

**IMPACT OF MICRO FINANCE IN INCOME GENERATION OF
WOMEN IN NAGARJUN MUNICIPALITY, KATHMANDU**

**A Dissertation Submitted to the Office of the Dean, Faculty of Management in
Partial Fulfillment of the Requirements for the Master of Business Studies (M.B.S.)**

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CERTIFICATE OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **IMPACT OF MICRO FINANCE IN INCOME GENERATION OF WOMEN IN NAGARJUN MUNICIPALITY, KATHMANDU**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor has it been proposed and presented as part of requirements for any other academic purposes. The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

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We, the undersigned, have examined the thesis entitled **IMPACT OF MICRO FINANCE IN INCOME GENERATION OF WOMEN IN NAGARJUN MUNICIPALITY, KATHMANDU** presented by Miss **Mamata Khadka** a candidate for the degree of Master of Business Studies (MBS Semester) and conducted the Viva Voce examination of the candidate. We hereby certify that the thesis is worthy of acceptance.

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Mamata Khadka
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ABBREVIATIONS

B.S.	Bikram Sambat
C.E.	Capital Employed
DFL	Degree of Financial Leverage
DPS	Dividend Per Share
EBIT	Earning Before Interest and Tax
EBT	Earning Before Tax
EPS	Earning Per Share
FY	Fiscal Year
HBL	Himalayan Bank Limited
LTD	Long Term Debt
NIB	Nepal Investment Bank Limited
NEPSE	Nepal Stock Exchange
NI	Net Income
NOI	Net Operating Income
Rs	Rupees
ROA	Return on Assets
ROE	Return on Equity
ROSHE	Return on Shareholders' Equity
SHE	Shareholders' Equity
TA	Total Assets
TD	Total Debt
WACC	Weighted Average Cost of Capital

ABSTRACT

This study aims to evaluate how microfinance impacts poverty reduction in Nepal, with a specific focus on its role in empowering women economically and socially, as well as the challenges faced by beneficiaries. Additionally, it examines the management of microfinance projects, especially considering the disorganized rural credit behavior observed in small-scale initiatives in Nepal. Through assessing the performance of existing microfinance organizations, the research intends to improve the delivery of services to small farmers, emphasizing its importance. The study adopts a descriptive, exploratory, and analytical approach. The descriptive phase investigates household and socioeconomic characteristics to establish context, while the analytical aspect assesses the impact of microfinance on living standards, empowerment, and poverty reduction. These findings aim to expand the current knowledge base and suggest avenues for future research. While the study addresses significant aspects of microfinance, it acknowledges a gap in analyzing the supply capacity of Microfinance Institutions (MFIs). Future research could explore the ability of MFIs to serve impoverished communities and identify reasons for any disparities between demand and supply. Ultimately, the study underscores the transformative potential of microfinance in fostering self-sufficiency and societal contribution. By empowering the economically disadvantaged, microfinance initiatives are essential for building a healthy, educated, and equitable society, aligning with broader societal goals.

Keywords: Women empowerment, education and income level, family support, decision making, ownership of assets

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In many developing countries, women face segregation due to factors such as limited access to education and conservative attitudes. This segregation presents a significant challenge for women across various nations, regions, and communities worldwide. Women often experience barriers in accessing land, property, and opportunities for economic participation, particularly in developing countries. They encounter constraints in labor markets and encounter disparities in education, employment, and decision-making roles. Consequently, these factors hinder women's ability to engage fully and freely in society, leading to mental distress. Women constitute approximately half of the global population, yet they continue to face various forms of discrimination throughout different stages of life, both directly and indirectly (Reshi & Sudha, 2023).

The empowerment of women through increased access to and control over financial resources is crucial for achieving gender equality and promoting sustainable economic growth and development. Gender equality in the distribution of financial resources has positive ripple effects on various development goals, including poverty reduction and child welfare. Women's access to all financial services, including savings, securities, remittance transfers, and credit, is essential to enable them to fully benefit from economic opportunities. Microfinance (MF) has emerged as an effective tool to reach impoverished women by addressing gender-specific barriers through innovative measures (Banerjee & Gogoi, 2023).

The majority of MF programs target women with the explicit aim of empowering them. However, their underlying premises vary. Some argue that women constitute some of the poorest and most vulnerable segments of society. Others believe that investing in women's capabilities enables them to make decisions and contributes to greater economic growth and development. Additionally, evidence from literature suggests that increased resources for women lead to improved family well-being, particularly for children. Finally, an increasing number of microfinance institutions (MFIs) prefer female

members, as they consider them to be better and more reliable borrowers, thus enhancing their financial sustainability (Bijli, 2017).

Ghosh (2022) explores a community development approach aimed at empowering rural women through educational initiatives and small-scale entrepreneurial activities within Nepal's remote hill regions. The study employs both qualitative and quantitative data analysis methods to evaluate the impact of a community development project launched in these areas. By focusing on two key project components, the research concludes that a functional literacy program serves as a promising starting point, demonstrating its effectiveness through tangible improvements in the post-literacy phase. Furthermore, collective savings and credit programs emerge as pivotal drivers in enabling illiterate rural women to initiate small-scale economic ventures, thereby contributing to the retention of female labor within these communities.

In the fiscal year 2023, Nepal saw a significant decline in real GDP growth, estimated at 1.9 percent, marking the lowest rate since FY20 and notably below the 10-year average growth rate, according to a report by The World Bank in 2023. Factors such as financial tightening and the impact of import restrictions contributed to this slowdown. Economic activity was particularly subdued in the industry and services sectors, while agricultural output remained relatively robust.

Despite the overall slowdown, growth in the energy sector, particularly in hydroelectric generation, helped offset industrial contraction. Hydroelectric generation contributed nearly 500 megawatts to the national grid for the second consecutive year. However, Nepal still relies on energy imports.

On the demand side, sluggish credit growth and policy constraints led to a decline in private investment. Lower capital expenditure and underperformance in revenue collection also contributed to reduced public investment, resulting in an overall investment decrease of more than 10 percent, a sharper decline than in FY2020.

Private consumption, however, remained resilient, supported by strong remittance inflows. Inflation persisted at elevated levels for the third consecutive year, driven by supply-side shocks and domestic policy adjustments. Rising food prices, exacerbated by supply disruptions, and increases in housing and utility costs contributed to inflation.

Domestic policies and trade restrictions from India led to a significant reduction in goods imports, while remittance inflows increased in FY2023. However, exports stagnated below pre-pandemic levels, partly due to Nepal's persistent high inflation, resulting in a real appreciation of the currency. Overall, the current account deficit decreased significantly, and foreign currency reserves rose above their policy threshold.

To moderate private sector credit growth and address external imbalances, the central bank raised its policy rate in early FY2023, supported by tighter restrictions and higher global prices, resulting in a moderation of credit growth to the private sector compared to the previous year. Deposits increased, driven by higher real interest rates and government incentives targeting remittance deposits.

The decline in imports led to a significant downturn in monetary revenues, as over half of total revenues are trade-related. Consequently, the fiscal deficit nearly doubled to 6.1 percent of GDP, marking the highest deficit recorded in over two decades. Public debt increased due to the weaker economic performance, reaching 41.3 percent of GDP.

Weak social infrastructure, as indicated by the UNDP Human Development Index ranking, highlights gender inequality, rural-urban disparities, and inadequate healthcare facilities as significant obstacles to progress. Income distribution also plays a crucial role in either exacerbating or alleviating poverty. However, the adoption of free-market principles, including the phasing out of government subsidies for social programs, has had adverse consequences. For instance, the World Bank urges developing nations to eliminate subsidies for fertilizers, which many farmers cannot afford at market prices. Consequently, the restructuring of public finances during the transition to a market economy has led to reduced spending on health and education, exacerbating poverty.

1.2 Problem Statement

Nepal is often perceived as a nation with significant mismanagement despite its abundant resources and potential for utilization (Khanal, 2017). Roughly 38% of the population in the country lives below the poverty line, earning less than one dollar per day, with a notably slow rate of poverty reduction (Bijli, 2017). High population growth and low per capita income are primary factors contributing to this poverty. Rural areas, home to nearly 80% of the population and where agriculture is the primary occupation for many,

receive less government attention compared to urban areas, resulting in significantly lower per capita income for rural residents (Reshi & Sudha, 2023).

Moreover, various indicators such as life expectancy, access to healthcare facilities and sanitation, and educational attainment are considerably lower in Nepal compared to other developing countries (Barasa & Lugo, 2015). Issues related to poverty, including infant mortality, malnutrition, and vaccination rates, are also pressing concerns in the country. Notably, the literacy rate, particularly among women, is alarmingly low. These are the harsh realities confronting our nation (Shrestha, 2022).

To tackle these challenges, microfinance can play a vital role in assisting individuals who lack collateral but possess the willingness, ambition, and capability to improve their living standards through small-scale businesses (Aryal, 2021). Hence, this study aims to evaluate the implementation and impact of microfinance programs on women's decision-making power, with a specific focus on Nirdhan Uthan Bank Limited. Various issues require attention, and this study aims to address them.

- i. What are the current existing position and condition of sample microfinance companies?
- ii. What is the relationship between women empowerment through income generation, education, family support, decision making and ownership of assets among sample microfinance?
- iii. How does women empowerment impact income generation, education, family support, decision making and ownership of assets among sample microfinance?

1.3 Objectives of the Study

The primary focus of this research was to examine the effects of microfinance initiatives on the socio-economic status of women. Additional specific objectives included:

- i. To assess the current existing position and condition of sample microfinance companies.
- ii. To examine the relationship between women empowerment through income generation, education, family support, decision making and ownership of assets among sample microfinance.

- iii. To analyze the impact of women empowerment through income generation, education, family support, decision making and ownership of assets among sample microfinance.

1.4 Rationale of the Study

The justification for conducting research on the impact of microfinance on the socio-economic status of women arises from the acknowledged significance of economically empowering women, particularly in developing nations where they often encounter substantial obstacles to financial inclusivity and economic self-sufficiency. By specifically examining microfinance programs, which are tailored to provide financial services on a small scale to low-income individuals, especially women, this study aims to achieve several pivotal objectives.

Understanding the current operational landscape and context of selected microfinance institutions is paramount in assessing their capability to efficiently deliver financial services to women. This evaluation will offer insights into the infrastructure, resources, and outreach methodologies of these organizations. Microfinance initiatives are commonly heralded as instrumental in poverty alleviation by granting marginalized populations, including women, access to credit, savings, and other financial facilities. This objective aims to scrutinize the degree to which the sampled microfinance programs contribute to reducing poverty and enhancing the overall living standards of female beneficiaries.

Economic empowerment of women extends beyond mere income augmentation; it encompasses bolstering their agency, decision-making autonomy, and socio-political engagement. By examining the empowerment levels among women who have utilized microfinance services, this study seeks to evaluate the broader impact beyond financial gains. This entails assessing variables such as access to education, healthcare, resource control, and participation in community development endeavors.

These objectives are founded on the imperative for evidence-based insights into the efficacy of microfinance interventions in fostering sustainable socio-economic development and women's empowerment. Through addressing these objectives, the research endeavors to furnish valuable insights that can inform policy formulation,

program design, and implementation strategies aimed at maximizing the positive influence of microfinance on the lives of women and their communities.

1.5 Limitations of the Study

This research will specifically focus on examining the Microfinance model among various small-scale banking programs in Nepal, with a particular emphasis on assessing Nirdhan Uthan Bank Limited. However, the following limitations are outlined for this study:

- i. The study may not cover all aspects of the microfinance model.
- ii. The presence of respondents with limited education may introduce statistical bias.
- iii. The reliability of this study depends on the responses provided by microfinance clients, which are influenced by the sampling method.
- iv. The study will aim to evaluate the impact of microfinance activities specifically conducted by Nirdhan Uthan Bank Limited.
- v. The clarity and accuracy of the study will rely on the information provided by the concerned organization and the independent responses gathered from respondents through the research survey.

CHAPTER-II

REVIEW OF LITERATURE

This chapter comprises three sections. The first section, titled theoretical review, incorporates theories pertaining to income generation among women and related concepts. The second section offers an empirical review of the relevant topic. Lastly, the third section presents the research gap identified within the study.

2.1 Theoretical Review

Hantaris and Mangen characterize perspective as the foundational ideas and concepts guiding research and data collection. Typically, the perspective adopted in research is shaped by the study's objectives, often driven by scientific motivations. Consequently, varying perspectives result in different interpretations of the same phenomenon, leading to diverse outcomes. Perspective thus delineates the researcher's approach to the issue, acting as a lens through which reality is scrutinized, with pertinent aspects selected for examination. Depending on the chosen perspective, different facets will be highlighted, yielding significant implications for the study's conclusions (Sharma, 2015).

The perspective adopted may reflect the researchers' understanding of the situation under scrutiny. This study aims to illustrate how microfinance operates by leveraging social collateral, predominantly through group lending, to mitigate poverty and enhance the quality of life for ordinary people in Nepal. To achieve this, the proposal explores the scenario from two distinct perspectives: that of credit recipients (individuals hailing from impoverished backgrounds) and that of lenders (Microfinance Institutions - MFIs). Hence, this proposal intends to evaluate the circumstances of clients living at or below the poverty line. Additionally, it seeks to scrutinize how individuals in impoverished conditions are enhancing their livelihoods by engaging in small-scale business activities with the assistance of loans provided by microfinance institutions (Muhammad, 2020).

Scientific Ideals

When embarking on research endeavors, scholars must deliberate on the research philosophy they intend to embrace. Research philosophy, also termed scientific paradigm, significantly shapes the methodology employed in the study. Consequently,

researchers select the philosophy that aligns with their perspective and best suits their study objectives (Louise, 2003).

Two fundamental research philosophies exist: interpretive and positivism. Interpretive can be characterized as a theoretical standpoint advocating for the examination of direct experiences at face value. It perceives behavior as being influenced by the phenomena of experience rather than by external, objective realities that are physically depicted (Lamsal, 2019).

On the other hand, Positivism represents an epistemological stance concerning scientific inquiry. At its core, positivism asserts that reality, as revealed to us by our senses, truly exists, signifying that objects have an existence independent of the human mind. Positivism contends that there exists a reality external to human consciousness.

The primary objective of the research is not only to ascertain the role of microfinance in Nepal but also to determine how this role aids impoverished individuals in overcoming poverty and enhancing their living standards, as well as their economic and social empowerment. Thus, in this regard, the research does not categorize itself strictly as either a positivist or an interpretive study; instead, it straddles the line between these two research philosophies (Llanto, 2003).

Scientific Approach

In the realm of scientific research, two predominant approaches are commonly employed: the deductive approach and the inductive approach. Scientific theories typically encompass both induction and deduction, although they may differ in the degree to which each is emphasized. Researchers systematically observe and accurately document their observations without bias. Some of these observations are acknowledged as factual and form the basis for hypotheses and laws. To ascertain truth or falsehood and to draw conclusions, two methods are utilized: induction and deduction. Induction relies on observational evidence, whereas deduction relies on logical reasoning (Khanal, 2016).

Instrumentalist Theories

In evaluating a microfinance program aimed at empowering women, it becomes imperative to scrutinize the underlying approach of the intervention. Holvoet makes a

noteworthy distinction between adopting an "instrumentalist" approach and a "transformatory" approach to targeting women in microfinance initiatives. The instrumentalist approach, rather than addressing gender relations, primarily focuses on targeting women to ensure loan repayment, sometimes exploiting existing gender inequalities. This approach may inadvertently reinforce existing disparities entrenched within societal structures and relationships.

In many instances, women tend to exhibit higher repayment rates compared to men and often invest significant time and resources into their children's welfare. However, it's crucial to acknowledge that this behavior may stem from specific patriarchal norms that idealize women as self-sacrificing for their families. Microfinance programs may capitalize on these entrenched gender dynamics to ensure loan repayment. Additionally, these schemes may exploit the limited mobility of women, as societal norms may constrain them from easily seeking alternatives, leading to a sense of shame and familial dishonor associated with non-repayment (Wright, 2000).

Transformatory Theories

A transformative approach, in contrast, aims to reshape gender dynamics and foster collective action. Through group meetings, women can exchange experiences, acknowledge shared challenges, and mobilize to address systemic discrimination. However, this transformation is not automatic; microfinance programs must actively pursue women's empowerment. Research by Holvoet in Tamil Nadu between 1990 and 1997 found that projects with narrow financial goals have a weaker impact on women's empowerment compared to those with broader investment in group activities. Programs that also focus on capacity-building encourage group participation in community affairs and local governance. Increased involvement in local government and networking with other groups enable women to influence politics at higher levels (Morduch & Haley, 2001).

Microfinance serves as a tool that, under favorable conditions, caters to the needs of various segments of the population, including the poorest individuals. While a small percentage of the population, such as those with mental illness, may not be suitable for microfinance, this exclusion is unlikely to pose significant operational challenges for

Microfinance Institutions (MFIs). The poorest can derive financial and social benefits from microfinance without jeopardizing the financial sustainability of MFIs. Targeting the poorest specifically is crucial for ensuring that microfinance programs are tailored to and focused on this group (Morduch & Haley, 2001).

The impact of development on poverty reduction varies across countries and within regions and households. The effectiveness of rural sector growth in reducing poverty depends on initial conditions, such as resource distribution, access to social and physical infrastructure, and geographical factors. Merely fostering economic growth is insufficient to address rural poverty effectively; strategies must address the disadvantaged starting conditions of many poor households. Enhancing agricultural productivity, particularly among smallholders, and investing in infrastructure and social services in poor rural areas can help overcome initial disadvantages and promote pro-poor growth (Ravallion & Datt, 2002).

Most poverty reduction strategies prioritize rural development and propose various interventions. However, the impact of these strategies can be enhanced by:

1. Ensuring active participation of rural stakeholders in strategy design, implementation, and monitoring.
2. Conducting comprehensive assessments of rural poverty profiles, including income sources, resource access, and market participation.
3. Monitoring poverty impact and intermediate indicators at the spatial level to focus policymakers on rural poverty reduction (Louise Line, 2016).

Microfinance in Myanmar is still in its nascent stage, primarily supported by international donors. Despite rapid outreach growth, the government lacks a policy framework and legal structure to regulate microfinance NGOs. The existing indigenous financial systems, such as savings and credit cooperative societies, are managed by the Ministry of Cooperatives. While these cooperatives play a significant role in rural financial activities, Myanmar lacks a comprehensive administrative framework for microfinance initiatives (Fukui & Llanto, 2003).

2.2 Conceptual Review

Women and Society

Social, cultural, and religious biases against women pose significant obstacles to the social progress of women, particularly within Nepalese culture. Over the years, women have faced various forms of discrimination deeply rooted in patriarchy, traditional norms, and superstitions, all of which have been perpetuated by Hinduism for centuries. The social and cultural upbringing of women, along with their status in society, is heavily influenced by Hindu ethical codes, contributing to a deeply ingrained patriarchal structure. In this societal framework, women are often viewed not as independent individuals but rather as a subordinate group created to serve and fulfill men's desires. Consequently, numerous forms of mistreatment and discrimination against women persist in society, perpetuating injustice and dehumanization and significantly impeding the social progress of women (Gharana, 2017).

Economic Status of Women

In 2010, women's participation in the labor force in Nepal stood at 23.6%, marking a notable benchmark for women's economic empowerment. By 2022, this figure had risen to 28.6%, indicating significant progress. Additionally, the percentage of employed and salaried women surged from a mere 8.31% in 2010 to 12.1% in 2019. These statistics underscore substantial advancements for women in Nepal, which have been complemented by legislative reforms. Notably, the National Civil Code of 2017 was amended to ensure equal property inheritance rights for both genders and to prohibit wage discrimination and disparities in social security. Furthermore, the Labor Act 2017 mandated equal pay for equal work, signaling a significant step towards gender equality. Over time, such legislative changes and policies have played a pivotal role in fostering gender parity, and Nepal has made considerable strides in this realm (Aryal, 2020).

Since its establishment in 2008, the Women, Business, and the Law report has emerged as a critical tool for evaluating women's rights and gender equality across 190 economies worldwide. Nepal stands out among these economies, having implemented a substantial number of 16 reforms within a span of 13 years. These reforms have propelled Nepal's progress and served as a successful model for the broader region. However, despite

significant advancements in Nepal, it is crucial to acknowledge the persistent challenges on the journey towards global gender equality. According to the Women, Business, and the Law Report, despite ongoing reforms, achieving gender parity worldwide may take up to fifty years, highlighting the enduring nature of this endeavor (Sharma, 2023).

South Asian Microfinance

South Asian microfinance institutions (MFIs) serve as global models of efficiency and outreach, revolutionizing the industry. The Grameen group models, widely replicated worldwide, have set the precedent for bank institutions that effectively combine local service delivery expertise with access to extensive pools of commercial capital on national and international scales. Industry leaders continuously strive to reduce the cost of service delivery, achieving remarkable efficiency levels, often less than five cents on the dollar (Dahal, 2017).

However, despite the remarkable efficiency and effectiveness demonstrated by South Asian MFIs, significant challenges impede their growth potential. Despite attracting increasing capital from local, global, public, and private sources, profitability remains elusive across sectors ranging from Afghanistan to India. Year-on-year losses are often reinvested into capital bases, hindering sustainable profitability. Consequently, while leading profitable institutions manage to reach a majority of clients throughout the region, overall outreach remains significantly constrained (Stephens & Tazi, 2006).

A. Bangladesh

Development in FY 2006 exceeded expectations, with the GDP expanding by 6.7%, marking the highest growth rate in the past decade. Industry emerged as the primary growth driver, although the manufacturing subsector faced challenges due to recurring power disruptions. Agriculture also contributed to the growth momentum, experiencing a notable recovery. Robust private consumption, buoyed by remittance inflows from workers abroad and increasing private investment, served as the main drivers of demand for growth (ADB Outlook, 2006).

Bangladesh's economy features a significant rural population engaged in agriculture, often on small and fragmented landholdings. Given the widespread landlessness in the

country and its heavy reliance on agriculture for raw materials, there is a pressing need to prioritize agricultural development. Enhancing agriculture's role as a source of employment and value addition to primary economic resources is crucial for Bangladesh's economic advancement. The agriculture sector encompasses various dimensions that warrant attention (Sharma, 2015).

B. India

India, boasting the largest population of impoverished individuals globally, has served as a prominent testing ground for microfinance initiatives aimed at poverty alleviation. In recent times, there has been considerable interest in microcredit and microfinance, particularly through group-lending models devoid of collateral requirements. Organizations such as SEWA in Western India and SHARE and BASIX in Southern India have effectively demonstrated the transformative potential of microfinance interventions. Notably, NABARD's "SHG-Bank Linkage Program" over the past decade has established the world's largest microfinance network by connecting self-help groups of marginalized individuals with formal banking institutions. The self-help group approach has garnered enthusiastic support from influential policymakers who recognize the efficacy of group lending in combating poverty. In India, the microfinance movements in Western and Southern regions have garnered significant attention, both in the media and academic circles. Organizations like SHARE, BASIX, SEWA, Myrada, and Pradan have rightfully garnered recognition from academics, media outlets, and government entities. Andhra Pradesh, in particular, has witnessed remarkable growth in microfinance activities, with its success stories extensively documented (Sharma, 2015).

C. Pakistan

The Kashf Foundation, which translates to "miracle" or "revelation," commenced its operations in 1996 as a research endeavor focused on showcasing the economic potential of impoverished women in Lahore. Initially, fifteen women availed themselves of Kashf's microcredit facilities to kickstart small-scale income-generating ventures. Over the years, Kashf's clientele has grown exponentially, encompassing more than 60,000 individuals by 2019 (Lamsal, 2019).

D. Sri Lanka

The National Development Bank (NDB) of Sri Lanka was established in 1999 as a government-owned development bank with the primary objective of providing financial support to small enterprises by enhancing their capabilities and extending wholesale finance to banks. Over the years, the NDB has facilitated wholesale finance for over 10,000 small and medium enterprises (SMEs) in Sri Lanka. Additionally, the NDB has actively promoted microfinance by allocating funds to specialized Microfinance Institutions (MFIs), taking a leading role in policy reform, and hosting the May 2000 conference of the Global Network of Banks for Microfinance (GNBI). During the 1980s, the NDB formulated robust investment and development banking financing mechanisms tailored for large-scale businesses. In 1993, the government transferred 61% of its shares to public ownership through a successful public share offering. Subsequently, in 1997, further privatization occurred through convertible debentures, leading to the NDB's transformation into a private entity. Despite encountering political challenges in Sri Lanka, the NDB has maintained a robust lending portfolio, successfully mobilizing capital both domestically and internationally, and diversifying its range of financial services. Since its establishment, the NDB has invested a total of US\$238.3 million in microfinance initiatives (Sharma, 2015).

Micro Finance in Nepal

Nepal is recognized as one of the most economically challenged nations worldwide, notably standing as the least affluent among South Asian countries. The rate of poverty reduction within the country remains sluggish, primarily due to factors such as low per capita income, rapid and uneven urbanization, and a high population growth rate. With a population of around 25 million people, a significant 38% of the population lives below the poverty line. The majority of these impoverished individuals reside in rural areas, where opportunities for economic progress are limited. In this context, microfinance emerges as a potential solution for economically disadvantaged individuals lacking collateral but possessing strong entrepreneurial aspirations. Through microfinance initiatives, these individuals gain access to financial resources necessary to establish and expand their businesses, thereby creating employment opportunities and enhancing

income levels within their communities (Simkhada, 2018).

The Regulatory Status

A. Policy Announcement of Nepal

In 1984, Nepal got on a journey toward establishing an open, liberal, and market-oriented economy. Recognizing the potential of microfinance as a crucial tool in addressing poverty, the country actively promoted the microfinance industry to align with its national agenda of poverty reduction. The government formulated policies aimed at fostering a conducive financial environment for the sustainable growth of the microfinance sector. These policies are tailored to enhance the capacities of marginalized sectors and communities, advocate for the interests of vulnerable groups such as the oppressed, deprived, and disabled citizens, and empower women and other marginalized communities. This commitment to poverty alleviation and inclusive development was reaffirmed through the Public Statement on Income and Expenditure for the Fiscal Year 2018/019 (MOF 2020).

B. Tax Relief to Small Depositors

Taxation imposed on the interest earned by rural investors with limited savings in the microfinance sector escalates the operational expenses of these institutions. However, the government does not derive substantial benefits from such taxes.

C. Exemption on the Collateral Registration Fee

Numerous cooperatives are actively engaged in providing microfinance services across both rural and urban areas. The costs involved in implementing microfinance programs significantly impact the pricing of their services and the sustainability of these cooperatives. However, a significant portion of these cooperatives tends to be concentrated in urban areas, displaying reluctance to expand their operations into rural regions. It is encourage cooperatives to broaden their microfinance services to rural areas; Nepal has introduced a policy offering a waiver of registration fees on loan agreements up to a specified amount lent among their members by cooperatives. This policy initiative aims to alleviate the financial burden associated with microfinance programs in rural regions (MOF 2005a, 9). According to this policy announcement, the Finance Act 2062

exempts registration fees on collateral or loan agreements totaling up to Rs.100,000 (MOF 2005).

D. Limit of the Single Investor

Nepal should promote investments in microfinance development banks to enhance the role of microfinance as a crucial tool for poverty alleviation and to extend its reach to rural areas. One approach is to deregulate the maximum limit of individual investment or to raise the ceiling of investment in microfinance development banks. In line with this objective, Nepal Rastra Bank has raised the maximum limit for individual investors from 15 percent to 25 percent of the paid-up capital of the respective microfinance institution (NRB 2005b, 24).

E. Micro Credit Policy

Microfinance networks offer door-to-door microcredit services to ultra-poor families who lack collateral and guarantees required for traditional banking credit eligibility. Despite the challenges posed by bank closures or branch consolidations, microfinance institutions continue to steadfastly deliver to microcredit services towards poor communities.

Challenges in Micro Credit Delivery in Nepal

Nepal's diverse geography, coupled with differing levels of development and a rich tapestry of cultures and ethnic groups, presents challenges for effectively delivering microfinance services. To overcome these challenges, there is a necessity to establish a microcredit delivery mechanism that caters more effectively to the populations residing in hilly and mountainous regions, while also expanding outreach to these areas. This entails enhancing existing programs offered by formal Microfinance Institutions (MFIs) to better target the poorest segments of society and addressing the unsustainable delivery mechanisms of government-initiated MFIs and programs ((Muhammad, 2020).

Evolution of Micro Finance

The inception of microfinance in Nepal dates back to the 1950s with the establishment of the first credit cooperatives. These cooperatives were established with the aim of providing rural financial services, primarily focusing on extending credit to the agriculture sector. Another significant milestone was the initiation of the Small Farmers

Development Program (SFDP) in 1975, facilitated by ADB/N. This program aimed to organize farmers into small groups to provide collateral-free credit. In 1981, the Nepal Rastra Bank (NRB) introduced the Integrated Rural Banking Program (IBP), which mandated commercial banks to allocate a minimum of 7 percent of their lending to the priority sector, later increased to 12 percent in 1990. This requirement is currently undergoing gradual phasing out. The year 1992 witnessed the establishment of Grammen Bikash Banks by the government sector, marking a pivotal moment in rural microfinance in Nepal. Additionally, NGOs began implementing Grameen banking activities in certain areas around the same time.

The MF Sector in Nepal

In Nepal, the microfinance sector comprises a diverse array of institutions, each with its unique approach to offering financial services to the impoverished. While some categorize these institutions as belonging to the informal or formal sectors, a more accurate distinction is between the community-based sector and the institutional sector. Many institutions considered informal are, in fact, registered societies ((Muhammad, 2020).

Traditional Savings and Credit Groups (TSCG)

In Nepal, there exists a longstanding tradition of informal savings and credit groups, commonly known as rotating savings and credit associations (ROSCAs), locally referred to as Dhukuti or similar names. Despite being largely unregistered entities, these associations demonstrate a high level of organization in terms of defining membership rights and responsibilities (Muhammad, 2020).

Village Bank

The Village Bank model was introduced in Nepal through the Women's Empowerment Program led by Pact Nepal from 1998 to 2001. Adapted from a model prevalent in Latin America, village banks are community-managed credit and savings associations tailored to cater to the financial needs of rural residents. This approach focuses on empowering relatively large groups of people, typically comprising 20 to 40 individuals in Nepal, to

establish their own financial institution with a primary emphasis on savings (Muhammad, 2020).

Initially, local NGO partners of Pact Nepal, acting as village bank promoters, provided training to the village banks, focusing on enhancing the capacity of membership and management committees. These promoters also offered financial capital to establish the 'external fund' of the village bank, which is then lent out to its members. Repayments from members are collected by the village bank, which then reimburses its initial debt to the promoters. Concurrently, village bank members contribute to building their 'internal fund' through savings and lending within this fund (Muhammad, 2020).

This model proved successful in Nepal as it integrated literacy and business development training alongside financial services, resulting in widespread outreach at minimal cost. However, a notable drawback was the dependency created by the financial ties between village banks and promoters.

Main Issues

Key challenges in the microfinance sector include the predominant role of the government and its agencies in micro-credit, indicating a need for restructuring and privatization of institutions like Grameen Bikash Bank (GBB) to diminish public sector influence. Another significant issue is the limited coverage of microfinance services in hilly regions. Furthermore, there is a lack of clear focus from international non-governmental organizations (INGOs), microfinance institutions (MFIs), and apex wholesale institutions, alongside concerns regarding the sustainability of microfinance initiatives and the interest rates charged.

Gender Equality and Empowerment of Women Project

This endeavor sought to enhance the financial status of impoverished rural women in Nepal by implementing measures to advance gender equality. The project facilitated various gender-related legal reforms and policy adjustments. For instance, it advocated for the elimination of discriminatory clauses against women in existing laws as a prerequisite for accessing credit. Additionally, the government pledged to enact legislation addressing issues such as domestic violence and to empower institutions like

the National Women's Commission and National Dalit Commission, initially through cabinet decisions.

2.3 Empirical Review

Sharma (2024) uses panel data modeling and pooled OLS regression to show that microfinance indicators, along with control variables, significantly influence poverty reduction outcomes. This approach provides a nuanced understanding of the role of microfinance in economic development and poverty alleviation efforts.

Reshi and Sudha (2023) advocate for systemic changes that empower women economically by addressing underlying inequalities and promoting inclusive economic growth. Their findings underscore the importance of transformative policies and programs that advance gender equality and ensure women can fully participate and benefit from economic opportunities.

Banerjee and Gogoi (2023) utilized data from the Longitudinal Aging Study in India, Wave-1 (2017–18), employing six logistic regression models to analyze the relationship between gender and various health outcomes. Their study found notable differences between men and women in terms of subjective and objective health measures. Regarding subjective health perceptions, women were more likely than men to report physical discomfort and a higher prevalence of poor subjective health. However, when objectively measuring health indicators, older men showed a higher prevalence of low hand-grip strength but a lower prevalence of poor balance compared to women. Interestingly, the gender disparities in health outcomes diminished significantly or became statistically insignificant after adjusting for indicators of financial empowerment. This adjustment suggests that financial factors play a crucial role in mediating health disparities between genders among older adults in India. Moreover, the study highlighted the interaction effect between gender and involvement in financial matters. It was found that men benefited more significantly in terms of reversing poor subjective health when actively engaged in financial decision-making processes.

Ghosh (2022) utilized survey data to examine the influence of women's political empowerment in India on their financial inclusion. The study's findings indicate that political empowerment among women correlates positively with increased account

activity. Specifically, the research highlights that women's political empowerment enhances account activity by approximately 7%. Moreover, improvements in the convenience of using accounts further boost account activity by an additional 0.5%. The analysis delved into identifying the specific mechanisms through which political empowerment contributes to heightened account activity among women in India. This includes exploring how increased political representation and influence translate into greater engagement with financial services, potentially through policy advocacy, improved access to resources, or enhanced awareness and utilization of banking facilities. In summary, Ghosh's study underscores the significant impact of women's political empowerment on enhancing financial inclusion in India. By elucidating the channels through which political empowerment affects account activity, the research provides insights crucial for policymakers and stakeholders aiming to promote gender equality and economic empowerment through enhanced financial access and utilization.

Nasharty (2022) both panel data modeling and pooled Ordinary Least Squares (OLS) regression were employed to assess the impact of microfinance indicators on poverty reduction. The research findings indicate that three key microfinance indicators, along with several control variables, exert a statistically significant influence on decreasing poverty levels. The study underscores that improving the effectiveness of the microfinance sector can assist governments in achieving their poverty alleviation objectives.

Ofori and Kashiwagi (2022) adapted a conventional social performance management framework by considering outreach and products/services as distinct independent variables, focusing solely on changes in the lives of service users as outcomes. There is underscores the effectiveness of enhancing outreach for faster loan disbursement times and the multifaceted impacts of mobile banking on income generation, business growth, and loan management within the microfinance sector. These findings suggest strategic implications for improving service delivery and financial inclusion through targeted outreach and mobile banking innovations.

Chomen (2021) employed a combination of random and purposive sampling methods to gather data from 357 respondents across twelve villages. The study utilized binary

logistic regression to analyze factors influencing income improvements among participants. The findings indicated a significant positive impact on the standards of living of respondents, as a majority experienced increased income following their participation in the program. This outcome underscores the program's effectiveness in fostering economic advancement and enhancing the overall livelihoods of the participants.

Shohe, Niner, and Gunawardana (2021) conducted a mixed-method study involving 331 surveys and 33 in-depth interviews with women who are recipients of microfinance and their husbands in a sub-district of Bangladesh. The study focused on gender socialization and gender performance dynamics. Bangladesh highlighted that while women participated in microfinance programs, these initiatives did not effectively challenge traditional gender norms or significantly empower women financially. Instead, patriarchal structures persisted, perpetuating inequalities in household dynamics and decision-making processes.

Bent (2018) conducted primary data collection and employed regression analysis to examine the impact of microfinance institutions (MFIs) on poverty reduction. The study focused on how MFIs offer opportunities to people living below the poverty line, with a particular emphasis on empowering impoverished women-headed households. The findings of the research demonstrated the effectiveness of MFIs in reducing poverty by encouraging and facilitating access to finance for poor households. Specifically, the study likely revealed that providing financial services to these vulnerable populations contributes significantly to poverty alleviation. By targeting women-headed households, MFIs not only enhance economic opportunities but also empower women economically, which can lead to broader socio-economic benefits for families and communities. In summary, Bent's study highlights the role of microfinance institutions in promoting financial inclusion and reducing poverty among marginalized groups, particularly women-headed households. The research underscores the positive impact of empowering these households with access to financial resources and opportunities for economic advancement.

George and Thomachan (2018) examined the impact of various financial services, such as savings, credit, insurance, and bank accounts, on women's social and economic development. Their study focused on how access to these financial services contributes to women's empowerment. The research highlighted that providing women with access to financial services through financial inclusion initiatives positively influences their social and economic outcomes. Specifically, access to financial services was found to enhance income generation opportunities for women, leading to overall empowerment. By enabling women to save, access credit for business ventures, secure insurance, and maintain bank accounts, financial inclusion initiatives create avenues for economic independence and growth. In summary, George and Thomachan's study underscores the pivotal role of financial services in fostering women's empowerment. Their findings suggest that improving access to financial resources not only enhances women's economic well-being but also promotes their social advancement, contributing to broader gender equality and socio-economic development goals.

Rahman et al. (2018) conducted a secondary analysis using data from a randomized controlled trial (ISRCTN65316374) to investigate predictors of depression and moderators of interventions among 791 participants. Their study focused on identifying factors influencing depression outcomes at a 1-year follow-up. The research highlighted significant effect sizes based on different factors women with household debt had a substantial effect size of 0.80 for depression, indicating a higher impact on mental health. Women without household debt still showed a notable effect size of 0.55, albeit lower than those in debt. For women facing both household debt and financial disempowerment, the effect size was 0.94, emphasizing a heightened vulnerability to depression compared to those without these factors, who had an effect size of 0.50. The findings underscored the critical role of household debt and financial empowerment in influencing depression among women in low-income settings. Rahman et al. (2018) emphasized that their locally developed intervention effectively addressed these issues, suggesting promising outcomes in mitigating depression by tackling economic stressors and enhancing financial empowerment among participants.

Banerjee and Jackson (2017) conducted an ethnographic study in Bangladesh to critically analyze the role of microfinance in poverty alleviation. Contrary to popular belief, the

study found that microfinance initiatives led to increased indebtedness among impoverished communities and exacerbated economic vulnerabilities, challenging the notion of microfinance as a panacea for poverty.

Bijli (2017) various policies related to microfinance, entrepreneurship, vocational training, and employment were examined. The research identified a significant gap in women's understanding of concepts such as savings value, cash flow management, capital formation, and account keeping. As a result of these findings, the study focused on developing detailed financial literacy modules aimed at empowering women. These modules were designed to enhance members' knowledge and skills in financial management, thereby equipping them to make informed decisions and improve their economic capabilities effectively. The study emphasizes the importance of tailored educational interventions in fostering financial empowerment among women involved in microfinance and entrepreneurial activities.

Mecha (2017) examined the theoretical literature concerning the impact of microfinance on reducing poverty. The study highlighted the positive impact of microfinance on job creation, income generation, and women's empowerment but also acknowledged limitations such as the inability of the poorest to benefit due to repayment challenges. It emphasized the need for microfinance institutions to diversify services and provide adequate training for efficient loan utilization.

Vinodhini and Vaijayanthi (2016) conducted a secondary data analysis focusing on Self-Help Groups (SHGs), which are village-based financial committee's typically comprising 10 to 20 local women or men. Their study affirmed that SHGs have proven successful in achieving both social and income generation objectives. The research highlighted several key findings the membership of SHGs has demonstrated steady growth across the country, indicating their increasing popularity and effectiveness. SHGs play a crucial role in enhancing the social organization of communities, fostering cohesion among members, and promoting collective action towards common goals. The success of SHGs is attributed to their direct connection with impoverished individuals, their adoption of innovative practices, and their facilitation of active participation in community development initiatives. SHGs also contribute significantly to improving the financial

status of households by providing access to financial resources, encouraging savings habits, and promoting entrepreneurial activities among members.

Barasa and Lugo (2015) conducted a study focusing on M-PESA, a mobile banking model in Kenya that serves as a significant tool for financial inclusion. Firstly, the study provided a comprehensive background on M-PESA, detailing its emergence and development within the Kenyan context. Secondly, it evaluated M-PESA's role in promoting financial inclusion by increasing access to banking services, especially among underserved populations. The study also investigated whether M-PESA serves as a means of income generation for women and girls in Kenya, examining its impact on economic activities and financial empowerment within these demographics. Finally, Barasa and Lugo offered recommendations aimed at enhancing M-PESA's effectiveness as a mode of financial inclusion and empowering women in Kenya. These recommendations likely included strategies to expand access, improve usability, and address barriers to adoption, thereby maximizing the socio-economic benefits of M-PESA across gender lines. In summary, Barasa and Lugo's study underscored M-PESA's pivotal role in financial inclusion and its potential to empower women economically in Kenya. Their findings and recommendations aimed to leverage M-PESA's capabilities to further enhance financial accessibility and promote gender equity through enhanced financial empowerment initiatives.

Herath (2015) examined on examining the influence of microfinance on alleviating poverty in Sri Lanka. The research aimed to investigate the empirical evidence regarding microfinance's impact on poverty reduction. It specifically examined the effect of microfinance on income-poverty using two leading Microfinance Institutions (MFIs), SANASA-Thrift and Credit Co-operative Societies (TCCSs), and Sarvodaya Economic Enterprise Development Services (Guarantee) Limited (SEEDS) in the Kandy District. The study found that after microfinance intervention, two-thirds of households categorized as 'below the poverty line' experienced financial empowerment. Econometric analysis revealed the significance of various variables such as household income level before microfinance, distance to MFIs, duration of credit usage, credit amount, level of education, and credit-plus services in influencing income-poverty. Additionally, the study

highlighted the importance of cumulative credit with credit-plus services in significantly increasing the probability of empowerment.

Samer et al. (2015) investigated the impact of microfinance provided by Amanah Ikhtiar Malaysia (AIM) on household income in Malaysia. Through a cross-sectional survey involving 780 respondents from both old and new clients in Selangor and Melaka states, the study found that AIM positively influenced household income, particularly among women borrowers who had been part of the scheme for three years compared to new borrowers.

Akilova and Marti (2014) conducted a study using data from the 2007 Jordan Population and Family Health Survey (JPFHS) to explore the relationship between women's income generation and intimate partner violence (IPV) among ever-married women in Jordan. Their analysis revealed significant findings women who did not have income generation were more likely to experience intimate partner violence. This highlights a potential link between economic dependency and increased vulnerability to IPV among non-empowered women in Jordan. Conversely, women who participated in financial decision-making, either regarding their own earnings or their partners', showed a decreased probability of experiencing any form of IPV. This suggests that economic empowerment and involvement in financial decisions contribute to reducing the risk of intimate partner violence. This study underscores the protective role of women's income generation and financial autonomy in mitigating intimate partner violence. Their findings suggest that empowering women economically and involving them in financial decision-making processes can contribute to enhancing their safety and well-being within marital relationships in Jordan.

Stephen (2014) utilized a qualitative research methodology, primarily through a desktop approach, focusing on an empirical literature review to explore the relationship between microfinance and poverty. While the study synthesized existing empirical works from various contexts, it acknowledged that a field survey supported by econometric analysis would have strengthened the robustness of the findings. The research aimed to consolidate empirical evidence from diverse studies to illuminate the significant connection between microfinance interventions and poverty alleviation. By drawing upon

existing literature, Stephen's paper sought to provide a comprehensive understanding of how microfinance initiatives have impacted poverty levels across different settings. In summary, Stephen's approach involved a qualitative synthesis of empirical studies, highlighting the need for further empirical research to substantiate the findings and enhance understanding of the nuanced relationship between microfinance and poverty reduction.

Imtiaz, Mehmood, Akram, and Muhammad (2014) undertook a study titled "Impact of Microfinance on Poverty Reduction: A Case Study of District Faisalabad." Their research delved into how microfinance programs, particularly those provided by Khushhali Bank Ltd, contributed to poverty alleviation in the district. Employing structured questionnaires and analysis utilizing the Foster, Greer, and Thorbecke (FGT) model, they discovered that microfinance significantly decreased poverty levels among participants. This was evidenced by various indicators such as the Headcount Index (HCI), Poverty Gap Index (PGI), and Squared Poverty Gap Index (SPGI). The study recommends policy measures to enhance the effectiveness of microfinance programs in poverty reduction endeavors.

Adhikari and Shrestha (2013) conducted a case study titled "Economic Impact of Microfinance in Nepal: A Case Study of the Manamaiju Village Development Committee, Kathmandu," focusing on the positive effects of microfinance on economic status in a specific community. They found that microfinance significantly improved the economic well-being of respondents and their families by generating additional income, enabling access to better food and healthcare, and facilitating children's education.

Ondoro and Omena (2012) employed a descriptive research design to investigate the impact of microfinance services on youth groups in Migori County, targeting 339 microfinance beneficiary youth groups and 513 individuals. The study's findings revealed several insights into the effectiveness of microfinance in this context. The research indicated that there was no significant relationship found between microfinance services and savings or investment behaviors among the youth in Migori County. Despite this, a positive effect was observed concerning the development of financial management skills among the youth who accessed microfinance services. These results suggest that while microfinance may not directly influence savings or investment activities among youth

groups in Migori County, it plays a crucial role in enhancing their financial literacy and management capabilities. This aspect is vital for building sustainable financial practices and fostering economic resilience among young beneficiaries of microfinance programs. This highlights the broader benefits of microfinance beyond monetary transactions, emphasizing skill-building and capacity development among youth populations.

Roy and Chaudhuri (2008) employed both ordered and binary logit specifications in their study to examine health disparities between older men and women. Their findings revealed several significant insights into gender differences in health outcomes and healthcare utilization among older adults. The study highlighted that older women tend to report worse self-rated health compared to men. Additionally, women showed a higher prevalence of disabilities and marginally lower rates of chronic conditions but lower healthcare utilization rates than men. Importantly, these health disadvantages and lower healthcare utilization among women persisted even after accounting for demographic factors and the distribution of medical conditions. However, successive controls for education, income, and property ownership narrowed the gender gap in both health status and healthcare utilization. Despite this narrowing effect, significant gender differentials still persisted. A crucial finding of the study was that upon controlling for economic independence factors, such as income and property ownership, the gender disparities in health and healthcare utilization either disappeared or were reversed. Specifically, older women who achieved economic independence showed equal or even better health outcomes compared to men with similar economic profiles.

Vyas and Watts (2008) conducted a review of published data from 41 sites to examine the relationships between various factors and intimate partner violence (IPV). Their study synthesized findings across different contexts and highlighted several key observations. The review indicated that household assets and women's higher education generally played a protective role against IPV. These factors were associated with lower incidences of violence within relationships. However, the evidence regarding women's involvement in income generation and its impact on IPV was mixed. While five studies found that women's economic activities were protective against violence, six studies documented a risk association, suggesting that economic autonomy may sometimes increase the risk of experiencing IPV. At both individual and household levels, economic development and

poverty reduction were found to potentially have protective effects against IPV. The study emphasized that the impact of financial autonomy on IPV risk could vary significantly depending on context-specific factors such as cultural norms, social structures, and economic opportunities available to women.

Montgomery and Weiss (2005) undertook a study titled "Great Expectations: Microfinance and Poverty Reduction in Asia and Latin America," delving into the efficacy of microfinance institutions (MFIs) in enhancing the well-being of impoverished individuals. Although aid practitioners often regard MFIs as a promising avenue for alleviating poverty, comprehensive research studies have yielded more tempered results, particularly concerning their effectiveness in reaching the "core poor." Their review of evidence from Asia and Latin America unveiled limited substantiation that microfinance effectively penetrates the most destitute populations. These findings are disseminated as part of the Research Paper Series, aimed at stimulating discourse within academic and policy circles. It's imperative to acknowledge that the viewpoints expressed in the paper are solely those of the authors and may not necessarily align with the perspectives of the Asian Development Bank Institute.

These studies collectively underscore the diverse impacts of microfinance on poverty reduction, income empowerment, and women's economic participation across different contexts and regions. While some highlight the positive outcomes, others caution against overestimating the effectiveness of microfinance as a sole solution to poverty alleviation.

Table 1

Summary of Empirical review

S.N.	Date and Authors	Methodology	Findings
1	Sharma (2024)	A panel data model and pooled OLS are used to estimate the effect of microfinance indicators.	The study findings reveal a significant effect of the three microfinance indicators and some control variables on reducing poverty.
2	Reshi & Sudha (2023)	Descriptive research design is used.	The article found the need for a more integrated and comprehensive approach to women's economic empowerment that addresses the structural barriers to women's

3	Banerjee & Gogoi (2023)	Using the Longitudinal Aging Study in India, Wave-1 (2017–18), six logistic regression models have been specified to capture the adjusted association between gender and poor health outcomes.	<p>full participation in the economy.</p> <p>The findings reveal that women tend to be more perceptive about their physical discomfort than men and reported a higher prevalence of poor subjective health. In terms of objectively measured health status, older men had a higher prevalence of low hand-grip strength but a lower prevalence of poor balance. The magnitude of gender difference either shrunk considerably or became statistically insignificant for all the poor health outcomes after controlling the effect of indicators of financial empower. The interaction between gender and involvement in financial matters demonstrated a stronger effect for men in reversing poor subjective health.</p>
4	Nasharty (2022)	A panel data model and pooled OLS are used to estimate the effect of microfinance indicators.	<p>The study findings reveal a significant effect of the three microfinance indicators and some control variables on reducing poverty. And that enhancing the performance of this sector will help governments in their goals towards poverty reduction.</p>
5	Bijli (2017)	In this study microfinance, entrepreneurship, vocational training, and employment policies are used.	<p>On the basis of the findings that revealed limited knowledge of the women regarding value for savings, cash flow management, capital formation and account keeping, financial literacy modules were developed for empowerment of members which has been presented in this study in detail.</p>
6	Ofori and Kashiwagi (2022)	This study modified the common social performance management	<p>The results showed that outreach significantly decreased loan disbursement time.</p>

		framework to treat outreach and products and services as independent variables, with changes in the lives of service users as the only output or result.	Conversely, outreach was not significant in relation to delayed loan disbursement time. Mobile banking was statistically significant for increased income, business expansion, timely loan disbursement, and high cost of loans.
7	Shohe, Niner and Gunawardana (2021)	This paper presents the findings of a mixed-method study comprising 331 surveys and 33 in-depth interviews with women receiving microfinance and their husbands in a southern sub-district of Bangladesh; it draws upon gender socialization and gender performance.	Findings demonstrate that participation in microfinance programs has not shifted gender norms, nor financially empowered women. The inter-generational reproduction of patriarchal gender relations continued to reproduce a strict gendered division of labour that reinforced restrictions on women's behaviour, mobility, and decision-making domains, and men's dominance in household and economic decision-making.
8	Chomen (2021)	Both random and purposive sampling techniques were used for data collection. Three hundred and fifty-seven respondents were selected from twelve different villages for the data collection. The study used a binary logistic regression to identify the key determinants of the income improvement of respondents.	The finding revealed that most of the respondents' income improved after they joined the program which impacted positively in improving their standards of living.
9	Rahman, Sikander, Malik, Ahmed, Tomenson and Creed (2018)	Using secondary analysis of data from a randomized controlled trial (trial registration: ISRCTN65316374) we identified predictors of depression at 1-year follow-up and moderators of the intervention	Effect sizes for women with and without household debt were 0.80 and 0.55 respectively. The effect size for women in debt and not empowered financially was 0.94 compared with 0.50 for women with neither of these factors. Our findings demonstrate the importance of

		(n=791).	household debt and lack of income generation of women as important maintaining factors of depression in low-income countries and our locally developed intervention tackled these problems successfully.
10	Bent (2018)	There is used primary data collection. Regression analysis was used.	The microfinance institutions (MFIs) provide the opportunity for the people who are living under the poverty lines, the institution particularly encourage poor women households and the result will show that how poverty reduced by encouraging and providing access to finance poor household.
11	George & Thomachan (2018)	The various financial services include access to saving, credit, insurance, bank account etc.	The access to financial services helps women in their social and economic development. It is noted that access to financial service through financial inclusion do have impact upon the social and income generation of women leading to their overall empowerment.
12	Banerjee and Jackson (2017)	There is used primary data collection. Regression analysis was used.	It is finds contribute to the emerging literature on the role of social capital in developing entrepreneurial capabilities in poor communities by highlighting processes whereby social capital can be undermined by market-based measures like microfinance.
13	Mecha (2017)	The researcher has also discovered that most researchers have used at least two to four models the popular ones being: Grameen solidarity group model, targeting women groups' model, regular repayment schedule model and village	The studies have given a warning to their clients that micro-credit is not medicine to the poverty. It is also advocated that the microfinance institutions should open their businesses to the middle level customers like teachers, clerks, nurses so that they may enable the institutions

14	Vinodhini and Vaijyanthi (2016)	banking model. Self-Help Group (SHG) is a village-based financial intermediary committee usually composed of 10–20 local women or men.	to operate profitably. It can be concluded that SHG have been successful in achieving both social & income generation goals. The secondary data analysis is made and it also confirms the steady growth on the membership level as number of self help groups in the country. Findings on social organizations have been presented. The key reasons for the success of SHGs are its link with the poor people, its innovative practices, its capacity to enable people’s participation in development and trust building at different levels between stakeholders. SHGs also help in the financial status of the households.
15	Herath (2015)	Econometrics analysis illustrated that the variables investigated in the study namely, household income level before MF, distance to MFI, number of years the credit has been used. Statistically significant in the first regression model.	Credit-plus services and ownership were found not significant. Statistical test of income empowerment indicated that if cumulative credit with credit-plus services is available, then the probability of empowerment is significantly higher.
16	Samer, Majid, Rizal, Muhamad, Halim and Rashid (2015)	A cross-sectional survey interviewed 780 from old and new clients in Selangor and Melaka states in Malaysia. The stratified random method was used to collect the data from urban and rural districts.	The finding of multinomial logistic reveals that AIM has positive impact on household income of women borrowers who spent three years in the scheme as compared to new borrowers who have not received treatment.
17	Akilova and Marti (2014)	This study investigated the effect of women’s income generation on intimate partner violence for ever-married women in Jordan using data from	The results of this analysis demonstrated that not having income generation could lead to an increase of probability of experiencing intimate partner violence for non-empowered

		the 2007 Jordan Population and Family Health Survey (JPFHS).	women in Jordan. The women, who participate in financial decision-making regarding either the income they earn, or the income their partners earn, have a decreased probability of ever experiencing any type of IPV.
18	Stephen (2014)	Qualitative research methodology was adopted, following a desktop approach. An empirical literature review took a centre stage in this investigation.	A field survey, supported by an econometric analysis would have helped to generate robust results. This paper attempts to bring together the empirical works that were done in different contexts to shed light on the important relationship between microfinance and poverty.
19	Barasa and Lugo (2015)	M-PESA a Model for Financial Inclusion are used in this study.	Firstly, it gives a clear background of a form of mobile banking in Kenya locally called M-PESA. Secondly, it evaluates how M-PESA is a form financial inclusion. Thirdly, it examines if M-PESA is a form of income generation for women and girls in Kenya and lastly, offers recommendations on how M-PESA can effectively become a mode of financial inclusion and women's empowerment in Kenya.
20	Ghosh (2022)	Employing survey data, the study investigates the impact of women political empowerment in India on their financial inclusion.	The findings show that such political empowerment improves account activity by nearly 7%. In addition, increased convenience in using accounts raises account activity by another 0.5%. The analysis also identifies the channels through which such empowerment raises account activity.
21	Intiaz, Mehmood, Akram and Muhammad (2014)	The data were collected with the help of well-designed and structured	The results showed that the poverty has been reduced by financing the peoples. The FGT

		questionnaire, which will be analyzed by applying FGT techniques.	(Foster, Greer and Thorbecke Model) was applied and it was found that the poverty has been reduced after taking the loan. The poverty in all the variables was estimated and it was noted that poverty had been reduced from the small loans.
22	Adhikari and Shrestha (2013)	There is used primary data collection. Regression analysis was used.	The extra income allows the respondents family to buy nutritious food, access to modern health care services and they can afford to send their children to the school.
23	Ondoro and Omena (2012)	Descriptive research design was used. The researcher targeted the 339 microfinance beneficiary youth groups and 513 microfinance.	The study showed that there is no significant relationship between microfinance services savings or investment among the youth in the Migori County. However, a positive effect was revealed of microfinance services on financial management skills.
24	Roy and Chaudhuri (2008)	Both ordered and binary logit specifications were used.	The results indicate that older women report worse self-rated health, higher prevalence of disabilities, marginally lower chronic conditions, and lower healthcare utilization than men. The health disadvantage and lower utilization among women cannot be explained by demographics and the differential distribution of medical conditions. While successive controls for education, income, and property ownership narrows the gender gap in both health and healthcare utilization, significant differentials still persist. Upon controlling for economic independence, gender differentials disappear or are reversed, with older women having equal or better health

25	Vyas and Watts (2008)	Published data from 41 sites were reviewed. Household assets and women's higher education were generally protective.	than otherwise similar men. Evidence about women's involvement in income generation and experience of past year violence was mixed, with five finding a protective association and six documenting a risk association. At an individual and household level, economic development and poverty reduction may have protective impacts on IPV. Context specific factors influence whether financial autonomy is protective or associated with increased risk.
26	Montgomery and Weiss (2005)	There is used primary data collection. Regression analysis was used.	The findings, interpretations, and conclusions are the author's own and are not necessarily endorsed by the Asian Development Bank Institute. They should not be attributed to the Asian Development Bank, its Boards, or any of its member countries.

2.4 Research Gap

Shrestha (2022) highlighted the prevalence of individuals establishing micro or small-scale businesses within the informal economy, often without any social security measures, leading to significant risks to their livelihoods and even their lives. Although microfinance holds promise in addressing these challenges and enabling individuals to participate in economic endeavors, there exists a gap in comprehending the possible connections between providing microfinance and fostering the growth of micro and small enterprises (MSE) (Lamsal, 2020). This research gap underscores the need for further exploration into how microfinance programs can better support the growth and sustainability of MSEs, ultimately contributing to broader economic development and poverty alleviation efforts.

Moreover, the role of microfinance in promoting women's financial and social empowerment is influenced by various factors, including the social and legal

environment of a country and its policies on women's rights and poverty alleviation. While microfinance institutions play a crucial role in providing financial services to women, there is a need for more comprehensive initiatives that address the structural barriers to women's empowerment. Future research could focus on evaluating the effectiveness of such initiatives and identifying strategies to enhance their impact, thereby contributing to the advancement of gender equality and poverty reduction goals.

CHAPTER III

RESEARCH METHODOLOGY

In this chapter are research design, nature and source of data, population, sample and sample selection, data collection procedure, data analyzing tools and techniques and research framework and definition of the variables included.

3.1 Research Design

The study is used descriptive and analytical research design. Under the descriptive study Household characteristics and socioeconomic characteristics has been explored. In analytical approach the impact and the relationship of microfinance services on standard of living, empowerment and poverty reduction has been studied.

3.2 Sample Selection and Data Collection

The study population comprises individuals who have been actively involved in microfinance activities for at least two years and reside in the Kathmandu district of Nepal. This selection criteria was chosen because individuals with longer experience in microfinance activities are likely to be well-informed about the advantages and disadvantages associated with such activities, enabling them to provide more insightful responses to the survey. The study sample includes 400 respondents selected from a single microfinance institution, representing a cross-section of extreme recipients.

3.3 Nature and Source of Data

There are primarily two types of research methods: quantitative and qualitative. These two methods differ in terms of the data they utilize, with quantitative methods focusing on numeric data (such as surveys or statistical analysis), and qualitative methods focusing on non-numeric data (such as interviews or categorizing information).

Quantitative methods involve the analysis of numerical data, such as statistics or charts, while qualitative methods rely on non-numerical data, such as words, images, or video clips. Evaluating the effects of microfinance on the overall population of a nation is a complex task that cannot be succinctly summarized. Certain impacts, like changes in savings or income levels, can be quantified, whereas others, such as improvements in

access to education or business knowledge, are more effectively described through narrative descriptions.

This study aims to comprehensively capture the impact of microfinance on society by incorporating both quantitative and qualitative approaches. The survey includes both numerical and non-numerical questions, allowing for a holistic analysis that considers both types of data. Therefore, the results of the investigation will be based on both quantitative and qualitative analysis methods.

3.4 Data Collecting Procedure

3.4.1 Questionnaire Design

The survey encompassed fundamental inquiries concerning demographics such as gender, age, educational background, household size, and living conditions. Additionally, it delved into aspects related to income, savings, and assets. The data collection process involved employing structured questions and dichotomous inquiries, ensuring uniformity across all respondents. Each participant received an identical questionnaire and was presented with standardized interview prompts. Likert Scale, ranging from 1 to 5 points, was utilized to gauge participants' perceptions regarding the impact of microfinance on their overall quality of life. This scale enabled respondents to indicate their level of satisfaction or agreement with statements concerning the effects of microfinance. A score of '1' denoted the lowest level of satisfaction or strong disagreement, while a score of '5' signified the highest level of satisfaction or strong agreement. Prior to implementation, a pilot test of the survey was conducted in collaboration with Nirdhan Uthan Bank Limited, Kathmandu, to ensure its validity and reliability.

3.5 Data processing procedure and data analysis methods

Various statistical techniques, such as mean, median, standard deviation, and correlation, were utilized to analyze and interpret the data gathered from primary sources. The Statistical Package for the Social Sciences (SPSS) software facilitated the data analysis process. Initially, the data underwent systematic organization through frequency distribution using the SPSS program. Subsequently, correlation analysis was employed to assess and determine the strength of relationships among the variables.

Analysis entails a meticulous examination of available data to derive conclusions based on established principles and logical reasoning. Similarly, data collected from primary sources underwent systematic organization, categorization, and analysis using suitable statistical and financial methodologies. To validate the comparative findings, several statistical tools were applied.

Correlation Analysis

Correlation serves as a valuable statistical tool for assessing the relationship between two variables. It quantifies the extent to which changes in one variable are associated with changes in another. However, it's important to note that correlation does not imply causation. The correlation coefficient, typically denoted as (r), can range from -1 to +1, where a value close to 1 indicates a strong positive relationship, suggesting that changes in one variable are highly correlated with changes in the other. Conversely, a value close to zero suggests a weak relationship between the variables.

Regression Analysis

Regression analysis is indeed a powerful inferential statistical technique employed to estimate the impact of one or more independent variables on a dependent variable. In the model used for this study, the structure is outlined as follows:

$$WE_{it} = \beta_0 + \beta_1 E_{Lit} + \beta_2 I_{Lit} + \beta_3 FS_{it} + \beta_4 DM_{it} + \beta_5 OA_{it} + \epsilon_{it}$$

Where,

WE_{it} = Women Empowerment

E_{Lit} = Education Level

I_{Lit} = Income Level

FS_{it} = Family Support

DM_{it} = Decision Making

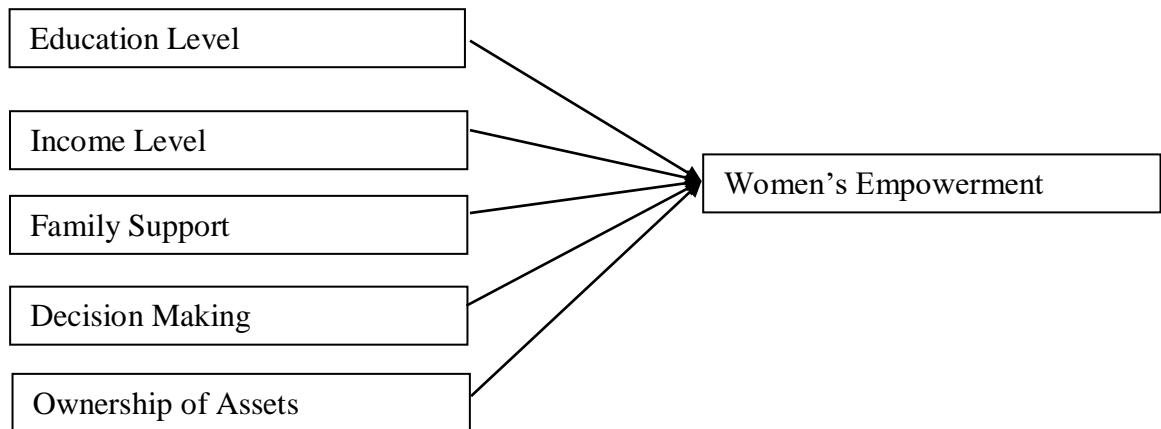
OA_{it} = Ownership of Assets

ϵ_{it} = Error

3.6 Research Framework and Definition of the variables

Independent Variables

Dependent Variables



(Source: Rahmna, Sikander, Malik, Ahmed, Tomenson and Greed, 2018)

Figure 1: Research Framework

Women's Empowerment

Microfinance services are often regarded as a gateway to empowering women. Members of microfinance institutions (MFIs) tend to have greater involvement in savings and income-generating activities, as well as increased participation in household decision-making and engagement in activities beyond the household sphere. In this study, these factors are considered as the dependent variables (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018).

Education Level

In Nepal, primary education is referred to as Basic Education, spanning grades one through eight. Secondary education encompasses grades nine to twelve. Additionally, pre-primary education is offered in certain regions, with students typically commencing grade one at the age of five (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018).

Income Level

Income Level 1 represents the segment of the population classified as the world's poorest. Individuals in this category earn less than a day, facing significant challenges in meeting even their most fundamental needs. Access to necessities such as clean drinking water on

a hot day or shelter from the rain becomes a daily struggle for them (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018).

Family Support

Microfinance provides financial services to impoverished entrepreneurs and low-income households who lack collateral and are unable to access traditional banking services (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018).

Decision Making

Decision making involves identifying a decision, gathering information, and evaluating alternative resolutions to make choices (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018).

Ownership of Assets

An asset ownership or interest document serves as legal evidence of a company's ownership of various assets such as real estate, machinery, intellectual property (IP) rights, and office buildings (Rahman, Sikander, Malik, Ahmed, Tomenson, & Greed, 2018). Economic power denotes the capacity of countries, businesses, or individuals to enhance living standards, granting them autonomy in decision-making for their own benefit. Scholars in international relations also regard a country's economic power as a significant factor influencing its position in international affairs.

CHAPTER-IV

RESULT AND DISCUSSION

The purpose of this chapter is to present and assess the gathered data concerning the study objectives. Here, the researcher scrutinizes the collected data under different headings and subheadings to address the study's stated objectives. A central aspect of women's social empowerment through microfinance programs involves enhancing their social engagement and improving living standards, alongside promoting both mandatory and voluntary savings habits.

4.1 Data Analysis and Presentation

In this study, the sustainable livelihood approach was utilized to investigate how access to different forms of capital impacts the transition of households' livelihoods from agriculture to non-farm activities, commonly referred to as farm exit, within the context of impoverished rural areas characterized by agricultural castes and ethnicities in Nepal.

4.1.1 Demographic Analysis of the Respondents

The demographic analysis and interpretation of primary data gathered through surveys are covered in this section. The demographic details of the study's respondents are revealed in this section. The respondent profile comprises information on the respondent's gender, age, and marital status, degree of education, employment experience, and income.

Employees in the hospitality industry were chosen as the respondents, and questionnaires were sent to them personally. The gender, age, and bank experience of the responders are all listed in their profile. Only 400 questionnaire responses were ultimately collected.

Table 2

Distribution of Respondents based on Demographic Analysis

Age	Frequency	Percent
Below 25 Years	128	32.00
Year 25-40 Years	194	48.50
Above 40	78	19.50
Total	400	100.0
Gender		
Male	0	0
Female	400	100
Total	400	100.00
Marital Status		
Married	195	48.75
Unmarried	205	51.25
Total	400	100.0
Education Level		
Educated	400	100
Uneducated	0	0
Total	400	100
Experience		
Below 1 years	149	37.25
1-4 Years	166	41.5
Above 4 Years	85	21.25
Total	400	100
Income Level		
Below Rs. 20,000	128	32
Rs. 20,000-Rs. 40,000	206	51.5
Above Rs. 40,000	66	16.5
Total	400	100

From the data, it is evident that the majority of respondents in the study fall within the 25–40 age range. Specifically, 128 respondents (32%) are under 25 years old, 78 respondents (19.5%) are above 40 years old, and 194 respondents (48.5%) are between 25 and 40 years old. Additionally, all 400 respondents (100%) are female, indicating a gender imbalance in the sample.

Regarding marital status, 195 respondents (48.75%) are married, while the remaining 205 respondents (51.25%) are unmarried. This suggests that the majority of respondents are unmarried. All 400 respondents (100%) are educated, indicating a high level of education among the sample.

Regarding work experience, 85 respondents (21.25%) have more than 4 years of experience, 166 respondents (41.5%) have 1-4 years of experience, and 149 respondents (37.25%) have less than 1 year of experience. This indicates that the majority of respondents have 1-4 years of work experience.

In terms of income level, 128 respondents (32%) earn below Rs. 20,000, 266 respondents (51.5%) earn between Rs. 20,000 to Rs. 40,000, and the remaining 66 respondents (16.5%) earn more than Rs. 40,000. This suggests that the majority of respondents have an income level between Rs. 20,000 to Rs. 40,000.

4.1.2 Source of Startup Capital of the Respondents

Table 3

Information regarding source of start-up capital

Variables	Measuring Group	Frequency	Percentage %)
Source of Start -up Capital	Personal Savings	80	20%
	Friends or Relatives	44	11%
	Loan from MFIs	256	64%
	Other Source	20	5%
	Total	400	100

Table 3 illustrates that the majority, comprising 64% of all respondents, acquired their initial capital from Microfinance Institutions (MFIs). The remaining participants either

relied on loans from acquaintances or utilized personal savings to kickstart their ventures. These findings highlight the pivotal role of MFIs as the principal source of startup funds for most respondents, underscoring their substantial contribution to enabling economically disadvantaged individuals to establish their enterprises.

4.1.3 Amount of Loan Taken From MFIs

Table 4

Amount of loan granted by MFIs

Variables	Measuring Group	Frequency	Percentage (%)
Amount of Loan taken from MFIs (000)	Less than, 50	140	35%
	50-100	184	46%
	More than 100	76	19%
	Total	400	100%

In Table 4, the analysis indicates that loans extended to individuals are segmented into three distinct categories: less than Nrs50 thousand, Nrs50 to 100 thousand, and over Nrs100 thousand. The data reveals that a significant majority, approximately 81%, fall below the Nrs100 thousand threshold, illustrating the predominant focus of MFIs on micro-credit initiatives. However, a notable proportion of respondents (19%) received loans surpassing Nrs100 thousand, suggesting their progression through multiple credit cycles facilitated by MFIs. Consequently, these findings underscore the need for sufficient capital to initiate a medium-scale business, given the constraints posed by the limited credit offerings of MFIs.

4.1.4 Motivational Factors for Participation

Table 5

Motivation factors to join in MFIs service

Variables	Measuring Group	Frequency	Percentage (%)
Factors Motivated to participate in microfinance service	MFIs Staff	216	54
	Friends	152	38
	Self	32	8
	Total	400	100%

In Table 5, it is evident that only 8% of respondents independently entered the group without the influence of others, while 54% of respondents joined the microfinance program through the motivation and financial literacy sessions provided by MFIs staff. Additionally, 38% of respondents obtained financial services with the advice of friends. Given that poor and deprived women often lack financial literacy, the roles and interventions of MFIs staff were found to be crucial in extending microfinance services to these individuals.

4.1.5 Descriptive Analysis of Degree of Satisfaction

Table 6

General Descriptive Statistics

Variable	(Strongly Disagree)	2	3	4	(Strongly Agree)
Improvement in living standard	0	24	144	116	116
Better access to education	0	116	128	124	32
Better access to healthcare	4	132	56	76	132
Better financial situation	0	32	172	168	28
Reasonable rate of interest	32	100	100	72	96
Easiness in loan procedure	12	28	52	56	252
Increase in Income	0	32	152	128	88
Increase in Saving	16	32	136	128	88
Role in Decision Making	0	8	160	104	128
Operational Assistance from MFIs	0	20	148	136	96
Better Employment Opportunities	0	4	172	152	72
Satisfaction level in existing loan amount	0	8	48	108	236

Table 6 indicates that only a small number of respondents strongly disagreed with certain variables such as reasonable interest rates and ease in loan procedures. However, the majority of respondents agreed or strongly agreed with all variables, including an increase in savings.

4.1.6 One Sample Statistics and T-Test of Different Variables

Table 7 presents the mean, standard deviation, and standard error of the mean for four key factors: method of credit acquisition, operational support, employment opportunities, and fairness of microcredit interest rates. The data indicates that satisfaction levels for all factors surpass the average satisfaction level of 2.5.

Table 7

General Descriptive Statistics

Variables	N	Mean	Standard Deviation	Standard Error
Education Level and Income Level:	400	2.96	1.009	0.097
Family Support:	400	4.01	0.726	0.070
Decision Making	400	3.39	0.891	0.085
Ownership of Assets:	400	2.86	0.938	0.090

Table 7 shows that the evaluation of respondents' perceptions regarding the reasonableness of microcredit interest rates. Participants expressed their opinions using a scale ranging from 1 (strong disagreement) to 5 (strong agreement). The study tested the null hypothesis, which proposed that borrowers' satisfaction with microcredit interest rates is lower than the average satisfaction level (2.5). Conversely, the alternative hypothesis suggested that borrowers are more satisfied than this average level. Analysis presented in Table 7 indicates that the null hypothesis is rejected, signifying statistical significance. Hence, the findings support the alternative hypothesis, indicating that respondents' satisfaction levels regarding microcredit interest rates surpass the average satisfaction level. This study concludes that overall satisfaction with microcredit interest rates is notably high.

Table 8

One Sample t-Test

Variables	Test Value	t-Statistic's	D c agree of freedom	Significance level	Mean Difference	95% confidence interval lower	upper
Education Level and Income Level	2	9.972	0.000	0.000	0.963	0.77	1.15
Family Support	3	14.504	99	0.000	1.009	0.87	1.15
Decision Making	3	4.513	99	0.000	0.385	0.22	0.55
Ownership of Assets	2	9.603	99	0.000	0.862	0.68	1.04

Table 8 assesses whether the method of obtaining credits from MFIs is perceived as simpler compared to traditional banking. A statistical test was conducted to gauge individuals' comfort level in obtaining loans from MFIs versus traditional banking. The

null hypothesis posited that the method of obtaining credits from MFIs is not easier than traditional banking, while the alternative hypothesis suggested the opposite.

The analysis reveals that the null hypothesis is rejected, as the mean satisfaction level for obtaining credit from MFIs exceeds 4, demonstrating statistical significance. Consequently, the alternative hypothesis is favored, suggesting that individuals view the process of obtaining credits from MFIs as simpler than traditional banking methods. Moreover, the mean satisfaction level for operational support is 3.39, indicating that individuals found operational assistance from MFIs beneficial for managing their businesses. Additionally, Table 8 displays the mean and standard deviation for satisfaction levels regarding employment opportunities. The mean value slightly exceeds the midpoint of the satisfaction scale. The null hypothesis posited an average satisfaction level of 2, while the alternative hypothesis proposed a different level of satisfaction. The t-test statistics reject the null hypotheses and accept the alternative hypotheses with a high degree of confidence. Therefore, it is inferred that due to microfinance activities, individuals perceive a moderate increase in employment opportunities, although not significantly high.

4.1.7 Relationship between the Increase of Income and the Increase of Savings

Table 9

Correlation test between the incomes and saving

Variables	Increase of income	Increase of savings
Increase of income	1	0.600
Pearson Correlation		
Increase of savings	0.600	1
Pearson Correlation		

Table 9 illustrates that individuals typically utilize credit to enhance their financial status through business engagement or other investments. Subsequently, they prioritize savings, considering it as a future security measure to bolster their financial standing and elevate their living standards. To examine the correlation between income increase and savings augmentation, a Pearson correlation test was executed. Utilizing statistical software, the

test computed the correlation between the two variables: income increase and savings increase. The null hypothesis posited that no relationship exists between the level of income increase and the level of savings increase. Conversely, the alternative hypothesis suggested a correlation between income increase and savings augmentation. The presented table indicates the rejection of the null hypothesis, signifying a statistically significant and robustly positive relationship between these variables. Therefore, it can be inferred that individuals who witnessed income growth through MFI loans also experienced an upsurge in their savings.

4.1.8 Regression analysis between Increase of Income and Role in Decision Making Process

Table 10

Model Summary

Model	R	R-square	Adjusted R-square	Standard Error
1	0.342	0.117	0.109	0.783

a) Predictors: (Constant), Microfinance on women's economic and social empowerment

b) Dependent Variable: Education Level Income Level Decision Making Economic and Power Ownership of Assets:

From the regression analysis conducted, the aim was to determine the impact of income increase on the level of involvement in the decision-making process within a family. The null hypothesis proposed that there is no association between income increase and involvement in the decision-making process within a family, while the alternative hypothesis suggested a correlation between income increase and the extent of participation in decision-making. Statistical computations were conducted using the Strata software. The outcomes of the bivariate regression analysis are presented in Table 10. Under the "Model Summary" section of the table, the R-squared value for the regression model is reported as 0.117. This value signifies the proportion of variance in one variable that is elucidated by another variable. In this context, respondents' perceptions of income increase contribute to explaining 11.7 percent of the total variance in the level of participation in family decision-making.

Table 11

ANOVA Table

Mode	Sum of squares	Df	Mean Square	F	Sign
Regression	8.704	1	8.704	14.191	0.000
Residual	65.626	98	0.613		
Total	74.330	99			

Predictors: (Constant), Microfinance on women's economic and social empowerment
b) Dependent Variable: Role in decision-making process.

The ANOVA table displays the F ratio for the regression models. This statistic assesses the statistical significance of the overall regression models. A higher F ratio indicates that more variance in the dependent variable is explained by the independent variable. The F ratio of 14.191 indicates high significance at the 0.000 level, suggesting a significant effect.

Table 12

Coefficient Table

Model	Un standardized coefficients		Standardized coefficients	F	Sign
	B	Std. Error			
1 (constant)	1.755	0.386		4.542	0.000
Increase of income	1.388	0.103	0.342	3.767	0.000

a) Dependent Variable: Microfinance on women's economic and social empowerment

The regression coefficient table displays the unstandardized regression coefficient for income increase, recorded as 0.388. The t-test assesses whether this coefficient significantly differs from zero, with a significance level set at 0.000. Upon analysis, the null hypothesis is dismissed, signifying a statistically significant relationship between these two variables.

4.2 Discussion

Based on the findings presented in the study there seems to be strong evidence supporting the positive impact of microfinance services on various aspects of poverty reduction and

economic empowerment. Let's discuss the implications and connections between the various studies and findings.

Relationship between Income Increase and Savings, the first study that mentioned highlights a positive correlation between the increase in income and savings. This finding is consistent with the broader understanding that as income grows; individuals tend to save more, particularly if they have access to financial services like microfinance. This correlation suggests that microfinance programs not only help increase income but also foster a culture of saving among participants, contributing to their financial stability and resilience. Muhammad Yunus (2020), and Rahmna, Sikander, Malik, ahmed, Tomenson and Greed, (2018) found similar findings. It was indicated that those study is consistency with this study.

Perception of Loan Procedure Ease shows that the second study indicates that individuals perceive the loan procedures of Microfinance Institutions (MFIs) to be easier compared to traditional banking. This perception can be attributed to the more accessible and tailored services offered by MFIs, which are often designed to cater to the needs of low-income individuals and small entrepreneurs. This finding underscores the importance of the accessibility and user-friendliness of financial services in promoting financial inclusion and entrepreneurship.

The third study extensively examines the effects of microfinance interventions on reducing poverty. It illustrates that microfinance facilitates impoverished individuals in securing funds to augment their income, foster the development of micro-enterprises, and mitigate vulnerability. The results indicate that microfinance initiatives not only contribute to income augmentation but also bolster the economic resilience of households by diminishing reliance on informal moneylenders and fostering the growth of micro-enterprises.

Role of income increase in decision making the regression analysis examines the relationship between income increase and the role of decision-making within families. The results indicate a positive association between income increase and decision-making roles, implying that higher income levels may empower individuals within households to participate more actively in decision-making processes. This finding aligns with broader

research highlighting the link between economic empowerment and increased agency within households.

INAFI SAP-Nepal (2021) conducted a study that found a negative relationship, contrasting with other studies. It is evaluate the holistic influence of microfinance services on poverty alleviation within the nation. It scrutinized multiple dimensions, encompassing the extent of outreach, accessibility, utilization, and impact of microfinance, alongside the development of micro-enterprises, risk mitigation among clients, empowerment of women, and the overall reduction of poverty. The analysis incorporated a blend of primary and secondary data, employing methodologies such as the 'before and after' and 'with and without' approaches.

The study's major finding was the positive impact of microfinance on poverty reduction. The study found that microfinance facilitated improved access to financial resources among the impoverished, leading to enhanced income generation and betterment of well-being through the development of micro-enterprises. Consequently, individuals were better equipped to address vulnerabilities and attain economic empowerment. Overall, microfinance contributed to reducing poverty in client households.

In conclusion, the discussion underscores the multifaceted impact of microfinance interventions in addressing poverty and promoting economic empowerment. While the findings generally suggest positive outcomes, the existence of differing perspectives underscores the importance of considering contextual factors and conducting further research to ensure the effectiveness and sustainability of microfinance programs in achieving their goals.

CHAPTER V

SUMMARY AND CONCLUSIONS

This chapter provides a summary of the study on microfinance's impact on women's social empowerment in Nepal. A positive correlation was found between microfinance and women's socio-economic advancement, including enhanced status, entrepreneurship, and gender equality. Microfinance serves as a vital tool for addressing socio-economic disparities and promoting gender equality by providing financial access and fostering independent decision-making. Continued support for microfinance programs is crucial, with policymakers urged to prioritize expansion and sustainability. Further research is needed to explore long-term impacts and optimize social benefits.

5.1 Summary

The analysis of the data collected in this study reveals that accessing loans from microfinance institutions (MFIs) is easier compared to traditional banking methods. This accessibility, coupled with the absence of collateral requirements, has made MFIs a popular choice for individuals, particularly women, seeking financial assistance for their businesses. Most borrowers utilize small loan amounts to initiate income-generating activities, leading to positive changes in their financial and social circumstances. The study also highlights the significant role of MFIs in providing operational support and fostering entrepreneurship. Despite higher interest rates than traditional banks, microfinance is gaining popularity among the impoverished due to its simplicity and availability in rural areas. Moreover, the study establishes a strong correlation between income and savings, indicating that an increase in income leads to higher savings and, consequently, improved financial stability for families. Additionally, MFIs contribute to job creation within communities, further enhancing economic empowerment. Overall, the study underscores the positive impact of microfinance activities on poverty alleviation and the overall well-being of marginalized populations.

The study highlights the accessibility and benefits of microfinance institutions (MFIs) compared to traditional banking methods in Nepal. Accessing loans from MFIs is easier due to the absence of collateral requirements, making them an attractive option for individuals, especially women entrepreneurs. The study finds that nearly 100% of MFI

clients are women, many of whom have limited formal education. Despite higher interest rates, microfinance is preferred due to its simplicity and availability in rural areas where traditional banking services are lacking. Borrowers typically use small loan amounts to start income-generating activities, leading to positive changes in their financial and social circumstances.

The study also identifies a strong correlation between income, savings, and economic empowerment, highlighting the role of microfinance in improving livelihoods. Additionally, MFIs contribute to job creation within communities, further enhancing economic empowerment. Overall, the study underscores the significant impact of microfinance activities on poverty alleviation and social empowerment among marginalized populations in Nepal.

5.2 Conclusion

In conclusion, the findings underscore the critical role of microfinance in empowering impoverished communities, particularly women, in Nepal. Despite higher interest rates compared to traditional banking, microfinance programs offer accessibility and simplicity, providing crucial financial resources without requiring collateral. However, there remain challenges, such as the need for greater awareness and education regarding financial matters, especially among marginalized populations.

The synthesis of study on microfinance reveals a compelling narrative of its positive impact on poverty reduction and economic empowerment. Similarly, perceptions of the ease of loan procedures compared to traditional banking highlight the importance of tailored and accessible financial services in promoting financial inclusion and entrepreneurship, as noted in the second study.

The comprehensive insights provided by the third study further solidify the role of microfinance in poverty reduction, showcasing its ability to empower the poor through income growth, micro-enterprise development, and vulnerability reduction. While the regression analysis suggests a positive association between income increase and decision-making roles within households, the contrasting perspective from INAFI SAP-Nepal's study underscores the complexity of microfinance's impact and the need for nuanced understanding and further research. In conclusion, while the evidence overwhelmingly

supports the positive outcomes of microfinance, continued investigation and contextual analysis are essential to ensure its effectiveness and sustainability in uplifting impoverished communities.

Efforts to target women in poverty alleviation initiatives are essential, as evidenced by the World Bank's findings on the correlation between gender equality and economic development. While progress has been made in extending financial services to impoverished women, further research is needed to understand the broader impact of microfinance on living standards and to address challenges such as repayment difficulties and the supply gap in microfinance institutions.

Ultimately, the vision of a society free from hunger, disease, and inequality hinges on empowering individuals to become self-reliant and active contributors to their communities. Through continued research, investment, and inclusive policies, we can work towards realizing this vision and building a brighter future for all.

5.3 Implications

Subsequently, the study aimed to establish the relationship between income increase and savings growth using the Pearson correlation test. Using Strata, a Pearson correlation test was computed between income increase and savings growth. This study suggests that individuals who increase their income through MFI loans also experience an increase in savings.

Moreover, the study revealed that individuals often lacked business ideas before joining the microfinance program. MFIs staff and existing group members played a crucial role in encouraging the participation of marginalized individuals in MFIs programs. As a result, participants were able to increase their income, providing financial assistance to their families and positively impacting various aspects of their standard of living. This empowerment extended to active participation in family and societal decision-making processes.

Furthermore, the analysis demonstrated that obtaining loans from MFIs is more accessible than traditional banking methods, with no collateral requirement. Despite higher interest rates, many respondents considered the interest rate of microcredit to be

reasonable, contributing to the increasing popularity of microfinance among the impoverished. This preference is attributed to the simplicity of the loan application process compared to commercial banks, as well as the lack of financial education among respondents hindering their ability to compare interest rates between MFIs and traditional banks.

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APPENDIX

The dissertation entitled “Impact of Micro Finance in Income generation of Women in Nagarjun Municipality, Kathmandu”. I would be very grateful if you could provide correct information which is given below. Information gathered through these questionnaires will be kept strictly confidential and will be used only for academic purpose

QUESTIONNAIRE- Sample-1

Part I: General Information (Personal Details)

1. Respondent's Name:-

Address:-Kathmandu Nagarjun Municipality.

2. Age:

- a) 18-35 b) 36-45 c) 46-60 d) Above 60

3. Gender:

Male Female

4. Marital status:

- a) Married b) Unmarried
c) Divorced d) Widow

5. Highest level of education you have completed:

- a) None b) Primary School
c) Secondary School d) Higher Education

6. What is your employment status?

- a) Self-employed b) Employed
c) Unemployed d) Student
e) Others (Please Specify)

Part II: Questionnaires

1. Name the microfinance you are currently related to:

Nirdhan Uthan Bank Limited

2. When did you become a member?

- a) Within this year b) Before 1 year
c) Before 2 years d) Before 5 years

3. Purpose of joining microfinance program:

- a) To earn more income and to improve family condition.
b) To have company with friends.
c) To be self-dependent.

4. Did you receive any loan from microfinance?

- a) Yes b) No

5. How many cycles did you receive loan from microfinance?

- a) 1 b) 2 c) 3
d) 4 e) 5 and over

6. How much do you have taken a loan in one cycle?

- a) 1 - 2 Lakh b) 2 - 4 Lakh
c) 4 - 6 Lakh d) Above 6 Lakh

7. Please specify the purpose of taking loan from microfinance.

- a) Agriculture b) Health and Education c) Build House
d) Business e) Consumption Expenditure f) Others

.....

B1. Education Level:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	You are capable to continue your children to school	√				
2	You admitted your children in a better school than other of your level	√				
3	You want to educate your children to university level	√				
4	Your level of understanding has been improving		√			
5	You want to join formal education in any academic institution if possible	√				

B2. Income Level:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	You have been facing financial crisis before taking loan from the microfinance	√				
2	You are currently in a better situation than before	√				
3	You are able to pay school expenses for children without seeking financial support from others	√				
4	You are able to pay health care expenses if needed	√				
5	You are able to purchase daily household needs like food and others	√				

B3. Family Support:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	Your family had supported when you decided to join microfinance			√		
2	Family members are supporting you to your business	√				
3	Family members are in favor of you to your decision making	√				
4	All the members are ready to share your accountability	√				
5	You have been sharing your profit to your family members		√			

B4. Decision Making Power:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	It is your own decision to join microfinance	√				
2	It is your own decision to invest in any business you like	√				
3	You can invest in any assets by own decision		√			
4	You can manage the sufficient funds required for your plan		√			
5	You feel satisfied with your own decision	√				

B5. Ownership of Assets:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	You are the owner of the assets you have		√			
2	You feel satisfied if you are the owner of the assets	√				
3	You are interested to buy ornaments by taking loan from microfinance					√
4	You feel proud to be the owner of the business on your name and fame	√				
5	You are thinking to reinvest in business	√				

B6. Economic Power:

S N	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree
1	You feel better economic power than ever before	√				
2	You have enough amount of money to fulfill your basic needs		√			
3	I feel that I am a person of worth, by joining microfinance	√				
4	You are able to manage yourself to defense any kinds of natural disaster		√			
5	You are motivated to do something by involving in microfinance	√				

Thank you very much for your valuable time and kind Cooperation.

Thank You.

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ABSTRACT This study aims to evaluate how microfinance impacts poverty reduction in Nepal, with a specific focus on its role in empowering women economically and socially, as well as the challenges faced by beneficiaries. Additionally, it examines the management of microfinance projects, especially considering the disorganized rural credit behavior observed in small-scale initiatives in Nepal. Through assessing the performance of existing microfinance organizations, the research intends to improve the delivery of services to small farmers, emphasizing its importance. The study adopts a descriptive, exploratory, and analytical approach. The descriptive phase investigates household and socioeconomic characteristics to establish context, while the analytical aspect assesses

the impact of microfinance on living standards, empowerment, and poverty

reduction. These findings aim to expand the current knowledge base and suggest avenues for future research. While the study addresses significant aspects of microfinance, it acknowledges a gap in analyzing the supply capacity of Microfinance Institutions (MFIs). Future research could explore the ability of MFIs to serve impoverished communities and identify reasons for any disparities between demand and supply. Ultimately, the study underscores the transformative potential of