MSW MANAGEMENT -Multidisciplinary, Scientific Work and Management Journal
ISSN: 1053-7899
Vol. 36 Issue 2, 2026, Pages 631-637

Financial Inclusion and Microfinance in the remote villages of Bhabar

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Abstract
Microfinance and financial inclusion have proven to be critical tools of facilitating socio-economic progress in the geographically remote rural areas like villages of Bhabar. Based on the Financial Intermediation Theory and Microfinance Empowerment Model, the study can measure how the quality of services affects the satisfaction and loyalty of the borrowers in the microfinance institutions. The mixed-method research design was used, primary data were gathered through 300 microcredit borrowers with the help of structured questionnaires and analyzed with SPSS (Version 27) with descriptive statistics, correlation, regression. The findings suggest the presence of the positive correlation between the quality of provided services and customer satisfaction ($r = .721$, $p < 0.01$), and customer satisfaction is the key predictor of loyalty ($R^2 = 54.6\%$). The quality of the service also has a direct and statistically significant impact on borrower loyalty ($R^2 = 23.5\%$). The results imply that clear, open, and credible service provision enhances borrower confidence and long term interaction. The practical implications focus on quality improvement of the service and financial literacy programs. The study has shortcomings of being cross-sectional and having a narrow geographical focus. The longitudinal and comparative study with digital financial inclusion dimensions should be included in future studies to gain a clearer insight into sustainable livelihood outcomes.
Keywords: *Financial Inclusion, Microfinance, Service Quality, Borrower Satisfaction, Rural Development*

1. Introduction

Microfinance and financial inclusion have become the important tools of promoting fair development in geographically remote and socioeconomically disadvantaged rural areas (Hodula, et al., 2023). Formal financial institutions tend to have low outreach in remote agrarian areas where there are scattered settlements, minimal physical infrastructure, and a perceived credit risk and inefficiency in operation (Jain, et al., 2024). Consequently, it causes households to be dependent on informal networks of lenders which are quite costly, unchecked, and discriminatory. Increasing access to cheap savings, credit, insurance, and payment systems in these situations is not only a question of service delivery but a structural measure to alleviate vulnerability and increase livelihood diversification and resilience to income shocks (Umeaduma, 2023).

Various models of microfinance institutions (MFIs), self-help group (SHG) models, cooperative banking and digital financial platforms have been trying to close this access gap. Empirical evidence also indicates that well-designed microfinance may trigger microenterprise growth, ease consumption, empower women, and enhance social capital by means of collective liability arrangements (Filardo, et al., 2018). Nevertheless, the developmental effect is still subject to contextual influences like levels of literacy, social stratifications, gender conventions, market connectivity and regulatory controls. In isolated rural areas, circumstances such as low levels of financial literacy, the risk of over-indebtedness, seasonal fluctuation of income, and poor institutional surveillance make microfinance intervention sustainability and effectiveness difficult (Bahadur, & Bhandari, 2021).

Rural development refers to general growth of rural areas socially, economically, politically and culturally that allows the people to live fulfilling life. No development, that does not reach the immense masses, can be justified. As such, a development plan must result in a complete development situation in which masses receive improved influence and rhythm of their surrounding through their personal initiatives (Umeaduma, 2023). The development programs in the rural approach must endeavor to enhance the living standards of the poor. The flow of information is reduced by the use of information and communication technology (ICT), which consists of radio, television, telephone, personal computer and the Internet (Li, & Qiu, 2023). It could make quite a contribution to the revenues, education and well-being in countryside extending opportunities and closing distances. Information and Communication technologies provide a possibility of economic development and social empowerment (Jain, et al., 2024).

1.1. **Problem statement and significance :** Although the expansion of financial inclusion has been a long-standing policy agenda, remote rural areas like the villages of Bhabar still have structural barriers that constrain successful access to formal financial services. The barriers to the delivery and use of savings, credit, insurance, and digital payment platforms include the geographic inaccessibility, population dispersion, weak banking network, limited financial literacy, and seasonal earnings volatility. Although micro finance programs and self help groups models have been launched to fill this gap, their targeting, sustainability and developmental effectiveness is imbalanced. The problems include high transaction costs, risk of over-indebtedness, disparities in access by the genders, poor institutional monitoring, and insufficient integration with the larger systems in the market have further complicated the outcome. This has led to the need to undertake a systematic evaluation of how the financial inclusion mechanisms operate in such distal socio-economic settings and whether they have a significant effect on household resilience and livelihood diversification. The study is also relevant because it can be added to the growing body of study that investigates financial inclusion in geographically and economically marginalized environments, where traditional banking concepts do not perform as well. The study provides context-relevant insights into the effectiveness, constraints and transformational possibilities of efforts of inclusive finance by concentrating on dynamics of microfinance and institutional outreach in remote villages in Bhabar. The results can be used by policy makers, financial institutions and development practitioners in creating flexible, community oriented financial models that meet structural vulnerability. In addition, the study contributes to the theoretical debate because it incorporates spatial marginality, institutional capacity, and socio-cultural determinants into the argument of financial inclusion, reinforcing evidence-based policies to develop rural areas inclusively.The study starts by providing the introduction where the authors explain the significance of financial inclusion and microfinance to remote rural development and then proceeds to contain the literature review that addresses the previously conducted studies on financial intermediation, empowerment, and livelihood sustainability paradigms. It then comes out with the problem statement, research objectives and conceptual model. The section of methodology provides an explanation of the mixed-method design and statistical tools. The results are then analyzed by use of descriptive statistics, correlation, regression, and hypothesis testing and a discussion, conclusion, implications, limitations and policy recommendations are made.

1.2. Research objectives

The study aims at exploring how financial inclusion programs and microfinance systems can be used to enhance the socio-economic status of isolated rural populations. It seeks to critically estimate the functioning of formal banking outreach, self-help group models, microcredit schemes and developing digital financial services in areas that are characterized by infrastructural constraints, seasonal livelihoods, and institutional thinness. The study also aim at determining viable, locally flexible, and scalable solutions, which may reduce institutional barriers including financial illiteracy, limited access to markets, and gender differences in financial engagement. By doing this, the study hopes to make contributions policy-wise that contributes to the sustainable and inclusive rural economic development.

- **a.** To explore the relationship between service quality and microcredit borrower satisfaction.
- **b.** To examine the impact of microcredit borrower satisfaction on loyalty.
- **c.** To examine the effect of service quality on borrower loyalty.

1.3. Methodology and scope

The research design adopted in the study is a mixed-method research design that combines both the quantitative and qualitative methods in investigating the connection between service quality, customer satisfaction and loyalty among the participants of microcredit related to Self-Help Groups (SHGs). Primary data were obtained using a structured questionnaire that is given to microcredit borrowers in three districts of Uttarakhand and secondary data that include published reports, institutional documents, and other past empirical studies were utilized to give some context and comparative information. Stratified random sampling was done so that there would be proportional representation in terms of income levels, occupations as well as differences in districts. The 300 valid responses came up to be the final sample, which was calculated by Cochran formula.

The study focus includes districts with the active SHG networks with various socio-economic statuses which permits drawing a comparative picture of the experiences of borrowers in different rural settings. To systematically record the perceptions of dimensions of SQ and its impact on satisfaction and loyalty, a descriptive research design was chosen, and an exploratory element allowed going deeper in the context of issues faced by borrowers. To make the structured questionnaire clear, reliable, and consistent with the research objectives, it was separated into the demographic and hypothesis-based parts.

Analyzing was conducted on the data through the Ms Excel and the SPSS (Version 27), to guarantee accuracy and statistical reliability. Descriptive statistics like mean and SD were used to measure the central tendencies and variability in the perceptions of the borrowers in terms of the service quality, their satisfaction and loyalty. The inferential statistical methods that were used to analyze the strength, direction, and predictive power of the dimensions of service quality on the borrower satisfaction and loyalty were the correlation and regression analysis.

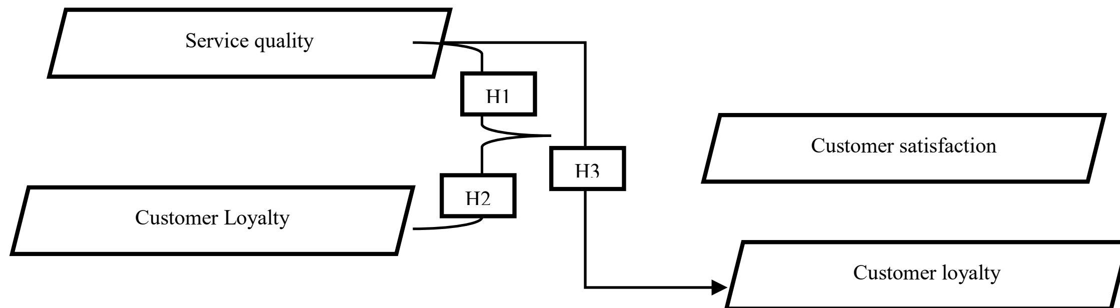

Figure 1: ***Conceptual model***
Source: ***Authors own compilation***

2. Theoretical and conceptual foundations

2.1. **Financial Intermediation Theory:** Financial intermediation deals with passing amounts of money to economic agents which have savings to economic agents that would like to make use of the funds (Filardo, A. J., et al., 2018). It is the procedure of guaranteeing effective correlation of lenders with excess funds to borrowers who require money by way of a third party or agent called financial intermediaries (Frithjof e al., 2017). A successful matching is one where all of the parties (i.e., the lender, the borrower, and the intermediary) involved in it are all rewarded positively (Gbadebo, A. D. 2024). As an example, in the event that matching is successful, the lender of surplus earns a positive rate of return, the borrower earns a profit to his entrepreneurship and risk taking, and the banker earns a compensation to his successful match (Lo & Thakor, 2023). Credits transfer is transferred through financial intermediaries like traditional banks and other institutions that resemble banks, thus they are vital in the capital allocation process (Hodula, M., et al., 2023). The intermediation process is facilitated by the development of financial instruments as a security, or assets, which facilitate the intermediation requirement. Financial intermediaries and financial instruments intermediaries are a number of financial instruments and financial intermediaries that facilitate the channel through which the exchange occurs (Gbadebo, A. D. 2024). The analyzing of the process and scope of financial intermediation and instruments to use is constructed on the understanding that the economic actors are not homogenous since they have very different financial positions, investment, and financial needs (Li, M., & Qiu, J. 2023).

2.2. **Microfinance Empowerment Model:** Microfinance is a type of financial services provided solely to low-income individuals. It includes lending, saving, micro-insurance, remittance, and other similar items. Because of the efficient production process, it helps the impoverished while also reducing their income (Lamichhane, B. D. 2020). Microfinance loans help the low-income start businesses, which in turn allows them to save money and eventually raise their living standards. The poor remain poor due to the lack of access to finance (ul Haq, M. A., et al., 2021). This is because there are already numerous poor women in the world who are already enjoying formal financial services. Earlier, microfinance has been referred to as microcredit or rural finance but today it refers to inclusive finance (Dadi, D. 2021). More often and popular poverty alleviation tool is microfinance when Grameen Bank by Muhammad Yunus was established in the 1983s (Kivalya, N. Y. I., & Caballero-Montes, T. 2024). Microfinance refers to a micro development finance system. It is concerned with the poor, low-income group, the asset less, the marginalized, the exploited and the desperate. Microfinance offers somewhere small loans with easy process in homely environment to fulfill their various needs (Lamichhane, B. D. 2020). It carries little and minuscule saving as safe deposit towards the fulfillment of their lump sum demand in the future. The microfinance therefore as an effective tool of poverty eradication and empowers them (particularly women) both economically and socially (Andriamahery, A., & Qamruzzaman, M. 2022).

This paradigm shift of the economic development of a community is founded on empowerment. It makes the community members a center of empowerment and views the members as an important resource (Haider, S.H., et al., 2017). The most important element of engaging the underserved in a neighborhood development initiative, however, is human development, primarily due to the unbalanced growing of destitution with an unequal access to financial resources and half-baked participation in the political, fiscal, and communal process (Dadi, D. 2021). In the event the community members are genuinely engaged due to their abilities, education, and the ability to define their own future, the members tend to feel empowered and this increases the chances of sustainability of the process. Hence, maximizing the involvement of the poor can be as the primary remedy to poverty and empowerment of the underprivileged living below the poverty line (ul Haq, M. A., et al., 2021).

2.3. **Rural Livelihood Sustainability Framework:** The Rural Livelihood Sustainability Framework is a valuable point of view that helps perceive how families in remote rural environments build and maintain their livelihoods in the conditions of vulnerability and low access to resources (Natarajan, N., et al., 2022). The framework was based on the Sustainable Livelihoods Approach and focuses on five major types of capital, including human, social, financial, physical, and natural, that all shape the livelihood outcomes. Financial capital has become an urgent necessity in geographically detached villages, where the sources of income tend to be seasonal and agriculture-based so that the consumption could be stabilized, and effective investments could be made (Tabares, A., et al., 2022). The microfinance and inclusive financial services empower this capital base and enable households to diversify the income activity, risk management, and responding to external shocks like crop failure or health emergencies (Opiyo, S. B., et al., 2024).

Under the microfinance interventions and financial inclusion framework, this framework center stage of the contribution of credit access, savings systems, and group-based financial models to the long-term livelihood resilience and not only the short-term consumption smoothing (Fahad, S., et al., 2023). Microfinance programs that are associated with Self-Help Groups help build social capital based on mutual responsibility and peer support, as well as improving financial discipline and entrepreneurial potential (Peng, L., et al., 2019). The structure places an emphasis on sustainability, empowerment and lowering vulnerability through the display of financial services with other livelihood approaches. It therefore provides a central conceptual basis on which the role of rural financial systems in promoting sustainable economic stability and inclusive development can be assessed in the context of remote villages (Tabares, A., et al., 2022).

Poverty is traditionally understood in two senses: an uninterrupted lack of income or material resources; as well as a persistent lack of human potential. The basic exploration states that the poverty origin is the deprivation of the capability (Bhadwal, S., et al., 2019). Capability encompasses the income, education, health, and quality of life among numerous others (Su, F., et al., 2021). That is, poverty is depicted as the absence of income as well as the absence of a viable means to sustain livelihood leading to poor quality of life. This is especially non-material inadequacy, which is more consistent with the definition of poverty on which the current alleviation and eradication policies are based (Liao, C., et al., 2021).

Deng, Q., et al., (2020) the sustainable livelihoods primarily pertains to the spatial distinction of livelihoods, the relationship between livelihood activity and ecological setting, the effects of the climate change on livelihood and livelihood output, the connection between the evolution of land use and livelihood output, the effect of ecological compensation on the livelihood of the farmers and the effect of rural tourism on the livelihood of the farmers and livelihood vulnerability evaluation (Papa, C., et al., 2020).

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2.4. **Microfinance Empowerment Model:** Economic vulnerability and poverty have always been one of the greatest issues in the world. The world is in the midst of extreme poverty among 2.4 billion people (World Bank, 2018). It is true that the developing world is experiencing an increased poverty and deprivation as one in every five people is living in abject poverty (UNDP, 2017). In a similar way, the household economic performance is volatile in the developing countries compared to the developed. That is why the problem of household economic deprivation has become one of the most popular socioeconomic issues in developing states (Mamun, A. A., et al., 2018). Socioeconomic deprivation may be defined as the absence of social and economic advantages that are need of a community or society or in a wider perspective of a region. In particular, the problem has risen significantly due to the current increase in unemployment rates in developing countries (Zainol & Al-Mamun, 2018).Besides this, there are also negative events like economic crises and natural disasters that provoke the strength of poverty and economic vulnerability (Tran and Korflesch, 2016). Today, the world has been struck by COVID-19, it is causing severe impacts on socioeconomic performance of households. Covid-19 has been spreading rapidly, which has impacted the economies and social statuses of developing countries. The already declining economic growth is under heavy pressure, and it may deteriorate (Abdullah, W. M. Z. B. W., et al., 2021).

In general, the economical susceptibility and well-being of households have received enormous consideration among economical and financial researchers after the global economic crisis of 2008 (Irhoumah, A. H., et al., 2020). Economic growth and sustainable development have become a significant objective of any nation. Sustainable economic growth is a growth rate that is sustainable in the sense that they do not incite other major economic issues, particularly to the future generations (Asad, A., et al., 2020). Therefore, the authorities have the responsibility of considering issues that influence the economic status of people and stimulate economic growth (Abdullah et al., 2021). The study identifies two aspects that are essential in the economic growth of households; these are inventions of modern technology on the energy sources (Abdullah et al., 2018) and access to financial services (Ukanwa et al., 2018).

Over the past few decades, a number of developing nations have begun to embrace the concept of microfinance as the means of combating poverty. Microfinance focuses on poverty through financial inclusion by availing the important financial services to unemployed or low-income individuals or groups who otherwise would not have access to any other source of financial services (Khursheed, A., et al., 2021). It mainly offers a range of financial services, including microcredit, micro-insurance, and micro-savings to the poor individuals to assist them in escaping economic deprivation by becoming entrepreneurs and self-employed (Elhadidi, 2018). Therefore, enabling them to improve their socioeconomic performance.

Although the adoption to the microfinance has significantly increased, the impact of microfinance on poverty alleviation has been in high conflict between researchers. Others have argued that microfinance is not beneficial to the poor but rather it puts them deeper in debt and more vulnerable so that it does not fulfill its ultimate goal of benefiting the poor (Asad, A., et al., 2020). Conversely, other studies have demonstrated that microfinance has positive effects on women empowerment and economic wellbeing of households (Al-Mamun et al., 2018; Al-Shami et al., 2018). Concisely, it has been inferred in the study that the effects of microfinance on poverty and well being of households is yet to be determined.

The existing body of knowledge has always been interested in the poverty alleviation effect of microfinance in any case (Khursheed, A., et al., 2021). In comparison with this, the underlying mechanism is under-researched to be able to explain the microfinance pathway towards socioeconomic success (Irhoumah, A. H., et al., 2020). Therefore, there is a strong necessity to conceptualize the socioeconomic performance of households based on various microfinances services and household level factors to determine the possible factors that can significantly contribute to reducing poverty (Abdullah, W. M. Z. B. W., et al., 2021).

3. Analytical result based on hypothesis

Table 1: ***Demographic profile of the respondents***

S.No	Demographic variables		N	%
1	Age	Below 25 years	76	25.3
		25-35 years	70	23.3
		36-45 years	86	28.7
		Above 45 years	68	22.7
2	Gender	Male	145	48.3
		Female	155	51.7
3	Education	10th pass	56	18.7
		12th pass	65	21.7
		Others	53	17.7
		Post-graduate	60	20.0
		Undergraduate	66	22.0
4	Occupation	Employed	89	29.7
		Others	67	22.3
		Self employed	68	22.7
		Student	76	25.3
5	Marital status	Married	142	47.3
		Unmarried	158	52.7
6	You have been customer to the MFI since	Less than a year	66	22.0
		1-3 years	77	25.7
		3-5 years	78	26.0
		More than 10 years	79	26.3
7	Mode of the transaction	Daily	114	38.0
		Once a month	97	32.3
		Once a week	89	29.7

The demographic characteristics of the respondents (N = 300) show a relatively balanced age distribution as the highest proportion (28.7) is dominated by 36-45 years, and the second (25.3) group is dominated by the age below 25 years. The females (51.7) are a little bit more than the males (48.3). Regarding education, the

largest segments in terms of education level are undergraduate (22.0%) and 12 th pass (21.7), which represent moderate education levels. Professionally, 29.7 percent of them are occupied and 25.3 percent are students. A majority are unmarried (52.7%). In terms of MFI association, the majority of the respondents are customers whose tenure in MFI is more than three years (especially over 10 years 26.3%). The most frequent mode is daily transactions (38.0), which means that people are actively involved in MFI services.

H0a: There is no significant positive relationship between service quality and microcredit borrower satisfaction.

H1a: There is a significant positive relationship between service quality and microcredit borrower satisfaction.

Table 2: ***Descriptive statistics***

Descriptive Statistics			
	Mean	Std. Deviation	N
Service quality	71.3967	10.08058	300
Customer Satisfaction	64.1867	9.83570	300

Descriptive statistics indicate that the mean score of service quality is 71.40 (SD = 10.08) and customer satisfaction has a mean of 64.19(SD= 9.84) out of 300 respondents. This means that, on an average, respondents rate the quality of service to be relatively high in comparison with the customer satisfaction. The values of the standard deviations are near each other and it implies that the amount of variability of the responses in both variables is similar. The mean dispersion of scores suggests that the perceptions of the borrowers are quite consistent, albeit there is certain variability. The findings, on the whole, indicate that the surveyed microcredit borrowers have rather positive assessments of the quality of the service and their satisfaction.

Table 3: ***Correlations***

Correlations			
		Service quality	Customer Satisfaction
Service quality	Pearson Correlation	1	.721**
	Sig. (2-tailed)		.000
	N	300	300
Customer Satisfaction	Pearson Correlation	.721**	1
	Sig. (2-tailed)	.000	
	N	300	300
**. Correlation is significant at the 0.01 level (2-tailed).			

The correlation analysis shows that customer happiness is strongly correlated with service quality (r =.721, p=.000, N=300). An extremely favorable association is indicated by the high Pearson correlation coefficient of 0.721, which means that customer satisfaction is directly proportional to the level of service quality. At the 1% level (2 tailed), this is statistically significant, but the significance value ($p < 0.01$) suggests that this association is not substantial enough to be explained by chance alone. With 300 people to poll, we can be sure that there is a strong correlation between the two variables as they pertain to microcredit. Thereby, we accept H1a as the alternative hypothesis and reject H0a as the null.

H0b: Microcredit borrower satisfaction has no significant positive impact on loyalty.

H2b: Microcredit borrower satisfaction has a significant positive impact on loyalty.

Table 4: ***Model summary***

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.739a	.546	.544	6.64181
a. Predictors: (Constant), Customer Loyalty				

The model summary reveals a strong correlation between the variables, with an R-value of 0.739 suggesting a high level of association between the dependant and predictor variables. The model describes the basis of the dependent variable, customer loyalty, by roughly 54.6%, according to the R Squared value of 0.546. The model fits the data perfectly and does not shrink considerably, as indicated by the modified R square of 0.544, which is pretty near to the R Square. As a measure of how close the model's predictions are to reality, the standard error of the estimate is 6.64 times the mean difference between the observed and regression line values.

Table 5: ***ANOVA***

ANOVAa						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15779.680	1	15779.680	357.705	.000b
	Residual	13145.867	298	44.114		
	Total	28925.547	299			
a. Dependent Variable: Customer Satisfaction						
b. Predictors: (Constant), Customer Loyalty						

Results of ANOVA show that the regression model is significant. Regression Sum of Squares in the model is 15779.680 and 13145.867 with 1 and 298 degrees of freedom respectively. The F-value is 357.705 which is very high and the significance value is 0.000 (p less than 0.001). This implies that customer loyalty is an important predictor variable to explain the difference in the dependent variable, customer satisfaction. The total regression model is extremely significant and gives a good fit to the data, as the p-value is less than 0.05. Thus, the alternative hypothesis is accepted and the null one is rejected.

Table 6: ***Coefficients***

Coefficientsa						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	22.843	2.219		10.293	.000
	Customer Loyalty	.755	.040	.739	18.913	.000
a. Dependent Variable: Customer Satisfaction						

Regression coefficients determine the nature and the strength of the relationship that exists between customer loyalty and customer satisfaction. The constant (intercept) of 22.843 indicates that a customer satisfaction score of 22.843 would have been predicted in case of a zero customer loyalty. The unstandardized coefficient of customer loyalty is 0.755, which implies that an increase in customer loyalty by a single unit result in an increment of customer satisfaction by 0.755 units, all other factors held constant. The standardized Beta coefficient is at 0.739 which proves a strong positive effect. Table 2 shows that the t-value of 18.913 with a significance value of.000 ($p < 0.001$) is statistically significant. The overall customer satisfaction is highly and significantly influenced by customer loyalty.

H0c: Service quality has no significant positive effect on borrower loyalty.

H3c: Service quality has a significant positive effect on borrower loyalty.

Table 7: ***Model summary***

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.485a	.235	.233	8.42181
a. Predictors: (Constant), Service quality				

The summary of the model demonstrates that there is a moderate positive correlation between the quality of the services and the dependent variable. The correlation coefficient (R) is 0.485 which shows that there is a moderate relationship between service quality and the outcome variable. The value of R square at 0.235 indicates that the service quality explains 23.5 percent of the variation in the dependent variable indicating that although service quality is a component of the model, other variables also affect the outcome. Adjusted R Square of 0.233 is near to R Square which suggests that the model is fairly stable and that it can predict the number of predictors. The prediction accuracy is moderate as the standard error of the estimate is 8.422, which shows the mean difference between actual values and the estimated values.

Table 8: ***ANOVA***

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6509.849	1	6509.849	91.783	.000[b]
	Residual	21136.187	298	70.927		
	Total	27646.037	299			
a. Dependent Variable: Customer Loyalty						
b. Predictors: (Constant), Service quality						

Results of ANOVA show that the regression equation that investigates the impact of the quality of services on customer loyalty is statistically significant. The Residual Sum of Squares is 21136.187 with 298 degrees of freedom and the Regression Sum of Squares is 6509.849 with 1 degree of freedom giving the total of 27646.037. The computed F-value of 91.783 is huge and the level of significance is.000 ($p < 0.001$), which implies that service quality is a significant variable that accounts customer loyalty variations. It proves that the model is a good fit to the data and that quality of service is a significant predictor of customer loyalty. The alternative hypothesis is thus accepted and the null hypothesis disoriented.

Table 9: ***Coefficients***

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	21.676	3.484		6.222	.000
	Service quality	.463	.048	.485	9.580	.000
a. Dependent Variable: Customer Loyalty						

The regression coefficients indicate how customer loyalty depends on the quality of the service. The intercept (21.676) value is used to state that the predicted customer loyalty score would be 21.676 at the quality of the service of 0. The coefficient of service quality is not standardized, thus finds the relationship is that an increase of one unit of service quality increases customer loyalty by 0.463 units holding other factors constant. The mean effect of service quality on loyalty is moderate, with a Beta coefficient of 0.485 being standardized. The t-value of 9.580 with a significant level of 0.000 ($p < 0.001$) is an indication that this relationship is very significant statistically. In general, the service quality has a considerable positive impact on the customer loyalty among microcredit borrowers.

4. Discussion

Ozili, P. K. (2023) also admits the point of view expressed on the value of financial inclusion in enabling the remote communities. Bharti, N., and Malik, S. (2022) noted that many villages were not covered by traditional banking and financial practices, which restricted the possibilities of entrepreneurship, savings, and the accessibility of the economy. Cycles of poverty and economic insecurity continue to be dependent on informal moneylenders who usually demand very high-interest rates (Koomson, I., et al., 2020). Goswami, S., et al., (2022) agrees with the sentiment that the financial gap must be bridged in order to achieve wholesome rural development. Moreover, Maity, S. (2023) state that the availability of basic banking services promotes economic transfers and promotes financial literacy and planning among local residents. Awareness of these issues and the projected positive impacts of inclusion creates a shared ground that active designs are needed to provide financial access to marginalized groups in an efficient manner to improve livelihood and minimize social inequalities (Ginanjar, A., & Kassim, S. 2020).

Kadaba, D. M. K., et al., (2023) emphasize the idea of microfinance as a central tool of accessing the underserved population. Chen, W., and Yuan, X. (2021) shows that small loans, especially in case of giving them to women, allow creating microenterprises and promoting local economy. According to Chaturvedi, P. (2022), microfinance is not about giving credit, but about financial literacy, support networks, and mentorship which strengthens the economic system of rural communities. Although in support of the statement that microloans can enhance livelihoods, the Hassouba, T. A. (2025) continues to say that, to ensure effective microfinance programs, they must be context-specific, properly trained and constantly monitored. Moreover, the presence of group-based lending schemes and peer responsibility have also been found to increase the rate of repaying and social cohesion (Ozdemir, M., et al., 2023). Thus, microfinance, when it has been designed in a wise fashion, is a holistic instrument of facilitating economic empowerment and financial autonomy in the far-off villages (Mhlanga, D., et al., 2020).

Okello Candiya Bongomin, et al., (2020) recognizes the issues of the implementation of microfinance especially the threat of over-indebtedness, abusive loans, and excessively high interest rates in some settings. Although microfinance holds promise of a positive change, it has been observed that unless it is properly regulated and monitored, it has the potential to make the poor more financially vulnerable (Omowole, B. M., et al., 2024). Deng, Q., et al., (2020) agrees with the school of thought that institutional control, open lending policies, and educating borrowers are the key to the reduction of such risks. Moreover, schemes of credit advice and incremental scaling of loans have been shown to be successful in guaranteeing sustainable gains (Ginanjar, A., & Kassim, S. 2020). Through its achievements and shortcomings, the Natarajan, N., et al., (2022) supports the notion that microfinance should be viewed as a component of a bigger package, as opposed to being viewed as a single intervention, to bring significant and enduring economic inclusion to remote villages (Lo, A. W., & Thakor, R. T. 2023).

5. Conclusion of the study

The study concludes that the programs of financial inclusion and microfinance have a major role to play in enhancing the socio-economic status of the borrowers in remote rural settings like the Bhabar. The empirical results support that there exist high positive correlation between service quality and satisfaction of borrowers ($r = .721$, $p < 0.01$), proving that better financial service delivery also improves the overall customer experience. In addition, the level of satisfaction by the borrowers plays a major role in loyalty as the regression model captures 54.6 percent of the variance, which implies that satisfied clients have more chances of encouraging long-term relationships with microfinance institutions. Moreover, the quality of the services possesses a statistically significant positive influence on the loyalty of borrowers (R 2 = 23.5 percent). These findings consolidate the theoretical premises of models of financial intermediation and empowerment and underline the fact that organized, transparent, and responsive financial services play a significant role in sustainable rural livelihood growth.

Overall, the study has noted that microfinance, with its combination of quality service delivery and institutional accountability can act as a driver of empowerment, financial security, and livelihood diversification in geographically isolated villages. The results suggest that the policymakers and microfinance institutions are supposed to focus on the improvement of the quality of the services and educating the borrowers and developing the mechanisms of trust to achieve the sustainable outreach and repayment rates. The study however is confined to the chosen districts, and used mostly self-reported information, and this could limit generalization. The proposed future studies can be longitudinal and potentially include more socio-economic variables to understand the long-term empowerment results in greater detail. Enhanced monitoring and context-based financial models also contribute towards increased transformative potential of inclusive finance in rural development.

5.1 Implication of the study

The policy and practical implications of the study lie mostly on microfinance institutions (MFIs), Self-Help Groups (SHGs), and rural development agencies, which are in geographically remote areas. The results highlight that the dimensions of service quality that can be improved to boost customer satisfaction and loyalty include reliability, responsiveness, transparency, and support to borrowers, which can be a strong aspect to instill sustainability in the institutions and boost repayment performance. The policymakers can aim at creating borrower centered financial products, incorporating financial literacy schemes and continuous monitoring to avoid over-indebted-ness and poor credit utilization. Another finding of the study is the necessity to implement digital financial inclusion solutions in rural areas, considering their dependence on infrastructure. With the financial inclusion efforts aligned to livelihood sustainability models, the stakeholders are

able to enhance long-term economical stability, empowerment of women, and inclusive rural development that eventually lead to alleviation of poverty and socio-economic security.

5.2 Limitation of the study

The study is limited to some extent that must be considered in the interpretation of results. One, the study is geographically limited to the chosen districts, which can reduce the extrapolation of the findings to another context of rural or regional settings with varying socio-economic dynamics. Second, the study is based on most cross-sectional and self-reported data gathered with the help of structured questionnaires, and it is possible that respondent bias, social desirability bias, or temporary perception may affect the data. Third, the analysis primarily addresses the aspects of service quality, satisfaction, and loyalty, but does not incorporate more macroeconomic, institutional, or cultural variables that can influence the outcome of financial inclusion. The study also fails to utilize longitudinal tracking methods of measuring the long term impacts of empowerment or livelihood sustainability ways. It is possible that future studies can assume comparative, multi-regional, and longitudinal methods to add strength and increased applicability.

5.3 Policy recommendations and strategic roadmap

- **Strengthen Service Quality Standards**

Quality services have a large effect on customer satisfaction and retention. The policymakers are supposed to set clear service standards, bring transparency, enhance redressal systems and do periodic staff training. Accountability can be improved using digital monitoring and community feedback. Ensuring the reliability and responsiveness enhance trust, decrease defaults, and sustainability of the microfinance institutions within the remote rural regions.

- **Promote Integrated Financial Literacy Programs**

Financial literacy programs must be organized to facilitate financial inclusion to avoid the risk of over-indebtedness. Borrowers should be taught through programs on budgeting, saving, calculating interests and responsible borrowing. Outreach can be enhanced by delivery via Self-Help Groups and online means. Increased financial literacy is improved to productive use of loans, discipline in terms of repayment, women empowerment, and the ability to survive in the long term.

- **Develop Context-Specific Inclusive Models**

Inclusive finance policies must be shaped by the local socio-economic realities and not standard policies. Effectiveness can be enhanced through flexible repayment according to seasonal incomes, incorporation of micro-insurance, and the hybrid digital-physical model. The cooperation between the MFIs and local institutions and communities makes it better monitored. Context-sensitive frameworks encourage the creation of trust, lessen vulnerability, and contribute to the achievement of sustainable rural development.

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