Is Micro Financing Act as Anti Poverty Agent in

K.P.K Rural Areas?

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Abstract

Micro financing is one of the most important and growing phenomena of the world in order to reduce poverty, creating employment opportunities, and playing its role in development of developing as well as developed countries economy**.** But still it is not yet plasticized in its full span in order to get the required results. In this research paper we try to examine the impact of Micro financing on the socioeconomic condition of the poor segment of our country particularly in rural areas of KPK. There are cretin limitations in our study firstly the sample consist of 120 respondents in term of response from population. Secondly that data is collected from rural areas of Peshawar, Kohat, Karak, Bannu and Lakki Marwat. The result shows that most of the respondents were quite happy with the policy of Micro financing. And it have greater impact over economic condition of the peoples in rural areas. But in loan structure and installment thee is confusion for the peoples of those areas because of low level of knowledge. At the same time in effective fund management also create troublesome for the peoples.

Key Words; Micro financing, Poverty, Rural areas, socio economic condition,
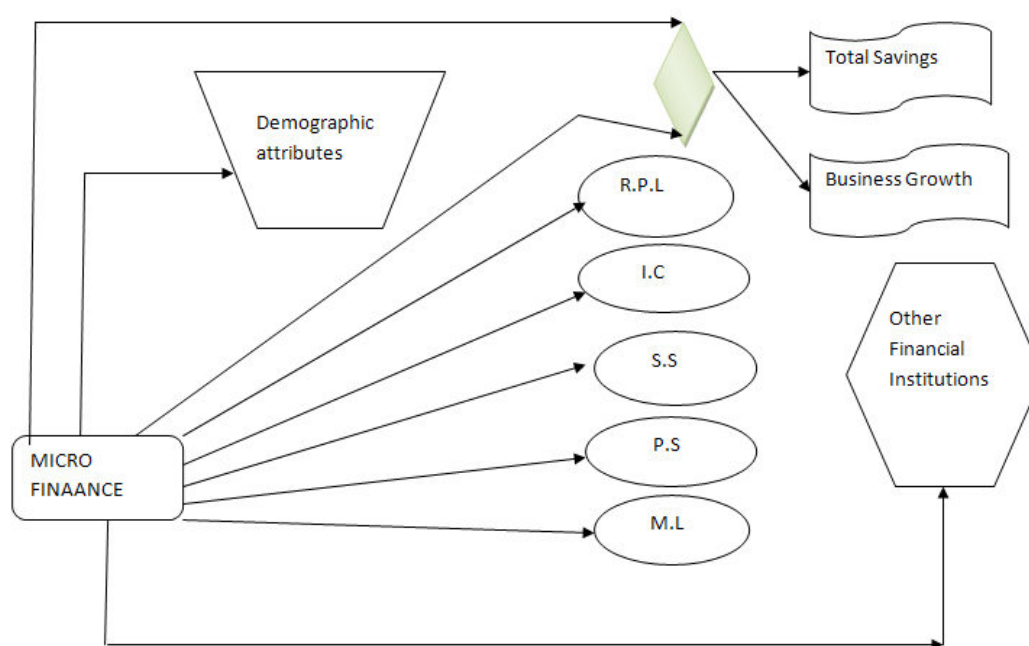
Background of the study;

Pakistan is placed at number six among most popular countries with average population 187,343,000 (2011 EST.)   And average growth rate of 1.6% per annul. Gender ratio is 1 of man to 05 of women. According to the report from trading Population in Pakistan "The Rural population in Pakistan was last reported at 109363831.29 in 2010, according to a World Bank report published in 2012. Rural population refers to people living in rural areas as defined by national statistical offices. It is calculated as the difference between total population and urban population". The average employed workforce is 57.3 million of which 26.66 million in rural and 31.02 million in urban areas. According to economic survey much of the population live in rural areas of Pakistan is age among 15 to 45 years old. According to estimates still 23.55 %people lives below the poverty ratio is23.55%.

As poverty reduction is the basic theme of microfinance. And through effective use of Microfinance concept/Module many countries has over come to their population problem and try covert the problem into opportunities because of Micro financing. As in developing countries population is the biggest problem and by providing opportunities through short term easy way financing these problems can be controlled. There is no magic in providing financing what is so central to the success of the concept is to find out the potential community and providing credits or facilities to these neglected segment of county by MFI's, MFB's, and other programmers. Where the focus is on betterment of poor people is the crux of Microfinance.

Problem Statement:

As commercial bank and Microfinance Banks as well as institution both provide help to poor regiment of country. In the earlier days (before 1970's) bank doesn't provide loan to the poor people because of they did not posses basic requirement for loan. But after the revolutionary advent of Micro financing concept now other commercial bank also providing short term loans to poor segment. As in todays globalize world every one want to get opportunity of the situation. Now by providing loan to poor investigate that either life of poor because case after introducing short term financing. Theses has to be studied keeping in view following objective is listed. Pakistan is placed at number six among most popular countries with average population 187,343,000 (2011 EST.) And average growth rate of 1.6% per annul. Gender ratio is 1 of man to 05 of women. According to the report from trading Population in Pakistan "The Rural population in Pakistan was last reported at 109363831.29 in 2010, according to a World Bank report published in 2012. Rural population refers to people living in rural areas as defined by national statistical offices. It is calculated as the difference between total population and urban population". The average employed workforce is 57.3 million of which 26.66 million in rural and 31.02 million in urban areas. According to economic survey much of the population live in rural areas of Pakistan is age among 15 to 45 years old. According to estimates still 23.55 %people lives below the poverty ratio is23.55%.

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Theoretical Model for the Research;

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Objectives:

The main purpose of this study is to compare the performance of CB with MFIs and assessing the impact of Micro Finance on socio- economic condition of poor people the specific objective for the study is as following.

• To analyze the impact of MFIs on the socio- economic condition of poor people.

• Find out difficulties during Micro financing in rural area of PKP

• To suggest different strategies and policies for effective use of Microfinance.

Limitation of the study:

There are cretin limitations in our study firstly the sample consist of 120 respondents in term of response from population. Secondly that data is collected from rural areas of Peshawar, Kohat, Karak, Bannu and Lakki Marwat. While during interview many problem were faced. As most of the people related to research were illiterate so they could not give satisfactory answer of technical terms like. Assets, capital e.g. at the same time visits to for flung villages was also a big problem.

REVIEW OF LITERATURE;

A review of the literature on the microfinance sector in Pakistan is relatively new; most of the research was carried out to assess the impact of microfinance for poverty reduction in the early to evaluate the performance of the microfinance sector reveals interest. Most of the research in this field conducted mainly from Kashf, NRSP, and the Orangi Pilot Project in Pakistan poverty alleviation programs such as microfinance institutions in the

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2000s, was some research and surveys the development of economy in Pakistan Institute of the State Bank of Pakistan and by the Center for Applied Economic Research, was conducted.

First time, most of the studies examined the growth of microfinance developed proxy measures of service and loan repayments. This approach is based on the assumption that volunteering was increased from the point of view of the number of overdue loan delinquencies created in the microfinance sector as follows: (Khandker, 1999) has been carried out successfully

AKRSP, NRSP and PRSP successful growth of small means serve and increase loan repayment, how to repeat yeoncheeul have adopted. The limitations of this approach to evaluate the performance of the unique aspects of the width of volunteering and in-depth, range, value and the financial health of the field (Schreiner, 2002) indicates that the other dimensions of the relief that is unclear. Successful case studies that most of the later 1980s, the adoption of the approach to the case and impact studies, this method has been reported was still an individual institution or the repayment of the loan were used as key indicators of the performance of the entire sector as a deflection. Accurate picture of the advantages of these studies overestimate the actual conditions of poverty and Adams (1988) underestimate the cost of the mask.

Research Methodology;

This chapter will explain the overall methodology for collection of required information. For this purpose in the section well will define in detail all the techniques for information gathering. As appropriate method for data collection and analyzing will enhance the value of research work. As our research work consist of getting data from poor segment of population in selected district of PKP rurals areas. As well as we have to compare the performance of Microfinance banks with other commercial bank because the main theme is of our research study is micro financing. That's why appropriate method is required to get accurate information. For current research well will obtain data from primary sources as well as secondary medium also. This chapter gives information about collection, data analysis, using of different statistical packages for analysis of data to find out more meaningful results.

 Population:

The four group consist of peoples in rural areas of selected five distracts of KPK. These are District Kohat, District Bannu, District lakki marwat, District karak and District Peshawar. The four groups are those borrowing loan from MFB's, MFI's and other financial institution working in these distracts.

 Sample.

For the said research convince sampling method was adopted. Convince sampling mostly present homogeneous population and almost all the characteristics of selected sample are same. According to (sekarm, 2003). This method of sampling gives us inside and in-depth information about the research objective. A sample of 120 borrowers was selected.

DATA COLLECTION MATHODS:

In order to get information according to the research objective different took of research was applied for comparing the performance of MSIs and other commercial bank data was obtained from KSE as well as respective banks. While online services were also used in gathering information about the objective of originality. For the next part of research other important tools such as interview and detail questioners were used to gather data.

INTERVIEW METHOD:

It is qualitative data and enriches our information regarding particular research. This set of data enable researcher to get more detailed description as well as explanation of process of management of MFIs. Thought interview to get knowledge about all those element of research that cannot be finding through literature review but they play

an important rule in research context, in this research (FTF) face to face interview method was selected where the questions were unstructured in nature. According to (lincoxn & Guba 1985) content analysis was applied that systematically overview the situation and content of two way communication while explained the situation in more detail and logical way.

SURVEY MATHOD:

Survey is such a method though which data is analyzed quantitatively. For the current research detail short questioners was developed keeping in view the nature and objective of the research work. The questioners consist of the various questions related to demographic, age, sex, education, life style, income generation method, current status, family size, MF opportunities as well as business, income and saving. Our questioner's questions were very simple in nature and consist of different option. The respondent was asked to select any of the above answers. While some question consists of dichotomous nature consist of YES or NO option. In the same questioners part B consist of different questions related to Micro financing impact over their social economic life. For these question we also used "Likert scale)" eg consist of 1-5 scale points.

Techniques for data analysis:

Letter for this part of research we use descriptive research e.g. mean median, model, standard deviation for analyzing different variables. As micro financing is an old concept hence data about historical evolution of MFs is called and analyze through descriptive statistics. According to full and Hawkin (1993) the descriptive research focus on the explanation of different variables.

In order to analyze hypothesis HoB and H1B we use Pearson correlation method.

I;   HoB = p=O (if there no relation exist between increase in economic standard and increase in income level generation)

H1B=p≠ O (if there is relation exist between increase in economic standard and increase in income level generation)

II;   = O.O1

III;   the null hypothesis p=o was tested by implementing Pearson correlation (Hays: 1973)

$$ r = \frac{\dfrac{\sum xy - \sum x \sum y}{N}}{\sqrt{(\sum x^2 - (\sum x)^2)\,(\sum y^2 - (\sum y)^2)}} $$

Where

R= Pearson correlation

X= increase in economic standard

Y= increase in saying & benefits

N= sample size

IV; if Pearson correlation value becomes zero, than we will reject null hypothesis.

RESEARCH MODEL:

MF= βo+ β1 I.L+ β2 S.S + β3 P.S+ β4 M.L + β5 R.P.L + β6 C.E +E

Where

MF= Micro Financing

IL= Income Level

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S.S= Social Status

P.S= Psychological satisfaction

M.L = Motivation level of respondent

RPL= Reduction in over all poverty level.

CE= Children Education.

E= Error

The following equation of Micro financing explain in detail about the variables in this study .Actually this study consist of investigating different prospects of the Micro financing .In phase one relationship between micro financing and increase in growth as well as saving is measured through Pearson correlation. For which a separate hypotheses was developed. While in the next section the impact of micro financing on the conditions as well as different factors are measured. For this purpose a multi correlation equation is developed that consist of independent variables like income level, social status, psychological satisfaction, motivation level, reduction in poverty level in that particular region was measured through equation $MF= Bo+B1IL+B2s.s +B3 P.S+ B4 M.L + B5+ RPL + B6 CE=E$. After analyzing the data for the above multiple regression equation the final values are as following and the equation become

M.F= 1.039+0.456IL+0.334S.S+0.499P.S+0.554R.P.L+0.589M.L

RESULT AND DISCUSSIONS;

Table No 1; Reliability Test;

| Variables	No of Items	Alpha reliability coefficient
Income level	4	0.7345
Social Status	4	0.9231
Psychological Satisfaction	4	0.7579
Motivation	4	0.8086
Reduction in over all poverty	4	0.7491
Children Education	4	0.7499
	__24__	_____

Tables 2; Correspondent profile of Education, gender, qualification and income level

Variables	Measuring Group	Frequency	Percentage
Gender	Male	80	83.33
	Female	20	16.66
	Total	**120**	**100**
Education	No Education	15	12.83
	1 up to 5th class	73	60.83
	6 up to 10th Class	20	16.66
	10 up to 12th Class	07	5.83
	Above 12th	05	4.16
Age	**Total**	**120**	**100**
	20-30	77	64.16
	30-40	29	24.16
	40-50	14	10.83
	>50	01	0.83
No of Dependent	No Children	12	10.00
	1-3	50	41.66
	3-6	38	31.66
	>6	20	16.66
	Total	**120**	**100**
Business Type	Owner	89	74.16
	Worker	3.1	25.84
		120	**100**

Table,3: Information about total amount in hand during starting of Microfinance;

Variables	Measuring Group	Frequency	Percentage
Hammonton Starting **Business**	From MFIS	72	60
	From Other F1	08	6.66
	From Friends	20	16.66
	Personal amount	30	25
		0	**100**

Graph 1; representing information's regarding amount in hand during the concept of M.F
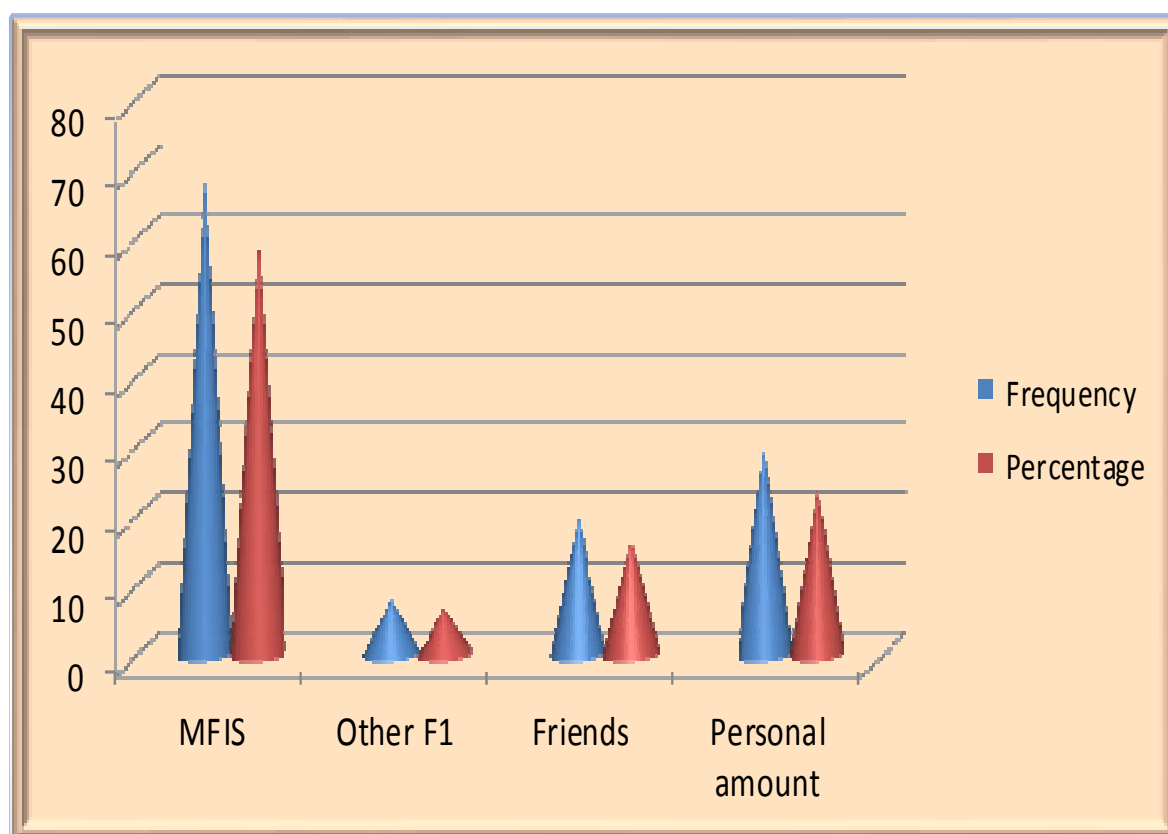
Table, 4; Nature of Business Respondent

Nature	Number	Respondent
Services age	69	57.5
Sales	09	7.5
Retailing	38	31.66
Whole selling	04	2.9
	120	**100**

Graph 2; represent nature of the business of the respondents;
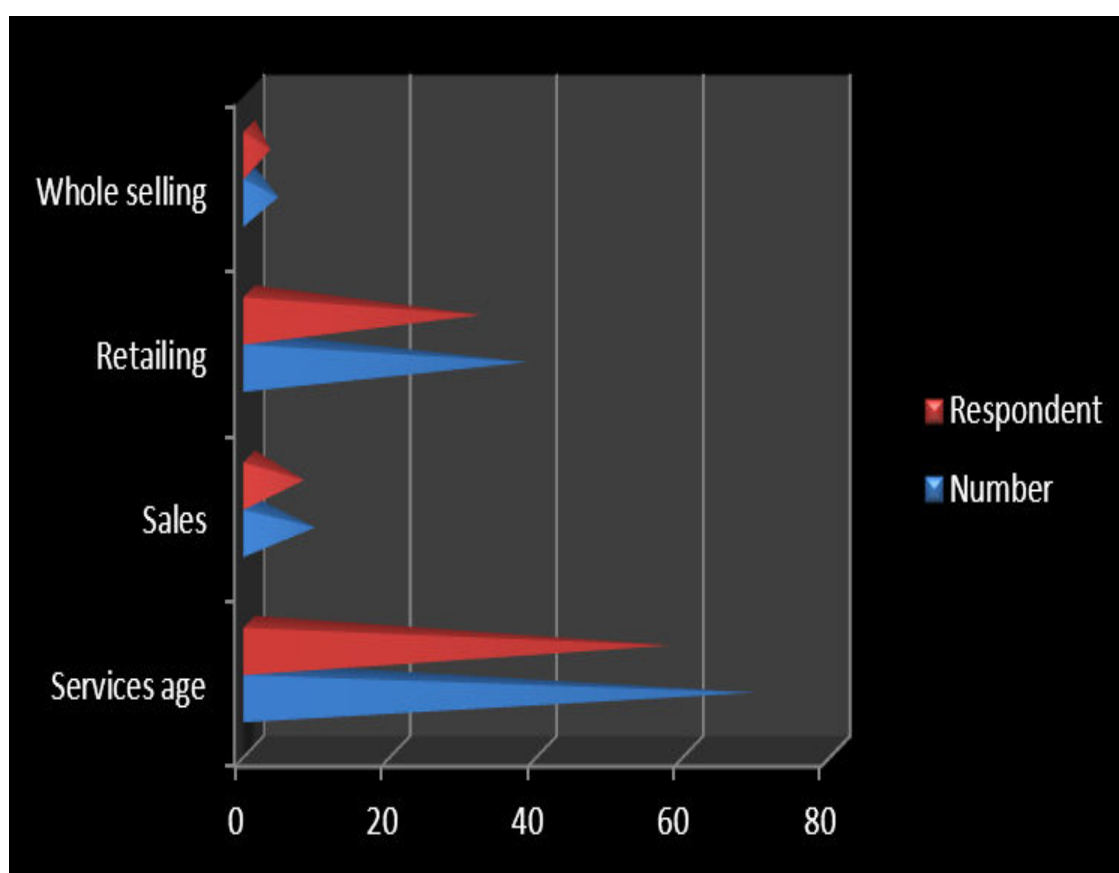
Table No 5; Modes of Payment;

Mode of Pay	Number of Respondent	Percentage
10 Lump sum pay	10	8.166
6 month inst	65	54.166
3 month inst	10	8.33
12 month inst	35	29.16
	120	**100**

Graph 3 ; Represent modes of payment of the Micro financing;
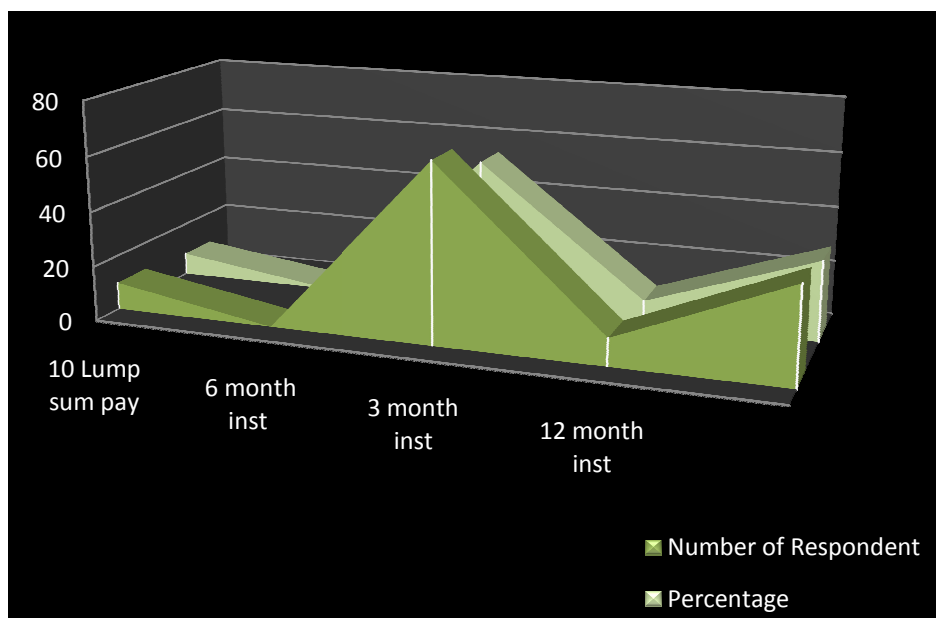
Table No 6 ; One   Sample   Test;

Characteristics	Test Value	Statistics	Degree of Freedom	Statistical Significant	Mean Difference	95 % Confidence Interval	
Interest Rate of Micro Credit Financing Instruction	2	8.862	0.00	0.000	0.879	0.88	2.21
How to take Loan mean Proud use	3	15.403	109	0.000	1.387	0.79	2.21

Table No 7 ; Correlation of research Models:

Variable Title	IL	S.S	P.S	RPL	ML
IL	1	.438	.591	.000	.454
S.S	.438	1	.613	-0.40	.683
P.S	.591	.613	1	.080	.603
RPL	.000	-0.40	.080	1	.150
ML	.545	.683	.603	.150	1

Table No 8; Tolerance and VIF Diagnostic for Multicollinearity;

Variable Title	Tolerance	VIF
IL	.704	2.933
S.S	.638	1.822
P.S	.344	2.123
RPL	.988	1.899
ML	.274	3.555

CONCLUSION;

In our research work we study both descriptive quantitative analysis and we see that there is positive correlation between dependent variable (M.F) and in dependent variables. This relationship was determine by multiple regression analysis the result validated the previous studies in which positive relationship between dependent

and independent variable (M.F) was found. Micros finance act a stimulating component for creating jobs opportunities as well as increase the psychological and motivation level of respondent. IF Micro financing is truly experienced in its natural sense than it can serve masses better than any other strategy particularly in developing nations and specially in Pakistani context. While some of the micro financing institutions face difficulty in generating funds for its appropriate business. As micro financing is still have a magical impact over different developing countries like Bangladesh, India and Sri Lanka in Asian region and most of the countries in South America, and Africa region. While in Pakistan it is still in introductory stage while cultural differences also play an important role in development of Micro Financing opportunities. That's why it is not yet use in its fullest wing in Pakistani prospective. But if government support and public private partnership plays its role than it can serve better the masses.

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