

**Impact of Microfinance on Poverty Alleviation, Empowerment and  
Living Standards of Poor People**



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## **ABSTRACT**

Microfinance is known as an effective tool for poverty alleviation. In developing and poor countries like Pakistan superior attention has been paid to poverty alleviation through microfinance, especially in the last decade. The successful use of the micro-credit is considered as a victory for the disadvantaged segments. Considering the poverty alleviating impact of microfinance currently many microfinance institutions are working throughout the developing world. A number of microfinance institutions are working in Pakistan for the last few decades. AKRSP, KASHF Foundation, BRAC, ASASA and DAMEN are some of the prominent MFIs in Pakistan. These institutions are working terrifically to the empowerment, poverty reduction and improvement of living standards for the poor people in Pakistan. Now, they are not only working in Pakistan but also providing help and support and the source of motivation to other MFIs around the world.

This research investigates the Impact of Microfinance on Living Standards, Empowerment and Poverty Alleviation of Poor People with the main focus on Lahore, Pakistan. Before and after comparison was integrated to evaluate the poverty alleviation through microfinance by using some indicators i.e. monthly household income, savings and economic status before and after utilization of the credit. To attain the required objectives of the study 109 microfinance beneficiaries were interviewed in five metropolitan slums of Lahore, Pakistan. We have used the simple random sampling technique and data was analysis by using SPSS.

By analysis of data we found that microfinance has the constructive impact on the living standard of poor people and there has been found a significant relationship between economic status of the microfinance beneficiaries (after the utilization of the credit) and beneficiaries' age, total number of family members and monthly household income (after the credit utilization). It has not only helped the poor people to come over the poverty line but also helped them to empower themselves.

There is an argument that the interest rate of MFIs is very high. Most of the respondents of our interview, agree on this issue. In spite of the question about higher interest rate, MFIs are contributing not only in alleviating the poverty and improving the living standards of the poor people, but also in offering extensive human development programs in Pakistan.