

The Role of Microfinance Institutions in Increasing Well Being of Their Clients

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Abstract:

The purpose of this study is to identify the impact of Esaar Microfinance program of HHRD on social wellbeing of its beneficiaries. The main idea behind this study is to observe whether Esaar Microfinance Program of HHRD has any considerable impact on socioeconomic indicators. For this purpose we have selected respondents from the program area i.e. Naran Valley of District Mansehra where 200 beneficiaries have been surveyed out of more than 1000. Predesigned questionnaire based survey was conducted for the collection of primary data for two periods i.e. year 2015 and year 2019 from the same beneficiaries. In this study social wellbeing is measured from indicators like education, health, income, assets, expenditure and savings. It has been observed that the program has positive impact on socioeconomics indicators, while it has positive significant impact on economic indicators i.e. income, assets, expenditure and savings. Esaar Microfinance program of HHRD has adopted social collateral approach to mitigate the risk and this approach leads to the social bonding of the community. Now the people of that area are engaged in participative approach which indicates the social wellbeing as well as the economic uplift of the community.

Key Words: *Microfinance, Social wellbeing, Socioeconomic, Participative approach, Helping Hand for Relief and Development, Mansehr*

INTRODUCTION:

Poverty has been one of the biggest problems that the world has ever faced. The human being have been facing the poverty in the shape of hunger and starvation from the beginning of time. The problem of poverty has remained a matter of great concern for the societies throughout the world. Different economists and policy makers have been indulged in finding the solution of the problem and to uplift the socioeconomic standards of the people. They have formed and enforced several policies for poverty

reduction and poverty alleviation. Despite all these efforts, billions of people are living an under privileged life. According to an estimate, 50% of world population is living below \$2.5 a day and the number counts to 3 billion people. According to the Economic Survey of Pakistan 2013-14, the population living below the poverty line stood at 34.4 percent in 2000-01, 23.9 percent in 2004-5, 22.3 percent in 2005-6 and 17.2 percent in 2007-8. Now it is estimated half of population of the country is below the poverty line due to COVID-19. The problem of poverty has given birth to several social evils. It is rightly said that poverty anywhere is a threat to prosperity everywhere. In such condition people are deprived of their basic necessities of life. Proper education and healthcare are becoming distant from them. They are forced to think of their survival only due to poverty and unemployment.

Microfinance is considered as one of the very effective tools for the reduction and elimination of poverty. Microfinance is one way of struggling poverty in rural areas, where most of the world's poorest people live. It caters the poverty at grass root level which is the reason for the effectiveness of Microfinance. These are the small loans that are especially designed for the poor, specifically for the unprivileged segment of the society. These poor normally lack the access to formal financial facilities. Microloans are given for socioeconomic uplift of the poor people and working efficiently in poverty reduction and wellbeing of household (Iqbal et al. 2019, Mohsin et al. 2019). These programs are generally of two categories; Programs that are designed for directly increasing the income while other type of programs are used for social uplift of the clients.

Through microfinance institutions such as credit unions, financial non-governmental organizations and even commercial banks, poor people can avail small loans, for their survival and escaping from poverty. The microfinance revolution started with the recognition that poor people need access to financial resources and that they could use these funds productively. It has also changed the perception that poor people are not credit worthy. Financial records have shown that instead of being a risk, these people are in fact very credit worthy, with higher repayment rates than conventional borrowers. In some of the most successful microfinance institutions, repayment rates are as high as 98%. Currently a large number of conventional microfinance institutions are offering micro financial services to these unbanked and unprivileged segments of the society.

To fill the gap and to cater the needs of these unbanked people, a sizeable number of microfinance institutions have emerged during the last few years in Pakistan. Helping Hand for Relief and Development is among such microfinance institutions. Thus they may play an important role in improving economic conditions of the poor people.

Helping Hand, a US based charity institution, initiated its operations in 2005 in Pakistan. Although their primary focus was to respond to emergency and rehabilitation, however, it, soon, started livelihood program for the poor people, helping them to stand on their own feet. Accordingly, Helping Hand for Relief and Development has implemented variety of programs in 43 districts of Sindh, KPK, Punjab, Gilgit Baltistan, FATA and Balochistan and 5 districts of Azad Jammu and Kashmir. Such programs include Physical Rehabilitation, Health, Education, Water for Life, Orphan Support, Skill Development, Construction and Infrastructure

Development, Micro-finance and Economic Empowerment Program, Skill Development and Seasonal Program. Helping Hand for Relief and Development's microfinance program is operated through three different modes i.e. Murabaha, Mudaraba and Qard-e-Hasana. The institution has disbursed PKR.400 million as of the year 2014 in different programs throughout Pakistan.

The main objective of this study is to analyze the impact of "Esaar microfinance" program of HHRDon social well-being of the beneficiaries. The change in income & expenditures, assets and living standards are gauged. A number of studies have been conducted on the role of micro-finance in poverty alleviation and enhancing social well-being at global and national level. The study on Naran Valley of District Mansehra is important due to its specific socioeconomic conditions..

2.Literature Review:

Microfinance has gained popularity as a tool for poverty alleviation. It is now commonly used in developing and developed countries across the world. More than 2,500 institutions are providing microfinance services (Armendariz and Murdoch, 2004). Besides fighting poverty, microfinance also targets social and gender inequality (Murdoch, 1999; Mayoux, 1999). Microfinance institutions (MFIs) actively try to involve women and disadvantaged groups as their main clients. The popularity of the provision of microcredit, also called microloans, started in the late seventies. Professor Muhammad Yunus is most famous as the initiator and promoter of microcredit and the founder of Grameen Bank. In 2006, he was awarded the Nobel Peace Prize for their efforts to create economic and social development for the poor. Lasting peace cannot be achieved unless large population groups find ways to get out of poverty. Micro-credit is one such means. The successful experience of Grameen Bank in combating the poverty and flourishing the economic wellbeing of poor has attracted many government and nongovernment organizations attention to the possibility of replicating this experience.

Since the early 2000s the term 'financial inclusion' is also used to describe the access to financial services for the poor, however the majority of literature used for this thesis continues to use the term microfinance. Through microcredit MFIs provide capital to poor people who lack assets to use as collateral, therefore they often do not qualify for regular loans at traditional commercial banks (Iqbal and Akhtar 2015 and Yunus, 1999). Microcredit gives poor people the opportunity to invest in income-generating activities and to start businesses. It is also used to diversify the income, for example people with a small farm might also start a shop. This decreases vulnerability, because if the productivity of one activity decreases, the other income forms a safety net (Hermes and Lensink, 2011). The entrepreneurial activities enable the poor to increase their income which can be used to invest in the expansion of the business and the accumulation of assets, for example livestock or housing. Because of the lack of assets people are stuck in a situation of poverty and they are unable to increase their well-being (Azevedo, 2007; Ellis and Mdoe, 2003). Studies have shown that microcredit may make a contribution to an increased income and improve the economic situation of the poor (Murdoch and Haley, 2002). At the same time it should be noted that others are very critical of the evidence regarding microcredit and poverty alleviation. They claim the evidence is mainly subjective, and it cannot be

proven that microcredit has a positive impact on poverty alleviation (e.g. Chowdhury, 2009). Critics of microcredit say that it is not a suitable tool to alleviate poverty and increase equality since the poorest people are not included in the programs. They are either deliberately excluded by MFIs because the financial risk they form is too high, or the poor do not assess themselves as suitable candidates for microcredit or other financial services. This can, for example, be caused by lack of confidence or knowledge; they do not know how to get the loan (Murdoch and Haley, 2002).

Indeed, a surge growth of microfinance institutions has been noticed in the developing countries especially in Asian countries since the birth of the Grameen Bank in 1975. Microcredit Summit Campaign (2012) reports that the number of the poorest clients with microcredit has grown from 7.6 million in 1997 to 137.5 million in 2010. It also found that over 113 million were women among those poor clients. This number has been collected from 31,652 microfinance institutions around the world.

Microfinance has achieved a universal consensus as an effective tool for alleviating poverty and wellbeing improvement (Iqbal and Akhtar, 2015; Bakhtiari, 2006; Ebimobowei, Sophia, & Wisdom, 2012; Imai & Azam, 2010; Johnson & Rogaly, 1997; Ledgerwood, 1999). The dynamic growth of microfinance activities can lead to the achievement of a wide range of development objectives, including: the fulfillment of self-employment, new firms formation, and income distribution (Bakhtiari, 2006; Johnson & Rogaly, 1997; Khandker, 2005; Ledgerwood, 1999; Littlefield et al., 2003). The role of microfinance goes beyond business investment, to include the improvement of the economic wellbeing of households. For instance, clients' health, nutrition, children education and standard of their life has improved (Angioloni, Kudabaev, Ames, & Werzstein, 2013; Dunford, 2001; Holvoet, 2004; Littlefield et al., 2003; Morduch., 1999). Microfinance is also considered as an essential approach to empower poor especially women (Littlefield et al., 2003; Swaina & Wallentin, 2009). It enables them to make their decision independently, improve the quality of their life and dignity (Johnson & Rogaly, 1997; Ledgerwood, 1999; Narayan, 2002).

Over the past three decades, impact assessment studies and researches in the field of microfinance have observed a dramatic growth among academic schools. However the majority of those studies paid great attention to the measurements of microfinance outputs rather than outputs and inputs (Hulme, 2000). Recently, many microfinance studies started to recognize the importance of assessing the input and output of microfinance for approving the impact of microfinance and improving microfinance implementation.

The output of microfinance differs from one institution to another according to the model of microfinance and the type of the provided product. For instance, microfinance can be a group scheme where the group members form themselves in a joint liability group and take loans under the social collateral while the group members are responsible to repay any default loan. In contrast, microfinance can be individual scheme which serves individual borrowers.

Furthermore, some microfinance institutions provide financial services such as loan, saving, insurance services while others provide financial and nonfinancial products such as enterprises development training, skills acquisition trainings, social capital services and others. Therefore, the output of microfinance performance is usually

subject to several criteria which may vary from one study to another (Ledgerwood, 1999; Robinson, 2001).

Poverty has increased rather sharply in the 1990s in Pakistan (Kemal, 2001). It needs to be noticed that Pakistan has witnessed periods of high economic growth accompanied with increase in poverty levels.

Several studies investigate microfinance a viable strategy for poverty alleviation relative to other poverty alleviation policies. For example, (Adams and Pischke, 1992) compare modern (1990 era) MFIs to the failed rural credit agencies established by LDC governments in the 1960s and 1970s that not only did nothing to advance poverty alleviation but also wasted millions of dollars of public funding. After comparing the operational framework of modern MFIs to rural credit agencies, the authors conclude that the modern MFI industry is destined for failure because of the similarities between the two.

Supporting the microfinance, Bolnick and Nelson (1990) find that microfinance financial institution participation had a positive impact on enterprises that were typically small, labor intensive and growing, although the impact was far from uniform across sectors and target variables. They conducted surveys in Bangladesh and interviewed more than 1500 respondents. They concluded that implementation of effective microfinance program has a significant impact on small enterprises.

Evaluating the impact of microfinance in different regions of the globe under different micro financial institutions i.e. Grameen Foundation, USAID, ASA, Kashf Foundation, Zambuko Trust, ASHI etc., Goldberg, (2005) finds the difference in the social lifestyle of microfinance institution participants' vs non-participants. They used mean difference model to find the difference among control and targeted group. The study concludes that participant's living turned out to be far better than non-participants. Access to microfinance improved their income and lifted the families out of poverty. It also improved children's nutrition and increased their school enrollment rates among many other outcomes.

Another study investigates the effect of microfinance institution's access on the multidimensional welfare indicator (Imai et al. 2010). They used Tobit regression to investigate the poverty reducing effect of productive loan. Especially they find that micro financial institutions play a significant role in poverty reduction. They conducted survey and covered a sample of 20 SIDBI's (Small Industries Development Bank India) partner Microfinance Institutions and 5,260 households distributed across different and diverse regions of India. Their study was based on cross-sectional data set for these households. They argue that significant poverty reducing effects are observed in rural areas and taking loan for productive purpose has a larger impact on raising IBR (Index Based Ranking) indicator for those above the poverty threshold.

Finding the impact of microcredit programs on self-employment profits, McKernan (1996) comes to the conclusion that microfinance program participation can exert a large positive impact on self-employment profits. By using cross country data of conventional microfinance institutions, for five development countries (Bangladesh, Pakistan, Sri Lanka, Maldives and Nepal) the survey concluded that the microfinance programs have significantly increased self-employment and profits from self-employment along with some other positive impacts.

To examine the relationship between microfinance and income level, Akram and Hussain (2011) study the role of microfinance in uplifting the income level. Population consisted of all microfinance borrowers of major microfinance institutions; Khushhali Bank Limited (KBL), The First Microfinance Bank (FMB) and The Tameer Microfinance Bank (TMB) - operating in Okara District, Pakistan. In order to derive results from the primary data of the variables presented above, they used descriptive statistics. The sample consisted of 48 borrowers who availed loans from above mentioned three banks and currently active borrowers and has to return the loan. They find that 85.40% of the respondents' income level has increased after getting microfinance facilities and improved their living standard. They concluded that microfinance is efficiently serving the poor by increasing their income level. Thus there is strong ground to evaluate the impacts of intervention on socioeconomic indicators.

3. Methodology and Data Collection:

Methodology: The objective is to measure the impact on the beneficiaries of Interest free Microfinance program of Helping Hand for Relief and Development. For this purpose, data of socioeconomic indicators has been collected from the beneficiaries of Microfinance program of HHRD. Data for two periods have been selected and is compared with each other to see if there is any improvement in the socioeconomic level of the beneficiaries of the organization. The data for 2015 and data for 2019 have been selected. Clients who have been given financing are selected as base year data. Data of 200 beneficiaries, who were financed in 2015, have been collected through the appraisal forms in the record of Esaar Microfinance Program of HHRD. To find the change, data of 2015 has been compared with the data of 2019. The data for 2019 has been collected directly from the beneficiaries through filling of structured questionnaire from respected beneficiaries and respective areas. To avoid any variation in the source of survey, the beneficiaries for year 2019 and year 2015 were kept same. In this way actual socioeconomic change due to the intervention of Esaar Microfinance program of HHRD was found in the lives of the beneficiaries in Naran Valley.

This study is basically an impact analysis which measures the effects of a particular programme on individuals, households and communities, and determines whether the programme causes these effects (Baker 2006; WB-OED 2004). Researchers have used simple mean difference model to assess the impact of the microfinance (like Martin Ravallion, 2002). The Simple Difference method computes the simple/mean difference in impacts between the two groups. Keeping in view the advantages of the methodology, the simple mean difference method is applied in this study. The relationship is shown in the following equation:

$$\Delta \bar{X}_i = (X_{2019} - X_{2015}).$$

Where:

ΔX_i = Change in the outcome variable of interest (income, expenditure, saving,

household assets, health and education)

X_{2014} = Outcome indicator (income, expenditure, saving, household assets, health and

education) in year 2015

X_{2010} = Outcome indicator (income, expenditure, saving, household assets, health and

education) in year 2015 (base year)

To test whether the difference in means of indicators (Income, Expenditure and Assets) between the period of base year and study year is statistically significant or not, heteroscedastic t-test is applied. The following formula is used to compute t-statistics:

$$t = \frac{X_{2019} - X_{2015}}{\sqrt{\frac{\sigma_{X_{2019}}^2}{n_{X_{2019}}} + \frac{\sigma_{X_{2015}}^2}{n_{X_{2015}}}}$$

Where:

X_{2019} = Outcome indicator (income, expenditure, saving, household assets, health and

education) in year 2019

X_{2015} = Outcome indicator (income, expenditure, saving, household assets, health and

education) in year 2015 (base year)

$\sigma_{X_{2019}}^2$ = Population Variance of study year

$\sigma_{X_{2015}}^2$ = Population Variance of base year

$n_{X_{2019}}$ = Sample Size of study year

$n_{x_{2015}}$ =Sample Size of base year

Sample size, Design and Survey: Esaar Microfinance program of HHRD was launched in 2009 at Naran valley in District Mansehra. The purpose of launching the program in the area was to uplift the socioeconomic wellbeing of the poor segment of this area. Since 2009, more than 1,000 beneficiaries have been benefited through this program. The study has attempted to analyze the impact of this program on the beneficiaries. For this study 200 beneficiaries have been selected as sample from Naran Valley.

In order to minimize sampling variation, random sampling technique is used to collect the data for this study. Naran Valley of District Mansehra is already stratified geographically in the form of well-known villages and for each village well defined boundaries are there. Therefore, the study has relied on existing stratification instead of making new stratification. In the first stage, sampling frame for the beneficiary households for the year 2015 in Naran Valley has been collected. The sampling frame included a village-wise list of beneficiary households. At the second stage an appropriate sample size of beneficiaries have been selected on standard pattern of sampling size. The sample is selected at the interval of 05 from the list of beneficiaries.

For the collection of data, a structured questionnaire as well as in-depth interviews were conducted. A structured household questionnaire used by Fazal Ali Saadi et al (2009) in Socio-Economic Baseline Survey of Puran Shangala, North West Frontier Province, and Haroon Jamal (2008), Impact of Microfinance in Pakistan has been refined and variables have been added, following the socio-economic characteristics of the people of Naran Valley of District Mansehra. The questionnaire has been designed around the outcome indicators (income, expenditure, household assets, health and education) for both the base year and study year for the quantitative analysis.

4. Data Analysis, Discussion, and Results:

This part comprises of impact of Islamic microfinance institution, Esaar Microfinance program of HHRD, on the socioeconomic life of their beneficiaries. The data has been gathered through a field survey in the area of operations, by Esaar Microfinance program of HHRD. For this purpose, Simple Mean Difference Method have been utilized to examine the effects of Islamic microfinance program on the socioeconomic wellbeing of their beneficiaries.

The below tables show the different results that have been acquired from the survey.

Table 4.1 shows the Age of beneficiaries

Age	Respondents	
	Frequency	Percentage
From 18-30	79	39.5
From 31-40	57	28.5
From 41-50	33	16.5
From 51-60	31	15.5
Total	200	100

Table shows the age wise distribution of the respondents. Minimum age of the respondent is 18 years. This is because of the reason that a person with national identity card can apply for the financing from Esaar Microfinance program of HHRD. Similarly the maximum age for applying for financing is 60 years. These beneficiaries have been divided into different ranges. By looking at the table we can observe the frequency of respondents in different age groups. It is pertinent to note that majority of the beneficiaries fall in the first two age groups. Almost 70% of the beneficiaries are between the ages of 18 to 40 years. Around 40% of the beneficiaries are from 18 to 30 years of age. Very few respondents are in the last age group. Only 15% of respondents are between the ages of 51 to 60 years. From this table it can be concluded that most of the beneficiaries are young and are more likely to start new business or expand their existing business, which is a good symbol for the organization.

The table 4.2 shows the education level of the beneficiaries of Esaar Microfinance of HHRD.

Education Levels	Beneficiaries	
	Frequency	Percentage
Illiterate	56	28%
Primary	58	29%
Matric	34	17%
Intermediate	28	14%
Graduation	12	6%
Master in Business	0	0%
Masters in Other	0	0%
Darse Nizami	12	6%
Total	200	100

If we look at the table above, we can observe the education level of the respondents. It can be seen that a large number of respondents never went to school. While majority of the respondents are only educated till primary, proceeded by matric. Around 14% respondents are educated till intermediate. While, only 6% of the respondents have done graduation. Similar is the percentage of Darse Nizami among these respondents.

In the group of respondents no one has done masters in either business or other than business.

4.3: Profession of the Respondents

The area from where respondents have been selected is basically agriculture based. The area is very famous for potatoes and pees. Due to this very reason majority of the people living in the area are connected to the profession of farming or agriculture. But naturally there are also few shopkeepers in the area to meet the basic and day-to-day needs of the community.

The table 4.3 shows the profession of the respondents in the area.

Profession	2015		2019		Percentage Change
	Frequency	Percentage	Frequency	Percentage	
Services	2	1%	4	2%	100.0
Agriculture	152	76%	146	73%	-3.9
Laborer	8	4%	6	3%	-25.0
Trading	38	19%	44	22%	15.8
Total	200	100	200	100	

In Table 4.3 the profession details of the respondents are given. It is evident from the table that majority of the respondents are related to the profession of agriculture. 76% of the respondents are farmers, which counts to 152 respondents out of 200. Around 20% of the respondents are related to trading profession and have shops of different everyday items, including grocery, fruit and vegetable and general store. Only 5% of the respondents are indulged in either services or laborer. Above discussion was of the respondents of base year group. If we look at the respondents of the study year group we could observe the change in the profession of the groups after 4 years of time. It is evident from this table that after the passage of four years there isn't any significant change in the profession of the respondents. So it may be concluded that the financing from Esaar Microfinance of HHRD has not affected the profession of the respondents. The table below shows the education level of the children of beneficiaries of base year group and study year group.

Table 4.4 shows the Education Level of the Beneficiaries' children

Response	Year				Percentage Change
	2015		2019		
Going to School	56	55%	73	64.60%	30.36
Not Going to School	17	17%	13	11.50%	-23.53
Madrasahs	29	28%	27	23.89%	-6.90
Total	102	100%	113	100%	10.78

If we look at the table above we can observe the education level of children of respondents. It can be seen that 17% children never went to school. Around 28% of the children are taking religious education and going to madrasahs. A large number of children are going to school. If we compare the education level of children of the

beneficiaries of 2015 with that of 2019, we can see that there is a little bit improvement in the enrollment of the children. However, the change is not quite significant and it seems that there is no significant impact of the Esaar Microfinance program of HHRD on the education level of the children of their respondents.

Table 4.5: Saving Comparison of the Respondents

Savings (Rs.)	Year	
	2015	2019
No Saving	19	7
1-500	8	9
501-1,000	18	19
1,001-1,500	23	27
1,501-2,000	9	10
2,001-3,000	6	8
3,001-4,000	5	6
4,001-5,000	12	14
Total	100	100
Minimum Saving	100	500
Maximum Saving	3,000	5,700
Average Saving	320	2160

The above table shows the saving level of the respondents of both the groups of respondents' i.e. base year group and study year group. It is clear that there is quite significant change in the savings of the respondents after four years. In year 2015 there were many respondents who were unable to save anything out of their income after meeting their expenses. In 2019 the frequency of the respondents who do not save anything has significantly decreased. This percentage has decreased by almost 100%. In year 2015 the average saving of the respondents was PKR 320 while, the savings in year 2019 of those beneficiaries have increased to PKR 2,160 which is a significant increase. This shows the positive impact of Esaar Microfinance program of HHRD on the earnings of their beneficiaries.

Table 4.6 shows the Health facilities used by the beneficiaries

Nature of Health Facility	Year	
	2015	2019
Government Hospital	78	55
Private Clinic	105	132
Homeopathic Doctor	11	7
Hakeem	4	6
Not Availing Health Facility	2	0
Total	200	200

The table 4.6 shows the health facilities availed by the beneficiaries of Esaar Microfinance program of HHRD. In the table it is shown that how much of the respondents avail which type of facility for fulfilling their health treatment. It is evident from the table that most of the respondents go to private clinics for fulfilling

their health related needs. The change due to the intervention of Esaar Microfinance program of HHRD does not seem to be significant. There is no significant and systematic improvement in the availing of health facilities by the respondents of Esaar Microfinance program of HHRD.

Table 4.7 shows the Income Comparison of Respondents

Year	Observations	Mean (Rs.)	Std. Error
2015	200	15,232.5	551.376
2019	200	22,185	823.721
Diff		5,953.5	
Diff = mean (2015) – mean (2019)			t-statistics = -5.971
Ho: diff = 0			
Ha: diff < 0			p-value = 0.000

Income is an important variable to assess financial sustainability of a household. In Table 4.7 respondents' income of year 2015 compared with household Income of 2019.

By looking at the tabulated values, it is evident that there is substantial difference between the means of both groups. Thus, the null hypothesis of equality of mean is rejected in favor of alternative hypothesis. So, alternate hypothesis is accepted but at 5% level of significance. Income of 2019 are on average PKR 5,900 higher than the income in year 2015. The results of the table shows there is a significant positive change in income. For a cross check the study has also analyzed the change in expenditure, assets and savings of respondents.

4.8: Household expenditure Comparison

Income is an important variable to assess financial sustainability of a household. We can find income level through household expenditure because these directly depend on income of household. John Maynard Keynes expressed it with consumption function where consumption is the function of income. Household expenditure variable consist of all household expenses including expenses used on food, health, education, etc. It is observed in past literature as well as during the survey that generally people undervalue their incomes and feel satisfaction to show their expenses overvalued.

In Table 4.8 respondents' household expenditures of year 2015 is compared with household expenditures of 2019. Different descriptive statistical tools have applied on the data of both years for this purpose. In addition to it, mean difference of both periods has been analyzed to check whether Islamic microfinance has any impact on the expenditure of the respondents.

Table 4.8 explains the mean comparison of the expenditure for the years of 2015 and 2019.

Year	Observations	Mean (Rs.)	Std. Error
2015	200	14,822.5	498.323
2019	200	19,025	636.827
Diff		4,202.5	
Diff = mean (2019) – mean (2015)			t-statistics = -5.197
Ho: diff = 0			
Ha: diff < 0			p-value = 0.000

The result shows that the expenditure of respondents in 2019 is significantly greater than expenditure of respondents in year 2015. The average expenditure in year 2019 is 20% higher than the average expenditure in 2015. The value of t-statistics and p-value shows the significance level of the test by rejecting null hypothesis and accepting alternate hypothesis at any level of significance.

By looking at the tabulated values, it is evident that there is substantial difference between the means of both groups. Thus, the null hypothesis of equality of mean is rejected in favor of alternative hypothesis. So, alternate hypothesis is accepted but at 5% level of significance. Expenses of the 2019 are on average PKR 3,800 higher than the expenses in year 2015. More than 70% respondents of HHRD are from rural areas where necessities are the only requirements of people. In rural areas people generally do not go for luxuries even if there is a substantial increase in their incomes.

The results in both years reveal that expenditures in 2019 are higher than that of 2015 because microfinance has gradually improved income levels of respondents of 2019 and now they are in position to consume more. In urban and semi urban areas, expenditure has increased with the rise of income level where as in rural areas people do not increase their expenses despite increase of income levels. The reason behind it in these areas is that people focus on their basic needs. When income increases, demand for necessities usually does not increase by similar percentage as of income.

4.9 Total Assets of Respondents

For the current study all selected respondents are shopkeepers and farmers. To analyze the impact of the financing, comparison of the assets of year 2015 and 2019 was also done. Variable total assets comprised of household assets, Enterprise assets and livestock. Enterprise assets included inventory, shelves and counters etc. owned by shopkeepers, whereas total annual crops is considered enterprise asset for farmers. Normally the land area in which farmers were surveyed is owned by government forest department so farmers do not know the value of land. So, farmers only cultivate their crops on these lands. For the details of each asset category, see questionnaire in annexure.

Table 4.9 shows the asset comparison of respondents for the years 2015 and 2019.

Year	Observations	Mean (Rs.)	Std. Error
2015	200	202,954	16,339.06
2019	200	464,560	46,596.38
Diff		261,606	49,378.01

Diff = mean (2019) – mean (2015) t-statistics = -5.298

Ho: diff = 0

Ha: diff < 0 p-value = 0.000

Table 4.9 reveals the mean comparison of the assets for the year 2015 and 2019. The assets in year 2019 are significantly higher than the assets in year 2015. The assets in 2019 are 2.3 times more than 2015. The above results show the effectiveness of micro-financing for respondents during the whole period of analysis. This can also be verified by the value of t-statistics and p-value, which shows that the null hypothesis is rejected in favor of alternate hypothesis at any level of significance.

It is visible that there was a significant impact of microfinance on the assets of the respondents of 2019. Difference of assets in year 2019 is much more than year 2015. The reason may be due to the fact that more than 70% of respondents of Esaar Microfinance of HHRD in 2019 are associated with agriculture. Input to output ratio of agriculture is higher than the ratio of SME, in the respected areas.

4. Conclusion and Policy Recommendations:

The purpose of this study is to identify the impact of Esaar Microfinance of HHRD on social wellbeing of its beneficiaries. The main idea behind this study is to observe whether Esaar Microfinance Program of HHRD has any considerable impact on socioeconomic indicators. For this purpose we have selected respondents from the program area i.e. Naran Valley of District Mansehra where 200 beneficiaries have been surveyed out of more than 1000. Predesigned questionnaire based survey was conducted for the collection of primary data for two periods i.e. year 2015 and year 2019 from the same beneficiaries. In this study social wellbeing is measured from indicators like education, health, income, assets, expenditure and savings. Both quantitative and qualitative techniques are applied to get reliable results.

We have observed from data analysis that the program has positive impact on socioeconomic indicators, while it has significant positive impact on economic indicators i.e. income, assets, expenditure and savings.

This study observed that Esaar Microfinance program of HHRD is playing a major role to improve the social wellbeing of the community by enhancing the income of household, improving education and health as shown in table 4.4, 4.6 and 4.7 separately. These results are same concluded by other researchers (Iqbal and Akhtar, 2015). Therefore, it is recommended that due to the effectiveness of this program it should be extended to other areas of country to increase the social wellbeing of the deprived segment of the society. As observed in the study, the economic indicators

showed significant positive change, however, there is need to focus on education and health facilities of that area. Esaar Microfinance program of HHRD may provide takaful services to its beneficiaries for risk mitigation to tackle any unforeseen incidence.

It is primary duty of government to improve the social wellbeing of people, so the government may observe the approach of development sector and public private partnership may be developed.

5. Limitation of Study

The study is designed to address the issues and limitations faced by microfinance sector in this region. The finding of this study may also help us to understand the role of microfinance institutions in other regions of Pakistan. However, there are certain limitations of this study. First, the study is restricted to Naran Valley of District Mansehra only. Second, the analysis is limited to three core variables of living standard, namely income, expenditure and well-being.

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