

Effectiveness of Micro Financing For Poverty AlleviationSyed Zahid Abbas Naqvi^{1*}, Muhammad Hamza Qummar², Shahzad Ahmad³, Syed Ali Raza Naqvi⁴¹Department of Business Studies, Pakistan Institute of Economics, Islamabad, Pakistan²University institute of management science, Pir Mehr Ali Shah Arid Agriculture University Rawalpindi, Pakistan³M. A. English, Shahzad Home of Knowledge, Rawalpindi, Pakistan⁴Btech Preston University, Islamabad, Pakistan***Corresponding author**

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Abstract: Poverty is a serious issue which is faced by masses around the world. This study aims to determine whether the microfinance institutions established for the purpose of reduction of poverty have been successful in achieving their objective or not. Primary data was collected for the proposed research study through structured questionnaires. In order to analyze the collected data multiple linear regression and paired t-test were applied. Outcomes illustrate that microfinance has a durable positive effect on children education and enterprise financial performance. Though, there is varied indication found on food security, household expenses and household assets. No effect has been detected on housing and income smoothening of enterprise. Among other independent variables, it was exposed that number of salaried persons was originate to be very important variable contributing to the wellbeing of the microfinance clients

Keywords: Micro Credit, Poverty Alleviation.

INTRODUCTION

Globally, Poverty is an inadequate income or a shortage of resources with which to meet needs [1]. Poverty manifests itself as material deprivation and often leads to poor physical and mental health, restricted social and economic mobility, social isolation and powerlessness.

All over the world, in different nations, poverty has always been under consideration. The causes containing a loss of individual responsibility, bad state policy, profiteering by people and businesses with power and influence, some compound of these and other aspect. In Britain, people in poverty are instead more likely to describe their everyday experiences as, limited, constrained, full of struggle' [2]. In Europe and North America where social success is increasingly judged in terms of financial gains and conspicuous consumption, poverty is often experienced as personal failure [3]. The donor agencies have achieved the millennium goal to eliminate the poverty and hunger. The issue of universal poverty is complex and aggressive. People living in poverty have lower life probability, higher levels of child mortality, and poor nutrition. Moreover, these issues are occurred by inadequate education amongst the working young and lack of quality health protection services. South Asia has the greatest quantity of poor people in the entire world. Poverty in the region is most pronounced in areas that have significant minority populations and are economically weak. South Asia is facing many challenges owing to multiple political conditions at regional level, still the region altogether shares many

socio-economic problems in common and poverty is one of these. Poverty is a terrify challenge for countries in the domain in specific Bangladesh, India and Pakistan. The main cause of poverty in South Asia is uneven approach to public goods and services. As the poor are not well aware of assets and the returns they receive on these assets including labor they are not able to achieve private incomes that can lift them out and get rid of poverty. In south Asia the poverty ratio is very high especially in urban areas. Progress in rural non farm employment and agriculture areas is necessary to poverty reduction. Agriculture pretenses considerable experiments because the source of growth experienced the green revolution appear to start their course. Furthermore green non-farm is the tool to support the small scaled public sector industries initiatives.

REVIEW OF LITERATURE

Shofi *et al.*, [4] concluded that micro credit program help to improve socio economic status of the rural woman in Bangladesh. The economic condition of the females in Bangladesh was very critical. Microfinance is the best tool to minimize the poverty ratio and increase the income level. The involvement in credit program had a positive impact on different

dimensions of the participant's standard of living. Kumari and Sarada [5] worked on the impact of micro finance institutions in the eradication of poverty in the village areas of Bihar. She investigated that board spectrum of microfinance products & services in Bihar is much behind the Indian picture as financial socio economical parameters like poverty ratio, literacy rate etc are very low. Clients operating in Bihar are negligible in rural areas as compared to urban areas and credit demand supply gap is very high. Idonw *et al.*, [6] examined that around is an important influence of microfinance activities on empowerment of living the study showed that 73% of microfinance bank clients were women which positively correlated with findings. Due to this increased ratio of women in microfinance bank the result was very significant and positive for future reducing of poverty. Microfinance gives opportunity to females to establish the family and establish the business or work. Basri *et al.*, [7] stated that poverty is reducing overall development in Bangladesh. This trend is increasing day by day in rural and urban areas in Bangladesh. A very high ratio of poverty in Bangladesh developed and it is increasing day by day there is no proper management for reducing of poverty. In Bangladesh microfinance institutions are given the credit to needy people and enhancing better livelihood status. Interest free loan can be used as a powerful tool to minimize poverty. Microfinance is the tool or strategy to reduce the poverty and that strategy was a significant. Abel *et al.*, [8] explored that microfinance plays a vital role in poverty reduction and social capital formation in Nigeria and as such if properly positioned. Microfinance institutes are useful tools for poverty reduction. Furthermore, where group loans were granted, they were utilized effectively by the as evidenced from the improved living conditions of these groups. Different micro finance institutes and NGO's provide loans to poor people and also provide the best use had helpful make contact with on socio economic condition of people Shirazi *et al.*, [9] investigated the impact of Pakistan poverty alleviation funds micro credit on poverty alleviation of the borrowers. They worked on poverty line for year (2004-06) and they founded that the Pakistan poverty alleviation fund micro credit has eradicate the overall poverty level by 4.09% point and the borrowers has turned to the higher income group while their reported period. Shil *et al.*, [10] According to this study on microfinance for poverty alleviation he proved that the relationship of poverty alleviation has a positive impact on poverty. Waheed *et al.*, [11] argued in its literature on Islamic micro finance that it is an important factor in poverty alleviation all strategies to microfinance products have been success in all Muslims countries.

RESEARCH OBJECTIVE

- To know the impact of micro financing on poverty alleviation.

Poverty Trends in Last Decade

Increase in poverty has been observed since 2000. Starting from 9/11, followed by disastrous earthquake of 2005 and the worst floods in 2010 and 2011 are the principle factors in contributing this manifold increase in poverty. After 9/11, Pakistan was a major ally of the United State (US) government in war against terror in Iraq and Afghanistan and since then incurred significant losses both directly in the form of precious lives, land and other valuables and indirectly via reduced income and direct foreign investment. The three massive natural calamities i-e 2005 earthquake, 2010 and 2011 floods had caused momentous damage to the already obliterating Pakistan's economy. The 2010-2011 report of World Bank revealed that the Pakistan's poverty had hit 70% scale after the horrendous floods. Due to shut down of factories in Pakistan leads to unemployment which ultimately increase the poverty in the country another important factor is the unavailability of quality education for all the people in the country. Due to sky-high fees in private institutions, the ordinary citizen of Pakistan is unable to send his/her children to these private institutions and is left with no choice but to send them in government schools where quality of education is quite low. These individuals when graduate from these schools cannot find a job with a decent salary and thereby resulting in the alleviation of country.

Microfinance and Poverty Alleviation

Microfinance can help to build income, better nutrition for people, greater high school attendance, women empowerment, and reduction of poverty. There is abundant support to demonstrate that microfinance can benefit families out of poverty and is also helpful for completion of many development goals [12]. The majority of the poor people have lack of knowledge about microcredit and it can say lack of access about the basic financial services which are necessary for their lives. Microfinance is the vital tool for poverty alleviation it reduce the low income, low savings, and low investment. The transfer of resources in terms of credit does not only gives the poor tactics to resources but it is also economic empowerment. It is needed to extend the instrument which and the wide range of financial services required at local, global, and national level to expand poor people's facilities. Microfinance is an instrument which is fulfills the broad range of population needs, and increases the living standard of poor people. Microfinance is the tool to reduce the poverty, increase the health, savings, and education level, build business it is also helpful for self-empowerment by allowing the deprived people specially women empowerment. It helps to reduce the poverty alleviation.

CONCLUSION

Poverty has been widely recognized a matter of deprivation in multiple dimensions. The non income indicators and multidimensionality of poverty have got

much attention with the advancement of knowledge. More specifically, the operational ingredients of poverty are now considered in terms of deprivations of food, shelter, education, health or other basic needs. A poor person is referred as one without job, who cannot help himself or provide better resources for his family, who has no means of gaining money, farm or business. A poor person is defined as one without self-confidence, looks dirty and lives in dirty environment, one who cannot help for his family, trained his children in the school and unable to pay medical bills.

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