

Role of Microfinance Institutions to Transform Health and Education of Middle Class People of Pakistan

Hafiz Tahir Mahyuddin (Director SCA)

School of Commerce & Accountancy (SCA), University of Management & Technology, Lahore

Saiqa Anwaar (Lecturer)

School of Commerce & Accountancy (SCA), University of Management & Technology, Sialkot, Pakistan

Shahid Latif (Lecturer)

School of Commerce & Accountancy (SCA), University of Management & Technology, Sialkot, Pakistan

Umer Shahzad (Lecturer)

University of the Punjab, Gujranwala Pakistan.

Abstract

Microfinance institutions are products and services offered to the small business for improving the poor people especially health and education standards services including the saving, insurance, and money transferred facility, and a broad array of loan options. The main aim of the research paper is to deeply analyze and examine the role of micro finance institutions on bringing improvement in the health care and educational standards of middle people of Pakistan. The research is quantitative in nature. Questionnaire technique is utilized for the conduction of the research. The sample size limit is one hundred and five. Correlation and Regressions tests have being utilized for the analyses of the data. The findings of research have reflected that a micro finance institution does transform the health and education of middle class people of Pakistan.

Index Terms— Microfinance Institution, Analysis, Health Standards and Education System

Introduction

Microfinance institutions play a progressive role leading towards the economic growth of any developed and under developed regions, society and community (Morduch, J, 2002). The main aim of this research paper is to focus on role of micro finance institutions in improving the health standards and education of middle class people with the support of microfinance aid or funds. The concept of microfinance institutions is not new to us. These microfinance institutions policies are designed and developed for middle class people or people who are living under the line of poverty (Sunia Ayub, 2013). Today, in the presence of competitive business environment, microfinance institutions are performing same functionality as compared with commercial banks of Pakistan. Top management involvement in terms of decision making skills of microfinance institutions is based on the global funding and effectively utilized these funds in rite direction (Holvoet, Nathalie , 2005). These directions work lead towards the success and economic growth as well. Microfinance institution are considered as the essential for improving the system by providing individuals small loans amounts, execution innovative ideas for entrepreneurs which do not have money, self-employed and effectively utilization of home based business (Farrell & Chris, 2006).

The process of microfinance institutions are connecting and starting its operational activities with the support of money, self-sustaining and generate income which making them enterprises in the local market (Mahmud, Simeen, 2008). The revolutionaries of microfinance institutions are setting according to their ambitious goals and objectives. The microfinance institutions top management involvement and contribution is creating more professionalized in term of financial system, distribution of funds and improving living standards (Farrell & Chris, 2006). Microfinance institution products and services offered by the small business for improving the poor people especially health and education standards services including the saving, insurance, and money transferred facility, and a broad array of loan options (Rahman, Aminur , 2001).

The network of microfinance institution is spread through Asia, Bangladesh, India Latin America, Africa, East Europe, and many other developing worlds as well (Ted Baumann, 2007). All of these countries are developing and high population lives below the line of poverty and annual report show the weak economic position. Corporate governance plays a dynamic role to well perform the operational function activities of microfinance institution (Farrar, 2008). The corporate governance is associated with effective decision making skills, experience, effectively utilization of powers, shareholders and work for more development of microfinance institutions in their needed areas (Petra, 2005). The policy and procedure of microfinance institutions leads towards the health care of poor people, improve their current business situation, fulfilled their needs and educational system based on effectively utilization of worldwide funds (Farrar, 2008). The performance of microfinance institutions are correlated with the policy and procedures of corporate governance

connected with investments, effective utilization of top management powers, decision making skills, profitability and development of microfinance institutions (Sun, Mellahi, & Liu, 2011). Corporate governance of microfinance institutions is helpful for middle class poor people of Pakistan. Obtaining the top management leadership and commitment plays a critical role for the diversification programs to succeed (Albert & Whetten, 2006).

Problem Statement

Pakistan's economic growth has been facing many fluctuations and increased unemployment and interest rates has overall made difficult for the people, especially middle class to meet their daily expenses. However, it is analyzed that emergence of the micro finance institution has and will overall impact on the living standards of the people. This research revolves around to investigate the role of micro finance institutes in improving the health care and educational standards of middle class people.

Objective of the Study

The main purpose of the research is to deeply analyze and examine the role of micro finance institutions on bringing improvement in the health care and educational standards of middle people of Pakistan. This is because in recent years it has been analyzed that number of people especially middle class is facing problems in bringing improvement in educational standards and health care.

Microfinance institutions play important role for improving the way of living standards, health and education system of middle class people of Pakistan. The main aim of microfinance institution is to help those people which are living under the line of poverty. The microfinance institutions operates its functional activities similar than commercial banks. Microfinance institutions are considered as the essential for improving the system by providing individuals small loans amounts, execution innovative ideas for poor entrepreneurs, self-employed and effectively utilization of home based business. This research tends provides one of the main aspects for the middle class people for the utilization of the services of microfinance institutions.

The remaining structure of this paper is associated with literature review covering the important aspects such as theoretical framework model and formulation of hypotheses. Then, design the research methodology related to the sample size, data collection methods and statistic development tools is used for required outcome. Results and discussion is revolving around the correlation and regression analysis model. In the end, conclusion provides the improvement in microfinance institution transforming the health and educational system.

Literature Review

Microfinance institutions are working for provision loan facility with the help of financial service products offered to poor people of any developing region. The main aim is to facilitate the customers according to their needs and requirements in terms of business condition improvement, health care and educational system. The research study is about the "corporate governance connects with performance of microfinance institution implemented in central and Eastern Europe states". The main functionality and activities of microfinance institution is considering as the outcome of committed individuals provide them assistance for reducing the poverty and leading towards the self-employment. All of these factors are directly influences the activities of entrepreneurship (Hartarska & Valentina, 2005).

Today, in the presence of the competitive environment, microfinance institutions face many different challenges due to accomplishment and achievement of financial services for changing the living standards of middle class people of any region (Durrani, Usman, Malik, & Ahmad, 2011). These microfinance institutions operate its functional activities in terms of cost, sustainability, and work for better growth, governance and show the positive performance in market. Microfinance institution operational functional activities focused on innovative lending product or services development for improving the constant and sustainability (Farrar, 2008). This factor also shows the strength and impact on microfinance indicator on borrowers.

Another important aspect of microfinance institutions is about the characteristic of households savers (Morduch & Jonathan, 2005). The process of household savers is clearly defining the major source of distribution of funds for the financial market (Durrani, Usman, Malik, & Ahmad, 2011). Same process of funding are utilize for commercial banks, savings, loans, mutual saving banks and many other related companies perform functional activities. The function of microfinance banking system also revolve around the liquidity assets, checking individual accounts, certificate of deposits, loans issuance policies and requirements for gaining competitive advantages in the local market (Hartarska & Valentina, 2005).

Microfinance institutions are offering different business loan facilities on five main characteristics such as income, age, life cycle, education and occupation (Farrell & Chris, 2006). All of these aspects are very important for enhancing the microfinance operational system activities and its network. During the past recent years, it is observed that there has been growing concern about the possible for capital shortage all around the global (Parker, Joan, Ira, & Kelly, 2000). On the other hand, the empirical studies and projections of capital

gaps have been based on various assumptions, inconsistent with the theory of capital accumulation. They naively extrapolate past trends, with few modifications for economic growth influences. According to the research study was about the “role of subsidies in microfinance institution evidence for Grameen Bank”. The main purpose of the study is revolving around the bank offering microfinance facility to poor households, showing alleviate poverty by providing them small loans, deposit facility for gaining more consumers trust (Morduch & Jonathan, 2005). The outcome of this study was determined that the ratio of poverty in term of business current condition, health care and educational standards improving with the passage of time. In return the bank was established and accomplished its goals within define timeframe based on recovery and setting a lower interest rate.

It is observed that from the past literature that microfinance institution target geographically to most of its consumers from local city and underdeveloped region. All of these targeted audiences increase the sales and market worth of microfinance institution in the local market (Aftab & Naveed, 2013). Secondly, targeting the audience or consumers from covering the demographic and socio economic factor of marketing main focusing on the specific gender, no age group limit, income level, consumer’s health issues, educational level and many other related activities perform which all are in the favor and improvement of banks (Jamal & Policy, 2008). Thirdly, psychographic target market of microfinance bank is considered as the market has obtaining the same attitudes, workplace environment, consumer’s friendly staff, values, obtaining lifestyles or standards for attracting more and new consumers for accomplishment of goals. This microfinance institution loaning product related segmentation orientation is also already exist for own specific product (Montgomery, 2005). The main aims of microfinance institution is to develop their market worth, increasing sales, decreasing the number of competitors, focus on the marketing campaign and offer best quality services for consumers according to their expectations and fulfilled their requirements (Mosley, 2001).

In this research paper, there are three main parameters discussed which have been considered during the study that are health care, business conditions, educational standard directly influencing the role of microfinance institutions. Most of the previous literature related to the role of microfinance institution (Ahmad, 2008) (Farrar, 2008) (Holvoet, Nathalie , 2005) (Rahman, Aminur , 2001) (Zaidi, 2007) is connected through different aspects leading towards the progression of economy growth.

Theoretical Framework Model

Theoretical framework model is derived from related literature. This theoretical framework model is based on main variables. Independent variables are health care, business conditions and educational standards and dependent variable is microfinance institution.

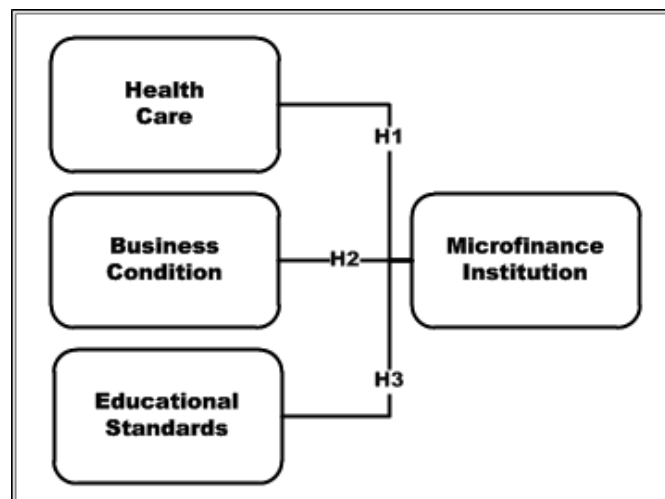


Fig. 1 Theoretical Framework Model

H1	There is a positive relationship between the health care and microfinance institution.
H2	There is a positive relationship between the business condition and microfinance institution.
H3	There is a positive relationship between the educational standards and microfinance institution.

Methodology

Research methodology is considered as the center piece of attention for conduction of the research paper. This research methodology revolves around the role and functional activity of microfinance institutions, improving health care of middle class people; improve their current business situations and educational system in any region. Research methodology is interconnected with idea and information about microfinance institutions resolves around the problem. The main problem diagnosed in this paper is associated with Pakistan's economic growth has being facing many fluctuations and increased unemployment and interest rates has overall made difficult for the people, especially middle class to meet their daily expenses. The literature review is designed and developed according to highlight the role of microfinance institutions to transform health and education of middle class people of Pakistan. Both sources of data collection information are used for conduction of the study that is primary method and secondary method. Non-probability sampling method is used for the accomplishment of the data analysis for overall improvement in the system of microfinance institutions to transform health care, business condition and educational especially for middle class people of Pakistan.

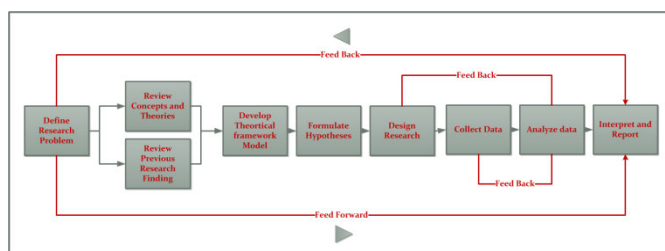


Fig. 2 Methodology

This research data is gathered from different microfinance institutions and their customers. These microfinance institutions are FINCA microfinance, Tameer Bank, Khushhali Bank of Pakistan, First Microfinance bank Pakistan and NRSP Microfinance bank. It is considering as the top management of microfinance institutions involvement and contribution is creating more professional in term of financial system, distribution of funds and improving living standards. The sample size limit is not more than 105. In this paper various research tools are used for composition of data transform into meaningful form. This research data is determined with the help of SPSS software version 19.0 (Argyrous, 2012) used to perform results and discussion. The outcome of this paper is based on two main tests such as correlation analysis and the other one is regression analysis. Correlation analysis is used for testing of hypotheses, and regression analysis is used for determining the actual position of variables, frequency, regression value and many other related functions performed. In the end, interpret the report and suggest recommendation for improvement in the system of microfinance institution to transform the health care and educational system of middle class people of Pakistan.

Analysis

The results and discussions of this research paper are connected with correlation analysis and regression analysis. Both of these tests are considered as an important tool for determining the relationship among variables, testing of hypotheses and also evaluating the actual position of variables in the study. It is analyzed that microfinance institutions are performing same functionality as compared to the commercial banks of Pakistan. The management revolves around the decision making skills of microfinance institutions, global funding and effectively utilized these funds in needed projects.

Correlations

This correlation analysis table is used for testing of suggested hypotheses derived from framework model. The result of correlation analysis are presented.

Table 1 Correlations

Correlations		Health Care	Business condition	Educational Standard	Microfinance Institution
Health Care	Pearson Correlation	1	.162	.131	.512**
	Sig. (2-tailed)		.000	.000	.000
	N	105	105	105	105
Business condition	Pearson Correlation	.162	1	.277**	.330**
	Sig. (2-tailed)	.000		.000	.000
	N	105	105	105	105
Educational Standard	Pearson Correlation	.131	.277**	1	.250*
	Sig. (2-tailed)	.000	.000		.000
	N	105	105	105	105
Microfinance Institution	Pearson Correlation	.512**	.330**	.250*	1
	Sig. (2-tailed)	.000	.000	.000	
	N	105	105	105	105

** . Correlation is significant at the 0.01 level (2-tailed).
 * . Correlation is significant at the 0.05 level (2-tailed).

The test of correlation analysis is interconnected with independent and dependent variables. According to the results, first hypothesis is about the relationship between the health care and microfinance institution. So the values shows that health care factor and microfinance institution having correlation coefficient i-e .512**, sign level =.000. Second hypothesis is about the relationship between the business condition and microfinance institution. So the values shows that business condition factor and microfinance institution having correlation coefficient i-e .330**, sign level =.000. Third hypothesis is about the relationship between the educational standard and microfinance institution. So the values shows that educational standard factor and microfinance institution having correlation coefficient i-e .250*, sign level =.000. Hence, all the values support this study and accepted the suggested hypotheses.

Table 2 ANOVA

ANOVA ^b						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	150.732	3	50.244	56.09	.000 ^a
	Residual	904.766	101	8.958		
	Total	1055.498	104			

a. Predictors: (Constant), Educational Standard, Health Care, Business condition
 b. Dependent Variable: Microfinance Institution

ANOVA table is used for determining the variance in between all independent variables with dependent variable. These variables are positively interlinked with each other. Frequency is denoted by "F". The value of frequency is 56.09%, shows variance in framework model and level of sign=.000.

Table 3 Coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	5.221	1.896		2.753	.000
	Health Care	-.105	.120	-.083	-.881	.000
	Business condition	.433	.142	.294	3.039	.000
	Educational Standard	.198	.106	-.179	1.862	.000

a. Dependent Variable: Microfinance Institution

This coefficient table is extracted from regression analysis. Here, the values of standard coefficient is very

helpful for evaluate the actual position of variables or predicators. According to the result, it is analyzed that the first best predictor i-e Health card having beta value (0.83), second predictor is the educational standards having beta value i-e (.179) at the level of sign i-e 0.000. So, it is recommended that both of these variables are very good and improve the overall efficiency of microfinance institution in the local market.

Conclusion

Today, in the presence of competitive business environment, the role of microfinance institutions is considered as an important in the development of economic growth. The outcome of this paper concludes that the main purpose of all microfinance institutions is to help middle class people of any region or society. All of these major activities of microfinance institutions are leading towards improvement for reducing poverty especially for developing countries. The statistical results shows the strength of global poverty, lack of household income circle difficult for managing, poor education, health care factor create negative attitude among people about business condition and many other related activities performed which is not in the favor of economic growth.

It is concluded that the performance of current condition of small business of Pakistan is not up to the mark due to inflation, energy crises and mismanagement, not properly planned and organized according to the requirements. Eighty percent people of Pakistan are living under the line of poverty, so the concept of microfinance institution is executed well. The organization structure of microfinance institutions are composed of three main components that are involvement of top level management, middle class management level and lower staff directly influences the customers for availing their innovative product and business services. It is analyzed that the majority employee's working in microfinance institution are performing well their assigned duties and effectively utilized their banking power for accommodation their customers. The top management of microfinance institutions is taking positive decisions with the support of chief operating officer uses the power for making new policies and innovative services, procedures and skills in terms of improvement, growth and expansion of the branches of the microfinance institutions in the local market. Health care factor is considering as an important aspects related to people who are living under poverty and not properly managing their expenses. Here, microfinance institutions help those people for offering them different account facility and insurance to accommodate them as per their policies. Another important factor of microfinance institutions are working under the law or license of State Bank of Pakistan. Many financial analysts think that the process related to the movement of funds starts from the money and capital market funds from saver to borrow.

Future Works

More future work should be conducted on the similar domain with an integration of number of other parameters and environments, especially focusing on the lower class people and role of micro finance in improving the health care and educational standards. This research study should be in future carried on large budget and long time span, so that productive results can be achieved.

References

- [1] Morduch, J, "Analysis of the Effects of Microfinance on Poverty Reduction," *NYU Wagner, Working Paper No. 1014, June, 2002.*
- [2] Sunia Ayub, "Impact of Microfinance on Poverty Alleviation: A Case Study of NRSP in Bahawalpur of Pakistan," *International Journal of Academic Research in Accounting, Finance and Management Sciences*, pp. 119-135, 2013.
- [3] Holvoet, Nathalie , "The Impact of Microfinance on Decision-Making Agency: Evidence from South India," *Development and Change, 36(1)*, pp. 55-70, 2005.
- [4] Farrell and Chris, "Microfinance Services the poor can bank on," *BusinessWeek Online 15*, 2006.
- [5] Mahmud, Simeen, "Actually How Empowering is Microcredit?," *Development and Change, 34(4)*, pp. 88-101, 2008.
- [6] Rahman, Aminur , "An Anthropological Study of the Rhetoric and Realities of Grameen Bank Lending Boulder," *Women and Microcredit in Rural Bangladesh*, 2001.
- [7] Ted Baumann, "Pro-poor Microcredit in South Africa Cost-efficiency and Productivity of South African," *Journal of microfinance*, pp. 99-105, 2007.
- [8] J Farrar, "Corporate governance Theories, principles and practice.," *Oxford University Press*, 2008.
- [9] S Petra, "Do independent outside directors strengthen corporate boards," *Corporate Governance, vol 5, no 1*, pp. 55-64, 2005.
- [10] P Sun, K Mellahi, and G S Liu, "Corporate governance failure and contingent political resources in transition economies A longitudinal case study," *Asia Pacific Journal of Management, 28(4)*, pp. 853-879, 2011.
- [11] S Albert and D Whetten, "Organizational Identity," *Research in Organizational Behavior, 7*, pp. 263-295, 2006.
- [12] Hartarska and Valentina, "Governance and performance of microfinance institutions in Central and Eastern

- Europe and the newly independent states," *World development* 33.10, pp. 1627-1643, 2005.
- [13] Muhammad Kashif Khan Durrani, Abid Usman, Muhammad Imran Malik, and Shafiq Ahmad, "Role of Micro Finance in Reducing Poverty: A Look at Social and Economic Factors," *International Journal of Business and Social Science*, vol. 2, no. 21, pp. 138-144, 2011.
- [14] Morduch and Jonathan, "The role of subsidies in microfinance evidence from the Grameen Bank," *Journal of development economics* 60.1, pp. 229-248, 2005.
- [15] Parker, Joan, Singh Ira , and Hattel Kelly , "The role of microfinance in the fight against economic growth influences," *Development Alternatives, Inc.(DAI), Bethesda, Maryland*, 2000.
- [16] Madiha Aftab and Tanveer Ahmed Naveed, "Role of Microfinance Institutions in Entrepreneurship Development in District Gujrat, Pakistan," *Issues*, vol. 1, no. 1, 2013.
- [17] Haroon Jamal and Social Policy, *Exploring the impact of Microfinance in Pakistan.: Social Policy and Development Centre*, 2008.
- [18] H Montgomery, "Meeting the Double Bottom Line : The Impact of Khushhali Bank's Microfinance Program in Pakistan," Tokyo, 2005.
- [19] P Mosley, "The Use of Control Groups in Impact Assessments for Microfinance," Geneva, 2001.
- [20] Saba Nisar Ahmad, "Microfinance in Pakistan: policies and practice," 2008.
- [21] S. Akbar et al Zaidi, "Social Impact Assessment of Microfinance Programmes," Islamabad, 2007.
- [22] G Argyrous, "Statistics for Research," *With a Guide to SPSS, SAGE, London, ISBN 1-4129-1948-7*, 2012.
- [23] Muhammad Nouman, Faisal Khan, and Amjad Hameed Khattak, "Availability of Microfinance and Its Impact on Economic Growth: A Case Study of Rural Areas of Khyber Pakhtunkhwa," *Journal of Managerial Sciences*, 2010.
- [24] Rashid Saeed, Rab Nawaz, and Zaheer Ahmad, "Effect of micro finance on poverty reduction of small scale farmers of Pakistan," *Scientific Papers Series-Management, Economic Engineering in Agriculture and Rural Development*, vol. 13, no. 2, pp. 363-368, 2013.

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:

<http://www.iiste.org>

CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

Prospective authors of journals can find the submission instruction on the following page: <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Academic conference: <http://www.iiste.org/conference/upcoming-conferences-call-for-paper/>

IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

