

**COMPARATIVE IMPACT ANALYSIS OF INTEREST-BASED AND
INTEREST-FREE MICRO FINANCE INSTITUTIONS: A CASE STUDY
OF DISTRICTS BAHAWALPUR AND RAJANPUR (PAKISTAN)**



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**SCHOOL OF ECONOMICS
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2015

Accession no

THL-14569 K/G/

MS

332.04054914

JEC

- Microfinance
- Financial Institutions
- Banking Services
- Theses



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A thesis submitted in partial fulfillment of the requirements for the award of degree of
MS Rural Development



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2015

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

APPROVAL SHEET


"Comparative Impact Analysis of Interest-Based and Interest-Free Micro Finance Institutions:
A Case Study of districts Bahawalpur and Rajanpur (Pakistan)"

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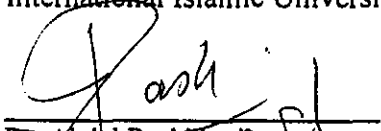
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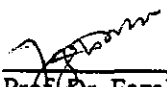

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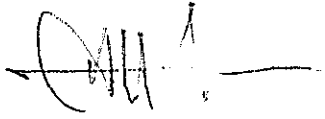
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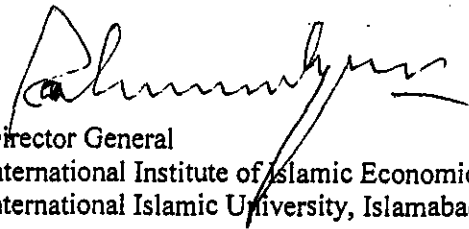

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DECLARATION

I solemnly declare that this whole research is my original work and I have not mentioned any information without proper reference and held myself responsible if found other way around.

Jehanzaib Waqas

Dedicated
to my grandparents (late)

May their souls rest in peace. Aameen.

ACKNOWLEDGEMENT

All praise and glory is for Almighty Allah and peace and blessings be upon His last messenger, Muhammad (SAW). It is only because of my parents that I am becoming first person in my family who is completing his MS degree. Their prayers and moral training is the asset of my life.

I am grateful to all of my honorable teachers. Specially, I am indebted to my supervisor, Dr. Pervez Zamurrad Janjua, and my co-supervisor, Dr. Atiq-ur-Rehman, who have always been there to help and guide me, whenever I needed them.

I am thankful to my family especially my wife who always supported and encouraged me to spare more time for completion of this research. My friends Muhammad Arshad Sakhani and Huma Ayoub Sabir are two persons who always pursued me while initiating till completion of this research.

At the end, this acknowledgement will remains incomplete, if I do not mention and appreciate the cooperation of Mr. Fazal-ur-Rehman, Country Head, HHRD Pakistan, Mr. Agha Ali Javad, General Manager, NRSP Pakistan, Mr. Arshad Mehmood, Head Interest Free Microfinance Program, HHRD and Mr. Tallat Mahmood, Program Manager, MEDP. NRSP.

I am also thankful to all field staff of HHRD and NRSP especially Mr. Fakharullah, HHRD Jampur, Mr. Shahid Abbas, HHRD Bahawalpur, Mr. Nauman Sarfraz, NRSP (Head Office), Mr. Muhammad Sabir, NRSP Jampur, Mr. Akhtar Hussain, NRSP Jampur and Mr. Tauqeer Ahmad, Research Investigator IIIIE, IIU.

Jehanzaib Waqas

LIST OF ABBREVIATIONS

ABS	Agricultural Bank of Sudan
BBI	Bosnia Bank International
CGAP	Consultative Group to Assist the Poor
CO	Community Organization
DDM	Double Difference Method
DFID	Department for International Development
ENRM	Environment and Natural Resource Management
ESP	Education Support Program
FAO	Food and Agriculture Organization
HHRD	Helping Hand for Relief and Development
HRD	Human Resource Development
IFAD	International Fund for Agricultural Development
IMFI	Islamic Micro Finance Intermediaries
IRM	Institute of Rural Management
MDG	Millennium Development Goals
MEDP	Microfinance Enterprise Development Program
MER	Monitoring, Evaluation and Research
MFI	Micro Finance Institutions
MFP	Micro Finance Program
MIP	Micro Investment Plan
MOU	Memorandum of Understanding

NGO	Non-Government Organization
NRSP	National Rural Support Program
OSP	Orphan Support Program
PITD	Physical Infrastructure and Technology Development
PSM	Propensity Score Matching
UC	Union Council
UNESCO	United Nations Educational, Scientific and Cultural Organization
UPAP	Urban Poverty Alleviation Program
WFP	World Food Program
WHO	World Health Organization

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ABSTRACT

This study is designed to compare the performance of interest-free (Helping Hand for Relief and Development) and interest-based (National Rural Support Program) microfinance institutions (MFIs) in southern Punjab.

For this purpose, primary data has been collected from 400, randomly selected, respondents for whom baseline data was available. Descriptive Analysis and Double Difference Method have been applied to assess the comparative performance of both MFIs on living standard indicators of the respondents.

Results indicate that interest-free MFI performed better than interest-based MFI in terms of improving living standard whereas interest-based MFI performed better than interest-free MFI to address the needs of extreme poor. Study concludes that more efforts are required to improve the living standard of people through inclusion of extreme poor by different MFIs, and Government needs to facilitate both types of MFIs in providing funds.

Chapter 1

INTRODUCTION

1.1 Background

Pakistan is a country which has faced a number of natural disasters in recent past including floods, earth quakes and then the consequences for being front line state in recent so called war on terror. Huge population is living below and around poverty line especially in rural areas. These disasters, poverty and other issues have affected millions of people across the country. A number of national and international development and relief agencies remained involved in different activities regarding development and rehabilitation for the underdeveloped communities. These agencies have introduced and launched different projects to enable poor people to earn their livelihood and in those projects microfinance was a major component. Impact of these microfinance projects in restoring the livelihood and living standard of those communities has been criticized due to element of “interest” i.e. *Riba* which is strictly prohibited in Islam. On the other hand, relief agencies and development organizations claim that it is necessary for them to increase their interest-based resources so that they may be able to provide their services for sustainable development. There are a number of other non-governmental organizations (NGOs) which were also involved in development and rehabilitation activities and were providing interest-free microfinance to help the underdeveloped communities in earning their livelihoods. Those are of the opinion that collection of interest is prohibited in Islam; therefore, they do not charge interest on lent money. They believe that by paying interest, it is not possible for those affected people to establish themselves which is the ultimate goal of every

relief agency or development organization. Pakistan is also a signatory of Millennium Development Goals (MDGs) and those cannot be achieved without the development and rehabilitation of all underdeveloped areas and communities.

1.2 Problem Statement

Two types of microfinance institutions (MFIs) are working in Pakistan i.e. interest-based and interest-free. Both claim to be the best opportunities provider as far as rehabilitation is concerned. It is common observation that a person who has borrowed some money from interest-based MFI, has to pay back more due to interest factor as compared to a person who has borrowed same amount from an interest-free MFI. It means, by paying extra amount to MFI, he or she has less amount to spend for consumption or investment activities. One of the objectives of this study is to quantify the impact of MFIs on the living standard of recipient of microfinance and to find the impact differential between interest-based and interest-free MFIs.

Secondly, there prevails an understanding in our society that ultra poor people should not be lent as they may not be capable of returning it and may consume all amounts for their primary needs, i.e. food, shelter and health. In the same line MFIs are not focusing ultra-poor. Both types of microfinance institutions have different re-lending procedures and practices. Therefore, relationship between poverty and loan repayment is another aspect to be investigated.

1.3 Objectives of the Study

Objectives of this study are:

- To compare the profile of target groups of two types of microfinance institutions (MFIs).

- To compare the impact of interest-based and interest-free MFIs on socioeconomic indicators of living standard.

1.4 Hypotheses:

The study is based on the following hypotheses:

- H 1: Interest-free MFIs specifically target more marginalized class of under developed communities than interest-based MFIs.
- H 2: Interest-free MFIs are more effective than interest-based MFIs for improvement in living standard of under developed communities.

1.5 Significance of Study:

Both types of MFIs are struggling hard to deliver in under developed communities. However, to my information no study has as yet quantitatively estimated a comparative impact of interest-based and interest-free MFIs on the living standard of local communities in any particular region of Pakistan. Similarly, it is still unknown, which type of MFIs is specifically targeting ultra-poor and deprived classes of society. This study is assumed to fill these gaps in existing literature.

Chapter 2

LITERATURE REVIEW

Extensive literature is available especially when considering both conventional microfinance and Islamic microfinance in terms of approaches, models and dynamics. Studies related to practical applications of Islamic microfinance are not in abundance as compared to conventional microfinance.

While discussing about achieving outreach, there are two main contesting approaches followed by two schools of thoughts. These are poverty lending approach (welfare perspective) and the financial lending or profitability approach (institutional standpoint) (Robinson, 2001; Fisher, 2002; Woller et al, 1999).

According to welfare approach, microfinance programs (MFPs) are recognized as programs for poverty alleviation and empowerment of the poor, especially women. The programs are supported by individual contributions, donations or public subsidies. This viewpoint centers on the depth of outreach and social impact and the focus is on the welfare of the poor. Bangladesh's Grameen Bank is the most well-known poverty lending model imitated around the world. One cannot receive Grameen loan, unless borrower is habitual of saving some amount (Robinson, 2001).

Although the welfare MFP is not much concerned about sustainability and profit-making, yet without sustainability it could lead to reduced number of the poor being served and continued losses could even lead to closure of MFP. Many institutions providing subsidized credit are not sustainable. Moreover, successful institutions following the poverty lending approach can meet

only a small portion of the demand for microfinance (Robinson, 2001). It is also unlikely that donors would provide long-term funding to MFP (Woller et al, 1999).

The main purpose of MFP under institutional approach is to provide the poor access to financial services while simultaneously achieving financial sustainability. Microfinance had proved that the poor are creditworthy and in some instances even profitable. The advocates of this approach focus on breadth of outreach, savings mobilization and financial sustainability by commercial means.

It is a financial deepening, market oriented approach that excludes social objectives, such as supporting extreme poor, unless these objectives are in line with credibility and sustainability. Rhyne reiterates that access to financial services in a sustainable way is more important than addressing the goal of reducing poverty (Robinson, 2001). Therefore, for donors the objectives of a MFP should be clear, especially if they hold social rather than financial interests. There is much literature supporting the institutional perspective¹. Although the institutional approach has much appeal, yet only 5% of worldwide MFPs are financially sustainable (Wrenn, 2005).

Littlefield, Murduch and Hashemi found through various studies that microfinance has reduced poverty, empowered women and enhanced education and health (Wrenn, 2005). In addition, it improved borrowers' income earning capacity, built their asset portfolio and reduced borrower susceptibility, with positive effects on poverty alleviation schemes in various countries (Wrenn, 2005). Microfinance also promotes consumption smoothening, financial deepening and economic growth (Ministry of Finance, Pakistan, 2003).

¹For detail, see Woller et al, (1999) and Robinson (2001)

Impact of microfinance is often measured on increased household income which in turn results in reduced poverty. This is only applicable if the income accumulated from the microfinance activity goes towards improving borrower's economic status. Poverty is not only about having inadequate income or income below the poverty line, but is also about the inability to sustain a specified level of living standard (Wright, 2000).

Sustainable microfinance is claimed to be a useful tool to achieve the Millennium Development Goals (MDGs) set to cut poverty half by 2015 (Daley-Harris, 2002). Many writers claim that the tool of microfinance does not hold all the answers to poverty reduction (Harper, 2003; Ledgerwood, 1999; Zafor, 2007). One needs to realize that poverty alleviation is a multifaceted problem which cannot be addressed through the introduction of finance alone; it requires several solutions (Robinson, 2001). Even then, there are still many quarters that perceive microfinance as one of the keys to resolve the poverty issue (Ministry of Finance, Pakistan, 2003; DIFD 2006). If microfinance is implemented correctly, it improves economic prospects, paving the way for better opportunity of income earning (Ahmed, 1991).

Islamic Microfinance Institutions have introduced several modalities to provide financing like Murabaha, Musharkah, Mudarba, Istisna`a and Qard-al-Hassan. International Fund for Agricultural Development (IFAD) has described these as under:

i. The Murabaha sale is the most widely offered Sharia-compliant contract used to finance goods needed as working capital. If client requests for a specific product, the financier procures it directly from the market and resells it to the customer after adding a fixed margin for the service provided.

ii. Profit- and loss-sharing contracts most encouraged by Sharia scholars are Musharaka and Mudaraba. Musharaka describes equity participation in a business venture. Parties share the

profits or losses according to a predetermined proportion. This type of financing can be used for assets or working capital. Mudaraba constitutes a trustee financing instrument where one party acts as financier while the other provides managerial expertise in the project's execution.

iii. Istisna`a is a contract of exchange between a vendor and a buyer for the sale of an asset. Salespersons can either manufacture the products themselves or purchase them from a third party. End clients can pay the sale price either as a lump sum upon signing the contract or later at different stages of the manufacturing process.

iv. Qard al Hassan is an interest-free loan used to bridge short-term financing gaps. The principal amount of the loan is repaid by the borrower without interest, mark-up or a share in the business the loan was used for. Qard al Hassan is designed for people in need and the only type of loan in Islamic finance (IFAD, 2012).

Currently, this practice of Islamic microfinance is being used in a number of other Muslim countries. In Sudan, the Agricultural Bank of Sudan (ABS) has taken microfinance initiative through a pilot phase in two localities in North and South Kordofan. This initiative has been supported by three key stakeholders, i.e. IFAD, ABS and Microfinance Unit of Central Bank of Sudan, and as of May 2012, it had reached 36,000 members of 6,000 households through 350 women's groups. It had mobilized savings worth US\$72,000 with a client base of 4,500 borrowers and a loan portfolio of US\$700,000. Its loans based on Murabaha and Musharaka are supporting small agricultural activities, livestock fattening and rearing, and a range of microenterprises such as petty trading, tea stalls and brick-making (IFAD, 2012). In Syrian Arab Republic, new and innovative model of microfinance was introduced through Autonomous Village Fund. The IFAD-funded Idleb Rural Development Project in the Syrian Arab Republic's Governorate of Idleb is working to improve the food security and incomes of

farmers and rural women in 140 of the country's poorest villages. To do so, the project channels credit through Sanadiq, which are local, autonomous microfinance institutions providing loans to disadvantaged rural people, particularly women. Sanadiq are owned and managed by local communities as village funds. They disburse their loans in the form of Murabaha, financing goods that borrowers wish to purchase. In return, clients repay an agreed profit in installments. The loans allow farmers to bypass moneylenders and make more profit from their produce. In the context of the highly centralized banking system in the Syrian Arab Republic, the concept of Sanadiq has rapidly become one of the most innovative and successful autonomous micro financing models in the country. At the end of 2010, 30 villages in Idleb had established Sanadiq with more than 6,600 shareholders, 40 per cent of whom were women. Repayment rates reached 98 per cent, and the Sanadiq committees were fully self-financed, covering their entire administrative costs (IFAD, 2012). In Bosnia and Herzegovina, Bosnia Bank International (BBI) has explored a new way of rural enterprise development by introducing a combination of Musharka (business venture) and Ijara (leasing) under the Rural Enterprise Enhancement Project supported by IFAD. The initiative is triggering the sustained growth of rural enterprises and employment opportunities in disadvantaged municipalities. The MS Alem Company is at the centre of one of the most remarkable stories. In 2009, the company received a Sharia-compliant loan from IFAD through BBI, which was used to buy new processing equipment and acquire training to modernize its meat production infrastructure. The credit also increased employment opportunities within the company and for input providers. Through Musharaka, the enterprise also obtained a certification for the production of Halal meat (permissible under Islamic law). Today, MS Alem, which is based in a rural municipality outside of the capital city of Sarajevo, is a leading company in the national meat industry. The specific terms and conditions, such as risk-

sharing, profit-sharing, fixed repayment rate, transparency, social welfare and justice, make Islamic microfinance products more favorable and accessible to the most vulnerable populations (IFAD, 2012). 72% of people in Muslim countries do not use the formal financial services because the financial system is interest-based (Honohon, Patrick. 2007).

Islamic microfinance is still in its stage of infancy with less than 1% of total global microfinance outreach. A few hundred thousand customers are managed by a couple of hundred institutions (mostly NGOs) operating in not more than 20 countries. Challenges in reaching a sustainable scale are mainly due to the not-for-profit culture of the Islamic microfinance intermediaries (IMFIs) that feature an over-dependence on grants coupled with a lack of operational efficiency and of proper risk management. This, in turn, obliges the IMFIs to constantly look for injections of funds to keep running, to ration their funds thereby limiting access to financial services by some people or geographical areas and, above all, does not entice them to collect the extra savings necessary to build those permanent local financial institutions that can attract domestic deposits, recycle them into loans, and provide other financial services (Alberto Brugnoli, 2011). Islamic microfinance has the potential to expand access to finance to unprecedented levels throughout the Muslim world (Karim et al, 2008).

In Pakistan, three different types of microfinance institutions are serving which are formal microfinance providers (e.g. microfinance banks), semi-formal microfinance providers (e.g. financial NGOs) and informal microfinance providers (e.g. self-help groups) (Saba, 2008).

Famous interest-based microfinance institutions in Pakistan are Dr. Akhter Hameed Khan's Komilla Project experimented with microcredit, Orangi Pilot Project in Karachi, the Agha Khan Rural Support Program (AKRSP) in Gilgit, Baltistan and Chitral, The First Microfinance Bank Gilgit, National Rural Support Programme, Khushali Bank, and the

Agricultural Development Bank of Pakistan, now ZTBL. Similarly, most important Islamic microfinance institutions include Akhuwat, Islamic Relief, Wasila Foundation, Asasah, Kashf, Baraka and Helping Hand for Relief and Development.

Although MFIs only provide micro-credit, most of them inculcate savings discipline among their clients by opening their savings accounts in commercial banks. A major limitation for MFIs is the absence of owners, and lack of product diversity. While the absence of regulatory and supervisory regime gives flexibility of doing business to MFIs, the sector also has weak underwriting practices. If these issues are not dealt with, they have the potential to harm the reputation and discipline of the whole sector (State Bank of Pakistan, 2011).

Islamic micro-finance is an important component in poverty alleviation strategies. While conventional microfinance products have been successful in Muslim majority countries but these products do not fulfill the needs of all Muslim clients due to their charge of interest component (Akhter et al, 2009).

A number of empirical studies have been conducted to assess the impact of interest-based microfinance on the incidence of poverty, empowerment and level of living standard in Pakistan (e.g. Mumtaz, 2000; Zaidi et al, 2007; Setboonsarng and Parpiev, 2008; Sirazi et al., 2009; Muhammad et al, 2011; Janjua et al., 2013).

Most of the studies on Islamic microfinance carried out a theoretical analysis. (e.g. Segrado, 2005; Wilson, 2007; Dusuki, 2008; Obaidullah & Khan, 2008, Ahmed & Ahmed, 2009; Kaleem and Ahmed, 2009). There is hardly any empirical study on the impact of Islamic microfinance with the exception of Akhter et al. (2009) which is also limited to a short financial analysis. There is no empirical study in existing literature on the comparative impact analysis of interest-based and interest-free Islamic Microfinance institutions in Pakistan.

Chapter 3

OVERVIEW OF SELECTED MICROFINANCE INSTITUTIONS

Several MFIs are providing their financial services in across Pakistan. Categorizing those in both Interest-free and Interest-based MFIs groups these are:

- **Interest-free MFIs:** *Akhuwat* Foundation, Helping Hand for Relief and Development (HHRD), *Nehmat* Foundation, *Wasal* Foundation, *Al-Khidmat* Foundation etc.
- **Interest-based MFIs:** National Rural Support Program (NRSP), Khushhali Bank,

We have selected HHRD and NRSP as these two were having large number of beneficiaries in the target area and were covering a diverse population as well. Randomization of data was easy to carryout and the most importantly, these two extended their cooperation regarding field visits and provision of baseline data.

Before having an overview of both these MFIs, it is very important to have a brief look on the development of microfinance sector in Pakistan.

Development of Microfinance Sector in Pakistan:

In the 1960s and 1970s, subsidized microcredit was provided in rural areas of Pakistan, but failed to reach the poor due to an unsustainable system, which was prone to abuse and diversion of funds to higher income groups. In the 1980s, the Aga Khan Rural Support Program (AKRSP) was established in the northern region to build community-based organizations and infrastructure, and assist in resource mobilization through credit and savings.

The success of the AKRSP led to the creation of Pakistan's other RSPs, which formed the primary approach to microfinance during the 1980s and part of the 1990s. Those RSPs made a major contribution to the microfinance sector by accessing lines of credit from commercial banks to provide microcredit to low-income people living in rural areas. Similarly, the Orangi Pilot Project (OPP) developed an individual lending methodology adapted to urban slums, by targeting entrepreneurs in Karachi region.

In the 1990s, learning from international best practices, NGOs specialised in microfinance started their operations, such as Kashf Foundation, Taraqee and Damen. The outreach of microfinance institutions and other rural organizations providing financial services has been limited due to a narrow institutional base, slow progress on sustainability and efficiency benchmarks.

Since 2000, the microfinance landscape in Pakistan has changed considerably. This change can be credited primarily to the government's growing interest in the microfinance sector. It was this interest that resulted in:

- The creation of the apex funding body, the Pakistan Poverty Alleviation Fund (PPAF).
- The formulation of the MFIs ordinance 2001, regulating the creation of commercial microfinance banks, such as The First Microfinance Bank (created by the AKRSP) and the Khushhali Bank, a retail microfinance bank issued from a public-private partnership.

In the last two years, Pakistan microfinance providers have posted faster growth in terms of outreach, with 'transformed' or 'created' dedicated microfinance organizations starting to realize their full potential through a conducive regulatory environment. Other organizations are also benefiting from the dissemination of best practices and the availability of funds to finance their expansion.

3.1 National Rural Support Program (NRSP)

NRSP was established in 1991 and it is the largest Rural Support Program in the country in terms of outreach, staff and development activities. It is registered under Section 42 of Companies Ordinance 1984 and is a not for profit organization.

NRSP is striving to alleviate poverty by harnessing people's potential and undertake development activities throughout Pakistan. It is present in 56 Districts through Regional Offices and Field Offices. NRSP is currently working with more than 2.3 million poor households organized into a network of more than 155,427 Community Organizations. It is emerging as Pakistan's leading engine for poverty reduction and rural development with sustained incremental growth.

For contributions to poverty alleviation NRSP points to the pooling of resources through many tools but most significant are:

- Establishment of profitable enterprises
- Creation of profitable links to the market
- Social mobilization
- Provision of educational services where they did not exist previously
- Assets creation
- Accumulated savings
- Capacity building for better access to employment
- Reduced costs in health and income generation

3.1.1 Areas of Operation

Initially, NRSP started its operations in eight districts including Attock, Chakwal, Khushab, Rawalpindi, Badin, Mirpurkhas, Rawalakot and Turbat. At the moment NRSP is working in 54 districts of all four provinces of Pakistan and Azad Jammu & Kashmir and in the Islamabad Capital Territory (NRSP Introduction 2012)

CURRENT NRSP AREAS OF OPERATION BY PROVINCE

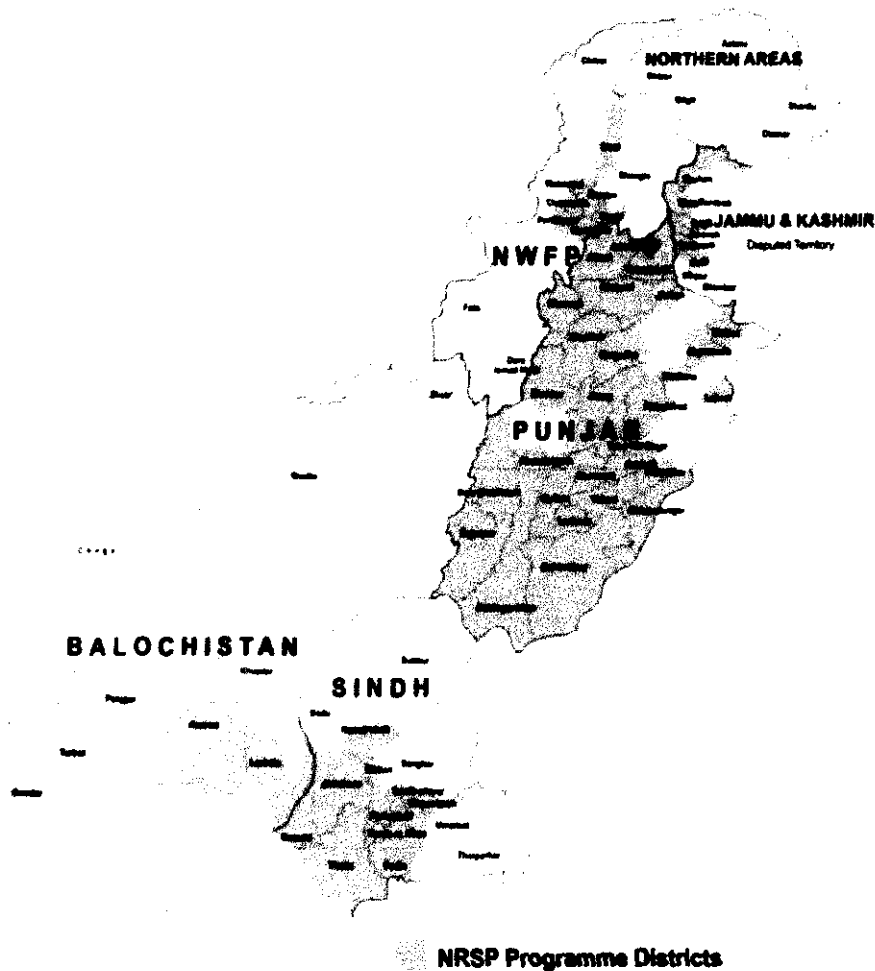


Figure1: NRSP Areas of Operation

3.1.3 Social Mobilization

For supporting rural men and women, social mobilization is the primary mean of NRSP in its efforts to alleviate poverty. First of all community Organization (CO) typically consisting of 20-25 members are formed. This process is encouraging men and women to organize themselves. CO is an important forum for empowering people for taking an active role in the management of local development initiatives.

Social mobilization is based on common ground for a common purpose. A community will be considered as “mobilized” if people as community are able to identify their own needs by themselves and also be able to find the resources necessary to meet those needs.



Figure 3: Community Mobilization

Different things may be included in those resources, e.g. savings or labor of CO members, or funds or information from a line department, etc.

A composition of people who work for the collective welfare of the community is called a CO. If CO is functioning properly then social and economic 'values' both are there. As those people know their urgent and actual needs more than anybody else therefore CO is in most appropriate position to contribute in alleviating poverty. By involving people together to work for the common goal is its social contribution. Its economic contribution is more obvious as individuals are helped out to establish a small enterprise and then by their hard work they generate some savings through this small business activity. Moreover, accumulating savings is

also a side benefit of these COs and then putting all those savings together for development of the whole community. For new activities, other financial services providers also provide funds to COs. These funds are provided through NRSP and through the links COs establish with different government departments. Sometimes, COs establish their linkages with the corporate and private sector as well.

3.1.4 Gender Mainstreaming

As organization, gender mainstreaming is main theme of NRSP. Integration of gender has been made at all levels including policy planning, programing, implementation of the developmental projects and then at the end their evaluation. Efforts to reduce poverty cannot achieve their full potential without believing the capabilities of both men and women as far as improvements in standard of living and quality of life are concerned. Key aspects of the gender mainstreaming are reduction in the barriers which limit the participation of men and women in the economy, harnessing and recognizing the full potential of rural men and women, and increasing productive capacities of men and women. NRSP has provided following guidelines in this regard:

Gender Integration: It has been realized by NRSP that unless women's views, needs and perceptions do not shape the agenda for development equivalent to men, gender integration cannot be done. Therefore, NRSP while preparing any developmental plan focuses on the participation of women especially.

Partnership between Men and Women: If a wider variety of choices are to be provided then partnership between men and women is very important and vital. To bring about changes in attitudes, behavior, roles and responsibilities, partnership between men and women is very

significant. This partnership needs to be at all levels including home, in the workplaces, communities and in the society at large,

Gender Equality and Equity: Simple translation of gender equality and equity is that it refers to those efforts which have been carried out to attain sustainable human development. It does not mean that men become the same as women. Instead, it is a serious and planned effort to make sure that one's rights or opportunities do not depend on his or her gender. NRSP is fully aware about these realities and executing its efforts and contributing to poverty reduction coupled with actions to eliminate gender inequalities. The ultimate purpose is to achieve and promote sustainable human development.

Diversity and Intersection: Effects of every developmental plan are different on men and women of that particular society. It is recognized while working on gender equality.

Empowerment and Agency: Empowerment starts with raising consciousness and it takes to self-realization. Women and men, they identify unequal power relations through empowerment. They also analyze unequal access to and control over resources through empowerment which are implications of unequal power relations for a prosperous society.

3.1.5 Activities of NRSP

NRSP is currently engaged in following activities:

- Monitoring Evaluation and Research (MER)
- Institute of Rural Management (IRM)
- Education and Health for a Better Future
- Microfinance Enterprise Development Program (MEDP)

- Physical Infrastructure and Technology Development (PITD)
- Environment and Natural Resource Management (ENRM)
- Urban Poverty Alleviation Program (UPAP)

As our study is focused on microfinance so following is brief introduction of NRSP's MEDP program:

Microfinance Enterprise Development Program:

With 109,614 active loans as of July 2005, NRSP manages Pakistan's largest micro-credit portfolio. NRSP provides various financial services to the members of different Community Organizations in rural areas. These services are meant to help them implement their Micro Investment Plans (MIPs). These services include different packages, e.g. micro credits given to individuals through groups, village banking micro-insurance for hospitalization and accidental deaths. Community savings is also a well-designed approach in which COs keep their savings in commercial bank in the locality or they jointly invest these in the physical infrastructure of the community.

3.2 Helping Hand for Relief and Development (HHRD)

HHRD was founded in 2005 on the Islamic principle as illustrated in the Holy Quran:

"They feed with food--despite their own desire for it-- the indigent, and the orphan and the captive (saying): 'We feed you purely for the sake of God. We desire no reward from you, nor thankfulness.'" –Al-Quran: 8(9)

3.2.1 Core Values

The core values of HHRD are enlisted below:

- **Mutual Respect:** Value of diversity and recognition of the abilities of individuals are highly respected at HHRD.
- **Equity and Justice:** HHRD is working to ensure equal opportunity to everyone irrespective of race, gender, color, class, ethnicity, disability and location of individuals.
- **Care for All:** Elderly people, orphans, vulnerable groups and widows are supported and cared by HHRD.
- **Honesty and Transparency:** HHRD is open in its judgments and communications to others for the effectiveness of its actions and being accountable at all levels.
- **Self-Respect:** HHRD helps the poor and needy without humiliation. Self-respect of every individual is ensured by HHRD.
- **Solidarity with the Poor:** HHRD stands with the powerless and excluded. These are the only bias in its commitment to fight against poverty.

HHRD, being global humanitarian relief and development organization, responds to human sufferings in emergency and disastrous situations all over the world with special focus in countries where the massive population is living below the poverty line, such as in Pakistan, India, Bangladesh, Afghanistan, Kenya and Sudan, etc. It also has partners which include small community support groups, national alliances and international networks. HHRD works with the

co-partners also in order to help during issues that emerge after any natural disaster or affect poor and deprived people.

HHRD also works on long term relief and development programs together with its emergency relief efforts in natural or man-made disasters. Race, gender, ethnicity, class, location, religion, color, cultural diversity and social background does not affect HHRD's commitment of service to humanity.

3.2.2 Thematic Areas

- **Emergency Relief:** HHRD provides food, clothing and medical relief during natural or man-made disasters across the country including Azad Jammu & Kashmir and Gilgit-Baltistan.
- **Empowerment:** HHRD has initiated different programs under the thematic area including orphan support, widow support, and interest-free micro-finance. It has also established skill development centers in less developed areas. It is also involved in facilitating adult literacy and women empowerment.
- **Campaigns and Advocacy:** For the cause of social justice, HHRD arranges different awareness campaigns along with TB walks and AIDS awareness programs.
- **Training and Capacity Building:** Training of social workers is also a distinction of HHRD. It also provides summer internship to the university graduates and has initiated different youth programs.

- **Development:** HHRD has managed different rehabilitation centers in different cities. It has also launched various projects of homes construction and provision of clean drinking water.

3.2.3 Programs and activities of HHRD

Following is a list of different programs launched by HHRD:

- Infrastructure Development
- Skill Development
- Interest Free Microfinance Program (IFMF)
- Orphan Support Program
- Education Support Program (ESP)
- Health Care
- Physical Rehabilitation
- Seasonal Programs
- In-Kind Donations (In-Kind Gifts Program)
- Water for Life

As our study is focused only on micro-financing so following is a brief detail of HHRD's microfinance program:

3.2.4 Interest Free Microfinance Program (IFMF)²

Through provision of interest free microfinance, HHRD facilitates in different livelihood opportunities and support micro enterprise development for poverty alleviation. Brief detail of different financial services is as under:

QardHasana-Financing (Interest-Free Loans):

- *QardHasana-Financing* is to support widows and physically disabled persons. It is to improve their consumption and to meet their social needs. In emergency situations, during disasters it can be used such as renovation of houses in the area of housing. It also works as liberation loan in making repayment of loans to other MFIs etc. Not a single penny as interest or profit is charged on these interest free loans. It works as a safety net for the ease and comfort of poor and deprived people.

Murabaha-Financing:

- *Murabaha* is actually “cost plus” pricing which is trade based mode of finance. HHRD provides agriculture inputs like seed, fertilizer, feed & fodder to the farmers which are provided on *Murabaha* basis. Livestock as well as handicrafts & cottage industries are also provided this facility for purchase of equipment & machines etc.

Mudarba-Financing:

- For microenterprise development, HHRD uses *Mudarba* mode of finance. Beneficiaries are provided with working capital on mutually agreed conditions. Memorandum of Understanding (MOU) envisaging ratio of sharing profit are also signed with the

² It was renamed as Esaar Microfinance Program. HHRD has introduced five ways to interact with the borrowers which are Qard-e-Hasan, Murabaha, Mudarabah, Salam and Musharkah under this program.

beneficiaries. This mode is also being used in livestock sector for example for fattening, breeding and milking of livestock.

3.2.5 Areas of Operation

HHRD is primarily operating in the equatorial regions of America, Africa and Asia.

Density of population and frequency of disasters may have shaped this operating pattern:



Figure 4: HHRD Areas of Operation

3.3 Universe of Study:

Study area includes districts Bahawalpur and Rajanpur in southern Punjab and the microfinance institutions are the National Rural Support Program (NRSP – interest-based MFI) and Helping Hand for Relief and Development (HHRD – interest-free MFI). Major reason to

choose districts Rajanpur and Bahawalpur was the floods which almost every year affect district Rajanpur especially its tehsil Jampur and relatively similar conditions of Bahawalpur.

3.3.1 Demographic Characteristics:

Bahawalpur is one of the largest districts of the Punjab, covering an area of 24,830 km². It is located south of the Sutlej River and lies in the Cholistan region near the Thar Desert. It is situated almost in the center of the country at an elevation of 152 meters from the sea levels, 90 km from Multan, 420 km from Lahore, and 270 km from Faisalabad. Its population increased from 1.453 million in 1981 to 2.411 million in 1998, showing a growth rate of 3.88% per year. Population density has increased from 59 persons per square km in 1981 to 97 persons per square km in 1998. Literacy rate for Bahawalpur is 36% for males and 33% for females. The majority of Bahawalpur's residents speak Saraiki, while Urdu and English are common languages used in various educational and governmental institutions. The district is administratively divided into five Tehsils and 107 Union Councils. Tehsils are Ahmadpur Sharqia, Bahawalpur, Hasilpur, Yazman and Khairpur Tamewali. The main crops for which Bahawalpur is recognized are cotton, sugarcane, wheat, sunflower seeds, and rice. Bahawalpur mangoes, citrus, dates and guavas are some of the fruits exported out of the country. Vegetables include onions, tomatoes, cauliflower, potatoes and carrots. Water canals are main source of irrigation; however, tube wells are also being used in many areas. Being an expanding industrial city, the government has facilitated the establishment of various markets, allowing small and medium industries to flourish.

Rajanpur is main city of Rajanpur district. It is located in the extreme southwest part of Punjab, with a geographical span of 12,319 km². It is one of the only two districts of Punjab

located west of the Indus River. The land is sandwiched by river Indus on one side, while the Sulaiman Mountains range on the other. It has a population of 1,103,618 of which 14.27% are urban (National Census Report, 1998). According to NRSP District Survey Report literacy rate in district Rajanpur is 20.7%. Under the local administrative break up, whole district is divided into three Tehsils and 43 Union Councils (UCs). Tehsils are Jampur, Rojhan and Rajanpur. Agriculture in Rajanpur depends solely upon canal irrigation since rainfall is negligible in the region. The five rivers of the Punjab meet at the locality of Wang near Mithankot; hence these rivers provide water for irrigation as well as for domestic usage. Rainfall occurs during the monsoon season (July–September). Occasional heavy rainfall causes flooding in this region. In Rajanpur, flood waters come from the Koh Sultan and Shacher torrents (rivulets), as well as the Indus. Rajanpur district is famous for cotton and sugarcane crops, although cultivators of this region are generally cultivating wheat, rice, and tobacco to very little extent.

3.3.2 Socioeconomic Characteristics

Majority of people in rural areas of district Bahawalpur are involved in agricultural activities whereas a number of people are working abroad especially in gulf countries. Other main sources of income include trade and employment in government institutions. Many small and medium industries are also working and a number of skilled laborers are working in these industries.

About 40% of rural population of district Rajanpur consists of tenants and working on the agricultural land of feudal elite. Overall about 80% of population is engaged in agriculture. People have interest in government job opportunities especially in police. Modern industry is very rare in Rajanpur, that's why people have very less opportunities for private jobs.

3.4 General Observations on both Organizations:

While carrying out group discussions in the field and interacting with field staff as well as beneficiaries of both types of microfinance institutions, following general observations were derived:

- HHRD has multiple Murabaha micro finance and Mudarba micro finance proposals and plans for any potential beneficiary as compared to NRSP which has only one option i.e. in-cash microfinance.
- Records keeping in community organizations (COs) were focused by both organizations and were kept by the community itself which is really appreciable.
- Hierarchy was found simple in HHRD field offices and it was much easier for beneficiaries to meet and discuss their issues with the senior officials as compared to NRSP.
- In field offices, record and staff of interest-based microfinance organization (i.e. NRSP) was more systematic and trained as compared to interest-free microfinance organization (i.e. HHRD).
- Under “Skill Development” program, HHRD was operating one Skill Development Centre (SDC) for females in Tibba Badar Sher, Bahawalpur. Females from poor families were learning there, for example how to stitch and prepare clothes. There was computer lab and female trainers were hired by HHRD to train enrolled female students about different short courses of computer applications. HHRD was bearing all operational cost and these facilities were provided to local community without charging them a single penny.

- NRSP has established a very close linkage between COs and local banks. Every CO has its own saving account where collective amount is deposited as savings for the CO. Every member is bound to save at least PKR 50.00 every month. This amount is used in case of any emergency to any member of the community. Following this practice, many COs have saved up to PKR 50,000.00 which is huge amount for the people of those communities.
- During group discussions, at different places in both districts, beneficiaries have complained about the lengthy procedure of HHRD. According to the beneficiaries, delays occur in the provision of finance so that the farmers may purchase fertilizers etc. on Murabaha basis. Due to these delays crops were wasted which resulted in lower production.
- COs formulated by both organizations were collectively contributing. Generally speaking people were helping each other and were hopeful about their future.
- Almost all of the respondents were of the opinion that they will opt for interest-free microfinance opportunities, if provided as compared to interest-based opportunities.
- HHRD and NRSP both have developed different schools, water pumps and community halls for the affectees of flood and local communities were getting benefits.
- Numbers of beneficiaries of NRSP were very large as compared to HHRD in both areas.

METHODOLOGY

4.1 Research Design & Data Collection:

Primary and secondary data has been used to carry out this study. Keeping in view the baseline data, we have prepared questionnaire so that same information about all indicators may be collected and compared. Limitation of the questionnaire is that we have not conducted reliability test however; it has been designed very carefully with the consultation of the experts of development economics.

4.1.1 Baseline Data:

Baseline data is available for both microfinance institutions for January 2012 which has been used for comparison to assess financial as well as socioeconomic impact. It was feasible to analyze the targeted segment of society for both MFIs. Baseline data has been collected from the relevant MFIs.

4.1.2 Recent Data & Sample Size:

Recent primary data has been collected during January 2014 through interviews from 400 respondents carried out in both district comprising 200 borrowers from interest-free MFI and 200 borrowers from interest-based MFI. These respondents have been selected randomly from different villages in both districts. Pre-structured questionnaire has been used for interviews (see Annex-II). These respondents are from Tehsil Jampur in district Rajanpur and from Tehsil

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Bahawalpur in district Bahawalpur. Interviews have been conducted only from those borrowers for which baseline data was available.

4.2 Estimation Techniques:

First objective of our study is to compare the profile of target groups of two types of microfinance institutions (MFIs) and it is addressed by the comparison of borrowers' profiles with baseline data with the help of a descriptive analysis. For this purpose, we have categorized the household monthly income as per following income levels:

1. Very Poor having income less than 7001 PKR
2. Poor having income between 7001 and 9000 PKR
3. Middle having income between 9001 and 13000 PKR
4. Upper Middle having income between 13001 and 19000 PKR, and
5. High having income more than 19000 PKR

Second objective of our study is to compare the impact of interest-based and interest-free MFIs on socioeconomic indicators. It is addressed by using "Double Difference Method". The collected information through interviews has been compared with baseline data and difference D_1 (Condition at the end of 2013 – condition at the end of 2011) has been measured for interest-free MFI and similarly D_2 has been measured for interest-based MFI. Then these two differences, i.e. D_1 and D_2 ; have been compared to assess which type of MFI has contributed more for the development of their targeted community. If $D_1 > D_2$, it means interest-free MFI has more contribution and is more useful practice to help deprived segments of society to be financially

and socioeconomically well off and vice-versa. For this purpose, every beneficiary for both types of MFIs is assessed on following five socioeconomic indicators:

1. Household income
2. Household expenses
3. Household assets
4. Education
5. House type

Household assets include agricultural land, household appliances, vehicles and livestock.

Education means kids of that particularly family going to school before and after being financed by MFI. Houses were of three categories paved, semi-paved or unpaved.

Keeping in view baseline data, questionnaire was prepared very carefully so that same information about all indicators may be collected and compared.

RESULTS AND DISCUSSION

5.1 Target Borrowers

We start our analysis by answering the question which of the both MFIs has more focused on microfinance for the marginalized groups of society. Table1 illustrates the share of microfinance of both MFIs for various categories of borrowers by considering actual data.

Table 1: Borrower's income categories for two types of MFIs

Income Level	Interest Based	Percentage	Interest Free	Percentage
Very Poor	27	14	12	6
Poor	53	27	16	8
Middle	68	34	56	28
Upper Middle	38	19	55	28
High	14	7	61	31
Total	200	100	200	100

The table shows that 14% of the borrowers of interest based MFI belong to the category of 'very poor', on the other hand, only 6% of the borrowers of interest free MFI belong to this category. Similarly, 27% of the borrowers of interest based MFI belong to the category 'poor', whereas only 8% of the borrowers of interest free MFI belong to this category.

The table also shows that only 7% of the borrowers of interest based MFI belong to the category 'high', on the other hand, 31% of the borrowers of interest free MFI belong to this category. Similarly, 19% of the borrowers of interest based MFI belong to the category 'upper middle', whereas 28% of the borrowers of interest free MFI belong to this category.

These figures express that interest based MFI has focused more marginalized class of the society for microfinancing. This is contrary to our hypothesis H1 in which we assumed that

interest free MFIs specifically target more marginalized class of under developed communities than interest based MFIs.

The table also expresses that 34% of the borrowers of interest based MFI belong to the category 'middle', on the other hand, 28% of the borrowers of interest free MFI belong to this category. This show us that major proportion of the financing has been made to this category by both type of MFIs.

Figure-I shows the comparative contribution of microfinance by both types of MFIs as per defined income levels.

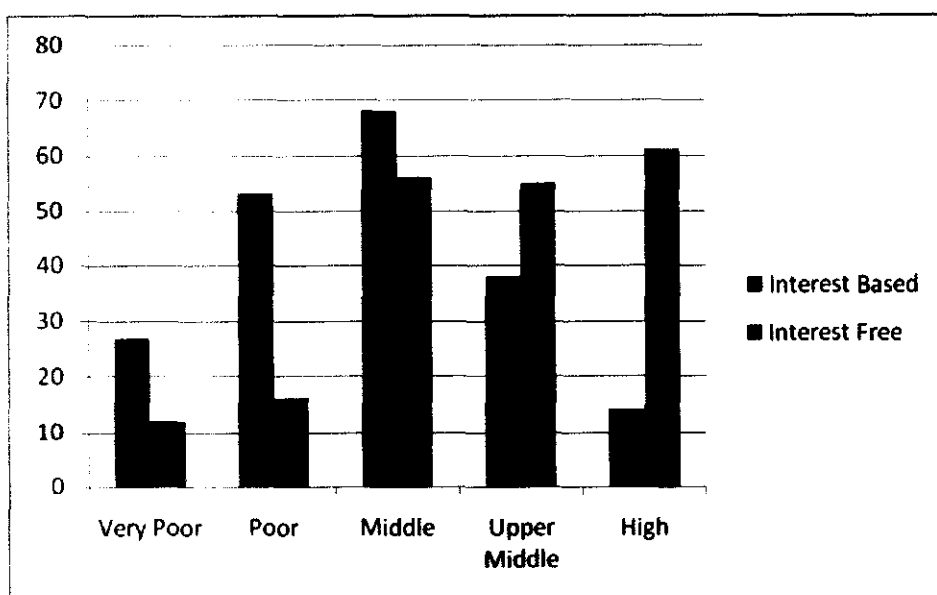


Figure-I: Borrower's income categories for two types of MFIs

Thus, our first hypothesis H1 (Interest-free MFIs specifically target more marginalized class of under developed communities) stands wrong.

5.2 Impact of Microfinance on Living Standard:

In this section we have analyzed the impact of microfinance provided by NRSP and HHRD on the household living standard of target communities. For this purpose, we have considered household income, expenditure, assets ownership, education and housing status.

5.2.1 Impact on Income

Table 2 illustrates the impact of micro financing by both types of MFIs on average income of households in target communities:

Table 2: Impact on Average Household Income (PKR)

Income Level	Average Income				D1	D2	D = D1-D2	t=D/SD
	Interest Free		Interest Based					
	Baseline	Current	Baseline	Current				
High	35775	41143	26200	28043	5367	1843	3524	0.64
SD	24593	27750	7239	7812	4748	2846	5535	
Upper Middle	15913	18624	15458	17192	2711	1734	976	1.83
SD	1641	2354	1308	1860	387	369	535	
Middle	10782	12984	10841	11860	2202	1019	1183	3.24
SD	1172	1724	1131	1585	279	236	365	
Poor	8369	10663	8253	9364	2294	1111	1183	2.5
SD	601	1643	563	1181	437	180	473	
Very Poor	5967	7975	6087	6531	2008	444	1564	2.6
SD	752	1426	1065	1665	466	380	601	

D_1 =(Condition at the end of current year – condition at the end of baseline year) for interest-free MFI

D_2 =(Condition at the end of current year – condition at the end of baseline year) for interest-based MFI

SD= Standard Deviation

First column having numeric values shows the baseline income (i.e. prior to micro financing) of all borrowers for different income levels micro financed by interest free MFI along with standard deviation calculated separately for each income level. Second column shows the current income (i.e. after impact of micro financing) of all borrowers for different income levels

micro financed by interest free MFI along with standard deviation calculated separately for each income level. Similarly, third column shows the baseline income of all borrowers for different income levels micro financed by interest based MFI along with standard deviation calculated separately for each income level and fourth column shows the current income of all borrowers for different income levels micro financed by interest based MFI along with standard deviation calculated separately for each income level. D1 shows the difference between current and baseline incomes for the borrowers of interest free MFI for all income levels and D2 shows the difference between current and baseline incomes for the borrowers of interest based MFI for all income levels. All the calculations in both D1 and D2 columns are positive which shows that both types of MFIs have positive impact on the income in all income levels. All calculations are in Pakistani rupees.

35,775 was the total baseline income for all borrowers of interest free MFI in 'high' income level which increased to 41,143 after micro financing impact with a difference (D1) of 5,367. On the other hand 26,200 was the total baseline income for all borrowers of interest based MFI in same income level which increased to 28,043 after micro financing impact with a difference (D2) of 1,843. Calculating the difference ($D=D1-D2$), it was 3,524 which shows that interest free MFI has more impact on the income of its borrowers in 'high' income level as compared to interest based MFI. To assess whether this impact is statistically significant or not, we measured t-statistics for all income levels. If result of "t statistics" is 2.0 or more, then it is considered as significant impact and in case of result less than 2.0 it is considered that the difference is only due to luck or choice of data and impact is not significant. For 'high' income level t-statistics was 0.64 which shows that this impact was not significant.

Similarly, 5,967 was the total baseline income for all borrowers of interest free MFI in 'very poor' income level which increased to 7,975 after micro financing impact with a difference (D1) of 2,008. On the Other hand 6,087 was the total baseline income for all borrowers of interest based MFI in same income level which increased to 6,531 after micro financing impact with a difference (D2) of 444. Calculating the difference ($D=D1-D2$), it was 1,564 which shows that interest free MFI has more impact on the income of its borrowers in 'very poor' income level as compared to interest based MFI. For this 'very poor' income level t-statistics was 2.6 which show that this impact was significant and was not just due to luck or choice of data.

On the same lines, we have calculated the impact of both types of MFIs on the borrowers of remaining three income levels and results for all three income levels show that impact of interest free MFI was more for all three income levels (i.e. 'poor', 'middle' and 'upper middle') as compared to impact of interest based MFI. Results of t-statistics show that impact was significant for both 'poor' and 'middle' income levels and for 'upper middle' income level it was not significant and was only due to luck or choice of data.

t-statistics was also calculated for D1 and D2 independently to assess the significance level for these two.

Table 2(a): Significance calculation for D1 and D2 separately

Income Level	t=D1/SD	t=D2/SD
High	1.13	0.65
Upper Middle	7.01	4.70
Middle	7.91	4.32
Poor	5.25	6.18
Very poor	4.31	1.17

Table 2(a) illustrates that impacts of both Interest free MFI (D1) and Interest based MFI (D2) were significant for three income levels i.e. 'upper middle', 'middle', 'poor' whereas these were not significant for 'high' income level. For 'very poor' income level impact of Interest free MFI was significant however; impact of Interest based MFI was not significant.

5.2.2 Impact on Expenditure

Table 3 illustrates the impact of micro financing by both types of MFIs on average expenditure of households in target communities:

Table 3: Impact on Average Household Expenditure (PKR)

Income Level	Average Expenditure				D1	D2	D=D1-D2	t=D/SD
	Interest Free		Interest Based					
	Baseline	Current	Baseline	Current				
High	33682	36243	25364	25850	2561	486	2075	0.4
SD	22506	25277	7310	7350	4333	2771	5143	
Upper Middle	14889	15898	14703	15463	1009	761	249	0.49
SD	2023	1861	1581	1473	371	351	510	
Middle	9993	10868	10006	10368	875	362	513	1.48
SD	1462	1227	1456	1293	255	236	348	
Poor	7569	8575	7608	7945	1006	338	669	1.41
SD	1189	1297	1039	752	440	176	474	
Very Poor	5358	6042	5593	5783	683	191	493	0.89
SD	1055	1000	1276	1385	420	362	555	

D_1 =(Condition at the end of current year – condition at the end of baseline year) for interest-free MFI

D_2 =(Condition at the end of current year – condition at the end of baseline year) for interest-based MFI

SD= Standard Deviation

First column having numeric values shows the baseline expenses (i.e. prior to micro financing) of all borrowers for different income levels micro financed by interest free MFI along with standard deviation calculated separately for each income level. Second column shows the current expenses (i.e. after impact of micro financing) of all borrowers for different income

levels micro financed by interest free MFI along with standard deviation calculated separately for each income level. Similarly, third column shows the baseline expenses of all borrowers for different income levels micro financed by interest based MFI along with standard deviation calculated separately for each income level and fourth column shows the current expenses of all borrowers for different income levels micro financed by interest based MFI along with standard deviation calculated separately for each income level. D1 shows the difference between current and baseline expenses for the borrowers of interest free MFI for all income levels and D2 shows the difference between current and baseline expenses for the borrowers of interest based MFI for all income levels. All the calculations in both D1 and D2 columns are positive which shows that both types of MFIs have positive impact on the expenditure in all income levels. All calculations are in Pakistani rupees.

33,682 were the total baseline expenses for all borrowers of interest free MFI in 'high' income level which increased to 36,243 after micro financing impact with a difference (D1) of 2,561. On the Other hand 25,364 were the total baseline expenses for all borrowers of interest based MFI in same income level which increased to 25,850 after micro financing impact with a difference (D2) of 486. Calculating the difference ($D=D1-D2$), it was 2,075 which shows that interest free MFI has more impact on the expenses of its borrowers in 'high' income level as compared to interest based MFI. To assess whether this impact was significant or not, we measured t-statistics for all income levels. For 'high' income level, t-statistics was 0.4 which shows that this impact was statistically not significant.

Similarly, 5,358 were the total baseline expenses for all borrowers of interest free MFI in 'very poor' income level which increased to 6,042 after micro financing impact with a difference (D1) of 683. On the Other hand 5,593 were the total baseline expenses for all borrowers of

interest based MFI in same income level which increased to 5,783 after micro financing impact with a difference (D2) of 191. Calculating the difference ($D=D1-D2$), it was 493 which shows that interest free MFI has more impact on the expenses of its borrowers in ‘very poor’ income level as compared to interest based MFI. For this ‘very poor’ income level t-statistics was 0.89 which show that this impact was not significant and was just due to luck or choice of data.

On the same lines, we have calculated the impact of both types of MFIs on the borrowers of remaining three income levels and results for all three income levels show that impact of interest free MFI on expenditure was more for all three income levels (i.e. ‘poor’, ‘middle’ and ‘upper middle’) as compared to impact of interest based MFI. However, results of t-statistics show that impact was not significant for all three ‘poor’ and ‘middle’ and ‘upper middle’ income levels and it was only due to luck or choice of data.

5.2.3 Impact on Assets Ownership

In this section we analyze the impact of micro financing by both types of MFIs on household assets (and consumer durables) ownership of target communities. These assets include televisions, refrigerators, sewing machines, washing machines, vehicles, agricultural land and livestock.

Following table shows the impact of both types of MFIs on the facility of television in the target communities.

Table 4: Impact on Possessing TV (%)

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
TV	Interest Based	Baseline	21	8	3	6	4
		Current	43	68	12	57	59
		Difference	22	60	9	51	55
	Interest Free	Baseline	77	55	50	19	42
		Current	79	64	50	20	48
		Difference	2	9	0	1	6

First row having numeric values shows the baseline (i.e. prior to micro financing) possession of TV in percentage of all borrowers for different income levels micro financed by interest based MFI. Second row shows the current (i.e. after impact of micro financing) possession of TV in percentage of all borrowers for different income levels financed by interest based MFI. Fourth and fifth rows reflect the same for borrowers financed by interest free MFI.

Third and last row represent the differences between the percentages of current and baseline possession of TV for the borrowers of interest based and interest free MFI for all income levels, respectively. In 'high' income level this difference for interest based MFI is 22 whereas for interest free MFI, it is just 2. Similarly, in 'very poor' income level this difference for interest based MFI is 55 whereas for interest free MFI, it is just 6. On the same lines, we have calculated the differences of both types of MFIs on the borrowers of remaining three income levels (i.e. 'poor', 'middle' and 'upper middle') and results for all three income levels show that *difference of interest based MFI was more as compared to difference made by interest free MFI.*

It is clear from the findings that both types of MFIs have positive impact on possession of TV by the households but the impact of interest based MFI is greater as compared to the impact of interest free MFI in all income levels.

Following table shows the impact of both types of MFIs on the facility of refrigerator in the target communities.

Table 5: Impact on Possessing Refrigerator (%)

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
Refrigerator	Interest Based	Baseline	29	5	0	2	0
		Current	30	8	1	13	22
		Difference	1	3	1	9	22
	Interest Free	Baseline	34	16	5	6	8
		Current	41	17	68	56	18
		Difference	7	1	63	50	10

First row having numeric values shows the baseline (i.e. prior to micro financing) possession of refrigerators in percentage of all borrowers for different income levels micro financed by interest based MFI. Second row shows the current (i.e. after impact of micro financing) possession of refrigerators in percentage of all borrowers for different income levels micro financed by interest based MFI. Fourth and fifth rows reflect the same but for those borrowers micro financed by interest free MFI.

Third and last rows represent the differences between the percentages of current and baseline possession of refrigerators for the borrowers of interest based MFI and for the borrowers of interest free MFI for all income levels respectively. In 'high' income level this difference for interest based MFI is just 1 whereas for interest free MFI, it is 7. Similarly, in 'poor' income level this difference for interest based MFI is just 11 whereas for interest free MFI, it is 50. On the same lines, we have calculated the differences of both types of MFIs on the borrowers of remaining three income levels (i.e. 'very poor', 'middle' and 'upper middle') and results for all

three income levels show that difference of interest free MFI was more as compared to difference made by interest based MFI.

It is clear from the findings that both types of MFIs have positive impact on possession of refrigerators by the households but the impact of interest free MFI is more as compared to the impact of interest based MFI.

Table 6 shows the impact of both types of MFIs on the facility of sewing machine in the target communities.

Table 6: Impact on Possessing Sewing Machine (%)

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
Sewing Machine	Interest Based	Baseline	29	11	4	11	7
		Current	57	47	31	49	78
		Difference	28	36	27	38	71
	Interest Free	Baseline	54	38	32	44	50
		Current	57	24	35	53	58
		Difference	3	-14	3	9	8

First row having numeric values shows the baseline (i.e. prior to micro financing) possession of sewing machine in percentage of all borrowers for different income levels financed by interest based MFI. Second row shows the current (i.e. after impact of micro financing) possession of sewing machine in percentage of all borrowers for different income levels financed by interest based MFI. Fourth and fifth rows reflect the same but for borrowers financed by interest free MFI.

Third and last row represent the differences between the percentages of current and baseline possession of sewing machine for the borrowers of interest based and interest free MFI

for all income levels, respectively. In 'high' income level this difference for interest based MFI is 28 whereas for interest free MFI, it is just 3. Similarly, in 'very poor' income level this difference for interest based MFI is 71 whereas for interest free MFI, it is just 8. On the same lines, we have calculated the differences of both types of MFIs on the borrowers of remaining three income levels (i.e. 'poor', 'middle' and 'upper middle') and results for all three income levels show that difference of interest based MFI was more as compared to difference made by interest free MFI. In 'upper middle' income level, impact is in negative for interest free MFI.

It is clear from the findings that in general both types of MFIs have positive impact on possession of sewing machine by the households but the impact of interest based MFI is greater as compared to the impact of interest free MFI in all income levels.

Table 7 reflects the impact of both types of MFIs on the facility of washing machine in the target communities. First row having numeric values shows the baseline (i.e. prior to micro financing) possession of washing machine in percentage of all borrowers for different income levels financed by interest based MFI. Second row shows the current (i.e. after impact of micro financing) possession of washing machine in percentage of all borrowers for different income levels financed by interest based MFI. Fourth and fifth row reflect the same for borrowers financed by interest free MFI.

Table 7: Impact on Possessing Washing Machine (%)

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
Washing Machine	Interest Based	Baseline	7	3	0	2	0
		Current	17	37	0	32	33
		Difference	10	34	0	30	33
	Interest Free	Baseline	56	31	30	38	25
		Difference	59	40	48	40	30
		Current	3	9	18	2	5

Third and last row represent the differences between the percentages of current and baseline possession of washing machine for the borrowers of interest based and interest free MFI for all income levels, respectively. In 'high' income level this difference for interest based MFI is 10 whereas for interest free MFI, it is just 3. Similarly, in 'very poor' income level this difference for interest based MFI is 33 whereas for interest free MFI, it is just 5. On the same lines, we have calculated the differences of both types of MFIs on the borrowers of remaining three income levels (i.e. 'poor', 'middle' and 'upper middle') and results for all three income levels show that difference made by interest based MFI was more as compared to difference made by interest free MFI.

It is oblivious from the findings that both types of MFIs have positive impact on possession of washing machine by the households but the impact of interest based MFI is more as compared to the impact of interest free MFI in all income levels.

Table 8 illustrates the impact of both types of MFIs on ownership of vehicles in the target communities.

Table 8: Impact on Vehicle Ownership (%)

Category	Assets	MFI	Data Type	Income Level				
				High	Upper Middle	Middle	Poor	Very Poor
Vehicles Ownership	Motorcycle	Interest Based	Baseline	93	39	34	28	26
			Current	95	82	40	85	89
			Difference	2	43	6	57	63
		Interest Free	Baseline	61	60	55	50	42
			Current	67	71	57	61	58
			Difference	6	11	2	11	16
	Cycle	Interest Based	Baseline	14	16	34	19	30
			Current	17	61	54	38	96
			Difference	3	45	20	19	66
		Interest Free	Baseline	16	33	21	44	33
			Current	74	53	59	75	100
			Difference	58	20	38	31	67
	Tractor	Interest Based	Baseline	7	11	3	0	0
			Current	0	16	4	8	7
			Difference	-7	5	1	8	7
		Interest Free	Baseline	28	18	5	13	0
			Current	26	4	7	13	0
			Difference	-2	-14	2	0	0

First row having numeric values depicts the baseline (i.e. prior to micro financing) possession of motorcycles in percentage of all borrowers for different income levels financed by interest based MFI. Second row shows the current (i.e. after impact of micro financing) possession of motorcycles in percentage of all borrowers for different income levels financed by interest based MFI. Fourth and fifth row reflect the same for those borrowers financed by interest free MFI.

Third and sixth row represent the differences between the percentages of current and baseline possession of motorcycles for the borrowers of interest based and interest free MFI for all income levels, respectively. In 'upper middle' income level this difference for interest based

MFI is 43 whereas for interest free MFI, it is just 11. Similarly, in 'very poor' income level this difference for interest based MFI is 63 whereas for interest free MFI, it is 16. On the same lines, we have calculated the differences of both types of MFIs on the borrowers of remaining three income levels (i.e. 'poor', 'middle' and 'high') and for the ownership of cycles and tractors as well.

Results show that both types of MFIs have positive impact on ownership of motorcycles and cycles by the households for all income levels. Tractors are mainly owned by landlords and not by the targeted communities so impact of micro financing is not so visible on tractors. However, micro financing has positively affected the use of cycle and motorcycle in targeted communities. Motorcycles were being used as basic facility for travelling of families and a number of households were using it to sell milk and other dairy products in nearby towns and cities. To move from one place to another place most common tool were cycles.

Table 9 shows the impact of both types of MFIs on average agricultural land in the target communities.

Table 9: Impact on Cultivable Average Agricultural Land (Acres):

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
Average Agricultural Land (Acres)	Interest Based	Baseline	8.6	6.3	5.3	4.7	2.9
		Current	7.6	5.3	6.8	5.7	5.2
		Difference	-1.0	-1.0	1.5	1.0	2.3
	Interest Free	Baseline	10.4	5.9	5.2	5.3	3.8
		Current	8.2	3.7	7.1	4.8	3.3
		Difference	-2.2	-2.2	1.9	-0.5	-0.5

Target populations were mainly tenants working on the land of landlords. Normally they did not own any livestock except goats. This agricultural land was distributed among different

families by the landlords for cultivation. Most of the families, especially in district Rajanpur, were working on those fields by generations. In Bahawalpur as well, amount of micro financing was not so much which could affect the ownership of land. Therefore, micro financing has no visible effect on increase or decrease of cultivating land.

Table 10 shows the impact of both types of MFIs on livestock in the target communities.

Table 10: Impact on Owning Livestock (%)

Asset	MFI	Data Type	Income Level				
			High	Upper Middle	Middle	Poor	Very Poor
Goats and Sheep	Interest Based	Baseline	100	87	93	89	63
		Current	93	100	87	92	100
		Difference	-7	13	-6	3	37
	Interest Free	Baseline	59	67	82	100	75
		Current	100	87	100	88	83
		Difference	41	20	18	12	6
Cows	Interest Based	Baseline	100	82	72	60	52
		Current	43	66	65	75	89
		Difference	-57	-16	-7	15	37
	Interest Free	Baseline	75	69	70	69	58
		Current	67	89	77	75	33
		Difference	-8	20	7	6	-25
Buffalo	Interest Based	Baseline	0	0	0	0	0
		Current	14	100	47	49	100
		Difference	14	100	47	49	100
	Interest Free	Baseline	0	0	0	0	0
		Current	97	15	41	13	17
		Difference	97	15	41	13	17

This whole data is actually presenting picture of the livestock owned by their landlords or division of these assets by landlords to different tenant families. In spite of micro financing, there were some other factors like landlord's will, affecting above data. However, general impact of

both types of micro financing was positive in increasing living standard of the targeted communities. These families are associated primarily to agriculture so they keep livestock for multiple purposes. They grow and every year or after couple of years they sell these animals and earn money. They also slaughter these animals whenever there is any marriage ceremony or other festive occasion or desired by their landlords. Moreover, they consume their milk as part of their meals and they also prepare other dairy products too for their own use and for commercial purposes as well. Due to all above reasons, impact of both types of micro finance organizations is fluctuating and is not consistent although positive.

5.2.4 Impact on Education

Table 11 illustrates the impact of micro financing on education (i.e. kids going to school) of households in target communities for both type of MFIs.

Table 11: Impact on Education (%)

Income Level	Education: (Kids going to School)						
	Interest Based			Interest Free			D (D2-D1)
	Baseline	Current	Difference (D1)	Baseline	Current	Difference (D2)	
	Yes	Yes		Yes	Yes		
High	79	86	7	69	100	31	24
Upper Middle	55	71	16	47	100	53	37
Middle	44	56	12	34	96	62	50
Poor	43	51	8	19	94	75	67
Very Poor	56	59	3	17	92	75	72

First column having numeric values shows the baseline (i.e. prior to micro financing) percentage of kids going to school for different income levels groups financed by interest based MFI. Second column shows the current (i.e. after impact of micro financing) percentage of kids going to school for different income levels groups financed by interest based MFI. Similarly,

fourth column shows the baseline percentage of kids going to school for different income levels micro financed by interest free MFI and fifth column shows the current percentage of kids going to school for different income levels micro financed by interest free MFI. D1 shows the difference between current and baseline percentages for the borrowers of interest based MFI for all income levels and D2 shows the difference between current and baseline percentages for the borrowers of interest free MFI for all income levels. All the calculations in both D1 and D2 columns are positive which shows that both types of MFIs have positive impact on the education (i.e. kids going to school) in all income levels. All calculations are in percentages.

79 was the total baseline percentage of kids going to school for all borrowers of interest based MFI in 'high' income level which increased to 86 after micro financing impact with a difference (D1) of only 7. On the other hand 69 was the total baseline percentage of kids going to school for all borrowers of interest free MFI in same income level which increased to 100 after micro financing impact with a difference (D2) of 31. Calculating the difference ($D=D2-D1$), it was 24 which shows that interest free MFI has more impact on the percentage of kids going to school of its borrowers in 'high' income level as compared to interest based MFI.

Similarly, 56 was the total percentage of kids going to school for all borrowers of interest based MFI in 'very poor' income level which increased to 59 after micro financing impact with a difference (D1) of only 3. On the other hand 17 was the total baseline percentage of kids going to school for all borrowers of interest free MFI in same income level which increased to 92 after micro financing impact with a difference (D2) of 75. Calculating the difference ($D=D2-D1$), it was 72 which shows that interest free MFI has more impact on the percentage of kids going to school of its borrowers in 'very poor' income level as compared to interest based MFI.

On the same lines, we have calculated the impact of both types of MFIs on the borrowers of remaining three income levels and results for all three income levels show that impact of interest free MFI on education was more for all three income levels (i.e. 'poor', 'middle' and 'upper middle') as compared to impact of interest based MFI. Interest free MFI has achieved 100% enrollment of kids of their beneficiaries for both "high" and "upper middle" income levels. They have also reached above 90% enrollment in all other three income levels including "very poor" which is a very positive contribution. On the other hand, impact of interest based MFI is also clear regarding increase in enrollment of school going kids of their beneficiaries. However; impact of interest free MFI is greater than that of interest based MFI.

5.2.5 Impact on Housing Status

Table 12 illustrates the impact of micro financing by both types of MFIs on house type in target communities. First row having numeric values shows the baseline (i.e. prior to micro financing) percentage of un-paved houses for different income levels financed by interest based MFI. Second column row shows the current (i.e. after impact of micro financing) percentage of un-paved houses for different income levels micro financed by interest based MFI. Similarly, fourth column shows the baseline percentage of un-paved houses for different income levels micro financed by interest free MFI and fifth column shows the current percentage of un-paved houses for different income levels financed by interest free MFI. D1 shows the difference between current and baseline percentages for the borrowers of interest based MFI for all income levels having un-paved houses and D2 shows the difference between current and baseline percentages for the borrowers of interest free MFI for all income levels having un-paved houses. All the calculations in both D1 and D2 rows are negative which shows that both types of MFIs

have positive impact in all income levels and borrowers have converted their houses (or shifted) from un-paved to semi paved or paved categories.

Table 12: Impact on Housing Status (%)

House Type	MFI	Data	Income Levels				
			High	Upper Middle	Middle	Poor	Very Poor
Un-Paved	Interest Based	Base Line	50	76	85	81	67
		Current	43	61	57	49	56
		Difference (D1)	-7	-15	-28	-32	-11
	Interest Free	Base Line	5	4	11	25	25
		Current	2	0	2	0	0
		Difference (D2)	-3	-4	-9	-25	-25
Semi Paved	Interest Based	Base Line	21	11	12	8	15
		Current	21	18	35	40	26
		Difference (D3)	0	7	23	32	11
	Interest Free	Base Line	43	51	27	31	33
		Current	25	38	30	31	42
		Difference (D4)	-18	-13	3	0	9
Paved	Interest Based	Base Line	29	13	3	11	19
		Current	36	21	7	11	19
		Difference (D5)	7	8	4	0	0
	Interest Free	Base Line	52	45	63	44	42
		Current	74	62	68	69	58
		Difference (D6)	22	17	5	25	16

50 was the total baseline percentage of un-paved houses for all borrowers of interest based MFI in 'high' income level which decreased to 43 after micro financing impact with a difference (D1) of -7. On the Other hand only 5 was the total baseline percentage un-paved houses for all borrowers of interest free MFI in same income level which decreased to 2 after micro financing impact with a difference (D2) of -3.

On the same lines, we have calculated the impact of both types of MFIs on the borrowers of remaining four income levels for the un-paved houses and results for all income levels show

that impact of both types of MFIs was positive. Both have contributed in making beneficiaries able to convert their un-paved houses to semi paved or paved ones.

D3 shows the difference between current and baseline percentages for the borrowers of interest based MFI for all income levels having semi paved houses and D4 shows the difference between current and baseline percentages for the borrowers of interest free MFI for all income levels having semi paved houses. Similarly, D5 shows the difference between current and baseline percentages for the borrowers of interest based MFI for all income levels having paved houses and D6 shows the difference between current and baseline percentages for the borrowers of interest free MFI for all income levels having paved houses. On comparing D3 and D4, it appears that interest based MFI enabled its borrowers to move from un-paved to semi paved and only a little proportion was able to move from unpaved or from semi paved to paved ones. But on comparing D5 and D6 along with D3 and D4, it appears that interest free MFI has enabled a small proportion of its borrowers to move from un-paved to semi paved and major proportion was able to move from unpaved or from semi paved to paved ones. The same is visible in all income levels. On the basis of these results we can generalize that interest free micro financing helped borrowers more as compared to interest based as far as housing status is concerned.

Chapter 6

SUMMARY, CONCLUSIONS & RECOMMENDATIONS

From the literature review, it is clear that interest based MFIs and interest free MFIs both have a role to play in providing opportunities to deprived segment of society at grass root level in terms of establishing small business enterprises or to help farmers for arranging fertilizers and pesticides for the better yield of crops. In this context, this study addressed two research questions. First, which of the both MFIs targeted extremely marginalized classes? Second, which of the both MFIs was more beneficial for improving living standard of the targeted communities?

In this study, two districts of southern Punjab have been selected which were Rajanpur and Bahawalpur. Similarly, two microfinance organizations were chosen which were National Rural Support Program (NRSP) and Helping Hand for Relief and Development (HHRD). NRSP is providing interest based microfinance services whereas HHRD is providing interest free micro finance services. Primary data has been collected through interviews from 400 respondents carried out in both district comprising 200 borrowers from interest-free MFI and 200 borrowers from interest-based MFI through pre-structured questionnaires. These interviews have been conducted only from those borrowers for which baseline data was available.

6.1 Conclusions

To answer the first question of our study, namely 'which type of MFI has specifically targeted ultra-poor and deprived classes of society', borrowers' profiles for both types of data have been compared with baseline data. We have categorized the household monthly income in five income levels which were "very poor", "poor", "middle", "upper middle" and "high". The results have been calculated in chapter 5 using descriptive analytical tools including graphs and

tables which have shown that interest based MFI has focused more marginalized class of the society for microfinancing as compared to interest free MFI.

To answer the second research question, namely 'which type of MFI has dominantly impacted the living standard of targeted communities', every beneficiary for both types of MFIs was assessed on five socioeconomic indicators which were household income, expenditure, assets ownership, education and housing status. As calculated and discussed in chapter 5, results show that both types of MFIs contribute in improving living standards of their targeted communities. Empirical findings show ambiguous results about the impact of both MFIs on assets ownership of borrowers due to unspecified data on agricultural land and livestock ownership. However, interest based MFI has performed better in terms of ownership of televisions, sewing machines, washing machines and motorcycles, and interest free MFI in terms of ownership of refrigerators and cycles. In terms of income, expenditure, education and housing status interest free MFI outperformed interest based MFI. In general, one may conclude that interest free MFI performed better as compared to interest based MFI in lifting living standard of borrowers. One reason of this better performance may be that the borrowers of interest free MFI have not to pay any interest amount on their earned profits so that they could spend more money on consumption, education and housing.

6.2 Recommendations

The research findings suggest following recommendations for both interest based and interest free microfinance institutions:

- Both types of microfinance institutions need to broaden the scope of microfinance for all categories of poor to achieve the objectives of poverty alleviation and visible improvement in living standard of poor people.

- Interest based microfinance institutions need to address the issue of interest more seriously in context of objectives of social welfare and uplifting of the living standard of deprived segments of society.
- Interest free microfinance organizations need to broaden the scope of financing for extreme poor people. They need to focus these groups as microfinance is meant to help those extremely neglected and deprived people whom they claim to finance. These institutions need to train field staff so that borrowers may understand the nature and purpose of different modes of Islamic microfinance. Moreover, interest free MFIs need to devise mechanism for the timely delivery of essential inputs (such as fertilizers, pesticides, etc.) to the borrowers.
- Government needs to allocate more funds to Pakistan Poverty Alleviation Fund (PPAF) to encourage interest free microfinance institutions and to entrust them for the implementation, monitoring and evaluation of different developmental projects in order to attain Millennium Development Goals.

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<http://www.hhrd.org/> (Last accessed on 05-09-2014 at 02:00 AM)

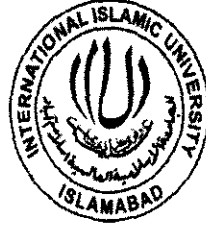
<http://www.ppaf.org.pk/> (Last accessed on 05-09-2014 at 01:00 AM)

http://www.bwtp.org/arcm/pakistan/I_Country_Profile/pakistan_country_profile.html (Last accessed on 06-07-2015 at 03:45 PM)

www.worldbank.org/research

ANNEXURES

A) QUESTIONNAIRE



Dear respondent!

This questionnaire is being filled for MPhil level academic research and participation is purely on voluntarily basis. All personal information will be kept confidential and will only be used for purely academic purpose. You are requested to provide the accurate information as per your knowledge. Your contribution will significantly help us to devise appropriate policy recommendations for both types of microfinance institutions. Thanking you in anticipation.

Personal Information:

1. Name _____
2. Father's Name _____
3. Age _____
4. Gender _____
5. Education (years of schooling) _____
6. Relation with the head of family
 - a. Himself
 - b. Mother
 - c. Wife
 - d. Son
 - e. Daughter

f. Any other (Please specify) _____

7. Total members of family _____

8. Name of village _____

9. Tehsil _____

10. District _____

11. Contact No. _____

Household Information:

12. Ownership of house:

a. Own house

b. Rent house

13. House type:

a. Unpaved

c. Paved

b. Semi-paved

14. Total Agricultural land (In Acres) _____

15. Household belongings

a. TV

g. Tractor

b. Refrigerator

h. Cow

c. Car/ Motor cycle

i. Buffalo

d. Cycle

j. Goat

e. Sewing machine

k. Anything else, please specify

f. Washing machine _____

Detail of current business:

16. Type of business

- a. Salaried person (Private job)
- b. Salaried person (Govt. job)
- c. General Store
- d. Medical Store/ Dispensary
- e. Fruit/ Vegetable Shop
- f. Professional work
- g. Electric store
- h. Cloth/ Garments shop
- i. Cultivation
- j. Any other (Please specify)

17. Work Experience (years) _____
18. Volume of business (in Pak. Rs.) _____
19. Monthly Income from business (Rs.) _____
20. Monthly Expenses in business (Rs.) _____

Household Income/Expenses:

21. How many household members are earning _____
22. Total Monthly income (Rs.) _____
23. Sources of Income _____
24. Total monthly expenses(Rs.) _____
25. Monthly savings/ Losses(Rs.) _____
26. In case of loss, sources to borrow money _____
27. Detail of monthly income (Rs.):
- a. Through rent _____
 - b. Through business _____
 - c. Through salary _____
 - d. Through cattle _____
 - e. Through pension _____

- f. Through agriculture _____
- g. Through foreign remittances _____
- h. Any other, please specify _____

28. Detail of monthly expenses(Rs.):

- a. Kitchen expenses _____
- b. House rent _____
- c. Utility bills _____
- d. Educational expenses _____
- e. Health expenses _____
- f. Extraordinary expenses _____
- g. Miscellaneous expenses _____

29. Detail of household members:

S. No.	Name	Relation with the applicant	Age (years)	Education	Occupation
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					

10.					
-----	--	--	--	--	--

30. Mode of financing, you needed:

- a. Interest free
 - i. Qard-e-Hasana
 - ii. Mudarbah
 - iii. Murabaha
- b. Interest based
- c. Anything else (Please specify) _____

31. How much loan needed _____

32. Purpose for loan _____

33. Duration of loan _____

34. Amount to be paid in monthly installment _____

35. Desired commodities for loan:

- a. Description _____
- b. Desired amount _____
- c. From where to be bought _____
- d. Expected monthly income from this investment _____

36. Detail of previous loans (before year 2012):

- a. Have you ever taken loan from any institution Yes No
 (In case of No, please go to Q. No. 37)
- b. Institution from which loan was received _____
- c. Purpose of loan _____

- d. When loan was received _____
- e. How much amount received _____
- f. Loan returned Yes No
- g. Are you habitual of saving any amount Yes No

37. How did you come to know about your money lender:

- a. Newspaper/ Radio/ TV
- b. Family and friends
- c. Mosque
- d. banners/ posters/ pamphlets
- e. Any other (please specify):

38. What will be your priority:

- a. Interest based micro-financing
- b. Interest free micro-financing

39. Does religion act as hurdle while taking money from Interest based MFI Yes No

Following questions are only for the clients of Interest based MFI

40. If both, Interest free and Interest based MFIs are available, which one will you choose?

- a. Interest based
- b. Interest free

41. Please specify reason for your selection:

- a. Religion is more important for me as compared to my financial need
- b. Fulfillment of my financial need is more important than religious obligation
- c. I don't care about Interest factor in loan as this is not that interest which is prohibited in Islam

d. Any other reason (please specify) _____

National Rural Support Programme, D.G.Khan
Socio Economic Profile

Name of Location: _____ Village: _____

Union Council: _____ Tehsil: _____

Distance from main road: _____

No. of households: _____ Population: _____ (M): _____ (F): _____ Children: _____

Major occupations:(1): _____ (2): _____ (3): _____ (4): _____

Area fall in:(Canal Irrigated) _____ (Rainfed) _____ (Hill) _____

Major crops: (1) _____ (2) _____ (3) _____

Farmers below 12.5 acres holding: _____ Landless farmers: _____

Farmers above 12.5 acres holding: _____

Approximate number of Livestock: _____ Cows/ Buffaloes: _____

Sheep / Goats: _____ Poultry birds: _____ Others: _____

Presence of Boys School: _____ Distance: _____

Presence of Girls School: _____ Distance: _____

Priority of community needs:

1: _____ 2: _____

3: _____ 4: _____

Basic facilities accessible: 1. _____ 2. _____

3. _____ 4. _____ 5. _____

Filled by: _____ Date: _____ Signature: _____

Remarks if any

NRSP D.G.Khan
MER Section

فیلڈور کر کی رائے

قرض دار تنظیم کا ممبر کب سے ہے؟
 قرض دار نے گزشتہ کتنی مینٹنگز میں شمولیت کی ہے؟
 کس بات سے اندازہ لگا رہے ہیں کہ قرض دار ذمہ دار ہے؟
 کس بات سے اندازہ لگا رہے ہیں کہ قرض دار ایمان دار ہے؟
 قرض دار کتنی رقم مانگ رہا/ رہی ہے؟
 آپ کتنی رقم تجویز کر رہے ہیں؟
 کیوں؟
 قرضے کا استعمال کون کرے گا/ کرے گی؟
 کیا آپ نے اس کے مقامی ہونے کی تصدیق کر لی ہے؟
 پتہ تحریر کریں

کیا گروپ/ گھرانہ قرض دار کی ضمانت دینے پر تیار ہے؟

Repeat Cases

نام	تو ذکر	دقت پر
دستخط	گھر جا کر	دفتر آ کر
تاریخ		

ریکوری قسطیں عام طور پر جمع کرائیں

پچھلا کام موجودہ/ تبدیل کر لیا/ نقصان ہو گیا/ دیگر

Repeat Cases کی صورت میں

اکاؤنٹ کی تصدیق

نام

دستخط

تاریخ

کریڈیٹ آفیسر/ کریڈٹ سپروائزر

کیا آپ نے قرض دار سے مل کر ادائیگی کی معلومات کی تصدیق کر لی ہے؟
 قرض دار جو کام کرنا چاہتا/ چاہتی ہے اس کی کام سے معلومات اور تجربہ پر روشنی ڈالیں؟
 قرض دار کتنی رقم کا مطالبہ کر رہا/ رہی ہے؟
 قرض کی کتنی قسط دینے کی صلاحیت ہے اور نقصان کی صورت میں کہاں سے قسط ادا کرے گا/ گی

نام

دستخط

تاریخ



این آر ایس پی کے قرض خواہان اور ان کے شریک حیات کے لئے



ہاسپنڈلائزیشن اور حادثاتی بیمہ پالیسی

تاریخ

نام ولدیت/زوجیت تاریخ ارسال پیدائش جنس مرد عورت

شناختی کارڈ نمبر عظیم کا نام نمبر گاؤں یونین کونسل

ضلع کمل پتہ

شریک حیات کا نام رشتہ تاریخ ارسال پیدائش شناختی کارڈ نمبر

دارت کا نام دارت سے رشتہ دارت کا شناختی کارڈ نمبر

ممبر کا نشان آگونی / دستخط

دفتری استعمال کے لیے (For Office Use)

گریڈ سکلن نمبر گریڈ ہارور نمبر (ممبر کا) گریڈ پیپ نمبر گریڈ پیپ کی تاریخ

تقریب کی مدت انشورنس کا دورانیہ انشورنس شروع ہونے کی تاریخ انشورنس کے اختتام کی تاریخ

یہ پالیسی فی تہجیات اور شرائط

یہ پالیسی فی تہجیات اور شرائط

1. اس پالیسی کے تحت ہر سال 10% تک کی شرح پر قرض فراہم کیا جائے گا۔

2. قرض کی مدت 12 ماہ ہوگی۔

3. قرض کی شرح 10% ہوگی۔

4. قرض کی رقم 50% تک ہوگی۔

5. قرض کی رقم 10% تک ہوگی۔

6. قرض کی رقم 10% تک ہوگی۔

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100. قرض کی رقم 10% تک ہوگی۔

اجلاس میں حاضر ممبران کی تفصیل

نمبر شمار	نام ممبر بحوالہ سے ازدریت	نمبر شمار	نام ممبر بحوالہ سے ازدریت	نمبر شمار
1		17		
2		18		
3		19		
4		20		
5		21		
6		22		
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9		25		
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11		27		
12		28		
13		29		
14		30		
15		31		
16		32		

تصدیق سوشل آرگنائزر

دستخط غیر عظیم

دستخط عظیم

C) HHRD FORMS



صرف دفتری استعمال کے لیے

Beneficiary ID	Murabah <input type="checkbox"/>	Salam <input type="checkbox"/>	Enterprise <input type="checkbox"/>	Services <input type="checkbox"/>	Application Date	
	Mudaranah <input type="checkbox"/>	Istana <input type="checkbox"/>	Livestock <input type="checkbox"/>	Construction <input type="checkbox"/>	Disbursement Date	
Cluster	Musharakah <input type="checkbox"/>	Musawama <input type="checkbox"/>	Agriculture <input type="checkbox"/>	Asset Based <input type="checkbox"/>	Amount Approved	
	Dimashiq Musharakah <input type="checkbox"/>	Qarad e Hasan <input type="checkbox"/>	Trade <input type="checkbox"/>	Other <input type="checkbox"/>	Amount Disbursed	

ایشیا رائیٹر فنانس کے لیے درخواست گزار کے کوآف

ذاتی معلومات

نام	ولدیت از ولایت	
عمر	تعلیم	
سربراہ خانہ کا نام	فون نمبر / موبائل نمبر	
مستقل ہے		
گرمیں افرو کی تعداد	شناختی کارڈ نمبر	
رشتہ دار گواہ کا فون نمبر	شناختی کارڈ کی تاریخ منسوخ	
گاؤں کا نام	یونین کانس	
تفصیل	ضلع	

مکان کی ملکیت	ذاتی <input type="checkbox"/>	کرایے پر <input type="checkbox"/>	کچا <input type="checkbox"/>	پکا <input type="checkbox"/>	زرعی زمین کا کل رقبہ
گھریلو (تعداد انہیں)	بی بی	فریج	گازی اسوز سائیکل	سائیکل	سائی مشین
	بیسنس	بھری	دنگر		رائیڈ

نام کاروبار / پیشہ از یہ آمدن	پہلے نمبر	
نمبر	کاروبار کا نمبر (روپے)	

گھر کے کتنے افراد پر روزگار ہیں؟	ذرائع آمدنی کیا ہیں؟
----------------------------------	----------------------

بذریعہ کرایہ	بذریعہ راشن فریج
بذریعہ کاروبار	گھر کا کرایہ
بذریعہ گواہ	پیشگی بلز
بذریعہ مال موٹی	بچان کی تعلیم سے اخراجات
بذریعہ پنشن	صحت کے اخراجات
بذریعہ کاشتکاری	خوش و فحی کے اخراجات
بیرون ملک سے آمدن	دیگر اخراجات
کل ماہانہ آمدن	کل ماہانہ خرچ
کل ماہانہ بچت یا خسارہ	

گروہ کا اسم					
نمبر شمار	تاریخ	درخواست گزار سے رشتہ	عمر (سال)	تعلیم	پیشہ
1					
2					
3					
4					
5					

درکارا اشیاء (ہائیت)؟		کس مقصد کے لیے لینا چاہتے ہیں؟				
تفصیل کی صورت میں اور انکی کیے کی جائے گی؟						
مطلوبہ اشیاء کی تفصیل						
نمبر شمار	تاریخ برصم	مقدار	یونٹ	ہائیت	کہاں سے خریدی ہے؟	ہائیت آمدن میں دستی آسانی
1						
2						
3						

ہمارے (گروہ) کا اسم			
پیلے کی ادارے سے قرض لیا ہے	ہاں <input type="checkbox"/> نہیں <input type="checkbox"/>	قرض کا مقصد کیا تھا؟	
کب قرض لیا؟		کتنا قرض لیا؟	
واپس کیا ہے	ہاں <input type="checkbox"/> نہیں <input type="checkbox"/>	بچت کرنے کا کی عادی ہے؟	ہاں <input type="checkbox"/> نہیں <input type="checkbox"/>
ہم ماہانہ کتنی اگینٹی آ رہا تھیں			

دیگر قابل ذکر معلومات

ہم حلفیہ اس بات کا اقرار کرتے ہیں کہ درخواست گزار کی ہر طرح کی ذمہ داری قبول کرتے ہیں اور عدم ادا اگینٹی کی صورت میں ادا نہیں کریں گے۔

ضامنوں کی معلومات: تنظیم کا نام _____

صدر کا نام _____ ولدیت/زوجیت _____ عمر _____ پیشہ _____ ملازمت یا کاروباری پتہ _____

نائب چیف کارڈ ہئیر _____ گھر کا پتہ _____ فون نمبر _____

دیکھا/نہ دیکھا

نمبر کا نام _____ ولدیت/زوجیت _____ عمر _____ پیشہ _____ ملازمت یا کاروباری پتہ _____

نائب چیف کارڈ ہئیر _____ گھر کا پتہ _____ فون نمبر _____

دیکھا/نہ دیکھا

رشتہ دار ضامن کا نام _____ ولدیت/زوجیت _____ عمر _____ پیشہ _____ ملازمت یا کاروباری پتہ _____

نائب چیف کارڈ ہئیر _____ گھر کا پتہ _____ فون نمبر _____

دیکھا/نہ دیکھا

حلف نامہ

میں حلفیہ اس بات کا اقرار کرتا/کرتی ہوں کہ مندرجہ بالا تمام معلومات میرے علم کے مطابق درست ہیں اور یہ کہ اگر کوئی معلومات نادر ہوئیں تو میری درخواست مسترد کر دی جائے

مستحق/مستحقہ انجمن انجمنی
درخواست کنندہ

					HHRD
--	--	--	--	--	------

On the basis of information provided, I recommended
.....

--	--	--	--	--	--

On the basis of information provided, I recommended
.....

--	--	--	--	--	--

On the basis of information provided, I recommended
.....

Checklist

- Applicant ID Card
- Applicant Picture
- CO/MC Resolution
- Guarantor ID Card
- List of items in case of Murabah and Mudarabah
- Issued Promise agreement



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اقرار نامہ

یہ اقرار نامہ مورخہ _____ فریقین اول دوئم کے مابین درجہ گواہان درج ذیل شرائط کے ساتھ تجزیہ و تحلیل سے

فریق اول: ہیلپنگ ہینڈ ریڈیو نمائندہ HHRD _____ (بعد ازاں HHRD لکھا پڑھاجائے) اور

فریق دوئم: مہسی/یا ساسا _____ سالہ _____ شناختی کارڈ نمبر _____

ساکن _____ ہے۔

شن نمبر ۱۔ یہ کہ اقرار نامہ مابین فریقین، مختلف مراہیہ درخواست دہندہ کی مد میں طے پایا ہے۔

شن نمبر ۲۔ یہ کہ فریق اول سے مندرجہ ذیل اشیاء اجیزیں کچھ گھڑت مراہیہ درخواست فارم مورخہ _____ کے ساتھ منسلک ہے
خریدنے کا اقرار کرتا کرتی ہے۔

شن نمبر ۳۔ فریقین معاہدہ سے اُر کوئی اقرار نامہ کی شرائط کی خلاف ورزی کرے گا تو متاثرہ فریق کو نقصان کی تلافی کا حق حاصل ہوگا۔

بذریعہ نمائندہ HHRD _____ دیکھو۔

فریق دوئم _____ دیکھو۔

درجہ گواہان معاہدہ سے کی تجزیہ و تحلیل درج ۱۱۱۱ رخ اور سن کے مطابق ہوگی۔

گواہ ۱: نام _____ گواہ ۲: نام _____

دستخط _____ دستخط _____

شناختی کارڈ نمبر _____ شناختی کارڈ نمبر _____

فون نمبر _____ فون نمبر _____

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ایجاب (آفر)

میں کسی اسباب..... دلہ ازبہ.....
ساکن..... شناختی کارڈ نمبر.....
آج مورخہ..... بمقام.....
(HHRD) ہیڈ کوارٹرز.....
سے ایشیا، جن کی تفصیل اور قیمت ساتھ منسلک ہیں۔ وعدہ مرا سب اور جدول ادائیگی کی مطابق طے شدہ شرائط کی بنیاد پر خریدنے کا نوٹیشن دہوں اور ہیڈ کوارٹرز (HHRD) سے درخواست کرتا ہوں کہ مجھے یہ ایشیا، جن کی تفصیل اور قیمت ساتھ منسلک ہے۔..... نفع کے ساتھ فروخت کر دیا جائے جس میں قیمت لاگت..... ہے اور قیمت فروخت..... ہے۔

دستخط (مستفید کنندہ)..... مورخہ.....
گواہ 1: نام..... گواہ 2: نام.....
دستخط..... دستخط.....
شناختی کارڈ نمبر..... شناختی کارڈ نمبر.....

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قبول (ایکسپنس)

میں نمائندہ بیلنگ بینڈ فار ریٹیف اینڈ ڈیولپمنٹ ----- آج مورے ----- بمقام -----

نے درج بالا ایجاب کو بیلنگ بینڈ HHRD کی جانب سے قبول کر کے اشیاء برطانیہ فہرست دی ہوئی کل قیمت برائے مراہے ----- روپے میں فراخت کر دیا ہے

اس رقم کی ادائیگی وعدہ مراہے اور جدول ادائیگی کے مطابق کی جائے گی۔ اور یہ کہ میں کسی اسما سے ----- ولدیت ازودیت

----- اشیاء برطانیہ فہرست اپنے قبضے میں لینے کا اقرار کرتا کرتی ہوں۔

----- دستخط ----- مورے ----- HHRD

----- دستخط (استفید کنندہ) ----- مورے -----

گواہ نمبر 1: نام ----- گواہ 2: نام -----

----- دستخط ----- دستخط -----

----- شناختی کارڈ نمبر ----- شناختی کارڈ نمبر -----

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رسید برائے وصولی اشیاء (مراجہ)

..... میں کسی اسپتال
..... قومی شناختی کارڈ نمبر نمبر وہیں تنظیم اداریت سمیٹی
..... ساکن آج مورخہ باہوش و حواس ہیلتھ سینٹر (HHRD) سے
..... بذریعہ نمائندہ (HHRD) درج ذیل اشیاء بطور تجارت (مراجہ) جس کی کل واجب الادا رقم
..... روپے سے وصول کرتا کرتی ہوں۔

نمبر شمار	اشیاء کی تفصیل و تعداد	قیمت خرید	مقام	واجب الادا رقم
1				
2				
3				
4				
5				
6				
7				
8				
9				
	نوش			

میں وعدہ کرتا کرتی ہوں کہ میں کل واجب الادا رقم برطابق معاہدہ مقررہ وقت اور تاریخ تک ادائیگی کا اہل پابند ہوں گا۔ اگر کسی صورت میں اس وعدہ کی خلاف ورزی ہوگی تو اس سے متعلقہ ضابطہ سے پکی رسید اور رقم کا اندراج اس سٹمٹ سے منسلک دینے کے بعد مل کے مطابق کرنے کا مطالبہ کروں گا۔ اگر کسی اور طریقے سے کرنے کی صورت میں کسی بھی قسم کی غلط ادائیگی کا خود ذمہ دار ہوں گا۔ رسید لکھ دی تاکہ سند رہے۔

.....
..... دستخط / انگوٹھے کا نشان

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Annexure 20

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ہیلپنگ ہینڈ فار ریلیف اینڈ ڈیولپمنٹ

رسید برائے وصول رقم برائے کاروبار

میں کسی اسماٹ من ایت از ہم
 قومی شناختی کارڈ نمبر برہنہ کی عظیم ادارت کئی
 کنڈ
 آج مورخہ ہفتوں وہاں سے بطور مضامین کاروبار زینت روپے بڑھ چیک نمبر
 (سنگھن نمبر) وصول کیا کرتی ہوں۔ میں وعدہ کرتا کرتی ہوں کہ
 میں مضامین کے وقت جو رقم ملی ہے اسے شدہ کاروبار میں استعمال کروں گی/گا۔ شرح
 منافع سے تقسیم ہوگا۔ رقم کی ادائیگی کے وقت ادارے کے حلقہ علاقے سے کئی رسید حاصل کرنے کا
 مطالبہ کر رہا کروں گا اور یہاں کرنے کی صورت میں کسی بھی قسم کی لٹوا لٹائی کی خود ذمہ داری ہوگی۔ رسید نمودی تاکہ ستر ہے۔

درخواست گزار کا دستخط اور نام لکھنے کا نشان

کوہ نمبر: کا دستخط اور نام لکھنے کا نشان

کوہ نمبر: کا دستخط اور نام لکھنے کا نشان

شناختی کارڈ نمبر

شناختی کارڈ نمبر

Annexure 8

HELPING HAND FOR RELIEF & DEVELOPMENT

ہیلپنگ ہانڈ فار ریلیف اینڈ ڈیولپمنٹ

رہبرائے ہولی تر خدمت

..... میں کسی اسات
 قومی شناختی کارڈ نمبر
 سکت
 آج مورہ یہ ہوش و حواس سے بطور تر خدمت مبلغ روپے بذریعہ چیک نمبر
 (سنگھن نمبر) وصول کیا کرتی ہوں۔ میں وعدہ کرتا کرتی ہوں کہ
 میرا بھائی کی کل اقساط مبلغ تاریخ تک ادائیگی کا اہل پابند
 رہوگا انہی قرض کی قسط کی ادائیگی کے وقت ادارے کے متعلقہ عارف سے یہی رہد اور قسط کا اہمراج اس مطے سے منسک دیئے گئے شیڈول میں کرنے کا
 مطالبہ کروگا اگر وہی اور ایسا نہ کرنے کی صورت میں کسی بھی قسم کی غلط ادائیگی کی خود ذمہ دار ہوگا اور وہی۔ رہد گھدی تا کہ ستر ہے۔

.....
 درخواست گزار کا دستخط و نام لکھنے کا نشان

.....
 گواہ نمبر: ۲ کا دستخط و نام لکھنے کا نشان

.....
 گواہ نمبر: ۱ کا دستخط و نام لکھنے کا نشان

.....
 شناختی کارڈ نمبر

.....
 شناختی کارڈ نمبر

D) FIELD PICTURES



