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Extended Abstract
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Examining Microfinance Loans in Agriculture: A Case of Siraha District, Nepal

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Agriculture is one of the primary sectors contributing to the development of most emerging and low-income countries. It is the basic livelihood of smallholders. Microfinance institutions (MFIs) are expected to provide support to low-income people. The investment of MFIs in the agriculture sector shows a progressive result. The agriculture sector is the backbone of the Nepalese economy and provides significant employment opportunities for Nepalese people. According to Nepal Rastra Bank, the contribution of agriculture, industry, and service sectors to Nepal's gross domestic product (GDP) is around 23.95 percent, 14.29 percent, and 61.76 percent, respectively. The census report of Nepal 2021 shows that around 50% of Nepalese people are economically active in agriculture as their main occupation. The same census highlights that more than 80% of the people are engaged in agricultural production, and more than two-fifths of the population still live below the poverty line. Ensuring food security has continuously been a critical national policy in Nepal. According to the fiscal year 2023/024 budget, the Nepal government has allocated Rs. 58.98 billion to the Ministry of Agriculture and Livestock Development and the Ministry of Forest and Environment. Although the Nepal government has been taking a series of actions in planning systems, significant intended results, such as sufficient food production in the country, have not been realized. Data show that Nepal government has been importing food-related goods from neighboring nations for several years. Therefore, it is necessary to conduct a critical analysis of the investments and their contribution to the agriculture sector.

The objective of the study was to identify possible reasons for insufficient agricultural products and the contribution of Swabalamban Laghubitta (microfinance) Bittiya Sanstha Ltd. (SWBBL) to the agriculture sector in Lahan, Nepal. For this study, the researcher purposively selected Lahan Municipality in Madhesh Province. All members participating in SWBBL in Lahan Municipality in Siraha District were included in the study. The selected branch covered the whole 24 wards of Lahan Municipality with 3,523 registered members. Among all registered members, 2,723 had five or more years of experience, out of which 337 members were selected for data collection using a systematic random sampling method. Quantitative data were collected using a structured questionnaire and eight Key Information Interviews (KII). Out of them, four key informants were field managers and four were members of microfinance who had experience in administering microfinances. Data were analyzed in Excel and SPSS 20 software.

Around 33 percent of the loan was provided to the agriculture sector, 24.6 percent to old businesses, 11.3 percent to new businesses, and 11 percent to child education (Table 1). Seventy-one percent of the respondents answered that they used their loans for the same purpose as they intended for while initiating the borrowing. Most of the Key Informants said that there was a difficult procedure for taking loans for home and foreign employment. In addition, there was no provision of loans for marriage, fulfilment of basic needs, and loan payback. So, some of the borrowers were found taking agricultural loans and using that loan for other household purposes, for example, marriage, paying back old loans, paying for basic needs, foreign employment, and house construction. Moreover, MFIs lacked strict implementation of rules and regulations. The result (figure 1) shows that only 71% of the loans taken for agriculture were used for agricultural activities and rules and regulations of microfinance were not followed strictly. It is recommended that the government and policymakers of Nepal should formulate short-term and long-term plans, policies, and strategies and prioritize the implementation of those in regulating and monitoring microfinance institutions.

Table 1. Non-collateral loans provided by SWBBL (MFI in Lahan). and areas of loan flow.

S.N.	Areas of loan flow	Responses		Percent of cases
		N	Percent	
1	Foreign employment	11	3.1%	3.8%
2	**Agriculture**	**115**	**32.6%**	**39.8%**
3	Start new business	40	11.3%	13.8%
4	Old business	87	24.6%	30.1%
5	Child education	39	11.0%	13.5%
6	Land purchase	21	5.9%	7.3%
7	House construction	31	8.8%	10.7%
8	Repay old loan	9	2.5%	3.1%
	Total	**353**	**100.0%**	**122.1%**

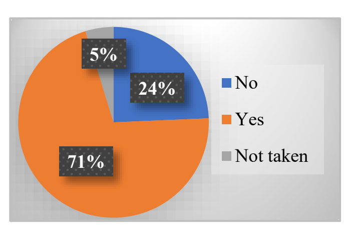

Figure 1. Percentage of respondent borrowers using the loan for the same purpose as expressed in loan initiation or differently (Yes: used for same purpose, No: used differently).

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