The Efficacy of Microfinance Programs in Enhancing Income, Education, and Health for Poverty Reduction in Rural Nepal

Shanker Dhodary[1], Churamani Pandeya[2], Prem Lal Rajbanshi[3]

[1] Nepal Commerce Campus,
Tribhuvan University
Email: dhodaryshanker@gmail.com

[2] Nepal Commerce Campus,
Tribhuvan University
Email: chudamanipandeya.10@gmail.com

[3] Nepal Commerce Campus,
Tribhuvan University
Email: rajbanshipl@gmail.com

Corresponding Author
Churamani Pandeya
Email: chudamanipandeya.10@gmail.com

Abstract

Purpose-The purpose of the study is to analyze the impact of microfinance on improving living standard of rural people. Microcredit, microsaving, training and awareness are independent variables and poverty reduction measurement such as income, education and health are dependent variables for the study.

Design/methodology/approach- A descriptive research design has used and purposive sampling technique has carried out to collect necessary data from the respondents through a structured questionnaire which was distributed people who has been actively involved in Global IME microfinance Ltd. and Sadhana microfinance Ltd at Charaudi, Dhading. Total 140 questionnaires were distributed to the peoples of Charaudi but only 120 useable responses were collected and analyzed. The descriptive statistics, frequency and percentage analysis has been used. Further correlation and multiple regressions were conducted to examine the relationship between dependent and independent variable.

Findings- The study finds micro-credit, micro-saving, training and awareness have significant positive effect on improving income level, education level and health status of the respondents.

Practical implications- The study has implications for regulators, policy makers and practitioners in formulating policy decisions. Considering the instrumental role of microfinance for the improvement of socio-economic status of women, government can take additional initiative towards microfinance programs targeting to the hardcore poor people where microfinance could not make an effective outreach yet.

Original/Value- Few studies have addressed the interplay of microfinance on poverty alleviation in Nepali context

General background

Microfinance Institutions (MFIs) play a pivotal role in enhancing the living standards of low-income populations, particularly in regions underserved by traditional banking systems. These institutions serve as essential mechanisms for poverty alleviation by facilitating access to financial services such as credit,

savings, training, and awareness programs. Such services have proven to be instrumental in improving income levels, educational attainment, and health outcomes, thereby fostering socio-economic development and reducing gender disparities.

This study is situated within this broader context and seeks to examine the extent to which microfinance initiatives have influenced the livelihoods of rural populations in the Charaudi region of Dhading, Nepal. Existing literature (e.g., Hirway, 2018) underscores the relationship between access to financial services and empowerment outcomes, particularly among women, who are often disproportionately burdened with unpaid labor and excluded from formal economic systems. Microfinance, as a comprehensive development tool, aims to mitigate these inequalities by promoting self-reliance and social inclusion.

Globally, poverty remains a central concern of development policy. In developing nations such as Pakistan and Nepal, poverty is multidimensional, manifesting in limited access to quality healthcare, education, clean water, and secure living environments (Nizami & Hizam, 2023). In this regard, microfinance has emerged as a viable strategy for poverty reduction. It enables economically marginalized households to access financial services that empower them to engage in productive economic activities (Arshad et al., 2018; Tasos et al., 2020).

Historically, the modern microfinance movement began in 1976 with the establishment of the Grameen Bank by Muhammad Yunus in Bangladesh. This model introduced collateral-free lending and group-based repayment structures to mitigate credit risk and enhance repayment rates among low-income borrowers. Targeting especially vulnerable groups such as women, this approach has since been replicated globally with notable success (Mohammad & Mohammed, 2007).

Recent studies further confirm the positive impact of microfinance on poverty reduction (Raza, 2022; Shabnam, 2023). Access to credit and related financial services has been shown to significantly improve the socio-economic conditions of poor households, provided such resources are utilized effectively and complemented by capacity-building initiatives. Nonetheless, challenges persist, particularly in terms of ensuring equitable outreach, addressing gender disparities, and strengthening institutional capacities.

In the context of Nepal, microfinance has been supported by a broad range of stakeholders including Rural Development Banks, cooperatives, international non-governmental organizations, and donor agencies such as the Asian Development Bank (ADB), UNDP, and the International Fund for Agricultural Development (IFAD). In addition to these formal institutions, informal financial networks such as Dhikuti groups, user associations, and local moneylenders also play a significant role in facilitating access to finance for low-income populations.

The agricultural sector, which employs approximately 60% of Nepal's population, remains critical to the country's development trajectory. As such, there is an urgent need for policy interventions that promote small-scale investments, rural entrepreneurship, and inclusive financial services to elevate the living standards of farming communities and other low-income groups. The Government of Nepal has recently introduced policies aimed at strengthening the microfinance industry as a strategy for inclusive growth and rural development.

Furthermore, training and capacity-building initiatives are essential for the effective operation and expansion of microenterprises (Ondoro, 2012). Entrepreneurial training enhances business management skills and supports the adoption of new technologies, which in turn contributes to the sustainability of microfinance-supported ventures. Despite the proliferation of microfinance programs in regions such as Charaudi, Dhading, the critical question remains not merely about the quantity of such programs, but rather their actual impact on poverty reduction and livelihood improvement. This study aims to evaluate the effectiveness of microfinance services in addressing the multi-faceted nature of poverty and promoting sustainable development among rural populations in Nepal.

Literature review

Poverty alleviation programs across developing countries increasingly incorporate credit components as key strategies for improving the socio-economic conditions of the poor. Microfinance, in particular, has been extensively promoted as a tool for reducing poverty and fostering empowerment. It is widely argued that access to microfinance services contributes to increased household income, which in turn enhances food security, enables asset accumulation, and increases the likelihood of investing in children's education. Furthermore, microfinance

fosters self-reliance and empowerment by enabling the poor to engage in income-generating activities, develop entrepreneurial skills, and reduce their vulnerability to external shocks (Grades, 2007).

However, empirical findings on the effectiveness of microfinance remain mixed. While some studies present compelling evidence of positive socio-economic impacts, others raise concerns regarding the long-term sustainability and depth of these effects. For instance, Ghalib (2007) critiques the microfinance model for potentially entrapping beneficiaries in a persistent debt cycle, arguing that small loans may not be sufficient to lift individuals out of poverty sustainably. This concern is echoed by Ghatak (1999), who found that many poor households tend to use microcredit primarily for consumption rather than productive investment, thereby limiting the transformative potential of such interventions.

Contrastingly, Reddy's findings emphasize the positive development outcomes of microfinance, noting that increased household income is often accompanied by greater awareness among beneficiaries, improved health and education outcomes, and enhanced social inclusion. This aligns with the broader development discourse that highlights the multifaceted benefits of financial inclusion when complemented by training, education, and health awareness.

Savings facilities, an integral component of microfinance services, have also been recognized for their developmental impact. According to Coleman (2002), access to structured saving mechanisms influences household decision-making, encouraging more disciplined financial behavior and enabling investment in productive activities. These facilities provide a safety net and foster financial resilience among low-income households.

In the context of Pakistan, poverty remains a multidimensional challenge, exacerbated by limited access to healthcare, education, clean water, and secure living environments. As noted by Nizami and Hizam (2023), poverty in Pakistan is complex and deeply rooted in structural inequalities. Within this context, microfinance has emerged as a critical instrument for promoting financial inclusion and mitigating socio-economic disparities. Arshad et al. (2018) and Tasos et al. (2020) emphasize that microfinance arrangements provide essential financial services to low-income households that are traditionally excluded from formal banking systems. These services include microcredit, microsavings, insurance, and payment facilities, all aimed at supporting income-generating activities and enhancing overall well-being.

Despite the growing popularity of microfinance, ongoing debates persist regarding its actual impact on poverty reduction and social empowerment. While many studies acknowledge its potential to foster economic independence and improve living standards, others call for more nuanced evaluations that consider the context-specific challenges and unintended consequences of microfinance initiatives. Overall, the literature suggests that the success of microfinance as a poverty alleviation tool depends on several factors, including the design of financial products, the provision of complementary services such as training and awareness programs, and the socio-economic conditions of the target population.

Conceptual Framework
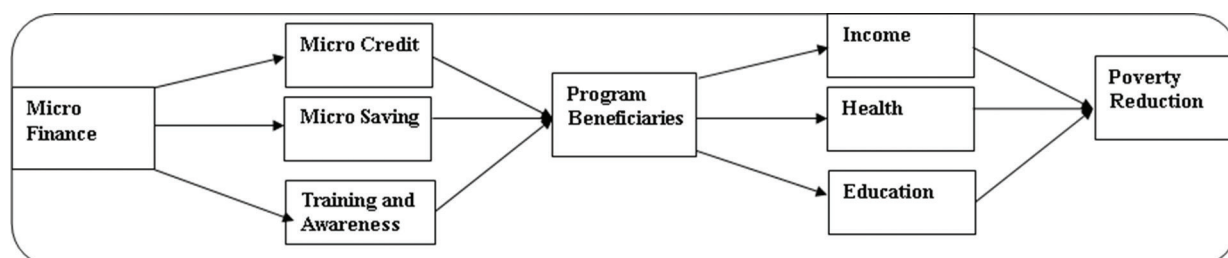

Figure1: Conceptual Framework

Definition of Independent and Dependent Variables:
Independent Variables
Micro-credit
Micro-credit refers to the extension of small loans (microloans) to impoverished borrowers who typically lack

access to traditional banking services due to the absence of collateral. It is a core component of microfinance and plays a crucial role in empowering low-income individuals, particularly in developing countries. Micro-credit enables poor individuals to engage in self-employment and income-generating activities, thereby contributing to the improvement of their own and their families' living standards (Rahman, 2007).

Micro-saving
Micro saving is another important branch of microfinance, involving small deposit accounts designed for low-income individuals or families. These savings mechanisms provide an incentive to store funds for future use and financial stability. Generating a savings culture within communities is a primary objective of microfinance institutions (MFIs). Participation in MFIs enables individuals—particularly women—to generate income through small-scale businesses, from which they can save money to meet future expenses (Graham, 2000).

Training
Training refers to the process of developing specific skills and knowledge, while awareness denotes a conscious understanding or perception of events and issues. In the context of microfinance, MFIs provide training and awareness programs to enhance clients' knowledge, capabilities, and decision-making. These programs are aimed at improving income-generating capacity and raising awareness about health and social well-being (Wright, 2000).

Dependent Variable: Poverty Reduction
Poverty reduction in this study is assessed through supporting variables that serve as indicators of improved living standards. These include:
Income
refers to the money generated by microfinance clients through investment of the loans received from MFIs. It is used to support daily household expenditures and is considered one of the most critical indicators of the success of microfinance interventions. Household income is frequently reported as a key economic statistic and is widely used to measure various socio-economic parameters (Adhikari, 2013).

Health
Health is defined as a state of complete physical, mental, and social well-being. Along with education, health is a significant non-economic outcome of microfinance at the household level. Microfinance can positively influence health by promoting access to formal medical care and discouraging reliance on traditional or superstitious treatments. Improved income through microfinance allows households to afford better healthcare services, contributing to overall well-being (Wright, 2000).

Education
Education refers to the process of acquiring knowledge, skills, values, and habits through structured learning. One of the primary goals of low-income families participating in microfinance programs is to invest in their children's education. Previous studies have indicated that children from microfinance-supported households are more likely to attend school regularly and receive better educational outcomes compared to those from non-participating households (Hashemi, 2003).

Research Methodology
This study employs a descriptive research design to achieve its objectives. To gather relevant information, both primary and secondary data sources were utilized. Secondary data were collected from credible sources such as academic journals, newspapers, periodicals, bulletins, magazines, and various published and unpublished reports. Primary data were obtained through structured questionnaires, direct observations, and personal interviews conducted with selected respondents.

Population and Sampling Procedure

The target population for this study comprises residents of Charaudi, Dhading who are active clients of microfinance institutions (MFIs). The study adopted a non-probability purposive sampling technique, wherein participants were selected based on their relevance to the research objectives and ease of accessibility. This sampling method was particularly suitable under the constraints of the COVID-19 pandemic, as it allowed for economical, efficient, and timely data collection.

The purposive sampling approach was employed to focus on individuals who are direct beneficiaries of microfinance services, thereby ensuring the relevance of the collected data. According to Sekaran (2013), "sample sizes larger than 30 and less than 500 are appropriate for most research." In alignment with this guideline, a total of 140 questionnaires were distributed, out of which 120 valid responses were obtained and used for analysis.

Prior to the main survey, a pilot study involving 25 participants was conducted to test the reliability and validity of the research instrument. Based on the results of the pilot test, necessary adjustments were made to enhance the clarity and consistency of the questionnaire.

The finalized questionnaire included various forms of closed-ended questions, such as multiple-choice (single response), ranking scales, and Likert-type items. A five-point Likert scale was specifically employed to capture respondents' perceptions regarding the impact of microfinance on poverty alleviation. Participants were selected based on their status as active users of microfinance services.

Data collection procedure

This study is primarily based on primary data, which were collected through a convenience sample survey using structured questionnaires administered to 120 microfinance clients in Charaudi, Dhading. The questionnaire was divided into two sections: the first section focused on demographic and socio-economic characteristics of the respondents, while the second assessed their experiences with microfinance services and their financial literacy levels.

The instrument comprised a combination of Likert scale items, multiple-choice questions, and option-based responses designed to capture quantitative data on the impact of microfinance on poverty reduction. The questionnaire aimed to evaluate not only the outcomes of microfinance engagement but also the respondents' level of understanding of financial concepts and practices.

Data Processing Procedure

Upon collection, the data were systematically edited, coded, classified, and tabulated using Microsoft Excel. This process ensured consistency, accuracy, and readiness of the data for statistical analysis. The organized dataset provided a clear and comprehensive representation of the performance and effectiveness of microfinance programs in the study area.

Statistical Tools

To achieve the research objectives and analyze the collected data, several quantitative statistical tools were employed. These include:

- Descriptive statistics such as mean and standard deviation to summarize the central tendency and dispersion of the data;
- Correlation analysis to examine the relationship between microfinance variables and indicators of poverty reduction;
- Regression analysis to determine the strength and significance of the impact of microfinance services on key poverty indicators.

Additionally, tables and graphical representations (such as bar charts and pie charts) were used to visually present and interpret the findings effectively.

Statistically regression equation can be written as:

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

Where,

$\hat{Y}$	=	poverty reduction (dependent variable)
X_1	=	micro saving
X_2	=	micro credit
X_3	=	training and awareness
α	=	Constant
$\beta_1, \beta_2, \beta_3, \beta_4$	=	Regression coefficients of Factor 1 to Factor 5 respectively
e_i	=	Error term

Variables and Measurement

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

1. Micro credit
2. Micro saving
3. Training and Awareness

The result indicated that all the variables have the value greater than the standardized value i.e. 0.7 (Nunnally & Branstrain, 1994). Hence, the categories for survey instruments are valid and reliable, and the scales used in survey instruments are unidimensional. Hence the data are considered as acceptable.

Data Presentation and Analysis

Descriptive analysis was conducted to evaluate the perceived impact of the key independent variables—micro-credit, micro-savings, and training and awareness—on poverty reduction indicators such as income, education, and health. The analysis is based on responses collected using a five-point Likert scale, where 1 = Strongly Disagree and 5 = Strongly Agree. Accordingly, mean scores approaching 1 reflect a low perceived impact, while scores approaching 5 indicate a high perceived impact.

Measures of central tendency (mean) and dispersion (standard deviation) were computed for each variable to interpret the overall impact as perceived by microfinance beneficiaries.

Micro-Credit

To assess the role of micro-credit in poverty reduction, its impact was examined across three key dimensions:

• Increase in household income after receiving the loan
• Improvement in educational access or quality
• Enhancement in regular health checkups

Table 1 presents the descriptive statistics of micro-credit based on the Likert-scale responses from 120 participants.

Table 1

Descriptive Statistics of Micro Credit

Variables	Mean	Std. Deviation
My income has been increased after receiving loan from microfinance institution	4.33	0.842
Micro-credit provided by microfinance has been instrumental in creating educational environment for the children in your home.	4.17	0.714
I go for regular checkup since I am involved in microfinance	3.87	0.607
Micro-Credit	4.12	0.72

Source: Field survey 2020

Micro Saving

These results suggest that micro-savings are perceived to have a high positive impact on both income generation and the ability to meet educational costs. However, the extremely low mean score for medical expenses (1.00) indicates that micro-savings are not effectively contributing to healthcare-related financial needs among respondents. This disparity may reflect limitations in the adequacy of saved funds or prioritization of spending among low-income households.

Table 2

Descriptive Statistics of Micro Saving

Variables	Mean	Std. Dev
Saving generated from microfinance activities have been proved instrumental vehicle in meeting educational expenses.	4.28	0.869
Micro-saving facilities provided by microfinance institutions helps to increase the level of income.	4.4	0.771
Saving generated from microfinance activities has helped in meeting my medical expenses.	4.17	0.748
Micro-Saving	4.28	0.796

Source: Field Survey 2020

Training and Awareness

Training and awareness initiatives provided by microfinance institutions (MFIs) are crucial for enhancing the overall living standards of beneficiaries. In this study, the impact of such programs has been evaluated based on three key indicators:
• Increase in household income
• Increase in the number of school-going children
• Enhanced awareness and consciousness toward healthcare

Table 3 presents the mean and standard deviation values for each of these variables, measured on a five-point Likert scale (where 1 = Strongly Disagree and 5 = Strongly Agree).

The findings indicate that respondents perceive training and awareness programs to have a positive impact across all three dimensions. Specifically:
• The mean score for improvement in income is 4.03 (SD = 0.819)
• The mean score for increased school enrollment among children is 3.96 (SD = 0.666)
• The mean score for increased health awareness is 4.01 (SD = 0.628)

The overall average mean for the training and awareness dimension is 4.00 with a standard deviation of 0.704, reflecting a consistent and favorable perception among participants regarding the benefits of these programs.

Table 3

Descriptive Statistics of Training and Awareness

Variables	Mean	Standard Deviation
Training and awareness programs provided by microfinance help to improve income	4.03	0.819
Training and awareness programs have increased the number of school-going children	3.96	0.666
Training and awareness programs have increased consciousness toward healthcare	4.01	0.628
Overall (Training and Awareness)	4.00	0.704

Source: Field Survey 2020

These results highlight the significant role that non-financial services—such as training and awareness—play in complementing financial interventions to reduce poverty and improve socio-economic well-being.

Correlation Analysis

The Pearson correlation coefficients among the variables—Poverty Reduction, Micro Credit, Micro Saving, and Training and Awareness—are presented in the table below. The coefficients indicate the strength and direction of the linear relationships between the variables.

Table 4

Correlation Analysis

Variables	Poverty Reduction	Micro Credit	Micro Saving	Training and awareness
Poverty Reduction	1			
Micro Credit	.436**	1		
Micro Saving	.387**	.590**	1	
Training and Awareness	.755**	.388**	.437**	1

Sources: Field Survey 2020

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

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

The correlation analysis reveals significant positive relationships between microfinance components (micro-credit, micro-saving, training and awareness) and poverty reduction. Notably, training and awareness exhibit the strongest association with poverty alleviation, underscoring the importance of complementary non-financial services alongside financial products in enhancing socio-economic outcomes.

Regression Analysis

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

Multiple Linear Regression Model

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

Where,

$\hat{Y}$	= poverty reduction (dependent variable)
X_1	= micro credit
X_2	= micro saving
X_3	= training and awareness
α	= Constant
$\beta_1, \beta_2, \beta_3$	= Regression coefficients of Factor 1 to Factor 3 respectively
e_i	= Error term

Table 5

Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the estimate
1	.771*	0.595	0.584	0.51044

Sources: Field Survey 2020

***Significant at the 0.01 level (2 tailed).*

**Significant at the 0.05 level (2 tailed).*

Table 5 reveals the regression model demonstrates a strong and significant predictive relationship between the independent variables related to microfinance and the dependent variable, poverty reduction. Nearly 60% of

the variance in poverty reduction is accounted for by the model, indicating that micro-credit, micro-saving, and training and awareness are important factors influencing poverty alleviation in the study context.

Table 6

ANOVA Analysis

Model	Sum of Square	Df	Mean Square	F	Sig
Regression	44.352	3	14.784	56.743	0
Residual	30.223	116	0.261		
Total	74.576	119			

Source: Field Survey 2020

a. Dependent variable: poverty reduction

b. Predictors are micro credit, micro saving, micro insurance.

The table 6 shows the ANOVA test of independent variables. The ANOVA results indicate that the regression model significantly predicts poverty reduction, with the independent variables (micro-credit, micro-saving, and training and awareness) explaining a significant portion of the variance in poverty reduction. The very low p-value (< 0.001) confirms that the overall model fit is not due to chance.

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	Beta	Std Error	Beta		
(Constant)	1.059	0.189		5.591	0
Micro credit	0.14	0.058	0.181	2.43	0.017
Micro saving	-0.017	0.054	-0.024	-3.17	0.752
Training and Awareness	0.567	0.054	0.696	10.412	0

Source: Field Survey 2020

a. Dependent Variable: Poverty reduction.

On the basis of above findings, the following model has been developed.
$$\hat{Y} = 1.059 + 0.140X_1 + -0.017X_2 + 0.567X_3$$

The intercept value of 1.059 represents the expected level of poverty reduction when all independent variables are zero. It is statistically significant ($p < 0.001$), meaning the baseline poverty reduction is significantly different from zero.

Micro Credit: Unstandardized coefficient (B = 0.140): For every one-unit increase in micro credit, poverty reduction increases by 0.140 units, holding other variables constant. Standardized coefficient (Beta = 0.181): Micro credit has a positive but moderate effect on poverty reduction relative to the other variables. Significance (p = 0.017): This effect is statistically significant at the 5% level, indicating that micro credit has a meaningful positive impact on poverty reduction. Micro Saving: Unstandardized coefficient (B = -0.017): The negative coefficient suggests a slight negative relationship between micro saving and poverty reduction, but this is very close to zero.

Standardized coefficient (Beta = -0.024): This indicates a negligible effect. Significance (p = 0.752): The effect is not statistically significant, implying that micro saving does not have a statistically significant impact on poverty reduction in this model.

Training and Awareness: Unstandardized coefficient (B = 0.567): For each one-unit increase in training and awareness, poverty reduction increases by 0.567 units, controlling for other variables. Standardized coefficient (Beta = 0.696): This is the strongest predictor in the model, showing a large positive effect on poverty reduction. Significance (p = 0.000): The effect is highly statistically significant, indicating training and awareness programs have a strong and reliable positive impact on poverty reduction.

Conclusion and discussion

The study has been guided by objective to examine the relationship between microfinance on improving living standard and also helping them to rise from their poverty status. To fulfill the objective of the study, descriptive and analytical research design has been followed where micro credit, micro saving and training and awareness were examined independently for analyzing their impact on improving living standard (income, education and health). Cronbach's Alpha, correlation analyses were run to check whether data fit for regression analysis. The preliminary results of the study were checked under descriptive statistics, frequency and percentage analysis. Further correlation and multiple regressions were run to check relationship between dependent and independent variable and their level of significance. Based on the study findings, the study draws a number of conclusions. First, the study concludes that microfinance activities namely micro-credit, micro-saving and training and awareness have significant effect on improving income level of the respondents. This means increase in micro-credit, micro-saving and training and awareness will significantly improve the level of income of the respondents. Therefore, microfinance programs such as micro-credit, micro-saving, training and awareness are also the keys to improve the income level and thus to enjoy the better life style by the people in the society.

Second, the study reveals that micro-credit, micro-savings and training and awareness have significant positive relationship with education level of respondents and their children's. This means increase in micro-credit, micro-savings and training and awareness will significantly improve the level of education. Therefore, this result suggests that microfinance activities namely: micro-credit, micro-savings and training and awareness programs have important role in improving the education level of the people in community.

Thirdly micro-credit, micro-savings and training and awareness have significant relationship with health status of respondents. Therefore, the microfinance, in addition to other powerful tools, has been proved to improve health status of the people living in the rural areas of the country.

Major microfinance services provided by the microfinance institutions are micro-credit, micro-savings and training and awareness and these services have great impact on the lives of poor people. People can generate income saving and can have a better access on education and health. This study also concludes that after the involvements of microfinance program people have been able to generate income, they were developing saving habits and they were more conscious towards their health. Micro-credit, micro-savings and training and awareness have positive relationship on improving income, education and health. So the findings of this study there is noticeable and positive impact of the microfinance chosen. Activities on improving the living standard of people at Charaudi, Dhading. Finally, availability and accessibility of Microfinance Institutions (MFIs) is no doubt positive way to bringing a revolution not only in theirs lives of poor but also in society. The dream of healthy and educated society with no discrimination and biased can be achieved through available and accessible savings and credit. The hope of life that no one will sleep hungry, no one will die lack of medication and our children can read and write on their own then everyone will be pillar of society.

Discussion

The relationship between microfinance and poverty reduction has been a subject of ongoing debate in academic literature. This study contributes to this discussion by examining the Nepalese context, revealing findings that both align with and diverge from previous research.

Consistent with a significant body of existing literature, this study finds that microfinance activities contribute positively to poverty reduction in Nepal. This aligns with Bashyal's (2005) observation that microfinance can reduce both income and human poverty over time. Similarly, Shrestha (2010) highlighted the positive outcomes of microfinance and social mobilization within the Agricultural Development Bank, emphasizing the demand for program expansion to serve the poor and disadvantaged in rural Nepal. Dhurba (2006) further supports this positive impact, noting an increase in women's self-confidence and decision-making capacity due to microfinance involvement, while Soti (2002) concluded that participation in microcredit programs empowered women to varying degrees.

However, the findings also indirectly touch upon nuances that previous studies have explored. For instance,

while Yunus (2003) advocated for credit as a human right, emphasizing its role in creating self-employment, the United Nations (1999) pointed out that the poorest individuals often have low demand for credit due to their limited capacity for profitable use and debt servicing. This suggests that while microfinance holds immense potential, its effectiveness can be influenced by the specific circumstances of the borrowers. Furthermore, Crab (2008) examined the relationship between microfinance institution success and economic freedom, highlighting the importance of a conducive environment for sustainable micro-lending. While this study focuses on the direct impact of microfinance on poverty, these broader considerations of institutional sustainability and client capacity are implicitly relevant to the overall effectiveness of microfinance initiatives in Nepal.

In conclusion, this study reinforces the notion that microfinance plays a vital role in poverty reduction within Nepal, largely corroborating earlier research that demonstrates its positive effects on income, human well-being, and women's empowerment. However, it also implicitly acknowledges the complexities surrounding microfinance, hinting at the need for continued exploration into factors that influence its optimal impact on different segments of the impoverished population. Lamsal (2005) observed whole impact of microfinance program is to be associated in multi-dimensional ways. Although the impact of the microfinance program in the field of income generation and living standard is positive, but not satisfactory.

Implications of the study

The findings and conclusions of this study regarding the impact of microfinance on poverty reduction among rural populations carry significant implications for various stakeholders, including policymakers, practitioners, and academicians. The evidence demonstrates that microfinance services—particularly micro-credit, micro-savings, and training and awareness programs—positively influence key dimensions of living standards, namely income, education, and health. These results underscore the potential of microfinance as a strategic tool for social and economic development. For policymakers, the findings suggest the need to strengthen the institutional and regulatory frameworks that support the expansion of microfinance services, particularly in underserved and remote regions. The government may consider implementing targeted interventions and incentive schemes to support Microfinance Institutions (MFIs) in reaching marginalized populations, especially the hardcore poor who remain outside the reach of current microfinance initiatives.

For practitioners in the microfinance sector, the study highlights the importance of designing and delivering contextually relevant and needs-based financial products. Customizing services to address specific challenges faced by rural poor households can enhance the effectiveness and inclusivity of microfinance programs. Furthermore, integrating capacity-building components such as financial literacy and health education into microfinance packages can amplify their developmental impact.

Academically, this research contributes to the growing body of literature on the role of microfinance in poverty alleviation and provides empirical insights that can inform future studies. Researchers are encouraged to explore further the long-term and multidimensional impacts of microfinance, as well as the mechanisms through which these effects manifest across different socio-economic groups.

In conclusion, the study affirms that microfinance can be a vital instrument for enhancing the socio-economic well-being of rural populations. With supportive policies, innovative program design, and continued research, microfinance can serve as a catalyst for sustainable development and social equity.

References

Adhikari, D. B., & Shrestha, J. (2015). Economic impact of microfinance in Nepal: A case study of the Manamaiju Village Development Committee, Kathmandu. *Economic Journal of Development Issues, 15*(1–2), 36–49. https://doi.org/10.3126/ejdi.v15i1-2.11861scirp.org

Khan, A. A., Khan, S. U., Fahad, S., Ali, M. A. S., Khan, A., & Luo, J. (2021). Microfinance and poverty reduction: New evidence from Pakistan. *International Journal of Finance & Economics, 26*(3), 4723–4733. https://doi.org/10.1002/ijfe.

Asian Development Bank. (2005). *Finance for the poor: Microfinance development strategy.* https://www.adb.

org/documents/finance-poor-microfinance-development-strategyadb.org

Kiiru, J. M. M. (2007). *The impact of microfinance on rural poor households' income and vulnerability to poverty: Case study of Makueni District, Kenya* https://erepository.uonbi.ac.ke/handle/11295/47021econbiz.de+2erepository.uonbi.ac.ke+2books.google.com+2

Hirway, I. (2018). Translating the SDG commitments into reality: Time use data for gender equality and women's empowerment in the global South. *Indian Journal of Human Development, 12*(1), 93–108. https://doi.org/10.1177/0973703018778128ideas.repec.org+1journals.sagepub.com+1

Josily, S. (2006). *Women empowerment through microfinance in Dindigul District of Tamil Nadu: An economic analysis* [Master's thesis, University of Agricultural Sciences, Dharwad]. http://etd.uasd.edu/ft/th9602.pdfsciepub.com+1sciencepublishinggroup.com+1

Khandker, S. R. (2003). Micro-finance and poverty: Evidence using panel data from Bangladesh. *World Bank Policy Research Working Paper Series,* (2945). https://doi.org/10.1596/1813-9450-2945

Rahman, M. A., & Khan, M. A. (2007). Impact of microfinance on living standards, empowerment and poverty alleviation of poor people: A case study of microfinance in Chittagong District, Bangladesh. [Master's thesis, Umeå University]. https://www.diva-portal.org/smash/get/diva2:141240/FULLTEXT01.pdfdiva-portal.org

Nizami, M. A., & Hizam, S. M. (2023). Microbusinesses, microfinance, and poverty alleviation in Punjab, Pakistan. *Journal of Production, Operations Management and Economics, 3*(2), 9–23.

Raza, W. (2022). Role of microfinance in poverty alleviation. *Journal of Business and Tourism,* 120.

Tasos, S., Amjad, M. I., Awan, M. S., & Waqas. (2020). Poverty alleviation and microfinance for the economy of Pakistan: A case study of Khushhali Bank in Sargodha. *Economies, 8*(3), 10–20.

Yunus, M. (1999). The Grameen Bank. *Scientific American, 281*(6), 114–119.

Yunus, M. (2003). *Banker to the poor: The story of the Grameen Bank.* Aurum Press.