



**Department of Management Sciences
WORKING PAPER SERIES**

**Working Paper
2015-013**

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An appraisal from Lahore city**

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Does Islamic microfinance go beyond the self-employability? An appraisal from Lahore city

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ABSTRACT

In many developing countries, lack of job opportunities prevail due to mismanagement of governments and, consequently, people get prey unemployment, poverty and food insecurity. Self-employment refers to run own enterprise either employing others or managing it as self-account workplace. Micro enterprises financing through microfinance institutions have helped improving the living conditions of beneficiaries by not only catering opportunities of self-employment but it also creates jobs for family workers as well as community workers. This study has been devised to observe the impact of Islamic microfinance on employment generation in the study area. In this regard, data was collected from 168 clients of three pioneering Islamic microfinance institutions working in Lahore, Pakistan. Apart from descriptive analysis, probability econometric modeling (i.e. logistic regression) was rendered to achieve the objectives of the study. The results of the study delineated that Islamic microfinance, not only, played a significant role in employing, directly, involved clients/borrowers but it also helped other family members to get absorbed in the newly started businesses / extended businesses with the help of borrowed amount from Farz Foundation, Akhuwat and NAYMAT in Lahore. Moreover, this exercise found also supportive for the community workers seeking employment. Therefore, it is concluded that Islamic microfinance does go beyond self employability.

Keywords: Self-employment, Community employment, Islamic microfinance, Lahore, Pakistan.

1- INTRODUCITON

There might be several multiple causes of poverty but unemployment is one of the most salient features which cause the poor to keep deprived. According to International Labour Organization (2014), 206 million people including men and women are unemployed on the globe, while about 27, 28, 39.4 and 14 million are found in South Asia, Sub Saharan Africa, East Asia, and South East Asia and Pacific countries, respectively. Due to the significance of employment in reducing poverty United Nations' MDGs put it in its prioritized list of indicators with the title "achieving full and productive

employment and decent work for all". Despite poverty reduction targets regarding availability of clean drinking water and parities in boys and girls school enrolments of MDGs has been achieved, enormous other problems persists on the globe (United Nations 2012). There are still 1.3 and 1.7 billion people that living below \$1.25 per person per day and in between \$ 1.25 and \$ 2.5 per person per day as per dollar adjusted purchasing power parity, on the globe (Field, 2013). It is always assumed that the major asset of the poor is their capacity to work either for someone else (i.e. in employee –employer relationship) or for their own-self (self-employment). As per famous myth “poverty originates from unemployment” seems incorrect due to the fact that 206 million unemployed people who are earning nothing per week have identical status to the 900 million poor of the globe who are employed but earning not enough to which could bring them out of net of \$ 2 per person per day (ILO, 2013)

According to Government of Pakistan (2012-13) and International Labour Organization (1996-2014) “Self-employed is an individual operating enterprise whether he/she employs someone else or not. If none other is employed then it is called own account worker” Self-employment is a nom in developing countries where 53 % and 36 % people are self employed in low income and low-middle-income countries, respectively, predominantly in agriculture sector (Field, 2013). Moreover, 85 % of Indians are self employed or in casual employment, 73 % of Bangladeshi are also self employed in non agricultural sectors (Chen and Duan, 2008) while about 80 % Pakistani entrepreneurs contributes in self-employment of the country (Government of Pakistan, 2012-13). As far as the case of sub Saharan Africa is concerned, 66 % people are self-employed in Kenya while this ratio is up to 83 % in Mali and 85 % in Ghana and Madagascar (Hanz and Valodia, 2008). There might be two different potential reasons to be self employed by the people of developing countries i.e. a) they don't get wage employment and they are left with no choice to start their own microenterprise b) some people unwillingly left wage employment and initiated their own account enterprise otherwise could have died of starvation and hunger.

Nevertheless, people may be empty stomach without any earning whether it is through self-employment or wage earning. It is very tough to get wage earnings in developing countries; therefore, they have to go through the experience of microenterprise development which is also not a simple and an easy business. They neither possess required capital with themselves nor financial institutions are ready to trust them to provide them finances without any collaterals to start their own enterprise. Therefore, nearly 75% the world's poor are financially excluded from institutional finance for different reasons (World Bank, 2013) and, consequently, poor are kept un-bankable. Lack of capital do not allow the poor to utilize economic opportunities and shelter themselves from financial crisis (Obaidullah & Khan, 2008). In this regard, various efforts have been initiated from international development organizations. Microfinance is one of those efforts initiated by Grameen Bank in Bangladesh, in 1976. Since its inception, the Grameen Model

has been replicated in many countries where MFIs provide financial services under the umbrella of social collateral.

In 2011, around 1400 MFIs around the world provided financial services to 94 million poor with estimated loan portfolio of US\$ 87,650 million. Although global microfinance industry is expanding, rapidly, and it is playing significant role in alleviating poverty (World Bank, 2013; Aghion and Morduch, 2005; Khandker, 2003; Hulme and Mosley, 1999) but its success has been questioned due to its interest based feature which is normally very high (Fernando, 2006) and discourages poor to opt this route. Mannan (2007) argued that Grameen Bank charges 54.95 percent interest rate if the hidden costs are also included. In an independent study, Sadeq (2007) concluded that Bangladeshi NGOs charge 25-30% interest which ignites unrest in the population. Most of the MFIs in Asia and Pacific region charge nominal interest rate of 30-70% per year while effective interest rates are much higher due to the fees and commissions charged by them (Fernando, 2006).

According to International Fund for Agriculture Development (2013) 500 Islamic financial Institutions have been established, globally, to cater Sharia'h compliant products (interest free/ riba free) with market size of \$ 1.3 trillion in 75 countries in last thirty years. In addition, the sector is appealing for the population of, both, Muslims and non Muslim countries (Ibid). CGAP claims, some 255 microfinance service providers are offering Sharia'h compliant services mostly (92 %) concentrated in two regions i.e. East Asia and Pacific (164) and Middle East and North Africa (72) (CGAP, 2013). Islamic microfinance institutions have observed fourfold increases in their clients since 2006 with estimated clients about 1.3 million in the world (Ibid). Microfinance mod of financing may be a key to poverty alleviation to 650 million Muslim populations living below 2 dollar a day (Ibid).

2- Overview of microfinance in Pakistan

Microfinance took roots in Pakistan in 1970s with the establishment of Agriculture development Bank of Pakistan (ADBP) to serve rural farmers by providing them with subsidized credit (Rauf & Mahmood, 2009). Later, the success of Agha Khan Rural Support Program (AKRSP), paved the way for microfinance in Pakistan. Khushali Bank was the first microfinance bank established in 2000, as result of Microfinance Ordinance introduced by the central bank, in 2001. Since then, State Bank of Pakistan is putting great efforts in promoting microfinance sector. Pakistan is one of the few countries of the world having separate legal and regulatory framework for microfinance banks (Allen & Overy LLP, 2009). Currently, a large number of MFBs, MFIs and RSPs are providing financial services to the neglected segment of society (Pakistan Microfinance Network, 2012).

Islamic finance and Islamic microfinance are emerging industries in Pakistan. The State Bank of Pakistan has devised guidelines for Islamic microfinance in 2007 (Karim et al., 2008). These guidelines lay down different types of arrangements for institutions to offer Islamic microfinance services and set forth the

requisites concerning appointing Sharia'h advisors, licensing and separating the funds for Islamic and conventional products if the bank or institution is providing both conventional and Sharia'h based products. In Pakistan, some institutions like Akhuwat, Farz Foundation, Wasil Foundation, Naymat, and Islamic Relief are disbursing Islamic MF products.

Akuwat foundation is the largest that has disbursed Qard e Hassan to 0.355 million households with 175 branches in 116 cities of Pakistan (Akhuwat 2013). Loans have been extended to 224,308 male and 131,143 female entrepreneurs of the country with 98.84% return rate in a small duration of about ten years. Farz Foundation started its operation with pilot project in 2009 while NAYMAT initiated in 2002 but they started Islamic MF services in 2009. Likewise Islamic Relief Pakistan began their Islamic microfinance services in 2001 along with other Sharia'h compliant social services to help deprived and destitute but not on such a large scale like Akhuwat Foundation. These organizations are catering their Islamic micro financing services in the form of Murabaha to help entrepreneurs' in the country. Moreover, WASIL Foundation (Murabaha, Ijara, Istisna, Salam etc) and Asassah have started working a short time earlier to help poor to make them financially self-reliant.

The current study has been mainly devised to observe the impacts of islamic microfinance on the development of microenterprises by the clients of Akhuwat, NAYMAT and Farz Foundations based in Lahore, Pakistan. Moreover, employment generation in the family and community was also explored. Furthermore, this study also helped us to explore level of reverse migration of the members of the households interviewed for this particular study. Probability of being self employed (i.e. start new businesses or Strengthening previous business) being family worker, community worker and reverse migrant was also quantified to observe the impacts of Islamic microfinance.

3- METHODOLOGY

Our aim is to assess the impact of Islamic microfinance on poor and other socio-economic indicators in the Punjab Province, Pakistan whether it's positive or negative. It is noteworthy here that to evaluate the performance of the target institutions pre and post project evaluation approach is implemented. Respondent having borrowed from the organizations with minimum period of at least three or more than three years as per availability from various target lending institutions. As Islamic micro-finance industry is in its infancy era therefore its evaluation can be justified with the selection of so small span, as mentioned earlier.

3.1 Population:

Three Islamic microfinance institutions were selected out of five recognized institutions in Pakistan, which are Akhuwat Foundation, NAYMET (NaziranYousaf Memorial Trust), and Farz foundation from different areas of Lahore namely Township, Chungi Amar Sidhu and Walton Road area, respectively.

3.2 Sample:

In order to achieve the goals we decided to take at least 33% of respondents from each institution. 112 respondents from Akhuwat Foundation, 31 from Farz Foundation and 25 from NAYMET were selected. These respondents make 35%, 37% and 36% of their population in each institution in the target areas, respectively. Total 168 respondents were selected from these institutions.

3.3 Sampling technique:

Purposive sampling technique is used in our study because Akhuwat Foundation, one of the three institutions of our population, is quite big in number of its clients while the other 2 are quite small. Therefore, purposive non-probability sampling is the best sampling technique for this study. Another reason for using this technique is that we have selected only those clients of the organization who have taken loan 3 or more than 3 years back. We also selected respondents from certain areas served by the Islamic microfinance institution considering the ease of access.

We developed two questionnaires for our research study. One was to collect data from Islamic microfinance institutions while other was devised to capture data from clients of these institutions. We incorporated both qualitative and quantitative features in both of our questionnaires. We constructed the questionnaires in English and then translated the clients' questionnaire into Urdu and Punjabi in order to make them understand the questions.

3.4 Data collection

Data is collected by using published materials and internal reports of the organizations. Moreover, various national and international secondary data sources are consulted to strengthen final report as background material of the report. Primary data is collected from Akhuwat Foundation, Naymet and Farz Foundation about internal Management control practices and from active borrowers about their preferences and impact of IMF on their health, wealth and education of their children.

3.5 Pilot Testing

Prior to the formal commencement of the field-work, the questionnaire was pilot tested for further improvement. Based on the feedback, the survey instrument (Questionnaire) was finalized.

3.6 Data Analysis Tools

Following techniques are applied for analyzing the data using SPSS 16 and STATA 10

3.7 Descriptive Statistics

The study is mainly based on exploratory and explanatory research tools. Therefore, descriptive statistical tools are employed to observe demographic variables (Age, Gender, Education, Family size) and the averages of different variables namely; loan amount, purpose of loan, time taken to disburse loan, self esteem, reverse migration, assets, family involvement and employed someone. The relationship of the indicators is determined by employing explanatory methods of data analysis

3.8 Logistic Regression

Logit Model has been used here to gauge the probability of the respondents being poor having borrowed from the Islamic microfinance institutions. Logistic regression model is used by Rodriguez and Smith (1994) in their study to identify the effect of demographic and economic variables on the poverty level of household in Coasta Rica. Achia et al. (2010) used logit regression model in their study to identify key determinants of employment. Our logit model is as follows.

$$P(Y) = \frac{1}{1 + e^{-(b_0 + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + e)}}$$

Following models are used in this study:

Model-1: New Business Started by the respondents (Self-Employed)

Self-Employment = $\beta_0 + \beta_1 \text{Age of HH} + \beta_2 \text{Gender of HH} + \beta_3 \text{F-Size} + \beta_4 \text{Loan Amount} + \beta_5 \text{Purpose of Loan} + \beta_6 \text{Training} + \beta_7 \text{Edu of HHH} + e$

Where,

P(Y) = New business started

X1 = Age of the household head

X2 = Gender of the household head

X3 = Family size of the target household

X4= Education of Household head

X5 = Loan amount Taken

X6= Purpose of Loan (means – loan used for the same purpose for what it was borrowed: yes / no)

X7 = Business Training of the client

Model-2: Business Strengthening/extension

Business Strength = $\beta_0 + \beta_1 \text{Age of HH} + \beta_2 \text{Gender of HH} + \beta_3 \text{F-Size} + \beta_4 \text{Loan Amount} + \beta_5 \text{Purpose of Loan} + \beta_6 \text{Training} + \beta_7 \text{Business I} + \beta_8 \text{Do book keeping} + \beta_9 \text{New Business} + e$

Where,

P(Y) = Probability of being poor that is yes or no

X1 = Age of the household head

X2 = Gender of the household head

X3 = Family size of the target household

X4= Education of Household head

X5 = Loan amount Taken

X6 = Purpose of Loan (means – loan used for the same purpose for what it was borrowed: yes / no)

X7= Business Training of the client

Model-3: Family Workers Absorbed/Family Employment

Family Workers = $\beta_0 + \beta_1$ Age of HH + β_2 Gender of HH + β_3 Edu of HHH + β_4 F-Size + β_5 Time Latin Month + β_6 Loan Amount + β_7 Purpose of Loan + β_8 Training + β_9 Business I + β_{10} Do book keeping + β_{11} New Business+ e

Where,

P(Y) = Probability of being poor that is yes or no

X1 = Age of the household head

X2 = Gender of the household head

X3 = Family size of the target household

X4= Education of Household head

X5= Time of borrowed amount taken

X6 = amount of Loan taken

X7 = Purpose of Loan (means – loan used for the same purpose for what it was borrowed: yes / no)

X8 = Business Training of the client

X9= Business Income

X10= Do Book Keeping

Model-4: Reverse Migration

Reverse Migration = $\beta_0 + \beta_1$ Age of HH + β_2 Gender of HH + β_3 Edu of HHH + β_4 F-Size + β_5 Time Latin Month + β_6 Loan Amount + β_7 Purpose of Loan + β_8 Training + β_9 Business I + β_{10} Do book keeping + β_{11} New Business+ e

Variables in model 4 are same as given in Model-3

Model-5: Employed Other Than Family Workers/ Community Employed

Community Employed Workers = $\beta_0 + \beta_1$ Age of HH + β_2 Gender of HH + β_3 Edu of HHH + β_4 F-Size + β_5 Time Latin Month + β_6 Loan Amount + β_7 Purpose of Loan + β_8 Training + β_9 Business I + β_{10} Do book keeping + β_{11} New Business+ e

Variables in model 5 are same as given in Model-3

Model-6: Overall Employment

Overall Employment = $\beta_0 + \beta_1$ Age of HH + β_2 Gender of HH + β_3 Edu of HHH + β_4 F-Size + β_5 Time Latin Month + β_6 Loan Amount + β_7 Purpose of Loan + β_8 Training + β_9 Business I + β_{10} Do book keeping + β_{11} New Business+ e

Variables in model 6 are same as given in Model-3

4- RESULTS AND DISCUSSION

4.1 Descriptive Analysis

We have chosen 3 Islamic Microfinance institutions of Lahore as our population namely Akhuwat Foundation, NAMET and Farz Foundation.

Table-4.1: Total numbers of respondents

Islamic Microfinance Institutions	Total no. of respondents
1. Akhuwat Foundation	112
2. Farz Foundation	31
3. NAYMET	25
Total no. of Respondents	168

Table 4.1 shows that we took 168 respondents from these three institutions. 112 respondents are from Akhuwat Foundation, 31 are from Farz Foundation and 25 are from NAMET.

Gender Distribution of IMF Product Disbursement

In our respondents, 86 out of 168 are females while 82 are males. The pie chart shows the percentage of males and females in our respondents.

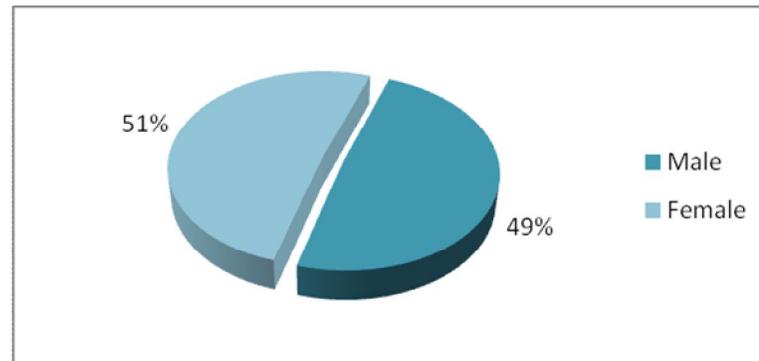


Figure-4.1: Gender Distribution of IMF Product Disbursement

Almost half of our respondents are males and the other half is females. Many researchers documented in their studies that microfinance is specifically targeting the females (Mayoux, 1999, Kabeer, 2001, D'Espallier et al., 2009, Rauf and Mahmood, 2009, Armendariz and Morduch, 2005). In this scenario, ratio of male and female clients of Islamic microfinance institutions contrasts from the results of above mentioned microfinance studies.

As we compare the gender ratio separately for each institution, it gives us different results from the collective results as above. From Akhuwat Foundation, 74 of our respondents are males while 38 are females. Males are almost twice more than number of females. It shows that they are not targeting the females particularly.

As far as the results for Farz Foundation are concerned, they exhibit gender biasness with 29 females and only 2 males. Farz Foundation is clearly targeting the females. It goes with their claim as they told us that primarily their target population is females. As far as NAYMET is concerned, they are also primarily targeting the females. Respondents of our sample from this institution comprise of 19 females and only 6 males. Both Farz Foundation and NAYMET both are gender biased while selecting their clients. It is consistent with the claim of Karim et al. (2008) who reported in their study that Islamic microfinance is also focusing women. The figure 4.2 shows the percentage of males and females in three institutions.

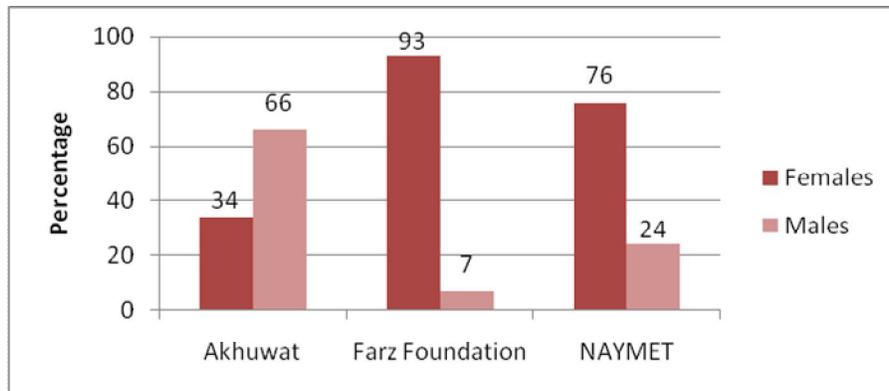


Figure-4.2: Organizations based Gender Results

As the figure 4.2 shows, the total number of women is 86 while total number of males is 82, this means females make a bit bigger section of Islamic microfinance clients as compare to males. The results show that there is meager difference in number of males and females and it cannot be said that there exists gender biasness.

Apart from this, we see gender biasness for every institution separately. As we performed separate analysis, it gives us bit different results. Only Akhuwat Foundation is not gender biased while both Farz Foundation and NAYMET are gender biased. In addition, when interviews were taken of NAYMET and Farz Foundation's employees, they clearly stated that they are targeting the women. While Akhuwat Foundation emphasized that they are targeting the families. If a male from a family takes loan, he is asked to include his mother, wife, sister or daughter as his partner. Similarly when a woman borrows from Akhuwat Foundation she has to provide a male from his family as her partner. In this way both men and women remain a significant part of their clients as well. So if we analyze separately, the null hypothesis can be accepted in the case of Farz Foundation while alternate hypothesis can be accepted in case of Akhuwat Foundation.

Average Age of household head

Girish and Mehta (2003) and Asanoy (2004) stated in their studies that age of the household head is one of the important factors while observing the income and expenditure activities of the family.

Table-4.2: Descriptive statistics of Age

	Age	Mean	Std. Deviation	Minimum	Maximum
	Overall	39	7	22	55
Organizations based results	Akhuwat Foundation	38.65	7	22	56
	Farz Foundation	40.71	9	25	57
	NAYMET	39.36	6	31	55

Mean of 39 shows that on the average clients of all three institutions have an average age of 39 with minimum 22 and maximum age of 57. It shows that mostly middle aged people borrow from the institutions. Malik (1996) also assumed that age and per capita income are positively related in age group ranging from 25 to 45 years while beyond this range, the positive relationship turns negative.

The average age of the clients of Akhuwat Foundation fall between the ages of 38 to 39 with minimum age of 22 and maximum age of 56. The average age NAYMET clients, is found to be 39 with minimum 31 and maximum 55. Measured average age of the clients of Farz Foundation is observed as 41 years with minimum 25 and maximum 57.

Data shows that average and maximum ages of clients in all three institutions are almost same. Difference exists in their minimum age. In Akhuwat Foundation and Farz Foundation minimum age is of twenties while in case of NAYMET, minimum age starts from thirties. In case of Akhuwat Foundation, it is less risky to lend money to young people as they take another family member as partner who might be older than the client so the risk is shared. In case of Farz foundation, giving loan to young person is easy as they closely monitor their clients and, therefore, can keep an eye on him/her to reduce the risk. It explains why minimum age of clients of NAYMET is in thirties.

Family size of the target respondents

The number of family members is an important factor while observing the income or consumption of household (Girish and Mehta, 2003, Asanoy, 2004).

Table-4.3: Descriptive statistics of Family size

	Family size	Mean	Std. Deviation	Minimum	Maximum
	Overall	6	1	4	11
Organizations based results	Akhuwat Foundation	6	1	4	11
	Farz Foundation	7	1	4	9
	NAYMET	7	1	5	8

The table 4.3 shows results for number of family members of households. The average family members are 6, so most of the households are having 6 family members while maximum number is 11. This is because many of them live in joint family system which increases family members up to 11.

The mean of each institution’s clients’ family members shows that they are living in a household of 6 to 7 family members. Akhuwat Foundation clients are 6 on the average while Farz Foundation and NAYMET clients have 7 family members on the average. If we look at the minimum and maximum family members, we can see that Akhuwat Foundation is catering bigger families that Farz Foundation and NAYMET.

Literacy level of household head

The results shows that 96 out of 168 clients are with no education which means more than half of the clients are illiterate. While a big number of clients got education only till primary with very few got chance to educate themselves above this level.

Table-4.4: Descriptive statistics of Literacy rate

Literacy among respondents		Akhuwat Foundation	Farz Foundation	NAYMET	Total
Literate	Primary	38	3	6	47
	Middle	17	0	1	18
	Matriculation& above	3	3	1	7
	Total literate	58	6	8	72
Illiterate		54	25	17	96

Table 4.4 shows the percentage of literate and illiterate in three institutions collectively as well as separately.

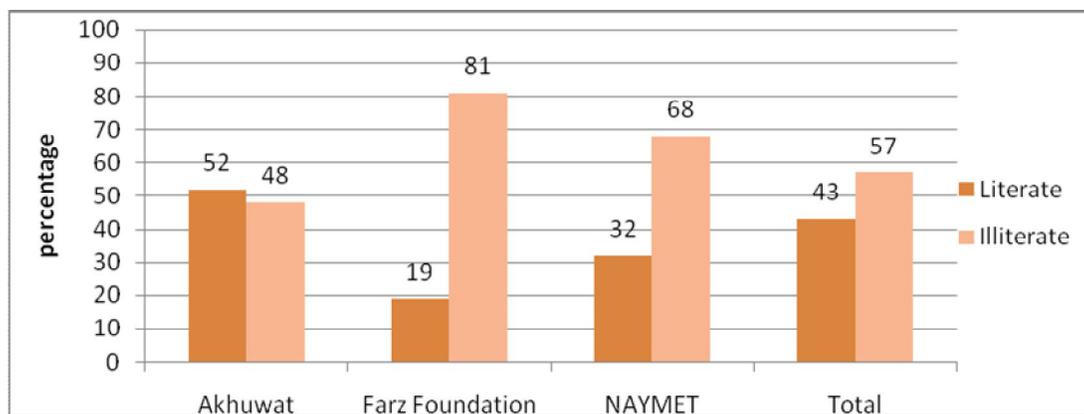


Figure-4.3: Total as well as Organization based Results for Literacy

Results for Akhuwat Foundation show that almost half of clients are illiterate. In case of Farz Foundation 25 out of 31 are illiterate. NAYMET also shows a bigger percentage of clients as illiterate. There were more literate clients of Akhuwat Foundation as compare to Farz Foundation and NAYMET. Targeting only females can be a big reason. In Pakistan, male child got more chance of getting education especially in lower class. As Akhuwat Foundation is targeting the whole family therefore they have more male clients as compare to other two institutions. More male clients lead to having more literate clients. The bar chart below shows the percentage of illiterate, primary, middle and matriculate respondents of our sample from the three Islamic microfinance institutions.

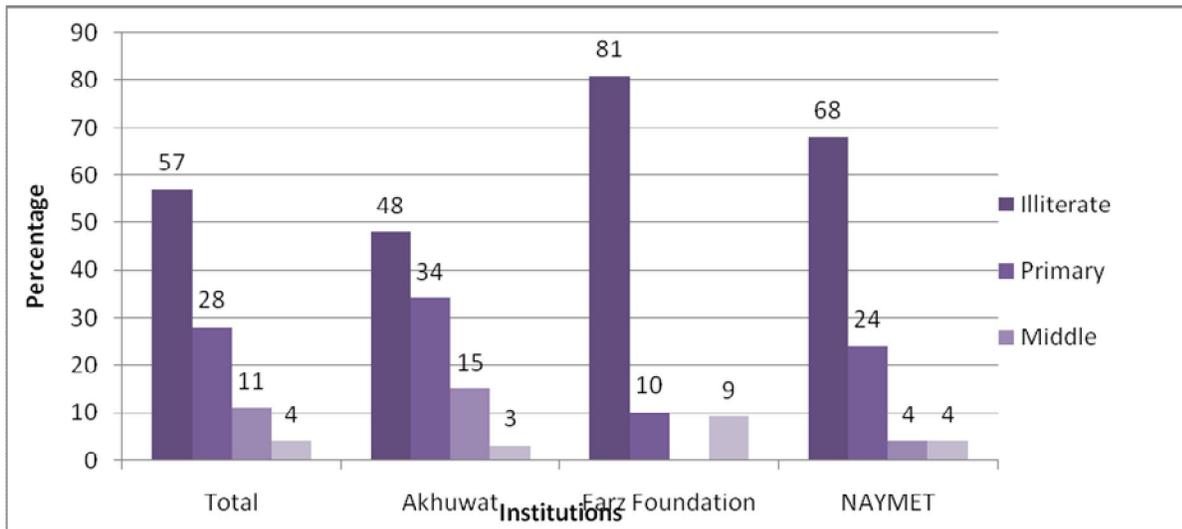


Figure-4.4: Comprehensive results for Literacy

It can be seen from figure 4 that most of literate clients, in each institution, are having education till primary. Educated till middle are even less than primary respondents in each institution with no respondent in Farz Foundation with education till middle. Those respondents with education till matriculation and above are very few in each institution i.e. 3% in Akhuwat Foundation, 9.7% in Farz Foundation and 4% in NAYMET.

Loan amount Disbursed

Table-4.5: Descriptive statistics of Loan amount

Loan amount taken	Mean	Std. Deviation	Minimum	Maximum
Total	18830	7217	10000	40000
Akhuwat	21375	7211	10000	40000
Farz Foundation	11823	1275	10000	13500
NAYMET	16120	4304	10000	25000

Table 4.5 shows that on the average these three institutions lend Rs. 18830 to their clients. While standard deviation of 7217 shows that this lending amount may vary from 11613 to 26047. Minimum and maximum shows the minimum and maximum amounts lent by these institutions. Table exhibits the comparison of average amount disbursed to the clients as a loan.

Akhuwat Foundation lends Rs. 21375 on the average to its clients. While Farz Foundation and NAYMET, on the average, lend less amount than Akhuwat Foundation. Standard Deviation of their Means and their minimum and maximum amounts that they lend are also mentioned in the table. It is interesting to know that minimum loan amount of all three institutions is same i.e. Rs. 10,000. But maximum loan amount significantly varies with institution to institution. Akhuwat Foundation lends the highest maximum amount i.e. Rs. 40,000 while NAYMET comes next and lends Rs. 25,000 on the max. On the other hand the maximum amount lent by Farz Foundation is Rs. 13,500 which is quite less as compare to other two institutions. It is quite justifiable because Farz Foundation has started its operation just in 2009 and is on its early stages while other two are quite experienced players in this field. Less investment by a new player is understandable.

Purpose of loan

Table-4.6: Descriptive statistics of Purpose of loan

Dimensions	Akhuwat Foundation	Farz Foundation	NAYMET	Total
Start new business	60	17	14	91
Expand already established business	52	14	11	77

The table 4.6 shows that more than half of our respondent took loan to start their new small business rather than investing in already running business. Apart from this separate analysis of all institutions shows that in all three institutions those respondents are more than half of the clients who started a new business. In case of women, most of them were not doing anything before taking loan and so they started new small businesses with loan. This is the reason that clients who expand their business are less on the average then those who plunged into new ventures with loan amount. Percentage comparison of respondents who started new businesses with the borrowed money and those who expand businesses which they were already doing is as follows.

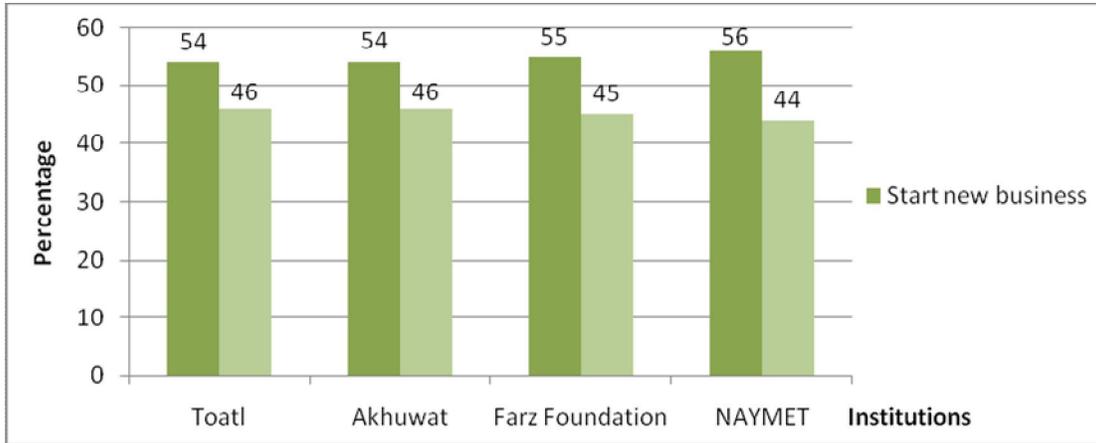


Figure-4.5: Organizations based results for Purpose of loan

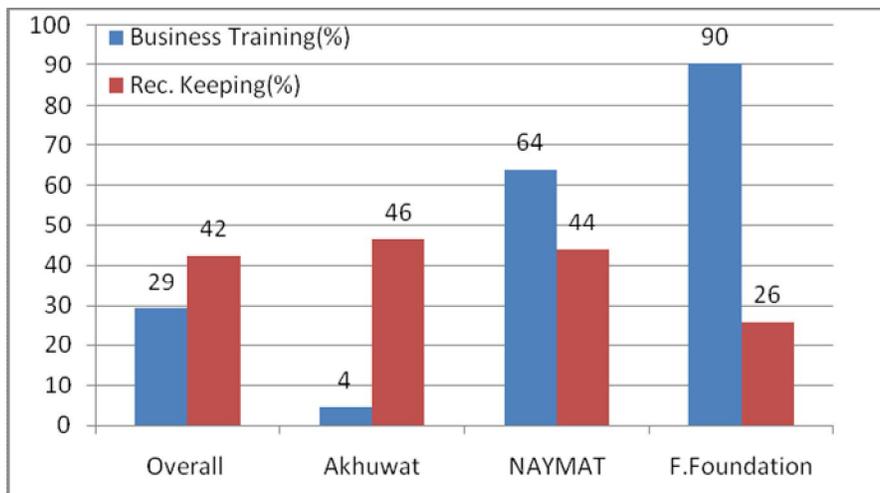


Figure-4.6: Business training and Record Keeping Rendered by Clients

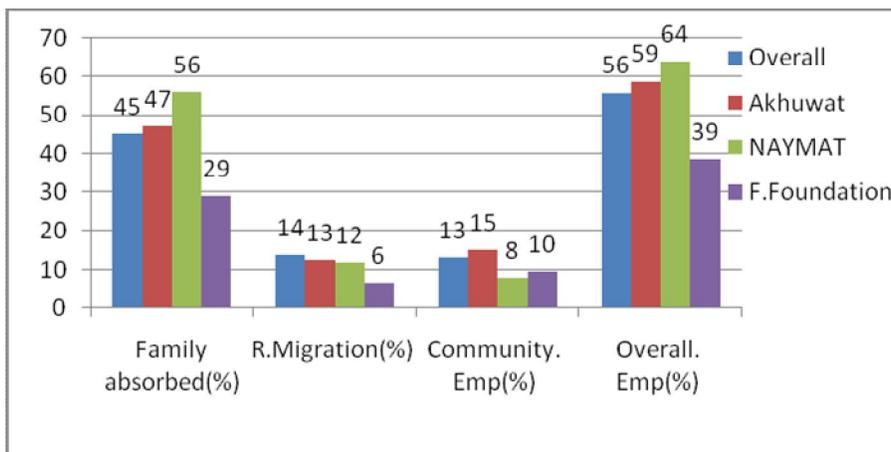


Figure-4.7: Employment Generated within and outside the Target Households

5- Logit Regression Models:

Logistic Regression Analysis

Logistic Model has been used here to gauge the probability of the respondents being unemployed having borrowed from the Islamic microfinance institutions.

Table 5.1: New Business Started by the respondents

Model	β	Sig.	Exp(B)
(Constant)	-1.125	.393	.325
Age	-.019	.454	0.981
Gender	.035	.930	1.035
Family size	.049	.705	1.051
Education of HHH	.225	.608	1.252
Loan Amount	.001	.002	1.000
Do book keeping	-.666	.059	.514
Training	.200	.632	1.221
Hosmer&Lemeshow value= .270			
R2 = 0.125			
Dependent variable: New Business started By the Respondents			

Age, Gender, family size, Education of Household Head and training are not significant as their p-value is greater than from significance level. Loan amount is significant as its p-value is less than from 0.05 and its coefficient value is 0.001 which impact on the dependent variable. Its positive coefficient value shows that increase in loan amount made more chances to start new business by the respondents. Do book keeping is also significant as its p-value is less than from 0.1 and its coefficient value is negative which means the respondents who do book keeping are more likely to do existing businesses, not likely to start new business. And the model significant value is greater than 0.05 ($0.270 > 0.05$) which means model is good, fit to the data.

Table 5.2: Family Absorbed

Model	B	Sig.	Exp(B)
(Constant)	-3.097	.046	.045
Age	.099	.000	1.104
Gender	-.761	.041	.467
Time Ltin Months	-.015	.462	.985
Family size	-.077	.561	.926
Loan Amount	.001	.087	1.000
Do book keeping	.600	.098	1.821

Training	-.202	.643	.817
Business Income	.001	.070	1.000
Hosmer&Lemeshow value = .755			
R2 = 0.166			
Dependent variable: Family Absorbed			

In this model age is highly significant as its p-value is less than from 0.01 ($0.000 < 0.01$) and its coefficient value is positive which means increase in Age would increase the dependent variable. Means higher the age of the respondents are more likely to absorbed family into business. Gender is significant as its p-value is less than from 0.05 and its coefficient value is negative which means females are more likely to absorbed family into business activities. Time l_{tin} months are not significant as its p-value is greater than from significance level. Family size is not significant as its p-value is greater than from significance level. Loan amount is significant as its p-value is less than from 0.1 and its positive coefficient value shows greater the loan amount, greater the chance of family absorption in the business.

Do book keeping is significant as its p-value is less than from 0.1 and its positive coefficient value shows that the respondents who do book keeping are more likely to absorbed family members in business activities. This result shows that the respondents who have more check and balance on accounts and business activities only trust the family member to take interest in business. Training is not significant as its p-value is greater than from significance level.

Business income is significant as its p-value is less than from 0.1 and its positive coefficient value means more the family involved in the business more income generated or more income would be generated as more family members involved in the business.

Table 5.3: Reverse Migration

Model	B	Sig.	Exp(B)
(Constant)	-1.386	.633	.250
Age	.094	.025	1.099
Gender	-.868	.159	.420
Education of HHH	.303	.448	1.354
Family size	-.207	.359	.813
Loan Amount	.001	.083	1.000
Time L_{tin} months	-.107	.012	.899
Training	-.922	.226	.398
Hosmer&Lemeshow value= .528			
R2 = .172			

Dependent variable: Reverse Migration
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In this model age is significant as its p-value is less than from 0.05 ($0.025 < 0.05$) and its coefficient value is positive which means increase in age would increase in reverse migration. Gender, education of Household Head, and family size are not significant as their p-values are greater than from significance level. Loan amount is significant as its p-value is less than from 0.1 and its positive coefficient value shows that increase in loan amount is more likely to increase the level of reverse migration by the respondents. Time l_{tin} months is significant as its p-value is less than from 0.05 ($0.012 < 0.05$) and its coefficient value is negative which means increase in Months decrease reverse migration. Training is not significant as its p-value is greater than from significance level. And this model also fit to the data as its overall significant value is greater than 0.05 ($0.528 > 0.05$). Other remaining variables are not significant.

Table 5.4: Community Employment

Model	β	Sig.	Exp(B)
(Constant)	-5.128	.025	.006
Age	-.079	.051	.924
Gender	1.009	.099	2.743
Time L_{tin} Months	.027	.380	1.027
Family size	.297	.115	1.345
Loan Amount	.001	.381	1.000
Business Income	.001	.000	1.000
Hosmer&Lemeshow value = .761			
R2 = .279			
Dependent variable: Community Employment			

In this model age is significant at 0.1 as it p-value is less than from 0.1 ($0.051 < 0.10$) and its coefficient value is negative which means increase in age would decrease in community employment. It also shows younger respondents are more likely to employ community members. Gender is also significant at 0.1 as its p-value is less than $0.099 < 0.10$ and its coefficient value is positive which means males play vital role in community employment. Business income is highly significant as it p-value is less than from 0.01 ($0.000 < 0.01$) and its coefficient value is positive which means more the income generated if people from community would employed. Time l_{tin} months, family size and loan amount is not significant as their p-values are greater than from significance level. This model also fit with the data as its overall significant value is greater than from 0.05 ($0.761 > 0.05$).

Table 5.5: Overall Employment

Model	β	Sig.	Exp(B)
(Constant)	-3.646	.016	.026
Age	.066	.010	1.068
Gender	-.550	.130	.577
Time Ltin Months	.001	.977	1.001
Family size	-.035	.787	.965
Loan Amount	.001	.031	1.000
Do book keeping	.667	.061	1.949
Business Income	.001	.201	1.000
Hosmer&Lemeshow value = .205			
R2 = .143			
Dependent variable: Overall Employment			

In this model age is significant as its p-value is less than from 0.05 ($0.010 < 0.05$) and its coefficient value is positive which means increase in age increase overall employment. Gender, time Ltin months, family size are not significant as their p-values are greater than from significant level. Loan amount is significant as its p-value is less than from 0.05 ($0.031 < 0.05$) and its coefficient value is positive which means increase in loan amount also increase the overall employment. Do book keeping variable also significant at 0.10 as its p-value is less than from 0.10 ($0.061 < 0.10$) and its coefficient value is positive which means more book keeping by the respondents increase overall employment. Business income is not significant as its p value is greater than from significance level. This model also fit with the data as its overall significant value is greater than from 0.05 ($0.205 > 0.05$).

Table 5.6: Business Extension

Model	β	Sig.	EXP(B)
(Constant)	.946	.515	2.576
Age	.024	.372	1.024
Gender	.018	.963	1.018
Education of HHH	-.247	.575	.782
Time Ltin Months	.006	.764	1.006
Family size	-.066	.615	.936
Loan Amount	.001	.001	1.000
Do book keeping	.750	.040	2.117
Business Income	.001	.323	1.000
Hosmer&Lemeshow value = .165			
R2 = .132			

In this model age, gender, education, time in months and family size are not significant as their p-values are greater than from significance level. Loan amount is significant as its p-value is less than from 0.05 ($0.001 < 0.05$) and its coefficient value is positive which means increase in loan amount increase in the business extension. Do book keeping variable is also significant as its p-value is less than from 0.05 ($0.40 < 0.05$) and its coefficient value is positive which means more doing book keeping would increase in business extension. Business income is not significant as its p-value is greater than from significance level. This model also fit with the data as its overall significant value is greater than from 0.05 ($0.165 > 0.05$).

6- CONCLUSION

It is manifest that there is no single answer for the impact of Islamic microfinance activities on unemployment. Our results might differ for some variables because different methodologies are applied and same research findings are given varied interpretations subjectively. The study demonstrates that the Islamic Microfinance not only helps in promoting self-employed micro businesses but it also has positive impact on employment generation of the family workers, community workers as well as of the family workers who has been working outside the city. Therefore, promotion of the Islamic Microfinance can help in socioeconomic uplifting of the society by overcoming unemployment issues and reducing poverty of the target respondents and their associates. The study concludes that the Islamic microfinance institutions provide better opportunities for employment not only to the person who borrow the loan amounts but as well to the other persons which are part of family and community as well. The study divulges that Islamic Microfinance institutions provide better opportunities for business extension to their clients. This concludes that Islamic microfinance targeting equally males and females means these institutions are not gender biased. Furthermore, this study suggests that Islamic microfinance institutions need to focus on the unemployed people.

This study can be valuable for the Islamic microfinance institutions and for government in order to make better future policies for Islamic microfinance. This study can be beneficial for the Islamic microfinance institutions working in Pakistan on the particular and working in other countries on the general. This study has identified that Islamic micro financing through assets can be very successful. Therefore, those institutions which are offering only cash, should experiment with this prospect

There are some limitations inherent in the study, such as we have taken only three Islamic microfinance institutions from the city of Lahore, therefore, we cannot generalize the results for all Islamic

microfinance institutions in Pakistan or in any other country. Secondly, larger sample than the one used in this study might have provided better understanding of the whole scenario thus, studies need to be conducted with more institutions as their sample. Subsequently, less time and resources was the biggest limitation. This limitation has made restrictions for our sample and so we had to limit our sample to fewer respondents.

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