



Impact of Microfinance on Poverty Reduction: A Case Study of Khushhali Bank, District Mirpur Khas

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ABSTRACT

Micro finance banks are an important tool to alleviate the poverty. They effectively help the poor people by increasing their income level. The present study is designed to explore the impact of microfinance on poverty reduction in the Mirpurkhas district, using Khushhali Bank as a case study. It examines the size of MF loan and effect of this loan on income level of beneficiaries. Analysed the different variables like as size of loan, living standard and their impact on poverty rate. Sample of 300 respondent was taken randomly by using close ended questionnaire mainly focus on the customers of the Khushhali Bank Mirpurkhas branch. Further raw data was analysed with the help of SPSS 22.0 software and PLS. Finding concludes that microfinance is an effective tool for poverty alleviation, as it helps increase income and improve the living standards of the poor. Further suggests that microfinance institutions provide more effective opportunities for people living below the poverty line to invest money/capital based on their needs, experience, and knowledge. The study also suggests policy recommendations for planned improvements. The literature review highlights the importance of microfinance in poverty reduction, and how it has played a significant role in the economic development of people in rural areas. The study concludes that microfinance can be a powerful instrument in mitigating rural poverty.

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1. Introduction

A global issue of Poverty that has been widely discussed all over the world. Since long it remained the center point of policy maker. People are struggling with the poverty over the globe. Poverty can be thought as the degree of lack of experience by an individual family or nation. The poverty in Pakistan is multifaceted. Poor people generally lack access to medical care, quality school, clean water and safe living circumstances (Nizami & Hizam, 2023). Microfinance is a key to reduce poverty in Pakistan (Arshad A, 2018). Microfinance is the arrangement of financial facilities to poor and low pay family households who need access to formal economic institutions (Tasos, 2020). The meaning of microfinance is "giving access to financing implies, to an extraordinary of needy individuals, by allowing them to utilize their capacities in the support of a solid improvement". Microfinance is the institution which works for supply of economic services for the poor; these consist of financial investment funds, exchanges, protection, and financial assessment. The services of Microfinance establishments (MFIs) are transfers, saving and insurance coverage offerings. Other social services like schooling and training; organizational support, fitness and capabilities in keeping with their improvement goals are also included by Microfinance establishments. In 2001, the legislature of Pakistan introduced an administrative system that advances the quick extension of microfinance all over the nation to accomplish these un-served families, exploiting worldwide encounters, in advancing the development of get right of section to fiscal administration's policymakers from the begin stressed the significance of maintainable microfinance and upheld individual zone interest. (SBP, 2007)

1.1. Background study of Microfinance Bank

Microfinance is a financial improvement technique that ensures the availability of financial services through their institutional network to low earning customers where other institutions are failing to provide appropriate services (Thai, 2019). Micro finance has brought a positive impact in the life of clients. MFI boosted their ability for more earning with improved consumption level, health and assets (Noor jehan, 2020). Currently micro finance became an important investment opportunity in developing regions. Such as Latin America, and Africa and all major international like as Europe union and the united nation, the World Bank, Asian bank dedicates funding for research microfinance (Daud Rehman, 2021). Before struggling of microfinance institutions, the commercial banks never tried to tackle this deep-rooted issue of poverty as it miles beyond the fighting and scope of mainstream business banking that doesn't continue to be even their goal. Commercial banks have approached only about 20 percent of country's residents and closing 80 percent, not in any way have get right of entry to monetary services by the general banks. Later the target of change in poor people's life and to cadge the lion of poverty is given Microfinance instructions. So, with the given struggling strategy of bringing although improvement inside the lives of uncountable, for whom it's far with the aid of a long way the most effective real wish of enhancing their lives. Although the Khushhali Microfinance financial institution restricted—thinking about that its operation is a one flagged microfinance employer this is constantly chasing this false impression through its innovative performance.

As Pakistan's first licensed microfinance organization with the help of duplicator financial support by Asian Development bank also with pay-up capital shared from other sixteen commercial banks, Khushhali Microfinance financial institution constrained was set up in August 2000. KBL is supported with the well-made banking understanding with comprehensive appreciative by rising socio-financial marketers and pushed by way of means of a profound & adopted knowledge of poverty aspect, Khushhali Microfinance bank Limited is, nowadays, counted as major microfinance institute in Pakistan on the basis of outreach. Its activities and effects are expanded all through the greater part of the regions of Pakistan, and flagged with innovator of all MFIs, Khushhali Microfinance Bank Limited. Restrained is totally ready to provide feasible solutions as to how poverty might be reduced and hopefully dispensed with instantly. Initialized in 2000, Khushhali Microfinance financial institution limited, as a financial group set up as an institution of the administration of Islamic Republic of Pakistan's (PPF) Poverty Elevation Fund as well as Microfinance Social Advancement Program (MSDP). MSDP have turned out to be progressed with and financed by Asian Development Bank and Its Head office situated at Islamabad.

State Bank of Pakistan fully supervise and regulated Khushhali Microfinance bank under 2000, ordinance. It is also bound to connect with various fundamental (business undertaking) banks which are also KBL investors. KBL have to work as retail microfinance contributions in addition to go about a momentum to balancing out the nation's recently shaped micro-credit zone as of 31st Dec, 2017 the total branch network all over the country is 150, branches, and 25, service centers, with total number of active clients is 6, 71,014, total cumulative disbursement Rs.150, 648,574,011, Total number of cumulative loan serviced is 6,033,153 (Khushhali Microfinance Bank Outreach Jan, 18). Dr. Moodhi Raid (2023) Conducted an analysis of the impact of microfinance on poverty reduction, with a focus on three core dimensions of poverty: health, education, and living standards. Result reveals that receiving money from Microfinance Banks (MFB) had a positive and significant effect on improving living standards among the poor. They conclude that microfinance can lead to improvements in healthcare facilities, education, and living standards for poor clients. To mitigate poverty, policymakers may consider enhancing access to credit and microfinance for poor individuals living in rural areas of Pakistan. Overall, the provision of microfinance is necessary for poverty reduction, particularly among the poorest segments of society.

Raza (2022), microfinance is a crucial tool for reducing poverty in Pakistan. Comprehensive financial services that promote inclusive growth and poverty reduction can be enhanced through greater access to finance. However, it is important to consider the impact of microfinance on different levels of poverty, particularly among poor communities. Nadia Shabnam (2023) Study concludes that microcredit, when used properly, can alleviate poverty. Their analysis of household variables indicates a significant impact of microcredit on raising living

standards among people at the grassroots level. Overall, both studies highlight the importance of microfinance in poverty reduction efforts in developing countries like Pakistan.

Mohd Nor (2021) Explored the importance of microfinance as a tool for poverty alleviation. They note that microfinance has been effective in helping poor people increase their income and improve their living standards. According to the study results, respondents expressed a positive opinion of microfinance as an effective means of achieving prosperity. Access to loan facilities led to increased income levels and improved living standards for the poor. The study also found that loans played a significant role in the relationship between income and poverty, leading to the growth of small-scale businesses. These findings suggest that microfinance can be an effective strategy for reducing poverty and promoting economic development.

Microfinance is the institution which works for supply of economic services for the poor; these consist of financial investment funds, exchanges, protection, and financial assessment. Microfinance stock are customized to the socioeconomics, financial connections and objectives of the shocking that is included by method for some sorts of establishments like business banks, state improvement banks, postal banks, MFI banks, NBFIs, coops and CUs, country banks, NGOs, scope, exchange installment, pawn shops, money creditors, casual companies & MNOs. Microfinance is a way of building economic structures that serve the poor (Bauchet, 2011). The research on the poverty reduction effect of microfinance is significant for several reasons. Firstly, poverty is a major global issue that affects millions of people, particularly in developing countries.

Therefore, finding effective ways to reduce poverty and improve the livelihoods of the poor is crucial. Microfinance has been touted as a potential solution to poverty, and this research seeks to evaluate its effectiveness in reducing poverty. Secondly, microfinance has become an important tool for governments, non-governmental organizations, and other development agencies in alleviating poverty. By evaluating the impact of microfinance lending on the sustainability of small and medium-sized enterprises, this research can provide valuable insights into the effectiveness of microfinance in reducing poverty. Thirdly, the research aims to measure the impact of microfinance lending on the income level and living standards of the poor. This is important as it can help in assessing whether microfinance is actually helping the poor to improve their standard of living and move out of poverty. Finally, the research can also provide valuable insights into the challenges and limitations of microfinance lending in reducing poverty. This can help policymakers, practitioners, and other stakeholders to identify areas for improvement and design more effective poverty reduction program. However, the aim of this research study is to investigate the impact of microfinance on poverty reduction through a case study of Khushhalibank in Mirpur Khas district. The study will examine the extent to which microfinance services provided by Khushhalibank have contributed to poverty reduction in the target area. Specifically, the study will aim to answer the following research questions:

- What is the profile of Khushhalibank's clients in Mirpur Khas district, in terms of their socio-economic characteristics and business activities?
- What are the different microfinance services offered by Khushhalibank in Mirpur Khas district, and how accessible are these services to the target population?
- To what extent have microfinance services provided by Khushhalibank contributed to poverty reduction in Mirpur Khas district, in terms of improving clients' income levels, reducing their vulnerability to economic shocks, and improving their overall well-being?
- What are the challenges and limitations of Khushhalibank's microfinance services in Mirpur Khas district, and how can these be addressed to enhance the impact of microfinance on poverty reduction?

By answering these research questions, the study will provide insights into the effectiveness of microfinance as a poverty reduction strategy and identify areas for improvement in microfinance services in the target area. The objective of this study is to measure the impact of microfinance lending on the sustainability of small & medium enterprises. However, this study further attempts to achieve the following key objectives:

- To find out the impact of Micro Finance on Income Level.
- To assess the impact of Micro Finance on Living Standards.

- To assess the impact of Micro Finance on poverty reduction.

2. Literature Review

Muhammad Ali Nizami (2023) Study conclude that micro businesses play a crucial role in reducing poverty, as they have a positive and significant impact on poverty reduction. Additionally, microfinance also contributes to poverty reduction significantly. The study also reveals that micro businesses have a positive and significant impact on microfinance. The study found that when microbusinesses work in collaboration with the government, the positive impact on poverty reduction becomes more apparent. However, when the moderating role of NGOs was taken into consideration, a negative and significant impact was observed. Furthermore, the study highlights that the expansion of microbusinesses has a statistically significant association with the reduction of poverty levels. Muhammad Ijaz Amjad (2022), study explore that there is a negative correlation between poverty levels and the existence of markets. Among all sectors, trading, and services have a significant impact on reducing poverty. Therefore, it is essential to increase female participation in credit programs, with particular attention given to encouraging borrowers to use their loans in the trading and services sectors, which are most effective in lifting people out of poverty.

Al-Amin (2022) There is a significant correlation between poverty and the growth of microfinance loans. Additionally, in the long term, microfinance loan growth is influenced by poverty, small and medium-sized enterprises (SMEs), and agriculture. In the short term, the study's regression results indicate that the growth of SMEs can alleviate poverty, while poverty can lead to an increase in the growth of microfinance loans in the country. However, other variables in the short term were found to be statistically insignificant. The study also highlights a bidirectional relationship between the growth of microfinance institutions and SMEs in the short term. This suggests that an increase in SMEs leads to a rise in MFI loans, and the establishment of more MFIs encourages the growth of SMEs. In conclusion, the study reveals that microfinance plays a crucial role in poverty alleviation, and its growth is significantly influenced by poverty, SMEs, and agriculture in the long term. Moreover, there exists a mutually beneficial relationship between the growth of microfinance institutions and SMEs in the short term. These findings underscore the critical role of the microfinance industry in poverty reduction, particularly in regions with high poverty rates and low financial inclusion for disadvantaged segments. To strengthen the microfinance sector's role in the economy, there is a need for regulations, legislative reforms, and policies to improve the business environment, ensure loan provision sustainability, and establish appropriate criteria for selecting beneficiaries. Continuous follow-up, training, capacity building, and guidance are also necessary to guarantee efficient use of loans and repayment. Overall, the study highlights the importance of microfinance institutions and calls for concerted efforts to enhance their effectiveness in contributing to poverty reduction (Nasharty, 2022).

Rajper (2018) Focused on analyzing the impact of microloans disbursed to the customers of Khushhali Bank Limited in the Sukkur region of Sindh, Pakistan, on poverty reduction. The study utilized a sample size of 370 individuals and assessed the effect of various variables such as occupation, residential area, age, gender, education, income, and microloans disbursed on poverty alleviation. Finding shows significant relationship among the different variables measured and concluded that microfinance is a key factor in alleviating poverty among the beneficiaries. Furthermore, the study suggests that microfinance institutions have the potential to improve their performance and play a significant role in reducing poverty among bank customers in Sindh. Overall, the study highlights the importance of microfinance in poverty reduction and emphasizes the need for microfinance institutions to continue expanding their services to reach more disadvantaged segments of the population. Microfinance (MF) has become a ubiquitous term worldwide, including in government welfare programs. The success stories of MFs in developing countries like Bangladesh have highlighted its potential as a tool to bridge the gap between financial institutions and the poorest of the poor. However, least-developed countries (LDCs) like Ethiopia still face significant challenges in reducing hunger, poverty, illiteracy, and poor health, despite the importance of technology and innovation in modern development. Private Banks and government banks face obstacles in reaching the needy due to high-profit motives and strict loan-sanctioning policies. In this context, MF is considered an effective instrument to mitigate rural poverty. The MF model safeguards the interests of its members, making it an effective tool for poverty reduction. This paper explores the need for Microfinance Institutions (MFIs) and their role in alleviating poverty in Ethiopia, with a focus on how women can benefit from these

institutions, specifically the Amhara Credit and Savings Institutions (Benti, 2019). Poverty eradication has been a protracted-mounted and key venture for governments, the worldwide community, multilateral businesses and donor companies around the globe, especially in growing economies. Blended worldwide, multilateral and donor efforts have led to great discounts in poverty stages throughout countries, apart from this superb achievement (Atmadja, 2016). Microfinance has been instrumental in promoting economic development in rural areas with low-income populations since its inception. To expand the reach of microfinance on a sustainable basis, it is crucial to improve health-related services and educational facilities for the member families of microfinance. However, there is a lack of comprehensive research on the relationship between health, education, and income, which this study aims to address (Bhuiya, 2016)

Chibuzo (2018) Explore the effects of financial inclusion on poverty reduction, the moderating effect of microfinance. Data was collected from 384 respondent customers of micro finance banks by self-administrated questionnaire. By using different techniques of PLS SEM. Finding reveals that there is a positive relationship between financial inclusion and poverty reduction. Further state that microfinance positively moderate the relationship among the variables of study. Asad K Ghalib (2015) Examine micro finance and poverty reduction empirical evidence from Rural Pakistan. Primary data was collected by interviewing 1132 households including both borrower and non-borrowers. Results reveals that microfinance program have positive significant impact on participated households. Further poverty reduction effects were observed on a number of indicators including expenditure on health care, clothing house hold income also.

Okubo and Makanga (2014) Study define Microfinance is a proper way of poverty-reducing of poor people of this region (South Africa). The furthermore study shows dissatisfaction with the small size of the loan and demanded an increase in the size of the loan. Regmi (2013) Presented A Case Study of the Microfinance Program of Manushi in Goldhunga VDC of Kathmandu District and describes that both of livelihood assets and livelihood activities marginally shows improvement there are substantial differences in profits in line with capita among the poor member and nonmember women. In addition, the look at mentioned that MFI singly can't meet the needs and solve a huge variety of difficulties of the poor, mainly poor women. However, there may be a lack of appropriate policies or policies promoting the interaction of many of the current rural groups and services along with mass groups, extension offerings to carry out poverty reduction programs.

Microfinance is a financial improvement technique that ensures the availability of financial services through their institutional network to low earning customers where other institutions are failing to provide appropriate services. These services of Microfinance establishments (MFIs) are transfers, saving and insurance coverage offerings. Other social services like schooling and training; organizational support, fitness and capabilities in keeping with their improvement goals are also included by Microfinance establishments (Banerjee, 2017). Microfinance is a successful motivational way to reduce poverty level since the economic services empower poor people and low pay families to exploit the financial chances to expand their expectations for everyday comforts through independent work. They additionally take note of that it is presently acknowledged that the poor don't have much cash, so low wage family units require monetary help. The significance of microfinance especially in the nations saw to be neediness stricken has been expanding lately which have prompted arrangement creators of numerous nations to receive national small scale back strategies and projects (Zaidi, 2007).

3. Methodology

To find the connection between direct and indirect variables like increase in size of microfinance loan, due to which change in Increase in Living standards and increase in Income level and also to measure the reduction in poverty level of beneficiaries of microfinance loan offered by MFI in Mirpurkhas District, by role played for this to design the research method is necessary. This part exceptionally centered around thinks about technique methodologies and procedures used by researcher communicated essential ideas of research design and basics of quantitative research. Further researcher similarly expressed the principles of explanatory studies technique and methods which has been utilized for targeting the participants for records series process and facts collection tools, forms of questionnaire, development and shape of scale.

3.1 Population

The number of people applying for microfinance in certain forms in certain areas of the country is increasing, but Mirpurkhas microfinance program is a model. The plan is mainly designed at low-income people. Many microfinance institutions, such as the first microfinance bank Tameer Microfinance Bank and NRSP. I chose the Khushhali Microfinance Bank's microfinance program because it has been successfully operating in the area for 12 years. KMFB is a display organization established under a special regulation in 2000. Lifestyle, language, economic system, etc. it was very descriptive depiction of the Mirpurkhas regions whole society introduced how the subsistence agriculture through the residents of the region. That is reason to exploration here at Mirpurkhas District.

3.2 Sample

In this regard the study has been carried out in Khushhalibank Limited Mirpurkhas portfolio the 300 respondents were selected from the said areas of beneficiaries from which 276 actively participated in study. For that reason convince non probability sampling was selected and this was the most suitable sampling method and it provide flexibility to the responds(Etikan, 2016).

3.3 Data Collection Tools and Techniques

Statistical evaluation methods are used to extract the results. For this, the researchers used the SPSS 22.0 (Statistical Package for Social Sciences) model, also known as the SPSS Temporary Model, and the SEM (Structural Equation Modeling) based entirely on Square technology. PLS (Smart PLS) is used to perform positive evaluation. Financial disaster leader survey, statistical evaluation types, statistical selection, missing data set evaluation, outlier detection, uniformity, linearity, homoscedasticity opinion, evaluation of research question, and evaluation of positive aspects of structure equation modelling methods. The data and statistics required by the auditors are collected from primary and secondary aspects. Most of the respondents' data and records were collected using the structured questionnaire provided. Secondary information can also be obtained from research, articles, related literature, published and unpublished reports, journals, and library aids, because secondary statistics and records are also needed to conceptualize the research, use appropriate equipment and descriptions Research expanses. Except they help to evaluate the results to get a perfect ending.

4. Data Analysis

4.1 Model Assessment by SEM

In this research SEM (structural equation modeling) technique) is used for examination of quantitative data. It shows the statically relationship between different types either discrete or continuous of independent or dependent variables. SEM is also called casual modeling, path evaluation or confirmatory evaluation (Tabachnick et al., 2007). SEM has double action however detailed constants loading measurement of size and therefore thing examination and hypotheses are observed within the identical segment but also it also assessing longest relationship between independent and dependent variable .Hair et al., (2006-2007).

Table 1: Reliability Statics

Variables	Cronbach's Alpha	Cronbach's Alpha Based on N of Items	Standardized Items
Size Of Microfinance Loan	.796	.830	7
Increase In Income Level	.807	.807	7
Increase In Living Standard	.688	.726	9
Reduction In Poverty Level	.895	.894	7

4.2 Factor Loading

Factor loading, or (Cross loading) are the ones qualities which clarify how intently the factors are identified with every last one of the component observed, it is likewise called Factor Variable co-relations. Consequently, it is a key protest capture what the components infer, (Kothari, 2004). Judgment Power is set up while signs load up on a develop personality unrivaled than all its pass loadings with supplementary paradigms table recommends the load up and cross load up for each display. At this point the sign RIP1 RIP2, RIP3, RIP4RIP 5, RIP 6, and RIP 7, has the upper most value for the loading with its similar hypothesis RIP 1 to RIP 7 (0.8560, zero.0.9404, zero.0.9061, zero. 0.8115, 0.9249, 0.9042 and0.9379), all cross loading with

supplementary constructs have poorer values (IILS= zero0.2349, 0.2706, 0.241, zero.0.2969, zero. 0.2384and zero. 0.2772) therefore, it suggests that each construct have more potent values of their very own constructs.

Table 2: Loading Factor

Objects	SOML	IIL	IILS	RIP
SOML3	0.7182	0.2195	0.12	0.1754
SOML4	0.7337	0.2937	0.1786	0.2387
SOML5	0.8087	0.3972	0.0343	0.1673
SOML6	0.7582	0.2747	0.0546	0.0805
SOML7	0.7837	0.4237	0.0027	0.0965
IIL1	0.3273	0.7411	0.0822	0.1224
IIL2	0.3279	0.7120	0.0094	0.2234
IIL6	0.3189	0.8233	0.0131	0.1817
IIL7	0.386	0.8318	0.1512	0.3043
IILS1	0.0559	0.0072	0.7048	0.1832
IILS2	0.0684	0.0705	0.8447	0.2364
IILS6	0.0652	0.0975	0.7067	0.2462
IILS7	0.0859	0.0777	0.7443	0.2095
RIP1	0.2515	0.254	0.2349	0.8560
RIP2	0.1882	0.2518	0.2706	0.9404
RIP3	0.16	0.265	0.241	0.9061
RIP4	0.0759	0.1747	0.2888	0.8115
RIP5	0.1967	0.2787	0.2969	0.9249
RIP6	0.1667	0.2676	0.2384	0.9042
RIP7	0.1847	0.2484	0.2772	0.9379

Table 3: Overview of Correlation among Constructs

Variables	AVE	Composite Reliability	R Square	Cronbach's Alpha
IIL	0.6065	0.8599	0.1937	0.7832
IILS	0.5659	0.8383	0.0085	0.7426
RIP	0.8071	0.9669	0.1579	0.9597
SOML	0.5794	0.873	0	0.821

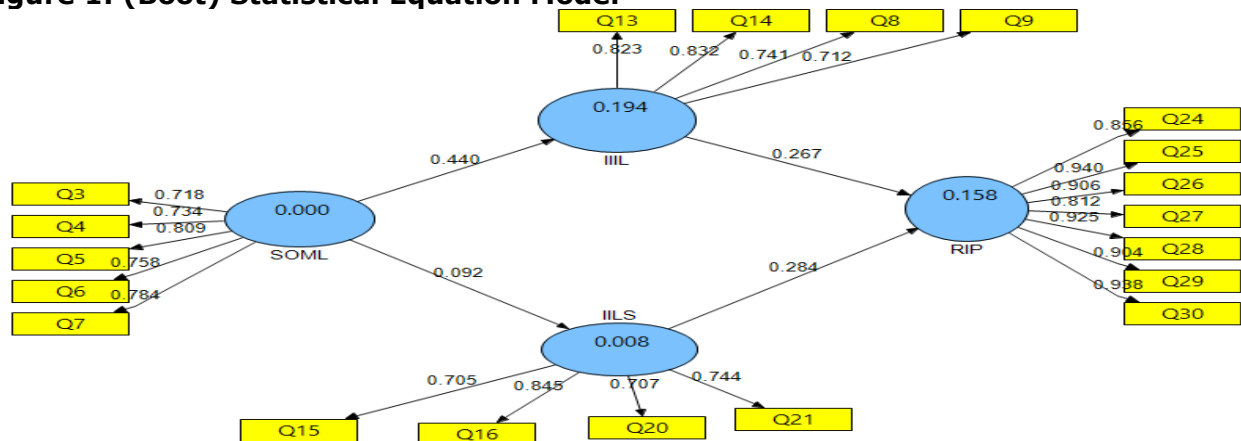
4.3 Path Coefficients

Path coefficients are institutionalized forms of linear regression weights which might be used in looking at the conceivable causal linkage among statistical variables inside the structural equation modeling method. (G. David Garson2016).

Table 4: Path Coefficient

Variable Relationship	Beta	Standard Error	T Statistics
IIL -> RIP	0.2672	0.0474	5.6426
IILS -> RIP	0.2841	0.0336	8.4473
SOML -> IIL	0.4401	0.0401	10.986
SOML -> IILS	0.092	0.0551	1.9783

Figure 1: (Boot) Statistical Equation Model



4.4 Definition of Hypothesis

Indefinite like the Populace constraint always is tested through statistical supposition that is called a hypothesis. All assumptions are not true, so researchers adopt formal procedures to testing hypotheses (Wikipedia).

Table 5: Hypothesis

Hypothesis	Variable Relationship	Beta	Standard Error	T-statistics	Status
Increase in the income level of beneficiaries considerably decrease their poverty level	IIIL > RIP	0.6065	0.0474	5.6426	Accepted
Improving the living standard of beneficiaries considerably reduces their poverty level.	IILS > RIP	0.5659	0.0336	8.4473	Accepted
Size of Microfinance loans unpromisingly improves the income level of beneficiaries.	SOML > IIIL	0.8071	0.0401	10.986	Accepted
Size of Microfinance loans significantly improves the living standard of beneficiaries.	SOML > IILS	0.5794	0.0551	1.9783	Accepted

4.5 SEM to Examine Hypotheses

According to the agreement with the specification of Taba Chnick (2007) and Air, et al. (2006) SEM arithmetical molds have been tested and analyzed: -Descriptive statistics, which include examination of the outliers, become completed to offer an outline of the cumulative information for use within the evidence examination.

5. Conclusion

Based on the PLS trajectory modeling method (SEM) results, it can be concluded that microfinance has a significant impact on reducing poverty. The analysis of the smallest number of companies in some of the smallest areas using SEM components such as factor loading, correlation, path factor, and hypothesis testing has provided empirical evidence for the positive relationship between microfinance and poverty reduction. Furthermore, the results of the study show that the changes before and after the loan were more significant, and the number of respondents who took the loan increased. This indicates that microfinance plays a critical role in empowering individuals to take control of their financial situations, which leads to a reduction in poverty.

Additionally, the study found that poverty reduction has a significant impact on microcredit poverty reduction. This indicates that microfinance is a critical tool for alleviating poverty, particularly in underserved communities where traditional financial services are not readily available. In conclusion, the study supports the notion that microfinance has a significant impact on reducing poverty, and it provides evidence for the effectiveness of microfinance as a tool for poverty alleviation. This underscores the importance of providing access to microfinance to individuals and communities in need and highlights the need for continued investment in microfinance initiatives.

5.1 Policy Recommendations

Based on the findings of the study, the following policy recommendations can be made:

- **Increase Access to Microfinance:** Governments and financial institutions should increase access to microfinance in underserved communities where traditional financial services are not readily available. This can be achieved through initiatives such as increasing the number of microfinance institutions, expanding microfinance services, and promoting financial literacy.
- **Targeted Microfinance Programs:** Governments and financial institutions should develop targeted microfinance programs that address the specific needs of different communities. This can be achieved through conducting thorough assessments of the communities' financial needs and designing microfinance programs that cater to those needs.
- **Government Support:** Governments should provide support to microfinance institutions through policies and regulations that promote the growth and sustainability of the

microfinance sector. This can include providing tax incentives to microfinance institutions, establishing regulatory frameworks that protect both the borrowers and the lenders, and promoting the use of technology in the delivery of microfinance services.

- Collaboration with other sectors: Collaboration between the microfinance sector and other sectors such as agriculture, health, and education can help to address the root causes of poverty. This can be achieved through joint initiatives that provide microfinance services alongside other services such as education and healthcare.
- Continuous Monitoring and Evaluation: Governments and financial institutions should continuously monitor and evaluate the impact of microfinance programs on poverty reduction. This can be achieved through the use of data and feedback from borrowers to make necessary adjustments to microfinance programs and ensure that they remain effective in reducing poverty.

Implementing these policy recommendations can help to promote the growth and effectiveness of the microfinance sector in reducing poverty.

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