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Determinants of Microfinance Adoption, Challenges Encountered, and Principal Solutions: An Empirical Analysis Using Theory of Planned Behaviour

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Abstract

Microfinance refers to the provision of financial services to low-income individuals and businesses serving as a financial tool to reduce poverty and provide financial support to low-income groups. This study aims to determine the factors influencing customers' views about microfinance in Kathmandu Valley. The study employs an explanatory research design in conjunction with the Theory of Planned Behavior framework. Primary data from 303 respondents were collected using the KOBO toolbox. Purposive sampling, a non-probability sampling technique, was employed for data collection. Descriptive and inferential data analysis was carried out using MS-Excel and SMART PLS 4.0. The majority of respondents consisted of married middle-aged women actively engaged in their own business ventures. Common challenges encountered by microfinance customers included high-interest rates, insufficient security, and limited financial knowledge. The principal solutions identified included the establishment of robust microfinance policies, the integration of innovative technologies, the provision of financial training, and the facilitation of enhanced loan repayment strategies. The study reveals that, among the three primary factors examined, both subjective norms and perceived behavioral control have a significant impact on customers' intentions to adopt microfinance. On the other hand, attitude is found to have an insignificant impact on customers' intentions to embrace microfinance. The findings of this study suggest that microfinance can be a valuable tool for poverty reduction and financial inclusion. However, it is important to address the challenges that microfinance customers face in order to maximize its potential impact. The solutions identified in this study can help make microfinance more accessible and affordable for low-income individuals and businesses.

Keywords: microfinance, TBP, intention to adopt microfinance, Structural Equation Modeling

Introduction

Microfinance is a financial intermediary established to serve the financially underserved by providing financial services to its customers: acceptance of deposit, payment mechanisms, financial inclusion, micro-leasing, cash advance/micro loan, and insurance among others (Udobi-Owoloja et al., 2022). The idea of microfinance primarily developed as a means of eradicating poverty and assisting underprivileged communities to improve their economic and social well-being (Henepola, 2022). In other words, microfinance was established to assist a certain community group that was unable to contact traditional banks (Illangakoon, Azam, & Jaharadak, 2021). Microfinance has historically mostly been used to describe microcredit. Giving loans to a group of borrowers is the fundamental tenet of microfinance. A sort of banking service known as microfinance is given to unemployed or low-income populations who do not have other access to financial services (Henepola, 2022; Belt et al., 2020).

Microfinance plays a pivotal role in promoting financial inclusion, empowering marginalized communities, and propelling economic development. By offering accessible financial services to individuals who have traditionally been excluded from formal banking systems, microfinance becomes a key player in breaking the cycle of poverty (Amirul et al., 2021). It serves as a crucial resource for low-income individuals and entrepreneurs, granting them access to tailored credit, savings, and insurance solutions that cater to their specific requirements (Henepola, 2022). This empowerment not only bolsters their financial security but also cultivates an environment conducive to entrepreneurship and productive investments, thereby contributing substantially to the creation of jobs and local economic advancement. Additionally, microfinance holds the potential to elevate the position of women in societies marked by gender inequality, affording them increased financial autonomy and decision-making influence (Herath et al., 2015). In essence, microfinance functions as a catalyst for driving social transformation, fostering resilience, self-sufficiency, and holistic well-being within underserved communities (Sharma et al., 2023). However, microfinance institutions grapple with an array of challenges (Kapinga & Montero, 2017). Foremost among these obstacles is the prevalence of elevated interest rates, a factor that can deter potential clients, particularly those hailing from economically disadvantaged backgrounds, from seeking out microfinance services (Quinones & Remenyi, 2014). Another significant hurdle arises from the inadequacy of collateral and security options, instilling hesitancy in individuals when it comes to borrowing and repaying loans (Crank, 2022). Additionally, a considerable number of prospective customers lack the essential financial literacy and expertise required to navigate the intricate landscape of microfinance, thereby deterring their engagement with these offerings (Goyal & Kumar, 2021).

Microfinance in Nepal officially began in 1975 with the launch of the Small Farmers Development Program (SFDP) by the government-owned Agricultural Development Bank of Nepal (Sapkota et al., 2022). Income levels, savings, loan portfolio outstanding, and microfinance clients are all increasing in Nepal, according to microfinance performance. The economic position of the people of Nepal has transformed thanks to microfinance and the efficient use of microcredit. The wellbeing of unbanked individuals, their access to resources, their involvement in economic decision-making, and eventually an increase in self-esteem are all positively impacted by microfinance companies (Oli, 2018). Since the 1990s, Nepal has had a phenomenal growth in microfinance. But the growth of microfinance has also brought up a number of difficulties and problems (Kayastha, 2013). The social, economic, legal, and political systems are among the problems with microfinance (Kayastha, 2013). Likewise, the difficulties in deducting interest and payments from borrowing, the need for a loan drives the women to do so since they must start over with debt (Guvaju & Sherpa, 2020). Also poor political situations in Nepal cause a number of issues for the microfinance industry (Sultani, 2023). Kayastha (2013) reveals that every micro finance institution (MFI) has its own internal rules, regulations, and administration, and there is sometimes a lack of cooperation between MFIs and the Government of Nepal (GoN).

Despite the growing significance of microfinance as a tool for promoting financial inclusion and eradicating poverty, little is known about the variables that affect customers' intentions to use microfinance services (Aitken, 2010). The Theory of Planned Behavior (TPB) provides a framework for understanding how attitudes influence behavior. Attitude is viewed as a person's assessment of how well they have performed a specific behavior. It is shaped by their expectations about the consequences of that behavior. Purwanto et al. (2022) argued that favorable attitude toward microfinance arises when individuals perceive the products and services as valuable, aligned with their religious values, and capable of enhancing their quality of life. Subjective norms, another component of TPB, represent the social pressure individuals feel from influential people in their lives. These norms are shaped by societal values and can affect one's willingness to engage in a particular behavior (Ly et al., 2023). Perceived behavioral control, the third element, relates to an individual's perception of the ease or difficulty of performing a specific task (Ajzen, 2020). It can significantly impact behavioral intentions, particularly if individuals believe they have the necessary tools and knowledge (Ly et al., 2023). Overall, TPB suggests that attitudes, subjective norms, and perceived behavioral control collectively influence the intention to adopt microfinance.

Hence this study tries to identify the factors affecting customers' intentions to adopt microfinance in Kathmandu valley. It also tries to investigate the challenges faced by customers of microfinance and purpose appropriate managerial solutions for the effective management of issues of microfinance in Kathmandu valley.

Methodology

In attempts to explain satisfaction and intention to use microfinance, several theories were reviewed such as Resource Based View Theory (RBVT), Technology Acceptance Model (TAM), Stakeholder Theory(ST), Customer Satisfaction Theory (CST) and Theory of Planned Behavior (TPB). The firm's resource-based perspective (RBV) places a strong emphasis on having access to and making use of valuable, uncommon, unique, and novel resources in order to create long-lasting competitive advantage (Sajib, 2022). TAM describes the scenario in which new technology advancements are presented to clients, but it does not address actual system usage (Kelly et al., 2022). According to the stakeholder theory, organizations may win and keep the support of its constituent groups or stakeholders by taking care of and balancing their individual interests (Hagawe et al., 2023). Customer satisfaction theory states that a person's sentiments of pleasure or disappointment arising from assessing a product's perceived performance (or outcome) in accordance to his or her expectation's (Kumar et al., 2000). Similarly, TPB model states that a person's actions or specific behaviors are influenced by their behavioral goals (Yarimoglu & Gunay, 2020). In this study, theory of planned behavior is utilized as it asserts that attitudes toward the behavior, subjective norms, and perceived behavioral control are combined to determine behaviors, which are then directly determined by behavioral of intentions, which are in turn determined by a combination of three factors.

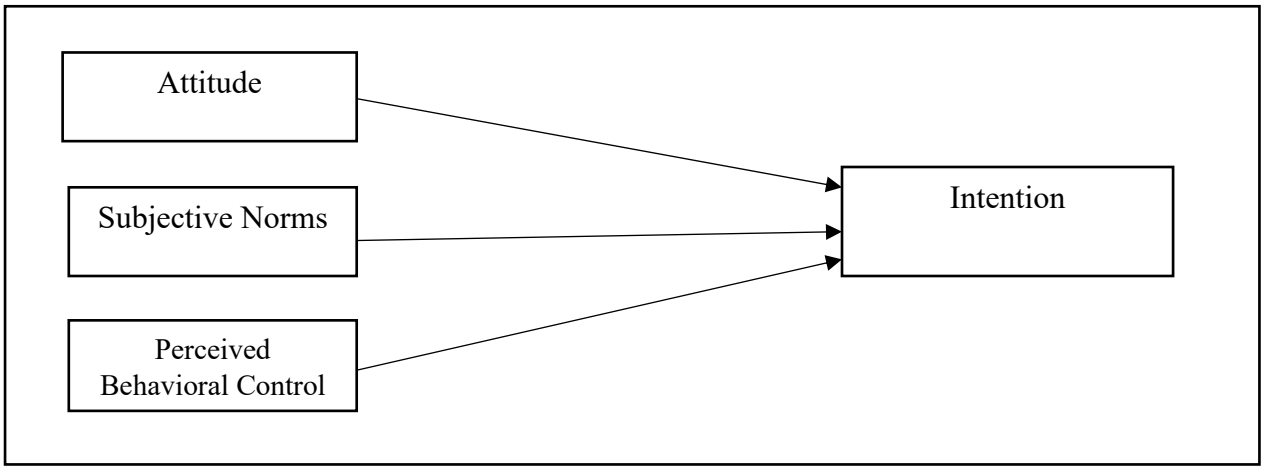
As this paper is based on TPB theory, several studies conducted under TPB theory are taken into consideration. Some of the models developed by (Amirul et al., 2021), (Purwanto et al., 2022), (Ullah & Sharofiddin, 2022), (Maulana et al., 2018) and (Macha et al., 2018) were further taken into account. The Amirul Islam conceptual model examines Malaysian women business owners' desire to employ Islamic microfinance (Amirul et al., 2021). Similarly, according to second framework, Ajzen's Theory of Planned Behavior, looks at how behavioral intentions to adopt Islamic microfinance are influenced by attitudes, subjective norms, and perceived behavioral control (Purwanto et al., 2022). Ullah et al. (2022) state the third framework, called the Conceptual Model of Influential Factors of Clients Behavioral Intention in Microfinance Product and Service, and assesses how client behavioral intentions in Bangladesh with regard to Islamic microfinance products and services influence clients' awareness, knowledge, perceived behaviors, religiosity, and subjective norms. Maulana et al. (2018) explain the Decomposed Theory of Planned Behavior,

examines behavior by breaking down underlying beliefs into multidimensional structures. The last framework, known as the Conceptual Model of Rural Household's Intention to utilize Microfinance, states how perceived benefits and barriers affect rural households' propensity to utilize microfinance (Julius et al., 2018).

It is, of course, difficult for one model to claim to include all the considerations and factors that influence clients' intention of using microfinance. The development of this conceptual framework was grounded upon study by Purwanto et al. (2022) as it tries to study behavioral intentions to adopt Islamic microfinance. The relationship explained by this model is shown in the following diagram (Yarimoglu & Gunay 2020).

Figure 1

Conceptual Framework



Source: Modified from Julius et al. (2019)

Figure 1 indicates the various factors that affect the clients' intention of using microfinance. The model explains about the independent variables that can impact the intention of customers regarding microfinance. Here Attitude, Subjective Norm and Perceived Behavioral Control are exogenous latent constructs and Intention for using microfinance is endogenous latent construct.

Attitude and Intention to Adopt

Attitude can be described as a favorable or negative assessment of how well they performed the specific behavior (Yadav & Pathak, 2017). The TPB uses an expectancy-value paradigm to explain how attitudes toward behaviors develop. Particularly, it is considered that attitude toward the conduct is a function of easily available ideas about the expected consequences of the behavior (Ajzen, 2020). Thus, a person's attitude toward microfinance will be favorably impacted if he or she thinks that the given products and services are reasonable, good services, depend on the product, are supported by religious values, and are valuable for enhancing the quality of life. Several empirical research have demonstrated that attitudes significantly influence (Purwanto et al., 2022). Therefore, it is proposed that:

H1: *There is a significant relationship between attitude and client's intention to use microfinance.*

Subjective Norm and Intention to Adopt

It is the way a person perceives the perceived ease or challenge of carrying out the specific task. It is described as the influence of others on a person to act in a particular way and is thought to be a natural social phenomenon (Yadav & Pathak, 2017). Subjective norms are the social pressure that a person feels from important referents to engage in or refrain from engaging in a behavior (Ly et

al., 2023). Given that this interpretation is purely subjective, it is referred to as this dimension. Subjective norms are an outcome of social values that are formed by society (Uddin et al., 2023). Purwanto et al. (2022) concluded that the objectives of using products from micro-institution can be affected by norms. Consequently, the following is the study's hypothesis:

H2: *There is a significant relationship between subjective norms and client's intention to use microfinance.*

Perceived Behavioral Control and Intention to Adopt

The same way as attitudes are presumed to be founded on available behavioral beliefs, and subjective norms on accessible normative beliefs, perceived behavioral control is presumed to be founded on accessible control beliefs. The TPB assumes that perceived behavioral control will reduce the impact of attitude and subjective norm on intention (Ajzen, 2020). Perceived control has a significant impact on enacted behavior, according to the TPB reasoning (Ly et al., 2023). A person's goal to adopt microfinance is impeded if they lack the necessary tools or knowledge (Purwanto et al., 2022). The findings of earlier studies demonstrate that behavioral intentions to embrace microfinance are significantly influenced by perceived behavioral control. As a result, the following hypothesis is put out in this study:

H3: *There is a significant relationship between perceived behavioral control and client's intention to use microfinance.*

Variables and its Definition

The study's variables have been discovered and defined as follows:

Table 1

Variables and its Definition

Constructs	Observed Variables	Indication	Explanation	Remarks
Attitude	Profitable	ATT1	Microfinance services are profitable.	(Maulana et al., 2018)
	Valuable	ATT2	Microfinance services are valuable.	(Maulana et al., 2018)
	Positive Attitude	ATT3	Attitude towards using microfinance is positive.	(Jain, Khan, & Mishra, 2017)
	Beneficial	ATT4	Microfinance services are beneficial.	(Jain et al., 2017)
	Simple	ATT5	Transactions are simple.	(Soumaila, 2019)
Subjective Norms	Important	SN1	People important to me think I should use microfinance services	(Maulana et al., 2018)
	Associate	SN2	Many people are associated with microfinance	(Yang, Lee, & Zo, 2017)
	Social Pressure	SN3	Social pressure to associated with microfinance	(Yang et al., 2017)
	Influencing People	SN4	People who influence to use microfinance services	(Yang et al., 2017)
	Opinion	SN5	People whose opinions are valued to me would prefer that I should use microfinance services	(Yang et al., 2017)
	Support	SN6	People will support me if I associated with microfinance	(Yang et al., 2017)

Constructs	Observed Variables	Indication	Explanation	Remarks
Perceived behavioral control	Decide	PBC1	Use microfinance services or not	(Jain et al., 2017)
	Easily	PBC2	Microfinance services can use easily	(Soumaila, 2019)
	Control	PBC3	Microfinance services will be completely under my control	(Purwanto et al., 2022)
Intention to Adopt	Future	ITA1	Intent to use microfinance services in the future.	(Yang et al., 2017)
	Predict	ITA2	I predict I would use microfinance services in the future	(Yang et al., 2017)
	Banking need	ITA3	Microfinance fulfill banking need	(Wan Zahari Wan Yusoff and Maziah Ismail, 2008)
	Consider	ITA4	Seriously consider using microfinance services	(Purwanto et al., 2022)

Study Area and Population

The explanatory research design was used to establish the cause-and-effect relationships of the variables employed in the study. The study was conducted in Kathmandu Valley, which is a part of Bagmati Pradesh. Nepal, with its 77 districts, includes three districts within Kathmandu Valley (Kathmandu, Lalitpur, Bhaktapur). Kathmandu Valley lays at a mean elevation of about 1350 meters above sea level. The Kathmandu Valley serves as the capital city of Nepal and a central hub for numerous businesses, financial institutions, educational and public establishments (Sthapit & Khadka, 2016). Customers from various regions of the country, who were selected for interviews in Kathmandu Valley, eventually became microloan borrowers after relocating to the city in search of employment. They currently reside in popular neighborhoods, both locally and commercially recognized. Some of them live in their own buildings with their families, while others rented apartments. The people residing in these areas are considered to belong to a middle- to upper-class society. Even the Microfinance Institutions (MIFs) chosen for this thesis were situated in Kathmandu Valley.

Sampling and Sample Size Determination

Purposive sampling method was employed under the non-probability sampling approach because customer of microfinance not easily approachable and reachable. Any study in which the goal is to draw conclusions about the population from a sample must consider the sample size as a key factor (Devkota et al., 2022). The main factors influencing sample size estimation and power analysis techniques are the study's design and primary outcome measure (Singh et al., 2011). A number of consideration, including the study's scope, the nature of the subject, the quality of the data, the study design, and the use of shadowing data, are taken into account when establishing the sample size for a study of this kind (Campbell et al., 2020). The sample size taken for the study was calculated by using the following formula; n = z2pq/e2. Where, n_o= sample size for the study, Standard tabulated value for 5% level of significance (Z) = 1.96, p = prevalence or proportion of an event 50% = 0.50. So, p=0.5, q=1-p=0.50, Allowable error that can be tolerated (e) = 5%. Total population for the study no= z^2pq/e^2= $\{(1.96)^2x0.5x0.5\}/ (0.5)$ = 384.16, Non-response error 5% i.e. 384.16 x 0.05 = 19.20. Thus, sample size taken calculated for the study was (384.16

+ 19.20 = 403.36) ~ 403. But due to the decreasing number of microfinance, only 303 data was collected.

Research Instrument and Data Collection

In this study, a structured questionnaire combined with interviews served as the primary research tool. For the purpose of gathering data, a structured questionnaire has been designed. To accomplish the numerous goals outlined above for the study, the researchers have likert questionnaires. In the KOBO toolbox, the structured questionnaires that have been developed and are used to collect data in order to evaluate the instrument's consistency and correctness.

Results

Socio- Demographic Characteristics

The customer's general information, such as age, gender, education level, marital status, and occupation, was included under the socio-demographic characteristics. Primary data from 303 participants was collected with the help of a questionnaire survey, which was discussed in this chapter.

Table 2

Socio Demographic Characteristics

Title	Category	Number	Percentage (%)
Gender	Male	0	0
	Female	303	100
Age	18-24	124	40.92
	25-34	84	27.72
	35-44	70	23.1
	45-54	18	5.94
	55-64	4	1.32
	64 and above	3	0.99
Level of Education	Illiterate	43	14.19
	Below SLC/SEE	97	32.01
	Intermediate/+2	131	43.23
	Bachelors	30	9.9
	Master and above	2	0.66
Occupation	Housewife	53	17.49
	Farmer	25	8.25
	Government Employees	0	0
	Private Services	210	69.31
	Banker	1	0.33
	Student	3	0.99
	Others	10	3.3
Nature of employment	Full time	18	5.94
	Part time	2	0.66
	Unemployed	59	19.47
	Retired	0	0
	Full time own business	219	72.28
Marital Status	Unmarried	18	5.94

Title	Category	Number	Percentage (%)
	Married	284	93.73
	Others	0	0
Average monthly income	Below 20,000	68	22.44
	20000-50000	150	49.5
	50000-100000	82	27.06
	Above 100000	2	0.66
Received training related microfinance	Yes	13	4.29
	No	290	95.71

Table 2 shows the socio-demographic variable, total of 303 respondents are surveyed where all of respondents are female. But in a similar study conducted by (Prakash et al.,2022) the majority of respondents were female i.e. 74% and male respondents were i.e. 26%. The age range of most of respondents was 35-44 years at (40.92%) followed by 25-34 years at (27.72%), whereas only 0.99% of the respondents belong to the age group of 18-24. This reveals that mostly middle age women are involve in microfinance. Considering the education level, the studies revealed that majority of respondents (43.23%) has completed secondary level. Most of the respondent's occupation were private sector (69.13%) with full own business. Only 0.33% of the respondents were working at government sector. Moreover, majority of respondents i.e., 93.73% are married and only 6.23% were unmarried. The result is similar to the study by Ibrahim and Muhammad (2022) as 55% of respondents are married. Most respondents had a wide range of incomes, with a disproportionately large percentage earning between 20,000 and 50,000 and a comparatively low number earning over 100,000. This suggests that respondents who involve in microfinance was under middle income level. Finally, question related to training received revealed that the majority of respondents had no such training i.e. (95.71%). Thus, it demonstrates that customers of microfinance were not given any training. Hence this suggests that the respondents in the study were relatively well-educated, active in the private sector workforce, and often had an entrepreneurial orientation.

Challenges faced by Customer of Microfinance and Managerial Solutions

Majority of respondents that is 76.57% have faced challenges in microfinance, whereas remaining 23.43% does not face any challenges. 52.81% respondents faced problem of high interest rate, 44.55% respondents faced problem of uncertain and untrustworthy to deposit, 5.94% respondents faced problem of difficult to understand loan process and other process in microfinance, 4.95% respondents faced problem of complicated to take a loan and be a member of microfinance and the remaining 16.83% respondents faced others problem that includes limited access of loan, no coordination in group, lack of technology and training, unlimited member, minimum period to pay loan, deposit not received until all members' loans are paid, complicated on the case of paying others loan when they fail to pay their loan or they fraud and lack of security. The major challenges are high interest rate on loan, lack of security, limited access of loan and Minimum time for loan repayment.

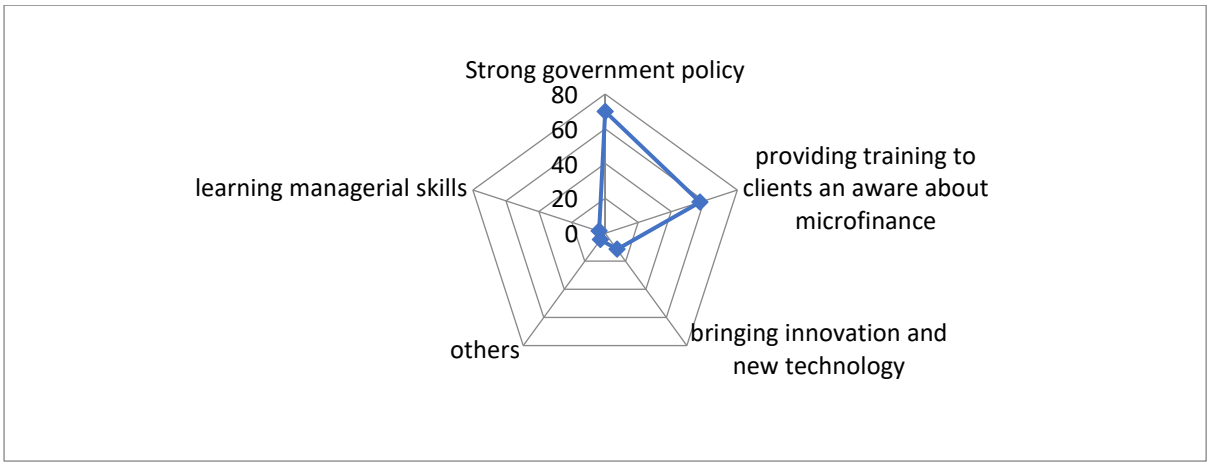
Similarly, respondents were also asked if the challenges they faced are manageable or not and if manageable what management strategies are used for managing those challenges. This can contribute in better management of the challenges for customers. By analyzing the respondent's responses, it is found that out of 303 respondents, majority of respondents that is 231 respondents agreed that the challenges cannot be manageable and only 1 respondents agreed that challenges can't be managed.

Figure 2 reveals that out of 231 respondents who believe that the challenges can be managed. The major potential strategy to solve the above challenges were found to be making strong government policy regarding microfinance problem, providing training to customer about microfinance and proper innovation and developing new technology can be solve. Furthermore, majority of the

customers that is 223 believe that government is responsible for managing the above strategies. Also, 89 respondents believe in microfinance, 54 respondents believe in individual and remaining 10 believe in society to be responsible for managing the above strategies.

Figure 2

Managerial Solution



Inferential Analysis

Common Method Bias: Full Collinearity test was performed to test common method bias. As per Kock (2015)the value of VIF should be less than 5 for the data to be free from common method bias. In the table 3, all the value of VIF is less than 5, it suggests that common method bias does not affect the data and the data is suitable for further analysis.

Measurement Model: The measurement model assessment processes in PLS-SEM and the methods to apply the method, providing general guidelines to aid the researcher in interpreting each stage of the study for both reflective and formative measurement models (Matimba et al., 2020). This study is a reflective measurement model. In reflective model, Internal Consistent Reliability, Convergent Validity and Discriminant Validity are observed.

The internal consistency reliability between a number of objects, measurements, or ratings is measured by Cronbach's alpha. In other words, it determines the degree to which a rating or instrumentation, assessed by subjects and used to determine the stability of the tools, can be relied upon to produce accurate replies it should satisfy the condition of CA> 0.7 (Bujang et al., 2018). Moreover, better dependability levels are frequently indicated by higher CR values between 0.60 and 0.70 for the composite reliability. For example, values between 0.70 and 0.90 ranges are considered "satisfactory to good" and "acceptable." However, values of 0.90 and higher are problematic because they imply that the elements are redundant(Purwanto & Sudargini, 2021). All the above criteria of Cronbach's alpha (CA) and Composite reliability (CR) are satisfied. As a result, the model of this study has internal consistency reliability.

Convergent Validity: A value of 0.50 or above for the average variance extracted (AVE), which shows that the latent variable explains for more than half of the variance of its indicators, suggests that convergent validity is present to a sufficient degree. According to the square of the outer loadings, which should be more than 0.708, the construct score should account for at least 50% of the variation of the variable (Matthews et al., 2017). In this study, some indicators have loading less than 0.7 and some constructs achieved values more than 0.5 for AVE. The AVE of the construct intention of customer to adopt microfinance and their satisfaction towards it was more than 0.5 which is acceptable, so no item is dropped.

Table 3

Measurement Model

Constructs			Cronbach's Alpha(CA)	Composite Reliability	AVE	VIF
AT	AT1	0.832	0.788	0.858	0.557	1.213
	AT2	0.734				
	AT3	0.850				
	AT4	0.806				
	AT5	0.444				
SN	SN1	0.721	0.814	0.867	0.531	1.132
	SN2	0.726				
	SN3	0.407				
	SN4	0.846				
	SN5	0.796				
	SN6	0.789				
PBC	PBC1	0.800	0.692	0.829	0.619	1.393
	PBC2	0.828				
	PBC3	0.729				
ITA	ITA1	0.900	0.887	0.922	0.557	1.303
	ITA2	0.910				
	ITA3	0.735				
	ITA4	0.906				

Convergent Validity: A value of 0.50 or above for the average variance extracted (AVE), which shows that the latent variable explains for more than half of the variance of its indicators, suggests that convergent validity is present to a sufficient degree. According to the square of the outer loadings, which should be more than 0.708, the construct score should account for at least 50% of the variation of the variable (Matthews et al., 2017). In this study, some indicators have loading less than 0.7 and some constructs achieved values more than 0.5 for AVE. The AVE of the construct intention of customer to adopt microfinance and their satisfaction towards it was more than 0.5 which is acceptable so no item is dropped.

Discriminant Validity: To evaluate discriminant validity, various methods have been proposed, including the constrained heterotrait-monotrait (HTMT) ratio, the Fornell-Larcker criterion, and the comparison of cross-loadings (Roemer et al., 2021). Fornell-Larcker's criterion requires that the square root of AVE for each construct be greater than the correlation with any other construct in the framework, whereas the cross-loadings method requires that the outer loading of each item on its associated construct be greater than the loading of item on other constructs in order to establish discriminant validity. There are two ways to evaluate the discriminant validity of the HTMT: comparing it to a threshold of either 0.85 or 0.9, and testing the null hypothesis that the HTMT equals 1. The value of HTMT should be less than 0.85 or 0.9 when using the proposed thresholds, and HTMT=1 should be rejected when using the inference statistic (Rasoolimanesh, 2022). Table 4 and 5 shows that all the above requirement are satisfied**.** Hence the data is considered valid as per criteria of discriminant validity.

Table 4

Factors Cross-loading

	AT	ITA	PBC	SN
AT1	**0.823**	0.279	0.26	0.514
AT2	**0.734**	0.218	0.222	0.435
AT3	**0.85**	0.358	0.253	0.522
AT4	**0.806**	0.308	0.35	0.494
AT5	**0.444**	0.192	0.332	0.418
ITA1	0.312	**0.9**	0.413	0.437
ITA2	0.386	**0.91**	0.39	0.491
ITA3	0.252	**0.735**	0.339	0.309
ITA4	0.335	**0.906**	0.382	0.434
PBC1	0.373	0.358	**0.8**	0.503
PBC2	0.307	0.377	**0.828**	0.488
PBC3	0.183	0.298	**0.729**	0.419
SN1	0.634	0.355	0.47	**0.721**
SN2	0.583	0.429	0.427	**0.726**
SN3	0.156	0.171	0.33	**0.407**
SN4	0.46	0.406	0.494	**0.846**
SN5	0.45	0.347	0.443	**0.796**
SN6	0.391	0.356	0.451	**0.789**

Table 5

Inter-construct correlations, the square root of AVE, and HTMT results

	Fornell-Laker Criterion				HTMT Result				
	AT	ITA	PBC	SN		AT	ITA	PBC	SN
AT	0.746				AT				
ITA	0.375	0.866			ITA	0.437			
PBC	0.372	0.44	0.787		PBC	0.513	0.559		
SN	0.64	0.489	0.599	0.728	SN	0.782	0.556	0.806	

Goodness of Fit: The Goodness-of-Fit (GoF) method is used to evaluate how well the model fits overall and to decide whether or not it effectively accounts for the study. The SRMR value is 0.079, above the required threshold value and approving a goodness of fit (GoF).

Structural Model: The study's presented hypotheses were tested by using a structural equation analysis. The major objective is to specially assess the model's capacity to explain and forecast change in endogenous variable brought on by exogenous factors. Furthermore, Henseler et al. (2015) suggested R^2 value of at least 0.20 to ensure a satisfactory model fit. Accordingly, the endogenous variable "Intention to adopt" has an R^2 value of 0.280. R^2 value exceeded the recommended threshold score.

Figure 3 shows there are four constructs with various items. With a sample size of 10,000, this model is used to determine the significant association between the variables where attitude, subjective norms and perceived behavioral is independent variable and Intention to adopt is dependent variable. Among three constructs, two of construct are significant and one of the construct is not. As per figures 3, β- value of SN is 0.280 which means if SN changes by 1 unit then ITA changes by 0.280. Similarly, β- value of PBC is 0.232 which means if PBC changes by 1

unit then ITA changes by 0.232. Figure 3 also shows the R^2 value structural model. As illustrated in figure 15, R^2 of ITA is 0.280 which means that 28% variation in ITA is explained by SN and PBC.

Figure 3

Path Analysis

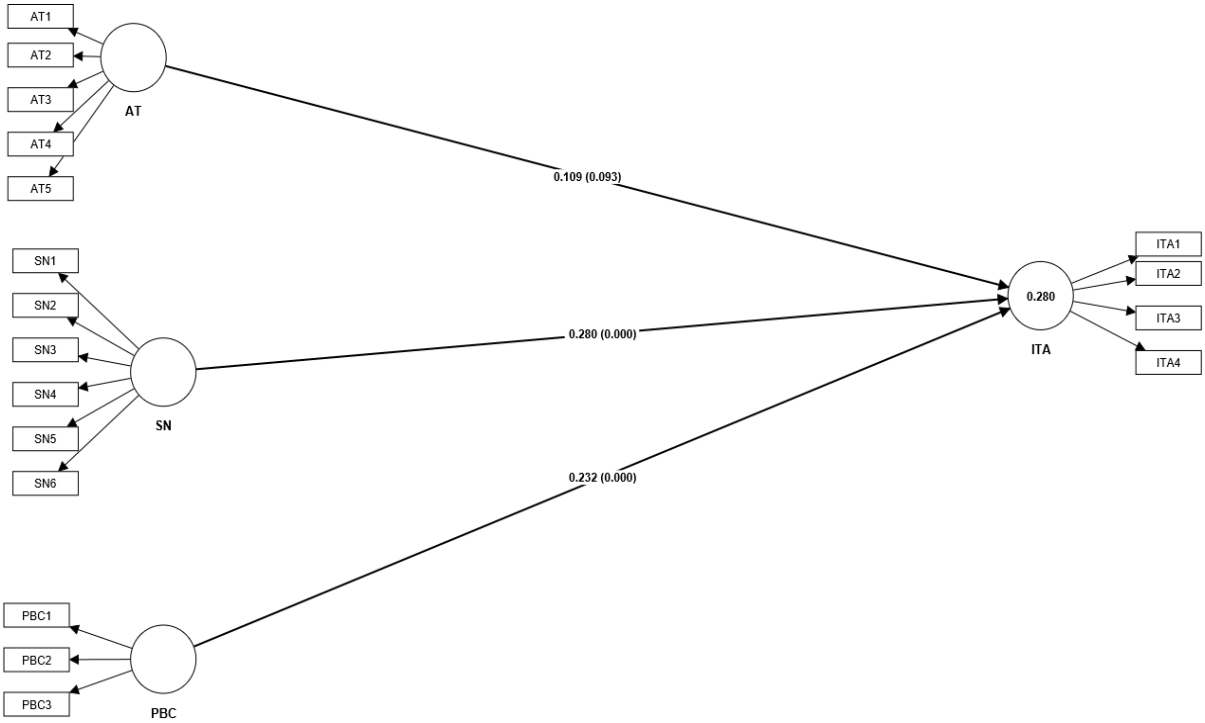


Table 6

Hypothesis Test

Hypothesis		β	SD	T value	P values	CI		Decision
						LL	UL	
H_1	Attitude-> Intention to adopt	0.109	0.065	1.678	0.093	-0.021	0.234	Not Supported
H_2	Social Norms-> Intention To Adopt	0.280	0.073	3.834	0	0.125	0.411	Supported
H_3	Perceived Behavior Control -> Intention To Adopt	0.232	0.066	3.487	0	0.101	0.363	Supported

Result supported at significance level:***P<0.05 and is not when beta value lies within confidence interval (Hoyos et al., 2023).

Table 6 illustrates that P-value is less than 0.05 for all hypothesis except for hypothesis 1 which means that that there is significant relationship between variables of all hypothesis except for variables in hypothesis1. This indicates that perceived behavior control and social norms has significant relationship with customer intention to adopt microfinance.

Discussion

This study aims to examine consumer's intention towards microfinance in the Kathmandu valley. Customers' intentions to utilize microfinance are analyzed using a variety of criteria. Intentions to

utilize microfinance are shaped by three core factors or beliefs: attitudes, subjective norms, and perceived behavioral control (Sarstedt et al., 2022). Data analysis methods included descriptive analysis, and inferential analysis based on various latent constructs. Microsoft Excel was used for descriptive analysis; PLS-SMART 4.0 was used for inferential analysis while KOBO toolbox was used for data collection. While hypothesis 1 is rejected because its p value is more than 0.05, hypotheses 2 and 3 are accepted since their p values are less than 0.05, indicating that there is a relationship between respective variables.

The first hypothesis (H1) claimed that attitude (ATT) and intention to adopt (ITA) microfinance have an insignificant relationship. With p-value of 0.094 and a beta coefficient of 0.109, the investigation indicated that this hypothesis was not supported. This shows that attitude has no impact on intention to adopt microfinance. However, Sarstedt et al., (2022) states that the attitude variable significantly influences behavioral intentions to use microfinance in a favorable way. Meanwhile, Maulana et al., (2018) found that behavioral intention is affected by attitude.

The second Hypothesis (H2) stated that there is a relationship between subjective norms and intention to adopt microfinance. With a p value 0.000 and a beta coefficient of 0.273, the study discovered that this hypothetical was supported. This indicates that social pressure to engage in particular behaviors is highly valued by people. This suggests that the adoption of microfinance can be influenced by friends, family, and coworkers. However, the findings of Maulana et al. (2018) shows that behavioral intentions to adopt microfinance is unaffected by subjective norms. The findings of this study are supported by the fact that microfinance members are more likely to utilize microfinance service products if they receive recommendations from reliable sources, such as religious authorities or family members who have previously used Islamic microfinance service products.

Likewise, the third hypothesis (H3) stated that there is a positive relationship between perceived behavioral control and intention to adopt microfinance. With a p value 0.000 and a beta coefficient of 0.236, the study discovered that this hypothesis was also supported. These findings suggest that behavioral intentions to adopt microfinance are most strongly predicted by perceived behavioral control. The perceived ease or difficulty of carrying out the behavior is referred to as perceived behavioral control. In other words, intention is greatly influenced by a person's belief in carrying out a certain task. These findings are consistent with earlier research, such as Purwanto et al., (2022), which shown that behavioral intentions to adopt microfinance are significantly influenced by perceived behavioral control. The perspective of people when engaging in an activity or interest is known as perceived behavioral control.

Conclusion

The primary aim of this study is to examine customer intentions regarding the utilization of microfinance services within the Kathmandu Valley. The specific goals include identifying the factors influencing customer intentions, pinpointing customer-related challenges, and proposing managerial strategies to address these challenges.

The first objective revolves around identifying the primary factor influencing customer intentions towards adopting microfinance within the Kathmandu valley. The findings indicate that while attitude does not significantly impact customer intentions, subjective norms and perceived behavioral control do influence the decision to adopt microfinance. Consequently, it is suggested that measures be taken to enhance the behavioral attitude towards utilizing microfinance services. The study also highlights several significant challenges, including inadequate awareness, high loan interest rates, lack of collateral, and coordination issues within groups. Notably, the study identifies the government and microfinance institutions as major sources of these challenges. To mitigate these issues, potential solutions include offering diverse training programs, fostering group coordination, enhancing managerial skills, promoting innovation, and reducing loan interest rates.

However, the research is limited only to the Kathmandu valley. If the research can capture huge area, then, it can help other researcher to analyze various factors determining customer intention to adopt microfinance. Another major constraint in this research is the time period. The research has been collected in the limited time bound and the research might still reach to more respondents if there were plenty of time. There is a glorious opportunity to further advance this study by expanding the sample size and investigate at the various geographical locations for better and more representative data analysis. In additional, this study is limited on certain variables to show their relationship. Therefore, further researcher can add other variables which can analyze the impact of customers' intention towards microfinance.

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