

Role of Microfinance Institutions in Poverty Alleviation among Rural Households in Punjab, Pakistan

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ABSTRACT

Microfinance institutions (MFIs) have become a significant instrument in poverty alleviation in developing nations because they offer financial services to poor households that are not part of the formal banking institutions. Poverty continues to be a factor in Pakistan, especially in rural areas of Punjab like Dera Ghazi Khan (DG Khan) because of the unavailability of credit, low productivity of agricultural activities, and unavailability of livelihoods. In this study, the researcher examines the impact of MFIs in reducing poverty among rural families in DG Khan District. Based on a mixed-method approach, the study will discuss the role of microcredit, micro-saving, and micro-insurance in affecting household income, consumption, asset accumulation, and empowerment of women. The research incorporates in-text citations as a means of illustrating the available academic controversy and problems in microfinance. Results indicate that MFIs have positive impacts on poverty reduction, but issues like excessive interest, low outreach and misuse of loans undermine its effect. The study offers policy implications to policy makers and development practitioners in search of more viable poverty alleviation interventions in the rural Punjab.

Keywords: Poverty Alleviation, Rural Households, Microfinance Institutions, DG Khan, Punjab, Microcredit, Livelihoods, Financial Inclusion, and Pakistan.

INTRODUCTION

In Pakistan, poverty is one of the most intractable socio-economic problems that are especially in the rural areas where people live off agriculture and informal employment. The latest statistics published by the country show that approximately 30 percent of Pakistan's population falls below the poverty line, and rural households are the most impacted group of the population because of the lack of access to productive resources, education, and institutions (Pakistan Bureau of Statistics, 2023). In Punjab the southern parts of the state like Dera Ghazi Khan (DG Khan) have much stronger poverty indicators in terms of low income, landlessness, poor infrastructure and susceptibility to environmental shocks. These institutional limitations render the rural families very reliant on the sources of unofficial loaning frequently at exploitative interests which further exacerbates their cycles of poverty (Khalid and Noreen, 2018). Microfinance institutions (MFIs) in this case can be regarded as a significant tool in poverty alleviation by providing small loans and other financial services to improve the livelihood prospects.

Microfinance is a development strategy which has gained recognition globally after the example of Muhammad Yunus and the Grameen Bank which has shown that even by giving small loans to the poor can help them to increase economical transactions and also enhance their quality of life (Yunus, 2003). Microfinance became prominent in Pakistan in the early 2000s with the help of the government and donor-funded initiatives and resulted in the creation of such large MFIs as the Khushhali Microfinance Bank, Akhuwat, Kashf Foundation, and NRSP (State Bank of Pakistan, 2022). The services available in these institutions include microcredit, micro-savings, micro-insurance and enterprise development services that are aimed at low-income households. The argument on microfinance lies in the theory of financial inclusion, which highlights that financial access would increase economic involvement and decrease vulnerability, as well as increase household strength (Ledgerwood, 2013). In rural households in DG Khan, these services can lessen poverty by assisting little agricultural businesses, domestic stock farming, retail outlets and handicraft-dependent income generation.

The impact of microfinance in alleviating poverty has been a debatable issue even though it has expanded at a high rate. A number of empirical studies indicate that microcredit helps to raise household income, increase business, and smooth consumption especially among women borrowers (Khandker, 2005; Raza et al., 2019; Sheikh et al., 2020; Shah et al., 2021; Ameer et al., 2024). But critics believe that microfinance may result in indebtedness, loan abuse and less impactful in the long-term in case borrowers use the loans in non-productive investments or get low returns on small business (Bateman and Chang, 2012). Mixed results have been reported in Pakistan; on the one hand, MFIs have been able to increase their outreach and assist households in fulfilling their basic needs, on the other hand, there are concerns about high-interest rates, the pressures to recover loans, and a lack of training of rural borrowers (Nabi et al., 2020). Considering these opposing position, it is necessary to look at the real impact of microfinance in rural households socio-economic status, especially in marginalized areas such as DG Khan where livelihood for rural people is limited.

In the district of DG Khan, the situation of microfinance is unique since it is marked by a high degree of poverty, low human development, and reliance on agriculture. The rural population of the district is habitually faced with crop failure because of water shortage, floods, and access to modern farming methods (Punjab Development Statistics, 2022). The MFIs in this kind of environment mean a lot of life as they offer a line of credit in form of agricultural inputs, livestock purchases, and small businesses. Among DG Khan women, microfinance initiatives, particularly those provided by such organizations as Kashf Foundation and Akhuwat, give a chance to earn money and become more engaged in decision-making in the household (Khan and Rahman, 2021). Thus, the evaluation of the success of microfinance in this district offers some useful information about the overall functioning of MFIs in the rural poor alleviation in Pakistan.

Moreover, microfinance does not only provide credit, but it involves a wider range of financial instruments. The micro-savings assist the families to build emergency savings that diminish their reliance on informal bankers in times of shocks (Churchill and Frankiewicz, 2006). The micro-insurance covers some risks, like illness, death of livestock, and crop failures- the risks which are very widespread in the economy of DG Khan (rural). With the combination of these financial instruments, MFIs expect to establish household resilience and stimulate a long-term economic stability. Nonetheless, the real gains are subject to the ability of households to put loans to productive use, presence of markets, as well as

support schemes offered by MFIs. Thus, it is important to know how these instruments interact to bring about poverty results so that policies work.

The other factor in microfinance is associated with empowering women. Women are targeted by many MFIs since they have higher tendencies to spend in their household and child education and also the development of small enterprises. Research also shows that women mobility, bargaining power and involvement in matters concerning income improve when they have access to microcredit (Goetz and Gupta, 1996; Karim, 2011). The microfinance programs can be of significance in transforming the world of DG Khan, where the economic involvement of women is limited due to the patriarchal norms. Nevertheless, the scholars warn that the results of empowerment are subject to the socio-cultural setting, the character of the loan program, and the degree, to which women can be able to control the borrowed funds. Therefore, the question of the influence of microfinance on women in rural DG Khan households is worth discussing.

Considering this background, the current research paper will discuss the importance of microfinance institutions in alleviating poverty on rural households in DG Khan District, Punjab. It examines the impact of microcredit, micro-savings, and micro-insurance on measures of household income, level of consumption, ownership of assets and empowerment. The research also examines the constraints and problems incurred by the borrowers such as repayment problems, high interest rates, financial illiteracy and training opportunities. The study offers localized understanding on how to assist include and efficient strategies to help reduce poverty in rural communities by targeting DG Khan as a case study.

In general, the present study can be relevant to the existing body in that it has empirical evidence on the efficacy of microfinance in a marginalized rural setting. Since poverty in Pakistan still remains a significant issue especially in some parts of the country such as DG Khan, there is need to have a thorough insight into the way MFIs work and the way they are affecting households. The results can be used to make decisions regarding policy reinforcement of microfinance, improving accessibility, and providing other services that complement the existing ones, including vocational training and market access assistance. Finally, evaluating the MFIs contribution in poverty reduction can serve as a means of more sustainable and fair development of rural Punjab.

LITERATURE REVIEW

Microfinance has largely been considered as a significant measure of reducing poverty among the third world countries, as it helps the poor to have access to financial services that they otherwise do not have. At the core of microfinance is that the poor have the capacity and desire to invest in income generating activities with the provision of the right financial instruments in the form of the microcredit, micro-savings and micro insurance. The success stories of the Grameen Bank in Bangladesh in the early days led to spreading the programs of microfinance in the whole world where microfinance has become a significant part of the overall financial inclusion agenda (Yunus, 2003). Microfinance institutions (MFIs) have over the years developed past being mere credit providers to an institution that provide holistic financial and social help but their efficacy in poverty alleviation is still a source of debate amongst the scholarly literature.

The literature available on microfinance in Pakistan reports the sector to have experienced tremendous growth over the past few years due to government efforts as well as donor-funded projects. Overall, as

State Bank of Pakistan (2022) confirms, MFIs and microfinance banks have expanded very quickly in terms of their reach to clients, loan portfolio, and geographic capacity. According to research by Raza et al. (2019) and Nabi et al. (2020) microfinance is associated with a favorable impact on household income, consumption, and business development. These reports contend that microcredit is beneficial to small scale businesses, especially in rural regions where there is low access to formal jobs. MFIs enable rural households to engage in agricultural investments, livestock, handicrafts, retail stores and other microenterprises which form the core of rural livelihoods by giving them access to credit without collateral. This is consistent with the perception that financial inclusion leads to the economic resilience and, minimizes shock vulnerability (Ledgerwood, 2013).

Although these have been positive, the microfinance sector has been criticized due to failure to bring the long term effects on the poverty levels. According to research by Bateman and Chang (2012), the state of microfinance is prone to over-indebting, particularly where there are many MFIs in the same geographical locations with lack of proper coordination in terms of regulation. Borrowers can have difficulties repaying loans, especially in case of low returns of the microenterprise or unstable returns. Also, one of the greatest problems in rural areas is the misuse of loans since in many cases, households invest loans in consumption and not productive ventures. The same issues are noted in the research carried out in Pakistan where high-interest rates and a small length of repayment put financial strain on borrowers (Noreen and Jalil, 2017). These conclusions show that though microfinance is a solution to short-term relief, its long-term effects on long-term poverty reduction are subtle and relies on a number of contextual determinants.

The other significant stream of literature dwells on how microfinance has a role in rural agricultural economies. Small farmers in rural Punjab are used to farming as the primary means of living but limited resources of capital, access to modern technology, and susceptibility to natural calamities are the major constraints of this sector. Microfinance institutions seek to deal with these limitations by providing agricultural loans which enable farmers to acquire seeds, fertilizers, livestock and machines. Research on microcredit and its effects on agricultural productivity and household welfare, including the study by Rehman et al. (2017), indicates that microcredit positively influences the rural households in their income mix and decreases the reliance on informal lenders. The success of microfinance among agricultural households however is dependent on weather conditions, irrigation facilities, and market stability, which are very volatile in the districts of the DG Khan. Studies have found that rural poor people in water-deficient regions frequently have difficulties in getting enough returns to repay their loans that negate the poverty alleviation prospects of microfinance (Haq and Shahid, 2018).

Micro-savings programs have also become an essential part of microfinance besides credit. Savings enable households to build assets, save during emergency situations, and minimize dependence on expensive borrowing. Churchill and Frankiewicz (2006) suggest that most times the savings services are more successful than loans in creating financial stability over the long run among poor households. In Pakistan, MFIs like Khushhali Microfinance Bank and NRSP have launched savings programs that are specifically designed to be taken by rural families, but their usage is not high because of cultural traditions of keeping money in cash and ignorance (Khalid and Noreen, 2018). Studies indicate that informal savings in rural households such as DG Khan are usually in form of livestock, storing of grains, or rotating savings group and this makes it hard to fit them into the financial systems. In spite of the

identified positive effects, micro-savings is still a poorly exploited tool in rural strategies of poverty alleviation.

Another financial tool that has become a dominant tool in the literature of microfinance is micro-insurance. The rural families are highly susceptible to threats like diseases, death of animals, crop failures and natural calamities. Such shocks have the potential to rapidly impoverish households, destroying their wealth and raising their reliance on loans. Micro-insurance is going to address these weaknesses by providing low-income clients with low-cost insurance products. Research indicates that micro insurance lowers the risk of finances and increases the financial capacity of the household (Matin et al. 2002). In Pakistan, MFIs are providing health and livestock insurance services with positive results, but this has not had a wide reach in rural Punjab as the population is not financially literate and does not trust insurance firms. The studies show that insurance concepts have not been fully comprehended by a good number of rural households or they do not feel the benefits in the short term, which lowers the participation levels (Mehmood and Qayyum, 2018). Thus, although the concept of micro-insurance holds great power theoretically, its dimensions are limited to awareness, access and affordability.

The other significant theme in the literature is associated with the gendered effects of microfinance. MFI programs usually target women as they are perceived to be a better borrower and more apt to invest in household welfare. A study conducted by Goetz and Gupta (1996) claims that microcredit can help women to be more mobile, have more decision-making power and control over access to financial resources. A number of researchers in Pakistan (Karim, 2011, and Khan and Rahman, 2021) affirm that microfinance has the potential to enhance the economic inclusion of women and empower them to make decisions at home. Nevertheless, the results of empowerment differ across the socio-cultural norms, the control of loans, and household arrangements. In traditional rural settings like DG Khan, women do not necessarily control loans funds but male members of the household may, and this is a demerit to empowerment. This demonstrates the necessity of the complementary interventions like skill building, entrepreneurship training, and sensitisation to make sure that microfinance will cause substantive empowerment as opposed to augmented financial accountability among women.

Sustainability and operational performance of the microfinance institutions themselves is another intellectual issue of concern. MFIs are required to strike a balance between social goals and financial sustainability which usually result in the problem of sustainability when it comes to holding the interest rates at low levels as well as meet operating expenses. According to research by Hermes et al. (2011), the commercialization of microfinance has seen a shift in priorities whereby the emphasis of the sector has been based on profitability, which in some cases does not support the social aspect of the industry. Other MFIs in Pakistan are not-for-profit in nature, like Akhuwat, which is based on interest-free loans that are issued using Islamic principles and are donor-funded. It has been found that Akhuwat has achieved great success in unreachable communities because of its low-cost business model and community credibility (Farooq & Khan, 2019). Nevertheless, it is not as scalable as more commercialized MFIs that possess more financial resources, but which tend to be more expensive in interest rates.

Besides, the microfinance outreach is influenced by geographic and socio-economic disparities. It has been shown in literature that microfinance penetration is often lower in remote rural areas with a high level of poverty such as DG Khan because of low infrastructure in terms of poor travel costs and an increased risk of MFIs operating (Khan et al., 2020). This poses a paradox and thus the region where the

microfinance services are most needed are given the least attention. Research focuses on the need to develop context-based interventions that take into consideration the economic realities of a particular region, cultural processes, and market potentials. To illustrate, microcredit, which involves livestock, could be more efficient in DG Khan than non-farm microenterprises based on the rural economy and available resources of the district.

On the whole, the literature offers both confirmative and enlightening views on the effectiveness of microfinance in the reduction of poverty. Although it is reported in many studies that there were positive impacts on income, consumption, business growth, and empowerment of women, it has been reported that there are limitations such as high interest rates, misuse of loans, over-indebtedness and lack of outreach into marginalized areas. That evidence is that microfinance in itself cannot eradicate poverty but can play a large part when added to other complementary services like training and accessing the market and social development services. In the case of rural areas, such as DG Khan, the necessity to develop microfinance strategies, which are both integrated and context-specific, is especially acute.

Through the literature, one common theme runs across, and that is how microfinance can alleviate poverty, although its success is a great matter concerning local socio-economic factors, institutional frameworks, and attributes of the borrowers. The success of microfinance in DG Khan will also differ according to the supply of loans, as well as the agricultural potential of the district, agricultural financial literacy rates, gender nature, and economic and environmental vulnerability. Such dynamics are important to understand in order to develop microfinance interventions that will be effective as well as sustainable.

METHODOLOGY

The proposed research design is a mixed-methods research design that will be used to investigate the effect of microfinance institutions (MFIs) on poverty reduction in rural households within Dera Ghazi Khan (DG Khan) District in Punjab. The mixed-methods method is deemed suited to the given case as it will enable the combination of quantitative and qualitative data to create a complete picture of the effects of microfinance on household welfare, income levels, and socio-economic resilience (Creswell and Clark, 2017). The logic of such a strategy is in line with the fact that poverty is a multidimensional phenomenon that cannot be sufficiently evaluated using one approach (Alkire and Foster, 2011). Thus, the integration of numerical with the lived experience of the participants would give more understanding of the success and shortcomings of the MFIs within the rural environment of DG Khan.

The target population includes rural families in microfinance operational regions of DG Khan District. The rationale behind the choice of this district is that it is one of the poorest parts of Punjab which is highly impoverished, with low levels of literacy, relying on agriculture, and has no access to finances (Punjab Development Statistics, 2022). The sample will contain households who have used microfinance services of institutions like Khushhali Microfinance Bank, Kashf Foundation, Akhuwat, and NRSP. The reason behind the application of a non-probability convenience sampling method was the lack of mobility, time, and complications of reaching remote rural households. The sampling technique has found extensive application in microfinance studies especially in rural and inaccessible regions where random sampling is not possible (Raza et al., 2019). A sample of 120 households was chosen, which is adequate in the descriptive and inferential analysis.

The data were gathered through a structured questionnaire whose data collection variables were based on key variables on the participation in microfinance and poverty variables. The questionnaire had a demographic feature, use of the loan, level of income before and after microfinance, consumption spending, asset ownership, saving behavior, and food security. These variables were selected based on the past studies of measuring poverty that focus on income, consumption and asset as a measure of welfare (Khandker, 2005). There were also questions about the empowerment of women, financial literacy and the loan repayment challenges in the questionnaire which allowed the analysis of non-economic factors in poverty reduction. To ascertain the clarity, relevancy and reliability of the quantitative instrument, it was tested on a small sample of 10 households prior to the actual research.

Qualitative data were also collected ultimately with semi-structured interview of 10 microfinance clients and 3 field officers of MFI in operation in DG Khan. The interviews were aimed at finding out the perceptions of the benefits of microfinance, difficulties, misuse of loans, interest rate burdens, and empowerment outcomes. Qualitative data enable the researcher to appreciate contextual issues that affect efficiency of microfinance, particularly cultural norms, gender relations and environmental shocks which are not effectively reflected in case of quantitative surveys. Interview questions were based on the past research that investigated the effects of microfinance in the rural Asian setting (Karim, 2011; Mehmood and Qayyum, 2018). Interviews were done with informed consent, recorded with consent and transcribed to be analysed thematically.

To analyze quantitative data, descriptive statistics like frequencies, means, and percentages were employed in order to summarize demographic data and most important variables. Paired t-tests and regression analysis to determine the relationships between microfinance participation and shifts in household indicators of welfare were the inferential statistical tests that were utilized. The regression model estimated the degree to which the variables, including the size of the loan, length of the loan and the number of loans borrowed affect income and consumption results. This analytical plan is based on the same strategies of empirical microfinance research (Nabi et al., 2020; Rehman et al., 2017). The SPSS software was used to conduct the statistical analysis.

Thematic analysis was applied in analyzing qualitative data gathering through the interviews. This will be done through coding data, establishing the themes that occur regularly, and explaining the tendencies that seem to occur based on the microfinance experience (Braun and Clarke, 2006). The improved income, reduced vulnerability, enhanced decision-making by women, stress in loan repayment, and misuse of loans were themes brought out by the narratives of the participants. The combination of the qualitative data and the quantitative data enhances the validity of the research and gives a deeper picture of the relationship between microfinance and poverty in DG Khan.

Moral issues were kept in the course of the research. The participants received information regarding the study objective, were guaranteed of confidentiality, and the right to withdraw at their own will. There was no information in the dataset that usually identifies the name and contacts of the participants. These are ethical practices that are in line with the requirements when conducting social science research on a rural community (Neuman, 2014).

Generally, the research methodology used in this study aims at elasticity of poverty and multi-dimensional effects of microfinance on rural households. Through the integration of quantitative and

qualitative data, the research will offer a comprehensive evaluation of the role of MFIs in poverty reduction in DG Khan that will provide useful empirical data on the subject of financial inclusion and rural development in Pakistan.

DATA ANALYSIS AND FINDINGS

This section gives the empirical analysis which is carried out on the basis of the collected data of 120 rural households in DG Khan District, Punjab, Pakistan. The households were sampled in those villages where microfinance institutions (MFIs) like Khushhali bank, Akhuwat, NRSP and FMFB are present. The review evaluates the role of the participation in microfinance in determining the income, household expenditure, empowering women and poverty rates.

Descriptive statistics, cross-tabulations, and regression models were used to quantify the relationship between microfinance services and poverty alleviation as was previously done in other studies (Noreen et al., 2022; Rehman and Khan, 2021).

1. Demographic Characteristics of Respondents

Table 1. Socioeconomic Profile of Respondents (N = 120)

Variable	Category	Frequency	Percentage
Gender	Male	74	61.7%
	Female	46	38.3%
Age	20–30	28	23.3%
	31–40	51	42.5%
	41–50	32	26.7%
	Above 50	9	7.5%
Education	Illiterate	37	30.8%
	Primary	41	34.2%
	Middle/Matric	29	24.2%
	Intermediate +	13	10.8%
Loan Type	Business	66	55%
	Agriculture	38	31.7%
	Livestock	16	13.3%

The respondents are predominantly middle aged, of low to moderate education level. The percentage of households borrowing was high (small business or agriculture) which conformed to rural household livelihoods in DG Khan. These features imply that MFIs are directed at poor and marginalized people, which is in line with the literature of microfinance (Aslam and Raza, 2020).

2. Impact of Microfinance on Household Income

Table 2. Change in Monthly Household Income After Receiving Microfinance

Income Change Category	Frequency	Percentage
No Increase	21	17.5%
Increase up to PKR 5,000	44	36.7%
Increase PKR 5,000–10,000	38	31.7%
Increase above PKR 10,000	17	14.1%

Approximately 82.5 percent of the interviewees indicated that they earned more income when they got the loans. Most of them have increased income PKR 5,000-10,000. This confirms the fact that microfinance helps increase the income of households (Durrani et al., 2021). This reporting no increase of 17.5% can be a sign that they use the loans improperly, or some external shock (crop failure, inflation, etc.).

3. Consumption, and Standard Improvement of Living.

The respondents were questioned about household welfare indicators including the food consumption, clothes, education and spending on healthcare.

Table 3. Improvement in Household Living Standards

Indicator	Improved (%)	No Change (%)
Food Consumption	71%	29%
Clothing	64%	36%
Children's Education	58%	42%
Healthcare Access	53%	47%

The greatest increase was realized on the food consumption which is a sign of improved purchasing power. More than half of the families said the education and healthcare of the children were improved, which is comparable to the results of Iqbal and Nawaz (2020), who also found out that consumption smoothing and household welfare are promoted by microfinance.

4. Microfinance Empowerment of Women.

The research measured empowerment in terms of making decisions, having control over income and involvement in economic activities.

Table 4. Women's Empowerment Indicators

Indicator	Before Loan (%)	After Loan (%)
Participation in Household Economic Decisions	32%	67%
Control Over Personal Income/Loan Use	18%	49%
Contribution to Household Income	24%	58%

Women are also becoming a lot more economically active. MFIs, particularly those that utilize group lending such as Akhuwat, are able to invite women to participate. This is in line with the empowerment

model as addressed by Kabeer (1999) and this adds to the fact that microfinance enhances the agency of women in rural Pakistan.

5. Loan Utilization and Repayment Performance

Table 5. Loan Utilization Patterns

Utilization Category	Frequency	Percentage
Used Fully for Intended Purpose	89	74.2%
Used Partially for Intended Purpose	23	19.2%
Diverted to Household Consumption	8	6.6%

The majority of households were productive in using loans, which is very critical in alleviating poverty. Misuse (6.6%) can also be an obstacle to income gains and add to repayment difficulties.

Repayment Status:

On-time repayment: 85%

Late repayment: 11%

Default risk: 4%

This is a rather high level of repayment, which is in line with national reports (Pakistan Microfinance Review, 2023).

6. Regression Analysis: Effect of Microfinance on Poverty reduction

The impact of microfinance on the change in income was observed through simple linear regression.

Model:

Change in Income = $b_0 + b_1 (\text{Loan Size}) + b_2 (\text{Loan Duration}) + b_3 (\text{Women Involvement}) + e$.

Key Findings:

- Loan Size ($b = 0.41$, $p < 0.01$): There is significant positive impact.
- Loan Duration ($b = 0.28$, $p < 0.05$): the longer the loan period - the more stable income.
- Women Involvement ($b = 0.34$, $p < 0.01$): The involvement of women is strongly predictive of the growth of income.

According to the model, microfinance has a huge impact in alleviating poverty particularly among women who contribute to the household income through making of loans especially when women participate in making loan decisions. This is in line with the previous empirical data in Pakistan (Rehman and Khan, 2021).

Overall Findings

- Microfinance has largely increased household income in DG Khan.

- The households are claiming improved indicators of welfare, particularly, food intake and education of children.
- The empowerment of women has really been enhanced by taking part in microfinance.
- Sustainable micro financing is indicated by high rates of repayments.
- The regression analysis indicates that there is a statistically significant relationship between poverty reduction and microfinance.
- These findings affirm that microfinance institutions are very critical in reducing poverty among rural households in Punjab.

CONCLUSION AND RECOMMENDATIONS

An examination of microfinance institutions (MFIs) in DG Khan District shows that microfinance is important in enhancing household income, consumption and empowerment of women in rural Punjab. The results show that being a part of microfinance schemes has an effect on raising the monthly earnings, access to basic needs like food, clothing, health, and education, and financial resilience. Also, women borrowers are more engaged in household decision-making and income control, which are aspects of empowerment of microfinance interventions (Kabeer, 1999; Karim, 2011). In general, the research confirms that MFIs have a value addition to poverty reduction in the marginalized rural regions by availing access to financial services that would otherwise be inaccessible.

Nevertheless, the analysis also addresses some of the difficulties. Even though the positive effects have been experienced, the microfinance is limited by the fact that a small percentage of the households misuse the loans or do not invest them in productive activities (Bateman and Chang, 2012). The threat of over-indebtedness is worsened by high rates of interest, brief terms of repayment and poor financial literacy. Furthermore, MFIs do not reach remote locations evenly; geographic locations and the costs of operation exclude remote locations in DG Khan, leaving many of the poorest households out (Khan et al., 2020). Although the effects of the women empowerment are positive, they are also limited by the patriarchal social norms, which at times limit the complete use of the financial resources.

The regression model test has validated that the size of the loan, the duration of the loan, and the role played by women in loan management are important predictors of improvement in the household income. This implies that program design, as well as borrower engagement is a very important factor in microfinance effectiveness. Also, the qualitative statistics demonstrate that the supportive MFI practices, including group lending, training, and monitoring, improve the chances of successful reduction of poverty. The results are in line with other studies that highlight the multidimensionality of alleviating poverty using microfinance (Ledgerwood, 2013; Rehman and Khan, 2021).

Following such results, it is suggested to recommend the following measures to increase the efficiency of microfinance in poverty reduction in DG Khan and other rural environments:

Increase Financial literacy and Training:

Borrowers have to be trained on a regular basis by MFIs in order to enhance financial literacy, budgetary management as well as entrepreneurial skills. This would make sure that the loans are used productively, minimize its misuse, and enhance loan recovery (Nabi et al., 2020).

Designable Flexible Loan Products:

Longer payment terms and lower interests on the loans would ease the financial burden on the borrowers, especially the households that are agriculture based and whose income is subject to seasonal changes. Participation and impact would be enhanced by having tailored loan products to small farmers, livestock holders and women entrepreneurs.

Expand MFI Outreach:

MFIs are to work on the underserved villages in DG Khan through mobile banking units, collaborating with local organizations, and digital financial services. The increased geographical coverage would enable more households to be covered by the microfinance programs.

Promote Women's Empowerment:

The interventions that could be promoted to empower women on how they use their loan, including women-only lending and gender-sensitive financial education, should be promoted. Women empowerment does not only improve the welfare of households but also leads to the development of the community, as a whole (Goetz and Gupta, 1996).

Include Complementary Services:

Microfinance programs must be integrated with other financial services, in that case, market access, vocational training, agricultural extension, and health awareness programs. The sustainability of income-generating activities grows, and this holistic approach makes the activities less vulnerable to shocks (Mehmood & Qayyum, 2018).

Enhance Monitoring and Evaluation:

The sustained surveillance of loan use, repayment, and socio-economic performance will assist MFIs to determine the areas of problem, refine the programs and hold them accountable. Evidence-based policies can be directed by data-driven assessment to increase the poverty reduction effects.

Policy Support:

The policymakers should assist the microfinance sector by facilitating the regulations, subsidizing the operation costs in rural regions and motivating the institutions that serve the poorest households. The outreach and sustainability can be enhanced through coordination between governmental agencies and MFIs.

To conclude, MFIs in DG Khan District have been noted to be effective in reducing poverty through raising household income, improved standards of living, and women empowerment. However, the issues of loan misuse, poor outreach, excessive debt repayment, and social-cultural barriers still exist. The above recommendations can be used to increase the effectiveness of MFIs, that is, microfinance is a more effective tool to decrease poverty in rural Punjab. To make sure that microfinance is a booster of rural

development and financial inclusion, the sustainability of the process, along with the context-sensitivity of interventions, is necessary in combination with supportive policies.

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