

Impact Assessment of Microfinance Institution: A Case Study of Kashf Foundation

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Abstract

This study an investigation regarding the impact of Kashf Foundation to alleviate poverty in Pakistan? We collected primary cross-sectional data for the year 2016 from the clients of the cities of Chak Jhumraha and Sanghla (Punjab province, Pakistan) branches of Kashf Foundation through a structured questionnaire. Study covered education, health, shelter, transportation, societal and nutritional aspects of life of clients before and after association with Kashf Foundation. The results reveal that Kashf Foundation has a significant impact over its clients. Wilcoxon Signed Rank Test's p-value (0.000) shows that in all aspects of life taken in this research micro credit of Kashf Foundation created a significant positive impact. Furthermore, results show that Kashf Foundation has made higher impact on clients associated with it for the last three years. Further, 68% married clients are better off than unmarried clients. Overall the results depict that Kashf Foundation has a significant impact on poverty alleviation in the cities of Chak Jhumrah and Sanghala.

Keywords: Microfinance, Impact Assessment, Wilcoxon Signed Rank Test

Poverty is a worldwide phenomenon, described as lack of money and basic necessities of life to live with dignity. Absolute poverty or desperation indicates absence of important resources and crucial matters for example nutrition, clothing, and accommodation. As relative poverty is about individuals with lower incomes and comforts as compared to the whole society. Relative poverty may be different form society to society, country to country and even fluctuates with in a nation. But absolute poverty holds for all societies, countries and nations at same level.

Samer, Majid, Rizal, Muhamad, and Rashid (2015) documented that microfinance turned into a popular source and successful device for poverty reduction and financial improvement. However, the effect still contentious and diverges from one nation to another and from urban to rural. Different microfinance institutions are working in Pakistan for the purpose of poverty alleviation as Muhammad (2010) documented that the current microfinance development with the foundation of Orangi Pilot Project in Karachi can be traced back to 1982 and the Aga Khan Rural Support Program another unique NGO. All over the history poverty alleviation has been one of the significant motivations of all acculturated societal orders. Distinctive systems of social wellbeing networks for the truly poor are followed in Pakistan, to incorporate extraordinary projects and temporary events focused on to obtaining massive results with regard to poverty alleviation. Government of Pakistan established a free and professionally supervised unit Poverty Alleviation Fund (PPAF) to promote the entrance of low salary groups to financial administrations (Shirazi & Khan, 2009).

Kashf Foundation was initially concentrated on microfinance program in Pakistan. It was built in 1996 to explicitly target women from low pay groups, it has now changed itself into the principal riche's administration organization for women from low salary family units. The association concentrates on upgrading the part that women can play in enhancing the monetary status of their families by building their enterprise aptitudes through access to business advances, enhancing their budgetary administration abilities by conveying money related instruction trainings, and decreasing family level possibilities by giving smaller scale protection administration. The objective of the study is the assessment of impact of Kashif Foundation in rural areas of Chak Jhumra and Sanghala, two cities of Punjab province. Most of the studies assessed the impact of microfinance institutions over poverty mitigation in urban areas like the bigger cities of Punjab, that is Sarghoda, Faisalabad and Lahore for women empowerment through Kashf Foundation and shown significant results (Muhammad et al., 2012; Siddiqui & Gilal, 2012; Ullah & Sohail, 2013; Weber & Ahmad, 2014).

Literature Review

In order to address the poverty alleviation problem literature has underscored the pitfalls of different studies to observe and quantify the impact of microfinance. For final conclusions about impact assessment the experts cautioned researchers about making large statements, based on different measures. They doubly advised and suggests that one always need to be hesitant in suggesting that microfinance institutions have a quantifiable impact on clients, about the measurement of empowerment. Impact assessment experts suggest a menu about the choice of assessment methodologies like whether, it is quantitative or qualitative study and whether, it is small- or large-scale study; it all depends upon the critical factors more suitable for the firm and nature of intervention. The most important concern of researchers about the impact assessment studies is the size or scale of study as documented by various researchers (Bank, 2005; Barnes & Sebstad, 2000; Hulme, 1997; Hulme & Mosley, 1996; Montgomery, 2005; Mosley, 1997; Ravallion, 2006; Sebstad, 1998). In most of the cases size and scale are determined by cost and the time to conduct a study. Studies to assess the impact are costly and time

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demanding activities, normally it involves dollars in hundreds of thousands, like a study by Montgomery (2005) costed more than one million dollars. Depending on the size of costs most of the studies are categorized as high cost studies that is, large, medium or low-cost studies. This is one of the key reasons that (Hermes and Lensink (2007)) claimed that, “it is surprising that only a few number of empirical studies are available about poverty reductions assessment of microfinance”.

A Bangladesh based study by Rahman, Junankar, and Mallik (2009) recognized women's empowerment influencing factors as a microcredit borrower, as it abstracted the attention of researchers with importance to it. In 2006 Nobel Peace Prize was awarded to Mohammad Yunus, the founder of Grameen Bank on the microcredit program of Bangladesh. Income and education level of women in Bangladesh are the factors that influenced women's empowerment significantly (Rahman et al., 2009). Impact of living standards on the decision-making ability of women was also assessed in this study, some of these are also examined in our study. As in Cairo the impact of microcredit on poverty alleviation was assessed by Nader (2008), she documented that there is positive impact of microfinance institutions over the lives of borrowers in perspective of different dimensions like social, educational, health and residential. This means microfinance plays a positive role in uplifting standard of living of families in Cairo.

The study of Jayaweera (1997) revealed adverse results in South Asia due to the complex system of families and norms of living. The results showed due to economic and social constraints the borrowers were unable to utilize loans for business and development purposes. That is why the standard of living of borrowers did not improve. Moreover, Hermes and Lensink (2007) critically inspected the microfinance impact and established that it is imprecise whether microfinance forces a contraction in deficit or is a divine valuable approach to reduce poverty on the outside added ranks in areas like culture, well-being and infrastructure. While they respond the huge insights of microfinance.

Rosenberg (2010) determined that the translation of ‘microfinance impact’ may explain the objections in gauging the impact of microcredit. The study suggests that when microfinance impact is defined as the change in clients' lives, it is demanding to limit the impact both in points of certain the suitable way and in qualifications of spatiality.

Kashf Foundation has also tackled and joined special impact studies. In 2004, an inspection of 200 Kashf Foundation clients and non-clients disclosed meaningful benefits for Kashf clients counting surpassing interest, contact to preventive medical facilities and education. Another study conducted by Zaidi, et al., (2007), recorded identical results. Kashf borrowers, both new and mature, find impending re-emigrate than non-clients with remembrances to house salary and investment, and this has also had a reasonable impact on economic prosperity and education of girls. The pore over, howbeit, did not find significant impact on admission indices associated to self-confidence and fiscal liability of women. Another study by Banerjee, et al., (2015) confirmed the huge masculine barriers that women clients face in Pakistan. The study found an open masculine shift in the men's/women's roles –men work forward-facing and women at home, and that conceivably correlated with the results of the Kashf 2007 pore over up to authorization of women is concerned. Another impact estimated review done by Shore Bank International in behalf of Kashf Foundation in the year 2010 raise that the microfinance services offered by Kashf Foundation have assisted and aided low-income households to launch new stores and develop alive monetary activities. Moreover, estate of the clients interviewed in that scrutiny described accepting Kashf loan for worthwhile purposes that is, to turn a new institution. These houses are scrambled specific segments of monetary enterprise granting all employment and services. Those clients who disclosed applying Kashf loan for depletion were also predisposed to face food insecurity and deficiency in mass – indicating that micro loan enabled such households to operate expenditure variability.

Research Methodology

Overall, an Impact evaluation is the weight of both monetary and social improvement in the lives of related clients. This mean as it determines if the MFI is aligned with its object, the microfinance institutions can make a significant change in the lives of the poor people of any country. To assess the impact of Kashf over the lives of its clients in Chak Jhumara and Sanghala we collected the data about different dimensions of lives of clients at two points, before and after association with Kashf. For empirically significant impact assessment we have run Wilcoxon test for related samples of data by using SPSS.

Data Analysis and Results

The study is done by to using data collected through a well-structured questionnaire. The data was collected from the rural areas of Sangla Hill and Chak Jhumra clients of Kashf Foundation. A combined random paired sample has been selected from both areas. Data has been taken from clients about their life style and economic conditions before associating with Kashf and after associating with Kashf. Marital status, number of years of association with Kashf Foundation, education, nutrition, health, involvement in social activities, and residential and transportation assets ownership are the main aspects of life of Kashf clients, which have been covered in data collection.

For the statistical significance of Kashf's impact on poverty reduction we run the Wilcoxon Signed Rank Test for each section of information. Wilcoxon Signed Rank Test has been applied on two paired samples to assess that the data is significantly different from previous sample. For impact assessment of microfinance most of the researchers used Wilcoxon Signed Rank Test (Al Mamun, Adaikalam, & Abdul Wahab, 2012; Duvendack & Palmer-Jones, 2012; Navajas, Schreiner, Meyer, Gonzalez-Vega, & Rodriguez-Meza, 2000; Sharif, 2004; Swain & Floro, 2012; Tedeschi, 2008)

Table 1 shows the number of years of association of clients with Kashf.

Table 1: Years of Association

		Freq.	Percent	Valid Percent	Cumulative Percent
Valid	1	38	18.1	18.3	18.3
	2	42	20	20.2	38.5
	3	44	21	21.2	59.6
	4	29	13.8	13.9	73.6
	5	25	11.9	12	85.6
	6	30	14.3	14.4	100
	Total	208	99	100	
Missing	System	2	1		
Total		210	100		

Source: primary data collected from Chack Jhumara and Sanghala

The distribution of the sample collected from the two cities shows that 21% people have been associated with Kashf for the last 3 years and 11.9% have been associated for the last 5 years. Percentage of association of borrowers with Kashf from last 6 years is only 14.3% and 18.1% are associated for last one year.

Table 2: Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	142	67.6	68.3	68.3
	Un-Married	66	31.4	31.7	100.0
	Total	208	99.0	100.0	
Missing	System	2	1.0		
Total		210	100.0		

Source: primary data collected from Chack Jhumara and Sanghala

Table 2 shows the information about marital status of Kashf borrowers. It is clear that married borrowers taking loan are more as compared to the unmarried borrowers because logically for survival married borrowers need more funds than unmarried borrowers. It can be seen in table 2 that 67% of borrowers taking loan are married and only 31.4% are unmarried.

Table 3: Education

		Before		After	
		Frequency	Percent	Frequency	Percent
Valid	Yes	59	28.4	127	61.1
	No	149	71.6	81	38.9
	Total	208	100.0	208	100.0

Source: primary data collected from Chack Jhumara and Sanghala

The school going children's frequency percentage was only 28.4% before the association with Kashf, but after the association with Kashf this percentage has increased to 61.1% as depicted in table 3.

Table 4: Medical Treatment

		Before		After	
		Frequency	%	Frequency	%
Valid	Dispensary	92	44.2	36	17.3
	Government Hospital	105	50.5	72	34.6
	Private Hospital	11	5.3	100	48.1
	Total	208	100.0	208	100.0

Source: primary data collected from Chack Jhumara and Sanghala

Medical treatment and facilities preferences before and after association with Kashf are depicted from the table 4, which shows that 50.5% of clients preferred government hospitals for medical treatment before taking loan from Kashf. Only 5.3% clients were able to go to private hospital and 44.2% of the clients went to rural quacks for medical treatment before Kashf. But after taking loan from Kashf their standard of living improved and only 17.3% go to quacks and percentage of government hospitals also decreased to 34.6% from 50.5%. 48.1% clients now prefer private hospital rather than government hospitals and dispensaries.

Table 5: Income Level

		Before		After	
		Frequency	Percent	Frequency	Percent
Valid	2000-5000	26	12.5	2	1.0
	5000-7000	58	27.9	10	4.8
	7000-12000	51	24.5	36	17.3
	12000-17000	46	22.1	68	32.7

17000-25000	23	11.1	69	33.2
25000-32000	4	1.9	23	11.1
Total	208	100.0	208	100.0

Source: primary data collected from Chack Jhumara and Sanghala

Monthly income level before joining Kashf of most of the clients was in the range of Rs. 7,000 to 12,000 that was of 24.5 % and only 1.9% were in the range of 25,000 to 32,000 as displayed in table 5. 12.5% of the clients just earned between Rs. 2,000 to 5,000 but after joining Kashf this percentage decreased to the only 1%. 33.2% and 32.7% of the clients now earn between Rs. 17,000 to 25,000 and 12000 to 17000 respectively after associating with Kashf. Results of income level depict that a positive impact of microfinance has been assessed on the living standard of clients of Chack Jhumahara and Sanghala.

Table. 6 Food and Nutrition

		Before		After	
		Frequency	Percent	Frequency	Percent
Valid	Never	20	9.6	2	1.0
	once a year	73	35.1	17	8.2
	Twice a year	81	38.9	51	24.5
	once a month	30	14.4	80	38.5
	Twice a month	3	1.4	49	23.6
	once a week	1	0.5	9	4.3
	Total	208	100.0	208	100.0

Source: primary data collected from Chack Jhumara and Sanghala

Food and nutrition condition of Kashf clients, assessed through the utilization frequency of fruit and meat intake in weeks, months and years. Due to poverty, a little number of clients never ate fruit and meat as the percentage shown in the table 5 that is, 9.6% of clients. 38.9% respondents consume fruit and meat twice a year and 35.1% consumes only once a year before Kashf. Only 0.5% of clients consumed meat and fruit once a week before Kashf and 4.3% clients consumed meat and fruit once a week after the intervention of Kashf. 38.5% of clients used to consume meat and fruit after Kashf once a month, this percentage was 14.4% before Kashf that increases now.

Table 7: Social Involvement

Table		Before		After	
		Frequency	Percent	Frequency	Percent
Valid	No involvement	3	1.4	12	5.8
	to some extent	191	91.8	126	60.6
	mostly involved	14	6.7	70	33.7
	Total	208	100	208	100

Source: primary data collected from Chack Jhumara and Sanghala

Social involvement shows involvement of clients in decision making of family and relatives, and involvement of women in decision making. It is clearly shown in table 7 that 91.8% of the social involvement to family and relatives' matters was to some extent before the Kashf. The percentage of most time involvement was just 6.7% before getting credit from Kashf and it became 33.7% after Kashf, that Transport and House ownership shows the standard of living of borrowers increased due to microfinance.

Table 8: Transport and House ownership

		Before		After	
		Frequency	Percent	Frequency	Percent
Valid	No ownership	12	5.8	3	1.4
	Rental	163	78.4	93	44.7
	Owned	33	15.9	112	53.8
	Total	208	100.0	100.0	

Source: primary data collected from Chack Jhumara and Sanghala

Status of ownership of assets like transportation vehicles and house is depicted in table 8. Before Kashf most of the clients' residents and transportation status was rental as the percentage shows that is, 78.4%, depicting that borrowers lived in rented houses and they used local transport for traveling. 53.8% of borrowers owned their house for living and transportation vehicle for mobility after association with Kashf. But 44.7% of the borrowers are still living in rental houses and use local transport for traveling.

To analyze the impact of Kashf statistically we run Wilcoxon Signed Rank Test, the results of all dimensions of life before and after association with Kashf are depicted in table 9.

Table 9: Wilcoxon Signed Rank Test

	Z	P-Value
Education	-5.91864	0.000
Medical treatment	-9.367821	0.000
Income Level	-10.071104	0.000
Food and Nutrition	-10.718813	0.000
Social Involvement	-4.767595	0.000
Transport and House ownership	-8.036233	0.000

Source: primary data collected from Chack Jhumara and Sanghala

The null hypothesis of Wilcoxon test is that, there is no difference in both related samples (Al Mamun et al., 2012; Duvendack & Palmer-Jone, 2012). As it is depicted in table 9 that p-value of all related samples is below 5% confidence level, which shows that the null hypothesis of no difference has been rejected at 5% level. Which means that samples of all dimensions are significantly different and shows that there is significant impact of microfinance by Kashf over the lives of Chack Jhumara and Sanghala clients.

Conclusion

Microfinance institutions are trying to alleviate poverty in Pakistan by providing micro finance and related services. So, the main objective of the microfinance institutions is to play a vital role to overcome poverty in Pakistan and ensure a living standard above poverty level. In Pakistan, a number of microfinance institutions are struggling to achieve this objective. One of them is Kashf Foundation, struggling for empowerment of women and improve their financial and economic standings in the society. We investigated that whether empirically, is it true that Kashf Foundation is struggling for poverty alleviation in Pakistan? Impact assessment of Kashf Foundation is the best methodology to answer this question, which is deployed in this research.

For impact assessment, we collected primary cross-sectional data for the year 2016. We selected a sample of 208 clients of Chak Jhumraha and Sanghala branches of Kashf Foundation. We collected data from each respondent about his/her standard of living conditions at two points of time, before and after association with Kashf Foundation, through a structured questionnaire. We covered education, health, shelter, transportation, societal and nutritional aspects of life of clients, before association with Kashf and after association with Kashf.

Our results show that after taking loan from Kashf the borrowers started sending their children to school especially girls. Clients' medical treatment preferences also changed after associating with Kashf as now they prefer to go to private hospitals rather than government and local dispensaries. Their food and nutrition conditions are also improved as they mostly started to eat meat and fruit once a week and also the involvement of their women in their family related decisions increased. Borrowers residential and transportation assets ownership also improved, now they mostly own their houses and vehicles for transportation. The results of Wilcoxon test reveal that Kashf Foundation has a significant impact over its client lives as the Wilcoxon signed rank test's p-value (0.000) shows, for all aspects of life. Furthermore, results depict that clients associated with Kashf from last three years have high impact, as 21% value of frequency and 68%, married clients have more impact than unmarried clients. Overall the results depicted that Kashf Foundation having impact, related to poverty alleviation over its clients in Chak Jhumrah and Sanghala.

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