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Impact of Microfinance on Poverty Alleviation: A Case Study of NRSP in Bahawalpur of Pakistan

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Abstract

The purpose of the research paper is to measure the impact of Microfinance on Bahawalpur District. Main Microfinance Institutes in Bahawalpur are National Rural Support Program (NRSP) Microfinance Bank (MFB), Tameer Microfinance Bank, Khushhali Bank, First Microfinance Bank and Kashf Foundation. For this report data has been collected through questionnaire, descriptive research and interviews from Microfinance Banks and some of their clients. Mostly in our rural areas credit is not available to the farmer on time or they can get it only on very high interest rate. So there is great potential of Micro Financing in Bahawalpur region. Many developing countries like Bangladesh, India, Sri Lanka and Pakistan are using microfinance to increase the living standard of their people. But in Pakistan main focus of Microfinance Institutes (MFIs) was only to give credit. This paper mainly focuses on the impact of NRSP on this area, so borrowers have been taken as sample from NRSP and customers are selected randomly. Increase in income level and customer satisfaction level was observed in this report but this increase is not so significant. There are still high potential markets that need micro finance. Rate of interest charged by these MFIs are very high and their main focus is on Agriculture sector only. There is a strong relationship between microfinance and poverty alleviation. The results also showed that Microfinance Scheme help people to improve their living standard and provide them financial opportunity to expand their business. Microfinance is the key strategy that leads to quick revival of economy, increase in living standards and empowerment.

Keywords: Microfinance, Interest

Introduction

What is Microfinance?

“Microfinance is the supply of loans, savings, and other basic financial services to the poor” (CGAP). Microfinance gives financial services like loan facility, saving opportunity, transfer of money and insurance of health and business, to the poor people which are ignored by commercial banks. Microfinance helps these persons for smooth working of their business and makes their own assets.

Microfinance in the World

Professor Mohammad Yunus is the pioneer of Micro financing Ideas in *Grameen Bank Bangladesh*. According to him 5 % of people, which use this credit go out from poverty in every year. In past mostly all poor people fulfilled their need by different financial relations like informal money lenders, local shop keepers, landlords but they charged high interest rate to the poor. Saving was provided by different informal channels like saving and credit clubs, links and other cooperative saving societies. But this method is unpredictable and not safe and Commercial Banks not consider these people as their target market. So in the past these people remained unbanked and not got required loan on time.

Microfinance is now using as an important device to reduce poverty from the World. Outreach of Microfinance had increased significantly in past few years. The World Bank's estimation is that total 7000 institutes are working as Microfinance Institutes, these Institute has issued 2.5 \$ billion as credit to poor people and total borrowers are approximately 16 million (Data Snapshots on Microfinance – The Virtual Library on Microcredit).

Microfinance in Pakistan

The Microfinance also got great importance in Pakistan. The Government and State bank of Pakistan made many considerable rules and regulation for the promotion and growth of this sector. *Microfinance Bank Ordinance* was passed in 2001 by the Government of Pakistan. In a short period this method become major source of poverty reduction in Pakistan because Pakistan's major population are poor. The Govt. support and encourage private MFIs to make improvement in this sector.

Bahawalpur

Bahawalpur is located in the province of Punjab and it is on 12th number among the largest cities of the Pakistan. This city was the capital of Bahawalpur State which was ruled by *Nawabs of Abbasi* Family. Bahawalpur is situated at south of the *Sutlej River* and it has the great desert of Cholistan. Its area is 24,830 km² and is one of the largest districts of Pakistan. According to the census of 1998 population was 2.411 million with a growth rate of 3.88% per year. So we can estimate that at present population of Bahawalpur are approximately more than 3.5 million.

Bahawalpur is a central place for the trade because it lies at the middle of Pakistan. In its surrounding it is main place for the trade of wheat, cotton, and rice. Embroidery, shoes and pottery of Bahawalpur is very prominent in both local and international market.

Bahawalpur is basically an Agriculture region and we export many agriculture products from here. Market of mangoes, dates, wheat, sugarcane and cotton also exist here and their demand remains throughout the year. Sunflower seeds, mustard seed, mangoes, dates and guava of Bahawalpur are exported out of the Pakistan. The Govt. of Punjab is now giving great attention on Bahawalpur because of its industrial potential in caustic soda, flour mills, fruit juices, engineering, iron and steel re-rolling mills, power looms, oil mills, cotton ginning & pressing, poultry farms, sugar industries, textile spinning & weaving, vegetable ghee and cooking oil industries.

Table 1. Microfinance in Bahawalpur

Bahawalpur		
Offices	Fixed	Mobile
	26	0
Micro credit	Active borrowers	Gross Loan Portfolio
	58,827	Rs. 1,044,186,240
Micro Saving	Active Savers	Value of saving
	265,175	Rs. 401,616,409
Micro Insurance	Policy Holders	Value Insured
	86,706	Rs. 1,240,041,317
Average Loan Balance (Rs.)		17,750
Average Saving Balance (Rs.)		1,515
Potential Market (Rs.)		461,777

Source: PMN 4th Quarter, 2011

In Bahawalpur, total 26 different Banks, NGOs and other informal organizations are providing microfinance to the low income group of this area. As we can see from this table that total number of people, who take credit are 58,827 and their credit amount is Rs. 1.044 billion. Active savers are 265,175 and their saving is Rs. 0.402 billion. Policy holders of Micro Insurance were 86,706 and their insurance premium was Rs. 1.24 billion. So the average loan per active borrower is Rs. 17750, the average saving was Rs. 1515 which is only 9% of average loan per person. So from this data we can conclude that the average saving is too low than the requirement, which need great attention. Potential of microfinance in Bahawalpur is very high because according to this survey of Pakistan Microfinance Network (PMN), there are 461,777 potential persons who need Micro Loans to improve their living standard.

National Rural Support Program (NRSP)

NRSP was established in 1991 and with respect to outreach, employees and development activities it is largest Rural Support Program in Pakistan. It was registered as not-for-profit organization, under Section 42 of Companies Ordinance 1984. NRSP's main consent is to reduce poverty by providing financial support and other development activities in Pakistan. It is working with 49 branches of all provinces and in Azad Jammu and Kashmir, through regional and field offices. According to Pakistan Microfinance Network (PMN) outreach of NRSP is 329,975 poor households. It maintains growth and now up-and-coming as the largest Microfinance Institute for poverty reduction and progress activities in rural areas.

Table 2. Top five largest microcredit and geographical outreach

Top Five largest Microcredit outreach		Top Five largest Geographical outreach	
1. KB	440,261	1. KB	72
2. NRSP	329,975	2. NRSP	49
3. Kashf	265,825	3. Kashf	48
4. ASA	142,814	4. ASA	33
5. FMFBL	139,435	5. FMFBL	29

Source: PMN 4th Quarter, 2011

Vision and purpose

NRSP helps the poor men and women in realizing their skills ability and knowledge so they can coherent their goal with the required resources for this purpose. Majority of Pakistan is facing poverty and trapped by the unbreakable cycle of poverty, which was caused by short of chance to progress and inequality in distribution of economic resources. Different important concepts which are part of vision and purpose of NRSP are:

Social mobilization: Collect people on one place for a common purpose so they will work for collective welfare.

Social guidance: It will provide guidance to men and women about how they can act as a leader, increase their understanding and capacity level.

The programmatic tools: It includes training; gives support to society, Micro-Credit, Infrastructure expansion and Natural resource administration.

Objective

The main purpose of the development of NRSP is to promote a nationwide set of connections of grassroots level organizations which facilitate rural population to plan, execute and administer developmental program. It will provide financial assistant to maintain creative employment, eliminate poverty and improve the living standard of lower class. NRSP was planned to work as support organization and will provide social guidance to poor households.

Strategy

Main strategy of NRSP is to tie-together people's abilities and efforts to improve their income level and build the quality of self dependence.

NRSP launches Microfinance Bank

NRSP Microfinance Bank Limited was established and started working in March 2011. It was planned to convert the Micro Credit program of NRSP which was providing Pakistan's largest credit service to poor population into regulated Microfinance Banks. Main reason of converting into a Micro finance Bank was that the NRSP will avail several benefits as a bank. This include the facility to increase new resource of debt and equity, provide saving accounts and other non-credit services, and can expand and increase its scale as a fully regulated Micro Finance Bank. The NRSP MFB mainly focuses on agriculture and live stock market and concern how to fulfill their need of fund to increase economic well being. Its head office is situated in Bahawalpur.

NRSP Bank has been licensed as a nationwide bank by State Bank of Pakistan under the Microfinance ordinance 2001. It was incorporated under the Companies Ordinance 1984 as a Public Limited Company. According the requirement of Microfinance Ordinance, Authorized capital of NRSP MFB is Rs.1 billion. Share holders of NRSP and their shares are, NRSP 52%, Acumen Fund 16%, International Finance Corporation (IFC) 16% and Kreditanstalt fur Wiederaufbau (KfW) 16%.

Objective of the Study

Following are the objectives of the study:

- Analyze the role of NRSP Microfinance Bank in poverty alleviation.
- Availability of required amount of loan for the poor.
- To look at Micro Credit resources for poor.
- Examine poverty alleviation and its future.

- Assess the effectiveness of the loan product of NRSP MFB.
- Evaluate procedures and policies of NRSP Microfinance Bank to make sure the well-organized credit delivery and recovery.

Research Questions

1. Are customers receiving required amount of loan on time?
2. Is there is any increase in income level, education and health facilities for family members, after taking loan?
3. Is Micro financing Institutes helping in generating new employment opportunities?

Research Designed and Methodology

Sample

The sample consists on borrowers who had taken loans from NRSP MFB, currently active borrowers and have to repay the amount of loan. Sample was randomly selected both from male and female, literate and illiterate. Sample was consisted on 8 groups and the numbers of respondents were assumed to be sufficient in providing comprehensive results.

Procedure

Permission was taken from the Manager and customer of the different Banks to collect the data. Research purpose was made clear to the staff and customers with assurance about the privacy of the information collected. After getting the permission suitable sampling individuals were chosen for the study.

Methodology

It is an applied research. The sample of the study for questionnaire includes customers from NRSP MFB in Bahawalpur and interview was conducted from other Financial Institutions which include Khushhali bank, Kashf Foundation, First Microfinance Bank, Akhuwat Foundation and Tameer Microfinance Bank.

Tools for data collection

Three basic tools for data collection were used in the survey which includes interview, questionnaire and observation of working of different Institutes. The questionnaire consists of 20 items and the questions were close ended.

Data Analysis

Qualitative data, which we collect form interviews, is analyzed by using perceptual understanding and logical reasoning. Decoding of the data was done according to my view point and knowledge of the research. Quantitative data is analyzed by using statistical technique, percentage.

Literature Review

In Bangladesh a large number of people are living under poverty line and idea of microfinance , Microfince Institutes, credit schemes and other services have taken part in the progress and development of Bangladesh (Ahmed, 2009).

Poverty alleviation has been an important issue of many civilized society in all over the history. For this purpose different methods and policies have been adopted in Pakistan, for example special programs and short-term measures target for increasing living standard of a

large number of people and provide them sense of social security. The Pakistan Poverty Alleviation Fund (PPAF) was established by Government of Pakistan as self-regulating and efficiently administered unit. Main task of this unit is to provide more and more socio-economic services to the low income groups in society. The Fund is working in a strong network with other organizations on partnership, having society outreach programs. PPAF constantly supervise and evaluate efficiency of the programs (SHIRAZI & KHAN, 2009).

Microfinance institutes are giving loan facilities to women for establishing their own source of income. 62% women used that loan for starting their own business and remaining 38% use that for different purposes. Women feel hesitation to start their new business because Micro Finance Institutes are not providing required training to these women and this is major reason for this (Mahmood, 2011).

Micro finance has positive impact on the economy. After taking loan borrower's income and their expenditure on family had increased extensively. Customer's income had increased which shows that they become able to cross only the extreme poverty line while they remain near poverty line. Employment opportunities had increased at a moderate rate. The clients started their own business and earn more profit. But there was not significance increase on saving and borrowers' residential houses condition. Monthly amount of saving is not significant, but behavior of borrowers is changing dramatically towards saving (Hossain, 2012).

Living standard is very important issue in all developing countries. In many developing countries like Bangladesh, Pakistan and India, microfinance is now using as a tool to increase the living standard of poor community. There is positive impact of micro financing on income level and better services of microfinance institutes increase satisfaction level of customer (Akram & Hussain, 2011).

Microfinance sector required innovative ideas beyond traditional financial system. Social intermediation increase human capability and group base lending schemes reduce processing cost and decrease financial risk in relation to providing credit to poor. Micro financing is the tool to decrease financial cost and expenses in an efficient way (Dusuki, 2008).

Different factors have significant effect on low loan recovery rate. These factors includes Borrowers wrong attitude repayment, Microfinance Institute staff's weak skill, corrupt tendency and poor infrastructural provision by the government. These factors has a direct impact on NPLs (non payment loans) and on micro credit services (Anayo , 2011).

Un-productive use of human resources, financial and other resource are root cause of poverty. Poverty has multi dimensions and persists due to this reason. Major hurdles in improving living standard are lack of financing. So poor don't take any part in the economic development activities due to the lack of credit for improving their standard of livings. Microfinance services by Microfinance institutes such as savings and micro loans have direct impact on GDP (Gross Domestic product). An organized support to the microfinance is necessary to start soothing trend for poverty alleviation and economic growth (Awojobi & Bein, 2011).

Five basic reason which cause poverty are low profit, prices of commodities are too high, hard economic times, lack of finance to start or expend their business, and business not doing well. The analysis also reveals that the impact of microfinance on poverty can be explained in two phases. The first point is to see that poverty is increasing at a decreasing rate due to increase in microfinance credit. The second phase is to see persistent increase in microfinance credit reduces significantly the poverty index. Thus, currently, microfinance credit lowers poverty (Okpara, 2010).

Table 3. Data collection

	FMFB	TMB	KB	NRSP
Interest rate on loans	19% to 32%	20% to 34%	29%	28%
Loan products	1.MPL(Micro pension loan 2.VGFC(Village Group Financial service) 3.UGFS(Urban Group Financial services) 4.MEF(Micro Enterprise finance)	1.Tameer Karobar loan 2.Tameer Apni Chhat 3.Emergency loan 4.Micro Insurance	1.Agriculture loan 2.Live stock Loan 3.Enterprise Loan	1.Agriculture loan 2.Live stock Loan 3.Urban enterprise Development
Interest rate on deposit	5% to 12%	8% to 14%	6% to 8%	6% to 9%
Deposit product	1.Cash maximize 2.Fixed term Deposit	1.Tameer Khas Bachat Certificate 2.Tameer Shajar 3.Tameer Term Deposit	1.Current deposit Account 2.Mehfooz Account 3.Karobari Munafa Account 4.Behtareen Bachat Account	1.Tanzeem Bachaat 2.Behtareen Current Account 3.Mukamal Sahulat Account 4.Asan Bachat Saving 5.Zaida Munafa Term Deposit
No. of customers	4,300	2,400	5,500	22,446

Table 4. Market Share of MFIs in Bahawalpur

Bank	No. of customers
FMFB	4300
TMB	2400
KB	5500
NRSP	22,446

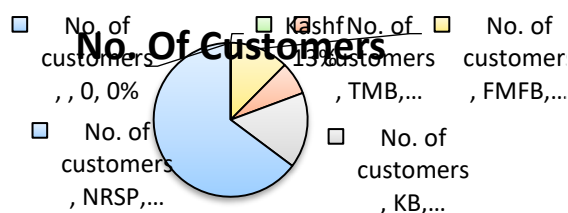


Figure 1. Number of customers

If we take a look on the distribution of customer in Bahawalpur District in different Microfinance Banks then it is clear that NRSP MFB is market leader and his share is biggest which is 65% and Share of TMB is only 7%, KB 16% and FMFB share's is 12%.

Table 5. Progress Overview of NRSP MFB as of July, 2012

Branches/ Centers	Services	No. of Customer	Amount (Rs.)
Bahawalpur		9,279	162,745,727
Ahmedpur East		6,610	135,965,450
Yazman		3,995	79,829,127
Khairpur Tamewali		1,429	26,863,696
Hasilpur		1,133	22,415,300
Total		22,446	427,819,300

Source: NRSP MFB BWP

NRSP MFB is making progress mainly in Bahawalpur District and total numbers of customers are 22,446 and loan portfolio of Bahawalpur district is Rs. 427 million. Largest numbers of customers are of Bahawalpur which are 9,279 and Ahmedpur East has 6,610 customers. Their Loan Portfolio is also very high then Yzman, Khairpur Tamewali and Hasilpur.

Table 6. Micro insurance progress

Micro Insurance Progress	
Total # of Person Insured	22,446
Premium Collected (Rs.)	2,244,600
Total # of Claims received:	183
Claims Approved	166

Source: NRSP MFB BWP

Total amount of Insurance Premium is Rs. 2,244,600 and policy holders are 22,446. Premium of insurance is Rs.100 per person and they have to pay this amount when the loan is being distributed to them. Total claim received are 183 and claim approved are 166.

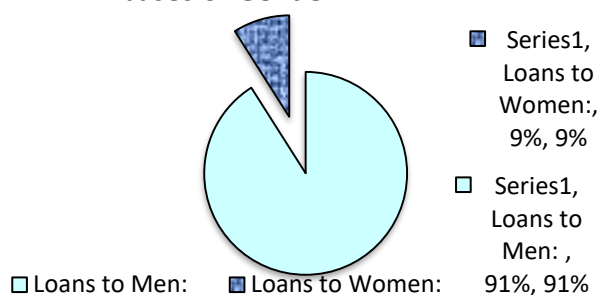
Table 7. Percentage of non-recoverable loan and loan repayment

Year	% of Non-Recoverable loan	% Of Loan Repayment
2007	0.73%	99.27%
2008	0.51%	99.49%
2009	2.17%	97.83%
2010	1.17%	98.83%
2011	1.10%	98.90%
2012	0.01%	99.99%

Source: NRSP MFB BWP

Current ratio of Non-Payment Loans (NPLS) is 0.01% and rate of recovery is 99.99%. During last 5 years the ratio of NPLS is quite low. Reason of high recovery of loan is that NRSP MFB have strong client base, well-built link with customer, conduct continuous meeting with them and their field force is strong. Loan is given against group guarantees so they are responsible for each others.

1. Loan Amount Disbursement on the bases of Gender



2. Total Disbursement of loan by Sector

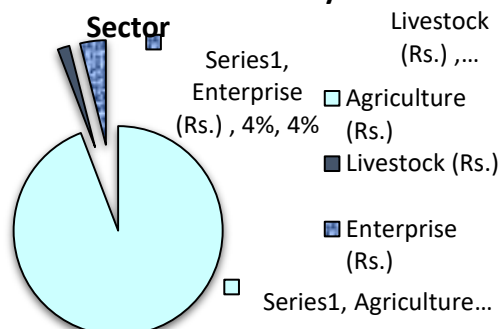


Figure 2.

Source: NRSP MFB BWP

In first graph we can see that 91% loan was given to males and only 9 % to females. So the percentage of women in total loan portfolio is very low and NRSP MFB must increase this loan ratio in favor of women. In second graph we can see that 94% of the total loan portfolio is distributed to the Agriculture sector and only 2% and 4 % is given to Livestock and to the Small business respectively.

Analysis and Discussion

NRSP Micro Finance Bank

This is the brief data analysis of NRSP MFB from the sample of 8 groups and which include 67% males and 33% females.

1. Education

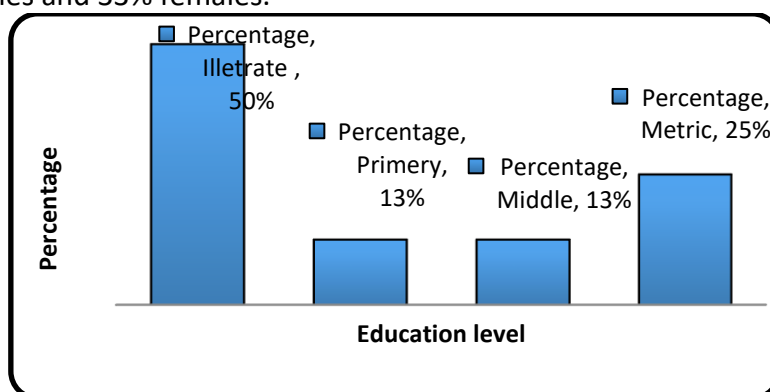


Figure 3. Education level

Graph shows that 50% of respondents were illiterate, 13% respondents have primary education, 13% have middle level of education and 25% respondents have done matriculation.

2. What amount of loan you had taken?

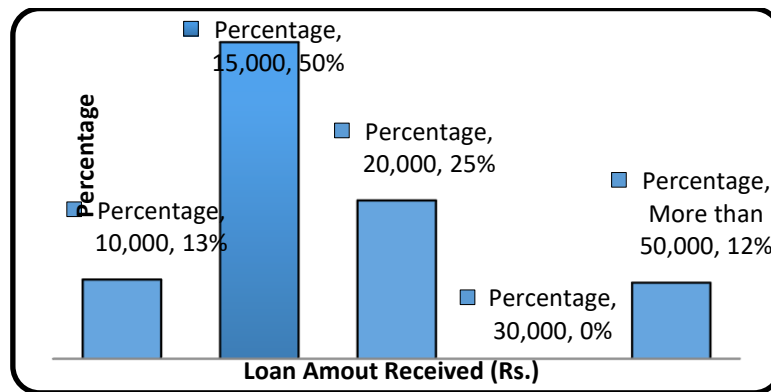


Figure 4. Loan amount received (Rs.)

From this graph we can conclude that amount of loans disbursed to the creditors was mostly Rs. 15,000 which was 50% of total disbursement. 13% respondent took Rs. 10,000, 25% received Rs. 20,000 and only 12% respondent reached to the limit of Rs. 50,000.

3. Have you received required amount of

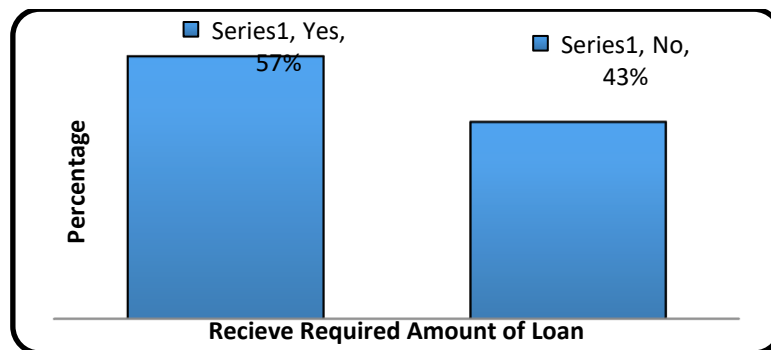


Figure 5. Receive required amount of loan

When we talked about the size of the loan, 57% of total respondents were satisfied with the amount of loan and 43% of total respondents were not satisfied with amount of loan.

4. What was the reason of taking loan?

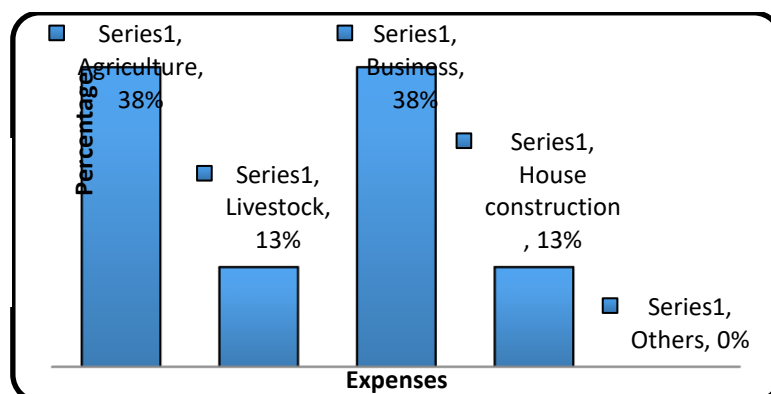


Figure 6. Expenses

The amount of credit can be invested into many ways but in micro financing it is mostly used in the small business, agriculture, livestock and house construction. Graph shows that

38% of sample invested in their business, 38% of respondent invested in agriculture, 13% of sample had invested in Livestock and 13% clients used it for house construction.

5. In how many days you received amount of loan?

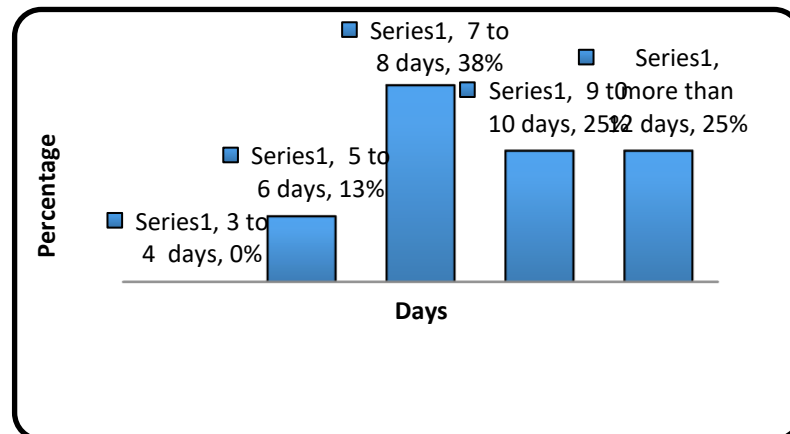


Figure 7. Days

The standard time duration for the disbursement of loan is one week but 38% respondent received loan in 7 to 8 days, 25% received in 9 to 10 days and 25% received in more than 12 days. Only 13% creditors receive loan in 5 to 6 days.

6. Did you face any difficulty in submitting documents?

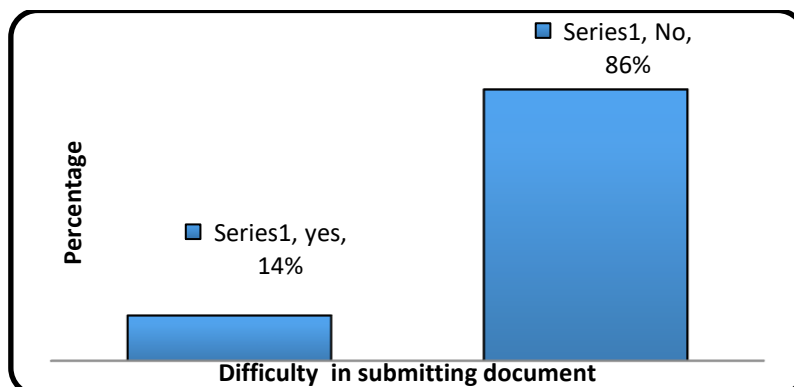


Figure 8. Difficulty in submitting document

As the internal satisfaction matters 86% of total sample were fully satisfied with the documentation policy of the NRSP MFB and only 14% sample face difficulty in submission of documents.

7. Is this difficult to come in bank for paying installment?

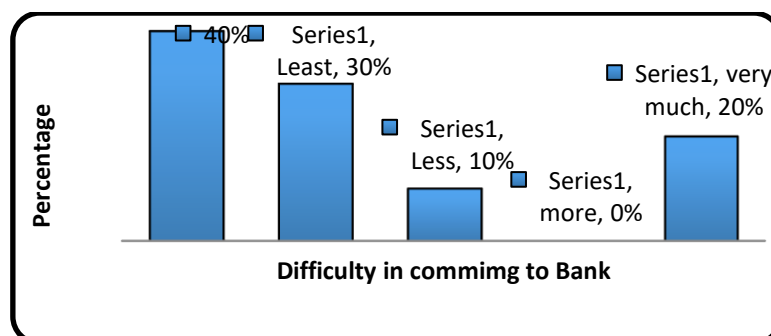


Figure 9. Difficulty in coming to bank

According to this survey result, 40% customers not faced any difficulty to come in bank for paying installment, 30% face least difficulty, 10% less and 20% customer face very much difficulty for paying installment.

8. Can you easily pay installment, after paying house and business expenses?

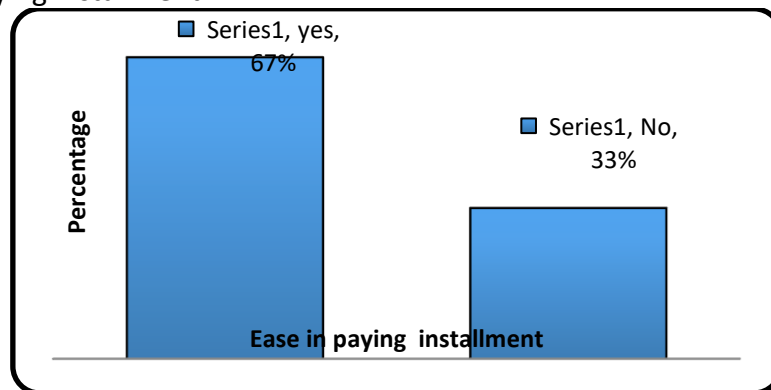


Figure 10. Ease in paying installment

When we talk about the income level generated by these loans then 67% of the sample answered that they can save enough money to pay installment. But 33% face difficulty in paying installment on time. Answer by many of the customer was that they must have to pay installment in every condition.

9. Was Purpose of Loan fulfilled?

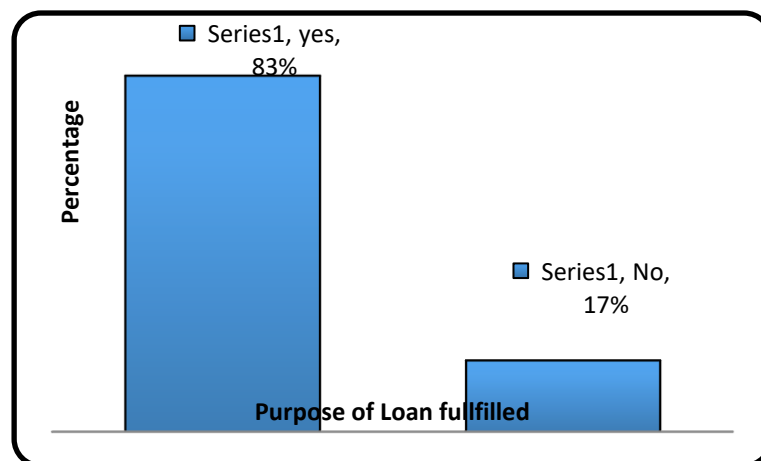


Figure 11. Purpose of loan fulfilled

This Graph shows that 83% sample fulfill purpose taking of loan and 17% not fulfilled the purpose of taking loan.

10. Can you easily communicate with bank or bank's agent?

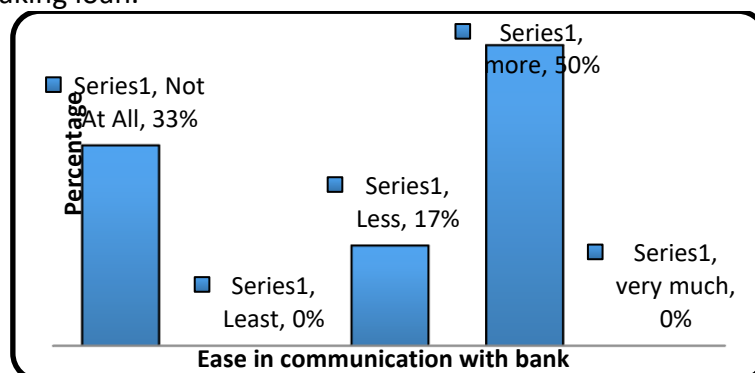


Figure 12. Ease in communication with bank

When we talk about contact with bank then 50% respondent can easily communicate, 17% face less ease and for 33% it was not easy to communicate with bank or bank's agent.

11. Did this loan help to make permanent increase in your income?

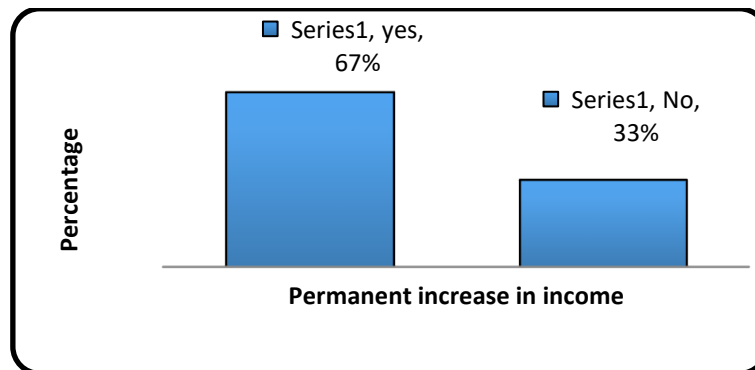


Figure 13. Permanent increase in income

Above Graph shows that 67% of total sample reported an increase in their income after taking credit from NRSP MFB. While remaining 33% of total sample respondents had adverse opinion in this matter.

12. Did increase in income level help you to get better health facilities?

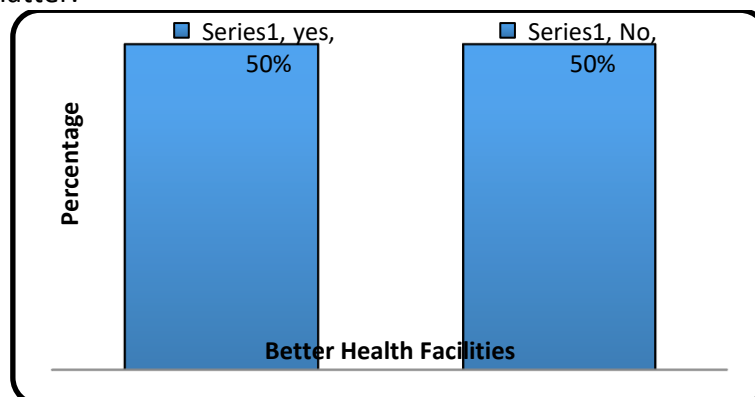


Figure 14. Better health facilities

About the provision of better health facilities responds of customer were neutral and answered 50%, 50%.

13. Did this loan help in giving better education to your children?

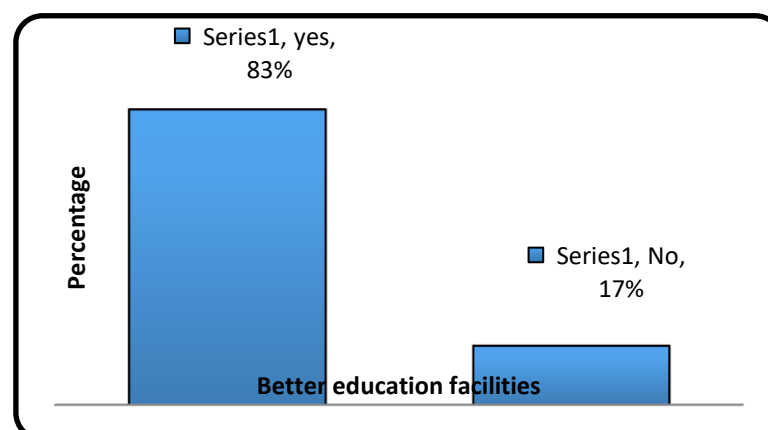


Figure 15. Better education facilities

Whereas 83% of respondents answered that loan amount help them to give better education to their children. But 17% respondents told that education level was not increased after taking credit.

14. If income increased then which head of expense increased after taking loan?

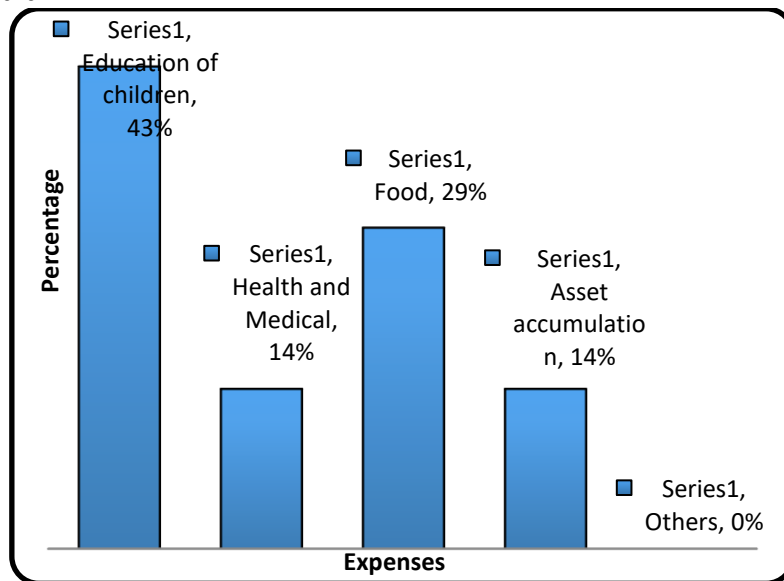


Figure 16. Expenses

Graph shows that when income of any household increase after taking loan then 43% sample increase consumption level of children education, 14% increase Health and Medical expenditure, 29% use it for getting better food and 14% use this amount for Asset Accumulation.

15. After expanding your business, how many new people you hired?

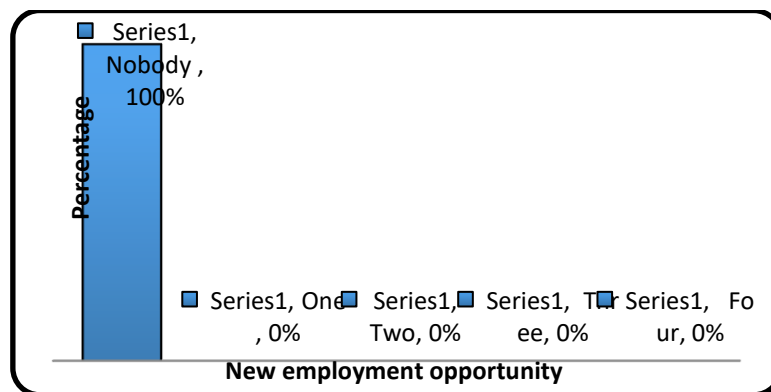


Figure 17. New employment opportunity

When we look at this graph it shows that Microfinance helps a person to do better its own financial position only and loan had not helped to increase the employment level of the area. 100% customer replied that they didn't hire any other person for their business.

16. Did you observe any change, in the living standard of other group members?

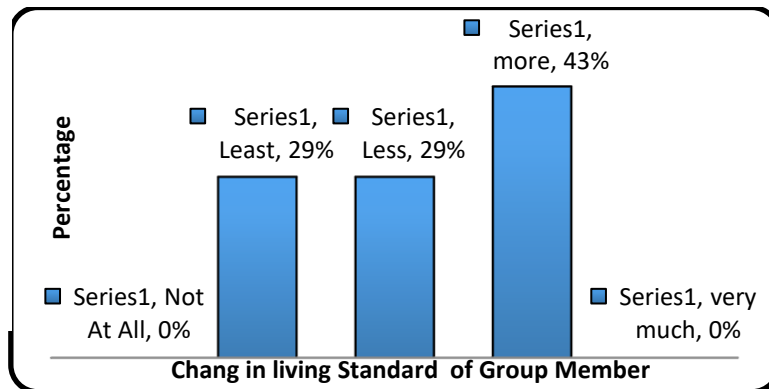


Figure 18. Change in living standard of group member

Living standard of other group member had also increased because 43% customers respond that there was more increase, 29% respond normal increase in living standard.

17. Are other group members paying installment on time?

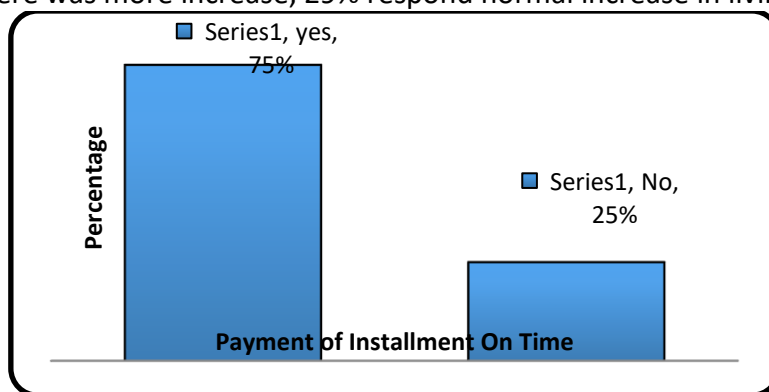


Figure 19. Payment of installment on time

According to the responses, 75% other group member are paying installment on time and other 25% face difficulties in paying installment due to any uncertain reason like loss in business, or any change in natural climate for agriculture products.

18. Do other people of your area, want to take loan?

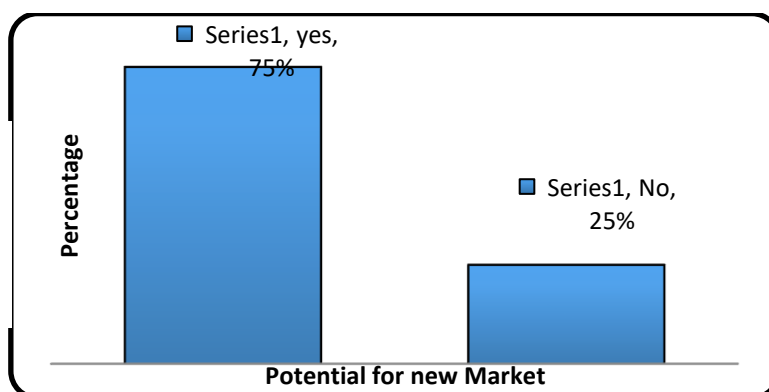


Figure 20. Potential for new market

Graph shows that till now there is great potential of Micro Financing in Bahawalpur region because 75% customers told that people of their area wanted to take loan to break the vicious cycle of poverty, whereas 25% customers respond negatively.

19. Had NRSP Microfinance Bank taken part in any development activity in your area?

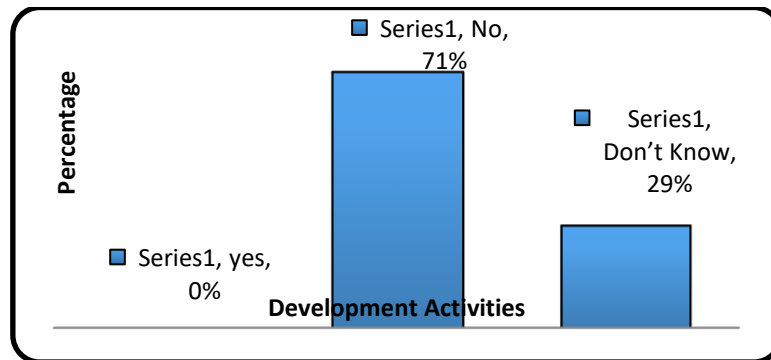


Figure 21. Development activities

This graph shows that 71% people respond that NRSP had not done any development activity in their area and 29% replied that they don't know about that.

20. The information given by the bank, helped you in your business?

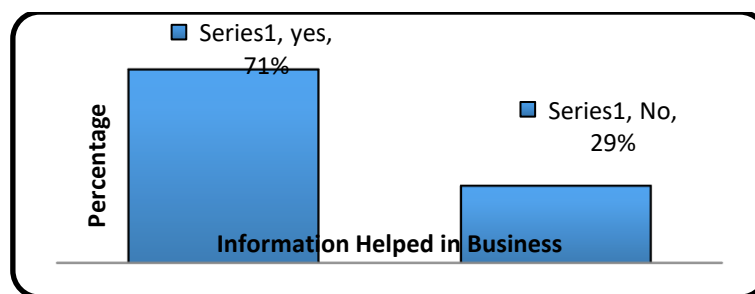


Figure 22. Information helped in business

NRSP MFB claimed that they conduct regular monthly meeting with every client but this table show that 71% respondent receive information and 29% customer respond that they not received any useful information for their business.

21. Did you want to take loan again, from this bank?

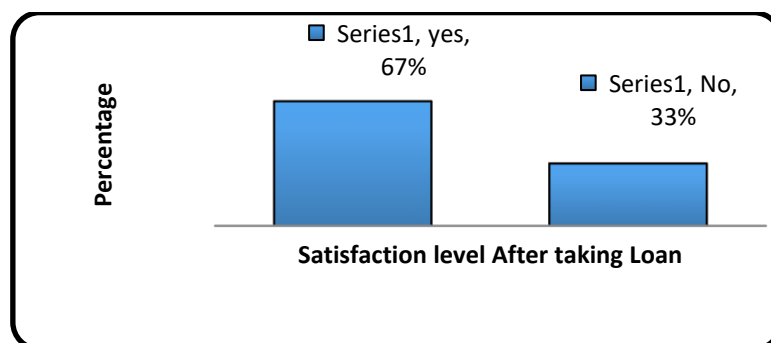


Figure 23. Satisfaction level after taking loan

When we talk about the level of satisfaction with credit, we found that 33% respondents were not satisfied with the results because that loan had not increased their income level. While 67% creditors wanted again to take loan from the NRSP MFB.

Recommendations

- Loan size should be increased to meet the requirements of borrowers.
- The people should be given more opportunities for loan facilities.
- Knowledge should be provided on time by MFIs to borrowers for the better utilization of credit.
- Customer orientation training to staff members must be conducted to teach them how to deal properly with clients.
- NRSP MFB must focus on Mobile banking because all Microfinance Institutes are considering the Mobile Banking as center of attention.
- Interest rate should be decreased so that more and more applicants can avail microfinance facilities.
- NRSP MFB should provide emergency loans against Gold and Silver and should also focus on other area which includes low salary individuals, livestock and small businesses and handicraft business and also teach them right skill.
- All Microfinance Institutes are working in limited geographical area so they must expand their outreach.
- They have better understanding about the problem of rural areas so they can provide better and flexible services to increase satisfaction level of the clients.
- One observable problem in all Microfinance Banks is that there is lack of staff as compare with the clients. They must increase their staff members or educate them how to deal with customer efficiently.
- **Score Card:** Verification process is very costly and time consuming. If we introduce credit-scoring system to evaluate Microfinance loan application then it will decrease processing cost of review and will help to increase profit of bank. The score card may contain qualitative and quantities data about customer.
- **Inventory Credit scheme:** According to this scheme Small farmer groups can get high value of their products by taking post-harvest credit from Microfinance Institutes. As an alternative of selling crops in low price they store their crops in cooperatively-managed warehouse and take credit to meet their current cash need and other debts. Loan amount will approximately 75% to 80% of total value of crop. This crop is mortgage as collateral and this will also reduce risk level for Microfinance Banks. In off-season when the prices goes high they can either sell their crop or can buy back it for household spending.
- Disbursement of loan and payment procedure must be flexible according to the requirement of customers. For example the farmer who have harvested single crop can pay both principle and interest at the end of term. If farmer have planted more crops then he can pay unequal installment at irregular gap. Like this farmer can receive his loan amount in more than one installment.
- NRSP MFB should provide a broad range of financial products and services including Mobile Banking according to the need of clients. It can do joint venture with Pakistan post office or with other conventional bank or any money transfer agency, which had already established branches in all over the country.
- All Microfinance Providers are now focusing on agriculture and on small business but if they want to reach on root level in rural areas then they must start giving small loans to salaried workers such as nurses, teachers and civil servants as well as pensioners.
- **Tellers in Manned Phone Booths:** Transaction and transportation cost for both the customer and Bank is very high. By using *Tellers in Manned Phone Booth* system we can overcome this problem. The company who is operating that phone booth will receive service

charges and proper training will be given to phone booth operators for collection of installment.

- Major changes required in this sector is to reduce rate of markup on loan and increase rate of markup on deposit products because NRSP MFB charge 28% interest on loan and give only 6% on deposits. Answer given by bank on this problem was that they have lack of finance and lend money from other Financial Institutions on approximately 18% interest rate. The NRSP MFB is newly developed bank and need great financial assistance by SBP.

- New innovation in *Microfinance Technology* is that they can use *Biometric Fingerprint and Smart Card* to give fast services to their clients by using fingerprint and voice recognition in place of forgettable password. It will reduce chance of fraud & errors and decrease processing time. Staff will not waste their time in remembering difficult PIN codes so they will consume their time in providing personal services to identify problems and give best guidance to the client.

- By using *PDA (Personal Digital Assistants)* in microfinance record keeping can be improved dramatically. Benefits of using PDA are:

- Client retention will increase.
- The number of days between application and disbursement dropped from five days to two days.
- Expenses for paperwork will fall and data entry expenses will decrease.
- Number of loans disbursed per loan officer will increase.
- Network of petrol pump is very good opportunity to provide option to its customer for paying installment and distribution of loan amount on their convenient petrol pump. On this center we can use PAD and other remote devices.

From above discussion it is recommended that there is great need to generate, expand and encourage microfinance culture in Bahawalpur and highlight its role as a major component for measuring the progress in economy of the country and in self dependence of low income group. The State Bank of Pakistan should support and control *Microfinance Banks/Institutions* for the purpose of giving power to people at the working class level and ensure that the poor and needy obtain microcredit on the terms and conditions that are realistic.

Conclusions

From the above discussion it is concluded that in a developing country like Pakistan there is high need for a well organized Microfinance Policy for economic development and empowerment of low income households. Main conclusions are that although the NRSP MFB and all Microfinance Institutions adopt growth strategy and made some progress in their outreach and level of performance, but their services are not according to requirement as clients are more than staff members. There is significant impact of NRSP MFB on rural poor communities in Bahawalpur. Main issues/problem found from this study are that maximum amount of loans disbursement is found within the range of Rs.15, 000 to Rs. 20,000 and the limitations of loan are not according to the requirement of people. Interest rate is very high and must be decreased so that more and more applicants can get benefit from these facilities. Objective of poverty alleviation can only be achieved by giving small and short term loans to the low income family in Bahawalpur sector. According to the information provided by NRSP MFB agriculture is only the biggest sector of total loan portfolio. Loan defaults percentages are extremely low because of regular meeting with clients. According to this survey 67% of the sample showed a need for future loans, 33% said that they don't need it now or they can't

afford it. Customers have less awareness about interest rate or about policies of the Bank. A deficiency was felt in the area of training and business support. Customer faced difficulty in coming to bank for paying installment because there is danger of theft, loss of money and they come from village areas so they also face high transportation costs. Customer said that they don't know about any development activities done by NRSP, in their area. Results confirmed that 67% of the respondents had increase in their income level after getting microfinance facilities and improve their living standard.

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