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Role of Microfinance in Agriculture Transformation in Nepal

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Abstract:

The main purpose of this study is to analyze the roles of micro-credit in the transformation of agricultural occupation of local farmers residing in Tanahun, Kaski, and Syangja districts of Gandakai province, Nepal. It is assumed that micro-credit plays an important role in the improvement of the occupational status of farmers. In this context, this study aims to identify the effect of micro-finance in the agriculture sector. The study followed both qualitative and quantitative research methods and a descriptive and analytical research design. An analytical research design was used to analyze the quantitative data, and a descriptive research design was used to systematize the qualitative data collected from both primary and secondary sources. The result reveals that recipients of loans from micro-finance were found to benefit from higher income, household expenditure, savings, and saving mobilization. Similarly, the programs run by micro-finance help increase employment opportunities and economic activities around the concerned areas. It also helps to uplift the social status of the members, improving health status, increasing education, and enhancing the role of women in household activities. Conclusions of this study will support the improvement of microfinance-related policy in Nepal. This paper establishes the new value of research as a practical form in the field of the effectiveness of microfinance operations at the local level in the transformation of the agricultural sector.

Keywords: agriculture, farming, economic status, microfinance.

小額信貸在尼泊爾農業轉型中的作用

摘要:

本研究的主要目的是分析小額信貸在尼泊爾甘達凱省塔納洪、卡斯基和香賈地區當地農民農業職業轉型中的作用。認為小額信貸對於農民職業地位的提高具有重要作用。在此背景下，本研究旨在確定小額信貸對農業部門的影響。該研究遵循定性和定量研究方法以及描述性和分析性研究設計。分析性研究設計用於分

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析定量数据，描述性研究设计用于将从主要和次要来源收集的定性数据系统化。结果表明，小额信贷贷款的接受者可以从更高的收入、家庭支出、储蓄和储蓄动员中受益。同样，小额信贷运行的项目有助于增加相关地区的就业机会和经济活动。它还有助于提高成员的社会地位、改善健康状况、增加教育以及增强妇女在家庭活动中的作用。本研究的结论将支持尼泊尔小额信贷相关政策的改进。本文将研究的新价值确立为地方一级小额信贷业务在农业部门转型中的有效性领域的实践形式。

关键词：农业、农业、经济状况、小额信贷。

1. Introduction

Microfinance is an institution that provides financial services to the local people in the form of small loans, savings, microleasing, microinsurance, and money transfers. The term “microfinance” refers to an organization that functions on saving and investing. Sinha and Martin (1998, p. 66) define, “Microfinance runs the program known as micro-credit in the form of small loans. Microfinance is appropriate where NGOs and microfinance institutions supplement loans with other financial services.” Programs run by microfinance help to mobilize rural savings, as Germinis (1991, p. 12) highlights, “Microfinance supports people without access to bank and big financial institutions through micro-credit. It originates from local cultures and populations, and they easily understand services to people who have low incomes.” Thirtle (2001, p. 45) notes, “Micro-credit helps the poor to smooth cash flows and avoid periods where access to food, clothing, shelter, or education is lost. Credit can make it easier to manage shocks such as a wage earner’s illness or natural disasters.” The programs run by microfinance support people by providing various services such as increasing access to food, cloth, shelter, health, and education. In this context, Robinson (2003, p. 10) highlights, “Lack of financial resources is one of the major problems facing poor households. Formal financial institutions are inefficient and inaccessible in providing credit facilities to the poor.” The study highlights the support of microfinance in the transformation of agriculture because the programs run by microfinance focus on the transformation of agriculture, such as using technology, providing loans for modernization of agro-farms, enhancing the market of agricultural products, and providing training to women for social development. Through mobilizing small amounts of money, microfinance tries to reduce poverty of the farmers by launching various programs. In this regard, Shrestha (2009, p. 3) writes,

“The government, through the formation of the Cooperative Development Fund (CDF), settled some credit support for farmers. In 1963, the government established the Cooperative Bank, which was converted into the Agricultural Development Bank, Nepal (ADB) in 1968 and provides microloans to transform agriculture in Nepal.”

The concept of microfinance was legalized in 1980 in Nepal with the sixth plan (1980/1-1984/5). After launching the program of microfinance in the five-year plan, government and non-government sectors brought various plans and programs in microfinance. The

government invested a large amount of money for farmers; however, the program did not bring positive results. After 1990, a new concept of microfinance emerged in Nepal as a form of non-government organization. With the success of the program, the government focused on the microfinance bank in Nepal and provided loans to farmers. At that time, it was believed that microfinance will be the main tool for poverty reduction and employment incensement. The microfinance was guided by the donor so that the program did not effectively reduce poverty; however, the program has been corrected. During the 2000s, it became one of the successful programs of Nepal and actively played a role in reducing poverty and generating income in rural areas. Rural people, especially farmers, have taken advantage of the microfinance program run in rural areas; however, the Maoist insurgency created problems in saving and loan repayment. Then, the cooperative movement shifted from rural areas to city areas and began to invest in other sectors such as business, hire purchase, and house loans.

The Government of Nepal prioritizes microfinance programs, especially focusing on the transformation of agriculture sectors. However, there is no long history of microfinance in Nepal, which began in 1963 after the establishment of cooperative banks in Nepal. Since the time investment of microfinance in agriculture sector is continuing; however, in some cases, the program cannot be effective. This study analyzed the effectiveness of microfinance programs in the agricultural sector in the context of Gandaki province of western Nepal.

2. Literature Review

The programs run by microfinance have both negative and positive effects on people. In this context, Lapenu and Zeller (2001, p. 4) studied the programs run by microfinance and their impacts on poor people and described, “Microfinance is a system that distributes small loans to poor people in order for them to generate income and start their own small businesses correctly point out that this kind of keenness for microfinance rests on an appealing win-win proposition.” Microfinance helps to support poor people with no easy access to bank and big financial institutions. In this regard, Roy (2003, p. 9) highlights, “The poor lack access to institutional finance institutions, such as banks, because they are unable to provide collateral and the rules and regulations to get loans is too complicated to understand for the uneducated poor.” Microfinance provides microcredit to poor people without any

difficulties because it involves the participation of local people as members of the microfinance. Murphy (2006, p. 32) also focuses on the nature of microfinance and its program, saying, "Microfinance can pay for itself, and must do so if it is to reach very large numbers of poor households". In both the national and international contexts, the researchers mentioned above focused on the functions of microfinance that are directly related to providing microcredit support to the poor and marginalized people living in rural areas. In rural areas, agriculture is the main profession of poor people; therefore, programs run by microfinance are related to improving the agricultural system. Ahmad (2020, p. 1) mentioned the impact of microfinance on the agricultural sector and noted,

"Microfinance is positively related to agricultural production and has a significant impact on the output. Major challenges identified with credit access include the unavailability of collateral securities, small loan amounts, and delays in the release of agricultural loans. A major challenge with credit administration is the lack of understanding of the loan acquisition process among farmers. The formation of active farmer-based organizations, education of farmers on the loan acquisition process, encouragement of farmers to save, and encouragement of microfinance institutions (MFIs) and other development partners to sufficiently finance agriculture were recommended."

Ahmad (2020) focused on the role of microfinance in agriculture development. The programs run by microfinance support poor and marginalized people through help to transform the agriculture system, such as using new technology, enhancing the access to the market of agricultural products, and increasing the farmers' awareness.

Microfinance plays an important role in market change because it has a positive impact on the stock and money markets. Dhakal (2001) notes,

"Recently, the microfinance sector has changed radically and will continue to develop over the next several years as millions of poor people demand financial services for livelihoods. To meet their needs, the microfinance industry must move beyond credit orientation to more various products and services such as deposit facilities for accumulating capital and investment, payment services, money transfer, and foreign exchange transactions" (p. 4).

Microfinance brings new insights on business and service leasing because microcredit reduces risks. Robinson (2003) states, "The microfinance revolution is a commercial revolution, based on new financial technology and greatly accelerated by information revolution that developed concurrently" (p. 10). Microfinance plays an important role in enhancing the overall financial system; however, it could not maintain the quality of loan management and faced a problem in loan repayment.

Microfinance plays a vital role in providing support to the poor and marginalized people; however, in some contexts, loan recovery problems occur in microfinance.

Gyanawali (2007, p. 5) focused on the problem and notes, "due to lack of proper monitoring and evaluation microcredit program run by microfinance has affected by bad debt. Loan repayment and investment in microfinance face problems." Regmi (2015, p. 6) also highlights the role of microfinance in the socio-economic upliftment of women and notes, "Microfinance focuses not only on economic enhancement but also gender empowerment. It brings various programs to involve women in economic activities such as women saving and job- and skill-oriented training for women." The programs run by microfinance are basically guided by the problems faced by the poor in day-to-day life that Murphy (2006, p. 9) highlights, "The programs run by the microfinance support enhancing the household activities of poor and marginalized people, especially related to economic upliftment."

The cooperative model is one of the important models of microfinance that has been running in the world since the 19th century. Herath (2016, p. 10) highlights, "The cooperative model is developed by Robert Owen in 1828 in Scotland. The model is mostly implemented by saving and credit cooperatives (SCCs)." Another model was developed by Muhammad Yunus in Bangladesh. The model is quite popular and accepted worldwide by many organizations. In this context, Yunus (1993, p. 6) notes, "Microfinance diversified saving schemes such as pension fund savings, education savings, and micro-insurance covering risks related to health, life and livestock in Grameen Generalized System." Besides, there have been a Small Farmer Cooperative Limited (SFCL) model, the Grameen Bank model, and community-based organizations (COs) or self-help groups (SHGs) model. In some contexts, they are developed as village banks.

Nepal also adopted this international practice as a microfinance model. The SFCL model, Grameen Bank model, COs or SHGs model, and Village Bank (VB) model are also used in Nepal as microfinance models. Nirdhan Utthan Bank Limited, Chhimek Bikas Bank Limited, and Swabalamban Bikas Bank Ltd. are some Nepalese MFIs operating under the Grameen Bank model. Another model is the self-help model. Pandey (2016, p. 4) highlights, "The terms and conditions and accounting of the loan are set by designated members in the group. The 'Dhukuti' system is one such example of a very old form of a self-help group in Nepal that has been in operation for over four decades." Nepal Rastra Bank (2020, p. 5) under the "Priority Sector Loan Program" directed the commercial banks to provide institutional loans to priority microfinance. According to banking policy (Nepal Rastra Bank, 2022, p. 3), "A and B class banks should invest in microcredit. At least five-percent loan should be allocated for agriculture." Microfinance prioritizes the transformation of agriculture and emphasizes poverty reduction. In the same way, Dhakal and Nepal (2017, p. 23) focused on "the effects of microfinance on agricultural occupation

and determining factors affecting the success and failure of households that used microfinance.” Along with economic status such as enhancement of job opportunities and increasing income and savings, the program run by microfinance helps to enhance the social status of the members such as improve health, education, and women empowerment. Jain (2020, p. 34) notes "how far microfinancing services positively affect the empowerment of Nepali women living in the eastern part of Nepal. The use of microfinance services (credits and savings) helps women be empowered.” Kumar (2020, p. 5) focuses on the role of microfinance, “The active participation of women in SHGs has a positive impact on their members’ empowerment.” Gender participation and women empowerment are important objectives of microfinance.

By analyzing the reviews related to microfinance, it is found that the issue related to the role of microfinance in the transformation of agriculture is new and innovative for research so that the study focuses on the role microfinance plays in the transformation of agriculture in Nepal.

3. Research Method

This study adopted both qualitative and quantitative methods and followed a descriptive and analytical research design. An interview and semistructured questionnaires were used for data collection. Only 80

individuals who had already taken loans from microcredit institutions were selected as respondents by the simple random sampling method. The respondents were selected from Tanahun, Kaski, and Syangja districts of Gandaki province, where a microfinance program has been launched by a small farmer development program in 2000. To fulfill the objectives of the study, both primary and secondary data were used. Secondary data were gathered from books, articles, dissertations, journals, and research reports. Primary data were collected through household survey questions and observations. Primary data collected from the field were analyzed using statistical tools, such as correlations, percentages, and graphs.

4. Study Area

The study was conducted on three districts of Gandaki province: Tanahun, Kaski, and Syangja. The study area is located in the western hilly region of Nepal. Economic survey report 2022 showed 2455 cooperatives in the study area. Among them, 342 cooperatives run micro-finance programs such as loan and saving distribution. According to the record of the province cooperative ministry for 2023, there are around fifty thousand farmers involved in the microfinance programs. The National Population Report 2022 showed that microfinance is one of the main tools of agriculture development.



Figure 1. Map of the study area (<https://images.search.yahoo.com/search/images>)

5. Results

In the household interview survey, 80 individual respondents were involved. They were from various

socioeconomic backgrounds. Table 1 shows the age, gender, and education statuses of the respondents.

Table 1. Age, gender, and education statuses (Field survey, 2023)

S.N.	Age (years)	No.	%	Sex	No.	%	Education Status	No.	%
1	20-30	15	19	Males	40	50	Illiterate	1	1
2	30-40	30	37	Females	40	50	Only literate (primary)	20	25
3	40-50	20	25	Total	80	100	Secondary	25	31
4	Above 50	15	19	-	-	-	+2	19	24
6	Total	80	100	-	-	-	Above +2	15	19
7	-	-	-	-	-	-	Total	80	100

The data indicate that both males and females equally participated in this study, 40% of the

respondents are males, and 40% are females. In analyzing the education statuses of the respondents, it is

found that 1% of them are illiterate; however, microfinance also runs a program for women literacy. Due to their disability, they are compelled to be illiterate. 24% passed the +2 level, and only 15% have qualifications above the +2 level. In this study, the respondents were aged above 20.

All the respondents engaged in agriculture as the main occupation; however, they also engaged in other jobs to support agriculture. The following table shows the supporting occupation, land-holding size, and annual income of the respondents.

Table 2. Supporting occupation, land-holding size, and annual income (Field survey, 2023)

S.N.	Occupations	No.	%	Land-holding size	No.	%	Annual income (000)		
1	Animal husbandry	50	62	Up to 1 ha	50	62	Up to 300	45	56
2	Business	10	13	More than 1 ha	30	38	More than 300	35	44
3	Labor	15	19	Total	80	100	Total	80	100
4	Job (official)	5	6	-	-	-	-	-	-
6	Total	80	100	-	-	-	-	-	-

Table 2 indicates the land holding size of the respondents because land plays an important role in agricultural activities. The data show that only 44% respondents have more than 1 hectare of land, so the land holding is very low for agricultural activities. 50% of the respondents engage in animal husbandry with farming as a supporting occupation. The annual income of the respondents was not so good because the majority of them only earned around 300 thousand, which is a minimum to sustain quality life; however, they are compelled to live on such income.

5.1. Size of Micro-Credit by Household

The respondents had loans borrowed from microcredit for different purposes. In the study area, most of the respondents had borrowed 10,001-20,000. The following figure shows the loan size that respondents had borrowed from microcredit.

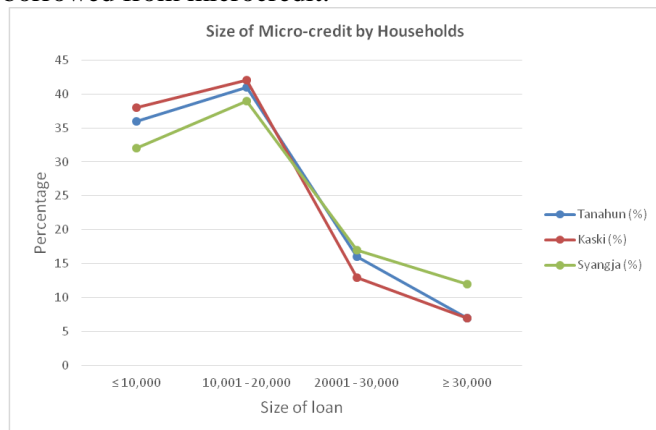


Figure 2. Size of micro-credit by household (Field survey, 2021)

The above figure indicates the sizes of loans borrowed by the respondents. Most of them borrowed up to 30,000; 36 percent borrowed less than 10,000, 41 percent borrowed 10,000 to 20,000, and only 7 percent borrowed more than 30,000 in Tanahun district. In Kaski district, only 7% borrowed more than 30,000. In Syangja district, 39% borrowed 10, 000 to 20,000 loans from microcredit.

5.2. Use of Micro-Credit by Households

The respondents utilized the loan in different sectors that had borrowed from microcredit. In the study area, most of the respondents invested loans in the agriculture sector, such as purchasing seeds, fertilizer, and other

necessary materials; however, in some cases, people used loans to purchase food and clothes. During the COVID-19 pandemic, some micro-finance firms in the study area faced problems in loan repayment. After COVID-19, Nepal Rastra published a report that highlighted the role of microfinance in agricultural development. The report showed that only the investment in the agriculture sector is secured and that investment in other sectors is at risk (Nepal Rastra Bank, 2022). In some cases, microfinance has faced serious problems in Nepal because cooperatives misuse loans for personal benefit. A weak monitoring system creates a huddle in microfinance in Nepal; however, the situation is not worse in the study area.

The following figure shows the loan use for different purposes.

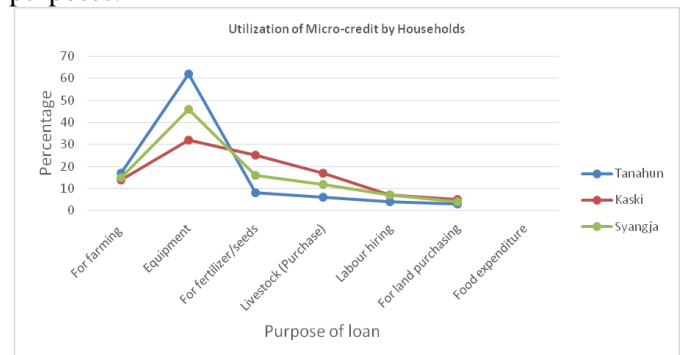


Figure 3. Use of micro-credit by households (Field survey, 2021)

The above figure indicates the purposes of the use of loans. In Tanahun district, 62% used the loan amount to buy equipment, and only 3% used it to buy food. In Kaski district, 32% use it in purchasing equipment, whereas in Tanahun, 62% invest in it, and 5% use it in buying food. In Syangja district, 48 percent use the loan for purchasing equipment, 12 percent use it to purchase livestock, and 4 percent use it to buy food. Comparing the situation in the three districts, respondents from Tanahun used huge amounts of loans for purchasing equipment such as tractors and spray and cutting machines.

5.3. Relationship between Micro-Credit and Farm Land Size

To establish a correlation between loan size and land size, the results demonstrate that the household's loan size was statistically significant when correlated with

land size. It can be concluded that farmers with large landholdings need more loans (Table 3).

Table 3. Correlation of micro-credit need and main jobs of households (The author)

Variables		Loan size
Farm and land size	Pearson correlation	0.390
	P-value (2-tailed)	0.000 ***
	N	80

*** Significant level at 0.001

5.4. Households Facing Problems in Repaying Loans

Due to various problems, the respondents face problems repaying the loans that they had borrowed from the finance. In some cases, the respondents borrowed loans for household purposes such as celebrating festivals and ceremonies. In this situation, loans were used in non-productive sectors. Except in this case, the respondents generally repaid the amount in time. The following table shows households' loan repayments in time.

Table 4. Households facing problems in repaying loans (Field survey, 2019)

S.N.	Situation of Loan Repayment	Number	%
1	In time	56	70
2	Late	12	15
3	Not paid	12	15
4	Total	80	100

Around 70% had repaid the loan in time, 15 repaid it late, and 15 percent did not yet pay. This shows that the

majority of the respondents repaid the loan in time (Table 4).

Table 5 shows the analysis of the correlation between three variables: repaying loans, level of education, and land size. The results showed that problems in repaying loans were statistically non-significantly correlated with people's levels of education and land sizes. It can be concluded that the inability to repay loans was not dependent on the level of education or land size.

Table 5. Correlation between problems in repaying loans, education levels, and land sizes (The author)

Variables	N	Pearson's correlation	P-valued (2-tailed)
Level of education	80	-0.152	0.131 ^{ns}
Land size	80	0.106	0.303 ^{ns}

Note: ns - non-significant

5.5. Effects of Microfinance

The microcredit program had a positive effect in the study area. It plays a vital role in increasing the income of households. Based on the analysis, the percentage of low-income households decreased, whereas there was an increase in the number of high-income households. Additionally, representatives of MFIs reported that most households receiving credit from MFIs had an opportunity to use the loan for expanding their farming or business activities; this led to increases in household profits and savings.

Table 6. Effect of microfinance on income (Field survey, 2021)

Income (Annual)	Before accessing loans from MFIs (%)	After accessing loans from MFIs (%)
≤ 50,000	32	14
50,001-1,00000	26	21
100,001-150,000	8	16
≥ 150,000	34	49
Total	100	100

Annual income increased after participating in the microcredit program run by microfinance institutions. Before being involved in the program, 34% earned more than 150,000; after being involved in the program, it increased and reached into 49%. 32% earned 50,000 before, and after, it decreased and reached 14%.

5.5.1. Effects of Microfinance on Assets

Microfinance programs support members to achieve household assets such as television sets, cell phones, washing machines, and motorbikes. In the interview, the respondents were asked questions about the effects of microfinance on increasing household assets. In some cases, the respondents invested loans in household assets. The data show that 6% of households invested the loan for buying land, and 15% of them borrowed money from MFIs to buy farming equipment such as walking tractors and pumping machines. In the study area, micro-credit programs play a role in increasing household assets.

5.5.2. Effects of Microfinance on Farming Activity and Employment

The respondents began vegetable farming after borrowing a loan from microcredit that increased their employment status. In the study area, farmers started offseason vegetable farming and small business such as sewing and teashop, which increased the local level. The traditional method of farming has been changed, and a new way of cultivation has begun that helps increase jobs. Farmers involve whole years in vegetable farming rather than a certain season.

5.5.3. Effects of Microfinance on Food Expenditure

During seasons of drought, some farmers could not farm because of the lack of irrigation facilities. Lack of sufficient crop production means that farmers could not fulfill the need for daily food. In this context, they used loans borrowed from microfinance for purchasing food from the market. In this study, 4 percent of the respondents borrowed money from MFIs to solve food scarcity problems.

5.6. Factors Affecting the Usage of Micro-Credit by Households

Such factors include farming productivity loss caused by natural disasters, weeds, and pesticides. The national and international economic environment plays an important role in repaying loans of microfinance. If economic depression occurred, members could not repay the loan of microfinance. In the context of the study area, members could not repay the loan due to the instability of the market price of agricultural products.

The correlation between household loans and repaying loans indicates the level of education and land size. The results showed that problems in repaying loans were statistically non-significantly correlated with the level of education and land size. It can be concluded that the inability to repay loans was not dependent on the level of education or land size.

According to the observation of credit officers of MFIs, some households that could not repay loans had used their loans in inappropriate ways. The IMF offers loans for members to enhance their business. However,

in some cases, members misuse the loan and invest in gambling and entertainment during special occasions. Such types of activities create problems in repaying loans borrowed from microfinance. Furthermore, some households had borrowed from other MFIs to repay their current loans. Consequently, total loans increased among households, with some households forced to sell all their property.

6. Discussion

Table 7 shows the analysis of the correlation between the annual income before and after receiving loans and the main job of households. The results showed that the annual income before and after receiving loans was statistically non-significantly correlated with the main job of households. It can be concluded that the change in the living conditions of households receiving micro-credit is not dependent on their main job.

Table 7. Correlations between annual income before and after receiving loans from MFIs and main household occupation (The author)

		Annual income (before receiving loan)	Annual income (after receiving loan)	Main job
Annual income (before receiving loans from MFIs)	Pearson's correlation ®	1	0.921**	0.093**
	P-value (2-tailed)	0.000		0.342
	N	80	80	80
Annual income (after receiving loans from MFIs)	Pearson's correlation ®	0.921**	1	0.012**
	P-value (2-tailed)	0.000		0.921
	N	80	80	80
Main job (vegetable farming, paddy farming, livestock)	Pearson's correlation ®	0.093 ^{ns}	0.012 ^{ns}	1
	P-value (2-tailed)	0.342 ^{ns}	0.921 ^{ns}	
	N	80	80	80

The results showed that incomes and assets had increased slightly and there had been an increase in village employment. Microfinance increased income and household assets and improved the role of women in the family and encouraged their social and economic activities. The result claimed that microfinance improved living standards for many households by increasing income, assets, and job opportunities.

After the COVID-19 pandemic, small business, especially agriculture-related small business, faced crisis. Farmers and small-scale entrepreneurs could not pay the loan, and the microcredit program fell into crisis; however, there is no alternative to close the program, so it is an issue of hot debate. According to the records of the National Cooperative Department for 2021, approximately 60% of households are directly or indirectly in touch with microfinance so that without an alternative, the government cannot end the microcredit program. In comparing the findings of this research with those of previous studies, it is found that the study touches upon the problem faced by the farmers after COVID-19, and other studies only highlight the positive aspects because before the COVID-19 pandemic, small businesses and the agriculture sector could not face the problem. But now, small-scale agro-based industries cannot pay the loan, which raises the question of the existence of microfinance.

7. Conclusion

Microfinance played an important role in changing the livelihood of poor people involved in agriculture sectors in the study area. It plays a significant role in increasing income, household assets, and job opportunities. Moreover, programs run by microfinance improved the affordability of medical care and education. However, microfinance created pressure on households' economies and compelled poor people to lose property and landownership. Except in a few cases, microfinance has succeeded in improving the economic status of the members and enhancing social development through mobilization of community development programs run by microfinance. Hence, it is recommended that micro-finance institutions clearly determine the financial situation of households before providing loans to them. It helps reduce the credit risk of both MFIs and borrowers. The decision to receive loans from MFIs should also be clearly discussed between the heads of households and family members. Additional studies are required on similar areas such as microfinance and women empowerment, whether microfinance is an appropriate tool for the reduction of poverty in the same province, etc.

The study is innovative because it analyzed the issue of microfinance with the transformation of the

agricultural profession in Nepal. For fifty years, the government of Nepal has invested in the transformation of the agricultural profession through microfinance, but the return on the investment is not optimistic. In this context, there is an urgent need to examine the situation logically. This study logically examines issues related to microfinance and microcredit programs. The academic discourse related to microcredit brings new insights into the field of research on microfinance. The findings of this study add new insights into the field of both academic and policy research because it compares the findings of previous research with the opinions of the respondents.

8. Recommendations

- There is a need for loan management and utilization training for customers before issuing loans for the sustainable improvement of the economic status of rural communities.
- Microfinance should conduct awareness programs on the need and benefit of microfinance and should conduct effective monitoring in their service areas to ensure the proper use of loans.
- Nepal's government should support microfinance to reduce the interest rate of loans so that poor people can be encouraged to take loans from microfinance.
- Further research can conduct a comparative study on the contribution of financial and technical institutions to poverty reduction.

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