



## A QUALITATIVE STUDY ON THE SOCIO-ECONOMIC IMPACT OF PARTICIPATION IN AKHUWAT ISLAMIC MICROFINANCE ON POVERTY ERADICATION AND WOMEN EMPOWERMENT

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### ABSTRACT

Microfinance is viewed as a silver bullet solution to poverty eradication and women empowerment, however, this model has proved fruitful in some countries and failed miserably in others. Numerous factors influence the level of success of microfinance models. Disposition, prior experience, the amount of persons involved in implementation, and capability are all aspects that affect poverty reduction and women's empowerment. The primary goal of Akhuwat Islamic Microfinance is to alleviate poverty and promote women's empowerment by offering interest-free microfinance loans to enable them to establish a business and improve their quality of life. A deductive research approach was used to assess the effectiveness of microfinance in alleviating poverty and empowering women in Pakistan's rural areas. Ten CEOs and managers from microfinance organisations participated in the interview. The information gathered was analysed using thematic analysis, which entails creating multiple themes based on the responses of the respondents. Overall, there is a clear link between microcredit funding, poverty reduction, and women empowerment, according to the findings.

**Keywords:** Microcredit, Microfinance, Akhuwat Microfinance, Poverty Alleviation, Women Empowerment

**JEL Codes:** E51, I32

### I. INTRODUCTION

The microfinance sector in Pakistan has become significant as a good source of social mobilization that reduces poverty within the state. In the contemporary time, there are various institutions operating in Pakistan including the banking sector, NGOs, and a range of private and government-sponsored programmes for rural support have been involved in providing the service of microfinance to the poor. According to a study conducted by Muhammad (2010), the microfinance services in Pakistan are playing a significant role in poverty alleviation and to promote women's empowerment in terms of giving those women various financing opportunities to start up their small businesses that would support their households. In Pakistan, there are two commercial retail banks namely First Women Bank and the other one, Bank of Khyber that are actively involved in providing credits of microfinance to people in order to start up their own businesses. As per the study performed by Muhammad (2010), the microfinance sector has the largest potential clientele base that includes around 6.5 million households that are lower than the middle class. However, Pakistan's microfinance sector is still underdeveloped and is only able to serve 7 to 8 per cent of its total potential clientele.

According to the study performed by Akhter et al., (2009), the poor in Pakistan acquire loans from various sources that are primarily informal. Due to the lack of income and resources, they are forced to take loans in order to fulfil their necessities. Relatives and friends are the major sources of loans that also include the shopkeepers and the landlords from whom the poor acquire loans. In order to cater to these issues, some initiatives have been undertaken by non-profit organisations (i.e. NGOs) in terms of providing small loans to these poor people so that they can start their own small businesses and meet their basic necessities. According to Rauf and Mahmood (2009), Pakistan's Poverty Alleviation of Fund (PPAF) was also established to provide funds to these NGOs and

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other relevant organizations for further financial lending to the poor either individually or in groups. Furthermore, the rural support programme has also been initiated to focus on poverty alleviation and also women empowerment that could result in the development of the economy at a macro level. Currently, there are like a dozen banks providing micro-credit financing including micro-credit finance banks, such as First Microfinance Bank and Khushali Bank providing low-income households with easy access to microfinance services. In so doing, this would provoke the concept of women empowerment into the state by giving small amounts of credit loans to the women to start their businesses and to support their families.

In Pakistan, there are people who do not have a higher income level. As a matter of fact, this led them towards poverty and surrounded them with the negative cultural practices that are caused by a higher level of illiteracy. Among these people, women are worth citing. Unlike men, women are not taken into consideration in the field of employment. Hence, this can be explained by the high level of illiteracy rate among them and the male dominance in the rural areas of Pakistan. More than 55% of females are living with very low income, whereas, poverty remains a big concern for the Pakistani government and also for the international communities. Moreover, there is a lack of studies that assess the effectiveness of microfinance on reducing poverty and women empowerment, specifically in Pakistan. For this reason, this study has been conducted. Furthermore, the shortage of data on microfinance makes it difficult to highlight the weak areas associated with Pakistan's microfinance sector and to assess its accomplishment through its impact on women empowerment and on the lives of the people living with low income in Pakistan that is aimed to be fulfilled through this study. The reason behind studying Akhuwat Model is that this model could give insights into the microfinance growth in Pakistan as this model is based on the study of microfinance credit through various microfinance institutions that are currently operating in Pakistan.

### **I.I. POVERTY LEVEL IN PAKISTAN**

According to studies, only 58.7% of the population of 180 million people live in poverty. More than half of the population in perpetually remote areas such as Balochistan, 32 percent in Khyber Pakhtunkhwa (KPK), and 33 percent in Sindh province is represented by the data cited above. These figures are critical for planning, especially when the government appears reluctant to release data on poverty. The Sustainable Development Policy Institute (SDPI), which has carried out the mapping exercise related to the economy, is defensible for the announcement of government statistics and for a strategy to combat severe poverty. These are the realities that are being reserved under wraps at great danger to the country (Farooq, 2018). The majority of countries depict poverty in one dimension, by making the comparison of consumption and income level. In emerging countries, the factor associated with the consumption level is more proper than the income well-being indicator. At the initial stage, income is understood as an extent of opportunities related to well-being, while consumption is considered as an extent of well-being attainment. Secondly, it is normally believed that the survey of participants is more eager to disclose their pattern of consumption as compared to their income. Thirdly, the measurement of consumption is more than income in emerging countries because of the problems in measuring and illustrating income for self-employed. Finally, income is associated with the seasonal variability while consumption inclines to be less adjustable. Hence, in Pakistan household consumption is castoff as a well-being indicator (Alvarez & Barney, 2014).

### **I.II. IMPORTANCE OF MICRO CREDIT FINANCING IN REDUCTION OF POVERTY**

Microcredit finance is comparable to microcredit, and both phrases are used in the microfinance industry. Microcredit is the wide category of financial services that offer savings to the owners of small businesses, insurance, and loans to those who lack access to conventional financing services. This is mainly used by the countries who want to develop their economy, improve the living standard, and enhance the education system along with sustainability and stability of the country. Hence, there is positive and negative effects of microfinancing on poverty alleviation and women empowerment (Latif *et al.*, 2011). The purpose of this research is to determine the influence of credit financing on poverty reduction and women's empowerment. In light of the study by Durrani *et al.* (2011), which was about the role of microfinance in poverty alleviation, it depicted that microfinance is equally profitable in the deprived countries as in the rich countries. If the system is appropriately supervised and regulated, then micro-credit finance has great potential in development and poverty alleviation in both urban and rural areas.

### **I.III. OVERVIEW OF AKHUWAT**

Akhuwat Islamic Microfinance (AIM) was established with the key objective to offer, interest-free, microfinance to underprivileged, disadvantaged, and penurious members of society. The motivation behind this initiative was to offer interest-free microcredit to the poor, who could not access conventional credit and allow them to become micro-entrepreneurs and raise their living standards. AIM aspires to reduce poverty by building a credit system based on mutual support in society, which is founded on the ideals of social equality and social justice. AIM has implemented microfinance as its strategy related to the functional approach with the loans being presented in

agreement with the Islamic finance policy of interest-free loans (Qarz-e-Hasan). The organization works in religious places to harness and motivate the essence of voluntary. Over some time period, AIM has created numerous support mechanisms to cater to the varied requirements of the deprived people and applied a more holistic technique to poverty alleviation. The major specifications have been on the services related to education as AIM considers admittance to superior education important to promoting health, welfare, charity, and laying down the basics of poverty-free society (AIM, 2019). According to Iqbal and Shafiq (2015), the core concepts of Islam place a high value on social justice, social equity, resource sharing, and inclusion among the haves and have-nots. Islamic finance approaches the issue of social and financial inclusion from two angles. On the one hand, by endorsing contracts related to risk sharing that deliver a feasible alternative to traditional financing of debt-based (risk-shifting). On the other hand, through involuntary and voluntary tools of redeployment of prosperity in society (Iqbal & Mirakhor, 2013)

#### **IV. OVERVIEW OF WOMEN'S EMPOWERMENT IN PAKISTAN**

Women's empowerment in Pakistan is deeply reliant on different variables that comprise geographical locations such as urban and rural, age, social status, and educational status. In Pakistan, working women constantly strive to improve the financial condition of their households, however, their work is mostly belittled. In an underdeveloped country, gaining legal, political, economic, educational, and social empowerment has always been a difficult endeavour. Thus, there is a need for policymakers in Pakistan to introduce laws that promote women's empowerment. Despite many efforts to empower women in Pakistan, inherent challenges still remain. In the 2017 Global Gender Gap Index (GGGI), the World Economic Forum (WEF) ranked Pakistan as the second-worst country in terms of gender equality (Asghar, 2018). Women empowerment is crucial in building stability, addressing persistent challenges related to education and health, protecting human rights, increasing vibrant market economies, democratic societies, furthering international security and peace, and guaranteeing development ingenuities are effective. From the elements mentioned above, The United States Agency for International Development (USAID) is working hard to narrow the gaps amongst women and men to endorse the affluent, inclusive and stable society in Pakistan (Chaudhry et al., 2012).

#### **IV. THE ROLE OF MICROCREDIT FINANCING IN EMPOWERING WOMEN IN PAKISTAN**

Microcredit finance refers to microfinance, a relatively small amount that supports an individual in becoming self-reliant and self-employed; its significance was often felt mainly in third-world countries among women. Grameen Bank initiated the concept, who focused on lending loans to women who possessed traditional or handcraft skills and had the instinct of running an entrepreneurial venture. The initial idea was to inject capital at the early stages of the venture and support it by providing a head start.

Haq and Kamran (2009) investigated the role of micro-credit in empowering Pakistani women. The study focused on how early injection of capital can increase the efficiency of ventures and support alleviating poverty. The paper focused on micro-finances, initiated by Khushhali Bank Limited (KBL); KBL presence was observed in Pakistan through its network. The study analysed socio-economic characteristics of beneficiary women and how micro financed improved regional economy and social status. The study was quantitative in nature and relied on qualitative data collection. The findings suggest that microcredit is a tool for countering and ensuring poverty. The study focused on women, as they were first exposed to economic turmoil, tended to invest in their kids and family, and lacked financial resources and know-how. The study was intended to identify the impact of women's empowerment and determine performances of microcredit. As a result, they denoted that women's income increased after they were granted micro-finance; they became empowered and self-confident. It was observed that microcredit immensely benefited those women possessing technical expertise and knowledge.

Idrees et al., (2012) suggest that despite realising collective global development in erasing inequality among men and women, unfortunately, it still exists. Through this study, we attempt to access women's empowerment through participation in AIM in the rural areas of Pakistan. According to previous research, microcredit plays a critical role in empowering women in a variety of areas, including decision-making, asset ownership, greater social networking, and mobility.

#### **II. LITERATURE REVIEW**

Microfinance as we know it now began in Bangladesh and portions of Latin America in the mid-1970s to provide a line of credit to the poor who did not previously have access to credit. The concept gained momentum globally due to its ability to lift the poor out of poverty and empower women (FinDev Gateway, 2014). Microfinance offers financial assistance to the poor people of both rural and urban areas. Such people demand loans and resources to acquire assets, deal with crises, and income inequalities caused by natural disasters, illness, violence, and death. Most organisations now provide financial services and a wide range of products and services in addition to

financial credit, such as money transfers, insurance, and assisting in money-saving to help impoverished people in managing their financial demands (Mia, 2017).

In light of the study conducted by Iqbal *et al.* (2018), it has depicted that modern micro-credit financing comprises new technologies and concepts. The methods of operations related to microfinancing have changed significantly due to the progression and advancement of technology. With the help of this, the institutions are in a better position to cater to the target market's needs in an efficient manner. In this contemporary world, financial services are available in different forms and even within the mobile phones of the customer. By implementing such innovative models, the microfinancing companies can provide both enhanced product design and efficient delivery of the products and services. Nowadays, microfinance is progressively considered one of the most successful and essential elements of the more extensive financial inclusion system with numerous players with the mutual objective of providing superior financial services to poor people who have less income and lower access to capital.

### **III.I. CHALLENGES FACED BY MICROFINANCE BANKS IN ALLEVIATING POVERTY**

Erasing poverty from a country is the primary purpose of the government. Nonetheless, microfinance institutions confront several obstacles in their efforts to alleviate poverty. According to the study conducted by Bashir and Qureshi (2010), the challenges faced by microfinancing in poverty alleviation are illustrated. One of the most outstanding substantial issues faced by Pakistan is poverty and its consequences in the current period. In the expedition for solutions to the development of the country, governmental organisations, as well as financial institutions, are facing numerous issues and challenges. The taxes, banking rules, state bank policies are sometimes the major and influential challenges for microfinancing banks.

### **III.II. IMPACT OF MICROCREDIT FINANCING ON FINANCIALLY INDEPENDENT WOMAN**

This study is mainly based on the empowerment of women and the alleviation of poverty. In light of a study conducted by Nabahat (2014), the impact of microcredit financing on financially Independent women has been mentioned. Pakistan is confronting deficiency and turmoil in all features of life. From the last 60 years, Pakistan has made some progress thanks to the unequal division of capital and gender discrimination. Women perform a significant role in the local functions. Thus, they will increase their morale for the sake of quality by financing empowering women. Microfinance emerged as the leading solution for empowering women and eliminating poverty (Norwood, 2014). In the recent era, microcredit financing has conquered a significant amount of attention, mainly amongst the scholars and practitioners involved in ways to enhance the social and economic situations of the "third world". Nonetheless, various findings in the literature related to microcredit financing come from supporters who are hastily excited about declining or alleviating poverty, diminishing gender discrimination, and enhancing the healthiness of penurious people and communities in deprived countries. Women have been reported to have little influence over the credit granted to them, which negates the primary goal of microcredit, namely, women empowerment. Grater financial freedom for women in rural areas leads to reduced violence against women and grants them more autonomy and involvement in domestic decision making (Modi, Patel, & Patel, 2014). As perceived by the general public, microfinance institutions promote and spur women's empowerment (Khan & Noreen, 2012).

### **III. EMPIRICAL REVIEW**

In light of a study conducted by Akinlabi, Kehinde and Jegede (2011), the empirical association between poverty alleviation and microfinance loan disbursement is evaluated by using different statistical results. This study suggested a strong and significant difference amongst individuals who use microfinance systems and institutions compared to the individuals who are not aware or do not use microcredit financing. Hence, microfinance institutions positively impact poverty reduction by enhancing the income and altering the economic position of those who support them. Thus, this review of study provides that the institution of microfinance plays a vital role in declining poverty and is a significant tool for supporting and benefiting poor people, especially people of rural areas. Finally, it is a more dynamic tool for justifiable alleviation of poverty in relation to implementing microcredit financing.

Women empowerment is most important for any country to mitigate discrimination amongst men and women. The study about the effect of enterprises related to microfinance on women empowerment is given by Paramanandam & Packirisamy (2015); it has been defined the relationship of enterprises and women empowerment along with poverty alleviation. There have been argumentative academic discussions associated with the rationality of Micro-Finance Institutions (MFIs) positively influencing the empowerment of women. The empirical analysis has exposed that services of microfinance act as an instant solution that would attain women's empowerment. Moreover, there are mixed responses in support of this study's findings by the economics experts on the concept that microfinance can support the empowerment of women. Besides, there are certain

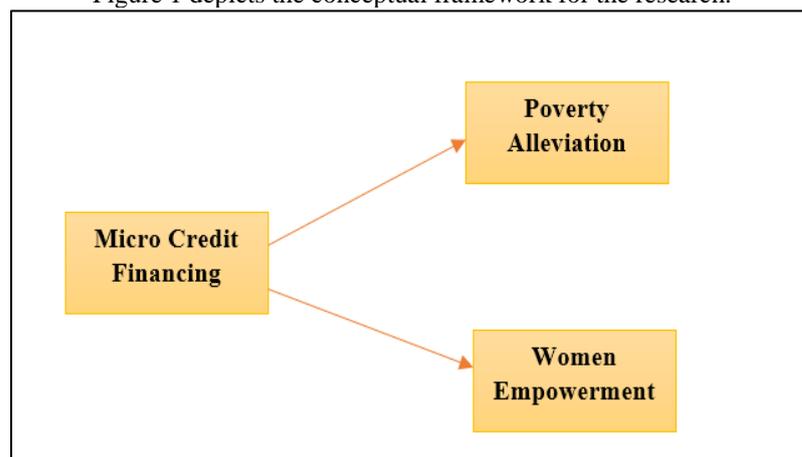
recommendations related to the regulatory authorities that should monitor the operations of the MFI because there are certain issues related to the interest rate amounts and charges of MFI.

According to the research performed by Yusuf et al., (2013), the effect of the Pakistan Poverty Alleviation Fund (PPAF) in Pakistan has been depicted with the help of empirical review of the studies. It has been discussed that organisations like PPAF and other such organisations perform a significant role in alleviating poverty. They provide charitable support to poor people. Moreover, the charitable organisation and PPAF give jobless people work on a salary basis to support them and their families. Hence, this study indicates a positive influence of PPAF and other charity provided institutions on poverty alleviation.

Ayuub (2013) looked at the impact of microfinance in the Bahawalpur district and revealed the benefits of using microcredit by the poor farmers, in rural areas. However, in these rural areas of Pakistan, the credit lines are hardly ever extended to the poorest of the poor who need credit to set up their micro-enterprises (Shafique, 2017; Shafique & Habib, 2020; Shafique & Khan, 2020; Shafique & Siddique, 2020). Developing countries such as Pakistan, India, Bangladesh and Sri Lanka have the highest poverty levels and vast wealth gaps, which they are trying to bridge by improving the living standards of their poor. They are doing so by offering financial assistance through credit to the poor so that they can become micro-entrepreneurs and enhance their living standards.

However, the high-interest rates charged by the private microcredit providers in Pakistan act as an impediment to the improved living standards of the poor. Nevertheless, globally, numerous studies assert that participation in microfinance programs leads to poverty alleviation, supports the poor in setting up their businesses, and enhances their living standards (Ayuub, 2013). Moreover, it also empowers women and gives them greater autonomy/involvement in domestic decision making.

Figure 1 depicts the conceptual framework for the research.



#### **IV. RESEARCH METHODOLOGY**

##### **IV.I. RESEARCH APPROACH**

Due to the nature of this study, we used a deductive research approach to assess the effectiveness of microfinance in reducing poverty and empowering women in Pakistan's rural areas. Moreover, this approach has been used to determine and explain the relativity of women empowerment and poverty alleviation with microfinance, including its impact on both of these concepts within the Pakistani context. Furthermore, the deductive research approach has also been used to identify all the aspects that directly and indirectly impact women empowerment and poverty alleviation in Pakistani society.

##### **IV.II. DATA COLLECTION METHODS**

To acquire data from the study's target respondents, the primary data collecting approach was used in this study. Interviews with respondents were done as a data collection approach to obtain their input and opinions on the study issue.

##### **IV.III. SAMPLING SIZE AND SAMPLING TECHNIQUE**

Ten CEOs and managers from microfinance organisations participated in the interview.

##### **IV.IV. DATA ANALYSIS TECHNIQUE**

Thematic analysis was used to analyse the data acquired during the interviews, which focused on establishing many themes based on the respondents' responses to carry out the findings.

## **V. ANALYSIS AND DISCUSSION**

### **V.I. THEMATIC ANALYSIS:**

#### **A. ROLE OF MICROFINANCE IN POVERTY ALLEVIATION AND EMPOWERING WOMEN IN THE RURAL AREAS OF PAKISTAN**

The theme mentioned above is considered the fundamental theme of this section which highlights the role of microfinance in poverty alleviation and empowering women in the rural areas of Pakistan. When the respondents were asked the question of whether they think that microfinance credit can help the government reduce poverty and empower women in rural areas to become financially independent, some of the respondents retorted to this questions as:

I think women are extensively provided help by microfinancing as it enables them to eradicate all the barriers that stave off their way of empowerment. Therefore, in this manner, poverty can be reduced, and employment opportunities will be created, which will enable the women to contribute to the earnings to the families.

The above-written response of the respondents is quite a comprehensive response. Based on the response, it can be understood that there is great importance of microfinance in poverty alleviation and the empowerment of women. Through the help of microfinance, great employment opportunities can be created for women, which help them in supporting their families. Furthermore, from the above-written response, it can also be comprehended that all the barriers that create problems for the women for getting empowerment are also eradicated.

The above response of the respondents can also be corroborated by this response, which is given by some of the other respondents. They responded to this question as follow:

Yes, I utterly believe that microfinance extensively provides help to women in fighting poverty. Through the use of microfinance, small amounts of loans can be made available for women, which help them to support their families. Besides, women can become independent in running their families if microfinance is provided.

The response mentioned above by the respondents is also congruent with the previous one and depicts the importance of microfinance for poverty alleviation and the empowerment of women. Based on the above response, it can be inferred that the families of women can significantly be supported by them when they are provided small amounts of loans through microfinancing. Besides, from the above-presented response, it can also be understood that through microfinance, women could become independent and can earn for their families. In this way, poverty can be eradicated.

The findings of this theme can also be corroborated by the findings of the literature, where it has been stated that microfinance is very important in alleviating poverty and empowering women. Besides, it has also been noted in the study findings that in both deprived countries and rich countries, microfinance is equally profitable in alleviating poverty (Durrani *et al.*, 2011; Ali and Bibi, 2017; Ali, 2018).

#### **B. CHALLENGES ASSOCIATED WITH THE MICROFINANCE SECTOR IN POVERTY ALLEVIATION AND WOMEN EMPOWERMENT IN RURAL AREAS**

The above-presented theme is another important one in the section highlighting the challenges associated with the microfinance sector in alleviating poverty and empowering women in rural areas. When the question was asked to the respondents in this regard, some respondents responded to this question as follow:

There are various challenges that can be observed in microfinance in poverty alleviation and women empowerment in rural areas. However, the most critical challenges in this regard are insufficient government support, improper regulations, and inadequate donor funding.

Based on the above response, it can be deduced that the lack of support from the government, useless regulations and inadequate funding of donors are the most critical challenges, in this regard. Therefore, from this response, it can be understood that there is a need for proper government support to alleviate poverty and provide empowerment to women through microfinancing. For instance, providing loans and employment opportunities to women. Besides, there is also a need for proper regulations to support microfinance policies and donor findings.

When the same question was asked to the other respondents, one of the respondents responded to this question in a somehow different manner and highlighted some other challenges:

As far as I know, I believe the most important stumbling blocks in the way to microfinancing are lack of innovation and diversified products and increasing competition.

From the above response, it can be understood that to make microfinancing competent to reduce poverty and empower women, there is a need for innovative and diversified products and practical strategies to survive in a

cut-throat competition. Both the responses by the respondents highlight the importance of microfinance and suggest the challenges to overcome. Some of the theme mentioned above findings are also congruent with the results of the literature where it has been stated that the increasing competition among the different microfinance firms, inappropriate regulations and lack of innovation and diversity are considered one of the most important challenges for microfinance in alleviating property (Muhammad, 2010).

### **C. REMEDIES RELATED TO THE CHALLENGES FACED BY THE SECTOR AND TO REDUCE POVERTY AND ALSO EMPOWERING WOMEN**

This theme highlights the measures to cope with the challenges related to microfinance to eradicate poverty and empower women. Therefore, when the respondents were asked if there could be solutions to reduce poverty and empower women through microfinancing and cope with these challenges. Some of the respondents responded to this question as follow:

Well, I believe that to remove poverty and empower women, there is a need for microfinance institutions to target the poor segment in the society and provide them self-employment opportunities.

According to the above response of the respondents, it can be stated that the challenges that the microfinance institutions are facing can be overcome if the poor segment of the society is appropriately targeted and provided self-employment opportunities. In this manner, they can contribute income to their families, which will result in increased household incomes and the country's economic development will be supported. Another respondent restored to this question as:

I think, by providing short term and flexible loans to women, poverty can be eradicated. The reason is that these loans will enable women to start small businesses and generate income for their families, which will help to build women's self-confidence and make them financially independent. In this manner, poverty can be reduced.

From the statement mentioned above, it can be understood that flexible loans created opportunities for women to generate income and become financially independent. In this way, this will help in reducing poverty, although the findings of these themes can also correspond with the findings of the literature where it has been stated that women are mainly targeted by the practices of microfinance, which help them to motivate and generate income.

### **D. THE IMPACT OF MICROFINANCE IN TERMS OF THE FUTURE DEVELOPMENT OF PAKISTAN**

This is the fourth theme of this section; when the respondents were asked a question about it, some of the respondents responded as follow:

I think there is a great impact of microfinance on the future development of Pakistan. There is no doubt that poverty in Pakistan has been increasing. Still, through the tool of microfinancing, poverty can greatly be alleviated through enhancing children's education, access to health services, and adequate households conditions for microfinance clients. Besides, in the microenterprises in Pakistan, women are playing an imperative role in its growth and stability, which eventually contributes to the economic development of Pakistan.

The above response by the respondents is quite a comprehensive response, clearly depicting the importance of microfinance and its profound impact on the future development of Pakistan. From the above response, it can be deduced that adequate households conditions, education of children, and access to health services are dependent upon microfinance. Besides, women play a vital role in this regard, which has a positive impact on the future development of Pakistan.

There was one more respondent that responded to this question as follow:

I think that for the future development of emerging economies, like Pakistan, the role of microfinance is indispensable, and it is considered as hope for enhanced future development. Microcredit finance plays an imperative role in poverty reduction by enabling the poor, including women, to engage in self-employment and activities that are based on income generation.

In light of the above response, it can be stated that there is great importance of microfinance in terms of future development. Through microfinance, poverty can be eradicated from the country, as it creates opportunities for generating income and enable the poor to engage in self-employment. Through these activities, women and the poor in Pakistan will become financially independent, which will help eradicate the country's poverty and help contribute to the country's economic development.

Furthermore, the literature findings also opine that where the impact of microfinancing on the financial independence of women has been asserted. Besides, it has also been stated that the empowerment of women is impacted in a constructive manner, which helps to improve the economic development in the country (Khan & Noreen, 2012).

#### **E. DEVELOPMENT OF THE RURAL AREAS AND ECONOMIC GROWTH OF PAKISTAN THROUGH MICROFINANCE ORGANIZATIONS**

The last theme of this section is highlighting the importance of microfinance in rural areas' development. When the respondents were asked whether there was a need to increase awareness regarding microfinance credit programs in different areas of Pakistan, some of them responded to this question as follow:

I think that by creating awareness regarding the microfinance credit program, development in rural areas is more possible. The reason is that when the subsidised credit is provided to the rural farmers, the agricultural development in the rural areas will be boosted, eventually increasing the region's economic development.

From the above response, it can be understood that microfinance helps to increase the development in the rural areas; it enables farmers to get easy access to loans on very flexible terms, which will help them to increase agricultural production through which economic development in the region will increase. The Agriculture Development Bank of Pakistan is considered one of the most important examples in this regard. The importance of microfinance for rural development can also be corroborated by the response of the following respondent, whom he stated as follow:

To be honest, microfinance organisations play a crucial role in ensuring rural development. The rural population is given access to funds of micro-enterprises through proper microfinancing. This helps transform the political, economic, and social life of people in rural areas.

From the above statement, it could be explicitly stated that the rural population is provided access to funds from microfinance organisations, which help them to increase their rural development in the region. Given that savings by the rural population will be encouraged with the advent of microfinance organisations, such as banks. In turn, in the form of credit from these banks, they will be able to start businesses and support their families by empowering rural people, both men and women. Consequently, more income will be generated, and economic development will be boosted in the region. The findings of this theme can also be validated by the findings of the literature where it has been stated that the personal needs of the women in the rural areas can greatly be fulfilled in by microfinancing credit, which in its turn helps to build women's self-confidence in which they can contribute to household income (Yogendrarajah, 2011).

#### **V.II. DISCUSSION**

As we analysed in the study, through the help of microfinance, self-employment opportunities could be created for women, which would make them financially independent. The financially independent women will be able to support their families by contributing their incomes. Moreover, in this manner, the household income would be increased, which would help contribute to a country's economic development. This can also be validated by the findings of the literature that the empowerment of women is impacted in a constructive manner, which helps to improve the economic development in the country (Khan & Noreen, 2012; Ali and Naem, 2017). Furthermore, it was also observed by the findings of the study that microfinance could play a crucial role in the development of rural areas of Pakistan. The reason is that if the awareness regarding the microfinance organisation increases in the region, then people will be able to access these organisations and can avail their credit policies. It was analysed in the findings of the study that these institutions could provide loans to farmers in rural areas on flexible terms and conditions, which would enable them to set up small businesses and earn their lives. Consequently, the agricultural development in the country will increase, which eventually contributes to national income, and the economic development will be boosted. This can be validated by the findings of the literature where it has been stated that the personal needs of women in the rural areas can greatly be fulfilled by micro-financing credit, which helps to build Women's self-confidence. They can contribute to household income (Yogendrarajah, 2011; Ali and Rehman, 2015; Ali and Senturk, 2019; Arshad and Ali, 2016; Ashraf and Ali, 2018; Roussel et al., 2021; Sajid and Ali, 2018; Senturk and Ali, 2021). Furthermore, it was also analysed by the findings of the study that there were various challenges for microfinance that created problems in reducing poverty and empowering women. These challenges are presented in the lack of innovation and diversified products, insufficient support from the government, improper regulations, and inadequate donor funding. In addition to the fact above, it was also analysed in the findings of the study that these challenges can be overcome if the poor segment were targeted properly by the institutions of microfinance and they were provided self-employment opportunities.

Furthermore, providing flexible loans to women would also play an important role in this regard, as it would allow them to establish small businesses and generate income for their families. Resultantly, the household income would increase, contributing to reducing poverty and economic development. Finally, both analyses concluded a significant and favourable association between microcredit funding and women's empowerment. Besides, the empowering of women and the eradication of poverty are significantly impacted.

## VI. CONCLUSION AND RECOMMENDATIONS

The main goal of this research was to look at the influence of micro-credit funding at Akhuwat Islamic Microfinance on women's empowerment and poverty reduction. The examination of existing literature was carried out to get a relevant grasp of the research topic to achieve the study's principal goal. Ten managers and executives working with microfinance organisations in Pakistan were interviewed as part of the study. Overall, there is a clear link between microcredit funding, poverty reduction, and women empowerment, according to the findings. The findings of this study are consistent with the findings of other studies such as Al-Mamun et al. (2014); Ayuub (2013); Niaz and Iqbal (2019); and Shafique (2017), which indicated a positive association between microfinance participation and poverty reduction and women empowerment. Participation in micro-credit finance initiatives, according to Yogendrarajah (2011), contributes to women empowerment among rural women. Norwood (2014) also emphasised the importance of micro-credit in reducing poverty and empowering women.

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