
Challenges and Prospects of Nepalese Microfinance program: A Mini Review

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ABSTRACT

The main purpose of this paper is to highlight the challenges and prospects of microfinance program in Nepal. This study is based on descriptive research design. Microfinance has the potential to have powerful impact on poverty reduction and women's empowerment. Microfinance institutions (MFIs) have two missions: outreach through poverty reduction and sustainability. Nepalese microfinance sector faces numbers of challenges like overcrowd in certain geographical region, multiple banking, unhealthy competition, political unawareness, mission drift, and high rate of member dropout, high rate of employee turnover, over-indebtedness, loan overdue, constraint resources and lack of entrepreneurial centric program. Nepalese microfinance institution needs to create healthy environment of microfinance sector with the aim of social responsibility. MFIs need to move beyond the traditional micro credit methodologies and innovative through digitization to extend financial services more effectively to the rural people. This study focuses on current picture of Nepalese microfinance industry which explores current issues. The findings of this study is useful and applicable in BFIs, microfinance expert, economist, regulator, and decision makers.

Keywords: *GGs, income generation, loan portfolio quality, mission drift, over-indebtedness, poverty reduction, Sustainability,*

Introduction:

Microfinance is a successful method for reaching the underprivileged and underserved individuals that the conventional economy does not serve. Both investment and HH consumption demands are satisfied by micro-credit (Dhakal, 2010). Thus, microfinance is a simple financial systems and effective tool that enables the most poor to pull them out of poverty. It is the provision of financial services to low income clients. Financial services includes saving, credit, micro insurance, money transfer, remittance for those who are excluded intuitional financial services. It is a tool for providing financial services for the poor and marginalized people (Dhungana, 2013).

The vision of microfinance is to create systematic financial systems for those people who are deprived from financial services, help them out of poverty, and make them full participation in social and economic development of nation. Microfinance involves advancing small loans serves by local institution called microfinance institutions (MFIs). They provide small loan to smallholders and deprived people with solidarity group guarantee without any physical collateral for income generating activities. They generate additional income and use it for household expense and buy food, cloths, medicine, and education to their children and saving for future betterment. So, it is one of the important and strong pillars of economic creation. It is also known as an important engine of economic transformation and social empowerment of rural people specially deprived women. The demand or need for microfinance comes from the disadvantaged sections of the society who are excluded from the formal sector of financial intermediaries and social networks (Sinha, 2011). Microfinance can play catalyst role in entrepreneurship development for poor women and it can play a key role in income generating activities (Rakhal, 2015).

Microfinance is the provision of a range of financial services to low-income individuals, households, and their small businesses, including deposits, loans, payment services, money transfers, and insurance (Ledgerwood,

1999). Grameen microfinance originated in 1976 after long research studied by Dr. Muhammad Yunus, Professor of University of Chittagong. Professor Yunus lunched a research project to study about designing a credit delivery system to the rural poor. From those research findings he got some ideas about banking services to the poor people. Because of his initiatives, in 1983 the Grameen Bank Bangladesh was established as an independent bank for the poor. It was first formal financial institution for the poor people in the world. Bangladesh is the home of microfinance and Mohammad Yunus, founder of the Grameen Bank, is the first to implement his idea to serve the poor through microcredit for poverty alleviation (Farhana, 2020). The Grameen model started with a few members and the basic idea was to substitute physical collateral with joint liability to overcome moral hazard. After successful implementation of this novel idea in Bangladesh, few other countries particularly in the Southeast Asian region followed the model (Farhana, 2020).

Grameen Bank Bangladesh has shown remarkable achievement in microfinance. As of November 2019, the total members of the Grameen Bank are 9.25 million and 97% of those are women (Monthly progress report: 2019, Issue 479, <http://www.grameen.com>). Grameen Bank Bangladesh adopted individual lending model then after 2002 which also known as Grameen Generalized System (GGS).

In 1974 Professor Muhammad Yunus provided small loans from his own pocket that is near about US\$27.00 to 40 women of poor families who were bamboo handicraft producers in Jobra village near Chittagong without any formal and legal documents. Than after certain duration of time the women repaid that borrowed loans with interest. After that Yunus repeatedly gives them working capital, they timely repaid that money without delay. Then, Yunus was inspired and believed poor people are bankable they can operate their business, they can improve their economic status if financial services are made available in easy ways by formal sector. Gradually, Yunus started Grameen project with technical and financial supports from international organizations for the social and economic improvement of marginalized as well as disadvantaged people. In 1998 the Banks “Low-Cost Housing Program” won a “world Habitat Award” The Bank and its founder Professor Muhammad Yunus were jointly awarded the Noble Peace prize in 2006.

Grameen model Microfinance program was initiated three decades ago to serve the deprived population in the rural and urban areas overlooked by institutional financial systems. Today, the microfinance program has spread all over the country and accounts for about 90 “D” class microfinance institutions (NRB mid-April-May, 2019/020) and 45 were national level. They served over 4.6 million families with a loan outstanding amount of approximately Rs. 256 billion which is 7.5 percent of total GDP and 8 percent of total loan flow of formal banking sector. They covered 77 districts with 2.8 million active clients. They are creating share capital amount of approximately Rs. 21 billion. Likewise they mobilized the amount of Rs. 36 billion capital fund and approximately Rs. 100 billion from group deposit from small depositor. Out of total loan portfolio 65 percent volume is covered without collateral, 15 percent is collateral based and 20 percent is others. The loan portfolio distribution is 50 percent, 40 percent and 10 percent in agriculture, service and small and cottage industries respectively. From the above figure microfinance institutions (MFIs) plays an important role to value add in GDP and contribute poverty alleviation in the nation.

Table 1 : Outlook of microfinance in Nepal

S.N.	Particulars	2020 Mid-July	2021 Mid-July	2022 Mid-July
1	Districts coverage	77	77	77
2	Service coverage	77	77	77
4	Total No. of employees	19017	20872	23303
5	Total No. of branches	3946	4621	5062
6	Total No. of unit	310,895	362,982	428,783
7	Total No. of groups	1,039,696	1,183,364	1,351,729
8	Total No. of members	4,686,609	5,191,363	5,859,530
9	Total borrower	2,783,129	2,992,068	3,303,100
10	Total loan outstanding (million)	262,732.25	365,554.02	391,746.60
11	Saving (million)	106,150.20	130,425.41	159,022.78

Sources: *NRB Report.*

Above table 1 shows outlook of Nepalese microfinance industry. From the above table Nepalese microfinance institutions have covered all over the country through their branch network. They provided their services 77 district to the poor people particularly deprived women's. They are provided employment opportunities around twenty four thousand people. In addition, they provided financial access around 5.8 million families which is greater than mid-July 2021. Similarly, they provided credit facilities to the poor people worth of Rs. 391,746.60 million For small and medium enterprises with solidarity group basis. Moreover, Nepalese MFIs mobilize local resources in productive sector by collecting small deposit.

Review of related literature:

The literature review is a major component in this conceptual framework. The purpose of literature review in research is to situate the proposed research in the context of what is already explored in the field. It should be able to provide the theoretical basis for the current work and helps to narrow down the proposed topic.

Karn (2018), Shows some challenges and opportunities of Nepalese microfinance sector. In his study, he found out some problem of microfinance which needs to be reformed regarding targeting. According to paper there are problems in social awareness in Nepalese microfinance sector. Along with that he suggested a lot of opportunities in microfinance such as: stimulating growth of economy, increasing volume, accessibility and outreach.

Njeru, & B.W, (2012) Analyzed internal and external factors of loan delinquency related problem in Kenya. Both factors significantly impact loan delinquency performance. They found out, there is a positive and significant relationship between loan delinquency and performance of microfinance institutions. They concluded that internal and external environmental factors significantly affect loan delinquency performance of microfinance institutions (MFIs) in Kenya. Njeru, & B.W, further paper recommended that MFIs portfolio management strategies focus more on the internal factors of loan delinquency which they have more control over and seek practical and achievable solution to readdress delinquency problems.

Ahamad, (2015) shows that the quality of loan portfolio is directly concerned with mechanism of credit management through effective credit appraisal of borrower. Study's described the relationship between credit risk management and positive performance of loan.

Kayastha, R. (2013) describes the analytical picture of microfinance in Nepal by explaining the development process, modalities of microfinance institutions (MFIs) and various microfinance regulations. Furthermore, this paper explored the current issues of microfinance emerging in Nepal, and claims that institutional governance is the effective method to overcome most of those obstacles. Institutional governance is probably a new concept for microfinance in Nepal. Moreover, study's recommended that Nepalese microfinance sector needs to have clear vision and policy according to the heterogeneous modalities of microfinance institutions and maintain healthy environment of microfinance regarding poverty alleviation in Nepal.

Objectives of the study:

The general objective of the study is to examine the current challenges and prospects of Nepalese microfinance sector. The specific objectives are:

- To analyze present status of Nepalese microfinance industry.
- To analyze current challenges and opportunities of Nepalese microfinance sector.

Research methodology:

The study is a descriptive review study design. In this study, researcher is highlighting the current challenges and prospects of Nepalese microfinance programs based on researcher working experiences and past literature.

Microfinance programs in Nepal:

Microfinance is termed as the financial services rendered to the deprived groups of the people and small entrepreneurs in savings, credit, remittance, micro insurance, etc. to help them in developing self-employment opportunities and various income generating activities. The main characteristic of the microfinance is group based lending, group savings, small sized loan, small-scale entrepreneurs, diversified utilization, quick repayment, close monitoring and simple terms/conditions on credit and loan facility without collateral.

Nepal has an experience of more than five decades in microfinance starting by SFCL in 1975. Nepal has developed considerable history in providing microfinance services which is evidenced by emergence and growth of a large number of micro Finance institutions (MFIs) and microfinance programs over time (Dhakal, 2012). Microfinance programs in Nepal started in 1956 with the establishment of credit cooperatives in Chitwan district.

It was established to provide agriculture credit to the flood stricken people re-settled in Chitwan coming from the different parts of the country.

The government of Nepal established cooperative bank in 1963 which was converted into Agriculture Development Bank in 1968. The bank launched the Small Farmers Development Program (SFDP) in 1975. The strategy of SFDP was to organize small farmers, tenants and landless laborers into groups and strengthen their receiving mechanism for tapping resources from service delivery agencies.

In Nepal, after the restoration of democracy in 1990, the Government of Nepal moved further forward to strengthen by introducing institutional framework in microfinance sector. During the 1990s, five regional Grameen Bikas Banks has established based on classical model with the sole objective to provide institutional financial services to poor people especially deprived women's. Now, these microfinance banks has been unified named Grameen Bikas Laghubitta Bittiya Sanstha Ltd. Likewise, during the period of 1990s a number of MFIs came in existing market of microfinance. Now a day, Nepal has wide market in microfinance program and FINGOs has also transformed microfinance institutions under central bank regulatory framework. Still, approximately 65 governments owned and private microfinance institutions has been providing microfinance services along with four wholesale lending microfinance institutions (NRB, 2021).

For the view of providing wholesale fund to MFIs, The RMDC Laghubitta Bittiya Sanstha Ltd. (Kathmandu), First Microfinance Laghubitta Bittiya Sanstha Ltd. (Kathmandu), RSDC Laghubitta Bittiya Sanstha Ltd. (Rupandahi) has established as a wholesale lending institutions under regulated BAFIA. Likewise Sana Kisan Laghubitta Bittiya Sanstha Ltd. also another wholesale government owned institutions to provide wholesale fund small farmer Cooperatives (SFCLs) which were formed after transformation of SFDP to SFCLs. (NRB, 2021). Generally, Nepalese MFIs has adopted individual lending and classical model of microfinance which is group based program which as known as Grameen model microfinance.

Findings/Results

Challenges of microfinance program in Nepal

Microfinance is a globally recognized as an effective instrument for poverty alleviation. Nepalese microfinance sector also successes to change social and economic status of deprived women. Members of microfinance are able to purchase their household items such as: foods, cloths, housing, and education for children and small saving for future life. Even though Nepalese microfinance Sector has not free from complain. It has blame of deviation from its mission drift. Some export and practitioners have different perception they urge that microfinance is not profit oriented, it is purely service oriented dedicated with poverty alleviation. Some others have also different perception and mindset, they fully urge and advocate, it should have run just like professionally business institution with profit making for service continuity and future sustainability. Microfinance sector have been facing many more challenging and problematic situation even it has achieved tangible result in many countries including Nepal. From the outside, it seems microfinance has made a great leap forward, but inside there are still many deviations and distortion lurking beneath the surface. In many areas, not only are the well-to-do taking advantage of microfinance services instead of the target group, but also, fake clients. Microfinance members are found to be either engaged in meter interest lending by them or handing over their loan to others money lenders who have been exploiting the poor with exorbitant interest rates. Loan mis-utilization is rampant resulting in increasing loan default and loan defaulters running away from their homes. Middlemen and shylocks are taking undue advantage of the program. Despite the huge flow of credit in the name of the poor, a major population of the underprivileged continues to be left out from the microfinance program. Not only is that, microfinance practitioners who vowed to provide the ultra-poor with collateral-free loans becoming more profit oriented than service oriented. In the rush minimize profits in the short period, loans are being disbursed continuously.

The Nepalese government opened microfinance banks, institutions and cooperative in order to alleviate poverty in the country. Microfinance banks have been operating in the rural areas of Nepal, providing micro-credit, saving services, informal education, first aid health services training and skill development. High dropout rate, increasing operational expenses, cash management, over-indebtedness among clients and MFIs lack of access to Nepal's national identity card database etc. are some institutional challenges of Nepalese microfinance sector. Likewise the trend of multiple memberships has been increasing. Based on the approach mentioned in above section, the challenges of Nepalese microfinance program are as discussed:

i. Overcrowd in certain geographical region:

Nepalese microfinance sectors are overcrowded in certain geographical regions where there is easy access to road, transportation, communication, market, education, and electricity whereas some regions are deprived from formal financial institutions due to basic infrastructure problem.

ii. Multiple banking:

Multiple banking is one of the serious challenges in microfinance sector. Multiple banking arises due to easy access to formal financial institutions. It is related with over financing of loans to clients of microfinance by two or more than two microfinance financial institutions without analysis of any past records, paying capacity, and financial parameters. They borrowed loan from one institution and repay loan to another institution through rolling basis that arises loans default risk in upcoming future.

iii. Deterioration in group liability:

Group liability is going to deteriorate day by day due to inappropriate and ineffective approaches of pre-group training (PGT) and group recognition test (GRT). Group liability is the most important part in Grameen classical system (GCS) microfinance program. In Grameen model microfinance, minimum of five to ten people formulate a solidarity group of same age group, and same economic status, which usually works in the same market from the same community for mutual benefits. They make demand for loan in the same group meeting and appraise loan. They also check whether loan is utilized in productive sector or not and convince people to repay their loan installment on time. So, group liability plays significant and vital role for maintaining credit discipline. But nowadays, MFIs give less priority to importance of solidarity group formation, management and liability.

iv. Unhealthy competition:

Unhealthy competition among microfinance institutions is another challenge in microfinance sector. For profit making objective there is high competition between the microfinance institutions on keeping members or borrowers of microfinance who are already affiliated with one or more than one MFIs.

v. Mission drift:

Microfinance is the provision of small scale financial services such as credit, deposit, remittance, money transfer, insurance and other basic financial services to the poor or low income people. So, it is the provision of financial services to low income clients or solidarity group lending who are deprived from formal financial services. In this way, the primary objective of microfinance institutions is poverty reduction through greater and depth outreach in deprived areas. But nowadays, microfinance institutions (MFIs) have mission drift by focusing on profit maximization rather than their original mission.

vi. High rate of member dropout:

The dropout rate of microfinance member is increasing day by day due to migration from rural to semi urban to urban areas in search of new business opportunities. Another reason of member dropout is inadequate product and services of microfinance institutions offered to their clients.

vii. High rate of employee turnover:

The employee turnover rate is also another challenge of microfinance institutions. Due to presence of high number of microfinance institutions, employees of microfinance jump from one MFI to another MFI to fulfill their high ambition for even a minimum change in financial benefits and status.

viii. Increasing trend in loan overdue:

The overdue amount of microfinance and cooperative microfinance institutions is increasing day by day due to inappropriate client education, loan analysis, loan supervision, and client visits. Past two decades, the microfinance institutions had achieved 100 percent loan recovery rate which is success history of microfinance. Nowadays, non-performing loan (NPL) of whole microfinance industry level is 2-5 percent which is very challenging situation not only for particular MFI but also for the whole industry too.

ix. Poor efficiency of employee:

The efficiency of field level staff of microfinance is very poor in the areas of client selection, loan appraisal, business development, coaching, delivering skills of organizational rules and regulation which deteriorates loan portfolio quality and increases non-performing loan.

x. High interest rate:

Nepalese microfinance institutions have been suffering from high interest rate and irregular interest rate fluctuation of borrowing amount from the commercial banks (CBs) and wholesale lending microfinance institutions such as : RMDC Laghubitta Bittiya Sanstha Ltd. (Kathmandu), First Microfinance Laghubitta Bittiya

Sanstha Ltd. (Kathmandu), and RSDC Laghubitta Bittiya Sanstha Ltd. (Rupandahi) that's directly affecting the profitability, viability, and sustainability of newly licensed MFIs from Nepal Rastra Bank.

xi. Less focus on client's protection:

Nepalese microfinance institutions give less priority on client's protection. There are globally recognized seven principles of client protection in microfinance. It is also known as responsible financing. So they need to consider appropriate product design and delivery, prevention of over-indebtedness, transparency, responsible pricing, fair and respectful treatment of client's, privacy of client data, and mechanisms for complaint resolution.

xii. Less focus on entrepreneurship development:

Nepalese microfinance institution (MFIs) gives low priority in entrepreneurial skills and knowledge development of their clients. If clients of microfinance are more skillful then they can take bigger size of loan and mobilize it's effectively with high productive sector which makes insure more income and pay loan installments on timely. So, entrepreneurial skills and knowledge have multiple effects on microfinance program and member of microfinance

xiii. Lack of fund:

Nepalese microfinance institutions (MFIs) have been suffering from inadequate fund for investment to poor people. The BAFIA 2017 has a provision that MFIs can accept public deposit with the approval of the Nepal Rastra bank. Public deposit may permanent sources to maintain the fund crisis. Nepalese MFIs can collect deposit only from their group of members which is very small amounts and not sufficient for long term investment.

xiv. Governance in operation:

Nepalese microfinance institutions need to follow institutional and operational governance systems guidance by regulatory authority which is very important for institutional development and effective service delivery and sustainability as well. If MFIs will improve their operational and corporate governance systems there is no doubt, definitely they will be achieve financial as well as social mission.

xv. Effects of COVID- 19 on microfinance:

The COVID- 19 pandemic has affected microfinance and their activities greatly. Its effect has been spreading exponentially on human life, health and whole economy. The microfinance institutions are highly affected by this pandemic resulting in decreasing trend in loan portfolio quality, increases in loan overdue, recession in loan investment, decreases in interest income, decreases in profit, decreasing in quality of center meeting and loan monitoring. Microfinance programs (MFP) are highly affected and millions of clients are facing poor financial condition due to this pandemic. Due to this pandemic, microfinance clients are directly affected in which they are losing many business as well as economic opportunity. COVID-19 has escalated the over-indebtedness risk clients significantly. It will create very problematic.

Lack of reliable credit information:

Major issues of multiple lending and duplication of clients is inadequate credit bureau. So, credit bureau can help MFIs to address the issue of multiple borrowing and duplication. It reduces cost of operation and ensures efficiency and increases the organizational productivity.

Opportunities/Prospects:

Microfinance is a globally recognized as an effective and powerful instrument for poverty reduction and economic development. It has positive impact on whole economy in micro level. Some important opportunities of Nepalese microfinance sector are as discussed below:

i. Women's empowerment

Microfinance program is targeted with the poor people. MFIs provide financial services without fixed collateral with solidarity group guarantee. Before enrolment of microfinance program, they organized in-depth pre-group training (PGT) and group recognition test (GRT) which is part of financial literacy. Microfinance empowers women's economically and socially through access to financial services. Microfinance leads to social and economic change in the borrowers after participation in the programs. The most important part is that, they are able to generate income, participate political and social development, interact each other's and very good financial as well, as excellent loan track records. Women have been shown to spend more of their income on their household; therefore when women are helped to increase their income, the welfare of the whole family is improved. Women are more likely than men to spend their profits on household and family needs. Therefore, if women are empowered, it is likely the whole family is also automatically empowered.

So, microfinance program has the potential to have powerful impact on women's empowerment.

ii. Poverty reduction

Poverty is very serious problem of developing countries like Nepal. After involvement in the MFIs program increase in regular income, increase in saving, investment and increase in food sufficiency, cloths, health, health awareness and education to their children. Microfinance is only that program which can reduce poverty through effective financial services to the poor by attached them in income generating activities with simplest methods. MFIs provide diversified financial services to the poor as per their needs and capacity. Microfinance generates income, build tangible and intangible assets and improve status of women's. So, microfinance has the potential to have powerful impact on poverty reduction.

iii. Resource mobilization

Microfinance institutions (MFIS) provide loan in productive sector to needy people those who are excluded from formal financial services. They need funds for further investment in rural and semi-rural areas. They borrow loan from commercial banks (CBs) as deprived sector lending (DSL) from domestic sources which are availability of domestic financial market. There is an opportunity to resource mobilization in financial markets for MFIs.

iv. Developed professional management

Microfinance institutions are professional institutions, they have sufficient intuitional capacity and professional human resources, so that they are able to provide to cost-effective microfinance services. They have adopted best practices of human resources development, good governance and rationality in microfinance to gain intuitional sustainability. The sustainability can be achieved only through team work, positive attitude with institutions, transparency, accountability, leadership quality and professionalism.

v. Financial access

Microfinance institutions are main vehicle of financial access to poor and deprived women's. They are an effective channel of financial services to ensure cost effective financial access in rural areas.

vi. Favorable legal environment

There is conducive and favorable environment for the development of microfinance industry in Nepal. The government of Nepal has been issued National microfinance policy in 2007 for financial infrastructure of microfinance. Likewise, the Nepal Rastra Bank, the central bank of Nepal also create favorable environment in the promotion, development and awareness of its importance's for poverty alleviation.

vii. Employment opportunities

Microfinance program has covered throughout the nation with approximately 3800 branches with approximately 4.7 million of clients. MFIs have created numbers of employment opportunities in the labor markets. They are not only generating income of small holders but also create employment opportunities for social balance and peace building in the nation.

viii. Entrepreneurship development

Microfinance institutions plays significant role in the areas of entrepreneurship development. They gradually developed bigger loan management as well as entrepreneurial orientation of borrowers through financial literacy program and in-house program. Therefore, the scope and potentiality of MFIs is increasing day by day.

ix. High opportunity to agricultural finance

Nepal is an agricultural country and near about 60 percent of Nepalese people are engaged in the agricultural sector. In the other hand, near about 67 percent people have got employment opportunities in agricultural sector. Agricultural loan is also major portfolio of Nepalese MFIs. Therefore Nepalese MFIs has great opportunities to invest its fund in agricultural sector. There is huge viable market in MFIs to invest its resources in agricultural sector.

x. Gender and development

There is very strong correlation between gender empowerment measure and gender related development indices and Human Development Index. Gender equality is a critical component of any development strategy. Microfinance has come to play a major role in different development strategies because of its direct relationship to both poverty alleviation and women. Gender equality is essential to sound development practice and at the heart of economic and social progress. So, microfinance is an important instrument for gender and development.

xi. Efficiency and sustainability of microfinance institutions (MFIs)

The efficiency and sustainability of microfinance ensures the sustainable delivery of microfinance services. Arguments have been made for and against targeting women on the grounds of efficiency and sustainability. Proponents of targeting women on the grounds of sustainability cite women's repayment records and cooperativeness. Generally, women's repayment rate is higher than men. Low portfolio risk and low overdue and loan loss rates have directly effect on the efficiency and sustainability of the MFIs.

Conclusion and discussion

Microfinance has proved to be an important tool for poverty alleviation and catalyst for social change. According to outreach and data, there is no doubt that microfinance is one of the important rural oriented programs which has significant role for poverty reduction in Nepal. After the enrolment of MFIs people's economic and social status has changed distinctly. Members of microfinance are able to purchase their household items such as: foods, cloths, housing, and education for children and small saving for future livelihood. Their living standard has also increased. Therefore microfinance service is a widely accepted strategy for poverty reduction developing countries like Pakistan, Bangladesh, Srilanka and Nepal. There is positive impact in the life of clients of microfinance. However, the development of microfinance has also created several obstacles and issues that this paper has been shown briefly. Nepalese microfinance has been facing numbers of problem ahead. Unhealthy competition, over-indebtedness, high rate of employee turnover, less focuses on client's protection/responsible finance, poor efficiency of employee, increasing trend in loan overdue, overcrowded in certain geographical areas, member's dropout, mission drift, excluding marginalized group and less awareness about strength of microfinance program. Besides this, there are lots of opportunities in Nepalese microfinance sector in upcoming future. Microfinance need to move beyond the traditional microcredit methodologies and innovative through digitization to extend financial services more effectively to the rural people due to COVID - 19 crises.

Implication:

Microfinance sector has succeeded to gain great achievement in poverty reduction, social change and particularly developing countries like Nepal. It is poor oriented program which focuses on targeted people specially marginalized people those who are land less, capital less and deprived from governmental financial and social facilities and services. Clients of microfinance have maintained full financial discipline, MFIs maintained excellent repayment rate that is near about 98 percent. However, many more challenges are there in the way. This indicates that, the quality of microfinance is decreasing day by day due to financial illiteracy of members and profit centric orientation of MFIs. Over-indebtedness is another problem of Nepalese microfinance sector. Likewise, microfinance sector has gained its popularity with profitable sector like business in the sense of investor. Practically, microfinance is non-profit making business which is purely service oriented. Therefore, the government of Nepal, regulatory institution and economist must maintain professionalism for service continuity to the poor people and future sustainability. MFIs should be deeply rooted in microfinance culture and ethics focusing to the poor. Besides, there are more opportunities too which can play significant role as catalyst for economic and social change. Furthermore, the findings of this study is useful and applicable in BFIs, microfinance expert, economist, regulator, and decision makers.

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