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Effectual Insights Of Microcredit Services To Rural Livelihood: A Southern Punjab Perspective

Ahmad Armughan Khan, Muhammad Yaseen, Muhammad Luqman, Muhammad Umer Mehmood[*]

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ABSTRACT

Uncertain economic situation of developing countries like Pakistan is posing threat to marginalized societies and lives in rural areas. Microcredit is considered as most efficient tool in mitigating the vulnerable condition i.e. either due natural calamities or economic policies. This study was fact finder is checking the impact and highlighting the problems associated with microfinancing. For the purpose cross-sectional study was carried out in three randomly selected districts of Punjab province. From each district 200 beneficiaries of microfinancing were selected using lists provided by the regional offices of MFIs. Data obtained through interview schedule from sample of 600 was analyzed using SPSS. Results revealed that respondents received microcredit both for social as well as agricultural purposes. Results showed that percentage share of farm income have been increased after receiving of microcredit. There is a relatively lower impact of microcredit on some indicators such as access to education and health facilities, contribution to family income, and household income level. For tackling the problems like in-time disbursement and repayment, monitoring, business advisory to front man and regular meetings with borrowers can make difference. However, introducing reward system for repayment can be effective.

Keywords: *Microcredit, rural livelihood, impact, problems, MFIs.*

INTRODUCTION

Pakistan like other developing countries has suffered a lot during the COVID-19 and still suffering the after effects. Providing microcredit services to vulnerable communities is considered as the most effectiv[1]e and only way of in-time support. In the recent past Pakistan has started giving importance to microfinancing as a tool to alleviate poverty and source of social mobilization. The chain of providing microcredit to end beneficiary has multiple windows like; public and private banks, NGOs and some government supported programs as well. Including these institutions there are many entities who act as bridge for communities in

Department of Agricultural Extension & Rural Studies, College of Agriculture, University of Sargodha, Sargodha Pakistan (40100)
[*]Correspondence Author : Muhammad Umer Mehmood

deprived regions. It's a well-accepted fact that beside widening with the passage of time, gap between rural and urban areas exists in all over the world. Some regions are so vulnerable that by 2025, almost 60% of the world's poor will be belonging to rural settings (Kedir, 2003). Conventional approach adopted for income generation in rural areas is agriculture. However, with the passage of time developing regions like most of the countries from South Asia has faced less profitability and decreasing productivity. Furthermore, lacking in access to essential needs like; education, knowledge, basic infrastructure and markets is becoming a cause of perpetuating vulnerability (FAO, 2020).

As far as development in rural areas is concerned, it means improving quality of rural life alongside the socioeconomic welfare of residents in rural areas. These days major challenge for the policymakers is making the access possible for rural areas to opportunities and services. In the era where the world is considered as the global village, rural areas are still considered as three time poorer than urban places (Kenny, 2015). Gender inequality, subsistence economy, sole dependence on conventional agriculture and lack of access to financial services are the issues which are still representation of rural areas [Ameraldo et al., (2019), Lidzhegu & Kabanda, (2022) and Imran et al., 2022)]. In this scenario where sources of incomes are closer to nature and considered as vulnerable, farmer stands at risk. Financial help in the form of microcredit can result in fear free reliance on the farming business and simultaneously it can bring sustainability to income from farm (Banerjee & Jackson, 2017). Putting money into the hands of rural people brings improvement in their resources, which results in increasing productive capacity of farming family. Beside these impacts and well-known purposes identified by the researchers there are multiple problems as well. Addisu, (2006) has categorized microcredit related problems into four categories. Those categories are extraneous, lender related, operational and borrower related. In Punjab FINCA Bank, Khushhali Microfinance Bank, PRSP, NRSP and Akhuwat Foundation are the prominent institutions which are major role players in microcredit domain (Iqbal et al., 2020). Including Akhuwat that is interest free microcredit providing organization, all the above are public supported institutions. For this study as the focus are specific residents of a specific region, and previously discussed that every region has its own environment, acceptability, nature response and preferences of residents. In this way microcredit should be acknowledged as per the diversity of the ground realities.

Review of Literature

The present economic conditions in South Asia, particularly Sri Lanka and Pakistan, showcase a range of challenges and opportunities. Sri Lanka has been hit hard by the COVID-19 pandemic, leading to a contraction in the services sector and fiscal imbalances. Pakistan has made progress in macroeconomic stability but continues to face issues like inflation and unemployment. Both countries are implementing policy measures to address their economic challenges, diversify their economies, and attract investment. Pakistan's economic situation has faced worsening challenges within the presented scenario (Withers et al., 2022). The country continues to grapple with high inflation, unemployment, and a large informal economy (Asghar et al., 2020). These factors hinder Pakistan's sustainable growth prospects and pose significant hurdles to economic development. Ullah et al. (2020) endorsed that while efforts have been made to expand the tax base, improve governance, and promote export-oriented industries, the persistent structural issues have limited the effectiveness of these measures. Thus, Pakistan's economic situation has been further strained, highlighting the need for sustained reforms to address these underlying challenges and foster long-term economic stability.

Southern Punjab is primarily an agricultural region and is known for its fertile land. It is situated between the Sutlej River in the east and the Indus River in the west, providing ample irrigation resources for farming. The landscape comprises plains, deserts, and a few hilly areas. The region is known for its production of cotton, wheat, sugarcane, maize, rice, and fruits such as mangoes and citrus (Muzammil et al., 2020). Farmers employ traditional methods as well as modern agricultural practices. Southern Punjab's vulnerable economic situation is attributed to several factors. The region heavily depends on agriculture, making it susceptible to climate change, water scarcity, and natural disasters (Hussain et al., 2020). Limited industrial diversification and inadequate access to finance hinder economic resilience and job creation. Insufficient infrastructure, including roads, transportation, and electricity, impairs competitiveness and market access (Gillani et al., 2021). Low human capital development limits innovation and competitiveness. High poverty levels and income inequality persist, while limited foreign direct investment hampers capital inflows and technology transfer (Zilinske, 2010). Addressing these factors requires improving agricultural practices, enhancing water management, promoting diversification, investing in human capital, upgrading infrastructure, and fostering an enabling business environment.

Microcredit provision can address various economic challenges in Southern Punjab. Mphande and Mphande (2016) stated that it can empower small-scale farmers to invest in modern agricultural practices, support entrepreneurship and diversification, fund infrastructure development, enhance skill development and human capital, alleviate poverty and improve social welfare, empower women, and facilitate access to formal financial services. By providing access to affordable credit and complementary support, microcredit programs can contribute to economic growth, poverty reduction, and sustainable development in the region.

Rationale

Carrying out research in Southern Punjab is crucial due to the region's economic challenges and the need for evidence-based solutions. Through research, Southern Punjab can develop strategies to address agricultural vulnerabilities, improve infrastructure, enhance human capital, empower marginalized communities, inform policymaking, and promote sustainable development. Southern Punjab regarding the purpose of obtaining microcredit, problems faced by microcredit beneficiaries, and the impact of microcredit on livelihood provides an opportunity to delve deeper into the effectiveness and challenges of microcredit programs in the region. While the previous studies might have touched upon these aspects, conducting further research would allow for a comprehensive understanding of how microcredit specifically functions in Southern Punjab. Firstly the research will explore the specific purposes for which microcredit is sought by individuals and businesses in the region. Secondly, it will identify the common problems faced by microcredit beneficiaries, and lastly evaluate the actual impact of microcredit on their livelihoods. For the last one authors has built the following hypothesis;

H_1: Microcredit access has positive impact on livelihood aspects

H_0: Microcredit access has no impact on livelihood aspects

By addressing this research gap, insights can be gained to enhance the design, implementation, and support mechanisms of microcredit programs, ultimately improving their effectiveness and making them more responsive to the needs and challenges of the beneficiaries in Southern Punjab.

METHODS

This cross-sectional study was conducted in Punjab province i.e. most populated among all. The province has 36 districts, and it is considered as the food production unit for the whole country. This is a livelihood-oriented research, that's why household survey was used. Quantitative data was collected using face-to-face interviews with the rural residents. Considering nature of the research, probability (Simple Random Sampling) technique was used. During the process three administrative units were randomly selected from the 14 units of Southern Punjab, considering limitation of research. Recipients of microcredit service were the population of this study and the list of the borrowers were obtained from regional offices of lender institutions. The lists of borrowers who used to receive microcredit services in the targeted study districts were also verified in consultation with the staff of the Agricultural Extension Department of the respective districts. From each list of borrowers 200 respondents were selected following simple random sampling using equal distribution technique belonging to each of three districts. Total sample size of the study was 600 respondents. Structured interview schedule was prepared to keep in mind the objectives of the study for the conducting face-to-face interview. Interview Schedule was comprised of both Open & Close-ended questions. Validity and Reliability of the Research/Data Collection (Interview Schedule) Instrument was checked before the final data collection. Pre-testing of the Interview Schedule was done by conducting interviews with 15 respondents from each targeted district. For the collection of data from female respondents, a team comprising local female members was constituted. Training sessions regarding data collection were conducted for the team members.

Analysis

The collected data were coded on Microsoft Excel. Final Analysis was done using SPSS. Descriptive statistics was used for socioeconomic parameters like; age, education, land ownership and respective area. For obtaining the analysis of "purpose of getting microcredit", "problems faced by beneficiaries" and "impact of microcredit on individual level" mean and standard deviation were brought into effect following descriptive statistics. Finally chi-square test was applied to check the hypothesis related to impact of microcredit on livelihood in Southern Punjab.

Results & Discussions

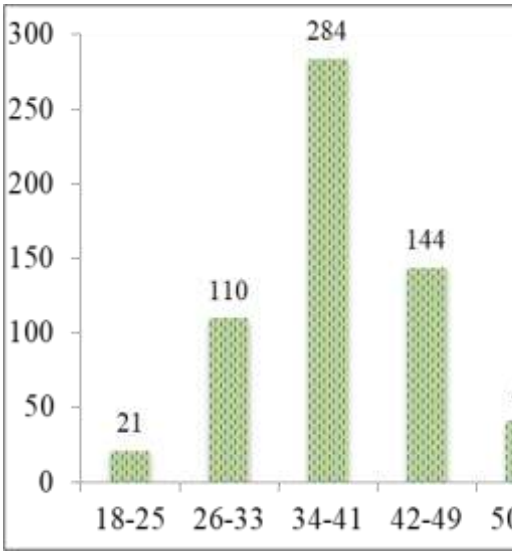

Fig 01: Age distribution of respondents

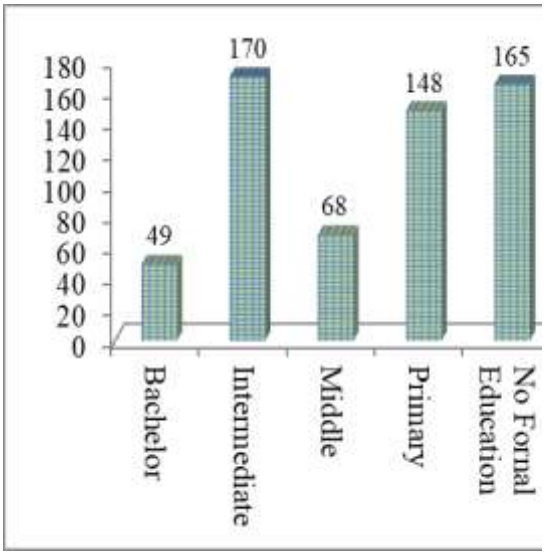

Fig 02: Literacy level of respondents

Bars of the figure 01 show the frequency acquired by different age groups among the respondents. Pattern of acquiring micro-credit facility by rural residents explains their approach and behavior related to the point of focus. Age and education of the borrower from the financial institution has a positive relationship, as age brings the experience and education plays role in accordance with confidence & independence in an individual. Maximum beneficiaries were belonging to the adult category that is 34-41years of age. Their experience, understanding of the local supply chain and being aware of the potential in farming business has been big role player in this decision. Comparatively rural youth has been found reluctant in benefiting from the micro-credit service as shown in figure 01. While rural residents who were in their 40's and above has better approach towards facility as compared to youth. Researcher assessed the factor of being sole bread winner in the family is major factor behind this trend. On the right side figure 02 is giving detailed outlook of formal education acquired by the rural residents in the study area. Around 30percent of the beneficiaries had no formal education, undoubtedly this can pose them to risk while managing the financial heads. On the other hand more than 35percent of the rural residents were having formal education up to college level and above. Matter of concern regarding these two factor is rural youth, there is need to build the sense of innovative entrepreneur. This trend will change the circle around and the environment of getting the investment back will be feasible for financial institutions as well.

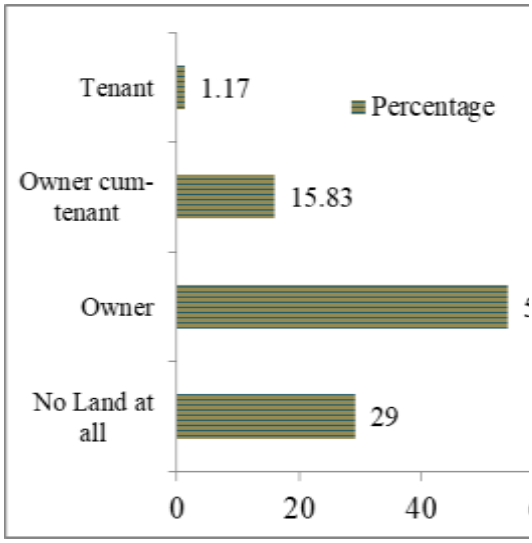

Fig 03: Land ownership status of respondents

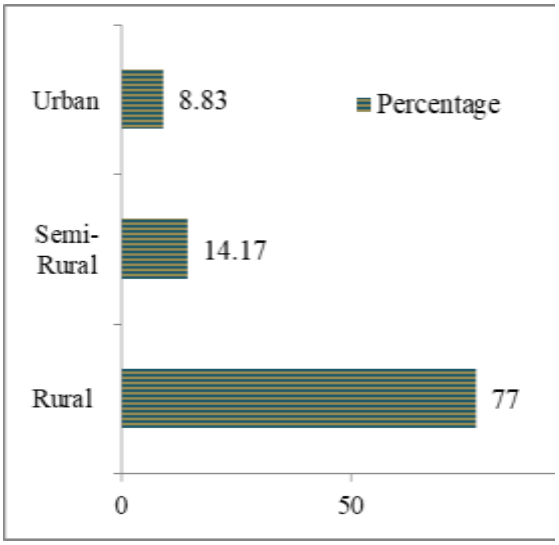

Fig 04: Respective area of respondents

Land ownership and the surroundings where you live, what facilities you have access to do matter a lot. Sense of having ownership of land let them avoid the situation of making a cut of turnover, somehow this thought beholds the rural residents from taking an innovative step. Being deprived of the undoubted facilities while they involved in farming business can also prove a reasonable risk. Considering this background question about status of ownership of land and preference of living were asked from the respondents. When asked about the ownership of land, 54percent of the respondents said that they have the ownership of land followed by 29percent who do not depict any ownership (Figure 03). Factor of ownership of land has the edge there that can be credited for convincing them to be an innovative farmer. As from the right side (Figure 04) it is clear that maximum participant choose to live in rural area. While 14.17percent of the rural residents responded that they choose to live in semi-rural area followed by 8.83percent who said that they would prefer to live in urban areas. Case of

acquiring credit facility should acknowledge the ownership status and living preference. This will enhance the connectivity of residents with their surroundings, moreover it will also play role in attracting basic and mandatory business related to farming.

Table 01: Mean & standard deviation of major purposes to get Micro-Credit as identified by respondents

Purposes	**Mean**	**SD**
Social Life Purposes		
Satisfying basic needs	3.37	.95
Education of children	3.23	.896
Small business	3.31	.687
Better nutrition	2.75	.653
Rise in income level	3.55	.957
Women empowerment	3.07	.715
Improvement in standard of living	3.25	.716
Social Status	3.24	.686
Increase in consumption of goods and services	3.41	.493
Farm Oriented Purposes		
Seed	3.24	.788
Sowing and Cultivation	3.20	.780
Pesticides	3.11	.875
Fertilizers	3.06	.634
Irrigation	3.31	.776
Harvesting	3.06	.626
Storage & Marketing	3.12	.610
Enhancement of live stock	3.28	.656
Enhancement of Poultry	3.42	.555

Rating Scale: 1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

Purpose has the power to influence the behavior, offering a sense of direction and sets the base for shaping goals. Microcredit schemes are meant to stop exploitation of poor, provision of small loans, financing local viable projects and for creating employment. Related to this study respondents were given two domains of purposes, which are social life purposes and farm oriented purposes. Basic and most relatable purposes under each domain were mentioned. From the socioeconomic purposes, highest mean value of 3.55 was obtained by “increase in income level” followed by “increase in consumption of goods and services” i.e. 3.41. It’s relatable to the rural livelihood as they do a lot of struggle to sustain their income every crop season and try to manage their expenses amid all the ups and downs. Under this section better nutrition option got the mean value near to undecided on the Likert scale i.e. 2.75 as indicated in table 01. A very important factor of nutritional balance is still being ignored in the study area. While Ahmad and Muhammad (2018) reported stagnant growth in southern Punjab is due to the nutritional deficiency at household intake patterns. As the respondents were belonging to rural background that’s why farm oriented purposes were also included to get their feedback. Data showed that major purposes of their access to microcredit it oriented around enhancing their poultry stock and irrigation. These two relatively got the mean value of 3.42 and 3.28 (Table 01). Remaining all the factors discussed under farm oriented purposes was rated close to undecided value on Likert scale. This explains that purposes of rural residents while taking microcredit are not directed. Purpose directed microcredit and keeping a check on fulfillment of objective should include in the provision process of microcredit facility.

Table 02: Mean & standard deviation Problems faced by respondents in getting Micro-credit

Problems	Mean	SD
High Interest Rate	4.35	0.478
Short repayment time	4.17	0.726
Lack of awareness among farmers about agricultural loaning	3.97	0.700
Insufficient Mortgage	3.95	0.667
Low amount of credit	3.94	0.738
Complex & lengthy process	3.92	0.721
Capacity building issues of farmers	3.88	0.569
Location of financial institution	3.73	0.746
Limited number of agricultural loaning schemes	3.72	0.708
Insufficient collateral security	3.58	0.691

Rating Scale: 1= Strongly Disagree, 2= Disagree, 3= Undecided, 4= Agree, 5= Strongly Agree

The data above presents the ranking of problems faced by respondents when attempting to obtain micro-credit, specifically in the context of agricultural loaning. The scale used to measure the problems faced is a five-point Likert scale, where respondents were asked to indicate their level of agreement with each problem statement, ranging from 1 (strongly disagree) to 5 (strongly agree). The first problem faced by respondents in obtaining micro-credit is the high interest rate, which has a mean score of 4.35 and a standard deviation of 0.478 (Table 02). This indicates that the majority of respondents strongly agree that high-interest rates are a significant issue when accessing micro-credit. This can be a significant barrier for farmers who need to borrow money to invest in their agricultural activities, as the high-interest rates increase the cost of credit, making it more difficult to repay. The second problem identified by respondents in table 02 is the short repayment time, which has a mean score of 4.17 and a standard deviation of 0.726. This indicates that respondents agree that the repayment time is a significant challenge. The short repayment time can create pressure on farmers, as they may not be able to generate the necessary revenue to repay the loan in a short period, leading to defaults and financial distress. Lack of awareness among farmers about agricultural loaning is another challenge, which has a mean score of 3.97 and a standard deviation of 0.700. This indicates that respondents are undecided about the level of awareness among farmers about agricultural loaning. Farmers who lack awareness may not know how to access micro-credit, the terms and conditions, and how to repay the loan. After that problem identified is insufficient mortgage, which has a mean score of 3.95 and a standard deviation of 0.667. This indicates that respondents agree that insufficient mortgage is a significant issue when accessing micro-credit. Without sufficient collateral, lenders may not be willing to provide credit, making it difficult for farmers to obtain micro-credit. Next problem was the low amount of credit, which has a mean score of 3.94 and a standard deviation of 0.738. This indicates that respondents agree that the amount of credit provided is insufficient. Low credit limits may not be enough to cover the costs of agricultural activities, making it difficult for farmers to obtain micro-credit.

Complex and lengthy process of obtaining micro-credit has a mean score of 3.92 and a standard deviation of 0.721. This indicates that respondents agree that the process of obtaining micro-credit is complex and lengthy. The long process can deter farmers from applying for micro-credit, leading to missed opportunities for investment in their agricultural activities. Challenge of capacity building issues of farmers has a mean score of 3.88 and a standard deviation of 0.569. This indicates that respondents agree that capacity building issues are a significant challenge when accessing micro-credit. Farmers may lack the necessary skills and knowledge to manage credit effectively, leading to defaults and financial distress. Location of financial institutions as a challenge has a mean score of 3.73 and a standard deviation of 0.746. This

indicates that respondents agree that the location of financial institutions is a challenge when accessing micro-credit. Farmers who live in remote areas may not have easy access to financial institutions, making it difficult to obtain micro-credit. Mean score obtained by limited number of agricultural loaning schemes was 3.72 and a standard deviation of 0.708. This indicates that respondents agree that the limited number of agricultural loaning schemes is a significant issue when accessing micro-credit. A lack of loan schemes may limit the availability of credit, making it difficult for farmers to obtain micro-credit. The final problem identified is insufficient collateral security, which has a mean score of 3.58 and a standard deviation of 0.691 as indicated in table 02. This indicates that respondents agree that insufficient collateral security is a challenge when accessing micro-credit. Without sufficient collateral, lenders may not be willing to provide credit, making it difficult for farmers to obtain micro-credit. This is particularly true for small-scale farmers who may not have adequate collateral to secure credit.

The problems faced by respondents in obtaining micro-credit vary in terms of severity and impact. High-interest rates and short repayment time are the most significant challenges faced by farmers, while insufficient collateral security and limited loan schemes also present significant barriers. The complex and lengthy process of obtaining micro-credit, capacity building issues, and lack of awareness among farmers about agricultural loaning are other challenges faced by farmers. These problems need to be addressed to ensure that farmers have access to affordable and sustainable credit to invest in their agricultural activities. Policymakers, financial institutions, and other stakeholders need to work together to develop innovative solutions that address the challenges faced by farmers and increase access to micro-credit.Research has put forth some facts that kind of challenges can be faced by the individuals dependent on rural livelihood associated with microcredit services. There are several facts associated with the findings related to the challenges faced by rural farmers in accessing micro-credit. One of the primary facts is that rural farmers often lack access to formal financial institutions, such as banks, which makes it challenging for them to access credit. This is particularly true in developing countries, where rural areas may have limited banking infrastructure (Dupas et al., 2014). Another fact is that rural farmers often have limited income and assets, which can make it difficult for them to provide sufficient collateral for loans. Awuah & Addaney (2016) clarified that this can lead to high-interest rates, short repayment periods, and limited loan amounts, which can further exacerbate their financial challenges. Furthermore, many rural farmers lack the necessary skills and knowledge to manage loans and finances effectively (Mgbenka et al., 2016). This can include financial literacy, record-keeping, and business management skills. This lack of skills can make it difficult for farmers to access credit and use it effectively to improve their livelihoods.

To address these challenges, several ideas have been proposed. One idea is to promote the use of alternative credit scoring methods, such as using mobile phone data, to assess creditworthiness. This could help overcome the lack of formal credit histories and collateral security among rural farmers. Another idea is to invest in financial literacy and business management training for rural farmers. This could help them better understand loan procedures, manage their finances, and improve their creditworthiness, making it easier for them to access credit (Thampy, 2010). Governments and financial institutions can also work to improve access to formal financial institutions in rural areas by investing in banking infrastructure, promoting the use of digital financial services, and creating policies that support financial inclusion for rural populations. Addressing the challenges faced by rural farmers in accessing micro-credit requires a multi-faceted approach that considers their unique needs and challenges. By improving access to credit and promoting financial literacy and business management skills, rural farmers can enhance their livelihoods and contribute to the sustainable development of their communities.

Table 03: Mean and Standard deviation of the impact of microcredit services on livelihoods of rural people

Impact	Mean	SD
Skills enhancement	4.35	0.703
Improve self-confidence	4.32	0.631
Improvement in Agri-Business activities	4.29	0.584
Improve well-being of children	4.27	0.633
Decrease vulnerability to poverty and food insecurity	4.24	0.508
Enhance decision-making power	4.19	0.642
Reduction in poverty status	4.10	0.454
Improve self-respect	4.01	0.671
Improve household food security level	3.96	0.695
Increase control over resources	3.77	0.696
Improve access to educational facilities	3.72	0.449
Improve access to health facilities	3.68	0.488
Contribution to family income	3.67	0.508
Increase in Family Agricultural Land	3.66	0.755
Enhance household income level	3.65	0.671
Improved Overall household wellbeing	3.46	0.562

Rating Scale: 1= Very Dissatisfied, 2= Dissatisfied, 3= Undecided, 4= Satisfied, 5= Very Satisfied

The above descriptive statistics present the mean and standard deviation values for various indicators of women empowerment resulting from microcredit. These indicators are measured on a 5-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree). The highest mean score of 4.35 in table 03 was observed for the indicator "Skills enhancement," which suggests that microcredit has a significant impact on improving women's skills. This result is expected because microcredit programs usually provide training and technical support to women entrepreneurs to help them run their businesses effectively. The second-highest mean score of 4.32 was observed for the indicator "Improve self-confidence." This outcome is also consistent with the literature on microcredit, which suggests that it enhances women's self-esteem and self-worth by providing them with an opportunity to be economically independent.

The third-highest mean score (4.29) was observed for the indicator "Improvement in Agri-Business activities," indicating that microcredit has a positive impact on women's agribusinesses. This result is logical because microcredit programs are often targeted towards women engaged in agribusiness activities in developing countries. The fourth and fifth-highest mean scores were observed for "Improve well-being of children" (4.27) and "Decrease vulnerability to poverty and food insecurity" (4.24), respectively (Table 03). These outcomes are expected because microcredit programs help women to generate income, which ultimately leads to an improvement in the well-being of their children and reduces their vulnerability to poverty and food insecurity.

Table 03 explains sixth-highest mean score (4.19) was observed for the indicator "Enhance decision-making power," which suggests that microcredit has a positive impact on women's decision-making power within their households. This outcome is consistent with the literature on microcredit, which highlights the importance of empowering women by increasing their decision-making power within their households and communities. Following that mean score of 4.10 was observed for the indicator "Reduction in poverty status," indicating that microcredit has a positive impact on reducing poverty among women. This outcome is expected because

microcredit programs provide women with access to financial resources, which they can use to invest in their businesses, improve their livelihoods and ultimately reduce poverty. The eighth-highest mean score (4.01) was observed for the indicator "Improve self-respect," indicating that microcredit has a positive impact on women's self-respect. This outcome is logical because microcredit programs help women to become financially independent, which in turn enhances their self-respect and self-worth.

The remaining indicators had mean scores ranging from 3.72 to 3.46, indicating a relatively lower impact of microcredit on these outcomes as mentioned in table 03. These outcomes include improved access to educational and health facilities, contribution to family income, and enhanced household income level. Descriptive statistics show that microcredit has a significant impact on women's empowerment by improving their skills, self-confidence, agribusiness activities, well-being of children, reducing poverty, enhancing decision-making power, and improving self-respect. However, there is a relatively lower impact of microcredit on other indicators such as access to education and health facilities, contribution to family income, and household income level.

Microcredit has been considered an effective tool for promoting women's empowerment and rural livelihoods, particularly in developing countries (Akhter & Cheng, 2020). The above findings suggest that microcredit has a significant impact on various indicators of women's empowerment, including skills enhancement, agribusiness activities, and reduction in poverty status. These outcomes are crucial for improving the livelihoods of rural women who often face economic and social barriers to economic opportunities. In rural areas, women are often responsible for food production, childcare, and other domestic chores, which limit their opportunities to engage in income-generating activities. However, microcredit can provide rural women with access to financial resources, training, and technical support, enabling them to start their businesses and become economically independent (Mayoux, 1999). This, in turn, can improve their decision-making power, self-confidence, and overall well-being, as well as that of their families. Moreover, the findings suggest that microcredit can help reduce vulnerability to poverty and food insecurity, which are major challenges faced by rural households, particularly in developing countries. Therefore, microcredit can play a vital role in enhancing rural livelihoods and promoting women's empowerment, which can contribute to sustainable development in rural communities.

Table 04: Association between impact of microcredit and livelihood aspects

Impact on Livelihood Aspect	**Chi Square Value**	**P-value**
Increase house hold income	484.04	<0.001
Improved education of children	274.98	<0.001
Entrepreneurship development	92.149	<0.001
Better access to nutritious food	107.61	<0.001
Empowered youth	246.12	<0.001
Improved household structure	150.35	<0.001
Improved social well being	142.64	<0.001
Increased agriculture production	105.81	<0.001

Increased livestock business	385.15	<0.001

The given table shows the association between the impact of microcredit and various aspects of livelihood. The table displays the chi-square value and p-value for each impact, which is used to determine the statistical significance of the relationship between the two variables. The chi-square value is a statistical measure that calculates the difference between observed values and expected values. In this case, it measures the difference between the actual impact on livelihood aspects and the expected impact, assuming that there is no relationship between microcredit and livelihood. The p-value is a measure of the probability of obtaining the observed chi-square value or a more extreme value if there is no real relationship between the two variables. A p-value less than 0.05 is typically considered statistically significant, indicating a strong association between the two variables. According to the table, all the impacts of microcredit on livelihood aspects are statistically significant, with p-values less than 0.001. This suggests that microcredit has a significant impact on various aspects of livelihood. The impact of microcredit on increasing household income has the highest chi-square value of 484.04, indicating a strong association between microcredit and increased income. This is followed by increased livestock business, which has a chi-square value of 385.15 in table 04.

Other impacts of microcredit that have strong associations with livelihood aspects include improved education of children (chi-square value of 274.98), empowered youth (chi-square value of 246.12), improved household structure (chi-square value of 150.35), and improved social well-being (chi-square value of 142.64). The impact of microcredit on entrepreneurship development (chi-square value of 92.149), better access to nutritious food (chi-square value of 107.61), and increased agriculture production (chi-square value of 105.81) also show statistically significant associations with livelihood aspects (Table 04). There is strong evidence that microcredit has a significant impact on various aspects of livelihood, including increased income, improved education, entrepreneurship development, improved social well-being, and increased agriculture and livestock production. These findings suggest that microcredit can be an effective tool for poverty reduction and improving the livelihoods of vulnerable communities. This ascertains that our H_o is rejected.

Considering above findings, to improve the provision of microcredit for rural livelihood improvement, it is important to target the right beneficiaries, offer appropriate loan products, provide financial education and training, ensure affordable interest rates, foster transparency and accountability, and foster partnerships with other stakeholders. These measures can help to expand the reach of microcredit programs, increase access to resources, and leverage the strengths of different actors to achieve better outcomes. By implementing these approaches, microcredit providers can help to reduce poverty and improve the livelihoods of vulnerable rural communities (Banerjee & Jackson, 2017). Microcredit providers should foster partnerships with other stakeholders such as government agencies, NGOs, and other financial institutions. Such partnerships can help to expand the reach of microcredit programs, increase access to resources, and leverage the strengths of different actors to achieve better outcomes (Dahan et al., 2010). For example, partnerships with government agencies can help to ensure that microcredit programs are aligned with government priorities and regulations, while partnerships with NGOs can help to ensure that microcredit programs reach the most vulnerable and marginalized communities. By fostering partnerships, microcredit providers can achieve greater impact on the livelihoods of rural communities.

Conclusions & Recommendations

Endemic vulnerability and saturation of poverty has become the symbol for rural areas especially in developing world. Microcredit is considered as an effective measure to resolve the issues of rural residents by supporting them in their respective income generation ideas. This study has found some clear findings about impacts, purposes and problems associated to microfinancing in Punjab Pakistan. Recipients were middle age group and not equally distributed within the study districts. It was also concluded that educational level of respondents was low as required. It was also concluded that both farming and non-farming activities were being performed by the respondents for their livelihoods due to multiple reasons. Furthermore, it was also concluded that small land holdings are very common in the area. Results revealed that respondents received microcredit both for social as well as agricultural purposes. It was concluded that area under major crops and average production has been significantly increased after receiving of microcredit. Results showed that percentage share of farm income have been increased after receiving of microcredit. Results indicate a number of problems being faced by majority of the respondents regarding receives of microcredit. Microcredit has positive and significant impact on the socio-economic development of rural people thereby improving farm & non-farm income. Microcredit programs have a significant impact on women's empowerment in several areas, including improving their skills, self-confidence, agribusiness activities, well-being of children, reducing poverty, enhancing decision-making power, and improving self-respect. These outcomes are consistent with the literature on microcredit, which suggests that it helps women to become economically independent and improve their livelihoods. However, there is a relatively lower impact of microcredit on some indicators such as access to education and health facilities, contribution to family income, and household income level. Findings related to impact and purposes provide a thorough vision for policy makers. Microcredit programs should address these issues by promoting gender equality and empowering women to take on a more active role in managing their businesses and making important decisions While for tackling the problems like in-time disbursement and repayment, monitoring, business advisory to front man and regular meetings with borrowers can make difference. However, introducing reward system for repayment can be effective.

Implications

The research findings inform policymakers and government officials about the effectiveness of microcredit services in improving rural livelihoods in Southern Punjab. The research offers valuable insights for microcredit organizations, NGOs, and development agencies involved in designing and implementing programs related to microcredit services. The research is contributing to capacity building efforts by identifying the specific problems faced by rural communities in Southern Punjab regarding microcredit services. Generally it can contribute to evidence-based decision-making, program effectiveness, and the sustainable development of rural communities, ultimately leading to improved livelihoods and well-being for the rural population.

Limitations

This study is limited to Southern Punjab considering time and associated resources as the limitation of the study. The findings of the research are specific to the context of Southern Punjab and may not be applicable to other regions or countries. Researchers acknowledge the potential influence of external factors and how they might impact the effectiveness of microcredit services.

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