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Research Article

Micro-Finance Services and its Impact on Socio-economic Status of People in Gandaki Province, Nepal

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ABSTRACT

The MFIs which offer financial services to empower and support to the underprivileged individuals in grassroots level is called microfinance. This paper explores the pattern of microfinance service utilization and assess the socio-economic impact of microfinance service on its user groups in the Gandaki Province of Nepal. This study has used the random sampling techniques for the selection of study area. Mixed-method approach for the data collection and thematic as well as statistical software as the main tools of data analysis have been applied. The study found predominantly married female user groups with secondary level education and mainly dependent on agriculture and livestock for their livelihoods. A significant portion of people have more than five year experience of using microfinance, majority of the respondents have made choice of all products, attained information of microfinance service from community based source, found seeking loans to expand their businesses. There is positive perception among the user groups with high satisfaction level, frequent usage of microfinance products and positive impact on lifestyle, household income, pursuit of higher education basically women, access to healthcare for children and aged member of the groups, women participation in decision making and self-development of the members. But it is found notable concerns and challenges pertaining to high interest rates, loan repayment, reducing financial vulnerability and accumulating assets like house and land.

Keywords: Asset accumulation, Gandaki Province micro-finance, socio-economic impact, Status Nepal

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INTRODUCTION

Microfinance is a financial service provided by the microfinance institutions (MFIs) to the low-income individuals and small businesses who typically excluded from formal banking system. These services include loans, saving, insurance and other banking products (Bhati, 2020). Some times microfinance offers financial education to underserved populations, marginalized groups such as women, disabled individuals, Dalits and other disadvantaged communities of both rural and urban areas. Such services are designed to empower marginalized group of people in developing countries. This service plays a crucial role in reducing poverty by developing entrepreneurship skills and enhancing economic well-being of underserved communities through the implementation of income generating activities.

Microfinance is defined as a financial services to low-income, poor, and very poor self-employed individuals (Otero, 1999). It is an tools for empowering the individuals economically disadvantaged (Arova, 2013). This idea, first time developed due to the introduction of financial tools that allowed individuals from low-income backgrounds to engage with a banking facilitator and mediator. It also emerged from the recognition that micro-entrepreneurs and financially marginalized individuals are capable of repaying loans and saving money (Murray & Boros, 2002). Microfinance aims to empower people by providing them with the necessary tools to manage their finances, invest in income-generating activities, and enhance their overall economic well-being. Now, it has become popular because of its potentials to promote entrepreneurship, alleviate poverty and foster financial inclusion among those who lacks access to formal banking services in the world particularly in developing countries like Nepal.

The concept of microfinance program in Nepal was emerged in the 1950s through cooperatives such as Small Farmers Cooperatives Programs (SFCPs). With the establishment of Rural Development Bank (RDB), the operation of microfinance service in Nepal formally started in 1992. This bank was established on Grameen Bank Model (GBM) of Bangladesh (Karki et al., 2021).

In Nepal, there are 63 MFIs operating across various dimensions. The microfinance services they provide reflect a widespread network that plays a vital role in financial inclusion and empowerment. These services also play a significant role in empowering women both socially and economically. Similarly, they are a testament to their role in fostering financial resilience and driving inclusive development across the country. This network has remarkable coverage, spanning all 77 districts of Nepal (Nepal Rastra Bank, 2024). It encompasses various

parameters such as area coverage, districts served, staff count, branch and service center numbers, as well as group and member counts. Currently, there are 23,046 staff employed in 5,093 branches of MFIs. Additionally, there are 1,390,539 groups and 5,999,313 members across 44,127 microfinance service centers. Female members constitute a substantial majority in this service (NRB, 2023). This network has made significant strides in bringing financial services to the most remote areas of the country, promoting financial inclusion and driving socio-economic change.

Microfinance services incorporate the provision of both financial and non-financial services to individuals with limited income to support income-generating activities. This includes providing microloans, savings accounts, payment schedules with frequent installments of both principal and interest, streamlined client entry processes, recognition of timely repayments, and no collateral requirements as its major features. Similarly, according to NRB guidelines (2016), microfinance provides microloans with or without collateral for conducting microbusinesses with the aim of empowering those who are economically disadvantaged. It also assesses microloan programs, provides skills-oriented training, and technical support, organizes groups, and accepts deposits in accordance with NRB guidelines. Various models have been developed to empower economically disadvantaged individuals and communities, utilizing innovative approaches to promote socio-economic change through the provision of financial services.

Yunus (1970) developed the Grameen joint liability group model of microfinance for aiming to improve the socio-economic conditions of economically disadvantaged groups. This model is highly effective in Southeast Asian countries like Nepal. In this model, a banking unit is established with field managers, assistants, and personnel covering a cluster of villages, identifying clients, forming joint liability groups, and disbursing loans based on successful repayments. In the Grameen model, the loan provision process starts with two individuals and works its way up to include other members of the group. This strategy reduces loan defaults by using group pressure as collateral (Panda, 2009) and encourages a sense of group responsibility. Patil and Kini (2020) revealed that microfinance service with the help of Joint Liability Groups (JLGs) has improved the socio-economic condition of people in India. It has also enhanced the employment opportunities for JLGs. But their study also found significant challenges in accessibility, affordability and operations in delivering financial services to the JLG members.

Similarly, Self-help group model, village banking model, community banking model,

rotating saving and credit associations, cooperative model, and small farmers co-operatives limited are other models of microfinance. But, MFIs taken as a sample in this study such as Chartare Youth Club Laghubitta Bittiya Sanstha Limited (CYCL), Dhaulagiri Laghubitta Bittiya Sanstha (DLBS) and Nepal Economic and Social Development Organization (NESDO) which were originated from non-governmental organizations (NGOs) as well as other organizations such as Kalika, Ganapati, and Infinity Laghubitta Bittiya Sanstha Limited have followed the Grameen model into their microfinance operations. This study mainly focuses on how microfinance services impact the socio-economic conditions of the user groups in the study area.

This study has focused on ways to improve the level of living, health, education, and decision-making power of underprivileged individuals. This program supports to improve women's status, self-assurance, and sense of security in their homes. Microfinance programs improved health and enhanced the resources available to microenterprises (Coleman, 1999). It has become a major tool for replacing informal lending and reducing poverty. Therefore, the overall conclusions drawn from the literature reviewed confirm that microfinance is an essential instrument for empowering underprivileged groups of people, promoting self-reliance, creating jobs, increasing income, expanding micro-businesses, and enhancing quality of life.

Micro finance service support to the poor through group-based approaches, flexible repayment structures, competitive interest rates, operational simplicity, and various economic activity choices. It includes saving, loans and insurance to poor individuals. It especially empowers women living in both rural and urban areas (Bhati, 2020). Numerous studies have explored the positive effects of microfinance on its clients. But, there is a lack of research on understanding the specific impacts of microfinance services on its users in the study area. In this context, this study is conducted to assess the socio-economic impact of microfinance services in Gandaki Province of Nepal and seek the answer to the research questions: What is the patterns of microfinance service utilization and asset accumulation in the study area? How do microfinance services impact the socio-economic activities of user groups in the study area?

DATA AND METHODS

In Nepal, there are one federal government, seven province, 77 districts and 753 local level governments. All of them is covered by the 63 MFIs. Within the Gandaki Province there are

11 districts, with 11 MFIs having their head office in the province. Across all MFIs, there are a total of 23,046 staff members. In Gandaki Province, there are 1,987 staff members working in the sample MFIs. Similarly, there are 464 branches, 41,206 service centers, 114,560 groups, 448,927 members and 21,451 borrowers (NRB Report, 2023 and Internal Documents of Sample MFIs, 2023). For the study, five districts such as Baglung, Parbat, Kaski, Tanahu and Nawalpur are selected based on cluster sampling. This study is mainly based on the time frame of 10 months' from March, 2023 to January, 2024.

This study follows a mixed-methods approach to evaluate how microfinance services affect the socio-economic conditions of user groups in Gandaki Province, Nepal. Microfinance user groups are selected using stratified and random sampling techniques and survey tools are used for quantitative data gathered. The data related to the issues such as income, asset accumulation, savings, job creation, business expansion, fund utilization, services used, nature of services, and financial inclusion are gathered. Semi-structured interviews with key stakeholders, including microfinance clients and concerned experts, as well as focus group discussions are applied for the qualitative information collection. The study also captures the nuanced experiences and perceptions of microfinance users in the study area.

This research is primarily focused on Gandaki Province in Nepal, selected purposively. Out of the total 11 districts in this area, five districts (Baglung, Parbat, Kaski, Tanahu, and Nawalpur) were chosen as a sample using cluster sampling. Key informants were selected through stratified random sampling, with at least 50 respondents from each cluster. Key informants were chosen from microfinance institutions (MFIs) such as DLBS, CYCL, NESDO, Kalila, Ganapati, and Infinity, all with headquarters in Gandaki Province, Nepal. For this study, duplicated clients were intentionally selected as a sample. DLBS, CYCL, and NESDO are NGO-based MFIs, while Kalika, Ganapati, and Infinity are other MFIs.

Table 1

Sample Size

Cluster Districts and Head Office	NGOs Based MFIs			Others MFIs			Selected Respondents of each category	Remarks
	DLBs	CYCL	NESDO	Kalika	Ganapati	Infinity		
Head office	Baglung	Kaski	Parbat	Kaski	Tanahu	Nawalpur	50	Based on Stratified random sampling
Baglung	5	8	4	4	0	3	50	
Parbat	4	2	8	6	1	3	50	
Kaski	4	3	6	6	2	2	50	
Tanahu	2	3	4	6	3	4	50	
Nawalpur	1	4	4	5	3	4	50	
Total	16	20	26	27	9	16	250	
Key informant	75			75			250	

In this study, both thematic analysis and statistical software are used as a main tools of data analysis. Ultimately, the results of the study have been combined to formulate policy recommendations and shared to stakeholders. Thus, this service contributes a well-informed and holistic knowledge of the socio-economic impact of microfinance service user groups in the study area.

In this study, this service integrates the key elements influencing the impact of microfinance services on its user groups. It includes mainly three components: microfinance services, user groups and socio-economic effect. This service covers various financial products such as microloans, saving and insurance. While conducting research, interest rates, repayment terms and other additional support are considered in this services. Women, marginalized communities and micro business owners are the user groups of microfinance service and they are also taken as the respondents of the study.

Micro finance service is mainly focused on specific needs of the user groups and challenges faced by them. Following mixed-method approach integrating surveys, interview and focus group discussion guidelines, qualitative and quantitative data are gathered to assess the short-term and long-term impact of microfinance services in the study area. For this, social factors, economic factors and contextual factors are also considered to a nuanced understanding of the impacts of microfinance service on user groups.

Socio-economic impacting factors such as poverty reduction, women empowerment,

participation in decision making, financial inclusion, social outstanding, health improvement, asset accumulation, skill development, self-employment, income increment, consumption, saving, spending, business expansion are interconnected each other. They play major roles in crafting the outcomes of microfinance services.

RESULTS AND DISCUSSION

Selected Background Characteristics of Respondents

MFIs aim to empower women, support rural communities, and offer loans to underprivileged and marginalized individuals through the provision of financial services (Lamichhane, 2020; Serrano-Cinea & Gutierrez-Nieto, 2014). This program supports individuals through women's empowerment, better access to health and education, involvement of women in decision-making, conducting skill development training for self-employment generation, and access to credit and savings facilities for income-generating activities. This study is mainly based on these issues, focusing on the microfinance user groups of Gandaki Province, Nepal as a sample. The demographic characteristics of the sample area are presented in the table below.

Table 2

Selected Background Characteristics of the Respondents

Characteristics		N	Percent
Gender (N=220)	Male	21	9.54
	Female	199	90.45
Marital status (N=236)	Unmarried	19	8.05
	Married	178	75.42
	Single	39	16.52
Age (N=240)	Age 20-30 years	23	9.58
	Age 30-40 years	92	38.33
	Age 40-50 years	81	33.75
	Age 50 + years	44	18.33
Education (N=243)	Never gone to school	47	19.34
	Up to secondary education	174	71.60
	Technical education	16	6.58
	University education	6	2.47
Occupations (N=242)	Agriculture and livestock	131	54.13
	Government job	24	9.92
	Private job	51	21.07
	Other	36	14.88

Source: Field Survey, 2023.

Table 2 shows that the majority of respondents are women (90.45%), married (75.42%),

aged between 30-50 (72.08%) years, with almost up to secondary education (71.60%). As per the answer of the respondents, agriculture (54.13%) is mentioned as the predominant occupation in the study area. Similarly, private jobs are also found a significant category. Thus, the findings of this research indicate that the study area is characterized by predominantly female, married user groups with secondary education who are mainly dependent on agriculture and livestock for their livelihoods.

Microfinance Services

This research examines the impact of microfinance on various user groups in Gandaki Province, Nepal. The study evaluates the program from different perspectives, including the length of service use, types of services used, channels of information utilized, assets accumulated, and challenges faced in loan repayment. Additionally, it considers user satisfaction, women's empowerment, involvement in decision-making processes, opportunities created, financial vulnerability, achievement of long-term goals and aspirations, improvements in quality of life, and enhancement in social standing. To gather data, both Likert-scale tools and yes/no choices are utilized to capture the opinions of respondents in the sample area.

Table 3

Utilization of Micro-Finance Services (N=250)

Variables	Responses	Frequency	Percent
Period of Microfinance Service Usage	1-2 years	54	21.6
	2-5 years	58	23.2
	More than 5 years	136	54.4
	No response	2	0.8
Types of microfinance service used	Loan	34	13.6
	Saving	43	17.2
	Insurance	2	0.8
	All	170	68.0
	No response	1	0.4
Methods of information of microfinance servive use	Friends or family	61	24.4
	Local organization	141	56.4
	Advertisement	4	1.6
	Others	43	17.2
	No response	1	0.4

Utilization of microfinance service	Expanding business	164	65.6
	Education	17	6.8
	Health care	14	5.6
	Self-employment	50	20.0
	No response	5	2.0
Type of assets accumulated	Land	27	10.8
	House	58	23.2
	Livestock	78	31.2
	Bank balance	49	19.6
	No response	38	15.2

Table 3 presents the use of microfinance service based on the years of experience of user groups. The data shows that a significant portion of sampled respondent has more than five year (54.4 percent) experience of using microfinance, followed by those with 2-5 years (23.2 percent). The group of respondents with 1-2 years of experience constitute smaller portion of the sample. Those who did not respond regarding the issue constitutes smaller portions of the sample population (0.8 percent).

Table 3 also represents the products of microfinance service used by the user groups. Majority of the respondents (68.0 percent) have made choice of all products. Saving product (17.2 percent) is found the most popular choice among the product provided in the option and followed by loan (13.6 percent). Of the total, only two respondents which is 0.8 percent of the total prefer insurance related financial product or services. The smaller portion of the respondent (0.4 percent) did not respond regarding the given issue.

Similarly, the mode of information and utilization of microfinance services are presented in Table 3. Of the total, majority of the respondents (56.4 percent) attained information of microfinance service from community based source/local organization, followed by friends of family (24.4 percent). Relatively fewer respondents (1.6 percent) got information from advertisement. Forty three respondents which accounts 17.2 percent of the total sample found collecting information from other than friends or family, local organization and advertisement.

The majority of the respondents (65.6 percent) is found seeking financial assistance or loans to expand their businesses. The effective utilization of microloans, microfinance users improved their economic circumstances (Hassan et al., 2021; Begam et al., 2018; Dhungana, 2018). Similarly, of the total, 20.0 percent of the respondents are seeking microfinance loans to generate self -employment opportunities. Nearly seven percent and above five percent respondents found utilizing microfinance loans for health and education. Two percent of the total respondents did not respond to the given issue.

Asset Accumulation and Challenges in Repaying Loans

Table 4 represent different types of assets owned and challenges in repaying loans by respondents of the sample area. From the study it is found that livestock is most common accumulated assets through microfinance source utilization among the respondents of the sample area, followed by house (23.2 percent) and bank balance (19.6 percent). MFIs offer social and financial services to help to low income households meeting their financial needs (Zheng & Zhang, 2021). Similarly, more than fifteen percent respondents did not provide information about their assets. Asemelash (2003) demonstrated the positive impact of microfinance on client lives in Ethiopia, showing improvements in income, asset accumulation, and access to education and healthcare.

Table 4

Assets Accumulation and Challenges in Repaying Loans

Statements	Response	Frequency	Percent
Have you been able to accumulate assets due to microfinance assistance?	Yes	133	53.2
	No	94	37.6
	No response	23	9.2
Have you experienced any challenges in repaying microfinance loans?	Yes	114	45.6
	No	122	48.8
	No response	14	5.6

More than 53.2 percent respondents reported affirmatively with “Yes” to the issue presented. Table 4 also shows the responses about the challenges in repaying microfinance loans. Of the total, 48.8 percent respondents responded negatively.

Users Satisfaction towards Microfinance Services

Table 5 shows that user’s group satisfaction with services in Gandaki Province of Nepal has been measured on the basis of Likert Scale. A majority (87.2 % -agree +strongly agree) of respondents pointed satisfaction with the service of microfinance institutions. A significant majority (86.0 % -agree +strongly agree) of respondents found using microfinance products in the study area. A majority (84.4 % -agree +strongly agree) of respondents indicates that lifestyle has been positively influenced by the services. Similarly, 76 percent (agree +strongly agree) respondents found recommending this service to others which is significant majority. As per the respondents’ response (48.8 %), interest rates charged is found very high.

Table 5*User's Attitudes towards Microfinance Services*

Statements	Responses	N	%
I am satisfied with the current services offered at the microfinance institutions. (N=240)	SDA	1	.4
	DA	3	1.2
	N	18	7.2
	A	156	62.4
	SA	62	24.8
	No response	10	4.0
I often use microfinance services/products. (N=241)	SDA	2	.8
	DA	4	1.6
	N	20	8.0
	A	154	61.6
	SA	61	24.4
	No response	9	3.6
Is your life style changed by the service of MFIs? (N=243)	SDA	0	0
	DA	7	2.8
	N	25	10.0
	A	150	60.0
	SA	61	24.4
	No response	7	2.8
I would recommend the microfinance services/products to another person. (N=240)	SDA	0	0
	DA	4	1.6
	N	46	18.4
	A	159	63.6
	SA	31	12.4
	No response	10	4.0
The interest rate charged is very high. (N=238)	SDA	16	6.4
	DA	43	17.2
	N	57	22.8
	A	42	16.8
	SA	80	32.0
	No response	12	4.8

Note: SDA=Strongly disagree, DA= Disagree, N= Neutral, A= Agree, SA= Strongly agree

Table 6 presents survey responses related to microfinance services with responses of respondents rated on scale from 1 to 5 for different issues. Regarding first issue respondents indicated a high level of satisfaction (mean of 4.15) with the services offered by microfinance institution. Standard deviation of 0.63 indicates low variability in responses. In the issue “I often use microfinance service/products” on average, respondents reported a high frequency (mean of 4.11) with moderate variability in responses (SD 0.68). Similarly, in the issues “is your life style changed by the service of MFIs?”, “I would recommend the microfinance services to another person” and “the interest rate charged is very high” respondents indicated that life style was positively influenced (mean of 4.09) by the services with moderate variability in responses (SD 0.680), likely recommended microfinance service to others (mean of 3.90) with relatively low variability (SD 0.61) and mean value of interest rate (3.53) indicated that interest rates charged are very high with higher variability in opinions (Std.deviation of 1.30).

Table 6*Overall Satisfaction*

Variables	Minimum	Maximum	Mean	Std. Deviation
I am satisfied with the current services offered at the microfinance institutions.	1	5	4.15	0.63
I often use microfinance services/products.	1	5	4.11	0.68
Is your life style changed by the service of MFIs?	2	5	4.09	0.68
I would recommend the microfinance services/products to another person	2	5	3.90	0.61
The interest rate charged is very high.	1	5	3.53	1.30

Attitudes Towards the Improvement of Socio-economic Status

Table 7 shows the impact of microfinance on its user groups regarding household income, pursuit of higher education basically women, access to healthcare for children and aged member of the groups, women participation in decision making and self-development of the members in the sample area. The majority of respondents (80.4 %) either agreed or strongly agreed that MFIs helped to improve household income of microfinance user group. It is found substantial majority in pursuing higher education among women. Of the total, 80.0 % respondents found agree or strongly agree in the given issue. MFIs found leading to better access to healthcare in the study area. The response of respondents (69.2 % -agree +strongly agree) justify this

issue. Similarly, a significant majority (90 %) agreed or strongly agreed that MFIs support for enhancing women's participation in decision making and encourage self-development. MFIs contribute positively to unbanked people's well-being, access to resources, participation in economic decision making and ultimately improvement in self-esteem (Gnawali, 2018). Finally, this overall results indicates generally positive perception. However, small percentages of respondents of the study area found disagree, strongly disagree or remained neutral in the issues.

Table 7*Improvement of Socio-economic Status*

Statements	Responses	N	%
MFIs helps to improve your household income (N=241)	SDA	2	0.8
	DA	8	3.2
	N	30	12
	A	155	62.0
	SA	46	18.4
	No response	9	3.6
Has MFI influenced in pursuing higher education (Basically women). (N=241)	SDA	6	2.4
	DA	9	3.6
	N	26	10.4
	A	150	60.0
	SA	50	20.0
	No response	9	3.6
Better access to healthcare for children and aged people. (N=241)	SDA	1	0.4
	DA	12	4.8
	N	55	22.0
	A	140	56.0
	SA	33	13.2
	No response	9	3.6
Helps to enhance the women's participation in decision making and focus on self-development. (N=241)	SDA	2	0.8
	DA	11	4.4
	N	3	1.2
	A	84	33.6
	SA	141	56.4
	No response	9	3.6

Socio-Economic Mobility

Table 8 present the response of the respondents about the different issues of microfinance services conducted by different institutions in Gandaki Province of Nepal. Ninety percent

respondents perceive that there is change in their social outstanding within their community since using microfinance service. Of the total, 86.4 percent respondents point that there is an increase in business income after using microfinance services. As per the response, job opportunity found creating due to microfinance. Only 42.4 percent report reduced financial vulnerability and managing risk. Similarly, there is found improvement in ability to afford better quality of food, housing and essential services, consumption pattern, access to education and access to better healthcare services due to microfinance. About 73 percent respondents indicates that microfinance can play role in achieving long-term goals and aspirations of the user groups. A majority of the respondents have faced challenges in repaying microfinance loans. Finally, from the study it is found that 53.2 percent have accumulated asset due to microfinance assistance. As per the mentioned by the respondents, accumulated asset is livestock.

Thus microfinance showcases positive impact on various aspects of respondents' lives in the sampled area except in loan repayment, reducing financial vulnerability and accumulating assets like house and land.

Table 8

Socio-economic Status and Mobility

Statements	Response	N	%
Do you perceive any changes in your social standing with your community or society since using microfinance?	Yes	225	90
	No	25	10
Have you experienced any improvement in your income or business revenue since using microfinance services?	Yes	217	86.4
	No	34	13.6
Has microfinance influenced your employment status or job opportunity?	Yes	183	73.2
	No	67	26.8
Has it helped in reducing financial vulnerability and managing risk?	Yes	106	42.4
	No	144	57.6
Are you able to afford better quality (food, housing and essential services)?	Yes	164	65.6
	No	86	34.4
Have you observed any changes in your consumption pattern?	Yes	181	72.4
	No	69	27.6
Has microfinance played a role in improving access to education for you or your family members?	Yes	219	87.6
	No	31	12.4
Have you able to afford better healthcare services for yourself or your family?	Yes	57	62.8
	No	93	37.2

Do you see microfinance playing a role in achieving your long-term goal and aspiration?	Yes	182	72.8
	No	68	27.2
Have you experience any challenges in repaying microfinance loans?	Yes	114	45.6
	No	136	54.4
Have you been able to accumulate assets due to microfinance assistance?	Yes	133	53.2
	No	117	46.8

Microfinance is a powerful tool for the socio-economic transformation of marginalized people. Its products, support, and facilities affect women's decision-making power and control over resources (Arova, 2013). It helps to improve healthcare and education, increase income, and alleviate poverty (Karki et al., 2021). It complements basic infrastructure to effectively alleviate poverty (Appah et al., 2012). It also helps to poor people escape poverty through access to credit, savings, insurance, and fund transfer facilities (Sharma, 2014). It facilitates income generation, access to healthcare, and education for their children (Adhikari & Shrestha, 2013).

Microfinance services increase the quality of life, self-confidence, and income diversification of clients worldwide (Robinson, 2001). Yunus (2003) compared poor people to bonsai trees, indicating that limited opportunities and resources hinder their growth. The poor possess untapped skills, and poverty arises from institutional and policy constraints. Therefore, this program is important in generating self-employment opportunities for the poor, especially women, and promoting economic growth and development (Khandker, 1998). Governments, NGOs, and other donor agencies support microfinance as a strategy to eradicate poverty, contributing to economic change and development (Sharma, 2014).

Microfinance has helped poor clients raise their income levels and utilize their skills, especially women and indigenous communities (Neupane, 2014). By providing loans for a range of investments, it promotes economic growth, changes consumer behavior, and creates jobs. Self-employed people with access to microloans fare better financially than those with other sources of income (Khan, 2014). Similarly, Kunwar (2012) concluded that financial intermediaries and effective investments allow microfinance to contribute to the elimination of poverty.

Thus, microfinance services play a crucial role in reducing poverty, unemployment, and inequality, contributing to self-employment opportunities and improving the living standards of its user groups. Productive loans from microfinance institutions have a positive impact on multidimensional welfare indicators (Imai, Arun, & Annim, 2010). It supports

the entrepreneurial aspirations of the poor and has a positive influence on their business development and living standards (Alemu, 2006). It enables marginalized people to break free from poverty's grip, promoting self-reliant activities (Yunus, 2004). Finally, the conclusion drawn by these collective authors in their research supports the findings of this research.

CONCLUSIONS

The study found predominantly female, married user groups with secondary level education and mainly dependent on agriculture and livestock for their livelihoods. Majority of respondents utilized microfinance for their business expansion and self-employment generation. Information about microfinance services was mainly obtained from local organizations and friends or family. Similarly, respondents found themselves satisfied with the services offered, frequently used microfinance, noticed a positive impact on their lifestyle, household income, higher education basically women, access to healthcare for children and aged member of the groups, women participation in decision making and self-development of the members. As per the perception of respondents regarding MFIs, it is found that they serve the poor by addressing their needs, facilitating easy loan processes, and organizing skill development training. Most of the respondents perceived positive changes in their social standing, income, savings, employment opportunities, poverty and inequality reduction, access to education and health, microbusiness, and decision-making power. The financial status found improved. Finally, notable changes were observed in various social and financial aspects of the study area. According to the respondents' responses, there are notable concerns regarding high-interest rates, challenges in loan repayment, reducing financial vulnerability and minimal asset accumulation like house and land. It is thus concluded that microfinance has contributed to societal development, women's empowerment, healthcare and resource access, and educational improvement of the user groups.

This study suggests that regulation on interest rates to make it more accessible and sustainable, asset diversification apart from livestock to ensure long-term financial stability, financial training programs for users to ensure better utilization of microfinance products, and mitigating the challenges in loan repayment are required. Similarly, social awareness programs for the benefits enhancement and financial literacy programs for potential risks reduction are essential for the betterment of the program in the coming days.

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