ILMA Journal of Social Sciences & Economics (IJSSE)
E-ISSN: 2790-5896 P-ISSN: 2709-2232
Volume 7 Issue 1 (2026) 44-59

An Anaysis the Impact of Microcredit on Socio-Economic Livelihood of the Rural Community: A Case Study of Shaheed Benazirabad District

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Abstract

This study aims to assess the impact of microfinance on socio-economic livelihood of rural community and analyse the women empowerment after getting credi which may improve livelihood and reduce poverty, as we know Poverty is an major socio economic problem of a society in which an individual, household or a group of people is deprived from basic needs which is necessary requirments for survival. As we know most of the portion of the population in Sindh comprised is poor who are deprived from basic needs.microfince is considered as a tool to change the socio economic livelihood by providing small loan to low income groups who lack access to formslbanking system by investing on business to generate income and empower women to utilize their hidden expertise of skills through market like handicrafits and improve their livelihood and contributes for their family. Rural women often possess valuable skills and expertise that remain underutilized due tonfinancial constraints. Therefore, This study aims to analysde the impact of microcredit in reducing poverty among the masses from four talukas of the district of Shaheed Benazirabad district (SB) in the province of Sindh. For the reliability, 120 respondents were selected randomly. The key findings of the study reveals that living standard and income level increases after utilizing the microcredit. This finding illustrates that 46% respondents were agree that due to microcredit, they develop their business. 24% strongly agree from above stated statement, 19% neutral, 7% disagree and 4% were strongly disagreeing from this statement 39% finds agree from this that their assets expenditure increases after getting microcredit. 26% seemed strongly agreeing from this statement that there were expenditure increase after microcredit. The results show there is significant relationship between effect of microfinance to increase income, saving and living standard of beneficiaries, because of significant value is 0.00 which is less than 0.5 with the degree of freedom 8, which shows hypothesis is accepted.

Keywords: *Micro Finance Banks, Micro Finance Institution, Micro credit, Poverty, Shaheed Benazirabad*

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INTRODUCTION

Visconti (2012), defined that the micro - finance program provides small loans to very deprived people for open their business income, allowing them to care for themselves and for their families. Micro-finance enables an entrepreneur to start a business or expand the existing business and create a better change in their lives. The micro-financing institutions (MFIs) provide the opportunity for the people who are living under the p overty lines by investing their resources on business and become sustain to get income and fullfill their basic needs.

The concept of poverty defined a person who are unable to fullfill their basic needs is considered under poverty line.poverty described it consists of less education, poor livelihood, less facilities of health, and low level of income and consumption and also covers all the social dimensions like isolation, vulnerability, insecurity, powerlessness, social exclusion, gender and environmental disparities. The worst most kind of poverty is when people do not have access to the basic necessities of life like to meet their physical needs. (Hussain and Hanjra, 2017)

As we know Poverty is the major cuase of socio-economic deprivation of society due to which rural community unable to fullfill their basic needs, through providing the financial services, most of the individual get opportunity to enhance their business. Micro-credit plays an essential role in struggling to overcome many ingredients of the poverty. In the same way, generating income from activities of the business facilitate not only in business activities expand in addition, it also helpful towards income of households and the benefits of its attendant are on education of children, security of food etc. Furthermore, for the women, in many aspects, makes confident and increase empowerment.

furthermore. Zeb Khan(2021) elobrated that this is an operational debate that the healthy growth of every nation cannot be attained by only by ideas and planning. Each and every country‘s population is increasing day by day, with the increase of population, diseases, unemployment, crimes, economic and social problems are also increasing. For getting a proper solution of these problems the micro credit is provided to poor peoples, so they can raise their living standards. The idea of microcredit is for growth in quality education, acquiring assets, access to health facilities and satisfied living standard. These series were initiated in and enhanced their livelihood way. The system of microcredit is well-built in Pakistan. Six microfinance banks have an ongoing operation in Pakistan in the previous six years. In the countryside, Pak-Oman Microfinance Bank, Khushhali Bank, The First Bank of Microfinance and Tameer Microfinance Bank Ltd are active, while, at the level of district and operated Network banks are Microfinance Bank Ltd and Rozgar Microfinance Bank Ltd. Other types of association like expert microfinance bodies, commercial financial institutions and rural support programs and non-government organizations are also given that microcredit alongside with Microfinance banks. Borrowers of Microcredit have risen from 60,000 to 1.5 million and assist 9 million citizens in almost 111 districts all through the country (Al-Amin ,2022).

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Atmadja, A. S. (2016) assessed that microcredit are a type of economic enlargement that is mainly centred on poverty reducing and civilizing the livelihood by providing that financial assistance to needy poor. Further more, Delgado (2018) elobrated in his research that micro financing is a practice to extend the small loans to the poor entrepreneur to generate money which allows them to take care of their families in a better way and it also offers other financial services like insurance and savings etc. mostly poor peole unable to take a loan from commercial banks The major reason of poverty is that there is not a direct and easy approach to credit in the developing countries. It is found that due to non-availability of collaterals and the high cost of processing the credit becomes major cause of poverty.

According to Muhammad Waqas, (2022) stated that microfinance has the positive influence on the economy. Income of borrowers and the expenses of their family had been seen an extensive increase after receiving the loan. Income of customers has been increased which explain so that is converted into the cross merely an intense line of poverty, whereas they stay close to a line of poverty. Employment chances have been increasing at the reasonable rate. Clients initiated their individual business plus make more earnings. However, there are no significant increases on saving as well as borrowers'inhabited residence situations. There is no significant monthly amount seen in savings, but borrower's behavior is shifting dramatically on the way to savings. Alhassan, (2021) identified that the livelihood level is an essential matter in the entire emergent countries. Many emergent countries such as India, Bangladesh, and Pakistan, microfinance nowadays utilize as means to increasing standards of living regarding poor society. Micro financing is positively impacted on a level of income in addition to improved services concerning with institutes of microfinance increases the level of satisfaction of the customer.

According to Arshad A, K, Sufyan (2018) reported that the un-productive utilization of financial resources, human and further resource is core reasons of the poverty. The poverty is multi faces and continues as a result of this cause. Shortage of financing is major obstacles in a betterment of livelihood standards. So poor did not acquire part into a development of economic activities as a result of the shortage of credit in support of improvement of their living standard. Microfinance facilities by institutes of Microfinance like savings as well as micro-credit have straight impacted on Gross Domestic product. A structured support to microfinance was essential to initiate easy track for an alleviation of poverty and growth of an economy. Nasharty (2022), receiving acquire to financial services facilitate poor for getting better income as well as other advantages of education and health care.

LITERATURE REVIEW

In Pakistani perspective, many types of research on microfinance had been documented the impact of like programs on borrowers. A significant research conducted by Muhammad Ali Nizami(2023),research conducted on the economic impact of microfinance lying on borrowers: evidence from Punjab, in study it was observed that the economic situation of borrowers of microfinance was in good healt,education,living standard and their rights towards property defined than non-borrowers. further more, Muhammad Ijaz Amjad(2022) mentioned the part concerning with microfinance in decreasing rural poverty. The study was conducted to assess the part regarding microfinance given by the Khushhali Bank Limited for reduction of poverty in Rahim Yar Khan District - Pakistan.an ither study was conducted by Muhammad Ali(2021) concluded that Correlation analysis was performed to find out the relation concerning microfinance for crop production, farm expenses, saving, asset formation and income. It was finding that microfinance is the positive relationship with farm expenses, saving, income, asset formation, and crop productivity. Furthermore, microfinance was efficiently helping poor populace as well as raising their livelihood standard by providing them a suitable loan in support for livestock, working capital and cotton in aforementioned district.

According to Reddy (2020),emphaisized that the micro credit program is proved highly successful in terms of increasing income, saving and investment resulting high stanrd of living,improves health, high rate of school enrolment as well as empower women in different sector of economy.

According to Zaidi (2021), conducted a research study on impact of microfinance on borrowers and non-borrowers in Punjab,it was concluded that microfinance scheme has posivite impact on their borrowers cpmparivily non-borrowers had same situation , further it was analysed that microfinance schemes were doing well to expand economical activities in countryside regions and prepared participants occupied in economical activities that improved individual‘s as well household‘s income and decrease income differences, thus they handle to get out themselves commencing financial susceptibility and diminish the poverty level. That study as well proved that the microfinance schemes make powerful women psychologically, socially, politically and economically. These results are carried by results of a further study conducted by Jegede, M. A,& Hizam, S. M. (2023), revealed that the significant dissimilarity in entitles of income among non-participants and participants concerning with microfinance scheme. Income of participants significantly improved which that transformed their economical status match up to nonparticipants. A study in addition figures out that the ―microfinance institution was certainly a strong strategy for reduction of poverty and feasible means for providing credit towards poor‖.

Objectives of the Study:

1. To assess the role of microcredit provider banks and institutions in alleviating poverty.
2. To assess the impact of microcredit on the living standard of credit users.

Hypotheses of the Study:

H1: Micro finance has a significant role to reduce poverty by crating income generating resources.
H2: Beneficiaries have positive impact from loan interms of improve their livellihhod and become empower and sustain

Justification of the Study:

As we know poor people are excluded from formal financial institution due to high colletral in form of property documents, assets and jwellery.most of the people faced many problems to get finance from formal institution.most of the experts has realized that due to lack of access of finance and resources people were unemployed which resulted poverty among the people the main reason of this study is to find out the impact of microcredit towards generating income and improves livelihood of the destitute communities re reduced poverty . Microfinance is considered as an effective way of livelihood improvement though there are considerable debates about the effectiveness of it and the characteristics of the beneficiaries who are benefited.

This study aims to analyse the role of microfinance to reduce poverty and and become empower by creating income generating business.

RESEARCH METHODOLOGY

The primary data were collected from selected respondents through questionnaires and nfocus group interview. The semi-structured questionnaires both open and closed ended, were designed in order to collect the data. Primary data were used to collect information regrading assess the socio-economic condition of selected sample after getting credit and analyse the impact of microfinance to change the livelihood of borowers from selected households.

This research study was conducted from the Shaheed Benazirabad district in order to analyse the role of microfinance to reduce the poverty. A sample of 120 were purposively selected fron the beneficieris of microfinance.A structure interview schedule was developed. The data was collecting regarding demographic information, livelihood source of beneficiaries,income and saving and expenditure of benefiries . The secondary data were collected from different books, journal articles, and official publications of different microfinance institutions, website, magazines, newspapers, published thesis papers of the scholars, published dissertation papers. The data was analyzed through Statistical Package of Social

Sciences (SPSS) and excel.

RESULTS AND DISCUSSION

Table-1: Represent the Response rate in Percentage

Demographic Variables	*Category*	*Response rate (%)*
Age	25-35	7.8%
	35-45	31.8%
	45-55	44.4%
	Above 56	12.3%
Educational Qualification	Primary	16.6%
	Middle	13.3%
	Secondary	20.1%
	Graduate	12.3%
	Masters	8.0%
	Illiterate	28.9%
Income Range	10000	27.3%
	10001-15000	34.5%
	15001-20000	23.3%
	Above 20000	13.9%
No o f children	1-3	7.8%
	3-5	21.9%
	5-7	22.5%
	7-9	26.7%
	Above 9	8.3%
	None	11.8%

Source: Based on Survey of Data Field(2024-25)

The demographic characteristics of respondents in survey depict the level of education in the above table demonstrates, the biggest group of aged consisted 45-55(44.4%) follow by age group 35-45 (31.8%). 12.3% of respondents were the above 56 age group and 7.8% age group were 25-35 years. It is not very surprising to find out that 28.9% of the respondents were illiterate follow by 20.1% comprising secondary, 16.6% having primary, 13.3% middle and 8.0% masters. The table illustrates the income level of the respondents of the survey illustrated that 34% having their income above 10000-15000, 27.3% were in the range of less than 10000, 23.3% respondents having 15001-20000 range of income and 13.9% having above 20000 income. The respondents asked for their number of children and surprisingly it were seen that 27% respondents having 7-9 children, 23% respondents having lies in the range of 5-7 children, 22% were having 3-5, 11% were no children, 9% were above 9 and 8% having 1-3 children.`

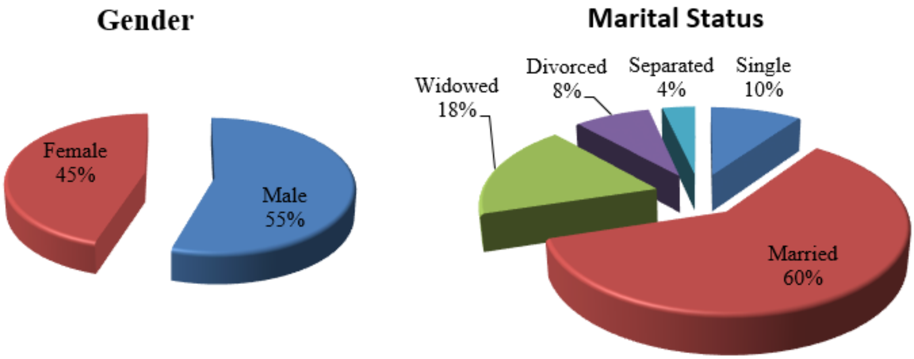


Figure 1: Demographics
MicrocreditSource: Based on Survey of Data Field(2024-25)

The above graph shows that 55% were male and 45% were female respondent in the survey. The survey showed that 60% respondents were married, 18% were widowed, 10% single, 8% were divorced and 4% were having separated marital status.

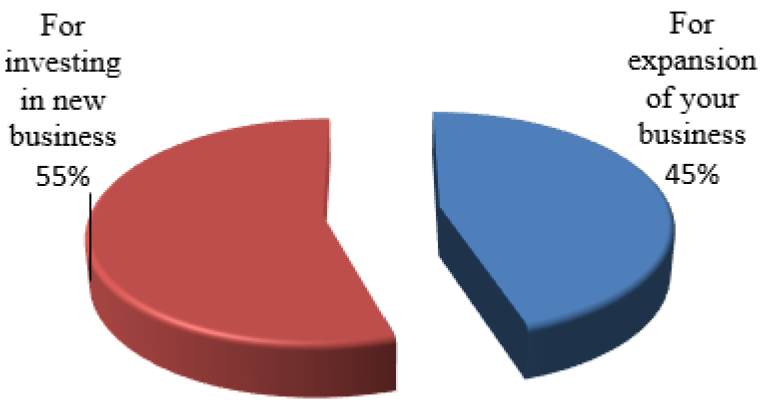


Figure 2: Reason of Acquiring Microcredit
Source: Based on Survey of Data Field(2024-25)

The graph shows the reason of aquiring micro credit, it demonstrates that 55% respondents were acquire for investing in new business and 45% respondents were acquire for expansion of their business.

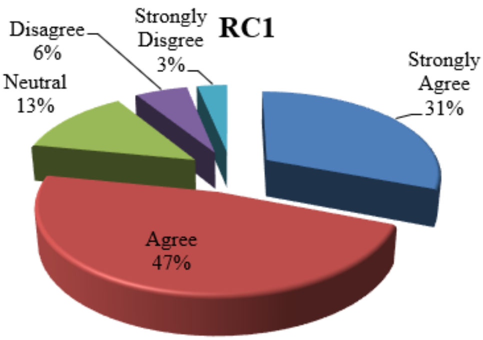


Figure 3: Willingness of Respondent about Microcredit Facility
Source: Based on Survey of Data Field(2024-25)

This figure envisages the willingness of respondent about nicrocredit facility. Majority of the respondents with 47% agree with that microcredit increase their business, 31% were strongly agree, 13% were neutral, 6% disagree and 3% were strongly disagree

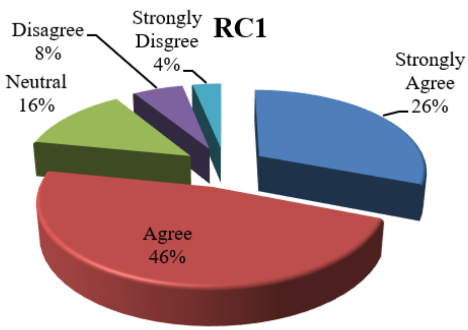
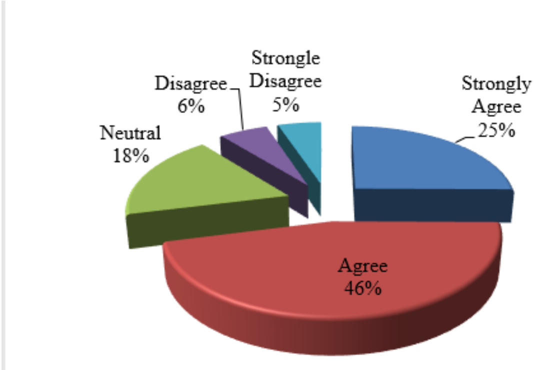


Figure 4: Opportunity of employment increased after placing the credit into utilization.
Source: Based on Survey of Data Field(2024-25)

Opportunity of employment increased after placing the credit into utilization.
This figure envisages that about 46% respondents were agreeing from above said statement that after utilization of microcredit the opportunity of employment increased by expaniding thir business and 26% strongly agree. 16% neutral, 8% disagree whereas 4% showing strongly disagreeing.those who were disagree they were not utilized their amount on business or get less profit from business.



Figur 5: After Acquiring Micro Credit Situation of the Economic Condition
Source: Based on Survey of Data Field(2024-25)

This figure demonstrates the level of economy after getting loan, the results shows 46% were agree that their economic level was increased,about 25% strongly agree, 18% neutral and 6% disagreeing from this statement while only 5% strongly disagree.

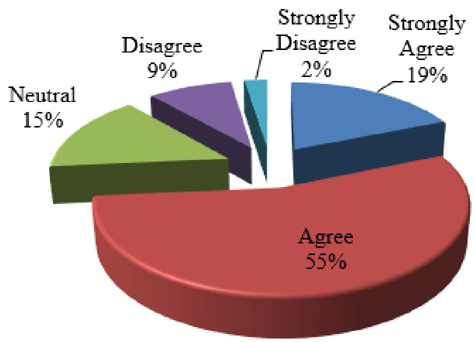


Figure 6: Micro credit raises your standard of your household
Source: Based on Survey of Data Field(2024-25)

The findings demonstrate 55%, that majority of the respondents were shows their agree response when asked them about their living standard rises after micro credit. 15% neutral, 19% were record their response strongly agrees. Only 9% and 2% respondents were seems disagree and strongly disagree respectively.

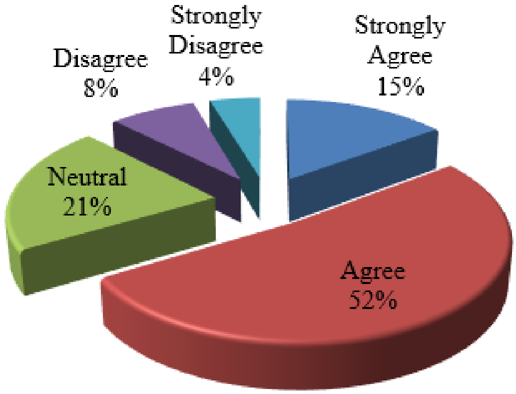


Figure 7: Health Amenities Improved after Acquiring Micro Credit
Source: Based on Survey of Data Field(2024-25)

Analysis: 52% agree from above stated statement. 21% result shows neutral, 15% strongly agreeing, 8% and 4% respondents were disagree and strongly disagreeing from that health facilities did not improved after utilization of microcredit

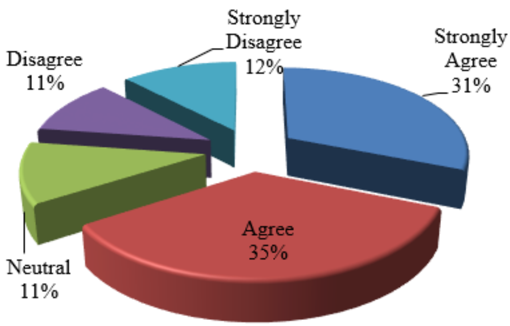


Figure 8: Microcredit Facilitate in Providing Better level of Education for your offspring
Source: Based on Survey of Data Field(2024-25)

This figure demonstres that when asked from respondents about their offspring's education 35% were agree that their offspring's education level better after utilizing microcredit and 31% results illustrate strongly agree. 12% strongly disagree and 11% were neutral and disagreeing from the statement.

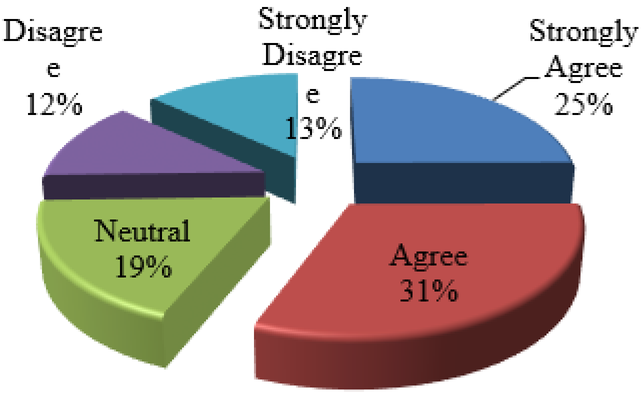


Figure 9: Effect of Microcredit toward children School Attendance
Source: Based on Survey of Data Field(2024-25)

Analysis: 31% respondents agreeing from that after utilization of microcredit their number of school going children were increased. 25% respondents were strongly agreeing. 19% neutral, 13% neutral and 12% respondents were strongly disagree and disagree from this statement.

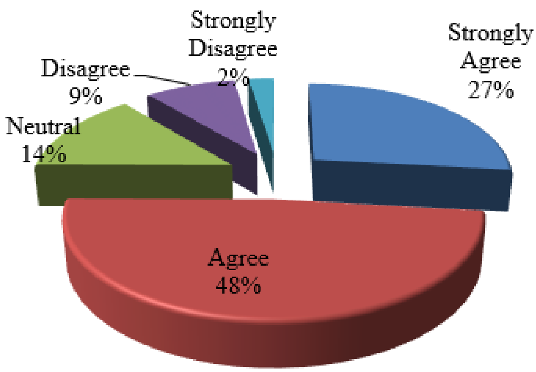


Figure 10: Impact of Microcredit on food and Nutrition
Source: Based on Survey of Data Field(2024-25)

Analysis: 48% respondent‘s result shows agree that they improve their food and nutrition after getting microcredit. 27% were strongly agree from asked statement whereas 14% neutral. 9% and 2% respondents finds disagree and strongly disagreeing respectively from above stated statement

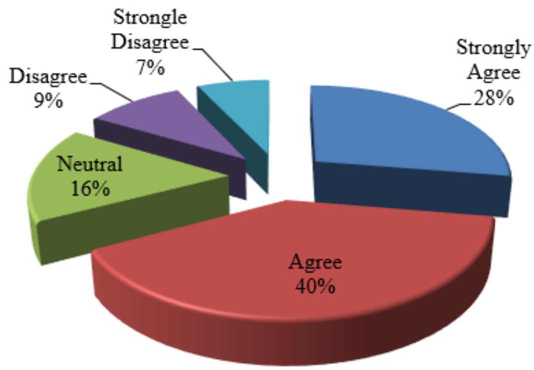


Figure 11: Food and Nutrition Expenditure After Getting Microcredit.
Source: Based on Survey of Data Field(2024-25)

Analysis: The findings of above stated statement shows that 40% respondents had increases their food related expenditure while 28% were strongly agree. 16% were finds neutral, 9% respondents had finds disagree and 7% had strongly disagreeing that there were no increases in their food expenditure.

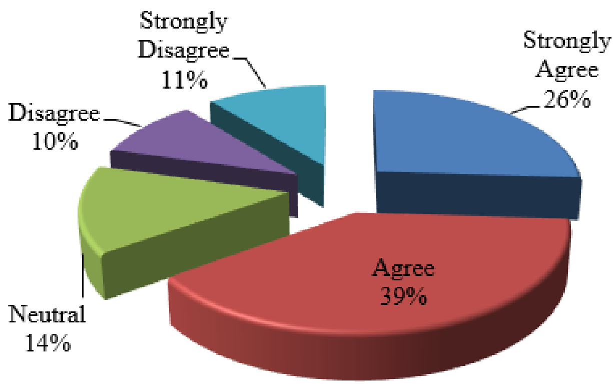


Figure 12: Accumulation of Assets Expenditure After Obtaining Microcredit
Source: Based on Survey of Data Field(2024-25)

Analysis: 39% finds agree from this that their assets expenditure e increases after getting microcredit. 26% seemed strongly agreeing from this statement that there were expenditure increase after microcredit. 14% respondents had finds neutral while 11% were finds strongly disagree and 10% were finds disagreeing from the above asked statement.

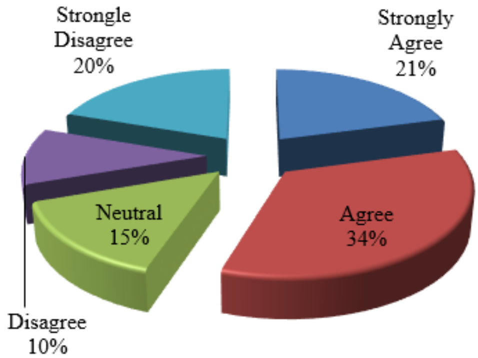


Figure 13: After utilizing microcredit increase your assets
Source:Based on Survey of Data Field(2024-25)

Analysis: When asked from respondents about their assets increased after utilizing microcredit. The findings demonstrates 34% were agreeing, 21% ,20% and 15% respondents finds strongly agree ,strongly disagreeing and neutral respectively and only 10% disagreeing from above asked statement.

Table 2: Chi-square result

Chi-Square			
effected of microfinance	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	44.946a 6	6	0.000
Likelihood Ratio	59.0	6	0.000
Linear-by-Linear Association	2.14	1	.141
N of Valid Cases	110		
a. 5 cells (41.7%) have expected count less than 5. The minimum expected count is 1.30			

The results show there is relationship between effect of microfinance to increase income . Because of significant value is 0.00 which is less than 0.5 with the degree of freedom 8, which shows hypothesis is accepted

CONCLUSION

The purpose of the current study was measured the impact of microcredit on poverty alleviation. Variables like education, health, living standard, electricity, fresh water, food and nutrition, expenditure, assets or income of the households were selected as the indicators of alleviating the poverty. Data was collected from four Tallukas of Shaheed Benazirabad district.

The first objective of the study is having an impact of microcredit on the living standard of credit users. The findings and results that 46% are the majority of respondents, agreed that their living standard improves after utilizing the microcredit. Furthermore, Item no 8 and 9 were regarded education, 35% and 31% were agreed, respectively that their children‘s level of education were better after utilizing microcredit. Additionally, item no 8 indicate food and nutrition 48% and 44%, item no 10 indicate the expenditure majority of the respondents were agreed with 33%, 40% and 39% that their food improved, increased expenditure related education, health and asset accumulation after utilizing the microcredit. Therefore, it is concluded that study meets its first objective that there is impact seen on living standard on the microcredit users.

The second objective of the study was an impact of microcredit on the income level of credit users. The findings and results illustrate that item no 1 and 2 indicates that 57%, 46%, 46% and 46%, respectively respondent were agreed that after utilization of microcredit their level of income increased. This is concluded that if microcredit utilized properly it will alleviate the poverty. This study had clearly taken, the variable of the household to find out the impact of microcredit and gives very helpful information regarding the consumption of the microcredit at the level of grass root. This study gives a useful and informative insight of impact of microcredit and in addition, in a body of the knowledge in literature, particularly in the context of Pakistan.

Overall the analysis indicates that a noteworthy impact of microcredit activities found in raising the living standard of peoples. The results show there is relationship between effect of microfinance to increase income . Because of significant value is 0.00 which is less than 0.5 with the degree of freedom 8, which shows hypothesis is accepted

Recommendations

The following recommendations are made on the basis of the results of the present study:

- The size of loan should be increased in an amount adequate to meet the necessities of the borrowers.
- Increased the opportunities for borrowers to attain the microcredit.
- MFBs and MFIs must provide knowledge to their clients for the better use of credit.
- For more and more borrowers the interest rate should be decreased, so as borrowers can take benefit from microcredit facilities.
- The newest program introduced by MBFs and MFIs like education insurance for facilitating in acquiring a higher level of education to established clients children.
- From the study, it is also found that most of the people did not completely aware of getting microcredit for enterprises and small business setup so for awareness training program also introduced in which provide training for setting up a small business.

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