

# Microfinance Schemes and Poverty Reduction of Microfinance Institutions

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

by

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## **CERTIFICATION OF AUTHORSHIP**

I hereby corroborate that I have researched and submitted the final draft of dissertation entitled “**Microfinance Schemes and Poverty Reduction of Microfinance Institutions**”. 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. Dinesh Aryal has defended research proposal entitled “**Microfinance Schemes and Poverty Reduction of Microfinance Institutions**”, 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 Raju Raut and submit the thesis for evaluation and viva voce examination.

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**APPROVAL SHEET**

We, the undersigned, have examined the thesis entitled “**Microfinance Schemes and Poverty Reduction of Microfinance Institutions**” presented by Dinesh Aryal 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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## ABBREVIATIONS

DF	:	Degree of Freedom
EDU	:	Education
LR	:	Long Run
LS	:	Living Standard
Max	:	Maximum
MFIs	:	Micro finance 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**

The aim of this research is to investigate how microfinance can improve members' living standards and empower them, as well as to provide recommendations for enhancing the effectiveness of the program.

This study employed descriptive and informal comparative research designs, using both qualitative and quantitative methods. A sample of 300 respondents from microfinance organizations was selected for primary data collection, using a non-probability sampling approach. Basic random sampling was applied to administer the questionnaires. In the study, poverty served as the dependent variable, while wealth, education, health, and standard of living were independent variables. The findings indicate that standard of living, wealth, and education significantly influence poverty, whereas health shows a positive but statistically insignificant relationship. Overall, there is a substantial positive correlation between poverty and wealth, education, health, and standard of living.

**Keywords:** Poverty, Wealth, Health, Education, Living Standard

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Microfinance refers to the provision of financial services to low-income and underprivileged individuals (Chua, 2000). It includes key services such as savings, microcredit, insurance, cash transfers, and other financial products aimed at supporting the ultra-poor and low-income populations. According to Abebe and Kegne (2023), microfinance can be defined as the delivery of flexible and high-quality financial services designed to meet the diverse needs of economically disadvantaged individuals.

Empowerment refers to enhancing an individual's or community's social, spiritual, financial, or political influence. In today's society, women's active participation in political, social, and economic domains is essential for progress (Roberts & Kulkarni, 2021).

Women's empowerment was measured using several indicators, including participation in decision-making, social status, self-confidence, political and social engagement, control over personal income, awareness of social issues, family relationships, and experiences of domestic violence before and after involvement in microfinance programs (Raimi et al., 2023).

Poverty is defined as having limited financial resources or material possessions and can result from various social, economic, and political factors. In economics and statistics, poverty is generally measured in two ways: extreme poverty, which refers to lacking enough income to meet basic needs such as food, clothing, and shelter; and relative poverty, which refers to an inability to maintain a minimum standard of living compared to others in the same society at a given time. Definitions of relative poverty vary across countries and communities.

Poverty is a complex and multidimensional phenomenon that is pervasive and all-encompassing. Income poverty is marked by deprivation, low education, poor health—particularly reproductive health—inadequate nutrition, unemployment, and limited social

and political participation. These factors reflect a broader denial of capacity and empowerment (Sen, 1999). Studies have shown that to design effective economic policies and reduce poverty, it is essential to measure and analyze the factors contributing to poverty at the household level (Aryal, 2006; Sahn and Stifel, 2003). International policymakers have increasingly prioritized social development as a means of addressing poverty-related challenges in the twenty-first century. Today, poverty remains a major global concern, with ongoing efforts to reduce the high number of individuals living in extreme poverty.

According to Yunus (2006), a poor person has virtually no rights, regardless of their contributions. The reduction of poverty in developing nations has progressed slowly, and some argue that poverty alleviation is a prerequisite for economic development (Meier, 1984). Poverty is widely regarded as a barrier to societal progress, as individuals cannot access basic necessities such as food, clothing, and shelter, or enjoy civic rights like freedom, security, employment, and access to infrastructure until poverty is effectively eliminated.

Microfinance refers to small-scale lending to individuals and small enterprises. It provides financial services to underprivileged populations who cannot access conventional banking, helping them improve their standard of living. Microfinance also contributes to national development and helps reduce unemployment. Individuals whose daily consumption falls below the minimum required to meet basic needs, known as the poverty line, are generally considered poor (World Bank, 2002).

Microfinance is closely linked to microenterprises and extremely poor, low-income households. It involves small-scale financial services, primarily savings and credit, provided to businesses engaged in activities such as manufacturing, recycling, repairing, selling goods, offering services, working for commission, or generating income through renting small amounts of land, vehicles, animals, or other assets in both rural and urban areas of developing countries. Consequently, a range of financial services—including deposits, loans, payment services, money transfers, and insurance—is made available to low-income individuals and their microbusinesses. In the context of Nepal, the Nepal Rastra Bank has provided a specific definition for loans extended to the poor.

In the Nepalese context, microfinance encompasses the collection of savings from low-income individuals, women, and micro-entrepreneurs, as well as the mobilization of funds from financial institutions and donor agencies providing wholesale financial services. These services are delivered through various channels, including Rural Development Banks, cooperatives, international NGOs, donor institutions like the UNDP and ADB, and international agricultural development grants via NGOs, local authorities, and the Nepalese government. Additionally, informal entities such as Dhikuti associations, user groups, indigenous bankers, and local merchants also play a key role in providing microfinance to low-income households and microbusinesses. Cooperatives are particularly prominent in the global people's economy, attracting a large membership base involved in microfinance activities. Recognizing this potential, the government can leverage the cooperative movement to combat poverty and generate employment opportunities (Rogaly, 1996).

Overall, microfinance services offer significant benefits to low-income individuals by reducing financial risk, improving financial management, boosting productivity, increasing investment returns, raising incomes, and enhancing the quality of life for themselves and their dependents. In Nepal, the roots of microfinance date back to the First Five-Year Plan in 1956, marked by the establishment of cooperatives. A major turning point came in 1975 with the introduction of the Small Farmer Development Program (SFDP), which is considered the foundation of Nepal's modern microfinance movement. This initiative signaled a shift in official policy, recognizing microfinance as a key tool for poverty alleviation during the Fifth Five-Year Plan. The formation of the Agricultural Development Bank of Nepal (ADB/N), which transformed the SFDP into a member-controlled independent financial institution, further accelerated the expansion and institutionalization of microfinance in the country.

There are fifty-five microfinance companies operating in Nepal, and this study focused on five firms currently active in the Kathmandu district. Located in Bagmati Province, Kathmandu is known for its historical, cultural, and natural significance. As the district headquarters, it serves as a central hub and is renowned for its scenic hilltop views and rich heritage.

Microfinance programs are rapidly expanding in Nepal, including in the Kathmandu district, where they have made a notable impact. Therefore, this study aims to assess the influence of microfinance services on the residents of Kathmandu, acknowledging the contributions highlighted in previous literature. Additionally, the paper seeks to explore the role of the microfinance industry in reducing poverty, empowering individuals, and fostering entrepreneurship in Nepal.

## **1.2 Problem Statement**

Over the past five years, Nepal has made notable progress in reducing its Multidimensional Poverty Index (MPI), decreasing from 30.1% in 2014 (NMICS) to 17.4% in 2019, according to the 2019 NMICS report. This improvement reflects Nepal's advancement toward its national vision of a “Prosperous Nepal, Happy Nepali” and its commitment to the global Agenda 2030. Despite this progress, around five million people—17.4% of the population—were still living in multidimensional poverty in 2019, with an MPI value of 0.074. The most widespread deprivations included lack of access to clean cooking fuel, inadequate housing, low levels of education, limited assets, and poor nutrition. Among these, the most significant contributors to persistent multidimensional poverty were low years of schooling and nutritional deficiencies (UNICEF, 2021).

The adequacy of the poverty line in truly capturing the essential needs for survival remains a subject of debate. In contrast to income-based measures, the Human Poverty Index (HPI) highlights deeper challenges, showing that 44% of Nepalis lack access to fundamental resources, including basic healthcare and education. Like in many other countries, achieving sustainable human development is a key priority in Nepal. However, existing poverty measurement tools raise concerns about whether these development goals—especially those targeted for achievement by 2020—can realistically be fulfilled.

Poverty levels in Nepal vary significantly across regions, with the lowest levels found in urban areas and the highest in rural, mountainous regions. Despite ongoing development efforts, stark disparities remain in the inputs, processes, and outcomes of these initiatives. Nepal's development policies face limited critique, yet their outcomes and implementation often reveal troubling patterns. Poverty in Nepal is not only about lack of income—it also involves exclusion from recognition, participation in decision-making,

and influence over processes that directly affect one's life, ultimately threatening survival. As Pokharel (2015) argues, for Nepal to achieve sustainable human development, development planning must prioritize empowering the poor, disadvantaged, and marginalized by enhancing their assets—such as employment, health, and education. Although Nepal has made progress in improving living conditions over the past five decades, a 2003 report by the South Asia Alliance for Poverty Eradication (SAAPE) indicates that the country still ranks among those with the lowest human development levels globally (SAAPE, 2003).

Numerous initiatives have been launched in Nepal aimed at improving the lives of the rural poor, especially women. These include the Participatory District Development Program (PDDP), Production Credit for Rural Women (PCRW), Integrated Rural Development Program (IRDP), Small Farmers Development Program (SFDP), and the Priority Sector Credit Program (PSCP) (Regmi, 2000).

In summary, microfinance programs have the potential to shift power dynamics and empower both men and women living in poverty. Microfinance refers to the provision of essential financial services—such as savings and loans—to low-income individuals, particularly those in rural areas who lack access to conventional banking. It offers financial inclusion for motivated individuals without collateral, helping them improve their livelihoods through small-scale enterprises. By facilitating small-scale capital generation, microfinance supports underserved sectors. In Nepal, microfinance initiatives have been active for over three decades, with significant growth in Micro Finance Institutions (MFIs) driven by government, NGOs, and donor support. Overall, microfinance plays a vital role in alleviating poverty in developing countries like Nepal.

Microfinance initiatives have been implemented in different forms across various regions and geographical areas of the country. As a result, it is crucial to regularly assess and evaluate these programs to design and implement new ones that more effectively enhance the lives of their target beneficiaries. This study centers on the role of microfinance institutions in supporting the poor and underprivileged in improving their living conditions and financial well-being. Several key issues, outlined below, require careful attention, and this study aims to address those concerns.

1. What is the situation of microfinance schemes and poverty reduction among Women employees of microfinance institutions?
2. Is there any relationship between wealth, education, health, living standard and poverty reduction among Women employees of microfinance institutions?
3. What is the impact of wealth, education, health, living standard on poverty reduction among Women employees of microfinance institutions?

### **1.3 Objective of the Study**

The main objective of this study is to explore how microfinance contributes to poverty reduction among its clients. In addition to this overarching aim, the study also seeks to achieve the following specific objectives:

1. To analyze the situation of microfinance schemes and poverty reduction among Women employees of microfinance institutions.
2. To examine the relationship of wealth, education, health and living standard with poverty reduction among Women employees of microfinance institutions.
3. To assess the impact of wealth, education, health, living standard on poverty reduction among Women employees of microfinance institutions.

### **1.4 Rationale of Study**

This study is both timely and relevant, as understanding the microfinance operating model within the Nepalese context is crucial. Microfinance serves as an effective tool for poverty reduction, income generation, promoting self-employment, and raising awareness in rural communities. The effectiveness of a microcredit organization largely depends on the quality of its services and its long-term sustainability. Therefore, assessing the performance of existing organizations is essential before considering any expansion of their services. The primary aim of this study is to evaluate the services provided by microfinance institutions. If small-scale microcredit organizations operate in alignment with established policies, their impact can lead to significant improvements in the lives of the people they serve.

## **1.5 Limitations of the Study**

1. The findings of this study may not be claimed as the representative regarding the impact of microfinance on poverty alleviation due to the local socio-economic specificities.
2. The whole study is based on primary data. So the reliability of study depends on the reliability of sources of information.
3. The study is limited with five microfinance Nirdhan Utthan Laghubitta Bittiya Sanstha, Forward Microfinance Laghubitta Bittiya Sanstha Limited, Global IME Laghubitta Bittiya Sastha Limited, Aasha Laghubittiya Sanstha Limited and Suryodaya womi Laghubitta Bittiya Sanstha Palpa district. The sample is selected on the basis of convincing sampling method.
4. This study is for academic purpose so there is lack of time and lack of difference resources, so sample is selected near me.
5. So 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**

This chapter primarily examines existing research on the role of microfinance institutions in combating poverty in Nepal, with a specific focus on five microfinance organizations operating in the Palpa District. Microfinance is closely linked to microenterprises and extremely poor or low-income households, playing a crucial role in both national development and reducing unemployment. In the context of Palpa, microfinance has also shown notable influence. Therefore, this study seeks to measure the impact of microfinance services on the lives of people in the Palpa District, building on findings from previous literature. Additionally, this chapter aims to shed light on the broader role of Nepal's microfinance sector in poverty alleviation, economic empowerment, and the promotion of entrepreneurship. The review is based on relevant theories, research papers, and literature from both national and international journals.

#### **2.2 Conceptual Review**

In this study, the dependent variable is social empowerment through microfinance. The independent variables include decision-making authority, access to resources and opportunities, and microfinance services. These factors are analyzed to understand their influence on the level of social empowerment experienced by microfinance clients.

##### **2.2.1 Concept of Micro-Finance**

Microfinance has long been recognized as a key source of funding for female entrepreneurs, beginning with the establishment of the Grameen Bank in Bangladesh. A 2007 report by the World Bank defines microfinance as the provision of small loans to poor individuals who wish to start or grow small businesses but are unable to secure traditional bank loans. Similarly, the Asian Development Bank (2008) describes microfinance as offering a wide range of financial services—including savings, loans, payment services, money transfers, and insurance—to low-income individuals and their microenterprises (Abbink et al., 2006).

Yusuff (2018) emphasizes that access to finance is a critical factor influencing business success. However, it also remains one of the greatest challenges faced by female entrepreneurs when launching their ventures (BMS, 2013). Both internal and external financial resources are essential for business performance (Davidsson et al., 2006; Antoncic & Hisrich, 2003; Martinez et al., 2013; Siegel & Renki, 2012). Brush (1992) points out that women are often perceived as "risky" borrowers and considered less creditworthy than men, which creates barriers in obtaining the necessary funding to expand their businesses.

Women entrepreneurs encounter greater challenges than men in securing capital, land, and starting businesses, especially in areas where asset ownership is predominantly controlled by men (Roomi, 2010). Financial institutions are often reluctant to approve their loan applications because small loan requests are not cost-effective, and many women entrepreneurs, along with other disadvantaged groups, tend to have poor credit histories and lack business management experience (Mahmood, Shah & Nisar, 2021).

Microfinance provides business owners with access to capital and opportunities for profit generation (Agrawal, 2016). Most previous studies agree that supporting entrepreneurs, particularly women, enhances their business performance, leading to higher income, increased production, greater investment, more employment, and overall improved well-being for the owners.

A cooperative is an organization owned and controlled by its users, where benefits are distributed based on usage. It operates as a private enterprise formed by members to meet their shared financial needs, with ownership, control, and income distribution determined by patronage proportions. This means decisions such as member voting, capital contributions, and allocation of net income are based on how much members use the cooperative's services. The terminology for cooperatives and similar enterprises varies widely, and microfinance organizations are sometimes called patron-owned or non-profit corporations. Unlike other commercial businesses, cooperatives return net earnings to their investors or users through microfinance, rather than prioritizing profits for external shareholders (Anambane & Adom, 2018).

The term "company" can refer both to a business model and to a legal entity that is equally owned and democratically governed by its members (Shrestha, 2016). What sets microfinance organizations apart is their close connection to the business, often involving members as producers, consumers, or workers of the products or services offered. In some countries, cooperatives may be formally incorporated under specific legal structures. Microfinance can also be provided through partnerships, unincorporated associations, companies limited by shares or guarantees, and other organizational forms. The cooperative movement originated in Europe in the 18th century, aiming to protect vulnerable individuals from exploitation by more powerful groups (Aparicio, Audretsch & Noguera, 2022).

Businesses committed to principles like democracy, equality, solidarity, self-help, and self-responsibility are owned and operated democratically. They prioritize people in their operations and allow members to actively participate in decision-making (Kimberly & Robert, 2004). Members of microfinance institutions gain significant socioeconomic benefits, with microfinance enhancing their income and economic bargaining power. However, cooperatives often pursue a broader set of social goals beyond purely economic ones. They offer members unique opportunities for training and education and encourage involvement in committees, attendance at meetings, and leadership roles (Shrestha, 2016).

The report indicates that despite having sufficient cash on hand, the organization's funds were excessively tied up in current assets. Poor debtor management and operational losses have resulted in inefficient asset utilization. Due to financial mismanagement and a high volume of debtors, the group has been unable to maintain an appropriate leverage position. Throughout the study period, the association experienced consistent operating losses, averaging an annual loss of 0.92 percent, reflecting very low financial performance. It has been recommended that microfinance maintain political neutrality. When effectively managed and utilized, microfinance has the potential to serve as a foundation for the country's economic growth. It could play a key role in mobilizing the scattered savings of farmers and laborers, guiding the country toward a prosperous future. By offering members greater access to resources such as capital and information, cooperatives help reduce poverty by enabling members to increase productivity (through

purchases like seeds, fertilizer, transportation, and storage) and generate higher incomes (Chakraborty & Jayamani, 2013).

Overall, the financial and agricultural sectors are widely regarded as highly effective organizational frameworks that enable dispersed individuals to unite for self-sustaining economic development. In particular, both credit microfinance and multipurpose microfinance are considered equally beneficial. They provide members with access to small loans, which are otherwise difficult or impossible for disadvantaged individuals to secure, thereby supporting self-employment ventures such as retail businesses, farming, or animal husbandry (Torfi et al., 2011).

A microfinance organization is one that is governed, funded, and managed by its members. Its main objective is to protect the interests of individuals with low to moderate incomes by providing goods and services at fair prices when needed. Likewise, small-scale farmers can access cooperative agricultural financing, and farmers and others can receive fair compensation for their products through the organization. According to the International Labor Organization, microfinance refers to a group of people, often with limited resources, who voluntarily come together to form democratically controlled business entities, share the risks and rewards equitably, and contribute fairly to the capital required to achieve a common goal (Wanyama et al., 2008).

The International Labor Organization (ILO) defines microfinance broadly as the collective union and coordination of individual resources and efforts to achieve common goals. This definition applies to companies and cooperatives alike. A microfinance company or society consists of people who have faced similar financial difficulties and voluntarily come together based on equal rights and responsibilities to address these challenges. They primarily use their shared knowledge within a cooperative microfinance enterprise to pursue mutual material and ethical benefits, undertaking risks collectively while assigning some or all of their economic activities according to their agreed-upon rules.

### **2.2.2 Social Capital and Women Business Performance**

Today, a business's intangible resources play a significant role in its overall performance. These intangible assets include social capital, relational capital, structural capital, and human capital. Cheston and Kuhn (2002) define social capital as a quality that emerges between people, reflecting group and team outcomes such as enhanced learning, knowledge sharing, reduced transaction costs and time, and minimized redundancy.

Cumming and Groh (2018) found that social capital can reduce the risk of opportunistic behavior and lower monitoring costs. According to Majurin (2016), social capital comprises networks, trust, norms, reciprocity, and social relationships among individuals, organizations, communities, and business units. Previous research (Kwon & Arenius, 2010; Manolova et al., 2007; Carter et al., 2003) has demonstrated that social capital enables entrepreneurs to access vital information, resources, and opportunities. Mayoux (2002) studied women entrepreneurs and discovered that both formal and informal social capital supports their market expansion. Given the numerous challenges women-owned businesses face in managing finances, securing funding, and executing effective marketing, social capital appears crucial for their growth. Similarly, Mushtag (2008) identified a positive and direct link between business growth and social capital—particularly networks—in a case study of 11 female entrepreneurs from the Mid-Atlantic region of the United States. These networks are vital for entrepreneurial success, serving as sources of mentorship and advice.

Social capital is vital for small and medium-sized enterprises (SMEs) because it improves the acquisition, sharing, and adaptation of knowledge, all of which foster innovation, according to Daud and Yusoff (2010). Their study of 833 SMEs in Malaysia's Klang Valley found that social capital positively impacts business performance through relationships with partners, suppliers, customers, employees, alliances, and allies that facilitate the exchange of knowledge and information. Steier and Greenwood (1995) noted that when attracting venture capital, social legitimacy may be valued more highly than the technological merits of a deal. Social capital can also ease access to financial resources. While financial capital is often seen as essential for entrepreneurship, Cetin et al. (2008) argue that other resources, such as social and educational capital, can also significantly influence entrepreneurial activities. In their study, they distinguish between

formal and informal social capital. Formal social capital refers to participation in organized civic groups and institutions (Schofer & Fourcade-Gourinchas, 2001), while informal social capital encompasses the personal social ties an individual has with neighbors, family, friends, coworkers, and others (Pinchler & Wallace, 2007).

They found that social capital is essential for immigrant and women entrepreneurs in overcoming challenges such as limited opportunities and difficulties entering the labor market. While both groups use contacts and connections to build networks and access social capital (Greve and Salaff, 2003), Yetim (2008) argues that women benefit more significantly from social networks. According to Yetim's findings, female entrepreneurs' networks differ from those of male entrepreneurs because they are often formed through less formal methods and rely heavily on close relationships with friends, family, and community members. These connections serve as vital sources of social capital for women business owners.

### **2.2.3 Definition, Origin and Source of Micro Finance**

Microfinance (MF), also called microcredit, is available to individuals who are unemployed or have low incomes and typically lack access to traditional financial services (Westover, 2012). It involves providing loans to poor people who usually do not have assets to offer as collateral. The goal of microfinance is to empower the poor, especially women, by giving them opportunities for financial independence. Customers can obtain small business loans with flexible repayment terms that align with ethical lending practices.

Microfinance is not a new idea; small businesses have existed since the eighteenth century when Lysander Spooner highlighted the benefits of small credit for farmers and entrepreneurs. The Irish Loan Fund system, established by Jonathan Swift to improve the living conditions of poor Irish citizens, is recognized as the origin of micro-lending (Wikipedia, 2018). Over time, microcredit and savings programs have evolved in developing countries under various names, such as "Susus" in Ghana, "Chit funds" in India, "Tandas" in Mexico, "Arisan" in Indonesia, "Cheetu" in Sri Lanka, "Pasanaka" in Bolivia, and "Tontines" in West Africa (Waita, 2012). In Nigeria, women have founded mutual aid and microfinance groups like "Esusu" and "Adashi." However, microfinance

gained widespread recognition in the 1970s thanks to Mohammed Yunus and the Bangladeshi Grameen Bank. In 1976, Yunus began providing loans to rural women in Bangladesh, who used the funds to start businesses such as clothing sales and tailoring, eventually repaying their debts (Shrestha, 2007).

While microfinance is utilized by businesses globally, the majority of microfinance institutions (MFIs) are based in developing countries. Most MFIs are involved in lending, with many specifically targeting support for women. Additionally, some providers offer services beyond loans, such as bank accounts, financial education for businesses, and microinsurance products. The following selection of microloans is particularly beneficial for female entrepreneurs (Sharma, 2007).

**Personal investment:**

For female entrepreneurs, this often serves as their initial source of credit and primary means of financing. It involves using personal savings or inherited wealth to fund the business and is commonly called "bootstrap finance" since it is mainly used to start a business from the ground up. By investing her own money, the female entrepreneur demonstrates to lenders and investors her commitment to a long-term business venture (Ekpe, 2013).

**Disposal of personal property:**

One method female entrepreneurs use to raise funds is by selling some of their personal assets and investing the proceeds into their business (Cumming and Groh, 2018).

**Money from loved ones:**

This category includes funds borrowed from friends, family members, and spouses. Occasionally, monetary gifts are also given, though these are rare. Typically, the amounts involved are relatively small (Cumming and Groh, 2018).

**Micro finance institutions' Loans:**

Female entrepreneurs can apply for small loans from microfinance banks. They often start with smaller amounts and can qualify for larger loans later, provided they meet their repayment obligations and follow the guidelines (Curran and Blackburn, 2001).

**Venture Angels:**

These are individuals who have the resources to support the small business ventures of dedicated entrepreneurs. Besides their financial support, they can also offer valuable skills and open doors to their networks or business connections. Venture capitalists may be particularly receptive to female business owners (Sigdel, 2015).

**Business Accelerators:**

These individuals offer support and help accelerate growth to enable businesses to succeed. They actively seek out companies and provide them with necessary funding and technology. Acting like business incubators, their goal is to help start-ups progress to the next stage until they can operate independently without the accelerator's assistance. This acceleration can take various forms, including financial support, coaching, multimedia resources, sponsorship of advertising ideas, access to laboratory facilities, and more (Sigdel, 2015).

**Empowerment programs:**

These programs, supported by non-governmental organizations or the government, aim to empower young Nigerians with a passion for entrepreneurship. Government initiatives are often organized in partnership with specific ministries or agencies. After participating in training sessions, aspiring business owners receive a set amount of funding. For example, effective financial assistance was provided to 2,400 winners of the "YOU WIN" business concept competition. Two other programs focused on empowering women include the Bank of Industry's "YES" program and the "Aisha Buhari training for women in income-generating activities" held in 2016. NGOs also regularly conduct empowerment programs offering skills training and interest-free loans. Women entrepreneurs can take advantage of these opportunities by enrolling in such programs and wisely utilizing the funds granted for their businesses. For instance, in 2014, the federal government allocated N220 billion to MSMEs through the Central Bank of Nigeria, with female-owned businesses receiving 60% of this funding (Sharma, 2017).

**Monthly Contribution Scheme:**

Joining a local microfinance organization can help female entrepreneurs access capital for their businesses. Many community microfinance groups offer a rotating savings scheme,

where members contribute a fixed amount weekly or monthly and receive payouts in rotation. These organizations also provide low-interest loans (Sharma, 2006).

### **Trade payables:**

According to Cheston and Khun (2002), another strategy female entrepreneurs can use to grow their businesses is borrowing credit and repaying it later. They can negotiate with suppliers to pay either in full or through installments, which encourages them to raise the necessary funds to support their business after receiving the goods or services.

## **2.2.4 Challenges Female Entrepreneurs Encounter in Accessing Credit from Microfinance Banks**

Although female entrepreneurs contribute significantly to the Nigerian economy, they face numerous challenges that hinder their ability to manage and grow their businesses effectively.

There is extensive evidence showing the vital role women play in economic development. However, various obstacles prevent them from fully realizing their economic potential. These barriers include discrimination rooted in laws, traditions, culture, and religion, among other factors. A lack of access to funding is frequently identified as one of the main challenges limiting the growth of women-owned businesses in developing countries.

Accessing microloans is the biggest challenge faced by Nigerian female entrepreneurs. Until recently, the important role of women in society was often overlooked. Consequently, many organizations underestimate the impact of women's contributions to their families and the economy. When seeking microloans, female entrepreneurs face several specific obstacles:

### **1. Inability to find a guarantor:**

To access loans, microfinance institutions (MFIs) require applicants to provide a guarantor. Without a guarantor, loan applications are usually rejected. Many female entrepreneurs find it challenging to secure guarantors because potential guarantors may doubt the borrower's ability to fully repay the loan.

**2. Problem of defaulting:**

Microfinance institutions (MFIs) require clients to make weekly repayments as part of their loan recovery process. Failure to repay the loan on time can result in ineligibility for future loans (Subedi, 2006).

**3. Lack of adequate information about micro financing options:**

Many women, particularly those living in rural areas, lack awareness of the services provided by microfinance institutions (Sharma, 2017).

**4. Ignorance of financial options available:**

Many women, particularly those living in rural areas, are unaware of the services provided by microfinance institutions (Sharma, 2017).

**5. Stereotype about women:**

According to Taiwo et al. (2016), women are more vulnerable to economic downturns and are generally poorer than men. There is a common perception, shared by some moneylenders and microfinance providers, that women are less skilled at managing money compared to men.

**6. Socio-cultural factors:**

Women's access to microfinance is influenced by the roles they are expected to fulfill at home and the social norms surrounding them. While some cultures permit women to work in certain sectors, others restrict their participation in specific industries. Additionally, not all types of businesses are deemed eligible for loan approval by microfinance institutions (Neupane, 2001).

**7. Biased opinion of lending officers:**

Some microfinance institution (MFI) loan officers believe that women lack the experience required to meet repayment obligations, leading them to view female clients as less desirable (Sigdel, 2015).

**8. Illiteracy:**

Many women entrepreneurs have never attended college, which can make microfinance institutions' policies and procedures seem complex and time-consuming for them. Additionally, they often find it difficult to understand financial matters related to accessing funds (Sharma, 2007).

**9. Lack of networks:**

Female entrepreneurs often face difficulties obtaining microfinance loans if they lack a network of other borrowers or clients. Microfinance institutions typically use a group lending approach, where women form groups of fellow borrowers to facilitate identification and loan monitoring. These groups usually meet weekly to discuss matters related to their financing agreements and other business topics. The meeting organizer then reports the group members' performance to the loan officers (Arora and Meenu, 2011).

**10. Limitation on amount of loans advanced:**

Large loan applications are often rejected by microfinance institutions. MFIs usually prefer to approve loans based on the growth stage of the borrower's business. Borrowers are encouraged to begin with a small loan and demonstrate business growth before applying for a larger amount. This requirement can pose a major obstacle for borrowers who want to start their own businesses (Shrestha, 2007).

**11. Insufficient mentoring programmers:**

Programs that promote female entrepreneurs as mentors or role models for aspiring Nigerian business owners are scarce. Support from experienced individuals who can guide and assist small and medium-sized enterprises (SMEs) is essential for women starting their entrepreneurial journeys in Nigeria (Okogba, 2016).

**12. Credit worthy customers:**

Not all clients always act responsibly. Sometimes, loan repayments become difficult because funds are occasionally used for purposes unrelated to the loan. Onochie (2017) suggests that microfinance bank managers should identify and support customers who have a reliable history of repaying their debts.

**13. Loan seekers' knowledge of business:**

Some clients lack sufficient knowledge about the business they plan to start. Before approving a loan, it is essential that the female entrepreneur has a comprehensive understanding of the intended business (Shrestha, 2016).

**2.2.5 Microfinance and Micro Credit**

Microfinance provides a wide array of financial services to low-income families and their microbusinesses. These services go beyond loans to include small savings accounts, short-term loans, micro-insurance, money transfers, remittances, guarantees, as well as non-financial support such as capacity building and business development (Das, 2014). Additionally, microfinance focuses on offering services that improve health care, education, income opportunities, and women's empowerment for low-income consumers. Emphasizing savings accounts and other financial products alongside loans is crucial because poor individuals often struggle to borrow effectively unless they learn to save and manage money prudently. A variety of financial services are essential for both poor and relatively better-off clients to help expand their enterprises. Ultimately, microfinance supports small businesses, which frequently serve as vital sources of family income (Das, 2014).

Microcredit can be more precisely defined as a type of lending accessible to low-income individuals, typically involving small loan amounts used to finance income-generating projects and microbusinesses (Tiwari, 2020). Most microcredit programs require mandatory savings from borrowers, which serve as collateral for the loans issued. These savings are then utilized by microlending institutions as capital. Both microfinance and microcredit often use group-based delivery methods to lower service delivery costs through combined credit and savings schemes (Sigdel, 2015).

**2.2.6 Fundamentals of Microfinance**

If society fails to protect these fundamental rights, poverty reduction among its citizens becomes unattainable. The belief that lending to the poor is impossible due to their inability to offer collateral is a misconception. Banks often assume that only wealthy individuals can provide collateral, which restricts loans to the rich, exacerbates wealth inequality, and deepens social, political, and economic disparities. While bank loans are

technically accessible to both the rich and poor, historically, the poor have relied on informal lenders, often repaying loans at exorbitant interest rates. Effective microcredit management by microfinance institutions (MFIs) can facilitate easier loan repayment for the poor. Credit serves as a powerful tool for fostering social progress and community well-being—those with more credit can manage greater resources, and even those with limited means can leverage credit to engage in more profitable ventures.

Within the impoverished population, there are subgroups such as the poor, the very poor, and the impoverished entrepreneurial class. Most microfinance organizations focus on lending, saving, and providing services to these less fortunate groups, including destitute workers and underprivileged business owners. The poorest of the poor require subsidies, guidance, skill development, and other essential support services, known as Credit Plus Services. A crucial aspect of microfinance is charging a realistic interest rate, which is influenced by three main factors.

1. Cost of funds: interest rates paid on loans, dividend costs, depositor rates, etc.
2. The price of loan defaults
3. Costs associated with administration (credit delivery and recovery, savings collection, insurance premium collection, etc.)

### **2.2.7 Channels of Microfinance**

Because many developing countries adopt Western banking systems without adaptation, their distorted and suppressed financial markets have reinforced the myth that microfinance is unprofitable. As a result, small and low-income borrowers are often excluded from standard banking services and, lacking formal financial institutions to meet their needs, they turn to unofficial sources of finance. Microfinance channels can generally be categorized into three main types:

- Formal channels
- Semi-formal channels and
- Informal channels

Formal channels of microfinance are characterized by strict regulations and supervision, encompassing institutions such as government ministries, the Central Bank, government departments, commercial banks, development banks, rural banks, postal services, savings banks, finance companies, insurance firms, and pension and provident funds. While some

government agencies may oversee semi-formal channels, these entities typically operate outside of full formal regulatory control.

This category includes registered welfare organizations, women's societies, self-help groups, village banks, NGOs, microfinance institutions (MFIs), pawn brokers, and cooperative societies and unions. Unregulated channels, which operate without oversight or registration, demonstrate the profitability and significant market potential of the microfinance sector. These informal providers, including professional moneylenders, credit and savings groups, dealers, landlords, and friends, often maintain a 100% loan recovery rate, are competitive, and offer loans without collateral. Recently, innovative microfinance approaches such as prepaid debit cards, mobile banking, and banking agents have been adopted in some Southeast Asian, African, and Latin American countries.

The loan application process has been expedited through the adoption of new technologies, leading to a global increase in the use of innovative microfinance channels such as branchless banking, electronic banking, digital banking, mobile banking, email banking, SMS services, web-based financial platforms, ATM debit and credit cards, renewable energy-powered solutions like solar or wind energy, online marketing strategies, and mobile banking applications.

### **2.2.8 Emergence of Micro finance**

Robert Owen first popularized the idea of microfinance in Great Britain in the early 1800s (Haijata, 1994). The savings movement began in England in 1844 when twenty-eight manufacturing workers formed the Rochdale Society of Equitable Pioneers, which later expanded into industries such as milling, textiles, shoes, and flour (Majurin, 2016). In 1908, Teddy Roosevelt's Country Life Commission proposed microfinance as a tool to improve economies of scale and strengthen vertical and horizontal linkages in agricultural production, input supply, and rural infrastructure development in America through targeted government programs. As a result, microfinance institutions emerged across rural America, marking one of the most comprehensive and successful federal rural development initiatives ever undertaken (NCDP, 2015).

Microfinance first appeared in Russia during the Czarist Empire in the 1860s, with the first consumer microfinance firms starting operations in 1865, followed by agricultural-focused microfinance organizations established under a special governmental legal Act. Initially confined to rural areas, microfinance eventually expanded into urban business sectors (NCDB, 2016). In 1928, Poland saw the establishment of its housing microfinance society, which was formed through peasant self-help initiatives.

The government tasked them with acquiring additional land, which was taken from the large state holdings of the peasants, as peasant self-help was practiced along microfinance principles long before these were formally recognized as part of the microfinance movement (Kharel, 2016).

Women's empowerment and economic development are closely interconnected; while economic growth can significantly reduce gender inequality, empowering women also contributes to broader development. However, this study (Torfi, Kalantari & Mohammadi, 2011) questions whether progress in one area alone is enough to create a self-sustaining positive cycle between empowerment and development. It argues that because the relationship between the two may be too weak to maintain itself, ongoing policy efforts focused specifically on gender equality are necessary to achieve lasting progress.

Financial opportunity, political empowerment, education level, overall health and well-being, and economic participation are key factors in women's empowerment. According to Sharma (2017), countries that fail to utilize half of their population are wasting vital human capital and risking their global competitiveness. Using a mix of data from international organizations, national statistics, and the World Economic Forum's Executive Opinion poll, the report evaluates women's status across many countries. It highlights that women's economic independence and empowerment are distinct concepts; true gender equality arises when women's economic independence is deeply rooted in society, naturally elevating their status and strength.

Microfinance plays a crucial role in this process by enabling women from low-income households to increase their income, build assets, and protect themselves against external shocks (Subedi, 2006).

## **2.3 Theoretical Review**

### **2.3.1 Williams Model of Social empowerment**

William developed a theoretical foundation for women's empowerment by adapting Kabeer's 2001 framework. According to this model, empowerment consists of three key components: achievements, agency, and resources. Systemic gender norms both shape and are shaped by women's economic resources, while these two aspects of empowerment interact to influence how women exercise their agency or power. The exercise of power impacts demographic outcomes such as health, fertility, and mortality, as well as economic resources, which in turn independently affect these achievements. The model follows a unidirectional flow, illustrating how these elements influence one another in a linear manner.

Resources are the enabling factors that allow women to achieve liberation; women's capacity to act and make choices is viewed as agency, while their success in reaching life goals is called ultimate achievement. The intersection and interaction of these three components—resources, agency, and achievement—culminate in what is understood as women's empowerment.

This framework has been effectively applied to women's empowerment and human development in Pakistan (Hina et al., 2015). It also served as a guiding model for exploring the impact of microfinance on women's empowerment and the growth of their businesses (Khursheed, 2019). More recently, Sajeda (2023) utilized this approach to demonstrate the relationship between microfinance components and women's empowerment in Chittagong.

### **2.3.2 Feminist Empowerment Theory**

Mayoux (2005) proposed a feminist empowerment hypothesis linking microfinance to women's economic participation, suggesting that microfinance services—such as insurance, savings, and credit—support women's engagement in economic activities. According to this paradigm, microfinance institutions enhance women's self-sustainability by providing accessible facilities and successful credit, which in turn increase their decision-making power by granting them freedom over loan repayment.

Investment in microenterprises leads to greater income generation and improved social well-being. Moreover, microfinance facilitates the creation of autonomous social networks for women, expanding their opportunities in legal, social, and political arenas and ultimately increasing women's employment rates. This framework effectively connects microfinance services to women's empowerment and self-sustainability (Adnan et al., 2019).

### **2.3.3 Status Withdrawal Theory**

This hypothesis suggests that certain groups recognize their lack of social appreciation and, in response, turn to entrepreneurship to gain respect and improve their standing. Starting a business often requires these individuals to relinquish their previous social status. Applying this framework to female borrowers helps explain how they build their businesses as a means of elevating their economic position. Consequently, enhancing women's economic status through microfinance has become a vital component of their overall empowerment, with economic well-being serving as a key driver of women's empowerment today.

Using small-scale loans from RCDP to enhance borrowers' financial and socioeconomic status through entrepreneurship exemplifies a successful application of this concept (Khursheed, 2023).

### **2.3.4 Synergistic Elemental theory of social empowerment**

The framework for women's empowerment consists of three interconnected elements: first, the process of empowerment, which involves transforming interactions between men and women across social groups to link empowerment with a broader vision of equity and equality; second, the dimensions of empowerment, covering economic, social, political, and legal aspects while recognizing the diverse roles and interests of women; and third, the need for interventions at multiple levels—individual, household, and community—to tackle structural issues such as caste, religion, class, and institutional discrimination that cumulatively affect women's status.

### **2.3.5 The Theory of Individual Deficiencies**

This definition of poverty emphasizes individual responsibility for one's financial situation, attributing poverty to personal factors such as human capital, welfare dependence, and attitude, as noted by Gans (1995) and Sameti et al. (2012). Bradshaw (2006) further contends that people in poverty are to blame for their circumstances, which could be avoided or managed with greater effort and sound judgment, and he links poverty to a lack of inherited traits like intelligence that are difficult to change. This perspective reflects American values centered on free-market opportunity and the belief that everyone has a fair chance to succeed.

Individualism highlights the importance of personal initiative and responsibility in securing essentials like food, shelter, and healthcare, as explained by Rank (2004), cited in Sameti et al. (2012). It further asserts that poverty results from individual shortcomings, such as a lack of motivation, and that success is achievable through skill, virtue, and hard work. Rooted in American values, this theory of poverty has faced criticism because the nineteenth-century idea of inherited intelligence was misused by the eugenics movement to justify poverty and even to sterilize individuals deemed to have low aptitude.

Bradshaw (2006) suggests that, according to Rainwater (1970) and himself, poor individuals are often seen as bearing the "mark of Cain," implying they are fated to suffer due to moral failings. Additionally, Sameti et al. (2012) reference Schwartz (2000), who found that the poor value hard work, oppose reliance on welfare, and embrace personal responsibility. This challenges the common assumption that poverty arises from negative attitudes. Furthermore, Asen (2002) and Bradshaw (2006) argue that success is attainable for anyone through motivation, perseverance, and the effective application of skills.

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

This theory proposes that certain attitudes, values, and skills—shaped by society but internalized individually—are transmitted across generations and can contribute to or perpetuate poverty (Bradshaw, 2006). Bradshaw (2006) further argues that although individuals are influenced by a dysfunctional society or subculture, they ultimately bear responsibility for their circumstances. Notably, this perspective is rooted in the "Culture

of Poverty” concept. Ideas such as social isolation, social exclusion, and the culture of poverty offer frameworks for understanding how poverty persists within specific communities or populations.

The influence of a person’s living environment, which can shape wealth or poverty, is closely linked to cultural and environmental factors. Lewis (1966) introduced the concept of the culture of poverty, suggesting that rich and poor individuals follow different sets of norms, behaviors, and beliefs. This perspective argues that the poor develop certain psychological traits associated with poverty, such as a lack of skills in schooling, future planning, safe sexual practices, and financial management (as cited in Samati et al., 2012). Lewis (1966), referenced by Samati et al. (2012), contends that poverty is transmitted across generations, as children inherit the values and aspirations connected to it. McIntyre (2002) adds that the culture of poverty implies the poor have the potential to overcome their circumstances. Bradshaw (2006) further defines the culture of poverty as a subculture within impoverished neighborhoods or marginalized social contexts, where shared values, beliefs, and behaviors develop that are distinct from—but still embedded within—the broader society.

This perspective has been criticized for attributing poverty to the shortcomings of the poor rather than to the broader social conditions that create it. Rank (2004) notes that politicians often adopt a “blame-the-victim” approach, focusing on perceived character flaws rather than the structural causes of poverty. Both Rank (2004) and Darling (2002) argue that human capital plays a significant role in determining an individual’s likelihood of success or poverty. They further suggest that limited human capital can increase the risk of poverty, while those with higher levels of skills, education, and experience are better positioned to compete effectively in the labor market.

The critique of the theory linking poverty to enduring cultural norms rests on the recognition that the poor possess distinct subcultures, which can sometimes be detrimental. However, what is more important are the underlying causes and elements that shape these poverty-related subcultures (Bradshaw, 2006).

### **2.3.7 The Theory of Economic, Political, and Social Distortions or Discrimination**

Structural theorists, such as Abdulai and Shirmshiry (2014), argue that poverty stems from the organization of the broader socioeconomic system. Bradshaw (2006) explains that economic, political, and social structures limit individuals' access to resources and opportunities necessary for income and well-being. Similarly, Samati et al. (2012) assert that poverty arises from the larger economic and social institutions in place. They argue that certain economic systems, like that of the United States, perpetuate poverty for millions of people despite their personal efforts, skills, and competencies, as capitalism inherently creates conditions that sustain poverty (Journal of Poverty, Investment and Development). In other words, an increasing number of scholars maintain that the economic system is structured so that the poor remain disadvantaged regardless of their abilities (Bradshaw, 2006). Davis and Sanchez-Martinez (2014) add that poverty also results from unequal initial endowments of skills, talents, and capital, which determine an individual's productivity within a competitive, market-based economy.

Samati et al. (2012) note that certain occupations require specific—and sometimes rare—skills, knowledge, and abilities. They argue that individuals must undergo a period of training to develop these competencies, which often involves sacrificing other resources such as time and money. To ensure societal productivity, people should be encouraged to make these sacrifices in exchange for benefits like higher wages and greater opportunities. Hurst (2004), cited by Samati et al. (2012), adds that labor-market models highlight income disparities and differences in earning potential as key factors driving poverty.

Neoclassical labor-market theory posits a relatively free and open labor market where individuals compete for jobs based on their skills, effort, and training, with rewards corresponding to their contributions to society; intelligence, ability, education, and training are seen as key determinants of productivity, and those who contribute more receive greater compensation (Samati et al., 2012). In contrast, dual labor-market theory argues that the labor market does not operate perfectly, as individual social standing and income are often influenced by factors beyond personal effort or merit. According to this view, initiatives to reduce poverty and inequality through education and training often

fail, discrimination against minority groups undermines market efficiency, and high levels of worker alienation indicate that the free-market model is ineffective in practice.

Figart and Power (2002) and Blau and Kahn (2000) note that certain labor-market characteristics can lead to deviations from the standard law of wage determination, with race and gender being particularly influential. Hurst (2004) provides evidence that differences in individual earnings are shaped by social factors such as gender and ethnicity, while Alkire (2007) highlights that variations in human capital also contribute to income disparities. Nevertheless, social issues like gender and ethnicity play a significant role in wage gaps, reflecting a socially constructed relationship between labor compensation and these identities. Social constructionists, including Fischer, argue that inequality is intentionally created and maintained through social institutions and policies (Sameti et al., 2012).

### **2.3.8 The Theory of Geographical Disparities**

This form of poverty is attributed to geographic differences. Abdulai and Shamschiry (2014) argue that the concept of the geography of poverty arose from attempts to explain poverty through spatial inequalities. Bradshaw (2006) notes that this type of poverty exists independently of other explanations, encompassing issues such as poverty in the South, the Third World, urban disinvestment, ghetto poverty, and rural poverty. The theory emphasizes that certain groups—whether institutions, cultures, or communities—lack both the resources needed to generate wealth and well-being and the power to demand redistribution.

This form of poverty arises from geographic inequalities. Abdulai and Shamschiry (2014) explain that the concept of the geography of poverty was developed to understand poverty in terms of spatial differences. Bradshaw (2006) notes that this type of poverty exists independently of other explanations, encompassing the poor in the South, the Third World, ghetto areas, rural regions, and metropolitan zones affected by disinvestment. The theory emphasizes that certain groups—whether organizations, cultures, or individuals—lack both the resources to generate wealth and well-being and the power to demand redistribution.

Abdulai and Shamshiry (2014) argue that when impoverished conditions are concentrated in a specific area, they create a generalized state of poverty, which can, in turn, draw businesses and enterprises away from other locations. For example, low housing costs in these disadvantaged areas may attract more low-income residents, discouraging property owners from investing in housing improvements. Bradshaw (2006) notes that development literature offers various explanations for why some regions lack the economic resources to compete, even though poverty is concentrated in particular areas. Factors such as disinvestment, proximity to natural resources, population density, and the diffusion of innovation are cited as contributing to these regional disparities.

Bradshaw (2006) identifies three perspectives for understanding spatial concentrations of poverty: economic agglomeration theory, central place theory, and selective out-migration. Economic agglomeration theory suggests that clusters of similar businesses attract markets and services, which in turn draw additional businesses, but in impoverished areas, this can reinforce poverty. Central place theory proposes that, contrary to classical economics, a multiplier effect exists but does not equalize outcomes, meaning advantaged areas tend to grow faster than disadvantaged ones even during overall economic expansion. The selective out-migration perspective, noted by Wilson (2003) and Bradshaw (2006), argues that the most educated, skilled, and opportunity-rich individuals often leave ghetto or central city areas, including civic leaders and community role models, which can exacerbate local poverty and social challenges.

### **2.3.9 The Theory of Cumulative and Cyclical Inter dependencies.**

The Cyclical Theory of Poverty, proposed by Abdulai and Shamshiry (2014), suggests that poverty occurs when unexpected events, such as natural disasters, prevent individuals or households from meeting their basic needs. This theory emphasizes the interconnection between personal circumstances and community resources. For example, a struggling economy limits individuals' ability to participate economically, which in turn undermines the community's financial stability due to reduced tax revenue (Bradshaw, 2006). Bradshaw further explains that insufficient employment leads to low income, which reduces savings, spending, and consumption. This cycle restricts people from starting businesses, investing in skills, or creating enterprises, thereby stalling economic growth.

The second stage of the poverty cycle focuses on health issues. Limited financial resources prevent access to preventive care, nutritious food, and sanitary living conditions, contributing to declining health among the poor. The cycle also affects education: low-income parents are often unable to invest adequately in their children's schooling, resulting in attendance at under-resourced schools and reduced preparedness for the workforce. Additionally, children in these circumstances are more vulnerable to illness and receive lower-quality medical care, perpetuating the cycle of poverty.

The third stage of the poverty cycle is characterized by unemployment and low income, which contribute to declining motivation, depression, and low self-esteem. Psychological struggles are often reinforced by associations with others in similar circumstances, fostering a culture of hopelessness. This pervasive sense of despair also affects community leaders in rural areas, leaving them feeling pessimistic and fatalistic (Bradshaw, 2006).

## **2.4 Empirical Review**

Okpara (2010) analyzed on the critical factors that cause poverty in Nigeria and the investigation of the extent to which microfinance institutions have helped in the alleviation of poverty. The researcher employs factor analysis to identify key components by processing data on poverty causes from the National Bureau of Statistics. Using a quantitative research approach, the study examines the role of microfinance institutions in alleviating poverty, with regression analysis via a quadratic equation model applied to capture variations between the variables. The analysis of the microfinance–poverty trend identifies five primary causes of poverty: low profits, high commodity prices, difficult economic conditions, insufficient funding for business startup or expansion, and failing enterprises. The data also reveal two stages in the impact of microfinance on poverty in Nigeria. In the first, or take-off stage, poverty rises at a slower rate as microfinance credit increases. In the second stage, beginning in 2001, a sustained growth in microfinance loans corresponds with a significant decline in Nigeria's poverty index.

Afzal et al. (2010) examined the short-run (SR) and long-run (LR) linkages between education, poverty, physical capital and economic growth in case of Pakistan's economy. Education is a multifaceted process that both fosters economic growth and reduces

poverty by enhancing productivity, highlighting the close relationship between education, economic growth, and poverty. This study uses time series data from Pakistan spanning 1971–1972 to 2009–2010, covering economic growth, poverty, education, and physical capital, and employs a quantitative research design. Results from the ARDL model indicate that physical capital has a significant positive impact on economic growth in both the short and long terms, while education exerts a significant positive effect only in the long run. Moreover, long-term economic growth is significantly and negatively associated with poverty. The Toda-Yamamoto Augmented Granger Causality (TYAGC) Test confirms bidirectional causal relationships between poverty and education, as well as between economic growth and education. The study concludes that policies aimed at reducing poverty and improving education are essential for accelerating economic growth.

Khan and Noreen (2011) examined socioeconomic determinants of women empowerment, focusing on the women who have availed the micro-credit. Women's empowerment is measured using a simple score based on five factors: child health, schooling, decisions regarding a child's marriage, purchase of necessities, and household savings. The study employs a quantitative approach, analyzing the data using standard errors and t-tests. Based on primary data from District Bahawalpur, the findings show that age, husband's education, inherited wealth, marital status, number of living sons, and the amount of microfinance significantly influence women's empowerment. The data are further divided into two groups: women who use loans personally and those whose loans are used by other household members, such as husbands, fathers, or heads of the family. Results indicate that women who independently use loans experience greater empowerment benefits from microfinance than those whose loans are controlled by others. Overall, microfinance has a positive impact on women's empowerment, although the effect is smaller than anticipated.

Mula and Sarkar (2013) attempted to assess the empowerment of women through microfinance. The study was conducted in the Cooch Behar District of Eastern India, with a sample of 144 individuals drawn from 48 groups, each containing four Self-Help Groups (SHGs) of twelve blocks. A quantitative approach and descriptive research design were employed, using Impact Index analysis and paired t-tests to evaluate outcomes. The

survey found that most participants were middle-aged and from agricultural families classified as Scheduled Caste. SHGs engaged in various income-generating activities, leading to significant improvements in economic empowerment indicators, including income (65.39%), employment (78.94%), investment (66.25%), savings (120.02%), assets (32.44%), and consumption (5.12%). The t-values for these indicators were significant at the 1% level. Multiple regression analysis indicated that assets, employment creation, and investments were the main determinants of members' income, contributing 83% to the variation. The gain indexes for social and economic empowerment were 29.30 and 36.37, respectively. Overall, microfinance through SHGs appears to be an effective, action-oriented rural development strategy for promoting both social and economic upliftment.

Fared et al. (2014) examined the impact of microfinance in Poverty reduction and stated that Microfinance is the small-scale provision to the individuals and small-scale businesses. Individuals who lack access to traditional banking services often rely on microfinance to improve their standard of living. Microfinance contributes to national development and helps reduce unemployment. A study investigated the role of microfinance in alleviating poverty, testing four hypotheses. The population consisted of all current microfinance bank borrowers, with a sample of 85 respondents selected. Data were collected using a five-point Likert scale questionnaire and analyzed through frequencies, descriptive statistics, correlation, and multiple regression analysis. The results supported all four hypotheses, showing that poor individuals using microfinance experienced improvements in income, savings, and overall standard of living. The study also highlighted the significant role of microfinance institutions in reducing poverty in the Okara district.

Manjunatha and Gupta (2014) investigated the role of microfinance in poverty alleviation. Microfinance serves as an effective tool for social education and poverty alleviation. Using a quantitative research approach and secondary data, the study highlights microfinance's role in providing the underprivileged with access to capital. Individuals in rural, slum, or remote areas, who earn just enough for basic subsistence, often do not qualify for traditional financial services. Although credit needs are present in India, access remains limited, as banks perceive these individuals as unproductive, lacking

collateral, and unable to repay loans. Meanwhile, moneylenders continue to dominate loan provision despite improvements in commercial banking operations. The findings indicate that microfinance has a transformative impact on the lives of the poor, effectively promoting social education and reducing poverty.

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 study employed a regression model to analyze the dataset, revealing that both literacy and microfinance are key factors in reducing poverty in South Asia. Microfinance has a particularly strong impact on extreme poverty (below \$1.25 per day), while literacy exerts the greatest influence on poverty at the national level. Microfinance is more effective in alleviating extreme poverty than in addressing moderate or national-level poverty. Overall, access to microfinance is identified as a crucial means of reducing poverty.

Adhikari and Shrestha (2015) evaluated the economic impact of microfinance in Nepal with special reference to Manamaiju VDC. The study examined the economic impact of respondents using several determinant variables, including borrower income, household income, household consumption, savings, household assets, improvements in living standards, access to credit, and engagement in income-generating activities. Both primary and secondary data were utilized, and quantitative and qualitative approaches were applied for analysis. Economic indicators were compared between borrowers and non-borrowers, with primary data collected through structured questionnaires. The findings indicate that borrowers' economic status improved significantly after starting small businesses with loans, and their socioeconomic status was higher than that of non-borrowers. Overall, the study concludes that microcredit is an effective tool for enhancing the socioeconomic status of poor individuals, particularly women.

Salakpi (2015) stated that poverty reduction and the poor have attracted unprecedented discussions at international summits during the last two decades. Overall, microfinance has proven to be an effective tool for reducing poverty, though its impact varies across different institutions and beneficiaries. Microfinance is not universally effective for all

types of impoverished individuals or every microfinance institution, leading to debate over research methods and contextual factors in assessing its role. This study employed a cross-sectional case study approach, combining qualitative and quantitative methods, to examine the function of a Cooperative Union. Findings revealed that while members of the Credit Union experienced some economic empowerment, similar socioeconomic characteristics were observed among non-members, indicating that the union's outreach and impact on poverty reduction were conventional rather than innovative or client-oriented. The results also showed that the Credit Union serves a broad range of individuals in society, particularly the poor.

Herath, Sandaratne and Gunaratne (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. Using a qualitative approach and descriptive research design, the study examines the impact of microfinance on women borrowers' vulnerability and poverty through four criteria: status within the family and community, confidence in socioeconomic activities, independence in household decision-making, and access to, creation of, and control over personal resources. The study assumes that a woman is empowered by microfinance if these factors are positively affected. Women's empowerment is analyzed using three logistic regression models and a Women Empowerment Index (WEI). Results indicate that empowerment and vulnerability reduction are significantly influenced by the age of the household head, pre-loan household income, and market product availability. After joining microfinance institutions (MFIs), both disaggregated and overall WEIs demonstrate notable improvements, with women's decision-making power at home significantly enhanced when they directly own and manage the loans.

Vachya (2015) examined a study on Microfinance Impact on Socio-Economic wellbeing: A special Reference to Andhra Pradesh. The study aimed to investigate the role of microfinance and its impact on women's economic and social empowerment. A multi-stage stratified proportionate random sampling technique was employed to select representative districts, mandals/talukas, families, and villages. Regression analysis was used to assess the influence of various socioeconomic factors on women's empowerment. The findings revealed significant improvements in socioeconomic indices and greater

involvement of women in household decision-making. The study concluded that government initiatives and policies are essential for enhancing women's social well-being. Additionally, it suggested that measures such as increasing the frequency of SHG meetings, implementing training programs, raising loan amounts, and ensuring effective loan utilization could further promote women's economic independence, employment opportunities, and overall empowerment.

Berntsen (2016) studied on women in agricultural micro finance impact on food security in Kerala, India for women producers. The study aimed to enhance women's social capital, confidence, independence, and influence over decision-making. Focusing on women involved in agriculture and food security, the research used a survey approach, collecting data through sixty questionnaires. The findings indicate that improved conditions for contracts, costs, and access to a variety of resources and services—such as finance, credit, social services, marketplaces for selling produce, and other financial services—were essential. The study also highlighted the significance of the availability and pricing of these resources and services in empowering women within agricultural settings.

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 aims to critically assess the arguments for and against microfinance as a global poverty-reduction strategy, acknowledging that while microfinance has fostered innovative business and management practices, its effectiveness in reducing poverty remains debated. Data were collected using a structured questionnaire, with a survey of 380 clients from various microfinance institutions (MFIs) in the study area analyzed descriptively. The results indicate that clients have opportunities to save, enabling them to increase income by purchasing necessities such as tools, equipment, and materials, create employment, and improve their standard of living. However, wealthier individuals have a greater capacity to save than those living in rural poverty. Overall, microfinance plays a significant role in providing a safety net and stabilizing consumption.

Taiwo et al. (2016) examined microfinance scheme towards the dispersion of credit amongst the working poor. The study employed a descriptive research design to collect

and analyze data, developing a loan demand model estimated using the Ordinary Least Squares (OLS) econometric technique. Data were gathered through a field survey and presented using tables, frequency counts, and cross-tabulations. Cross-sectional data were collected from selected respondents in specific regions of Lagos and Ogun States, Nigeria. The findings indicate that most microfinance banks in Nigeria follow the Grameen Bank model, targeting low-income individuals with minimal education, offering interest-free loans, and disregarding borrowers' credit histories.

Banerjee and Jackson (2016) analyzed the role of microfinance in poverty alleviation by conducting an ethnographic study of three villages in Bangladesh. Microfinance is an emerging strategy aimed at reducing poverty by providing disadvantaged individuals with opportunities for entrepreneurship, enhancing social capital in underprivileged areas, and promoting empowerment, particularly for women. The study employed a qualitative research approach, collecting data through interviews, focus groups, and observations to analyze microfinance's role in poverty alleviation. The findings indicate that while microfinance offers opportunities, it has also led to increased indebtedness among already impoverished communities, intensifying economic, social, and environmental vulnerabilities. Moreover, the study revealed that these vulnerabilities are interconnected rather than independent.

Miled and Rejeb (2016) examined the effects of microfinance on poverty reduction in developing countries, using cross-sectional and panel data. Using a quantitative approach, the study highlights the significance of microfinance in reducing poverty at the macro level. It demonstrates that countries with higher gross loan portfolios per capita from microfinance institutions (MFIs) tend to have lower poverty headcount ratios and higher per capita consumption expenditures. The findings further indicate that microfinance has a substantial impact on empowering individuals in low-income nations.

Mecha (2017) examined the effect of microfinance in poverty reduction. Qualitative approach is used. Data for the study were collected through field surveys, questionnaires, and a review of the literature. The research discusses several key points, including that microcredit has helped lift at least 55% of its clients out of poverty and has provided access to clean drinking water. However, many of the poorest individuals struggle to

repay their loans, which can result in further losses, highlighting that the most disadvantaged are not benefiting fully. To ensure the profitability of microfinance institutions, it is suggested that they also serve middle-class clients, such as teachers, clerks, and nurses.

Khan and Rahaman (2017) investigated the impact of microfinance on the poor people of the society with the focus on Bangladesh. The study investigates how microfinance, through a group lending methodology, helps reduce poverty and affects the living standards—such as income and savings—of Bangladesh's poor population. Both quantitative and qualitative approaches were employed, using numerical and non-numerical analyses to evaluate the outcomes. The findings reveal a significant and positive impact of microfinance activities on living standards, empowerment, and poverty alleviation among disadvantaged individuals in 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. The study assessed the contribution of microfinance institutions to poverty reduction in Kenya's Northeastern Region, where communities had long relied on subsistence pastoralism and lived in extreme poverty. Research was conducted in the counties of Garissa, Wajir, and Mandera using a descriptive survey design. The target population included 300 local small business owners who accessed loans and financial services from Equity Bank, with data collected via questionnaires and respondents selected through convenience sampling. The findings revealed that Equity Bank's savings accounts, loans, and business support services significantly reduced poverty, while its networking and training programs had little effect on small enterprises' poverty levels. Based on these results, the study recommended expanding microfinance services to offer larger loans beyond the KES 200,000 limit and increasing client engagement through seminars, workshops, and business forums to build capacity.

Sami (2017) investigated a study on social empowerment through microfinance in north India. The study aimed to examine the impact of microfinance on women's empowerment across five regions in North India. Using a five-point Likert scale survey and basic linear regression as the statistical method, the study assessed how microfinance influences

women's empowerment. The findings indicate that microfinance has a significant positive effect on empowering women in North India. The research also highlighted that women in the region face various discriminatory practices, including denial of the right to vote, restrictions on property ownership, and limited freedom to choose their own careers.

Swapna (2017) researched on impact of micro finance on women entrepreneurship. The study aimed to examine the impact of microfinance on the social empowerment of female entrepreneurs. Using surveys and regression analysis, the research evaluated the role of financial services provided by prominent public and private sector organizations, many of which offer programs specifically designed to support women in starting small and medium-sized enterprises. Findings indicate that microfinance and related services not only help reduce poverty but also promote women's agency in society. Investing in women is shown to enhance family welfare and improve standards of education, health, hygiene, and overall societal well-being.

Ojha (2018) examined on women entrepreneurship development through micro finance. The study investigated the impact of microfinance on the development of women entrepreneurs and assessed its role in enhancing women's financial empowerment. Using surveys and regression analysis, the research found that while microfinance still needs to improve access to its services, the Women's Self-Help Cooperatives (WSCs) have played a crucial role in improving women's social and economic status. WSC members emphasized that business counseling, training, deposit services, and loan provision are essential for entrepreneurial growth. The survey also revealed that loan repayment was consistently timely, indicating strong financial discipline among participants. Women's participation in businesses, particularly grocery shops, has contributed to the evolution of entrepreneurship, followed by tailoring, pharmacies, and other sectors. Additionally, alternative microfinance options were found to further encourage women's entrepreneurship and enhance their economic and social status by fostering a competitive environment and providing financial support.

Degago (2018) studied the role of microfinance in socioeconomic and psychological empowerment of women. The study employed a causal research design to examine the relationship between microfinance institutions (MFIs) and women's empowerment, using

a primarily quantitative approach supported by qualitative data. Conducted in five zones of the Somali region, the study applied convenient sampling to select sites and randomly selected a proportional sample of 334 female clients from a population of 2,559 who participated in various economic activities and engaged with MFIs. Primary data were collected through interviews and questionnaires, and analyzed using inferential statistics, including t-tests, correlation analysis, and linear regression with SPSS. The findings reveal that participation in microfinance programs leads to psychological, social, and economic empowerment for women. Furthermore, combining core financial services with skill training, consultancy, and awareness-raising initiatives enhances women's sense of empowerment.

With the arrival of microfinance, it was perceived as a magic bullet to poverty reduction; yet, studies on its impact on poverty have been inconclusive motivating the assessment of microfinance's role on poverty reduction. The study involved a sample of 265 participants, with data collected through questionnaires, interviews, and observation guides. Quantitative data were analyzed using descriptive statistics and both parametric and non-parametric methods, while qualitative data were examined through thematic analysis. Results indicated that variables such as gender, duration of participation in microfinance, and access to business advisory services accounted for approximately 12% of the variation in recipients' income. Compared to the pre-microfinance period, participants experienced significant increases in income, savings, and food consumption. Overall, microfinance contributed to poverty reduction, and the study recommends that clients receive timely and consistent business advisory services to ensure that loans are invested effectively and continue to improve living standards.

Yasha (2019) studied on empowering women through entrepreneurship: purposive credit deployment' and concluded that a quiet revolution is in the making through the entrepreneurial/self-employment/business development loans disbursed by Souhardha Micro finance. The study aimed to assess the monthly savings of female participants and examine the impact of microfinance on their financial situation, using both descriptive and analytical methods. The analytical approach focused on exploring the relationships between income, investment, and other variables, while the descriptive approach helped conceptualize the study's objectives. Primary data were collected, and purposeful

sampling was used to select the study population. Out of 404 female stockholders owning more than 500 rupees each, 101 were randomly chosen as the sample. Findings indicate that Souhardha Women Microfinance contributes to economic wellbeing and has positive social implications. The program improved women's living standards by enhancing productivity and generating employment, with a particular emphasis on elevating the economic status of rural women, most of whom rely on farming as their primary livelihood.

Kumari (2020) investigated the theoretical background of microfinance and poverty. The study employed an integrative review method, analyzing existing literature on the theoretical aspects of microfinance. Data were collected from relevant journal articles, books, and other scholarly sources and categorized into two main areas. The first category of theories focuses on the challenges that poor individuals face in accessing formal financial resources, particularly due to the lack of collateral. The second category examines the effects of microfinance on small businesses, households, and individuals. The findings are directly relevant for policymakers and microfinance institutions (MFIs), highlighting that low-income households often struggle to obtain credit because they are unable to provide collateral.

Haileslasie (2020) examined the role of micro finance in promoting socio-economic wellbeing of women: evidence from multipurpose Micro finance Societies in South-Eastern Zone of Tigray', in developing countries, among the poor, rural women are the poorest and more vulnerable. The study aimed to compare and evaluate the financial performance of four multifunctional microfinance unions. Regression analysis was conducted using secondary data from the unions' audited financial records for 2002–2011 E.C., supplemented by primary data collected through key informant interviews. Most indicators showed that respondents' socioeconomic status had improved, although barriers still hindered women's active participation in microfinance activities. The study concluded that, while comparative analysis revealed fluctuations in overall financial performance, common-size analysis demonstrated that each union managed substantial financing, with total sales and debt comprising the largest portions and capital representing a smaller share. Trend analysis further highlighted variations in the unions' financial statements over the study period.

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. The study employed a quantitative research approach with a descriptive research design. A key finding of the study is that microfinance has contributed to enhancing competitiveness.

Okunlola (2020) examined on empowering women through micro finance: empirical evidence from Ibadan, Oyo state, Nigeria. The study aimed to examine women's economic well-being, social empowerment, and access to microfinance in Oyo State, Nigeria. Using Pearson correlation analysis at a 0.05 significance level, the study assessed the strength of the relationship between microfinance access and empowerment. The findings indicate that women with access to microfinance through MFB loans experience higher levels of economic and social empowerment. The study concludes that further verification is needed to confirm the link between access to microfinance and women's empowerment.

Tiwari (2020) studied on small farmer co-operative limited (SFCL) and its effect - a case study of SFCL Begnas, Kaski. The study aimed to assess the opportunities, risks, and success factors of the ADB/N-launched SFCL, evaluate its impact on the socioeconomic development of Begnas, Kaski residents, identify key challenges faced by SFCL in the area, and examine its contribution to poverty reduction. Using regression analysis, the study found that the SFCL model can be beneficial for microfinance and finance program developers. The findings indicate that SFCL programs help lift individuals out of poverty by providing the necessary tools for them to transition from vulnerable positions to becoming established business owners and active contributors to society. Overall, the study draws clear conclusions based on a thorough analysis of the available data.

Thapa (2020) conducted on role of micro finance on women entrepreneurship development. The study aimed to examine member women's saving behaviors, income sources, loan-taking practices, the impact of microfinance on their economic status, and ways to improve the financial situations of the poorest women. Using regression analysis and surveys, the study found that participants trusted loans and were willing to invest

them in profitable ventures, with most engaged in agriculture. Respondents demonstrated satisfactory income levels and effective loan investment, with earnings steadily increasing through program support. The study concluded that, despite ongoing recovery trends, microfinance and financial institutions are increasingly able to meet loan repayment requirements, even when total outstanding debt remains below the expected levels.

Bastida (2021) conducted on motivational drivers to choose worker microfinances as an entrepreneurial alternative: evidence from Spain. This study focused on microfinance as a gendered organization, exploring its relationship with social entrepreneurship—a relatively new area of academic inquiry. Using both theoretical and confirmatory approaches, the study examined key factors influencing the choice of microfinance models. Findings highlighted the need for strong public policies to support microfinance, as it encourages responsive and sustainable economic growth. Research on female microfinance workers provided further evidence that these factors serve as effective motivators. The study found that Spanish women actively embrace the principles, values, and working conditions underpinning microfinance, using it as an entrepreneurial tool to help bridge the gender gap. Overall, the study concluded that microfinance promotes women's economic development and is seen by female workers as an effective means of achieving gender equality, a key Sustainable Development Goal.

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. The study employed a quantitative approach with a descriptive research design. Microfinance institutions were selected using simple random sampling, ensuring each participant had an equal chance of inclusion. Data were collected through a specially designed questionnaire, and female customers of the selected institutions were chosen using quota and simple random sampling techniques. The findings indicate a positive correlation between health, education, living conditions, and both poverty reduction and access to microfinance services. Consequently, expanding the reach of microfinance services is essential to enhance access to financing and accelerate the Municipality's efforts in reducing poverty.

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 surveyed 333 micro and small business owners who had used microfinance institution (MFI) services and were actively managing their businesses, employing a mixed-methods approach with a cross-sectional survey design. Data were collected through structured questionnaires for business owners and interview guides for key informants. Of the 333 questionnaires distributed, 320 were analyzed, while the remainder were discarded due to incomplete responses. Correlation analyses, including chi-square, Kendall's tau-b, phi, and Cramer's V, were conducted. The findings revealed that micro and small businesses operated across manufacturing, agriculture, services, and commerce sectors. While most MFI services did not significantly increase business revenue, the results indicate that these services contributed to reducing 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. The study examined the impact of microfinance on poverty using indicators such as the number of microfinance institutions, gross loan portfolio, and microfinance intensity (gross loans as a percentage of GDP) on three poverty headcount ratios (\$1.9, \$3.2, and \$5.5 per day) through a panel data model and pooled OLS. Control variables included inflation, employment, population growth, trade openness, and the shares of agriculture and industry in GDP. Using panel data from 91 countries across six regions from 2000 to 2018, the analysis drew on data from the Microfinance Information Exchange (MIX) Market and World Development Indicators. The findings revealed that both microfinance indicators and several control variables had a significant effect in reducing poverty.

Acharya (2022) conducted on impact of microfinance and finance company on social empowerment as an A case study of Sunal - 4, Nawalparashi District. The study examined how Microfinance and Finance Company programs empower Nepalese women economically, enhance their social status, and influence their participation in family decision-making. Data were collected through structured questionnaires and in-person interviews. The findings indicate that Micro Finance Ltd. demonstrates strong financial

sustainability and viability, while Sunal Microfinance and Finance Company Ltd. contributes to improving the socioeconomic status of its members. The results align closely with previous studies, showing that the microcredit program has not adversely affected women in the research area. Despite limited knowledge, participants continue to prioritize sending their children to school, reflecting aspirations for a better future.

Senayake (2022) measured an overview of the micro finance sector in Sri Lanka. The study aimed to classify Tea Small Holding Development Societies (TSDS) in Badulla district according to their adherence to the Multifunctional Service Approach and to identify the activities they conducted. Data were collected from 21 TSDS using structured interviews, with participants selected through stratified random sampling. Based on the diversity of activities, six clusters were identified: one cluster consisted of largely inactive TSDS, while the remaining five displayed varying levels of participation in different functions depending on specific characteristics. Overall, the study concluded that the multifunctional service approach performance of the TSDSs fell short of expectations.

Khursheed (2023) researched on exploring the role of microfinance in women's empowerment and entrepreneurial development: a qualitative study. The study aimed to examine how microfinance institutions (MFIs) support women's empowerment in Pakistan. Using a qualitative approach, data were collected through focus groups and in-depth interviews with six female borrowers of the Rural Community Development Program (RCDP). The findings revealed that RCDP programs contribute to empowering women and supporting women-owned businesses while alleviating poverty. The study concluded that microfinance not only fosters women's empowerment but also plays a crucial role in promoting broader economic development, highlighting its importance to MFIs.

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 study evaluated the impact of Oromia Credit and Saving Share Company on poverty reduction in the Welmera area of the Oromia Special Zone Surrounding Finfine, Ethiopia. Using purposive and random sampling, 357 respondents from twelve localities were selected, and a binary logistic regression was employed to identify the key factors

contributing to income improvement. The findings revealed that respondents' income increased significantly after joining the program, positively affecting their standard of living. Education level, voluntary saving, and proper use of loans were all statistically significant factors in enhancing income.

Abera and Asfaw (2023) investigated on Impact of microfinance on rural household poverty in Ethiopia: A review. This review aims to assess whether microfinance services have improved customers' living conditions by generating employment, increasing income, and fostering empowerment. Despite occasional performance gains, Ethiopian microfinance institutions face challenges such as limited access to foreign funding, delayed or incomplete loan repayments, insufficient client needs research, and inadequate follow-up. Evaluating microfinance's viability in reducing poverty requires examining its effects at household, institutional, and sustainability levels. At the household level, the program positively influences income, healthcare, education, nutrition, savings, employment creation, and empowerment, provided outreach expands and institutions remain sustainable. Loan repayment performance is affected by multiple institutional, natural, and social factors, including education, household head's age and gender, family size, farm and loan size, livestock ownership, farm income, loan diversion, frequency of contact with development agents, group effects, and borrower proximity to lending institutions.

**Table 1**

*Summary of Empirical Review*

SN	Author(s)	Objective	Methodology	Major Findings
1	Noreen ,Imran, Zaheen, saif (2011)	To examined the role played by microfinance in poverty alleviation.	-quantitative research design -descriptive statistic -hierarchical regression model	Microfinance institution (MFI) programs have a positive and significant effect on children's education and household expenditure.
2	Batinge & Jenkins,	To investigate the effect of microfinance	-quantitative research design -descriptive method	The financial services provided by microfinance institutions in the Techiman

- (2021) services on health, education and living standards as poverty reduction in Techiman Municipality Ghana. -chi-square test, ANOVA, correlation analysis Municipality are crucial for reducing poverty, as evidenced by improvements in key indicators such as health, education, and standard of living.
- 3 Adhikari & Shrestha (2015) To evaluates the Economic impact of microfinance in Nepal with special reference to Manamaiju VDC. -qualitative and quantitative approach -percentage Micro-credit is an effective instrument for improving the socioeconomic conditions of poor people, particularly women, by providing them with access to financial resources that enhance income, savings, and overall living standards.
- 4 Dhakal (2004) To analyze the role of MFI on improving access, use and contribute of financial services on improving the livelihood of poor and disadvantaged groups. quantitative research design -field survey, comparative analysis, chi-square test Microfinance institutions (MFIs) are a powerful intervention in the fight against poverty, providing critical financial support and empowerment opportunities; however, they are not a magical solution that can eliminate poverty on their own.
- 5 Regmi (2013) To estimate the effectiveness of the microfinance program in the context of poverty reduction. -quantitative research design -descriptive analysis -percentage After participating in microfinance programs, the variables measured indicate positive outcomes, demonstrating tangible benefits for the participants.

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| 6  | Fared, Shahzad, Arsad, Lodhi, Amen, (2014) | To evaluate the impact of MFI on poverty reduction in ocara district, Pakistan.                         | -quantitative approach<br>-descriptive and inferential statistics<br>-mean & SD<br>-regression analysis | This study indicates that microfinance institutions (MFIs) actively contribute to poverty reduction.  |
| 7  | Jha, Locke,W ellalage                      | To examine the financial & social benefit of expanded microfinance institution outreach in rural Nepal. | -quantitative analysis<br>-% change<br>-ratios  | Microfinance can help build confidence among impoverished populations while also increasing their income.   |
| 8  | Manjunat ha, Gupta (2014)                  | To investigate the role of microfinance in poverty alleviation.   | -quantitative approach<br>-growth %   | Microfinance acts as a catalyst in the lives of the poor, serving as a powerful tool for poverty alleviation and social education.  |
| 9  | Dessaleg an(2013)                          | To analyze the role of MFIs on poverty reduction in the urban Ethopia                                   | -mixed approach<br>-descriptive analysis<br>-regression, charts, percentage                             | Microfinance institutions provide participants with favorable savings interest rates and lower collateral or guarantee requirements compared to traditional loan sources.           |
| 10 | Chomen (2021)                              | To assess the contribution of Oramia Credit and saving share company.                                   | -quantitative approach<br>-binary logistic regression<br>-percentage                                    | The study found that after joining microfinance institutions, participants experienced improvements in income, nutrition, education, and their ability to purchase essential items. |
| 11 | Duale, Nyan'ga u (2017)                    | To study aimed at assessing the contribution of   | -descriptive design<br>-SPSS<br>-regression analysis  | The study indicates that monitoring services, field support, and business advice  |

		microfinance institutions to poverty reduction in North Eastern Region in Kenya.		provided by Equity Bank helped businesses increase profits, revenues, and employment, thereby contributing to poverty reduction.
12	Mohammad, Naiima, Christian (2009)	To investigate the role of MF in poverty reduction in Ashaiman municipality Ghana	-Descriptive statistics -parametric, non-parametric	Microfinance institutions (MFIs) provide clients with credit, savings options, capacity-building programs, and business advisory services.
13	Miled, Rejeb, (2016)	To study the effects of MF on poverty reduction in developing countries.	-quantitative approach	Microfinance in developing countries plays an important role in empowering people.
14	Salakpi (2015)	To examine the socioeconomic characteristics of the members of the cooperative.	-quantitative research design -percentage, frequency, pie chart	It is clear that a credit union is a financial institution that serves all types of people in society, with a particular focus on the poor.
15	Usman (2015)	To analyze the contribution of microfinance in raising the living standard of low income people and poverty reduction.	-qualitative & quantitative method -percentage	There is a positive impact of MFIs on the rural poor population in Pakistan.
16	Nasharty (2022)	To assess the effect of MF provisions on poverty reduction in some developing and few	-world development indicators -microfinance information exchange	Studying the impact of microfinance and its performance in such economies is challenging.

- developed countries.
- 17 Yaidoo & Viswanath (2018) To review the literature as it regards the MF concept & consider certain environmental influences. -qualitative -explanatory approach
- From this literature review, it can be inferred that the *raison d'être* of microfinance is a positive, human-centered proposition.
- 18 Durrani, Usman, Malik, Ahamad (2011) To analyze that microfinance is an important element for an effective poverty reduction strategy. -qualitative method -interview, questionnaire,
- The study's results indicate that the majority of respondents support the introduction and expansion of microfinance activities across the country, particularly in Dera Ismail Khan district.
- 19 DR Vasu, M.S. (2016) To assess the role and performance of Microfinance institutions (MFIs) operating in Ethiopia. -quantitative method -ratios
- Microfinance institutions are playing a significant role in the nation's efforts to alleviate poverty and boost savings for investment and economic growth.
- 20 Luan (2015) To analyze the extent to which microcredit serves the poor households. -quantitative method -correlation analysis
- Household access to credit is linked to factors such as the educational level of the household head, the size of land owned, family size, and access to agricultural extension services.
- 21 Oli (2018) To examine the impact of microfinance institutions on the -Descriptive method -correlation, regression analysis
- In Nepal, economic growth is positively influenced by factors such

- economic growth of Nepal
- as the number of staff and members, the share of microenterprise credit, total assets, loans, deposits, and the broad money supply, while inflation exerts a negative impact on growth.
- 22 Narayan Prasad Poudel (2013) To explore the effects of microfinance in socio-economic status of Nepalese households -Descriptive -Analytical -percentage, SD, Mean, Correlation, Regression Households in the experimental group (microcredit beneficiaries) show greater food sufficiency from their own production compared to those in the control group (non-beneficiaries).
- 23 Dhungan a (2018) To analyze the impact of Micro-Finance on Business creation -quantitative method -Parametric, Non Parametric method The study indicates that microfinance interventions have led to a positive impact on the creation of micro-enterprises and an increase in people's income levels.
- 24 Banerjee, Jackson (2016) To analyze the role of MF in poverty alleviation by conducting an ethnographic study of three villages. -qualitative approach -interview, observation and focus groups Economic, social, and environmental vulnerabilities are interconnected and do not exist in isolation from one another.
- 25 Karna (2018) To analyze the opportunity and challenge faced by Microfinance sector in Nepal. -qualitative method -Secondary information collection from various articles Challenges remain on the path forward and must be tackled with appropriate strategies and policies. Additionally, opportunities exist that can be seized if

- the government is committed to creating a level playing field for private sector participants in this field.
- 26 Tafese (2014) TO assesses the role of Dedibit Microfinance in poverty alleviation and women's empowerment in Mekelle city, Ethiopia. -qualitative & quantitative method -descriptive method -percentage Dedibit Microfinance significantly contributes to poverty reduction by offering loans and encouraging savings mobilization.
- 27 Mohamm ad, Naiima, Christian (2009) To investigate the role of MF in poverty reduction in Ashaiman municipality Ghana. -Descriptive statistics -parametric, non-parametric MFIs offer their clients credit, savings options, capacity-building programs, and business advisory services.
- 28 Dhungan a (2017) To examine the impact of MF on women Empowerment of the people living in western development region in Nepal. -quantitative method -Non parametric (chi- square) Microfinance interventions have supported the promotion of individual, socio-political, and economic empowerment of women by providing both financial and non-financial services.
- 29 Degago, (2018) To know how well MFI contributing in socio-economic and psychological empowerment of women. -quantitative approach -correlation -SD, std error, t- test MFIs offer women the financial support necessary to start businesses and actively engage in the economy.

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|----|--------------------------|--|--|---|
| 30 | Kumari, (2020)           | To investigate theoretical background of MF and poverty alleviation.   | -literature review<br>-books, journals   | The study is directly connected to the policies of both the government and microfinance institutions.   |
| 31 | Laksmisha, Suresh (2013) | To examine the contribution of microfinance and microfinance programme like Self-Help Group, Bank-Linkage to empower the women | Qualitative method   | Microfinance has proven successful in empowering women by reducing their reliance on money lenders, providing easy access to credit and savings for members, and generating moderate economic benefits.   |
| 32 | Swapna (2017)            | To assess the Role of Microfinance for Women Empowerment.  | -information collection from journals, articles, internet, annual report of bank etc | Microfinance can help address issues of inadequate housing and urban services as a key component of poverty alleviation programs targeting women.   |
| 33 | Mula & Sarkar (2013)     | To assess the empowerment of women through microfinance in Cooch Behar District of Eastern India.                              | -quantitative method<br>-t-test<br>-percentage<br>-SD                                | Women have achieved greater community influence by participating in extension services, marketing their microenterprise products, and engaging in social issues. With the support of microfinance, women's empowerment has fueled their efforts to improve livelihoods through entrepreneurship |

- development.
- 34 Chawla (2013) To analyze the growth of microfinance sector developed in India and to see the potential for the microfinance institutions, NGOs, SHGs in the market. -Descriptive research design These institutions take on the responsibility of providing essential microcredit to the poor to promote self-employment. Through the MFI credit delivery system, combined with the national SHG-Bank Linkage program, millions of poor people across the country are now being reached.
- 35 Subedi (2021) To investigate the impact of microfinance institutions (MFIs) on incidences of social unrest in Nepal. -quantitative method  
-Matching method The impact of MFIs on violence-related indicators during the Maoist insurgency was relatively significant, while their effect on other social violence indicators was more subtle. Additionally, the marginal impact of MFIs declined as the number of MFIs per lakh population in a district increased.
- 36 Sharma (2012) -To study the An overview of Microfinance services in Nepal -quantitative, qualitative method  
-survey ,  
-Rank, Mean, percentage Microfinance leads to positive socioeconomic changes for individuals after they join the program.
- 37 Sharma -To examines the - Quantitative, MFIs have had a positive

	(2007)	effects of women's participation in group-based micro-credit programs	qualitative method -survey , Questionnaire -Mean, Percentage	impact on the socioeconomic status of women.
38	Pathak, Gyawali (2010)	- To study on role of microfinance program in creation of enterprise and employment generation	- Descriptive and analytical research design -interview, questionnaire -percentage	The study reveals that microfinance programs have been effective in creating enterprises and generating employment.
39	Herath, sanderatne, (2015)	This study investigates the impact of microfinance on poverty and socio-economic vulnerability of women and the ability to form social, capital through group based micro loans	-qualitative case studies	Microfinance institutions play a crucial role in empowering their members.
40	Solomon (2016)	To analyze the effect of micro-finance on socio-economic women-empowerment.	- Quantitative, qualitative method -survey , Questionnaire -bar diagram	Microfinance has helped empower rural women in both social and economic activities.

## 2.5 Research Gap

Jing and Zhang (2017) conducted research on microfinance, social empowerment, and women entrepreneurship. While some progress has been made in empowering women entrepreneurs, numerous challenges remain, such as financial constraints, lack of market information, inadequate infrastructure and utilities, reliance on traditional technology, shortage of skilled labor, complex bureaucratic procedures, and limited support from SME centers (Parvin et al., 2012). Various scholars have drawn different conclusions in

this field due to differences in variables, methodologies, data analysis tools, samples, and contexts. Notably, very few studies have incorporated variables related to wealth, education, health, and living standards.

This research primarily focuses on poverty reduction within the scope of empowerment, incorporating factors such as wealth, education, health, and living standards through microfinance. Uniquely conducted in Kathmandu, this study adds new insights to the existing body of work on microfinance. The findings reveal that women involved in business show higher loan repayment rates and interest payments compared to men. Additionally, microfinance participation enhances women's decision-making power and their involvement in social issues.

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

This chapter outlines the study's methodology, which refers to the overall plan guiding the research. The methodology provides the essential framework for conducting the study. The chapter is divided into six sections. The first section explains the research design used. The second section describes the types and sources of data, along with details about the sample. The third section discusses the statistical methods applied for analyzing the primary data. The fourth section covers the data collection process and its duration. Finally, the fifth section explores the study's variables and their theoretical foundations.

This study relies solely on primary data collected by surveying a sample of respondents. The questionnaire method, a widely used technique for survey data collection, was employed. A structured questionnaire incorporating a Likert scale was designed to examine the impact of microfinance organizations on poverty reduction in Nepal.

#### **3.1 Research Design**

This study utilized both descriptive and causal-comparative research designs to examine the effects of wealth, education, health, and living standards on poverty reduction among women employees in Nepal. The descriptive approach was employed to collect factual information and gain a comprehensive understanding of how these factors influence poverty reduction among women in Nepal.

#### **3.2 Population and Sample and Sampling Design**

Nepal has a total of 55 microfinance institutions, and this study's population includes members of these institutions as of July 2024 (NRB). From these, five institutions were randomly selected: (1) Nirdhan Utthan Bank Limited, (2) Forward Microfinance Laghubitta Bittiya Sanstha, (3) Global IME Laghubitta Bittiya Sanstha Limited, (4) Aasha Laghubitta Bittiya Sanstha Limited, and (5) Womi Laghubitta Bittiya Sanstha Limited. Together, these institutions have 870 members involved in the study. Since these organizations are among the largest in Nepal and handle credit and lending daily, a simple

random sampling method was used to select 400 respondents, representing 34.48% of the total population.

### **3.3 Nature and Sources of Data Collection**

As mentioned earlier, this study relies solely on primary data sources. Questionnaires serve as the primary data collection tool. A set of questionnaires was developed and administered through interviews with individuals at various levels. The questionnaire was designed to address all the objectives of the study, and the researcher personally conducted the interviews. Several methods were employed to gather primary data and information, including:

**Primary Sources:** Primary data was collected through questionnaires from a diverse range of participants, encompassing different ages, genders, occupations, educational backgrounds, as well as varying attitudes and beliefs.

### **3.4 Method of Analysis**

To complete the study, various financial and statistical tools were utilized, including regression analysis to assess the impact of variables on bank profitability, descriptive analysis of financial and profitability indicators, and correlation analysis to explore relationships between variables. Both descriptive and statistical analysis methods were applied throughout the investigation.

#### **Descriptive Statistics**

Descriptive statistics are brief summary measures used to provide an overview of a dataset, whether from a sample or an entire population. They fall into two main categories: measures of central tendency and measures of variability (or spread). Measures of central tendency include the mean, median, and mode, while measures of variability include the standard deviation, variance, and the minimum and maximum values of variables.

#### **Mean**

The arithmetic mean is the most commonly used and preferred measure for summarizing data in a single variable. It is calculated by dividing the sum of all observations by the

total number of items. In this study, the means of various variables represent the average values 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 refers to the extent to which individual values differ from a central value. Standard deviation is a measure of absolute dispersion, reflecting how spread out the data points are. A higher standard deviation indicates greater variability, while a lower standard deviation suggests more consistency and homogeneity within the data.

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

### **Correlation Analysis**

Correlation analysis is a statistical technique used to describe the strength and direction of the relationship between two variables. This study employs simple correlation to examine such relationships. The correlation coefficients between various financial variables have been calculated, analyzed, and presented in a matrix format. The correlation coefficient between two variables, X and Y, can be calculated using the following formula:

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

$r = 0$  means that the variables are uncorrelated.  $r = -1$  implies that there is a perfect negative correlation between the variables.  $r = +1$  implies that there is a perfect positive correlation between the variables.

### **Coefficient of Determination ( $r^2$ )**

The coefficient of determination measures the strength of the linear relationship between two variables—one dependent and one independent. In other words, it represents the proportion (or percentage) of the variance in the dependent variable that can be explained

by the independent variable. Its values range from 0 to 1, where a value of 1 means all data points lie exactly on the regression line, indicating no unexplained variation.

### **Reliability and Validity**

Reliability refers to the consistency or repeatability of a measurement—meaning a reliable measure will yield similar results when repeated under the same conditions. Validity, on the other hand, refers to the accuracy of a measure, indicating whether it truly measures what it is intended to measure. A measure can be reliable but not valid (for example, a scale that consistently shows the wrong weight), whereas a valid measure is always reliable (a scale that consistently shows the correct weight). Ensuring both reliability and validity is essential in research to maintain the quality and trustworthiness of the findings..

### **Regression Analysis**

Regression analysis helps identify the direction of movement between variables but does not directly show the relative magnitude of changes. However, by using regression analysis, we can assess the relative changes in the variables under study. The regression analysis for the variables has been computed and analyzed. Multiple regression analysis is a statistical method that allows for quantifying and estimating the effects of several independent variables on a dependent variable simultaneously. It facilitates the prediction or estimation of the dependent variable based on the values of multiple independent variables. The general form of the multiple regression equation is:

$$\text{Model 1: } Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e_i$$

### 3.5 Research Framework and Definition of Variables

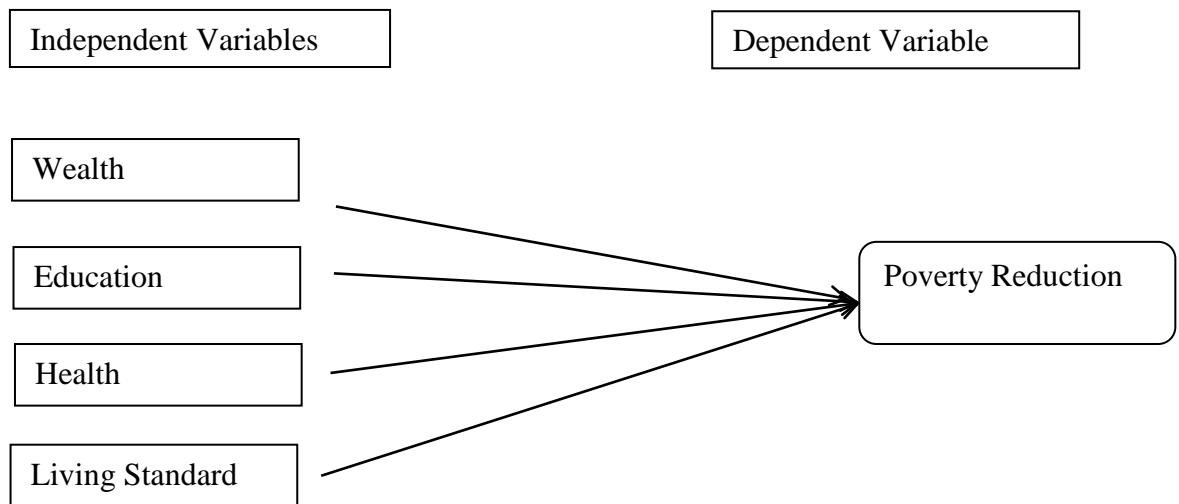


Figure 3.1: Research Framework (Chomen, 2021)

#### Definition of Variables

##### Poverty Reduction

Poverty is defined as the lack of sufficient money or material resources to meet basic needs such as clothing, food, and shelter. It manifests through hunger and malnutrition, limited access to essential services and education, social exclusion and discrimination, and reduced participation in decision-making. Around ten percent of the global population lives in extreme poverty, struggling to secure fundamental necessities like clean water, sanitation, healthcare, and education. Poverty is a complex issue influenced by social, political, economic, and geographic factors. There is no single universal definition or perfect way to measure poverty (Cheston & Kuhn, 2002).

##### Wealth

Wealth refers to the accumulation of valuable economic resources, which can include monetary assets or tangible goods. The common method to measure wealth is by calculating the total market value of all tangible and intangible assets and subtracting any debts, resulting in an individual's net worth (Das, 2014).

Material and economic well-being is the most important aspect of wealth. Wealthy individuals provide opportunities for the poor to realize their potential. This study focuses on wealth characteristics, specifically whether wealth exists as a stock (reserve) or as income flow (Neupane, 2011). Through microfinance programs, the poor may have increased their income, savings, and investments, as well as acquired additional assets.

**Education**

Education is a purposeful effort aimed at imparting knowledge, developing skills, and nurturing moral values. For impoverished families, a key priority is investing their income in their children's education. Studies have shown that children from low-income families benefiting from microfinance are more likely to attend school regularly and receive a better education. These families highly value schooling for their children. Education is a crucial tool for improving human livelihoods, enabling individuals to realize their potential in social, economic, and political aspects of life (Littlefield, Murdoch & Hashemi, 2003).

**Health**

In simple terms, health is the absence of illness, but it goes beyond that to encompass complete physical, mental, and social well-being. Health is a valuable asset for everyone. Like education, the well-being of impoverished individuals largely depends on their health. Wright (2000) noted that microfinance impacts education, well-being, and the improvement of nutritional goods. While Murdoch and Hashemi (2003) found limited evidence that microfinance directly improves health, they concluded that families of microfinance clients generally have better access to food and healthcare compared to non-clients. Assessing the health of individuals and their families is a key step in evaluating their level of poverty (Sooriyakumaran, 2016).

**Living Standard**

The term "living standard" refers to a person's level of comfort, often linked to their financial situation. It generally describes the quality of life, including the amenities and services available to a community or area, rather than to an individual alone. The importance of living standards lies in their impact on improving overall well-being. According to Johnson and Rogaly (1997), balancing three basic needs with three additional, more visible needs is essential for reducing poverty and enhancing living standards and financial stability.

## **CHAPTER IV**

### **RESULTS AND DISCUSSION**

This chapter presents and analyzes the responses collected from the study's participants. It focuses on data analysis and presentation, showcasing the facts and statistics gathered through Likert scale questionnaires. The research examines both dependent and independent variables, including Poverty, Health, Education, Living Standard, and Wealth, with seven distinct Likert-scale questions for each variable. Various tools and techniques are employed to analyze the data. The following sections provide a systematic presentation and a detailed interpretation of the analysis results.

#### **4.1 Results**

##### **4.1.1 Demographic Variables**

Demographic variables are measurable characteristics of a population used to describe a sample or segment a market. Examples include age, gender, and race. These are sometimes called "boxcar variables" because of the significant influence they have in analysis and research.

This chapter presents the results obtained from the data collection process. It focuses on the analysis and interpretation of primary data gathered from 400 respondents through questionnaires.

##### **Gender**

Gender represents whether a participant in microfinance programs is male or female. Currently, more women than men are involved in microfinance programs in Nepal. This trend reflects societal realities where women often have less education and limited access to opportunities outside their communities, prompting them to seek ways to learn and earn income locally.

**Table 2***Gender of Respondents*

Gender	Frequency	Percentage
Female	136	34
Male	264	66
Grand Total	400	100

*Source: Field Survey, 2024*

Table 2 shows that 66% of respondents are men, while 34% are women. This data highlights that more men than women participate in microfinance programs. However, it also reflects how microfinance initiatives place special emphasis on empowering female participants and supporting their involvement.

**Age**

Age represents the range of ages among the survey participants. It also plays a role in income-generating and empowerment activities. In the current context, younger individuals tend to participate more in these programs than older ones, likely due to their education, interests, and eagerness to seek new opportunities.

**Table 3***Age Group of Respondents*

Age Group	Frequency	Percentage
Below 20	14	3.5
20 – 30	148	37
31 – 40	140	35
41 – 50	62	15.5
51 – 60	21	5.25
61 and above	15	3.75
Grand Total	400	100

*Source: Field Survey, 2024*

Table 3 shows that among the total respondents, 3.5% are under 20 years old, 37% are between 20 and 30, 35% fall within 31 to 40, 15.5% are between 41 and 50, 5.25% are

between 51 and 60, and 3.75% are over 60 years old. This indicates that individuals aged 20 to 30 are the most active participants in microfinance programs, likely motivated by the expectation of earning income to support their livelihoods.

### **Qualification**

Qualification refers to an individual's level of education. Education is a key indicator of empowerment, playing a crucial role in developing life skills and enabling access to employment opportunities in today's global market.

**Table 4**

*Qualification of Respondents*

Qualification	Frequency	Percentage
SLC or below SLC	12	3
Class XII/PCL	64	16
Bachelor	280	70
Master or above	44	11
Grand Total	400	100

*Source: Field Survey, 2024*

According to Table 3, 3% of respondents have education at or below the SLC level, 16% at the XII/PCL level, 70% hold a bachelor's degree, and 11% have a master's degree or higher. The data suggests that a significant portion of individuals with lower educational attainment participate in microfinance programs, likely seeking opportunities to support their livelihoods and find alternative income sources. This highlights the important role microfinance plays for those with lower levels of education.

### **Ethnicity**

Ethnicity is a key indicator in assessing the impact of microfinance programs, as it helps determine whether members of marginalized communities are participating in and benefiting from these initiatives

**Table 5***Ethnicity of Respondents*

Ethnicity	Frequency	Percentage
Janajati	8	2
Brahmin and Chhetri	336	84
Dalit	40	10
Madhesi	12	3
Other	4	1
Grand Total	400	100

*Source: Field Survey, 2024*

Table 5 reveals that 10% of respondents are Dalit, 3% Madhesi, 84% Brahmin and Chhetri, 2% Janajati, and 1% from other ethnicities. This indicates that a larger proportion of Brahmin and Chhetri individuals are utilizing microfinance services.

**Involvement in Microfinance**

Microfinance involvement reflects participants' active engagement in microfinance initiatives. It serves as a key tool for financial inclusion by providing financial services to individuals who are otherwise excluded from traditional financial institutions.

**Table 6***Involvement in Microfinance*

Name of Microfinance	Frequency	Percentage
Nirdhan Utthan Bank Limited	86	21.5
Suryodayawomi Laghu Bittiya Sanstha Limited	80	20
Global IME Laghu Bittiya Sanstha Limited	79	19.75
Forward Laghu Bittiya Sanstha Limited	70	17.5
Aasha Laghu Bittiya Sanstha Limited	85	21.25
Grand Total	400	100

*Source: Field Survey, 2024*

According to Table 6, 21.5% of respondents are affiliated with Nirdhan Utthan Bank Limited, 20% with Suryodaya Womi Laghubittiya Sanstha Limited, 19.75% with Global

IME Laghubittiya Bittiya Sanstha Limited, 17.5% with Forward Laghubittiya Bittiya Sanstha Limited, and 21.25% with Aasha Laghubittiya Bittiya Sanstha Limited. This indicates that microfinance participation is fairly evenly distributed across these institutions within the community.

#### 4.1.2 Descriptive Statistics

Descriptive statistics are summary measures that provide an overview of a specific data set, whether it represents a sample or the entire population. They are divided into two main categories: measures of central tendency and measures of variability (spread). Measures of central tendency include the mean, median, and mode, while measures of variability encompass standard deviation, variance, minimum and maximum values, as well as kurtosis and skewness.

**Table 7**

*Descriptive Statistics for Poverty*

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*

Table 7 presents descriptive statistics for the overall poverty sub-factor as well as for each individual item. The variables were assessed using five statements, with respondents providing answers on a five-point Likert scale. The overall mean for poverty is 1.9868, which is below 3, with a standard deviation of 0.1068.

**Table 8***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*

Table 8 presents descriptive statistics for the wealth sub-factor overall, as well as for its individual categories. The variables were assessed through five statements, with respondents using a five-point Likert scale. The overall mean for wealth is 2.4166, which is slightly below three, accompanied by a standard deviation of 0.7985.

**Table 9***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*

Table 9 presents descriptive statistics for each item as well as for education overall. The variables were measured using five statements, with respondents responding on a five-point Likert scale. The overall mean for education is 2.4167, which is below 3, with a standard deviation of 0.8239.

**Table 10**

*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*

Table 10 provides descriptive statistics for specific health-related items. The variables were measured using five statements, with respondents responding on a five-point Likert scale. The overall mean for health is 2.4505, which is below 3, with a standard deviation of 0.7798.

**Table 11**

*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*

Table 11 presents the descriptive statistics for living standards. The mean values for different levels of living standards range from 2.100 to 2.640, while the standard deviations vary between 0.743 and 0.963.

**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

*Source: Field Survey, 2024*

Table 12 displays the overall descriptive statistics for both the study's independent and dependent variables. Poverty, the dependent variable, has a mean value of 2.4167 and a standard deviation of 0.59039. Among the independent variables, wealth has the lowest mean at 1.986, with a standard deviation of 0.5128.

In comparison, education and health have mean values of 0.7084 and 0.6957, respectively, each with corresponding standard deviations of 0.7084 and 0.6957. Lastly, the living standard, another dependent variable, shows a mean of 2.3303 and a standard deviation of 0.60608.

### **4.3 Measurement of reliability**

Cronbach's alpha was employed in this study to assess the reliability and internal consistency of the item scales for both continuous dependent and independent variables. The results of the reliability test for the Likert scale questions, based on the alpha values, are presented in Table 13.

Table 13

*Reliability Test*

Variables	Cronbach's Alpha	No. of Items
Poverty	0.755	4
Wealth	0.745	4
Education	0.817	4
Health	0.782	4
Living Standard	0.870	4

*Source: Field Survey, 2024*

Table 13 presents the reliability statistics for the data collected through the questionnaire survey. The Cronbach's alpha values for poverty reduction, wealth, education, health, and living standard are 0.755, 0.745, 0.817, 0.782, and 0.870, respectively. These values indicate that the survey data is sufficiently reliable to proceed with further analysis.

#### **4.1.3 Correlation Analysis**

Correlation is a statistical technique used to measure the strength and direction of the relationship between two or more variables in a population or sample. In other words, it shows how closely two variables are linearly related. This relationship is quantified by the correlation coefficient.

Karl Pearson's method, one of the most widely used techniques for calculating the correlation coefficient, was applied in this study using SPSS software. The correlation coefficient ( $r$ ) always ranges between +1 and -1. An  $r$  value of +1 indicates a perfect positive correlation between the variables, meaning they move exactly together. Conversely, an  $r$  value of -1 signifies a perfect negative correlation, where the variables move in exactly opposite directions. When  $r = 0$ , it indicates no linear relationship between the variables.

**Table 13***Correlation analysis between independent and dependent variables:*

Variables	POV	WE	EDU	HE	LIV
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	

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

*Source: SPSS Output*

Table 13 presents the Pearson correlation coefficients between the dependent variable (poverty) and the independent variables (wealth, education, health, and living standard). The analysis was conducted at a 1% level of significance ( $p = 0.01$ ). The results show that poverty is significantly positively correlated with wealth, education, health, and living standard, with all p-values reported as 0.000, indicating strong statistical significance.

#### 4.1.4 Regression Analysis

The regression analysis illustrates how the independent variables influence the dependent variable. The table below presents the results of the regression analysis examining the impact of independent variables on poverty.

**Table 14***Model Summary of Poverty*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.736a	.541	.534	.46616

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

An R-square value of 0.541 suggests that about 54.10% of the variation in poverty is accounted for by the independent variables in the model, namely Living Standard, Education, Wealth, and Health.

**Table 15**

*ANOVA Table*

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	100.723	3	16.787	77.251	.000b
	Residual	85.402	396	.217		
	Total	186.124	399			

a. Dependent Variable: Poverty

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

The ANOVA results indicate that the overall regression model is statistically significant, showing that Living Standard, Education, Wealth, and Health have a significant impact on poverty at the 0.05 significance level ( $p = 0.000$ ).

**Table 16**

*Regression Coefficients*

Model		Unstandardized Coefficients		Standardized Coefficients		Sig.
		B	Std. Error	Beta	t	
1	(Constant)	.482	.211		4.039	.000
	Wealth	.335	.203		1.644	.001
	Education	.137	.051	.103	2.666	.008
	Health	.485	.049	.442	9.912	.000
	Living Standard	.287	.038	.318	7.632	.000

a. Dependent Variable: Poverty

*Source: SPSS Output*

The regression analysis was conducted to examine the impact of living standard, education, wealth, and health on poverty. The results indicate that wealth, education, health, and living standard have a positive impact on poverty. Among these, education, wealth, and living standard show a significant relationship with poverty, while health has

a positive but insignificant relationship. The positive coefficients for wealth, education, health, and living standard are 0.335, 0.137, 0.485, and 0.287 respectively.

## 4.2 Major findings

- The study reveals a strong positive and significant relationship between education, health, and living standard with poverty reduction.
- Similarly, the study indicates a moderate positive and significant relationship between wealth and poverty reduction.
- The study found that government regulations, programs, and strategies play a crucial role in reducing poverty.
- Wealth, education, health, and living standard have a positive impact on poverty.
- Education, wealth, and living standard have a significant impact on poverty.
- Health has a positive but insignificant impact on poverty.
- MFIs should focus on empowering their clients socioeconomically by providing guidance, counseling, training, and financial support to help them follow the right path.

## 4.3 Discussion

The primary objective of the study is to explore how microfinance can improve living standards and increase the empowerment of participants. It investigates the role of microfinance institutions in combating poverty and helps identify the challenges and issues associated with poverty. The descriptive statistics include measures such as mean, median, maximum, minimum, standard deviation, skewness, and kurtosis for all variables. These statistics provide an overview of the key characteristics of each variable in the dataset related to the effectiveness of microfinance institutions. The term “mean” represents the average value of each variable, while the “median” is the middle value when the data is arranged in ascending order. The “maximum” indicates the highest recorded value for each variable.

For each variable, the "Minimum" represents the lowest observed value. The "Std. Dev." measures the dispersion or spread of data points around the mean. (Standard Deviation).

Similar conclusions were supported by the findings of Suliaman (2014), Yasmeen and Karim (2014), Maridoss (2012), Joshi (2008), and Shihabudheen (2012), although their studies focused on different age groups. According to the 2007 Global Monitoring Report, there was a notable disparity in labor force participation between the ages of 25 and 49. The findings also reveal that members of the Janajati and Dalit ethnic groups are more numerous than previously estimated. Additionally, several studies have demonstrated that microfinance organizations can reduce poverty by providing credit to underserved communities. Access to credit helps diversify household income and smooth household expenditures, enabling households to better absorb economic shocks and fluctuations (Samer et al., 2015).

The correlation coefficient measures the strength and direction of the linear relationship between two variables. The results show that poverty is significantly positively related to wealth, education, health, and living standard. All these explanatory variables are statistically significant in relation to poverty at the 1% significance level.

Furthermore, the regression results indicate that wealth, education, health, and living standard have a positive impact on poverty. Among these, education, wealth, and living standard show a significant impact on poverty, while health has a positive but insignificant relationship. The positive coefficients for wealth, education, health, and living standard are 0.234, 0.224, 0.071, and 0.381, respectively, which align with the findings of Lee and Vivarelli (2006) and Ucal et al. (2014). The significance value for this analysis is at the 1% level ( $p = 0.000$ ). Similar significant positive impacts of wealth, education, and living standard on poverty were reported by Maridoss (2012) and Suliaman (2014).

## **CHAPTER V**

### **SUMMARY AND CONCLUSION**

#### **5.1 Summary**

Poverty in Nepal remains a persistent issue, with the country's economic situation showing only minimal improvement despite its rich natural beauty. Many people still struggle to meet their basic needs daily, reflecting a largely unchanged economic condition. In developing nations like Nepal, poverty reduction is a key concern. Although women make up half of the population, they face limited opportunities to participate in mainstream development. Often described as the two wheels of a cart, men and women are both essential for progress, yet women remain underrepresented in government, the legislature, and formal employment. Most women work in agriculture and lack access to formal education, further hindering their economic empowerment.

This chapter covers the study's background and topic, including the research introduction, which explains the study's history, problem statement, objectives, justification, and limitations. The second chapter reviews relevant literature related to the theoretical foundations of banking principles, including journals, papers, and previous theses. The third chapter outlines the research methods used to analyze the profitability and liquidity of the commercial banks studied. The fourth chapter presents, analyzes, and interprets the data using statistical and financial techniques. Finally, the fifth chapter provides the study's summary, conclusions, and recommendations.

The primary goal of this study is to examine how microfinance can improve living standards and empower its members. Poverty serves as the dependent variable, while wealth, education, health, and standard of living are the independent variables. To gather primary data, the study distributes questionnaires to 300 respondents. In recent years, there has been growing recognition of the importance of women's participation in development, with microfinance emerging as a key tool in this effort. Mohamud Yunus, a pioneer in microfinance and Nobel Prize laureate, is credited with sparking an economic revolution in Bangladesh through this approach. Microfinance is widely acknowledged as an effective means of combating poverty, providing financial services to low-income and

impoverished populations. As a transformative tool for poverty alleviation, this thesis aims to explore how microfinance can empower women, reduce poverty, and promote entrepreneurship.

To achieve its broader objectives, the study includes four independent variables: wealth, health, education, and living standard, with poverty reduction as the dependent variable. A descriptive research design is employed to observe and describe the characteristics of the sample respondents without manipulating the data. The study uses primary data sources, collecting quantitative data through structured questionnaires and qualitative data through field surveys and observations. Data collection involved preparing seven questions for each dependent and independent variable. The collected data is presented in tables and analyzed using percentage analysis.

## **5.2 Conclusion**

The first objective of the study presents a descriptive analysis of wealth, education, health, living standard, and poverty. The descriptive statistics are divided into measures of central tendency and measures of variability. The mean represents the measure of central tendency, while standard deviation, minimum, and maximum values represent the measures of variability.

The second objective examines the relationship between wealth, education, health, living standard, and poverty. It presents the bivariate Pearson correlation coefficients between the dependent variable (poverty) and the independent variables. The analysis shows that poverty is significantly positively related to wealth, education, health, and living standard, with the results being statistically significant.

The third objective of the study is to examine the impact of wealth, education, health, and living standard on poverty. The regression analysis results indicate that wealth, education, health, and living standard all have a positive impact on poverty. However, education, wealth, and living standard have a significant impact, while health shows a positive but insignificant relationship with poverty.

### 5.3 Implications

- The study found that government regulations, programs, and strategies are crucial for reducing poverty. Policies on minimum wage, foreign employment, and job opportunities should be designed to address the needs of the poor, marginalized groups, and especially women.
- With the right support from MFIs, this study aims to encourage other rural women to engage in micro-entrepreneurship, helping them enhance their skills and contribute to increased household income and national productivity.
- Micro-enterprises established with the support of microfinance loans offer one of the best solutions to unemployment, especially in developing countries like Nepal, where workers can involve their families in the business, creating employment opportunities for themselves and others.
- Government line agencies and other development organizations should focus on technical capacity-building activities, as all five institutions included in the study provided very few skill development and capacity-building opportunities to their clients, which is inadequate.
- Microfinance programs are often established and operated without sufficient attention to their sustainability and financial viability. Effective government policies are also crucial to ensure this viability and sustainability. Therefore, interest rates should be set at levels that maintain the organization's feasibility, while keeping costs as low as possible.
- To enhance the program's effectiveness, established microfinance initiatives should be regularly monitored and reviewed, enabling the timely implementation of effective strategies. It is important to remember that the goal of microfinance programs is not merely to provide small loans or address financial difficulties, but to empower clients socioeconomically through guidance, counseling, training, and financial support.
- Underprivileged populations should have broad access to health and educational services.
- Education in financial literacy is an effective strategy for achieving economic empowerment. Providing financial literacy education should be considered a core

responsibility of MFIs as part of their corporate social duty and integrated into their regular microfinance activities.

- Microfinance clients have improved access to financial services and are empowered on key issues; however, because men often control these services, it is important to raise awareness within clients' families about the strategic gender needs of their female members.
- The program's clients received managerial and technical support to manage the microfinance initiative. Literacy programs are a vital part of rural microfinance efforts, with the curriculum updated to focus more on economic orientation rather than traditional topics. Instead of merely promoting productive lending, there is an emphasis on expanding the volume and scope of transactions. The program encourages the development of new market-based initiatives rather than duplicating existing ones.
- Microfinance institutions need to develop appropriate plans for their clients' daily activities. When offering small-scale business support, income-generating training, and vocational training, they should ensure that goals and objectives are met in compliance with government, BAFIA, and microfinance regulations and guidelines.

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# QUESTIONNAIRE

## Survey Questionnaire for 'Microfinance Schemes and Poverty Reduction among Women Employees'

Dear Sir/Madam,

I would like to inform you that I am undertaking a research work associated with 'Microfinance Schemes and Poverty Reduction among Women Employees' 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 Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

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 Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

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 Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

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 Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

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 Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree

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. Any other comments about ..... Micro finance in Nepal?**

.....  
.....

Thanking you.  
Dinesh Aryal  
Shanker Dev Campus

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