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Islamic Microfinance an Instrument for Poverty Alleviation in Pakistan: A Case Study of Sindh

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Abstract

This study aims to investigate how Islamic microfinance can be utilised in Pakistan to alleviate poverty and encourage long-term development. Additionally, it examines the fundamental ideas of Islamic finance and the connection between sustainable development and real economies. The survey was conducted in Sindh; Province of Pakistan. It was observed that despite number of non-Muslim are living in Sindh; Islamic Microfinance does not hindered by any religion. The study also discovered that Islamic Microfinance combined with an appropriate framework for monetary and fiscal policy, have a favourable impact on Pakistan's efforts to reduce poverty.

Keywords: *Microfinance, Islamic Microfinance, Poverty, Pakistan, Sindh*

1. Introduction

Poverty is a state wherein an individual is in dearth of essentials for standard life. For example, material resources that includes clean drinking water, food and shelter, or social resources such as opportunities to communicate with other people in society, availability of Health, education, and access to information etc. World Bank (1980) defined poverty as “A condition of life characterized by the disease, malnutrition, lack of education and disease as to be lower any standard definition of human decency”. It is lack of capacity for participation in society (Townsend, 1999). Extreme poverty is the condition wherein poor lives below US$ 1 or less as characterized by World Bank. Around 1.1 Billion poor around the world are living in this condition. Poverty is not only the income deprivation, but it is multidimensional, people may face many other problems such as, lack of education, poor health, and poor living standard. World Bank (2004) proclaims that poverty reflects prevails in both developing economies as well as in developed economies. The major reason behind poverty is deficit of funds to fulfil the basic needs In absolute terms, poverty is the severe lack of necessities of life for example food, shelter, heath care. It also includes inadequate consumer items, transport services, learning and environmental services, amusement opportunities and neighbourhood amenities. It is state of powerlessness, lack of freedom and representation (World Bank, 2011).

The stable financial environment plays pivotal role in development of any economy. In this regard conventional finance (CF) has recorded enormous successes around the globe, through its many general utility and agency functions. The whole foundation of conventional banking (CB) is a paradigm of financial intermediation, CB generate revenue from spread between demand deposits and saver's deposits and earn from spreads over various debt products lent to individuals or business enterprises (Ryu, et.al, 2012). Despite the fact that a sound financial system is seen as a means of achieving national economic development objectives, the majority of low-income individuals in developing nations do not have access to financial services (Adams et al., 1984). For several centuries, CF has been entrusted by the stake holders of economic cycle, because it provides opportunities to investors for earning guaranteed profit due to its element of "interest".

A branch of financial sector is known as microfinance (MF). The purpose MF is mainly poverty reduction, in most of the under developed countries. Microfinance institutes (MFIs) facilitate poor people who are neglected by commercial banks due to low profile and small loan size. According to Khan (2008) MF provides small loans to poor to meet their needs. MF is the financial product that extends loans, savings and insurance facilities to poor. Number of MFIs provides non-financial services also, which includes entrepreneurship, Training, education, workshops, technical training and health facilities etc.

Conventional lending is interest based lending whereas in Islam "Interest" or usury on loan is considered as repugnant. Therefore, majority of Muslim population avoid borrowing from conventional MF due to the factor of interest / usury. Thus, conventional MF does not meet the requirements of Muslim population in developing countries such as Sudan, Nigeria, Indonesia, Bangladesh and Pakistan. According to IRTI (2007) in largely Muslim populated countries i-e India, Pakistan, Bangladesh, and Indonesia, more than 470 million Muslim population is living less than $2 per day. In this backdrop, IMF has great potential and it could be utilized as knock-down weapon against poverty in such countries.

According to Jobst (2007), Islamic Finance (IF) is a type of financial arrangement based on entrepreneurial investment within moral limitations. IF prohibits interest-based income, immoral behaviour, businesses that includes direct or indirect link with the drugs, alcohol, pornography, speculative trading, and gambling etc. Instead, it encourages the selling of genuine products and services as well as contracts of sharing of risks and rewards.

According to Hayat (2009), the objective of IF is to develop a decent financial system with objective of wealth redistribution that supports efforts to reduce poverty. In Islamic finance a bank can work as an agent of customer and carry out transactions on customer's behalf and charge certain agency fee or commission for services, bank can also work as a partner with customer or as a fund manager of customer's investment. Islamic microfinance provides financial services to the underprivileged using Islamic financial principles.

2. Poverty in Pakistan

Pakistan is one of developing countries. One of reports by World Population Review (2023) shows, Pakistan is 33th poorest country of the world. According to IFRC (2023) total population of the country is around 225 million out of which approximately 65% is living in rural areas. Meanwhile based on latest available estimates, approximately 39.8% of population is considered poor with USD 3.55 per day in Pakistan (World Bank, 2018). Keeping in view present economic crises, sharp rise of inflation, it is forecast that more than 8 million workers could be unemployed. Consequently number of poor may be increased up to 43 % at the end of 2023 (Daily Business Recorder, 2023). Table 1 reflects the historical trends of poverty incidents. The country has been experiencing overall increase of poverty levels in 90s, soaring from 23 % in 1987-88 to 30% in 1998-99, while, rural areas are more affected than urban areas. Major reasons of rise in poverty are political uncertainty, corruption, economic instability and extensive fiscal and current account deficits. This increase was continued in millennium also. After slight drop in poverty for short period in 2004-2005, it started rising again in 2007-08 onwards. The reason behind this drop in 2004-05 was mainly significant growth rate in GDP up to 7.5% as compare to 4.7% in 2003, increase in foreign direct investment and decrease in current account deficits (Hussain,2004).

Table 1: Trends in Poverty Incidents

Percentage of population living below the poverty line

	1987–88	1996–97	1998–99	2001–02	2004-05	2010-11	2015-16
Pakistan	23	28	30	33	30	38	38
		(2.4)	*(3.6)*	*(3.3)*	*(-3.0)*	*(4.4)*	*(0.0)*
Urban	19	25	25	30	28	34	32
		(3.5)	*(0.0)*	*(6.7)*	*(-2.2)*	*(3.6)*	*(-1.2)*
Rural	26	30	32	35	31	39	41
		(1.7)	*(3.3)*	*(3.1)*	*(-3.8)*	*(4.3)*	*(1.0)*

Source: Jamal, 2013

Pakistan's Ministry of Planning & Development with support of UNDP, has launched country's first ever official report in 2016 on [1]multinational poverty (MP). According to that report nearly 4 out of 10 people in Pakistan live in marginal poverty.

Poverty does not mean income deprivation only; people may experience number of other issues such as poor health, lack of education and miserable living standards. Thus, taking into account these issues, OPHI (Oxford Poverty and Human Development Initiative) and UN (United Nations) has identified 10 indicators of poverty and designed MPI (Multidimensional Poverty Index) in 2010 to measure the poverty in countries.

Table -2 is showing multidimensional poverty (MP) of all regions of Pakistan in 2014-15. Almost 39 % of total population are living in MP, while 43 % are living in Sindh province and 71% in Baluchistan Province. The report further confirms that social indicators are faint despite healthy economic indicators. During past two decades, poverty levels had actually raised in number of districts of Sindh and Balochistan

Table 2: Multidimensional Poverty by Region, 2014-15

Province		Value		
		MPI	Incidence (H)	Intensity (A)
Punjab	Overall	0.152	31.4%	48.4%
	Rural	0.214	43.7%	48.9%
	Urban	0.026	6.3%	41.8%
Sindh	Overall	0.231	43.1%	53.5%
	Rural	0.415	75.5%	54.9%
	Urban	0.046	10.6%	43.4%
KP	Overall	0.250	49.2%	50.7%
	Rural	0.295	57.8%	51.1%
	Urban	0.042	10.2%	41.5%
Balochistan	Overall	0.394	71.2%	55.3%
	Rural	0.482	84.6%	57.0%

Source: Multidimensional Poverty in Pakistan, 2016

[1] *Poverty does not mean income deprivation only; people may experience number of other issues such as poor health, lack of education and miserable living standards. Thus, taking into account these issues, OPHI (Oxford Poverty and Human Development Initiative) and UN (United Nations) has identified 10 indicators of poverty and designed MPI (Multidimensional Poverty Index) in 2010 to measure the poverty in countries.*

3. Microfinance in Pakistan

Microfinance was introduced in early 80s in Pakistan. While formal MF banks incepted during 90s. Presently there 49 MFIs working in Pakistan, out of which 5 are NGOs providing MF, 32 are non-banking institutes (including three Islamic microfinance institutes) and 12 are MF Banks (Pakistan Microfinance Network, 2021). There are total 9.251 million active borrowers of MFIs which includes 45% of female borrowers. Total loan portfolio of MFIs is PKR 510 billions as of March 2023, out of which approximately 22 % or PKR 109 billion of loan are in parked Sindh Province. There are total 3,996 branches of MFIs all over the country while 838 branches are working in Sindh province (Microwatch,2023). table-3 shows

Table 3: Outreach of MFIs in Pakistan

Province	Offices		Microcredit	
	Fixed	Mobile	Active Borrowers	Gross Loan Portfolio(PKR)
AJK	83	-	104,326	7,291,305,000
Balochistan	53	-	39,585	6,004,981,661
Gilgit-Baltistan	75	1	55,530	9,058,822,967
FATA	29	-	23,300	1,022,969,154
ICT	40	5	2,358,418	10,431,566,396
Khyber-Pakhtunkhwa	237	14	209,068	25,456,880,058
Punjab	2,641	21	4,709,437	341,139,246,617
Sindh	838	-	1,751,194	108,947,152,340
GRAND TOTAL	3,996	41	9,251,391	509,575,457,206

Source: Microwatch 2023

MF sector is facing number of challenges such as product specialisation, fierce competition, poor regulations in Pakistan (Muhammad, 2010). While poverty growth and other opportunities paving path for sector's development and bespeaks an enormous potential for MF beyond the capability of present MFIs management. MF programs in Pakistan have limited impact on poverty due to their poor framework and outreach. Most of the leading MFIs in Pakistan are profit-oriented due to which overall MFI market has stirred focus from maximizing the outreach to maximizing the profit.

Islamic microfinance (IMF) is not completely implemented in Pakistan because there are very few IMFIS in the country (Kazim at, al,. 2012). This paper studies potential impact of IMF on poverty in Pakistan taking its province "Sindh" as a case study. Sindh is second largest province out of four in Pakistan. According to the report of World Bank (2022) Sindh generates 27% of Pakistan's total GDP. There are total 29 Districts of Sindh Province (Sindh Human Rights Commission, 2017). Total population of the province is 50.4 M almost 50% of the population lives in rural areas out of which 37% is living below the poverty line which is 9.324 M - higher than the country's average. Presently majority of rural areas of Sindh is facing food insecurity, malnutrition, limited access to clean water and sanitation facilities, low literacy rate, unemployment, lack of skilled training, limited access to financing facilities and jobs etc.

The sample of this study is based on certain stakeholders, such as general public, Financial Institutions and regulatory body.

The next section of this paper is literature review which covers the concepts of Microfinance, Islamic Microfinance, and poverty in Pakistan. The third section is consisted on Research

Methodology. Whereas, the forth section presents the findings, data analysis and discussion thereon, followed by the last section of conclusion and recommendations.

4. Literature Review

4.1 Microfinance (MF)

Microfinance (MF) is the financial product including, loans, savings and insurance to the poor. Number of MFIs provides other non-financial services also, such as entrepreneurship Training, education, workshops, technical training and health facilities etc. It is tool for poverty alleviation (UNDP, 2011). There are two main approaches for providing MF; 1) Relationship Based individual model wherein single entrepreneur or a small business borrow small loan 2) Group-based model, wherein MFIs form group of entrepreneurs or traders and provide or services to each member against personal guarantees of members of that group. Karmani (2007) claims that microcredit provides non-economic benefits, creates jobs, and increase productivity which will significantly effect on poverty alleviation. Aghion and Morduch (2010) and Lidgerwood (1999) stated that MFIs provides financial support to poor who cannot access to conventional financial Institutes. One of highly referenced studies on impact of MF and poverty alleviation was conducted by Hulme and Mosely (1996). The researchers used control group and treatment group approach and examined the impact on income of poor who received MF program and poor who did not receive program from 1988 to 1992. Researchers found positive impact on income of borrowers. Study by Otero (1999) stated that MF raises productive capital for poor. However, such programs increase bad debts and number of defaulters also (Robinson, 2001). Ghazala et. al. (2020) conducted research on performance of MFIs in Sindh. Primary data of sample of 150 MFI managers was taken though questionnaires. The results showed positive impact of less number of defaulters and increasing number of MFI branches in Sindh. Lal, S. et.,al. (2023) explored impact of MF on poverty alleviation in *Mirpurkhas (district of Sindh Province)*by taking Khushhali bank as a case study. Researcher examined the impact of loan on income level and living standards of borrowers. The results showed that MF helps in improvement of income and living standards of poor. There are number of elements of MF at macro level that are fundamentally similar to the principle of Islam, which emphasis on promoting fair treatment and equality in the society (Obaidullah, 2008).

4.2 Strategies of Poverty alleviation in Islam:

There are three measures in Islamic approach for poverty eradication as reflected in figure 1; Positive measure, Preventive measure and Corrective measure. These measures are anti-poverty and play substantial role for uplift of deprived people;

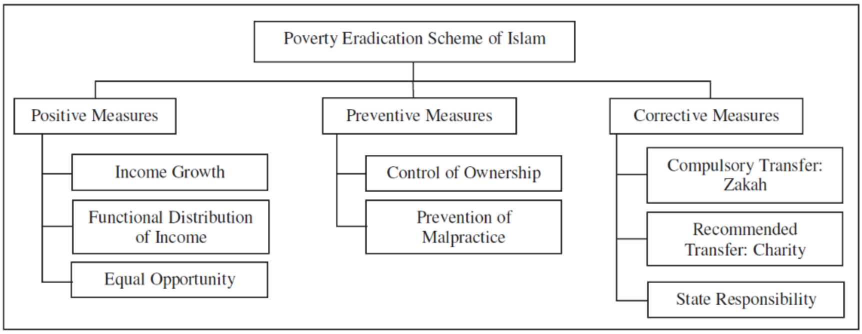

Figure 1: Poverty Alleviation approach of lslam
Source: Sadeq, A. M. (1997). Poverty alleviation: an Islamic perspective

i) Positive Measures: These measures includes[2]; a) equal opportunity means distribution of income on the basis of predetermined profit sharing ratio instead of distribution of fixed amount of profit which is nominal fixed interest (*Riba*); b) Income growth of individual, through moderate consumption behaviour which increase savings for family and overall economy; C) Functional distribution of income means equal division of income among all production factors. Islamic teachings ensure that principle of factor pricing must be based on fairness and justice.

ii) Preventive Measures: Islam forbids the concentration of wealth in a particular group of population and ensures preventive measures[3] for example: Islam prohibits from malpractices such as corporate frauds, cheating, gambling, bribery charging interest (Simple or compound) and hoarding and other white collar crimes. This may result in economic disparity. If such malpractices are prevented then income inequality could be avoided. In Islam ownership of all resources belongs to Almighty Allah, while human is trustee for utilizing those resources as per conditions of trust. State owns such resources only to ensure that all groups of population can access to these resources. Whereas, Islam permits private ownership of business as long as these companies are performing as per Islamic Principals.

iii) Corrective Measures: It promotes wealth transfer to needy people through a) Annual compulsory charity or alms giving called *Zakat*[4] on wealth of all well-off Muslim to be distributed to worse-off people. *Zakat* is unique measure for alleviation of poverty b) recommended transfers charity; Islam encourage act of benevolence, financial or non-financial support to poor such as loan without interest, teaching skills to poor and support in entrepreneurship so that poor can get rid of from dependency etc. c) In an Islamic State, government should protect citizens from any form of malpractices, impose on Muslim to pay *Zakat* annually, develop and maintain favourable environment for healthy economic activities and support poor with interest free financial products and non-financial products[5].

4.3 Poverty Alleviation and Islamic Micro Finance:

Conventional Finance and Islamic Finance are distinguished by number of *Shariah* rules as shown in Figure 1. For example prohibition of; charging usury or interest *(Riba)* on loan (according to economic

[2]*Hassan, M. K. (2006, November). The role of Zakat in poverty alleviation in Bangladesh. In a conference in Dhaka*
[3]*Hassan, M. K. (2006, November). The role of Zakat in poverty alleviation in Bangladesh. In a conference in Dhaka*
[4]*Zakat is one of five main pillars of Islam. It is the almsgiving, compulsory for every adult and sound minded Muslim. The amount of Zakat is 2.5% of net savings after deducting living expenses, loans etc.*
[5]*Hassan, M. K. (2006, November). The role of Zakat in poverty alleviation in Bangladesh. In a conference in Dhaka*

philosophy of Islam *riba* cumulates money in few hands which increases income inequality, creates monopoly, raise greed and thus augment injustice and oppression in society); Gambling (maysir) which means any type of business activity wherein monetary benefits are derived by speculation, or conjecture, chance is called gambling *(maysir)* (Hameed, 2009); Gharar means anything having undetermined consequence. Uddin (2015) refers that Gharar means sale of probable objects with uncertain characteristics or existence, due to risky nature of object which makes the transaction similar to Gambling. IMF reflects the conflux of microfinance and Islamic Finance; both industries are growing rapidly. IMF serves microcredit demands adhering Social principle of Islam; caring vulnerable people (Karim et al., 2008).

Figure 1:

The Philosophy of Islamic Finance is "benevolence" and "Social Justice", accordingly IF can deter the exploitation of poor and improve their living standard by providing access to finance, thus it achieve the objectives of social justice and benevolence (Dogarawa, 2008).There are number of Islamic Financial products which can be offered by MF to slenderize the scourge of poverty. MF is implemented in several countries. It has provided economic opportunities and improved socio economic state of poor, which manifested that MF alleviates poverty through increase in real wages and employment opportunities Awojobi and Bein, 2011). According to Siddiqui (2002) IF has a comparative advantage over CF that is its close linkage with real economic activities, this creates value for financial activities. Considering this advantage, IF creates job opportunities that could have a continuing impact on country's sustainable economic development. IF products are accessible to the every poor regardless of their religion, because there is no built-in religious barrier that segregates poor based on their beliefs. There are different IMF models in literature. Dhumale and Sapcanin (1999) have recommended three fundamental models, which can built a successful framework of IMF program, 1) *Murabaha*: it is a specific type of sale, wherein seller declares the description , measurement , quality, quantity and cost of incurring the product, and offers to other party by adding up profit amount in the cost. Murabaha is not loan with interest, rather it is sale of product on cash or deferred payment mode. Islamic Microfinance Banks purchases product from market or appoints micro-entrepreneur as an agent for purchasing that product and sells it to that micro-entrepreneur on some profit. Mode of payment can be deferred 2) *Mudarabah*: It is partnership business, wherein one partner invests (called *Rab-ul-mall*) and other partner works as manager or entrepreneur (called *Mudarib*) and share the profit, generated from business, according to pre-determined ratio. However, in case of loss, only investor bears the loss because micro-entrepreneur does not invest in business. Thus Islamic Microfinance Bank provides small finance and micro-entrepreneur works as active partner. 3) Musharaka: It is similar to joint venture, wherein Islamic Microfinance Bank and Micro-entrepreneur contributes in capital and share profit as well as loss. Hassan & Ashraf (2010) stated the model of integration of Zakat Fund, Awkaf[6] Fund and Microfinance. This model can solve the problem of shortage of funds of IMFIs. The Funds from *Zakat* may be used to meet the necessary expenses of hard-core poor as a result they can better focus on their micro-enterprise. Since it is alms therefore there is no repayment of principle. *Zakat* and *Awqaf* fund can be used as equity for start-up of micro-business or meeting working capital requirement. All modes of Islamic Finance are *Riba* free and based on principles of equity participation and social justice. Therefore IMFIs are likely to yield better results as compare to conventional MF, provided they are properly designed. Further, since it is *Zakat* fund, as a result the poor borrower will have lower amount of refundable loan. Such prominent features can be truly beneficial for welfare of society.

4.4 Islamic Microfinance in Pakistan:

In Pakistan, there are few institutes facilitating Islamic microfinance such as Rural Support Program (NRSP), Pakistan Poverty Alleviation Fund (PPAF), Kashaf Foundation, Akhuwat Bank are providing interest free loans in sindh (Abdul, 2020). Studies have established that interest-free credit is necessary for social, political and economic well-being (Arif at., al, (2022). A survey was carried in 4 districts of Pakistan by Alhuda Centre of Islamic Banking & Economics (CIBE) found that, 99% of participants preferred Islamic MF. Asian Development Bank (ADB) conducted survey in 21 districts of Pakistan and found an intensive demand of Islamic MFIs in number of cities including Pershawar, Lahore, Abbotabad, Charsadda, Mardan and Gujranwala. This information was further endorsed by Government of Pakistan (2009). Kazim and Haider (2012) studied Islamic microfinance models and their feasibility in Pakistan. The authors claimed that Pakistan is in great need of Islamic financial services particularly at the micro level where *Shariah* compliance is viewed as a need before using financial services.

[6]Awqaf fund is the endowment of property, stocks, shares, royalty to a trust that use its perpetual profit for religious and charitable.

However there is gap between the provision of services and need of financial services. A Study on one of Islamic MFIs in Pakistan called Akhuwat Islamic Microfinance (AIM) revealed that there is a significant impact of MF on poverty alleviation and women empowerment. The sample size of 290 borrowers of AIM, living in rural areas of the country, was studied thorough linear regression technique (Shafique and Siddique, 2020). One of studies by Ahmed (2018) regarding challenges and demands of Islamic Microfinance focused on Ghotki (District of Sindh) revealed that approximately 40% of population of Ghotki needs MF facilities under Islamic Mode of financing, most of the population does not want to avail interest based MF.

Although MFIs in Pakistan are working for more than 30 years and playing an affective role to address the very issue of poverty, however, a substantial percentage of poor still could not receive financial services due to limited capacity and outreach of MFIs in Pakistan, while Islamic Microfinance Institutes are capturing a very small share in Pakistan. Experts claim that IMF has great potential to play a vital role in poverty alleviation in Pakistan. However, there are number of obstacles that hinders the penetration of financial sector in IMF field in Pakistan it includes several factors such as mindset of senior management of banks, weak role of State Bank of Pakistan, lack of collateral, limited MF products, lack of customer awareness on Islamic MF (Ayaz, at., el., 2019).

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[6]*Awqaf fund is the endowment of property, stocks, shares, royalty to a trust that use its perpetual profit for religious and charitable.*

5. Research Methodology

This research employs triangulation approach (Saunders et. al., 2009), wherein different data collection techniques are applied within one study to achieve more accurate results. In order to avoid the effect of perception bias, this study includes semi structured interviews with survey questionnaires.

In order to determine the perception, that how IMF can play role in poverty alleviation and in economic development, this study uses descriptive research method through the collection of data from urban areas and rural areas of the region. A deductive approach is applied, since the review of literature has identified theories thus the collected data is left to be examined. This study has adopted the choice of multiple methods as advocated by Saunders et. al., (2009). In order to determine the demographic and socio economic characteristics of participants, the descriptive analysis including percentage analysis and ratio analysis is employed. The focus of analysis is on the respondents' size and composition, gender, and educational background. Semi structured interviews and survey questionnaires are employed. Open ended and close questions are included in survey. Respondents are required to mark preferred answer from choices, in structured questionnaire. Intensive care is taken while drafting questionnaire, in order to minimize bias and ambiguity.

Five hundred questionnaires were managed in 22 districts (Appendix –A). These districts are covering major part of rural population of Sindh. The questionnaires are equally divided in rural and urban areas of these districts. The target respondents include farmers, Bankers, small retail business owners, university students, academicians and civil servants. Stratified sampling technique is employed to exhibit population size of each district. Following section analyse the data and interpret results.

6. Results and Discussion

Total 441 (88%) responses were received out of 500 questionnaires. The response percentage is considered to be sufficient for making an empirical conclusion of study. Ten semi-structured interviews were conducted with experts of sociology, banking sector and finance management.

The data indicate that Islamic microfinance, together with productive labour force, will benefit all individuals in and above the age range of 18 and 60 years. A small majority of *Hindus* who responded (66%) said they would borrow through Islamic MFI if they were offered it, demonstrating that implementing Islamic microfinance is not hindered by one's religion.

According to the results, Loan request of 37% respondents have been declined in the past owing to insufficient funding, which confirms that current MFIs are unable to satisfy the demand of the prospective market in Sindh. Indeed as referred in section-I, there are approximately 1.751 M MF borrowers in Sindh which is only 19% of total potential people living below the poverty line in Sindh i-e 9.324 M (37 % of total population according to Sindh Human Rights Commission, 2017)

Results also revealed that 65% of sample population is inclined for partnering their business with an Islamic microfinance institution. It shows how individuals perceive the significance of Islamic finance in business growth because product structure of Islamic finance, which are generally centred on partnerships and profit-and-loss sharing. Participant's majority i-e 82% opposed the charity[7] clause upon loan default in Islamic finance. However, 88% of respondents strongly agree that IMF can reduce poverty; this is supporting the majority of the literature's conclusions. Answering the questions that how Islamic microfinance has affected Pakistan's real sector and whether achieving positive sustainable growth is possible or not. 73% of respondents believe that Islamic finance adds value to financial operations because of the strong relationship between Islamic finance and actual

[7]*In case of late payment of loan amount, the Islamic MF may charge penalty amount over and above the loan amount, to discourage borrowers from delays in repayments. The penalty amount will be distributed to poor as charity.*

economic activity this is in with the study by Siddiqi (2002). Additionally, 71% of survey results show that more jobs will be created, which will reduce unemployment and put long term impact on economic development.

The results of open-ended and semi-structured questions show, previous efforts to reduce poverty were not fruitful. The participants also showed agreement that IMF can help in poverty reduction in Pakistan when combined with the appropriate framework for fiscal and monetary policy. Last but not least, the majority of respondents expressed support for the implementation of Islamic microfinance in Pakistan.

7. Conclusion and Recommendations

This paper has reviewed literature on Islamic microfinance and poverty in Pakistan. The ideology of IMFIs has comparative advantage because Muslim wishes to carry economic activities as per Islamic Principles. Pakistan being a Muslim state is a potential market for Islamic Microfinance. With approximately 39.8 % of Pakistani living below poverty line, IMF can be a bona fide substitute for poverty alleviation and economic growth of country. Finding of this research reveals that IMF is supported by a significant percentage of population irrespective of participant's religion. Since existing MFIs are not facilitating enough to needy people, IMF promises to improve the outreach for provision of financial services to the poor.

Further, the study highlighted that adoption of IMF can be an effective strategy for reducing poverty; it must be used in conjunction with other supportive fiscal and monetary policies. In order to avoid religious feelings, there should be sufficient public awareness on Islamic financial ideas, with a stronger emphasis on the subject of ethical finance rather on Islamic finance.

Finally, in order to establish a sustainable, balanced, economic development that would include the underprivileged and the impoverished, Government of Pakistan should implement Islamic microfinance principles aligned with fundamental restructuring of the economy.

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Appendix A:

S No.	Name of District	Headquarter	Area (km2)	Population (in 2017)	Density (people/km2)
1	Badin	Badin	6,470	1,804,516	279
2	Dadu	Dadu	8,034	1,550,266	193
3	Ghotki	Ghotki	6,506	1,647,239	253
4	Jacobabad	Jacobabad	2,771	1,006,297	363
5	Jamshoro	Jamshoro	11,250	993,142	88
6	Kashmore	Kashmore	2,551	1,089,169	427
7	Khairpur	Khairpur	15,925	2,405,523	151
8	Larkana	Larkana	1,906	1,524,391	800
9	Matiari	Matiari	1,459	769,349	527
10	Mirpur Khas	Mirpur Khas	3,319	1,505,876	454
11	Naushahro Feroze	NF	2,027	1,612,373	369
12	Shaheed Benazirabad	Nawabshah	4,618	1,612,847	349
13	Qambar Shahdadkot	Qambar	5,599	1,341,042	240
14	Sanghar	Sanghar	10,259	2,057,057	200
15	Shikarpur	Shikarpur	2,577	1,231,481	478
16	Sukkur	Sukkur	5,216	1,487,903	285
17	Tando Allahyar	Tando Allahyar	1,573	836,887	532
18	Tando Muhammad Khan	TMK	1,814	677,228	373
19	Tharparkar	Mithi	19,808	1,649,661	83
20	Thatta	Thatta	7,705	979,817	127
21	Umerkot	Umerkot	5,503	1,073,146	195
22	Sujawal	Sujawal (22)	8,699	781,967	90