# GROWTH OF MICROFINANCE AND IMPACT ON POVERTY ALLEVIATION IN SYANGJA DISTRICT

A Dissertation submitted to the Office of the Dean, Faculty of Management in partial fulfillment 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 **"Growth of Microfinance and Impact on Poverty Alleviation in Syangja District"**. The work of this dissertation has not been submitted previously for the purpose of conferral of any degrees nor it has been proposed and presented as part of requirements for any other academic purposes.

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

Manisha Regmi
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## REPORT OF RESEARCH COMMITTEE

Ms. Manisha Regmi has defended research proposal entitled **"Growth of Microfinance and Impact on Poverty Alleviation in Syangja District"** successfully. The research committee has registered the dissertation for further progress. It is recommended to carry out the work as per suggestion and guidelines of supervisor Keshar Singh Khati and submit the thesis for evaluation and viva-voce examination.

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**Dissertation Proposal Defended Date:**

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Chairperson, Research Committee

**Dissertation Viva Voce Date:**

**……**

## APPROVAL SHEET

We, the undersigned, have examined the dissertation entitled **"Growth of Microfinance and Impact on Poverty Alleviation in Syangja District"** presented by Manisha Regmi, 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 dissertation is worthy of acceptance.

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Manisha Regmi
Date: …….

## TABLE OF CONTENTS

## LIST OF TABLES

**Page No.**

## LIST OF FIGURE

**Page No.**

## ABBREVIATIONS

| | | |
|---|---|---|
| % | : | Percentage |
| & | : | And |
| e.g. | : | Example |
| HRM | : | Human Resource Management |
| i.e. | : | That is |
| IBM | : | International Business Machine Corporation |
| MC | : | Micro Credit |
| MI | : | Micro Insurance |
| MS. DO | : | Microsoft Disk Operating System |
| No. | : | Number |
| PA | : | Poverty Alleviation |
| Res | : | Respondents |
| S | : | Savings |
| SEM | : | Structural Equation Modeling |
| SPSS | : | Statistical Package for Social Sciences |
| T | : | Training |
| T.U. | : | Tribhuvan University |
| WHO | : | World Health Organization |

## ABSTRACT

This study examines growth of microfinance and impact on poverty alleviation in Syangja district. This study is based on descriptive research design and causal-comparative research design. Correlation and regression analysis is used to analyze the data. This study shows that customers or clients believe both micro credit and training significantly influence their poverty alleviation, which they perceive as important. The correlation analysis reveals micro credit has a significant positive association with poverty alleviation. Likewise, savings has a significant positive relationship with poverty alleviation. At the same time, training has significant positive correlated with poverty alleviation. Moreover, there is a strong positive correlation between micro insurance and poverty alleviation. The regression analysis reveals micro credit has a significant positive impact on poverty alleviation in Syangja district. Similarly, savings also positively influences poverty alleviation. Further, both training and micro insurance have significant positive impact on poverty alleviation. In conclusion, growth of microfinance has significant impact on poverty alleviation in Syangja district. According to the study's conclusions, microfinance services need to be simpler for customers to utilize in order to be made available to people in all of Bangladesh's regions and aid in the nation's swift economic growth. Financial education may be used to increase understanding of microfinance services' collection, usage, and return policies. Policymakers may also provide some guidance on how to fight poverty throughout the remainder of their life.



**Keywords:** *Poverty alleviation, micro credit, savings, training and micro insurance*

# CHAPTER-I
# INTRODUCTION

## 1.1 Background of the Study

The primary goal of microfinance, a type of financial development, has been to reduce poverty by offering financial services to the underprivileged. The majority of people believe that microfinance, if it exists at all, is about microcredit, or giving small loans to the underprivileged. In addition to this, microfinance has a wider view that encompasses transactional services, insurance, and—most importantly—savings (Bakhtiari, 2006). Zaman et al. (2020) claim that there are several, intricate reasons why people live in poverty. Basic resources are not the only thing that the impoverished are denied. They do not have access to information that is essential to their life and means of subsistence, such as information about their rights, the structure and services of public institutions, health, and market prices for the items they produce. In the institutions and power dynamics that influence their life, they are not politically visible or have a voice. They are unable to acquire the knowledge, education, and skills necessary to raise their standard of living. They frequently do not have access to political and social organizations and markets that may give them the resources and services they require. They do not have access to or knowledge of opportunities for generating money.

Although a member of a community is denied the needs for a minimal level of living, they are said to be in poverty. Since poverty can be defined in a variety of ways, the fundamental necessities could be social resources like access to information, education, healthcare, political power, social standing, and the chance to form deep relationships with others in the community, or they could be material resources like food, clean drinking water, and shelter. According to the World Bank (2000), poverty is a state of existence that falls beyond any acceptable standard of human dignity since it is marked by sickness, illiteracy, and starvation. The income or consumption line is the most often used metric to quantify poverty. If a person's daily consumption is less than $1 USD, which is the amount required to cover basic necessities, they are deemed impoverished. The World Bank (2000) refers to this lowest level as the poverty line.

Microfinance emerged as a result of a change in development thought brought about by the official institutions' inability to reduce poverty (Abrar, 2016). Through the supply of loans, it concentrated on the impoverished society's relationship to the unorganized sector. According to Iqbal et al. (2015), microfinance is essentially the distribution of small loans together with other financial services like insurance and savings to lessen poverty. Small businesses and independent contractors in low-income groups typically receive financial services (Iqbal et al., 2015). The unique feature of microfinance is that it gives the impoverished, who have historically been excluded from other official sources of credit, access to the credit system.

Concern over poverty is still rising in many of the world's emerging nations. In addition to falling behind, Africa is currently caught in a vicious cycle of borrowing and donor dependence syndrome, which some critics point out as one of the factors essentially destroying actual progress, while other continents continue to experience sustainable economic growth and development. Africa has consistently failed to concentrate its development efforts on making the best use of the vast natural resources that many nations possess in order to transform them into wealth that will drive their economies and populations toward a high degree of social and economic development and, ultimately, end widespread poverty. Africa is not the only continent with the highest rates of poverty, but it is the only one where poverty is continuously rising. Millions of people thus endure extreme poverty on a daily basis. Without nourishment, children suffer from widespread malnutrition, which stunts their bodies. The majority of Africans endure miserable lives that are an affront to their dignity as a result of this predicament. Therefore, in order to eradicate poverty in Africa, these factors must be changed (World Bank, 2000).

The usefulness of microfinance as a method for reducing poverty has been defended or critiqued by theorists worldwide. For example, economist Harper (2003) has maintained that debt is not a useful instrument for improving the economic circumstances of the majority of people, whether they be impoverished women or owners of small farms or microbusinesses. Most of the time, these people's biggest issue is not a lack of official loans. However, according to Muhammad Yunus (1999), "I will go for credit if we are seeking for one single action which will assist the poor to escape their poverty." To validate these hypotheses, empirical research has been

conducted over time in many locations. Household income, spending habits, vulnerability, and women's empowerment are the most often cited effect indicators.

This study examines how microfinance may help millions of rural residents in the Syangja district by improving their lives and reducing poverty. The lives of millions of impoverished people, especially women, are greatly impacted by microfinance. Many academics and non-governmental organizations have been striving to make microfinance accessible to the impoverished, who have yet to receive the benefits of the traditional financial system. Although it was formerly thought that not everyone needed microfinance, the majority of organizations might profit from this concept. By boosting income-generating activities, empowering the impoverished to access development services like health and education, and lowering vulnerability, the researcher aims to demonstrate in this article how microfinance might help eradicate poverty.

**1.2 Problem Statement**

One unpleasant and undesirable aspect of human existence is poverty. There is no doubt that poverty can be reduced, if not completely eradicated. Thus, according to the most recent development agenda, microfinance programs are one of the primary tools for reducing poverty. Microfinance has been found to have a significant impact on poverty alleviation and socioeconomic development. In order to provide small-scale farmers and rural businesses with access to institutional credit and banking services, rural banks and microfinance organizations were founded. In order to mobilize resources locally and lend them to worthy clients through streamlined processes and eligibility requirements, microfinance institutions were established to function with local efforts and dedication.

Iqbal et al. (2015) revealed that microfinance had a positive effect on reducing poverty because of the strong correlation between the independent variable of microfinance (MF) and the dependent variables of self-employment, living standards (LS), and basic needs (BN), all of which contribute to a reduction in poverty. As microfinance expands and gets momentum, financial services for the poor will become more accessible, improving efficiency and outreach while lowering costs (Taiwo et al.,

2016). Lawanson (2016) found that the Nigerian human development variable was positively impacted, however little, by the primary variable of interest, loans to small companies. The coefficients of interest rates, currency rates, inflation rates, and unemployment rates all had a negative and statistically significant effect on the human development variable.

According to Stanley and Ezeanyeji (2017), microfinance assets significantly impacted Nigeria's economic growth and poverty alleviation; microfinance bank deposit liabilities had a minor but favorable impact on these two outcomes; and microfinance bank loans and advances had a significant but unfavorable impact on these two outcomes. According to Urga and Shete (2017), Gasha had a beneficial effect on the wellbeing of its clients. However, every one of Gasha's clients was already involved in a business endeavor that generated sufficient revenue to pay off the remaining loan sum. According to Uddin and Benabderrahmane (2019), microfinance organizations offered lending opportunities to all customers, irrespective of their gender, the type of business they were involved in, or their community affiliation.

Zaman et al. (2020) indicated that microcredit significantly reduced poverty. Savings, microinsurance, and training all influenced Bangladesh's attempts to combat poverty. Based on the borrower ranking indicator, Khan et al. (2020) demonstrated the contribution that microfinance institutions (MFIs) provide to the fight against poverty. Tasos et al. (2020) found that poverty was inversely connected with education, the existence of a local market, and the length of microfinance, but positively connected with respondent gender and family size.

Ullah et al. (2020) showed microfinance and poverty reduction are strongly and significantly correlated. According to Ezeanyeji et al. (2020), microfinance banks' operations did not significantly lower poverty in Nigeria. According to Sugathadasa (2021), microfinance activities significantly impacted the Anuradhapura district's microfinance recipients' ability to meet their basic necessities, living circumstances, and self-employment. Chomen (2021) demonstrated a statistically significant and positive correlation between the rise in respondents' income in the research region and their level of education, voluntary saving, and loan utilization for the intended

purposes. According to Lal et al. (2023), microfinance is a useful instrument for ending poverty since it raises the incomes and standard of life of the impoverished.

Hotman et al. (2024) concluded that Islamic microfinance may be a helpful instrument for strengthening the economic base of underserved groups, especially when Islamic principles were included into the banking sector. According to Mzungweg et al. (2024), all of the variables (sex, income level, interest rate, and loan size) had a statistically significant impact on poverty reduction in Kano State's Garlo Local Government, but age had a negative relationship and was statistically insignificant. However, although there is empirical evidence in other nations, it is lacking in Nepal at the moment, especially in the Syangja district. Furthermore, although they were independent variables in the research, microcredit, savings, training, and microinsurance were not all looked at in the same study. The objective is to fill the context gap that was previously highlighted. Thus, answering the following questions is the aim of the study.

- What is the availability of facilities in microfinance institutions for poverty alleviation?
- Is there any relationship between different factors (micro credit, savings, training and micro insurance and poverty alleviation in Syangja district?
- Do the specific factors (micro credit, savings, training and micro insurance) effect on poverty alleviation in Syangja district?

### 1.3 Objectives of the Study

The primary objective of the study is to investigate the growth of microfinance and its impact on poverty alleviation in the Syangja district. Other specific objectives of the study are as follows:

- To assess the availability of facilities in microfinance institutions for poverty alleviation.
- To analyze the relationship between specific factors (micro credit, savings, training and micro insurance) and poverty alleviation in Syangja district.
- To examine the effect of specific factors (micro credit, savings, training and micro insurance) on poverty alleviation in Syangja district.

### 1.4 Research Hypothesis

Given the goals of the study and an analysis of the theoretical and empirical literature about the impact of microfinance on reducing poverty in the Syangja district, the following hypotheses have been developed.

1. $H_1$: Micro credit has significant impact on poverty alleviation of microfinance companies in Nepal.
2. $H_2$: Savings has significant impact on poverty alleviation of microfinance companies in Nepal.
3. $H_3$: Training has significant impact on poverty alleviation of microfinance companies in Nepal.
4. $H_4$: Micro insurance has significant impact on poverty alleviation of microfinance companies in Nepal.

### 1.5 Rationale of the Study

The study's conclusions are significant to a number of parties. By giving the poor access to credit, allowing them to work for themselves, and increasing their savings, economic empowerment of the poor speeds up a nation's economic growth, particularly in emerging nations. This study may be significant since it offers crucial information that will assist policymakers and MFI management in implementing efficient ways to enhance the performance of MFIs. This can also assist microfinance organizations in identifying new possibilities and institutional setups that might be used as input by policymakers when creating policies that empower the economy.

The result will also serve as a reference for NGOs on how best to focus microcredit-based poverty reduction assistance. Additionally, microfinance organizations might develop more creative ways to design their services that align with their own aims and objectives as well as the broader societal objective. Additionally, it will determine if microfinance reduces poverty or if there are other mediating mechanisms at play. As a result, it will offer a window for more research to fill in the gaps left by this study and progress this subject. This study can be used by Nepalese scholars who want to learn more about the connection between microfinance and the fight against poverty in Nepal.

### 1.6 Limitations of the Study

There are several restrictions on the research project. The following are the study's primary limitations:

- This study is concentrated on growth of microfinance and impact on poverty alleviation in Syangja district
- This study is based on primary data.
- Only a small number of microfinance clients participated in the study. As a result, the results might not apply to all of the clients.
- Throughout the whole study, just four independent variables—microcredit, savings, training, and microinsurance—have been taken into account.
- Only descriptive statistics, correlation analysis, and multiple regression analysis were employed in this investigation, which is conducted in a constrained amount of time.

# CHAPTER-II
# REVIEW of LITERATURE

The literature review is a crucial and necessary phase in every research project. To do new research, one must review research papers or other relevant claims in the subject of study because this helps one become aware of all previous studies, their limitations, and their conclusions. To link to this chapter, a few pertinent books, articles, and published and unpublished works in various economic journals, magazines, newspapers, and subject-related web searches may be reviewed and assessed. This chapter is composed of two components: the theoretical review and the empirical review.

## 2.1 Theoretical Review

### 2.1.1 Theories Related to Microfinance and Poverty Alleviation

This research reviews the following theories: Keynes' theory of income, output, and employment; the Grameen Bank Model; the Village Banking Model; the Theory of Poverty; and the Individual Deficiency Theory.

#### 2.1.1.1 Grameen Bank Model

In 2006, Muhammad Yunus received the Nobel Peace Prize for founding the Grameen Bank in 1983. The primary function of Grameen Bank is to provide loans to Bangladesh's impoverished citizens. The foundation of the Grameen Bank (GB) is the voluntary creation of small groups of individuals to offer morally enforceable, reciprocal group assurances of the security that traditional banks demand. One of the newest methods for giving small loans to lots of customers who are unable to provide collateral is group-based lending. Although group sizes might vary, typically consist of four to eight people. By eliminating collateral requirements, GB has effectively inverted traditional banking practices and created a financial system built on accountability, innovation, participation, and mutual trust (Okibo & Makanga, 2014).

Credit is viewed as a cutting-edge instrument for addressing the disparities that keep the poor trapped in a cycle of poverty and for unleashing people's innate potential, according to Professor Yunus, the founder of Grameen Bank. As a result, it gives the poor back some social power that they have not had since they do not have collateral.

According to Professor Muhammad Yunus, the traditional banking system has helped to preserve the status quo between the affluent and the poor since it is anti-poor, anti-women, and anti-illiterate (Okibo & Makanga, 2014).

#### 2.1.1.2 Village Banking Model

John Hatch created this model in Bolivia during the 1980s. The Foundation for International Community Assistance (FINCA), a village banking organization, uses a village banking model in an attempt to establish solidarity organizations that can maintain themselves financially. Through a 22-module curriculum, FINCA prepares local community groups to establish Community Credit Enterprises (CCE). These tiny businesses allow members to purchase stock as shareholders and raise money to provide long-term finance and business plans. The original concept states that village banking, or FINCA, works with groups of 30 to 60 people, most of whom are women. The implementing agency (the local headquarters of FINCA or its affiliate) provides the village bank with its first loan upon its establishment, which is then disbursed to the individual village bank members (Christen, 2001).

It takes one to three months for the sponsoring organization to establish each bank, elect a management committee, train its members, and create the policies and procedures that will govern the village bank. Over the course of four months, the first individual loan is paid back weekly in equal principle and interest payments. At regular meetings, the village bank collects these contributions, and at the conclusion of the sixteenth week, it gives the implementing agency back the whole loan principle plus interest. The external account is made up of the money that moves back and forth between the local bank and the implementing agency for member loans. The local bank is qualified for a second loan if it makes full repayment. The implementing agency halts additional credit until payment is received if the village bank is unable to cover the outstanding balance (Chen & Dunn, 2016).

#### 2.1.1.3 Theory of Poverty

Researchers are interested in poverty since it is a social issue. Policies and programs aimed at reducing poverty have been developed using ideas that justify these kinds of measures. There is a clear correlation between the pattern of poverty and the

alleviation strategies that are implemented (Bradshaw, 2005). According to Anyanwu (2014), poverty reduction techniques need a comprehensive examination and a solid understanding of how the major determinants affect household wellbeing. As a result, many theories of poverty provide various approaches to assistance. The culture of poverty, individual deficiency theory, progressive social theory, geographical disparities theory, and the vicious circle theory are some of the pertinent theories of poverty that are discussed in this section. This idea also claimed that because they hold the means of production, the ruling class of property owners have dominated society and take advantage of the non-property owners.

#### 2.1.1.4 Individual Deficiency Theory

According to this idea, personal shortcomings are the cause of poverty. People feel that the poor are to responsible for their socioeconomic situation because they are lazy and make poor decisions. According to the belief, poverty is also caused by a lack of intelligence, specific genetic traits, and even divine retribution for transgressions. Neo-classical economists, who believe that people are in charge of making decisions that maximize their well-being through prudent investment, also support this worldview. According to the argument, poverty persists because people are not doing enough or are participating in unproductive actions, making the poor a moral hazard (Gwartney & McCaleb, 1985). It is thought that perseverance, hard effort, skill development, and motivation may all help reduce poverty.

#### 2.1.1.5 Keynes Theory of Income, Output and Employment

Keynes' theory, which emphasizes the contribution of investment and savings to economic development, is predicated on the idea that they are only equal at the income equilibrium level. Rather from the traditional perspective of interest rates, the adjustment mechanism of income moderates the interaction between saves and investment. It is assumed that income will decrease when savings exceed investment, which will lower investment until it equals savings; conversely, income will increase when investment exceeds savings. Until saves and investments are not only equal but also in equilibrium, this dynamic adjustment process between income, savings, and investments will continue (Jhingan, 2002). The main argument of Keynes' theory is that the determination of equilibrium production is largely dependent on aggregate

demand, which is influenced by investment and consumption (Palley, 1997). When there is equilibrium, the total supply and demand are equal. It is thought that if there is an imbalance between the two, the supply would gradually adapt until the equilibrium is restored. This suggests, according to Palley (1997), that equilibrium supply is governed by demand through feedback effects on demand generated by the adjustment process. This suggests that the growth rate of aggregate demand determines economic growth when it is applied to the growth context.

According to Keynes' theory of income, production, and employment, it is clear that capital accumulation in the form of savings through the banking system is crucial for reducing poverty and promoting economic growth, both of which in turn create jobs. Therefore, it is anticipated that microfinance banking, which was created especially to reach the unbanked, particularly in rural areas, will assist the impoverished in earning money through economic activity that will support economic growth and also help them create jobs that will have a multiplier effect on the labor market.

### 2.1.2 Concept of Microfinance

Offering a wide variety of financial services to low-income and impoverished households and their microbusinesses, including deposits, loans, payment services, money transfers, and insurance, is known as microfinance. According to Khan et al. (2020), microfinance include not only financial services but also non-financial support including business advice and training.

Small-scale financial services, mainly lending, savings, and insurance, are referred to as microfinance. It gives low-income individuals access to essential financial services including microinsurance, savings accounts, loans, and money transfer services. Savings services enable people to earn returns on their assets and preserve extra money for later use. The utilization of projected revenue for present investments or spending is made possible by credit services. All things considered, microfinance services can assist low-income individuals in lowering risk, enhancing management, increasing productivity, obtaining greater returns on investments, increasing their incomes, and improving their own and their dependents' quality of life (Lal et al., 2023).

Microfinance is defined as "the provision of financial services to low-income poor and extremely poor self-employed persons" by Uddin and Benabderrahmane (2019). According to Ezeanyeji et al. (2020), these financial services typically consist of credit and savings, but they can also contain other financial services like payment and insurance. Microfinance is "the endeavor to enhance access to modest deposits and small loans for disadvantaged families overlooked by banks," according to Schreiner and Colombet (2001). Thus, microfinance entails giving financial services like insurance, loans, and savings to underprivileged individuals in both urban and rural areas who are unable to access these services from the established banking sector.

### 2.1.3 Meaning of Poverty

The idea of poverty is complex. When a member of a community is denied the needs for a minimal level of living, they are said to be in poverty. The fundamental necessities can be material resources like food, clean water to drink, and shelter, or they can be social resources like access to healthcare, education, information, political power, social standing, and the chance to form deep relationships with others in the community (Iqbal et al., 2015).

A situation of existence so marked by starvation, illiteracy, and sickness as to be beyond any conceivable conception of human dignity, is how the World Bank defined poverty in 1980. The most severe kind of poverty is known as extreme poverty, and it occurs when individuals are unable to provide for their basic necessities, including clothes, food, water, housing, sanitation, education, and medical care. The World Bank defines severe poverty as surviving on $1 or less per day in order to calculate the number of people living in extreme poverty worldwide. When a person makes between $1 and $2 a day, they are considered to be in moderate poverty. Their household can barely cover their basic necessities, but they still have to pay for many of the other things that many of us take for granted, including healthcare and education. Lastly, a household is considered to be in relative poverty if its income is lower than the national average (Uddin & Benabderrahmane, 2019).

The reasons of poverty are numerous and intricate. Basic resources are not the only thing that the impoverished are denied. They do not have access to information that is

essential to their life and means of subsistence, such as knowledge on their rights, the structure and services of public institutions, health, and market pricing for the items they produce. In the institutions and power dynamics that influence their life, they are not politically visible or have a voice. They are unable to acquire the information, education, and skills necessary to raise their standard of living. They frequently do not have access to political and social organizations and marketplaces that may give them the resources and services they require. They do not have access to or knowledge of options for generating money (Ezeanyeji et al., 2020).

### 2.1.4 Concept of Poverty Alleviation

The term "poverty reduction" describes methods and measures that lessen the proportion of the population that lives in poverty or the negative effects that poverty has on the lives of those who are impoverished. It is evident that what microfinance may do for the impoverished is contingent upon their capacity to take advantage of what microfinance has to offer, according to Hotman et al. (2024). He added that microfinance gives the underprivileged a window of opportunity to obtain a facility for borrowing and saving money.

Before Muhammad Yunus and the Grameen Bank gained notoriety, microfinance was used to reduce poverty, especially in developing nations; nonetheless, the Grameen Bank established the standard for the effective implementation of microfinance operations. It could be feasible to address the fundamental needs of the impoverished in Pakistan by using the same model as that which is employed in Bangladesh. This would entail lowering child labor, birth and mortality rates, and increasing living conditions, nutrition, and clothes in addition to leveraging the family engineering process. Therefore, it is clear that the different microfinance services are an essential instrument for reducing poverty; yet, many individuals are not entirely aware of the notion (Lawanson, 2016).

The World Bank's founding in 1944 marked the institutionalization of poverty reduction in the middle of the 19th century. Through its structural adjustment programs, it was established with the intention of lending money to governments and institutions in developing nations (Kim & Sang 2018). However, it was discovered that these programs were incredibly ineffective at assisting underdeveloped cultures

and, hence, reducing poverty. Microfinance institutions (MFIs) emerged as a result of a change in development thought caused by the formal institutions' failure to reduce poverty. The purpose of microfinance organizations is to make financing available to entrepreneurs and small enterprises. In other words, it is a platform that allows both individuals and corporations to find funding for their recapitalization. Additionally, it may be a vehicle that may be customized to fit the needs of those who are not very engaged in the economy.

**2.2 Empirical Review**

Mzungweg et al. (2024) analyzed the impact assessment of micro finance bank on poverty reduction in Kano State: a case of Garko local government area. The primary goal of the study was to determine how microfinance institutions may help reduce poverty in Kano State, with a focus on the Garko Local Government Area. Poverty and microfinance have been among the most crucial subjects for scholars. Microfinance organizations have drawn a lot of attention lately as a useful instrument for reducing poverty. 290 sample members were given questionnaires, which provided the study with primary data. The effect of microfinance institutions on reducing poverty in Kano State was investigated using a logit regression model. The findings showed that all of the factors (sex, income level, interest rate, and loan amount) had a statistically significant influence on poverty reduction in Kano State's Garlo Local Government, however age had a negative association and was statistically insignificant. Accordingly, the research recommends that microfinance organizations give more money to businesses, which will significantly improve the standard of living for the local impoverished. For microfinance institutions, a moderate interest rate is good since it will encourage businesses and the poor to lend more money for investments, increase income, and reduce poverty.

Hotman et al. (2024) examined the Islamic microfinance: addressing poverty alleviation and entrepreneurship development. The study's main objective was to look into how Islamic microfinance may help businesses and reduce poverty. Using a systematic literature review approach, this study investigates the relationship between financing types, government restrictions, access to Islamic financial services, the level of entrepreneurship with family income, and the expansion of micro and small businesses. The findings indicated that Islamic microfinance may be a helpful

instrument for strengthening the economic base of underserved groups, especially when Islamic principles are included into the banking sector.

Lal et al. (2023) analyzed the impact of microfinance on poverty reduction: A case study of Khushhali Bank Mirpur Khas District. Using Khushhalibank as a case study, the research's primary goal was to investigate how microfinance contributes to poverty reduction in the Mirpurkhas region. It looks at the size of the MF loan and how it affects the recipients' income levels. examined the many factors, such as life expectancy, loan amount, and their effect on the poverty rate. Using a closed-ended questionnaire, a random sample of 300 respondents was selected, with an emphasis on branch customers of Khushhalibank Mirpurkhas. PLS and SPSS 22.0 software were then used to analyze the raw data. The findings demonstrated that microfinance is a useful instrument for ending poverty as it raises the incomes and living standards of the impoverished. Additionally, it was suggested that microfinance organizations give people below the poverty line additional chances to invest money or capital according to their history, needs, and abilities.

Chomen (2021) investigated the role of microfinance institutions on poverty reduction in Ethiopia: the case of Oromia credit and saving share company at Welmera district. The purpose of this study was to evaluate the contribution of Oromia Credit and Saving Share Company, a microfinance organization, to the decrease of poverty in the Welmera region of Oromia Special Zone Surrounding Finfine, Oromia Regional State, Ethiopia. Both deliberate and random sampling techniques were used to get the data. 357 respondents were selected from 12 different communities in order to collect data. The study used a binary logistic regression to identify the key elements impacting respondents' income improvement. The findings demonstrated a statistically significant and positive correlation between the rise in respondents' income in the research region and their level of education, voluntary saving, and loan utilization for the intended purposes. The findings demonstrated that the majority of respondents' incomes rose following program enrollment, which improved their quality of life.

Sugathadasa (2021) examined the impact of microfinance on poverty alleviation in Anuradhapura district. The current study's primary goal was to create a model to examine how microfinance may lessen poverty in the Anuradhapura area. According

to a thorough review of the research, the satisfaction of basic needs, self-employment, and living conditions are dependent elements. While microfinance activities are considered independent variables and show a reduction in poverty, age, gender, and income levels are considered control factors. Using an appropriate sample approach, 100 microfinance users in the Anuradhapura region were asked to complete a self-administered questionnaire on a five-point Likert scale. Every internal consistency component in the questionnaire showed values more than 0.7, according to Cronbach's alpha, suggesting an acceptable degree of reliability. As a result, three models of poverty reduction for microfinance operations have an explanatory power of more than 20%. The results showed that the self-employment, living circumstances, and ability to meet basic requirements of microfinance recipients in the Anuradhapura district were significantly impacted by microfinance activities. Microfinance is therefore one of the most successful methods for reducing poverty in the Anuradhapura District's rural districts.

Ezeanyeji et al. (2020) analyzed the micro financing, poverty alleviation and Nigeria’s economic growth: the nexus. Examining the connection between microfinance, poverty alleviation, and Nigeria's economic growth from 1992 to 2018 was the primary goal of the study. Its specific goal is to look at the actual effects of microloans from microfinance banks on the growth of the Nigerian economy and the creation of jobs. The study made use of the Augmented Dickey-Fuller (ADF) test, the ARDL bounds integration test, and the short-run diagnostics and stability for the ARDL Model. The study's findings recognized that microfinance banks' operations did not significantly lower poverty in Nigeria. Furthermore, research revealed that microfinance bank loan advances had no appreciable effect on Nigeria's GDP growth. Again, microfinance organizations' loan advances significantly harmed Nigerians' chances of finding employment.

Khan et al. (2020) analyzed the microfinance and poverty reduction: new evidence from Pakistan. The primary goal of this study is to identify which modality is relatively more effective in reducing poverty in Pakistan and examine how microfinance may be used as a more effective strategy. To further illustrate and explain the gathered data and arrive at a conclusion on the main subject of the study, descriptive statistics and percentages were employed. Based on the borrower ranking

indication, this study demonstrated the contribution Micro Finance Institutions (MFIs) provide to the fight against poverty. The results of the probit model amply illustrated the benefits of MFI access and proved that MFIs were crucial in reducing poverty, despite certain drawbacks, such as those caused by possibly imperceptible significant variables influencing participation in microfinance programs.

Tasos et al. (2020) examined the poverty alleviation and microfinance for the economy of Pakistan: a case study of Khushhali bank in Sargodha. Finding out how microfinance impacted Pakistan's economy's capacity to combat poverty was the primary goal of the study. Khushhali Microfinance Bank Limited provided the original data for 300 households. The researchers conducted in-person interviews to obtain responses to the questionnaires. The binary logistic regression technique (BLR) compares a set of explanatory variables with a binary response variable. This study found that poverty was adversely connected with education, the existence of a local market, and the length of microfinance, but positively connected with respondent gender and family size.

Zaman et al. (2020) analyzed the impact of microfinance on poverty alleviation: A study in the southern part of Bangladesh. The purpose of this study was to ascertain how different microfinance initiatives aided Bangladesh's attempts to combat poverty. A standardized questionnaire was used to collect data from respondents in Bangladesh's Barishal division. OLS regression was then performed to determine the impact of microfinance services on the nation's efforts to fight poverty. The results showed that microcredit significantly lowers poverty. Savings, microinsurance, and training all affect Bangladesh's attempts to combat poverty. According to the study's conclusions, microfinance services need to be simpler for customers to utilize in order to be made available to people in all of Bangladesh's regions and aid in the nation's swift economic growth.

Ullah et al. (2020) analyzed the role of microfinance in poverty alleviation in the least developed area of Pakistan. The primary goal of the study was to see how it affected the reduction of poverty in Pakistan's least developed area. Regression and crosstab analyses were used to evaluate how well microfinance addressed fundamental needs, raised living standards, and increased income levels. The study's foundation was

primary data gathered from a sample of 250 less educated individuals who have used MFI services. Microfinance and poverty reduction were shown to be strongly and significantly correlated. As to the research, MFIs have to provide training sessions before extending loans because most of their clients do not have formal education or experience and need help, business knowledge, and entrepreneurial skills.

Uddin and Benabderrahmane (2019) analyzed the effect of conventional and Islamic microfinance on poverty alleviation in Bangladesh. The primary goal of the study was to evaluate the availability of outreach and credit services and make recommendations for better microfinance services in Bangladesh. MFIs were established in Bangladesh as a result of several initiatives by different government authorities. Recent years have seen the rise of microfinance as a tool to fight poverty, and in the past decade, MFIs all around the world have made major contributions. For our study, we chose 400 Islamic and conventional microfinance consumers using a simple random selection procedure. The descriptive data was statistically analyzed using multiple regression analysis (MRA), Pearson Moment correlations, and parametric tests such as the independent t-test and ANOVA. According to the survey, microfinance institutions offered lending privileges to all of their clients, irrespective of their gender, the type of business they were involved in, or their community affiliation.

Urga and Shete (2017) analyzed the impact of microfinance on poverty reduction: the case of Gasha microfinance institution. The primary goal of the study was to evaluate the role that S. Co., a Gasha microfinance company, played in the battle against poverty. 220 clients (100 treatments and 120 controls) were chosen as treatment and control responders for the quantitative investigation using simple random sampling techniques in Gasha. Descriptive statistics and econometric models were employed to examine quantitative data. Using the PSM approach, the impact of microfinance services on poverty reeducation was investigated. With the aforementioned objectives in mind, the research study included focus groups, key informants, and questionnaires to collect primary data. The Gasha annual progress report and other literary works have also been used as secondary sources of information. The impact of microfinance was examined using a variety of parameters, including income, savings, health and education costs, asset accumulation, decision-making skills, business management skills, and the institution's strengths and flaws. The findings demonstrated that Gasha

has improved the wellbeing of its clients. However, every one of Gasha's clients was already involved in a business endeavor that generated sufficient revenue to pay off the remaining loan sum. According to the research, MFIs have been unable to reach the lowest sector of the population because of targeting concerns.

Stanley and Ezeanyeji (2017) analyzed the impact of microfinance banks on poverty alleviation and economic growth in Nigeria. Investigating microfinance banks as a way to combat poverty and foster economic growth in Nigeria between 1992 and 2016 was the primary goal of this study. The analysis made use of time series data from the Central Bank of Nigeria Statistical Bulletin, issue 27, (2016). The study's analysis used the Error Correction Model (ECM), the Augmented Dickey-Fuller Unit Root test, and the Johansen cointegration test. The result of the econometric application E-view 8 was utilized. The study's conclusions showed that microfinance assets significantly impacted Nigeria's economic growth and poverty alleviation; microfinance banks' deposit liabilities had a minor but favorable impact on these two outcomes; and microfinance banks' loans and advances had a significant but adverse impact on these two outcomes. Nonetheless, the model's broad applicability showed how crucial microfinance banks' operations are to both the fight against poverty and Nigeria's long-term economic growth. Therefore, it suggests that the government assist microfinance institutions in their endeavors to offer microcredit in order to establish a safe and beneficial environment.

Lawanson (2016) examined the alleviating poverty through micro finance: Nigeria’s experience. The study's primary goal was to use eo-integration and error correction techniques to empirically examine the linear link between microcredit to small businesses and the decrease of poverty in Nigeria between 1980 and 2014. For data analysis, a multiple time series model and an error correction model (ECM) were used. The primary variable of interest in this study, loans to small businesses, showed a little but favorable impact on the Nigerian human development variable. The human development variable was negatively and statistically significantly impacted by the coefficients of interest rates, currency rates, inflation rates, and unemployment rates.

Taiwo et al. (2016) investigated the microfinance and poverty alleviation in Southwest Nigeria: empirical evidence. The purpose of the study was to investigate how microfinance contributed to the improvement of living circumstances and loan distribution among Nigeria's working poor. To make its conclusions, the study used data from the field survey, which were shown using tables, frequency counts, and cross-tabulations. Additionally, the Ordinary Least Squares (OLS) econometric approach was used to specify and evaluate a loan demand model. Cross-sectional data from chosen respondents in specific locations in the Nigerian states of Ogun and Lagos, respectively, were used in the study. According to the report, financial services for the impoverished will become more accessible as microfinance grows and gains traction, increasing accessibility and efficiency while lowering costs. This might then lead to an improvement in people's quality of life. The ability of microfinance to empower individuals by giving them the financial resources to actively engage in their own development, together with confidence and self-worth, is arguably its greatest gift.

Iqbal et al. (2015) administered the impact of microfinance on poverty alleviation: the study of district Bahawal Nagar, Punjab, Pakistan. The study's primary goal was to assess how microfinance may lessen poverty while accounting for factors that affect it, such as self-employment, living conditions, and meeting basic needs. For this survey-based study, primary data was collected using a standardized questionnaire that included a number of aspects of microfinance and poverty reduction, including self-employment, living standards, and satisfying basic needs. Using the conveyance sampling technique, information was obtained from customers of Khushalli Bank Ltd. (KBL), Kashaf Microfinance Bank, Tameer Microfinance Bank Ltd. (TMBL), and Akhovat Trust that are active in the Bahawalnagar district. Because of the strong correlation between the independent variable of microfinance (MF) and the dependent variables of self-employment, living standards (LS), and basic needs (BN), all of which contribute to a reduction in poverty, the study concluded that microfinance had a positive impact on reducing poverty.

**Table 1**

*Summary of Empirical Review*

| S.N. | Authors | Title | Objectives | Methodology | Major Findings |
|---|---|---|---|---|---|
| 1 | Mzungweg et al. (2024) | Impact assessment of micro finance bank on poverty reduction in Kano State: A case of Garko local government area | The primary goal of the research was to investigate how microfinance institutions may help reduce poverty in Kano State, with a focus on the Garko Local Government Area | Using a logit regression model, the impact of microfinance institutions on lowering poverty in Kano State was examined | The results revealed that while age had a negative relationship with poverty reduction and is statistically insignificant, all of the variables (sex, income level, interest rate, and loan size) had a statistically significant impact on poverty reduction in Kano State's Garlo Local Government. |
| 2 | Hotman et al. (2024) | Islamic microfinance: Addressing poverty alleviation and entrepreneurship development | The main objective of the research was to look into how Islamic microfinance may help reduce poverty and foster entrepreneurship | The study used a methodical literature review technique for data analysis. | The results showed that, particularly when Islamic principles are included into the banking system, Islamic microfinance may be a useful tool for bolstering the economic foundation of marginalized populations. |
| 3 | Lal et al. (2023) | Impact of microfinance on poverty reduction: A case study of Khushhali Bank Mirpur Khas District | The main objective of the study was to examine how microfinance helps to reduce poverty in the Mirpurkhas region using Khushhalibank as a case study | The raw data was subsequently examined using PLS and SPSS 22.0 software | The results showed that microfinance improves the earnings and standard of living of the poor, making it a valuable tool for eradicating poverty. Furthermore, it was recommended that microfinance institutions provide those living below the poverty line with greater opportunities to invest funds or capital based on their needs, skills, and background. |
| 4 | Chomen (2021) | The role of microfinance institutions on poverty reduction in Ethiopia: The case of Oromia credit and saving share | This research intended to evaluate the impact of the microfinance organization Oromia Credit and Saving Share Company on reducing | To determine the main factors influencing respondents' income improvement, the study employed a binary logistic regression | The results showed that voluntary saving, education level, and loan use for the intended reasons are statistically significant and positively correlated with the increase in respondents' income in the research region. The results showed that after enrolling in the program, the majority of respondents' income |

| | | | | | |
|---|---|---|---|---|---|
| | | company at Welmera district | poverty in the Welmera region. | | increased, which had a positive impact on raising their standards of living. |
| 5 | Sugathadasa (2021) | Impact of microfinance on poverty alleviation in Anuradhapura district. | The main objective of the current study was to develop a model to investigate how microfinance may reduce poverty in the Anuradhapura region | According to Cronbach's alpha, all of the questionnaire's internal consistency factors had values more than 0.7, indicating a respectable level of reliability | The findings revealed that microfinance operations had a major influence on the self-employment, living conditions, and capacity to satisfy basic needs of microfinance beneficiaries in the Anuradhapura district. Therefore, one of the effective strategies for lowering poverty in the rural areas of the Anuradhapura District is microfinance. |
| 6 | Ezeanyeji et al. (2020) | Micro financing, poverty alleviation and Nigeria's economic growth: The nexus | The main objective of the research was to investigate the relationship between microfinance, poverty reduction, and Nigeria's economic expansion. | The investigation used the short-run diagnostics and stability for the ARDL Model, the ARDL bounds integration test, and the Augmented Dickey-Fuller (ADF) test | The results of the study acknowledged that the activities of microfinance banks did not considerably reduce poverty in Nigeria. Additionally, study shown that loan advances from microfinance banks had no discernible impact on Nigeria's GDP growth. Once more, the loan advances from microfinance institutions had a major detrimental impact on job prospects in Nigeria. |
| 7 | Khan et al. (2020) | Microfinance and poverty reduction: New evidence from Pakistan | The main objective of this research is to analyze how microfinance may be utilized as a more effective technique to reduce poverty. | Descriptive statistics and percentages were used to further exhibit and discuss the collected data in order to reach a conclusion on the study's primary question | . This study revealed the role that Micro Finance Institutions (MFIs) play in combating poverty based on the borrower ranking indicator. Despite some disadvantages, such as those brought on by potentially undetectable important factors affecting participation in microfinance programs. |
| 8 | Tasos et al. (2020) | Poverty alleviation and microfinance for the economy of Pakistan: A case study of Khushhali | The main objective of the research was to find out how microfinance affected Pakistan's economy's ability to reduce | A binary response variable and a collection of explanatory factors are compared using the binary logistic | This study discovered that while poverty had a positive relationship with respondent gender and family size, it was negatively correlated with the length of microfinance, education, and the presence of a local market. |

| | | | | | |
|---|---|---|---|---|---|
| | | bank in Sargodha | poverty | regression approach (BLR) | |
| 9 | Zaman et al. (2020) | Impact of microfinance on poverty alleviation: A study in the southern part of Bangladesh | This study set out to determine how various microfinance programs contributed to Bangladesh's efforts to reduce poverty | Data from respondents in Bangladesh's Barishal division was gathered using a standardized questionnaire, and OLS regression | The findings indicated that microcredit has a major impact on reducing poverty. Training, micro insurance, and savings all have an impact on Bangladesh's efforts to reduce poverty |
| 10 | Ullah et al. (2020) | Role of microfinance in poverty alleviation in the least developed area of Pakistan | The primary goal of the research was to ascertain how it affected the reduction of poverty in Pakistan's least developed area | The effectiveness of microfinance in meeting basic requirements, improving living standards, and using microfinance to raise income levels was assessed using regression | The findings showed a strong, significant correlation between microfinance and reducing poverty. According to the report, MFIs should provide training sessions prior to granting credit because the majority of their clients may lack formal education or experience and require business expertise, entrepreneurial abilities, and assistance. |
| 11 | Uddin and Benabderrahmane (2019) | The effect of conventional and Islamic microfinance on poverty alleviation in Bangladesh | The main objective of the research was to assess outreach and credit service availability and suggest improved microfinance services for Bangladesh | Multiple Regression Analysis (MRA), Pearson Moment correlations, and parametric tests like the independent t-test and ANOVA were employed | The study found that loan facilities were accessible and available at microfinance institutions regardless of a client's gender, the kind of company they are involved in, or the community they belong to. |
| 12 | Urga and Shete (2017) | Impact of microfinance on poverty reduction: The case of Gasha microfinance institution | The main objective of the research was to assess how S. Co., a microfinance firm in Gasha, contributed to the fight against poverty | To analyze quantitative data, econometric models and descriptive statistics were used | The results showed that Gasha had positively impacted its client's well-being. All of Gasha's clients, however, were already engaged in a business venture that could bring in enough money to cover the loan balance. Targeting issues had prevented MFIs from reaching the lowest segment of the population, |

| | | | | | |
|---|---|---|---|---|---|
| | | | | | according to the report. |
| 13 | Stanley and Ezeanyeji (2017) | Impact of microfinance banks on poverty alleviation and economic growth in Nigeria. | The main objective of this research was to investigate microfinance banks as a means of reducing poverty and promoting economic expansion in Nigeria between 1992 and 2016 | The Johansen integration test, the Augmented Dickey-Fuller Unit Root test, and the Error Correction Model (ECM) were employed in the study's analysis | The findings of the research indicated that microfinance assets had a major influence on Nigeria's economic development and poverty reduction; deposit liabilities held by microfinance banks had a small but positive effect on these two outcomes; and loans and advances from microfinance banks had a large but negative impact on these two outcomes |
| 14 | Lawanson (2016) | Alleviating poverty through micro finance: Nigeria's experience. | The main objective of the study was to experimentally investigate the linear relationship between microcredit to small enterprises and poverty reduction in Nigeria | An error correction model (ECM) and a multiple time series model were employed for data analysis | This study found that loans to small firms, the main variable of interest, had a positive but negligible effect on the Nigerian human development variable. The coefficients of interest rates, currency rates, inflation rates, and unemployment rates all had a negative and statistically significant effect on the human development variable. |
| 15 | Taiwo et al. (2016) | Microfinance and poverty alleviation in Southwest Nigeria: Empirical evidence. | This study examined the role microfinance played in distributing loans among the working poor and improving living conditions in Nigeria | A loan demand model was specified and assessed using the Ordinary Least Squares (OLS) econometric technique | The study indicated that as microfinance expands and becomes more widely accepted, financial services for the poor will become more accessible, improving efficiency and outreach while cutting expenses. People's standard of living might then increase as a result. |
| 16 | Iqbal et al. (2015) | Impact of microfinance on poverty alleviation: The study of district Bahawal Nagar, Punjab, Pakistan | The main objective of the research was to evaluate how microfinance may reduce poverty while taking into account the elements that influence it | To investigate how microfinance affects poverty, correlation analysis and the three linear regression model are employed. | The study found that microfinance had a positive impact on reducing poverty because of the strong correlation between the independent variable of microfinance and the dependent variables of self-employment, living standards, and basic needs, which all contribute to a reduction in poverty. |

## 2.4 Research Gap

The term "research gap" refers to the difference between existing studies and current research needs. Although some research has been carried out in other developing countries, most of it has been descriptive in nature and none has specifically focused on Nepal. Prior studies often involved small sample sizes, whereas this study seeks to overcome that limitation by including 400 clients. Moreover, earlier literature has usually examined only a few dimensions of poverty alleviation, with only a limited number of studies taking a more comprehensive approach. Additionally, previous research has not simultaneously analyzed the interaction among independent variables like microcredit, savings, training, and microinsurance, nor their collective impact on poverty alleviation. As a result, this study provides a unique perspective compared to past research.

# CHAPTER–III
# RESEARCH METHODOLOGY

Research technique is the methodical process of resolving a problem by methodically documenting, analyzing, interpreting, and reporting the various facets of the phenomena under study. The study methodology of this paper describes the steps and techniques taken at every phase of the inquiry. The five elements of research design are the study framework, variable definitions, sampling design, data sources and nature, data collection tool, population and sample, and analytical procedure.

## 3.1 Research Design

This study adopts both descriptive and causal-comparative research designs. The descriptive design is used to illustrate the development of microfinance and its connection to poverty alleviation. In contrast, the causal-comparative design helps examine the relationships between the dependent variable—poverty alleviation—and the independent variables, namely microcredit, savings, training, and microinsurance. Furthermore, the causal-comparative approach is applied to assess how microfinance impacts poverty alleviation specifically in the Syangja district.

## 3.2 Population and Sample, and Sampling Design

The target population for this survey includes all the clients of microfinance companies in Syangja district. Out of the 450 questionnaires distributed, 400 valid responses are received, making the sample size 400. This study aims to identify the growth of microfinance and impact on poverty alleviation in Syangja district. A non-probability sampling approach, specifically, convenience sampling methods, is utilized for this research.

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

Regarding the data's source, primary sources are often employed to offer pertinent and instructive information. The usage of the primary data source was also a deliberate choice taken throughout the study's analytical phase. 400 respondents in the Syangja district filled out questionnaires to provide this data. Additionally, books in journals, articles, magazines, newspapers, and pertinent online reading materials that discuss the

factors influencing the reduction of poverty in the Syangja region are used as secondary sources of information.

### 3.4 Method of Analysis

This study made use of the clearly comprehensible frequency tables that display the frequency and proportion of each category. To confirm the hypothesis, descriptive analysis is used with regression and correlation analysis.

#### 3.4.1 Descriptive Analysis

Descriptive statistics are used to describe the respondents' demographic characteristics, microfinance resources, and poverty alleviation. The computed mean, standard deviation, frequencies, and percentages are used to describe the variables.

**Mean**

The mean, which is determined by dividing the total number of values by the number of values, is the arithmetic mean of a range of values or quantities. It makes reference to the average that is examined or utilized to determine the main pattern of the data. The arithmetic mean is a widely used and easily understood central tendency statistic. Once all of the population's data points have been added together, divide the total by the number point to determine it. The mean is used in this study to compute the average of the respondents' answers to the various variables in the Likert scale question. For every sample, the average of the replies to the Likert scale question is determined.

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

Where,

$\sum X$= Value of responses of each independent or dependent variable

n = No. of statements

**Standard Deviation**

The standard deviation, which quantifies dispersion, may be used to characterize how much a set of data values change or are dispersed. The variance times the square root of the positive number is one way to express it. One of the characteristics of the standard deviation is that it differs significantly from variance since it uses the same

units of measurement as the data. There is a larger deviation within the data set if the data points deviate further from the mean. Consequently, the standard deviation increases as the data grows. The standard deviation for each sample in this study is determined using the replies on the Likert scale.

$$\text{Standard Deviation (S.D.)} = \sqrt{\frac{\Sigma(X - \bar{X})^2}{n}}$$

Where,

X = Value of responses of each dependent or independent variable

$\bar{X}$ = Mean value of responses of each dependent or independent variable

n = No. of responses

### 3.4.2 Correlation Analysis

The link between two independent variables is shown by the correlation coefficient. It is a technique for figuring out how these two variables relate to one another. A correlation coefficient is present when there is a significant relationship between the two variables or when shifts in the independent variable's value also affect the dependent variable's value. Likert scale responses are correlated to determine the strength of the relationship between independent and dependent variables.

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

Where,

X = Value of independent variable

Y = Value of dependent variable

n = Number of responses

### 3.4.3 Regression Analysis

A statistical technique for determining the degree to which one or more independent variables are connected to one or more dependent variables is regression analysis. It encompasses a broad range of methods for evaluating and simulating several variables to determine their correlations. Regression analysis is used in this study to determine the direction of the association between the independent and dependent variables for each sample based on responses on a Likert scale. The following equation represents the theoretical model of the relationship:

$PA = \beta_0 + \beta_1 MC + \beta_2 S + \beta_3 T + \beta_4 MI + \varepsilon$

Where,

PA= Poverty Alleviation

MC = Micro Credit

S = Savings

T = Training

MI = Micro Insurance

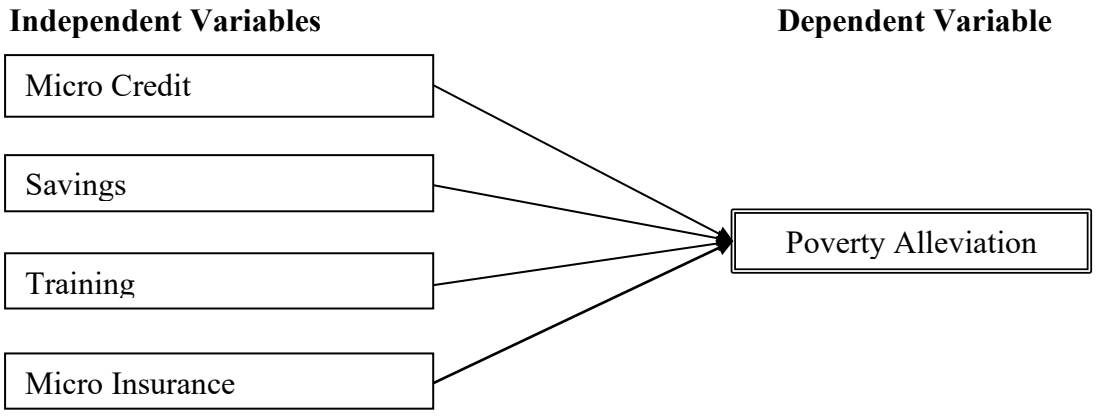
$\beta_0$ = The intercept (constant)

$\beta_1$, $\beta_2$, $\beta_3$ $\beta_4$ = Coefficient of variables

$\varepsilon$ = Error term.

### 3.5 Research Framework and Definition of the Variables

Analyzing and interpreting the dependent variable (reducing poverty) in light of the independent variables (microcredit, savings, training, and microinsurance) is the main goal of the study.




Source: Zaman et al. (2020)

*Figure 1* Research Framework of the Study

**Dependent Variable**

**Poverty Alleviation**

Since poverty alleviation is the outcome or result that the research aims to measure or observe, it is regarded as a dependent variable. Access to microcredit, savings plans, training, and other interventions offered by microfinance institutions (MFIs) are some of the elements that affect it. The extent to which these microfinance initiatives improve income, economic stability, and general well-being determines how much

poverty is reduced. In their research, Iqbal et al. (2015), Zaman et al. (2020), and Chomen (2021) employed poverty alleviation as their dependent variable.

**Independent Variables**

**Micro Credit**

Although microcredit alone can not eliminate poverty, it does play a significant part in helping the impoverished manage their financial situation. This leads us to the conclusion that while these women can enhance their standard of living, sustainability is questionable from a long-term standpoint. In 2020, Zaman et al. discovered that microcredit significantly reduced poverty. In a similar vein, Chomen (2021) found a strong positive correlation between microcredit loans and reducing poverty.

**Savings**

Since savings is one of the main things that microfinance programs try to affect, it is regarded as an independent variable. Participants' saving habits might serve as an indicator of the program's efficacy. Microfinance institutions (MFIs) offer low-income people financial services including insurance, loans, and savings accounts. Zaman and colleagues (2020) discovered that saving significantly reduced poverty. Similarly, Chomen (2021) found a statistically significant positive correlation between poverty reduction and saving.

**Training**

The educational and skill-development initiatives that microfinance institutions (MFIs) offer their customers are referred to as training as an independent variable. These programs seek to provide people the information and abilities they need to enhance their entrepreneurship, money management, and other facets of personal or company growth, especially those from low-income backgrounds. Zaman and colleagues (2020) discovered that training significantly reduced poverty. Similarly, Chomen (2021) found a strong positive correlation between training and reducing poverty.

**Micro Insurance**

According to Churchill (2007), micro-insurance is a type of financial agreement that shields low-income individuals from certain risks in return for recurring premium payments that are commensurate with the risk's likelihood and expense. Mukhtar

(2016) discovered that microinsurance significantly reduced poverty in Sokote State's rural districts. In 2020, Zaman et al. discovered that microinsurance significantly reduced poverty.

# CHAPTER – IV
# RESULTS AND DISCUSSION

As explained in earlier chapters, the main goal of this study is to investigate the development of microfinance and its effects on reducing poverty in the Syangja district. This chapter is structured as follows: the demographic profile, descriptive statistics, and correlation analyses of the study's variables are covered in the first section; the linear regression model's assumptions are fulfilled in the second section; and the regression analysis's findings are presented in the third section. The ratio between the dependent and independent variables is also computed using data analysis algorithms made for ratio scales for additional statistical analysis. Version 26 of SPSS is used to analyze the data.

## 4.1 Results

### 4.1.1 Respondents Demographic Profile

The demographic analysis and interpretation of the primary data gathered via surveys are the main topics of this section. The gender profiles of the respondents are analyzed. Every respondent hail from the district of Syangja.

**Table 2**

*Gender Specification*

| Options | No. of Respondents | Response (percent) |
|---|---|---|
| Male | 224 | 56 |
| Female | 176 | 44 |
| Total | 400 | 100 |

Source: Opinion Survey, 2025

The respondents' gender breakdown is seen in Table 2. Four hundred individuals, all from the Syangja area, provided data for the research. Males make up the majority, as seen by the 56.00 percent male replies. On the other hand, women make up 44.00 percent of the responses. Despite the greater number of male participants, both male and female respondents gave insights into effect of expansion of microfinance and influence on poverty reduction in Syangja area.

**Table 3**

*Age Description of Respondents*

| Options | No. of Respondents | Response ( percent) |
|---|---|---|
| Below 25 | 30 | 7.50 |
| 25-35 | 196 | 49.00 |
| 36-45 | 124 | 31.00 |
| 45 above | 50 | 12.50 |
| Total | 400 | 100 |

Source: Opinion Survey, 2025

Table 3 indicates the age description of respondents and discovered that the 49.00 percent respondent's age majority of the respondents belong to age between 25-35-age groups. The age category of consumers of microfinance organizations that are under 25 has the lowest percentage. The bulk of replies, meanwhile, are middle-aged. Furthermore, of the respondents, 31.00 percent identified as belonging to the 36-45 age group and 12.50 percent as representing the 45 years and above age group. This shows that 87.50 percent of all microfinance consumers or clients are youthful, interested about the industry at the moment, among other factors.

**Table 4**

*Education Level of the Respondents*

| Options | No. of Respondents | Response ( percent) |
|---|---|---|
| Intermediate | 24 | 6.00 |
| Bachelor | 190 | 47.50 |
| Masters | 144 | 36.00 |
| M.Phil. and above | 42 | 10.50 |
| Total | 400 | 100 |

Source: Opinion Survey, 2025

Table 4 illustrates that the profile of responders based on their schooling. Most responders (190, or 47.50 percent) have a bachelor's degree; second most common degree is a master's (144, or 36.00 percent); postgraduate degrees are held by 42, or 10.50 percent; and high school education is held by 24 (6.00 percent). The results imply that most interviewees could read and grasp the questionnaires utilized in this inquiry. As a result, the respondents were able to give appropriate answers and proved that they were aware of the relevance of poverty alleviation in the microfinance companies.

**Table 5**

*Sources of Income*

| Options | No. of Respondents | Response ( percent) |
|---|---|---|
| Wage | 76 | 19.00 |
| Income from farming | 128 | 32.00 |
| Income from business | 172 | 43.00 |
| Income from rent | 24 | 6.00 |
| Total | 400 | 100 |

Source: Opinion Survey, 2025

Table 5 also included information on respondent's sources of income. Out of the 400 respondents, 172 respondents, or 43.00 percent, earned from their business, and 128 respondents, or 32.00 percent, earned form farming. Additionally, it is determined that, of the respondents, 76, or 19.00 percent, did wage and remaining respondents have earned form rent. According to the study's findings, the majority of consumers or clients of microfinance organizations have their own business.

### 4.1.2 Descriptive Statistics Analysis

Descriptive statistics describe and measure the characteristics of the data collected. They do not represent the entire population represented by the sample, but rather a summary of the sample. Descriptive analysis is the study of measures such as maximum and minimum values, and statistical measures such as mean and standard deviation. The descriptive analysis of the data collected through the questionnaire during the research phase is presented in this section. The data are analyzed using mean and standard deviation. The mean value suggests that respondents more agree that the growth of microfinance has a significant impact on poverty alleviation in Syangja district.

### Micro Credit

Descriptive analysis of the effects of micro credit on poverty alleviation in Syangja district is used in this section. This study measures micro credit by four statements, with responses measured on a five-point Likert scale, with 1 being strongly disagreed and 5 being strongly agree. The mean and standard deviation of the responses are calculated to understand the opinions of respondents. The mean value is the overall sentiment of the respondents, and the standard deviation is the variability from the

mean and the mean value is the overall sentiment of the respondents. The following information shows how micro credit affects poverty alleviation in Syangja district.

**Table 6**

*Micro Credit by MFIs*

| Scale Items of Micro Credit | Mean | Std. Dev. |
|---|---|---|
| MC1 I find it easy to access microcredit services | 3.7350 | 1.02587 |
| MC2 Micro-credit has led to improvement of basic needs | 3.8825 | 1.00808 |
| MC3 Since receiving microcredit, my income has increased | 3.9125 | .89266 |
| MC4 Microcredit loans are available at affordable interest rates | 3.7700 | 1.06768 |

*Note.* Appendix-II

Table 6 presents descriptive statistics for four items related to microcredit. The item with the highest average score, 3.9125, is MC3, which states, "Since receiving microcredit, my income has increased." The item with the lowest mean score, 3.7350, is MC1, "I find it easy to access microcredit services." This suggests that respondents felt microcredit helped improve their basic needs and increased their income after accessing it. In terms of standard deviation, MC4 has the highest value of 1.06768, showing the most variation in responses, while MC3 has the lowest standard deviation of 0.89266, indicating the least variation in answers.

**Savings**

Describe how savings can help alleviate poverty in Syangja district. In this study, we measure savings by four items: 1 is very disagreeable and 5 is very agreeable. The responses are measured as a mean and standard deviation to understand the opinions of respondents. The mean value reflects the overall attitude of respondents, and the standard deviation is the amount of variation from the mean and the mean value is the amount of the respondents' overall attitude. The following information shows how saving can affect poverty reduction in Syangja district.

**Table 7**

*Savings by MFIs*

| Scale Items of Savings | Mean | Std. Dev. |
|---|---|---|
| S1 I have easy access to a savings account with a microfinance institution | 3.8250 | 1.00842 |
| S2 Having a savings account with a microfinance institution has made me feel more financially secure | 3.8475 | .98064 |
| S3 The amount of savings made enabled me to improve my lifestyle | 3.7850 | 1.07548 |
| S4 Saving with a microfinance institution has made me feel more confident in managing both loans and savings | 3.7775 | 1.14511 |

*Note.* Appendix-II

Table 7 shows descriptive statistics for four scale items related to savings. Among them, S2, "Having a savings account with a microfinance institution has made me feel more financially secure," has the highest mean score of 3.8475. On the other hand, S4, "Saving with a microfinance institution has made me feel more confident in managing both loans and savings," has the lowest mean score of 3.7775. This indicates that respondents felt a greater sense of financial security from having a savings account with a microfinance institution and that they found it easier to use such an account. In terms of standard deviation, S4 has the highest value of 1.14511, indicating the most variation in responses, while S2 has the lowest value of 0.98064, suggesting less variability in answers.

**Training**

This section uses descriptive analysis to illustrate how training affects poverty reduction in Syangja district. The training is evaluated by four different statements, with responses measured on a five-point Likert scale, with 1 being very disagreeable and 5 being very agreeable. The mean and standard deviation of the responses are calculated to understand the opinions of respondents. The standard deviation is the amount of variance from the mean, and the mean value is the overall feeling of the respondents.

**Table 8**

*Training by MFIs*

| Scale Items of Training | Mean | Std. Deviation |
|---|---|---|
| T1 MFIs provide adequate training opportunities for clients | 3.8700 | 1.01522 |
| T2 The skills I gained from the microfinance training have helped me increase my income | 3.8550 | .99572 |
| T3 The training content provided by the MFIs is relevant to my business or income-generating activities | 3.6850 | 1.07409 |
| T4 The training I received has made me feel more capable of managing my finances and business | 3.8750 | .97043 |

*Note.* Appendix-II

Table 8 presents descriptive statistics for four training items related to poverty alleviation in Syangja district. The item T4, "The training I received has made me feel more capable of managing my finances and business," achieved the highest mean score of 3.8750. In contrast, T3, "The training content provided by the MFIs is relevant to my business or income-generating activities," recorded the lowest mean score of 3.6850. This suggests that respondents felt the training improved their financial and business management skills, and that MFIs are offering relevant training opportunities for their clients. Regarding standard deviation, T3 has the highest value at 1.07409, showing the most variation in responses, while T4 has the lowest value at 0.97043, indicating the least variation in answers.

**Micro Insurance**

Descriptive analysis is used to examine how micro insurance has helped alleviate poverty in Syangja district. This study uses four statements to evaluate micro insurance, with responses measured on a five-point Likert scale, with 1 being very disagreeable and 5 being very agreeable. To understand what respondents think, the mean and standard deviation of the responses are calculated. The standard deviation is the variance from the mean and the mean value is the overall sentiment of the respondents. Micro insurance can help alleviate poverty, as shown below.

**Table 9**

*Micro Insurance by MFIs*

| Scale Items of Micro Insurance | Mean | Std. Dev. |
|---|---|---|
| MI1 MFIs have various micro-insurance covers | 3.7825 | 1.04783 |
| MI2 The premiums for micro insurance are manageable within my budget | 3.6975 | 1.06951 |
| MI3 Micro insurance has helped me manage the financial risks associated with illness or injury | 3.8075 | 1.00397 |
| MI4 I feel confident in making decisions regarding the purchase of micro insurance products | 3.6974 | 1.02157 |

*Note.* Appendix-II

Table 9 presents descriptive statistics for four scale items related to micro insurance. The item with the highest mean score, 3.9075, is MI3, "Micro insurance has helped me manage the financial risks associated with illness or injury." In contrast, MI4, "I feel confident in making decisions regarding the purchase of micro insurance products," has the lowest mean score of 3.6974. This suggests that respondents feel micro insurance has helped them better manage the financial risks related to illness or injury, although they may not feel entirely confident in making decisions about purchasing such products. Regarding standard deviation, MI2 has the highest value of 1.06951, indicating the greatest variability in responses, while MI3 has the lowest value of 1.00397, reflecting the least variation in answers.

**Poverty Alleviation**

Using descriptive analysis to illustrate the state of poverty alleviation, including investment decisions, this section uses investment decisions to illustrate the state of poverty alleviation. Four statements about poverty alleviation are included in the analysis, with responses measured on a five-point Likert scale, with 1 being strongly disagreed and 5 being strongly agree. To capture respondents opinions, the mean and standard deviation are calculated. The standard deviation is a measure of the variance from the mean, and the mean value is a measure of the overall feeling of the respondents.

**Table 10**

*Poverty Alleviation*

| Scale Items of Poverty Alleviation | Mean | Std. Deviation |
|---|---|---|
| PA1 Microfinance has helped me achieve a more stable income | 3.7625 | 1.02407 |
| PA2 Since accessing microfinance, my family's living standards have improved | 3.7950 | 1.05154 |
| PA3 Microfinance has enabled me to meet the basic needs (food, shelter, clothing) of my family | 3.7250 | 1.15443 |
| PA4 Microfinance has had a long-term positive effect on my financial stability | 3.8050 | 1.04389 |

*Note.* Appendix-II

Table 10 displays the individual scale components of poverty alleviation. Among the four items, PA4, "Microfinance has had a long-term positive effect on my financial stability," received the highest mean score of 3.8050. On the other hand, PA3, "Microfinance has enabled me to meet the basic needs (food, shelter, clothing) of my family," had the lowest mean score of 3.7250. This suggests that respondents believe microfinance has positively impacted their financial stability over the long term, although it may have had a slightly lesser effect on fulfilling basic family needs. In terms of standard deviation, PA4 has the highest value of 1.15443, indicating the most variation in responses, while PA1 has the lowest value of 1.02407, reflecting the least variation in answers.

### 4.1.3 Summary of Descriptive Analysis

In Syangja district, the mean value and standard deviation of each dimension are used to assess the growth of microfinance and the impact on poverty alleviation in Syangja district. The cut-off point for interpreting mean values is a mean value of less than 1.5, a mean value of 1.5-2.5, a mean value of 2.5-3.5, a mean value of 3.5-4.5, and a mean value of 4.5 or higher (Creswell, 2012). This assessment indicates the mean scores for each category of variable descriptions that participants received from the researcher.

**Table 11**

*Summary of Descriptive Analysis*

| Study Variables | Mean | Std. Deviation | Evaluation of Mean Score |
|---|---|---|---|
| Micro Credit (MC) | 3.8250 | .79176 | High |
| Savings (S) | 3.8088 | .91766 | High |
| Training (T) | 3.8213 | .79802 | High |
| Micro Insurance (MI) | 3.7463 | .83320 | High |
| Poverty Alleviation (PA) | 3.7719 | .83938 | High |

*Note.* Appendix-II

The study results, shown in Table 11, reveal that the dependent variable, poverty alleviation, has a mean score of 3.7719, indicating a high level of perceived poverty reduction. All independent variables, ranging from 3.7463 to 3.8250, suggest that each microfinance factor contributing to poverty alleviation is also at a high level. Among these factors, micro credit has the highest mean score of 3.8250, followed by savings, training, and micro insurance. The score of 3.8250 for micro credit underscores its central role in this study, indicating that it is viewed as the most influential factor in alleviating poverty. This high score suggests that micro credit is a key component in the respondents' poverty alleviation efforts. Overall, the mean score for poverty alleviation (PA) is 3.7719, while the individual microfinance components—micro credit (MC), savings (S), training (T), and micro insurance (MI)—receive mean scores of 3.8250, 3.8088, 3.8213, and 3.7463, respectively.

### 4.1.4 Correlation Analysis

To examine the expansion of microfinance and its effect on reducing poverty in the Syangja district, correlation analysis is employed. The relationships between the dependent variable of poverty alleviation and the factors that are associated with it are shown in the following tables. Finding the relationships between the variables in this study was accomplished through correlation analysis, and the researcher used SPSS to compute the correlation coefficient values. The evaluation of the general connections between microfinance elements and poverty reduction was the main goal of the correlation analysis.

**Table 12**

*Pearson Correlation Coefficients of Study Variables*

| | MC | S | T | MI | PA |
|---|---|---|---|---|---|
| Micro Credit (MC) | 1 | | | | |
| Savings (S) | .408** | 1 | | | |
| | (.000) | | | | |
| Training (T) | .452** | .642** | 1 | | |
| | (.000) | (.000) | | | |
| Micro Insurance (MI) | .399** | .407** | .335** | 1 | |
| | (.000) | (.000) | (.000) | | |
| Poverty Alleviation (PA) | .646** | .570** | .599** | .638** | 1 |
| | (.000) | (.000) | (.000) | (.000) | |

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

Source: Appendix-III

Table 12 presents the findings of the correlation test for both dependent and independent variables by using a correlation coefficient matrix. The correlation coefficient between microcredit (MC) and poverty alleviation (PA) is 0.646 and p-value is 0.000, which indicates there is +ve and significant correlation between MC and PA. Similarly, the correlation coefficient between savings and poverty alleviation is 0.570 and p-value is 0.000 which shows that there is +ve and significant correlation between savings and poverty alleviation. Moreover, the correlation coefficient between training and poverty alleviation is 0.599 and p-value is 0.000, which means there is +ve and significant correlation between training and poverty alleviation. Moreover, the correlation coefficient between micro insurance and poverty alleviation is 0.638 and p-value is 0.000 which shows that there is +ve and significant correlation between micro insurance and poverty alleviation of microfinance companies in Nepal.

### 4.1.5 Multiple Regression Analysis

The dependent variable (poverty alleviation), which represents the reduction of poverty across various sectors, is examined in relation to the independent variables (microcredit, savings, training, and microinsurance) using a variety of modeling and analytical tools. The impact of each factor on reducing poverty is evaluated with the aid of these tools.

**Table 13**

*Model Summary*

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .819[a] | .671 | .668 | .48356 |

a. Predictors: (Constant), MI, T, MC, S

Source: Appendix-IV

The R-squared value of 0.671 indicates that 67.10% of the variation in the dependent variable—poverty alleviation—is explained by the independent variables: microcredit, savings, training, and microinsurance. Additionally, the R-value of 0.819 suggests a strong correlation between the study variables, implying that poverty alleviation is significantly influenced by these independent factors. The standard error of the estimate, which is an essential component of regression analysis, further supports the reliability of the model.

**Table 14**

*Analysis of Variance (ANOVA)*

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 188.759 | 4 | 47.190 | 201.813 | .000[b] |
| | Residual | 92.362 | 395 | .234 | | |
| | Total | 281.121 | 399 | | | |

a. Dependent Variable: PA
b. Predictors: (Constant), MI, T, MC, S

Source: Appendix-IV

The findings suggest that poverty alleviation is significantly impacted by the independent variables. This is evidenced by the F-value of 201.813 ($p = 0.000 < 0.05$), which indicates the overall model is significant.

**Table 15**

*Regression Coefficient of Independent Variables on Poverty Alleviation*

| Variables | Coefficients | t-statistics | Sig. or p-value |
|---|---|---|---|
| (Constant) | -.408 | -2.724 | .007 |
| micro credit (MC) | .358 | 9.919 | .000 |
| savings (S) | .116 | 3.229 | .001 |
| Training (T) | .254 | 6.184 | .000 |
| Micro Insurance (PA) | .374 | 11.273 | .000 |

a. Dependent Variable: PA

Source: Appendix-IV

Table 15 presents the regression coefficients for microcredit, savings, training, and microinsurance, along with the intercept value for the dependent variable, poverty alleviation. The regression coefficient (β) for microcredit is 0.358, indicating that a one-unit increase in microcredit results in a 0.358-unit increase in poverty alleviation. With a p-value of 0.000, this effect is statistically significant at the 5% level, confirming that microcredit has a significant positive influence on poverty alleviation. Similarly, the regression coefficient (β) for savings is 0.116, suggesting that a one-unit increase in savings leads to a 0.116-unit rise in poverty alleviation. This relationship is also statistically significant at the 5% level, with a p-value of 0.001, indicating that savings likewise has a significant positive impact on poverty alleviation.

Additionally, the regression analysis shows a beta coefficient (β) of 0.254 for training, indicating that a one-unit increase in training leads to a 0.254-unit improvement in poverty alleviation. With a p-value of 0.000, this result is statistically significant at the 5% level, confirming that training has a significant positive impact on poverty reduction. Lastly, the regression coefficient for microinsurance is 0.374, meaning that each one-unit increase in microinsurance corresponds to a 0.374-unit increase in poverty alleviation. This relationship is also statistically significant, as evidenced by a p-value of 0.000. Therefore, microinsurance has a strong positive effect on poverty alleviation in the Syangja district.

**4.2 Discussion**

The primary aim of this study is to explore the development of microfinance and its role in reducing poverty in the Syangja district. It emphasizes key components such as microcredit, savings, training, and microinsurance. The research also examines how these elements relate to poverty reduction. Previous studies and existing literature affirm that microcredit, savings, training, and microinsurance have a direct impact on alleviating poverty. The analysis of the data indicates that microcredit has a significant and positive impact on poverty reduction. This result aligns with the findings of Zaman et al. (2020), who also reported a strong positive link between microcredit and poverty alleviation. Similarly, Chomen (2021) and Lal et al. (2023) support this relationship, although they observed a negative association in their respective studies. In addition, savings demonstrate a positive and statistically significant connection with poverty reduction. This outcome is in line with the research by Zaman et al. (2020) and Chomen (2021), both of whom identified a positive relationship between savings and poverty alleviation. However, this result differs from the findings of Ullah et al. (2020).

The study finds a significant positive relationship between training and poverty alleviation. This result aligns with Zaman et al. (2020), who reported that training has a positive and statistically significant impact on reducing poverty, and is further supported by the findings of Chomen (2021). Likewise, microinsurance also shows a positive and significant association with poverty alleviation. This outcome is consistent with Zaman et al. (2020), who found a similar positive relationship, though it contrasts with the findings of Ullah et al. (2020), who reported an opposing result.

The multiple regression analysis found that microcredit has a significant positive effect on poverty alleviation, consistent with the findings of Zaman et al. (2020). This result also aligns with the studies of Chomen (2021) and Lal et al. (2023), though it contradicts the findings of Mzungweg et al. (2024). Similarly, savings show a significant positive impact on poverty reduction, supporting earlier research by Zaman et al. (2020) and Chomen (2021). Additionally, training is found to have a significant positive influence on poverty alleviation, in agreement with the results of Zaman et al. (2020) and Chomen (2021), though it contrasts with the findings of Ullah et al. (2020). Finally, microinsurance also demonstrates a significant positive effect on reducing

poverty, which is consistent with studies by Zaman et al. (2020) and Hotman et al. (2024) mentioned that micro insurance provided by micro finance companies had significant effect on poverty alleviation.

# CHAPTER – V
# SUMMARY AND CONCLUSION

## 5.1 Summary

The term "microfinance" describes small-scale financial services, mainly insurance, savings, and credit. It provides basic financial services like savings accounts, loans, money transfer services, and microinsurance to the underprivileged. Thus, microfinance is the process of giving financial services like insurance, loans, and savings to low-income individuals in both urban and rural areas who cannot get them from the traditional financial sector. Strategies and policies that lessen the number or percentage of people living in poverty or the negative effects of poverty on the lives of those who are impoverished are referred to as poverty alleviation. Reducing poverty has been a top priority for Nepal's governments over the years since it is thought to be the most widely recognized strategy for fostering economic growth in the nation. Since independence, Nepal has made an effort to combat poverty. The macroeconomic intervention primarily fails to take into account the impoverished in rural areas.

The primary aim of this study is to explore the growth of microfinance and its impact on poverty alleviation in Syangja district. The specific objectives include assessing the availability of facilities in microfinance institutions for poverty alleviation, analyzing the relationship between key factors (micro credit, savings, training, and micro insurance) and poverty alleviation in Syangja district, and examining the effect of these factors on poverty alleviation in the region. To achieve these objectives, the study employs both descriptive and causal-comparative research designs. The descriptive research design is used to provide an overview of the growth of microfinance and its impact on poverty alleviation. In contrast, the causal-comparative design is applied to explore the relationships between the dependent variable (poverty alleviation) and the independent variables (micro credit, savings, training, and micro insurance). The target population for this survey consists of all clients of microfinance companies in Syangja district, with a sample size of 400. A non-probability sampling technique, specifically convenience sampling, is used for this research. Primary data is collected from participants to examine the effect of microfinance growth on poverty alleviation. The study employs SPSS version 26 to conduct descriptive analysis, correlation analysis, and multiple regression. In this study, poverty alleviation is

treated as the dependent variable, while micro credit, savings, training, and micro insurance serve as the independent variables.

According to this survey, consumers or clients think that training and microcredit have a big impact on reducing poverty, which is something they value highly. Microcredit has a strong positive link with reducing poverty, according to the correlation analysis. Savings and reducing poverty are also significantly positively correlated. However, there is a strong positive correlation between training and reducing poverty. Furthermore, microinsurance and reducing poverty are strongly positively correlated. According to the regression analysis, microcredit significantly reduces poverty in the Syangja area. Savings also has a good impact on reducing poverty. Additionally, microinsurance and training both significantly improve the reduction of poverty. In summary, the expansion of microfinance significantly affects the reduction of poverty in the Syangja district.

**5.2 Conclusion**

The study concluded that micro credit, savings, training, and micro insurance are the key facilities offered by microfinance companies for poverty alleviation in Syangja district. Specifically, it finds that clients perceive micro credit and training as having a more significant impact on poverty alleviation compared to the other factors.

The correlation analysis concluded that micro credit has a significant positive relationship with poverty alleviation. Similarly, savings also shows a significant positive relationship with poverty alleviation. Furthermore, there is a significant positive association between training and poverty alleviation. Additionally, the correlation between micro insurance and poverty alleviation is also significantly positive.

The multiple regression analysis indicated that micro credit has a significant positive impact on poverty alleviation. Similarly, savings, training, and micro insurance all have significant positive effects on poverty alleviation. Therefore, the growth of microfinance is shown to have a substantial impact on poverty alleviation in Syangja district.

### 5.3 Implications

Based on the summary and conclusion above, the following implications can be drawn:

- This study found that micro credit, savings, training and micro insurance have the significant positive influence on poverty alleviation. These findings highlight the critical role that microfinance institutions (MFIs) play in poverty alleviation, particularly for individuals who lack access to traditional banking services. Given that microcredit, savings, training, and micro insurance have shown significant positive impacts on poverty reduction, policymakers should intervene and develop strategies to leverage the potential of MFIs as powerful tools for combating poverty.
- The government may use this study to assist develop and review current rules regarding MFIs in order to take into account new problems brought about by shifts in the banking sector. To better address the actual requirements of the underprivileged clients they are intended to assist, microfinance programs must be carefully planned.
- Additionally, this study discovered that microfinance-supported training significantly reduces poverty in the Syangja district. As a result, MFIs may regularly provide trainings, particularly in financial management courses, to help their clients acquire the finest financial management techniques and enhance their businesses, which will raise revenue and reduce poverty.
- Future scholars and investors may find value in the study's findings. This reference manual will be a helpful tool for researchers in the future.
- Based on the aforementioned findings, the researcher suggests that more research be conducted on all MFIs in different regions of the nation. This will guarantee thorough and representative data on how the expansion of microfinance contributes to the elimination of poverty. Additional factors in the model can also be included in future studies.

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