

A Case Study of Micro Financing in the Suburbs of District Rawalpindi Pakistan

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Abstract
The present study aims at assessing the impact of micro-credit on the standard of living and poverty alleviation. This study provides an overview of the qualitative components of the previously conducted research. In all there were 35 participants of the study and all of them were female beneficiaries. A questionnaire method was used for data collection in order to get possible responses. The questionnaire is based on the open end and close end data. Participants were requested to share their personal experiences regarding micro-credit. The study has found out that micro credit has a positive impact on social – economic growth of the beneficiaries of the loan as well as their families. It is also noted that the number of loans is directly associated with outcomes.
Keywords: Micro Financing, Poverty alleviation, Suburbs, Females, Pakistan

1. Introduction
Microfinance has defeated the debate over development strategies and poverty reduction. It is a widespread opinion that micro-credit programs are able to generate a virtuous circle of increasing income that would let poor people out of their poverty-stricken condition. It provides opportunities to generate sufficient income. The noteworthy part is it provides financial services that are not available through the traditional financial system.

Poverty is an intense and painful experience of deprivation, discrimination, fear, injustice and hunger. It is a life style without freedom, shelter, health, education and ill- treatment at the hands of society. Lack of entrepreneur activities and vulnerability to adverse shocks are the characteristics of poverty(WB 2000).

Micro-credit is a credit to the poor without any collateral (Hasan 2002). It is a credit system based on peer's trust, monitoring, easy access, participation and creativity. It is the system that provides small loans to unwaged persons and people having small businesses. These individuals are unable to meet even the minimum qualifications in order to gain access to the traditional credit like guarantee and supportable credit history(Md. Fouad Hossain Sarker 2012).

The key characteristic of Micro-credit is a credit provided to the poor free of collateral through institutionalized mechanism. This credit is made available at the door of the client, when needed(Bajwa 2001). The only capital of a poor is his labor power. A well targeted micro-credit program can help recipient to upgrade his capital and enjoy a better living. This mode of development as opposed to distribution of land is less confrontational. It is more productive in the creation of goods and services. Micro-credit is a better way of capacity building and social cohesion. It provides opportunities to poor in developing their innate potentials. It helps the poor in acquiring skills and self-confidence for the betterment of their lives.

The term micro-credit, micro-finance and micro-enterprise credit are interchangeable. Micro-credit envisages the lending of small loans. Micro finance adds savings and other services to micro-credit. Micro enterprise credit is complex as it assumes that all the credit reaching a client corresponds to an equivalent rise in the investment(Sinha 1998).

Micro-credit is a financial improvement started in developing countries. It facilitates extremely poor people (mostly women) to take self-employment scheme which enables them to generate income for improving their conditions and ending poverty. The best part is it provides financial services that are not available through traditional financial system. It not only facilitates poor people mainly women, but also proves profitable for customers and institutions which finance it(Dichter 2007). Micro-credit is integrating in the traditional and nontraditional funding organizations as they considered micro-credit projects as a source for future growth.

There is no previous study regarding women living in the suburbs of Rawalpindi. It will be a good start for further research.

2. Literature Review
The impact of micro credit is devalued because of low level of oral mathematical, reading and writing skills of recipients. Group-based lending makes credit assessable to people who do not have collateral to receive loans. He focuses on the importance of social capital, knowledge and skills(Khandker 1998).

As Sajeda Amin (1999)in her research discussed that subsidized credit is largely successful at reaching the poor and vulnerable. She argued that restricting loans to the landless is not effective in reaching the poor and vulnerable people. MFI (Micro Finance Institutes) are required to combine transparent sustainability with poverty reduction. They can be as different as their markets, cultures and technologies. As Muhammad Adeel (2010) in his research said that the lack of awareness of non-monetary performance is a hurdle for sound innovation. Technological innovation can be attractive when it is combined with measures to support community building and learning.

Hongbin Li (2004)focused on the effects of micro-credit projects on the poor. He discussed that, the micro-credit programs did not help increase assets of the participants. It did help to move one or more of their family members into an off-farm job. It indicates that supporting micro-credit programs is beneficial.

As Dr. Pratapsinh Chauhan (2014)analyzed the impact of Microfinance services of household women in Ahmadabad. They found that it successfully provides opportunities of self-employment that increased monthly income of beneficiaries. There was a big change in asset structure as they were able to purchase vehicles, electronic goods and agriculture equipment. Age, education and past experiences were considered an important positive trait of microcredit consumers.

Repayment period should me more than sixteen weeks. Study shows that microcredit market in Turkey is influenced by family cycle, culture, and community limitations(Hes 2013).

The study examines whether or not the loan programs free households from debts and lead them to higher earnings in the long run. Women activities increase in both expected and unexpected ways. It improves social status of women and enables them to work collectively for the solution of individual problems suggested by(Soofia Mumtaz 2004).

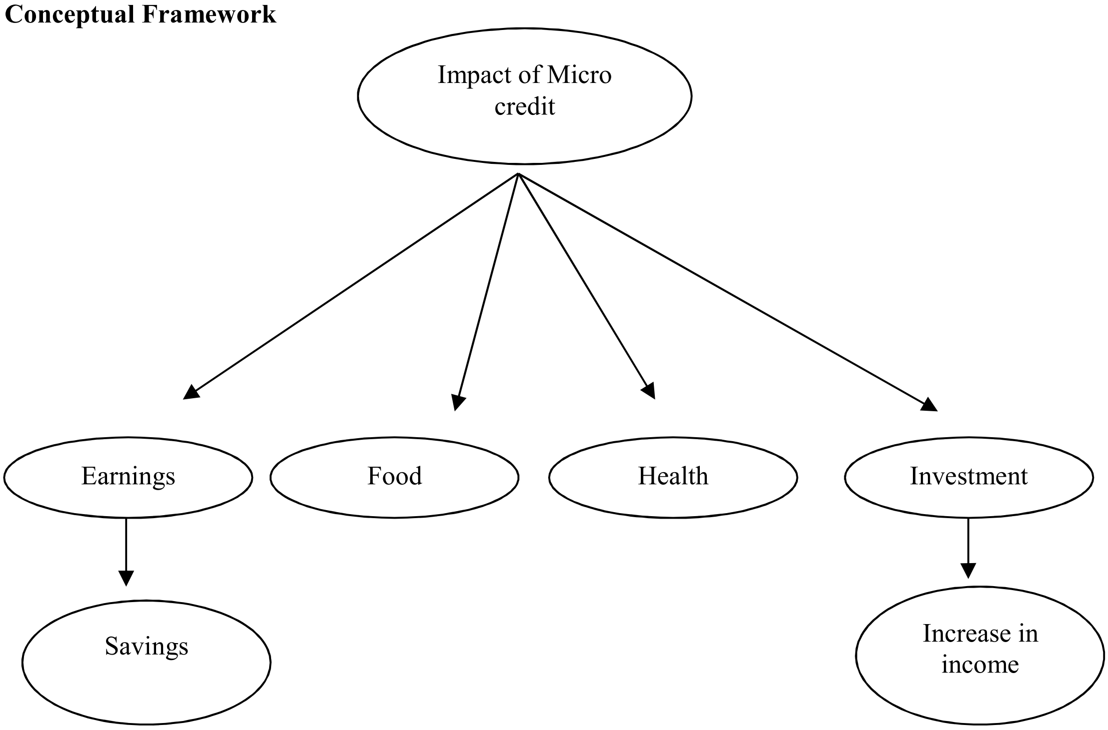
Experts of different micro-finance programs in general seems to have unanimity of views about poverty. Practitioners consider poverty as a complex and multi-dimensional phenomenon which goes beyond the notion of income and covers social, economic and political deprivations(Choudhri 2002).

Household income, employment and productivity of crops increased due to invested money. Results show that factors like age, number of family members, land size and client morality had a great influence on household income. It is also discovered that replication of such programs and effective training leads to improvement(M. Mizanur Rahman 2010).

According to Semboja (2004)analyzed that microfinance in not a final solution for poverty. Credit alone is not enough to decrease poverty unless economic opportunities are provided. Financial initiatives should be taken to increase the effectiveness of small loans.

Microfinance has a great influence on women's decision making power. Women become more dependable to take decisions about their house, family, and children. The researchers figure out that female borrowers spend their earned income on children's education and purchasing of household items. They are more interested in improving their living standard rather than making their assets(Huma Rehman 2015; Namizata Binate´ Fofana 2015).

Conceptual Framework



3. Research Methodology

The present study is a quantitative analysis focusing on the relationship between micro credit and poverty alleviation. It is conducted to investigate the impact of micro-credit on the users' standard of living. In the present study 35 female participants are taken who belong to five different areas of Rawalpindi.

NUM	AREA	PERSONNEL
1	Aria Muhalla	8
2	Dhamyal Camp	7
3	Dhok Kala Khan	7
4	DhokRatta	7
5	Muslim Colony	6

The research uses non-probability purposive sampling technique. The five areas are selected where the interviews are conducted to have an insight about the impact of micro-credit. The selection of areas and individuals for the study are done in a systematic way. First different areas of Rawalpindi are listed. Finally, five areas were selected. The subjects are approached at their doorsteps. The subjects for the research are female users of micro-credit living in the suburbs of Rawalpindi.

The instrument used in the research is questionnaire. The questionnaire is divided into six parts; except the first section which is aimed to give a general picture of family structure and characteristics. All other sections are meant to identify changes, experiences and observations regarding micro-credit.

The notes taken during the interviews are used to argue interview transcripts. SPSS is used for the data analysis.

4. Analysis and findings

Monthly earning of the beneficiaries of Micro-credit

Table 4.1 Before Loan

Earning Before Loan	Number of beneficiaries	Percentage
No earning	10	28.6
PKR 1000-3000	10	28.6
PKR. 3000-5000	10	28.6
PKR5000-7000	5	14.3
Total	35	100.0

PKR (Pakistani Rupees)

Above is the description of the monthly earning of the beneficiaries of Micro-credit. According to the results, 28.6% respondents had no source of income. They are jobless and those who are earning money are not satisfied because of large families and rapid increase in the cost of daily used items.

Table 4.2 After Loan

Earning After Loan	Number of beneficiaries	Percentage
PKR3000-5000	5	14.3
PKR5000-7000	5	14.3
PKR7000-10000	13	37.1
PKR 10000-15000	9	25.7
Above PKR 15000	3	8.6
Total	35	100.0

Table 4.2 shows a remarkable difference in the beneficiary's income. During the survey, it was noted that an increase in the income not only bring economic stability but also confidence and satisfaction.

Table 4.3 Did you and your family eat your fill?

Eating Habits	Number of beneficiaries	Percentage
Daily	13	31.7
Mostly	18	51.4
Sometimes	4	11.4
Total	35	100.0

The above table displays a description of beneficiaries and their eating habits during the utilization of micro credit. According to the results, after using micro credit most of the people eat properly. Only 11.4% beneficiaries sometimes eat properly.

Table 4.4 Beneficiaries of micro-credit and eating habits of family by the numbers of loan

Number of Loans	Eat				Total	
	Now		**Earlier**			
	f	%	f	%	f	%
One loan	1	2.9%	0	00.0%	1	2.9
Two to three loans	17	48.7%	11	31.4%	28	80
More than three	4	11.4%	2	5.7%	6	17.1
Total	25	71.4%	13	2.9%	35	100

The result shows that beneficiaries have better eating habits, as a majority want to spend money on eatables. During the survey, it is noticed that now they want to spend more on eatables. Large number of loans increase the expenditure on eatables.

Table 4.5 Effect of micro- credit on family health by the number of loan taken

Number of loans	Family Health						Total	
	Now		**Earlier**		**Equal**			
	f	%	f	%	f	%	f	%
One loan	0	00.0%	0	00.0%	1	2.9%	1	2.9
Two to three loans	20	57.1%	1	2.9%	7	20.0%	28	80.0
More than three	5	14.3%	0	00.0%	1	2.9%	6	17.1
Total	25	71.4%	1	2.9%	9	25.7%	35	100

The result shows that one loan has an equal effect or no change. On the other hand, two or three loans brought a change in health facilities. Now they can afford better medication for their household.

Table 4.6 Impact of micro-credit on investment activities

Impact	Number of beneficiaries	%
Positive impact	31	88.6 %
No	4	11.4 %
Total	35	100.0 %

This shows that 88.6% of beneficiaries have a positive impact while others have no impact. This impact can be seen in the increase of income and assets. According to Anlas Bibi (beneficiary of loan) of micro-credit "Micro *–credit has a positive impact because before getting the loan my husband was just a mechanic and after that he started sale of spare parts along with the repair*". Participants having a large family size and loss in business have no impact.

Table 4.7 Level of increase in income after the use of micro-credit

Level of increase in income	Number of beneficiaries	Percentage
PKR 1000-3000	12	34.3
PKR3000-7000	17	48.6
PKR7000-10000	4	11.4
Above PKR 10000	2	5.7
Total	35	100.0

In all cases (table 4.7) the level of income was increased whether the level was maximum or minimum.

48.6% cases enjoyed 3000-7000 increase in income.

Conclusion
This study has explored the impact of microcredit on the socioeconomic growth of the beneficiary's family. The findings of this study indicated that clients are mostly housewives having a low educational background. Microfinance program has provided women with an opportunity to perform their economic activities and help their family in a constructive and organized way. It has a remarkable change in the income, saving, eating habits, health conditions and education facilities of beneficiaries. (Banerjee, Duflo, Glennerster, & Kinnan, 2015) also indicate the remarkable difference in health and education of the entire family. (Garikipati, 2008) analyzed that empowering women through microfinance bring noteworthy difference in household assets and income. One thing is that it gives confidence to move socially in a better way. (Julia C. Kim, 2006) analyzed social empowerment also reduces violence against women. Impact of services multiplies with the help of continuous support of financial institutes. Large numbers of loans have a direct impact on people's living standards. Only one loan cannot help in increasing the income and living standards. There must be a unit that provides guidelines to individuals and act as a monitoring cell as People do not know how to spend their loans as previous research indicates that because of lack of proper knowledge and training members are unable to use their savings properly.Dhanonjoy Kumar (2015) In some cases, th=ey do not utilize their loan in profit gaining activities.

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