Factors Determining the Effective Role of Microfinance

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ARTICLE DETAILS	ABSTRACT
History *Revised format: Nov 2015* *Available online: Dec 2015* **Keywords**, *Household economics, Microfinance, Economic wellbeing, consumer protection, diversion of loan* **JEL Classification** G21, C83, R20, I38	The focus of this study is on the effectiveness of economic, social and institutional factors in manipulating the role of microfinance. It is a primary data research conducted in the Bahawalpur division, Pakistan. The sample consists of 773 respondents, belonging to different microfinance providers of Pakistan that are NRSP, AKHU, FMFB, KASHF, KB, NRSP-B, TMFB. Data has been collected through face to face structured interviewing using a questionnaire. It has been found that economic wellbeing and economic empowerment of borrowers after availing microfinance is positively affected by consumer protection, education of borrowers, experience, business training, number of employed persons, length of membership, relation to household head, area and family reaction to business activity but negatively by diversion of loan, interest rate, age of the borrowers and number of dependents.

1: Introduction

Microfinance is considered a tool for alleviating poverty and enhancing economic empowerment. Its proponents favor it with the arguments that it helps the poor not only in increasing and diversifying income but also in sustaining gains over time through smoothing out income fluctuations. Consequently it contributes positively to the quality of life by increasing food security, improving housing quality, refining household health, uplifting literacy rate, building assets and improving decision making empowerment etc.

A noteworthy issue in this connection is that impact studies of microfinance conducted in different countries or under different mechanism of microfinance have different outcomes. There is a range of impact studies proving microfinance an effective tool for poverty alleviation and economic empowerment [Khandker, 1998; Todd, 2000; Murdoch and Haley, 2002; Brannen, 2010].On the other

hand some impact studies [Cheston, 2002; Buss, 1999; Morduch, 1998] criticized microfinance for its low capability to improve the living standard of poor people to such an extent that the poor destitute families are completely out of vicious circle of poverty.

An in-depth appraisal of literature about concerning issue demonstrates that impact studies conducted under favorable socio-economic circumstance portrayed microfinance as an effective tool for poverty alleviation and economic empowerment. Contrarily studies conducted under critical socio-economic setup exemplify it as a 'blunt' tool in fighting the battle against poverty. Consequently we may have a view that socio-economic and institutional factors matter a lot in determining the role of microfinance as poverty alleviation and economic empowerment. This point of view has been supported by all the impact assessment studies; either they concluded the positive role of micro finance in alleviating poverty or negative one. All the impact evaluation studies [Dun, 1999; Zaman, 200; Ahmed, 2002] which even found positive impact of microfinance on poverty alleviation, recommended policies such as better education, training and better access to market for its effective utilization. They also recommended improved social behavior, favorable demographic characteristics and improved institutional setup for its real application. On the other hand some impact studies [Cheston, 2002; Buss,1999; Morduch,1998] criticized microfinance for creating large debt for poor people who are unable to repay loan due to economic and social limitations. The severe threat of hostile socio-economic characteristics of poor people remains a serious problem for effective utilization of microfinance.

The present study has attempted to investigate the socio-economic and institutional factors which play an important part in making its role more affective. Despite the fact that there is an extensive collection of impact-evaluating studies ending with positive or negative role of microfinance for poverty alleviation and economic empowerment and also recommending strategies to improve economic, social and institutional set up for effective role of microfinance, yet there is very little comprehensive work to explore these role-determining factors. There is rarely any study to evaluate how these elements can provide a supporting/non- supporting hand to microfinance mechanism. The present study evaluates the impact of these factors on effective role of microfinance in poverty alleviation and economic empowerment.

Poor people of Pakistan are characterized by low literacy rate, inappropriate training, poor assets base, and poor access to market. Moreover many social factors such as high dependency ratio, unhygienic living condition, poor sanitation system, lack of health facilities, are characterized by poor people in Pakistan which affect their ability to improve their economic wellbeing. This paper deals with microfinance beneficiaries and investigates those social, economic and demographic characteristics and institutional factors which play important role in determining their economic wellbeing and enhancing economic empowerment after availing microfinance.

2. Objectives of the Study

The objectives of the study are:

- To identify the degree to which economic, social and institutional factors can affect the role of microfinance in alleviating poverty
- To identify the degree to which economic, social and institutional factors can affect the role of microfinance in enhancing economic empowerment.
- To provide recommendations for effective utilization of microfinance to improve the economic wellbeing and economic empowerment of microfinance borrowers.

3. Statement of the Problem

This study is designed to explore the question:

 "Do economic, social, and institutional factors matter in determining the role of microfinance in alleviating poverty and enhancing economic empowerment"

This paper attempts to investigate: Is there a difference among mature clients of microfinance characterized by different economic, social and institutional factors with respect to poverty status, household income, food security, housing quality , assets base, education of children, household health, employment level, saving, and decision making empowerment? As there is rare research to investigate its role-determining factors, the present study has attempted to evaluate elements which play crucial role in this connection, and to recommend the policies which can enable these factors to provide a supporting hand to microfinance in alleviating poverty.

4. Literature Review

Mohammad and Faezeh (2010) explore a research question "Do structural, behavioral and environmental factors exist in the development of women entrepreneurship in the industrial sector in urban and rural areas. It is a descriptive research. Three hypotheses have been formulated to be tested. Using the Cockran sampling formula, a sample of 80 respondents was chosen from a population consisting of master and PhD students and the professors of University of Tehran and the Entrepreneurship Center. Data has been collected through questionnaire. The data has been analyzed using "descriptive" and "deductive" statistics. As the results rejected the first two null hypotheses that behavioral and structural factors of development of women entrepreneurship are not provided in industrial part and alternative hypothesis are confirmed at 95 percent level of confidence. As the third hypothesis about the relationship between the environmental factors and development of women entrepreneurship is concerned, null hypothesis is confirmed and the statistical hypothesis is rejected with 95 percent level of significance, as the means significance value is bigger than 0.05. The results showed that behavioral and structural factors are providing in the development of women entrepreneurship in the industrial sector in urban and rural areas. But environmental factors on women's entrepreneurship development are not providing in urban and rural areas.

Raman et al. (2008) present the motivational factors which affect women's decision to become entrepreneurs and examine if these motivational factors differ among women entrepreneurs and women non-entrepreneurs. The study used the sample consisting of 225 (women entrepreneurs) and 215 (non-entrepreneurs) which was drawn from registered members of Small and Medium Industries Development Corporation (SMIDEC). The results indicate that women entrepreneurs rated all motivational factors which were classified into as economic core, work core, social core, individual core and entrepreneurial core much higher than their non-entrepreneurial counterparts. The study found the work core factor as the most significant motivating factor, while the economic core, individual and entrepreneurial core is regarded as important while social factor appears to be the least important factor among all other factors. As the work core is the most important motivating factor for women entrepreneurs, it has been explored in detail on each of its items by the researchers. Among the reasons, exploring inner talent and doing something creatively rank the highest.

Yahya et al. (2011) analyze the effectiveness of microfinance banks in alleviating poverty in Kwara state, Nigeria. The study aims to examine the poverty situation, investigating the activities of

microfinance banks and to assess the effectiveness of microfinance banks in alleviating poverty in Kwara state Nigeria. Required data have been collected through both secondary and primary data sources. Data generated from the survey were analyzed using descriptive and inferential statistics such as percentage mean, standard deviation, t-test statistics and ANOVA at 0.05 alpha level. Sample size is consisted of 400 customers belonging to 80 MFIs. An intensive analysis of data showed that more female participated in the study then men. Analysis of t-test and ANOVA showed that issue of gender and working experience have significant impact on microfinance as a strategy for poverty reduction, while educational qualification has no significant impact on it.

In a paper, Chirwa (2002) describes the institutional and policy constraints of effectiveness of microfinance. First of all, he highlights the strong relation between poverty alleviation and microfinance theoretically and empirically and then raises an important question why poverty has not been alleviated in Malawi which is now characterized by improved microfinance access as compared to past. Moreover he analyzed the factors which determined the effective role of microfinance as poverty alleviation tool. The outreach of the microfinance institutions is poor due to their low geographic coverage and capacity constraints faced by them as under qualified staff. The institutions with improved design features such as completion of training as a precondition for the eligibility to get credit have better results. Although the number of MFIs have increased after the post democratization as compared to pre democratization, yet they are far away from satisfying the desired goals i.e. high outreach, poverty alleviation etc.

4. Data and Methodology
The sample for the present study consists of respondents who are mature clients of the following MFPs (Microfinance Providers) which are the leading suppliers of microfinance services in the area of study :National Rural Support Programme(NRSP), Akhuwat (AKHU) ,The First Microfinance Bank Ltd.(FMFB), Kashf Foundation (KASHF) ,Khushhali Bank (KB), National Rural, Support Programme Bank Ltd. (NRSP-B), Tameer Microfinance Bank Ltd. (TMFB). The sample consists of 773 established clients who have availed three or more than three loan cycles of microfinance. Data have been collected from seven Tehsils of Bahawalpur that are Tehsil Bahawalpur (157), Tehsil Ahmed pur East (92), Tehsil khairpur (61), Tehsi l Rahim Yar Khan (147), Tehsil Sadiqabad (95), Tehsil Chishtian (130), Tehsil Fort Abbas (91). The questionnaire had been designed to find out not only the effects of micro credit on improvement of these variables such as income levels, housing characteristics, nutritional status, access to healthcare, education level, employment etc but also to covers all the economic, social and institutional factors which can affect the effective role of microfinance.

Model Specification for impact of Social, Economic and Institutional Factors on Effective Role of Microfinance

The present study has attempted to examine the socio-economic and institutional factors which play a crucial part in determining the affective role of microfinance as a development tool. This paper deals only with those clients of MFPs (Microfinance Providers) who have microfinance partnership for three or more than three loan cycles. Following expression explicates the impact of different factors on effective role of microfinance, as the following expression explicates;
Y_i= f (EDU, BTR, ACM, EXP, LMS, NOEP, AGE, MRS, DPT, SHH, RHH, DFL, FRB, AREA, CPT, INTR, INFG)
where Y_i= Dependent variables

Dependent Variables: The study evaluates the impact of different economic, social and institutional factors on two dependent variables that are economic wellbeing and economic empowerment of borrowing households after utilizing microfinance. Here the variable economic wellbeing has been designed to represent poverty alleviation. As the both variable are multidimensional, so with the

intention of presenting a more composed picture of impact of above mentioned factors, we have constructed indexes for economic wellbeing and economic empowerment.

Independent Variables As the independent variables are concerned, they have been divided into three classes: economic, social and institutional.

Economic Variables: (i) Education of borrower (EDU)   (ii) Business training(BTR)
(iii) Access to market(ACM)   (iv) Experience(EXP)   (v) Length of membership(LMS) (vi) Number of employed persons(NOEP)
The variables, education of borrower and business training, have been measured by number of years; the respondent has attended an educational and training institution. Access to market has been quantified by the distance from closest market and availability of paved road. LMS has been measured by number of loan cycles completed by the respondent.

(B) Social Variables: (i) age(AGE) (ii) Marital status(MRS)   (iii) Number of dependents (DPT)   (iv) Sex of household head (SHH)   (v) Relation to household head (RHH)   (vi) Diversion of loan (production to consumption) (DFL)   (vii) Family reaction to business activity (FRB)   (viii) Area(AREA)
Marital Status has been quantified under the categories of married, widower, divorcee, and. single. Age and Dependents has been measured by number of years of age and by number of dependents respectively. Sex of household head is a binary variable, taking value 1 for male and 0 for female. The variable 'Relation to household head' has been quantified under the categories of self, spouse, son/daughter, parents and anyone else. Six categories have been allotted to the variable 'diversification of loan' (i) Buy food for household (ii) Loan the money to spouse (iii) Keep money on hand in case of an emergency (iv) For house/land improvement or purchase (v) To spend on a celebration or death (vi) To repay microfinance loan. The percentage of loan being diversified has been used to quantify the variable. 'Family reaction to business activity' has been quantified under five categories: very supportive, supportive indifference, non-supportive, react badly. Lastly, area is measured by either the borrower belongs to rural or urban.

(C) Institutional variables: (i) Consumer protection (CPT) (ii) Interest Rate (INTR) (iii) Information (INFG)

To measure 'Consumer protection, we have constructed an index as it is multidimensional and has been characterised by six core values: transparency, fair practices, dignified treatment, privacy and fair disclosure, governance, client satisfaction which are quantified under four categories: excellent, good, satisfied, needs improvement. CPT index ranges from 0 to 24 values. Interest rate is the prevailing interest rate charged by different microfinance providers. Information index has been designed as the provision of information relating to concerned MFI, terms and condition, prevailing interest rate and repayment procedure .It has been quantified under two categories, satisfactory and not satisfactory, ranging values from 0 to 4.

Multiple Linear Regression Model for Economic Wellbeing.
Microfinance as a tool of poverty alleviation aims at improving economic wellbeing. Economic wellbeing of poor borrowing clients has been measured by constructing an index to estimate the following model.

$$EWB = \beta_0 + \beta_1 \text{ EDU} + \beta_2 \text{ BTR} + \beta_3 \text{ ACM} + \beta_4 \text{ EXP} + \beta_5 \text{ LMS} + \beta_6 \text{ NSP} + \beta_7 \text{ AGE} + \beta_8 \text{ MRS} +$$
$$\beta_9 \text{ DPT} + \beta_{10} \text{ SHH} + \beta_{11} \text{ RHH} + \beta_{12} \text{ DFL} + \beta_{13} \text{ FRB}, + \beta_{14} \text{ AREA} + \beta_{15} \text{ CPT} + \beta_{16} \text{ INTR} +$$

β17   INFG + Ui

The construction of index for economic wellbeing involved the following variables relating to poverty alleviation paradigm: (1) change in monthly household income after availing microfinance, (2) change in food consumption after availing microfinance.(3) change in   house improvement expenditure after availing microfinance (4) increase in Household assets after availing microfinance. The value of index varies from 0 to 15. As the change in monthly household income is concerned, five categories have been designed ranging from 'less than PKR 300'to 'more than PKR 6000' and values have been assigned to all categories ranging from 0 to 4. With respect to change in consumption of food items, four values 3, 2, 1 and 0 have been assigned to four categories 'much improved', 'improved', 'remained same' and 'deteriorate' respectively.

In fact in questionnaire these categories has been inquired about the four food items that are meat, fruit, egg and milk, and each household would collectively get a value from 0 to 12 which have been then comprised into values from 0 to 4. Regarding to change in house improvement expenditure, five categories ranging from 'less than 2000' to more than '30000' have been assigned values from 0 to 4. Among the household assets, only the highly valued assets have been included. In this regard five categories ranging from 0 to 10 have been designed with assigned values ranging from 0 to 4.The value of index diverges from 0 to 15.

Multiple Linear Regression Model for Economic Empowerment (EMP)
Microfinance as a tool of economic empowerment   aims at empowering the poor borrowing households economically. Economic empowerment of poor borrowing clients has been measured by constructing an index to estimate the following model.

EMP = β0 +β1 EDU + β2 BTR + β3 ACM + β4 EXP + β5 LMS + β6 NOEP + β7 AGE + β8 MRS +β9
        DPT + β10 SHH + β11 RHH + β12 DFL +β13 FRB + β14 AREA + β15 CPT +β16 INTR + β17
INFG
     + Ui

The construction of index for economic empowerment of poor borrowing involves the following variables relating to economic empowerment   paradigm. (1) change in monthly household expenditures on education of children after availing microfinance (2) change in monthly expenditures on household health (3) change in monthly household expenditures on productive assets (4) change in number of employed household members (5) change in household saving (6) change in decision making empowerment. The value of index varies from 0 to 24.

With respect to change in monthly household expenditures on education of children, household health and productive assets is concerned, five categories under each variable have been designed depending upon the respective variations in the collected data and five values have been assigned to these categories under each variable according to their importance. As the change in number of employed household members is concerned, five categories ranging   0 to 5 have been given values according to their magnitude. Similarly change in household saving has been assigned categories and numerical values. The impact domain of decision making empowerment can be analysed in detail by inquiring the decision making authority in the household in several household issues: education of children, health of children, basic domestic purchase of commodities and use of loan. Four categories have been designed here to describe the decision making authority: respondent alone, respondent and spouse, spouse alone and someone else with given values 4,3,2,1 respectively which have been then comprised into values from 0 to 4.

5. Results and Discussions

The Table 3 presents the summary of regression analysis between economic wellbeing (EWB) of borrowers after availing microfinance and its economic, social and institutional determinants. It has been found that EDU, BTR, EXP, LMS, NOEP, FRB and CPT have positive and statistically significant impact on EWB of the borrowers after availing the microfinance, whereas NOEP, RHH and AREA have positive but insignificant effect. In contrast, DFL and INTR have been found to affect EWB negatively and significantly, while AGE, MRS, DPT and INFM have also negative but insignificant effect on EWB.

As the present study aims not only at exploring the relationship between EWB and its determinants but also at recognizing the determinants which comparatively have a greater effect on EWB, so we have calculated both standardized and unstandardized coefficients for analysis. Unstandardized coefficients are expressed in terms of the variables' original, raw units. The advantage of standardization of the coefficient is that coefficients are easily comparable with respect to greater effect and significance. (Wikipedia)

Table 3 Regression Analysis between Economic Wellbeing and Economic, Social and Institutional Factors

(a) Coefficients

Model	Beta	Standardized Beta	Sig.
Constant	3.799		0.000
EDU	0.070	0.145	0.000
BTR	0.129	0.055	0.043
ACM	0.068	0.062	0.049
EXP	0.055	0.052	0.043
LMS	0.242	0.178	0.000
NOEP	0.071	0.031	0.341
AGE	-0.004	-0.018	0.549
MRS	-0.042	-0.013	0.689
DPT	-0.040	-0.034	0.206
SHH	-0.792	-0.060	0.047
RHH	0.086	0.023	0.478
DFL	-0.009	-0.084	0.003
FRB	0.520	0.175	0.000
AREA	0.243	0.057	0.107
CPT	0.262	0.212	0.000
INTR	-0.040	-0.158	0.000
INMF	0.098	0.035	0.339

b) **Model Summary and ANOVA Results**

Model Summary			ANOVA Results		
R	R Square	Adjusted R Square	df	F	Sig.
0.727	0.529	0.518	771	48.853	.000

The positive and significant coefficient for EDU implies that EWB would be expected to increase after utilizing microfinance by 0.07 units for one unit increase in education, indicating that education helps the poor borrowers to reach their full potential to utilize the loan in more effective way.

It has been found that that BTR affects positively and significantly. The expected increase in EWB after utilizing microfinance would be 0.129 units for one unit increase in BTR which indicates that business training is vital to the achievements of a business, as it reduces the risks of potential mishaps within the business. Market access is a prime issue for less developed countries. It is also supported by the present study as the positive and significant coefficient depicts that market access have significant poverty-reducing effects on the poor borrowing households. The coefficient on EXP which is positive and significant, suggest that borrower's experience of working in a similar business obviously matter a lot, as it provides him/her greater understanding of that market and the way in which businesses in that field work.

LMS is the most important determinant of EWB to be investigated after availing microfinance. The table shows that the EWB of the borrowing household after availing microfinance would be expected to increase by 0.242 units for one unit increase in LMS suggesting that program participation has a significant positive effect over time for borrowers. Higher the length of the membership to microfinance programme, the greater will be the economic wellbeing of the borrowers after availing microfinance. Consequently, borrowers with membership of more than three years would be expected to have greater EWB than those with membership with three years. The positive coefficient on the NOEP, although it is statistically insignificant, suggests that the number of employed persons also has a positive impact on EWB after availing microfinance.

With respect to social predictors, AGE, MRS and DPT have been found to have a negative effect on EWB of borrowers after availing microfinance although these negative coefficients are statistically insignificant. One unit increase in AGE, MRS and DPT would be expected to cause a decrease in EWB by 0.004, 0.042 and 0.040 units respectively. Young borrowers have been found to be characterized with more increased EWB than old ones. Similarly, married borrowers appear to be worse than the other categories in terms of increase in EWB after availing microfinance. Likewise the borrowing households, having larger number of dependents appear to have less EWB than those having smaller number of dependents.

The coefficient on SHH, which is positive and significant at the 5 percent level, depicts that the female borrowers have been found to be worse than male ones in terms of increase in EWB by the magnitude of 0.792 after availing microfinance. With respect to the relation to household head, it has been found that borrowers, as a household head, add more to EWB of household than those as spouse or child of the household head. However this result is statistically insignificant. The diversion of loan has a negative effect on EWB after availing microfinance which is significant one. The expected increase in EWB of the borrowers who diverted the loan from production to consumption is lower than those who utilized the loan only for productive /sale purposes. Generally the borrowers have been found to divert loan for house improvement, marriage celebration, medical treatment etc. Area is an important determinant of EWB after availing microfinance. EWB would be expected to increase by 0.243 units if the borrowers

belong to urban area. Urban areas are better than rural ones with respect to investment opportunities and market access.

Among the institutional variables, CPT has positive and statistical significant effect on EWB. The clients of those institutions which are characterised by good core values of consumer protection (CPT) system such as transparency, fair practices, dignified treatment, privacy, fair disclosure, governance, client satisfaction etc. have been found to have more EWB after availing microfinance, as compared to those clients belonging to other institutions.The coefficient on INTR, which is negative and significant at the 5 percent level, depicts that EWB of the borrowers of such MFPs would be expected to increase more which charge low interest rate as compared to those belonging to the MFPswhich charge high interest rate. For one unit increase in INTR, the expected decrease in EWB would be 0.040.

The positive coefficient on the INFM, although it is statistically insignificant, suggests that the quality of information provided by institution about concerned MFI, terms and condition, prevailing interest rate and repayment procedure has a positive impact on EWB after availing microfinance. The expected increase in EWB due to one unit increase in INFM index would be 0.98.

Using the standardized coefficients for comparing the independent variables in terms of their effectiveness on dependent variable, EWB, It has been found overall the most impactful determinant of EWB of borrowers after availing microfinance is CPT with standardized coefficient,0.212, followed by LMS, FBR,INTRM and EDU with standardized coefficients, 0.178, 0.175, 0.158 and 0.145 respectively.

Model summary shows the strength of the relationship between EWB and its predictors. The multiple correlation coefficient is 0.73. As the model has a higher value of 'R'(multiple correlation coefficient) which indicates that model predicted values of dependent variable, EWB, are linearly correlated with observed ones. The value of R-square, 0.53 depicts that more than half of the variations in EWB are explained by the model. In short, we may conclude that there is a strong relationship between dependent and independent variables. ANOVA results test the acceptability of the model from a statistical perspective. The significance value of the F statistic is 48.53 which is less than 0.05, indicating that the variation explained by the model is not due to chance.

The Table 4 presents the summary of regression analysis between economic empowerment (EWB) of borrowers after availing microfinance and the economic, social and institutional determinants.

Table 4   Regression Analysis between Economic Empowerment and Economic, Social and Institutional Factors

Coefficients	Beta	Standardized Beta	Sig.
Constant	0.218		0.847
EDU	0.106	0.127	0.000
BTR	0.361	0.089	0.003
ACM	0.021	0.034	0.207
EXP	0.119	0.147	0.000
LMS	0.434	0.181	0.001
NOEP	0.776	0.194	0.000
AGE	0.009	0.021	0.415

MRS	0.148	0.026	0.357
DPT	-0.319	-0.155	0.000
SHH	-0.166	-0.007	0.786
RHH	0.138	0.021	0.459
DFL	-0.015	-0.085	0.001
FRB	0.767	0.150	0.002
AREA	0.201	0.027	0.384
CPT	0.481	0.274	0.000
INTR	-0.009	-0.020	0.542
INFM	0.295	0.061	0.060

b) Model Summary and ANOVA Results

Model Summary			ANOVA Results		
R	R Square	Adjusted R Square	Df	F	Sig.
0.796	0.633	0.625	771	75.240	0.000

It has been found that EDU, BTR, EXP, LMS, NOEP, FRB and   CPT have significant and positive impact on EMP of the borrowers after availing the microfinance, while ACM, AGE, MRS, RHH, AREA and INFM have positive but insignificant effect. Unlike, DPT and DFL have been found to affect EMP negatively and significantly, however SHH and INTR have also negative but insignificant effect on EMP.

Among the economic variables, it has been found that EDU has positive and statistically significant impact on EMP, proving what is often said, knowledge to the poor is power to the poor. For one unit increase in EDU, the expected increase in EMP would be 0.106 units. Education helps the poor borrowers to become more empowered economically, while illiteracy creates a situation of dependency on others, limiting one's prospects for economic empowerment.

An important finding is that the borrowers who received training related to their business have been found to be economically more empowered than those who didn't. BTR has positive and statistically significant coefficient that is 0.361. Experience also matters a lot. More experienced borrowers have the advantage of identifying customers, marketing strategies and opportunities for growth in much better way as compared to in experienced ones. The positive coefficient on the ACM, although it is statistically insignificant, suggests that access to market increase the economic empowerment of poor borrowers.

An important finding is the positive and statistically significant contribution of LMS to the model. Economic empowerment of borrowers would be expected to increase by the magnitude of 0.43 units for one unit increase in LMS, indicating 'treatment'(membership) matter but 'dosage' (length of membership) matter a lot in determining the economic empowerment(EMP) of the borrowers after availing microfinance. The coefficient on NOEP is positive and statistically significant, implying higher

the number of employed persons in household, the higher would be economic empowerment. For one unit increase in NOEP, the expected increase in EMP would be 0.778 units.

As the impact of social variables on EMP is concerned, it has been found   that AGE and MRS affect EMP positively, but these findings are statistically insignificant.The negative sign associated with coefficient on SHH suggests that the household headed by male have been found to be economically more empowered as compared to those headed by female. Moreover,it has been found that DPT has negative and statistically significant impact on EMP, demonstrating higher the number of dependents a household has, the lower the access to education, training and medical facilities. It also limits the ability of a household to build assets and to save, because major portion of financial resources have to be allocated to the fulfilment of basic necessities. Consequently economic empowerment of household tends to decrease.

RHH has a positive but statistically insignificant impact on EMP indicating that borrowing respondents, as a household head, contribute more to EMP of household than those as spouse or child of the household head. Moreover it has been found that DFL has negative and statistically significant impact on EMP, implying that the borrowers who diverted loan from production to consumption have lower EMP as compared to those who did not. The positive and statistically significant coefficient for FRB indicates that the supportive reactionto business activity by other members of household is an important determinant. The positive sign associated with AREA demonstrates that the urban borrowers have been found to have more economic empowerment than rural ones but this result is not statistically significant.

As the institutional variables are concerned, CPT has a positive and significant effect on EMP. For one unit increase in CPT-index, EMP of borrowers would be expected to increase by 0.48 units. The negative coefficient on the INTR, although it is statistically insignificant, suggests that the clients of those MFPs which charge a lower interest rate have more EMP than the clients of other MFPs. INFM also has been found to have positive but statistically insignificant impact on EMP. One unit increase in INFM would cause to increase the EMP by 0.295 units.

The column labelled 'standardized coefficients' expresses that the most influential variable is CPT followed by NOEP, LMS, DPT and FRB respectively. EMP would be expected to increase by 0.274 standard deviations for one standard deviation increase in theCPT. Moreover due to one standard deviation increase in NOEP, LMS, DPT and FRB, economic empowerment of household would be expected to increase by 0.194, 0.181, 0.155 and 0.150 standard deviations respectively.

The coefficient of correlation, R, has a big value that is 0.796, indicating strong correlation between observed and predicted values of the model. It also has been found that 63.3 percent of total variations in the EMP have been explained by the model. Moreover the ANOVA results conclude that as the p value of F test is less than 0.05, so we are 95 percent confident to deduce that variation explained by the model is not due to chance.

6. Conclusion

As the regression analysis between economic wellbeing of borrowers after availing microfinance(EWB) and the economic, social and institutional determinants is concerned, it has been found that education of borrower, business training, experience, length of membership, family reaction to business activity and consumer protection have significant and positive impact on economic wellbeing of the borrowers after availing the microfinance, whereas number of employed persons, relation to household head and area have positive but insignificant effect. In contrast, Diversion of loan and Interest Rate have been found to

affect EWB negatively and significantly, while age, marital status, number of dependents and information level have also negative but insignificant effect on EWB.

Using the standardized coefficients for comparing the independent variables in terms of their effectiveness on dependent variable, EWB, it has been found overall the most impactful determinant of EWB of borrowers after availing microfinance is consumer protection with standardized coefficient, 0.212, followed by length of membership, family reaction to business activity, interest rate and education of borrower with standardized coefficients, 0.178, 0.175, 0.158, 0.145 respectively.

With respect to regression analysis between increased economic empowerment (EMP) of borrowers after availing microfinance and the economic, social and institutional determinants, it has been found that education of borrower, business training, experience, length of membership, number of employed persons, family reaction to business activity and consumer protection have significant and positive impact on EMP of the borrowers after availing the microfinance, while access to market, age, marital status, relation to household head, area and information have positive but insignificant effect. Unlike, number of dependents and diversion of loan have been found to affect EMP negatively and significantly, however sex of household head and interest rate have also negative but insignificant effect on EMP.

Additionally, it has been found the most influential variable is consumer protection followed by number of employed persons, length of membership, number of dependents and Family reaction to business activity respectively. EMP would be expected to increase by 0.274 standard deviations for one standard deviation increase in the consumer protection. Moreover due to one standard deviation increase in number of employed persons, length of membership, number of dependents and Family reaction to business activity, economic empowerment of household would be expected to increase by 0.194, 0.181, 0.155 and 0.150 standard deviations respectively.

7. Policy Implications

On the basis of these results, it is recommended that

- MFPs should concentrate in improving all the core values of consumer protection such as transparency, fair practices, dignified treatment, privacy, fair disclosure, governance, client satisfaction.

- The system of providing information to microfinance clients by MFPs about terms and condition, prevailing interest rate and repayment procedure should be more efficient and on regular basis.

- Micro-credit should not be only an economic support. It should be coupled with other poverty alleviation interventions such as basic education, business training etc.

- Moreover in order to avoid diversion of loan from production to consumption, an effective system of monitoring and follow up of loans should be applied by microfinance providers.

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