

Effect of Micro Finance Services on Poverty Alleviation in Pokhara

Mohan Bhandari, Sagar Subedi*

ABSTRACT

The micro finance program stand for small loans to very poor people for their self-employment activities which can help to generate income, improve their life style, increase their access to social service. This study shows the effect of micro finance services to poverty alleviation. The respondents are the clients of six different MFIs of Kaski district, Pokhara Metropolitan city ward No. 21. The data were collected through well-designed and structured questionnaire. The sample size is determined with the help of Yamine T. formula with the sample error of seven percentages. The sample size is 180 out of 1526 of total population. The descriptive as well as higher level of analysis such as; One-Way ANOVA, Correlation and Regression analysis had been applied to get the more reliable result. The economic status shows that micro saving program had brought the higher-level change of clients' status. The level of poverty had decreased after joining MFIs. Intuitional wise MFIs program such as; micro saving, micro credit, micro insurance, micro training and poverty alleviation had depicted perceptual difference towards MFIs. Similarly, age wise micro finance factor such as; micro saving and poverty alleviation had perceptual difference towards MFIs. Marital status wise micro-finance factor showed married women perceived different from before. Those respondents who do not have formal education perceived different. The correlation shows that all micro finance's factor had negatively correlated to poverty reduction.

Keyword: *Micro credit, Micro saving, Micro insurance, Micro training, Poverty alleviation.*

BACKGROUND OF THE STUDY

Microfinance institutions engage in relatively small financial transactions using various methodologies to serve low-income households, micro enterprises, small-scale farmers, and others who lack access to traditional banking services (CBS, 1999). Microfinance is a term that is broadly used for the provision of financial services to low-income households and the self-employed people. It has involved on the approach of economic development intending to make low-income women and men more betterment.

*Lecturer, Gupteshwor Mahadev Multiple Campus, Pokhara

Although, some of the microfinance institution provide insurance and payment services but the main approach of the financial services is to provide a credit and rise the saving. Rather than a banking function, it comprises developmental tools. The main activities of the microfinance include (Ledgerwood, 1999);small loans, typically for working capital, informal appraisal of borrowers and investment, collateral substitutes, such as group guarantees or compulsory savings, access to repeat larger loans, based on repayment performance.

Microfinance has proven to be an effective and powerful tool for poverty reduction, like many other development tools however; it has insufficiently penetrated the poorer strata of society (Aghion and Morduch, 2005). Microfinance is not a new concept due to small micro credit operations have existed since mid-17th century. However, most modern micro financial institutions operate in developing countries. Microfinance bank generally targets the low-income communities. Most microfinance gives loans to borrowers without requiring collateral.They are micro not because of the scale of typical transactions with customers.

A microfinance institution offers financial services like saving, money transfer, payments, remittances, training and insurances, among others. Historically the main goal of microfinance is the alleviation of poverty and so traditional microfinance institutions consisted of only non-governmental organizations microfinance banks and public sector banks. Microfinance institutions (MFIs) focus on providing credit to the poor who have no access to commercial banks, in order to reduce poverty and to help the poor with setting up their own income generating business.

The poor community refers to the socially disadvantages and lagging behind group from the government's facilities and sponsors. Specially their main economy is based on agriculture and have limited owner of the land or capital, so their economic condition were relatively low or weak and that is a main problem of nation for development. So the concept of microfinance should help to remove this types problem by providing small and easy loan and encourage saving and mobilize it. According to the World Bank's (n.d), poverty is a condition of life so characterized by malnutrition, illiteracy and reasonable definition of human decency. The most commonly way to measure poverty based on income or consumption line.

Poverty is a condition in which a person of community deprived of the basic essential and necessities for a minimum standard of living. Poverty has a multiple and

complex causes. The poor are not just deprived of basic resources. They lack access to information that is vital to their lives and livelihoods, information about market price for the goods they produce, about health, about the structure and services of public institution, and about their rights. They lack political visibility and voice in the institution and power relations that shape their education and skills development that could improve their livelihoods. They often lack access to markets and institutions, both governmental and societal that could provide them with lack access to and information about income-earning opportunity. For settle down the problem, this research program intended the following research questions. What is the economic status of micro finance users before and after involve in MFIs? What are the important factors of MFP? What is the level of status of poverty before and after join MFIs? Is there any difference towards MFIs programs and poverty based on demographic profiles? How does micro finance program impact on poverty alleviation?

OBJECTIVES OF THE STUDY

The main objective of this research was to examine the impact of microfinance services on poverty reduction in Pokhara with a case of microfinance beneficiaries in Pokhara Metropolitan City.

LITERATURE REVIEW

Microfinance services are financial services as well as non-financial assistance such as insurance and training. Microfinance services mainly provide its services to unemployed or low-income individuals because most of those trapped in poverty, or who have limited financial resources, do not have enough income to do business with traditional financial institutions. Microfinance allows people to take on reasonable small business loans safely, and in a manner that is consistent with ethical lending practices. Although they exist all around the world, the majority of micro financing operations occur in developing nations, such as Uganda, Indonesia, Serbia, and south Asian nation like Bangladesh, India, Nepal etc. Many microfinance institutions focus on helping women in particular. Microfinance means the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor and low-income households and their micro enterprises. It is a range of innovative financial arrangements designed to attract the poor as either borrowers or savers.

Cooperatives on (1950-1960) and normal banks (1970-1980) served the microfinance sector until 1980, when a number of pilot projects and initiatives are implement to introduce the financial and banking services to help poor and women. However, few groups of poor people are benefit, but at the end these service is ineffective. During the 1990 and early 2000, the government moves further to strengthen the Microfinance Institutions to provide financial service to poor and women, with the formation of five Regional Development Banks in each Development region. Later these banks are converting into class D (MFDBs) Micro finance Development Banks (Maharjhan, 2016). During early 2000, NGOs which were involved in community based financial activities were also legalized and licensed by Nepal Rastra Bank to formalize micro financing services, as a result financial intermediary NGOs were formed. Wholesale funding institutions are form during the early 2000 period. Nepal Rastra Bank formed Rural Self-Reliance Fund in the year 1991 to provide financial assistance to NGOs and Cooperatives Nepal (Nepal, March, 2013). Rural Microfinance Development Center is the one such wholesale organization that is form in 1998 under the public private partnership program, where Nepal Rastra Bank has 26% stake and remaining stakes hold by 13 commercial banks. Sana Kisan Bikas Bank Ltd. is form in 2001 with the objective to finance Small Farmer Cooperatives Ltd. and the National Cooperative Development Bank is form in 2003 to support and finance the Cooperative organizations in the country. Nepal Rastra Bank, the central bank of the country regulates the banks microfinance development and financial intermediary NGOs when small farmer cooperatives ltd., savings, and credit cooperatives are operate by cooperative laws. All types of microfinance services in the country provide by microfinance institutions working as regulated MFDBs, FINGOs and SFCLs. Cooperative model, Small Farmer Cooperative Limited model, Grameen Bank model, and Community based organizations or Self-Help Groups model are some examples of models of microfinance in Nepal. In addition, Village Bank model also considered a separate program/model of microfinance in Nepal.

Poverty at its broadest level can conceive as state of deprivation prohibitive of decent human life (URT, 1998). Poverty in its most general sense is the lack of necessities like basic food, shelter, medical care, safety, which thought necessary based on shared values of human dignity (Sen, 1999). The UNs declare that daily earning below the 1.9\$ USD is a condition of the poverty (National Planning Commission, 2017). In

2020 Global Multidimensional Poverty Index (MPI) data and publication achieving the SDGs released on 16 July 2020 by the Oxford Poverty and Human Development Initiative at the University of Oxford and the Human Development Report Office of the United Nations Development Program. The global Multidimensional Poverty Index measures the complexities of poor people's lives, individually and collectively, each year (National Planning Commission, 2020). Report focuses on how multidimensional poverty has declined. It provides a comprehensive picture of global trends in multidimensional poverty, covering 5 billion people. It probes patterns between, within countries, and by indicator, highlighting different ways of making progress. Together with data on the \$1.90 a day poverty rate, the trends monitor global poverty in different forms.

The micro savings system is an option available to people who want to build their assets but have limited income to spare. It permits them to save even the smallest amounts of money over time in order to achieve a degree of financial security over time. Micro-savings accounts first achieved popularity in low-income communities and developing nations. They work much like regular savings accounts but some of the fees are waived, no minimum balance is required, and very small deposits are permitted. Micro-savings accounts evolved in part to serve segments of the population that tend to live pay check to pay check and spend as much or more than they take in, whether this is due to an insufficient income or an inability to budget wisely.

In the developing nations, the problem is often compounded by practical issues such as a lack of conveniently located banks. Moreover, conventional banks may make little effort to reach less affluent consumers who, at least for the present, will not make much of a contribution to the bank's bottom line. Banking fees and penalties for below-minimum deposits effectively discourage them from opening accounts. Micro insurance products offer coverage to low-income households or to individuals who have little savings. It is tailored specifically for lower valued assets and compensation for illness, injury, or death. As a division of microfinance, micro insurance looks to aid low-income families by offering insurance plans tailored to their needs.

Micro insurance is often found in developing countries, where the current insurance markets are inefficient or non-existent. Because the coverage value is lower than the usual insurance plan, the insured people pay considerably smaller premiums. Most micro insurance provides coverage to individuals without retirement savings or adults in a low-income household. Micro insurance products are tailored specifically

for compensation for illness, injury, or death, and lower valued possessions or assets. Developing countries often use micro insurance products. Typically, there are four main methods for delivering micro insurance: the provider-driven model, the full-service model, the community-based model, and the partner-agent model. Similar to regular insurance, micro insurance is available for a wide variety of risks, including health, term life, death, disability, and even farming-related insurance risks for crops and livestock.

Obwanga (2011) sought to find out the impact that Saccos in Kisumu County have on alleviation of poverty in Kenya. Descriptive statistics has used to analyze the data, which presented in form of tables and graphs. The findings indicated that 5% of the Sacco members fall below poverty level, which is expenditure of less than Ksh 100 per day. The study concluded that Sacco had a positive impact on alleviation of poverty in Kisumu County as 95 % of the members fall above poverty level of expenditure of less than Ksh 100 per day.

Nyakambi (2014) sought to find the effect of microfinance credit on poverty alleviation at household level in Nakuru County. The study employed descriptive research method. Multivariate regression model applied to determine the relative importance of each of the six variables with respect to poverty alleviation. The study found that microfinance credit access positively contributes to alleviation of poverty at household level in Nakuru County by providing finance access to low income earners, less educated and those in the informal sector, which helps in expansion of business, acquisition of better residential places, and acquisition of education, health and improved welfare.

Nyakambi (2014) set out to examine the impact of microfinance on the livelihoods of women in Kakondo sub-county, Rakai District in Uganda. Descriptive research design has used and collected data was analyzed using SPSS. As speculated, the results from the study showed that microfinance credit does really play a key role in helping the poor cope with poverty however, as microcredit on; its own does not alleviate poverty, which also brings us to the fact that these women can improve their livelihoods. However, sustainability on a long-term perspective is doubtful.

Okibo and Makanga (2014) carried out a study on effects of micro finance institutions on poverty reduction in Kenya, the study focused on PAWDEP located in Kiambu District a case study. It intended to cover credit facilities provided by the MFI and client perception on income improvement and/or reduced poverty levels. The study used descriptive survey design. The target population was 9 staff and 46 clients

of PAWDEP. The study employed stratified sampling technique to select staff of the selected MFIs and clients. Both qualitative and quantitative data analysis methods had used. The study established that microfinance is a strategy of poverty reduction and the way credit can reach the poor.

Dhungana (2016) carried out the research with examines the impact of micro-finance on economic status of the people living in western development region of Nepal. The study concludes that micro-business or enterprises creation, income level, consumption expenditure, and capital expenditure of clients had significantly improved after involvement in micro-finance program. The empirical evidence shows that micro-finance transformed economic status of the people through productive application of micro-credit. Therefore, MFIs should encourage productive application of the micro-credit towards micro-business or enterprises creation that ultimately helps to transform the economic status of the people.

Chapagain and Aryal (2018) carried out the research on the topic of Microfinance Intervention and Livelihood Status; a Case of Gramin Bikash Bank Limited had revealed that micro finance intervention increases income level, capital expenditure, consumption expenditure and saving level of people.

According to Hayes (2019), Microcredit is a common form of microfinance that involves an extremely small loan given to an individual to help them become self-employed or grow a small business. These borrowers tend to be low-income individuals, especially from less developed countries (LDCs). Micro-credit also called micro lending or microloan. Microcredit is a method of lending very small sums of individuals to start or expand a small business. Microcredit borrowers tend to be low-income individuals living in parts of the developing world; the practice originated in its modern form in Bangladesh. Most microcredit schemes rely on a group borrow model, originally developed by Nobel Prize winner Muhammad Yunus and his Grameen Bank.

HYPOTHESES

H1: There is a perceptual difference of customer towards micro finance factor and poverty reduction on the basis of demographic variable.

H2: There is a positive effect of microfinance service on poverty reduction.

RESEARCH DESIGN

The study employs descriptive research design based on the information from the respondents.

Population and Sample, and Sampling Design

Researcher selects the study area Pokhara Metropolitan City Ward No. 21. The researcher select those MFIs whose clients involved in MFIs before 5 years and member not less than 50. Total population of the study is 1,526 clients from the six MFIs in Pokhara ward no 21.

Nature and Sources of Data, and the Instrument of Data Collection

This study based on quantitative nature of data. The researcher used primary sources to collect data. Data collect by close-ended questionnaire. The questionnaire is in five point likert scale form, nominal and ratio scale.

Methods of Analysis

Data has analyzed through the Statistical Package for Social Science (SPSS 16.0). Descriptive analysis such as; percentage, mean, standard deviation, frequencies has used. Moreover, independent sample t-test, correlation coefficient, regression model was used as inferential statistic.

Research Framework

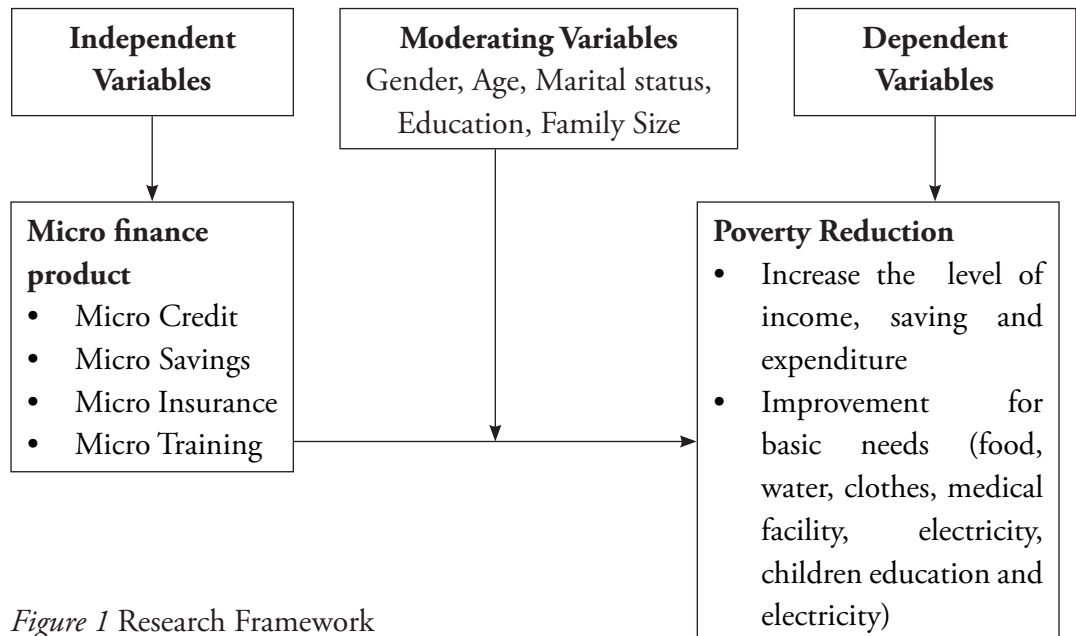


Figure 1 Research Framework

RESULTS

Table 3

Income Level before and after Joining MFIs of the Respondents

Income level	Income level before joining MFIs		Income level after joining MFIs	
	Frequency	Percent	Frequency	Percent
Below 5000	119	66.1	2	1.1
5000-10000	48	26.7	54	30
10000-15000	11	6.1	33	18.3
15000-20000	1	0.6	31	17.2
Above 20000	1	0.6	60	33.3
Total	180	100	180	100

Source: Field Survey and Output of SPSS, 2021.

Table 4

Expenditure Level before and after Joining MFIs of the Respondents

Expenditure level	Expenditure level before joining MFIs		Expenditure level after joining MFIs	
	Frequency	Percent	Frequency	Percent
Below 5000	112	62.2	16	8.9
5000-10000	49	27.2	75	41.7
10000-15000	11	6.1	40	22.2
15000-20000	4	2.2	28	15.6
Above 20000	4	2.2	21	11.7
Total	180	100	180	100

Source: Field Survey and Output of SPSS, 2021.

Table 5

Level of Saving before and after Joining MFIs

Saving level	Saving level before joining MFIs		Saving level after joining MFIs	
	Frequency	Percent	Frequency	Percent
Below 5000	145	80.6	13	7.2
5000-10000	25	13.9	76	42.2
10000-15000	6	3.3	43	23.9
15000-20000	1	0.6	32	17.8
Above 20000	3	1.7	16	8.9
Total	180	100	180	100

Source: Field Survey and Output of SPSS, 2021.

Table 6

Perception towards Micro Credits Factors of Beneficiaries

Statement	n	M	sd
Micro credit has led to improvement of my income	180	4.28	1.014
Micro credit has led to expand my business	180	4.30	1.024
Micro credit has led to improve my access to social services	180	4.03	1.054

Source: Field Survey and Output of SPSS, 2021.

Table 7

Perception towards Micro Saving factor of Beneficiaries

Statement	n	M	sd
Saving has increase after involving in MFIs	180	4.61	0.543
MFIs product encourage me to save amount for my future betterment	180	4.79	0.473

Source: Field Survey and Output of SPSS, 2021.

Table 8

Perception towards Micro Insurance factor of Beneficiaries

Statement	n	m	sd
I have taken several micro insurance covers	180	3.44	1.225
Micro insurance covers have been benefit to me and my family	180	3.82	1.238

Source: Field Survey and Output of SPSS, 2021.

Table 9

Status of Micro Training by MFIs

Statements	n	M	sd
MFIs organize trainings for its members	180	3.22	1.22
Training have enabled me save more than before	180	4.03	1.01
Training have led to better usage of micro credit	180	3.98	1.11

Source: Field Survey and Output of SPSS, 2021.

Table 10

Perception towards Micro Finance factor to change life

Statement	n	M	sd
Micro-credit has brought change in my life	180	4.26	.981
Micro-saving has brought change in my life	180	4.68	.525
Micro-insurance has brought change in my life	180	3.78	1.208
Micro-training has brought change in my life	180	3.82	1.094

Source: Field Survey and Output of SPSS, 2021.

Table 11

Status of Poverty level before Joining MFIs

Statement	n	M	sd
Before join MFIs I used nutrition food	180	3.17	1.03
Before join MFIs I used pure drinking water	180	3.04	1.24
Before join MFIs I can pay medical bill	180	2.62	1.39
Before join MFIs I used toilet	180	3.01	1.32
Before join MFIs I purchase clothes	180	2.74	1.19
Before join MFIs I got electricity facility	180	3.14	1.27
Before join MFIs my children are going to school	180	2.90	1.31

Source: Field Survey and Output of SPSS, 2021.

Table 12

Status of Poverty Level after Joining MFIs

Statement	n	M	sd
After join MFIs I used nutrition food	180	4.78	0.41
After join MFIs I used pure drinking water	180	4.83	0.37

After join MFIs I can pay medical bill	180	4.43	0.75
After join MFIs I used toilet	180	4.78	0.43
After join MFIs I purchase clothes	180	4.51	0.62
After join MFIs I got electricity facility	180	4.67	0.53
After join MFIs my children are going to school	180	4.41	1.045

Source: *Field Survey and Output of SPSS, 2021.*

Table 13

Micro Finance Factor and Poverty Condition

Factor	n	m	sd
Micro credit	180	4.20	0.95
Micro saving	180	4.70	0.44
Micro insurance	180	3.63	1.18
Micro training	180	3.74	0.97
Level of poverty before	180	2.94	1.06
Level of poverty after	180	4.63	0.41

Source: *Field Survey and Output of SPSS, 2021.*

Table 14

Perception towards MFPs based on MFIs

Factor	Institution	N	m	sd	T	p
MC	NULBS	10	3.73	1.13	1.508	0.190
	CLBSL	11	3.90	1.36		
	NESDO LBSL	21	4.23	0.93		
	NMB LBSL	14	4.42	0.52		
	JSLBBSL	21	3.90	1.31		
	MBB	103	4.30	0.82		

MS	NULBS	10	4.30	0.58	3.066	0.011
	CLBSL	11	4.90	0.20		
	NESDO LBSL	21	4.85	0.35		
	NMB LBSL	14	4.78	0.46		
	JSLBBSL	21	4.73	0.37		
	MBB	103	4.66	0.45		
MI	NULBS	10	2.95	1.57	7.806	0.000
	CLBSL	11	2.68	1.79		
	NESDO LBSL	21	3.97	1.01		
	NMB LBSL	14	3.89	0.62		
	JSLBBSL	21	2.64	1.31		
	MBB	103	3.89	0.93		
MT	NULBS	10	2.10	1.04	16.890	0.000
	CLBSL	11	2.66	0.84		
	NESDO LBSL	21	4.01	0.77		
	NMB LBSL	14	4.16	0.40		
	JSLBBSL	21	3.26	1.01		
	MBB	103	4.00	0.78		
PA	NULBS	10	4.64	0.50	3.581	0.004
	CLBSL	11	4.67	0.26		
	NESDO LBSL	21	4.57	0.48		
	NMB LBSL	14	4.89	0.18		
	JSLBBSL	21	4.86	0.28		
	MBB	103	4.55	0.41		

df (174)

Source: Field Survey and Output of SPSS, 2021.

Table 15

Perception towards MFPs based on Age

<i>Factor</i>	<i>Age</i>	<i>n</i>	<i>M</i>	<i>sd</i>	<i>t</i>	<i>P</i>
MC	Below 30	24	4.04	1.05	1.33	0.257
	30-40	71	4.33	0.80		
	40-50	45	4.17	1.03		
	50-60	34	4.19	0.92		
	Above 60	6	3.50	1.48		
MS	Below 30	24	4.37	0.69	4.19	0.003
	30-40	71	4.77	0.33		
	40-50	45	4.71	0.40		
	50-60	34	4.73	0.41		
	Above 60	6	4.83	0.25		
MI	Below 30	24	3.60	0.97	0.78	0.538
	30-40	71	3.69	1.19		
	40-50	45	3.60	1.17		
	50-60	34	3.72	1.25		
	Above 60	6	2.83	1.57		
MT	Below 30	24	3.75	0.73	0.56	0.687
	30-40	71	3.74	0.88		
	40-50	45	3.84	1.08		
	50-60	34	3.69	1.08		
	Above 60	6	3.22	1.37		
PA	Below 30	24	4.80	0.32	5.26	.000
	30-40	71	4.71	0.34		
	40-50	45	4.55	0.40		
	50-60	34	4.51	0.49		
	Above 60	6	4.16	0.40		

df(2,174,)

Source: Field Survey and Output of SPSS, 2021.

Table 16

Perception towards MFPs based on Marital Status.

Factor	Marital status	n	M	sd	T	p
MC	Single	8	3.45	0.85	4.391	0.014
	Married	162	4.26	0.92		
	Widow	10	3.70	1.15		
MS	Single	8	3.81	0.59	20.667	0.000
	Married	162	4.74	0.39		
	Widow	10	4.65	0.33		
MI	Single	8	3.00	0.00	2.037	0.133
	Married	162	3.69	1.18		
	Widow	10	3.20	1.47		
MT	Single	8	3.45	0.53	1.210	0.301
	Married	162	3.77	0.95		
	Widow	10	3.36	1.43		
PA	Single	8	4.92	0.20	3.774	0.025
	Married	162	4.63	0.40		
	Widow	10	4.40	0.47		
df(174)						

Source: Field Survey and Output of SPSS, 2021.

Table 17

Perception towards MFPs based on Education Level.

Factor	Education level	N	m	sd	T	p
MC	Informal Education	66	4.25	1.00	2.50	0.061
	Primary Education	54	4.35	0.89		
	Secondary Education	34	4.19	0.87		
	College and University	26	3.75	0.95		
MS	Informal Education	66	4.76	0.38	10.07	0.000
	Primary Education	54	4.75	0.33		
	Secondary Education	34	4.79	0.41		
	College and University	26	4.28	0.60		

MI	Informal Education	66	3.62	1.22	0.87	0.458
	Primary Education	54	3.81	1.22		
	Secondary Education	34	3.54	1.13		
	College and University	26	3.38	1.03		
MT	Informal Education	66	3.86	0.97	0.77	0.507
	Primary Education	54	3.75	1.11		
	Secondary Education	34	3.61	0.97		
	College and University	26	3.57	0.59		
PA	Informal Education	66	4.45	0.47	9.65	0.000
	Primary Education	54	4.64	0.38		
	Secondary Education	34	4.74	0.30		
	College and University	26	4.90	0.17		

Source: Field Survey and Output of SPSS, 2021.

Table 18

Relationship between MF and PA

Factor	MC	MS	MI	MT	PA
MC	1				
MS	.412	1			
MI	.445	.244	1		
MT	.505	.195	.538	1	
PA	-.087	-.040	-.183	-.081	1

Correlation is significant at the 0.01 level (1-tailed).

Table 19

Impact of MFIs on PA

		<i>s.e</i>	<i>T</i>	<i>p</i>	<i>Tolerance</i>	<i>VIF</i>
(Constant)	4.823	.331	14.554	.000		
MC	-.009	.041	-.220	.826	.619	1.616
MS	.009	.076	.114	.909	.823	1.215
MI	-.067	.032	-2.120	.035	.665	1.503
MT	.014	.040	.339	.735	.621	1.610

F (4,176)= 1.58, R²=0.034)

Source: Field Survey and Output of SPSS, 2021.

DISCUSSION

The first objective was to comparing economic status on income, expenditure and saving of respondents before and after involve in microfinance services. It shows that after joining MFIs, the level of income had increase. Likewise, expenditure level or purchasing power of respondent had increase after involved in MFIs. On the other hand, the saving level of respondents had also increased. The finding is similar to Tiwari (2020) that he found MFIs had led to higher level of socio-economic change occurred after involvement. The finding was similar to Aryal and Chapagain (2018) who revealed independent sample t-test shows intervention increase income level, capital expenditure, consumption expenditure and saving. The researcher shows the level of income, saving and expenditure had increase. Limbu (2014) presented that the income had increase rather than before joining MFIs. Similar study done by Adhikari and Shrestha (2013) was concluded that, microfinance services was increase the level of income, expenditure and saving of respondents. Regmi (2013) revealed that the MFIs program leads to improve the income level of customer. Sharma (2004) presented that increase in income leads to an improvement in consumption pattern. The study showed microfinance leads to an increase in expenditure on human capital.

Similarly some foreign study concern on similar topics had also found some negative and positive effect on saving, income and expenditure after involve in MFIs. Foreign study done by Mutua (2017) on the similar topic had revealed that the level of income, saving and expenditure has significantly increase after involve in MFIs. However, Hamad (2017) showed that income earned and social economic improvement had decreased after involve in MFIs.

The second objective of the research was to analyze the important factor to poverty alleviation. The research shows that micro credit helps to expand business. Micro saving status shows that most of the micro finance users are attract to micro saving for their future betterment. The micro insurance factor shows that micro insurance factor had benefited to clients and their family. The micro finance company has not provided sufficient training program. The orientation program has help to save more than before. The beneficiaries are agree about micro saving and micro credit are those factor which change the lifestyle of the respondents. The aggregate mean of the micro saving factor had higher mean value. It means micro saving factor has played crucial role to reduce poverty. Similar study done by Tiwari (2020) showed that Micro credit program

had led to improvement the basic need of the respondents similarly; micro finance company has provided the sufficient training program to its beneficiaries. Neupane (2014) done research on the similar topics had found that micro credit program had alleviate poverty from concern area. Regmi (2016) found that micro credit factor had changed the lifestyle of the respondents. More than three times the beneficiaries used the micro loan. Loan taken for expand the business. Similarly, most of the people used to save the earnings from agricultural selling. Mutua (2017) had found that micro credit had led to improvement the basic need of the respondents. The researcher also found that the micro insurance factor was most important factor to poverty reduction. The researcher also found that the micro training activities helps to mobilize the micro credit. Nyakambi (2013) done the research on similar topic had found that most of the respondent used micro credit factor which help to decreased poverty level.

The third objective of the study is to compare the poverty level before and after joining micro finance program. The researcher found that the level of poverty has reduced after involve MFIs. The researcher used seven UNs point to determine the poverty level. The seven-point parameters including food and nutrition, water and sanitation, toilet, pure drinking water, seasonable clothes, fuel and electricity, medical bill payment and children education. Most of the respondents invested their earning for food. Most of the people already had a facility of electricity due to low charge of electricity and necessary for electric accessories such as radio, television and mobile phone and its charging. People invest their earning for purchasing the seasonable clothes. Most of the people were not able to paid medical bill. Toilet had been built in almost every home of the respondents. National Planning Commission, (2020) report showed that the poverty level has decline after innovation of the micro finance program. Various NGOs and INGOs were help to provide scheme for reduction of poverty. Oxford poverty and human development initiatives, (2020) report showed that least development nations and their poverty level had set back to three to seven years back due to Covid -19 pandemic, when micro finance service help to reduce future uncertainty.

The fourth objective of the study was to evaluate the perceptual difference of customers towards microfinance program based on demographic variables. The institution wise perceptual difference towards micro finance factors and poverty alleviation revealed that respondents perceived that micro saving, micro insurance, micro training and poverty alleviation variables had perceptual difference. Age wise

perceptual difference towards micro finance factors and poverty alleviation depict that the respondents were perceived difference for micro saving and poverty alleviation factor. The marital status wise perceptual difference towards micro finance products and poverty alleviation found that micro credit, micro saving and poverty alleviation factor had fit to perceptual difference. Education level wise perceptual difference towards micro finance factor and poverty alleviation factor illustrate micro saving and poverty alleviation had perceived perceptual difference by respondents. The results are different from the finding made by Tiwari (2020) showed that respondents perceived that there was no institution wise perceptual difference for MFIs factor. However, micro training factor had perceived perceptual difference. The micro credit factor has higher courtesy rather than other factor. Age wise perceptual difference showed that micro saving, social economic development and poverty alleviation had perceptual difference. Qualification wise perceptual difference towards micro credit and poverty alleviation showed that micro saving and social economic developments and poverty alleviation factor had also perceived perceptual difference.

This discussion section compares and contracts the findings of prior research based on the fifth and final objective of the study. The objective of the study was to analyze the effect of micro finance factor on poverty alleviation. The study reveals that the entire micro finance factors were negatively significant to poverty alleviation. The level of poverty had increased after join the MFIs. Therefore, micro finance program had not reducing the poverty in Pokhara 21. The similar types of research had fined that the MFIs had significant relationship to poverty alleviation in concern area (Tiwary, 2020). Aryal and Chapagain (2018) present the micro finance intervention changes the livelihood status of women of rural area of Pokhara Municipality and near villages. Thapa (2013) had done the research on similar topic had revealed that there is negative relationship among literacy and poverty relations. Mauta (2017) present goodness of fit model to reveal the effect of micro finance services on poverty reduction in Kenya had found the strong positive relationship between the microfinance factor and poverty alleviation.

SUMMARY

Nepal has faced the extreme poverty. The poverty is causes by various factor in Nepal such as; the topography, geographic hideous, natural disaster, less fertile land etc. various

NGOs/INGOs are applying the mission to remove poverty from Nepal, these mission get success in their objective in some area and has bear high risk in other area. The deprived of basic need like food, water, clothes, health, children education, fuel etc. has known as poverty. Government of Nepal has launched various poverty removed skim in here. Government of Nepal has deducted a large amount of budget for fighting poverty.

Micro finance evolution has created a various positive change in poor's life. It has battled to poverty in different place, where the bank and other institution are not accessible. It saves poor from the local money lender who charges higher interest rate. By taking microfinance, an anti-poverty mechanism that encourages poor to carry a good life and to make sustainable financial and socio economic development? Thus, this research has conducted with the objective to identified effect of microfinance services on poverty alleviation. In order to fulfill these edge objectives, it has four different specific objectives, which have focused on effective on microfinance service on poverty reduction. Which have focused on to change their general attitude and satisfaction, which are the important factors to alleviating poverty, evaluation the relation between depended variables and independents variables and examine the microfinance factors on poverty alleviation, to fulfill the objectives, credit, saving, insurance and training, leaving standard and financial situation analyzed.

The study based on descriptive analysis and casual research design has done with 180 samples out of 1526 total population from three different micro finance institutions. Required data collected from the field survey with randomly selected samples. Individual interview of samples using structured questionnaire and field observation. The purpose of sampling is to secure representative groups that enable the researcher to gain information about an entire population when faced with limitation of time, funds and energy.

The respondents from different age group and educational background have taken. The data analyzed in SPSS (Statistical Package for Social Science) version 16. The entire variable measured and analyzed of variance using regression model. To the test P value used to measure the relation between dependent and independent variables and the level of poverty alleviation. The main theme of this thesis is the poverty alleviation towards microfinance services. It can be seen the all the microfinance factors (microcredit, saving, insurance and training) have positive effect on poverty alleviation.

An analysis of Regression Coefficients shows that micro credit is -0.009, saving

is 0.009, insurance is -0.067 and training is 0.014. From this regression coefficients above if all other independent variable are taken at 0, a unit increase in factors will lead to above mention unit increase in poverty reduction accordingly. This study indicate that large number of respondent agreed that with the micro training factor has more effective and saving factor is less effective to poverty alleviation. The micro-credit and micro insurance factor has negatively removed the poverty.

CONCLUSIONS

This research analyzed the relationship between microfinance factors and poverty alleviation by considering its major variables e.g. saving, micro credit, insurance, and training. This study figured out that, microfinance a factor has great effect on poverty alleviation and micro saving and micro training, there is a positive and significant relationship between microfinance factors and poverty alleviation. However, micro credit and micro insurance variable has negatively significant to poverty alleviation.

IMPLICATION

Respondents were agreeing to increase income after involved in micro finance program however, it is not sure that micro finance program had help to increase income. Expenditure level of respondent had increase; however, it could increase by other factor such as remittances. The remittances may help to increase the saving level of the respondents; however, the micro finance company should lunch these types of program.

There is a necessity for the MFIs to devote more training and skills development programs to their clients for micro finance program. Micro insurance program should be enlarging to their clients, which can help to reduce their uncertainty that can reduce the poverty. The MFIs should encourage to their clients for more saving.

The government should guarantee the basic needs of the poor people. After they battle with the basic needs, most of the poor people can easily remove their poverty.

However, this research mainly concentrated on limited factors on micro finance services and poverty alleviation, future research need conducted on many other factors of micro finance service and poverty alleviation factors.

Future researchers may also conduct research using other tools and other factor and separate model of micro finance factor and poverty alleviation factor such as UNs other poverty parameter factor.

REFERENCES

- Adhikari, D.B & Sherestha, J. (2013). Economic impact of microfinance in Nepal: A case study of Manamaiju VDC, Kathmandu. *Economic Journal of Development*, 15 (1), 1-14.
- Aghion, A. & Murdoch, J. (2005). *The Economics of microfinance*. Cambridge, Ma: MIT Press.
- CBS (2013), *National Sample Census of Agriculture Nepal 2011/12*. (Unpublished report), Central bureau of statistics Kathmandu, Nepal.
- Chapagain, R. & Aryal, R. (2018). Microfinance intervention and livelihood status: A case of Gramin Bikash bank limited. *The Saptagandaki Journal*, 1, 35-40.
- CPS & RD (2004). *Impact evaluation of micro-finance program on poverty reduction. Central monitoring and evaluation division*. (Unpublished report), national planning commission secretariat singha durbar. Kathmandu, Nepal.
- Hayes (2019). *What is micro credit?, Personal finance loan banking*. Retrived form [https://www.investopedia.com/loan-basics-4689731\(2020\)](https://www.investopedia.com/loan-basics-4689731(2020))
- Joshee, R. C. (2008). *Grameen model: Problems and prospects*. (Unpublished master thesis), Trihuvan University, Kathmandu.
- Khan, M.A. & Rahaman, M.A. (2007). *Impact of microfinance on living standards, empowerment and poverty alleviation of poor Chittagong district of Bangladesh*. (Unpublished MBA thesis), Umea school of business, Bangladesh.
- Kothari, C. R. (2004). *Quantitative techniques*. New Delhi: Vikas publishing house Pvt. Ltd.
- Ledgerwood, Joanna; White, Victoria (2006). *Transforming microfinance institutions providing full financial services to the poor*. Washington, DC Stockholm: World Bank MicroFinance Network Sida. ISBN 9780821366158.
- Limbu, D. S. (March, 2014). *Role of Micro-Finance in Poverty reduction and women empowerment, a case study of Bayarban VDC of Morang district*. (Unpublished master thesis), Tribhuvan University, Kritipur, Kathmandu, Nepal.
- Maharjhan, P. (2016). *Economic impact of cooperatives in Nepal: A case study of Kirtipur multipurpose cooperativelimited*. (Unpublished MA thesis), Tribhuvan University, Kirtipur.
- Mugenda, O. M. & Mugenda, A. G. (2003). *Research methods: quantitative and qualitative approaches*. Nairobi: Kenya Acts press.

- National Planning Commission (2017). *Nepal's Sustainable Development Goals (14th ed.)*. Kathmandu Government of Nepal, 1-14.
- National Planning Commission. (2020). *National Review of Sustainable Development Goals (15th ed.)*. Kathmandu Government of Nepal.
- Nepal, P. (2013). *Role of cooperatives in rural economy; A case study of BSCCLamatar VDC, Lalitpur district*. (Unpublished MA thesis), Tribhuvan University, Kathmandu, Nepal.
- Neupane, R. K. (January, 2014). *The effectiveness of micro finance in Nepalese economy, A case study of NUBL, program in Pratapup VDC, Nawalparasi*. (Unpublished MA thesis), Tribhuvan University, Kathmandu, Nepal.
- Ngechu, M. (2004). *Understanding the research process and methods. An introduction to research methods*. Nairobi: Kenya Acts Press.
- Nyakambi, A.G. (2014). *Effect of microfinance credit on poverty alleviation at household level in Nakuru County*. (Unpublished MBA thesis), University of Nairobi, Kenya.
- Obeng C.K. (2011). The impact of micro-credit on poverty reduction in rural areas; A case study of Jaman north district, Ghana. (Unpublished master thesis), University of Ghana, Ghana.
- Obwanga, S.O. (2012). *Impact of SACCOs in alleviation of poverty in Kenya: a case of Kisumu Country*. (Unpublished MBA thesis), University of Nairobi, Kenya.
- Okibo, B.W. Makanga, N. (2014). Effects of micro finance institutions on poverty reduction in Kenya. *International Journal of Current Research and Academic Review*, 2, 76-95.
- Otero, M. (2006). Bringing development back into microfinance. *Journal of Microfinance*, 1 (1), 1-19.
- Sen, A. (1999). Development as Freedom. *Social Performance of Microfinance Journal*, 2(1), 55-75.
- Sharma, M. (2020). Role of Cooperatives in Poverty Alleviation of Rural Farmers in Nepal: Empirical Evidences. *International Journal of Graduate Research and Review*, 6(1) 5-10.
- Sharma, P. R. (2004). Microfinance: A powerful tool for social transformation, its challenges and principles. *The Journal of Nepalese Studies*, 69-74.
- Sharma, P. R. (2004). Millennium development goals and international year of micro-finance 2005 in the context of Nepal. *The Journal of Nepalese Business Studies*. 2, 2.

- Sharma, P.R. (2004). Entrepreneurship competency development program: A case study of Pokhara sub-metropolitan city. *The Journal of Business and Management*, 2, 1.
- Sharma, P.R. (2006). Micro-finance and its service development challenges and opportunity in Nepal. *Banijya Sansar*, (12).
- Taiwo, J., Agwu, M., Aregan, A., & Ikpefan, O. (2016). Microfinance and poverty alleviation in southwest Nigeria emperical evidence. *International Journal of Social Sciences and Management*, 3, 1-11.doi:10.3126/ijssm.15960
- URT, (2000). *National microfinance policy of Tanzania*. Ministry of Finance, Daees Salaam.
- Wainyaragania K. A., (2009). *The impact of participation in microfinance Programs on poverty alleviation in Tanzania; An empirical analysis: the case of VICOBA*. Unpublished MBA project, University of Nairobi.
- Yamane, T. (1967). *Statistics, An Introductory Analysis* (2nd ed.) U.S. New York: Harper and Row.
- NRB (2014). *Cooperatives, economic democracy and human security: perspectives from Nepal*. Nepal Rastra Bank, Kathmandu, Nepal.
- World Bank. Povcalnet Database. <http://iresearch.worldbank.org/PovcalNet/>