



## ROLE OF MICROFINANCE IN POVERTY ALLEVIATION IN THE LEAST DEVELOPED AREA OF PAKISTAN



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### ABSTRACT

#### Article History

Received: 25 September 2020

Revised: 30 October 2020

Accepted: 1 December 2020

Published: 15 December 2020

#### Keywords

Poverty alleviation

Microfinance

Basic needs

Living standards

Entrepreneurial skills.

#### JEL Classification:

I32; P46; G21; C83.

Microfinance is regarded as a tool to support the reduction of poverty and this study aims to determine its effect on poverty alleviation in the least developed area of Pakistan. The study is based on primary data collected from a sample of 250 less-educated people who had availed themselves of MFI services, and regression and crosstab analyses performed to assess the performance of microfinance in meeting basic needs, improving living standards, and the usage of microfinance to enhance income levels. The results revealed a significant, positive relationship between microfinance and poverty alleviation. The study recommends that MFIs should offer training sessions before advancing credit as most of the clients may not be well educated or skilled and need entrepreneurial skills, business knowledge, and guidance.

**Contribution/Originality:** The findings of the current study confirm that most beneficiaries and stakeholders agree that microfinance is both socially and economically beneficial at the local level. A further contribution of this study is that microfinance institutions serve the financially excluded by offering diverse services to help the poor become entrepreneurs, raise their income, stabilize their spending, meet their basic needs, and improve their living standards. Finally, it demonstrates that the low-interest loans provided by MFIs encourage economic development in underdeveloped areas.

### 1. INTRODUCTION

Poverty is a global not national problem: poverty is the eighth objective in the Millennium Development Goals (MDGs), while 75 out of 100 deprived people globally are women according to the 2018 report on sustainable development goals (United Nations, 2018). Despite many previous strategies failing to be effective, policymakers continue to work toward better ways of fighting poverty. The World Bank set the international poverty line at

1.90USD per day in 2015. Global Extreme Poverty reporting in sustainable development goals (SDGs) report 2019 that those living on a lower daily rate should be considered as living in extreme poverty. Based on these facts, the World Development Index revealed that 736 million were living in extreme poverty in 2015. 55% of world population have no access to social protection (United Nations, 2019). Specifically, World Bank (2001), Development Report reported that 2.8 billion people worldwide survived on less than 2USD per day, and 1.2 billion on less than \$1USD per day, among whom 70–90% of the population in developing countries live in poverty.

It is generally recognized that poverty results from a range of factors: social, political, and economical. Furthermore, it comprises two interrelated inadequacies: physiological refers to people inability to meet their needs and desires due to lack of income; sociological describes the lack of empowerment, such as denial of self-determination, time poverty, no sense of pride, and low self-confidence. In a new world of globalization, impoverishment is measured by comparison between the global poverty line and a household's annual salary, which can be improved through microfinancing for those receiving low salaries (Hazell & Haddad, 2001).

According to Espinoza-Delgado and López-Laborda (2017), microfinance enables those living on low incomes to access the means locally of raising themselves out of poverty. Nevertheless, microfinance institutions (MFIs) have recently considered their potential at the national level—particularly in view of the 2006 Noble Peace Prize being awarded to Muhammad Yunus, who pioneered microfinance for those too poor to be eligible for traditional bank loans but capable of working to develop themselves (Donou-Adonsou & Sylwester, 2016; Khan, 2009; Khan, 2010; Sugiyanto, Yolanda, & Business, 2020).

However, Ghauri and Wang (2017) demonstrated that poverty reduction depends on cooperation between financial institutions, local firms, and human capital development, which can enhance both the sustainable development of a society and the capabilities of national organizations; even the most minor actors can benefit society. Donou-Adonsou and Sylwester (2016) claim that although not much attention has been paid, distinct progress has been made toward poverty reduction, while the possibilities MFIs may offer to national economies should be explored.

The aim of the Pakistan Poverty Alleviation Fund (PPAF) to restore hope, secure the future, and end poverty supports Pakistan's to the MDGs, which were developed to sustain all-inclusive, multisectoral plans with a comprehensive and profound influence at a public level. In fact, the PPAF is the first social fund to be sponsored by the Pakistani government to deal with investments across numerous sectors; by the end of 2018, PPAF was working with 130 partner organizations in 137 districts and a grassroots network of 440,000 credit/common interest groups and over 133,000 community organizations, providing interest-free microcredit loans worth 8.4 million PKR to 60% of women and 80% of rural areas, as well as assistance to over 1.8 million families affected by natural disasters. In addition, it not only completed 38,200 projects enhancing well-being, education, water supply and infrastructure for communities but also accomplished programs developing and decision-making skills for 427,000 persons, of which 49% were women. PPAF's current programs include: (i) Program for Poverty Reduction (PPR) valued at 40 million €; (ii) Prime Minister's Interest-Free Loan Program (PMIFL) valued at 3.5 billion PKR; (iii) Hydropower and Renewable Energy Project (HRE) valued at 10 million €; (iv) Livelihood Support & Promotion of Small Community Infrastructure Program (LACIP) valued at 41.56 million €, (v) pilot and small projects valued at 217.7 million PKR; and (vi) Poverty Graduation Pilot (PGP) for Afghan Refugees valued at 122.26 million PKR; The PPAF is also implementing the joint Pakistani Government and International Fund for Agricultural Development (IFAD) National Poverty Graduation Programme (NPGP), valued at 100 million USD, to raise 157,000 households registered with the Benazir Income Support Programme (BISP) out of poverty as per the annual report of (Pakistan Poverty Alleviation, 2019).

With regard to microfinance, the PPAF had contributed Rs.14 billion to the microfinance sector by 2013, generating 2545 million PKR's worth of loans—an annual 76% increase in the sector. Likewise, the International Strengthening Fund (ISF) had provided 632 million PKR. This followed the Pakistani Government target of

reaching 10 million potential microfinance clients by 2015, issuing regular guidance on framework, reserves required, and operating instructions. However, the lack of funds prevents loans of the required amounts being provided to achieve this level of poverty alleviation, despite the continuing potential for MFIs. Nevertheless, the activities of the microfinance sector in Pakistan have increased as per the annual report of (Pakistan Poverty Alleviation, 2019). Ullah, Pinglu, Ullah, Abbas and Khan (2020) stated that lifting a country out of poverty, promoting sustainable development and distributing the resources fairly and transparently requires a modern and effective system, which lack by most developing countries such as Pakistan.

Those territories in economic slowdown or with immature markets in Pakistan are facing additional issues of destitution, meeting basic needs, and independent work. Employment opportunities are minimal due to the lack of industry, good governance, and stable foundations, which can result in impoverishment. The needs of poverty-stricken people and traditional banks in these circumstances are at odds, however: people need funds to become independent worker and to relieve their destitution, but banks need surety that that the loan is recoverable. Thus, the only alternative for the poverty-stricken are MFIs. Consequently, this study aims to assess the effect of MFIs on alleviating poverty, meeting basic needs, and supporting independent work in the Punjab Province. Building on and adding to earlier studies, this will also inquiry.

The majority of studies on microfinance and poverty alleviation have focused on Bangladesh and urban areas in Pakistan, where there are more employment opportunities and less poverty, due to a strong industrial sector, good governance, and substantial marketplace, stimulating further economic development. This study therefore investigates microfinance in the regressive and undeveloped areas of Punjab: *the role played by microfinance in the least developed areas of Punjab, Pakistan on poverty alleviation through investment in skills (self-employment), financing basic needs, and improving living standards*. In addition, some important research questions will be addressed: What do people think of the performance of MFIs? How useful do the beneficiaries think MFIs are for providing access to financial support, meeting their basic needs, and improving their living standards?

The remainder of this paper is structured as follows: Section 2 presents a review of the literature and development of the research hypotheses; Section 3 describes the methodology adopted and the data collection and modelling procedures; Section 4 discusses the results of the data analysis; and Section 5 offers conclusion and suggestions for the future.

## 2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

### 2.1. Review of the Literature

Microfinance can take the form of loans, savings accounts, and other cash management assistance for those on low incomes, especially in the developing countries (Robinson, 2001). A range of economic theories explain the vital role also played by microfinance in generating greater profits for businesses. Small and medium enterprises (SMEs) require a wide range of financial services to provide working capital, acquire resources, stabilize consumption, and counter risks (Ehigiamusoe, 2005). MFIs can meet these needs through working capital loans, credit facilities, venture capital, and money transfer services. By assisting in the success of businesses, MFIs are able to indirectly influence poverty alleviation as well.

Thus, it is worth reviewing the various theories that shape poverty reduction strategies. Microfinance is a tool with which financial facilities can be offered to not only deprived individuals but also small-scale enterprises in both urban and rural areas, as well as nonfinancial assistance, such as personal and business budgetary advice. It is also worth noting that in recent years, NGOs and the private sector are converging their humanitarian operations and microfinance services to bolster economic development and poverty alleviation.

The 2007 annual report of the World Bank emphasized that microfinance comprised credit and savings facilities specifically designed for poor people. Indeed, Irobi (2008) demonstrated that economic development depended on microfinance and benefited both men and women living on low incomes. Wood and Sharif (1997)

further claimed that microfinance enabled the empowerment of women: providing loans to female entrepreneurs allowed them to play their role in economic development. This is especially significant in Pakistan where over 53% of women contribute to the economy, which would be strengthened through access to microfinance.

The alleviation of poverty was achieved with microfinance, particularly in developing countries, before Muhammad Yunus and the Grameen Bank became well-known; however, the Grameen Bank became the benchmark for the proficient execution of microfinance activities. By adopting the same model as this used in Bangladesh, it may be possible to meet the basic needs of the poor in Pakistan by: improving income levels, diets, clothing, and living standards; reducing child labor, and birth and death rates; and utilizing the family engineering process. It is evident, therefore, that the various microfinance services is a vital tool in alleviating poverty; however, a large number of people do not fully understand the concept (Jamal, 2008).

To enhance the understanding of poverty reduction and sustainable economic growth, Ghauri and Wang (2017) investigated the role of MFIs in improving the ability of domestic companies in the emerging economy of India. They thematically analyzed interviews conducted with members of the MFIs to identify the essential factors for effectiveness. Their findings revealed that even a low level of investment in developing countries can exert a positive impact on the economy, increasing employment, raising living standards, and reducing poverty, due to taking advantage of their natural resources, growth potential, and lower labor costs.

On the other hand, Li (2018) examined the relationship between low income and financial inclusion. The results suggested that less affluent families are inspired by their wealthier neighbors' success to utilize microcredit for investment and further education to reduce their poverty level. In this respect, foreign direct investment (FDI) is also beneficial: Musibau, Yusuf, and Gold (2019) undertook an empirical investigation and discovered that the potential for human capital development could encourage foreign investment and subsequently reduce poverty.

Moreover, Emily (2005) stated that MFIs can remove the call for charitable donations, which intensifies the level of dependence. However, Mahmood, Hussain, and Matlay (2014) and Rashid and Ejaz (2019) later explained that most people in need apply for microcredit to meet their immediate needs rather than to set up new or development current businesses, which did not lead to increased employment or poverty reduction. Thus, microfinance does not guarantee better employment opportunities, income levels, and economic development, and consequent poverty alleviation. In fact, Gehlich–Shillabeer (2008) had recommended that MFIs learn more about their client's lives and the environment in which they live to better understand their needs. Nevertheless, Tiberti, Maisonnave, Chitiga, and Mabugu (2018) adopted a macro–micro methodology to discover that improvements, albeit small, and a decline in poverty were achieved for the population as a whole. Furthermore claimed that, the past experiences of MFIs have shown that those in need are more reliable than their wealthier counterparts, reducing poverty also reduced the possibility of defaulting on credit, around 95% of loans being repaid.

Bongomin, Woldie, and Wakibi (2020) may offer one reason for this phenomenon, clarifying that the main purpose of MFIs is to not only fulfill the financial requirements of poverty-stricken individuals but also offer budgetary advice to those individuals, which is neglected by traditional banks due to restricting access to those on low incomes. According to Velasco and Chiba (2004), this inability to access credit prevented the poorest in developing countries from acquiring advanced, specialized education; thus, those individuals in greatest need were unable to lift themselves out of poverty. It was pointed out by Irobi (2008), though, that the financial exclusion of the most deprived sections of society by traditional banks, due to their lack of collateral, was experienced worldwide.

Concern about microfinance has been expressed, though, such as by Khandker et al. (2016) who examined two aspects: the sustainability of MFIs through adequate returns on loans and the repayment of those loans by clients who were enabled to increase their incomes. Based on their findings, they concluded that the success of MFIs depends on the outreach activities of NGOs, as seen in Pakistan, following an in-depth study of the National Rural Support Programme (NRSP) and Agha Khan Rural Support Programme (AKRSP).

Yunus (2007) believed that such an alternative to traditional banking was essential in Bangladesh to ensure financial inclusion for the most deprived members of society, who were not regarded as bankable, being without collateral, but still depended on credit to either set up a new or develop an existing business, lifting themselves out of poverty. Moreover, the majority of traditional banks and financial institutions viewed women as not being bankable, due to not only their lack of collateral but also the incorrect premise that they are not as creditable as men. Studies in Nigeria, however, have refuted such an assumption by showing how women have increasingly benefited from microfinance (Gibbons, 2000; Idowu & Oyeleye, 2012).

There are a range of reasons for the level of deprivation in Pakistan, including the absence of foreign and closed projects. Without these projects or industrial development in economically poor areas of Pakistan, the incomes of poverty-stricken people are not improving, and even diminishing further as their numbers increase. In addition, being ineligible for credit exacerbates the issue, depriving this group of pure drinking water, good sanitation, good health and health care, and better education and employment opportunities or entrepreneurship. In this respect, Dandgund and Honnurswamy (2012) expressed concern over financial dependence and lack of business loans for the deprived as the primary driver of poverty; however, microfinance is a viable alternative for setting up, developing, and maintaining small enterprises. Microfinance can then further benefit the poor by increasing wages, purchasing power, and their quality of life. In contrast, Haq (2008) reported that despite microfinance reducing the 22.3% of Pakistanis living below the poverty line, as well as another 20.5% classed as vulnerable, in 2005–2006, the benefits of subsequent economic growth are not distributed equally and inequality persists, meaning any decline in poverty levels cannot be sustained during periods of economic downturns. Finally, Donou-Adonsou and Sylwester (2016) assessed the relationship between monetary growth and poverty decline in 71 developing countries from 2002 to 2011 and found credit did exert a positive effect on poverty alleviation. They therefore suggested that the expansion of both MFIs and traditional banks can help in the fight against extreme poverty, although microfinance is still in its early stages and poverty reduction will inevitably take a long time. The current study investigates the extent to which MFIs reduce poverty by examining basic needs, living standards, and usage of microfinance in terms of self-employment. To achieve this objective, three hypotheses were formulated based on the literature review.

## 2.2. Development of the Hypotheses

The following hypotheses were developed to determine the relationship between microfinance and poverty alleviation:

*H<sub>1</sub>: Microfinance has a significant relationship with basic needs (BN).*

*H<sub>2</sub>: Microfinance has a significant relationship with living standards (LS).*

*H<sub>3</sub>: Microfinance has a significant relationship with the usage of microfinance (UM).*

## 2.3. Conceptual Framework

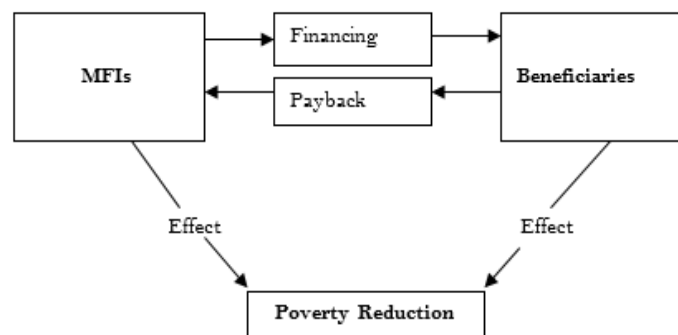


Figure-1. Conceptual Framework.

#### 2.4. Theoretical Framework

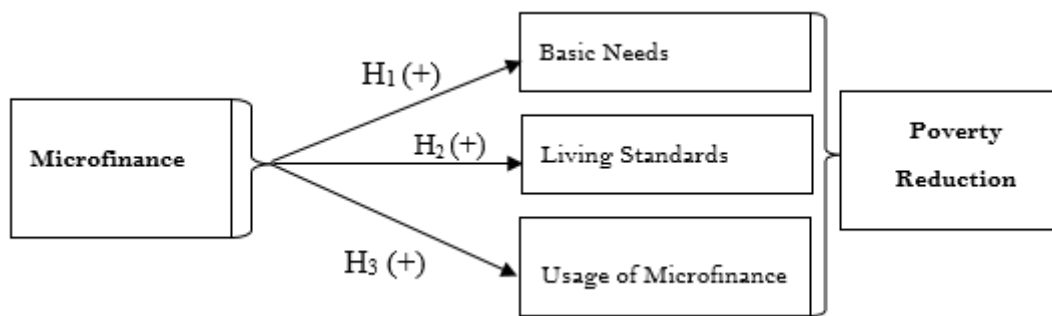


Figure-2. Theoretical Framework.

### 3. RESEARCH DATA AND METHODOLOGY

In this investigation into the impact of microfinance on poverty alleviation in the South Punjab, Pakistan (e.g., Bahawalnagar, Layyah), the independent variable is microfinance (MF) and dependent variables are basic needs (BN), living standards (LS), and usage of microfinance (UM) in terms of self-employment, to clearly identify the relationship between each of these variables.

Following convenient purposive sampling, the required data was collected from 250 active beneficiaries of the Kashaf Microfinance Bank Ltd, NRSP Microfinance Bank Ltd, Tameer Microfinance Bank Ltd, Khushhali Bank Ltd, Apna Microfinance Bank Ltd, The First Microfinance Bank Ltd, PRSP Non-Bank Microfinance Company, and Akhovat Trust. The process was facilitated by MFI workers visiting the beneficiaries, the majority of whom were not well educated and required help to complete the questionnaire. The survey took several months to complete as the participants were initially hesitant until assured that their responses would remain anonymous and only be used for academic purposes. Of the 300 questionnaires distributed, 250 surveys were returned, giving a response rate of 83.34%.

The consisted of four parts relating to each of the aforementioned variables, and within each part there were five questions, the response to which could be indicated on a 5-point Likert scale ranging from (1) strongly disagree to (5) strongly agree (see questionnaire in Appendix B). The questions focused on concepts that could indicate the effect of microcredit on people's quality of life (i.e., BN, LS) and earning potential (UM), as well as the accessibility and effectiveness of microfinance (MF).

The data was analyzed using SPSS: the contextual evidence of the three dependent variables was reviewed through the calculation of the mean and standard deviation; the reliability of the assessment tool was determined by calculating Cronbach's alpha for all four variables; the relationship between the independent and dependent variables and the pattern of outcomes for respondents according to their demographic details were identified by conducting a crosstab analysis; and to demonstrate the effect, and level of significance, of the independent, explanatory, variable on each dependent variable, linear regression analysis was performed to test the hypotheses.

Three models were formulated for the linear regression analysis, each explained by its own equation. For Model 1:

$$PABN = \beta_0 + \beta_1(MFI) + u_i \quad [1a]$$

Which can be expanded for question-wise analysis as:

$$Basic\ Needs = \beta_0 + \beta_1(MFI1) + \beta_2(MFI2) + \beta_3(MFI3) + \beta_4(MFI4) + \beta_5(MFI5) + u_i \quad [1b]$$

For Model 2:



$$PALS = \beta_0 + \beta_1(MFI) + u_i \quad [2a]$$

Which can be expanded for question-wise analysis as:

$$Living\ Standards = \beta_0 + \beta_1(MFI1) + \beta_2(MFI2) + \beta_3(MFI3) + \beta_4(MFI4) + \beta_5(MFI5) + u_i \quad [2b]$$

For Model 3:

$$PAMM = \beta_0 + \beta_1(MFI1) + u_i \quad [3a]$$

Which can be expanded for question-wise analysis as:

$$Usage\ of\ Microfinance = \beta_0 + \beta_1(MFI1) + \beta_2(MFI2) + \beta_3(MFI3) + \beta_4(MFI4) + \beta_5(MFI5) + u_i \quad [3b]$$

Where:

*PABN* denotes Poverty Alleviation (Basic Needs).

*PALS* denotes Poverty Alleviation (Living Standards).

*PAUM* denotes Poverty Alleviation (Usage of Microfinance).

*MFI1* represents Question 16 (see [Appendix B](#)).

*MFI2* represents Question 17 (see [Appendix B](#)).

*MFI3* represents Question 18 (see [Appendix B](#)).

*MFI4* represents Question 19 (see [Appendix B](#)).

*MFI5* represents Question 20 (see [Appendix B](#)).

$\beta$  indicates the intercepts.

$u_i$  represents the error term.

## 4. RESULTS AND DISCUSSION

This section presents the results of the contextual, reliability, crosstab analysis, and linear regression analyses.

### 4.1. Contextual Analysis

The results of the contextual analysis presented in [Table 1](#) characterizes the respondents according to gender, age, educational level, marital status, and business experience, which can then be explored further to explain the role of microfinance.

### 4.2. Summary of Crosstab Analysis of Beneficiaries

The questionnaire was designed to elicit information from respondents concerning eligibility criteria for microcredit and the changes they observed after obtaining a loan. The detailed analysis, provided in [Appendix A](#), show that in this sample of underdeveloped areas of Pakistan, business is male dominated and the few women running businesses only do so for their survival. Thus, those members of the sample population in which this study is specifically interested are composed of mainly men aged between 31 and 40 who left school without matriculation.

It is generally supposed that the fundamental purpose of microfinance is to meet basic needs and enhance their living standards. According to the crosstab analysis, the majority of people do indeed agree that the availability of microfinance has improved their basic needs in terms of food (52%), shelter (36%), and clothing (44%) ([Appendix A, Table A](#)). Thus, microfinance achieves its objective in exerting a positive effect on deprivation.

In addition, microfinance has the potential to raise awareness of the value of education values by providing educational opportunities as part of their programs—ranging from the best well-being practices to vital business

assistance—which can enhance the quality of life for beneficiaries. Indeed, the results of this study demonstrate the significant role played by MFIs in promoting entrepreneurship that lifts people out of poverty, with 60% of men stating that implementing the concepts of microfinance met their basic needs, and 22.4% being completely satisfied with the improvement in their living standards (Appendix A, Table F). Overall, beneficiaries acknowledge that microcredit plays a pivotal role in enhancing their business activities.

Table-1. Demographic Statistics.

<b>a. Gender</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	Male	213	85.20	85.20	85.20
	Female	37	14.80	14.80	100.00
	Total	250	100.00	100.00	
<b>b. Age Group</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	<20	12	4.80	4.80	4.80
	20–30	51	20.40	20.40	25.20
	31–40	138	55.20	55.20	80.40
	41–50	37	14.80	14.80	95.20
	>50	12	4.80	4.80	100.00
	Total	250	100.0	100.00	
<b>c. Education</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	Without matric	75	30.00	30.00	30.00
	Matric	63	25.20	25.2	55.20
	Intermediate	50	20.00	20.00	75.20
	Graduate	49	19.60	19.60	94.80
	Postgraduate	13	5.20	5.20	100.00
	Total	250	100.00	100.00	
<b>d. Marital Status</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	Single	38	15.20	15.20	15.20
	Married	187	74.80	74.80	90.00
	Widowed	13	5.20	5.20	95.20
	Divorced	12	4.80	4.80	100.00
	Total	250	100.00	100.00	
<b>e. Occupation</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	Unemployed	50	20.00	20.00	20.00
	Self-employed	38	15.20	15.20	35.20
	Govt. employee	38	15.20	15.20	50.40
	Private employee	50	20.00	20.00	70.40
	Farmer	74	29.60	29.60	100.00
	Total	250	100.00	100.00	
<b>f. Business Experience</b>					
		<b>Frequency</b>	<b>Percentage</b>	<b>Valid Percentage</b>	<b>Cumulative Percentage</b>
Valid	Yes	150	60.00	60.00	60.00
	No	100	40.00	40.00	100.00
	Total	250	100.00	100.00	



Moreover, research findings have indicated that hybrid microfinance interventions offering low-interest loans to those living in poverty promote entrepreneurship and encourage economic development—although further reforms are required to improve the effect, such as lower interest rates. MFIs) therefore tend to operate in areas where traditional financial institutions do not, and offer a reliable and more appropriate means of borrowing money. Furthermore, there are many cases in which microfinance has empowered women through supplementary earning opportunities for either the women themselves or the household. Nevertheless, it can be inferred from the results of the crosstab analysis that despite the benefits experienced as a result of microcredit, MFIs provide fewer loans to women than men, who are evidently considered to be more creditable. It can also be seen that those with some business experience, albeit not well educated, and aged between 31 and 40 are more likely to obtain microcredit. Therefore, this study does not necessarily support the premise that microfinance will benefit the most disadvantaged members of society.

#### 4.3. Reliability Analysis

The results shown in Table 2 reveal that the assessment tool for this study (i.e., the questionnaire) is reliable: all the variables are either greater or close to 70%. Thus, the research tool used in the current study is sufficiently robust to measure the effect of microfinance on meeting basic needs, improving living standards, and usage of microfinance (UM).

Table-2. Reliability Statistics.

S. No	Description	Cronbach's Alpha
1	Meeting Basic Needs (BN)	0.827
2	Improving Living Standards (LS)	0.788
3	Producing Self-Employment (SE)	0.820
4	Microfinancing (MF)	0.670

#### 4.4. Regression Analysis

##### 4.4.1. Impact of Microfinance on Meeting Basic Needs (Model 1)

Table 3 summarizes the regression results for the role of microfinance in meeting basic needs. The adjusted R<sup>2</sup> value of 43% suggests that the independent variable (MF) predicts 43% of variation in the dependent variable (BN), which is quite high for cross-sectional data.

Table-3. Model 1: Results of Regression Analysis.

Regression Analysis				
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
1	0.66 <sup>a</sup>	0.43	0.43	0.53

Note: <sup>a</sup>Predictors: (Constant), Performance of MFIs.

The ANOVA results in Table 4 show that a significant relationship exists between MF and BN ( $p = 0.00$ ): improved diet, health, housing, clothing, and education depend on access to microfinance.

Table-4. Model 1: Results of ANOVA.

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F-value	P Value
1	Regression	29.16	1.00	29.16	194.32	0.00 <sup>b</sup>
	Residual	37.21	248.00	0.15		
	Total	66.38	249.00			

Note:

<sup>a</sup>Dependent Variable: Performance of MFIs.

<sup>b</sup>Predictors: (Constant), BN.

Finally, Table 5 presents the coefficients relating to the effect of microfinance on meeting basic needs for each of the five questions. *MFI1*, concerning the importance of MFIs in fighting increasing poverty, exerts the greatest significant effect ( $p = 0.00$ ;  $\beta = 0.54$ ): a 1-unit change in microfinancial performance will meet 0.54 units of basic needs. Although *MFI2*, which refers to the affordability of interest rates, is also significant  $p = 0.00$ , its effect ( $\beta = 0.31$ ) is less than that of *MFI1*. Likewise, *MFI3* about MFIs providing the minimum capital required by young people exerts the least significant effect ( $p = 0.00$ ;  $\beta = 0.14$ ). In contrast, both *MFI4* and *MFI5*—whether obtaining a loan from MFIs is easier compared with traditional banks and whether MFI services are unproductive in Pakistan—do not significantly affect basic needs ( $p = 0.09, 0.42$ ;  $\beta = -0.10, -0.05$ ).

Table-5. Model 1: Regression Coefficients.

Regression Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T-value	P Value
		$\beta$	Std. Error	$\beta$		
1	(Constant)	0.76	0.27		2.80	0.00
	MFI-1	0.54	0.08	0.54	6.85	0.00
	MFI-2	0.25	0.04	0.31	6.18	0.00
	MFI-3	0.14	0.04	0.14	2.92	0.00
	MFI-4	-0.09	0.05	-0.10	-1.67	0.09
	MFI-5	-0.05	0.06	-0.05	-0.79	0.42

Note: <sup>a</sup>Dependent Variable: BN.

#### 4.4.2. Impact of Microfinance on Improving Living Standards (Model 2)

The adjusted  $R^2$  squared value 36%, shown in Table 6 means that MF can predict 36% of the variation in living standards (LS).

Table-6. Model 2: Results of Regression Analysis.

Regression Analysis				
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
2	0.60 <sup>a</sup>	0.36	0.36	0.49

Note: <sup>a</sup>Predictors: (Constant), Performance of MFIs.

Table 7 presents the results of ANOVA, which demonstrate a significant relationship between MF and LS ( $p = 0.00$ ): better transportation, livestock, sanitation, and gas and electricity resources rely on microfinance.

Table-7. Model 2: Results of ANOVA.

ANOVA <sup>a</sup>						
	Model	Sum of Squares	df	Mean Square	F-value	P Value
2	Regression	24.33	1.00	24.33	143.12	0.00 <sup>b</sup>
	Residual	42.04	248.00	0.17		
	Total	66.37	249.00			

Note: <sup>a</sup>Dependent Variable: Performance of MFIs while, <sup>b</sup>Predictors: (Constant), LS.

Table-8. Model 2: Regression Coefficients.

Regression Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T-value	P Value
		$\beta$	Std. Error	$\beta$		
2	(Constant)	1.22	0.20		4.73	0.00
	MFI-1	0.38	0.07	0.43	5.06	0.00
	MFI-2	0.17	0.03	0.25	4.50	0.00
	MFI-3	0.16	0.04	0.18	3.47	0.00
	MFI-4	-0.09	0.05	-0.10	-1.65	0.09
	MFI-5	0.04	0.06	0.04	0.63	0.52

Note: <sup>a</sup>Dependent Variable: LS.

The coefficients for the effect of microfinance on improving living standards are shown in Table 8. As was the case with basic needs, the most significant effect is from *MFI1* ( $p = 0.00$ ;  $\beta = 0.439$ ), followed by *MFI2* ( $p = 0.00$ ;  $\beta = 0.25$ ), with the least significant effect from *MFI3* ( $p = 0.00$ ;  $\beta = 0.18$ ). Similarly, *MFI4* and *MFI5* exert no significant effect ( $p > 0.05$ ).

#### 4.4.3. Impact of Microfinance on Usage of Microfinance (Model 3)

Table 9 reveals that MF predicts a 74% variation in the usage of microfinance for setting up a new or developing an existing business.

Table-9. Model 3: Results of Regression Analysis.

Regression Analysis				
Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Std. Error
3	0.86 <sup>a</sup>	0.75	0.74	0.27

Note: <sup>a</sup>Predictors: (Constant), Performance of MFIs.

The significant relationship revealed by ANOVA in Table 10 ( $p = 0.00$ ) shows that UM for business depends on MF.

Table-10. Model 3: Results of ANOVA.

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F-value	P Value
3	Regression	49.75	1.00	49.75	710.71	0.00 <sup>b</sup>
	Residual	16.62	248.00	0.07		
	Total	66.37	249.00			

Note:

<sup>a</sup>Dependent Variable: Performance of MFIs.

<sup>b</sup>Predictors: (Constant), UM.

The influence of microfinance over the usage of microfinance, indicated by the coefficients shown in Table 11, is once more significant ( $p = 0.00$ ) in the case of *MFI1*, *MFI2*, and *MFI3*. However, *MFI1* is the least significant this time ( $\beta = 0.13$ ), while *MFI2* and *MFI3* are the most influential ( $\beta = 0.51$ ). Nevertheless, neither *MFI4* nor *MFI5* exhibit any significant influence ( $p > 0.05$ ), as previously found with the other dependent variables.

Table-11. Model 3: Regression Coefficients.

Regression Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	T-value	P Value
		$\beta$	Std. Error	$\beta$		
3	(Constant)	0.28	0.07		3.8	0.00
	MFI-1	0.10	0.22	0.13	4.53	0.00
	MFI-2	0.31	0.01	0.51	27.21	0.00
	MFI-3	0.39	0.01	0.51	28.84	0.00
	MFI-4	0.13	0.06	0.18	8.41	0.09
	MFI-5	-0.01	0.01	-0.01	-0.80	0.42

Note: <sup>a</sup>Dependent Variable: UM.

#### 4.5. Summary

This in-depth study into the role played by microfinance in alleviating the three aspects of poverty—basic needs, living standards, and usage of microfinance—has discovered a strong beneficial effect. Thus, those living in deprivation who obtained loans from MFIs have been able to improve the diet, health, housing, clothing, and education of their families. These findings reject all three null hypotheses (shown in Table 12) and therefore confirm  $H_1$ ,  $H_2$ , and  $H_3$ . Accordingly, MFIs provide the finance by which the poor can not only meet their basic needs and improve their living standards but also their potential for self-employment.

Table-12. Result of Hypothesis Testing.

Hypotheses	Results/Findings
All hypotheses are accepted; therefore:	
<i>H<sub>0</sub></i> :	
<i>H<sub>0</sub></i> : Microfinance has no significant relationship with meeting basic needs (BN).	Rejected
<i>H<sub>0</sub></i> :	
<i>H<sub>0</sub></i> : Microfinance has no significant relationship with improving living standards (LS).	Rejected
<i>H<sub>0</sub></i> :	
<i>H<sub>0</sub></i> : Microfinance has no significant association with the usage of microfinance (UM).	Rejected

## 5. CONCLUSION AND IMPLICATIONS

Microfinance is a significant means of alleviating poverty, which is believed to be caused by the scarcity of financial resources for the poverty-stricken in the main. The role of MFIs has been beneficial: relaxing the eligibility criteria for credit has allowed the deprived to access capital, and subsequently contributed to mitigating the difficulties created by low incomes and lack of investment. Such success has led to a growing demand for microfinance worldwide, especially in developing countries such as Pakistan, where the group-lending model has been adopted. Furthermore, MFIs provide doorstep banking and credit on personal guarantee only, without any collateral. Consequently, with easier access than traditional banks to financial services, those living in deprivation can at least meet their basic needs and improve their living standards.

The findings of current study corroborates earlier research undertaken by [Hamdani and Naem \(2012\)](#), [Hossain \(2012\)](#), [Kashif and Sridharan \(2012\)](#), and [Noreen, Imran, Zaheer, and Saif \(2011\)](#), but there remains scope for further investigation. For instance, the circumstances in which microfinance can fully meet the needs of those living in extreme poverty, the most deprived in society, should be explored, as well as the contribution of combining education with microcredit to mitigating poverty in emerging economies, including Pakistan. This latter recommendation is of particular importance because most people use microcredit in an unproductive way; therefore, MFIs should consider offering training sessions in entrepreneurial skills in addition to loans, to ensure their clients are lifted out of poverty.

It is worth noting that the effectiveness of microfinance is can only be maximized with the involvement of government, which has the authority to resolve issues related to infrastructure—gas and electricity supplies, efficient transportation systems, provision of vocational training institute—that impact on living standards. Government interventions could prove pivotal in this respect, as MFIs do not offer fixed loan amounts, but conducts a business analysis to determine the exact capital required to set up or develop a business. This procedure is based on the fact that if more credit is advanced than needed, then the client may misuse the surplus, whereas advancing to little may cause the business to default on its loan.

The risk of defaulters makes it incumbent on MFIs monitor their business with clients and ensure its sustainability through retrieving not only the capital loaned but also revenue from the interest rate imposed. However, due to there being no collateral requirement, some eligible clients can be considered high risk, such as drug addicts; hence, actions must be taken to minimize these problems, such as requiring potential clients to undergo a health check before approving their loan. Nevertheless, low-interest loans are essential if the poor are to play a role in economic growth as there are large numbers of educated but unemployed people in Pakistan who simply need the funds and business support, in terms of management and entrepreneurial skills, to run a profitable business.

It is therefore suggested that future research compares the experiences of both developed and developing (e.g., Pakistan, China, One Belt & Road) countries to acquire greater knowledge about and adopt effective models, as well as the role of microfinance in sustainable development. From Pakistan's and poor Belt and Road countries

perspective, exploring China's poverty alleviation and sustainable development strategies crucial for learning more advanced techniques to better implementing and utilizing regional integration projects, such as One Belt One Road, and The China–Pakistan Economic Corridor.

**Funding:** This study received financial support from the Huazhong University of Science and Technology, Wuhan, China [Supported by Professor Chen Pinglu Project Name: National Natural Science Foundation of China (No: 71703047)].

**Competing Interests:** The authors declare that they have no competing interests.

**Acknowledgement:** All authors contributed equally to the conception and design of the study.

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## APPENDIX-A

Crosstab Analysis of Beneficiaries							
(A) Gender & Basic Needs							
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think loans provided by MFIs lead to better accommodation?							
Gender	Male	0.40%	11.60%	12.40%	30.00%	30.80%	85.20%
	Female	0.40%	2.00%	1.20%	6.00%	5.20%	14.80%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Gender	Male	0.00%	6.00%	16.80%	44.40%	18.00%	85.20%



	Female	0.00%	0.40%	3.60%	7.60%	3.20%	14.80%
Total		0.00%	6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							
Gender	Male	0.00%	7.60%	12.80%	35.20%	29.60%	85.20%
	Female	0.00%	1.60%	0.80%	8.80%	3.60%	14.80%
Total		0.00%	9.20%	13.60%	44.00%	33.20%	100.00%
<b>(B) Age Group &amp; Basic Needs</b>							
		<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Age Group	<20	0.00%	0.00%	0.40%	3.60%	0.80%	4.80%
	20-30	0.00%	0.80%	4.80%	10.80%	4.00%	20.40%
	31-40	0.00%	5.20%	11.20%	25.20%	13.60%	55.20%
	41-50	0.00%	0.40%	3.60%	8.80%	2.00%	14.80%
	>50	0.00%	0.00%	0.40%	3.60%	0.80%	4.80%
Total			6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs lead to better accommodation?							
Age Group	<20	0.00%	0.00%	0.00%	2.40%	2.40%	4.80%
	20-30	0.00%	1.20%	2.80%	10.80%	5.60%	20.40%
	31-40	0.00%	5.20%	7.20%	22.40%	20.40%	55.20%
	41-50	0.00%	2.80%	1.60%	6.40%	4.00%	14.80%
	>50	0.00%	0.00%	2.00%	2.00%	0.80%	4.80%
Total			9.20%	13.60%	44.00%	33.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							
Age Group	<20	0.00%	0.40%	1.60%	1.20%	1.60%	4.80%
	20-30	0.00%	2.00%	3.60%	7.20%	7.60%	20.40%
	31-40	0.80%	8.40%	4.80%	21.60%	19.60%	55.20%
	41-50	0.00%	2.00%	3.60%	4.80%	4.40%	14.80%
	>50	0.00%	0.80%	0.00%	1.20%	2.80%	4.80%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
<b>(C) Education &amp; Basic Needs</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs lead to better accommodation?							
Education	Without matric	0.80%	6.00%	4.40%	9.20%	9.60%	30.00%
	Matric	0.00%	3.20%	4.00%	9.20%	8.80%	25.20%
	Intermediate	0.00%	2.00%	2.00%	9.60%	6.40%	20.00%
	Graduate	0.00%	2.00%	2.80%	6.40%	8.40%	19.60%
	Postgraduate	0.00%	0.40%	0.40%	1.60%	2.80%	5.20%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Education	Without matric	0.00%	2.80%	5.60%	14.80%	6.80%	30.00%
	Matric	0.00%	1.60%	4.00%	12.80%	6.80%	25.20%
	Intermediate	0.00%	1.20%	3.60%	10.80%	4.40%	20.00%
	Graduate	0.00%	0.40%	6.80%	10.00%	2.40%	19.60%
	Postgraduate	0.00%	0.40%	0.40%	3.60%	0.80%	5.20%
Total			6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							
Education	Without matric	0.00%	5.20%	4.40%	11.20%	9.20%	30.00%
	Matric	0.00%	2.80%	4.80%	9.60%	8.00%	25.20%
	Intermediate	0.00%	0.40%	1.60%	12.00%	6.00%	20.00%
	Graduate	0.00%	0.80%	2.40%	9.60%	6.80%	19.60%
	Postgraduate	0.00%	0.00%	0.40%	1.60%	3.20%	5.20%
Total			9.20%	13.60%	44.00%	33.20%	100.00%
<b>(D) Marital Status &amp; Basic Needs</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs lead to better accommodation?							
Marital	Single	0.00%	1.20%	4.40%	4.40%	5.20%	15.20%

Status	Married	0.40%	10.40%	8.00%	28.80%	27.20%	74.80%
	Widowed	0.00%	1.20%	0.80%	0.80%	2.40%	5.20%
	Divorced	0.40%	0.80%	0.40%	2.00%	1.20%	4.80%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Marital Status	Single	0.00%	0.80%	3.20%	8.40%	2.80%	15.20%
	Married	0.00%	5.20%	14.00%	38.80%	16.80%	74.80%
	Widowed	0.00%	0.00%	1.60%	3.20%	0.40%	5.20%
	Divorced	0.00%	0.40%	1.60%	1.60%	1.20%	4.80%
Total			6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							
Marital Status	Single	0.00%	1.20%	2.00%	6.40%	5.60%	15.20%
	Married	0.00%	6.40%	10.80%	32.40%	25.20%	74.80%
	Widowed	0.00%	0.00%	0.80%	3.20%	1.20%	5.20%
	Divorced	0.00%	1.60%	0.00%	2.00%	1.20%	4.80%
Total			9.20%	13.60%	44.00%	33.20%	100.00%
<b>(E) Marital Status &amp; Basic Needs</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs lead to better accommodation?							
Occupation	Unemployed	0.00%	1.20%	4.40%	7.60%	6.80%	20.00%
	Self-employed	0.40%	1.60%	1.20%	7.20%	4.80%	15.20%
	Govt. employee	0.00%	2.40%	3.60%	3.60%	5.60%	15.20%
	Private employee	0.40%	2.80%	1.20%	8.00%	7.60%	20.00%
	Farmer	0.00%	5.60%	3.20%	9.60%	11.20%	29.60%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Occupation	Unemployed	0.00%	0.80%	3.60%	11.20%	4.40%	20.00%
	Self-employed	0.00%	0.80%	2.80%	9.20%	2.40%	15.20%
	Govt. employee	0.00%	0.40%	4.00%	9.20%	1.60%	15.20%
	Private employee	0.00%	2.40%	4.00%	7.60%	6.00%	20.00%
	Farmer	0.00%	2.00%	6.00%	14.80%	6.80%	29.60%
Total			6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							
Occupation	Unemployed	0.00%	1.20%	2.00%	10.00%	6.80%	20.00%
	Self-employed	0.00%	1.20%	1.20%	8.00%	4.80%	15.20%
	Govt. employee	0.00%	1.60%	1.60%	8.40%	3.60%	15.20%
	Private employee	0.00%	2.80%	1.60%	6.80%	8.80%	20.00%
	Farmer	0.00%	2.40%	7.20%	10.80%	9.20%	29.60%
Total			9.20%	13.60%	44.00%	33.20%	100.00%
<b>(F) Business Experience &amp; Basic Needs</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs lead to better accommodation?							
Do you have any business experience?	Yes	0.80%	9.20%	5.60%	22.00%	22.40%	60.00%
	No	0.00%	4.40%	8.00%	14.00%	13.60%	40.00%
Total		0.80%	13.60%	13.60%	36.00%	36.00%	100.00%
Do you think the loans provided by MFIs enable you to purchase better food and maintain a balanced diet?							
Do you have any business experience?	Yes	0.00%	4.40%	12.80%	30.80%	12.00%	60.00%
	No	0.00%	2.00%	7.60%	21.20%	9.20%	40.00%
Total			6.40%	20.40%	52.00%	21.20%	100.00%
Do you think the loans provided by MFIs enable you to purchase clothes for every season?							

Do you have any business experience?	Yes	0.00%	5.60%	9.60%	24.80%	20.00%	60.00%
	No	0.00%	3.60%	4.00%	19.20%	13.20%	40.00%
Total			9.20%	13.60%	44.00%	33.20%	100.00%

## (G) Gender &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the loans provided by MFIs enable your children to access a quality education?							
Gender	Male	0.80%	8.80%	10.00%	28.80%	36.80%	85.20%
	Female	0.00%	0.40%	2.00%	5.20%	7.20%	14.80%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%
Do you think the loans provided by MFIs enable you to access better health care?							
Gender	Male	1.60%	7.60%	12.00%	49.20%	14.80%	85.20%
	Female	0.00%	2.00%	0.80%	10.80%	1.20%	14.80%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%
Do you think the loans provided by MFIs enable you to acquire a better sanitation system?							
Gender	Male	0.00%	3.60%	25.60%	40.80%	15.20%	85.20%
	Female	0.00%	0.00%	2.40%	7.20%	5.20%	14.80%
Total		0.00%	3.60%	28.00%	48.00%	20.40%	100.00%

## (H) Age Group &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the loans provided by MFIs enable your children to access a quality education?							
Age Group	<20	0.00%	0.40%	0.80%	1.60%	2.00%	4.80%
	20-30	0.00%	1.60%	2.40%	5.20%	11.20%	20.40%
	31-40	0.80%	5.20%	5.60%	20.00%	23.60%	55.20%
	41-50	0.00%	2.00%	2.40%	6.00%	4.40%	14.80%
	>50	0.00%	0.00%	0.80%	1.20%	2.80%	4.80%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%
Do you think the loans provided by MFIs enable you to access better health care?							
Age Group	<20	0.00%	0.40%	0.40%	3.60%	0.40%	4.80%
	20-30	0.00%	3.20%	2.40%	12.40%	2.40%	20.40%
	31-40	1.20%	2.80%	7.20%	33.20%	10.80%	55.20%
	41-50	0.40%	2.00%	2.80%	8.80%	0.80%	14.80%
	>50	0.00%	1.20%	0.00%	2.00%	1.60%	4.80%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%
Do you think the loans provided by MFIs enable you to acquire a better sanitation system?							
Age Group	<20	0.00%	0.40%	0.80%	2.00%	1.60%	4.80%
	20-30	0.00%	0.40%	2.40%	11.60%	6.00%	20.40%
	31-40	0.00%	2.80%	18.80%	24.40%	9.20%	55.20%
	41-50	0.00%	0.00%	5.60%	7.20%	2.00%	14.80%
	>50	0.00%	0.00%	0.40%	2.80%	1.60%	4.80%
Total		0.00%	3.60%	28.00%	48.00%	20.40%	100.00%

## (I) Education &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the loans provided by MFIs enable your children to access a quality education?							
Education	Without matric	0.40%	4.40%	4.80%	10.40%	10.00%	30.00%
	Matric	0.40%	2.80%	2.40%	7.20%	12.40%	25.20%
	Intermediate	0.00%	1.20%	2.80%	9.20%	6.80%	20.00%
	Graduate	0.00%	0.40%	2.00%	6.00%	11.20%	19.60%

	Postgraduate	0.00%	0.40%	0.00%	1.20%	3.60%	5.20%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%
Do you think the loans provided by MFIs enable you to access better health care?							
Education	Without matric	0.40%	3.20%	4.40%	18.00%	4.00%	30.00%
	Matric	0.80%	3.20%	2.40%	14.00%	4.80%	25.20%
	Intermediate	0.00%	1.20%	4.00%	14.40%	0.40%	20.00%
	Graduate	0.40%	2.00%	1.60%	10.00%	5.60%	19.60%
	Postgraduate	0.00%	0.00%	0.40%	3.60%	1.20%	5.20%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%
Do you think the loans provided by MFIs enable you to acquire a better sanitation system?							
Education	Without matric	0.00%	1.60%	11.60%	11.60%	5.20%	30.00%
	Matric	0.00%	0.80%	6.00%	13.60%	4.80%	25.20%
	Intermediate	0.00%	0.80%	4.00%	7.20%	8.00%	20.00%
	Graduate	0.00%	0.40%	4.40%	12.40%	2.40%	19.60%
	Postgraduate	0.00%	0.00%	2.00%	3.20%	0.00%	5.20%
Total		3.60%	28.00%	48.00%	20.40%	100.00%	
(J) Marital Status & Living Standards							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs enable your children to access a quality education?							
Material Status	Single	0.00%	1.60%	2.00%	4.00%	7.60%	15.20%
	Married	0.80%	7.60%	8.40%	27.20%	30.80%	74.80%
	Widowed	0.00%	0.00%	0.80%	0.40%	4.00%	5.20%
	Divorced	0.00%	0.00%	0.80%	2.40%	1.60%	4.80%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%
Do you think the loans provided by MFIs enable you to access better health care?							
Material Status	Single	0.00%	2.00%	2.40%	8.80%	2.00%	15.20%
	Married	1.60%	6.00%	10.00%	44.40%	12.80%	74.80%
	Widowed	0.00%	1.20%	0.00%	3.20%	0.80%	5.20%
	Divorced	0.00%	0.40%	0.40%	3.60%	0.40%	4.80%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%
Do you think the loans provided by MFIs enable you to acquire a better sanitation system?							
Material Status	Single	0.00%	0.80%	2.00%	8.80%	3.60%	15.20%
	Married	0.00%	2.80%	24.00%	33.20%	14.80%	74.80%
	Widowed	0.00%	0.00%	0.80%	3.60%	0.80%	5.20%
	Divorced	0.00%	0.00%	1.20%	2.40%	1.20%	4.80%
Total		3.60%	28.00%	48.00%	20.40%	100.00%	
(K) Occupation & Living Standards							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the loans provided by MFIs enable your children to access a quality education?							
Occupation	Unemployed	0.00%	2.00%	2.40%	6.40%	9.20%	20.00%
	Self-employed	0.00%	0.80%	1.20%	6.40%	6.80%	15.20%
	Govt. employee	0.00%	0.80%	2.80%	4.80%	6.80%	15.20%
	Private employee	0.40%	1.60%	1.20%	6.80%	10.00%	20.00%
	Farmer	0.40%	4.00%	4.40%	9.60%	11.20%	29.60%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%
Do you think the loans provided by MFIs enable you to access better health care?							
Occupation	Unemployed	0.00%	2.40%	2.80%	12.80%	2.00%	20.00%
	Self-employed	0.40%	0.00%	2.80%	10.00%	2.00%	15.20%
	Govt. employee	0.40%	2.40%	2.00%	9.20%	1.20%	15.20%
	Private employee	0.80%	0.40%	1.60%	14.00%	3.20%	20.00%
	Farmer	-	4.40%	3.60%	14.00%	7.60%	29.60%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%
Do you think the loans provided by MFIs enable you to acquire a better sanitation system?							

Occupation	Unemployed	0.00%	0.80%	2.40%	10.00%	6.80%	20.00%
	Self-employed	0.00%	0.40%	4.40%	6.40%	4.00%	15.20%
	Govt. employee	0.00%	0.00%	4.40%	8.40%	2.40%	15.20%
	Private employee	0.00%	0.40%	6.40%	10.40%	2.80%	20.00%
	Farmer	0.00%	2.00%	10.40%	12.80%	4.40%	29.60%
Total			3.60%	28.00%	48.00%	20.40%	100.00%

## (L) Family Dependents &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the loans provided by MFIs enable your children to access a quality education?							
How many family members are dependent on you?	0–2	0.00%	1.60%	0.80%	2.40%	5.20%	10.00%
	3–4	0.00%	1.20%	3.60%	7.60%	12.80%	25.20%
	5–6	0.80%	3.20%	4.40%	13.20%	18.40%	40.00%
	7–8	0.00%	3.20%	3.20%	10.80%	7.60%	24.80%
Total		0.80%	9.20%	12.00%	34.00%	44.00%	100.00%

## Do you think the loans provided by MFIs enable you to access better health care?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
How many family members are dependent on you?	0–2	0.00%	1.60%	0.80%	5.60%	2.00%	10.00%
	3–4	0.00%	3.20%	2.40%	17.20%	2.40%	25.20%
	5–6	1.20%	1.60%	6.00%	23.20%	8.00%	40.00%
	7–8	0.40%	3.20%	3.60%	14.00%	3.60%	24.80%
Total		1.60%	9.60%	12.80%	60.00%	16.00%	100.00%

## Do you think the loans provided by MFIs enable you to acquire a better sanitation system?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
How many family members are dependent on you?	0–2	0.00%	0.80%	1.20%	5.60%	2.40%	10.00%
	3–4	0.00%	0.80%	4.00%	12.80%	7.60%	25.20%
	5–6	0.00%	1.60%	14.00%	19.20%	5.20%	40.00%
	7–8	0.00%	0.40%	8.80%	10.40%	5.20%	24.80%
Total			3.60%	28.00%	48.00%	20.40%	100.00%

## (M) Gender &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the amount of a loan enables you to purchase various electrical appliances to improve your living standards?							
Gender	Male	2.40%	2.40%	24.80%	28.80%	26.80%	85.20%
	Female	0.00%	0.80%	4.00%	4.40%	5.60%	14.80%
Total		2.40%	3.20%	28.80%	33.20%	32.40%	100.00%

## Do you think the amount of a loan enables you to increase your livestock resources?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Gender	Male	0.00%	10.40%	10.80%	33.60%	30.40%	85.20%
	Female	0.00%	0.80%	4.00%	5.20%	4.80%	14.80%
Total			11.20%	14.80%	38.80%	35.20%	100.00%

## Do you think the amount of a loan enables you to improve your transportation resources?

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Gender	Male	0.00%	7.60%	11.20%	48.00%	18.40%	85.20%
	Female	0.00%	0.80%	0.80%	11.20%	2.00%	14.80%
Total			8.40%	12.00%	59.20%	20.40%	100.00%

## (N) Age Group &amp; Living Standards

		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the amount of a loan enables you to purchase various electrical appliances to improve your living standards?							
Age Group	<20	0.00%	0.00%	1.20%	1.60%	2.00%	4.80%
	20–30	0.00%	1.20%	5.60%	7.20%	6.40%	20.40%
	31–40	2.40%	1.20%	16.00%	17.20%	18.40%	55.20%
	41–50	0.00%	0.80%	5.20%	4.40%	4.40%	14.80%
	>50	0.00%	0.00%	0.80%	2.80%	1.20%	4.80%

Total		2.40%	3.20%	28.80%	33.20%	32.40%	100.00%
Do you think the amount of a loan enables you to improve your transportation resources?							
Age Group	<20	0.00%	0.00%	1.60%	2.00%	1.20%	4.80%
	20-30	0.00%	1.20%	0.80%	13.60%	4.80%	20.40%
	31-40	0.00%	6.40%	7.20%	32.40%	9.20%	55.20%
	41-50	0.00%	0.80%	2.00%	8.80%	3.20%	14.80%
	>50	0.00%	0.00%	0.40%	2.40%	2.00%	4.80%
Total			8.40%	12.00%	59.20%	20.40%	100.00%
Do you think the amount of a loan enables you to increase your livestock resources?							
Age Group	<20	0.00%	0.40%	0.00%	2.80%	1.60%	4.80%
	20-30	0.00%	2.00%	3.20%	8.80%	6.40%	20.40%
	31-40	0.00%	5.60%	10.40%	17.60%	21.60%	55.20%
	41-50	0.00%	2.80%	0.40%	7.20%	4.40%	14.80%
	>50	0.00%	0.40%	0.80%	2.40%	1.20%	4.80%
Total			11.20%	14.80%	38.80%	35.20%	100.00%
<b>(O) Education &amp; Living Standards</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the amount of a loan enables you to purchase various electrical appliances to improve your living standards?							
Education	Without matric	0.80%	0.80%	10.80%	8.80%	8.80%	30.00%
	Matric	0.00%	0.40%	6.00%	11.60%	7.20%	25.20%
	Intermediate	0.00%	1.20%	4.80%	6.00%	8.00%	20.00%
	Graduate	1.20%	0.80%	5.60%	5.60%	6.40%	19.60%
	Postgraduate	0.40%	0.00%	1.60%	1.20%	2.00%	5.20%
Total		2.40%	3.20%	28.80%	33.20%	32.40%	100.00%
Do you think the amount of a loan enables you to improve your transportation resources?							
Education	Without matric	0.00%	3.20%	4.80%	17.20%	4.80%	30.00%
	Matric	0.00%	2.00%	1.20%	14.80%	7.20%	25.20%
	Intermediate	0.00%	1.60%	2.00%	12.80%	3.60%	20.00%
	Graduate	0.00%	1.20%	2.80%	11.20%	4.40%	19.60%
	Postgraduate	0.00%	0.40%	1.20%	3.20%	0.40%	5.20%
Total			8.40%	12.00%	59.20%	20.40%	100.00%
Do you think the amount of a loan enables you to increase your livestock resources?							
Education	Without matric	0.00%	3.60%	5.60%	9.20%	11.60%	30.00%
	Matric	0.00%	2.80%	2.80%	9.20%	10.40%	25.20%
	Intermediate	0.00%	2.00%	2.40%	10.00%	5.60%	20.00%
	Graduate	0.00%	2.80%	4.00%	7.60%	5.20%	19.60%
	Postgraduate	0.00%	0.00%	0.00%	2.80%	2.40%	5.20%
Total			11.20%	14.80%	38.80%	35.20%	100.00%
<b>(P) Marital Status &amp; Living Standards</b>							
		<b>Strongly Disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly Agree</b>	<b>Total</b>
Do you think the amount of a loan enables you to purchase various electrical appliances to improve your living standards?							
Marital Status	Single	0.00%	0.40%	4.00%	6.00%	4.80%	15.20%
	Married	2.40%	2.80%	21.60%	24.00%	24.00%	74.80%
	Widowed	0.00%	0.00%	2.00%	1.60%	1.60%	5.20%
	Divorced	0.00%	0.00%	1.20%	1.60%	2.00%	4.80%
Total		2.40%	3.20%	28.80%	33.20%	32.40%	100.00%
Do you think the amount of a loan enables you to improve your transportation resources?							
Marital Status	Single	0.00%	1.20%	1.60%	8.40%	4.00%	15.20%
	Married	0.00%	6.40%	9.60%	43.60%	15.20%	74.80%
	Widowed	0.00%	0.00%	0.80%	3.20%	1.20%	5.20%
	Divorced	0.00%	0.80%	0.00%	4.00%	0.00%	4.80%
Total			8.40%	12.00%	59.20%	20.40%	100.00%



Do you think the amount of a loan enables you to increase your livestock?							
Marital Status	Single	0.00%	1.60%	1.20%	6.80%	5.60%	15.20%
	Married	0.00%	8.80%	10.00%	29.60%	26.40%	74.80%
	Widowed	0.00%	0.80%	1.60%	2.00%	0.80%	5.20%
	Divorced	0.00%	0.00%	2.00%	0.40%	2.40%	4.80%
Total			11.20%	14.80%	38.80%	35.20%	100.00%
(Q) Occupation & Living Standards							
		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Total
Do you think the amount of a loan enables you to purchase various electrical appliances to improve your living standards?							
Occupation	Unemployed	0.00%	1.20%	4.80%	7.20%	6.80%	20.00%
	Self-employed	0.40%	0.00%	3.20%	6.40%	5.20%	15.20%
	Govt. employee	0.00%	0.80%	4.40%	5.20%	4.80%	15.20%
	Private employee	0.40%	0.40%	5.60%	6.40%	7.20%	20.00%
	Farmer	1.60%	0.80%	10.80%	8.00%	8.40%	29.60%
Total		2.40%	3.20%	28.80%	33.20%	32.40%	100.00%
Do you think the amount of a loan enables you to improve your transportation resources?							
Occupation	Unemployed	0.00%	1.20%	1.60%	12.40%	4.80%	20.00%
	Self-employed	0.00%	0.80%	1.60%	10.80%	2.00%	15.20%
	Govt. employee	0.00%	0.80%	2.00%	8.40%	4.00%	15.20%
	Private employee	0.00%	3.20%	1.20%	13.60%	2.00%	20.00%
	Farmer	0.00%	2.40%	5.60%	14.00%	7.60%	29.60%
Total		8.40%	12.00%	59.20%	20.40%	100.00%	
Do you think the amount of a loan enables you to increase your livestock resources?							
Occupation	Unemployed	0.00%	1.60%	1.60%	9.60%	7.20%	20.00%
	Self-employed	0.00%	0.40%	4.40%	5.60%	4.80%	15.20%
	Govt. employee	0.00%	2.80%	1.60%	8.40%	2.40%	15.20%
	Private employee	0.00%	1.60%	3.60%	4.40%	10.40%	20.00%
	Farmer	0.00%	4.80%	3.60%	10.80%	10.40%	29.60%
Total		11.20%	14.80%	38.80%	35.20%	100.00%	

## APPENDIX-B

### Questionnaire

Dear Participant:

This questionnaire aims to identify the impact of microfinance on poverty reduction, particularly in the Punjab, Pakistan. You are invited to complete this questionnaire as the information you provide will assist with this research. Therefore, you are respectfully asked to give full and honest responses. Please be assured that all information will be treated confidentially and used only for academic purposes. Thank you for your time and cooperation.

#### About You:

Please encircle the appropriate answer

**a) Gender**

- 1) Male
- 2) Female

**b) Age Group**

- 1) Below 20
- 2) 20-30
- 3) 30-40
- 4) 40-50
- 5) 50 & above

**d) Marital Status**

- 1) Single
- 2) Married
- 3) Widow
- 4) Widowed

**e) Occupation**

- 1) Unemployed
- 2) Self-employed
- 3) Private employee

## c) Education

- 1) Without matric
- 2) Matric
- 3) Intermediate
- 4) Graduate
- 5) Postgraduate

- 4) Farmer

## f) Number of family members who are dependent on you

- 1) 0-2
- 2) 2-4
- 3) 4-6
- 4) 6-8
- 5) 8 & above

## g) Business Experience

- 1) Yes
- 2) No

Instructions:

Please indicate the extent to which you agree or disagree with the statements below. Read each statement carefully and place a tick in the relevant column.

SD = Strongly Disagree

D = Disagree

N = Neutral

A = Agree

SA = Strongly Agree

Sr.#	Questions	SD	D	N	A	SA
<b>Basic Needs</b>						
01	Do you think loans provided by MFIs enable you to access better health care?					
02	Do you think loans provided by MFIs enable your children to access a quality education?					
03	Do you think loans provided by MFIs lead to better accommodation?					
04	Do you think loans provided by MFIs enable you to purchase better food and maintain a balanced diet?					
05	Do you think loans provided by MFIs enable you to purchase clothes for every season?					
<b>Living Standards</b>						
06	Do you think the amount of a loan enables you to increase your livestock resources?					
07	Do you think the amount of a loan enables you to improve your transportation resources?					
08	Do you think the amount of a loan enables you to access power resources such as electricity and gas?					
09	Do you think the amount of a loan enables you to access power resources such as electricity and gas?					
10	Do you think loans provided by MFIs enable you to acquire better sanitation system?					
<b>Occupation</b>						
11	Do you think loans provided by MFIs enable are sufficient to set up a new or expand a current business?					
12	Do you think that most MFI clients do not possess the requisite business skills and knowledge?					
13	Do you think that most MFI clients use their loans to meet their					

	immediate needs rather than set up or expand a business?					
14	Do you think the operational assistance provided by MFIs is helpful?					
15	Do you think loans provided by MFIs enable their clients to permanently increase their income?					
<b>Microfinance</b>						
16	Do you think that MFIs play a vital role in tackling the rapid rise in poverty?					
17	Do you think the interest rate charged by MFIs is appropriate and affordable for their clients?					
18	Do you think MFIs can fulfill the minimum capital requirements of urban and rural young people?					
19	Do you think the application process for loans is easier from MFIs than conventional banks?					
20	Do you think financial services provided by MFIs are unproductive in Pakistan?					

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