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# **CHAPTER 1**

# **INTRODUCTION**

This chapter shows the background of the as if why the study has been conducted. Also this chapter serves as a guideline to convey the overall idea of the research, by identifying and defining the primary elements of the study such as micro financing, Poverty eradication. Similarly this chapter identifies the significance of the study.

## 1.1 Background of Study

On a global level more than 1.9 Billion earns only one doller per day (Morduch, 1999). Millions of people wants financial services for their households, micro investments, medical purposes, insurances, saving etc. Yet they cannot avail these services from the commercial bank due to different reasons such as collateral requirement and unsuitability of their business model to services micro finance business. In growing economies people don’t have access to such services which is the primary reason behind poverty (Boadu, 2009), thus micro financing is being considered as tool for fighting poverty. Micro finance after going through different evolutionary phases beginning with providing with loans to the farmer ultimately reached a phase where it provides credits to females for improving their lives. Proper micro financing emerged in 1970s with many objective primarily including empowering woman, bringing investment in microenterprises, promoting investing and developing a proper micro financing system. All these objectives are achievable by micro financing (Dunford, 2006). The reason behind the importance of micro finance is based on the different credit providing facilities encrypted within the vast concept of micro financing. The idea of micro financing has gained great importance in the last decade and the contributing of Khushali Bank, Grameen Bank (Bangladesh) are best evidences in this regard. Grameen Bank was established by Dr. Muhammad Younus in 1976 due on its tremendous results in eradicating the factor of poverty he was awarded with Nobel Prize in 2006. According to a study conducted by Harley in 2006 on a global level micro financing increased by 19.7% while the clients of these facilities grew by 119%.

### 1.1.1 Defining Micro Financing

The literature based on micro financing is secret to no one still there is not a single formal definition of micro finance which could be considered as its universal definition. Micro financing according to some most famed researchers is following

According to Muhammad yonus “Micro lending is basically giving of loans which are minute in nature to poor and to Entrepreneurs so that they can qualify for traditional bank loans” (Bateman, 2014)

Micro finance is further defined as “Micro financing is the mechanism of granting minor loans to the people in need (also called micro credits) for such activities that could generate income. The loans are accompanied by other financial services as well which includes savings, insurance etc. (Ssemambo Hussein, 2019)

Micro financing is basically the concept of providing trivial amount of money to the poor sector with short repayment period and comparatively less interest charges unlike traditional banking system where loans are granted for longer time period with high interests and also higher collateral requirements. (Mariyan, 2019)

### 1.1.2 Definition of Poverty

Like micro finance poverty also does not have a universal definition yet there are different definitions of poverty all defining poverty from certain angles, World Bank defined poverty as:

“The disability of poor to reach assets which are fundamental for a higher standard of welfare. These assets might be humanly such as education, health care, might be related to external environment such as land or house. Assets might also be the finances which are essential for satisfying the basic needs of livelihood”.

 Poverty is considered to be “Existent within a given society when minimum level of material well being considered essential by the standards of the society is not attained by one or more persons”. (Ravallion, 1992).

### 1.1.3 Microfinance & Poverty

Micro finance is also known as banking for the poor, but it doesn’t changes the fact that micro financing is not a magical spell which would change lives of individual overnight instead it is a tool to fight poverty and the process could engulf a decent amount of time. Studies shows that micro financing can help the poor sector to increase their incomes, establish small business, it also provides opportunity to the poor specially woman to generate income. ( (Revolledo, 2005)

Micro finance works as a multi-dimensional agent for example income received from the business build up through micro finance doesn’t only helps in business activities but also is used for different house hold needs, education, nutrition and health etc.

## 1.2 Micro Financing In Pakistan

Micro financing being a effective tool against poverty, the government of Pakistan speeded up its effort in establishing and expanding the micro financing system all around the country, Khushali Bank which was formed in 2000 was the first specialized micro financing bank of Pakistan and after a year State Bank formulated a special law for micro financing institution by the name of the Microfinance Institutions Ordinance, (MFI)2001 which resulted in formation of other six mega micro finance institution. Beside these Banks there are also other micro financing institutions such as NGOS, Poverty Alleviation programs, rural area support programs and many other institutes are operational in Pakistan.

The government‘s Poverty Reduction Strategy Paper (PRSP) articulated in 2003, and its Medium Term Development Framework 2005-10 (MTDF), considers micro financing as an essential tool for tackling poverty based on the results it has achieved within a short span of 7-8 years

The Micro finance institutes are now operational in 111 districts of Pakistan and in last 8 years its costumer grew to 9 million from 60000, but despite this amazing growth of these institutes there are still many problem which needs to be taken into consideration

|  |  |
| --- | --- |
| **Serial****No** | **Problems/ Challenges** |
| **1** | High interest and cost factor |
| **2** | Limited variety of Products and services |
| **3** | Weak market outreach |
| **4** | Absence of factor for measuring risk and reducing it |
| **5** | Inefficiency of NGOs MFI |

Source (Noreen, 2010)

Different scholars have identified these problems

First which element is considered as an important one (increase in income, acquisition of asset, empowering of women etc.); second, is micro financing capable to reach the center of poverty or does it primarily improve income of the better-off poor; third are the benefits greater than the cost of MF schemes (Dunford, 2006).

According to Scully “Minute amounts of MF loans might not be sufficient to generate enough income to tackle the expense of interest and this problem enhances advances when focused on rural population” (Mohamed, 2014)

Upon gathering primary data from the costumers the major issue that we magnified was the rate of interest, cost effectiveness and outreach. These problems needs a thorough study to be fixed.

## 1.3 Objectives of the Study:

This study focuses on achieving the following objectives.

* To know the overall part of micro finance in eradicating poverty in KP.
* To understand the system based on which micro finance is operational specifically in KP.
* To get a precise precision of the degree based on which the micro finance effects the dependent variables which are social empowerment, political empowerment, woman empowerment, cultural empowerment etc.
* To propose a model based on studying the current conditions of micro financing system in KP, which would enhance the impact of micro financing in eradicating poverty.

## 1.4 Significance of the Study

The significance of this study is multidimensional, it could be used in the following ways.

* Firstly it could show up to what extent micro financing is effective against the poverty and effective in regards of the lives of the poor.
* Secondly it could give a wider idea about when and why to choose micro financing instead of other facilities along with enabling user to choose between the different alternative available such as Micro finance Banks, Support programs, NGOS etc.
* This study could be used by the donors and government to know and to decide which portion of the micro financing system needs improvement and up to what extent.
* Since the study is based on practical evaluation of the micro financing in KP, it could be used to define an ideal micro financing system and thus the existing institutes can thrive to reach that benchmark.
* However, amongst the academic development community there is acceptance that perhaps we poses much lesser knowledge regarding the impact of such programs than might be expected given the enthusiasm for these activities in donor and policy-making circles (Heather Montgomery, 2003).
* Thus this study could contribute to the existing pool of knowledge in regards of the potential that actually exist within micro financing.

## 1.5 Potential of the Study

* This particular study is one of its kind for as there has never been a study done which targets KP, significant number of studies had been done in other areas of Pakistan specially Punjab but not KP. This particular study highlights the ground realities in KP along with providing an opportunity for better understanding the effect of micro finance on the poor thus contributing to the pool of knowledge.
* When it comes to know the role of MF in eradicating poverty there needs to be high quality the impact assessment studies especially in alternatives environments so that direction could be given to MFI (Noreen, 2010).
* KP is considered as part of Pakistan where there is income inequality more than average. There is a need for studies in such particular regions which could reveal the contribution of micro finance in eradicating poverty and improving the livelihood of the poor who are stuck in the system poverty, lack of proper education, malnutrition and poor living conditions (Gibbs, 2008).
* Though there are tons of studies devoted to the topic, still the literature available regarding the impact of poverty is debatable, for as the views and results are mixed. Some studies suggest a positive impact being made by micro finance and are convincing while some studies showed negative results concerning the impact of micro financing. This study focused on revealing the actual impacts made on households and individual lives by micro finance on KP level. These results could be used in various ways which would be beneficial for both the users of micro financing and providers of such facilities.
* There is absence of empirical research which truly supports the claim of micro finance doing wonders, thus this study is designed to cover the gap which would encourage the many individuals and households to use these facilities. One of many reasons for people not reaching out for such facilities is that they hesitate using micro finance.
* The existence of micro financing is not a known phenomenon to many people specially those belonging to rural area in KP. This particular study could be used as tool for awareness for many of those who could needs these facilities but are unaware of its existence.
* The main reason to conduct this study was to know the relation of the poverty, micro finance and its impact on poverty eradication in KP. The evidence regarding how micro finance effects the lives of poor and who it is being used for this is hence in the form of this study.

**1.6 Research Question**

The research question around which the study revolves is

“What is the impact of micro financing on poverty eradication in KP”.

##

## 1.7 Hypothesis

How well MFIs are doing in eradicating poverty in KP? Based on the study of the existing literature a hypothesis is drawn that micro finance institution is doing well in eradicating poverty in KP as well. As seen in different studies MFIs has been of great help in uplifting a particular class of economy through different means thus there is a high probability to have similar results in this particular research. Following are the hypothesis drawn.

**H1** = Micro Finance has a significant impact on poverty eradication.

**Ho1** = Micro financing has no impact on poverty eradication.

**H2** = Micro Finance has positive impact on customer satisfaction in eradication of poverty

**Ho2** = Micro Finance doesn’t have a positive impact on customer satisfaction in eradication of poverty

**H3** = Micro Finance has positive impact on Economic Empowerment in eradication of poverty

**Ho3** = Micro Finance doesn’t have a positive impact on Economic Empowerment in eradication of poverty

**H4** = Micro Finance has positive impact on Political Empowerment in eradication of poverty

**H4** = Micro Finance doesn’t have a positive impact on Political Empowerment in eradication of poverty

**H5** = Micro Finance has positive impact on social & cultural empowerment in eradication of poverty

**Ho5** = Micro Finance doesn’t have a positive impact on social & cultural empowerment in eradication of poverty

**H6** = Micro Finance has positive impact on Personal empowerment in eradication of poverty

**Ho6** = Micro Finance doesn’t have a positive impact on Personal empowerment in eradication of poverty

**H7** = Micro Finance has positive impact on Family empowerment in eradication of poverty.

**H7** = Micro Finance doesn’t have a positive impact on Family empowerment in eradication of poverty

**1.8 Scheme of the Study**

The following figure illustrates the scheme of the study:

Introduction

Theory

Methodology

Conclusion

Analysis

Impact of MF in eradicating poverty in KP

Impact of MF in eradicating poverty

# **CHAPTER 2**

# **LITERATURE REVIEW**

The chapter reviews the literature which is about knowing the Impact of micro financing on poverty eradication. This chapter encompasses the studies conducted in Pakistan as well as studies done in other economies such as Kenya.

In developed countries micro finance has been of great help for the poor sectors in the form of employment and opportunities provided in these developed countries. Specially the different programs such as ACCION's Banco Sol in Bolivia, Bank Rakyat Indonesia's (BRI) Unit Desa program in Indonesia, and the Grameen Bank in Bangladesh have turned out contribute magnificently in poverty reduction (bhutt and tang 2001).

The research study of U.S agency for the International development of three microfinance Institution in Uganda reports that micro lending has brought betterment in the lives of poor in Uganda (Baido 2001). In the past years (1992-1995) the literacy rate of children of BRAC client has improved positively. According to statistics the improvement ranged from 12 to 27 percent (Bhuiya abbas, 2001)

The research work of Umara Noreen revolves around the impact of microfinance on poverty eradication in Pakistan. According to the report of the World Bank the (PPAF) Poverty Alleviation fund program which started in Pakistan in seven years ago has started to achieve its objectives. The numbers of microfinances provided increased from 60000 to 1.5 million, the average size of the loan is 150$ and has benefited around 9 million individuals around 111 districts around the country (Noreen, 2010)

In this particular research (SEEP) small enterprises education and promotion has been used. This tool set can be used combined or individually, the plus point of using this tool set is that it significantly points out the contributions of the micro financing development programs to society with respect to household welfare/ security. These are the various tools Detailed Household Expenditure Surveys and Living Standard Measurement Survey, Rapid Appraisals and Participatory Appraisals, Indicator Based Methods, Consultative Groups to Assist the Poorest (CGAP) (Noreen, 2010).

Three issues with respect to importance of microfinance needs to be looked upon, first one which benefaction is considered as prime (betterment of earning, collection of assets, empowerment of women, etc.); second, is microcredit capable of reaching the center of the poverty and is it capable of improving the income of the better-off poor; and third, do the benefits outweigh the costs of microfinance schemes (Dunford, 2006).

The results have shown a positive impact of microcredit on poverty reduction through contributing in the education of the children and the enterprise financial performance, however there were mixed outcomes towards food security, household expenditure and household asset (Noreen, 2010)

After the last decade the micro finance sector has shown a rapid growth in terms of stimulating growth of economy, women empowerment, increasing volume, accessibility, economics of scope etc but along with the growth of the sector there are also many challenges being faced such as improper regulations, increasing competition, innovative and diversified products, profitability, stability, limited management capacity of micro finance institutions etc. (Sulaiman, 2010)

Micro finance initially started on 1982 and the first micro finance institute in Pakistan is Aorangi pilot project in Karachi and the agha khan rural support program (AKRSP). In economy of Pakistan micro finance first came into being when professor Muhammad younus (Bangladeshi economist) decided to invest few dollars on a poor person( basket Maker) in 1974. The reason for investing was it would help the person and would help them to come out of their poverty, thus Muhammad Younus was awarded with Nobel Prize in 2007 for this works in the field of micro finance. (Gilbert, 2015).

In 1990 microfinance initiated to facilitate the whole country also with the help of NGO’s, while the importance of microfinance has been increase since then gradually and slowly not only in Pakistan but all around the globe in the under developed regions which are facing financial difficulties. (Sulaiman, 2010)

Micro finance is the source through which poor people can generate money and try to have an increase in their income (Pakistan Institute of poverty reduction program 2001). In 1996 kashf foundation was formed for the purpose of providing microfinance facilities all around the country. Pakistan government in year 2000 introduced Pakistan Poverty Alleviation fund (PPAF) with the help of World Bank. Pakistan government showed efforts to reduce poverty with the help of micro finance. In the regime of Ex-president Musharraf (1998-2008) the focus on the poverty reduction is appreciable. They focused on reducing the ratio of poverty then it was previously. (Sulaiman, 2010)

One of the leading institutes working as micro finance institution in Pakistan is Khushali Bank. The annual reports issued shows their work for the reduction poverty, they provide different services such as personal loans, house financing loans, insurance leasing etc. This bank operates mostly in the rural areas. The annual report of Khushali Bank issued in 2007 showed that their rate of return is more than the conventional banking system, which is why mostly people use micro financing because the element of risk is low. (Heather, 2007)

The Micro Finance institution faced many challenges such as Political interference, the political class have quite a grip over the people of rural areas specially. They interfere in their matter, the same way huge portion of agricultural loan is taken by them. Similarly interference in micro financing is also done. Secondly micro finance institutions have limited management capacity such that micro finance institution is initially initiated as NGO and latter is converted into micro finance institution, thus after conversion the micro finance institution lack managerial capacity to run. Thirdly, competition makes an organization to perform well and to provides better quality and services but in case of micro finance institution the competition is not so grave. Fourthly the variety of products provided around the world by micro finance institution is big but in Pakistan this variety is small thus which makes the operations of these institutions a bit restricted. Similarly the transaction cost of these institution is quite high with is adversely effecting it. This particular sector is an emerging sector in Pakistan, while the legislation which were initially made for this sector are not sufficient any more for as not having proper and on point regulations and legislation cause challenges for the sector. A part for the challenges there are also many opportunities being provided by micro financing. Firstly micro finance is the most important tool for poverty alleviation. Micro finance could not only be used for poverty reduction but it may be useful for creating the flow of money from the wealthy segment to the poor segment within the society (Chen 1992). Similarly micro finance has shown positive impacts on the health, education and social lives of individuals. According to an estimate the percentage of girl’s enrollment in school has increased by 1.9 percent while that of boys increased by 2.4 percent (Grammen Bank). Another opportunity is that Microfinance is a new product which provides opportunity for commercial banks to boost it selves. Based on studies it has been found that the product of micro finance has high recovery and profitability thus commercial banks can seize the opportunity by investing their funds in this particular sector. Micro finance has also been very effective in terms of woman empowerment. It provides many opportunities to the woman to start their own businesses which according to research have been proven to have most seedy recovery. A research of Bangladesh showed that micro finance banks preferred to provide loan to the woman for as the recovery was speedy comparatively. (Huma Rehman, 2015)

In Kenya a research was done to know the effect of service quality and government role on customer satisfaction. Customer satisfaction has a key role in the success of MFI which ultimately is a factor for poverty reduction by micro finance. (sharif, 2012)

Through different researches it has been found that service quality directly and greatly effects the costumers satisfaction which turns out to be very beneficial for the MFI as well as economy for as the microcredit is appreciated to be used, similarly dissatisfied costumers tends to have negative word of mouth which ultimately effects the MFI as well as its contribution to the society (Lewis, 1991; Newman, 2001; Caruana, 2002).

The success of any product and the level of it contribution to the society is dependent on the satisfaction of the costumers. High quality service helps to generate customer loyalty and growth of market shares as well (Parasuraman et al., 1985, 1988, 1991, 1994; Carman, 1990; Bitner, 1990).

The date collected was the primary data directly collected from the MF costumers and users. The data was collected through different surveys and questionnaires. Since the data is scientific data thus these methods for data collection are perfect (Bashir M. S., 2016).

The conclusion of this study shows the importance of customer’s satisfaction and factors effecting the costumer’s satisfaction. This results also shows the causes of the costumer’s dissatisfaction which could help the government to develop strategies that could further help in decreasing poverty through IMF. The result of this particular study is similar to the studies done by (Sureshchandar et al., (2003), Rod. et al. (2009), Spreng and Mackoy (1996) which is that customer’s satisfaction gets increased by good quality service which ultimately increases the poverty reduction by MF for as more people uses it (Sharif Bashir 2002)**.** On the other hand the author did not find any efforts made by the government for the customer satisfaction such that government in Kenya doesn’t gives enough attention on the development and promotion of MFIs (Sharif Bashir 2002)**.** One proof of the government lack of interest in the matter is that MFIs charges high rate of interest which makes it difficult for the customers to access these loans. In Kenya MFIs have operated without any legal polices (Omino 2005). The study on the role of government in Kenya towards MFIs relates to the research of (Armendariz and Morduch 2004) that is the absences of well-defined framework for the operations of Microfinance it would be difficult to operate flexible saving accounts and achieve customer satisfaction, thus finally role of government is also very vital for decreasing the poverty through microfinance by having customer satisfaction. (Bashir M. S., 2016)

A study was conducted in Bahawalpur to know the impact of Micro finance Institution on poverty alleviation. For better insight of the study the most prominent and dominant micro Finance institutions was selected which is NRSP MFI Bank. The study shows that NRSP MFB and other MFIS have adopted certain strategies which has enabled them to grow in terms of outreach and performance yet the services they offer are not in accordance with the requirements. In Bahawalpur the rural communities are highly facilitated by NRSP MFB. The loan that has been funded by the NRSP MFB has an issue that the limitation of fund 15,000 to 20,000 is not according to the requirement of the people and it is one of the main issue. Second main issue is of high interest rates. These facilities are for the people and there is the need to reduce the rate of interest to facilitate the maximum amount of the people. In Bahawalpur sector the need is to provide short or small termed loans to the poor or needy families, in this way the poverty alleviation can be achieved. The total loan portfolio is almost totally covered by the loan taken for the agriculture sector. Regular meetings with clients results in low loan defaults. This survey showed that future loan will be needed by the percentage of 67%, 33% said that they cannot afford this loan or that they do not need this loan. The policies of the bank or the interest rate is like Greek to the customers. Customers feel fear in coming to the bank for the submission of instalments as theft is common, they fear loss of money and they also face transportation problem as they live in rural areas. Some customers complains that they are not aware of any progress done by NRSP in their areas. 67% result shows that the microfinance facility resulted in the raised living standards and increase in income of the customers. (Ayub, 2013)

 A study was conducted to compare the effect of conventional and Islamic microfinance organizations from 2005-2012. The study showed that the Islamic Micro finance institution were more cost efficient comparatively. The performance of both of the these sectors were compared on the bases of different tools such as financial efficiency was assessed through ROA and ROE, the social performance comparison was based on the borrowing done by the female costumers. (Farooq, 2014)

The study further shows that both the conventional and Islamic MFI organizations have improved a lot but when it comes to serving the poor segment of society for instance Islamic MFI organization such as Akhuwat and Wasil foundation are available and sustainable even in the absence of charging interest from their client thus this further shows that the wealthy sector of the economy can direct their Sadaqat and Zakat to such organizations which would be used in the welfare of the poor sector. (Farooq, 2014).

Micro finance have a huge impact on improving the lives of the poor and their living standards. It greatly brings the personal empowerment to this particular sector of the population by enabling them to take better decisions, improving their self-esteem, by providing them better health care opportunities and through bringing gender equality. In short the magnitude of the personal empowerment of the user depends on for how long they are associated with the facilities of the micro finance. For the sake of welfare of families micro finance institutes have made themselves available to them in different rural areas. (Nasir s. , 2008)

Micro finance has greatly improved the families in terms of their living standards, their earning levels which gives them a certain status in the society, it made it possible for the children of these families to get education along with taking their health issues in consideration. Besides it has given every member of the family a chance to start earning which brings gradual prosperity in the families. MFI have also brought gender equality which on particular have improved the lives of females with in the families and out of the families. (Nasir, Microfinance in Pakistan: Policies and Practices, 2008)

It is suggested that( Muhammad Younus founder of Grameen Bank in his famous book Banker to the Poor) poverty is not fabricated by the society but comes into being by the structure of the society and it’s policies, change this structure and you will see that poor has changed their own life thus For the social betterment government over a period has spent 22 billion dollars on poverty related social programs to cater the needs of the poor which has and still is gradually improving the social elements for these people by providing them opportunities which does not only brings social betterment but also change their perspectives and mindsets. (Nasir s. , 2008)

Huge portion of poor belongs to rural area, which make up quite a portion of the total economy of Pakistan. During the period (2003-2007) micro finance institutes have brought a gradual yet rapid improvement in the lives of these people which then contributes to the overall economy of the country. Use of financial services leads to the financial stability of these families as well as their growth secondly micro finance has empowerment women by supporting them in economic participations which promotes gender equality as well as contribute to the economy by increasing the ratio of per capita income and in last it also improves the well-being of the families. (Nasir s. , 2008)

When it comes to the political empowerment due to political instability of Pakistan many chances have been missed such as the well-known NGOs doesn’t want to form long term relations with local NGOs. Similarly Financial activities have been subject to political pressures at various stages due to which it greatly effects its operations such as ADBP bank suffered great losses due to political lending which resulted in major right offs and defaults thus in terms of political empowerment people have not appreciated it and have vowed other vise. (Nasir s. , 2008)

There has been many researches done on knowing customer satisfaction. Customers of over 36 branches of Kenya’s second largest MFI have been reached out for this particular research. Due to continuous increase in the competition Micro finance institutions have rapidly increased their costumer quality services for as this particular element is seen as primary competitive weapon. The research further suggests that government plays a vital role in this area. It has seen that the level of customer satisfaction raise as the time passed (2003-2008) so that customers may use the financial service again. One positive impact of improving customer satisfaction through the quality of service was that it attracted more customers as well. (sharif, 2012).

#

# **CHAPTER 3**

# **RESEARCH METHODDOLOGY**

##

## This chapter highlights the methodology along with the approaches used to conduct the studies. Sampling technique, data collection method, nature of questionnaires, about the population and the dependent & independent variables are briefed in this chapter.

## 3.1 Introduction

This research is about the effect of performance of micro finance institutions on poverty in KP. The data is primary in nature and the tool used for the collection of the data are questionnaires. For the analysis of the data SPSS is used. Efforts are made to know the effect of performance of MFIs on the poverty in KP which makes poverty as dependent variable and the performance of MFIs as independent variable.

## 3.2 Methodology Selected

A quantitative method is suitable when the aim is to find the relation and extent of dependency among variables (Creswell 2003). A qualitative research is done when the goal is to find phenomena by relaying on people’s experiences (Stake 2010). Since purpose of the study is to find the relation between variables thus quantitative approach is most suitable one.

## 3.3 Data Type

The data collected is primary in nature and is collected through adapted questionnaire. The first questionnaire belongs to the research ’performance of micro finance in Kenya’. Customer satisfaction and poverty eradication components have been picked from this questionnaire. (Bashir M. S., 2016)

The second questionnaire is from the research by the name of ‘micro finance and financial inclusion’. Economic empowerment, Political empowerment, Social/ Cultural empowerment, Personal Empowerment components have been picked from this questionnaire. (Nasir s. , 2008)

The third questionnaire is from the research by the name of ‘measuring social performance of MFI’. The component of poverty has been picked from this particular questionnaire. (zeller, 2003).

## 3.4 Sample Size

Different samples were consulted through convenient sampling technique, the samples consist of 120 individuals which are costumers and users of MFIs.

## 3.5 Population

Samples represent the whole population of KP which is the segment that uses MFIs facilities. The total population of MF users is 4.2 million alone in KP. (Ali Basharat, 2016).

### 3.5.1 Response Rate

Response rate of the respondent is 100%.

**3.5.2**  **Respondent Class**

The social class of the respondents is lower middle and lower upper class. (Survey, 2018)

## 3.6 Descriptive Research Methodology

This quantitative research was conducted using descriptive research methodology. Investigating relationships between at least two elements (Leedy, P. D. 1993). The three kinds of descriptive research are:

* Observational Study
* Correlational Research
* Survey Research

The study was conducted using a descriptive method survey approach. Survey approach is broadly utilized as a technique because of the idea of the ICT (information communication technology) field that includes various interests of people, foundation and advances related with it. Survey research is study of samples selected from the desired large or small populations to know relative incidence, distribution and interrelations (Kerlinger 1973)

The ultimate purpose of survey is to know about a population by choosing a sample from that population thus it is also called as descriptive survey or normative survey. The study is designed to gather statistical data based on the units of sample (120 units) and process the data through different statistical tool to reach to conclusion.

## 3.7 Variables

### 3.7.1 Independent Variables

**Consumer’s satisfaction**: It is defined by Oliver (1980) as the sense of disappointment or pleasure which is obtained when expected performance of product or service is compared against the expectation of costumer by costumer (Jain, 2013).Customer satisfaction indicates the overall degree of satisfaction based on services offered by institution, willingness to use the services and products, the quality of service and products, rate of interest being charged. (Mohamed Sharif, 2012).

**Economic empowerment:** In its broadest sense economic empowerment is the extension of opportunity of decision and activity. It means expanding one's position and authority over the assets and choices that effect one's life. Poor individuals' decisions are very constrained, both by their absence of advantages and by their frailty to arrange better terms for themselves with a scope of foundations, both formal and casual. (UNDP, 1995)**.** Economic empowerment is the contribution by both men and women in the growth processes in such a way that their contribution could be recognized (GENDERNET members, 2011).Economic empowerment shows up to what extent the MFI has improved the economic conditions of costumers, which can be by increase in income, savings improvement, poverty reduction and economic empowerment of woman (Mohamed Sharif, 2012).

**Political Empowerment:** political empowerment is a strategy for poverty eradication which insist on the involvement of the poor sector in the policy making procedure such that the involvement needs to be of certain quality or at least discourse must be stalled out (Sakiko Fukuda-Parr, 2002)**.**

It can be defined as the support and development of political institutions which help in the representation of the interest of poor people in a meaningful manner**.** (Rakner, Rocha Menocal, 2007).Political empowermentrepresents that how MFI has brought betterment in the conditions of customers by political awareness and providing them opportunities in participating in political activities and position of power. (Mohamed Sharif, 2012).

**Social/cultural Empowerment:** It is the process of building self-confidence as well as developing autonomy in individuals. It also develops the sense of acting individually and collectively to change the social relationships (Blomkvist, 2003). Empowerment express that degree of satisfaction depend upon the social status of the customer and the participation of the social development activities (Mohamed Sharif, 2012).

**Personal empowerment:** According to Smith (1987) it is the idea that individual needs to have tools to grasp the best outcomes for their selves. An empowered consumer should poses the knowledge, needs to be confident and needs to be capable of making such decisions which are best for them (Ibrahim, 2016).The important part of personal empowerment is self-awareness where one has to know their weaknesses and strengths. (Paul Duxbury, 2015). Personal Empowerment showcase the element the personal betterment such as ability and involvement in decision making, self-esteem, improvement in heath and gender equality (Mohamed Sharif, 2012)

**Family Empowerment:** According to one study, majority of families are unaware of the services that are available to them and also of the legal rights they possess in terms of specific services. Moreover mostly families lack the skill to educate the rest of family member which leads to the fact that such families don’t receive the appropriate services (Sinclair, 1992)Family empowerment shows the improvement of living hood as a family in terms of the improvement in the basic facilities and amenities, along with improvement in standard of living and education to children (Mohamed Sharif, 2012).

###

### 3.7.2 Dependent variable

**Poverty Eradication**

Poverty can be characterized as privation of human rights as such as shelter, food, water for drinking, sanitation facilities education, health and information and it also depends on the access to services not only on the income level. Poverty can be seen in many forms such as lack of income etc. (United Nations 1965). Poverty show how and up to what extent the micro finance institution has brought a decline the rate of poverty by observing it from various aspects such as weather the MFIs provide proper financial services and products, does the services and product caters the needs of the poor, is it easy to fulfill the requirement for attaining of the loans, the interest rate against the loans are justifiable, is it a good tool of reduction of poverty. (Mohamed Sharif, 2012)

## 3.8 Data Collection

The first questionnaire belongs to the research “Performance of micro finance in Kenya”. Customer satisfaction and poverty eradication components have been picked from this questionnaire. (Bashir M. S., 2016)

The second questionnaire is for the research by the name of “Micro finance and financial inclusion”. Economic empowerment, Political empowerment, Social/ Cultural empowerment, Personal Empowerment components have been picked from this questionnaire. (Nasir s. , 2008)

The third questionnaire is from the research by the name of “Measuring social performance of MFI”. The component of poverty has been taken from this particular questionnaire. (zeller, 2003)

## 3.9 Conceptual Framework

***Independent Variables:***

Costumer

Satisfaction

**Poverty**

Economic

Empowerment

Political

Empowerment

Social

Empowerment

Cultural

Empowerment

Personal

Empowerment

Family

Empowerment

 ***Dependent Variable***

## 3.10 Theoretical Framework

$Y\_{t}$**= α + β**$x\_{1t}$ **+β** $x\_{2t}$***+* β**$x\_{3t}$***+* β**$x\_{4t}$***+* β**$x\_{5t}$***+* β**$x\_{6t}$***+* β**$x\_{7t}$ ***˖ e* ….. eq** I

In this equation Y is the dependent variable, alpha is the constant, Beta shows the regression coefficients, each coefficient shows the changes in independent variable because of dependent variable.

***Y***= α + β (customer satisfaction) + β (economic empowerment) + β (political empowerment) + β (social/cultural empowerment) + β (personal empowerment) + β (family empowerment) + e... eq II

Y shows the poverty eradication

X1 shows the customer satisfaction variable

X2 shows the economic empowerment variable

X3 shows the political empowerment

X4 shows the social/cultural empowerment variable

X5 shows the personal empowerment

X6 shows the family empowerment

e shows the error . (Bashir M. S., 2016) (zeller, 2003) (Nasir S. , 2008)

# **CHAPTER 4**

# **DATA ANALYSIS**

## 4.1 Introduction

This chapter consist the result drawn from the interpretation of the data collected through questionnaires while the tool used for interpretation is SPSS.

**4.2** **OLS Assumption test**

One test which is used is ordinary least square test also known as OLS. It is a type of multiple least square and is usually used for multiple regression models. This test is used for showing the relation between the dependent and independent variables. (patrie, 2001)

### 4.2.1 Collinearity Test Results

**Table 4.1** **Collinearity Test Results**

|  |  |
| --- | --- |
| **Model** | **Collinearity Statistics** |
| **Tolerance** | **VIF** |
| 1 | (Constant) |  |  |
| Customer satisfaction | .852 | 1.173 |
| Economic empowerment | .870 | 1.149 |
| Political empowerment | .929 | 1.077 |
| Sociocultural empowerment | .851 | 1.174 |
| Personal empowerment | .839 | 1.192 |
| Family empowerment | .856 | 1.169 |

\*output source: SPSS20

In collinearity statistics table, the Variance Inflation Factors (VIF) highlights the statistics about the multicollinearity issues. Since, if it’s less than 10 then there will be no reason to face the multicollinearity problems among understudy variables (García, 2015). It also shows the ideal nature of our data that there is no reason to face multicollinearity problem during regression analysis, as its one of the basic assumption to qualify regression process.

**4.3 Reliability Test Results**

### 4.3.1 Reliability Test for the Variable Customer Satisfaction

|  |
| --- |
| **Table 4.2 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. List wise deletion based on all variables in the procedure. |

\*output source: SPSS20

|  |
| --- |
| **Table 4.3 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .675 | 5 |

\*output source: SPSS20

The response of respondent in terms of customer satisfaction is reliable for as it is 0.675 which is more than 0.5.

### 4.3.2 Reliability Test for the Variable Economic Empowerment

|  |
| --- |
| **Table 4.4 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. Listwise deletion based on all variables in the procedure. |

|  |
| --- |
| **Table 4.5 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .891 | 5 |

\*output source: SPSS20

\*output source: SPSS20

The feedback of the customers in term of economic empowerment is quite reliable which 0.891 is for as it is way above 0.5 the minimum cronbach’s Alpha

### 4.3.3 Reliability Test for the Variable Political Empowerment

|  |
| --- |
| **Table 4.6 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. Listwise deletion based on all variables in the procedure. |

\*output source: SPSS20

|  |
| --- |
| **Table 4.7 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .715 | 3 |

\*output source: SPSS20

The found cronbach’s Alpha of political empowerment is 0.715 which is reliable as it is above 0.5

### 4.3.4 Reliability Test for the Variable Social Cultural Empowerment

|  |
| --- |
| **Table 4.8 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. Listwise deletion based on all variables in the procedure. |

\*output source: SPSS20

|  |
| --- |
| **Table 4.9 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .711 | 2 |

\*output source: SPSS20

The response of the respondent in terms of social/cultural empowerment is reliable which 0.711 is for it is more then 0.5.

### 4.3.5 Reliability Test for the Variable Personal Empowerment

|  |
| --- |
| **Table 4.10 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. Listwise deletion based on all variables in the procedure. |

\*output source: SPSS20

|  |
| --- |
| **Table 4.11 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .706 | 4 |

\*output source: SPSS20

The opinion of the customer about personal empowerment is reliable which 0.706 is it is above the value of cronbach’s Alpha which is 0.5.

### 4.3.6 Reliability Test for the Variable Family Empowerment

|  |
| --- |
| **Table 4.12 Case Processing Summary** |
|  | N | % |
| Cases | Valid | 96 | 100.0 |
| Excludeda | 0 | .0 |
| Total | 96 | 100.0 |
| a. Lis twise deletion based on all variables in the procedure. |

 \*output source: SPSS20

|  |
| --- |
| **Table 4.13 Reliability Statistics** |
| Cronbach's Alpha | N of Items |
| .708 | 3 |

\*output source: SPSS20

Cronbach’s alpha is considered to be a scale reliability since it has the value of .708 thus it is considered as highly reliable.

## 4.4 Regression results

In this study we analyze our result through SPSS, and the technique which we used that is Regression analysis. In this we measure the impact of dependent variables (poverty eradication) with independent variables (customer satisfaction, economic empowerment, political empowerment, social/cultural empowerment, personal empowerment, family empowerment.). The result shows the association, dependencies as well as model authenticity with different procedures, mentioned below respect independent variable.

|  |
| --- |
| **Table 4.14 Model Summaryb** |
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Change Statistics |  |
| R Square Change | F Change | df1 | df2 | Sig. F Change |
| 1 | .569a | .324 | .288 | 2.37650 | .324 | 9.027 | 6 | 113 | .000 |  |
| a. Pre dictors: (Constant), family empowerment, sociocultural empowerment, political empowerment, customer satisfaction, economic empowerment, personal empowerment  |
| b. Dependent Variable: poverty eradication |

\*output source: SPSS20

The above mentioned table described the whole summary of the regression model which we analyzed among all the understudy variables. The summary of the model totally emphasized on R-square (R2)and its significance displayed in Change Statistics (Sig. F Change column) which is about .288, which developed the sense about the dependent variable, the F value is 9.027 which is greater than 4 which shows the model is fit, i.e.; poverty eradication (PE) explains 32% variations on behalf of all the given independent variables. Whereas, the significance of the whole regression model calculated with the help of F-statistics which is .000 (P<0.05). Therefore, in other words we conclude that the dependent variables is explained its variations up to the level of 32% which considered as a good enough but it’s below than average which is 0.50. Where the significance of F-Statistics highlights the goodness of fittest in respect of independent variable and dependent variables which is highly significant. So on its significance we say that the independent variables which we included in our study are well enough and also have a meaningful role to explain the impact of dependent variables in above mentioned the regression model.

|  |
| --- |
| **Table 4.15 ANOVAa** |
| Model | Sum of Squares | Df | Mean Square | F | Sig. |
| 1 | Regression | 305.885 | 6 | 50.981 | 9.027 | .000b |
| Residual | 638.194 | 113 | 5.648 |  |  |
| Total | 944.080 | 119 |  |  |  |
| a. Dependent Variable: poverty eradication |
| b. Predictors: (Constant), family empowerment, sociocultural empowerment, political empowerment, customer satisfaction, economic empowerment, personal empowerment |

\*output source: SPSS20

In above, the ANOVA table describe the status of the sources of variations in respect of regression and residual as well as it evaluate the significance among the variables either there is significant involvement within and between the factors of the variables or there will be no more significance among the variables. Thus, by the following Significance P- value is less than 5% level of significance which is about 0.00 in ANOVA table. Now we are able to conclude that there is extreme level of significance within and between under study variables.

Similarly, through the regression process the F-test has been used. This particular test is used to show either the linear model satisfy the basic statistical assumptions to proceed the regression model or not. Since F-test can also be used for identifying variation among more than one parameters at a time while it is also used for comparing those model which does not possess predictors (Christian L, 1989).

H0: It is not a good match

H1: It is a good match

**P value**

P value means the probability, in a given model, the null hypothesis when true, the mathematical synopsis shall be considered uniform to more utmost rather than real outcome, thus the value of P shows upto what extent the data is conflicting with a particular statistical model (typically null-hypothesis). As the value of P decrease the contradiction of data with null hypothesis increase and vice versa. (Sahngun, 2017)

|  |
| --- |
| **Table 4.16 Coefficientsa** |
| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. | 95.0% Confidence Interval for B |
| B | Std. Error | Beta | Lower Bound | Upper Bound |
| 1 | (Constant) | 4.069 | 2.042 |  | 1.993 | .049 | .025 | 8.114 |
| Customer satisfaction | 1.352 | .401 | .282 | 3.371 | .001 | .557 | 2.147 |
| Economic empowerment | .098 | .064 | .128 | 1.539 | .127 | -.028 | .224 |
| Political empowerment | -.218 | .107 | -.164 | -2.043 | .043 | -.430 | -.007 |
| Social cultural empowerment | .597 | .174 | .288 | 3.438 | .001 | .253 | .940 |
| Personal empowerment | .152 | .122 | .105 | 1.246 | .215 | -.089 | .393 |
| Family empowerment | .056 | .056 | .084 | 1.001 | .319 | -.055 | .167 |
| a. Dependent Variable: poverty eradication |

\*output source: SPSS20

In above mentioned regression coefficient’s table, the T-test value of the first independent variable customer satisfaction is 3.371 which is (greater than 2) while the P-value of Customer satisfaction is .001which is less than 5% at 95% of confidence interval which means that customer satisfaction has an significant positive impact on the poverty eradication . It means that if the rate of customer satisfaction will increase with 1 Unit then the poverty will eradicate by 0.282 units. Here p value .001 is less than 5%, therefore we will reject null hypothesis and accept the alternate hypothesis that independent variable has significant effect on poverty eradication. (Mohamed Sharif, 2012)

Similarly, in the above table, the T value of the second independent variable is economic empowerment is 1.539 which is (less than 2) while the P value is 0.127 (greater than 5% at 95% confidence interval) which means that the economic empowerment has insignificant impact on poverty eradication where the p value is greater than 5%, we will accept the null hypothesis and reject the alternate. Since Economic empowerment is a macro element while our research has been conducted on micro level and also the economic empowerment shows its effect on a long term bases (since it is a macro element) thus this is why the result drawn are insignificant.

The T value of the third independent variable political empowerment in the above table is -2.043 which is (less than 2) while the P value of independent variable is 0.43 (less than 5% at 95% confidence level) which means the political empowerment has insignificant negative impact on poverty. This is probably because micro finance is used to full fill those needs which are very small in magnitude and also the loans given by these institutes is very small which does not leaves any room for political empowerment, besides different political influences have negatively affected the micro lending activities (especially in rural areas) due to which people lack political empowerment.

The T value of the forth independent variable social cultural empowerment in the above table is 3.438 which is (greater than 2) while the P value of independent variable is 0.001 which is (less than 5% at 95% of confidence interval) which means the social cultural empowerment has a significant positive impact on poverty eradication . It means that if the rate of social cultural empowerment will increase with 1 unit then the poverty will eradicate by 0.288 units. Here P value is 0.001 is less than 5% therefore we will reject null hypothesis and accept the alternate hypothesis that independent variable has significant impact on poverty eradication. (Nasir s. , 2008)

The T value of fifth independent variable personal empowerment is 1.246 which is (less than 2) While the P value of independent variable is 0.215 which is (greater than 5% at 95% of confidence interval) which means the personal empowerment has a insignificant impact on poverty eradication.

 The T value of sixth independent variable family empowerment is 1.001 which is (less than 2) while P value of independent variable is 0.319 which is (greater than 5% at 95% of confidence interval) which means the family empowerment has a insignificant impact on poverty eradication. (Mayox, 2000)

## 4.5 Descriptive Analysis

|  |
| --- |
| **Table 4.17 Level of age** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 18-25 | 20 | 16.7 | 16.7 | 16.7 |
| 26-35 | 60 | 50.0 | 50.0 | 66.7 |
| 36-45 | 31 | 25.8 | 25.8 | 92.5 |
| 46-55 | 8 | 6.7 | 6.7 | 99.2 |
| over 56 | 1 | .8 | .8 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

Finding indicates that most of the customers aged between 26-35years making up to 50% of the total while 36-45 makes 25.8%, 18-25 makes 16.7%, 46-55 makes 6.7% of the total. Costumers aging above 56 were 0.8% of the total.

|  |
| --- |
| **Table 4.18 Level of gender** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | male | 82 | 68.3 | 68.3 | 68.3 |
| female | 38 | 31.7 | 31.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

Finding shows that male costumers were 68.3%, and female customers were 31.7% of the total respondents.

|  |
| --- |
| **Table 4.19 Level of education** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | Illiterate | 26 | 21.7 | 21.7 | 21.7 |
| up to 10th standard | 30 | 25.0 | 25.0 | 46.7 |
| up to 12th | 29 | 24.2 | 24.2 | 70.8 |
| Graduate | 21 | 17.5 | 17.5 | 88.3 |
| post graduate | 10 | 8.3 | 8.3 | 96.7 |
| Professionals | 4 | 3.3 | 3.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The finding about education level of the customers reveal that 25% customers had passed matric, 24.2% studied up to 12th standard, 17.5% have bachelor degrees, 8.3% have master’s degree, 3.3% were professionals while 21.7% were illiterate.

|  |
| --- |
| **Table 4.20 Level of occupational status** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | Agriculturist | 5 | 4.2 | 4.2 | 4.2 |
| Industrialist | 4 | 3.3 | 3.3 | 7.5 |
| Employee | 51 | 42.5 | 42.5 | 50.0 |
| Business | 49 | 40.8 | 40.8 | 90.8 |
| Others | 11 | 9.2 | 9.2 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The finding about occupational status indicates that most of the customers are employee it means 42.5% of the respondents were employed, 40.8% customer have their own business, 9.2% marked others, 4.2% choose agriculturist while 3.3% were employed in industrial sector.

|  |
| --- |
| **Table 4.21 Level of monthly income** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | less than 10000 | 9 | 7.5 | 7.5 | 7.5 |
| 10001-20000 | 20 | 16.7 | 16.7 | 24.2 |
| 20001-30000 | 37 | 30.8 | 30.8 | 55.0 |
| 30001-40000 | 30 | 25.0 | 25.0 | 80.0 |
| above 50000 | 24 | 20.0 | 20.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The finding about monthly income of customer showed that income of most of the costumers ranged between 20,001 to 30,000 makings up to 30.8% of the total portion, 25% earned between 30001-40000, 20% earned above 50000. 16.7% earned 10001-20000 while earning of only 7.5% of the costumers was below 10000.

|  |
| --- |
| **Table 4.22 Level of monthly expenditure** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | less than 10000 | 12 | 10.0 | 10.0 | 10.0 |
| 10001-20000 | 21 | 17.5 | 17.5 | 27.5 |
| 20001-30000 | 23 | 19.2 | 19.2 | 46.7 |
| 30001-40000 | 28 | 23.3 | 23.3 | 70.0 |
| above 50000 | 36 | 30.0 | 30.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The results about monthly expenditure of customer indicates that 30% customers expenditure was above 50000, spending of 23% of the costumers was between 30001-40,000, 19.2% marked 20001-30,000. Monthly spending of 17.5% ranged 1001-20000 while monthly spending of 10% of the customers was less than 10000.

|  |
| --- |
| **Table 4.23 Level of customer satisfaction Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | **2** | **1.7** | **1.7** | **1.7** |
| Disagree | **6** | **5.0** | **5.0** | **6.7** |
| neither agree nor disagree | **6** | **5.0** | **5.0** | **11.7** |
| Agree | **68** | **56.7** | **56.7** | **68.3** |
| strongly agree | **38** | **31.7** | **31.7** | **100.0** |
| Total | **120** | **100.0** | **100.0** |  |

\*output source: SPSS20

In customer satisfaction portion in reply to question 1 56.7% of customer marked agreed, 31.7% of customer choose strongly agreed, 5% customers were disagreed. 5% of customer remained neutral while 1.7% were strongly not satisfied.

|  |
| --- |
| **Table 4.24 Level of customer satisfaction Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | Disagree | 9 | 7.5 | 7.5 | 7.5 |
| neither agree nor disagree | 9 | 7.5 | 7.5 | 15.0 |
| Agree | 52 | 43.3 | 43.3 | 58.3 |
| strongly agree | 50 | 41.7 | 41.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

Results of customer satisfaction question 2 shows that 43.3% of customers agreed, 41.7% of customer marked strongly agreed, 7.5% of customer disagreed, while 7.5% of customer remained neutral.

|  |
| --- |
| **Table 4.25 Level of customer satisfaction Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 3 | 2.5 | 2.5 | 3.3 |
| neither agree nor disagree | 11 | 9.2 | 9.2 | 12.5 |
| Agree | 69 | 57.5 | 57.5 | 70.0 |
| strongly agree | 36 | 30.0 | 30.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

Customer satisfaction question 3 table specify that 57.5% of customer were satisfied, 30% of customers were strongly satisfied, 9.2% of customer were neutral, 2.5% of customers disagreed while 0.8% of customers strongly disagreed.

|  |
| --- |
| **Table 4.26 level of customer satisfaction Q4** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 6 | 5.0 | 5.0 | 5.8 |
| neither agree nor disagree | 9 | 7.5 | 7.5 | 13.3 |
| Agree | 54 | 45.0 | 45.0 | 58.3 |
| strongly agree | 50 | 41.7 | 41.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

Independent variable which is customer satisfaction, question 4 shows that 45% of customers were agreed, 41.7% of customer strongly agreed, 7.5% of customers were neutral, 5% of customers were disagreed while 0.8% of customers strongly disagreed.

|  |
| --- |
| **Table 4.27 Level of customer satisfaction Q5** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 2 | 1.7 | 1.7 | 1.7 |
| Disagree | 29 | 24.2 | 24.2 | 25.8 |
| neither agree nor disagree | 21 | 17.5 | 17.5 | 43.3 |
| Agree | 31 | 25.8 | 25.8 | 69.2 |
| strongly agree | 37 | 30.8 | 30.8 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows the part 5 of customer satisfaction result which is 30.8% of customers strongly agreed, 25.8% of customers were agreed, 24.2% of customers were disagreed, 17.5% of customers were remained neutral while 1.7% of customer were strongly disagreed.

|  |
| --- |
| **Table 4.28 Level of economic empowerment Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 6 | 5.0 | 5.0 | 5.0 |
| Disagree | 21 | 17.5 | 17.5 | 22.5 |
| neither agree nor disagree | 12 | 10.0 | 10.0 | 32.5 |
| Agree | 69 | 57.5 | 57.5 | 90.0 |
| strongly agree | 12 | 10.0 | 10.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

In economic empowerment portion 57.5% of customer marked agreed, 17% of customers were disagreed, 10% of customer were strongly agreed and the same ratio of customer were neutral while 5% of customers were strongly disagreed.

|  |
| --- |
| **Table 4.29 Level of economic empowerment Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 5 | 4.2 | 4.2 | 4.2 |
| disagree | 20 | 16.7 | 16.7 | 20.8 |
| neither agree nor disagree | 12 | 10.0 | 10.0 | 30.8 |
| agree | 65 | 54.2 | 54.2 | 85.0 |
| strongly agree | 18 | 15.0 | 15.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 54.2% of customer were agreed, 16% of customers were disagreed, 15% of customers were strongly agreed, and 10% of customers were neutral while 4.2% of customers were strongly disagreed.

|  |
| --- |
| **Table 4.30 Level of economic empowerment Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 3 | 2.5 | 2.5 | 2.5 |
| disagree | 5 | 4.2 | 4.2 | 6.7 |
| neither agree nor disagree | 11 | 9.2 | 9.2 | 15.8 |
| agree‎ | 61 | 50.8 | 50.8 | 66.7 |
| strongly agree | 40 | 33.3 | 33.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 50.8% of customers were agreed, 33.3% of customers were strongly agreed, 9.2% of customers were being neutral, and 4.2% of customer were disagreed while 2.5% of customers were strongly disagreed.

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| **Table 4.31 Level of economic empowerment Q4** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 2 | 1.7 | 1.7 | 1.7 |
| disagree | 12 | 10.0 | 10.0 | 11.7 |
| neither agree nor disagree‎ | 4 | 3.3 | 3.3 | 15.0 |
| agree | 43 | 35.8 | 35.8 | 50.8 |
| strongly agree | 59 | 49.2 | 49.2 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 49.2% of customers were strongly agreed, 35.8% of customers were agreed, 10% of customers were disagreed, and 3.3% of customers were remained neutral while 1.7% of customers were strongly agreed.

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| **Table 4.32 Level of economic empowerment Q5** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 3 | 2.5 | 2.5 | 2.5 |
| disagree‎ | 10 | 8.3 | 8.3 | 10.8 |
| neither agree nor disagree‎ | 9 | 7.5 | 7.5 | 18.3 |
| agree | 42 | 35.0 | 35.0 | 53.3 |
| strongly agree | 56 | 46.7 | 46.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 46.7% of customer were strongly agreed, 35% of customers were agreed, 8.3% of customers were disagreed, and 7.5% of customers were neutral while 2.5% of customers were strongly disagreed.

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| **Table 4.33 Level of political empowerment Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree‎ | 5 | 4.2 | 4.2 | 4.2 |
| disagree | 20 | 16.7 | 16.7 | 20.8 |
| neither agree nor disagree | 31 | 25.8 | 25.8 | 46.7 |
| agree | 37 | 30.8 | 30.8 | 77.5 |
| strongly agree | 27 | 22.5 | 22.5 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

In political empowerment portion 30.8% of customers were agreed, 25.8 of customers were being neutral, 22.5% of customers were strongly agreed, and 16.7% of customers were disagreed while 4.2% of customers were strongly disagreed.

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| **Table 4.34 Level of political empowerment Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 22 | 18.3 | 18.3 | 18.3 |
| disagree | 36 | 30.0 | 30.0 | 48.3 |
| neither agree nor disagree | 35 | 29.2 | 29.2 | 77.5 |
| agree | 19 | 15.8 | 15.8 | 93.3 |
| strongly agree | 8 | 6.7 | 6.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 30% of customers were disagreed, 29.2% of customers were neutral, 18.3% of customers were strongly disagreed, and 15.8% of customers were agreed while 6.7% of customers were strongly agreed.

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| **Table 4.35 Level of political empowerment Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 20 | 16.7 | 16.7 | 16.7 |
| disagree | 32 | 26.7 | 26.7 | 43.3 |
| neither agree nor disagree | 27 | 22.5 | 22.5 | 65.8 |
| agree | 25 | 20.8 | 20.8 | 86.7 |
| strongly agree | 16 | 13.3 | 13.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 26.7% of customers were disagreed, 22.5% of customers were neutral, 20.8% of customer were agreed, and 16.7% of customers were strongly disagreed while 13.3% of customer strongly agreed.

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| **Table 4.36 Level of social/cultural empowerment Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 2 | 1.7 | 1.7 | 1.7 |
| disagree | 16 | 13.3 | 13.3 | 15.0 |
| neither agree nor disagree | 17 | 14.2 | 14.2 | 29.2 |
| agree | 66 | 55.0 | 55.0 | 84.2 |
| strongly agree | 19 | 15.8 | 15.8 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

In social/cultural empowerment portion 55% of customers were agreed, 15.8% of customers were strongly agreed, 14.2% of customers were remained neutral, and 13.3% of customers were disagreed while 1.7% of customers were strongly disagreed.

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| **Table 4.37 Level of social/cultural empowerment Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 11 | 9.2 | 9.2 | 9.2 |
| disagree | 19 | 15.8 | 15.8 | 25.0 |
| neither agree nor disagree | 25 | 20.8 | 20.8 | 45.8 |
| agree | 44 | 36.7 | 36.7 | 82.5 |
| strongly agree | 21 | 17.5 | 17.5 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 36.7% of customers were agreed, 20.8%of customers were being neutral, 17.5% of customers were strongly agreed, and 15.8% of customers were disagreed while 9.2% of customers were strongly disagreed.

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| **Table 4.38 Level of personal empowerment Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 7 | 5.8 | 5.8 | 6.7 |
| neither agree nor disagree | 15 | 12.5 | 12.5 | 19.2 |
| Agree | 64 | 53.3 | 53.3 | 72.5 |
| strongly agree | 33 | 27.5 | 27.5 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

In personal empowerment portion 53.3% of customers were agreed, 27.5% of customers were strongly agreed, 12.5% of customers were being neutral, and 5.8% of customers were disagreed while 0.8% of customers were strongly disagreed.

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| **Table 4.39 Level of personal empowerment Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| disagree | 3 | 2.5 | 2.5 | 3.3 |
| neither agree nor disagree | 6 | 5.0 | 5.0 | 8.3 |
| agree | 76 | 63.3 | 63.3 | 71.7 |
| strongly agree | 34 | 28.3 | 28.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 63.3% of customers were agreed, 28.3% of customers were strongly agreed, 5% of customers were remained neutral, and 2.5% of customers were disagreed while 0.8% of customers were strongly disagreed.

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| **Table 4.40 Level of personal empowerment Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | disagree | 7 | 5.8 | 5.8 | 5.8 |
| neither agree nor disagree | 20 | 16.7 | 16.7 | 22.5 |
| agree | 53 | 44.2 | 44.2 | 66.7 |
| strongly agree | 40 | 33.3 | 33.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

 This results shows that 44.2% of customers were agreed, 33.3% of customers were strongly agreed, and 16.7% of customers were neutral and 5.8% of customers were disagreed.

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| --- |
| **Table 4.41 Level of personal empowerment Q4** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | neither agree nor disagree | 9 | 7.5 | 7.5 | 7.5 |
| agree | 63 | 52.5 | 52.5 | 60.0 |
| strongly agree | 48 | 40.0 | 40.0 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This results shows that 52.5% of customers were agreed, and 40% of customers were strongly agreed while 7.5% of customers were being neutral.

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| **Table 4.42 Level of family empowerment Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 8 | 6.7 | 6.7 | 7.5 |
| neither agree nor disagree | 18 | 15.0 | 15.0 | 22.5 |
| Agree | 56 | 46.7 | 46.7 | 69.2 |
| strongly agree | 36 | 30.0 | 30.0 | 99.2 |
| 45.00 | 1 | .8 | .8 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The family empowerment table shows that 46.7% of customers were agreed, 30% of customers were strongly agreed, 15% of customers were being neutral, and 6.7% of customers were disagreed while 0.8% of customers were strongly disagreed.

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| **Table 4.43 Level of family empowerment Q2** |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 7 | 5.8 | 5.8 | 6.7 |
| neither agree nor disagree‎ | 8 | 6.7 | 6.7 | 13.3 |
| Agree | 54 | 45.0 | 45.0 | 58.3 |
| strongly agree | 50 | 41.7 | 41.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 45% of customers were agreed, 41.7% of customers were strongly disagreed, 6.7% of customers were neutral, and 5.8% of customers disagreed while 0.8% of customers were strongly disagreed.

|  |
| --- |
| **Table 4.44 Level of family empowerment Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 2 | 1.7 | 1.7 | 2.5 |
| neither agree nor disagree‎ | 11 | 9.2 | 9.2 | 11.7 |
| Agree | 38 | 31.7 | 31.7 | 43.3 |
| strongly agree‎ | 68 | 56.7 | 56.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 56.7% of customers were strongly agreed, 31.7% of customers were agreed, 9.2% of customers were being neutral, and 1.7% of customers were disagreed while 0.8% of customers were strongly disagreed.

|  |
| --- |
| **Table 4.45 Level of poverty eradication Q1** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree  | 1 | .8 | .8 | .8 |
| Disagree | 6 | 5.0 | 5.0 | 5.8 |
| neither agree nor disagree | 3 | 2.5 | 2.5 | 8.3 |
| Agree | 42 | 35.0 | 35.0 | 43.3 |
| strongly agree | 68 | 56.7 | 56.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

The dependent variable poverty eradication shows that 56.7% of customers were strongly agreed, 35% of customers were agreed, 5% of customers were disagreed, and 2.5% of customers were neutral while 0.8% of customer were strongly disagreed.

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| --- |
| **Table 4.46 Level of poverty eradication Q2** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 1 | .8 | .8 | .8 |
| Disagree | 8 | 6.7 | 6.7 | 7.5 |
| neither agree nor disagree | 13 | 10.8 | 10.8 | 18.3 |
| agree | 69 | 57.5 | 57.5 | 75.8 |
| strongly agree | 29 | 24.2 | 24.2 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 57.5% of customers were agreed, 24.2% of customers were strongly agreed, 10.8% of customers were neutral, and 6.7% of customers were disagreed while 0.8% of customers were strongly disagreed.

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| --- |
| **Table 4.47 Level of poverty eradication Q3** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative** **Percent** |
| Valid | strongly disagree | 5 | 4.2 | 4.2 | 4.2 |
| disagree | 29 | 24.2 | 24.2 | 28.3 |
| neither agree nor disagree | 37 | 30.8 | 30.8 | 59.2 |
| agree | 35 | 29.2 | 29.2 | 88.3 |
| strongly agree | 14 | 11.7 | 11.7 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 30.8% of customers were neutral, 29.2% of customers were agreed, 24.2% of customers disagreed, and 11.7% of customers were strongly agreed while 4.2% of customers were disagreed.

|  |
| --- |
| **Table 4.48 Level of poverty eradication Q4** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | strongly disagree | 12 | 10.0 | 10.0 | 10.0 |
| disagree | 42 | 35.0 | 35.0 | 45.0 |
| neither agree nor disagree | 21 | 17.5 | 17.5 | 62.5 |
| agree | 34 | 28.3 | 28.3 | 90.8 |
| strongly agree | 11 | 9.2 | 9.2 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table shows that 35% of customers were disagreed, 28.3% of customers were agreed, 17.5% of customers were neutral, and 10% of customers were strongly disagreed while 9.2% of customers strongly agreed.

|  |
| --- |
| **Table 4.49 Level of poverty eradication Q5** |
|  | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Valid | disagree | 8 | 6.7 | 6.7 | 6.7 |
| neither agree nor disagree | 10 | 8.3 | 8.3 | 15.0 |
| agree‎ | 32 | 26.7 | 26.7 | 41.7 |
| strongly agree | 70 | 58.3 | 58.3 | 100.0 |
| Total | 120 | 100.0 | 100.0 |  |

\*output source: SPSS20

This table indicates that 58.3% of customers were strongly agreed, 26.7% of customers were agreed, and 8.3% of customers were being neutral and 6.7% of customers were disagreed.

# **CHAPTER 5**

# **CONCLUSION & RECOMMENDATION**

Chapter 5 contains the conclusion drawn from the studies, along with recommendations which are recommended based on the findings of the study.

## 5.1 Conclusion

Research was conducted to know the effect of micro finance in eradicating poverty in KP. Different independent variables were selected which could clearly show the impact of micro financing on poverty. Additionally other variables which are ages, genders, education levels of clients of MFIs and other variables were used for the better understanding for cultural context of KP. The data was collected directly from the clients of different micro financing institutions.

The result concludes that micro financing overall has a significantly pragmatic impact on the lives of the poor, however mixed evidence also exists especially when it comes to political empowerment. Micro financing has been overall a satisfactory tool for eradicating poverty. It has been mostly effective against empowering families, woman and increasing the incomes of individual and families. It has proven to be a valuable tool for education of the children and their nourishment as well. Micro finance is also considered to be effective for personal and social/cultural empowerment, thus this research has taken into consideration those variables which has prominent relation with the dependent variable which is poverty. The study concludes that micro financing is generally doing a significant job in eradicating poverty however there are some areas which needs the attention of the policy maker. Interest rates which are being charged is defined as an issue by the clients. Also in KP there is great scope of micro financing but in many rural areas the micro financing is not known to people which further suggest that there is a need for marketing. (Noreen, 2010)

The present study can be very beneficial for the policy makers, the MFIs and the clients of these facilities, besides the study is a fine contribution to the literature of impact of micro financing in eradicating poverty.

## 5.2 Recommendations

Following are some useful recommendations based on the study:

### 5.2.1 Guidance

Usually the clients of the MFI owns small businesses like beauty salons/parlors, garment shops, stitching etc. There is need for these clients of MFIS to be assisted in choosing the right business, being guided regarding the raw materials availability and how to start a startup.

### 5.2.2 Training and Grooming

Micro finance facilities does not have a separate department which could guide the clients regarding all the available options in regards of such small loan, since the amount of the loans given to the clients is small and the clients cannot afford to risk it in some bad business thus it is highly essential to give client proper direction on how to use the loans.

### 5.2.3 Monitoring of the loans

Though MFI has proper mechanism for recovering of the loan yet there is a need for monitoring of the loan as well. The loans given to the clients should be monitored periodically. Since most of the users of MFI are illiterate, they need to be given guidance throughout the loan cycle.

### 5.2.4 Introduction of new Services

There is room for plenty of new services and programs which could be offered to the client and which would turn out to be beneficial for both MFIS and the clients. For example education insurance which will call up for some premium periodically to ensure a client’s higher level education.

### 5.2.5 Geographical Reach

There are many regions which are out of reach of MFIS, thus the institutes should facilitate small franchises or should visit such rural areas periodically to gather clients. It would benefits both the MFIS and the people in need of such services.

### 5.2.5 Marketing

Those areas where people are unaware of existence of such facilities should be reached out for. There are many rural area where people are unware of MFIS and its operation and such areas contain a large chuck of potential customers of MFIS.

### 5.2.7 Policies Reviewing

The policy maker and the authorities of MFIS needs to review the policies which are being barriers between them and their client. Such as the interest rates, upon being asked most of the clients were unsatisfied with the rate of interest being charged.

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