“Effect of microfinance on poverty reduction”

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Abstract

Microfinance provides small loans to poor people and small enterprises. This is the best way of removing poverty. This research provides an overview of the role and performance of microfinance in Pakistan. The major objective of the study is to show the Microfinance sector performance and impact of the microcredit on the different poverty levels. This study is based on qualitative methods in Order to answer the thesis questions. The result of the study was that microfinance helps in the poverty reductions of different categories of poor people and has the positive effects on their living standards. It was found that there is a high interest rate on micro loans because of the administrative cost. We discovered that there are three types of organizations that provide services of microfinance in Pakistan. The Government takes interest and supports the microfinance sector and of their main initiative is microfinance ordinance 2001. It was observed that there is improvement in the microfinance sector in the recent years in terms of investments, active borrowers, branches and personnel.

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