



REDUCTION OF POVERTY THROUGH MICRO-FINANCING IN KARACHI

A Thesis submitted to Department of Management Sciences in
partial fulfillment of the requirement for the MBA degree

Student Name: S.M.RAZA ALI ZAIDI

Student ID: 10589

JULY, 2014

Bahria University, Karachi Campus

MBA DEGREE THESIS SUBMISSION FORM
BAHRIA UNIVERSITY, KARACHI CAMPUS

I S.M. Raza Ali Zaidi Registration No. 10589

submit 1 bound copies of thesis titled:

Reduction of Poverty through Micro-financing
in Karachi in the management science department as part of fulfillment of the
MBA degree requirement.

Candidate Signature: S.M. Raza Ali Zaidi Date: 13/8/2014

Certificate of Supervisor

I _____ being the Supervisor of the above student, certify that the research work of the student has been completed to my satisfaction and that the thesis is in a format recognized by the department and is in accordance with the rules of the University. The thesis is appropriate for examination.

Signature: _____ Date: _____

ABSTRACT

Purpose: Observing the borrowing trend in the SMEs (Small Medium Enterprises) and the household businesses, it is seen that small borrowing is increasing with the time. People are getting familiar with micro financing. Another point that pops up is that if these microfinance activities from banks are really helping in reduction of poverty in Karachi? Thus, this study aims to seek the aspects that if Microfinance activities are helping in reduction of poverty in Karachi.

Methodology/sample: The researcher opted for both quantitative and qualitative research where a self-administered questionnaire was used to collect the data from 70 respondents that belonged to various areas of Karachi. The data gathered from the questionnaires was analyzed using SPSS.

Findings: Pearson correlation was used to test the relationship between the dependent and independent variables on secondary data. An inverse relation was found between the independent variable (poverty head count ratio) and the dependent variable (borrowing from micro finance bank). In addition, Pearson correlation was also applied on primary data i.e. taken from survey and also come to the point that there is positive role of microfinance sector in poverty alleviation.

Practical implications: the study made by the researcher can be used to implant different devised strategies to boost the micro financing activities all over Karachi. Moreover a financial institution can find a great help from this research during the introduction of new product or services as this study identifies many countryside areas of the city where activities needs to be groomed further. This study can also help to educate the end users of products which can be of great help for them to understand that how micro financing can help them in flourishing their businesses. Furthermore, consumer will also get to know how to take loan from a institution and bank and what are the differences between different products and services of different banks and institutions.

Keywords: Micro Financing, Small Medium enterprises, micro loans, Credit

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION.....	15
1.1. Introduction	15
1.2. Background.....	17
1.2.1. <i>Characteristics of Microfinance Sector</i>	17
1.2.2. <i>Key principle of Microfinance Sector</i>	18
1.2.3. <i>Major Objectives</i>	19
1.2.4. <i>Microfinance in Pakistan</i>	19
1.2.5. <i>Composition of Microfinance Sector in Pakistan</i>	20
1.2.6. <i>Pakistan Microfinance Network (PMN) and Microfinance in Pakistan</i>	22
1.2.7. <i>Foreign Investments in Microfinance Sector</i>	22
1.3. Thesis Statement.....	23
1.4. Research Questions	23
1.5. Nature of Research	24
1.6. Time Horizon.....	24
1.7. Work Limitations.....	25
2.1. Research Design	26
2.2. Descriptive Research	26
2.3. Purpose of Research	26
2.4. Sources of Data.....	26
2.5. Qualitative & Quantitative	26
2.6. Respondents from Microfinance Sector	27
2.7. Hypothesis	27
2.8. Variables.....	28
2.9. Collection of Data.....	28
2.10. Research Instrument	28
2.11. Questionnaire Sample size.....	28
CHAPTER 3.....	30
3.1. Review of the International Literature.....	30
3.2. aReview aof athe aLocal aLiterature.....	32
PPAF (PAKISTAN POVERTY ALLEVIATION FUND)	37
POLITICAL PARTIES & THEIR AGENDA.....	37
YOUTH INCOME SUPPORT PROGRAM	37

BISP (BENAZIR INCOME SUPPORT PROGRAM)38

VIEWS OF ECONOMISTS.....38

Effects of Poverty39

Health.....39

Hunger.....40

Education.....40

Housing40

Violence41

CHAPTER 4.....43

4. Analyzing the Data.....43

4.1. Secondary Data Analysis:.....43

4.2. Questionnaire Analysis.....44

4.3. Questionnaire Development & Treatment.....45

4.4. Procedure.....45

5.1. Summary of Findings63

5.2. Conclusion.....63

5.3. Recommendations64