

CHAPTER 1

INTRODUCTION

1.1 Background of the study

Microfinance plays an important role in fighting the multi-dimensional aspects of poverty. Microfinance is an innovation for the developing countries. It provides self-employment opportunity for poor people who are unemployed, entrepreneurs and farmers who are not bankable because of the lack of collateral, very low level of income. It has successfully enabled poor people to start their own business generating income and often beginning to build up wealth. It has the capacity to enhance the socio economic development of the vulnerable and marginalized people, especially women.

Microfinance is a simple but effective credit tool that enables the most poor to pull themselves out of poverty. It involves advancing small loans to the working poor. These loans are usually less than \$200 and made by local organizations called microfinance institutions (MFIs). Microfinance helps the working poor to establish or expand small businesses that generate additional income for the family use. This extra income allows a poor family to buy food, access healthcare, educate their children, put aside savings and lay the foundation for a better future. Microfinance is one of the best alternatives to generate self-employment. It provides services to the communities who have no collateral to offer against the loans they take but have indigenous skills and strong desire to undertake economic activities for self-employment and income generation (Shrestha, 2009).

Microfinance increases household income, which leads to food security, the building of assets, and an increased likelihood of educating children. Microfinance is also a means for self-empowerment. It enables the poor to make changes when they increase income, become business owners and reduce their vulnerability.

“Microcredit, or microfinance, is banking the un-bankable, bringing credit, savings and other essential financial services within the reach of millions of people who are too poor to be served by regular banks, in most cases because they are unable to offer sufficient collateral. In general, banks are for people with money, not for people without” (Maanen, 2004). Microfinance has emerged as an effective poverty alleviation tool

because it is based on the fundamental principle that human beings are motivated to do whatever it takes to make themselves as well as possible.

People in the society are not equally capable and skilful. Therefore, an access, opportunity, right to control over resources should provide these people according to their capabilities. Control over loan, loan related activities, and expenditure of earnings are three kinds of benefits that must be equally shared among male and female members in the family. The question arises whether loanees share the benefits or not.

Microfinance is the provision of savings accounts, loans, insurance, money transfers and other banking services to customers that lack access to traditional financial services, usually because of poverty. Making small loans to individuals who lack the necessary resources to secure traditional credit is known as micro credit.

Microfinance has emerged as an economic development approach to benefit low-income section of the society. Microfinance is a kind of service products viz. savings, credits, training, insurance and social intermediation services such as group formation, development of self-confidence, training in financial literacy and management capabilities among members of a group. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services.

Rapid expansion and diversification of microcredit/microfinance programs have been accompanied by borrowing of the same individual from multiple microfinance institutions. The microfinance industry has experienced a phase of rapid growth during the last decade. Governments are supporting the sector and financial success is continuously attracting new entrants. The increasing competition has strongly changed the characteristics of the microfinance sector. One of the main changes concerns the range of microcredit products and suppliers: borrowers are now able to choose between a varieties of microcredit products from multiple institutions. The freedom to choose between several possible suppliers is considered to be one of the main benefits of competition. It puts pressure on microcredit prices and forces competitors to innovate and to drive down costs. But freedom of choice can also be problematic in a microfinance environment.

Borrowers can simultaneously hold loans from multiple credit suppliers, and thus engage in what is termed multiple borrowing. Multiple borrowing in microfinance is caused by factors from both the demand and supply sides and poses a credible threat to the long-term sustainability of the sector. Multiple borrowing refers to the membership of an individual or a household Faruqee and Khalily (2011), Lahkar and Pingali (2014) and Lutzenkirchen and Weistroffer (2012). When an individual borrows from more than one microfinance institution (MFI), it is called 'individual multiple borrowing,' whereas if more than one person from the same household (normal household unit) borrows from the same or different MFIs, it is known as 'household multiple borrowing' (Faruqee and Khalily, 2011).

1.2 Statement of the problems and research questions

The microfinance institutes are considering the best source of financial services for enhancing the income level of the low income earners in the rural and urban areas. However, it is also shown that microfinance institutions face various types the problem which are not to limited coverage, lack of contribution driven and the organizational structures.

There are several factors that have derided the eminence of microfinance and arguably, multiple borrowing is one of them. In the last years, multiple borrowing has severely hit the microfinance industry in Nepal. Multiple borrowing in microfinance is caused by factors from both the demand and supply sides and poses a credible threat to the long-term sustainability of the sector. The rapid growth of MFIs over the last decade is believed to be one of the most crucial factors behind multiple borrowing or overlapping (McIntosh et al., 2005; Roberts, 2013). The growth of financial institutions plays an important role in promoting multiple borrowing among clients. It has been observed that incumbent MFIs are more aggressive in expanding their business to capture the market and increase their market share (Micro-Credit Regulatory Authority, 2015).

Thus, this study has tried to answer following research questions:

- i. How the supply factors (Growth of MFIs, Strong competition and service quality) affects the multiple borrowing?
- ii. How the demand factors (consumption demand, micro enterprises) affects the multiple borrowing?

1.3 Purposes of the study

The specific purposes of the study are given below:

- i. To analyse the effects of supply factors (Growth of MFIs, Strong competition) in multiple borrowing.
- ii. To analyse the effect of demand factors (Consumption demand, Microenterprises) in multiple borrowing.

1.4 Rationale of the study

Microfinance and its contribution in the economy are significant. This sector contributes to reduce poverty, unemployment and inequality. This sector is self-employment generation and tries to raise living standard of people. Very few researches have been carried out in the case of developing countries like Nepal. But some effort has been made to find out the problem and these efforts are not sufficient. So a fresh and new research is significant.

The study will be mainly significant to the MFIs to identify the customers who are receiving the multiple borrowing from various MFIs. In addition to this, it will also help MFIs to make policies while providing loan to their customers which helps to ignore the multiple borrowing from an individual. Likewise, this study will also help to analyse the various demand and supply factors that affects the multiple borrowing of an individual which ultimately help to find out the proper solution and increase the financial sustainability of the MFIs. This study can be used for other researcher as a reference who wants to study further in this or related areas or to serve as a reading material for anyone who is interested. This study is equally helpful in understanding what is multiple borrowing and what actions should the MFIs take in order to benefit from the opportunities and how to overcome the challenges.

- i. This study aims to find out the actual reason of individual multiple borrowing.
- ii. To understand and present the rationale and impact for multiple borrowing from a client perspective.
- iii. It also helps to policymaker of micro finance related with multiple borrowing.
- iv. This study can be used for other researcher as a reference who wants to study further in this or related areas or to serve as a reading material for anyone who is interested.

1.5 Limitations of the study

This research tries utmost care to cover most of the important sector however it is still subject to limitation. The main limitations of the study in terms of its scope, methods and assumptions are as follows:

- i. The study is based on multiple borrowing membership of microfinance in Pyuthan Municipality, which may not represent the overall scenario of Nepal.
- ii. Due to the illiteracy of respondents the statistical bias may exist.
- iii. Data and information collected from the respondents are based on their opinions and knowledge which may be subject to bias.
- iv. Lack of sufficient literature review regarding this topic in the context of Nepal.
- v. The study only covers limited variables such as supply factors and demand factors and rest of the other variables are ignored.
- vi. The responses might not be very representatives of the population due to sample limitations, area limitations and result cannot be generalized since collected questionnaire is small.

1.6 Chapter plan

The study has divided into five chapters. They are an introduction, literature review, research methodology, presentation and analysis of data and summary, conclusion and recommendations.

Chapter 1: Introduction

This chapter deals with introduction which includes background of the study, statement of the problem, objectives of the study, significance of the study, limitation of the study and chapter plan.

Chapter 2: Literature review

The second chapter presents review of previous related research done on e-banking and customer satisfaction, review of related books, journals, articles, previous unpublished master level dissertation and conceptual framework based on the literature review.

Chapter 3: Research methodology

The third chapter explains the research methodology used in the study. It included research design, population and sampling, types and sources of data collection procedure, data analysis tools, techniques, reliability and validity.

Chapter 4: Results and discussion

This chapter includes data presentation, data analysis, major findings and discussions of the study.

Chapter 5: Summary and conclusions

The last chapter of the report deals with the summary, conclusion and implications. It also offers several avenues for future research. Reference and appendixes have also been incorporated at the end of the study.

CHAPTER 2

LITERATURE REVIEW

2.1 Conceptual review

Review of literature is one of the most important parts of any thesis. Literature review include review of old theses, dissertations, newspapers, magazines and suggestions of experts. This chapter concern on the past event that has be done in the research problem. Literature review is an important topic of the research dissertation. It supported to the researcher to define the problem and choose the appropriate methodology and also give the guide lines for collecting information.

Microfinance is a part of development finance rural or urban targeted toward specific groups of people male or female falling in the lower bracket of society. Microfinance has emerged as an economic development approach to benefit low-income section of the society. Microfinance is a kind of financial and social products viz. savings, credits, training, insurance and social intermediation services such as group formation, development of self-confidence, and training in financial literacy and management capabilities among members of a group. Microfinance is the provision of financial services to low-income clients, including consumers and the self-employed, who traditionally lack access to banking and related services.

Multiple borrowing and the causes of multiple borrowing have recently become a topic of interest among academicians in microfinance. Necessity knows no laws' is the most relevant concerning of the poor. Although the creation of MFIs aims to provide credit for establishing micro-enterprises, borrowers are sometimes forced to borrow from multiple sources due to an urgent necessity to meet financial demands. Behavioral economics has a significant impact on the decision-making of an individual in this regard (Kahneman and Tversky, 1979).In the competitive market, easy screening processes and the relaxation of MFIs' loan standards directly enable borrowers to take loans from various MFIs.

'Supply creates its own demand' is the classical doctrine of economics, known as 'Say's Law,' and it gives us insight into market dynamics, regardless of its poor acceptance Among Keynesian economists (Kates, 2005).growth of financial institutions plays an important role in promoting multiple borrowing among clients. It has been observed

that incumbent MFIs are more aggressive in expanding their business to capture the market and increase their market share (Micro-Credit Regulatory Authority, 2015). The increase of MFIs and their aggressive expansion will most likely result in multiple borrowing.

Multiple borrowing

Multiple borrowing refers to a situation where clients borrow from different institutions at the same time or at regular interval and has the potency of keeping the clients with the financial institution for quite some time (Peprah & Koomson, 2014). According to Diaz et al. (2011), multiple borrowing refers to the practice of availing loans from different sources within the same period. When an individual borrows from more than one financial institution it is called individual multiple borrowing whereas if more than one person from the same household (normal household unit) borrows from the same or different financial institution, it is known as household multiple borrowing (Mia, 2017).

The phenomenon of multiple borrowing is sometimes referred to as overlapping. Any household with more than one membership is termed as household overlapping and any individual member having membership with more than one institute is defined as membership overlapping (Institute of Microfinance, 2012).

Multiple borrowing can result when two different kinds of lenders namely a bank and money lender, service the same population of borrowers (Tassel, 2014). Multiple borrowing is caused by factors from both the demand and supply sides and poses a credible threat to the long-term sustainability of the sector (Mia, 2017). According to Afroze, Rahman and Yousuf (2014) the key reasons for multiple borrowing are clients rustling and loan pushing from the financial institutions side and loan recycling from the borrowers' side. Repayment problems as well as social and economic pressure can drive borrowers into a vicious cycle of taking out more and more loans (Engel, Behmanesh & Johnston, 2014). The causes of multiple borrowing reflect both crisis driven motives as well as opportunity-driven ones (Chua & Tiongson, 2012).

Multiple borrowing can bring benefits to clients, but too much can also bring problems. For instance, multiple borrowing ensures a reliable and steady source of funds to cope with financial pressures.

However, lack of control and discipline in multiple borrowing can lead to over-indebtedness where the borrower takes more loans than she can repay (Diaz & Ledesma, 2011).

Multiple borrowing is a measurement of over-indebtedness and can be used as a proxy for early warnings. Multiple borrowing also represents a person's cycle of debt and a higher risk of loan default. The problem happens in the absence of credit bureaus because borrowers do not know how much they are capable of repaying. The worst-case scenario is when a borrower takes loans to repay existing debt (Mia, 2017).

There could be many motivations for multiple borrowing. A single MFI might not meet all of the client's credit needs. Even if it does, she might join multiple MFIs because interest rates might be lower in the second MFI, loan products might not be structured appropriately for the needs of specific client businesses or different MFIs might offer different products that the client needs, or so that she has a second option in case of default to the first MFI.

Multiple borrowing is caused by factor from both supply and demand sides.

a. Supply Factor

(i) Strong competition and growth of MFIs

In the last three decades, microfinance has captured the interest of academics and policy makers alike. The industry is growing at a significant rate and is becoming to be considered as a subsector of the finance services industry. The growth over the past five years has particularly been unprecedented, which is reported to be 70-100% per annum in some countries. The number of microfinance service providers is also on the rise. With growth of the industry and saturation of markets, increased competition is documented in many countries (Porteous, 2006). Once microfinance institutions are committed to managing business on a commercial basis, competition quickly becomes a hallmark of the environment in which they operate.

Rapid expansion and diversification of microcredit/microfinance programs have been accompanied by borrowing of the same individual from multiple microfinance institutions (MFIs). This phenomenon of multiple borrowing is sometimes referred to as overlapping. According to CGAP, multiple borrowing means that an individual client or household borrowing from more than one Microfinance Institution (MFI) for the

same or similar purpose. The term was first used very broadly to describe similar service provided by more than one NGO within a given geographical area. In recent times, the term is used to indicate multiple microfinance memberships at the level of individual or household.

The economics literature states that competition ensures well-functioning markets, protects consumers, promotes locative and productive efficiency and provides incentives for the development of new products. MFIs were largely operating as a monopolist in the early years (CGAP, 2001; McIntosh et al. 2005). Such a market power is, however, associated with a locative inefficiency, which refers to the welfare losses as a result of high prices a monopolist charge. There is even further loss if the monopolist employs inefficient technology (productive inefficiency). Besides, there may not be pressure to invest in efficient technology and introduce new products (Motta, 2004).

Therefore, it would be reasonable to assume competition can be beneficial in the context of microfinance market as it may result in improved and new financial product designs, better customer services, lower costs and lower interest rates. The other side of the argument is that microfinance market is a distinct market that makes use of soft-information and depends on strong MFI-client relationship. MFIs provide financial services for the poor that are considered not creditworthy by the conventional banks. They are often praised for overcoming the problem of information asymmetry and providing loans without collateral requirements. They do so by establishing strong personal relationship with clients as well as by using other forms of collateral (such as group lending that generates social collateral). Competition and the effort to win clients and expand market share, therefore, may lead to low screening and lending standards. There are some indications of lose MFI-clients relationship with intense competition. Increased competition is also associated with an increase in information asymmetry, which makes it difficult for MFIs to know about the general debt level of clients. This in turn may lead to multiple borrowing, heavy debt burdens, low repayment rates and poor portfolio quality.

A theoretical model developed by McIntosh and Wydick (2005) characterizes the effects of competition between MFIs where increased competition leads to increased information asymmetry. As a number of competing MFIs increase in a market, which

makes information sharing between them challenging, borrowers may engage in multiple borrowing which increases the debt level of clients and the probability of default. This in turn can make worse off borrowers with a single lender since this behavior will create an externality by inciting MFIs to respond to multiple borrowing by adjusting interest rates upward. In a Ugandan microfinance market, which McIntosh et al., (2005) studied, there is a rise multiple borrowing and decline in repayment rate as competition intensifies.

Growth of MFIs play an important role in promoting multiple borrowing among clients. Expanding credit services through the expansion of branches to capture the market is a common practice among the big MFIs due to their high growth strategy. Due to the differences in pricing of microfinance products (based on location and competition level), it may motivate clients to use services from various MFIs and make use of the price gap. MFIs' aggressive growth plans force poaching the existing clients of other MFIs as the members have proved their credit history and they have fair knowledge of joint liability group norms and credit discipline. Expanding credit services through the expansion of branches to capture the market is a common practice among the big MFIs due to their high growth strategy.

(ii) Service quality

Service quality is viewed as either a difference between the expectations and perception of the service or as an attitude based view. According to Parasuraman et.al, (1988) service quality is the customer's judgment of overall excellence of the service or the difference between customer's expectation and the actual service performed or perceived. Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed (Kotler & Keller, 2009). If the expectation is greater than the service performance, perceived quality is less than satisfactory and hence, customer dissatisfaction occurs. If perceived performance is equal or greater than expectations, the customer is satisfied. Customer expectation means uncontrollable factors including past experience, personal needs, word of mouth, and external communication about service (Kotler & Armstrong, 1999). Service quality has been defined in service marketing literature as an overall assessment of service by the customer (Molaei, Ansari & Teimuori, 2013). Service quality in the management and marketing literature

is the extent to which customers' perceptions of service meet and/or exceed their expectations (Zeithaml et al.2006).

The evaluation of service quality results from comparing the perception about received services with prior expectations of what those services should provide (Aghdaie & Faghani, 2012).

b. Demand factor

(i) Consumption demand

Necessity knows no laws' is most relevant concerning the poor community. Many people do not have sufficient income for their daily consumption needs. Although MFI's loans are initially for forming new or expanding old micro-enterprises, not all loans are injected into micro-enterprise. Part of the loan, most likely a major portion of it, will be spent for consumption and only a small percentage will be invested in micro-enterprise (if there is any remaining afterwards).

The lion-share of loans from MFI's are being spent on consumption (Mallick (2012), Sinha and Matin (1998) and Rahman (1999). Similarly, Pearlman (2012) pointed out that in some cases, entrepreneurs use credit as the consumption purpose and left insufficient working capital for running their micro-enterprise operation. The propensity to consume is high and the maximum utility is attained through current consumption rather than in future through investment, particularly for the very hardcore poor. Reciprocally, the marginal propensity to saving is expected to be low and this result in a poor investment record. Additionally, since consumption is autonomous expenditure, people are more prone to borrow from any available sources to fulfill their consumption demand .Borrowers are sometimes forced to borrow from multiple sources due to an urgent necessity to gratify their demand. Behavioral economics has significant impact in the decision making of an individual in this regard (Kahneman and Tversky, 1979).

(ii) Micro- enterprises

Microenterprises are established to provide a means of employment and sustenance by the less privileged society. Microenterprises plays a significant role in the communities in which they exist and they have become fibers, woven into the culture and subculture of many townships.

The generation of self-employment in the form of microenterprises requires working capital. Often, working capital for growing or developing the enterprises is normally raised from informal sources such as family, friends and moneylenders, which is frequently inadequate (Bhasin & Akpalu, 2001). Microfinance therefore provides a platform for microenterprises to raise the capital and become sustainable. Microfinance institutions can support microenterprises by offering financial and business management advisory training. This can help microenterprises to develop business and financial skills required to operate businesses and gain knowledge about preconditions for lending (Karlan & Valdivia, 2010; Mashigo, 2014).

Setting up a new micro-enterprise or expanding an existing micro-enterprise requires a significant amount of financing, but MFI loans are small in size, which motivates borrowers to take multiple loans (Srinivasan and Kamath, 2009). Amounts of loans disbursed by MFIs were insufficient, and clients were allegedly borrowing from other MFIs and money lenders to meet family and business obligations. For supporting growth or a small business, clients may require larger loans than that offered by a single microfinance providers.

2.2 Theoretical review

Borrowing simultaneously from multiple sources is widely prevalent in the microfinance sector. With the increasing percentage of multiple borrowers, policymakers are more concerned with the possible adverse impacts on the demand side. From the supply side, it may result from unethical competitive practices, reckless lending by fast growing microfinance institutions without suitable assessment of client's credit absorption capacities and at the end leading to over-indebtedness and defaults. Borrowing from multiple sources may be caused by their strategy to maintain flow of resources for diverse purposes especially for expansion of business and a small percentage of borrowers use it for repayment purposes. This phenomenon of multiple borrowing is sometimes referred to as overlapping. According to CGAP, multiple borrowing means that an individual client or household borrowing from more than one MFIs for the same or similar purpose. The term was first used very broadly to describe similar service provided by more than one NGO within a given geographical area. In recent times, the term is used to indicate multiple microfinance memberships at the level of individual or household. Any household with more than one membership is

termed as ‘household overlapping’, and any individual member having memberships with more than one institute is defined as ‘membership overlapping’.

Competition has brought with it a number of positives, but it has led to concerns about unethical competitive practices, reckless lending by fast growing MFIs without suitable assessment of client’s credit absorption capacities and multiple memberships leading to over-indebtedness and defaults. There are thus sector-wide concerns about unethical staff and client poaching, violation of the ‘code of conduct’ and reckless lending by fast growing MFIs leading to multiple borrowing.

Thus, there are some specific areas of concern of policymakers about multiple borrowing and these concerns can be described as follows:

- i. At a given time, clients take loan from more than one MFIs in some cases up to 7 MFIs. Without assessing client’s absorption capacity, loans are misdirected, i.e. not used for the
- ii. Productive /income generating purposes stated in the loan application data.
- iii. In order to expand the business arena, MFIs either inadequately check or ignore client borrowing habits. Multiple borrowings springing from such a situation adversely affect the quality of the loan portfolio as clients put themselves at a higher default risk.
- iv. As the proportion of debt rises, borrowers move towards informal sources (friends, relatives, Money lenders etc) for further credit, further aggravating the debt trap. In some cases, borrowers commit suicide because of intolerable financial pressure and mental depression. In such a situation actual impact of microfinance sector become extremely questionable.
- v. The portfolio at risk of MFI increases because of non-repayments and delayed repayments. If the situation moves beyond acceptance level, lenders will rethink their future investments, and it will make it difficult for borrowers to access credit.

2.3 Review of empirical studies

The rapid expansion and diversification of microfinance services have been accompanied by a new trend: individuals borrowing from several MFIs (Mpogole et al., 2012). Indeed, there is sample evidence of multiple borrowing by MFI clients among various sources of informal and semi-formal lending, ranging from

Money lenders and private financiers to formal MFIs (Mpogole et al., 2012). The literature has proposed two different explanations for this (McIntosh et al., 2003). The first is that, ex post, i.e. after the loan has been taken and invested, some unexpected, negative shock may hurt the borrower and their business, making it impossible for them to repay the loan. Thus, a borrower may well decide to take out a second loan to repay the first, dangerously increasing their level of indebtedness. A second motivation for multiple borrowing is that the loan offered is too small to cover the borrower's specific needs.

Few studies found that multiple borrowing has a positive influence on loan repayment and sustainability of MFIs (Krishnaswamy, 2007). But number of studies like the works of Mpogole et al (2012), Chaudhury & Imran (2002), Johnson (2004), Rhyne (2001) and Wisniwski (2010) show that the influence is negative with multiple borrowing.

Chaudhury & Imran (2002) found that there had been dramatically increasing households in Bangladesh those take multiple loans from different MFIs and their repayment rate had been declining. Occurrences like these had been found in Bolivia, Morocco, Bosnia, Herzegovina and Nicaragua (Rhyne, 2001; Wisniwski, 2010). It had been found from different studies that multiple borrowers had increasingly high debt levels and repayment obligations, which they frequently could not bear out because of over-indebtedness.

McIntosh et al. (2003) provided a summary of the impact of multiple loans in Uganda, where they are widely recognized as a problem for microfinance lenders. The results suggest that clients do not abandon the incumbent lender but rather take out several loans, thus adversely affecting repayment to the incumbent. McIntosh et al. (2003) also argued that increased competition among MFI lenders and increased levels of multiple borrowers was a positive development for lenders because it called upon institutional innovation as regards information sharing on clients' indebtedness levels. Information sharing is a necessity to allow proper risk assessment in multiple loan taking cases. Thus, the general consequence of combining deeper credit markets with information sharing through credit bureaus should be that increasing competition among lenders improves repayment performance and puts downward pressure on interest rates to the benefit of MFI clients.

Vogelgesang (2003) discussed that lower repayment rates may lead to less favorable credit conditions for the poorest borrowers, for instance, when interest rates are raised, which may therefore lead them to drop-out from the loan portfolio of the MFI. Vogelgesang (2003) found that multiple loans frequently triggered borrower defaults in Bolivia and also resulted in high interest rates, at least for some clients.

Aghion and Morduch (2005) observed that no well-known study so far had robustly demonstrated a strong impact of microfinance programs on overlapping, or shown that defaulting on loans was caused by multiple borrowing.

Krishnaswamy (2007) argues about the direct positive impact of multiple borrowing on loan repayments. He found multiple borrowers performing equally or better in loan repayment than those who had single loan in the same villages. But this findings is not quite consistent with the other works on the similar topics. A number of occurrences of failure to repay because of multiple borrowing have been found by different researchers which is very much contradictory with the findings of Krishnaswamy (2007). The extent of multiple borrowing between MFI clients in a competitive state in India. The findings of the study found that multiple borrowers had an equal or better repayment records than their single borrowing peers in the same villages. The study also established that repayment performance does not worsen in more competitive locations for most of the MFIs which suggests that good risk management, screening and monitoring by those MFIs and that there was collective behavior in multiple borrowing. The degree of multiple borrowing between MFI clients in a competitive state in India. A higher percentage of multiple borrowers said that gathering more credit was completely their voluntary decision and they used the second loan for investment purposes. The study also found equal or better repayment records of the multiple borrowers than that of single borrowers. The results of this study would point to no significant negative impact of multiple borrowing.

According to Srinivasan (2009), intense competition among MFIs is considered among the root causes of poor people's addiction to microcredit, especially the kind of competition which lowers borrower selection standards, weakens relationships with customers and leads to multiple borrowing and high defaults.

A study by Burki (2010) in Pakistan shows that many borrowers feel the need to take multiple loans to meet their increasing business and consumption expenditures. 23 % of the borrowers surveyed admitted the need to borrow from multiple sources because the current loan size from any one microfinance provider did not meet their business needs. Furthermore, many borrowers felt the need for patching loans due to the declining purchasing power of the average microcredit and the rising cost of living, thus, admitting the need for multiple loans.

As Wisniwski (2010) stated, key reasons for multiple borrowing are clients rustling and loan pushing from the MFIs side and loan recycling from the borrowers' side. There are contradictory results on the effects of multiple borrowing on the borrowers and the MFIs. Wisniwski (2010) found a relationship between over indebtedness as measured by number of credit contracts and risk of default as measured by over 30 day unpaid loans. Individuals with more credit contracts were at a higher risk of defaulting.

According to Khalily and Faridi (2011), multiple borrowing is not a major problem. Poor households always allocate and reallocate resources in response to different shocks. Multiple MFI membership or borrowing benefits these households by minimizing the degree of idiosyncratic or covariate shocks. One strategy is to accumulate a large amount of savings to cope with shocks.

Mpogole et al. (2012) analyzed the incidences of multiple borrowing, reasons for multiple borrowing, and effects of multiple borrowing on loan repayment at Iringa municipality in Tanzania. The findings of the study found that prevalence of multiple borrowing at Iringa in Tanzania was very high and over 70% of the 250 microfinance clients had at least two loans from different MFIs at the same time. The study also found that 16% had also borrowed from individual lenders and the major reasons for multiple borrowing were insufficient loans from MFIs, loan recycling and family obligations. The study also found that over 70% of the respondents had problems in loan repayment because of multiple pending loans.

Lahkar, Pingali, and Sadhu (2014) using a survey dataset collected from Andhra Pradesh, India, we test if multiple borrowing is equivalent to over-borrowing. Results suggest that over-borrowing and multiple loans are not necessarily synonymous. As the number of credit agencies in a village increases, the average loan burden of

villagers does not increase. They find evidence of substitution of formal sources of credit for informal ones with increased presence of formal credit institutions. Such substitution is greater with addition of microcredit institutions than with other formal lending agencies. Their results indicate that joint liability setup seems to ensure that individuals at a greater risk of non-repayment are discouraged from obtaining microcredit.

Boiwa and Bwisa (2014) studied the effects of multiple borrowing on the living standards of microfinance clients at Kenya Women Finance Trust, Trans Nzoia Region. The study used descriptive research design and collected data from 47 clients using structured questionnaires and document analysis. The study research found that the major reasons for multiple borrowing were insufficient loans from MFIs, loan recycling, and family obligations. The study also found that over 70% of the respondents had problems in loan repayment because of multiple pending loans and that education level and number of dependents of the respondent significantly influenced the number of loan contracts. The study also found a strong relationship between multiple borrowing and investment of client's variables and recommended that in order to control the incidences of multiple borrowing Micro finance institution should devise a way of sharing clients' loan information.

Mungure (2015) examined the impacts and causes of loan default to MFIs activities in Tanzania using a case study design. The study focused on the impacts of loan default on MFIs operational costs, income, profit and lending, examining extent in which loan supervision, monitoring and control affects loan repayment, identifying whether multiple borrowing by clients leads to loan default. The study sampled 100 clients and 10 loan officers using simple random sampling and purposive sampling techniques. The study findings revealed that interest rates charged on loans, diverting funds from its intended use, multiple borrowing had a direct impact on repayment.

Ravichandran (2016) analyzed the incidence of multiple borrowing, reasons for multiple borrowing, and effects of multiple borrowing on loan repayment from a sample of 100 respondents. The study collected data using self-developed questionnaires issued to the microcredit borrowers, in depth interviews with microcredit group leaders and MFIs' Manager and staff. The research showed that

the prevalence of multiple borrowing was very high among the respondents as over 80% of the 100 microfinance clients had at least two loans from different MFIs at the same time. The study found that the major reasons for multiple borrowings were loan recycling, insufficient loans from MFIs, and family obligations. The study also found that the age group, number of dependents of the respondent, previous loan settlement and inadequate loan amounts provided by MFIs significantly influenced the number of loan contracts.

The fast growth of microfinance services is leading to the risk of multiple borrowing by clients, which makes governance of the loans being more difficult Johnson (2004) and Krishnaswamy (2007). In fact, multiple borrowing is becoming a common practice for many clients in areas where there is concentration of MFIs (Wisniwski, 2010). According to Wisniwski, some of the causes of multiple borrowing are clients poaching and loan pushing on the MFIs side, and loan recycling from the clients' side.

2.4 Research gap

After reviewing related literatures of the concerned field it is concluded that the result of the findings is not similar over the period of time. Different scholars and researchers have different finding and conclusion in the field of multiple borrowing in microfinance where variables, methodology, data analysis tools, sample and context were also different.

The literature review signified that the microfinance is a developmental tool; it gives financial services to poor, low-income people to improve their economic condition. The microfinance program helps income generating activities to poor and women, which helps to empower them socially and economically towards self-sustain life.

The study mainly focus on microfinance development bank, categorized under D class by NRB and NGO model of microfinance and collected data from 2020 January to 2020 April in Pyuthan municipality. This research selected causes of multiple borrowing as a matter of study, which is majority in population but ignored from the stream of sustainable development of country and dominated by rich. Mainly, this research has taken supply factor and demand factor in multiple borrowing through microfinance. However, this study is entirely new in Pyuthan municipality, Pyuthan district. This research justifies the present work about micro finance.

CHAPTER III

RESEARCH METHODOLOGY

Introduction

Research methodology has been following to achieve the objective of this research paper. The research methodology includes research design, population and sample, sources of data, data collection, and processing procedure and data analysis tools and techniques.

This study based on the descriptive and correlational study in order to achieve the objective of the study. The relevant and needed data has collected through journals, newspaper, periodicals, bulletins, magazine's, published and unpublished reports from various sectors. Similarly, the primary data can be collected through sample survey, questionnaire, observation, direct interview as well.

3.1 Research design

To conduct the research and realize the above mentioned objectives this research adopted descriptive and explanatory research design. In this study, the approach can employed to established how variables such as demand factors and supply factors. The main aim of descriptive research is to provide an accurate and valid representation of the factors or variables that pertain to the research questions. As this research topic is based on multiple borrowing membership on microfinance of Pyuthan municipality. Explanatory research focuses on explaining the aspect of the study in a detailed manner. Similarly, descriptive research describes individual's perception and demographics to the multiple borrowing on the member clients involved in microfinance institutions at Pyuthan municipality, Pyuthan district.

3.2 Population and sample

Population is a well-defined or a set of people, services, elements, and events, group of things or households that are being investigated (Cooper & Schindler, 2009). This study targeted a population of 1200 clients involved in microfinance in Pyuthan municipality, Annual report (2076).

A sample design is a definite plan determined before any data are actually collected for obtaining a sample from a given population. According to Cooper and Schindler (2009) the sample should be optimum and an optimum sample is one, which fulfills the requirements of efficiency, representativeness, reliability, and flexibility. Thus, a sample was selected using the Yamane's (1967) formula. The sample were randomly selected using the simple random sampling technique.

$$n = \frac{N}{1 + N(e^2)} \text{ Thus: } n = \frac{1200}{1 + 1200(0.1^2)} = 92$$

where

n=sample size

N=Population (1200)

E=expected error (0.1)

The minimum required sample size was 92, but the researcher has taken 120 as a sample which may represent to the population. The study has been based on primary data. Primary data is used as a convenience sample survey through questionnaires of 120 members of microfinance in Pyuthan Municipality, Pyuthan district.

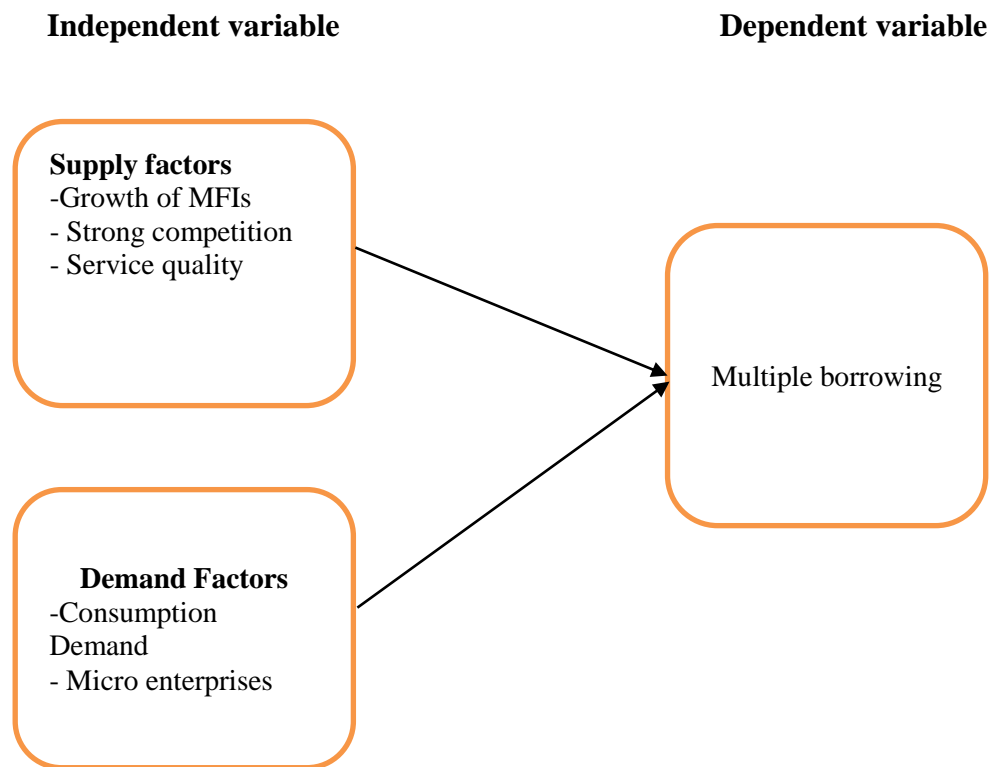
3.3 Sources of data

The questionnaires has been structured in two sections. It also try to find out the level of financial knowledge of respondents. The questionnaires include both five point Likert scale questions and multiple choices question and option based questions.

3.4 Theoretical framework

Microfinance and its contribution in the economy are significant. This sector contributes to reduce poverty, unemployment and inequality. This sector is helping self-employment generation and tries to raise leaving standard of people. Very few researches have been carried out in the case of developing countries like Nepal. But some effort has been made to find out the problem and these efforts are not sufficient. So a fresh and new research is significant. Economic impact assessment refers to the effects of MFP on respondent's economic aspects. The program helps not only the loaners but also their family members and the community. The impact assessment is made here on different headings.

This study seeks to examine the causes of multiple borrowing in microfinance in Pyuthan municipality. The independent variable is demand factor and supply factor while depend variable is multiple borrowing.



Source: (Mia, 2017).

3.5 Data collection and procedure

The response categories, tabulated, processed, and analyzed, using different methods. Frequency distribution means and standard deviation calculated. To test the hypothesis, multiple regression analysis has been use.

The method use stepwise regression in order to find out checking the causal association between dependent and independent variables. SPSS software application has been used for interpreting data.

3.6 Data analysis tools and technique

This study is based on both descriptive and causal approach. Statistical analysis tools also are used. The following techniques have also been followed in analyzing the data:

- i. Collection of relevant information
- ii. Classification and tabulation of data
- iii. Analyze and interpret the data various statistical tools can be used;
- iv. Identification of data suited to fulfil purpose of the study;
- v. Derived conclusion based on analyzed data.

3.7 Statistical tools

In this research the following statistical tools are used to find the objective of the research. The statistical tools are mean, standard deviation, correlation coefficient and regression analysis is used to analyze of research whereas table and graphs are also used to representation of analysis.

SPSS software application has been used for interpreting data.

I. Mean

The average measures condense a huge unwieldy data into a single value which represents the entire data. Since an average represents the entire data, its value lies between the two extreme observations, i.e. the largest and the smallest items in case of this paper i.e income specifically represents. Hence Average represents the central value among large data. Average represents whole data in equal distribution although it is not actual value. Thus mean is calculated by the given formula.

$$\bar{X} = \frac{\sum fx}{f}$$

Where \bar{X} = mean, f = frequency, $\sum fx$ = sum of the multiplication of frequency and no. of observation.

II. Standard deviation

The standard Deviation is powerful and useful measuring tools in dispersion in order to measure the size of deviation from the average. Standard deviation is the positive square root of the average mean of the squares of the deviations of the given observations from their mean. It is denoted by sigma (σ). Thus, if X_1, X_2, \dots, X_n is a set of n observations then the standard deviation is given by:

$$\sigma = \sqrt{\frac{1}{n} \sum (X - \bar{X})^2}$$

Where n = Total number of observations

III. Correlation analysis

This statistical tool has been used to analyze, identify and interpret the relationship between two or more variables. It interprets whether two or more variables are correlated positively or negatively. Statistical tool analyses the relationship between independent variables and dependent variables.

For the purpose of decision- making, interpretation is based on following term:

Assumptions

If $r = 1$, there is a positively perfect correlation between the two variables.

If $r = -1$, there is a negatively perfect correlation between the two variables.

If $r = 0$, the variables are uncorrelated.

The nearer the value of r to $+1$, the closer will be the relationship between the following variables and the value of r , the lesser will be the relation (Bajracharya, 2057).

Karl Pearson's correlation coefficient has been used to find out the relationship between the following variables.

Coefficient correlation of multiple borrowing.

Correlation coefficient between supply factors(X) and demand factors (Y).The main purpose of calculating correlation coefficient is to justify whether the microfinance services are significant role with multiple borrowing.

Karl Pearson's correlation coefficient (r) can be obtained as:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{[n\sum x^2 - (\sum x)^2][n\sum y^2 - (\sum y)^2]}}$$

Where, X , Y are the sample mean.

IV. Regression analysis

The general purpose of multiple regressions is to learn more about the relationship between several independent or predictor variables and a dependent or criterion variable. In statistical modeling, regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. A correlation analysis can only tell whether or not a strong relationship exists between two variables.

But even if a correlation coefficient indicates that a strong relationship exists between two variables, the exact shape of the relationship between the two variables cannot be determined. In this case, regression analysis provides more information about the slope of the relationship. It is used to describe the nature of a relationship and to make predictions. Multiple regressions were used to explore the impact of independent variables growth of MFIs, strong competition, service quality, consumption demand, and micro-enterprise on dependent variable: multiple borrowing.

Statistically regression equation can be written as:

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_j$$

Where,

\hat{Y} = Multiple borrowing (dependent variable)

X_1 = Growth of MFIS

X_2 = Strong competition

X_3 = service quality

X_4 = consumption demand

X_5 = Micro enterprise

α = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$ = Regression coefficients of Factor 1 to Factor 5 respectively

e_j = Error term

38 Variables and measurement

Basically in this research the variables are classified into three categories they are:

- i. Supply factors
- ii. Demand factors

Measurement

This research is pure based on primary data so the research follows the descriptive and exploratory research design. The questionnaire had include both five point Likert scale questions such as strongly disagree, disagree, neutral, agree and strongly agree and multiples choice question and option based question.

39 Reliability and validity test

The purpose of the validity and reliability analysis is to determine whether data are trustworthy or not. The designed questionnaire is finalized before requesting the respondents to participate. For the reliability test, Cronbach's Alpha was calculated for this questionnaire. It is generally used as a measure of internal consistency or reliability. If the calculated Cronbach's alpha is above 0.7, then the collected data are considered to be reliable. It is typically associated with internal consistency with values ranging from 0 to 1. Cronbach's Alpha coefficient less than 0.6 is considered as 'poor'; greater than 0.6 but less than 0.8 is considered 'acceptable' and greater than 0.8 is considered 'good' Sekaran (2000). Here, Cronbach's Alpha of Corporate Governance are considered as good, since they are greater than 0.8. Therefore, the instruments used in this research are considered to be reliable.

Topics	No. of item	Cronbach's Alpha
Growth of MFIs	3	0.686
Strong competition	3	0.871
Service quality	4	0.796
Consumption demand	4	0.705
Micro-enterprises	4	0.839
Overall	5	0.673

Source: SPSS

Thus, the calculated reliability test is above the 0.6 hence the data are considered as acceptable.

CHAPTER 4

RESULTS AND DISCUSSION

This chapter four present the results and discussion section of the study. For the purpose the data were collected and appropriate statistical tools have been applied to obtain the results to deal with how microfinance is playing the vital role in shaping the study based on the one hundred twenty observation of the people involved at microfinance located at Pyuthan municipality, Pyuthan Nepal.

The result section explains the output of the primary data obtained from the questionnaire with the respondents that focuses the respondents profile gender, age group, marital status, educational status, occupation and monthly income level and relationship between the dependent variable measured by multiple borrowing and independent variables are supply factors (growth of MFIs strong competition and service quality) and demand factors (consumption demand and micro- enterprises).

4.1 Data presentation and analysis

4.1.2 Analysis of respondent's profile

The respondent's profile has been measured in terms of gender, age group, marital status, occupation and monthly income level status of the people under study are discussed separately as follows.

4.1.3 Gender of respondents

The respondent's profile regarding the gender of the clients which has been categorized in three different gender groups.

Particular	Frequency	Percent
Male	38	31.7
Female	82	68.3
Others	0	0
Total	120	100

Source: Field Survey 2020

Table 4.1 clearly showed that out of the total 120 clients from Pyuthan municipality, depicts the gender of the clients taken under study. Observing the gender structure of sample respondents, it was found most of the respondents were female. It shows the frequency table of gender group of members of microfinance where male

(31.7%), female (68.3%) and others (0%). Thus, findings of the study can be generalized in the gender group only.

4.1.3 Age of respondents

The respondent's profile regarding the age group of the clients which has been categorized in four different age groups: age group belonging to below 30, 30 to 40 years of age, 40 to 50 years of age and above 50 years of age.

Table 4.1 Age Group of Respondents

Particular	Frequency	Percent
Below 30	33	27.5
30-40	37	30.8
40-50	33	27.5
Above 50	17	14.2
Total	120	100.0

Source: *Field Survey 2020*

Table 4.2 clearly showed that out of the total 120 clients from Pyuthan municipality, depicts the age of the clients taken under study. Observing the age structure of sampled respondents, it was found that most of the respondents were in the age group of 30-40 years of clients are participation. It shows frequency table of age group of members of microfinance where the highest age group is 30-40 years. Thus it is noted that, the majority of clients (30.8%) who are engaged in microfinance activities and following with 40-50 age group of clients and below 30. It is know that the potential group of age is 20 to 50. This study covers the opinion of the women from the age of 30 and above. Thus, findings of the study can be generalized in the same age group only.

4.1.4 Marital status of respondents

The Table 4.3 present the marital status of women taken the study. The marital status of the sampled has been segmented into three groups as single, married and others.

Table 4.2 Marital status of respondents

Particular	Frequency	Percent
Single	31	25.8
Married	71	59.2
Others	18	15
Total	120	100.0

Source: Field Survey 2020

Table 4.2 showed that out of the total clients married clients had married 59.2% participation in microfinance services. It meant that married clients were more likely to take loan from microfinance to be micro entrepreneurs to generate empower to their life. This study covers the opinion of the clients from the married client's status. Thus, findings of the study can be generalized in the same marital status clients group only.

4.1.5 Education status of respondent

Education plays key role for the empowerment of every people in society and helpful for the improvement of economic status. Educating and providing awareness among people is itself on of the most importance program.

The Table 4.3 presents the educational status of client taken under the study. The educational level of the sampled people has been segmented into six groups as illiterate, literate only, below SLC/SEE, SLC/SEE, certificate/+2 and bachelors and above education.

Table 4.3 Education of respondents

Particular	Frequency	Percent
Illiterate	6	5
Literate only	12	10
Below SLC/SEE	40	33.3
SLC/SEE	28	23.3
Certificate/+2	21	17.5
Bachelors and above	13	10.8
Total	120	100.0

Source: Field Survey 2020

Table 4.3 shows that majority of client were implicitly seen to be under SLC (33.3%). Almost all the client of the microfinance were under SLC, it meant that client who were less educated were more likely to take loan from microfinance to improve lifestyle. The clients with illiterate were 5% and client with literate only were 10% and client with SLC/SEE were 23.3% and certificate/+2 level were 17.5% and client with bachelors and above were 10.8%. From this it can be analyzed that educated client seems to be self-sustained, they seem to be independent and can run their family in a good way in any situation in comparison to the less educated client. Educated client are capable and qualified educationally to get engaged in any fields and areas of their expertise. Less educated client are not capable and qualified enough so they are dependent upon the microfinance service for uplifting their livelihood. This study covers the opinion of the client from the under SLC educational status client. Thus, findings of the study can be generalized in the same educational status group only.

4.1.6 Occupation status of respondents

The Table 4.2 present the occupation status of client taken the study. The occupation status of the sampled has been segmented into six groups as agriculture, business, labour/daily wages, job, self-employed and housewife.

Table 4.4 Occupation of Respondents

Particular	Frequency	Percent
Agriculture	45	37.5
Business	24	20
Labor/daily wages	15	12.5
Job	21	17.5
Self employed	10	8.3
Housewife	5	4.2
Total	120	100.0

Source: Field Survey 2020

Table 4.4 shows that it was found that majority of the respondents (37.5%) had taken loan from microfinance in order to start improved agriculture, poultry farming, vegetable production, buying seeds and fertilizers. While among total number of

respondents, 20% of client were found to take loan from microfinance for the purpose of starting business. Likewise only 17.5% of client had been doing job in different organization in the lower post like sweeper, gardener had taken loan and 12.5% were labour in local area and self-employed were 8.3% and housewife were 4.2%. Client having profession agriculture had most involvement in microfinance because microfinance supports them for improved farming by providing interests at lower rates. Business start-up requires huge investment so only few client take loan for business set up. This study covers the opinion of the women from the business and occupational. Thus, findings of the study can be generalized in the same age group only.

4.1.7 Income status of respondents.

Table 4.5 Income Level of Respondents

Particular	Frequency	Percent
Less than 10000	58	48.5
10001-20000	32	26.7
20001-30000	11	9.2
Above 30001	19	15.8
Total	120	100.0

Source: Field Survey 2020

From the table 4.5 it has been seen that most of the client's income level were less than 10000. Client having lower income level were (48.5%) which means that women having income level is more preferable to be a part of microfinance services. 26.7% client's monthly income level were in the range of Rs.10001 to 20000. The level of income of the client doing business were above 30000 were 15.8% which means that those client who had been doing job as well as business by taking loan through microfinance were having high income than those of the client who were involved in agriculture 48.5% client who had been taking microfinance services. Looking into the overall responses regarding income level most of the client were from the lower income group. The women having income more than 20000 has most involvement in the microfinance because the income is enough to handle the family well-being and thus has to be dependent on the microfinance for increasing their life status.

4.1.8. Multiple borrowing of respondents

Table 4.6 multiple borrowing of respondents

Particular	Frequency	Percent
1	0	0
2	2	1.7
3	71	59.2
4	47	39.2
Total	120	100.0

Source: Field Survey 2020

From the table 4.6 shows that, the majority of respondent 59.2% had borrowed loan from 3 MFIs while among total number of respondents 39.2% clients were found to borrow from 4 MFIs. Likewise only 1.7% client had borrowed from 2 MFIs.

It can be analyzed that major number of clients are involved in the multiple borrowing from more than 2 MFIs.

4.2 Position of respondents

This section deals with the analysis of the data collection through the questionnaires during the research process. The data characteristics have been analyzed in terms of minimum and maximum value, mean value and standard deviation of each of the variables: growth of MFIs, strong competition, service quality, consumption on demand and micro-enterprises. These values helps researcher to analyze the data with respect to frequencies and aggregation relating to research questions and variables. For this purpose, 'Five Point Likert Scale' questions were asked to the respondents which scaled from "strongly disagree = 1" to strongly agree =5" Number of respondents in each question item was 120. Questions related to each determinants and their descriptive statistic are shown following.

4.2.1 Descriptive Analysis of Growth of MFIs

This section shows the descriptive analysis of the growth of MFIs..

Table 4.6 Analysis of growth of MFIs

Particular	N	Mean	Std. Deviation
The number of MFI is rapidly increasing	120	3.75	1.047
My friends and relatives motivated me to join another MFI.	120	2.96	1.032
MFIs staff frequently requested me to join their MFI.	120	3.23	0.884
Summited mean	120	3.31	0.988

Sources: SPSS

Table 4.6 exhibits the descriptive statistics of an individual item related to the growth of MFIs. This table shows the respondents perception regarding the use of growth of MFIs.

The statement growth of MFIs helps to generate income generating activities which in turn helps in the number of MFI is rapidly increasing have a mean score of 3.75 and standard deviation 1.047 which explains the respondents were more than the average with the statement. My friends and relatives motivated me to join another MFI mean score of 2.96 and standard deviation 1.032 where the opinion suggested that they agreed with it. MFIs staff frequently requested me to join their MFI of mean 3.23 and standard deviation 0.884. The client of the microfinance institution were more than the average as to whether growth of MFIs being provided helps in the overall impact of multiple borrowing.

The mean value of growth of MFIs is 3.31, which indicate that there is consistency in responses of the respondents on the specified Likert scale item.

4.2.2 Descriptive analysis of strong competition

This section shows the descriptive analysis of strong competition.

Table 4.7 Analysis of strong competition

Particular	N	Mean	Std. Deviation
There are better deposit schemes in other MFIs.	120	3.23	0.817
The deposit interest rate provided by other MFIs is higher.	120	3.35	0.958
The loan interest rate provided by other MFIs is lower.	120	3.16	0.820
Summited mean	120	3.25	0.865

Sources: SPSS

Table 4.7 exhibits the descriptive statistics of an individual item related to the strong competition of client. This table shows the perception of the clients taken under study regarding the use of strong competition.

However the micro finance program helps to increase the income level of MF members. There are better deposit scheme in other MFIs, the deposit interest rate provided by other MFIs is higher, the loan interest rate provided by other MFIs is lower, these research question have also above the mean value i.e. 3.23, 3.35 and 3.36. Thus the mean value is in agree response and the standard deviation are 0.817, 0.958 and 0.820 respectively which is less variability.

The mean value of strong competition is 3.25, which indicate that there is consistency in responses of the respondents on the specified Likert scale item.

4.2.3 Descriptive analysis of service quality

This section shows that the descriptive analysis of respondents view regarding the service quality.

Table 4.8 Analysis of Service Quality

Particular	N	Mean	Std. Deviation
Staffs are frank and professional in other MFI.	120	3.50	0.745
I can get loan in very short time period.	120	3.44	0.797
I can get loan with short process.	120	3.42	0.816
Loan can be taken easily when necessary.	120	3.27	0.807
Summited mean	120	3.41	0.791

Source: SPSS

Table 4.8 exhibits the descriptive statistics of an individual item related to the service quality of client. This table shows the respondent's perception regarding the use of MF. The statement relating to the service quality received from the staffs are frank and professional in other MFI have a mean score of 3.50 and standard deviation 0.745 which states the tendency of agreeing with the statement. I can get loan in very short time period have a mean score of 3.44 with standard deviation 0.797. I can get loan with short process have mean score of 3.42 and standard deviation 0.816. Loan can be taken easily when necessary have mean score 3.27 with standard deviation 0.807.

The mean value of service quality is 3.41, which indicate that there is consistency in responses of the respondents on the specified Likert scale item.

4.2.4 Descriptive analysis of consumption demand

The descriptive analysis of respondents view regarding the consumption demand of multiple borrowing is presented in the following table.

Table 4.9 Analysis of consumption demand

Particular	N	Mean	Std. Deviation
Daily consumption expenditure is increasing.	120	3.29	0.803
To meet the emergency need, multiple borrowing is useful.	120	3.29	0.854
Education expenditure of children's is increasing	120	3.13	0.762
Enhances health care and facilities	120	3.33	0.712
Summited mean	120	3.26	0.783

Source: SPSS

Table 4.9 exhibits the descriptive statistics of an individual item related to the multiple borrowing through microfinance. This table shows the respondent's perception regarding the use of MF.

The statement relating to the daily consumption expenditure is increasing have mean score of 3.29 and standard deviation 0.803 which states the tendency of agreeing with the statement. To meet the emergency need, multiple borrowing is useful have a mean score of 3.29 with standard deviation 0.854. Education expenditure of children is increasing have mean score of 3.13 and standard deviation 0.762. Enhance health care and facilities have mean of score of 3.33 and standard deviation 0.712.

The mean value of consumption demand is 3.26, which indicate that there is consistency in responses of the respondents on the specified Likert scale item.

4.2.4 Descriptive analysis of micro- enterprises

The descriptive analysis of respondents view regarding the Micro- Enterprises of multiple borrowing is presented in the following table.

Particular	N	Mean	Std. Deviation
Loan Provided by one MFI to start new venture is not enough.	120	3.24	0.778
I need additional fund for the expansion of my business.	120	3.41	0.804
Multiple borrowing supports to grow business.	120	3.34	0.874
I can get advantages to cycle loan from multiple borrowing.	120	3.48	0.809
Summited mean	120	3.37	0.816

Source: SPSS

Table 4.9 exhibits the descriptive statistics of an individual item related to the multiple borrowing through microfinance. This table shows the respondent's perception regarding the use of MF.

Loan provided by one MFI to start new venture is not enough have mean score of 3.2 and standard deviation 0.778 which states the tendency of agreeing with the statement. I need additional fund for the expansion of my business have a mean score of 3.41 with standard deviation 0.804. Multiply borrowing supports to grow business have mean score of 3.34 and standard deviation 0.874. I can get advantages to cycle loan from multiple borrowing have mean of score of 3.48 and standard deviation 0.809.

The mean value of Micro-Enterprises is 3.37, which indicate that there is consistency in responses of the respondents on the specified Likert scale item.

4.3 Correlation analysis

Pearson's correlation analysis has been carried out to analyze the degree of relationship between two or more variables and to know to what extent variables under study are correlated to each other. A positive correlation reveals that the direction of the relationship is positive with one increasing in reaction to the other's increase. Meanwhile a negative correlation reveals that an inverse which is increase in one variable when there is decrease in other. This also addresses other technical issues that might occur in calculating a multiple regression model.

The correlation analysis of the dependent and independent variables have been carried out separately.

4.3.1 Pearson correlation coefficient for multiple borrowing

The correlation analysis of multiple borrowing with regards to the independent variables growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises has been carried out in this part. The result of correlation analysis in table 4.10 indicates that the data shows a positive relation between dependent and independent variables.

The table present the Pearson correlation coefficient of multiple borrowing and independent as well as among independent variables taken under study. It compares the sign with prior expectation which also helps in regression analysis. The proxies of independent variable taken under study are growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises being provided by the microfinance institutions.

Table 4.10 Correlation Analysis of Multiple borrowing and Independent Variables

	Multiple borrowing	Growth of MFIs	Strong competition	Service quality	Consumption demand	Micro-enterprises
Multiple borrowing	1					
Growth of MFIs	0.597** (0.000)	1				
Strong competition	0.590** (0.000)	0.393** (0.000)	1			
Service quality	0.589** (0.000)	0.268** (0.000)	0.449** (0.000)	1		
Consumption demand	0.343** (0.000)	0.059 (0.523)	0.109 (0.235)	0.188* (0.040)	1	
Micro-enterprises	0.626** (0.000)	0.303** (0.001)	0.355** (0.000)	0.407** (0.000)	0.373** (0.000)	1

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

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

Sources: SPSS

Table 4.10 shows the results of the Pearson's correlation coefficient between multiple borrowing one of the indicator of multiple borrowing and independent variables taken under study. The result demonstrates all the independent variables have positive and significant relationship with dependent variable at 1 percent level of significant.

From the table 4.10 it can be seen that there is a significant correlation between multiple borrowing with growth of MFIs i.e. ($r=0.597$). This implies that increase in growth of MFIs increase in multiple borrowing of microfinance member. Thus there is a significant relationship is significant at 1 percent level of significance.

The correlation coefficient between strong competition and multiple borrowing is ($r=0.590$). This shows that there is significant relationship which suggests that an increase in also leads towards increase in strong competition. The correlation is significant at 1 percent level of significance.

Furthermore there is a highly positive relationship between service quality and multiple borrowing ($r=0.589$). Thus it can be said that the service quality leads to multiple borrowing of Microfinance members. The correlation is significant at 1 percent level of significance.

There is a low positive relationship between consumption demand and multiple borrowing ($r=0.343$). Thus it can be said that the consumption demand leads to multiple borrowing of Microfinance members. The correlation is significant at 1 percent level of significance.

Furthermore there is a highly positive relationship between micro-enterprises and multiple borrowing ($r=0.626$). Thus it can be said that the micro-enterprises leads to multiple borrowing of Microfinance members. The correlation is significant at 1 percent level of significance.

4.4 Regression analysis

Regression analysis determines which independent variable explain variability in the outcome, how much variability in dependent variables is explained by independent variables and which variables are significant (over other variable) in explaining the variability of the dependent variable. Linear regression were used to explore the impact of independent variables. Univariate, bivariate and multivariate regression model was applied to determine the form of relationship between the variables.

Regression analysis was done to find out the effect of predictors on the dependent variable. Linear regression were calculated and presented with F and t-value.

Multiple Linear Regression Model

$$\hat{Y} = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e_j$$

Where,

\hat{Y}	=	Multiple borrowing (dependent variable)
X_1	=	Growth of MFIs
X_2	=	Strong competition
X_3	=	Service quality
X_4	=	Consumption demand
X_5	=	Micro-enterprises
α	=	Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5 =$ Regression coefficients of Factor 1 to Factor 5 respectively

$e_i =$ Error term

Table 4.11 Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.846*	0.716	0.704	0.28290

Sources: SPSS

a. Predictors: Growth of MFIs, Strong competition, Service quality, Consumption demand and Micro-enterprises.

Model summary indicates that the R- square also known as coefficient of determination which can help in explaining variance. The R^2 value of 0.716 in table 4.11 indicates that the model explains that 71.6% of independent variables are responsible for multiple borrowing. However, the remaining 28.4 % is still unexplained in this research. Model summary also indicates the standard error of the estimate of 0.28290 which shows the variability of the observed value of multiple borrowing from regression line is 0.28290.

Table 4. 12 ANOVA analysis

Model	Sun of Square	Df	Mean Square	F	Sig
Regression	23.001	5	4.600	57.481	.000
Residual	9.124	114	0.080		
Total	32.125	119			

Sources: SPSS

Dependent variable: Multiple borrowing.

Predictors: Growth of MFIs, Strong competition, Service quality, Consumption demand and Micro-enterprises.

The ANOVA test shows that the calculated p-value, 0.000, which is lesser than alpha value 0.01. Therefore, the model is a good predictor of the relationship between the dependent and independent variables. As a result, the independent variables (growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises) are significant in explaining the variance in multiple borrowing.

Coefficients analysis

Table 4.13 Coefficients analysis of multiple borrowing

Model	Unstandardized Coefficients		Standardized Coefficients Beta	T	Sig
	Beta	Std. Error	Beta		
(Constant)	0.230	0.206		1.117	0.266
Growth of MFIs	0.232	0.037	0.347	6.252	0.000
Strong competition	0.149	0.040	0.222	3.728	0.000
Service quality	0.211	0.049	0.253	4.319	0.000
Consumption demand	0.131	0.049	0.144	2.676	0.009
Micro-enterprises	0.221	0.047	0.285	4.741	0.000

Source: SPSS

- a. Dependent Variable: Multiple borrowing
- b. Independent variable: Growth of MFIs, Strong competition, Service quality, Consumption demand and Micro-enterprises

On the basis of above findings, the following model has been developed.

$$\hat{Y} = 0.230 + 0.347X_1 + 0.222X_2 + 0.253X_3 + 0.144X_4 + 0.285X_5$$

In the regression analysis, the beta coefficients are used to explain the relative importance of the independent variables in contribution to the variance in dependent variable. The results presented in Table 4.13, shows that growth of MFIs ($X_1= 0.232$, $p=0.266$), which is insignificant for multiple borrowing, followed by strong competition ($X_2= 0.149$, $p=0.000$), service quality ($X_3= 0.211$, $p= 0.000$), consumption demand ($X_4= 0.131$, $p=0.009$) and micro-enterprises ($X_5= 0.221$, $p=0.000$) which is significant, The increase in growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises enhance the multiple borrowing of MF member's client. Thus the result of multi regression analysis shows the positive relationship between independent variable and dependent variable.

4.5 Findings

In this section the general result obtained from the study conducted is present by supporting the result with previous studies made in this area. This is undertaken with reference of result obtained from the analysis made in the previous section to examine the multiple borrowing through microfinance with previous studies made in this area.

The major findings of the study can be presented below in point wise:

- i. From the study, it can be concluded that respondents have positive response and satisfaction towards the services provided by MFIs.
- ii. Gender is one of the important factors in analyzing social study. So, it is within the context that the gender distribution is presented here. It is found that the female (68.3%) have maximum participation in the microfinance program.
- iii. Age of the respondents is one of the important factors in analyzing social study. It can have a big impact on the respondent's views and reactions regarding on the group of the social reality. So, it is within the context that the age distribution is presented here. It is found that the age group of 30-40 (30.8%) have maximum participation in the microfinance program as they are active working group and have a potential to repay the loan.
- iv. The marital status influence respondent's perception of social events. . So, it is within the context that the marital distribution is presented here. It is found that the married client (59.2%) have maximum participation in the microfinance program.
- v. The level of education is among the factors which influence respondent's level of thinking and judgment, so educational level is considered while conducting the study. It is found that the maximum number or percent of the clients have under SLC/SEE level of education i.e., (33.3%). It effect level of judgment of the respondents regarding analysis of effect of microfinance program. Comparatively few educated participations are involve in microfinance program.

- vi. Especially microfinance program are conducted at remote area and those society who has not access of financial activities. Occupation of the respondents is one of the important factors in analyzing social study. The maximum (37.5%) of Client are their occupation is agriculture. It is know that microfinance program are play the important role to make the high level of life or maintenance their life style.
- vii. There are different category of income level of respondents among of them below 10000 has the maximum level of income i.e., (48.3%). It is know that below 10000 microfinance clients are involvement.
- viii. There are different category of multiple borrowing of respondents among of them 3 has the maximum borrowing i.e. (59.2%). It is know that client borrowed loan from 3 MFIs.
- ix. The mean value of the Growth of MFIs (3.31), Strong competition (3.25), Service quality (3.41), Consumption demand (3.26) and Micro-enterprises (3.37) which indicates that there is consistency in responses of the respondents.
- x. The relationship between multiple borrowing and growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises (0.597, 0.590, 0.589, 0.343 and 0.626) has a positive correlation which indicates that the increase in micro credits leads to multiple borrowing of client.
- xi. The regression analysis shows the positive relationship between independent variable and dependent variable, thus each variables increment leads to multiple borrowing of member of microfinance.
- xii. The relationship between growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises (0.232, 0.149, 0.211, 0.131 and 0.221) which indicates that can individual variable reasonable to multiple borrowing.

4.6 Discussion

The study results established a significant and positive relationship between growth of microfinance and multiple borrowing. This means the growth of microfinance significantly affect the multiple borrowing in microfinance in Pyuthan municipality. (McIntosh et al., 2005; Roberts, 2013) however concluded that the rapid growth of MFIs over the last decade is believed to be one of the most crucial factors behind multiple borrowing or overlapping. Tilakaratna and Hulme (2015) further argued that the intense growth of financial institutions plays an important role in promoting multiple borrowing among clients.

The research found a significant and positive relationship between service quality and multiple borrowing in Pyuthan municipality. This means that service quality of MFIs positively affect the multiple borrowing. (Kotler & Keller, 2009) stated that Service quality is the result of the comparison that customers make between their expectations about a service and their perception of the way the service has been performed.

The research found a significant and positive relationship between strong competition and multiple borrowing in Pyuthan municipality. This means that strong competition of MFIs positively affect the multiple borrowing. McIntosh et al. (2003) argued that increased competition among MFI lenders and increased levels of multiple borrowers was a positive development for lenders because it called upon institutional innovation as regards information sharing on clients' indebtedness levels. Srinivasan (2009) stated that intense competition among MFIs is considered among the root causes of poor people's addiction to microcredit, especially the kind of competition which lowers borrower selection standards, weakens relationships with customers and leads to multiple borrowing and high defaults.

The research found a significant and positive relationship between consumption demand and multiple borrowing in Pyuthan municipality. This means that consumption demand of clients positively affect the multiple

borrowing. Pearlman (2012) pointed out that in some cases, entrepreneurs use credit as the consumption purpose and left insufficient working capital for running their micro-enterprise operation. (Kahneman and Tversky, 1979) stated that borrowers are sometimes forced to borrow from multiple sources due to an urgent necessity to gratify their demand. Behavioral economics has significant impact in the decision making of an individual in this regard.

The research found a significant and positive relationship between Micro-Enterprises and multiple borrowing in Pyuthan municipality. This means that Micro- Enterprises positively affect the multiple borrowing. (Bhasin & Akpalu, 2001) indicates that the generation of self-employment in the form of microenterprises requires working capital. Often, working capital for growing or developing the enterprises is normally raised from informal sources such as family, friends and moneylenders, which is frequently inadequate. Setting up a new micro-enterprise or expanding an existing micro- enterprise requires a significant amount of financing, but MFI loans are small in size, which motivates borrowers to take multiple loans (Srinivasan and Kamath, 2009).

CHAPTER 5

SUMMARY AND CONCLUSIONS

This final chapter involves Discussion, conclusions and implications of the research work. The facts and findings from primary data analysis are presented in this chapter.

5.1 Summary

Microfinance is a powerful instrument for poverty alleviation. It enables the poor to take advantage of existing opportunities, build up their assets generate self-employment develops micro enterprises raise income level build up self-confidence, and self-esteem improves purchasing power, empowers women and enhances overall economic growth, enhances domestic saving and provides escape route from poverty (Shrestha, 2001). In Nepalese context, even MF has been proven as effective and efficient mechanism in poverty reduction, endeavor most of MFIs have become unable to reach the ultra-poor due to inability to identify and measure them on the other hand improving access to financial services has been commonly viewed as strong tool to fight against poverty, however the outreach of Formal Sector Credit Institutions (FSCI) has been concentrated due to high cost of their services delivery. Nevertheless MFI pursue the activities to promote the interest of the poor by providing basic services and contribute to increase in outreach sustainability and effectiveness.

With rapid expansion of the microcredit sector, MFI lenders have increased their presence in rural areas as a way of achieving sustainability in the face of competition. While the expansion of MFI's portfolios has provided financial services to a larger number of borrowers, the increasing competition among them also resulted in multiple borrowing.

Multiple borrowing practices by the clients in studied area is in alarming stage. . Clients are much habituated with this multiple borrowing culture. The borrowers claim that the size of the loan is too small to meet their need. Even, they go for multiple borrowing for family obligations and friend's influence. The study concluded that there is a strong relationship between multiple borrowing and investment of client's variables which

implies that if income increases, the client's ability for savings also increases. If the savings increase, then there will be a positive impact on financial situation of the family. Henceforth, increase in income as well as savings is mostly associated with the establishment of economic empowerment because income, savings and employment opportunities are interrelated. The linear relationship among these economic components was also found in the study.

In this study the concern of multiple borrowing on economically, socially strong and power on decision-making and their involvement in the society. In this study multiple borrowing through MF consist various sub heading like as growth of MFIs under multiple borrowing. Another aspect of improvement consist their strong competition. Similarly, the perception of client about MF includes perception, social response to client and dependency level. The main focus of the study is to make improvement of client on their personal status.. By taking required samples from study area, and the number of sample are 120 samples, the data have been collected by structure questionnaire, observation and interview; collected data are analyzed, tested, interpreted by using descriptive.

The result of the multiple borrowing factors such as growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises is found to be positive relationship with multiple borrowing of the respondent. Improvement in the improve in fooding, expenditure in education has increases, the MF program helped to acquire assets like TV, mobile, proper bed etc. and MFIs helps to start up own business, shows the significant improvement in the living standard of the people. Similarly, the study reveals that most of the client have repaid loan and interest in due time and majority of the participant has utilized their investment property. Client's greater access to financial resources and services could provide greater decision-making power in terms of money and their households. Thus overall impact of the program is found to be positive; multiple borrowing aspect of MF members has been improved satisfactorily. Borrowing through microfinance is defined as client become economically, socially and politically strong; and able to make proper decision about social activities.

5.2 Conclusions

The original aims of conducting this research was to raise concern among the respective authorities about multiple borrowing currently experienced by the microfinance sector. This study analyze the causes behind the multiple borrowing, based on existing literature and relevant statistics. After examine the factor of multiple borrowing, it is most likely that the main supply side factor include the growth of MFIs, strong competition and service quality. Furthermore, clients tend to use multiple borrowing for demand factor which includes consumption demand and micro-enterprises.

Multiple borrowing is not just the consequence of lacking economic education amongst microfinance clients. The theoretical dimension shows that it can be considered a rational behaviour under certain economic premises such as consumption smoothing and incomplete information sharing. Clients will decide to borrow loans from multiple sources as a consequence of distress or opportunity situations. Distress borrowing can create negative welfare effects by increasing the chances for over-indebtedness, while opportunity borrowing carries potential for positive welfare effects if correctly served. Microcredit contracts and products must become more flexible and go beyond the traditional idea of providing loans solely for productive purposes. The welfare effects of multiple borrowing depend highly on the institutional environment.

As explained in the analysis section, the study concluded that there is a strong relationship between multiple borrowing and investment of client's variables which implies that if income increases, the client's ability for savings also increases. If the savings increase, then there will be a positive impact on financial situation of the family. Henceforth, increase in income as well as savings is mostly associated with the establishment of economic empowerment because income, savings and employment opportunities are interrelated. The linear relationship among these economic components was also found in the study.

Multiple borrowing involving in household decision, financial decision, and positive Perceptive of other people's towards them. The raise in health sectors of client and their family too, like consciousness about health, diet and meal consumed has been increased.

The education sectors of their family has also been positive changed such as children are sent to better school, expenditure in education has increased. The level of income has also increased by their business and personal income growth and increased expenditure has also met by their income. People are willing to purchase material for physical facilities but they don't have their own land.

The MF programs helps to start up their own business which creates the employment generation of member but the members are not able to give the other employment too.

Multiple borrowing may be caused by the nature of credit need and inherent terms and condition of microcredit. For example, if the credit is for agriculture crop and the size of the loan is limited because of the terms of microcredit program, the borrowers may have to turn to several providers for loan. Other reasons for multiple borrowing include: Default in repaying existing loans, Economic recession requiring additional loans by borrowing households.

Most of the studies from the demand side reveal that multiple borrowing is not associated with the risk of default. In most of the cases, borrowers go for multiple loans for additional investment, and small percentage of borrowers use loans for repayment of previous loans. However, similar results may be derived from the supply side study.

Economic status of all the respondents have found better after the MFPs implementation. As a whole, the result of this heading is positive; which is found from various tests. Therefore, it is concluded that MFPs run have create positive economic, health, education impact on client. On the decision-making aspect of empowerment also gives positive result; so, rural client are becoming conscious and they are taking part in family decisional aspects. From the study, we find the positive result on social responses, perception and own experiences. Therefore, it can be concluded that MFP is a desirable and effective tool to improve the borrowing in study area.

All the results show that positive effect of MFIs on empowering client beneficiaries in the study area. The empowerment status of client in Pyuthan Municipality can be significantly, increasing their income generating activities by providing financial support. The overall conclusion of this study is that the level of multiple borrowing is satisfactory at the growth of MFIs as well as micro-enterprises.

5.3 Implication

This research may be useful to the microfinance organization to shape their future plans in the multiple borrowing. The implication of this study are as follows:

5.3.1 Managerial implications

This study has identified the prominent factors of multiple borrowing in Nepal. Government of Nepal can formulate policies for multiple borrowing considering those factors. The study has great implications for entrepreneurs who are involved in microfinance institutions. Local government bodies may guideline to shape their plans and policies field of multiple borrowing and poverty alleviation through this study. This study may be useful to the NGOs that are working in the field of client to get an overview of the economic strength of client and to shape their plan and policies. This study may help for the banks and other financial institutions this research might be guideline to know about the current status of the investment and income ratio.

This study will be helpful for the microfinance development bank categorized by NRB, under D class for their expansion and development.

5.3.2 Future research implication

The study could be further development by including more variable as mediating, moderating and other intervening in the regression model with a large sample size, the study has only considered growth of MFIs, strong competition, service quality, consumption demand and micro-enterprises of multiple borrowing but there are other many aspects of multiple borrowing which could be measured and that could be followed by future researcher, this study can be carried out as baseline study to establish the level at which the MFIs have been able to know about multiple borrowing in other districts of the country the result of which should be compared with those of this study

so as to establish the relationship between micro finance intervention and multiple borrowing using different micro finance intervention variable.

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Appendix I

CAUSES OF INDIVIDUAL MULTIPLE BORROWING IN MICROFINANCE (A CASE STUDY OF PYUTHAN MUNICIPALITY)

Questionnaire

Dear sir /madam

My name is Prabha Pandit. I am a student of MBS from Central Department of Management. I would like to request you for spending few minutes to fill up this questionnaire. This survey aims to capture the fact about the cause of individual multiple borrowing in MFIs. Your valued information will be highly appreciated. Your information will be strictly confidential.

Section A

Demographic information

Respondent name:

1. Gender:
 - a. Male []
 - b. Female []
 - c. Others []
2. Age group
 - a. Below 30
 - b. 30-40
 - c. 40-50
 - d. 50-above
3. Marital status
 - a. Single
 - b. Married
 - c. Others
4. Educational Status
 - a. Illiterate
 - b. Literate only
 - c. Below SLC/SEE
 - d. SLC/SEE
 - e. Certificate /+2
 - f. Bachelors and above
5. Occupation
 - a. Agriculture
 - b. Business
 - c. Labor/Daily wages
 - d. Job
 - e. Self employed
 - f. Housewife
6. Monthly Income level
 - a. 10,000 and below 10,000
 - b. 10,001- 20,000
 - c. 20,001-30,000
 - d. Above 30,000

Section B**Multiple Borrowing**

7. Do you have membership in other MFIs?
 - a. Yes
 - b. No

8. In how many MFI, you have borrowed?
 - a. One
 - b. Two
 - c. Three
 - d. Four

Section C

Please complete the following questionnaires on a scale of 1 to 5. (1-strongly disagree, 2-disagree, 3-neutral, 4-agree, 5 strongly agree)

Variable	Research questions	1	2	3	4	5
Growth of MFIs	The number of MFI is rapidly increasing.					
	My friends and relatives motivated me to join another MFI.					
	MFIs staff frequently requested me to join their MFI.					
Strong competition	There are better deposit schemes in other MFIs.					
	The deposit interest rate provided by other MFIs is higher.					
	The loan interest rate provided by other MFI is lower.					
Service quality	Staffs are frank and professional in other MFI.					
	I can get loan in very short time period.					
	I can get loan with short process.					
	Loan can be taken easily when necessary.					
Consumption demand	Daily consumption expenditure is increasing.					
	To meet the emergency need, multiple borrowing is useful.					
	Education expenditure of children's is increasing.					
	Enhances health care and facilities.					
Micro – enterprises	Loan provided by one MFI to start new venture is not enough.					
	I need additional fund for the expansion of my business.					
	Multiple borrowing supports to grow business.					
	I can get advantages to cycle loan from multiple borrowing.					

THANK YOU.

Appendix II: Research Result

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	38	31.7	31.7	31.7
	Female	82	68.3	68.3	100.0
	Total	120	100.0	100.0	

Age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 30	33	27.5	27.5	27.5
	30-40	37	30.8	30.8	58.3
	40-50	33	27.5	27.5	85.8
	50 and above	17	14.2	14.2	100.0
	Total	120	100.0	100.0	

Marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	31	25.8	25.8	25.8
	Married	71	59.2	59.2	85.0
	Others	18	15.0	15.0	100.0
	Total	120	100.0	100.0	

Educational status

	Frequency	Percent	Valid Percent	Cumulative Percent
Illiterate	6	5.0	5.0	5.0
Literate only	12	10.0	10.0	15.0
Below SLC/SEE	40	33.3	33.3	48.3
Valid SLC/SEE	28	23.3	23.3	71.7
Certificate/+2	21	17.5	17.5	89.2
Bachelor and above	13	10.8	10.8	100.0
Total	120	100.0	100.0	

Occupation

	Frequency	Percent	Valid Percent	Cumulative Percent
Agriculture	45	37.5	37.5	37.5
Business	24	20.0	20.0	57.5
Labor/Daily wages	15	12.5	12.5	70.0
Valid Job	21	17.5	17.5	87.5
Self employed	10	8.3	8.3	95.8
Housewife	5	4.2	4.2	100.0
Total	120	100.0	100.0	

Monthly income level

	Frequency	Percent	Valid Percent	Cumulative Percent
10000 and below 10000	58	48.3	48.3	48.3
10001 - 20000	32	26.7	26.7	75.0
Valid 20001 - 30000	11	9.2	9.2	84.2
Above 30000	19	15.8	15.8	100.0
Total	120	100.0	100.0	

Multiple borrowing

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 2.00	2	1.7	1.7	1.7
3.00	71	59.2	59.2	60.8
4.00	47	39.2	39.2	100.0
Total	120	100.0	100.0	

Growth of MFIs**Case Processing Summary**

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.686	3

Strong competition**Case Processing Summary**

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.871	3

Service quality**Case Processing Summary**

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.796	4

Consumption on demand

Case Processing Summary

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.705	4

Micro-enterprises

Case Processing Summary

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics	
Cronbach's Alpha	N of Items
.839	4

ALL VARIABLES (5 independent variables)

Case Processing Summary

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.673	5

ALL VARIABLES**Case Processing Summary**

		N	%
Cases	Valid	120	100.0
	Excluded ^a	0	.0
	Total	120	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

Cronbach's Alpha	N of Items
.847	18

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
The number of MFI is rapidly increasing.	120	2	5	3.75	1.047
My friends and relatives motivated me to join another MFI.	120	1	5	2.96	1.032
MFIs staff frequently requested me to join their MFI.	120	1	5	3.23	.884
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
There are better deposit schemes in other MFIs.	120	2	5	3.23	.817
The deposit interest rate provided by other MFIs is higher.	120	1	5	3.35	.958
The loan interest rate provided by other MFI is lower.	120	1	5	3.16	.820
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Staffs are frank and professional in other MFI.	120	1	5	3.50	.745
I can get loan in very short time period.	120	1	5	3.44	.797
I can get loan with short process.	120	1	5	3.42	.816
Loan can be taken easily when necessary.	120	1	4	3.27	.807
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Daily consumption expenditure is increasing.	120	2	5	3.29	.803
To meet the emergency need, multiple borrowing is useful.	120	1	5	3.29	.854
Education expenditure of children's is increasing.	120	1	5	3.13	.762
Enhances health care and facilities.	120	1	5	3.33	.712
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Loan provided by one MFI to start new venture is not enough.	120	1	5	3.24	.778
I need additional fund for the expansion of my business.	120	1	5	3.41	.804
Multiple borrowing supports to grow business.	120	2	5	3.34	.874
I can get advantages to cycle loan from multiple borrowing.	120	1	5	3.48	.809
Valid N (listwise)	120				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Growth of MFIs	120	1.33	4.67	3.3111	.77632
Strong competition	120	1.33	4.67	3.2472	.77363
Service quality	120	1.50	4.25	3.4063	.62348
Consumption on demand	120	1.75	4.50	3.2583	.57150
Micro-enterprises	120	1.75	4.75	3.3667	.67124
Valid N (listwise)	120				

Correlations

		Multiple borrowing	Growth of MFIs	Strong competition	Service quality	Consumption on demand	Micro-enterprises
Multiple borrowing	Pearson Correlation	1	.597**	.590**	.589**	.343**	.626**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	120	120	120	120	120	120
Growth of MFIs	Pearson Correlation	.597**	1	.393**	.268**	.059	.303**
	Sig. (2-tailed)	.000		.000	.003	.523	.001
	N	120	120	120	120	120	120
Strong competition	Pearson Correlation	.590**	.393**	1	.449**	.109	.355**
	Sig. (2-tailed)	.000	.000		.000	.235	.000
	N	120	120	120	120	120	120
Service quality	Pearson Correlation	.589**	.268**	.449**	1	.188*	.407**
	Sig. (2-tailed)	.000	.003	.000		.040	.000
	N	120	120	120	120	120	120
Consumption on demand	Pearson Correlation	.343**	.059	.109	.188*	1	.373**
	Sig. (2-tailed)	.000	.523	.235	.040		.000
	N	120	120	120	120	120	120
Micro-enterprises	Pearson Correlation	.626**	.303**	.355**	.407**	.373**	1
	Sig. (2-tailed)	.000	.001	.000	.000	.000	
	N	120	120	120	120	120	120

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

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

Regression

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	Micro-enterprises, Growth of MFIs, Consumption on demand, Service quality, Strong competition ^b	.	Enter

a. Dependent Variable: Multiple borrowing

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.846 ^a	.716	.704	.28290	.716	57.481	5	114	.000

a. Predictors: (Constant), Micro-enterprises, Growth of MFIs, Consumption on demand, Service quality, Strong competition

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23.001	5	4.600	57.481	.000 ^b
Residual	9.124	114	.080		
Total	32.125	119			

a. Dependent Variable: Multiple borrowing

b. Predictors: (Constant), Micro-enterprises, Growth of MFIs, Consumption on demand, Service quality, Strong competition

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.230	.206		1.117	.266
Growth of MFIs	.232	.037	.347	6.252	.000
Strong competition	.149	.040	.222	3.728	.000
1 Service quality	.211	.049	.253	4.319	.000
Consumption on demand	.131	.049	.144	2.676	.009
Micro-enterprises	.221	.047	.285	4.741	.000

a. Dependent Variable: Multiple borrowing