

THE IMPACT OF MICROCREDIT ON POVERTY ALLEVIATION: A STUDY OF SHAHEED BENAZIRABAD DISTRICT, PAKISTAN

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ABSTRACT

Poverty is all the time a major concern in developing countries all through the history and many strategies taken and implement for alleviation of this issue so in this context the key objective of this study is to examine and find out the impact of microcredit on poverty alleviation of credit users of in Shaheed Benazirabad District. By using concepts such like education, living standards, income, health, food and nutrition, electricity, assets, expenditure and employment, a sample of 370 credit users were selected through cluster simple random sampling and survey questionnaire used to collect data and analysis through SPSS. The key findings of the study reveal that living standard and income level increases after utilizing the microcredit. The present research work has a noteworthy contribution in explaining and solving of some the myths of the microfinance, in addition, advancing the research and literature because the region in which the study conducts was untouched before this study on this important subject of poverty alleviation.

Keywords: Living Standards; Micro finance Institution; Micro finance bank; Microcredit; Poverty alleviation

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1. Introduction

This is an operational debate that the healthy growth of every nation cannot be attained by only by ideas and planning. Each and every country's population is increasing day by day, with the increase of population, diseases, unemployment, crimes, economic and social problems are also increasing. For getting a proper solution of these problems the micro credit is provided to poor peoples, so they can raise their living standards. The idea of microcredit is for growth in education, acquiring assets, health facilities. These series were initiated in and enhanced their livelihood way. The system of microcredit is well-built in Pakistan. Six microfinance banks have an ongoing operation in Pakistan in the previous six years. In the countryside, Pak-Oman Microfinance Bank, Khushhali Bank, The First Bank of Microfinance and Tameer Microfinance Bank Ltd. are active, while, at the level of district and operated Network banks are Microfinance Bank Ltd and Rozgar Microfinance Bank Ltd.

Other types of association like expert microfinance bodies, commercial financial institutions and rural support programs and nongovernment organizations are also given that microcredit alongside with Microfinance banks. Borrowers of Microcredit have risen from 60,000 to 1.5 million and assist 9 million citizens in almost 111 districts all through the country (Saleem, M.U., 2008). Barr & Michael S (2005) Microcredit are a type of economic enlargement that is mainly centred on poverty reducing and civilizing the livelihood by providing that financial assistance to needy poor. Haroon and Jamal (2007) most public believe of micro credit as microfinance i.e. loan miniature quantity of capital to needy peoples.

Microcredit is not only Micro Finance; nevertheless, it as well includes a broader viewpoint which is transactional services, insurance, and savings. Observed facts are originate as of different documents such as (Khandker and farooque, 2001; Parker and Nagaragan, 2000; Quach et al, 2003; Debadudda, 2009; Pit and Khandker, 2003; Panda, 2005) set up that the recipient of loan had greater than before their expenditures in particular in education and health. This works to fill up space by result the influences of microcredit on poverty by means of the notion: like family unit income/spending, schooling, family unit asset, food/nutrition, health care, savings, shelter and electricity, expenditure and growth of business (Dependent Variable).Microcredit: (Independent Variable). Their living standard decreased, improved or stays same after utilization of microcredit services. Following are the objectives of the study; 1. To determine the impact of microcredit on the living standard and income level of credit users. 2. To assess the role of microcredit provider banks and institutions in alleviating poverty. 3. Provide implications on how to resolve the problems in improving socio-economic conditions of the credit users, thereby helping out to alleviate the rate of poverty.

1.1 Hypothesis

H₁: There is an association between micro credit and living standard of credit users.

H₂: There is an association between micro credit and income level of credit users.

H₃: There is the significant impact of micro credit on poverty alleviation.

1.2 Justifications and Scope

Basically, the main reason of this study is to find out the impact of microcredit on poverty improvement. The intention of this study is to find out connectivity linking with microcredit and poverty alleviation. According to Snodgrass & Sebstad 2002 in adding together to that

impact assessments offer a foundation for government and donors whether to encourage the accessible agenda or not. The recommendation and suggestions for making the micro credit much more effectual could be practically useful because this study is to know the impact of microcredit on poverty alleviation on peoples of Shaheed Benazirabad District.

1.3 Expected Role of the Study

Current study recognizes the gap in the existing studies and adding to the existing literature is as follow:

This is the first study in its type of experiential research which is emphasizing the ground realities in Shaheed Benazirabad District. There is no such any work done before in this region, offering the important contribution for the highlight these impacts of household's living standard level, thus contributing to the body of the knowledge. Previously studies assess the impact of microfinance on poverty, but the current piece of study examines the impact of the microcredit on poverty, an ingredient of microfinance's pool and which is also an effect tool to alleviate the poverty. So it is also very important to study microcredit that has made a distinction role in poverty reduction. The present study attempts to fill up this gap. This is the first study, which is demonstrating and quantifies some of the results from microcredit interventions.

2 Literature Review

2.1 Defining Microcredit

There have been remarkable literature and researches are available and exist on microfinance or microcredit but not there is any universally agreed definition of microfinance. Microfinance is a wide conception of provided that a web of diverse financial tools such as loans, savings, funds transfer, home loans, and insurance whereas microcredit is offering only loans. Therefore, it is able to affirm that microcredit is one component or item in the bowl of microfinance. Utilizing the most comprehensive lender-oriented and draw the concepts by the viewpoint of Grameen to define that microcredit means small loan's extension to poor to entrepreneurs to meet the criteria for conventional bank's loan. (Yunus,2007).

2.2 Microcredit in Developing Countries

This is essential to define, that term Microcredit is used in similar meaning as ‘‘Microfinance’’ in Pakistan, mostly because in this sector the other products and financial services has been not much developed as credit, for example, Insurance and savings are in the stage of infancy and their provisions by institutions of Microfinance as well as a number of banks is concerned have been moving slow in developing their potential instrument of savings (Zaidi, Jamal, Javeed, Hussain, & Sayeed, 2007). Nepal, also Microfinance Institutes encounters many hurdles in their way to reach the poor. The superiority of the government and micro-credit agencies restricted outreach in hilly regions interest rate and the sustainability is the major reasons. In India, there also microfinance does not directly deal with structural difficulties facing the Indian economy and society and still not works efficiently. Mostly in the world, programs of microfinance are increasing in size and the number of changing economies. In view of 1994, different schemes and projects have been working in diverse economies like Albania, Russia, and China. The major objective of these schemes and projects is to grow up incomes as well as extend financial markets with offering financial services (majorly credit) to the small-scale entrepreneurs which do not have approach to the capital markets. (Aghion & Moduch, 2000).

2.3 Microcredit and Poverty

Poverty is the multi-dimensional concept. Through providing the financial services, microcredit plays an essential role in struggling to overcome many ingredients of the poverty. This is said that poverty is the multi-dimensional concept, it is essential that a particular research is to identify dimensions which are targeting. (IBR) Indexed Based Ranking Indicator (Arun, Imai, & Sinha, 2006) a combination of different indicators includes land possession, segment, health, food and nutrition, electricity, fresh water, expenditure, welfare, education, housing, facility of sanitation and assets has been selected for this present study.

2.4 Microcredit in Pakistan

Recognized the significance of the poverty as a tool of the alleviation and the mobilization of society, Pakistan’s Government has increased its exertions for establishing the strong foundation of microfinance in a sector of banking, the Khushali Bank is the first microfinance bank was established as specialized in 2000. Besides this bank, other institutions like microfinance institutions, commercial finance institutions, and NGOs rural support programs are as well involved actively in provisions of microfinance in Pakistan. In

order to make easy the task of providers like all non-bank microfinance, Pakistan established Poverty Alleviation Fund (PPAF) in 1999 as the wholesaler/distributors of the credit toward the non-State Bank Pakistan regulatory providers of the microfinance. According to Ali & Erenstein (2017) approximately every third Pakistani is in poverty swamp.

Pakistan Microfinance Network, Poverty Reduction Strategy Paper established in 2003 and the Medium Term Development Framework (MTDF) 2005-10 these all address the same key problem the reduction of poverty and contribute to improving outreach as well as sustainability of the microfinance facilities in Pakistan

2.5 Prior Studies

Previous studies conduct by different researchers like (Akram and Hussain 2011; Ahmad et al. 2004; Imtiaz et al. 2014; Mahmood et al. 2016; Iqbal et al. 2015) found that micro-credit has a significant impact on the level of poverty. Micro credit help out the borrowers to reduce poverty and it has also decreased. In district Shaheed Benazirabad there is a large network of micro-credit financing. Tasos,et al., (2020) examined the role micro finance in poverty alleviation case study of Khushhali Bank limited and found that microfinance has played an important role in poverty alleviation in Sargodha district. Further microfinance used along with other social programs that are easier to meet the different needs of poor families. (Shafique & Siddique, 2020) investigate the impact of micro credit financing among Akhuwat Islamic Micro financing on poverty alleviation and women empowerment. Their study found micro credit play an important role in reduction of poverty by offering loan to small business owners to enhance their businesses, improve their living standard, earn their livelihood and come out of this swamp of poverty.

Ngong et al., (2021) examined a long-run relation between micro financial inclusion and poverty alleviation. They found that value of borrowed funds, broad money supply and number of microfinance banks significant effect the poverty. Furthermore, institutions of microfinance should raise loan to poor, particularly in rural areas at reasonable cost and the branches of microfinance bank should be placed in rural and urban areas select the poor.

Alam et al., (2014) examined the relation of microfinance introduced by PRSP with economic and social position of rural farmers in the district Gujranwala. They found that microcredit was playing a significant role to help farmers.

(EBIMOBOWEI, SOPHIA, & WISDOM, 2012) research carried out for Nigerian Bayelsa State, showed a significant positive relationship linking between the microfinance and the reduction of poverty. However, study finds out that the microfinance will be require the existence consist of crucial infrastructure like availability of stable power, the good system of transport and good quality roads to take part in an extent the efficient job in an alleviation of poverty. Furthermore, according to Hussain (2012) stated that microfinance has the positive influence on the economy. Income of borrowers and the expenses of their family had been seen an extensive increase after receiving the loan. Practical evidence is found from a variety of papers like Parker and Nagaragan (2000), Pit and Khandker (2003), Debadudda (2009), Quach et al (2003), Paunda (2005), Khandker and farooque, (2001), find out that loan beneficiaries had increased their spending particularly in education and health cure.

In Pakistani perspective, many types of research on microfinance had been documented the impact of like programs on borrowers. A significant research conducted by Mushtaq (2011) in that regards the economic impact of microfinance lying on borrowers: evidence from Punjab, Pakistan within which that he examined that economic situation of borrowers of microfinance was in good health than non-borrowers. (Adamu, 2007; Irobi, 2008; Wriugh, 2000; Zaman, 2000; McCulioch and Baulch, 2000) these all donate toward supposed that the microfinance is powerful and successful means for reduction of poverty.

3 Methodology

3.1 Population and Sampling

The examiner was taking out in Shaheed Benazirabad District, Pakistan. The District has twelve geopolitical Administrative unit/Talukas (Bandhi, Daur, Buchari, Jam Shaib, Qazi Ahmed, Daulatpur, Deh Phulel, Shahpur Jhania, Sakrand, Rupa Mari, Khaddar, and Mehwal Khan Mari). The population of this study is consisting of the individuals who are experiencing the micro credit facilities for more two years. Sample of this study is based on cluster random simple sampling because the population of the study is geographically spread. Since two banks Tameer Bank and Khushali Bank Limited and one NGO Shah Sachal Sami are chosen for the analysis and the clients have geographically spread in four Tallukas Qazi Ahmed, Buchari, Jam Shaib, and Sakrand. To get the address of sample respondents the researcher took help from local branches of Banks and NGO. The sample consists of 370 clients. A list of respondents distributed by Tallukas gave in table 3.1

Table 3.1 List of respondents distribution by their respective geographically area

Name of MFB's & NGO	Total Population	Tallukas Name			
		Qazi Ahmad	Jam Shaib	Sakrand	Buchari
Tameer Bank Ltd	2500	30	23	35	27
Khushali Bank Ltd	1700	25	28	31	28
Shah Sachal Sami (NGO)	9000	35	37	39	32
Total Population	13,200	90	88	105	87
Total Respondents		370			

3.2 Instrumentation: Development of Questionnaire and Technique

The very first step is to design a quantitative survey. It should identify elements of analysis to be evaluated (e.g., individual, community, household) and types of impacts to be studied. (Humble, 1999). Multiple choice close-ended questionnaires are developed as per study requirement. The questionnaire contains two parts: Part A includes respondent's background information as part B is present toward the computing opinion of respondent on the usefulness of microfinance on poverty alleviating in Shaheed Benazirabad. In this survey, in addition, apply Likert Scale (1-5 considered scale points). The method of analysis used in this study is a descriptive statistic. Quantitative data collected through questionnaire were analyzed and interpreted through SPSS.

4 Results and Discussion

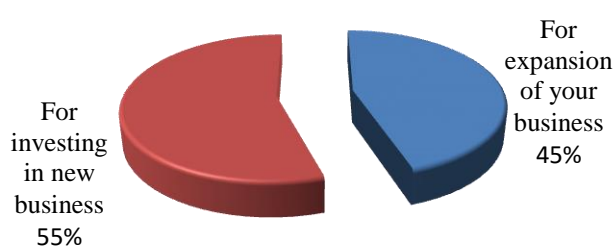
Table 4.1 Represent the Response rate in Percentage

<i>Demographic Variables</i>	<i>Category</i>	<i>Response rate (%)</i>
Age	25-35	7.8%
	35-45	31.8%
	45-55	44.4%
	Above 56	12.3%
Educational Qualification	Primary	16.6%
	Middle	13.3%
	Secondary	20.1%
	Graduate	12.3%
	Masters	8.0%
	Illiterate	28.9%
Income Range	10000	27.3%
	10001-15000	34.5%
	15001-20000	23.3%
	Above 20000	13.9%
No of children	1-3	7.8%
	3-5	21.9%

	5-7	22.5%
	7-9	26.7%
	Above 9	8.3%
	None	11.8%
Gender	Male	55%
	Female	45%
Marterial Status	Married	60%
	Widowed	18%
	Single	10%
	Divorced	8%
	Separated	4%

The demographic characteristics of respondents in survey depict the level of education in the above table demonstrates, the biggest group of aged consisted 45-55(44.4%) follow by age group 35-45 (31.8%). 12.3% of respondents were the above 56 age group and 7.8% age group were 25-35 years. It is not very surprising to find out that 28.9% of the respondents were illiterate follow by 20.1% comprising secondary, 16.6% having primary, 13.3% middle and 8.0% masters. The table illustrates the income level of the respondents of the survey illustrated that 34% having their income above 10000-15000, 27.3% were in the range of less than 10000, 23.3% respondents having 15001-20000 range of income and 13.9% having above 20000 income. The respondents asked for their number of children and surprisingly it were seen that 27% respondents having 7-9 children, 23% respondents having lies in the range of 5-7 children, 22% were having 3-5, 11% were no children, 9% were above 9 and 8% having 1-3 children. The result shows that 55% were male and 45% were female respondent in the survey. The survey showed that 60% respondents were married, 18% were widowed, 10% single, 8% were divorced and 4% were having separated marital status.

Reason of Acquiring Microcredit



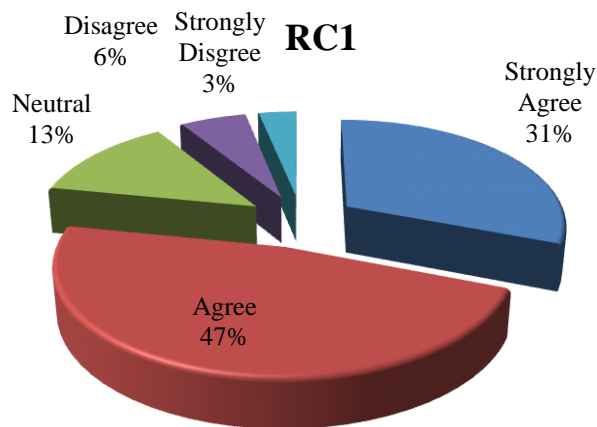
55% respondents were acquire for investing in new business and 45% respondents were acquire for expansion of their business.

4.1 Analysis of Questions of the Survey

After identifying the respondent's demographic profile of the survey, attention move on how the respondents answered questions of the survey related to latent build in conceptual model. Graphs given below illustrate the response rate in percentage frequency. We gives name Item to every variable in the questionnaire.

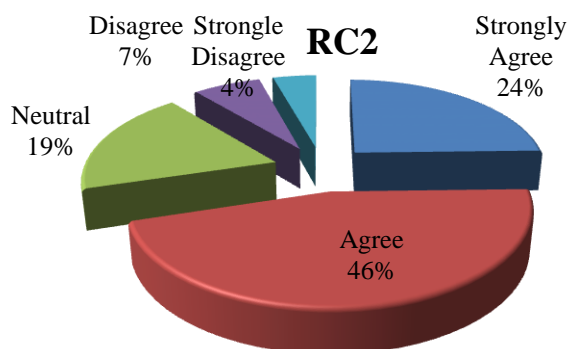
Item No: 1: Reason of acquiring microcredit

Qno: 1 Microcredit acquired shows an increase of your business.



Analysis: Majority of the respondents with 47% agree with that microcredit increase their business, 31% were strongly agree, 13% were neutral, 6% disagree and 3% were strongly disagree.

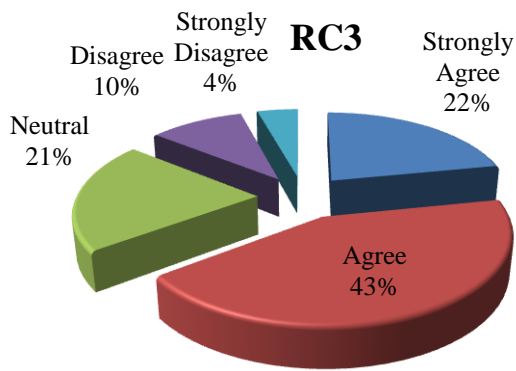
Qno 2: This micro credit leading to source of development of your business.



Analysis: This finding illustrates that 46% respondents were agree that due to microcredit, they develop their business. 24% strongly agree from above stated statement, 19% neutral, 7% disagree and 4% were strongly disagreeing from this statement.

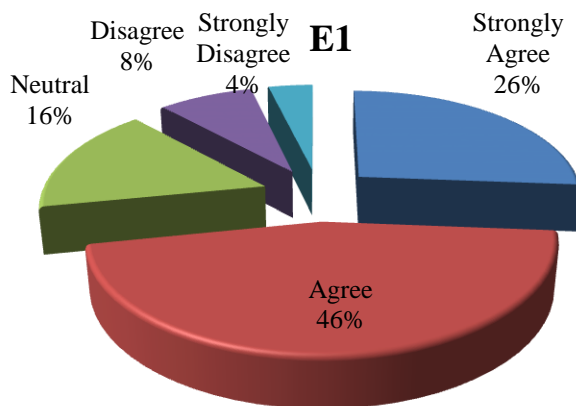
Qno 3: Purpose of getting micro credit was fulfilled.

Analysis: 43% respondents were agree from this that their purpose of getting microcredit were fulfilled while 22% strongly agree, 21% were answering neutral they were not agreeing and nor the disagree that their purpose was not fulfilled. 10% were disagreeing and 4% showing that the respondents were strongly disagree.



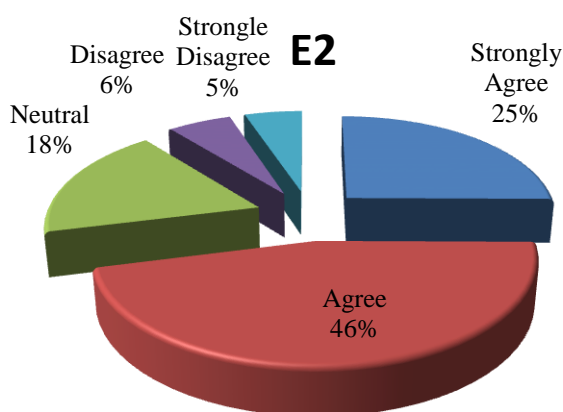
Item No: 2 Employment

Qno 4: Opportunity of employment increased after placing the credit into utilization.



Analysis: 46% respondents were agreeing from above said statement that after utilization of microcredit the opportunity of employment increased and 26% strongly agree. 16% neutral, 8% disagree whereas 4% showing strongly disagreeing.

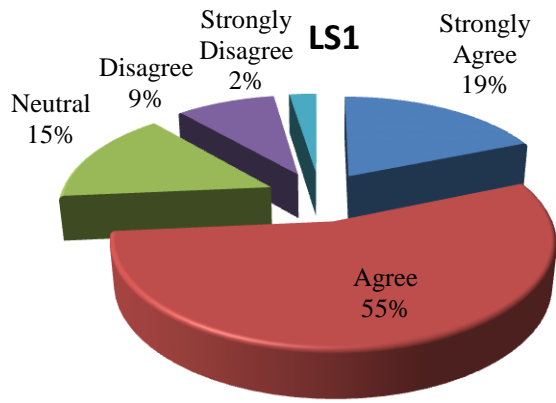
Qno 5: After acquiring micro credit you improve your economy of scale.



Analysis: The results shows 46% were agree that their economic level was increased. 25% strongly agree, 18% neutral and 6% disagreeing from this statement while only 5% strongly disagree.

Item No: 3 Living Standard

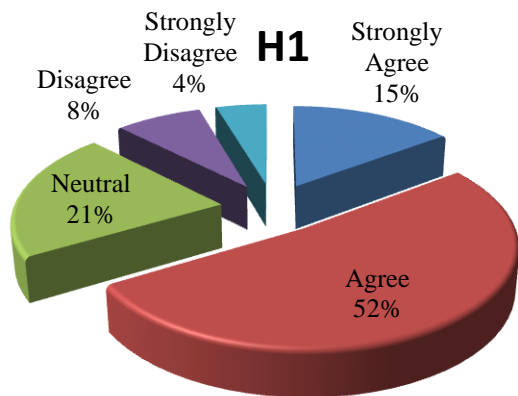
Qno 6: Micro credit raises your standard of your household.



Analysis: The findings demonstrate 55%, that majority of the respondents were shows their agree response when asked them about their living standard rises after micro credit. 15% neutral, 19% were record their response strongly agrees. Only 9% and 2% respondents were seems disagree and strongly disagree respectively.

Item No: 4 Health

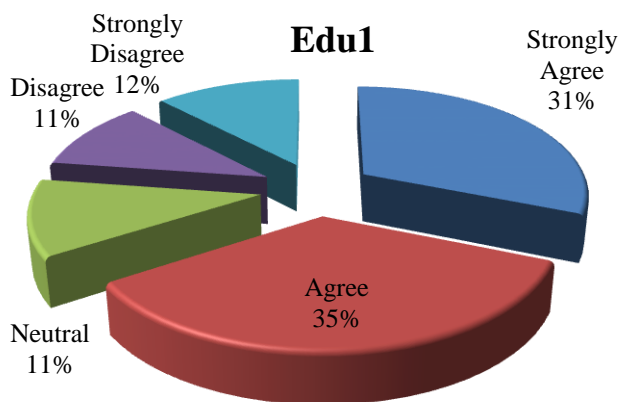
Q no 7: Health amenities improved after acquiring micro credit.



Analysis: 52% agree from above stated statement. 21% result shows neutral, 15% strongly agreeing. 8% and 4% respondents were disagree and strongly disagreeing from that health facilities did not improved after utilization of microcredit.

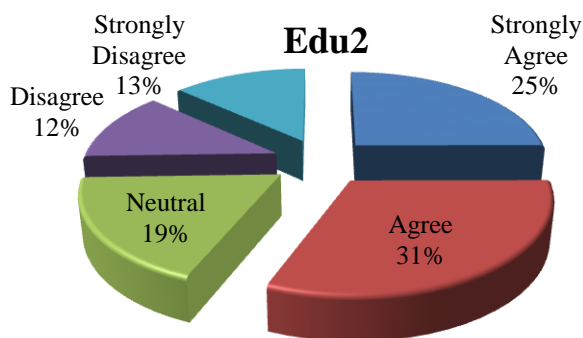
Item No: 5 Education

Q no 8: Microcredit facilitate in providing better level of education for your offspring.



Analysis: 35% were agree that their offspring's education level better after utilizing microcredit and 31% results illustrate strongly agree. 12% strongly disagree and 11% were neutral and disagreeing from the statement.

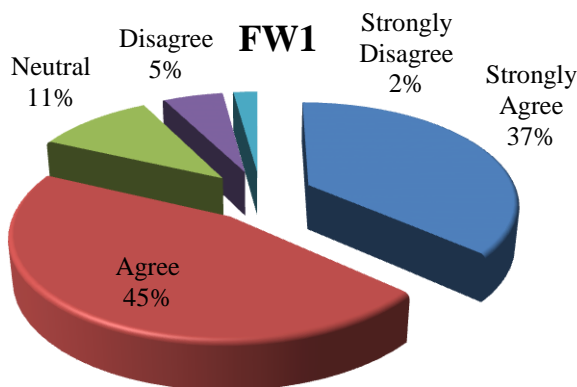
Q no 9: Number of children of your house going for schooling increase after utilizing microcredit.



Analysis: 31% respondents agreeing from that after utilization of microcredit their number of school going children were increased. 25% respondents were strongly agreeing. 19% neutral, 13% neutral and 12% respondents were strongly disagree and disagree from this statement.

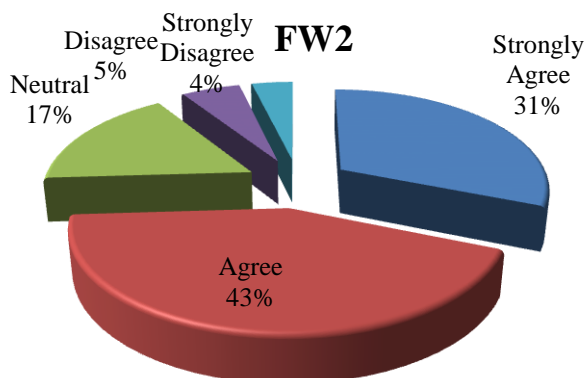
Item No: 6 Fresh Water

Q no 10: Major source for you for drinking water used by your family improved after getting microcredit.



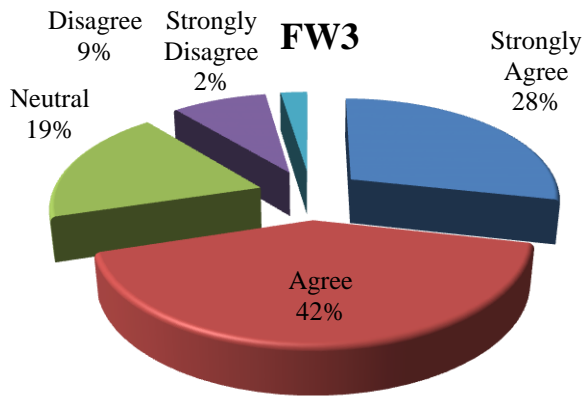
Analysis: 45% respondents were agreeing that their drinking water source improved after getting microcredit, 37% were strongly agree from above asked statement and 11% neutral whereas only 5% and 2% respondents were disagree and strongly agree respectively.

Q no 11: You experience upgrading in sanitation and water system after getting microcredit.



Analysis: 43% and 31% respondents were finds agree and strongly agree respectively when asked them for their upgrading in sanitation and water system. 17% were finds neutral about this statement. Only 5% and 4% were disagreeing and strongly disagree respectively.

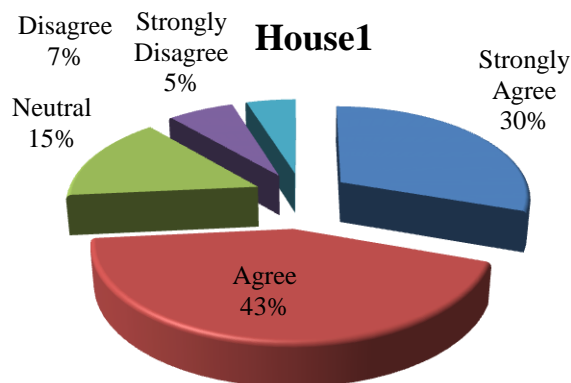
Q no 12: You routinely drink tap water.



Analysis: 42% respondent's results illustrates agree that they used tap water in their routine life and 28% were strongly agree. 19% were neutral whereas only 9% and 2% respondents were disagree and strongly disagreeing from asked statement.

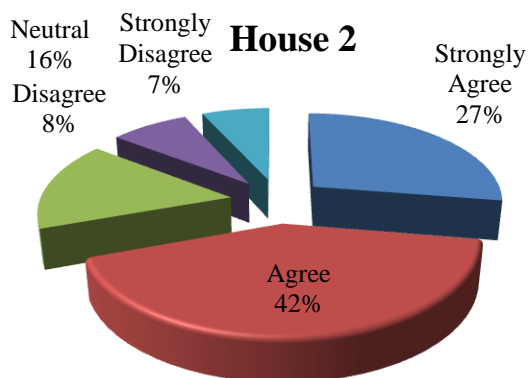
Item No: 7 House

Q no 13: Expansion made in your house during time period of utilizing microcredit.



Analysis: 43% respondents had expand their house during the time period. Surprisingly 30% respondents 'shows strongly agree and 15% neutral from the statement. 7% and 5% were disagree and strongly disagreeing respectively.

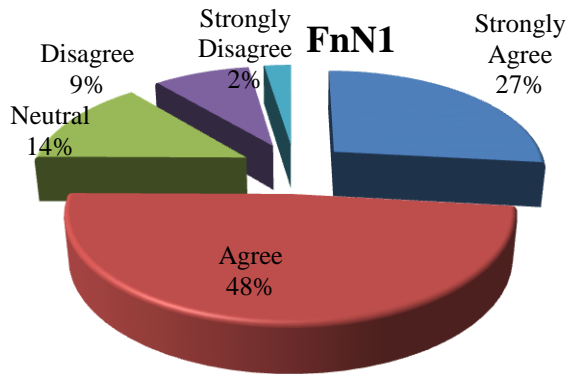
Q no 14: You made any changes in the material which is used in your house.



Analysis: 42% respondents agree that they made changes in material of their house while 27% were strongly agree results from this statement. 16% were neutral, 8% disagree whereas only 7% strongly disagree on this statement.

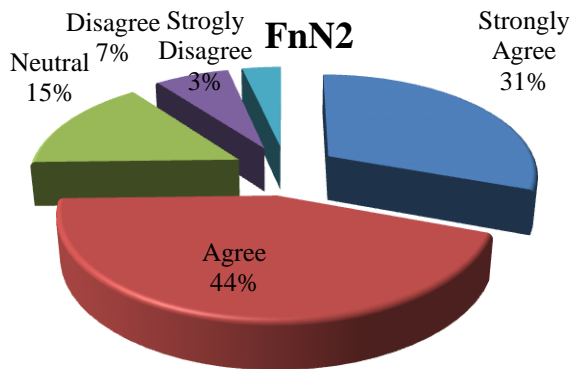
Item No: 8 Foods and Nutrition

Q no 15: After utilizing microcredit you improve your food and nutrition.



Analysis: 48% respondent's result shows agree that they improve their food and nutrition after getting microcredit. 27% were strongly agree from asked statement whereas 14% neutral. 9% and 2% respondents finds disagree and strongly disagreeing respectively from above stated statement.

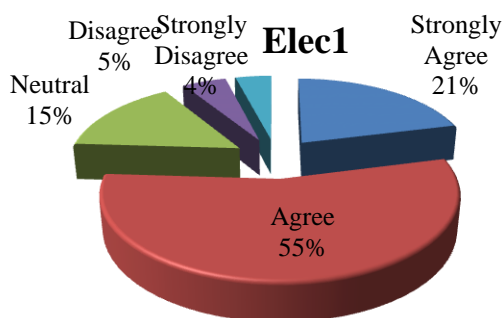
Q no 16: Meat is including in your diet (two or more times in a week)



Analysis: 44% were agree on it that they consumed meat two or more than two times in a week whereas 31% were finds strongly agree. 15% finds neutral, 7% and 3% were finds disagree and strongly disagreeing from this statement.

Item No: 9 Electricity

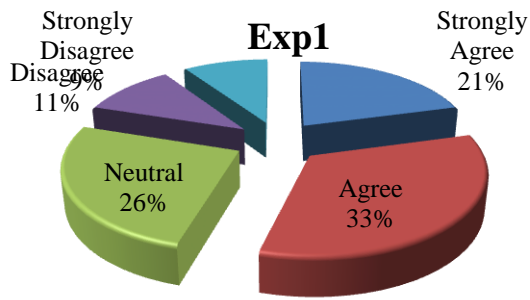
Q no 17: You obtained your own connection of supply of electricity.



Analysis: 55% had their own electricity supply, 21% strongly agree, 15% were neutral and only 5% finds disagreeing and 4% strongly disagree from this statement.

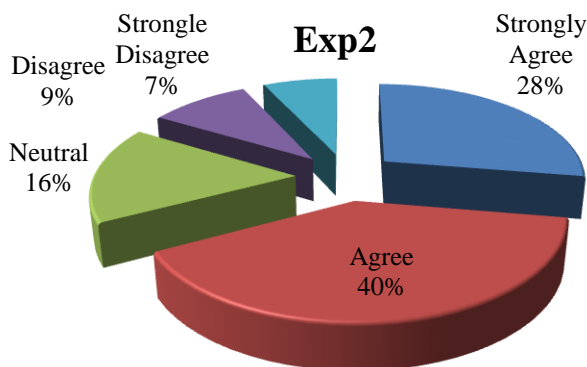
Item No: 10 Expenditure

Q no 18: Medical and health expenditure increased after obtaining microcredit.



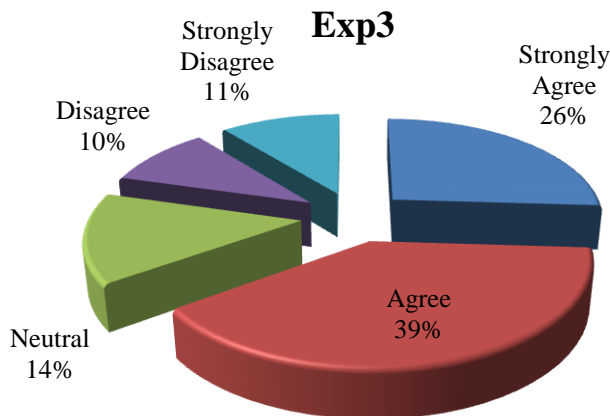
Analysis: 25.7% respondents finds neutral on this statement when asked them about their medical expenditure whereas 23% finds agreeing and 20% were finds strongly disagreeing but 19% were strongly agree that there is increases in their medical expenditure while 11% finds disagreeing.

Item No 19: Food and nutrition expenditure increased after obtaining microcredit.



Analysis: 40% respondents had increases their food related expenditure while 28% were strongly agree. 16% were finds neutral, 9% respondents had finds disagree and 7% had strongly disagreeing that there were no increases in their food expenditure.

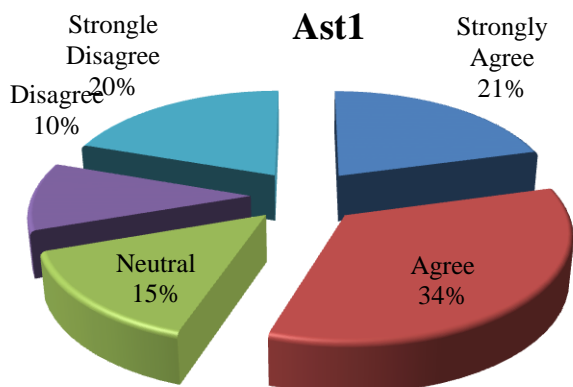
Q no 20: Accumulation of assets expenditure increased after obtaining microcredit.



Analysis: 39% finds agree from this that their assets expenditure increases after getting microcredit. 26% seemed strongly agreeing from this statement that there were expenditure increase after microcredit. 14% respondents had finds neutral while 11% were finds strongly disagree and 10% were finds disagreeing from the above asked statement.

Item No: 11 Assets

Q no 21: After utilizing microcredit increase your assets (any cart, truck, TV, furniture etc.).



Analysis: The findings demonstrates 34% were agreeing, 21% ,20% and 15% respondents finds strongly agree ,strongly disagreeing and neutral respectively and only 10% disagreeing from above asked statement.

5 Summary and Conclusion

The purpose of the current study was measured the impact of microcredit on poverty alleviation. Variables like education, health, living standard, electricity, fresh water, food and nutrition, expenditure, assets or income of the households were selected as the indicators of alleviating the poverty. Data was collected from four Tallukas of Shaheed Benazirabad District. Literature review shows a mixture of diverse evidence concerning with the impact of microcredit on poverty. These results and our results were differing due to used of different methodologies, difference in subjective interpretations and specific features of programs under study. The findings and results that 46% are the majority of respondents, agreed that their living standard improves after utilizing the microcredit. Furthermore, Item no 8 and 9 were regarded education, 35% and 31% were agreed, respectively that their children’s level

of education were better after utilizing microcredit. Additionally, item no 8 indicate food and nutrition 48% and 44%, item no 10 indicate the expenditure majority of the respondents were agreed with 33%, 40% and 39% that their food improved, increased expenditure related education, health and asset accumulation after utilizing the microcredit. Therefore, it is concluded that study meets its first objective that there is impact seen on living standard on the microcredit users. The findings and results illustrate that item no 1 and 2 indicates that 57%, 46%, 46% and 46%, respectively respondent were agreed that after utilization of microcredit their level of income increased. This is concluded that if microcredit utilized properly it will alleviate the poverty. This study had clearly taken, the variable of the household to find out the impact of microcredit and gives very helpful information regarding the consumption of the microcredit at the level of grass root. Overall the analysis indicates that a noteworthy impact of microcredit activities found in raising the living standard of peoples.

5.1 Recommendations

The following recommendations are made on the basis of the results of the present study:

- i. The size of loan should be increased in an amount adequate to meet the necessities of the borrowers.
- ii. Increased the opportunities for borrowers to attain the microcredit.
- iii. For more and more borrowers the interest rate should be decreased, so as borrowers can take benefit from microcredit facilities.
- iv. The newest program introduced by MBFs and MFIs like education insurance for facilitating in acquiring a higher level of education to established clients children.
- v. From the study, it is also found that most of the people did not completely aware of getting microcredit for enterprises and small business setup so for awareness training program also introduced in which provide training for setting up a small business especially in their regional languages.

5.2 Limitations and Future Research

Microfinance consumers are geographically detached and acquire intense costs for visiting. It comprises all associated expenses such as expenditure of visiting countryside, a cost of transportation, copying assessment form. Clients happen too emotional while making inquiries for questions concerning pointer food in exacting, therefore, the answer might be

subjective. Future research can be prepared for development and modification in methods utilize in a study. The present study took only participants who acquire microcredit. Future researchers can be advanced the study by taken the time span spent and the number of loan cycles. Few more areas like a longitudinal type of researches have a tradition in a field of microcredit sector, so the same study is used for replicated by taking 5 years as a baseline to compare the impact.

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