

THE SOCIO-ECONOMIC IMPACT OF MICROFINANCE FUNDS PROVIDED BY FINANCIAL INSTITUTIONS AT HYDERABAD

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Abstract

This study analyses the major sources of microfinance credit and its impact on economic conditions, social developments and terms and conditions on which microfinance credit facilities are provided to entrepreneurs and social entrepreneurs. This study further analyses that how terms and conditions of credit can be improved and how they can contribute in social and economic developments. SPSS is used to identify the impact of microfinance credit on various economic and social variables. The analysis of data using the survey we had done, demonstrates main roles of Micro Finance Institutions that are filling the needed gap by offering loans and financial services within the industry, through the conducted survey results that 40% of respondents strongly agree and 150 of the respondents agree that MFIs are helpful in this prospective. Most of the people started their business by taking loan from MFIs as compared to other sources. They were able to increase their income and provided not only with the financial help to their families but also had positive impact on other factors of daily life.

INTRODUCTION

The abstract idea of microfinance and microcredit has stretched the whole world on every side as a number of observance at it as the major indicator & tool in providing investment sustainability to the less-developed one's or poor with an objective of diminishing insolvency and convincing development that encloses the poor communities. Muhammad Yunus formally introduced microfinance in the 1970s in Bangladesh city as an uncertified proposal that aimed to lower poverty and beggary, existed at that time in the country. Grameen Bank is the one of the strategies of Dr. Muhammad Yunus, is an Economics professor of Bengal, who got

disheartened with eradiating the textbook world of economic models and moved out as a straight instrument of development to approaching usage of finance by providing loans that were dwarfish. Muhammad Yunus is also a well-known originator of social tycoons the only. Unalloyed intuitions of social startup entrepreneurs constitutes on the historical occasions that shape the economy in a favorable environment. The main focus was issuing small loans i.e.; (\$5-\$100) and the populations that were main target were the drained Bangladesh citizens sustaining in distant & remote rural places Bryman, A.; Bell, E. (2003). Many researches have been done to

analyze the influence of microfinance. These researches predominantly focus on three intrinsic areas. The foremost looks at the influential analysis of microfinance on the poor living beings and those in requisite of financial assistance, and the socio-economic determinacy of microfinance and microcredit programs. Do micro financial services in real means decrease the poverty and act as major aid to the poor? Many research studies have undeniable unmethodical and divergent results as outcomes and conclusions. Fallavier, P. (1998), General view of accustomed and new approaches towards influential assessment. Retrieved from document on a microfinance reassuring organization, Europe based, notified some important conclusions of a few of the major findings of enhancing effect as intensifying the tribal economy and aggravated economic chances that could be availed. Research of major studies by Sabstad and Chen (1996) from 32 conclusions of research on micro firms & enterprise services and predominantly finance (some used a professed-experimental perusal model), based on around 41 programs of all 24 Asian countries, Latin America and also Africa with surveillance elaborated to economic safety of households, enterprises stabilities and developments, and individual authority over capital raised sound positive modifications. The microfinance campaign in Pakistan escorts a distinctive transformative evolutionary path over the last decennium. The proceeding paragraphs prosecute around three development aspect of the sector. Each aspect portrays approach of new institutional manifestations and structures in the Pakistani microfinance sector. Source: SBP Presentation in a conference on "Microfinance in Pakistan - Innovating & Mainstreaming" December 2004, Islamabad. The Government has intensified the need to develop enduring MFI that can help to vindicate risk as a valuable instrument to protect against any fickleness. Government's overall implemented policies to this sector as well as other sector's has continued to encourage private & public partnerships. The Government of Pakistan has also reorganized manifold Development of Financial Institutions

(DFIs), closed the Federal Bank of persuadable and whereas Agricultural Development Bank has been restructured and re-launched as the Zarai Taraqati Bank limited.

LITERATURE REVIEW

Entrepreneurial competencies consist of those that are stranded in components that are deeply rooted in surroundings of a person's (qualities, individuality, attitudes, social responsibility and self-representation) in addition those that be capable of being acquired at work or during training as well as education that includes skills, information and experience said by Man and Lau 2005.

Reviewing literature, Jennings and Cash ,2006 communicate that there is a rock-hard base of observed researches representing that for the majority part male and female business owners do differ in some fundamental ways with respect to their:

- Societal and Human resources
- Enthusiasm
- Goals and Achievement Criterion
- Growth Orientations
- Strategic Choices
- Utilization of Financial Capital

According to Hubka, A.; Zaidi, R. (2005),, the resource-based presumption of the company, the worth formation procedure of company is exactly interrelated to the ability of executives in obtaining and building assets. In review by Harper, M. (2003), there is a consent that entrepreneurial competencies are conceded by persons, who start and make over their businesses along with a widespread acknowledgment to facilitate the collection of expertise and competencies essential to run a undersized company are quality wise in addition with quantity is unlike those that are needed in bigger organizations. Ghalib, Asad K. (2007), mentions in that at least in fraction for the reason that in an entrepreneurial prospect the center of attention is the individual.

Most researchers agree that executive and entrepreneurial competencies are multidimensional constructs. In their overview of the competencies literature Barr, Michael S. (2005), examine that there are two wide themes in management expertise.

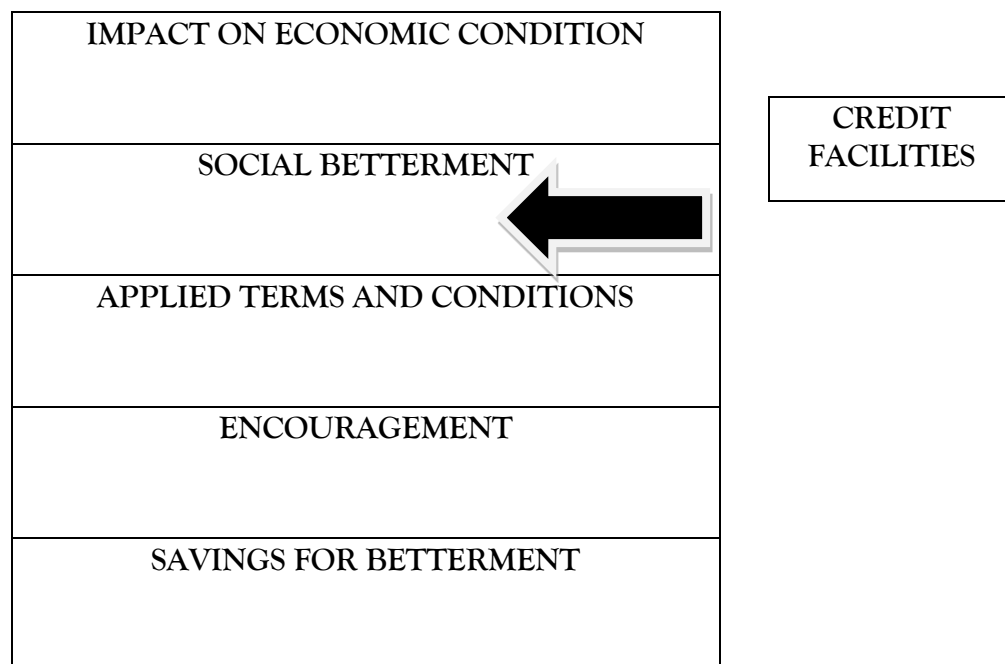
RESEARCH OBJECTIVES:

- 1) To identify different Micro Finance Institutions in Hyderabad.
- 2) To identify main roles of Micro Finance Institutions in Social Development.
- 3) Analyze terms and condition on which these Micro Finance Institutions provide funding to the startup.

RESEARCH HYPOTHESES

H1: There is significant impact of MFI's in enhancing growth or helping the country economically by making it stable.

H2: There is significant impact of contribution of MFI's for development of societal and the social goals.



Source: This Study**SAMPLE AND SAMPLING METHODS:**

In order to properly interpret and analyze the impact of microfinance institutions on entrepreneurs, researchers have used primary data along with secondary data. The source of collecting primary data is the questionnaire survey by personally visiting the institutes and randomly interviewed questions just for guaranteeing and satisfaction that the acquired data is appropriate.

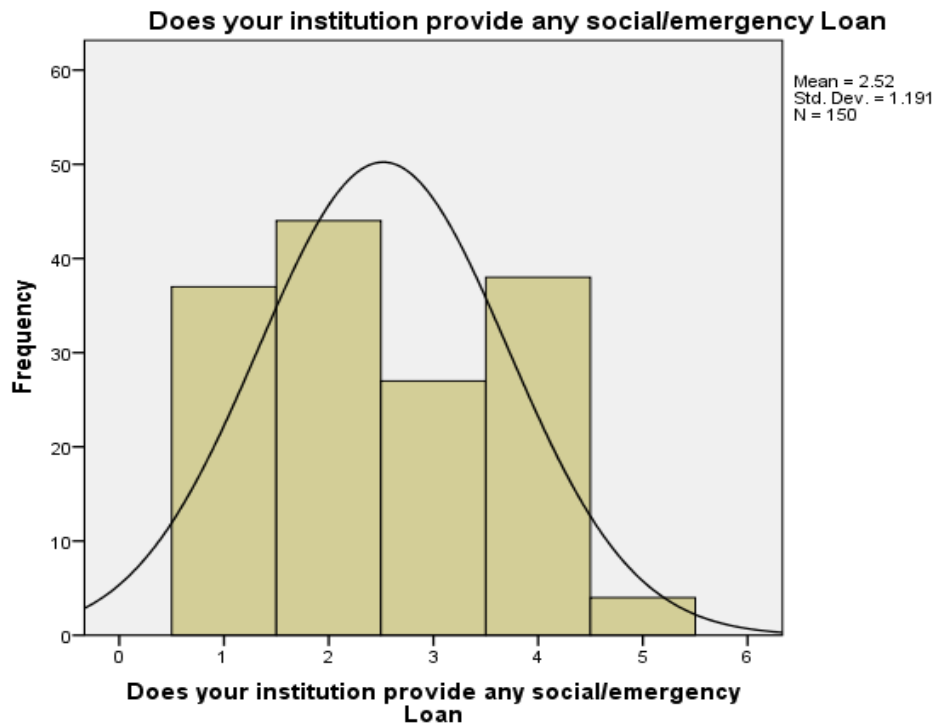
STATISTICAL TOOL:

Statistical Packages for Social Sciences (SPSS) is used for analyzing the data and also to find each variable, methodically descriptive statistics instruments are used to analyze the data. In descriptive, regression, histogram charts and frequency tables are used, as we have used these statistical tools in order to properly examine and determine the relation between both chosen dependent and independent variables.

DATA ANALYSIS AND INTERPRETATION

Q: Does your institution provide any social/emergency Loan?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	37	24.7	24.7	24.7
	Disagree	44	29.3	29.3	54.0
	Neutral	27	18.0	18.0	72.0
	Agree	38	25.3	25.3	97.3
	Strongly Agree	4	2.7	2.7	100.0
	Total	150	100.0	100.0	



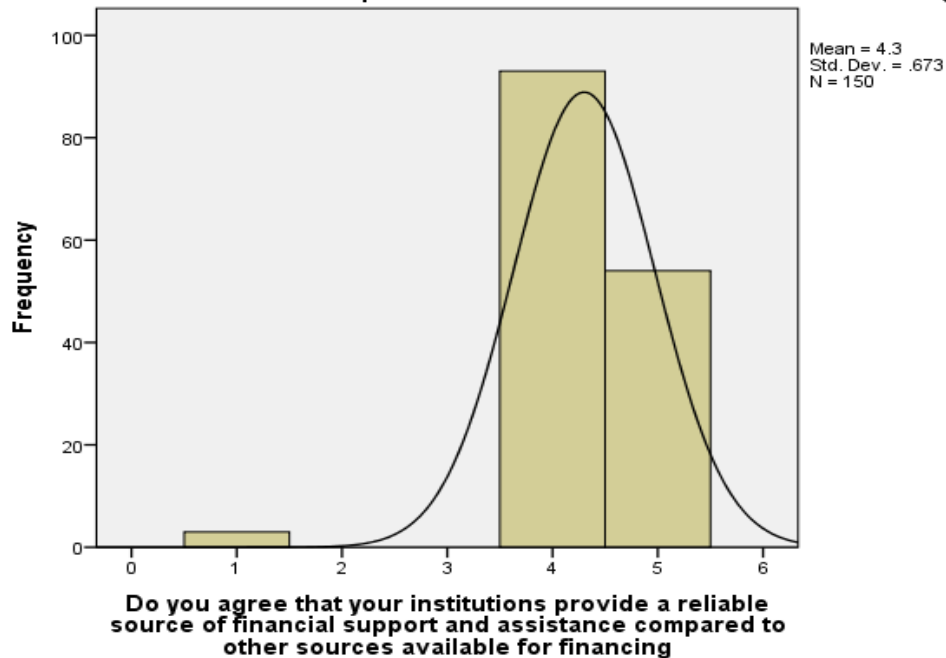
First, the analysis and interpretation of data for this research is based on a particular sample of randomly met 150 peoples during questionnaire survey and the below interpreted data shows the total number of respondents and mean statistic showing the average distribution. Standard deviation and the curve of histogram charts show that how much the data is skewed whether right or left from the mean. Skewness shows the normality of data. Skewness values in below table

are to determine the relation between the chosen dependent and independent variables for this research. Values in below table are for each variable because below each and every question contributing in study is finely interpreted, which falls within the range so we can say the data is normal, correctly entered and it is eventually not violating the normality of data.

Q: Do you agree that your institutions provide a reliable source of financial support and assistance compared to other sources available for financing?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	3	2.0	2.0	2.0
	Agree	93	62.0	62.0	64.0
	Strongly agree	54	36.0	36.0	100.0
	Total	150	100.0	100.0	

Do you agree that your institutions provide a reliable source of financial support and assistance compared to other sources available for financing

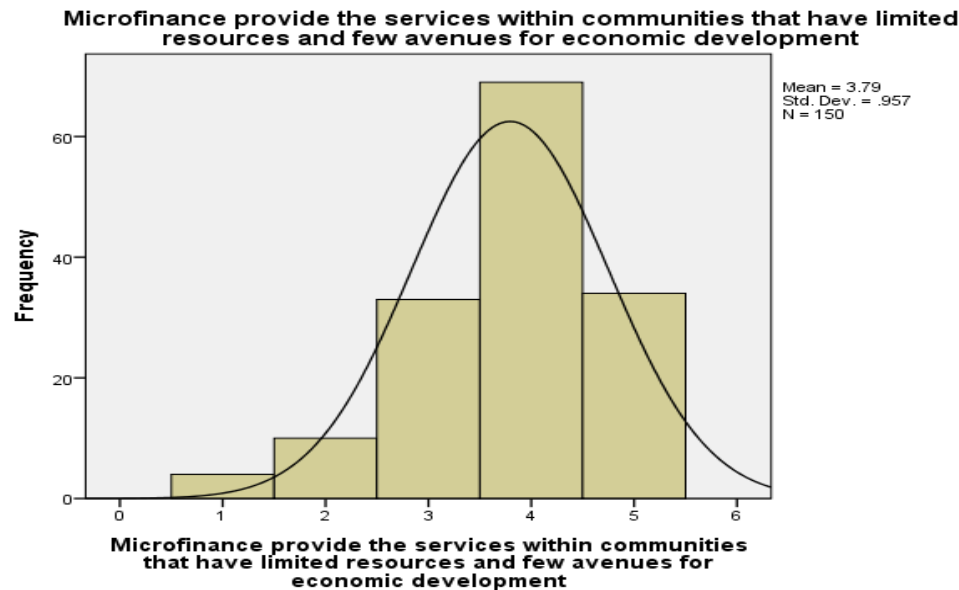


Total number of respondents were 150 so most of the respondents as shown in Frequency table are agreed or whether strongly agreed so it means mostly admit that MFI's fill the needed gap within the services industry. Similarly the distribution of numeric data Shown in the histogram is more like rightly skewed. So the interpreted data can be defined as Normal. Total number of respondents were 150 so most of the

respondents as shown in Frequency table are agreed or whether strongly agreed so it means mostly admit that MFI's fill the needed gap within the services industry. Similarly the distribution of numeric data Shown in the histogram is more like rightly skewed. So the interpreted data can be defined as Normal.

Q: Microfinance provides the services within communities that have limited resources and few avenues for economic development?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Stongly Disagree	4	2.7	2.7	2.7
	Disagree	10	6.7	6.7	9.3
	Neutral	33	22.0	22.0	31.3
	Agree	69	46.0	46.0	77.3
	Strongly Agree	34	22.7	22.7	100.0
	Total	150	100.0	100.0	



A huge majority of the subjects around 46% people agreed that microfinance facility works for communities having limited resources and

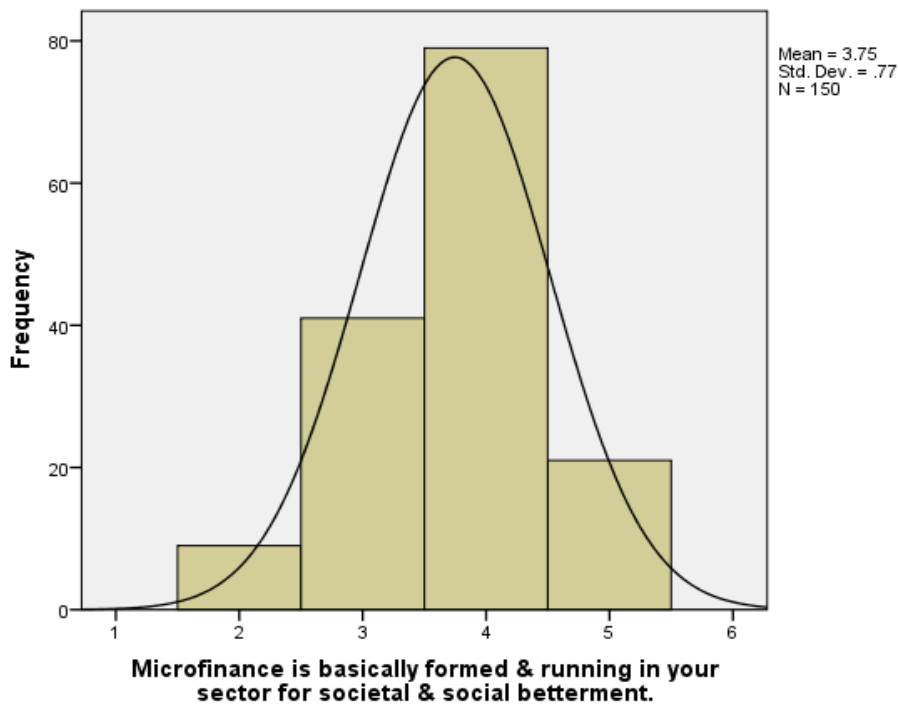
investment avenues. Out of 150 respondents almost 69 agreed with the question asked as shown in Frequency table which means most of

institutes prefer communities for micro loan offerings. Similarly the distribution of numeric data in the histogram is somehow rightly skewed. So the interpreted data can be defined as Normal.

Q: Microfinance is basically formed & running in your sector for societal & social betterment.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	9	6.0	6.0	6.0
	Neutral	41	27.3	27.3	33.3
	Agree	79	52.7	52.7	86.0
	Strongly Agree	21	14.0	14.0	100.0
	Total	150	100.0	100.0	

Microfinance is basically formed & running in your sector for societal & social betterment.

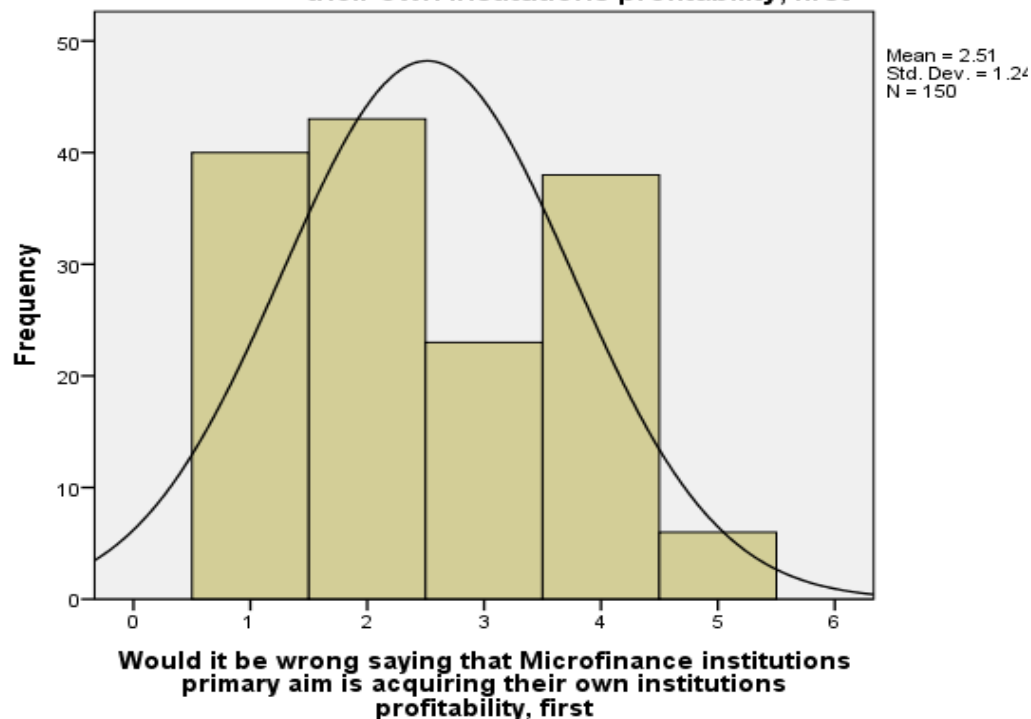


Again majority of the subjects around 53% people agreed that microfinance is basically formed and carried out for the societal & social betterment. Out of 150 respondents almost 79 agreed with the question asked as shown in

Q: Would it be wrong saying that Microfinance institutions primary aim is acquiring their institutions profitability first?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Disagree	40	26.7	26.7	26.7
	Disagree	43	28.7	28.7	55.3
	Neutral	23	15.3	15.3	70.7
	Agree	38	25.3	25.3	96.0
	Strongly Agree	6	4.0	4.0	100.0
	Total	150	100.0	100.0	

Would it be wrong saying that Microfinance institutions primary aim is a their own institutions profitability, first

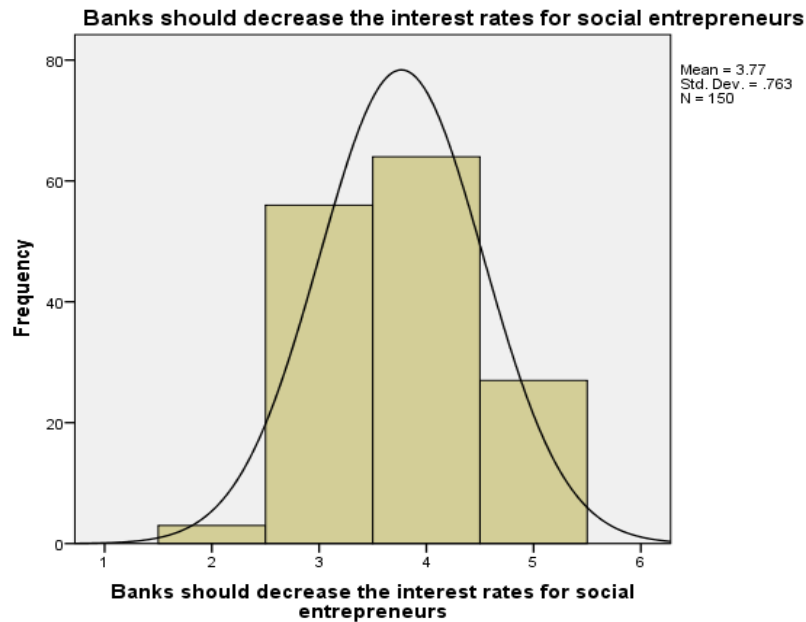


28% of the respondents in this study rejected the point that microfinance is having the primary objective of only profit making. Most of the respondents according to data gathered disagreed

that such institutions which provide micro finances do not think of their revenue generating methods first but their priorities are their customers first. Similarly the distribution of numeric data Shown in the histogram is more like skewed on the left side.

Q: Banks should decrease the interest rates for social entrepreneurs?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	3	2.0	2.0	2.0
	Neutral	56	37.3	37.3	39.3
	Agree	64	42.7	42.7	82.0
	Strongly Agree	27	18.0	18.0	100.0
	Total	150	100.0	100.0	



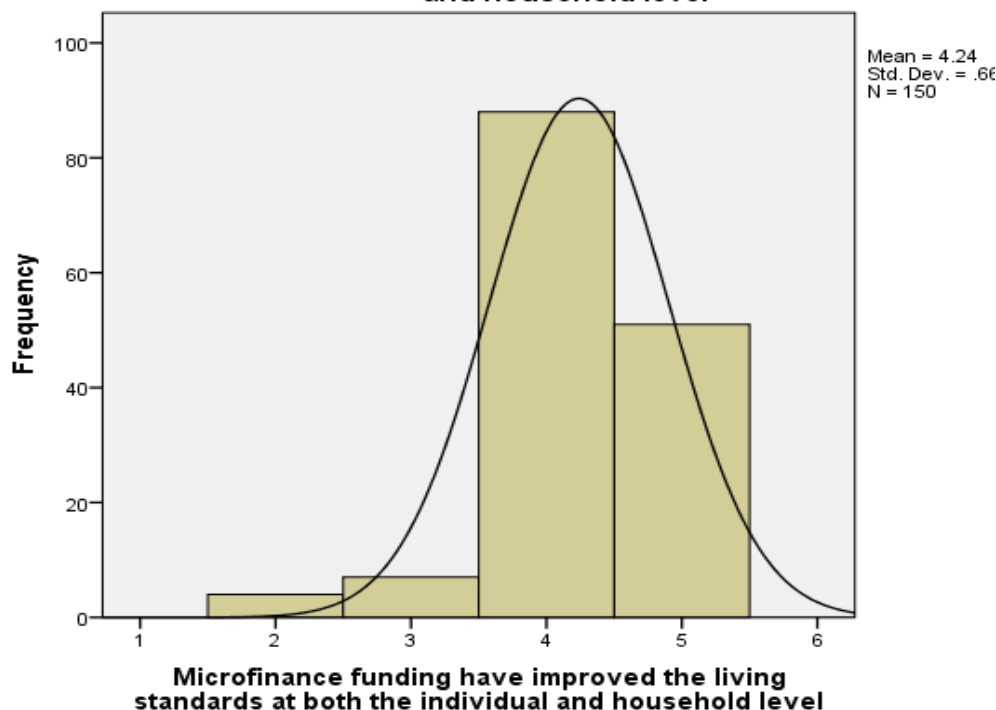
Total number of respondents were 150 so most of the respondents as shown in Frequency table and histogram chart are agreed which defines that the respondents think that the banks should

decrease or lower their interest rates for the ease of most of entrepreneur to avail such microfinance that can prove to be major sources of income generation for them.

Q: Microfinance funding have improved the living standards at both the individual and household level.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	4	2.7	2.7	2.7
	Neutral	7	4.7	4.7	7.3
	Agree	88	58.7	58.7	66.0
	Strongly Agree	51	34.0	34.0	100.0
	Total	150	100.0	100.0	

Microfinance funding have improved the living standards at both the individual and household level



The vast majority of the respondents under study that is 88 respondents fully agreed about that the living standard of the individual's and households has been improved by availing microfinance facility. The data in the frequency table and histogram chart shows that the Respondents agree that the individual lifestyle and the household level have been increased by the MFI's micro finances.

CONCLUSION

The research has been conducted on microfinance funding facilities in Hyderabad district. The study included 150 respondents. Survey questionnaire was used to collect the data. From the findings of the study it can be inferred that Pakistan as a developing country has been facing capital scarcity and financial crises, People are continuously facing problems related to funding and credit facilities. The study clearly indicates out of 150 respondents for almost every question being asked related to microfinance fully supported that the role of microfinance is vital.

The results show that the microfinance facility has really improved the living standard of the people, 88 respondents agreed out of 150 that microfinance is playing important role in this area. 64 respondents out of 150 were of view that the interest rates charged by microfinance institution from the Social entrepreneurs should be reduced. 52% of the total respondents agreed that the microfinance institutions running in their territory are working for the social betterment.

In a question about reliability of funding facilities as compared to other sources of financing 63% of the respondents agreed that microfinance funds are reliable. The 29% of respondents disagreed about provision of social emergency loans. Therefore it is recommended that microfinance should initiate social emergency loaning facilities. Keeping in view the finding of this research it is found that microfinance has really major role in improving the living standard of the people. It has provided a platform for the new business start-ups. Furthermore, it is recommended that government should make such policies so that

microfinance can be extended to deserving cases and such businesses which are a key to economic and social development.

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