

THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT

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

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CERTIFICATION OF AUTHORSHIP

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled **“THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT”**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor. It has been proposed and presented as part of requirements for any other academic purposes.

The assistance and cooperation that I have received during this research work has been acknowledged. In addition, I declare that all information sources and literature used are cited in the reference section of the dissertation.

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REPORT OF RESEARCH COMMITTEE

Mr. Saroj Bhattarai has defended research proposal entitled “**THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT**”, successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestions and guidance of supervisor Dr. Pitri Raj Adhikari and submit the thesis for evaluation and viva voce examination.

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APPROVAL SHEET

We, the undersigned, have examined the thesis entitled “**THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT**” presented by Saroj Bhattarai 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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This study entitled “**THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT**” has been prepared in partial fulfillment for the Degree of Master of Business Studies (MBS) under the Faculty of Management, Tribhuvan University is based on research models involving the management accounting of commercial banks in Nepal.

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Saroj Bhattarai

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Abbreviations

DF	:	Degree of Freedom
EDU	:	Education
LR	:	Long Run
LS	:	Living Standard
Max	:	Maximum
MFIs	:	Microfinance Institutions
Min	:	Minimum
MPI	:	Multidimensional Poverty Index
PR	:	Poverty Reduction
SAAPE	:	South Asia Alliance for Poverty Eradication
SD	:	Standard Deviation
Sig.	:	Significant
SPSS	:	Statistical Package for the Social Sciences
SR	:	Short Run
Std.	:	Standard Error

Abstract

In order to provide suggestions that may help increase the effectiveness of microfinance programs, this study looks for ways that these programs can enhance the participants' standard of living and economic empowerment.

The current study combines qualitative and quantitative methods to conduct research using a descriptive and causal comparative research design. The planned sample size was 300 respondents from various microfinance organizations. The convenience sampling method was employed in the data gathering process, and the basic random sample method was used to distribute the questionnaires. The study's dependent variable is poverty reduction, while its independent variables are social status, wealth, education, health, and living standards. According to the study's findings, poverty reduction is positively impacted by the variables of money, education, social position, health, and living standard. In particular, poverty reduction is positively impacted statistically significantly by the variables of money, education, and living standard. On the other hand, although the effects are not statistically significant, health is also linked to lower levels of poverty. The analysis of the current study has revealed a very significant positive association between poverty and the main components of multidimensional poverty—wealth, education, health, and standards of living—which show the aspects under which microfinance is most effective in addressing poverty.

Keywords: Poverty Reduction, Wealth, Health, Education, Living Standard, Social status

Chapter I

Introduction

1.1 Background of the study

The condition of having few material belongings or a low income is known as poverty. Numerous social, economic, and political factors can contribute to or result from poverty. There are two primary metrics used in statistics and economics to assess poverty: Absolute poverty is calculated by dividing income by the amount required to cover essential expenses like clothing, food, and housing. When a person is unable to meet a minimum standard of living in comparison to others in the same period and location, this is known as relative poverty. Different nations and societies have different definitions of relative poverty (Khurshees, 2023).

Poverty is a multifaceted and intricate phenomena. It is pervasive and broad. Deprivation, inadequate education, precarious health, especially reproductive health, poor nutrition, unemployment, and a lack of social and political engagement are all regarded as indicators of income poverty. These are additional components of empowerment and capability deprivation (Chomen, 2021). According to a study, measuring and analyzing the distinctive causes of poverty at the family level is a crucial step in developing economic policies and reducing poverty (Uddin & Riviezzo, 2024). In order to solve the issues of poverty in the twenty-first century, world leaders have committed to social development, making poverty a worldwide agenda item. There have been ongoing efforts recently to lower the high percentage of persons living in extreme poverty.

According to Davis (2014), poverty can be narrowly defined as the denial of human rights. Regardless of what is written in the book, a poor person has no rights at all. In fact, poverty reduction in developing nations has progressed more slowly. Some contend that poverty alleviation is a prerequisite for economic growth (Meier, 1984). For a society to improve, poverty is viewed as a bad thing. People cannot obtain the bare necessities of life, including food, clothing, and shelter, as well as other civic rights like education, health, work, security, freedom, and infrastructure services, until and unless poverty is eliminated (Khurshees, 2023).

Given the background information discussed above, microfinance is the most effective way to combat poverty. Despite not being a comprehensive solution for 30 years, this approach is highly progressive (Rogale, 1996). Microfinance has gained a lot of interest. Governments, non-governmental organizations, developing and developed nations, and multilateral and bilateral agencies all contribute to the growth of microfinance. In recent years, a wide range of private banking and insurance firms have also joined this group (Uddin, 2024).

Small-scale lending to people and small enterprises is known as microfinance. In order to raise their standard of living, the impoverished who are unable to access traditional banking services use microfinance. Microfinance lowers unemployment in the nation and is the foundation of its development. Generally speaking, a person is considered poor if their daily consumption of necessities is less than \$1 USD, which is known as the poverty line (Ogbari, 2024).

Microenterprises and ultra-poor, low-income households are intimately associated with microfinance. It refers to small-scale financial services, mainly credit and savings, that are offered to businesses that produce, recycle, repair, or sell goods; that offer services; that operate for commission-based pay; that earn money by renting out small parcels of land, cars, or animals; and that cater to other individuals and groups at the local level in developing nations, both rural and urban. Consequently, a variety of financial services are offered to low-income people and their microbusinesses, including deposit, loan, payment, money transfer, and insurance. Nonetheless, Nepal Rastra Bank has defined the loan mobilized to the poor in absolute terms in the context of Nepal (NRB, 2024).

Microfinance, as used in Nepal, refers to the services of collecting savings from women, low-income households, and microbusiness owners as well as disbursing funds obtained from financial institutions that supply donor agencies with wholesale financial services. Microfinance services are provided in Nepal by rural development banks, cooperatives, international non-governmental organizations and donor institutions, such as the United Nations Development Program (UNDP), the Asian Development Bank (ADB), and foreign grants for agriculture development through NGOs, local governments, and the Government of Nepal. Additionally, low-income households, the impoverished, and microbusinesses are receiving microfinance services from informal organizations such as

the Dhikuti Association, user groups, indigenous bankers, and merchants. Many members participate in and work in microfinance through cooperative organizations, which are highly popular in the global people's economic movement. Understanding the circumstances, the government can take constructive measures to end poverty and generate jobs through the cooperative movement. (Rogaly, 1996)

Overall, low-income individuals can benefit from microfinance services by lowering risk, enhancing management, increasing productivity, obtaining higher returns on investment, increasing their earnings, and improving their own and their dependents' quality of life (Ogbari, 2024). The origins of the microfinance program in Nepal may be traced back to the first five-year plan, which started in 1956 with the formation of cooperatives. But with the creation of the SFDP in 1975—known as the mother of all microfinance activity—official policy reorganized their sector to alleviate poverty in the fifth five-year plan. However, microfinance has accelerated since the creation of ADB/N, which transformed the program into a member-owned, autonomous financial institution as part of a larger reform initiative (NRB, 2022).

There are 55 microfinance organizations in Nepal (NRB, 2024). Five microfinance firms that are presently operating in the Sunsari district were selected for this study. One of the districts in Nepal's Koshi province is Sunsari district. It is renowned for its historical, cultural, and natural value and is located in the eastern region of Nepal. Itahari, a stunning Tarai region with agricultural land, serves as the district headquarters.

In Nepal as well, microfinance programs are expanding quickly. Microfinance has a significant impact on Sunsari district as well. Therefore, the study aims to quantify the impact of microfinance services on individuals in Sunsari district, taking into account the fact that microfinance has contributed, as documented in various prior literatures. Additionally, this study aims to clarify how the microfinance sector helps alleviate poverty, empower individuals, and foster the growth of new business owners in Nepal.

1.2 Problem statement

Over the course of five years, Nepal has significantly reduced the Multidimensional Poverty Index (MPI), which was 30.1 percent in 2014 (NMICS) and 17.4 percent in 2019.

This MPI Report confirms that Nepal is making progress toward achieving its goal of "Prosperous Nepal - Happy Nepali" and its commitment to Agenda 2030. Just under five million Nepalese, or 17.4% of the population, live in multidimensional poverty in 2019, with an MPI of 0.074. In terms of housing materials, clean cooking fuel, years of education, assets, and nutrition, the greatest number of people are deprived across all categories. According to the indicator weights, the main causes of Nepal's persistent multidimensional poverty are years of education and malnutrition (UNICEF, 2021).

Whether the poverty threshold accurately captures the essentials of life is up for discussion. However, according to the Human Poverty Index, 44% of Nepalis lack access to resources, basic healthcare, and education. In Nepal, as in other places, achieving sustainable human development is a highly valued and dedicated development aim. But the current measures of poverty are making it difficult to see how these objectives can actually be met by the 2024 deadline.

The country's poverty distribution is uneven, with urban areas experiencing low levels and rural mountain areas seeing high levels. There is still a significant disparity in development inputs, processes, and results even after showcasing development efforts. There is little opportunity for criticism of Nepal's development policies. However, separate but depressing phenomena are explained by the implementation status and results. Being impoverished entails a number of traits that limit their ability to be recognized, participate in decision-making, share in opportunities and resources, and influence the processes that impact them, all of which compromise their ability to survive. To achieve sustainable human development, Nepal's development strategy must prioritize empowering the poor, disadvantaged, and marginalized while also enhancing their wealth assets, such as jobs, health care, and education (Pokharel, 2015). According to a 2003 assessment by the South Asia Alliance for Poverty Eradication (SAAPE), Nepal has made strides in improving living conditions during the past 50 years. The nation continues to have one of the lowest levels of human development worldwide.

Priority sector credit programs (PSCP), small farmer development programs (SFDP), integrated rural development programs (IRDP), production credit for rural women (PCRW), and participatory district development programs (PDDP) are just a few of the

programs that have been introduced in Nepal with the goal of uplifting the rural poor, particularly women (Regmi, 2018).

Microfinance programs have the capacity to change power dynamics and empower the impoverished, including men and women, in order to lessen these facts. The provision of savings accounts, loans, and other essential financial services to the impoverished is known as microfinance. For rural residents who cannot easily access financial services, microfinance serves as a means of financial inclusion. People without collateral who are willing, able, and willing to work to raise their standard of living and make money from small businesses may find microfinance useful. Small-scale money creation is aided by microfinance and used in necessary sectors. Microfinance initiatives have been implemented in Nepal for over thirty years. Government, non-government, and donor activities have led to the emergence of numerous Micro Finance Institutions (MFIS) throughout this time. Microfinance has a deep concern for reducing poverty in developing nations like Nepal.

There are various ways in which these microfinance programs have been implemented around the nation. Therefore, it is essential to regularly analyze and evaluate the programs in order to select and create new initiatives that improve the lives of the targeted individuals. The study focuses on how microfinance organizations help the poor and disadvantaged groups improve their economic standing and level of living. As listed below, there are numerous difficulties that require care. It is anticipated that this study will address these concerns.

1. What is the situation of wealth, education, health, living standard, social status and poverty reduction in Sunsari district?
2. Is there any relationship between wealth, education, health, living standard, social status and poverty reduction?
3. What is the effect of wealth, education, health, living standard, social status on poverty reduction?

1.3 Objectives of the study

Microfinance helps impoverished women while denying indigenously underdeveloped tribes the ability to make money. It offers a range of skills building programs (skill

development training), insurance, transfers, micro savings, and small credit. The primary goal of this study is to determine how microfinances help their consumers reduce poverty. Nonetheless, the following are some of the study's particular goals:

1. To assess wealth, education, health, living standard, social status and poverty reduction in Sunsari District.
2. To analyze the relationship of wealth, education, health, living standard, social status with poverty reduction.
3. To examine the effect of wealth, education, health, living standard, social status on poverty reduction.

1.4 Rationale of study

Studying the microfinance operational model in the Nepalese environment is essential, which makes this study current and pertinent. Microfinance is a powerful instrument for reducing poverty, generating income, promoting self-employment, and raising awareness in rural communities. A microcredit organization's sustainability and services determine how effective it is. Therefore, it is necessary to evaluate the effectiveness of current organizations when expanding the services of microcredit organizations. The purpose of this study is to evaluate the services offered by microfinance companies. If a tiny microcredit organization can be run according to its own policies, its performance has the power to significantly alter people's lives. Therefore, the study focuses on the role that microfinance institutions play in reducing poverty as well as their possibilities for providing sustainable microfinance services in the future.

1.5 Limitations of the study

The following are the study's limitations:

1. The whole study is based on primary data. So the reliability of study depends on the reliability of sources of information.
2. The study is limited with five microfinance Nirdhan Utthan Laghubitta Bittiya Santha Limited, Forward Microfinance Laghubitta Bittiya Sanstha Limited, Global IME Laghubitta Bittiya Sastha Limited, Aasha Laghubittiya Sanstha Limited and Suryodaya womi Laghubitta Bittiya Sanstha Sunsari district. The sample is selected on the basis of convenience sampling method.

3. The conclusion may not be generalized for all micro financial institutions, NGOs and credit and co- operatives who have been working in the micro financial sector.

Chapter II

Literature Review

2.1 Introduction

Using five microfinance organizations in the Sunsari District as examples, this chapter mainly covers the research on the role that microfinance institutions play in the fight against poverty in Nepal. Microfinance is closely linked to severely poor, low-income households and microenterprises. Microfinance is the driving force behind the nation's advancement and unemployment reduction. The Sunsari district is also greatly impacted by microfinance. Given that microfinance has contributed, as evidenced by numerous earlier studies, the study attempts to quantify the effect of microfinance services on Sunsari district people. This essay also seeks to shed light on how Nepal's microfinance industry contributes to the country's efforts to end poverty, empower its people, and support aspiring business owners. Examine published articles, hypotheses, and pertinent material from both domestic and foreign journals.

2.2 Theoretical review

The Theory of Individual Deficiencies

According to this notion, each person is in charge of their own financial circumstances. A few of the individual elements that either cause or worsen poverty are human capital, welfare involvement, and personal attitude (Gans, 1995) & (Sameti et al. 2012). According to Bradshaw (2006), people in poverty are to blame for their own issues, which they could have prevented or handled with greater effort and discernment. He went on to suggest that poverty stems from a loss of innate qualities, such as intelligence, which are difficult to regain. This viewpoint is founded on American ideals and the belief that the free market should provide opportunities for all.

According to Rank (2004) and Sameti et al. (2012), individualism emphasizes the importance of personal effort and accountability in obtaining necessities like food, shelter, and medical care. Additionally, the concept highlights that success may be attained via skill, ethics, and hard work, and that poverty is a personal failure caused by a lack of desire. American ideals and ideas serve as the foundation for the thesis. The individual explanation of poverty is contested on the basis that the eugenics movement

used the nineteenth-century idea of hereditary intellect to justify poverty and even to sterilize those who seemed to have poor aptitude.

According to Rainwater (1970) and Bradshaw (2006), those who are impoverished are marked by Cain and will inevitably suffer as a result of their moral transgressions. Thirdly, research by Sameti et al. (2012) referenced Schwartz's (2000) findings, which demonstrated that the impoverished accept personal responsibility, despise the welfare state, and value hard effort. This study disproves the popular notion that people's negative attitudes are the cause of poverty. According to Asen (2002) and Bradshaw (2006), anyone can succeed through hard work and skill application; all it takes is motivation and perseverance.

The Theory of Cultural Belief Systems that Support Sub-Cultures of Poverty

According to this view, poverty is either caused by or exacerbated by a collection of privately owned, socially produced attitudes, values, and skills that are passed down through the generations. People are ultimately to blame, even when they are victims of their broken society or subculture. The "Culture of Poverty" is the source of this thesis, it should be noted. The concepts of social isolation or exclusion and the culture of poverty offer frameworks for comprehending how poverty is created and maintained in certain communities or among specific demographics (Bradshaw, 2006).

Living conditions have an impact on a person's affluence or poverty and are influenced by both cultural and environmental factors. Based on the premise that the rich and the poor follow different sets of standards for behavior, attitudes, and beliefs, Lewis (1966) created the concept of the culture of poverty. This theory holds that people who live in poverty develop specific psychological characteristics associated with poverty. According to Lewis (1966), those living in poverty do not learn how to handle their money, work hard in school, plan for the future, or participate in protected investments (Samati 2012). Poverty is inherited, according to Lewis (1966) and Samati et al. (2012), since children are brought up with values and goals associated with poverty. McIntyre (2002) asserts that the culture of poverty perpetuates the idea that those living in poverty can overcome their circumstances. Technically speaking, Bradshaw (2006) defines the culture of poverty as a subculture of the poor who reside in ghettos, impoverished neighborhoods,

or social settings where they develop a shared set of values, beliefs, and behavioral norms that are different from but deeply embedded in the culture of the broader society.

Because it holds the poor responsible for their situation rather than the socioeconomic causes of poverty, this theory is contested. Rank (2004) claims that politicians commonly deploy the blame-the-victim mentality, which emphasizes the shortcomings of the poor rather than the root causes of their predicament. According to Darling (2002) and Rank (2004), human capital can significantly affect an individual's likelihood of success or poverty. They also argue that a person's risk of poverty may be raised by a lack of human capital, which has a significant influence on earnings. As a result, those who possess more human capital are more likely to be competitive in the labor market than those who do not. (Rank, 2004).

It is widely accepted that the destitute have distinct subcultures that can be detrimental, which is the basis for the argument against the theory of poverty based on the persistence of cultural norms. Rather, what matters are the origins and elements of the poverty subculture (Bradshaw, 2006).

The Theory of Economic, Political, and Social Distortions or Discrimination

Abdulai and Shirmshiry (2014), structural theorists, contend that poverty is a product of the structure of the larger socioeconomic system. Proponents of this theory contend that economic, political, and social systems are to blame for people's limited alternatives and resources for attaining income and well-being (Bradshaw, 2006). Samati et al. (2012) share this view, arguing that poverty is caused by larger economic and social systems. According to the *Journal of Poverty, Investment and Development*, they argue that capitalism creates the conditions that lead to poverty and that the structure of some economies, like the American economy, guarantees that millions of people remain in poverty in spite of individual efforts (hard work, skills, and competencies). In other words, an increasing number of authors argue that the economic system is designed to ensure that the poor always fall behind, regardless of their level of ability (Bradshaw, 2006). The theory further argues that poverty is caused by unequal initial endowments of capital, abilities, and skills that determine an individual's productivity in a market-based competitive economic system (Davis and Sanchez-Martinez, 2014).

Some positions in society require specific, often uncommon talents, knowledge, and abilities (Sameti et al., 2012). They further argue that a person must undergo a training phase during which they must sacrifice other resources like time and money in order to develop their talent into these special skills and knowledge. People should therefore be encouraged to make the required sacrifices to take part in this training in exchange for advantages like higher income and privileges in order to spare society from suffering. Hurst (2004) claims that in order to explain the primary causes of poverty, labor-market models place a strong emphasis on income disparity and variations in earning capacity.

Neoclassical labor-market theory states that there is a relatively open and free labor market where individuals can compete for work, with the availability of jobs based on an individual's training, skill, and effort. According to Sameti et al. (2012), neoclassical labor-market theorists argue that rewards are proportionate to an individual's contributions to society. Additionally, they argued that in a free market society, an individual's intelligence, ability, training, and education are all crucial determinants of productivity and that the more they contribute to the market, the more they will be rewarded. The neoclassical labor-market theory has been criticized by the dual labor-market theory. The dual labor-market theorists contend that the free market is not as perfect as neoclassical theorists have claimed. Dual-market theory proponents pointed out that in a competitive society, other factors usually determine an individual's status and income levels. They contend that efforts to use education and training to fight poverty and inequality usually fail. Furthermore, it is argued that discrimination against minorities in the labor market compromises the free market's ability to operate effectively. Dual market theorists contend that a high level of worker alienation proves the inefficiency of the free-market paradigm.

Blau and Kahn (2000) and Figart and Power (2002) have pointed out that some labor market features have been demonstrated to explain departures from the fundamental law of labor price determination. One important consideration is how gender and race affect labor expenses. Hurst (2004) demonstrated that individual incomes vary and argued that these variations are caused by societal factors such as gender and race. When he noted that differences in human capital lead to earnings inequality, Alkire (2007) offered evidence in support of the argument. However, socioeconomic variables like gender and race are to blame for the gap in income. The relationship between labor wage and gender

or race is socially constructed. According to social constructionists like Fischer, social institutions and practices intentionally create and maintain inequality (Sameti et al., 2012).

The Theory of Geographical Disparities

Geographical disparities are to blame for this poverty. According to Abdulai and Shamshiry (2014), efforts to conceptualize poverty in terms of geographical injustices gave rise to the geography of poverty. According to Bradshaw (2006), this cause of poverty is typical of poverty that occurs apart from other theories, including poverty in the Third World, the South, urban disinvestment, ghetto poverty, and rural poverty. This theory of poverty highlights how some groups of individuals, institutions, and cultures lack the objective resources needed to create wealth and well-being, as well as the power to demand redistribution.

This is the outcome of poverty brought on by geographic disparity. Attempts to define poverty in terms of spatial variations led to the creation of the geography of poverty (Abdulai & Shamshiry, 2014). Bradshaw (2006) asserts that this source of poverty is poverty that is unrelated to any other theory and encompasses the poor in the Third World, the South, the Ghetto, rural areas, and urban areas where there is a lack of investment. This theory of poverty holds that some groups of people, including organizations, cultures, and individuals themselves, lack the power to demand redistribution and the objective resources required to create prosperity and well-being.

Abdulai and Shamshiry (2014) claim that a combination of unfavorable circumstances results in a widespread state of poverty. In order to attract businesses and firms to a certain region, it is expected that "other locations" will likely become poorer. For example, low housing prices in these disadvantaged neighborhoods may attract more impoverished people, which would discourage building owners from making housing investments. Bradshaw (2006) asserts that although poverty is more concentrated in some areas than others, the development literature is replete with explanations for why some areas lack the financial means required to compete. He enumerated several factors that contribute to disparities in poverty, such as disinvestment, proximity to natural resources, density, and the diffusion of innovation.

Bradshaw (2006) states that this idea can be viewed in three different ways. One theoretical viewpoint on geographic concentrations of poverty is offered by economic agglomeration theory; another is provided by central location theory; and a third is provided by selective out-migration. According to the theory of economic agglomeration, a concentration of enterprises that are similar to one another pulls markets and services that in turn draw new businesses. However, in places where conditions are bad, poverty breeds poverty. Despite the assertions of classical economics, the central place hypothesis states that there will be a multiplier effect but not an equalizing one, and that even in periods of general economic prosperity, affluent areas will usually grow more quickly than underprivileged ones. The selective out-migration perspective holds that people from ghetto areas who moved outside of central cities for other places were the ones with the best educations, the best skills, the widest perspectives on the world, and the most opportunities (Wilson 2003; Bradshaw 2006). Moreover, he said that these departing individuals were often the community's strongest role models and civic leaders.

The Theory of Cumulative and Cyclical Inter Dependencies.

Abdulai and Shamschiry (2014) developed a theory of poverty known as the Cyclical Theory of Poverty. This kind of poverty develops when unforeseen circumstances, like natural disasters, prevent individuals or households from being able to meet their basic expenses. The cyclical explanation holds that communal resources and personal circumstances are inseparable. For example, a failing economy makes it harder for the community to exist financially since fewer people are paying taxes, which leaves people unable to participate in the economy (Bradshaw, 2006). He continues by saying that a lack of work leads to a lack of income, which in turn leads to a lack of savings, spending, and consumption. This presupposes that there would not be any growth since people can not start their own businesses, invest in training, or expand their own enterprises.

The second part of the cycle focuses on health issues. Health issues or challenges will also arise from a lack of funds for preventive treatment, a healthy diet, and a clean home. These are some of the factors contributing to the decrease of the impoverisher. Furthermore, the cycle of poverty suggests that low-income parents do not invest in their children's education, causing them to attend mediocre schools and lagging further behind when it comes time for them to enter the labor. They are also vulnerable to illness and inadequate medical treatment.

Unemployment and low income trigger the third stage of the poverty cycle, which also leads to low self-esteem, despair, and a decline in motivation. The individuals people hang out with exacerbate psychological problems, fostering a culture of despair. This culture of despair also affects leaders in rural areas, making them feel pessimistic and fatalistic (Bradshaw, 2006).

2.3 Empirical review

Ishfaq et al. (2015) investigated the relationship between poverty, microfinance and some economic indicators like inflation, economic growth, and literacy rates in three levels in South Asian selected SAARC countries (India, Bangladesh, Pakistan, Bhutan, Nepal and Sri Lanka) for the period 2005 -2012. The data collection is analyzed using a regression model. The results showed that microfinance and literacy are key components in lowering poverty in South Asia. At the national level, literacy has the most impact on poverty, although microfinance has a significant impact on extreme poverty (below \$1.25). Microfinance is more effective at reducing extreme poverty than it is at the national or moderate level. Access to microfinance is one strategy to reduce poverty.

Adhikari and Shrestha (2015) evaluated the economic impact of microfinance in Nepal with special reference to Manamaiju VDC. Loaner's income, household income, household consumption, savings, household assets, increase in living standards, credit accessibility, and the start of revenue-generating activities were some of the determinant variables used in the study to examine the economic impact of the respondents. There is usage of both primary and secondary data. Both qualitative and quantitative methods were applied to the data analysis. examined and contrasted the different economic status variables of loaners and non-loaners. Regarding the primary data, information was gathered using a standardized questionnaire. According to the study's findings, the loaner's financial situation has improved since they first used the loan to launch their small business. Additionally, it was discovered that they had a greater socioeconomic standing than non-loaners. We can infer from all of these that microcredit is a useful instrument for improving the socioeconomic standing of the impoverished, especially women.

Salakpi (2015) stated that poverty reduction and the poor have attracted unprecedented discussions at international summits during the last two decades. Microfinance has generally proven to be a practical and effective tool for eradicating poverty. However, the ways in which microfinance institutions (MFIs) can help the poor nevertheless varied significantly. In essence, not all types of impoverished individuals or microfinance institutions can benefit from microfinance's ability to efficiently alleviate poverty. As a result, opinions on the research's methodology and setting concerning MFIs' contribution to poverty alleviation differ. The study employed a cross-sectional case study methodology, combining qualitative and quantitative techniques, to examine the role of the Cooperative Union. Since non-members shared many of the same socioeconomic characteristics, the study concluded that although Credit Union members had experienced some level of economic empowerment, this was not unique. As a result, the Credit Union's outreach and poverty-reduction efforts remained less creative and client-focused and more traditional. According to the findings, credit unions serve a wide range of people in society, especially the impoverished.

Herath et. al (2015) investigated the impact of microfinance on poverty and socioeconomic vulnerability of women and the ability to form social capital through group-based micro loans. Descriptive study design and a qualitative technique are employed. Using four criteria, the study looks at how microfinance impacts the poverty and vulnerability of female borrowers. The four requirements are: status in the family and community; self-assurance in socioeconomic endeavors; autonomy in domestic decision-making; and the ability to access, generate, and manage private resources. If a woman has benefited from these four aspects, the study assumes that she feels empowered by the microfinance she receives. Three logistic regression models and a women's empowerment measure are used in the study to examine women's empowerment. The results of the logistic analysis showed that the age of the household head, the amount of household income before taking out microcredit, and the availability of products on the market have all had a substantial impact on women's empowerment and vulnerability reduction. The disaggregated and overall Women Empowerment Indices (WEIs) clearly demonstrate a significant development following enrollment in microfinance institutions (MFIs). The analysis found that if the woman owned the loan and acted as a conduit of credit, it had a favorable and significant effect on her ability to make decisions at home.

Kumah and Boachie (2016) ascertained if the presence of MFIs established across the globe serve as a tool for poverty reduction with reference to Ghana. The study's objective is to critically assess the claims made for and against microfinance as a means of eradicating poverty worldwide. It argues that while microfinance has given rise to numerous innovative business and management practices, its capacity to alleviate poverty remains controversial. The instrument used to collect data is a structured questionnaire. With a sample size of 380 clients from different microfinance institutions (MFIs) in the research area and a survey with descriptive analysis, the results demonstrate, among other things, that the clients have the opportunity to save money that enables them to increase their income levels by using that money to buy necessities like tools, equipment, and materials. They can also improve their standard of living and generate jobs. Consequently, those who are wealthy are better able to save than those who are impoverished in rural areas. Therefore, there is little doubt that microfinance plays a major role in providing a safety net and facilitating smooth consumption.

Taiwo et al. (2016) examined microfinance scheme towards the dispersion of credit amongst the working poor. Data collection and analysis are done using a descriptive research approach. Ordinary Least Squares (OLS) econometrics was used to design and estimate a loan demand model. To draw conclusions, the data—which came from a field survey—were presented using tables, frequency counts, and cross-tabulations. The study employed cross-sectional data from selected respondents in selected areas of Ogun State and Lagos, Nigeria, respectively. According to the research, Grameen Bank, which targets low-income people and those with only a basic education—that is, no interest rate—and does not worry about a borrower's credit history, is the model for most microfinance banks in Nigeria.

Banerjee and Jackson (2016) analyzed the role of microfinance in poverty alleviation by conducting an ethnographic study of three villages in Bangladesh. Microfinance, which attempts to alleviate poverty by providing the poor with new opportunities for entrepreneurship, is a method that is becoming more and more popular. It also aims to promote empowerment, especially for women, and build social capital in disadvantaged communities. The function that microfinance plays in reducing poverty is examined using a qualitative research methodology. Data is gathered through focus groups, interviews, and observation. According to the study, microfinance increased economic, social, and

environmental vulnerabilities and increased debt levels in already destitute communities. The findings showed that environmental, social, and economic vulnerabilities are interrelated rather than distinct.

Miled and Rejeb (2016) examined the effects of microfinance on poverty reduction in developing countries, using cross-sectional and panel data. One method is quantitative. By showing that a nation with a larger gross loan portfolio per capita of microfinance institutions (MFIs) tends to have lower levels of poverty headcount ratio and higher levels of per capita consumption expenditure, the study validates the significance of microfinance in macro-level poverty reduction. The results show that people's empowerment is significantly impacted by microfinance in developing countries.

Mecha (2017) examined the effect of microfinance in poverty reduction. A qualitative method is applied. Field surveys, questionnaires, and literature reviews are used to gather data and information. The researcher has addressed a number of topics, the most important of which are that microcredit has helped raise at least 55% of its clients out of poverty and provide them with clean drinking water. The inability of the majority of these people to repay their debts, which further deprives them of what little they do have, highlights the fact that the poorest people are not getting better. It is also recommended that the microfinance institutions welcome middle-class customers, such as teachers, clerks, and nurses, in order to make a profit.

Khan and Rahaman (2017) investigated the impact of microfinance on the poor people of the society with the focus on Bangladesh. The purpose of this study is to show how microfinance, through group lending methodology, lowers poverty and how it affects the living standards (income, savings, etc.) of those who are poor in Bangladesh. Both qualitative and quantitative methods are applied. To determine the study's findings, both numerical and non-numerical analysis are employed. According to the findings, microfinance initiatives have a discernible and beneficial effect on the living standards, empowerment, and poverty reduction of the underprivileged members of society.

Duale and Au (2017) researched on the role of micro finance institutions in poverty reduction in Kenya: a case of equity bank in northeastern Kenya. In the Northeastern Region of Kenya, where the people have long lived in extreme poverty and depended on

subsistence pastoralism for their income, this study sought to evaluate the role that microfinance organizations have had in reducing poverty. Garissa, Wajir, and Mandera were the three counties in the area where the study was carried out. Descriptive survey design was used in the study. Three hundred local small company owners who obtained loans and other financial services from Equity Bank were the target group. In order to gather information about the contribution of microfinance institutions to the alleviation of poverty in the Northeastern Region, the researcher employed questionnaires. The respondents were chosen through the use of convenience sampling. According to the report, poverty was considerably and pleasantly decreased by Equity Bank's business support programs, loans, and savings accounts. The findings also indicated that there was no discernible effect of Equity Bank's networking and training initiatives on the reduction of poverty among Northeastern small businesses. The study's conclusions led to the following suggestions. Equity Bank should first broaden the scope of its microfinance services and graduate the small businesses in order to provide them with access to larger loans than the KES 200,000 that was the most accessible loan for the small firms examined. Second, Equity Bank ought to do more to help its microfinance customers develop their ability through workshops, seminars, and business forums.

Degago (2018) studied the role of microfinance in socioeconomic and psychological empowerment of women. To clearly show the connection (correlation) between microfinance institutions and women's empowerment, the study employed a causal research design. The research strategy is primarily quantitative because of the survey method that was employed in the study. Qualitative data have been used to support this. Convenient sampling techniques were being employed to select study sites because the research is planned to be carried out in five specific zones of the Somali region. Out of the total population of 2559 female customers, the researcher used a simple random selection technique to proportionally pick a sample of 334 female customers who were involved in various economic operations in the Somali region and had relationships with MFIs. An interview or questionnaire used to gather the data is the main source of the information. To find out more about the changes in women's life before and after the microfinance intervention, the data was evaluated using inferential statistics like the t-test. Linear regression and correlation analysis are also developed using the social science statistical tool. Women who participate in or deal with microfinance programs have been found to feel more empowered on all levels—economically, socially, and

psychologically. Women should feel empowered by concentrating on offering skill trainings, consulting, and awareness-raising training. These should be paired with the primary purpose of a microfinance program, which is to provide financial services.

When microfinance first emerged, it was thought to be the answer to ending poverty. However, research on its effects on poverty has been conflicting, which has led to a reevaluation of its contribution to poverty reduction. There were 265 participants in the study, and information was gathered from them utilizing a questionnaire, interview techniques, and observational guides. The quantitative data was analyzed using descriptive statistics, parametric, and non-parametric techniques, while the qualitative data was analyzed using theme analysis. Nearly 12% of the variation in the income of the receivers was shown to be predicted by the factors of sex, length of microfinance, and business advising service. Following microfinance services, there was a considerable increase in income, savings, and food intake compared to the pre-microfinance scenario. Microfinance generally contributed to a decrease in poverty. In order to ensure that they spend the loans sensibly and produce the right returns to allow for a continuing improvement in their living conditions, it is therefore recommended that clients receive prompt and reliable business consulting services.

Kumari (2020) investigated the theoretical background of microfinance and poverty. The integrated review approach, which was founded on previously published works pertaining to the theoretical study of microfinance, was used to conduct the research. Information was obtained from books, journal articles, and other pertinent sources. Two categories were used to analyze the collected data. Two categories of theories pertaining to microfinance for the impoverished were discovered by the study. The first category of theories discusses the particular difficulties that the impoverished encounter when attempting to obtain formal financial resources since they do not have collateral. The influence of microfinance on individuals, households, and small companies forms the basis of the second group of hypotheses. The study's conclusions have immediate applications for MFIs and policymakers. According to the study's findings, low-income households encounter particular difficulties when attempting to obtain credit from financial institutions because they are unable to offer any collateral.

Firin et al. (2020) analyzed the relation among microfinance institutions, micro enterprises, competitiveness, social capital and poverty eradication, competitiveness social capital, poverty eradication is used as a dependent variables and Microfinance institution is used as dependent variable. Both a descriptive study design and a quantitative research approach are employed. The study's main conclusion is that the availability of microfinance increased competitiveness.

Batinge and Jenkins (2021) investigated the role of microfinance on health, education, and standard of living, as dimensions of poverty reduction in the techiman municipality of Ghana. Descriptive study design and a quantitative technique are employed. The microfinance institutions were then picked using a straightforward random sampling technique, in which every research participant had an equal chance of being selected. A questionnaire was then created and put to use as a means of gathering data. The female clients of the selected microfinance organizations were identified using a quota and basic random sampling procedures. The results indicate that access to microfinance services and the reduction of poverty are positively correlated with living conditions, health, and education. Therefore, broadening the range of microfinance services is essential to enhancing funding accessibility and, consequently, accelerating the Municipality's rate of poverty reduction.

Nasharty and Pastory (2022) assessed on the contribution of microfinance institutions (MFIs) to poverty alleviation among micro and small entrepreneurs of Iringa municipality, Tanzania. The study was completed by 333 micro and small company owners who have either owned or managed micro and small businesses and have used MFI services. The study employed a cross-sectional survey design and a mixed research methodology. Data from micro and small business owners was gathered using a structured questionnaire, and information from key informants was obtained using an interview guide. 320 of the 333 distributed surveys were used for data analysis; the other surveys were considered useless because of insufficient data. The data was analyzed using correlation analysis, which includes chi-square, Kendall tau-b, phi, and Cramer's V. The industries that micro and small enterprises served, according to the report, were manufacturing, agriculture, services, and commerce. The report claims that micro and small business owners' revenue has not improved as a result of most MFI services.

However, the result shows that MFIs' services have contributed to a reduction in poverty among micro and small business owners.

Nasharty (2022) examined the effect of microfinance provisions on poverty reduction in some developing and few developed countries across different regions and assess the effect of regions and time on the performance of the microfinance industry. Using a panel data model and pooled OLS, it is projected that the three poverty headcount ratios (\$1.9, \$3.2, and \$5.5 per day) are influenced by a number of microfinance factors, including the number of microfinance institutions, gross loan portfolio, and microfinance intensity (gross loan % GDP). Inflation, employment, population growth, trade openness, and the GDP percentages of industry and agriculture are other control factors that are taken into account. The empirical model is estimated using panel data from 91 countries in six regions between 2000 and 2018. Data from the World Development Indicators and the Microfinance Information Exchange (MIX) Market were used in the investigation. The study's findings demonstrated that a number of control variables and microfinance indicators significantly reduced poverty.

Chomen (2023) examined the role of microfinance institutions on poverty reduction in Ethiopia: the case of Oromia Credit and Saving Share Company at Welmera district. The purpose of this study is to assess how Oromia Credit and Saving Share Company, a microfinance business, has contributed to the reduction of poverty in the Oromia region of Ethiopia, particularly in the Welmera neighborhood of Oromia Special Zone Surrounding Finfine. Purposive and random sampling techniques were used to get the data. 357 respondents were selected from a total of twelve localities in order to collect data. The study used a binary logistic regression to identify the primary factors influencing the respondents' higher income. The findings confirmed that the respondents' voluntary saving, education level, and utilization of loans for the intended purposes all had a beneficial impact on their income improvement in the research region, and these effects were all statistically significant. The findings demonstrated that the majority of respondents' incomes rose after joining the program, which positively impacted their ability to raise their standard of living.

Abera and Asfaw (2023) investigated on impact of microfinance on rural household poverty in Ethiopia: A review. The main goal of this assessment is to ascertain whether

the availability of microfinance services has improved the living standards of clients. By creating jobs, increasing income, and promoting empowerment, microfinance services are expected to improve the lives of those living in poverty generally. Ethiopian microfinance institutions still confront many obstacles, even in the face of sporadic increases in microfinance performance. These include failing to secure foreign funding that could increase their loan portfolio, failing to repay loans in full, in part, or on schedule, which threatens the institutions' sustainability, failing to conduct client needs research, and failing to follow up with clients. Reviewing the results of microfinance interventions is essential to determining their viability in alleviating poverty. The impact of microfinance is assessed at the institutional, sustainability, and household levels. Average income, which affects several indicators of poverty such as access to healthcare, education, and nutrition, savings, job creation, and empowerment, is used to assess the program's benefits at the household level. As long as outreach has expanded and the institution is sustainable, the initiative is viewed as having had a positive impact by expanding the financial market. Loan repayment performance is influenced by a wide range of institutional, natural, and social elements; some are believed to have a negative effect on payback, while others may have a positive one. Important socioeconomic factors that affect credit repayment include education, the head of the household's age, the size of the family, the head of the household's gender, the size of the farm, the size of the loan, livestock ownership, annual farm income, loan diversion, frequency of contact with the development agent, the group effect, and the borrower's location from the lending institution.

Farooq et al. (2024) studied on unveiling the path to sustainable poverty alleviation in Pakistan: Investigating the role of microfinance interventions in empowering women entrepreneurs. The study's primary goals are to demonstrate how microfinance interventions affect Pakistani women entrepreneurs and how they can encourage women's entrepreneurial aspirations as a way to reduce poverty. 400 female entrepreneurs were surveyed using a quantitative research design, with the study's factors being microfinance, poverty alleviation, entrepreneurial success, and women's entrepreneurial inclination. The results highlight the need for programs that specifically target women entrepreneurs and give them microfinance resources and training to enable them to take control of their firms. These findings have important ramifications for policymakers, microfinance

institutions, and women entrepreneurs in Pakistan. The constraints to note are self-reported data and limited generalizability.

Ogbari et al. (2024) investigated on social empowerment and its effect on poverty alleviation for sustainable development among women entrepreneurs in the Nigerian. The goal of the project is to investigate how social empowerment might reduce poverty in Nigeria's agriculture industry. The obtained data was analyzed using the structural equation model with partial least squares (SEM-PLS). Poverty reduction and social empowerment are the variables used in this study. The findings demonstrated a significant relationship between social empowerment and lower rates of poverty among women employed in agriculture. This emphasizes how important it is to collaborate, offer resources, and offer support in order to empower women socially and create an environment that promotes their economic and social growth.

Table 1

Review Table

Author(s)	Variables	Methodology	Major Findings
Uddin and Riviezzo (2024)	Microfinance, Poverty Alivation, Entrepreneurial Success, Women Entrepreneurial Inclination	A quantitative research design has been used to collect data through a questionnaire from 400 women entrepreneurs	The results highlight the need for programs that specifically target women entrepreneurs and give them microfinance resources and training to enable them to take control of their firms. These findings have important ramifications for policymakers, microfinance institutions, and women entrepreneurs in Pakistan. The constraints to note are self-reported data and limited generalizability.
Ogbari et al. (2024)	Social Empowerments and poverty alleviation,	The structural equation model with partial least squares (SEM-PLS) was used to analyses the	The findings demonstrated a significant relationship between social empowerment and lower rates of poverty among women employed in agriculture. This emphasizes how important it is to collaborate, offer resources, and offer support in order to

		acquired data	empower women socially and create an environment that promotes their economic and social growth.
Abebe and Kegne (2023)	Business Support, Access to Finance, Saving Practice, Skill Development	The study employed both descriptive and explanatory designs and a quantitative research approach. The study targeted 352 women clients of Assosa Woreda Microfinance Institution, and 165 samples were selected using a simple random sampling technique	Additionally, the correlation result showed a strong and favorable relationship between women entrepreneurs' development, skill development training, credit availability, and saving habits. Last but not least, the microfinance institution's credit or loan services and the regression outcome savings have the most significant impact on women's development as entrepreneurs.
Khursheed (2023)	Women empowerment and women Entrepreneurship	This study used a qualitative methodology, using primary data collected through in-depth interviews a	The results confirm the status withdrawal theory's theoretical underpinnings by showing that even small-scale loans from the RCDP have greatly aided women in improving their socioeconomic and financial standing through entrepreneurship.
Venugopal an, Bastian and Viswanatha	Economic and Financial empowerment, social inclusion	The data and information gathered for the paper material,	The results showed that Kudumbashree initiatives aim to achieve a balance between social change through top-down (policy and regulatory change) and bottom-up (people

n (2021)	and empowerment, gender mainstreaming in development.	such as reports from different stakeholders involved in the project (e.g., Kerala state, progress reports, newspaper articles, published research papers,	mobilization) approaches through their multi-actor engagement. From a policy perspective, the main takeaways from Kudumbashree's excellent results might be taken into account when creating community development initiatives in both rural and urban areas that emphasize multifaceted empowerment.
Vijay, Kasana and Jain (2021)	Demographic variables, Entrepreneurial skills, family support, enterprise, Facilities.	To collect the data from respondents, a structured questionnaire was used. To identify the outcome of the study Mean and t-test was applied.	By giving them access to entrepreneurial prospects for the expansion of small and medium-sized enterprises, the study's findings guarantee that microfinance has improved their economic circumstances.
Bastida et al. (2021)	Micro finance model and Economic Effectiveness	a qualitative and semi-exploratory research using a sector-specific case study was employed.	The findings show that the microfinance model and sustainable economic growth have a major positive impact and are useful in advancing public policies that promote social empowerment.
Chomen (2021)	Income, Saving, Training, Utilization of Loan and Demographic variables	Survey questionnaire with logistic regression analysis and Descriptive analysis	The results showed that after enrolling in the program, the majority of respondents' income increased, which had a favorable effect on raising their standards of living.

Okunlola et al. (2020)	Micro Finance service, Economic empowerment, social empowerment.	This study was analyzed using the Pearson (r) correlation analysis technique to test the level of association with 0.05 percent level of significance. The statistical packages for Social Sciences (SPSS v23) served as the tool of estimation.	The findings indicate a strong positive correlation between women's social-economic well-being and their access to microfinance.
Kapiga et al. (2019)	Microfinance Services and Women empowerment	A microfinance loan group was only enrolled if at least 70% of members consented. This study randomly assigned the microfinance groups in blocks of six to receive either the intervention	According to the results, 485 (89%) of the 544 women in the intervention group and 434 (86%) of the 505 women in the control group finished the outcomes evaluation. According to the adjusted odds ratio, 119 (27%) of 434 women in the control arm and 112 (23%) of 485 women in the intervention arm reported experiencing physical or sexual intimate partner violence in the previous year.
Dhakal (2018)	Microfinance and Poor and non-poor Communities	Descriptive and Explanatory	Because $p = .524$ and $.402$ respectively were higher than the $.05$ significant levels, this study concluded that there was no significant difference between the poor and

			non-poor individuals with regard to the success of small-scale businesses supported by microfinance and growing the amount of savings.
Dhakal and Nepal (2017)	Microfinance Services and Poverty Reduction	Descriptive and Explanatory Design	According to the national standard of poverty, 140 (36.4%) of the 385 respondents were found to be poor, whereas 245 (63.3%) were not. According to the international definition of poverty, 190 people (49.4%) were deemed to be poor and 195 people (50.63%) were not. The poverty line statistics is much higher than the national average.
Vachya and Kamaiah (2015)	Microfinance and socio-economic wellbeing	Empirically acclaimed logistic regression model has been employed for analyzing significant impact of plausible socio-economic factors on women empowerment.	The sample group's social empowerment was significantly impacted by the microfinance.
Paudel (2013)	Economic Benefit and Microfinance Services	Descriptive and analytical research design.	This suggests that, in keeping with other microbusiness-related activities, the microcredit initiatives have boosted the chicken business. The rise in household income has prompted more women to send their daughters to private schools. Additionally, household income has had a beneficial effect on extending households' periods of food sufficiency.

2.4 Research gap

The research gap is the difference between the present study and previous studies. The prior research the superiors conducted on the related topic, "role of microfinance in poverty reduction," is valued and found to be very valuable by the general public, academicians, social workers, charitable organizations, and microfinance professionals. The recommendations and counsel offered by past researchers have been extremely helpful to the pertinent financial institutions and other organizations in creating plans to combat poverty.

In many social, economic, and political contexts, poverty-focused microfinance programs have become one of the most successful means of increasing household income and saving money by creating chances for self-employment. This study is limited to the Kathmandu Microfinance coverage area. Gyawali and Pathak (2010) conducted research on commodity-based organizations like savings and credit cooperatives, as well as on priority sectors like agriculture, small businesses, and services that are carried out through financial institutions. However, the focus of this study is on how poverty is impacted by wealth, education, health, and living standards.

The contribution of microfinance organizations to poverty alleviation has been extensively researched globally. Most of the research has been done in relation to other countries, such as Bangladesh, India, Indonesia, Pakistan, Nigeria, and others. Although there has been some research on poverty in other regions of Nepal, this study is necessary because the Sunsari district has not received any additional attention. In light of the five that are currently employed there, the study aimed to highlight the roles of microfinance institutions.

Chapter III

Research Methodology

The methodology of the study is covered in six sections of this chapter. The general strategy of a study is called its research approach. The basic framework for the research is provided by the methodology. The first section provides an explanation of the research design used in the study. The second section provides a sample description and discusses the types and sources of data. The third section discusses the use of statistical techniques to the study of primary data. The process and time of data gathering are addressed in the fourth part. The study's variables and theoretical foundations are covered in the sixth section.

3.1 Research design

Descriptive and informal comparative research designs were used in the study. Among the statistical methods employed in this investigation are regression analysis, correlation analysis, and descriptive statistics. Information obtained from research participants in the program. The respondents were one of the most important sources of primary data, in addition to the secondary sources that collected the information needed to provide this study a thorough framework. The purpose of this project is to gather data. An analytical research aims to more accurately and critically assess the collected facts and information.

3.2 Population and sample and sampling design

The complete population of the research is made up of the members of the 55 microfinance institutions that were in existence in Nepal at the end of the fiscal year 2080–81, according to an official NRB document (NRB website). The research focuses on Sunsari district, where 33 microfinance companies are currently in operation. Only five of these companies were selected using a convenience sampling technique and are currently operating within the district's official territory. Aasha Laghubitta Bittiya Sanstha Limited, Suryodaye Womi Laghubitta Bittiya Sanstha Limited, Global IME Laghubitta Bittiya Sanstha Limited, Nirdhan Utthan Laghubitta Bittiya Sanstha Limited, and Forward Microfinance Laghubitta Bittiya Sanstha Limited are a few of these. The total number of participants in this microfinance research area is 870. These companies are among the largest in Nepal since they deal with credit and lending on a daily basis. A

simple convenience sample method was used to pick 300 responders, representing 34.48% of the total.

3.3 Nature and sources of data collection

In this study, both qualitative and quantitative data were used. Data is of a nature and originates from original sources. Most of the data collected by structured questionnaires is quantitative and can be displayed as a percentage, number, or quantity. Furthermore, the data from the observation is quantitative in nature. The majority of the information gathered from key informant interviews is qualitative. It qualifies the information provided by the responders. The primary source of data for this study was a field survey that collected information via Facebook, email, and other online sources using a Likert scale questionnaire.

3.4 Method of analysis

First, the qualitative data are collected and analyzed for conclusions, and the quantitative statistics are also calculated using sophisticated Excel. Significant data entry, editing, coding, and pivot table analysis were then carried out.

Descriptive Statistics

Descriptive statistics are short informational coefficients that give a summary of a certain data collection, which could be a sample or a representative sample of the entire population. Descriptive statistics can be divided into two categories: measurements of variability (spread) and measurements of central tendency. While the mean, median, and mode are indicators of central tendency, the standard deviation, variance, minimum and maximum variable, kurtosis, and skewness are indicators of variability.

Mean

The most popular and often used measure for combining all of the data into a single variable is the arithmetic mean. It is calculated as the sum of all the items divided by the total number of items. The means of the different variables show the average value over the study period.

$$\text{Mean } (\bar{X}) = \frac{\sum x}{n}$$

Where,

\bar{X} = Sum of the variables 'x'

N = No. of Observation

Standard Deviation

Dispersion is the extent to which individual items deviate from a core value. The standard deviation quantifies the absolute dispersion. As the degree of dispersion grows, so does the standard deviation. Minimal standard deviations suggest a high degree of series homogeneity and observational regularity, and vice versa.

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

Correlation Analysis

Correlation analysis is a statistical technique used to describe the degree of relationship between two variables. Simple correlation has been used in this experiment. The following financial variables' correlation coefficient has been calculated, examined, and presented in a matrix manner. The correlation coefficient between two variables, X and Y, can be computed using the formula below.

$$\text{Correlation Coefficient (r)} = \frac{n\sum XY - \sum X \sum Y}{\sqrt{n\sum X^2 - (\sum X)^2} \sqrt{n\sum Y^2 - (\sum Y)^2}}$$

The variables are correlated if $r = 0$, which falls between -1 and +1. A perfect negative correlation between the variables is indicated by $r = -1$. A perfect positive correlation between the variables is indicated by $r = +1$.

Coefficient of Determination (r^2)

The coefficient of determination is a metric that quantifies the degree of linear relationship or correlation between two variables, one of which is independent and the other dependent. In other words, r is the dependent variables' overall percentage variance. The coefficient of determination has values ranging from zero to one. A value of one can only appear when the unexpected variation is zero or when all of the scatterplot's data points fall exactly on the regression line.

Regression Analysis

Regression analysis shows the direction of movement in the variables being studied, but not their relative movement. Regression analysis allows us to ascertain the relative movement in the variables. Regression analysis for the specified variable has been calculated and examined. The econometric factors influencing PS estimates can be measured and estimated using multiple regression analysis. Multiple regression analysis is a statistical method that facilitates the estimation or forecasting of the dependent variable's value based on the value of the independent variable. In this study, poverty reduction is the dependent variable, and wealth, education, health, living standards, and social status are the independent factors. Model 1 involves the following multiple regression equation: $Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$

3.5 Research framework and definition of variables

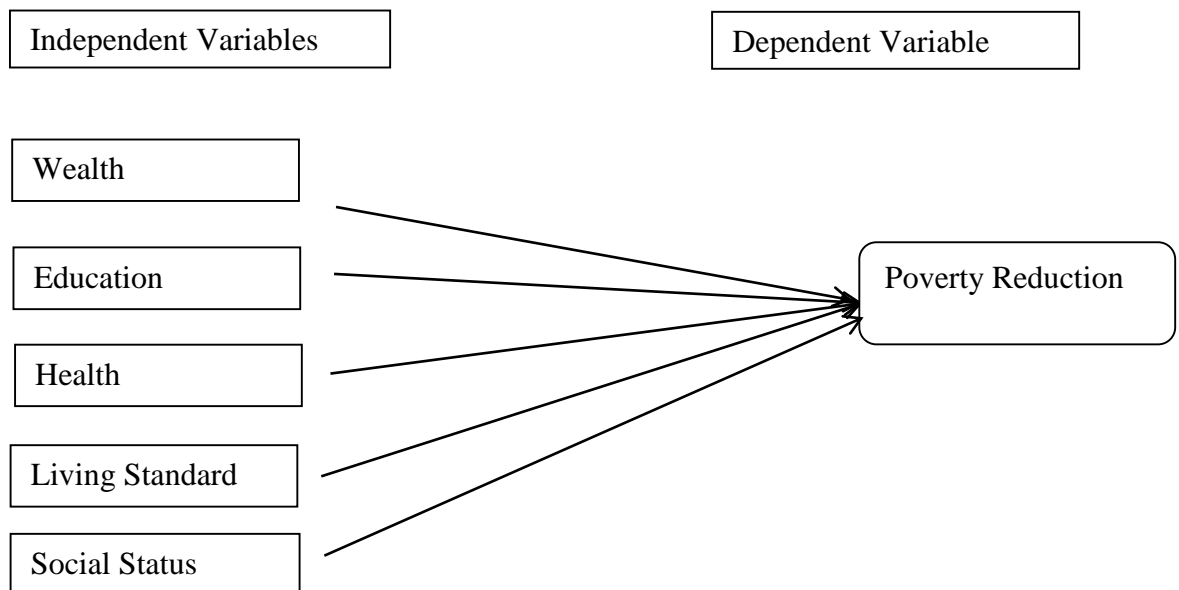


Figure 1: Research Framework (Source: Chomen, 2021)

Definition of Variables

Poverty

Being poor is defined as not having enough money or material possessions to cover one's basic needs, including food, clothing, and housing. Malnutrition and famine, limited access to necessary services and education, prejudice and social exclusion, and a lack of participation in decision-making are some of its symptoms. About 10% of people on the planet were living in extreme poverty, meaning they were unable to achieve their basic

necessities, such as access to healthcare, education, and water and sanitation. With possible social, political, economic, and geographic components, it is a complex issue. There is no universally accepted definition of poverty, and there is no ideal method for quantifying it.

The resources fall into one of five categories: 1) human (like access to education); 2) natural (like land); 3) physical (like infrastructure); 4) social (like the system of duties); or 5) financial (like credit techniques). According to conservative studies, poverty is a hindrance that prevents a poor family circle from obtaining the resources indicated above, which are essential for a higher quality of life or well-being (World Bank 2000). Poverty is defined as when one or more individuals in a given community do not achieve a level of material well-being that is considered to be the logical lowest level by human principles (Ravallion, 1992).

Wealth

Wealth is defined as the acquisition of valuable economic resources, which may be worth money or actual products. The conventional method of assessing wealth involves subtracting all of your debts from the total market value of your tangible and intangible assets to get your net worth.

Economic and material well-being is the most important component of riches. The poor are given the opportunity to reach their full potential by the wealthy. The current study focuses on the characteristics of wealth, namely the form or flow of the reserve (Johnson & Rogaly, 1997). Through microfinance programs, the poor may have gained some more assets and improved their income, savings, and investments.

Education

Education is a conscious effort with specific objectives, such transferring knowledge or cultivating skills and moral character. The main goal of the poor is to use their income to pay for their children's education. Children from low-income households who get microfinance are more likely than other children to arrive at school on time in order to acquire a better education, according to earlier research. The family with the limited income wants to send their children to school. Education is the most important skill for improving human livelihood. According to Littlefield, Murdoch, and Hashemi (2003), it

allows people to express their potential in the political, economic, and public domains of their lives.

Health

Simply stated, health is the absence of illness. Health is a state of complete physical, mental, and social well-being and goes beyond simply being free from disease and impairment. All people's riches are in it. Like education, a person's health has a significant impact on how well they are able to live in poverty. Wright (2000) asserted that the development of dietetic products, well-being, and education were all impacted by microfinance. Although the idea that microfinance improves health is not well supported by the available data, Murdoch and Hashemi (2003) found that families of microfinance clients have better access to food and medical care than families of non-clients. Determining a person's poverty level begins with evaluating their health and that of their family.

Living Standard

The phrase "living standard" refers to an individual's level of comfort, which is usually associated with their financial circumstances. It describes the quality of life, facilities, and services that are usually provided to a group of people or a location rather than to an individual. The perceived capacity of standard of living to improve an individual's general well-being is what makes it significant. Reducing poverty and improving living standards and budgetary permanent quality depend on the ratio of their three basic requirements to their three surface-level demands (Johnson & Rogaly, 1997).

Social Status

By giving low-income and marginalized populations access to capital, microfinance has greatly raised social standing. It enables people—women in particular—to launch small enterprises, boost earnings, and achieve financial independence. This loan availability raises living standards, encourages business, and lowers poverty. People benefit from better healthcare, more educational options, and increased social inclusion when their economic situation stabilizes. By empowering women to manage their finances and increase their influence in decision-making, microfinance also advances gender equality.

In general, it promotes social mobility and economic empowerment, which elevate entire communities (Chomen, 2021).

Chapter IV

Results and Discussion

The replies from the respondents and the analysis that was conducted utilizing them are explained in this chapter. This chapter discusses data display and analysis. Here, data and statistics gathered from participants using Likert scale surveys are displayed and analyzed. In this study, the dependent and independent variables are poverty, wealth, social status, health, education, and living standards. Each variable has seven different questions with a Likert scale. The collected information is analyzed using a variety of tools and techniques. The results of the analysis are presented methodically in the following sections, along with a detailed interpretation or explanation.

4.1 Results

4.1.1 Demographic variables

Gender

Gender represents a man's or woman's involvement in microfinance initiatives. In Nepal, it seems that more women than men are currently involved in microfinance initiatives. Our society demonstrates that women are typically less educated and less accessible in the outside world.

Table 1

Gender of Respondents

Gender	Frequency	Percentage
Female	250	83.33
Male	50	16.67
Grand Total	300	100.00

Source: Field Survey, 2024

83.33% of respondents are women, while 16.67% of respondents are men, according to Table 1. It illustrates how more women than males take part in microlending initiatives. It demonstrates how microfinance initiatives give special consideration to female participants and their empowerment initiatives.

Age

The age range of survey respondents is represented by age. Age also has a role in the activities that empower individuals and create revenue. In the contemporary context,

younger people participate in these programs at a larger rate than older people because of their education, interests, and desire for possibilities.

Table 2

Age Group of Respondents

Age Group	Frequency	Percentage
Below 20	14	4.67
20 – 30	108	36.00
31 – 40	120	40.00
41 – 50	41	13.67
51 – 60	14	4.67
61 and above	3	1.00
Grand Total	300	100.00

Source: Field Survey, 2024

According to Table 2, 4.67 percent of the respondents are under 20, 40 percent are between 20 and 30, 36 percent are between 31 and 40, 13.67% are between 41 and 50, 4.67% are between 51 and 60, and 1% are beyond 60. This indicates that individuals between the ages of 31 and 40 are more likely to participate in microfinance programs and do so with the hope of earning money to support themselves.

Qualification

Qualification is a gauge of a person's educational attainment. Education is one indicator of empowerment. This is essential for helping people access employment opportunities in the contemporary global market as well as for helping them acquire life skills.

Table 3

Qualification of Respondents

Qualification	Frequency	Percentage
SLC or below SLC	141	47.00
Class XII/PCL	95	31.67
Bachelor	42	14.00
Master or above	22	7.33
Grand Total	300	100.00

Source: Field Survey, 2024

Table 3 shows that 31.67% of respondents are at the XII/PCL level, 14% have a bachelor's degree, 7.33% have a master's degree or higher, and 47% are at or below the

SLC level. According to the data, a greater proportion of people with less education are involved in microfinance, suggesting that these people are looking for opportunities within microfinance programs to pay for their living expenses and pursue other revenue streams. It illustrates the importance of microfinance initiatives for people with less education.

Ethnicity

Research on ethnicity helps us assess whether or not members of marginalized communities participate in and profit from microfinance programs, making it one of the most important indicators of their impact.

Table 4

Ethnicity of Respondents

Ethnicity	Frequency	Percentage
Janajati	185	61.67%
Brahmin and Chettri	40	13.33%
Dalit	62	20.67%
Madhesi	5	1.67%
Other	8	2.67%
Grand Total	300	100.00%

Source: Field Survey, 2024

Of the respondents, 20.67% are Dalit, 1.67% are Madhesi, 13.33% are Brahmin and Chhetri, and 2.67% belong to another ethnic group, according to Table 4. Janajati make up 61.67% of the respondents. It indicates that a greater proportion of Janajati people make use of microfinance services.

Involvement in Microfinance

The participants' participation in microfinance programs is demonstrated by their microfinance activity. Microfinance is one way to achieve financial inclusion. It provides financial services to people outside the reach of banking institutions.

Table 5*Involvement in Microfinance*

Name of Microfinance	Frequency	Percentage
Nirdhan Utthan Laghu Bittiya Sanstha Limited	64	21.33%
Suryodayawomi Laghu Bittiya Sanstha Limited	46	15.33%
Global IME Laghu Bittiya Sanstha Limited	76	25.33%
Forward Laghu Bittiya Sanstha Limited	62	20.67%
Aasha Laghu Bittiya Sanstha Limited	52	17.33%
Grand Total	300	100.00%

Source: Field Survey, 2024

Table 5 shows that Nirdhan Utthan Laghu Bittiya Sanstha Limited is associated with 21.33% of the respondents, Womi Laghubittiya Sanstha Limited with 15.33%, Global IME Laghu Bittiya Sastha Limited with 25.33%, Forward Laghu Bittiya Sanstha Limited with 20.67%, and Aasha Laghu Bittiya Sanstha Limited with 17.33%. It illustrates the community's equal prevalence of microfinance.

4.1.2 Descriptive statistics

Descriptive statistics are short informational coefficients that give a summary of a certain data collection, which could be a sample or a representative sample of the entire population. Descriptive statistics can be divided into two categories: measurements of variability (spread) and measurements of central tendency. While the mean, median, and mode are indicators of central tendency, the standard deviation, variance, minimum and maximum variables, kurtosis, and skewness are indicators of variability.

Table 6*Descriptive Statistics for Poverty Reduction*

S.N	Particular	Min	Max	Mean	SD
1	Government Policies is effective to reduce poverty.	1.00	5.00	2.187	.849
2	Microfinance is helping to reduce the Poverty.	1.00	5.00	2.197	.7571
3	Gender plays important role in poverty reduction.	1.00	5.00	2.777	1.031
4	Increasing minimum wage reduce the poverty.	1.00	5.00	1.777	.826
5	Poverty makes people to migrate.	1.00	5.00	1.833	.942
6	Unemployment is the main cause of the poverty.	1.00	5.00	1.520	.733
7	Foreign employment is the result of Unemployment in the country	1.00	5.00	1.617	.930

Source: Field Survey, 2024

Both the overall and item-by-item descriptive data for the poverty sub-factor are shown in Table 6. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. The overall poverty mean is 1.9868, which is less than three, with a standard deviation of 0.1068.

Table 7

Descriptive Statistics of Wealth

S.N	Particular	Min	Max	Mean	SD
1	I am satisfied with my income after joining the Microfinance.	1.00	5.00	2.350	.776
2	I have well-furnished house and enough land for Agriculture purpose.	1.00	5.00	2.487	.934
3	Microfinance has helped me to expand the business by giving the Loan.	1.00	5.00	2.577	.92
4	I have bought some fixed assets taking loan from Microfinance.	1.00	5.00	2.520	.944
5	Microfinance is helping me to grow my saving behavior.	1.00	5.00	2.253	.803
6	I am saving certain percentage of my income.	1.00	5.00	2.257	.832
7	I would like to take a loan again from Microfinance.	1.00	5.00	2.473	1.032

Source: Field Survey, 2024

Descriptive information for the wealth sub-factor overall and for specific categories is included in Table 7. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. With a standard deviation of 0.7985, the overall wealth mean is 2.4166, which is nearly three.

Table 8

Descriptive Statistics of Education

S.N	Particular	Min	Max	Mean	SD
1	I can count and calculate money after joining Microfinance.	1.00	5.00	2.150	.667
2	I am investing microfinance loan in children education.	1.00	5.00	2.647	.423
3	Microfinance loan is helping children to get better education	1.00	5.00	2.437	.813
4	Microfinance is helping for literacy education.	1.00	5.00	2.180	.317
5	Financial literacy helping for my empowerment.	1.00	5.00	2.653	.713
6	I will borrow loan again from microfinance for my children's higher education.	1.00	5.00	2.547	.643
7	Microfinance education is creating social harmony.	1.00	5.00	2.345	1.113

Source: Field Survey, 2024

Descriptive statistics for each item and for education overall are shown in Table 8. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. The overall mean education is 24167, which is less than three, with a standard deviation of 0.8239.

Table 9

Descriptive Statistics of Health

S.N	Particular	Min	Max	Mean	SD
1	I am in the excess of clean drinking water and Toilet.	1.00	5.00	2.050	.732
2	Microfinance is promoting women's health education.	1.00	5.00	2.417	.897
3	I am getting better health facilities after taking the loan from Microfinance.	1.00	5.00	2.533	.933
4	I am satisfied with the health insurance scheme offered by the Microfinance.	1.00	5.00	2.713	1.068
5	I am satisfied with better health knowledge after joining the Microfinance.	1.00	5.00	2.497	.875
6	Microfinance members are ready to help each other for health issues.	1.00	5.00	2.447	.881
7	Children's health and sanitation is improved after joining the Microfinance.	1.00	5.00	2.497	.844

Source: Field Survey, 2024

Descriptive statistics for particular health issues are shown in Table 9. Five statements are used to measure the variables. Each respondent completed a response form with a five-point Likert scale. The overall health mean is 2.4505, which is less than 3, with a standard deviation of 0.7798.

Table 10

Descriptive Statistics for Living Standard

Statement	Min	Max	Mean	SD
I am satisfied with my living standard after microfinance loan.	1.00	5.00	2.296	.768
I am satisfied with my entrepreneurship development after taking the loan from Microfinance.	1.00	5.00	2.640	.963
I am caring my family members through the support of Microfinance for healthy and dignified life.	1.00	5.00	2.456	.878
My purchasing power is increased after joining the Microfinance.	1.00	5.00	2.373	.858
I can afford basic need of my children.	1.00	5.00	2.173	.743
I can independently take my decisions.	1.00	5.00	2.273	.898
I am using advanced communication devices like android mobile, Television.	1.00	5.00	2.10	.836

Source: Field Survey, 2024

The descriptive statistics for living standard are displayed in Table 10. It is clear from the data that the standard deviation ranges from 0.743 to 0.963, while the mean values for the standard levels range from 2.100 to 2.640.

Table 11

Descriptive Statistics for Social Status

Statement	Min	Max	Mean	SD
Microfinance services have improved my family's financial stability	1.00	5.00	3.560	.759
Access to microfinance has increased my household's ability basic needs.	1.00	5.00	3.489	.153
My social status in the community has improved due to the benefits of microfinance.	1.00	5.00	3.159	.852
The loans and financial support from microfinance institutions have helped me escape poverty.	1.00	5.00	3.357	.654
I can afford basic need of my children.	1.00	5.00	2.485	.951
Microfinance has enabled me to invest in education, leading to a better social standing for my family.	1.00	5.00	3.698	.863
Microfinance services have empowered me to participate more actively in community activities.	1.00	5.00	3.486	.798

Source: Field Survey, 2024

The social status descriptive statistics are displayed in Table 11. It is clear from the data that the standard deviation ranges from 0.153 to 0.951, while the mean values for social status range from 2.485 to 3.698.

Table 12

Descriptive Statistics of Dependent and Independent Variables

Variables	Minimum	Maximum	Mean	Std. Deviation
Poverty	1.00	5.00	2.417	.590
Wealth	1.00	4.00	1.986	.513
Education	1.00	5.00	2.424	.708
Health	1.00	4.43	2.451	.696
Living Standard	1.00	4.00	2.330	.606
Social Status	1.00	5.00	3.02	.890

Source: Field Survey, 2024

Table 12 shows the overall descriptive statistics for the independent and dependent variables in the study. Poverty is the dependent variable, with a mean value of 2.4167 and a standard deviation of 0.59039. With a standard deviation of 0.5128, the responder average for wealth, another independent variable, is 1.986, the lowest of all the variables. In contrast, the mean values for health and education are 0.69571 and 0.7084,

respectively, with associated standard deviations of 0.69571 and 0.7084. Finally, the dependent variable, the living standard, has a mean of 2.3303 and a standard deviation of 0.60608.

4.1.3 Correlation analysis

Correlation is the statistical technique used to measure the relationship between two or more variables in the population or sample. Put another way, it shows how much of a linear relationship there is between two variables. The correlation coefficient quantifies the strength of the link. The study employs SPSS and Karl Pearson's methodology, one of the various methods for calculating the coefficient of correlation. Results for the coefficient of correlation are consistently between +1 and -1. When $r = +1$, the variables are perfectly linked, and vice versa. When $r = 0$, there is no connection between them.

Table 13

Correlation analysis between independent and dependent variables:

Variables	POV	WE	EDU	HE	LIV	SS
Poverty	1					
Sig. (2-tailed)						
Wealth	.417*	1				
Sig. (2-tailed)	.000					
Education	.650**	.257**	1			
Sig. (2-tailed)	.000	.000				
Health	.610*	.238*	.747**	1		
Sig. (2-tailed)	.000	.000	.000			
Living Standard	.698**	.319**	.680*	.706**	1	
Sig. (2-tailed)	.000	.000	.000	.000		
Social Status	0.563*	0.251	125*	.891*	0.431*	1
Sig. (2-tailed)	.000	.000	.000	.000	.000	

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

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

Source: Field Survey, 2024

The bivariate people correlation coefficients between the independent and dependent variables are displayed in Table 13. For this investigation, the significance value is 0.01 at the 1% level of significance. With p-values of 0.000, poverty is substantially positively correlated with wealth, education, health, and living standards.

4.1.4 Regression analysis

The impact of independent variables on dependent variables is explained via regression analysis. The regression analysis of independent factors on poverty is displayed in the following table.

Table 14

Model Summary of Poverty

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764a	.584	.578	.38337

a. Predictors: (Constant), Living Standard, Education, Wealth, Health, Social Status

The independent variables in the model—living standard, wealth, education, and health—can account for roughly 58.40% of the variance in poverty, according to the R-square value of 0.584.

Table 15

ANOVA Table

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	60.863	4	15.216	103.529	.000b
Residual	43.356	295	.147		
Total	104.218	299			

a. Dependent Variable: Poverty Reduction

b. Predictors: (Constant), Living Standard, Education, Wealth, Health, Social Status

At a significance level of 0.05, or 0.000, the ANOVA demonstrates that the entire regression model has a statistically significant impact of living standard, education, wealth, and health on poverty.

Table 16*Regression Coefficients*

Model	Unstandardized Coefficients		Standardized	t	Sig.
	B	Std. Error	Coefficients		
1 (Constant)	.346	.111		3.126	.002
Wealth	.234	.046	.203	5.117	.000
Education	.224	.050	.269	4.502	.000
Health	.071	.052	.084	1.360	.015
Living Standard	.381	.056	.391	6.839	.000
Social Status	.415	.036	.401	3.289	.003

a. Dependent Variable: Poverty Reduction

Source: *Field Survey, 2024*

Regression analysis was used to look at how poverty is affected by wealth, health, education, and living standards. According to the findings, poverty is positively impacted by money, education, health, and living standards, while poverty is significantly impacted by these factors but health has a favorable but negligible relationship with poverty. Wealth, education, health, and living standard all had positive coefficients of 0.234, 0.224, 0.071, and 0.381, respectively.

4.2 Discussion

The study's main objective is to investigate how microfinance could improve living conditions and provide participants greater power. The exploration of the potential role that microfinance organizations could play in combating poverty. The study assists in recognizing the difficulties and problems associated with poverty. The descriptive statistics included the mean, median, maximum, minimum, standard deviation, skewness, and kurtosis values for each variable. It presents a summary of the key characteristics for each variable in the dataset related to microfinance organizations' success. The term "Mean" refers to the average value of each variable. The "Median" is the middle value of each variable when arranged in ascending order. "Maximum" indicates the highest value recorded for each variable.

The "Minimum" shows the lowest value observed for each variable. The "Std. Dev." (Standard Deviation) measures the dispersion or spread of data points around the mean. Although not in the same age range, the results of Suliaman (2014), Yasmeen and Karim (2014), Maridoss (2012), Joshi (2008), and Shihabudheen (2012) confirmed the

comparable conclusion. Between the ages of 25 and 49, there was a notable difference in labor force participation, according to the 2007 Global Monitoring Report. Results show that the number of people belonging to the Dalit and Janajati ethnic groups is higher than previously believed. Several studies have also demonstrated that microfinance institutions help lessen poverty by providing credit to marginalized groups. Similar to Sameti's (2012) and Samer et al. (2015) theory of individual deficits, the availability of credit can assist households endure economic shocks and fluctuations by diversifying their income and smoothing their expenditures.

The relationship between poverty and cultural society activities, which are linked to the findings of poverty and social status, is examined in Lewis's (1966) theory of cultural belief systems. The findings show that poverty has a substantial positive correlation with wealth, living standards, education, and health. At the 1% level of significance, all of these explanatory variables are statistically significant with poverty, which is also consistent with Abdulai & Shirmshiry's (2014) notion of social, political, and economic distortions or discrimination.

Additionally, the regression's findings According to the findings, poverty is positively impacted by money, education, health, and living standards, while poverty is significantly impacted by these factors but health has a favorable but negligible relationship with poverty. According to Lee and Vivarelli (2006) and Ucal et al. (2014), the positive coefficients of wealth, education, health, and living standard are 0.234, 0.224, 0.071, and 0.381, respectively. For this analysis, the significance value is 0.000, or 1% level of significance. According to Maridoss (2012) and Suliaman (2014), poverty has a notably favorable impact on wealth, education, and living standards.

Chapter V

Summary and Conclusion

There are three sections in this chapter. A summary is given in the first section, followed by a conclusion in the second and implications in the third.

5.1 Summary

The topic of poverty in Nepal has been discussed frequently. We always bring up a country's economic situation when we talk about it. We cannot ignore Nepal's economic poverty in spite of its wealth of breathtaking natural beauty. When we talk about poverty in Nepal, we are talking about the country's economic circumstances, which seem to be stagnant. Despite a slight improvement above the yearly numbers, the result is not very effective. It illustrates how many people still struggle to meet their basic requirements on a daily basis. The primary focus of discourse in developing countries has been on poverty alleviation. Despite making approximately half of the population, women in Nepal have relatively little opportunities to participate in mainstream development. Men and women are compared to the two wheels of a cart. Nonetheless, there are comparatively few women in the workforce, legislature, and government. Most women are not formally educated and work in agriculture.

This chapter discusses the study's background and subject matter. It contains the research introduction, which explains the background, problem description, objectives, rationale, and constraints of the study. Regarding the theoretical underpinnings of banking concepts, as well as journals, articles, and prior theses, the pertinent information has been reviewed in the second chapter. The third chapter discusses the research methods used to assess the liquidity and profitability of the commercial banks that are being studied. The data is presented, evaluated, and interpreted using statistical and financial methods in the fourth chapter. Finally, the fifth and last chapter offers the study's summary, conclusion, and suggestions.

Examining how microfinance can improve living conditions and give members greater control is the main objective of this study. The study's dependent variable is poverty, while the independent ones are wealth, education, health, and standard of living. To gather primary data, the study sends out a questionnaire to 300 participants. In recent

years, more and more individuals have realized how important it is for women to be involved in development. In this situation, microfinance has become a development tool. The Nobel Prize-winning Mohamud Yunus, a pioneer in this field, is recognized for having contributed to Bangladesh's economic revolution through microfinance. It is widely acknowledged that microfinance is a valuable tool in the fight against poverty. Microfinance is regarded as the norm for acquiring financial services for the poor and people with modest earnings. It is a ground-breaking tool for reducing poverty. Thus, the goal of this thesis is to examine the potential applications of microfinance to promote entrepreneurship, empower women, and lessen poverty.

It uses four independent variables—wealth, health, education, and living standard—to achieve its larger goals. Reducing poverty is the dependent variable. Without altering the precise facts being studied, a descriptive research design is used to examine and characterize the traits of sample respondents. This study uses data from primary sources. structured questionnaires for quantitative data and field surveys and observation for qualitative data. Seven questionnaires for each dependent and independent variable were prepared in order to gather data. Percentage analysis is used to portray the data in a table.

5.2 Conclusion

The study's first goal is a descriptive analysis of poverty, wealth, education, health, and living standards. There are two types of descriptive statistics: measurements of variability (spread) and measures of central tendency. The mean is a measure of central tendency, whereas the standard deviation, minimum, and maximum variables are indicators of variability.

The second goal illustrates how poverty is correlated with money, education, health, and living standards. The bivariate people correlation coefficients between the independent and dependent variables are displayed. For this analysis, significance is the significance value. Poverty has a substantial positive correlation with social status, wealth, education, health, and quality of life.

Examining how money, education, health, and living standards affect poverty was the study's third goal. According to the results of the regression analysis, poverty is positively

impacted by wealth, education, health, and living standards, whereas poverty is significantly impacted by these factors but health has a positive but insignificant relationship with poverty.

5.3 Implications

- According to the report, government policies, initiatives, and strategies are crucial for lowering poverty. Regulations that consider the requirements of the poor, marginalized groups, and women in particular should be in place to control the minimum wage rate, foreign employment, and job opportunities.
- This study will encourage more rural women to undertake micro-entrepreneurship with the right support from MFIs. By raising national production and household income, they might strengthen their position.
- MEs established with the help of microloans offer the best solution to the unemployment problem, especially in developing countries like Nepal where workers can even include their families in their company, opening up job opportunities for others as well as themselves.
- Because all five of the institutions included in the study provided sample clients with insufficient skills transformation and capacity building activities, government line agencies and other development agencies should focus on such technical capacity building activities.
- The sustainability and financial feasibility of microfinance programs' operations are not given much thought during their creation and administration. Effective government policy is also necessary for sustainability and viability. Consequently, interest must be charged at that rate and expenses must be reduced to a minimal where the organization is practical.
- The established microfinance program must be routinely examined and monitored in order to improve its efficacy. This makes it possible to implement a successful strategy in a timely manner. Keep in mind that the purpose of a microfinance program is not to assist individuals with modest loans and financial issues; rather, MFIs should endeavor to empower their clients socioeconomically by guiding, counseling, teaching, and, of course, providing financial support in order to demonstrate the right route.

- • Financial literacy education is a helpful tactic for attaining economic empowerment;
- Health and educational services should be widely accessible to the poor. One aspect of MFI's corporate social responsibility is financial literacy education. It should be emphasized as a standard microfinance task.
- Microfinance clients are more empowered on basic issues and have greater access to financial services; however, because these services are usually controlled by men, their families need to be informed of their loved ones' strategic gender needs.
- Clients of the program received technical and management support in overseeing the microfinance project. Literacy activities are a crucial part of rural microfinance programs. Economic orientation is now prioritized over traditional orientation in the curriculum. Volumetric and physical expansions of transactions are being encouraged instead of encouraging productive lending. Instead than replicating existing market-based initiatives, support potential ones.
- MF must develop an appropriate plan for its clients' daily activities. When offering clients small-scale business, income-generating, and vocational training, it is important to take into account how to achieve goals and objectives in compliance with GOV, BAFIA, and MF legislation and recommendations.

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APPENDIX

Survey Questionnaire for ‘THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR POVERTY REDUCTION IN SUNSARI DISTRICT’

Dear Sir/Madam,

I would like to inform you that I am undertaking a research work associated with ‘Role of microfinance institutions in poverty reduction Nepal’ to meet the partial requirement of MBS Degree in Management from Tribhuvan University. You are kindly requested to fill up the following questionnaire. The information provided will be kept confidential and used at aggregate level only.

A. Respondent Profile

Name (optional):

Occupation:

Gender (Please make a tick mark): a. Male b. Female c. other

Age (in years completed): a. below 20 b. 20-30 c. 31-40

d. 41-50 e. 51-60 f. 61 and above

Qualification (Please make a tick mark):

a. SLC or below SLC b. Class XII/PCL

c. Bachelor d. Master or above

Ethnicity: a. Dalit b. Janajati c. Brahmin

d. Muslim e. Madhesi f. Other

B. General Information on Poverty Reduction

Please specify your level of agreement or disagreement associated with following observations regarding on Poverty in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = Don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
Government Policies is effective to reduce poverty.					
Microfinance is helping to reduce the Poverty.					
Gender plays important role in poverty reduction.					
Increasing minimum wage reduce the poverty.					
Poverty makes people to migrate.					
Unemployment is the main cause of the poverty.					
Foreign employment is the result of Unemployment in the country					

C. General Information on Wealth

Please specify your level of agreement or disagreement associated with following observations regarding on Poverty in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
I am satisfied with my income after joining the Microfinance.					
I have well-furnished house and enough land for Agriculture purpose.					
Microfinance has helped me to expand the business by giving the Loan.					
I have bought some fixed assets taking loan from Microfinance.					
Microfinance is helping me to grow my saving behavior.					
I am saving certain percentage of my income.					
I would like to take a loan again from Microfinance.					

D. General Information on Education

Please specify your level of agreement or disagreement associated with following observations regarding on Education in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
I can count and calculate money after joining Microfinance.					
I am investing microfinance loan in children education.					
Microfinance loan is helping children to get better education					
Microfinance is helping for literacy education.					
Financial literacy helping for my empowerment.					
I will borrow loan again from microfinance for my children's higher education.					
Microfinance education is creating social harmony.					

E. General Information on Health

Please specify your level of agreement or disagreement associated with following observations regarding on Health in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
I am in the excess of clean drinking water and Toilet.					
Microfinance is promoting women's health education.					
I am getting better health facilities after taking the loan from Microfinance.					
I am satisfied with the health insurance scheme offered by the Microfinance.					
I am satisfied with better health knowledge after joining the Microfinance.					
Microfinance members are ready to help each other for health issues.					
Children's health and sanitation is improved after joining the Microfinance.					

F. General Information on Living Standard

Please specify your level of agreement or disagreement associated with following observations regarding on Living Standard in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
I am satisfied with my living standard after microfinance loan.					
I am satisfied with my entrepreneurship development after taking the loan from Microfinance.					
I am caring my family members through the support of Microfinance for healthy and dignified life.					
My purchasing power is increased after joining the Microfinance.					
I can afford basic need of my children.					
I can independently take my decisions.					
I am using advanced communication devices like android mobile, Television.					

G. Social Status

Please specify your level of agreement or disagreement associated with following observations regarding on Social Status in Nepalese Micro Finance. Please make a tick mark at appropriate number as per the following scheme:

1 = Strongly Agree, 2 = Agree, 3 = don't know, 4 = Disagree, 5 = Strongly Disagree

Statements	1	2	3	4	5
Microfinance services have improved my family's financial stability					
Access to microfinance has increased my household's ability basic needs.					
My social status in the community has improved due to the benefits of microfinance.					
The loans and financial support from microfinance institutions have helped me escape poverty.					
I can afford basic need of my children.					
Microfinance has enabled me to invest in education, leading to a better social standing for my family.					
Microfinance services have empowered me to participate more actively in community activities.					

G. Any other comments about Micro finance in Nepal?

.....

Thanking you.

Saroj Bhattarai

THE CONTRIBUTION OF MICROFINANCE COMPANIES FOR P...

By: Saroj Bhattarai

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Abstract In order to provide suggestions that may help increase the effectiveness of microfinance programs, this study looks for ways that these programs can enhance the participants' standard of living and economic empowerment. The current study combines qualitative and quantitative methods to conduct research using a descriptive and causal comparative research design. The planned sample size was 300 respondents from various microfinance organizations. The non-probability sampling method was employed in the data gathering process, and the basic random sample method was used to distribute the questionnaires. The study's dependent variable is poverty, while its independent variables are social position, wealth, education, health, and living standards. According to the study's findings, poverty reduction is positively impacted by the variables of money, education, social position, health, and living standard. In particular, poverty reduction is positively impacted statistically significantly by the variables of money, education, and living standard. On the other hand, although the effects are not statistically significant, health is also linked to lower levels of poverty. The analysis of the current study has revealed a very significant positive association between poverty and the main components of multidimensional poverty—wealth, education, health, and standards of living—which show the aspects under which microfinance is most effective in addressing poverty. Keywords: Poverty Reduction, Wealth, Health, Education, Living Standard, Social status 5318760-563880Chapter I Introduction 1.1 Background of the study The condition of having few material belongings or a low income is known as poverty. Numerous social, economic, and political factors can contribute to or result from poverty. There are two primary metrics used in statistics and economics to assess poverty: Absolute poverty is calculated by dividing income by the amount required to cover essential expenses like clothing, food, and housing. When a person is unable to meet a minimum standard of living in comparison to others in the same period and location, this is known as relative poverty. Different nations and societies have different definitions of relative poverty (Khurshees, 2023). Poverty is a multifaceted and intricate phenomena. It is pervasive and broad. Deprivation, inadequate education, precarious health, especially reproductive health,