



Role of Microfinance to Alleviate Poverty in Pakistan

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ABSTRACT

Microfinance has been economic driver for many countries and helps in building economy and prosperity. While number of banks and MFIs has been working in Pakistan yet a there is a stagnant growth in economy. The purpose of this study is to analyze the role of microfinance on poverty alleviation, Microfinance directly affects socio economic factors such as income generation, Health facilities access to education as well as entrepreneurial and employment opportunities. This study evaluates whether microfinance plays a crucial role in empowering individuals in their financial matters and also it aims to provide insights into its contribution to poverty alleviation.



Introduction

Almost every nation in the world has to deal with poverty. When persons with low incomes are unable to meet their basic necessities, they are said to be in poverty. Numerous problems result from this circumstance, including a decline in health services, a high percentage of illiteracy, a decline in quality of life, etc. Researchers have focused on microfinance as a factor in democratization, health, education, women's empowerment, poverty alleviation, and environmental enhancement (Sheikh et al. 2020). Small-scale loan and savings transactions are a part of microfinance, which is intended to satisfy the demands of small and medium-sized manufacturers and enterprises. Additionally, microfinance programs provide awareness-raising training to empower the impoverished and skill-based training to increase productivity and organizational support. However, development practitioners still have a limited understanding of the extent to which microfinance operations might reduce poverty, despite the fact that

microfinance has been the focus of development and poverty reduction initiatives for decades (World Bank). Microfinance represents Financial Services offered to low income individuals, or those persons who does not possess financial resources. Microfinance has been crucial and essential part to alleviate poverty, maximize wealth, build community, and helps in entrepreneurial opportunities as well, Microfinance also help building micro business ventures, generation revenues and contributing in growing the Gross domestic Product amidst microfinance influence positively in society by building communities and people financially .According to Investopedia there are more than 174 Billion individuals who have benefitted from Microfinance, in the report of Asian Development Bank Microfinance helps in developing rural women income's household, transcending access to education and as well as micro finance help to rebuild the communities. With addition to these Microfinance is helping nations develop by giving them access to Education, fulfilling their basic needs and raising the standard of living. In Pakistan numbers of microfinance banks and institutions are working in a large numbers. However Pakistan Poverty rate has shown drastic measures and expects to grow in future, According to World Bank Pakistan Poverty Parity (PPP) expected to be 40% in the years of 2024-2026, amid that high inflation high cost of transportation and cost of living results in increase in out of school children, lack of medical treatment. Microfinance helps in business development and entrepreneurial opportunities in the country while according to International Monetary Fund (IMF) Pakistan faces 8% unemployment rate in a world economic outlook of April 2024, there seems to be little growth as compared to the financial institutions who possess the capacity to Change the economic conditions and helps in improving the financial condition of country.

The Historical Development of Microfinance

According to SBP providing small sized financial transaction to those individuals who are unable to receive financial support are those persons who are unable to attain finances from conventional banks are the Microfinance Institutions, after the successful execution of Grameen Bank founded back in 1984 in Bangladesh and past that microfinance has been showing great potential and have been recognizing globally, In Pakistan Microfinance has become the important asset for poverty reduction and in development of country (SBP), over the past few years microfinancing or microcredit industry has evolved rapidly The three stages of the sector's development are described in the paragraphs that follow. In the Pakistani microfinance sector, each phase signifies the introduction of new institutional forms and structures. Which comprises of 3 phases.

Phase 1 starts from late 1970's and hugely depended on the Government subsidized credit schemes mostly known as SBFC small Business finance Scheme and SES Self-employment Schemes and The government really made commercial financial institutions—the majority of which are in the public sector—offer concessionary lending, particularly to young people without jobs and new businesses. The popular press has frequently reported on the loan defaults linked to these schemes and how they impact the profits of financial institutions There has been no long-term benefit in terms of establishing long-term, permanent financial intermediation mechanisms for the underprivileged and unbanked, despite the fact that these directed credit initiatives may have temporarily transferred resources to the poorer sectors of the population.

Phase 2 starts with the philanthropy of NGOs started from 1980 The Microfinance Network (PMN) reports performance data for 14 leading microfinance institutions, divided into four peer groups. Most of the funding was done by NGOs. The PPAF is one excellent source of funding. Organization, has been selling large quantities of money to 28 MFIs for loans through microlensing. Twenty of these are NGOs that operate microfinance institutions. Over Rest 500 million¹⁸ was the total amount of outstanding credit lines against these institutions. The NGO-

MFI industry has around 100,000 clients and an outstanding loan portfolio of Rest 752 million, according to PMN PIR for 2004. (plattue)

Phase 3 started when specialized microfinance banks came to existence, the entry of regulated microfinance banks into the sector of Pakistan has marked the 3rd phase of Microfinance development in Pakistan, in which Habib Bank, Bank of Khyber like commercial banks have entertained microfinancing by establishing direct microfinance windows to costumers.

Poverty in Pakistan

According to News Noveau Burnswick Poverty is about not having enough money to meet basic needs including food, clothing and shelter. However, poverty is more, much more than just not having enough money. Hunger is poverty. Not having a place to live in poverty. Being ill and unable to visit a doctor is poverty. Lack of access to education and illiteracy are indicators of poverty. Being unemployed, living in fear of the future, and taking each day as it comes are all signs of poverty.

Poverty has various facets, varies throughout time and space, and has been defined in a variety of ways. Most of the time, people desire to get out of poverty (Ameer et al. 2024). Therefore, poverty is a call to action for both the rich and the poor, for them to alter the world so that many more people can have access to health care and education, enough food, safe housing, safety from violence, and a say in what happens in their communities. (World Bank) Based on the lower middle-income poverty rate of US\$3.2 per day for the fiscal year 2020–21, the World Bank has estimated that 39.3% of Pakistanis live in poverty. The government reported in September 2021 that 22% of its citizens live below the national poverty level, which is Rs. 3030 (US\$10) per month (Wikipedia).

21.9% of the entire population is living under the poverty line in Pakistan in 2018, and amid that the population earing below PPP a day is 2.15\$ is almost 3.5% in 2023, In Pakistan there has been 6.3% employment rate by 2021 (Asian Development Bank Report).

Pakistan Economy is being at risk because of external and internal imbalances in trades, fiscal policies amid political unpredictability and strict global monitory policies are placing heat into the matter. Local supplies chain got disturbed due to placing measure on capital outflows (import restrictions to protect reserves).

(World Bank) But this hasn't entirely resulted in better socioeconomic circumstances: more than one-third of Pakistan's school-age children were found to be not attending school, over two-thirds of those who were attending school in FY24 were learning deprived, and the country's stunting rates were startlingly high—40% in FY23.

Pakistan 2.9 Million Pakistan have crossed line below poverty due to the number of disasters which includes slow and hindered growth. Deficit in accounts strict trade policies unproductive agriculture policies with a challenging business environment in addition unsustainable energy sector, Pakistan have crossed below poverty line which has led the estimated poverty rate of 40.5%

Significance of Microfinance

Microfinance aids people in availing microfinance or micro loans who are living in utter poverty or those who are unable to cover their financial obligations. Microfinance engage the consumer in entrepreneurial activities with that with the help of micro finance nations are able to develop and eliminate poverty micro credit also helps in women empowerment by allowing them to avail micro finance and engaging them with entrepreneurial activities micro financial Schemes can enhance

way of living, (Yadav 2014) In addition to being essential to economic growth, financial services also help the impoverished enhance their economic activity, incomes, and possessions, which in turn boosts their self-confidence. Lastly, "Encouraging conditions for the expansion of democracy and political participation are created by large-scale sustainable microfinance." Therefore, microfinance is a powerful anti-poverty approach due to its economics (Babar et al 2019) since its inception in the 1970s, microfinance has benefited businesses, financial institutions, politicians, and scholars globally. Micro banks, microcredit, micro savings, micro remittances, micro guarantees, money transfers, and micro insurance are just a few of the financial services they offer. (Adnan et al) Depending on the country, microfinance can be defined in a variety of ways. One illustration of how the impoverished in rural, semi-urban, and urban areas might improve their economic well-being and living standards is by providing them with small amounts of cash, credit, and other financial services and goods. The business owners can eventually be reintegrated into appropriate economic networks and support the structural and sustainable development of local communities with the help of the initial small loan, which is often less than \$100. Additionally, estimates show that just 5% of the demand for microcredit is currently met as a result, the microfinance sector is anticipated to expand rapidly over the next several years. Notwithstanding a number of obstacles, this new sector and the practice of sustainable micro entrepreneurship combine to provide a viable remedy for the 21st-century poverty crisis and a path toward sustainability. (Babar et al 2019) The aim is to eradicate poverty, and the distribution of wealth would be combined with access to financial services (United Nations Capital Development Fund 2015) Financial inclusion is the primary objective of many microfinance institutions (MFIs), which seek to assist the underprivileged. To understand the macro-level impacts of microfinance, researchers from all over the world have undertaken a great deal of research. Women's empowerment, poverty alleviation, and several effects on other problems like rural financial the three primary topics currently being addressed are inclusion, education, nutrition, health, consumption, and asset accumulation. (Garikipati et al. 2017).

Problem Statement

While numbers of organizations working in Pakistan offering microcredit and micro financial services to individuals, yet there is no future positive change in poverty or economic conditions, Despite many financial institutions and microfinance schemes for the lower income individuals are being provided, there have been limited evidence whether these efforts are significantly crucial to alleviate poverty or playing any such role in alleviating the poverty in Pakistan. This Study mainly focuses on the role of microfinances as poverty alleviator in Pakistan and tends to study different factors of those who are availing finances and analyze whether these institutions are improving the Standard of living of low income individuals or not.

Literature Review

Through microfinance, low-income people can get financial support, including those who are poor in rural areas, low-income consumers, and small business owners with limited operating capital. Microfinance provides financial assistance to those who struggle to obtain financial aid under this system, allowing them to grow their enterprises. (Vishwaka(Lal et al., 2023) In 2010, more than 1.29 billion people, or about 22% of the world's population, lived on less than \$1.25 per day, according to the World Bank. By the end of 2015, around one billion people were still living in extreme poverty, even though the poverty rate had decreased by more than half between 1990 and 2010. (Nasharty 2022). Around 700 million people still lived below the World Bank's poverty level of \$1.90 per day in 2017, despite a further decline in the global extreme poverty rate to 9.2%. 24.1% of people worldwide lived on less than \$3.20 per day at higher poverty criteria, and 43.6%

lived on less than \$5.50 per day (Munoz Boudet, Bhatt, Azcona, Yoo, & Beegle, 2021). Approximately 4 billion people, or over half of the world's population, lived on less than \$2.50 per day as a family in 2018. Remarkably, 368 million of these people, or around 50% of the total, live in just five nations: Bangladesh, Ethiopia, Nigeria, India, and the Democratic Republic of the Congo. The majority of the population in these countries lives in poverty and is frequently shut out of economic growth and wealth (Nasharty 2022; Shah et al. 2021). Offering a variety of financial services to low-income and impoverished families and their microbusinesses, such as credit, payment services, money transfers, and insurance, microfinance has been acknowledged as a major factor in the fight against poverty. The United Nations has recognized microfinance as one of the most successful instruments for reducing poverty because of its substantial contribution to the development of jobs and government revenue (Saad et al 2010). Poverty is a worldwide problem that has been extensively explored worldwide. It has traditionally been the focal point of policymakers. All around the world, people are dealing with poverty. One way to think of poverty is as the level of inexperience that a family or a country has. Pakistan's poverty has several facets. Poor individuals typically don't have access to safe housing, good schools, clean water, or medical care (Murtaza et al 2023) What microfinance means 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" . The organization that provides economic services to the underprivileged is known as microfinance; these services include financial investment funds, exchanges, protection, and financial evaluation. Microfinance institutions (MFIs) provide savings, insurance coverage, and transfer services (Murtaza et al 2023). Depending on who you ask, microfinance can be defined in a variety of ways across different nations. To help individuals improve their economic well-being and living standards, the Reserve Bank of India offers small sums of money, credit, and other financial services and goods to the impoverished in rural, semi-urban, and urban areas . Nonetheless, it may be claimed that nearly every interpretation has the same ideas. Giving small business loans to the underprivileged and those without access to the conventional banking system is known as microfinance (Kumar et al 2021) Global and local financial systems and microfinance organizations aim to serve economically disadvantaged individuals by providing financial services and a substantial flow of money (Kurmanalieva et al. 2003) The goal is to end poverty, and financial services access would be paired with wealth distribution. (United Nations Capital Development Fund 2015). The UN has declared microfinance a crucial tool in the battle against poverty as a result of this designation the organization that provides economic services to the underprivileged is known as microfinance; these services include financial investment funds, exchanges, protection, and financial evaluation. Some types of establishments, such as 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, and MNOs, have microfinance stocks that are tailored to the socioeconomics, financial connections, and goals of the shocking. One method of creating economic systems that benefit the underprivileged is through microfinance (Murtaza et al 2023). In order to draw attention to microfinance and the consequences of lending for social welfare, Mohammad Yunus was awarded the Nobel Peace Prize in 2006. MFIs share the goals of reducing poverty, creating jobs, giving women more opportunity, fostering economic growth, promoting social inclusion, and ultimately fostering social development (Kumar et al 2021) It has also been demonstrated that microfinance benefits neglected and underserved groups, including women, the elderly, the jobless, and the poor. Families should save money and make investments in improved housing, healthcare, and education to help guarantee these long-term advantages. Entrepreneurs in underdeveloped and poor nations may get an advantage over others by utilizing microfinance, increasing the amount of job prospects for the general public. Families should save money in order to help guarantee these long-term advantages. Invest in improved healthcare, education, and housing. By utilizing microfinance's

potential, business owners may gain an advantage over others in underdeveloped and underprivileged nations, increasing the quantity of job prospects for the general public (Kumar et al 2021). Examined if microfinance programs are helping many poor Bangladeshis escape poverty by using an observational and case study methodology. Snowball sampling was used to get data from households. According to the results, microfinance has emerged to help Bangladeshi impoverished people escape poverty and give them new hope for a better future. Furthermore, it was found that microfinance regulators put money recovery ahead of the welfare of the poor (Hassan et al 2018). Hadidi (2020) looked into the impact of Egyptian microfinance on rural and urban families' incomes. Data was gathered cross-section ally from 280 rural and 500 urban women borrowers. According to logistic regression, borrowers with three years or more of microfinance affiliation had greater income levels than new customers. Furthermore, it has been found that microcredit significantly contributes to the eradication of poverty for rural female borrowers. In India, NABARD was founded on July 12, 1982. When NABARD was established, its main goal was to provide financial assistance for small enterprises and farmers to expand. NABARD has a number of programs for independent contractors and farmers. Many small and large farmers who previously struggled to expand their output because of a lack of funding are now able to succeed in their agricultural enterprises thanks to NABARD. One of the lending initiatives that NABARD has introduced to help farmers acquire new machinery and boost their productivity is the Kisan Credit Card. Microfinance evolved into a means of addressing poverty on a worldwide scale. These days, microfinance can be used to end poverty, improve living standards, strengthen economies, and empower women. To meet the needs of the people and advance their welfare, savings and loan institutions were founded in numerous countries throughout the world (Vishwakarma et al 2023)

Gopala (2007) came to the conclusion that microfinance helps the impoverished feel more confident by providing for their urgent needs, guaranteeing timely, need-based lending, and enabling them to save money. The study also positively demonstrates the legitimacy of microfinance in relation to health-related issues. It has been proposed that policies aimed at generating and improving income will eventually be able to abolish poverty on their own by improving health through easier, faster, and better access to medical treatment. According to the report, individuals do not view microfinance as a comprehensive solution for health issues. The poll indicates that just a small percentage of consumers take out loans for medical services. People cannot control poverty and health issues if they do not think it is necessary. (Durrani et al 2011).

According to Bismark et al. (2016), who look into how central Ghanaian microfinance institutions contribute to the fight against poverty, microfinance improves assets, income, savings, and business growth. Additionally, microfinance makes a substantial contribution to business capital and women's empowerment.

Seibel (2003) demonstrated that microfinance is the chemical that can eradicate the seeds of poverty. Additionally, the study demonstrated that microfinance is just as profitable in developing nations as it is in wealthy ones. He disagrees with the notion that microfinance is an inadequate remedy for developing nations. They have enormous potential to reduce poverty and promote development in both rural and urban regions if they are appropriately controlled and overseen.

With Reference to the Literature review followings are the hypothesis formulated.

H1: Microfinance enhances the easy access of education to the individuals.

Learning and developing skills Even though the African educational system has undergone significant improvement, enrollment in rural areas and unstable states continues to lag. Particularly

in elementary schools, microfinance has significant potential effects on enrollment and education. Aurori et al.

H2: Microfinance helps in engaging in more entrepreneurial activities.

People who have access to financial services can borrow, save, and improve their health care-related behavior. It is easier for them to pay for medications and clinic visits. Aurora et al.

H3: Microfinance positively impacts on Standard of Living of the household.

Abel, Grace, and Willie (2014) looked into what factors affected Zambian households that used microfinance in terms of reducing poverty. According to the findings, microfinance efforts could help the majority of respondents enhance their well-being.

H4: Microfinance positively helps in developments of economy.

Microfinance banking services are crucial to contemporary society because they give small and medium-sized farmers and businesses access to microcredit loans. Microfinance has become a successful tactic for boosting economic growth in developing nations throughout time. Ahmed et al.

H5: Easy access to Microfinance positively effects on Poverty alleviation.

Microfinance is acknowledged as a successful tool for poverty alleviation in emerging nations, where poverty is currently a major obstacle to economic growth Ahmed et al.

H6 Microfinance improves the access to healthcare facilities of the household.

In their paper Impact of Microfinance on Poverty Alleviation in Developing Countries, Ahmed et al. demonstrate that poverty is a multifaceted issue that depends on a number of variables, such as the beneficial effects of microfinance on access to medical services.

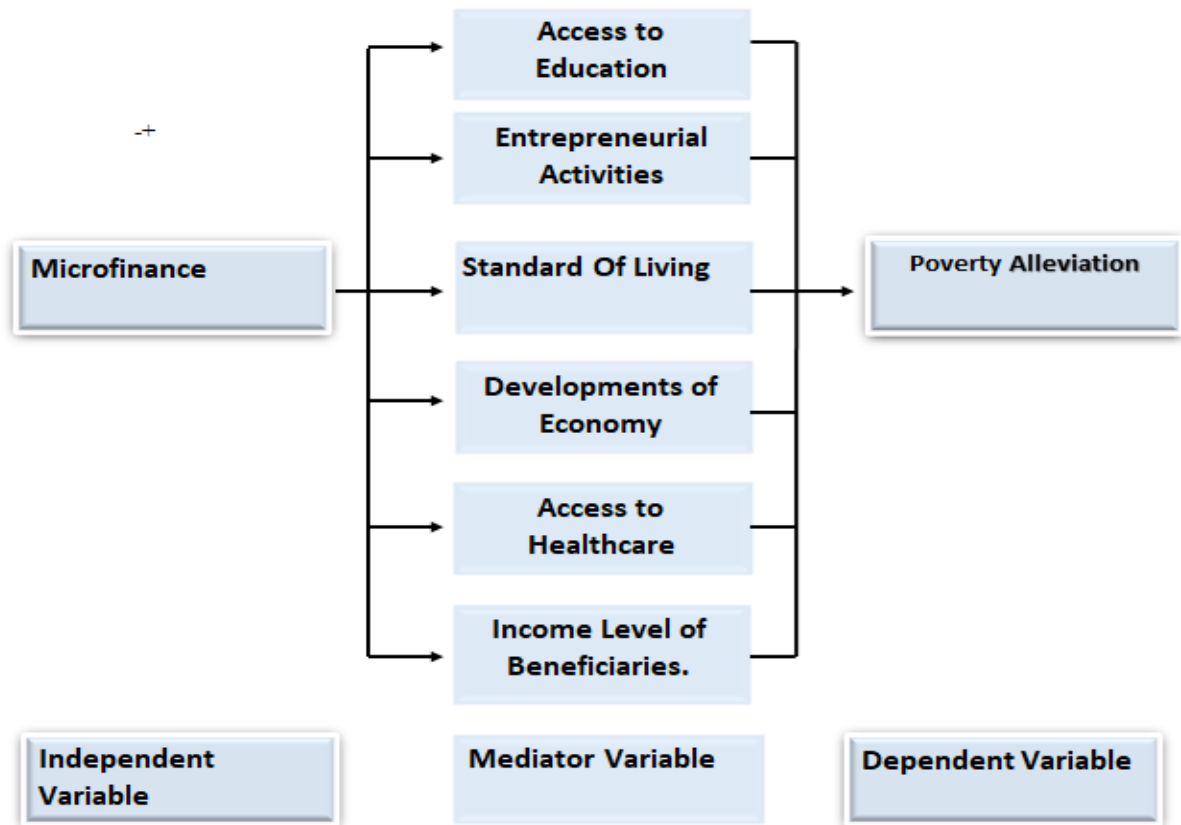
H7 Size of Microfinance loans unpromisingly improves the income level of beneficiaries.

According to Graham A.N. Wright's research studies on the income implications of microfinance programs, there is unmistakable proof that a borrower's income level and the effect of a loan on that income are related. Given that those with higher earnings have access to a wider variety of investment options, better knowledge about market conditions, and the ability to take on greater risk without jeopardizing their basic necessities for survival, this conclusion should not come as a surprise.

H8. Microfinance positively influences the socio economic factor which contribute to poverty Alleviation.

The miracle of microfinance? Evidence from a randomized evaluation as study which indicates that how Microfinance affects all the social factors as consumption factors, economic and entrepreneurial activities which directly affects Poverty alleviation. (B enejee et al, 2015)

Theoretical Frame Work



Research Methodology

The research is conducted to find out the effect of Microfinance in Reducing Poverty, Primary research is conducted to gather the data of the individuals who are availing or have availed the microfinance loans in past, Primary Data will be collected to conduct and seek out the objective of the research, Questionnaire of 5 Likert Scale will be used and circulated to the Sample Population to Collect the data and Analysis and results are conducted through Partial Least Square (PLS) to find out the relationship between the variables.

Target Population

The Target population for the Research will be all the individuals who have availed or have been availing microfinance loans for the past 3 year, the target population for the research are the salaried individuals, entrepreneurs, Students studying on Student loans, Women conducting entrepreneurial activities.

Sample Size

The sample of the population to be added in Conducting Research will be approximately 250 questionnaire will be filled from the Population, mainly data will be collected form Karachi Microfinance Banks, Akhuwat applicants, and other lenders across the city who are using microfinance products.

Research Technique

Research technique will be quantitative descriptive research, Primary data will be collected to prove the hypothesis of the study, the study is aimed to be descriptive research because this study will dig deep into the Research topic and will provide additional insights, as descriptive research is an approach aimed on gaining deeper understanding of a problem.

Results and Findings

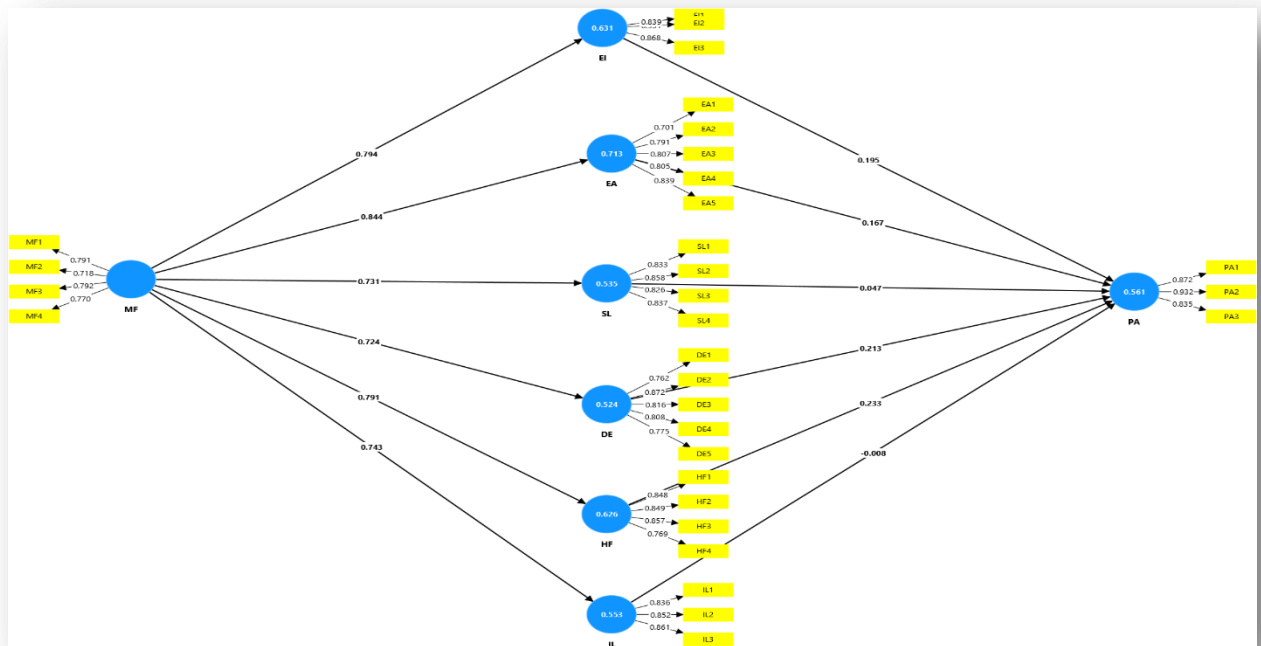
The Result objective was to find out the outcome of Microfinance on poverty alleviation for that purpose different variables have been used to find out the impact of microfinance on poverty alleviation, The data was gathered from all the individuals who has been or was availing microfinances, all the data has been gathered by the close ended five liquored questionnaire, and the data was analyzed on SMART PLS (Partial Least Square) in which composite reliability of the data has been checked by different tools such as Cronbach’s alpha, and AVE (Average variance extracted) . Based on the hypothesis following are the variables was put to test.

Table 1: Demographic study

Hypothesis	Variable	Variables
Microfinance enhance easy access to education	Easy Access to Education	EI
Microfinance helps in engaging in more entrepreneurial activities	Entrepreneurial Activities	EA
Microfinance Positively impacts on the standard of living of household	Standard of living	SI
Microfinance positively helps in developments of economy	Development of Economy	DE
Easy access to Microfinance positively effects on Poverty alleviation.	Poverty alleviation	PA
Microfinance improves the access to healthcare facilities of the household.	Healthcare facilities	HF
Size of Microfinance loans unpromisingly improves the income level of beneficiaries.	Income level	IL
Microfinance Positively influences the socio economic factor which contribute to poverty alleviation	Microfinance	MF

Above are the hypothesis constructing the conceptual framework and depicts how microfinance is being an important pillar in poverty alleviation. Where MF is an independent variable which indirectly effect on PA while affecting other mediators such as EI, EA, SI, DE, HF, and IL. By deriving the structural model on these variable analyses have been conducted following is the graphical presentation.

PLS Analysis



Reliability and Validity

The above graphical representation is the PLS SAM analysis of the all variables. In this analysis the Reliability was tested using Cronbach’s alpha, AVE (Average variance Extracted), Composite reliability of rho_a and composite reliability of rho_e in this chart all the variables are co linked with each other’s depicting the relationship of ME(Microfinance) with PA (Poverty alleviation). All the variables in the data set have more than 0.7 composite reliability which clearly states that reliability of the variables and the date of the variable is reliable with good internal consistency. Amid that the latent variable’s liability have also been calculated by AVE and joreskog’s rho which also shows the value above 0.50 and 0.70. these values clearly indicates that the Data set and the variables which have been selected for the analysis have strong construct and clearly is more reliable and have more validity. Following diagram is highlighting the values of tests.

Table 2:

	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
DE	0.866	0.869	0.904	0.652
EA	0.848	0.852	0.892	0.624
EI	0.853	0.856	0.911	0.774
HF	0.851	0.852	0.9	0.692
IL	0.807	0.807	0.886	0.722
MF	0.768	0.771	0.852	0.59
PA	0.854	0.864	0.912	0.775
SL	0.859	0.862	0.905	0.703

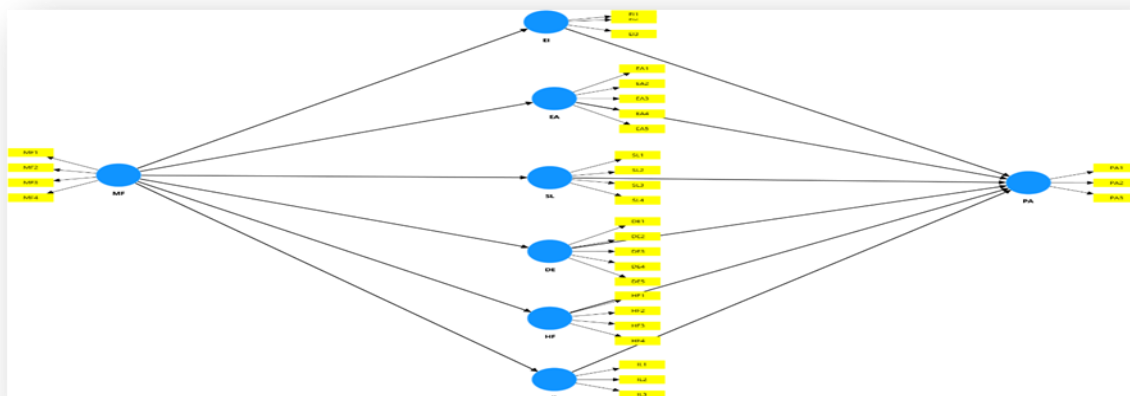
Discriminant Validity of the Variables

Discriminant validity highlights the distinction of construct from another construct. In above diagram ML,PA, DE,IL,HF,EI,EA and SL are the Construct the Discriminant validity also highlights the validity and reliability of the variables and aims to find how these constructs are distinct from one another, for the discriminant validity HTMT- Matrix Heterotrait Monotrait ratio is calculated. Below table highlights the HTMT-Matrix values and mostly the values are below 0.85 which indicated good discrimination and the table clearly shows that the values are positive and the all the construct which are being used in a study are unique and not highly correlated with other.

Table 3:

	DE	EA	EI	HF	IL	MF	PA	SL
DE								
EA	0.832							
EI	0.788	0.86						
HF	0.777	0.843	0.823					
IL	0.757	0.827	0.806	0.874				
MF	0.786	0.739	0.813	0.805	0.776			
PA	0.763	0.762	0.769	0.796	0.681	0.706		
SL	0.813	0.768	0.83	0.779	0.768	1.134	0.7	

Data Analysis of the Variables



After verifying the data reliability of the variables and the data collected for the variables, Data Analysis must be done to ensure the relationship between variables, the below diagram depicts the bootstrapping of the data. The final results of the analysis shows the path coefficients, Mean, Standard Deviation (STDEV), T statistics and P values which shows that the extent of relationship between two variables. The P value shows the relationship of variables. If the P value is less than 0.01 there is a high relationship between the construct and the variables. Below is the table which shows the analysis values and the relationship between the variable PA, EA, EI, HF, IL, MF, SL. By analyzing the P values it clearly shows that there are strong relationships between most of the variables. While there is a weak relationship between EA (Entrepreneurial activities) and PA (Poverty Alleviation), there is also a weak relationship between EI (Easy access to education) and PA (Poverty alleviation) amid that IL and SL also show weak relationships with the Poverty

Alleviation but there is a strong relationship of SL with Microfinance, on the basis of analysis of the variables.

Table 4:

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
DE -> PA	0.213	0.216	0.086	2.491	0.013
EA -> PA	0.166	0.167	0.097	1.722	0.085
EI -> PA	0.195	0.197	0.1	1.956	0.051
HF -> PA	0.233	0.229	0.095	2.458	0.014
IL -> PA	-0.008	-0.009	0.09	0.087	0.931
MF -> DE	0.724	0.724	0.047	15.294	0
MF -> EA	0.844	0.844	0.025	33.531	0
MF -> EI	0.794	0.794	0.03	26.228	0
MF -> HF	0.791	0.792	0.028	28.418	0
MF -> IL	0.743	0.745	0.038	19.723	0
MF -> SL	0.731	0.733	0.033	22.282	0
SL -> PA	0.047	0.048	0.08	0.59	0.555

Results and Findings

The Analysis aims to find out the impact of microfinance on Poverty Alleviation by socioeconomic factors while utilizing SMART PLS for evaluation while ensuring reliability and differentiation of the data which is shown in Cronbach's alpha value and Average Variance Extract of the data collected, the results shows the relationship between the variables on which the Hypothesis is rejected or accepted Based on the P values of the Hypothesis.

Hypothesis Testing Outcome

Accepted Hypothesis

H1: accepted and indicates the strong relationship between SL and PA, Microfinance positively impacts standard of living of household.

H4: accepted and indicates strong relationship between DE and PA, Microfinance positively helps in the development of economy.

H5: accepted and shows strong relationship between PA and MF, Microfinance positively affects poverty alleviation.

H6: accepted and shows strong relationship between HF and PA, Microfinance improves access to health care facilities.

H8: accepted and shows strong relationship between MF and PA, Microfinance positively influences Poverty Alleviation.

Rejected Hypothesis

H2: Microfinance enhances easy access to education (EI)

H3: Microfinance helps in engaging in more entrepreneurial activities (EA)

H7: The size of microfinance loans unpromisingly improves the income level of beneficiaries (IL).

Discussion

The Study Findings provide significant and valuable insights about the role of microfinance on poverty alleviation. The results demonstrate that Microfinance MF has a positive impact on PA (poverty Alleviation), SL (Standard of living), DE (Economic development) and HF (Health care facilities). These all factors directly maintain a strong relationship with poverty alleviation and hence it shows that Microfinance does have a role in poverty reduction. While some factors like EA (Entrepreneurial Activities), EI (Education access) and IL (Income level) have shown weak relationship.

Interpretation of Key Findings

Microfinance depicts strong relationship with standard of living. The accepted Hypothesis (H1) indicates that Microfinance directly impact on the standard of living of the household by providing better financial needs individuals can meet their basic ends or wants which helps maintain better standard of living amid that strong relationship between Microfinance and economic development in (H4) which also proves that by microfinancing there has been a sound economic growth by giving microfinancing in small business loans country which helps in positive economic activity. This statement also aligns positively with study of impact of microfinance initiatives on poverty alleviation and economic development ashraf et al. (2024)

Moreover this research also find out strong positive relationship between Microfinance and health care access (H6) which shows that by availing finances individuals can get better health care facilities who were unable to get before financing hence which impact on better standard of living and ultimately reducing the chances of poverty, this study also aligns with the study of Chikwira in his study The impact of Microfinance institution on poverty Chikwira et al. (2022).

Table 5:

H1	H1. Microfinance positively impacts on the standard of living of the household (SL)	Accepted
H2	H2. Microfinance enhances the easy access of education to the individuals (EI)	Rejected
H3	H3: Microfinance helps in engaging in more entrepreneurial activities. (EA)	Rejected
H4	H4: Microfinance positively helps in developments of economy (DE)	Accepted
H5	H5: Easy access to Microfinance positively effects on Poverty alleviation(PA)	Accepted
H6	H6. Microfinance improves the access to healthcare facilities of the household. (HF)	Accepted
H7	H7. Size of Microfinance loans unpromisingly improves the income level of beneficiaries. (IL)	Rejected
H8	H8. Microfinance Positively influences the socio economic factor which contribute to poverty alleviation.	Accepted

Comparison with Existing Literature

The Findings shows that Microfinance role in poverty alleviation while some hypothesis shows weak relation. For instance there is a weak relationship between Microfinance and entrepreneurial activities (H3) Esowe (2023) suggest that not alone entrepreneurial activities can foster business

growth but better training programs business specific trainings or courses will help in foster positive entrepreneur growth Esowe (2023) align and supports the statement and highlights need of financial literacy and support for entrepreneurs. Similarly there is a weak relation between microfinance and easy access to education which indicates that microfinance does not helps investing in education while Olarwaju in his studies states that microfinance plays a vital part in advancing the sustainability of schools. Olarewaju (2023) amid that there is a weak relationship between microfinance and income level of individuals which means that microfinance simply does not create extent in income of individuals while study of Chung and Kim (2024) sates that microfinance simply gives access to more financial resources for the period of time but does not necessarily translate the income to higher extent, but if financing used effectively it can act like an additional financial source. Chung and Kim (2024)

Implications of the Study

The findings of this study have significant implications practically for MFIs (Microfinance Institutions) Policy Makers and organization who tends to work for or aims to reduce poverty, this study reveals that microfinance plays a crucial role in poverty alleviation by directly affecting health care facilities, easy access to education entrepreneurial activities income generation. The study suggests that MFIs should design tailored financial products which are easy to avail and with flexible payment structures so the financing need of individuals must be met properly and in time amid that The study focus on the need of long terms research microfinance sustainability in poverty alleviation this study also research on different social and financial factors which helps in poverty reduction such as role of technological advancements. Microfinance can be the powerful and effective tool for poverty reduction and economic development.

Future Recommendations

Based on the research and finding following recommendations are suggested.

1. **Encouraging Entrepreneurial activities**

The results indicate weak relationship between Microfinance and entrepreneurial activities however MFIs should encourage and focus on capacity building programs like business training and MFIs should design specific loans which encourage Entrepreneurial activities.

2. **Increasing the Accessibility of loan**

MFIs and Banks should offer tailored and easily accessible loans to the individuals which cater different individual groups' better accessibility and easy process will help in processing of Microfinance and it will helps in poverty alleviation.

3. **Policies and Supports**

Policymakers and MFIs should work together to create regulatory frameworks that support financial inclusion and guarantee that microfinance services efficiently reach marginalized areas.

4. **Future Recommendations**

There should be further studies which must focus on long term effects of microfinance on poverty alleviation additional variable should be evaluated such as financial literacy, technological adoptions etc.

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