

Impact of Micro finance in Raising the Living Standard of People of D.I.Khan

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Abstract

This paper examines the impact of Micro finance on living standard of poor people of D.I.Khan district. A total of 50 respondents were selected by using stratified random sampling technique. Regression analysis showed significant impact of micro finance on living standard. Living standard is further divided into Education (x_1), health care (x_2) and financial situation (x_3). The coefficient values are $x_1=0.250$, $x_2= 0.223$ and $x_3 = 0.369$ respectively. It shows that all the explanatory variables have statistically significant impact on the living standard of the poor people of D.I.Khan. Therefore, this study strongly recommends the provision of micro financing to be given to the poor segment of the society. This will not only improve the educational, health and financial position of the poor but will also contribute to the overall development of the economy.

Keywords: Economics, Micro Finance, Living Standard, D.I.Khan

Introduction

Feeble integration of national economy influences the development of the country that results in unemployment and unequal distribution of wealth, and hence influences livelihood of the people of the country. In order to meet this situation, Govt. of Pakistan has been providing financial support to the lower income people to boost up their income generating activities as well as their livelihood.

Main stay of people of D.I.Khan in rural areas is Agriculture and in urban areas government service or small business with investment of

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Rs. 50,000 to Rs.20, 0000. Farmers are poor segment of population of this district. With low income farmers can not improve their agriculture by using modern technology. Similarly in government sector employment opportunities are too small to adjust all unemployed, therefore, the poor requires self employment to improve their living standard. For the said purpose financial support from the government is necessary.

A study by Jonathan Morduch & Robert F (2002) argued that “Micro finance has [been] confirmed to be an effective and powerful tool for poverty reduction. Like many other development tools, however, it has insufficiently penetrated the poorer strata of society. The poorest form the vast majority of those without access to primary health care and basic education; similarly, they are the majority of those without access to micro finance”.

Therefore the objective of this study is to find out the impact of micro finance in raising living standard of the poor people of D.I.Khan.

Literature Review

According to Marks (1981) Living Standard represents the level at which public are able to gather capital and to get better their living standard with such income for foods, communication, housing, education, transport, health and clothing, etc

Plato (1983) Living standard is an approach to which a person's needs are fulfilled. The term need consists of food, water, shelter, clothes, education, health, transport, entertainment etc.

Barr & Michael S (2005) Micro finance is a form of financial development that has primarily focused on alleviating poverty and improving the living standard by providing financial services to the poor. Haroon and Jamal (2008) Most people think of micro finance as Micro Credit i.e. lending small amounts of money to the poor. Micro finance is not only Micro Credit, but it also has a broader perspective which includes insurance, transactional services and savings.

Barr & Michael S (2005) A series of neologisms has emerged from the provision of these services, name micro credit, micro savings and micro insurance

Kirkpatrick et al (2002) Getting access to financial services help the poor to improve their income and other benefits such as health care and education etc. Empirical evidences are found from various papers such as Parker and Nagaragan (2000), Khandker and farooque, (2001), Pit and Khandker (2003), Quach et al (2003), Debadudda (2009), Paunda (2005) found that the beneficiaries of loan had increased their expenditures especially in health treatment and education.

Methodological Framework

The population for this particular study comprises the poor lacking good access to health facilities, educational facilities for their families and low financial situation in Dera Ismail Khan's district of Pakhtoonkhawa province (Pakistan). The population of the study area is large enough and was impossible for researchers to see each and every member of the population. Therefore the study was to be confined to a selected numbers of respondents from within the population based on time and cost constraints i.e.50 using stratified sampling method to give maximum chance to all kinds of respondents.

For the purpose of collecting data a structured questionnaire with most of the closed form of questions was filled from selected respondents. In order to avoid risk of meager responses researchers themselves delivered the questionnaire to the respondents and got them back duly filled by them.

Primary data collected during the course of this study was subjected to statistical analysis by using SPSS (Statistical Package for Social Sciences) version 11. Regression analysis was used to determine cause and effect of all the variables used in the model on dependent variables living standard.

Modeling characteristics of Respondents

The General Linear Model is commonly estimated using ordinary least square has become one of the most widely used analytic techniques in social sciences (Cleary P D & Angel R 1984), Most of the statistics used in social sciences are based on linear models, which means trying to fit a straight line to data collected. Ordinary least square is used to predict a function that relates dependent variable (Y) to one or more independent variables ($x_1, x_2, x_3 \dots x_n$). It uses linear function that can be expressed as

$$Y = a + bX_i + e_i \quad \text{Where}$$

a	Constant
b	Slope of line
X_i	Independent variables
e_i	Error term

Hence by using ordinary least square technique, the regression model in present case can be expressed as:-

$$\text{Effect of Micro finance on living standard (Y)} = a + bX_1 (\text{Education}) + X_2 (\text{health facilities}) + X_3 (\text{Financial Situation}) + e_i (\text{Error})$$

Data Analysis and interpretation

It gives us the pragmatic results from the collected data. It provides the demographic information of the respondents and the statistical analysis of the information collected from them. This is followed by the analysis about our findings.

Demographic information of the Respondents

The following table gives us the information about the gender allocation of the respondents. It represents that 83.5% of the respondents were Male and 16.5% were female. The greater share of the respondents was men that bear witness to the fact that the majority of the beneficiaries of micro finance are male because we have chosen inhabitants arbitrarily without any bias. There are the first-class reasons to mark men by financial institutions because gender bias is one of the key causes of poverty, slower economic growth, weaker supremacy and inferior standard of living and women are poorer and more deprived than men. However, men contribute positively to the betterment of their family as compared to the female.

In terms of age, 65.1% of the respondents were in the age group of 16 to 40 years. 24.8 % were 15-30 years of age and remaining 10.1% were 41 years and above. We also classified the respondents in terms of their educational experience. It could affect the way in which they manage and live their daily lives and manage the household and business. From this survey, we realized that many of our respondents had at least basic primary education, which represents 21% of our sample, 21% up to secondary education however 21.1% had up to graduate and above graduate represents only 11% of our sample.

Statistics of Demography of Respondents

Variables	Attributes	Frequency	%age
Gender	Male	42	83.5
	Female	8	16.5
Total		50	100
Age (Years)	15-30	12	24.8
	16-40	33	65.1
	41 & above	05	10.1
Total		50	100
Educational			
Level (Years)	Illiterate	10	21.0

	Up to Primary	23	46.8
	Up to secondary	11	21.1
	Above Secondary	06	11.0
Total		50	100
No. of family Members			
	Up to 3	20	39.4
	Up to 6	27	53.2
	More than 6	04	7.3
Total		50	100
Business Experience			
	Yes	09	18.3
	No	41	81.7
Total		50	100

Source: - Field Survey

The study shows that 39.4% of the respondents had up to 3 members in their family, which shows that respondents were either unmarried, or had no children. 53.2% had up to 6 members and rest of the 7.3 % had more than 6 members. We attempted to locate how many family members each respondent have because a large family size generally has higher expenses than a smaller family. In Micro finance field most of the business have sole proprietorship.

In the above table the analysis reveals that 81.7% of the respondents had no business experience before joining the financial institutions and rest of 18.3 % had previous business experience. It shows that financial institutions are contributing a lot to start, the new smaller business as well as to increase the old business.

Therefore, we can see that more than 50% of the respondents were component of the large families, and at the same time more people did not have any business experience before joining financial institutions. So ultimately, financial institutions were capable of benefiting more people than those previously linked to them, as when they provide the business prospect to a large family, of course, other members are benefited.

Multiple Regression analysis b/w different variables related to standard of living

	N	Mean
Improvement in living standard	50	1.94

Better access to education	50	1.96
Better access to health care	50	1.98
Better financial situation	50	1.41
Valid (list wise) 50		

In the above table, the descriptive statistics reveals the means of the variables in the regression analysis. It is clear that the means for all independent variable, excess to education is 1.96, excess to health care is 1.98, and better financial situation is 1.41. All are above at the mid-point of the 5-points satisfaction scale, therefore, it represents the +ve perceptions of the people about these attributes.

Model Summary

Model	R	R Square	Adjusted R Square	Std. error of the estimate
1	0.745	0.435	0.433	0.545

Regression analysis b/w raising living standard and various other variables

Predictions: (constant), (i) Better financial situation, (ii) Better access to health care, (iii) Better access to education.

Information in the above model summary table shows that the value of R square for the model is 0.435. It means that 43.5% of the variation in the improvement of living standard of family (dependent variable) can be explained from the three independent variables. R square always increases as independent variables are added to a multiple regression model. To keep away from overestimating the impact of adding an independent variable to the model, some analysts like better to use the adjusted R square value (it recalculates the R square value based on the number of predicted variables in the model). This makes it simple to compare the explanatory power of regression models with different numbers of independent variables. The adjusted R square for the model is 0.433 which shows only a small overestimate with the model.

Anova

Model	Sum of Square	Df	Mean Square	F	Sig.
Regression	25.190	3	8.401	26.290	0.000
Residual	34.001	46	0.320		
Total	59.191	49			

Regression analysis b/w raising the living standard and various other variables

Predictors: (Constant), (i) Better financial situation, (ii) Better access to healthcare, (iii) Better access to education

Dependent variable: Improvement in living standard.

The overall regression results are revealed in the above table. The regression model is statistically significant. ($F = 26.290$; significant at 100%) this means that the chances are almost zero and result of regression model is owing to random events as a substitute of a true relationship.

Coefficient

<u>Model</u>		<u>Un standardized Coefficient</u>	<u>Std.error</u>	<u>Standardized Co efficient Beta</u>	<u>t</u>	<u>Sig.</u>
1	(Constant)	1.301	0.370		3.570	0.001
a.	Better access to education	0.267	0.110	0.250	2.5563	0.012
b.	Better access to health care	0.195	0.086	0.223	2.358	0.020
c.	Better financial situation	0.319	0.0071	0.369	4.551	0.000

Regression analysis b/w improvement of living standards and different variables (Coefficient)

Dependent variable: Improvement in living standard

Conclusions

To sum up it may be noticed from our overall analysis that there is a significant impact of micro finance activities in raising the living standard of the people. A strong relationship was found b/w dependent variables and independent variables. A collective impact of independent variables was found 100% significant at $F = 26.290$. Individual impact of education, health and on financial situation was found significant below 5% level. It means one can help a poor person to stand on his own that can not only bring about a revolution in their lives but also in the Society. The dream of healthy and educated society with no discrimination and no bias can be achieved through simple thought.

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