

DOES NGO MICROFINANCE ALLEVIATE POVERTY IN PAKISTAN? A QUASI-EXPERIMENTAL APPROACH

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ABSTRACT

Poverty is a global problem and Pakistan is not an exception wherein 37.9 % of the population lives in poverty. It is interesting to highlight due to the lack of government resources in Pakistan, non-governmental organizations (NGOs) microfinance institutions are playing main role in poverty alleviation of the rural areas of Pakistan. This paper aims to investigate the role of NGO microfinance in breaking the vicious cycle of poverty of the poor in Pakistan. Statistical Package for Social Sciences (SPSS) is used to analyse the data obtained from 465 respondents using quasi- experimental approach. The results reveal positive impact on the borrower's income and consumption while negative impact for saving and assets. Overall, microfinance has improved the well-being of the borrowers.

Keywords: NGOs; Microfinance; Poverty alleviation; Quasi-Experimental Approach; Pakistan.

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1. INTRODUCTION

The concept of poverty has become not only complicated but also multifaceted. Poverty does not only mean physical scarcity, but it is also about the lack of opportunity. Poverty is defined as the deprivation of income or consumption; poverty is the lack of basic requirements such as food, shelter, education, clothing, pure drinking water, sanitation, pure drinking facilities, financial institutions, information, and equal opportunity (Kalemba, 2017). Poverty also refers to the deficiency of the overall wellbeing at an individual or household level (Brady & Burton, 2016). Apart from that, poverty is deprivation of basic needs and capacities, vulnerability, humiliation, social exclusion, and absence of support from community groups and networks in times of need (Savadogo, Souares, Sie, Parmar, Bibeau & Sauerborn, 2015). Poverty can be classified into static or dynamic poverty; the former refers to the measurement of poverty at a point in time, while the later refers to changes in poverty over time (Pantazis, Gordon & Levitas, 2006).

It is interesting to highlight that South Asia is the second largest home to more than 23 per cent (%) of the world's population; ironically, it is also considered to be one of the poorest regions in the world despite the large population and abundance of natural resources (Kakwani & Son, 2016; Kaur & Kaur, 2016). On this note, the South Asia region occupies a special position in the form of economic, social and political importance (Ali, 2014). The region consists of several major countries surrounded by the Indian Ocean, namely Pakistan, Bhutan, Bangladesh, India,