utilization of formal financial services.

Therefore, there is a need to examine the role of MFIs in promoting financial inclusion in Nepal and assess their effectiveness in reaching underserved populations. Nepal, with its diverse topography and a significant rural population, faces unique challenges in ensuring that financial services are accessible to all. The government, in collaboration with financial institutions and international organizations, has implemented initiatives to enhance financial inclusion and bring marginalized communities into the formal financial system (Kafle 2011). The study deals with the following issues;

- i. To what extent do microfinance institutions in Nepal contribute to financial inclusion by providing microfinance services, such as micro-credit and micro-savings?
- ii. Are microfinance institutions adequately reaching marginalized groups, such as

women and ethnic minorities, and what impact on their financial behavior?

- iii. What are the key indicators of success of MFIs in promoting financial inclusion?

1.3 Objectives of the Study

Major objective of this study is to explore the role of microfinance institutions in promoting financial inclusion in Nepal. The specific objectives of this study are pointed below.

- i. To assess the contribution of microfinance services, such as micro-credit and savings products.
- ii. To evaluate whether microfinance institutions are adequately reaching marginalized groups, such as women and racial minorities, and impact on their financial behavior.
- iii. To examine key indicators of success for microfinance institutions in promoting financial inclusion in Nepal.

1.4 Rationale of the Study

Although the presence of microfinance institutions (MFIs) is growing in Nepal, there is a lack of research on their effectiveness in promoting financial inclusion, particularly among underserved populations. As Nepal continues to develop its financial sector, it is crucial to understand the role of MFIs in expanding access to financial services and promoting financial inclusion. This research seeks to fill this gap in the literature by examining the effectiveness of microfinance institutions in promoting financial inclusion among low-income and underserved populations in Nepal.

The study's objectives align with the need to assess the impact of microfinance services, identify barriers to financial inclusion, evaluate outreach to marginalized groups, and identify key indicators of success for microfinance institutions. By addressing these research questions, the study aims to provide insights into how microfinance institutions can better serve underserved populations and promote financial inclusion in Nepal.

Additionally, this study can have practical implications for policymakers and practitioners in the microfinance sector. It can inform the design and implementation of policies and

programs aimed at promoting financial inclusion and improving the effectiveness of microfinance institutions. The study's findings can also provide insights into how MFIs can better serve marginalized groups and address their unique financial needs. Ultimately, this study can contribute to the ongoing efforts to build a more inclusive financial sector in Nepal and other similar contexts.

1.5 Limitations of the Study

The limitations of this study are as follows;

- Among 63 MFIs in Nepal only 5 MFIs are taken as sample for the dissertation study.
- This study is conducted using primary and secondary data but, mainly from the annual reports of the concerned MFIs so the result depends on the reliability of secondary data.
- The reliability of tools and lack of data are the other limitation of this study.
- Change in the format and accounting policies of annual financial reports made complex to gather the data and information.

CHAPTER II

LITERATURE REVIEW

This chapter provides conceptual and theoretical framework of the study and deals with related matter, ‘financial inclusion by microfinance’, review of empirical studies related with MFIs and, behavior of MFIs specifically, the role of microfinance institutions in promoting financial inclusion in Nepal. It is an integral and mandatory process in research works that consist of reviewing studies and other relevant proposition in the related area of the study so that all kind of information, and conclusion and further study can be conducted.

Furthermore, various articles, government act and provisions, journals, websites previously conducted thesis and researches related to contribution of MFIs in financial inclusion are reviewed and is devoted on reviewing, analyzing and evaluating the past and recent data regarding to the subject of this dissertation in the context of Nepalese MFIs. Basically, the following subject matters will be studied in detailed in this chapter;

- i. Theoretical review
- ii. Review of related studies
- iii. Research gap

2.1 Theoretical Review

Theoretical review would involve examining and synthesizing the existing literature and theories related to the role of Microfinance Institutions (MFIs) and financial inclusion in the Nepalese context. It would provide a theoretical foundation and framework for understanding the various dimensions, mechanisms, and impacts of MFIs in promoting financial inclusion. Here are some theoretical reviews outlining the key aspects:

Resource Based View

Edith Penrose is the principal proponent of Resource-Based View (RBV) (Penrose, 1959). The theory emphasized the constructs of a firm’s resources. Assets and dynamic capabilities are crucial determinants of competitive advantage and performance. The RBV describes a firm as an amalgamation of tangible and intangible assets, resources, or

competencies associated with the institution and are tedious to duplicate. Strategic innovation orientation as a capability is anchored on the RBV. Studies by Lioukas, Reuer and Zollo (2016) on the effects of information technology capabilities on strategic alliances used RBV as the anchor theory of the study. Further, Donnellan and Rutledge (2019) used RBV as the main theory in establishing the performance of banks through proper alignment of strategies. Therefore, the strategic innovation orientation variable will be anchored on this theory.

Institutional theory

Meyer and Rowan are the main proponents of institutional theory (Meyer, Rowan & DiMaggio, 1991). The institutional theory argues that firms are geared towards legitimacy in the sector they are operating in. Legitimacy entails regulations, rules and policies that shape the behaviour of firms in a specific environment (Dacin, Oliver & Roy2007). The institutional theory looks at firms as social institutions that need to be regulated. MFIs are social institutions that are in constant competition with each other and thus need regulations and guidelines for them to survive (Covin & Miller 2014).

According to Malika and James (2016), institutional theory among firms is based on the social structure within which firms operate in. Social desires ensure that firms behave responsibly. Nair and Bhattacharyya (2019) used institutional theory to anchor the external operating environment, which controls the economic behaviour of firms. In addition, Brower and Dacin (2020) argued that institutional theory helps in minimising risks to any firm. The institutional theory helps in understanding clearly the organisational behaviour and attitudes (Hermes, 2019).

The Top Management Team (TMT) of MFIs need to make critical decisions that are in conformity to the regulations in the sector. Thus, the study used the institutional theory in anchoring the regulatory framework, which moderates the behaviour of MFIs.

Dynamic Capabilities Theory

Teece, Pisano and Shuen (1997) posited that dynamic capabilities theory reflects on the firm's potential to gain new and revolutionary ways of competitive advantage despite path dependencies and core rigidities in its operational and technical processes. The

dynamic capabilities theory borrows from RBV, which found out that firm-specific resources are the foundation for dynamic capabilities. Dynamic capabilities theory expounds further on firms importance of altering their capabilities to sustain their performance in a dynamic environment. Studies by Torres, Sidorova and Jones (2018) used dynamic capabilities perspective in exploring the firm performance through business intelligence and analytics. Dynamic capabilities theory will be used to explain the strategic innovation orientation construct.

Functions of MFIs According to NRB

The Microfinance Institutions (MFIs) Act was issued by the Nepal Rastra Bank (NRB) on December 27, 2011. The Act was introduced to regulate and govern the operations of MFIs in Nepal. It provides guidelines and provisions related to licensing, operations, capital requirements, reporting, prudential norms, and other aspects of microfinance institutions in the country. The MFIs Act aims to promote the sustainable growth of the microfinance sector and ensure the protection of the rights and interests of clients and stakeholders. The functions of Microfinance Institutions (MFIs) in Nepal are outlined in the Nepal Rastra Bank Act. According to the Act, the functions of MFIs in Nepal include:

i. Microfinance Operations

- Provide microcredit facilities to individuals, groups, and micro-entrepreneurs for income-generating activities and livelihood enhancement.
- Mobilize savings from the public, particularly from low-income individuals, and provide interest-bearing deposit services.
- Offer micro-insurance products to protect clients against risks and vulnerabilities.

ii. Outreach and Expansion

- Extend microfinance services to underserved and marginalized communities, including rural areas, through the establishment of branches, offices, or other service delivery channels.
- Facilitate financial inclusion by reaching out to economically active poor, small farmers, women, and other disadvantaged groups.

iii. Capacity Building and Technical Support

- Enhance the capacity and skills of microfinance staff to effectively manage and deliver microfinance services.
- Provide technical assistance and support to micro-entrepreneurs in areas such as business development, financial management, and entrepreneurship.

iv. Compliance with Regulations

- Ensure compliance with regulations, directives, and guidelines issued by the Nepal Rastra Bank (central bank of Nepal) concerning microfinance operations, capital requirements, reporting, and prudential norms.
- Cooperate with regulatory authorities and undergo regular inspections and audits to maintain transparency and accountability.

v. Collaboration and Coordination

- Collaborate with government agencies, development organizations, and other stakeholders to promote financial inclusion, poverty alleviation, and economic development.
- Foster coordination and information sharing among MFIs and industry associations to exchange best practices, address challenges, and promote industry standards.

vi. Reporting and Information Management

- Maintain accurate and up-to-date records of financial transactions, client information, and other relevant data.
- Submit periodic reports and information as required by the Nepal Rastra Bank for monitoring and supervision purposes.

These functions outlined in the Nepal Rastra Bank Act provide a regulatory framework for the operations and responsibilities of MFIs in Nepal. The Act aims to ensure that MFIs contribute to the inclusive economic growth of the country while maintaining financial stability and consumer protection.

Condition of Financial Inclusion in Nepal

Financial inclusion refers to the availability and accessibility of a range of financial services and products to all segments of society, particularly those who are marginalized or underserved. In Nepal, efforts have been made to promote financial inclusion and expand access to financial services. However, there are still challenges and areas that require further attention. Here is an overview of the condition of financial inclusion in Nepal:

i. Access to Formal Financial Services

• Banking Services

The reach of formal banking services has improved in recent years, with the expansion of bank branches and the introduction of mobile and internet banking services. However, access to banking services is still limited, particularly in rural and remote areas.

• Microfinance

Microfinance institutions have played a crucial role in providing financial services to low-income individuals and marginalized communities, particularly in underserved areas. Microfinance has helped in improving financial inclusion by offering microloans, savings, and insurance services.

ii. Digital Financial Services

• Mobile Banking

The adoption of mobile banking has increased, allowing individuals to access financial services through their mobile phones. Mobile money services have expanded, enabling digital transactions, remittances, and utility bill payments.

• Digital Wallets

Digital wallets have gained popularity, allowing users to store money digitally and make payments for various goods and services.

iii. Financial Literacy and Awareness

Financial literacy programs and initiatives have been implemented to enhance financial knowledge and awareness among the population. These programs aim to improve

understanding of basic financial concepts, promote savings habits, and develop skills for financial decision-making.

iv. Gender Inclusion

Efforts have been made to promote gender inclusion in financial services. Programs targeting women's empowerment and entrepreneurship have been implemented, including financial products tailored to the needs of women, such as microloans and savings accounts.

v. Regulatory Environment

The regulatory framework has been evolving to support financial inclusion. The Nepal Rastra Bank (central bank of Nepal) has implemented measures to encourage banks and financial institutions to expand their services to underserved areas and promote financial inclusion.

vi. Challenges and Opportunities

- **Geographical Barriers**

Nepal's challenging terrain and remote areas pose difficulties in establishing physical infrastructure, limiting access to financial services for people living in these regions.

- **Technological Barriers**

Limited internet connectivity and digital infrastructure in some areas hinder the adoption of digital financial services.

- **Financial Vulnerability**

A significant portion of the population still remains financially vulnerable, lacking access to formal financial services and relying on informal and unregulated financial channels.

To enhance financial inclusion in Nepal, ongoing efforts are needed to address the challenges and capitalize on the opportunities. This requires collaboration between the government, financial institutions, technology providers, and other stakeholders to expand the reach of financial services, improve financial literacy, and ensure that marginalized populations have equal access to formal financial services.

Significance of MFIs in a Country like Nepal

Microfinance institutions (MFIs) play a significant role in a country like Nepal, where a large portion of the population resides in rural areas and faces challenges related to poverty, limited access to financial services, and economic empowerment. The significance of MFIs in Nepal can be understood through the following aspects:

i. Poverty Alleviation

MFIs have played a crucial role in poverty alleviation by providing financial services to low-income individuals and marginalized communities. Through microcredit, individuals have been able to start or expand small businesses, generate income, and improve their living conditions.

ii. Women's Empowerment

MFIs have been instrumental in empowering women in Nepal. They have provided women with access to credit, savings, and financial services, allowing them to engage in income-generating activities, gain economic independence, and make important financial decisions for themselves and their families.

iii. Financial Inclusion

MFIs have significantly contributed to improving financial inclusion in Nepal. By reaching out to underserved and remote areas, MFIs have expanded access to formal financial services for those who were previously excluded. This has helped in reducing reliance on informal and exploitative financial channels.

iv. Rural Development

MFIs have played a vital role in promoting rural development in Nepal. By providing microcredit for agriculture, livestock, and other rural-based activities, MFIs have supported the development of rural economies, enhanced agricultural productivity, and contributed to poverty reduction in rural areas.

v. Employment Generation

The provision of microcredit by MFIs has facilitated the creation of employment opportunities. Small businesses financed by MFIs have created jobs, both directly and indirectly, contributing to local economic growth and reducing unemployment rates.

vi. Community Development

MFIs have not only provided financial services but have also played a role in community development. They have encouraged the formation of self-help groups and cooperatives, fostering a sense of community and collective responsibility. MFIs have also facilitated the provision of non-financial services like skill development, training, and capacity building.

vii. Financial Education and Awareness

MFIs have contributed to increasing financial literacy and awareness in Nepal. Through various programs and initiatives, they have educated clients about financial management, savings, budgeting, and entrepreneurship. This has improved clients' understanding of financial concepts and helped them make informed financial decisions.

viii. Disaster Recovery and Resilience

MFIs have supported disaster-affected communities in Nepal by providing financial services for recovery and resilience-building. Following natural disasters, MFIs have extended emergency loans, enabling individuals and communities to rebuild their lives, homes, and businesses.

2.2 Empirical Review

An empirical review assesses the reliability and validity of the empirical evidence presented, examining the strength of the findings and their implications for the research field. It aims to provide a critical and objective assessment of the empirical data, highlighting its contribution to the existing body of knowledge and identifying potential limitations or areas for further research.

Table no. 1

Summary of Review

Author(s)	Variables	Methodologies	Findings
Poudel (2008)	Economic Impact Of Micro Finance To upliftment Of Women	Descriptive and correlation analysis	Most of the women beneficiaries of the micro-finance program are relatively poor.
Kafle (2011)	Role Of MFIs Program On The Development Of Rural Women In Shaktikhor V.d.c.	Descriptive and correlation analysis	Most of the women are economically active to make decision about their personal health and treatment as well.
Shankar (2011)	The Contribution of Microfinance Programs in Promoting Financial Inclusion in India	Qualitative research methods	Significance of factors that influence microfinance penetration and underscored the need for diversifying financial services beyond microcredit
Adhikari and Shrestha (2013)	Economic impact of Microfinance in Manamaiju VDC	Descriptive research approach	Microfinance played a pivotal role in generating additional income, enabling families to afford better-quality food, access modern healthcare services.
Aryal (2013)	Effectiveness of rural development program	Descriptive, Quantitative and primary questionnaires	Rural development programs are not significantly effective to contribute in financial inclusion
Shankar (2013)	Financial Inclusion in India: Do Microfinance Institutions Address Access Barriers?	Descriptive and primary questionnaires	MFIs do break down many barriers to financial inclusion, there are limitations in the extent of their outreach to those excluded.
Limbu (2014)	Role Of Micro-finance In Poverty Reduction And Women Empowerment	Descriptive and Analytical	It has been increase in comparison to before being involved in microfinance program. Increased their saving rate than before. Living standard uplifted and poverty reduced.
Sarker (2015)	Inclusion of Disabled People in Microfinance Institutions: Where Does Bangladesh Stand?	Rigorous research methodology, combining both quantitative and qualitative approaches	Most MFIs have not taken adequate steps to ensure inclusivity, with very few tailored financial products and services available to cater to the specific needs of disabled clients.
Dhungana (2016)	Does Micro-finance Transform Economic Status of People?	Mixed method (quantitative and qualitative)	Promising outcomes regarding the transformative potential of micro-finance interventions in Nepal's Western Development Region
Thylen and Selen (2016)	The Impact of Microcredit on Financial Inclusion	Regression analysis of aggregated survey data	The study found that microcredit has a significant impact on financial inclusion
Agrawal (2016)	Micro-Financing Awareness in Batswana	Purposive Sampling	The research provides evidence that more than 35 percent of Batswana are unaware of the existence of micro financing in their community
Gnawali (2018)	Impact of Microfinance Institutions in Women Economic Empowerment: With reference to Butwal Sub-Municipality	Descriptive and analytical	Respondents were have positive response and satisfaction toward income status has been uplifted.
Jain (2020)	Microfinance Services and Women Empowerment in Biratnagar Metropolitan, Nepal	Mixed-method (qualitative and quantitative) approach	Positive correlation between microfinance services and women's empowerment in Biratnagar Metropolitan, Nepal.
Gautam (2021)	Economic Impact of Microfinance in Nepal: A Case Study of Ranibagiya Municipality, Rupandehi District	Case study approach	Microfinance services have played a significant role in poverty reduction and income generation among beneficiaries.

Chaulagain and Lamichhane (2022)	Determinants Factors of Microfinance Performance in Nepal	Employed a quantitative research design to investigate the determinants of microfinance performance	Factors such as portfolio quality, operational efficiency, outreach to underserved populations, interest rates, and governance identified as significant contributors to MFI performance.
Parajuli (2023)	The role of Cooperative in woman empowerment generating activities in Kaski district	Descriptive and Quantitative	Members were found to have been socially and economically empowered through the cooperative and able to run their income generating activities
Pokhrel (2023)	Impact of Microcredit on Household Consumption and Assets in Nepal	Multivariate analysis	Positive and significant relationship on household consumption and on assets, (household consumption is on Food Consumption, Non-Food Consumption and Total Consumption.
Zreik, Marzukiand and Iqbal (2023)	Deepening Financial Inclusion through Digitization: A Case Study of Microfinance in China	Qualitative methodology, incorporating online focus groups	There has been a substantial increase in the number of fixed and mobile internet accounts per hundred inhabitants in the last decade.
Sharma, Awasthi and Poojari (2023)	Role Of Microfinance Institutions In Financial Inclusion In India	Quantitative Method	There is significant impact of microfinance institutions on financial inclusion aspect.

Pokhrel (2023) examined the impact of microcredit on household consumption and assets in Nepal. The objective of the article was to assess the impact of microcredit on Household Consumption and Assets in Nepal. The multivariate techniques used to achieve the objectives of the study. The study used Nepal Living Standard Survey 2011 data, which covered 5,988 households. The study employed the instrumental variable approach (IV method) to measure the influence of microcredit on household consumption and assets while taking into account variation in household involvement in microcredit. After the adjustment of the variation, distance of bank, distance of cooperative from household and holding of land size of household as the instruments, eligible household reduced 475 household from 779 total households of intervention group and similarly 2,953 households from 5,209 total households of control group. CMP (conditional mixed process) estimator used to give flexibility in terms of combining continuous and binary variables together in the same model. Multivariate analysis indicates that it has positive and significant relationship on household consumption and on assets, (household consumption is on Food Consumption, Non-Food Consumption and Total Consumption. And similarly, household assets are, on ownership of livestock such as buffaloes, cows, sheep, etc, Ownership on transportation such as Cycle or Motor cycle, Ownership on

appliances, such as Refrigerator, Television, CD player) on intervention group than the control group. The result and finding and review of the literatures of the research paper provided a wide range of evidence that microcredit programs can increase incomes and uplift families out of poverty. The conclusion is, Microcredit would be a viable and potentially sustainable tool to reduce poverty in Nepal.

Parajuli (2023) analyzed the role of cooperative in woman empowerment generating activities in Kaski district with the objectives of assessing the women involvement in co-operative and examining the role of co-operative in women empowerment and findings were made based on the study. The study analyzed the socio-economic condition of cooperative among women particularly in working area of cooperative. The study was based upon the primary data collected from the field survey which involves 10 cooperative and 50 members of kaski, 28 were taken as sampled women to collect information. The study was an attempt to analyze the socio-economic effect on females and their roles and participation in women empowerment process. According to afore research, members were found to have been socially and economically empowered through the cooperative and able to run their income generating activities. Awareness program by different organization and training has brought about positive change in the life of member. Uneducated and under educated women involved in this co-operative have been more confident after joining in the cooperative.

Sharma, Awasthi and Poojari (2023) assessed the role of microfinance institutions in financial inclusion in India highlighting its transformative role in fostering economic growth and alleviating poverty, emphasizing its significance as a key driver of progress. The provision of accessible and affordable banking services to both privileged and disadvantaged populations is considered instrumental in reducing societal disparities. However, despite efforts, a substantial section of society in developing economies still remains excluded from mainstream financial services. In addressing this gap, microfinance institutions emerge as crucial players, serving as a bridge to bring financial services to underserved communities. Financial inclusion is recognized as a paramount priority for countries seeking economic advancement and societal progress. The narrowing of the gap between the rich and poor populations is often cited as a central

goal of financial inclusion initiatives. The literature underscores the pivotal role of financial institutions as robust pillars supporting overall progress, economic growth, and the development of the economy. The focus on financial inclusion aligns with broader discussions in the literature, positioning inclusive financial systems as catalysts for socio-economic development (Beck et al., 2007; Demirguc-Kunt & Klapper, 2012).

Zreik and Marzuki (2023) conducted a study, particularly focusing on microcredit and its impact on small business owners, addresses a significant gap in the existing literature concerning financial inclusion in economically challenged regions. The motivation behind this research stems from the substantial portion of the Chinese population, approximately 30%, lacking access to traditional banking services due to various factors such as location, income level, credit history, or identification issues. The study utilizes a qualitative methodology, incorporating online focus groups with microcredit executives and interviews with digital product management specialists, providing first-hand accounts and insights from those involved in the microfinance landscape.

Chaulagain and Lamichhane (2022) investigated into the factors influencing the performance of microfinance institutions (MFIs) in Nepal. The primary objective of the study is to identify and analyze the key determinants that influence the performance of microfinance institutions in Nepal. The study employs a quantitative research design to investigate the determinants of microfinance performance in Nepal. The authors used a comprehensive dataset, likely obtained from various sources, encompassing financial and non-financial indicators of different MFIs operating in Nepal. The article's findings shed light on critical determinants that impact the performance of microfinance institutions in Nepal. The research identifies factors such as portfolio quality, operational efficiency, outreach to underserved populations, interest rates, and governance as significant contributors to MFI performance.

Gautam (2021) explored the economic implications of microfinance interventions in the specific context of Ranibagiya Municipality, located in Rupandehi District, Nepal. The primary objective of the study is to analyze and assess the economic impact of microfinance services in Ranibagiya Municipality. By focusing on this specific location,

the research aims to provide a case study that can offer insights into the broader impact of microfinance on local economies in Nepal. The research adopts a case study approach to investigate the economic impact of microfinance in Ranibagiya Municipality. The article's findings shed light on the positive economic impact of microfinance in Ranibagiya Municipality, Rupandehi District. The research highlights that microfinance services have played a significant role in poverty reduction and income generation among beneficiaries.

Jain (2020) determined the relationship between microfinance initiatives and the empowerment of women in the context of Biratnagar Metropolitan, Nepal. The primary objective of the study was to assess the impact of microfinance services on the empowerment of women in Biratnagar Metropolitan, Nepal. The research aims to understand the extent to which microfinance interventions have contributed to enhancing the social, economic, and political status of women in the region. The research employed a mixed-method (qualitative and quantitative) approach to investigate the link between microfinance services and women's empowerment in Biratnagar Metropolitan. The findings of the study reveal a positive correlation between microfinance services and women's empowerment in Biratnagar Metropolitan, Nepal. Women who accessed microfinance programs reported significant improvements in their economic standing, with increased income-generating opportunities and access to credit. The provision of microloans allowed women to engage in small businesses and entrepreneurial ventures, thus enhancing their financial independence and contribution to household income.

Gnawali (2018) explained the impact of microfinance institutions in women economic empowerment: The authors writes, microfinance plays important role in improving women decision making by contributing in economic activities. The writer adds, the main purpose of microfinance is empowerment of women. Women empowerment is measured by economic participation, saving mobilization, training development and other factors. The study investigated the economic empowerment of women through functions of MFIs. The study is based on primary data through self administered questionnaire to the women of Butwal Sub- Municipality. In the study, data are analyzed by using appropriate statistical tools and percentage analysis. The study established that microfinance

institutions plays a positive role on women who invest in them by increasing their well-being, access to and control their resources., eradicating illiteracy among women, taking part in economic decisions and finally microfinance institution have boosted women's self-esteem.

The study concluded that respondents have positive response and satisfaction towards the services provided by MFIs. Furthermore concluded that, respondents were agreed with the statement of credit facility. As well as respondents have positive response and satisfaction toward income status. Also, concluded that capacity building facility had 9.14 mean value , that implies that respondents are moving toward neutral .This is because most of the members were unknown about the training facilities provided by MFIs. The author lastly adds, there is lack of practicable training programs provided by microfinance.

Aggarwal (2016) examined the entrepreneurs in Africa, specifically in Botswana, often do not view microcredits as an attractive financing option. The research revealed that more than 20 percent of Batswana entrepreneurs relied on family as their primary source of credit, while over 40 percent opt for formal bank loans. Notably, the utilization of microcredits as the primary credit source is negligible in this context. The authors suggested a potential explanation for this trend African entrepreneurs may lack awareness that micro financing is a viable option for them. The absence of such information can significantly impact whether microcredits serve as a stepping-stone to financial access and strongly influences entrepreneurs' perceptions of microcredits as a concept. The research provides evidence that more than 35 percent of Batswana are unaware of the existence of micro financing in their community. Consequently, the study concludes that the success of microcredits hinges not only on the services they offer but also on the awareness and perception of these services. These findings underscore the critical role of attitudes toward microcredit in shaping its utilization as a credit source.

Thylen and Selen (2016) investigated the impact of microcredits on financial inclusion in Botswana. Acknowledging the polarized views on microcredits, the research focuses on SMEs in Botswana, aiming to understand their attitudes towards microloans and assess if microloans can serve as a stepping stone to financial inclusion. The study finds negative

attitudes among SMEs, largely due to a lack of awareness about microloans. Econometric regressions, however, fail to robustly demonstrate a significant impact on financial inclusion. The authors attribute the negativity to information asymmetry, leading SMEs to opt for alternative credit sources. The conclusion suggests that, under current conditions, microcredits do not foster financial inclusion in Botswana but could potentially do so with improved awareness initiatives.

Dhungana (2016) examined the transformative potential of micro-finance initiatives in the context of Nepal's Western Development Region. The primary objective of the research is to evaluate the effectiveness of micro-finance programs in bringing about positive changes in the economic well-being of the people in Nepal's Western Development Region. The study aims to measure the extent to which micro-finance interventions have contributed to poverty reduction, increased income, and enhanced livelihood opportunities for participants. Researcher employs a mixed-method research design to address the research objectives comprehensively. The researcher adopted both quantitative and qualitative techniques. Initially, a systematic review of the existing literature on micro-finance and its impact on economic development in Nepal is conducted. The study's findings revealed promising outcomes regarding the transformative potential of micro-finance interventions in Nepal's Western Development Region. Participants in micro-finance programs experienced a notable increase in income and improved access to financial resources. This, in turn, contributed to poverty alleviation and enhanced their economic status.

Sarker (2015) addressed the crucial issue of accessibility and representation for disabled individuals in microfinance institutions (MFIs) in Bangladesh. The study's primary objective is to assess the current state of inclusivity within MFIs and identify the existing challenges faced by disabled people seeking financial services. To achieve this, the author adopted a rigorous research methodology, combining both quantitative and qualitative approaches. The findings revealed that, most MFIs have not taken adequate steps to ensure inclusivity, with very few tailored financial products and services available to cater to the specific needs of disabled clients. Moreover, there appeared to be a lack of awareness and training among MFI staff, resulting in inadvertent discrimination

or exclusion of disabled individuals. Another crucial finding is the impact of societal attitudes and stigma towards disability on the accessibility of financial services.

Limbu (2014) evaluated the role of microfinance in poverty reduction and women empowerment. The objectives of the study were to assess the economic status of poor women before and after joining Microfinance Institutions (MFIs) in Bayarban V.D.C. Additionally, the study aimed to compare the impact of MFIs on the livelihoods of poor women in the same area. The findings revealed that participating in microfinance programs led to an increase in income for the women compared to their pre-participation status. Furthermore, the study observed that the women were able to enhance their savings rate, resulting in an improvement in their living standards and a significant reduction in poverty levels within the cooperatives.

Shankar (2013) examined the effectiveness of microfinance institutions (MFIs) in promoting financial inclusion in India, where the objective was to provide access to financial services for individuals who lacked it. The study employed two approaches: it analyzed the extent of microfinance penetration in the country and conducted field interviews with 103 MFI field officers. The findings revealed that while MFIs contributed to breaking down several barriers to financial inclusion, there were limitations to their outreach efforts. Firstly, MFI presence in the country was uneven, leaving out certain regions that were neglected by the banking sector. This suggested the need for policy incentives to encourage expansion into these underserved areas. Secondly, even in areas where MFIs operated, some financially excluded individuals still could not access their services due to operational constraints. To enhance access for a larger number of individuals and ensure its sustainability, MFIs were recommended to consider adopting more flexible operating models and offering account portability. Additionally, providing skill-based training was suggested to facilitate greater MFI membership and access to financial services.

Aryal (2013) analyzed the effectiveness of a rural development program, focusing on the Khilung Deurali VDC in Syangaja. The study primarily utilized primary data sources, complemented by secondary data sources. The research findings revealed a positive impact on the living standards of women, attributed to increased employment

opportunities and enhanced productivity. The study observed that the income generated by most women was sufficient to sustain their living standards for at least a year. Notably, the project demonstrated commendable performance in terms of loan disbursement and recovery during the study period, reaching a 100 percent success rate. The study concludes that the identification, encouragement, and training of local leadership, along with effective saving mobilization, loan disbursement, and recovery, should be fundamental objectives in any development program.

Adhikari and Shrestha (2013) conducted a study to assess the economic impact of microfinance in the Manamaiju VDC of Kathmandu, Nepal. The research primarily relied on primary data sources and adopted a descriptive research approach. The findings underscore the effectiveness of microfinance as a positive influencer on the economic well-being of the respondents and their families. Notably, microfinance played a pivotal role in generating additional income, enabling families to afford better-quality food, access modern healthcare services, and send their children to school. Consequently, the study concludes that microfinance has a significant impact on investment and savings within small households. Kafle (2011) conducted a research study on “Role of Microfinance Program on the Development of Rural Women in Shaktikhor V.d.c.” to carry out the objectives of finding out the changes in the business, employment and income of the beneficiaries and to analyze the contribution of micro financing program of USCCL Shaktikhor in health , nutrition and sanitation. As a finding, most of the borrower had taken the loan for agriculture and livestock purpose. But the out put from the agricultural sector is very low due to the lack of knowledge of up to date farming techniques and improved seeds. Also, most of the women are economically active to make decision about their personal health and treatment as well.

Shankar (2011) addressed the critical issue of financial inclusion and assesses the role of microfinance programs in enhancing access to financial services for low-income groups. The overarching objective of the research is to evaluate how microfinance initiatives, specifically the self-help group bank linkage program (SBLP) and the microfinance institution (MFI) model, address barriers to financial inclusion and facilitate expected outcomes in the Indian context. The research framework is constructed based on case

studies and qualitative research methods, focusing on the sector level, microfinance provider level, and microfinance member level. The research findings highlighted the significance of factors that influence microfinance penetration and underscored the need for diversifying financial services beyond microcredit

Poudel (2008) examined the economic impact of micro Finance to upliftment of women made research with the objectives of finding out the economic impact of micro-finance in uplifting the economic condition of women and small farmers in Palpa and analyzing the change in socio- economic and education condition of the rural people especially women before and after participating in programs of Co-operative. As a finding, most of the women beneficiaries of the micro-finance program were relatively poor. Women having no income of their own. So the program seems target group oriented and the women beneficiaries of the micro-finance program have improved their earning and equally stimulated their living standard. Repayment rate of the program is 80 percent in Palpa district. Though the loan has not seemed to be utilized on the said purpose but they have been paying on time from other sources. The death of animal kept, lack of appropriate market knowledge, lack of sufficient supervision due to low number of staff are the main reason of not having 100 percent payment rate.

2.3 Research Gap

While there have been studies exploring the role of Microfinance Institutions (MFIs) in promoting financial inclusion in Nepal, there is a research gap in understanding the specific mechanisms and strategies employed by MFIs to reach marginalized and underserved populations in remote areas of the country.

There have been many studies conducted relying on the subject of MFIs in the context of Nepal and outside Nepal. With the objective of the study is to identify and analyze the key determinants that influence the performance of microfinance institutions in Nepal, Chaulagain and Lamichhane (2022) investigated the factors influencing the performance of microfinance institutions (MFIs) in Nepal. Similarly, Pokhrel (2023) examined the impact of microcredit on household consumption and assets in Nepal. Gautam (2021) highlighted the role of microfinance services and its significance in poverty reduction and income generation among beneficiaries. Jain (2020) has examined the relationship

between microfinance initiatives and the empowerment of women. Similarly, there are so many researches are existed but the existing research often focuses on the overall impact of MFIs on financial inclusion without delving into the nuanced approaches utilized by MFIs to overcome geographic, cultural, and socioeconomic barriers in Nepal. Therefore, there is a need for research that examines the innovative practices, contextual challenges, and success factors that enable MFIs to effectively promote financial inclusion among the most vulnerable and hard-to-reach segments of the Nepalese population This research gap calls for an in-depth exploration of the strategies, interventions, and partnerships that MFIs adopt to expand their outreach and enhance financial inclusion in remote and marginalized communities of Nepal.

Another importance of this study may be viewed from its contribution to fill gap between the previous studies with recently updated data set that exist in present Nepalese MFIs industry and also finding of this study can add value to the existing body of the literature. The recent ten years data analyzed with universally renowned analysis tools has carried out the role of MFIs in promoting financial inclusion in Nepal.

CHAPTER III

RESEARCH METHODOLOGY

This chapter presents research design and the whole methodology that systematically solve the research problem. It is the basic framework and blue print of overall study. The purpose of this chapter is to provide an overview of the research. It is necessary to determine and describe the research methodology before analyzing and interpreting of the data. Various steps adopted by researcher on analyzing the data on research problem along with logic behind the covered on this chapter. It is aimed to explain the process of conducting research and the process includes research design, research method used, target population, sampling procedure, data collection, statistical tools used for analytical purpose. It is also defined as part of the body of the report that explains the research design, sampling procedure, and other technical procedures used for collecting data. Research methodology helps to find out the accuracy, validity and suitability of the study.

3.1 Research Design

This study has adopted specially descriptive and casual research design. The research refers the overall strategy that a researcher chooses to integrate the different components of the study in a rational and logical way. Research design is the plan, structure and strategy of study considered so as to obtain answers to research questions and to control variances. Research methodology is the way to solve the problem and make analysis systematically and scientifically. It is a set of methods and procedures for conducting the study.

Data and information are collected from various sources of ten fiscal years. Necessary and important data have been taken for the study and arranged them in useful manner. Then the data are analyzed with appropriate financial and statistical tools. Mainly quantitative analysis of data is incorporated in this study.

Combining qualitative and quantitative approaches mixed-methods research design has been adopted to conduct this study. For the quantitative aspect, conducting surveys or using existing data to gather numerical insights on the impact of MFIs on financial inclusion metrics in Nepal. This can help provide statistical evidence and trends.

Qualitatively, interviews or focus group discussions with MFI clients, staff, and policymakers can offer a deeper understanding of the experiences, challenges, and perceptions related to financial inclusion. This can provide valuable context to complement the quantitative findings.

By integrating both methods, it will facilitate to triangulate the results, gaining a more comprehensive and nuanced understanding of the role of MFIs in promoting financial inclusion in Nepal.

3.2 Population and Sample and, sampling design

As this study is being conducted on the Role of Microfinance Institutions in Promoting Financial Inclusion in Nepal, “Microfinance / industry” are the population. On the other hand, selection of samples is also important for the research. In order to select the samples, appropriate sampling design should be selected. In this study purposive sampling design is selected to select the samples. This is because of availability of the data in the industry.

Purposive sampling is a non-probability sampling technique where researchers deliberately choose participants based on specific characteristics or qualities relevant to the research study's purpose. The samples are selected due to some reasons. The first reason is, among 63 MFIs are in operation in Nepal, most are registered in recent years and they are still growing and in practicing phase. The second reason is, there are only few researches have been conducted on the samples. The third reason is associated with the financial transaction of the MFIs, volume of saving and credit, progressive number of branches, number of groups, number of service reach in districts and number of members etc. As purposive sampling, reference microfinance samples for this study are;

- Chhimek Laghubitta Bittiya Sanstha Limited (CLBSL)
- Janautthan Samudayic Laghubitta Bittiya Sanstha Limited (JSLBSL)
- Laxmi Laghubitta Bittiya Sanstha Limited (LXLB)
- Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NUBL)
- Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited (SKBBL)

3.2.1 Introduction of Sample MFIs

A) Chhimek Laghubitta Bittiya Sanstha Limited (CLBSL)

Chhimek Laghubitta Bittiya Sanstha Ltd (CBBL) was established in September 2001 and obtained a micro-finance banking license from the Nepal Rastra Bank in November 2001. It originated from the micro-finance initiative implemented by Neighborhood Society Service Centre (NSSC), a national level NGO, operating in Mahottari and Chitwan regions of central Nepal since the 1990s. The primary objective of Chhimek is to enhance the financial services accessibility for impoverished and marginalized women members. It aims to foster a savings culture, encourage income generation, facilitate micro-enterprise development, and provide social security services to its members. Chhimek's stakeholders include prominent commercial banks, Neighborhood Society Service Centre (NSSC), and individual shareholders. The company is listed on the Nepal Stock Exchange (NEPSE) under the symbol CBBL. Since its establishment, Chhimek has been providing value-added services to its members.

Chhimek has formed partnerships with the Central Bank of Nepal, the Government of Nepal, and development agencies to enhance financial access for poor and marginalized women in the country. Collaborations with UKAid/DFID and UNNATI/UNCDF aim to adopt innovative IT-based micro-finance distribution channels, enabling broader access to micro-finance, including value chain development products and services, reaching underserved populations throughout Nepal.

B) Janautthan Samudayic Laghubitta Bittiya Sanstha Limited (JSLBSL)

Janautthan Samudayic Laghubitta Bittiya Sanstha Limited, commonly known as Janautthan Laghubitta, is a microfinance institution based in Nepal. It is licensed by the Nepal Rastra Bank, the central bank of Nepal, and operates as a specialized financial institution that provides microfinance services to underserved and marginalized communities in the country. It aims to uplift the socio-economic status of disadvantaged individuals and communities by providing them with access to financial services. It focuses on empowering rural households, women, and low-income individuals by offering them financial support, entrepreneurial training, and other development services.

The institution follows the principles of microfinance, which involve providing small loans to individuals who lack access to traditional banking services. These loans are

typically used for income-generating activities such as agriculture, livestock, small-scale businesses, and cottage industries. By supporting these income-generating activities, Janautthan Laghubitta aims to create sustainable livelihoods and reduce poverty in rural areas. In addition to financial services, Janautthan Laghubitta provides various non-financial services to its clients. These services include financial literacy training, business development support, skill enhancement programs, and awareness campaigns on social issues like gender equality, health, and sanitation. By offering holistic support, the institution aims to build the capacity of its clients and foster their overall development.

Janautthan Laghubitta operates through a network of branches spread across different regions of Nepal. The organization takes a client-centric approach, valuing the needs and aspirations of its clients. It maintains strong relationships with its customers, promoting transparency, accountability, and ethical practices in its operations. As a microfinance institution, Janautthan Laghubitta contributes to the inclusive growth of Nepal's economy by bridging the financial gap and promoting entrepreneurship in rural areas. By providing financial services and support, it plays a crucial role in creating employment opportunities, improving living standards, and empowering marginalized communities. Janautthan Samudayic Laghubitta Bittiya Sanstha Limited is an important player in Nepal's microfinance sector. Through its comprehensive approach, it strives to bring about positive social and economic changes in the lives of underserved communities, contributing to the country's sustainable development.

C) Laxmi Laghubitta Bittiya Sanstha Limited (LxLB)

Laxmi Laghubitta Bittiya Sanstha Limited (LxLB), a microfinance subsidiary of Laxmi Bank Limited (a commercial bank of Nepal), is a microfinance institution licensed by Nepal Rastra Bank, the central bank of Nepal. LxLB is the first microfinance institution in Nepal to be registered as a subsidiary of a commercial bank. It was registered as a limited company on November 30, 2010. LxLB obtained an operating license from the central bank as a "D" class (National Level) financial institution on March 6, 2012, operating under the Bank and Financial Institution Act 2003. Microfinance operations officially commenced on June 4, 2012, starting with the first branch office in Battar, Nuwakot. The institution aims to be a pioneer microfinance provider dedicated to enhancing the quality of life for economically disadvantaged individuals in Nepal. It

offers customer-friendly financial products and services to underserved communities and promotes economic activities in un-served and underserved areas of Nepal through both digital and traditional channels. LxLB is committed to delivering its products and services responsibly and sustainably.

D) Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NUBL)

Nirdhan Utthan Laghubitta Bittiya Sanstha microfinance institution established in November 1998 under the Company Act of Nepal 1997 (now Company Act 2006). In April 1999, Nepal Rastra Bank, the Central Bank of Nepal, granted a license for Nirdhan Utthan to engage in banking activities under the Development Bank Act 1996. Its formal operations began in July 1999. Currently operating under the Bank and Financial Institutions Act 2017, Nirdhan Utthan offers microfinance services such as loans, deposits, micro-insurance, and remittance services to low-income families in Nepal. It follows a group lending approach based on the Grameen Bank, Bangladesh model, as well as a self-reliant group model developed by Nirdhan Utthan through its network of 181 branch offices across all 77 districts of Nepal.

Although legally established as a company in 1998, Nirdhan Utthan's operations are a continuation of microfinance services provided by the NIRDHAN NGO, which had been offering such services since March 1993. The story behind the establishment of "NIRDHAN" dates back to 1986 when Dr. Harihar Dev Pant, a senior officer with the Central Bank of Nepal, visited the Grameen Bank in Bangladesh. Inspired by this visit, he initiated a microfinance program in Nepal, resulting in the birth of "NIRDHAN" or "People Without Money" in 1991. NIRDHAN commenced its microfinance operations in March 1993. As an NGO, NIRDHAN had limited resources and capacity to meet the unmet demand of impoverished individuals throughout the country. Consequently, Nirdhan Utthan Laghubitta Bittiya Sanstha Limited was established and began its operations under the Development Bank Act 1996. In July 1999, NIRDHAN transferred all its microfinance operations to Nirdhan Utthan.

E) Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited (SKBBL)

Sana Kisan Bikas Laghubitta Bittiya Sanstha Ltd. (SKBBL) was established on July 6, 2001, and registered under the Company Act at that time. It obtained a license as a national-level wholesale lending microfinance institution ("D" class) from the Central Bank of Nepal, following the Bank and Financial Institution Act (BAFIA) at the time.

SKBBL firmly believes that poverty can be alleviated by creating and supporting community-based sustainable cooperatives, owned and managed by smallholder farmers themselves at the local level. In line with this conviction, SKBBL provides wholesale credit and technical support services to Small Farmer Agricultural Cooperatives (SFACLs) specifically, and to other community-based cooperatives in general.

In 2003, SKBBL was awarded USD 50,000 through the PPIC program by CGAP/World Bank to establish a revolving fund for the replication of SFACLs in rural areas of Nepal, aiming to enhance financial inclusion. Additionally, in 2014, SKBBL received recognition as the "Best Managed Microfinance Development Bank." The Rural Enterprise Financing Project implemented by SKBBL was also honored for its exemplary work during the COVID-19 Pandemic in 2020, receiving an award from the Ministry of Finance and Asian Development Bank.

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

This research is based on both primary and secondary data as per the requirement. Secondary data will be used to analyze the historical trend and the primary data to study the role of microfinance institutions in promoting financial inclusion in Nepal.

In this research study on the role of Microfinance Institutions (MFIs) in promoting financial inclusion in Nepal, a combination of data collection instruments will be employed. Surveys and structured questionnaires will be used to quantitatively assess the impact of microfinance services on financial access, usage, and economic empowerment. Interviews with MFI stakeholders will provide qualitative insights into strategies, challenges, and transformative impacts. Secondary data sources will contextualize findings within Nepal's socio-economic landscape, while financial and operational data from MFIs will offer insights into their performance and outreach. The comprehensive approach, combining surveys, interviews, secondary data, and financial records, will provide a well-rounded analysis of how MFIs contribute to financial inclusion and poverty reduction in Nepal.

3.4 Methods of Analysis

The dissertation employs both statistical methods and computer software such as MS Word, SPSS, and MS Excel to analyze the data and arrive at research conclusions. The

study covers a decade of data, from 2012/13 to 2021/22, which will be presented in well-structured tables for easy comparison and interpretation. Various statistical techniques will be utilized to effectively analyze the gathered data and extract valuable insights to support the research objectives.

Mean

The mean is a fundamental statistical measure that helps describe the central tendency of a dataset. It represents the average value of a set of numerical data points and is denoted by the symbol " \bar{x} " for the sample mean. To calculate the mean, all the data points in the dataset are summed, and the total is then divided by the number of data points. This process yields a single value that represents the typical or average value of the dataset. As a measure of central tendency, the mean is particularly useful in this research topic when dealing with variables such as savings, credits, number of clients and outreaches etc. Additionally, the mean can be utilized to analyze the average income or average response to a survey question. Overall, the mean provides researchers with valuable information about the typical value in the dataset and serves as a useful tool in summarizing and understanding numerical data.

Mean is calculated using the below formula;

$$\text{Mean (X)} = \frac{\sum X}{N}$$

x = Value of responses of each independent or dependent variable

N = Number of observations

\sum = Sum of value of all items

Standard Deviation

The standard deviation is a vital statistical measure utilized to characterize the variability of data. It signifies the average extent to which individual observations deviate from the mean, providing insights into the data's dispersion. In this research, standard deviation is computed for all the relevant variables. The formula for standard deviation involves the positive square root of the mean squared deviation from the arithmetic mean. A higher standard deviation indicates more significant variability in the data. The standard deviation helps researchers understand the distribution and

characteristics of the variables, providing valuable insights for analysis and interpretation. Standard deviation is obtained by using the below formula;

$$\text{Standard Deviation (SD)} = \sqrt{\frac{\sum(X-\bar{X})^2}{N}}$$

Where,

S = Standard Deviation of a sample

Σ = Sum of

X = each value in the data set

\bar{X} = mean of all values in the data set

N = Number of values in the data set

Coefficient of Variation

The Coefficient of Variation (CV) computes the connection between the standard deviation and the mean. It serves as a relative measure of dispersion, expressing the variability as a percentage in relation to the standard deviation. To calculate the CV, the coefficient of dispersion based on the standard deviation is multiplied by 100. This allows for a comparison of the variability between two distributions.

In this study, the coefficient of variation is computed for the variables that is used for the study. The formula for the coefficient of variation is as follows:

$$C.V. = \frac{\text{Standard Deviation}}{\text{Mean}}$$

The CV is a valuable tool for understanding the relative variability of the selected variables. By expressing the measure as a percentage, it allows for easy comparison and interpretation of the dispersion across different distributions.

Ratio Analysis

In this research, ratio analysis is also a vital tool used for assessing the sample co-operative's financial performance. It involves examining various financial ratios derived from the co-operative's financial statements to evaluate liquidity, solvency,

profitability, and efficiency. The analysis compares ratios over time and against industry peers to identify strengths and weaknesses. Necessary financial ratios are analyzed using appropriate formula.

Growth Ratios

Growth ratios, provide insights into a MFIs's growth and expansion over a specific period. These ratios help assess the MFIs's the successes on whether the MFI is successfully reaching out to more individuals in rural areas or marginalized communities. This can indicate the effectiveness of their strategies to overcome barriers to financial inclusion. Under this, growth of district served by MFIs, number of members, number of savers, number of borrowers, number of branches etc are evaluated. Growth ratios are evaluated using the below formula;

$$\text{Growth Rate} = \frac{\text{Last Year value} - \text{Current Year value}}{\text{Last Year value}} \times 100$$

Correlation

Correlation is a statistical technique employed to assess the degree of connection between two or more variables. When variations in one variable are linked to changes in another variable, they are considered to be correlated. If the objective is to examine the relationship between two variables, it is known as simple correlation. The coefficient of correlation is used to measure the extent of the relationship between two sets of data. In this study, Karl Pearson's method (using SPSS) is applied to calculate the coefficient of correlation, which helps determine the degree of relationship between independent and dependent variables for all samples. The coefficient of correlation is expressed as:

$$r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{[N\sum X^2 - (\sum X)^2]} \sqrt{[N\sum Y^2 - (\sum Y)^2]}}$$

Where,

N = Numbers of pairs in observation

X = Product of the first variable

Y = Product of the second variable

Regression Models

Regression is a statistical method used to assess the extent of the relationship between one dependent variable and one or more independent variables. It includes many techniques for modelling and analyzing several variables to understand the relationship between variables. In this study, regression is calculated for the observation to find out direction of relationship between independent variables and dependent variable for all samples. The theoretical model for the relationship is formulated as equation below:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

Where,

Y= dependent variable

X= independent variable

a= intercept of y

b= slope of line

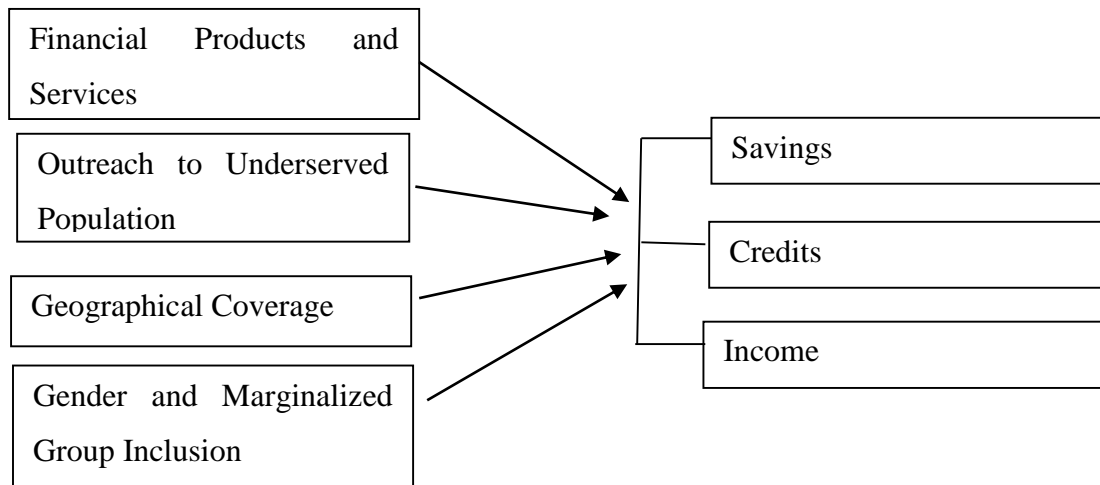
Calculation of a and b:

$$\text{slope}(b) = \frac{n \sum xy - (\sum x)(\sum y)}{n \sum x^2 - (\sum x)^2}$$

$$\text{intercept}(\alpha) = \frac{\sum y - b(\sum x)}{n}$$

3.5 Research Framework and Definition of Variables

The research framework is constructed to streamline the research process, drawing insights from the review of theories and empirical studies presented in the second chapter. The variables taken into account encompass the number of cooperative members, savings, credits, cooperative programs, training, as well as income levels and property ownership. The primary goal is to examine and establish the interrelationship between these variables within the context of the research topic.

Figure 1 *Conceptual Framework*

Source: Gautam (2021)

The variables can be defined as follows:

Independent variables

- Financial Products and Services
- Outreach to Underserved Population
- Geographical Coverage
- Gender and Marginalized Group Inclusion

Dependent variables

- Savings
- Credits
- Income

a. Financial Products and Services

In this research, “financial products and services” serve as a crucial independent variable. MFIs offer a diverse range of financial solutions, including microloans, savings accounts, and more, addressing the financial needs of underserved communities. These offerings empower individuals economically, fostering entrepreneurship, savings habits, and financial resilience. Through microloans, individuals can start or expand businesses, contributing to local economic development and poverty reduction. Savings accounts encourage financial planning even in remote areas. Analyzing the impact of these financial products is essential to understanding the role of MFIs in advancing financial inclusion.

b. Outreach to Underserved Population

“Outreach to Underserved Population” is another crucial independent variable. It signifies the efforts of MFIs to reach marginalized and underserved communities, fostering financial inclusion. As a result, Savings, Credits, and Income become dependent variables, positively influenced by effective outreach initiatives. Enhanced access to savings accounts and microloans empowers individuals economically, leading to improved income levels and overall financial well-being. This research highlights the significant role of MFIs in promoting financial inclusiveness and its positive impact on underserved populations.

c. Geographical Coverage

In the research " Geographical Coverage is another critical independent variable. It represents the extent of MFIs' reach to diverse regions, including rural and underserved areas. As a result, Savings, Credits, and Income become dependent variables, influenced by the geographic reach of MFIs. Broad coverage allows for increased access to savings accounts and microcredit, empowering individuals economically and leading to improved income levels. This research highlights the importance of MFIs' geographic outreach in fostering financial inclusion and its positive impact on diverse communities.

d. Gender and Marginalized Group Inclusion

"Gender and Marginalized Group Inclusion” is another crucial independent variable in this research. It highlights MFIs' efforts to promote gender equality and the inclusion of marginalized communities. As a result, Savings, Credits, and Income become dependent variables, influenced by the inclusion of these groups. Active promotion of financial inclusion empowers women and marginalized communities through increased access to savings accounts and microcredit, leading to improved financial well-being and poverty reduction. This research emphasizes the transformative impact of MFIs in fostering financial inclusion and social equity for all segments of society.

e. Savings

In this research “savings” serve as a significant dependent variable. MFIs' offerings, outreach to underserved populations, geographical coverage, and gender and marginalized group inclusion all impact individuals' savings behavior positively. By providing accessible financial products, reaching diverse communities, and

empowering marginalized groups, MFIs foster a culture of savings, contributing to financial inclusion and economic development. Understanding the relationship between MFIs and savings behavior highlights their pivotal role in promoting financial empowerment and inclusivity.

f. Credits

In the research on the "Role of Microfinance Institutions (MFIs) in Promoting Financial Inclusion," credit serves as a significant dependent variable. MFIs' offerings, outreach to underserved populations, geographical coverage, and gender and marginalized group inclusion impact individuals' access to credit positively. Through microcredit provision and tailored financial products, MFIs empower entrepreneurs and small businesses, fostering local economic development. Their extensive outreach and inclusive practices bridge the credit gap, enabling underserved communities to access credit and improve their economic prospects. Understanding the relationship between MFIs and credit access emphasizes their vital role in promoting financial empowerment and inclusiveness.

g. Income

Income serves as a significant dependent variable. MFIs' offerings, outreach efforts, geographical coverage, and gender and marginalized group inclusion impact individuals' income levels positively. Through access to financial products and services, such as microloans and savings accounts, MFIs empower individuals economically, leading to increased income and improved financial well-being. The inclusiveness of their practices fosters income equality and social upliftment. Understanding the relationship between MFIs and income levels highlights their pivotal role in promoting financial empowerment and overall financial inclusion.

CHAPTER IV

RESULTS AND DISCUSSION

This chapter will introduce the data using tables and figures. The primary objective of the study is to present the data and analyze it utilizing diverse financial and statistical methodologies. Within this chapter, empirical data will be both analyzed and presented. The significant variables, which are highly sensitive and carefully considered, will be examined in terms of savings, credit, incomes and other independent variables associated with it. This analysis provides insights into the organization's strengths and weaknesses, historical performance, and status of financial inclusion by MFIs. The analysis employs financial tools, encompassing graphical representations and trend analysis to explore relationships among specific variables. Furthermore, the study takes into account variables that influence role of MFIs in promoting financial inclusion and explores these connections through data presentation and various financial tools, revealing the intricate relationships affecting financial inclusion.

4.1 Financial Inclusion by MFIs Through Micro (Saving/Credit)

Systematic collection and analysis of secondary data were conducted to extract empirical insights. This covered the utilization of published annual reports, balance sheets, prospectuses, academic journals, magazines, articles, government and university publications, as well as sources like the Nepal Rastra Bank (NRB) and websites of selected banks. These secondary sources were employed to investigate the trend of credit, savings, credit deposit ratio and other related variables.

4.1.1 Descriptive Statistics of Credit

Table 2 showcases the descriptive characteristics concerning loans and borrowings (credit) across various banks. Notably, the Chhimek exhibits the highest mean value at 1498.64, followed by the Sana at 1421.01%, the Nirdhan 1065.06%, the Laxmi at 304.64%, and the Jana at 77.73%. Furthermore, the statistics of Credit amount (in 0000) are 665.75, 11.30, 70.09, 112.83 and 309.34 respectively of Chhimek, Jana, Laxmi, Nirdhan and Sana in the beginning year of the study. Finally, the ratio has reached to 3342.49, 235.68, 782.08, 2769.11 and 3002.20 in the final year of the study. Conversely, the highest mid value surfaces in the fiscal year 2022 at 2026.31%,

while the lowest is documented in 2013 at 233.86%. As for standard deviation, the Sana stands out with the highest value of 974.03, trailed by the Chhimek at 902.24, the Nirdhan at 870.50, the Laxmi at 213.97, and the Jana at 71.92. Remarkably, the peak standard deviation occurs in the fiscal year 2022 at 1264.19, while the lowest is recorded in 2014 at 190.97.

Table 2

Descript Statistics of Credit

in '0000'

Year/Banks	Chhimek	Jana	Laxmi	Nirdhan	Sana	Mean	S.D.	C.V.
2013	665.75	11.30	70.09	112.83	309.34	233.86	238.00	101.77
2014	76.49	16.79	102.32	445.31	456.31	219.44	190.97	87.02
2015	887.90	26.57	128.95	690.12	789.12	504.53	355.51	70.46
2016	968.59	34.16	140.11	1,023.10	1,103.41	653.88	465.93	71.26
2017	1,251.42	58.17	221.61	1,232.84	1,399.49	832.71	570.97	68.57
2018	1,440.93	77.70	276.76	165.30	178.09	427.76	510.50	119.34
2019	1,975.54	141.17	363.25	1,963.96	2,045.71	1,297.93	857.16	66.04
2020	1,937.41	156.86	442.35	2,015.08	2,137.23	1,337.78	854.84	63.90
2021	2,439.91	18.90	518.91	232.90	2,789.23	1,199.97	1,171.08	97.59
2022	3,342.49	235.68	782.08	2,769.11	3,002.20	2,026.31	1,264.19	62.39
Mean	1,498.64	77.73	304.64	1,065.06	1,421.01	-	-	-
S.D.	902.24	71.92	213.97	870.50	974.03	-	-	-
C.V.	60.20	92.52	70.24	81.73	68.54	-	-	-

Source: Data collected from annual reports of studied MFIs.

4.1.2 Descriptive Statistics of Savings

Table 3 presents the descriptive characteristics concerning Savings across the taken sample MFIs. Notably, the Chhimek exhibits the highest mean value at 1256.20%, followed by the Nirdhan at 707.91%, the Laxmi 103.27%, the Jana at 31.09%, and the Sana at 0%. Furthermore, the statistics of savings are 432.57, 1.20, 9.83, 118.44 and 0 respectively of Chhimek, Jana, Laxmi, Nirdhan and Sana in the beginning year of the study. Finally, the saving amount (in 0000) has reached to 2701.95, 81.23, 255.15, 1818.28 and 0 in the final year of the study. Conversely, the highest mid value surfaces in the fiscal year 2022 at 971.32%, while the lowest is documented in 2013 at 112.41%. As for standard deviation, the Chhimek stands out with the highest value of 1256.20, trailed by the Nirdhan at 707.91, the Laxmi at 82.85, the Jana at 27.98, and the Sana at 0. Remarkably, the peak standard deviation occurs in the fiscal year 2022 at 971.32, while the lowest is recorded in 2013 at 112.41.

Table 3

Descriptive Statistics of Savings

in '0000'

Year/Bank	Chhimek	Jana	Laxmi	Nirdhan	Sana	Mean	S.D.	C.V.
2013	432.57	1.20	9.83	118.44	-	112.41	166.17	147.83
2014	454.57	2.23	18.79	221.89	-	139.50	178.29	127.81
2015	600.92	4.91	32.02	399.09	-	207.39	247.54	119.36
2016	692.95	7.98	39.77	427.27	-	233.59	279.84	119.80
2017	906.83	13.99	66.13	623.04	-	322.00	373.28	115.93
2018	1,156.55	35.59	98.10	871.10	-	432.27	484.36	112.05
2019	1,538.73	40.88	130.85	1,104.89	-	563.07	635.93	112.94
2020	1,866.60	53.81	152.03	1,334.16	-	681.32	770.61	113.11
2021	2,210.35	69.09	229.99	160.91	-	534.07	841.79	157.62
2022	2,701.95	81.23	255.15	1,818.28	-	971.32	1,091.88	112.41
Mean	1,256.20	31.09	103.27	707.91	-	-	-	-
S.D.	751.84	27.98	82.85	536.06	-	-	-	-
C.V.	59.85	89.99	80.23	75.72	-	-	-	-

Source: Data collected from annual reports of studied MFIs.

4.1.3 Descriptive Statistics of Credit Deposit Ratio

Table 4

Credit Deposit Ratio (CDR)

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana	Mean	S.D.	C.V.
2013	153.91	942.36	712.69	95.26	-	380.84	375.11	98.49
2014	16.83	753.19	544.50	200.69	-	303.04	298.38	98.46
2015	147.76	540.62	402.68	172.92	-	252.79	193.20	76.42
2016	139.78	428.34	352.35	239.45	-	231.98	151.93	65.49
2017	138.00	415.81	335.14	197.88	-	217.37	146.41	67.36
2018	124.59	218.33	282.12	18.98	-	128.80	109.72	85.18
2019	128.39	345.33	277.60	177.75	-	185.81	119.80	64.47
2020	103.79	291.51	290.95	151.04	-	167.46	112.25	67.03
2021	110.39	27.35	225.62	144.74	-	101.62	81.43	80.13
2022	123.71	290.14	306.52	152.29	-	174.53	113.42	64.99
Mean	118.71	425.30	373.02	155.10	-	-	-	-
S.D.	37.05	251.40	140.63	58.39	-	-	-	-
C.V.	31.21	59.11	37.70	37.65	-	-	-	-

Source: Data collected from annual reports of studied MFIs.

Table 4 presents the descriptive characteristics of Credit Deposit Ratio (CDR) concerning to the taken sample MFIs of this study. Notably, the Jana exhibits the highest mean value at 425.30%, followed by the Laxmi at 373.02%, the Nirdhan 155.10%, the Chhimek at 118.71%, and the Sana at 0%. Furthermore, the statistics of CDR are 153.91%, 942.36%, 712.69%, 95.26% and 0 respectively of Chhimek, Jana,

Laxmi, Nirdhan and Sana in the beginning year of the study. Finally, the CDR (in %) has reached to 123.71%, 290.14%, 306.52%, 152.29% and 0 in the final year of the study. Conversely, the highest mid value surfaces in the fiscal year 2013 at 380.84%, while the lowest is documented in 2021 at 101.62%. As for standard deviation, the Jana stands out with the highest value of 251.40, trailed by the 140.63, Nirdhan at 58.39, the Laxmi at 37.05 and the Sana at 0. Remarkably, the peak standard deviation occurs in the fiscal year 2013 at 375.11, while the lowest is recorded in 2021 at 81.43.

4.2 Reach of MFIs in Marginalized Groups

In this section, various questionnaires were asked to respondents basically with the members of MFIs who are taking the service from MFI. Responses were collected from respondents then tabulated and analyzed. Specially, the information relating to demographic background of respondents, their saving pattern, perception on saving, change in their income level and credit taking behavior were collected.

4.2.1 Demographic background of respondents

Table 5 offers a comprehensive insight into the distribution of respondents based on their age groups within a conducted survey. The table systematically categorizes participants into distinct age ranges and presents both the count of respondents and the corresponding proportions for each age category. Among the respondents, the age group "18-25" comprises 38 individuals, constituting 25% of the total participant count. The "26-35" category encompasses 52 respondents, representing the largest segment at 35%. Those aged "36-45" make up 32 participants, accounting for 21% of the respondent pool. The "46-55" age group encompasses 21 respondents, contributing to 14% of the total. The final age category, "56 and above," is represented by 7 participants, constituting 5% of the participant distribution.

Table 5
Distribution of Respondents by age group

Age Group	Respondents	Percentage
18-25	38	25%
26-35	52	35%
36-45	32	21%
46-55	21	14%
56 and above	7	5%
Total	150	100%

Source: Field Survey 2023

4.2.2 Distribution of Respondents by Education

Table 6 provides a comprehensive overview of the educational background of respondents in a conducted survey. The table categorizes participants based on their levels of education and presents both the number of respondents and the corresponding percentages for each educational group. Among the participants, 11 individuals, constituting 7% of the total, reported having completed education at the Primary School or Below level. The Basic Level Education group, which encompasses 29 respondents, represents 19% of the participant pool. Those with a Secondary Level (S.E.E.) education comprise 42 respondents, accounting for 28% of the total. The Higher Secondary Level (+2) category includes 48 participants, reflecting 32% of the respondent count. Respondents with a Bachelor's Degree represent 17 individuals, contributing to 11% of the study's participants. Additionally, the Postgraduate Degree group comprises 3 respondents, constituting 2% of the total.

Table 6
Distribution of Respondents by Education

Education	Respondents	Percentage
Primary School or Below	11	7%
Basic Level Education	29	19%
Secondary Level (S.E.E.)	42	28%
Higher Secondary Level (+2)	48	32%
Bachelor's Degree	17	11%
Postgraduate Degree	3	2%
Total	150	100%

Source: Field Survey 2023

4.2.3 Distribution of Respondents by Gender

Table 7 presents a breakdown of respondents categorized by gender in a conducted survey or study. The table showcases the distribution of participants across different gender groups, accompanied by their respective counts and proportions. Among the respondents, 22 individuals identified as male, constituting 15% of the total participant pool. On the other hand, the female category accounted for a larger proportion, with 128 respondents, equivalent to 85% of the total respondents. Notably, the "Others" category did not have any respondents.

Table 7
Distribution of Respondents by Gender

Gender	Respondents	Percentage
Male	22	15%
Felale	128	85%
Others	-	0%
Total	150	100%

Source: Field Survey 2023

4.2.4 Savings

The research focused on individuals' engagement with Microfinance Institutions (MFIs) regarding savings behaviors and motivations. Participants with MFIs savings accounts contribute at varying frequencies—daily, weekly, monthly, or occasionally tailored to their financial capabilities. Motivations include accessing credit opportunities, interest rates, financial security, emergency funds, and future investment. Satisfaction levels with MFIs' savings products and services varied among participants, indicating areas for improvement. The study underscores MFIs' role in addressing short-term needs and long-term financial goals, highlighting their significance in promoting financial inclusion and stability.

4.2.4.1 Saving pattern of Respondents

Table 8
Saving pattern (on Saving Accounts) of Respondents

Periods	Respondents	Percentage
Daily	19	13%
Weekly	32	21%
Monthly	45	30%
Occasionally	54	36%
Total	150	100%

Source: Field Survey 2023

Table 8 presents the distribution of respondents' saving patterns on their savings accounts within the studied group. The data reveals a diverse range of saving behaviors among the participants. A noteworthy 30% of respondents contribute on a monthly basis, indicating a disciplined approach to setting aside funds. Weekly contributors account for 21%, suggesting a more frequent commitment to savings. Additionally, 36% of respondents save occasionally, reflecting a flexible approach based on their financial circumstances. Intriguingly, a smaller portion of participants, 13%, contribute on a daily basis, indicating a highly proactive and frequent savings

approach. These findings highlight the array of strategies individuals employ to save with Microfinance Institutions, demonstrating the varied financial habits and preferences within the sample group.

4.2.4.2 Motivating Factor to Save With an MFI

Table 9 provides insights into the motivations for saving with Microfinance Institutions (MFIs) among respondents. The data highlights diverse reasons behind individuals' engagement with MFIs' savings accounts. Notably, 48% of participants are driven by the opportunity to access credit, showcasing MFIs' role in expanding financial access. Around 21% are motivated by attractive interest rates and financial returns, while 15% prioritize building financial security and emergency funds through MFIs. Additionally, 16% of respondents see MFIs as a means for future investment and planning. These findings collectively underscore MFIs' multifaceted impact on fostering financial inclusion, security, and growth for various individuals.

Table 9
Motivating Factor to save with an MFI

Motivating Factors	Respondents	Percentage
Access to credit opportunities	72	48%
Interest rates and financial returns	32	21%
Financial security and emergency funds	22	15%
Future investment and planning	24	16%
Total	150	100%

Source: Field Survey 2023

4.2.4.3 Satisfaction Level of Respondents

Table 10 presents an overview of respondents' satisfaction levels with the savings products and services provided by Microfinance Institutions (MFIs). The data provides valuable insights into the participants' overall experiences and perceptions of the offerings. A notable 38% of respondents express contentment, indicating a satisfactory experience with MFIs' savings products. Furthermore, 35% fall within the neutral category, suggesting a balanced perspective on their interactions with the institution. On the other hand, 14% of participants report dissatisfaction, while 4% indicate being very dissatisfied with the savings products and services. Additionally, 9% of respondents express a high level of satisfaction, showcasing instances of outstanding service. Overall, the data underscores the importance of continuously

improving MFIs' offerings to ensure a positive and impactful relationship with clients, while acknowledging the significant portion of satisfied participants.

Table 10

Satisfaction Level with the savings products and services offered by the MFI

Satisfaction Level	Respondents	Percentage
Very satisfied	14	9%
Satisfied	57	38%
Neutral	52	35%
Dissatisfied	21	14%
Very dissatisfied	6	4%
Total	150	100%

Source: Field Survey 2023

4.2.5 Credit

The research's second section focuses on credit and microloans, exploring participants' experiences and motivations for borrowing from Microfinance Institutions (MFIs) and formal financial institutions. The study unveils a significant number of respondents who have taken microloans, utilizing them for diverse purposes like business expansion, education, and home improvement. The impact of microloans varies, with some experiencing positive financial outcomes, while others face challenges with repayment. Factors influencing the decision to borrow include lower interest rates, group-based loan options, quick application processes, and limited access to credit elsewhere. This section provides insights into the complex dynamics of microloan utilization, shedding light on both the benefits and obstacles borrowers encounter in pursuit of their financial goals.

4.2.5.1 Impact of Microloan on Financial Situation

Table 11 presents an analysis of the impact of microloans on respondents' financial situations within the surveyed group. The data underscores the diverse outcomes experienced by borrowers after obtaining microloans. Approximately 29% of participants reported a positive effect, indicating that the microloan facilitated increased income and contributed to the growth of their businesses. Moreover, 42% of respondents found that the microloan provided them with moderate short-term relief, suggesting that these loans offer a tangible solution to address immediate financial needs. Conversely, 29% of participants faced challenges with loan repayment, highlighting the complexities associated with borrowing and repayment dynamics.

This distribution of responses underscores the nuanced nature of microloan impact, reflecting the array of financial scenarios individuals navigate when accessing credit through Microfinance Institutions and formal financial channels.

Table 11
Impact of Microloan on financial situation

Impacts	Respondents	Percentage
Positively, increased income and business growth	44	29%
Moderately, provided short-term relief	63	42%
Negatively, faced challenges with repayment	43	29%
Total	150	100%

Source: Field Survey 2023

4.2.5.2 Influencing Factor to Take a Microloan with MFI

Table 12 outlines the factors that influence individuals' decisions to take microloans from Microfinance Institutions (MFIs), shedding light on the key drivers behind their borrowing choices. The data underscores the diverse range of considerations that participants weigh when opting for microloans. Notably, 41% of respondents are drawn by the concept of group-based loans, suggesting the appeal of collective lending dynamics within communities. Lower interest rates and fees are a significant factor for 13% of participants, indicating the pivotal role of cost-effectiveness in their decision-making process. Additionally, 28% are motivated by the convenience of a quick and hassle-free application process, highlighting the importance of accessibility and user-friendly procedures. A notable portion of 18% chose microloans due to a lack of access to credit from alternative sources, reflecting the necessity for accessible financial solutions in underserved areas.

Table 12
Influencing Factor to take a microloan from an MFI

Influencing Factors	Respondents	Percentage
Lower interest rates and fees	19	13%
Group based loans	62	41%
Quick and hassle-free application process	42	28%
Lack of access to credit from other sources	27	18%
Total	150	100%

Source: Field Survey 2023

4.2.6 Income Level

It examines the correlation between income dynamics and engagement with Microfinance Institutions (MFIs). It delves into how participants perceive MFIs'

contributions to income growth and stability. Findings reveal varied income changes over the past year—increases, decreases, or stability. Participants attribute their income growth or stability to MFIs through access to credit for income-generating activities, financial advice, business support, and improved financial literacy. The section also explores the challenges and benefits associated with participants' income and financial situations due to their interaction with MFIs. This section offers a comprehensive understanding of how MFIs impact participants' income trajectories and overall financial experiences.

4.2.6.1 Income Level in the Past year due to MFIs Services

Table 13 provides insights into the income level changes experienced by respondents in the past year as a result of their engagement with Microfinance Institutions (MFIs) services. The data illustrates a diverse range of income dynamics within the surveyed group. Notably, 15% of participants reported an increase in their income levels, showcasing the positive impact of MFIs on facilitating income growth. Conversely, 50% experienced a decrease in their income, underscoring the challenges some individuals face despite their interaction with MFIs. Additionally, 34% reported that their income remained stable, suggesting that MFIs may play a role in providing stability amid potential external fluctuations. This distribution of responses highlights the complexities and variability in income changes that individuals encounter, demonstrating the multifaceted ways in which MFIs can influence participants' financial situations.

Table 13

Income level in the past year due to MFIs Services

Impact	Respondents	Percentage
Increased	19	15%
Decreased	62	50%
Remained Stable	42	34%
Total	123	100%

Source: Field Survey 2023

4.2.6.2 Role of MFIs in Contributing to Income Growth

Table 14 delves into the role that Microfinance Institutions (MFIs) play in contributing to respondents' income growth. The data showcases the diverse ways in which MFIs impact individuals' financial well-being. Notably, 15% of participants emphasize the role of MFIs in providing access to credit specifically for income-

generating activities, underscoring their crucial role in supporting entrepreneurial endeavors and income diversification. An impressive 50% of respondents acknowledge MFIs for offering financial advice and business support, highlighting the institution's pivotal role in enhancing participants' business acumen and decision-making capabilities. Moreover, 34% attribute their improved financial literacy and management skills to the MFIs, demonstrating the holistic approach these institutions adopt to empower individuals with essential financial knowledge. This distribution of responses underscores MFIs' multifaceted contributions to income growth, encompassing financial resources, guidance, and skills enhancement.

Table 14
Role of MFIs in Contributing to Income Growth

Contribution in Income Growth	Respondents	Percentage
Provided access to credit for income-generating activities	19	15%
Offered financial advice and business support	62	50%
Improved financial literacy and management skills	42	34%
Total	123	100%

Source: Field Survey 2023

4.3 Key Indicators of Financial Inclusion by MFIs

In this research study, the indicators selected to gauge the extent of financial inclusion by Microfinance Institutions (MFIs) encompass a comprehensive array of factors crucial to assessing their outreach and impact. Descriptive statistics pertaining to service reach and its growth, encompassing metrics such as the number of employees, branches, members, groups, and borrowers, offer a multifaceted perspective on the MFIs' role in enhancing financial inclusion. The growth curves of these indicators not only shed light on the evolution of MFIs' engagement with their target populations but also provide insights into the effectiveness of their initiatives over time. By examining the expansion of MFIs' operational footprint, workforce, and client base, this study delves into the broader socio-economic context of access to financial services. These indicators collectively serve as valuable tools for evaluating the multifarious dimensions of financial inclusion facilitated by MFIs.

4.3.1 Descriptive Statistics of Service Reach by MFIs

Table 15 presents a comprehensive depiction of the expansion of service coverage by different banks across various districts over the course of several years. The table tabulates the number of districts where each bank's services have reached in each

year. In 2013, Chhimek had extended its services to 45 districts, while Jana's services reached 4 districts, Laxmi covered 19 districts, Nirdhan operated in 75 districts, and Sana's services reached 51 districts. As the years progress, there is a consistent increase in the number of districts with service coverage for all banks. For example, by 2022, Chhimek's services are extended to 69 districts, Jana's reach remains constant at 19 districts, Laxmi covers 62 districts, Nirdhan maintains coverage across 77 districts, and Sana's services are present in 76 districts. This table provides a clear overview of the expanding reach of each bank's services across districts, demonstrating their geographic outreach and growth over the years.

Table 15
Number of Districts with Service Reached

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	45	4	19	75	51
2014	48	4	24	75	57
2015	51	6	28	75	61
2016	54	8	35	75	63
2017	56	11	40	75	66
2018	63	15	47	77	69
2019	67	19	52	77	69
2020	66	19	52	77	73
2021	67	19	60	77	74
2022	69	19	62	77	76

Source: Microfinance Institutions Supervision Department, NRB

Table 16 presents the percentage changes in the expansion of service reach across various MFIs over a span of ten years. The data outlines the yearly fluctuations in the number of districts where services have been extended, expressed as percentages. As the years progress, significant growth rates become apparent. In 2014, Chhimek experienced a growth of 7% in the number of districts it reached, Laxmi grew by 26%, and Sana expanded its service reach to 12% of the districts. Similarly, in subsequent years, varying growth rates are evident. By 2022, a 53% growth is observed for Chhimek, while Jana demonstrates remarkable growth of 375% in reaching more districts, Laxmi expands by 226%, Nirdhan increases its service reach by 3%, and Sana grows by 49%, collectively showcasing the evolving service reach of these banks over the decade.

Table 16
Growth Rate of Number of Districts with Service Reached

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	7%	0%	26%	0%	12%
2015	6%	50%	17%	0%	7%
2016	6%	33%	25%	0%	3%
2017	4%	38%	14%	0%	5%
2018	13%	36%	18%	3%	5%
2019	6%	27%	11%	0%	0%
2020	-1%	0%	0%	0%	6%
2021	2%	0%	15%	0%	1%
2022	3%	0%	3%	0%	3%
10 years Growth	53%	375%	226%	3%	49%

Source: Table 15

4.3.2 Descriptive Statistics of Number of Employees

Table 17
Number of Employees

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	323	20	102	425	60
2014	457	26	118	556	72
2015	502	43	140	692	78
2016	593	69	163	871	81
2017	611	89	203	933	85
2018	652	138	274	995	88
2019	643	210	308	1113	88
2020	1116	202	325	1182	88
2021	1116	214	353	1143	102
2022	1213	338	403	1190	96

Source: Microfinance Institutions Supervision Department, NRB

Table 17 provides a comprehensive overview of the number of employees employed by different MFIs across the ten years. The table presents the count of employees for each MFI in each respective year. In 2013, Chhimek had 323 employees, Jana employed 20 individuals, Laxmi had 102 employees, Nirdhan employed 425 individuals, and Sana had a workforce of 60 employees. As the years progress, the number of employees for each bank exhibits growth. For instance, by 2022, Chhimek's employee count has increased to 1213, Jana has 338 employees, Laxmi employs 403 individuals, Nirdhan maintains a workforce of 1190 employees, and Sana has 96 employees. This table provides valuable insight into the workforce

expansion of each MFI over the years, illustrating their organizational growth and changes in employment size.

Table 18
Growth Rate of Number of Employees

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	41%	30%	16%	31%	20%
2015	10%	65%	19%	24%	8%
2016	18%	60%	16%	26%	4%
2017	3%	29%	25%	7%	5%
2018	7%	55%	35%	7%	4%
2019	-1%	52%	12%	12%	0%
2020	74%	-4%	6%	6%	0%
2021	0%	6%	9%	-3%	16%
2022	9%	58%	14%	4%	-6%
10 years Growth	276%	1590%	295%	180%	60%

Source: Microfinance Institutions Supervision Department, NRB

Table 18 outlines the percentage changes in the number of employees across sample MFIs over the course of year 2013 to 2022. In 2014, Chhimek experienced a growth of 41% in its employee count, Jana grew by 30%, Laxmi by 16%, Nirdhan by 31%, and Sana by 20%. These trends continue with varying growth rates each year. In 2015, Chhimek grows by 10%, Jana by 65%, Laxmi by 19%, Nirdhan by 24%, and Sana by 8%. The 10-year growth displays a substantial increase in the number of employees across most MFIs, with Chhimek growing by 276%, Jana experiencing an impressive 1590% increase, Laxmi expanding by 295%, Nirdhan by 180%, and Sana by 60%, collectively signifying significant fluctuations in the number of employees over the decade.

4.3.3 Descriptive Statistics of Number of Branches

Table 19 offers a comprehensive representation of the number of branches operated by the sample MFIs over the study period. The table outlines the count of branches for each bank in each respective year. In 2013, Chhimek had 45 branches, Jana operated in 4 locations, Laxmi had 19 branches, Nirdhan operated across 89 branches, and Sana had 7 branches. As the years unfold, there is a discernible growth in the number of branches for each bank. By 2022, Chhimek's branches have expanded to 193, Jana maintains 39 branches, Laxmi's network has grown to 90 branches, Nirdhan's

presence has extended to 185 branches, and Sana's branch count has remained consistent at 11. This table provides valuable insight into the growth and expansion of each bank's physical presence over the years, reflecting their geographic outreach and expansion strategy.

Table 19
Number of Branches

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	45	4	19	89	7
2014	56	4	27	118	7
2015	70	8	33	140	8
2016	95	9	40	178	9
2017	109	27	51	178	9
2018	128	31	62	179	9
2019	134	39	67	181	10
2020	139	39	72	181	11
2021	192	39	76	181	11
2022	193	39	90	185	11

Source: Microfinance Institutions Supervision Department, NRB

Table 20
Growth Rate of Number of Branches

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	24%	0%	42%	33%	0%
2015	25%	100%	22%	19%	14%
2016	36%	13%	21%	27%	13%
2017	15%	200%	28%	0%	0%
2018	17%	15%	22%	1%	0%
2019	5%	26%	8%	1%	11%
2020	4%	0%	7%	0%	10%
2021	38%	0%	6%	0%	0%
2022	1%	0%	18%	2%	0%
Overall Growth	329%	875%	374%	108%	57%

Source: Microfinance Institutions Supervision Department, NRB

Table 20 provides a depiction of the percentage changes in the number of branches associated with different banks over the study period. In 2014, Chhimek experienced a growth of 24% in its branch count, Laxmi grew by 42%, Nirdhan by 33%, and Sana remained unchanged. Notably, Jana saw a 100% growth rate, doubling its branches. These trends continue with varying growth rates each year. In 2015, Chhimek grows

by 25%, Jana maintains its growth at 100%, Laxmi grows by 22%, Nirdhan by 19%, and Sana increases its branches by 14%. The 10-year growth shows an overall increase in the number of branches across most banks, with Chhimek showcasing a growth of 329%, Jana experiencing a remarkable 875% increase, Laxmi growing by 374%, Nirdhan expanding by 108%, and Sana growing by 57%, collectively indicating a notable fluctuation in the number of branches over the decade.

4.3.4 Descriptive Statistics of Number of Groups

Table 21 provides a comprehensive overview of the number of groups associated with different banks across various years. The table presents the count of groups for each bank in each respective year. In 2013, Chhimek had 32,908 groups, Jana operated with 1,098 groups, Laxmi had 4,051 groups, Nirdhan worked with 15,105 groups, and Sana had no recorded groups. As the years progress, there is a noticeable expansion in the number of groups associated with each bank. By 2022, Chhimek's groups have increased to 105,779, Jana operates with 13,866 groups, Laxmi's groups have grown to 17,457, Nirdhan's presence has extended to 48,848 groups, and Sana maintains no recorded groups. This table provides a valuable insight into the growth and expansion of each bank's group outreach over the years, showcasing their efforts to engage with various community and customer segments.

Table 21
Number of Groups

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	32,908	1,098	4,051	15,105	0
2014	39,301	1,765	5,430	23,066	0
2015	43,099	2,072	6,590	30,603	0
2016	57,016	2,479	7,375	38,024	0
2017	62,890	4,901	9,738	39,788.5	0
2018	70,624	6,982	12,102	41,553	0
2019	89,194	10,562	13,947	45,897	0
2020	96,945	11,778	14,973	45,933	0
2021	97,204	12,577	15,596	47,074	0
2022	105,779	13,866	17,457	48,848	0

Source: Microfinance Institutions Supervision Department, NRB

Table 22 provides insights into the percentage changes in the number of groups associated with the sample MFIs over ten years. The data illustrates the yearly fluctuations in the count of groups for each MFI. In 2014, Chhimek experienced a

growth of 19% in its group count, Jana grew by 61%, Laxmi by 34%, Nirdhan by 53%, and Sana remained unchanged. These trends continue with varying growth rates each year. It's worth noting that Sana maintained the same number of groups throughout the years. When considering the overall 10-year growth, there is growth observed in the number of groups across most banks, except for Sana which didn't experience any change. Chhimek showcases a growth of 69%, Jana grows by 92%, Laxmi at 77%, and Nirdhan at 69%, signifying fluctuations in the number of groups over the decade.

Table 22

Growth Rate of Number of Groups

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	19%	61%	34%	53%	0%
2015	10%	17%	21%	33%	0%
2016	32%	20%	12%	24%	0%
2017	10%	98%	32%	5%	0%
2018	12%	42%	24%	4%	0%
2019	26%	51%	15%	10%	0%
2020	9%	12%	7%	0%	0%
2021	0%	7%	4%	2%	0%
2022	9%	10%	12%	4%	0%
10 years Growth	69%	92%	77%	69%	0%

Source: Table 21

4.3.5 Descriptive Statistics of Number of Members

Table 23 depicts the count of members for each MFI in each respective year. In 2013, Chhimek had 68,782 members, Jana operated with 5,622 members, Laxmi had 21,598 members, Nirdhan had 77,422 members, and Sana had 102 members. As time progresses, there is a notable increase in the number of members for each MFI. By 2022, Chhimek's membership has grown to 417,470, Jana operates with 48,321 members, Laxmi's membership has expanded to 104,170, Nirdhan's membership reaches 397,596, and Sana maintains no recorded members. This table provides valuable insight into the growth and expansion of each bank's membership base over the years, indicating their ability to engage with and serve a broader range of customers and communities.

Table 23
Number of Members

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	68,782	5,622	21,598	77,422	102
2014	156,782	8,959	29,055	140,255	385
2015	203,676	10,291	38,939	221,022	489
2016	276,282	12,163	42,371	276,758	602
2017	300,232	23,672	55,619	296,782	641
2018	347,849	26,019	68,867	316,805	680
2019	364,254	37,627	79,807	355,947	750
2020	372,841	42,028	85,279	374,535	1146
2021	382,349	45,050	92,727	379,495	0
2022	417,470	48,321	104,170	397,596	0

Source: Microfinance Institutions Supervision Department, NRB

Table 24
Growth Rate of Number of Members

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	128%	59%	35%	81%	277%
2015	30%	15%	34%	58%	27%
2016	36%	18%	9%	25%	23%
2017	9%	95%	31%	7%	6%
2018	16%	10%	24%	7%	6%
2019	5%	45%	16%	12%	10%
2020	2%	12%	7%	5%	53%
2021	3%	7%	9%	1%	0%
2022	9%	7%	12%	5%	0%
Overall Growth	507%	759%	382%	414%	1024%

Source: Microfinance Institutions Supervision Department, NRB

Table 24 provides insights into the percentage changes in the number of members for sample MFIs over 10 years. The data showcases the annual fluctuations in the count of members for each bank. Significant growth rates are observed in the study period. For example, in 2014, Chhimek experienced a growth of 128% in its member count, Jana grew by 59%, Laxmi by 35%, Nirdhan by 81%, and Sana experienced a remarkable growth rate of 277%. These trends continue with varying growth rates each year. When considering the overall 10-year growth, there's a substantial expansion in the number of members across MFIs. Chhimek demonstrates an impressive growth of 507%, Jana soars at 759%, Laxmi at 382%, Nirdhan at 414%,

and Sana experiences remarkable growth at 1024%, collectively showcasing a significant increase in the number of members over the decade.

4.3.6 Descriptive Statistics of Number of Borrowers

Table 25 provides a comprehensive view of the number of borrowers associated with the sample MFIs across the study years. The table displays the count of borrowers for each MFI in each respective year. In 2013, Chhimek had 66,782 borrowers, Jana served 3,201 borrowers, Laxmi had 11,945 borrowers, Nirdhan had 51,822 borrowers, and Sana had only 57 borrowers. Over time, there is a discernible increase in the number of borrowers for each bank. By 2022, Chhimek's borrowers have increased to 261,703, Jana maintains 22,051 borrowers, Laxmi's borrower base has expanded to 53,065, Nirdhan's borrowers reach 242,070, and Sana maintains no recorded borrowers. It indicates the growth and expansion of MFI's customer base over the years.

Table 25
Number of Borrowers

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	66,782	3,201	11,945	51,822	57
2014	153,980	4,850	17,055	128,092	332
2015	190,897	6,510	20,522	198,787	410
2016	208,706	7,931	25,633	191,227	510
2017	231,876	11,091	33,129	200,188	549
2018	251,377	14,339	40,625	209,148	587
2019	255,465	20,701	43,579	224,119	655
2020	248,036	22,198	43,605	219,136	918
2021	254,758	22,380	47,300	221,634	0
2022	261,703	22,051	53,065	242,070	0

Source: Microfinance Institutions Supervision Department, NRB

Table 26 presents the percentage changes in the number of borrowers across different years for various banks. In the study period, the number of borrowers experienced varying growth rates. For instance, in 2014, Chhimek saw a significant growth of 131%, Jana grew by 52%, Laxmi by 43%, Nirdhan by 147%, and Sana experienced an impressive growth rate of 482%. The trend continues with fluctuating growth rates in the following years. When observing the overall 10-year growth, there's a remarkable expansion in the number of borrowers across MFIs, with Chhimek witnessing a growth of 292%, Jana soaring at 589%, Laxmi at 344%, Nirdhan at

367%, and Sana at an astonishing 1511%, illustrating a substantial increase in borrowers over the decade.

Table 26
Growth Rate of Number of Borrowers

Year	Chhimek	Jana	Laxmi	Nirdhan	Sana
2013	0%	0%	0%	0%	0%
2014	131%	52%	43%	147%	482%
2015	24%	34%	20%	55%	23%
2016	9%	22%	25%	-4%	24%
2017	11%	40%	29%	5%	8%
2018	8%	29%	23%	4%	7%
2019	2%	44%	7%	7%	12%
2020	-3%	7%	0%	-2%	40%
2021	3%	1%	8%	1%	0%
2022	3%	-1%	12%	9%	0%
10 Years Growth	292%	589%	344%	367%	1511%

Source: Table 25

4.4 Correlation Analysis

Table 27 explores the relationships between various variables: "Financial Products and Services," "Outreach to Underserved Population," "Geographical Coverage," "Gender and Marginalized Group," "Savings," "Credit," and "Income." Looking at the correlations, it's evident that some relationships are statistically significant. Notably, "Outreach to Underserved Population" and "Geographical Coverage" exhibit a moderately positive correlation ($r = 0.188$, $p < 0.05$), suggesting that areas with more outreach efforts tend to have broader geographic coverage. Additionally, there is a significant negative correlation between "Gender and Marginalized Group" and both "Savings" and "Credit" ($r = -0.248$, $p < 0.01$), implying that being in a marginalized gender group might be associated with lower levels of savings and credit. Similarly, "Savings" and "Credit" variables show a significant negative correlation ($r = -0.248$, $p < 0.01$), implying that individuals with higher savings might have lower credit balances.

However, the correlation between "Financial Products and Services" and other variables is generally weak and not statistically significant, indicating that this variable might not be strongly related to the other factors. The same is observed for "Geographical Coverage" and "Income." The correlation matrix highlights significant

relationships between certain variables, such as "Outreach to Underserved Population" and "Geographical Coverage," as well as the associations of gender and marginalized group status with "Savings" and "Credit." These findings offer insights into potential dependencies among the variables, which could guide further analyses and decision-making processes related to financial services and inclusion efforts.

Table 27

Correlation between Dependent and Independent Variables

Variables	Financial Products and Services	Outreach to Underserved Population	Geographical Coverage	Gender and Marginalized Group	Savings	Credit	Income
Financial Products and Services	1						
Outreach to Underserved Population	-0.069	1					
Geographical Coverage	0.042	.188*	1				
Gender and Marginalized Group	-0.095	0.045	-0.04	1			
Savings	-0.095	0.131	0.015	0.124	1		
Credit	-0.138	0.055	0.054	-.248**	-.248**	1	
Income	-0.056	-0.145	-0.029	-0.111	0.109	0.065	1

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

Source: Field Survey 2023 and analyzed using SPSS software

4.5 Regression Analysis

Regression analysis is a statistical technique used to explore and quantify the relationship between a dependent variable and one or more independent variables. In this study Saving, Credit and Income are dependent variables and other four variables are taken as independent variables. This analysis aims to identify patterns and predict outcomes based on historical data taken from primary survey. By fitting a regression model, it estimates the strength and direction of the association between variables, allowing for the understanding of how changes in one variable might affect the others.

4.5.1 Regression Analysis of Independent Variables with 'Savings'

Table 28 presents the results of a regression analysis conducted on a dataset involving the dependent variable "Savings." The "Regression" section consists of a sum of squares of 1.343, indicating the variability explained by the predictors. The model has

4 degrees of freedom (df), and the mean square is calculated as 0.336. The F-statistic is 1.384, with a corresponding p-value of 0.0242, suggesting that the model's overall significance might be limited. The "Residual" component reflects the unexplained variability, with a sum of squares of 35.197 and 145 degrees of freedom.

Table 28

Regression Analysis Taking 'Savings' as Dependent Variable

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.34	4	0.34	1.38	.0242b
Residual	35.2	145	0.24		
Total	36.54	149			

a. Dependent Variable: Savings

b. Predictors: (Constant) Gender and Marginalized Group, Geographical Coverage, Financial Products and Services, Outreach to Underserved Population

4.5.2 Regression Analysis of Independent Variables with 'Credit'

Table no. 29, the ANOVA results pertain to a model predicting the "Credit" variable. The analysis comprises regression and residual components. The predictors collectively significantly influence the variable ($F = 3.699$, $p = 0.007$), as indicated by a sum of squares of 3.368 and 4 degrees of freedom. Unexplained variance is captured by the residual sum of squares (33.005, 145 degrees of freedom). The total variability is 36.373 (149 degrees of freedom). The predictors hold statistical significance in explaining "Credit" variability, warranting further examination of individual contributions and model fit.

Table 29

Regression Analysis Taking 'Credit' as Dependent Variable

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	3.37	4	0.84	3.7	.007b
Residual	33.01	145	0.23		
Total	36.37	149			

a. Dependent Variable: Credit

b. Predictors: (Constant) Gender and Marginalized Group, Geographical Coverage, Financial Products and Services, Outreach to Underserved Population

4.5.3 Regression Analysis of Independent Variables with 'Income'

Table 30 concerns a model predicting "Income." It consists of two components: regression and residual. The predictors, including "Gender and Marginalized Group," "Geographical Coverage," "Financial Products and Services," and "Outreach to Underserved Population," exhibit limited collective impact on "Income" ($F = 1.423$, $p = 0.0229$). Unexplained variance is captured in the residual component. Overall, the predictors' statistical significance in explaining "Income" variability is uncertain, suggesting the need to examine individual predictor effects and model fit for a more thorough understanding.

Table 30

Regression Analysis Taking 'Income' as Dependent Variable

ANOVA ^a					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	1.37	4	0.34	1.42	.0229b
Residual	35	145	0.24		
Total	36.37	149			

a. Dependent Variable: Income

b. Predictors: (Constant) Gender and Marginalized Group, Geographical Coverage, Financial Products and Services, Outreach to Underserved Population

Major Findings

- i. Income changes among respondents over the past year varied, with 15% experiencing an increase, 50% facing a decrease, and 34% reporting stable income levels due to engagement with Microfinance Institutions (MFIs) services.
- ii. Despite income fluctuations, 15% of participants noted that their income had increased, suggesting that MFIs can contribute to income growth for a portion of their clientele.
- iii. A notable 34% of respondents experienced stable income, indicating that MFIs might offer a degree of financial stability in the face of potential external economic changes.

- iv. 15% of respondents recognized MFIs for providing access to credit specifically for income-generating activities, underscoring the institution's role in fostering entrepreneurial endeavors and livelihood improvements.
- v. A significant 50% of participants highlighted the role of MFIs in offering financial advice and business support, showcasing their impact on enhancing participants' business decision-making capabilities.
- vi. 34% associated MFIs with improved financial literacy and management skills, indicating that MFIs contribute to participants' overall financial knowledge and empowerment.
- vii. Among influencing factors for taking microloans, 41% of respondents were drawn by group-based loan structures, highlighting the importance of community-oriented lending dynamics.
- viii. Quick and hassle-free application processes were important for 28% of participants, indicating the significance of accessibility and user-friendly procedures in borrowing decisions.
- ix. 13% were influenced by lower interest rates and fees when choosing to take microloans, emphasizing the financial considerations that shape borrowing choices.
- x. For 18% of respondents, the lack of access to credit from other sources prompted them to engage with MFIs, highlighting the institution's role in filling gaps in financial access.
- xi. There is a moderate positive correlation between "Outreach to Underserved Population" and "Geographical Coverage" ($r = 0.188$, $p < 0.05$), indicating that areas with more outreach efforts tend to have a broader geographic reach.
- xii. "Gender and Marginalized Group" has a significant negative correlation with "Savings" ($r = -0.248$, $p < 0.01$) and "Credit" ($r = -0.248$, $p < 0.01$). This suggests that individuals in marginalized gender groups might have lower levels of savings and credit.
- xiii. There is a significant negative correlation between "Savings" and "Credit" ($r = -0.248$, $p < 0.01$), implying that those with higher savings might have lower credit balances.
- xiv. The correlations between "Financial Products and Services" and other variables are generally weak and not statistically significant. This indicates

that this variable might not have strong relationships with the other factors in the analysis.

- xv. "Income" doesn't exhibit strong correlations with the other variables in the analysis. It has weak and non-significant correlations with "Financial Products and Services," "Outreach to Underserved Population," "Geographical Coverage," and "Gender and Marginalized Group."

4.6 Discussion

The research findings provide a comprehensive view of the intricate relationship between individuals' engagement with Microfinance Institutions (MFIs), their income dynamics, borrowing decisions, and the broader financial landscape. The observed income changes over the past year reveal a mix of outcomes among participants, with a notable 15% experiencing increased income, 50% facing decreases, and 34% maintaining stable income levels. This distribution underscores the susceptibility of individuals' financial situations to various external factors and highlights the importance of financial tools like microloans provided by MFIs to navigate income fluctuations.

The combined percentage of respondents with secondary level (S.E.E.) and higher secondary level (+2) education is 60%. This indicates that a significant proportion of the surveyed population has completed education beyond basic levels. This statement supports with Gautam (2021) where, most of the participant respondents are found to be literate. According to sample survey, 85 percent of respondents are found to be literate and only 15 percent of women are found illiterate. Thus literacy rate of the women are more than national literacy rate of the women in Nepal

Significantly, the role of MFIs in income growth emerges as a key theme. A substantial 50% of respondents attribute their income improvement to MFIs offering financial advice and business support. This underscores the pivotal role of MFIs in not only providing financial resources but also in enhancing participants' business acumen and decision-making capabilities. This statement supports with Kafle (2011) where, it is found that, "microfinance institutions play a dual role, not only by providing financial resources but also by enhancing participants' business acumen and decision-making capabilities". Furthermore, the impact of MFIs extends beyond direct

financial assistance. Around 34% of participants associate MFIs with improved financial literacy and management skills, indicating their holistic approach in empowering individuals with essential financial knowledge.

The decision to take microloans is influenced by various factors, with 41% of participants drawn to group-based loans, emphasizing the significance of community-oriented lending structures. Additionally, 28% value quick and hassle-free application processes, highlighting the importance of accessible and efficient borrowing mechanisms. Meanwhile, 13% prioritize lower interest rates and fees, showcasing the financial considerations that shape borrowing decisions, supports Poudel (2008). It's noteworthy that a portion of respondents (18%) turned to MFIs due to a lack of access to credit from other sources. This highlights the vital role of MFIs in addressing financial gaps and providing essential financial services to underserved populations.

The correlation analysis of the provided variables reveals important insights into financial dynamics and inclusion efforts. Positive correlation between "Outreach to Underserved Population" and "Geographical Coverage" underscores the linkage between extending services and expanding geographic reach. Significant negative correlations between "Gender and Marginalized Group" and both "Savings" and "Credit" emphasize gender-based financial disparities. A negative correlation between "Savings" and "Credit" suggests a possible trade-off between these financial behaviors. However, "Financial Products and Services" exhibits weak correlations with other factors, implying complexity in its relationship. Weak correlations between "Income" and other variables highlight income's multidimensional role. Overall, the findings underscore the need for multifaceted approaches to inclusion, addressing gender disparities, and considering the intricate relationships between financial behaviors and access.

Microfinance institutions (MFIs) play a crucial role in promoting financial inclusion, especially in underserved and economically disadvantaged communities. Financial inclusion refers to the access and usage of financial services by individuals and businesses, regardless of their income level or social status. MFIs contribute to this goal by providing a range of financial services tailored to the needs of low-income individuals who have limited or no access to traditional banking services. Here are some key roles played by MFIs in achieving financial inclusion (Sharma, Awasthi &

Poojari, 2023), similarly, this research underscored the multifaceted impact of MFIs on individuals' financial well-being. The findings highlight MFIs' contributions to income growth, stability, and enhanced financial literacy. Moreover, the observed income fluctuations and diverse influencing factors for borrowing decisions emphasize the complex financial landscape individuals navigate.

CHAPTER V

SUMMARY AND CONCLUSION

After completion of any research, it requires summarization and conclusion in order to simplify the results and the finds. So, fifth chapter is the final chapter of this study and it is to make summarize and to make conclusion. The purpose of this whole study was to to determine the Role of MFIs in Promoting Financial Inclusion in Nepal taking five sample MFIs from the existing 63 MFIs of Nepal. This study is based on both primary and secondary data and the data were collected from the five MFIs and primary questionnaires for the period of 2012/13 to 2021/22. The accessibility sampling technique has been used to selection of sample of the study and descriptive and analytical both methods are used to analyze the data. In the study, independent variables are Gender and Marginalized Group, Geographical Coverage, Financial Products and Services, Outreach to Underserved Population whereas, Saving, Credit and Income are dependent variables. Finally, conclusion, summary and necessary implications are provided in this chapter.

5.1 Summary

The research study titled "Role of MFIs in Promoting Financial Inclusion" aimed to investigate the extent to which microfinance institutions (MFIs) contribute to financial inclusion in Nepal, with a focus on micro-credit and micro-savings services. The study also examined whether MFIs effectively reach marginalized groups, addressed their unique financial needs, and identified barriers to financial inclusion in the country. The research sought to explore strategies that MFIs can employ to overcome these barriers and better serve underserved populations. The study further aimed to identify key indicators of success for MFIs in promoting financial inclusion.

The methodology employed in the research was quantitative, descriptive, and analytical in nature. The study focused on analyzing data from five specific MFIs in Nepal: Chhimek Laghubitta Bittiya Sanstha Limited (CLBSL), Janautthan Samudayic Laghubitta Bittiya Sanstha Limited (JSLBSL), Laxmi Laghubitta Bittiya Sanstha Limited (LXLB), Nirdhan Utthan Laghubitta Bittiya Sanstha Limited (NUBL), and Sana Kisan Bikas Laghubitta Bittiya Sanstha Limited (SKBBL). The research aimed to achieve several objectives, including evaluating the contribution of microfinance

services like micro-credit and savings products, identifying barriers to financial inclusion in Nepal, assessing the reach of MFIs to marginalized groups, and determining their effectiveness in addressing the unique financial needs of women and ethnic minorities. Additionally, the study aimed to identify indicators of success that MFIs should strive for to enhance financial inclusion within Nepal.

The study revealed varied changes in income among respondents over the past year, with 15% experiencing an increase, 50% facing a decrease, and 34% reporting stable income levels due to engagement with Microfinance Institutions (MFIs) services. Despite income fluctuations, 15% of participants noted that their income had increased, suggesting that MFIs can contribute to income growth for a portion of their clientele. Additionally, a notable 34% of respondents experienced stable income, indicating that MFIs might offer a degree of financial stability in the face of potential external economic changes. Moreover, 15% of respondents recognized MFIs for providing access to credit specifically for income-generating activities, underscoring the institution's role in fostering entrepreneurial endeavors and livelihood improvements. Furthermore, a significant 50% of participants highlighted the role of MFIs in offering financial advice and business support, showcasing their impact on enhancing participants' business decision-making capabilities. Moreover, 34% associated MFIs with improved financial literacy and management skills, indicating that MFIs contribute to participants' overall financial knowledge and empowerment. Among influencing factors for taking microloans, 41% of respondents were drawn by group-based loan structures, highlighting the importance of community-oriented lending dynamics. Finally, quick and hassle-free application processes were important for 28% of participants, indicating the significance of accessibility and user-friendly procedures in borrowing decisions.

In conclusion, this research study provides a comprehensive analysis of the role of MFIs in promoting financial inclusion in Nepal. By investigating the reach of microfinance services, addressing barriers, and evaluating the effectiveness of MFIs in serving marginalized groups, the study contributes valuable insights that can aid in formulating strategies for enhancing financial inclusion in the country. The inclusion of specific MFIs in the analysis further lends practical relevance to the findings, offering actionable insights for both these institutions and the broader microfinance sector in Nepal.

5.2 Conclusions

This research study has delved into the crucial role of Microfinance Institutions (MFIs) in promoting financial inclusion within the context of Nepal. By analyzing the contributions of micro-credit and micro-savings services, assessing the outreach to marginalized groups, and identifying barriers to financial inclusion, the study has provided significant insights into the dynamics of financial accessibility and empowerment. The findings illuminate the multifaceted impact of MFIs on individuals' financial behaviors, underscoring their role in fostering savings habits, facilitating credit access, and improving financial literacy.

The study's exploration of the challenges faced by underserved populations and the strategies employed by MFIs to address these barriers offers practical recommendations for enhancing financial inclusivity. The focus on marginalized groups, such as women and ethnic minorities, highlights the importance of tailored approaches that consider unique financial needs and cultural contexts. Moreover, the study's identification of key indicators of success for MFIs in promoting financial inclusion serves as a guide for institutions seeking to evaluate and refine their outreach strategies.

It is evident from this research that MFIs play a pivotal role in bridging the gap between financial services and underserved communities. While the study has contributed to our understanding of MFIs' contributions to financial inclusion in Nepal, there remains room for further exploration. Future research could delve deeper into the long-term impact of microloans on income growth and financial stability and investigate the scalability of successful financial literacy initiatives.

This research serves as a valuable resource for policymakers, MFIs, and practitioners in the microfinance sector, offering insights into effective strategies for fostering financial inclusion. By addressing the unique challenges faced by marginalized groups and leveraging the strengths of MFIs, Nepal can continue on the path towards greater financial accessibility, empowerment, and ultimately, improved socioeconomic well-being for its diverse population.

5.3 Implications

The findings of this research study hold several implications for both Microfinance Institutions (MFIs) and policymakers aiming to enhance financial inclusion in Nepal:

i. Tailored Services for Marginalized Groups:

The study's emphasis on reaching marginalized groups, such as women and ethnic minorities, underscores the need for MFIs to develop targeted services that address the unique financial needs and cultural contexts of these populations. Customized products and programs can better serve these underserved communities and contribute to more inclusive financial ecosystems.

ii. Holistic Financial Literacy Initiatives:

The role of MFIs in improving financial literacy and management skills is pivotal. As revealed in the research, enhancing financial literacy can empower individuals to make informed decisions about borrowing, saving, and investing. This highlights the importance of investing in comprehensive financial education programs that equip clients with the skills necessary to navigate the financial landscape effectively.

iii. Balancing Accessibility and Affordability:

The findings that lower interest rates and fees, along with quick application processes, influence borrowing decisions have implications for MFIs' operational strategies. Balancing the accessibility of credit with affordability is crucial to ensure that clients can access loans without becoming burdened by high costs.

iv. Evaluation of Impact:

The identification of key indicators of success for MFIs in promoting financial inclusion offers guidance for assessing their impact. Regular evaluation of these indicators can help MFIs refine their strategies, adapt to changing circumstances, and ensure that their services are effectively contributing to clients' financial well-being.

v. Addressing Income Fluctuations:

Recognizing the varying impacts of microloans on income dynamics, MFIs should develop support mechanisms to assist clients who experience decreased income. Offering financial advice, training, and flexible repayment options can help mitigate challenges and foster long-term financial stability.

vi. Collaboration with External Stakeholders:

Policymakers and regulators can leverage the insights from this research to design policies that facilitate a conducive environment for MFIs to thrive. Collaborative efforts

between MFIs, government agencies, and other financial institutions can lead to holistic solutions that address the multifaceted challenges of financial inclusion.

vii. Continuous Innovation:

The research highlights the need for MFIs to continuously innovate and adapt to the evolving financial needs of their clients. This includes diversifying product offerings, embracing technology to improve accessibility, and implementing best practices from successful cases identified in the study.

viii. Implications to Future Researchers:

Thoroughly examining this research serves as a catalyst for inspiring future investigators to embark on novel studies and inquiries. Aspiring researchers are advised to delve deeply into their chosen research subjects. A comprehensive review of both published and unpublished theses, along with articles from scholarly journals, provides a solid foundation for initiating the research process.

The future researchers, it is prudent to commence by formulating well-defined research problems and objectives. This initial step paves the way for a seamless study initiation, offering clarity of vision. With established research objectives, the path towards conducting the research becomes more lucid. Subsequently, the researcher can outline the research methodology, gather data from diverse sources, and conduct thorough analyses.

Future researchers are also urged to recognize that the essence of research lies in the potential significance of its findings for policy, practice, theory, and subsequent research endeavors. This research not only offers essential guidance but also serves as a source of motivation for new investigations. Thus, emerging researchers are encouraged to conduct an exhaustive exploration of this thesis for valuable insights and inspiration.

References

- Chaulagain, K. P. & Lamichhane B. D. (2022). Determinants factors of microfinance performance in Nepal. *The Journal of Nepalese Business Studies*. XV (1), ISSN 2676-1238 (Online) (A Peer-Reviewed, Open Access Journal)
- Dhungana, B. R. (2016). Does micro-finance transform economic status of people? Evidence from western development region of Nepal, *The Journal of University Grants Commission*, 5 (1): Bhaktapur, Nepal.
- Demirguc-Kunt, A., Klapper, L., Singer, D., Ansar, S., & Hess, J. (2018). The Global Findex Database 2017: Measuring financial inclusion and the fintech revolution. *Policy research working paper 8440*, World Bank.
- Dhungana, P. (2011.). Effect of banks lending on Inflation. *Econometric models and correlation (Pradha) analysis*
- Gautam, B. (2021). *Economic impact of microfinance in Nepal (A Case Study of Ranibagiya Municipality, Rupandehi District)*. An unpublished dissertation, Tribhuvan University
- Gurung, S. (2020). Financial inclusion in Nepal: A review of policies, progress, and challenges. *Journal of nepalese business studies*, 14 (1)
- Gnawali, A. (2018). Impact of microfinance institutions in women economic empowerment: with reference to Butwal Sub-Municipality: *International Journal of Research in Humanities and Social Studies*. 5 (5) ISSN 2394-6288 (Print) & ISSN 2394 - 6296. Sryhwa Publication with reference to Butwal Sub-Municipality: *International Journal of Research in Humanities and Social Studies*. 5 (5) ISSN 2394-6288 (Print) & ISSN 2394-6296. Sryhwa Publication
- Jain, B. K. (2020). Microfinance services and women empowerment in Biratnagar Metropolitan, Nepal: *Journal of Underrepresented and Minority Progress* 4 (2)
- Kafle, K. (2011). *Role of microfinance program on the development of rural women in Shaktikhor V.d.c.:* unpublished thesis. Shanker Dev Campus, Tribhuvan University
- Nepal, (2017). *Role of micro finance company in poverty reduction: a case study of Phidim Municipality of Pancthtar District:* an unpublished master degree thesis submitted to Shanker Dev Campus, Faculty of Management, Tribhuvan

University.

- Parajuli, P. (2023) *Role of cooperative in women empowerment in Kaski District*: unpublished thesis. Kalika Multiple Campus, Tribhuvan University
- Pokhrel, S. (2023) Impact of microcredit on household consumption and assets in Nepal: *International Journal of Applied Research in Management and Economics* ISSN 2538-8053
- Poudel, G. (2008) *Economic impact of micro finance to upliftment of women*: unpublished thesis. Shanker Dev Campus, Tribhuvan University
- Rao, G. J. (2010). Micro finance: a boom for the poor people. *Journal of Management and Science*, 180-192.
- Sarkar, D. (2015). Inclusion of disabled people in microfinance institutions. *International Journal of Innovation and Economic Development* ISSN 1849-7020 (Print) ISSN 1849-7551 (Online) 1 (1)
- Saqib, S. (2019). Economic discussion. retrieved 2019, from economic discussion Web site:<http://www.economicdiscussion.net/interest-rate-theories/interestmeaning-definition-and-types-economics/1392>
- Shankar S. (2013). Financial inclusion in India: do microfinance institutions address access barriers? *ACRN Journal of Entrepreneurship Perspectives* 2 (1) p. 60-74, Feb. 2013 ISSN 2224-9729
- Shrestha, P. (2007). A quantitative analysis of relationship between mobilization and financial performance of small farmers cooperative limited (SFCL) in Nepal. *Economic Journal of Nepal*, 30 (120)
- Sharma, B. & Awasthi, M. (2023). Role of microfinance institutions in financial Inclusion in India. *Journal of contemporary Issues in Business and Government* 29 (1)
- Ujala, K. (2017). Role of microfinance in promoting financial inclusion in urban poor of Kolkata. *International Journal of Management, IT and Engineering*.
- World Bank. (2018). Global Findex Database 2017: *Measuring Financial Inclusion and the fintech revolution*. retrieved from <https://databank.worldbank.org/source/global-findex-database>
- Zreik, M. Zannierah, S. & Marzukiand, S.I (2023). Deepening Financial Inclusion through Digitization: A Case Study of Microfinance in China: *ASEAN Entrepreneurship Journal (AEJ)*

APPENDIXES

Appendix I - Primary Questionnaires for the study “Role of Micro Finance Institutions in Promoting Financial Inclusion in Nepal

Section 1: Demographic Information

Age Group

- a) 18-25
- b) 26-35
- c) 36-45
- d) 46-55
- e) 56 and above

Educational Qualification

- a) Primary School or Below
- b) Secondary School
- c) Higher Secondary School
- d) Bachelor's Degree
- e) Postgraduate Degree

Gender

- a) Male
- b) Female
- c) Other

Section 2: Financial Inclusion and Access to MFIs

- 1) Do you have a bank account in MFIs? a) Yes b) No
- 2) Do you have access to formal financial services (e.g., savings accounts, loans, insurance)?
a) Yes b) No
- 3) If yes, which type of financial services do you currently use? (Select all that apply)
 - a) Savings Account
 - b) Microloan
 - c) Insurance
 - d) Pension Scheme
 - e) Others (please specify)
- 4) Have you ever received credit from an MFI? a) Yes b) No
- 5) Has access to microcredit helped you start or expand a business?
a) Yes b) No
- 6) How did you first become aware of the microfinance services available to you?
 - a) Through friends or family
 - b) Local community events or campaigns
 - c) Direct contact from MFIs

- d) Advertisement or media
- e) Others (please specify)

Section 3: Microfinance Impact and Economic Empowerment

1) Has your involvement with microfinance services led to any changes in your income or financial situation?

- a) Yes, significant improvement
- b) Yes, some improvement
- c) No change
- d) Decline in financial situation
- e) Not applicable

2) How has microfinance contributed to your economic empowerment? (Select all that apply)

- a) Access to capital for business or investment
- b) Increased income and savings
- c) Improved financial management skills
- d) Diversified income sources
- e) Others (please specify)

3) In what ways have microfinance services positively impacted your community or family's financial well-being?

- a) Reduced financial vulnerability
- b) Increased employment opportunities
- c) Enhanced access to education and healthcare
- d) Improved living standards
- e) Others (please specify)

Section 4: Challenges and Perceptions of MFIs

1) What challenges, if any, have you faced in accessing and utilizing microfinance services?

- a) High interest rates
- b) Limited availability of suitable financial products
- c) Complex loan application process

d) Insufficient financial literacy and guidance

e) Others (please specify)

Thank you for participating in this survey! Your responses are valuable in understanding the role of MFIs in promoting financial inclusion in Nepal.

Appendix II

MFIs	Year	Credit	Deposits	No. of Service Reached Districts	No. of Employees	No. of Branches	No. of Groups	Number of Members	
Chhimek	2013	665.75	432.57	45.00	323.00	45.00	32,908.00	68,782.00	66,782.00
	2014	76.49	454.57	48.00	457.00	56.00	39,301.00	156,782.00	153,980.00
	2015	887.90	600.92	51.00	502.00	70.00	43,099.00	203,676.00	190,897.00
	2016	968.59	692.95	54.00	593.00	95.00	57,016.00	276,282.00	208,706.00
	2017	1,251.42	906.83	56.00	611.00	109.00	62,890.00	300,232.00	231,876.00
	2018	1,440.93	1,156.55	63.00	652.00	128.00	70,624.00	347,849.00	251,377.00
	2019	1,975.54	1,538.73	67.00	643.00	134.00	89,194.00	364,254.00	255,465.00
	2020	1,937.41	1,866.60	66.00	1,116.00	139.00	96,945.00	372,841.00	248,036.00
	2021	2,439.91	2,210.35	67.00	1,116.00	192.00	97,204.00	382,349.00	254,758.00
	2022	3,342.49	2,701.95	69.00	1,213.00	193.00	105,779.00	417,470.00	261,703.00
Jana	2013	11.30	1.20	4.00	20.00	4.00	1,098.00	5,622.00	3,201.00
	2014	16.79	2.23	4.00	26.00	4.00	1,765.00	8,959.00	4,850.00
	2015	26.57	4.91	6.00	43.00	8.00	2,072.00	10,291.00	6,510.00
	2016	34.16	7.98	8.00	69.00	9.00	2,479.00	12,163.00	7,931.00
	2017	58.17	13.99	11.00	89.00	27.00	4,901.00	23,672.00	11,091.00
	2018	77.70	35.59	15.00	138.00	31.00	6,982.00	26,019.00	14,339.00
	2019	141.17	40.88	19.00	210.00	39.00	10,562.00	37,627.00	20,701.00
	2020	156.86	53.81	19.00	202.00	39.00	11,778.00	42,028.00	22,198.00
	2021	18.90	69.09	19.00	214.00	39.00	12,577.00	45,050.00	22,380.00
	2022	235.68	81.23	19.00	338.00	39.00	13,866.00	48,321.00	22,051.00
Laxmi	2013	70.09	9.83	19.00	102.00	19.00	4,051.00	21,598.00	11,945.00
	2014	102.32	18.79	24.00	118.00	27.00	5,430.00	29,055.00	17,055.00

	2015	128.95	32.02	28.00	140.00	33.00	6,590.00	38,939.00	20,522.00
	2016	140.11	39.77	35.00	163.00	40.00	7,375.00	42,371.00	25,633.00
	2017	221.61	66.13	40.00	203.00	51.00	9,738.00	55,619.00	33,129.00
	2018	276.76	98.10	47.00	274.00	62.00	12,102.00	68,867.00	40,625.00
	2019	363.25	130.85	52.00	308.00	67.00	13,947.00	79,807.00	43,579.00
	2020	442.35	152.03	52.00	325.00	72.00	14,973.00	85,279.00	43,605.00
	2021	518.91	229.99	60.00	353.00	76.00	15,596.00	92,727.00	47,300.00
	2022	782.08	255.15	62.00	403.00	90.00	17,457.00	104,170.00	53,065.00
Nirdhan	2013	112.83	118.44	75.00	425.00	89.00	15,105.00	77,422.00	51,822.00
	2014	445.31	221.89	75.00	556.00	118.00	23,066.00	140,255.00	128,092.00
	2015	690.12	399.09	75.00	692.00	140.00	30,603.00	221,022.00	198,787.00
	2016	1,023.10	427.27	75.00	871.00	178.00	38,024.00	276,758.00	191,227.00
	2017	1,232.84	623.04	75.00	933.00	178.00	39,788.50	296,781.50	200,187.50
	2018	165.30	871.10	77.00	995.00	179.00	41,553.00	316,805.00	209,148.00
	2019	1,963.96	1,104.89	77.00	1,113.00	181.00	45,897.00	355,947.00	224,119.00
	2020	2,015.08	1,334.16	77.00	1,182.00	181.00	45,933.00	374,535.00	219,136.00
	2021	232.90	160.91	77.00	1,143.00	181.00	47,074.00	379,495.00	221,634.00
	2022	2,769.11	1,818.28	77.00	1,190.00	185.00	48,848.00	397,596.00	242,070.00
Sana	2013	309.34	-	51.00	60.00	7.00	-	102.00	57.00
	2014	456.31	-	57.00	72.00	7.00	-	385.00	332.00
	2015	789.12	-	61.00	78.00	8.00	-	489.00	410.00
	2016	1,103.41	-	63.00	81.00	9.00	-	602.00	510.00
	2017	1,399.49	-	66.00	85.00	9.00	-	641.00	549.00
	2018	178.09	-	69.00	88.00	9.00	-	680.00	587.00
	2019	2,045.71	-	69.00	88.00	10.00	-	750.00	655.00
	2020	2,137.23	-	73.00	88.00	11.00	-	1,146.00	918.00
	2021	2,789.23	-	74.00	102.00	11.00	-	-	-
	2022	3,002.20	-	76.00	96.00	11.00	-	-	-

Source: Microfinance Institutions Supervision Department, NRB and Annual reports of sample MFIs

ROLE OF MICROFINANCE INSTITUTIONS IN PROMOTING ...

By: Aashish Pudasaini

As of: May 2, 2024 9:36:59 AM
20,637 words - 64 matches - 11 sources

Similarity Index

10%

Mode: ▾

sources:

456 words / 2% - Internet from 27-Sep-2022 12:00AM
www.econstor.eu

285 words / 1% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

186 words / 1% - from 26-Feb-2024 12:00AM
elibrary.tucl.edu.np

166 words / 1% - Internet from 14-Jan-2023 12:00AM
elibrary.tucl.edu.np

132 words / 1% - from 18-Feb-2024 12:00AM
elibrary.tucl.edu.np

251 words / 1% - from 20-May-2023 12:00AM
healthdocbox.com

181 words / 1% - from 20-Jun-2023 12:00AM
www.dpublication.com

145 words / 1% - Internet from 15-Sep-2020 12:00AM
www.investingnepal.com

129 words / 1% - from 31-Dec-2023 12:00AM
fastercapital.com

120 words / 1% - Internet from 29-Jul-2019 12:00AM
www.ijrhss.org

115 words / 1% - Internet from 02-Jul-2020 12:00AM
directorykathmandu.com