



## Microfinance Initiatives and Social Upliftment in Pakistan

Saddam Hussain<sup>1</sup>

<sup>1</sup>Lecturer, Govt Associate College kabirwala,

Email: [shdu492@gmail.com](mailto:shdu492@gmail.com)

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### ABSTRACT

*Microfinance has come to be a effective social, and monetary improvement device in particular in bad international locations inclusive of Pakistan. By serving small loans and monetary offerings to marginalised populations, micro finance ventures awareness on empowering individuals, poverty remedy and social well-being. This observe discusses the function of microfinance applications for the betterment of livelihoods, education, fitness and gender fairness in Pakistan. Evidence shows that the get entry to to microcredit has advantageous effect on earnings producing events, family balance and entrepreneurship growth. Furthermore, participation in microfinance schemes foster monetary literacy, social cohesiveness and girls empowerment. Despite those benefits, there exist demanding situations which effect at the effectiveness of the policy. some of these challenges include high interest rate levels, poor outreach, and insufficient support infrastructure. This study involves the synthesis of empirical findings in order to draw attention about the opportunities provided by microfinance and limitations of microfinance in Pakistan. The findings throw up the need for integrated policies and sustainable frameworks in making the most of social upliftment. Overall, micro finance is an important approach towards poverty alleviation and inclusive development in Pakistan.*

#### Corresponding author:

[shdu492@gmail.com](mailto:shdu492@gmail.com)

## Introduction

Microfinance is the availability of small-scale financial services such as loans, savings, insurance and financial education to poor people does not have access to standard banking facilities (Morduch, 1999; Yunus, 2007). In Pakistan being a country with high level of poverty and social inequality the importance of the micro finance initiatives as a mechanism to empower the marginalized communities and conducive to social upliftment (Khan & Rehman, 2018). The basic goal of microfinance is to establish financial resources to the individuals, particularly women so they may do productive activities and earn income and bring wellbeing to their household (Hulme & Mosley, 1996; Ledgerwood, 2013). Empirical studies suggested that microfinance programs plays a role in the poverty reduction process through facilitating entrepreneurial activities and income diversification (Armendariz & Morduch, 2010; Sultana and Hasan, 2020). Households that use microfinance services tend to have better food security, health and schools attendance rates for children (Rahman, 1999; Khandker, 2005). In addition, the involvement in microfinance activities builds social capital since people are involved in the group lending schemes and community networks and the peer mechanisms of support which helps to build collective action and social cohesion (Swain and Wallentin, 2009 and Mayoux, 2001).

Women's empowerment is one of the core areas of micro finance in Pakistan. Research suggests women borrowers enjoy more decision-making control within their household, higher confidence and leadership opportunities in community activities (Hashemi, Schuler, & Riley, 1996; Chemin, 2008). By empowering women to gain control over financial resources,



microfinance programs reduce the disadvantages against women and support the broader goals of social development (Kabeer, 2005; Sultana, 2016).

Despite those benefits, microfinance packages additionally have some of demanding situations in Pakistan. High hobby rates, over-indebtedness, negative geographical insurance and shortage of institutional assist may also undermine the high quality results of microfinance tasks (Cull, Demirguc-Kunt, & Morduch, 2009; Maimbo & Gallego, 2014). Moreover, a few research factor out that short-time period loans, with out complementary packages designed to enhance people's skills, might not cause sustainable social upliftment and poverty remedy withinside the lengthy run (Banerjee et al., 2015; Hulme, 2000).

The function of regulatory frameworks, coverage assist, and troubles of partnerships with NGOs and economic establishments are vital in developing the most effect of microfinance in Pakistan (State Bank of Pakistan, 2020; Microfinance Network Pakistan, 2018). Integrated procedures that integrate credit, education and social improvement applications had been proven to provide better consequences in phrases of earnings generation, monetary literacy and social wellbeing (Ledgerwood, 2013; Armendariz and Morduch, 2010).

This take a look at seeks to synthesize the to be had literature at the microfinance tasks in Pakistan with a focal point on their contribution closer to the social upliftment. By reading each the empirical proof and theoretical frameworks, the observe identifies the possibilities and demanding situations and coverage implications of microfinance packages. The incidences of effective adoption of microfinance demonstrate that micro finance, if properly implemented, could be an important tool for poverty reduction, empowerment of women, and inclusive social development in Pakistan (Khandker, 2005, Sultana & Hasan, 2020).

## **Literature Review**

Microfinance has been widely acknowledged as an efficient instrument and means of promoting social and economic development, as well as development in low-income countries where the Standard banking systems do not reach the marginalized population (Morduch, 1999; Yunus, 2007). Its main objective should be to provide financial services (microfinance, savings accounts and insurance) on a marginal scale, to poor households with the intention of enabling them to get involved in income-generating activities and improve their overall social wellbeing (Ledgerwood, 2013; Armendariz & Morduch, 2010). In Pakistan, different government agencies and non-governmental organizations (NGOs) have launched microfinance programs to reduce poverty & for social growth, and country particularly focuses on empowerment of women (Khan & Rehman, 2018; State Bank of Pakistan, 2020).

Empirical studies hint that microfinance participation has a positive effect on household income, consumption pattern and asset accumulation. Khandker (2005) found that household that have access to microcredit showed significant improvement in income generating activities and reduced vulnerability to economic shock. Similarly, Sultana and Hasan (2020) found that the living standard (i.e., food security, living conditions) and accessing basic services were better among microfinance borrowers in Pakistan than the non-borrowers. Microfinance also plays role in the entrepreneurs by the extension of small-scale capital, programs on financial literacy which can enable the recipients to manage businesses in a more effective and sustainable manner (Armendariz & Morduch, 2010; Chemin, 2008).

Apart from economic impact, social impact of microfinance has been under the limelight. Participation in microfinance programmes often increases social capital to participate in group lending schemes, peer networks and to use collective decision making processes (Swain & Wallentin, 2009; Mayoux, 2001). These social networks promote trust, cooperation and mutual help that leads to community solidity and collective problem-solving (Hulme & Mosley, 1996; Rahman, 1999). Furthermore, according to studies conducted in Pakistan, the higher the readiness for microfinance participation amongst the population, the greater the civic engagement of the people along with the establishment of positive social norms such as education for children, utilization of healthcare and development projects (Sultana, 2016; Chemin, 2008).

Women's empowerment is a key issue of microfinance programmes in Pakistan. Researches have shown that female borrowers gain a lot of control over household financial decision-making, a better bargaining power, and an increased self-confidence, which have a positive effect on family welfare and gender equality (Hashemi, Schuler, & Riley, 1996; Kabeer, 2005). By giving women access to financial resources and business enterprises, microfinance initiatives empower women to contribute their roles in income generation for household and make independent decisions and play a role in the development activities in the community (Sultana, 2016; Mayoux, 2001). Moreover, studies has proven that women's participation in



microfinance schemes frequently result in an development in college attendance and fitness consequences for the kids and suggests the intergenerational blessings to be determined in economic empowerment (Khandker, 2005; Rahman, 1999).

Despite those advantageous results, microfinance efforts are confronted with some of demanding situations that would doubtlessly restrict their effectiveness. High hobby rates, over-indebtedness and abnormal compensation schedules can compound monetary pressure amongst borrowers (Cull, Demirguc-Kunt, & Morduch, 2009; Maimbo & Gallego, 2014). Some research spotlight the reality that microfinance loans on my own won't be enough in developing a sustainable social upliftment if complementary education applications or capacity-constructing packages aren't undertaken (Banerjee et al., 2015; Hulme, 2000). In the case of Pakistan, constrained geographical coverage, loss of monetary literacy and shortage of tracking mechanisms were talked about because the most important constraints to the outreach and effectiveness of microfinance programmes (State Bank of Pakistan, 2020; Microfinance Network Pakistan, 2018).

It is stated that institutional and regulatory environment is the key to the success of microfinance initiatives. Good governance, legal environment and policies contribute to the effectiveness and sustainability of such programs of microfinance (Ledgerwood, 2013; Armendariz and Morduch, 2010). Partnerships among government agencies, NGOs and financial institutions allow access to training, monitoring and financial resources ensuring that borrowers have access to adequate support during the lending process (Chemin, 2008; Hulme & Mosley, 1996). International experiences also suggest that microfinance will be more effective when integrated with wider social development programmes, such as in healthcare, education and vocational training, to better the social upliftment and reduce poverty in the long run (Swain & Wallentin, 2009; Mayoux, 2001).

Several studies have been made on multi dimensional effect of microfinance on social wellbeing in Pakistan. For example, in one study by Khan and Rehman (2018), the authors showed that the microfinance borrowers reported better health outcomes, an increase of school enrollment among the children, and increased participation in community decision-making. The positive effect of microfinance in reducing vulnerability of households to economic shocks, development of entrepreneurship skills and also increasing the autonomy of women was also revealed by Sultana and Hasan (2020). These results are consistent with the results elsewhere in the world, which has frequently demonstrated that well-designed microfinance programs play a role not only in poverty reduction, but in social empowerment, gender equality and social development of communities (Yunus, 2007; Kabeer, 2005).

Microfinance programs implemented in Pakistan have developed many models which include group lending, individual lending, and the hybrid model. Group lending in particular has been widely used due to fostering the principle of peer accountability and reducing the risk of default while increasing the social cohesion among borrowers (Hulme & Mosley, 1996; Armendariz & Morduch, 2010). Studies show that microfinance programs that are based on groups improve women's participation and create opportunities for collective problem-solving and skill development (Hashemi et al., 1996; Mayoux, 2001). However, issues such as intra-group conflicts and unequal participation must be addressed in order to ensure the effectiveness of the program (Swain and Wallentin 2009, Chemin 2008).

In summary, the literature shows that microfinance initiatives in Pakistan have a great potential of promoting social upliftment in terms of improved income, health, education and gender equity. However, the impact of microfinance depends on factors including the program design, institutional support, regulatory support and complementary training (Ledgerwood, 2013; Banerjee et al., 2015). Addressing barriers with regards to hobby rates, outreach and potential constructing is vital so one can guarantee that microfinance reaches its meant social and financial results. Overall, microfinance is a strategic intervention in attaining inclusive development, poverty relief and empowerment of marginalized human beings in Pakistan (Khandker, 2005; Sultana, 2016).

## **Methodology**

### **Research Design**

This examine makes use of the quantitative studies layout to take a look at the effect of microfinance tasks at the social upliftment of Pakistan. Quantitative technique is appropriate because it allow systematic dimension of variable consisting of income, education, health, girls empowerment and social wellbeing (Creswell & Creswell, 2018). A cross-sectional survey layout become used to attain records from a large pattern of families engaged in microfinance applications which will get a photo of modern-day influences on social and monetary outcomes (Saunders, Lewis, & Thornhill, 2019).



## **Population and Sample**

The goal populace is made of families concerned in microfinance applications in each city and rural regions of Pakistan. Using the purposive sampling method, 300 households were finally selected to ensure diversity in terms of socio-economic status, geographic location, and type of microfinance institution (Etikan, Musa, & Alkassim, 2016). This sample size gives us a high enough number of data to statistically analyze data such as descriptive statistics, correlation analysis and regression modeling (Hair, Black, Babin, & Anderson, 2019).

## **Instruments of Data Collection**

Data have been collected by using a structured questionnaire with sections including household demographics, microfinance participation, income generation, education, health, women's empowerment and social wellbeing. Responses were measured by placing 5-point Likert scale items (1 = strongly disagree, 5 = strongly agree) to determine perceptions and experiences regarding participation in MF (UNICEF & WHO, 2021). A questionnaire was pre-tested on 30 households to ensure reliability and clarity resulting in higher Cronbach's alpha value > 0.80 on all key constructs (Tavakol & Dennick, 2011).

## **Data Collection Procedure**

Face-to-face surveys were conducted by trained enumerators to ensure data were collected accurately and if participants had literacy issues required support with the data collection. Participants were informed about the purpose of the study, assured confidentiality and were urged to give honest answers. Data collection covered a period of six weeks with their follow-up to improve response rate. Completed questionnaires were coded and entered into the Statistical Package and Scientific Calculators (SPSS) 26 software for analysis.

## **Data Analysis Techniques**

Data analysis consisted of descriptive statistics, correlation analysis, and multiple regression analysis. Descriptive statistics such as mean, standard deviation and frequency distributions for the mentioning of household characteristics, microfinance participation, social upliftment indicators (Hair et al. 2019). Correlated variables studied Relationships between microfinance participation and outcomes e.g. income, education, health, women's empowerment were undertaken by means of correlation analysis. Multiple regression was employed to analyse the predictive effect of microfinance participation with respect to social upliftment under the control of socio-economic variables such as household size, education level and income (Creswell & Creswell, 2018). Statistical significance was measured at  $p < 0.05$  level.

## **Ethical Considerations**

The research was conducted and followed stringent ethical guidelines. Participants gave informed consent and no personally identifiable information was collected. Data were kept confidential and were only used for research purposes. Cultural norms and sensitivities were taken into consideration when the survey process took place and participants were offered the opportunity to withdraw at anytime (Saunders et al., 2019).

## **Data Analysis and Findings**

### **Descriptive Analysis**

Data were gathered from 300 households who participated in microfinance programs in urban and rural area in Pakistan. The descriptive analysis gives an overview as to the demographic characteristics of respondents such as microfinance participation and social upliftment indicators such as income, education, health and women's empowerment. Of the respondents 62% were female borrowers, which reveals the focus on women-centric microfinance programs. Most households (54%) had 4-6 members and 48% of respondents had primary or secondary education and thus moderate literacy level of the people.

Regarding microfinance participation, it was found that 71% had been borrowing; more than one year from microfinance institutions from PKR 10,000 to PKR 50,000. The main uses for the loans were for small-scale businesses (43%), agricultural activities (27%) and household (30%). Key benefits of microfinance participation were greater household income, more access to education, and improvements in health reported as some of the key benefits enumerators experienced when participating in microfinance programs.



**Table 1: Descriptive Statistics of Key Variables**

Variable	Mean	SD	Min	Max
Microfinance Participation (1-5)	4.1	0.8	1	5
Household Income (1-5)	3.8	1.0	1	5
Educational Support (1-5)	3.6	0.9	1	5
Health Improvement (1-5)	3.7	1.0	1	5
Women's Empowerment (1-5)	4.0	0.9	1	5

Descriptive results show that microfinance participation is positively related to improvement in social upliftment indicators. Female borrowers reported greater control over household resources and decision-making and this indicates a significant correlation between microfinance and women's empowerment (Hashemi, Schuler, & Riley, 1996; Kabeer, 2005).

### Correlation Analysis

Correlation analysis has been performed to study the relationships between microfinance participation and the social upliftment indicators. Results show that there is a strong correlation between the participation of microfinance and household income ( $r = 0.62$ ,  $p < 0.01$ ), support for children in education ( $r = 0.57$ ,  $p < 0.01$ ), health enhancement ( $r = 0.54$ ,  $p < 0.01$ ), and women's empowerment ( $r = 0.65$ ,  $p < 0.01$ ).

**Table 2: Correlation Matrix**

Variable	1	2	3	4	5
1. Microfinance Participation	1				
2. Household Income	0.62**	1			
3. Educational Support	0.57**	0.49**	1		
4. Health Improvement	0.54**	0.46**	0.50**	1	
5. Women's Empowerment	0.65**	0.51**	0.55**	0.53**	1

**Note:**  $p < 0.01$ .

These results show that microfinance programs make important contributions to many dimensions of social upliftment, especially women's empowerment and family income.

### Regression Analysis

Multiple regression analysis was performed to calculate the predictive effect of microfinance participation on social upliftment by factors like size of the household, education level and location (urban/rural) was kept controlled. The results show that participation in microfinance is the significant predictor to the household income ( $b = 0.61$ ,  $p < 0.001$ ), educational support ( $b = 0.55$ ,  $p < 0.001$ ), health improvement ( $b = 0.53$ ,  $p < 0.001$ ) and women's empowerment ( $b = 0.64$ ,  $p < 0.001$ ). The model explains 38% variance in household income, 30% variance in educational support, 28% variance in improving health and 41% variance in empowering women implying a significant effect of microfinance participation on the outcomes of social upliftment.

**Table 3: Regression Analysis Summary**

Dependent Variable	$\beta$	t-value	p-value	R <sup>2</sup>
Household Income	0.61	10.25	<0.001	0.38
Educational Support	0.55	9.12	<0.001	0.30
Health Improvement	0.53	8.75	<0.001	0.28
Women's Empowerment	0.64	11.02	<0.001	0.41

These findings seem to indicate that active participation in microfinance programs has a significant effect on social upliftment indicators, and this effect is most muted on women's empowerment.

### Findings by Borrower Type



Analysis by type of borrower shows that female borrowers report a higher benefit in terms of income generation, education and empowerment that compare to Male borrowers. For example, 70% of female participants felt that they were able to make decisions better in their household while just 45% of male participants felt likewise. Additionally, women also needed their families have better access to education and healthcare resources as a result of microfinance participation.

**Table 4: Social Upliftment by Borrower Type**

Borrower Type	Household Income	Educational Support	Health Improvement	Women's Empowerment
Female	High	High	High	Very High
Male	Moderate	Moderate	Moderate	Moderate

These outcomes spotlight the gendered effect of using microfinance, as they display that packages which consciousness on ladies are specifically effective in selling social upliftment and family welfare (Sultana, 2016; Kabeer, 2005).

### Findings

Overall, the evaluation confirms that microfinance tasks in Pakistan play a sizable position in social upliftment thru their contribution to higher family earnings, training, fitness and ladies's empowerment. Using a whole lot of statistical techniques (descriptive, correlation and regression evaluation), the facts constantly indicates that microfinance participation does enhance each monetary and social outcomes. Female debtors advantage the maximum underlining the significance of girls-focused micro finance applications. These effects verify the characteristic of microfinance as a multidimensional device of poverty discount, empowerment, and inclusive social improvement (Morduch, 1999; Armendariz & Morduch, 2010; Sultana & Hasan, 2020).

### Discussion

The outcomes of this have a look at endorse that the position of microfinance projects is pretty crucial withinside the technique of social upliftment in Pakistan. Descriptive evaluation confirmed that families who took element in microfinance applications expressed an growth of their earnings level, a higher get admission to to schooling, price of healthcare utilization, and additionally decision-making power, specially amongst ladies (Khandker, 2005; Sultana and Hasan, 2020). Correlation and regression analyses in addition proved that microfinance participation is especially associated with family profits, schooling guide, fitness enhancement and woman empowerment displaying the multidimensional effect of microfinance on social and financial outcomes (Armendariz & Morduch, 2010; Hashemi, Schuler, & Riley, 1996).

Women-centered microfinance packages had been in particular powerful in enhancing people's social welfare. Female debtors stated they won extra manage over family resources, and have become greater worried in decision-making, and there has been an development in own circle of relatives wellbeing (Kabeer, 2005; Sultana, 2016). These findings are steady with the worldwide literature that identifies microfinance as presenting empowerment to ladies, each in phrases in their cappotential to make contributions economically and socially to society and thru intergenerational benefits, which include expanded faculty attendance and higher fitness of children (Mayoux, 2001; Chemin, 2008).

In spite of those nice consequences there are some of demanding situations that limitation the cappotential of microfinance applications in Pakistan. Issues like excessive hobby rates, over-indebtedness, negative outreach in faraway areas, and a loss of capacity-constructing applications might also additionally mimic the effectiveness of interventions (Cull, Demirguc-Kunt, & Morduch, 2009; Maimbo & Gallego, 2014). Moreover, the absence of complementary help in ability improvement or economic literacy the various families, might not be capable of make complete use of microfinance loans for effective sports and it has highlighted the want for incorporated application designs (Banerjee et al., 2015; Hulme, 2000).

### Conclusion

In conclusion, this studies paper generates large proof that microfinance efforts play a chief position in enhancing social status in Pakistan. Participation in microfinance applications will increase family profits, application in schooling, healthcare get entry to, and girls's empowerment with the best fantastic effect on woman debtors. These findings spotlight the want to layout girls-focused and inclusive microfinance packages that cowl each the economic and social desires of ladies. While there are demanding situations from the bad outreach, excessive costs, and absence of capacity-constructing there's the



overarching effect skilled through the microfinance problems displaying that poverty discount and social improvement are nice and of significance (Morduch, 1999; Khandker, 2005; Armendariz and Morduch, 2010).

## Recommendations

Based on results and findings, several recommendations are made in terms of policy and programmatic measures. First, financial institutions must increase their scope of rural and underserved population by reaching every rural and disadvantaged area equally with financial services (State Bank of Pakistan, 2020; Microfinance Network Pakistan, 2018). Second, interest rates should be controlled and be affordable to avoid over-indebtedness and financial stresses to customers (Cull et al., 2009; Maimbo and Gallego, 2014).

Third, microfinance programs should have capacity-building and skills development elements, such as financial literacy training, entrepreneurial assistance, and vocational education to maximize the productive use of loans and lead to having better sustainable social expansion (Ledgerwood, 2013; Banerjee et al., 2015). Fourth, women-centered programs should be strengthened, with an active involvement of female borrowers in decision making, leadership and community development programs to promote empowerment and intergenerational benefits (Kabeer, 2005; Mayoux, 2001).

Finally, collaboration among authorities agencies, NGOs and economic establishments are essential in making sure sustainability of the program, tracking and coverage support (Hulme & Mosley, 1996; Chemin, 2008). These included tactics can boom the social and financial effect of microfinance and assist with poverty alleviation, gender fairness and inclusive improvement in Pakistan. Implementing those guidelines will allow the microfinance projects to stay as much as their capacity of being a device of social upliftment and sustainable improvement.

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