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Role of Islamic Microfinance in Poverty Alleviation in Pakistan: An Empirical Approach

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Abstract

After 2008 world economic crises, banks and other financial institutes move towards Islamic financing not only in Muslims countries but also in non-Muslim countries of the world. In view of this, some micro financial institutions also introduce Islamic micro financing products in Pakistan. The present study was conducted to analyze the role of Islamic microfinance to alleviate poverty in Pakistan its impacts, people satisfaction level and assess the future of it in Pakistan. An Empirical approach has been adopted due to lack of knowledge to clients about products, technical terms, lack of time, and we come to know the changing improvement in the eyes of those people who directly involve in this system. Questionnaire was used as a tool for data collection. The qualitative data was quantified and chi-square test was applied to test the association of attributes by 5% level of significance. Our analysis concluded that Islamic microfinance playing an important role to improve the living standard, per capita income, awareness level (Educational level), ethical values, profitability, sustainability, infrastructure position, employment level in the society, helpful to control the inflation and unequal distribution of wealth. People are more interested due to religious prospective and prohibition of riba in Islam as well as in Christianity but there should be proper regularity authority to control over it in order to get fruitful results through an implementable model.

Keywords: Microfinance, Poverty.

Introduction

Microfinance and Microfinance institutes

Microfinance is a big terminology which is used to provide the financial services to the poor people of 3rd world, in form of individual loan, group loans, micro leasing, micro loans, micro insurance and the fund transfer to develop their business and assist them for exceptional emergencies. A microfinance institution (MFI) is an organization that provides financial resources to the needy and poor people and covers a wide area to cover its legal structure, mission, vision, methodology and sustainability that are all attributed to provide the financial resources to the clients of poor and those who have no approach to the financial banks. Mostly MFI's, NGO's and the public organizations carry on their operations and produce the resources for the poor with the help of government and other formal and informal organizations.

Poverty Situation of World and OIC

The global war against poverty has succeeded to decrease the poverty of those who are living with less than 1 US \$ per day in the developing countries from 1.2 billion to 1 billion only in twelve years from 1990 to 2002 which is 28 percent to 20 percent. The most prominent gain has been achieved in Asia that will be the MDG target of 14 % by 2015.

According to world benchmark, 40 % poor people of the whole world are living below absolute poverty line (below 1 US \$ per day) in the 31 countries of 56 members of OIC. I.e. 400 million people out of 1 billion are living in the Muslim's countries.

Poverty Situation of Pakistan

In 2001, the International Monetary fund prepares the interim poverty reduction paper which provides the assistance to alleviate poverty with the help of Government of Pakistan. According to 2009 statistics report, Pakistan's Human development index (HDI) is 0.572 and 60.3 % of Pakistani population lives below \$2 per a day which compared with Bangladesh 81.3 % and India 79%. According to Pakistan microfinance network report of 2013, microfinance approaches about 2.4 million out of 25-30 millions of potential target market in Pakistan which is less than 10 percent of the estimated market. In this regard, one of the key challenges is the lack of access of commercial funding. Pakistan ranked 43 countries that most exposed to poverty. Near two third of our population lived in the rural areas and depend upon the agriculture for their livelihood. Most of them lack of basic needs of living like water, food, education, health care and other social services.

Riba and its Prohibition

In general Riba is known as "Interst", "Markup", the narrow definition of riba is "usuary" which is charge by the intermediaries like banks and financial institutions for the time period. This definition is derived from Quran and hadith and unanimously accepted by all Islamic scholars.

Quran says: "O those who believe fear ALLAHA and give up what remains of Riba if you are believers, but if you do not, the listen to the declaration of war from ALLAHA and his MASSANER (S.A), and if u repents, yours is your principal. Neither you neither wrong nor be wronged. And if there be one in misery then deferment till ease. And that you leave it as alms is far better for you, if you really know. And be fearful of a day when you shall be returned to ALLAHA, then everybody shall be paid, in full, what he has earned. And they shall not be wronged."

According to Hadith Prophet (S.A) said: "Riba has Seventy classes in which the least serious being equality to the sin of a man who committed adultery with his own mother." However, this does not mean that Islam prohibited any gain on principal sums. In Islam, profit is the recognized reward for capital. On the other hand no one Muslim can take a risk of war against ALLAHA and his Massangr (S.A) because it leads to Jhanum. Islam is a complete code of life and its social, political, cultural and economic system guide human behavior in all areas of life. In an ideal Muslim society, socio-economic justice is the most significant feature for the social, political and economic human interaction. The most important step for socio-economic justice taken by Islam is the prohibition of Riba and introduced its own model of financing and poverty alleviation.

Islamic Model for Micro Financing

Islam can play a vital role to alleviate poverty through proper client valuation keeping in view their needs. Islam carefully presents the poverty score between the people and the products that fulfill the client need at a specific time. Islam classified the microfinance instruments in two following categories.

- Not for market and profit or charity based;
- Profit based.

Charity based Model for Poverty Alleviation

Zakat, Sadqa, Waqaf and Qard-e-Hassana are those products which are the basic food and consumption needs for life survival. According to Sharia law, to pay the zakah, at specific rate of 2.5% is compulsory and there is detail explanation for its distribution to control the inflation and equal distribution of wealth. . The beneficiaries of voluntary sadaqa and waqf are total flexibility. Zakah or sadaqa are solution to the challenge of poverty with fundamental issue of sustainability. The main purpose of zakah is to pull out a Muslim from financial crises by providing his / her needs of life.

Profit based Model for Poverty Alleviation

Basically there are three basic types of Islamic profit based model. The detail is as under:

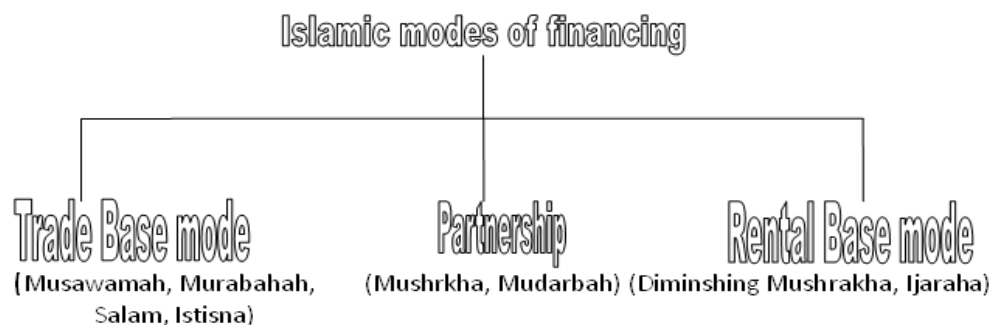


Figure 1. Types of Islamic profit based model

Objectives of the Study

The broad objectives of the study were as follows.

1. Role of Islamic micro financing in Pakistan.
2. Role of Islamic microfinance to alleviate poverty.
3. Customer's awareness about Islamic financing.
4. Employee's opinion about Islamic microfinance role to alleviate poverty.
5. To make judgment about IsMFI's clients behavior and their religiously satisfaction.

Literature Review

Microfinance is used to provide the financial services to the poor people of the 3rd world (Wolver, 2002; Obaidullaha, 2008; Banerjee, 2010; Robinson, 1998; Senghupta and Ahmed, 2008). This step is favorable for both the developed and underdeveloped countries to alleviate poverty. Private and government commercial banks, specialized banks and financial institutions, public or semi-private semi entire banking and financial system keep untouched with a large portion of the population from their activities due to unavailability of collaterals etc. in order to fill the gap, microfinance banks, institutions, NGOs and the public organization

which carry on their operations and produce the resources in form of individual loan, group loans, micro leasing, micro loans, micro insurance and the fund transfer to develop their business and assist them for exceptional emergencies, came into field with the help of government and other formal and informal organizations.

Riba is “usury” which is charge by the intermediaries like banks and financial institutions for the time period used that money or the product (Iqbal, 2008; Shafat & Mazhar, 2008; Shafi and Reilli, 2008). Prohibition of interest is, no doubt, the most prominent feature in the Islamic economics. In Quran and hadith the word Riba has used in many places and prohibited strongly. Quran says, “O believers! Be mindful of ALLHA and give up what remains of Al-Riba, if you are believers. Look out if u do not obey this order then ALLAHA declare war against you from him and from His Prophet peace be upon him, but if you give up your interest then you can claim your principal amount. Neither should you impose harm (Due to interest), nor other should harm you” The Prophet (PBUH) said,” in any society, when Riba becomes common in it causes hunger and poverty in it. In any society, when bribery becomes common it makes it depressed.

In the beginning of the microfinance in the Bangladesh, where an economist struggling hard to assist the poor people and led to develop the Grameen Bank, we come to know that development of Islamic banking or Islamic MFI,s base on Shria’s can also apply on micro-scale in order to poverty reduction (Zahidzmir, 2011; Ehsan & Feroz, 2008; Ashraf, 2007). Islamic microfinance (IMF) is becoming the most popular source for poverty alleviation in the world, especially in the developing countries. Due to its ethical principles and prohibition of Riba, it is growing with progress and expected to reach over about \$ 2.0 billion in 2012. The lending system of Islamic microfinance is differing from the conventional system due to prohibition of Riba and Riba based products. IsMF’s offers interest-free small loans and other Islamic profitable products to the people who are skillful poor.

Zakat, Sadqa, Waqaf and Qard-e-Hassana are those products which are the basic food and consumption needs for life survival (Obaidullaha, 2008; Ahmed, 2008; Chapra, 2008; al-qardawi, 1995; Mutahtha, 2008; Asghari, 2007; Tarzai and Rellie, 2008; Waheed, Nadeem and Khurram, 2009; Asming and Mohd, 2012; Chikaca, 2007). Charity Islamic system of poverty reduction is a central location of time. General term sadaqa in Islam is charity. Advantages of the stable and permanent (e.g., through dedicated physical property) are expected to flow out sadaqa which is called sadaqa jariya or dedicated. The main purpose of zakah is to pull out a Muslim from financial crises by providing his/her needs of life. This would make the Sustainable sources of livelihood and enable the poor to generate zakah (muzakki) except (mustahiq) recipients of zakha. An un-transferable endowment or physical asset that is handed over to a community or organization for flow of benefits to a specific group or community in Islam is known as waqf.

The introduced Economic techniques of Islam with regard to income, earning and spending and compared interest with rent and with profit and shows that interest is equivalent to neither rent nor profit (Shiekh, 2007; El-Din & Abdullaha, 2007; Feroz, 2009). They also analyzed the logical argument put forward in favor of interest by different economists and refused any economic and logical justification of interest. Malaysia is the first country who played the vital role in Islamic financing. It also introduced the dual banking as well as pure Islamic institutions. Islamic Financing reduces the inequity and creates the moral relationship between the borrower and the lender to share the risk and reward between the two. The current international Riba base model caused the current financial crises in the world, disproportionate the risk to the borrower.

Pakistan is an Islamic country with 95-97% Muslim population, rapidly developing country and a big emerging market with growing rate of 7 percent per annum up to 2007, have 160 million population of which 65% population living in the rural areas (Leghari, 2007; Pakistan economic survey, 2007; Hassan, 2011; Pakistan Microfinance review, 2011; Saba, 2008; Rafay, 2009; Pervaiz et al., 2001). In Pakistan, 90 percent of the business related to small and inter medium sector which can support very well in employment provision but due to less concentration of government they are still suffered from crises and inflation is the most critical threat for Pakistan economy and it is increasing due to strong demand and supply emanating from rising prices of commodity and oil. It is also estimated that one fifth of agriculture land of Pakistan interrupted production process and disrupted the supply of labor and capital. Due to this impact, about 6.6 million of Pakistan labor force was out of work and capital stock worth US \$ 2.6 million which is 1.2 % of total GDP of the country, was lost.

Microfinance sector in Pakistan can be divided into main three categories. First, large Regional rural support programme prominent NGOs in this sector like NRSP and AKRSP. Second category, is a group of NGOs which are activating in the different cities of the same province like Orange pilot project (OPP). Lastly a larger number of villages based NGOs which are not well know about microfinance and little access to credit. Due to Riba model of microfinance a large part of the population are not interesting in it, reasoning lack of resources and a great hurdle in growth and poverty alleviation. In the context of growing popularity and need of Islamic financing and microfinance, there is a great need to put concentration on Islamic microfinance. In order to remove this Deficiency State Bank of Pakistan provides the comprehensive regulatory framework for microfinance and Islamic microfinance.

Methodology of Research

Process of research, data collection and vocabulary terms are discussed and defined in this part, as well as considerations such as how preconceptions, reliability and theoretical frame should be recognized.

Sampling and Data Sources

The universe of the present study was consisted on the customers and employees of Islamic MFI's and The target population of this survey is following Islamic microfinance institutes from 10 prominent districts of Pakistan:

- Akhwat;
- Wasil Foundatiion (Formally CWCD);
- Naymat Foundation;
- Islamic Relief fund.

Our sampled population was based on the Islamic MFI, s customers and employees from the most prominent cities of Pakistan. It is very difficult to know about population of the customers and employees of Islamic MFI, s in the whole country, it has been concluded that the population is unknown. For convenience, the researcher decided to collect the data through questionnaire from the following big and the most prominent cities where about all above mentioned IMFIs are working. City names are, Lahore, Faisalabad, Gujranwala, Multan, Rawalpindi, Bahawalpur, Kasure, Sheikhpura, Nankana sahib and Sahiwal. Sample size of 120 was selected. These questions divided according the products offered by the organization because the products offered have great impact on poverty alleviation. In Islamic financing different products deal in different sectors and we come to know that which are the sectors

who are playing important role to alleviate poverty and these sectors have great impact on poverty and Islamic microfinance promotions. Empirical approach has been adopted so 60 questionnaire filled from employees and 60 from the customers of Islamic MFI, s. Five Questions are selected for each products but sample is rounded up to nearest figure to maintain the sample frequency. Below mentioned table clearly explain the sampling phenomenon.

Table 1
Products Offered by the Islamic MFI's /Banks

Name of organization	Products name	No. of products	Frequency of questionnaire	Percent
Islamic Relief Fund	Qarde hassan, Murabha	2	10	16.7
Naymat Foundation	Qarde hassan, Murabha, Musharkha, Sala,m	4	18	30
Wasil Foundatin (Formally CWCD)	Murabha, Sala,m, ijarah, Diminshing mushakha, Istisna	5	22	36.7
Akhwat	Qard-e-Hassana, Takful	2	10	16.7
	Total		60	100

The final draft of the questionnaire for employees consists of 26 questions and for clients 17 questions. The research was planned to study the opinions of the customers and employees of Islamic MFI, s about the “The role playing of Islamic Microfinance to alleviate poverty.”

The questionnaire distributed to respondents through mail and personally by hand and assurance was given that the information will be kept confidence. The questionnaire was collected through mail and at spot. The whole data obtained by questionnaire and converted into numeric form through statistical rule. a discrete multinomial distribution may be transformed and made to approach a chi-square distribution. This distribution has broad application such as a test of goodness of fit, as a test of independence, as a test of homogeneity. The chi-square distribution contains only one parameter, called the number of degree of freedom, with 0.05 level of significance.

Test Statistic to Be Used:

$$X^2 = \sum \frac{(o - e)^2}{e} \quad (1)$$

With degree of freedom $v = (r-1) (c-1)$ and

$$e = \frac{(A)(B)}{n} \quad (2)$$

Table 2

Descriptive statistics and Pearson's Chi- Square Test of Association (Clients questionnaire)

Sr #	Questionnaire	Mean		Std. Deviation	Variance	Skewness		Chi-Square	
		Statistic	Std. Error			Statistic	Std. Error	P value	Relationship
D1	No of cities, where your organization operates	3.7	0.096	0.743	0.553	0.553	0.309	-	-
D2	Gender	1.12	0.042	0.324	0.105	2.45	0.309	-	-
D3	Age Range	1.62	0.101	0.783	0.613	1.241	0.309	-	-
D4	Operational Area of the organization	2.53	0.11	0.853	0.728	-1.294	0.309	-	-
D5	Your target population	2.73	0.082	0.634	0.402	-2.191	0.309	-	-
D6	Educational Qualification	1.4	0.072	0.558	0.312	1.015	0.309	-	-
D7	Your gross Monthly salary	2.1	0.085	0.656	0.431	-0.104	0.309	-	-
D8	Islamic Facility offered amount	2.43	0.099	0.767	0.589	-0.933	0.309	-	-
D9	Products which offered by the organization	4.7	0.162	1.253	1.569	0.597	0.309	-	-
Q1	World economy moves towards Islamic financing after world economic crises of 2008.	1.7	0.09	0.696	0.485	1.11	0.309	0.009	Signif.
Q2	Organization used formal client application with contracts.	1.8	0.118	0.917	0.841	1.78	0.309	0.481	Not Signif.
Q3	Organization should conducts trainings to educate the staff and client.	1.47	0.073	0.566	0.321	0.713	0.309	0.661	Not Signif.
Q4	Islamic financing has a significant difference from conventional financing?	1.73	0.116	0.899	0.809	2.008	0.309	0.016	Signif.
Q5	Islamic MFI administration follows shariah?	1.87	0.142	1.096	1.202	1.231	0.309	0.339	Not Signif.
Q6	Islamic facility increases monthly income of the clients?	1.8	0.108	0.84	0.705	1.109	0.309	0.029	Signif.
Q7	Islamic micro finance improves the standard of living of clients?	1.8	0.103	0.798	0.637	1.208	0.309	0.016	Signif.
Q8	Islamic micro financing is ethical approach of financing.	1.83	0.101	0.785	0.616	1.177	0.309	0.333	Not Signif.
Q9	Islamic microfinance is a useful tool to develop the infrastructure, and other basic needs of the society?	1.97	0.132	1.025	1.05	1.047	0.309	0.475	Not Signif.
Q10	Islamic micro financing increase the Awareness level (educational level) of the society.	1.9	0.127	0.986	0.973	0.864	0.309	0.211	Not Signif.
Q11	Islamic micro financing increase the employment in the country.	1.87	0.12	0.929	0.863	1.061	0.309	0.041	Signif.
Q12	The products of Islamic micro financing are more risky as compared to conventional financing.	2.83	0.184	1.428	2.04	-0.058	0.309	0.219	Not Signif.
Q13	Islamic micro financing is very helpful in equal distribution of wealth.	2.07	0.13	1.006	1.012	0.689	0.309	0.446	Not Signif.
Q14	Islamic micro financing is very helpful to control the inflation.	2.27	0.142	1.103	1.216	0.699	0.309	0.33	Not Signif.
Q15	Islamic micro financing is helpful to increase the profitability for client as well as donor point of view.	1.8	0.091	0.708	0.502	0.9	0.309	0.12	Not Signif.
Q16	State Bank should focus on Islamic micro financing as compared to conventional financing and enhance its operations.	1.57	0.087	0.673	0.453	1.474	0.309	0.131	Not Signif.
Q17	Government should establish Islamic funds which used to support the ISMFI's.	1.7	0.083	0.646	0.417	0.375	0.309	0.411	Not Signif.
Q18	There must be a strong regulatory authority to control the Islamic financing and its implementations according to shariah.	1.4	0.064	0.494	0.244	0.419	0.309	0.511	Not Signif.
Q19	What is your client retention rate?	2.47	0.142	1.096	1.202	-0.072	0.309	0.068	Not Signif.
Q20	Charitable products[Zakat,awaqaf]	2.47	0.174	1.346	1.812	0.375	0.309	-	-
Q21	Qarde Hassan	1.73	0.13	1.006	1.012	1.599	0.309	-	-

Q22	profit base mode [Murabha,sla'm,ljara,Mushrkha etc]	1.93	0.154	1.191	1.419	1.252	0.309	-	-
Q23	Religious prospective [prohibition from riba]	1.57	0.137	1.064	1.131	2.006	0.309	-	-
Q24	career growth	2.5	0.192	1.49	2.22	0.477	0.309	-	-
Q25	Salary	2.67	0.2	1.548	2.395	0.301	0.309	-	-
Q18	There must be a strong regulatory authority to control the Islamic financing and its implementations according to shariah.	1.4	0.064	0.494	0.244	0.419	0.309	0.511	Not Signif.
Q19	What is your client retention rate?	2.47	0.142	1.096	1.202	-0.072	0.309	0.068	Not Signif.
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Q22	profit base mode [Murabha,sla'm,ljara,Mushrkha etc]	1.93	0.154	1.191	1.419	1.252	0.309	-	-
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Q21	Qarde Hassan	1.73	0.13	1.006	1.012	1.599	0.309	-	-
Q22	profit base mode [Murabha,sla'm,ljara,Mushrkha etc]	1.93	0.154	1.191	1.419	1.252	0.309	-	-
Q23	Religious prospective [prohibition from riba]	1.57	0.137	1.064	1.131	2.006	0.309	-	-
Q24	career growth	2.5	0.192	1.49	2.22	0.477	0.309	-	-
Q25	Salary	2.67	0.2	1.548	2.395	0.301	0.309	-	-

The above table # 2 shows that 16.7 % respondents are taken from both AKhwat and Islamic relief Fund, 30 % respondents are taken from Naymet Islamic microfinance programme and 36.7% from Wasil foundation (Formally CWCD), most of these ISMFI's are working in both urban and rural areas of average 6-10 districts with mean 3.7, std.error 0.096 and standard deviation of 0.743. The table indicates that 88.3 % respondents are young male and 11.7 % are female, taken from the operations department in order to find the exact responses from those people who directly meet to the clients. This shows that 63.3% respondents are graduates and 33 % are masters and only 3.3 % have other professional

certificates with mean value 1.4 and stnd. Error 0.072, mostly having salary more than 20,000 with stand deviation of 0.656, against 2.1 means value.

Gender was the dependent variable and all other above mentioned poverty indicator and other related data of information were the independent variables because the poverty indexes have direct impact on gender which measures the poverty alleviation. The table # 2 shows that Q1, Q4, Q6, Q7, Q11 have signification relationship between the variables and Q2, Q3, Q5, Q8, Q9, Q10, Q12, Q13, Q14, Q15, Q16, Q17, Q18, Q19 have insignificance relationship between the variables . Most of the Employees of ISMFI’s think that charitable products, qarde hassana and profitable mode of financing (Murabha, Sala’m, Ijarah etc) are important to alleviate poverty and play an important role for poverty alleviation with mean of the values 2.47, 1.73, 1.93, standard deviation 1.347, 1.006,1.191 respectively. It was also observed that 70 % respondents ranked that religious prospective were extremely important, 16.7 % were very important, 3.3 % were important, 6.7 % were least important and 3.3 % were not important for doing jobs in IsMFI’s. Religious prospective (Prohibition of riba), Career growth and salary have mean values 1.57,2.5,2.67 with standard error 0.137, 0.192, 0.2 and standard deviation 1.064,1.49 1.547 respectively which shows that the employees of IsMFI’s joined due to religions prospective and career growth due to move financial sector trend toward Islamic financing. No doubt, salary is very important in career but not so important as religious prospective in the Islamic financing.

Table 3

Descriptive statistics Pearson’s Chi- Square Test of Association (Clients questionnaire)

Sr #	Questionnaire	Mean		Std. Deviation	Variance	Skewness		Chi-Square	
		Statistic	Std. Error			Statistic	Std. Error	P value	Relationship
D2	City Name	6.5	0.544	4.213	17.746	0.217	0.309	-	-
D3	Gender	1.27	0.058	0.446	0.199	1.083	0.309	-	-
D4	Religious	1.13	0.044	0.343	0.118	2.213	0.309	-	-
D5	Age Range	2.17	0.112	0.867	0.751	0.634	0.309	-	-
D6	Area of living	1.43	0.065	0.5	0.25	0.276	0.309	-	-
D7	Educational Qualification	1.67	0.097	0.752	0.565	1.138	0.309	-	-
D8	You’re Profession	2.97	0.248	1.922	3.694	0.671	0.309	-	-
D9	Your gross Monthly Income:	2.4	0.08	0.616	0.38	-0.504	0.309	-	-
D10	The Product used for facility:	4.93	0.271	2.098	4.402	0.911	0.309	-	-
Q1	You’re less than 18 years old children are school going.	1.65	0.144	1.117	1.248	1.419	0.309	0.276	Not signif.
Q2	I follow the techniques of religious regarding Riba?	2.22	0.124	0.958	0.918	1.458	0.309	0.212	Not signif.
Q3	Qade Hassana should use for productive purposes and initiative to	1.92	0.076	0.591	0.349	0.526	0.309	0.566	Not signif.

	business or employment?								
Q4	Islamic financing has a significant difference from conventional financing?	1.8	0.1	0.777	0.603	0.817	0.309	0.251	Not signif.
Q5	Islamic MFI's administration follows shariah?	2.1	0.111	0.858	0.736	0.97	0.309	0.098	Not signif.
Q6	Islamic MFI's has right to get profit on sale of products?	1.85	0.078	0.606	0.367	0.548	0.309	0.226	Not signif.
Q7	The facility amount should be payback timely with profit.	1.78	0.079	0.613	0.376	0.154	0.309	0.456	Not signif.
Q8	There are other sources of financing except mushrkaha and mudabaha?	2.27	0.103	0.8	0.64	0.503	0.309	0.051	Modrate signif.
Q9	I am in favor of taking facility from the same organization?	2.23	0.151	1.17	1.368	0.906	0.309	0.321	Not signif.
Q10	12-24 months tenure of facility is easy to payback the timely?	2.07	0.138	1.071	1.148	1.061	0.309	0.036	Signif.
Q11	If there is again financing requirement in your business, you will be preferred?	1.12	0.042	0.324	0.105	2.45	0.309	0.903	Not signif.
Q12	per capita income	2.37	0.141	1.089	1.185	0.681	0.309	-	-
Q13	living standard	2.73	0.157	1.219	1.487	0.303	0.309	-	-
Q14	Awareness level	2.95	0.137	1.064	1.133	0.364	0.309	-	-
Q15	Religious satisfaction	1.88	0.141	1.091	1.19	0.968	0.309	-	-
Q16	Ethical values	2.63	0.148	1.149	1.321	0.632	0.309	-	-

The above mentioned table # 3 shows that most of the respondents were young with average age 31-40 and 73.3 % respondents were male and 26.7 % were female having central tendency 1.27, with std.error of 0.058 and std. Deviation 0.446, belonging from different districts of the Pakistan where most of the IsMFI's are working and in easy excess. Muslims and Christians were the clients of IsMFI's, 86.7 % respondents Muslims and 13.3 % were Christians with central tendency is 1.13 with std.error of 0.044 and std. Deviation 0.34. It has been observed that 33.3% respondents had trading, 10% had agriculture, 30% had

manufacture, 3.3 % had transportation, 3.3 % had education, 16.7 had services and 3.3% had others as profession and most of the clients earnings more than 10,000 per month after taking facility from IsMFI's with stand deviation of 0.616, against 2.4 mean. The table indicates that 70% of the respondents replied that their less than 18 years old children were school going.

The above given table # 3 shows that Q 10 has significance and Q 8 has moderate significance relationship between the variables. The Q1, Q2, Q3, Q4, Q5, Q6, Q7, Q9 and Q11 have insignificant relationship between the variables with given mean, standard deviation and standard error in the table. It has been also observed that mostly respondents ranked per capita income, living standard, awareness level, religious satisfaction and ethical values as extremely important, very important and important with mean 2.37, 2.37,2.95,1.88,2.63, standard deviation1.089, 1.219,1.064,1.091,1.149 and standard error 0.141, 0.151,0.137,0.141,0.148 respectively.

General Findings the Study

The universe of the present study was consisted on population of clients and customers of IsMFI's in Pakistan but selected the most prominent districts of Pakistan, easily approachable and most focus of IsMFI's. For convince I have selected four famous IsMFI's working in ten most prominent districts of Pakistan where sample size of 120 was selected. These samples divided into 60 for clients and 60 for employees. Questionnaire was used as a tool for data collection through personal visits and mails. The number of questionnaire further divided according to the organization offer the Islamic products in order to evaluate the sectors of under develop in the country. In order to increase the validity of data collection, empirical approach was applied mean data collected through direct and indirect resources. The questionnaire of employees filled from those staff who have direct approach to the client or such staff who are the supervisor of such employees in order to find the good results of the research object.

Findings from Employee's Questionnaire

It has been observed that most of the young graduate man and woman are working in IsMFI's having average good salary as compared to market and they give importance to work in Islamic MFI's due to religious prospective and prohibition of Riba. Such IsMFI's facilitate to poor and poorest residence of both rural and cities offering Qard-e-Hassana, Zakat, murrabaha, musharkha, sala,m, Diminshing mushakha, Ijarah and Takaful.

The world economy move towards Islamic financing after world economic crises 2008 and it was observed that most of the respondents were in favor that Islamic microfinance is very helpful to promote the client's awareness level, monthly income, living standard, profitability ethical values, infrastructure, employment in the country and control the inflation and unequal distribution of wealth. Mostly respondents were in favor that Islamic microfinance has a significant difference from conventional microfinance but it is relatively more risky than conventional but prove to be more productive as compared to conventional, if follow sheria properly and there should be a strong regulatory authority to control over it. Charitable products are most important to alleviate the poverty especially for the poorest community who has not ability to support his own business and family. They need charity to promote the initial structure of the business and to meet their day to day food and safety need. Zakat, Charity, Awaqaf are the most prominent products to meet the basic needs and initial step to take action to start up micro business. when business is in progress then there

is need of financing for more promotion so profit base mode are there to fulfill the need which will payback amount plus profit in easy installments.

Findings from Client's Questionnaire

The questionnaire filled from different districts of Pakistan and clients of four most prominent ISMFI's named as Akhwat, Islamic relief, Wasil Foundation (formally CWCD) and Naymat microfinance programme. It is observed that both male and female from rural and cities residential, who have some know how, were the respondents. Islamic micro financing is becoming famous in the young generation and not only in the Muslims but also in the Christianity. The clients of the ISMFI's earnings more than 3\$ per day after getting Islamic facility.

It is observed that the children's of most of the clients are school going. Mostly clients follow the techniques of religious regarding riba and know that there is difference between Islamic and conventional financing and also about the products other than Musharkha and Mudarbaha. Most of the clients agree with the statement that Qarde hassna, zakat Waqaf should use for productive purposes and ISMFI's can get the profit on profitable products. Clients were in favor of that 12-24 months facility is favorable and easy and all amounts including profit should be payback timely. Most of the respondents want to retain with the ISMFI's which is good sign for its promotion and sustainability. Mostly clients replied that Islamic micro financing played an important role to increase the per capita income, living standard, awareness level, ethical values and they were religiously satisfied due to La-Riba model.

Conclusions

By using our analysis we can concluded that Islamic microfinance are playing an important role to improve the living standard, per capita income, awareness level (Educational level), ethical values, profitability, infrastructure position, employment level in the society, helpful to control the inflation and unequal distribution of wealth. These factors are directly involved in poverty alleviation. The world trend moves towards Islamic financing as serious after world economic crises of 2008 due to La-Riba based financing. People are more interested due to religious prospective and prohibition of riba in Islam as well as in Christianity. It is concluded that product based financing which used for business only, prevents its use for unproductive purposes. State Bank should focus on Islamic financing and establish such institutes who control the Islamic financing and its implementation according to Sheriah. The ISMFI's should properly educate the clients about Islamic financing, its implementation according to sheriah and its proper use for productive proposes which leads them to retain their clients with Islamic financing, resolve their issue of sustainability. It is also observed that young people are more interested in Islamic financing and ISMFI's should focus on new generation for future exposure.

This study shows that ISMFI's try their level best to follow sheria but they need more focus on sheria related policies and procedures. Some hurdles are also there because there is great need of development of Islamic microfinance system in the country. Non-profit products should used to develop the infrastructure like hospital, school, masques, streets and water projects etc. It indicates that Islamic products are moderated risky as compared to conventional financing however risk can be minimized through hiring experienced, competent staff and applying different strategies.

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